

# **GATEWAY WATER MANAGEMENT AUTHORITY**

*Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority*

16401 Paramount Blvd., Paramount, CA 90723 ☐ 562.663.6850 phone 562.634.8216 fax ☐ [www.gatewayirwmp.org](http://www.gatewayirwmp.org)

## **AGENDA**

**Regular Meeting of the Board of Directors  
Thursday, January 14, 2016 at 11:30 a.m.  
Progress Park Plaza, 15500 Downey Avenue, Paramount, CA**

- 1. Roll Call**
- 2. Determination of a Quorum**
- 3. Additions to Agenda (Govt. Code Sec. 54954.2(b))**
- 4. Oral Communications to the Board**

This is an opportunity for members of the public to address the Board on any item under the jurisdiction of the agency. Depending upon the subject matter, the Board may be unable to respond until the item can be posted on the agenda at a future meeting in accordance with provisions of the Brown Act.
- 5. Consent Calendar: (Acted as one item unless withdrawn by request)**
  - a. Minutes of the Board Meeting of November 12, 2015 (Enclosure)
  - b. Warrant Register Report and Ratify List of Warrants for December 2015 and Approve List of Warrants for January 2016 (Enclosure)
- 6. Presentation – Results of the Central Basin MWD Audit (Kevin Hunt)(Enclosure)**
- 7. Discussion/Action Regarding On-Call Consulting Process (Enclosure)**
  - a. Ratify On-Call Consulting Process for 2016
- 8. Discussion/Action Regarding Board Member Appointment Process in Accordance with the Newly Adopted Bylaws (Enclosure)**
- 9. Update Regarding 2015 IRWM Grant Application**
- 10. Update Regarding 20x2020 Regional Alliance**
- 11. Discussion/Action Regarding Letter of Support for Green Streets Program – Measure R2 (Enclosure)**

**Christopher Cash, Board Chair ☐ Adriana Figueroa, Vice-Chair ☐ Charlie Honeycutt, Secretary/Treasurer**

**Proudly serving Gateway cities and agencies in Southeastern Los Angeles County**

Members: Artesia · Avalon · Bell · Bell Gardens · Bellflower · Central Basin Municipal Water District · Cerritos · Commerce · Cudahy · Downey · Hawaiian Gardens · Huntington Park · La Mirada · Lakewood · Long Beach · Long Beach Water Department · Lynwood · Maywood · Montebello · Norwalk · Paramount · Pico Rivera · Santa Fe Springs · Signal Hill · South Gate · Vernon · Water Replenishment District of Southern California · Whittier

*With Technical Support From The Sanitation Districts Of Los Angeles County*

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## **12. Discussion/Action Regarding Prop 84 Round 2 Stormwater Grant**

- a. Authorize Executive Officer to Release the Notice Inviting Bids to fulfill the Proposition 84 grant: Multi-Agency, Multi-Watershed Project to Incorporate LID BMPs into Major Transportation Corridors in the Gateway Region of Los Angeles upon Completion of Legal Counsel Review (Enclosure)

## **13. Gateway Region Watershed Management Plan (WMPs) and MOU and/or Amendment Activities**

- a. Lower Los Angeles River Upper Reach 2 Watershed Group
  1. Ratify Authorization to release the Request for Proposal and Scope of Work for A Feasibility Study for LAR UR2 (Enclosure)
- b. Lower Los Angeles River Watershed Group
- c. Los Cerritos Channel Watershed Group
- d. Lower San Gabriel River Watershed Group

## **14. Executive Officer's Report**

## **15. Directors' Comments/Reports**

## **16. Adjournment**

**Christopher Cash, Board Chair** ☐ **Adriana Figueroa, Vice-Chair** ☐ **Charlie Honeycutt, Secretary/Treasurer**

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AGENDA ITEM NO. 5A

**MINUTES OF THE GATEWAY WATER MANAGEMENT AUTHORITY  
LOS ANGELES GATEWAY REGION  
INTEGRATED REGIONAL WATER MANAGEMENT JOINT POWERS AUTHORITY  
BOARD  
AT PARAMOUNT, CALIFORNIA  
THURSDAY, NOVEMBER 12, 2015**

A regular meeting of the Board of Directors of the Gateway Water Management Authority was held on Thursday, November 12, 2015 at 11:30 a.m. at the Progress Park Plaza, 15500 Downey Avenue, Paramount, CA 90723.

Chair Chris Cash called the meeting to order at 11:43 a.m. Roll was called by Ms. Penn and a quorum of the Board was declared.

**BOARD MEMBERS PRESENT:**

Okina Dor	Artesia
Jordan Monroe	Avalon
Chau Vu (alternate)	Bell Gardens
Bernardo Iniguez (alternate)	Bellflower
Tammy Hierlihy	Central Basin MWD
Mike O'Grady	Cerritos
Gina Nila	Commerce
Mohammad Mostahkami	Downey
Christina Dixon (alternate)	Huntington Park
Marlin Munoz	La Mirada
Lisa Rapp	Lakewood
Anthony Arevalo	Long Beach
William Stracker	Lynwood
Adriana Figueroa	Norwalk
Chris Cash	Paramount
Gladis Deras (alternate)	Pico Rivera
Sarina Morales-Choate (proxy)	Santa Fe Springs
Charlie Honeycutt	Signal Hill
Chris Castillo (proxy)	South Gate
William De Witt	South Gate
Scott Rigg (alternate)	Vernon
Esther Rojas	Water Replenishment District

**STAFF AND GUESTS ON SIGN-IN SHEET:**

Grace Kast	Executive Officer
Toni Penn	Admin/Accounting Manager
Brianna Burgess	Office Assistant
Steve Myrter	Signal Hill

Shad Rezai  
Bill Minasian  
Genevieve Osmena  
Enrique Huerta  
Amanda Guzman-Perez  
Raul Godinez  
Lorry Hempe  
Anatole Falagan  
Russ Bryden

Southern California Edison  
Downey  
LACFCD  
Green Cities Co.  
LACFCD  
Lynwood  
Lynwood  
LBWD  
LACFCD

### **ITEM 3 - ADDITIONS TO THE AGENDA**

None.

### **ITEM 4 – ORAL COMMUNICATIONS TO THE BOARD**

Director Hierlihy reported that Central Basin MWD completed an audit with the State Legislature and the final report would be released 12/3/2015.

### **ITEM 5 – ELECTION OF OFFICERS**

An election of officers was held to determine the position of Chair, Vice Chair, Treasurer, and the Lead Agency. Director Mostahkami moved to nominate Director Cash as the new Chair. Director Arevalo seconded the motion and it was approved by the following voice vote:

**AYES: DOR, MONROE, VU, INIGUEZ, HIERLIHY, O’GRADY, NILA, MOSTAHKAMI, MUNOZ, RAPP, AREVALO, FIGUEROA, CASH, DERAS, RIGG, ROJAS, MORALES-CHOATE, CASTILLO, HONEYCUTT**

**NOES: NONE**

**ABSTAIN: NONE**

Director Iniguez moved to nominate Director Figueroa for the position of Vice Chair. Director Deras seconded the motion and it was approved by the following voice vote:

**AYES: DOR, MONROE, VU, INIGUEZ, HIERLIHY, O’GRADY, NILA, MOSTAHKAMI, MUNOZ, RAPP, AREVALO, FIGUEROA, CASH, DERAS, RIGG, ROJAS, MORALES-CHOATE, CASTILLO, HONEYCUTT**



**NOES: NONE**

**ABSTAIN: NONE**

Director Honeycutt indicated that Steve Myrter would be the new Signal Hill Board representative and would therefore be the Treasurer for the Board. Director Mostahkami then motioned for Signal Hill to remain as the lead agency, and its representative be appointed as the new Secretary/Treasurer. Director Rapp seconded the motion and the motion was approved by the following voice vote:

**AYES: DOR, MONROE, VU, INIGUEZ, HIERLIHY, O'GRADY, NILA, MOSTAHKAMI, MUNOZ, RAPP, AREVALO, FIGUEROA, CASH, DERAS, RIGG, ROJAS, MORALES-CHOATE, CASTILLO, HONEYCUTT**

**NOES: NONE**

**ABSTAIN: NONE**

#### **ITEM 6 – CONSENT CALENDAR**

Director Nila moved to approve the consent calendar. The motion was seconded by Director Rapp and was approved by the following voice vote:

**AYES: DOR, MONROE, VU, INIGUEZ, HIERLIHY, O'GRADY, NILA, MOSTAHKAMI, MUNOZ, RAPP, AREVALO, CASH, DERAS, RIGG, ROJAS, MORALES-CHOATE, CASTILLO, HONEYCUTT**

**NOES: NONE**

**ABSTAIN: FIGUEROA (FROM MINUTES ONLY)**

#### **ITEM 7 – DISCUSSION/ACTION REGARDING GWMA ACCOUNTING AND AUDIT ACTIVITIES**

Director Honeycutt reported that the GWMA Audits for FY 2012/13 and FY 2013/14 were reviewed by the auditing firm and were found to be in conformity with Generally Accepted Auditing Standards. All significant transactions had been recognized in the financial statements.

Director Deras brought attention that there was a column width error on Page 4 that must be corrected. Director Mostahkami moved that the Board to receive and file the Annual Audited Financial Statements for FY 2012/13 and FY 2013/14 as amended. Director Deras seconded the motion and it was approved by the following voice vote:

**AYES: DOR, MONROE, VU, INIGUEZ, HIERLIHY, O'GRADY, NILA, MOSTAHKAMI, MUNOZ, RAPP, AREVALO, CASH, DERAS, RIGG, ROJAS, MORALES-CHOATE, CASTILLO, FIGUEROA, HONEYCUTT**

**NOES: NONE**

**ABSTAIN: NONE**

Ms. Kast reported that traditionally the Lead Agency, Signal Hill, engaged the auditor. However, GWMA's accounting functions were now officially transferred from Signal Hill to GWMA. She stated that because of this, Legal Counsel recommended that GWMA should now directly contract for audit services and that the Board should appoint a Controller for audit purposes. The Executive Committee recommended that the Secretary/Treasurer of the Board be the Controller.

Ms. Kast also stated that it was time to prepare the FY 2014/15 Audit and that the Secretary/Treasurer recommended they retain Moss, Levy and Hartzheim LLP as the auditor that Signal Hill had used for the past 2 years.

Director Mostahkami moved to approve that the Secretary/Treasurer act as the Controller of the GWMA for auditing purposes as well as retain Moss, Levy and Hartzheim LLP to conduct GWMA's FY 2014/15 audit in an amount not to exceed \$5,875. Director Figueroa seconded the motion and it was approved by the following voice vote:

**AYES: DOR, MONROE, VU, INIGUEZ, HIERLIHY, O'GRADY, NILA, MOSTAHKAMI, MUNOZ, RAPP, AREVALO, CASH, DERAS, RIGG, ROJAS, MORALES-CHOATE, CASTILLO, FIGUEROA, HONEYCUTT**

**NOES: NONE**

**ABSTAIN: NONE**

Ms. Kast reported that GWMA staff had successfully transitioned all of the accounting functions from the City of Signal Hill to in-house. She stated that GWMA's bank account was opened at Wells Fargo.

#### **ITEM 8 – GLAC IRWM ACTIVITIES**

Ms. Kast reported that the Greater LA IRWM "GLAC" group and its sub-regions were tasked with choosing how to allocate a partial award of 79% of GLAC's total request. The Lower SG and Lower LA sub-region meeting was scheduled for November 17, 2015 and the Greater LA IRWM Leadership Committee meeting was scheduled for December 9, 2015. Ms.

Kast reported that the Board should discuss and provide guidance to the Chair and staff for allocating the tentative award of 79% for the Greater LA IRWM projects.

Mr. Russ Bryden from LACFCD explained to the Board four possible options. The first option was to apply three funding tiers based on individual project scores. The second option was to reduce each project grant request equally by 21%. The third option was to apply the 21% reduction to each Sub-Region and allow each sub-region to decide how to allocate the funding. Lastly, option four was to eliminate the four lowest scoring projects across the region.

Director Figueroa moved to endorse Option 2, but then withdrew her motion.

Director Stracker and Director De Witt entered at 12:02. (Director De Witt replaced Director Castillo as the voting member from the City of South Gate.)

Director Rapp moved to endorse Option 1 which was seconded by Director Castillo. The motion was approved by the following voice vote:

**AYES: MONROE, VU, INIGUEZ, HIERLIHY, NILA, MOSTAHKAMI, MUNOZ, RAPP, AREVALO, STRACKER, CASH, DERAS, RIGG, ROJAS, DE WITT, FIGUEROA, HONEYCUTT**

**NOES: O'GRADY**

**ABSTAIN: DOR, MORALES-CHOATE**

#### **ITEM 9 – DISCUSSION/ACTION REGARDING GOVERNING BOARD BYLAWS**

Ms. Kast reported that GWMA's membership had grown significantly over the past several years. With that growth, the administrative management of up to 58 Board members and alternates has become more involved. Ms. Kast presented the revised draft Bylaws that reflected the majority direction given by the Board in October. The revision was to eliminate proxies altogether and allow up to 3 appointed alternate Board members.

Director Mostahkami moved to approve the Bylaws as presented. Director Nila seconded the motion which was approved by the following voice vote:

**AYES: DOR, MONROE, VU, INIGUEZ, HIERLIHY, O'GRADY, NILA, MOSTAHKAMI, MUNOZ, RAPP, AREVALO, FIGUEROA, STRACKER, CASH, DERAS, RIGG, ROJAS, MORALES-CHOATE, DE WITT, HONEYCUTT**

**NOES: NONE**

**ABSTAIN: NONE**

**ITEM 10 – EXPENDITURES FOR THE MANAGEMENT OF THE PROP 84  
STORMWATER GRANT: MULTI-AGENCY, MULTI-WATERSHED PROJECT TO  
INCORPORATE LID BMPS INTO MAJOR TRANSPORTATION CORRIDORS IN  
THE GATEWAY REGION OF LOS ANGELES**

Director Nila moved to approve the expenditures and authorize the Executive Officer to issue a Notice to Proceed to John L. Hunter & Associates, Inc. (JHLA) to manage the implementation of the Proposition 84 Grant: Multi-Agency, Multi-Watershed Project to Incorporate LID BMPs into Major Transportation Corridors in the Gateway Region of Los Angeles. Director Rigg seconded the motion and was approved by the following vote:

**AYES: DOR, MONROE, VU, INIGUEZ, HIERLIHY, O'GRADY, NILA,  
MOSTAHKAMI, MUNOZ, RAPP, AREVALO, FIGUEROA,  
STRACKER, CASH, DERAS, RIGG, ROJAS, MORALES-  
CHOATE, DE WITT, HONEYCUTT**

**NOES: NONE**

**ABSTAIN: NONE**

**ITEM 11 – REPORT FROM GRANT AD HOC COMMITTEE WITH POSSIBLE  
ACTION REGARDING POTENTIAL FUNDING OPPORTUNITIES**

Ms. Kast reported that the Grant Ad Hoc Committee met previously and discussed possible action regarding potential funding opportunities. The funding programs discussed were: 2012 Clean Water Revolving Fund (Greening 10%), Prop 1 Drinking Water Revolving Fund, Prop 1 Water Recycling, Prop 1 Stormwater, and Prop 1 SG Rivers & Mountains Conservancy.

Ms. Kast summarized the main points discussed from each program.

The 2012 Clean Water Revolving Fund would provide loans only with a long waiting list on a first come-first serve basis. The application deadline was on-going and individual members were encouraged to looking into this potential funding program.

Prop 1 Drinking Water Revolving Fund would provide loans as well as grants. The project was on-going with many projects on the waiting list on a first come-first serve basis. Eligibility for this program was to water providers only.

Prop 1 Water Recycling was currently for low-interest loans only The Application deadline was December 2, 2015 and only public agencies were eligible.

Prop 1 Stormwater final guidelines were scheduled for December 2015 with Watershed groups encouraged to apply. This program would provide grants only. Round 1 solicitation was for \$80M plus \$20M for Planning with a deadline of Spring 2016. Round 2 anticipated solicitation was for \$86M with a deadline of Spring 2018. . Ms. Kast reminded the Board that GWMA had provided detailed comments to the State Board regarding the draft guidelines.

Prop 1 SG Rivers & Mountains Conservancy was receiving Grants only and eligibility only included public agencies with an application deadline of December 16, 2015.

The Committee recommended that the EO seek proposals from 3 or more grant consultants to assist the committee in identifying potential opportunities for GWMA. The process and recommended selection would go through the Grant committee for Board approval.

**ITEM 12 – GATEWAY REGION WATERSHED MANAGEMENT PLAN (WMPS) AND MOU AND/OR AMENDMENT ACTIVITIES**

Lower Los Angeles River Upper Reach 2 Watershed Group

Director Nila updated the Board on the Lower Los Angeles River Upper Reach 2 Watershed Group and indicated that they were still waiting for the CIMP to be approved.

Lower Los Angeles River Watershed Group

Director Myrter reported that the Lower Los Angeles River Watershed Group issued their invoices.

Los Cerritos Channel Watershed Group

Director Arevalo reported that the Los Cerritos Channel Watershed Group sought approval of the expenditures and authorization of the Executive Officer to issue a Notice to Proceed to Richard Watson & Associates, Inc. in the amount not to exceed \$582,524 for the implementation of a WMP and CIMP for the Los Cerritos Channel Watershed Group.

Director De Witt moved the approval of expenditures and authorization to issue a Notice to Proceed to Richard Watson & Associates, Inc. to implement a WMP and CIMP for the LCC Watershed Group. Director Nila seconded the motion and was approved by the following voice vote:

**AYES: DOR, MONROE, VU, INIGUEZ, HIERLIHY, O'GRADY, NILA, MOSTAHKAMI, MUNOZ, RAPP, AREVALO, FIGUEROA, STRACKER, CASH, DERAS, RIGG, ROJAS, MORALES-CHOATE, DE WITT, HONEYCUTT**

**NOES: NONE**

**ABSTAIN: NONE**

Director Arevalo reported that the LCC Watershed Group wished to obtain approval and authorization for the Chair to Execute the MOU between GWMA and the County of Los Angeles for Administration and Cost Sharing to implement a Coordinated Integrated Monitoring Program as required by the Regional Water Quality Control Board for the Los Cerritos Channel.

Director Nila motioned to approve the execution of an MOU between GWMA and County of Los Angeles for implementation of a Coordinated Integrated Monitoring Program. Director Figueroa seconded the motion and was approved by the following voice vote:

**AYES: DOR, MONROE, VU, INIGUEZ, HIERLIHY, O'GRADY, NILA, MOSTAHKAMI, MUNOZ, RAPP, AREVALO, FIGUEROA, STRACKER, CASH, DERAS, RIGG, ROJAS, MORALES-CHOATE, DE WITT, HONEYCUTT**

**NOES: NONE**

**ABSTAIN: NONE**

Lower San Gabriel River Watershed Group

Director Figueroa reported that the Lower San Gabriel Watershed Group issued their invoices and that the Watershed group would meet the following week.

**ITEM 13 – EXECUTIVE OFFICER'S REPORT**

None.

**ITEM 14 – DIRECTORS' COMMENTS/REPORT**

Director Mostahkami requested the on-call consultant policy be brought back for discussion at the next Board meeting.

The meeting was adjourned at 1:20 p.m.

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Adriana Figueroa, Vice-Chair

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Date

**AGENDA ITEM NO. 5B**

# **GATEWAY WATER MANAGEMENT AUTHORITY**

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January 14, 2016

**SECTION NO. 5(b) Warrant Register Dated December 10, 2015 & January 14, 2016**

**SUMMARY:**

The Warrant Register is a listing of general checks issued since the last warrant register. Warrants will be signed by 2 of the 3 Board Officers and released by Toni Penn, serving as the Administrative/Accounting Manager of the Gateway Water Management Authority, upon Board Approval.

**DISCUSSION:**

The Warrant Register for expenditures dated December 10, 2015 in the amount of \$320,491.92 are submitted for ratification by the Board and the Warrant Register for expenditures dated January 14, 2016 in the amount of \$180,736.44 are submitted for approval. Invoices and supporting documentation are available for review at the City of office of GWMA.

**FISCAL IMPACT:**

The Warrant Registers totals \$501,228.36. Funds to cover payment are available in the Gateway Authority budget.

**RECOMMENDATION:**

Ratify the Warrant Register for December as presented and Approve the Warrant Register for January as presented.

**Christopher Cash, Board Chair • Adriana Figueroa, Vice-Chair • Steve Myrter, Secretary/Treasurer**

**Proudly serving Gateway cities and agencies in Southeastern Los Angeles County**

Members: Artesia • Avalon • Bell • Bell Gardens • Bellflower • Central Basin Municipal Water District • Cerritos • Commerce • Cudahy • Downey • Hawaiian Gardens • Huntington Park • La Mirada • Maywood • Lakewood • Long Beach • Long Beach Water Department • Lynwood • Montebello • Norwalk • Paramount • Pico Rivera • Santa Fe Springs • Signal Hill • South Gate • Vernon • Water Replenishment District of Southern California • Whittier

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## WARRANT REGISTER

December 10, 2015

[illegible]



**WARRANT REGISTER**  
Disbursement Journal  
January 14, 2016

[illegible]

# Press Release

**For Immediate Release****Date:** 12/3/2015**Contact:** Priscilla Segura**Phone:** (323) 201- 5504

## **CENTRAL BASIN COMMITTED TO ADDRESSING STATE AUDIT RECOMMENDATIONS**

Commerce, CA – In a spirit of collaboration and with a commitment to improved governance, transparency and financial stability, the Central Basin Municipal Water District (District) is reviewing and addressing the recommendations in the State Audit Report released today. The State Audit Report provides valuable insight on steps the District can take to enhance its operations, while recognizing key improvements that have taken place.

As a wholesale water provider for nearly 2 million residents in the Southeast Los Angeles County, the District is committed to serving its communities and recognizes that there are opportunities for organizational improvements. The State Audit Report provides over 35 recommendations for improvements.

“We commend the State Auditor for their high level of professionalism and for identifying areas where Central Basin can be a more effective public agency,” said Central Basin General Manager Kevin Hunt. “We also recognize that the State Report identifies areas in which the District’s actions over the last five years have impacted our credibility with the public we serve. We are committed to continuing to move Central Basin toward a more transparent, financially stable and effective District.”

The State Audit Report recognizes the progress the District has made, including:

- Implementing a strategic plan that outlines the District’s goals over the next three years
- Establishing an fully independent Ethics Policy that includes a confidential hotline and independent investigative law firm
- Strengthening financial disclosure and accountability for expenditures
- Initiating the process of a long-term financial plan
- Conducting monthly meetings with water retailers to discuss Central Basin and regional water issues

Additionally, the State Report identifies other areas for improvements such as:

*“Serving Our Community”*

- Revising policies to provide more guidance as to what constitutes reasonable and necessary use of public funds
- Revising policies to provide greater contract management control
- Eliminating Board of Directors outreach funds
- Creating formal debt management policy
- Completing a water rate study and long-term financial plan

“Central Basin has been a leader in water reliability for over 60 years,” said Robert Apodaca, Central Basin Board President. “Our mission is to deliver high-quality and reliable water to our communities through collegial partnerships and we are committed to utilizing every opportunity, including the State Audit, to meet and exceed the needs and expectations of our constituents.”

Central Basin is addressing the recommendations provided in the State Audit Report. The recommendations in conjunction with the District’s on-going improvements efforts will result in a more effective District. Central Basin holds a fundamental responsibility to provide a reliable source of water. The District will continue to strive for improvements and move forward in an open, transparent and responsive manner.

###

*Central Basin is a public agency that wholesales imported water to cities, mutual water companies, investor-owned utilities and private companies in southeast Los Angeles County, serving a population of more than 2 million. In addition, Central Basin provides the region with recycled water for municipal, commercial and industrial uses. Formed in 1952, Central Basin is committed to ensuring a safe and reliable water supply for the region.*

*“Serving Our Community”*

6252 Telegraph Road • Commerce, CA 90040-2512 • Phone 323.201.5500 • Fax 323.201.5550



## Central Basin

Municipal Water District

6252 Telegraph Road  
Commerce, CA 90040-2512

Phone: 323.201.5500  
Fax: 323.201.5550  
[www.centralbasin.org](http://www.centralbasin.org)

December 3, 2015

Re: Audit Report of Central Basin Municipal Water District

Dear Central Basin Stakeholder:

### Board of Directors

#### Division I

James B. Roybal

#### Division II

Robert Apodaca

#### Division III

Arturo Chacon

#### Division IV

Leticia Vasquez

#### Division V

Phillip D. Hawkins

### General Manager

Kevin P. Hunt, P.E.

The Central Basin Municipal Water District (District) serves a vital role in meeting the water supply needs of nearly 2 million people in 24 cities and 6 unincorporated areas in Southeast Los Angeles County. We do so by partnering with 47 retail water providers (including cities, special districts, mutual water companies and investor-owned utilities) and one wholesale water provider. Maintaining the public's trust is of utmost importance to the District.

On March 4, 2015 the Joint Legislative Audit Committee requested that the State Auditor conduct an audit of the District. This request was in response to negative media reports concerning operations, governance and financial management. The District viewed the audit as an opportunity to work collaboratively with the State Auditor, to identify opportunities for improvement and also to highlight progress that has taken place at the District. For these reasons, the District testified in support of the requested audit.

Attached to this letter, you will find a copy of the Audit Report that was publicly released on December 3, 2015. We wanted to ensure that you received a copy as soon as it was published. As we move forward we will keep our stakeholders informed by posting audit related materials on our website.

Central Basin, the Board of Directors and staff have worked closely and cooperatively with the Office of the State Auditor over the past several months. We commend the State Auditor's staff for their high level of professionalism and for their recognition of areas where the District has made progress. Furthermore, we value the insight provided by the Audit Report.

We are in the process of reviewing and responding to the recommendations listed in the State Audit Report. It is unfortunate the actions of the District over the past several years generated genuine

### Serving the Cities of

Artesia	La Mirada
Bell	Lynwood
Bellflower	Maywood
Bell Gardens	Montebello
Carson	Monterey Park
Cerritos	Norwalk
Commerce	Paramount
Compton	Pico Rivera
Cudahy	Santa Fe Springs
Downey	Signal Hill
East Los Angeles	South Gate
Florence-Graham	Walnut Park
Hawaiian Gardens	Whittier
Huntington Park	Willowbrook
La Habra Heights	Vernon
Lakewood	



concerns from members of our legislature delegation which resulted in the audit. However, we believe that the audit, coupled with on-going efforts that the District has undertaken over the past few years, will result in improved governance and an even stronger, more responsive and transparent Central Basin. Such is our commitment that over the last few years, the District has worked diligently to improve governance, operations, financial stability and transparency, including:

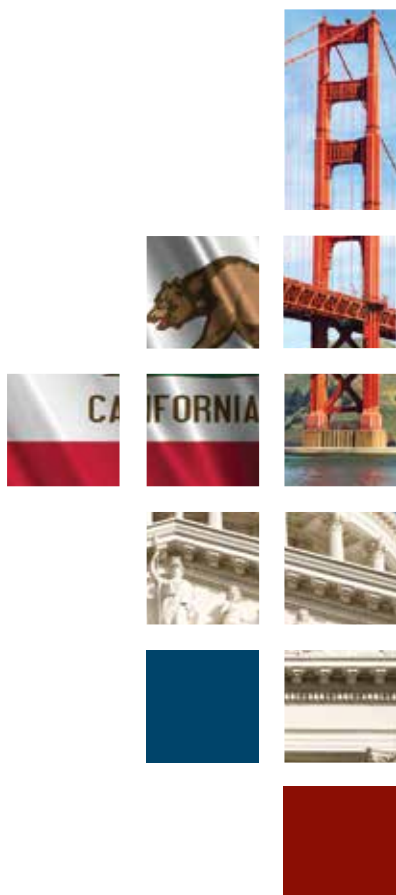
- Establishing a fully independent review of all ethics inquiries that includes a hotline and independent investigative firm
- Strengthening financial disclosure and accountability for Director and staff expenditures
- Adopting and implementing a strategic plan to guide District goals and activities
- Implementing a transparent budgeting process that provides significant opportunity for stakeholder input
- Hosting a monthly meeting with District retail agencies to discuss emerging water issues and to seek resolutions so that we may continue our ability to protect our region's water reliability
- Reducing legal expenditures, from FY 12 to FY 15, by over \$2 million annually and improving the District's debt coverage ratio from 0.11 in FY 13 to 1.58 in FY 15
- Adopting a Reserves Policy and beginning work on a long-term financial plan that will provide for financial stability and provide direction on District funding priorities
- Hiring and retaining highly qualified and experienced professionals to serve as part of the professional management of the District
- Increasing expertise in the technical operations of the District including Water Resources and Engineering
- Partnering with retail agencies in the Central Basin service area to meet and exceed the Governor's Executive Order for water use reduction

We thank the auditors for their diligent work on the State Audit Report. We are committed to addressing all the auditors' recommendations before the dates requested, starting with a Board Workshop that is scheduled for 11 am on Friday, December 4, 2015.

Cordially,



Kevin P. Hunt, P.E.  
General Manager



## Central Basin Municipal Water District

Its Board of Directors Has Failed to Provide the  
Leadership Necessary for It to Effectively Fulfill Its  
Responsibilities

Report 2015-102

COMMITMENT  
INTEGRITY  
LEADERSHIP

The first five copies of each California State Auditor report are free. Additional copies are \$3 each, payable by check or money order. You can obtain reports by contacting the California State Auditor's Office at the following address:

California State Auditor  
621 Capitol Mall, Suite 1200  
Sacramento, California 95814  
916.445.0255 or TTY 916.445.0033

OR

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December 3, 2015

2015-102

The Governor of California  
President pro Tempore of the Senate  
Speaker of the Assembly  
State Capitol  
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the California State Auditor presents this audit report concerning the Central Basin Municipal Water District's (district) planning, operations and management, long-term financial viability, and control environment.

This report concludes that the district's board of directors (board) has failed to provide the leadership necessary for the district to effectively fulfill its responsibilities. For example, we found that the board failed to ensure that the district maintained stability in key executive management positions throughout our review period. Further, we found that the board failed to take basic steps to ensure the district's long-term financial viability, including engaging in long-term financial planning and performing the necessary study to ensure the district's water rate structure is appropriate and that it will collect sufficient revenues to meet its costs. Finally, the board's actions contributed to the district losing its insurance coverage, forcing the district to purchase insurance with higher premiums for considerably less coverage than in previous years.

The board also violated state law in 2010 when it improperly approved the establishment of a legal trust fund without adequate public disclosure. Further, it lacked a means of ensuring expenditures made from the \$2.75 million trust fund were appropriate. In addition, the district consistently engaged in questionable contracting practices. For example, we found that the district often inappropriately circumvented its competitive bidding process when it awarded contracts to vendors. The district also spent thousands of dollars of public funds on purposes unrelated to its mission, some of which very likely constitute gifts of public funds, which are prohibited by the California Constitution.

Additionally, the district did not always follow its policies for hiring employees, which led it to hire certain individuals who did not possess the necessary qualifications for their positions and to incur unnecessary expenses. In one instance, the district paid more than \$22,000 for an employee to obtain a bachelor's degree, when possession of such a degree was already a minimum requirement to qualify for his high-level position. Ultimately, this individual did not obtain his degree during his employment with the district. We also found that some of the benefits the district offers its board members may be overly generous, as it provides them with full health benefits and a generous automobile allowance, even though their work is essentially part-time. Finally, we noted multiple instances in which the district paid for unreasonable travel and meal expenses for both its board members and staff.

Although the district has recently taken some steps to address these issues, the magnitude of the problems we found suggests that the district could benefit from a different governance structure. The district's board is currently publicly elected, yet the board's customers, to which it should be held accountable, are those various entities the district wholesales water to which is, in turn, then sold throughout the district. If the Legislature chooses to change the governance structure, it could consider a structure in which the board would be composed of members appointed by the district's direct customers. Such a change would not be a novel approach—as we note, it is already used by certain other water agencies in the region—and it would enable the district's customers to hold the board accountable when it takes actions or makes decisions that are not in the best interests of the district.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor



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## Summary

### Results in Brief

The Central Basin Municipal Water District (district) was established by a vote of the people in 1952 to help mitigate the overpumping of groundwater in southeast Los Angeles County. The district wholesales imported water from the Metropolitan Water District of Southern California (Metropolitan) to cities, other water districts, mutual water companies, investor-owned utilities, and private companies in southeast Los Angeles County. In addition, it operates a system for obtaining and distributing recycled water. A publicly elected board of five directors (board) governs the district. The board appoints a general manager who oversees the district's day-to-day operations and its staff.

In recent years, the district's actions have called into question the efficiency and effectiveness of its operations. News reports have focused public attention on a number of issues at the district, some of which we explore in detail in this report. Because of these issues and others, the County of Los Angeles Department of Public Works (Public Works) published a report in October 2014 that outlined the concerns it identified with the district's operations. As a result of these concerns, the report explored the steps necessary to dissolve the district and transfer its work elsewhere. However, the report stopped short of making such a recommendation and instead recommended this audit.

Our audit found that the board's poor leadership has impeded the district's ability to effectively meet its responsibilities. For example, the board failed to ensure that it provided the district with stability in its key executive management position. The district's administrative code establishes the general manager as the district's chief executive and notes that hiring the general manager is a critical function of the board. Nonetheless, between 2010 and 2015, six different individuals filled this role. Lack of agreement among the board members was a factor contributing to the instability in this position. The district's current general manager is on a two-year contract and is contemplating retiring at the end of the contract term in May 2017. However, the district does not have a formal policy for recruiting and hiring a general manager in the future. If the board does not fill the general manager position either prior to the current general manager's retirement or within a reasonable amount of time thereafter, the board will likely hinder the district's ability to effectively meet its responsibilities.

In addition, the board has not established the essential policies necessary to safeguard the district's long-term financial viability. Contrary to a recommendation directed to all government agencies

### Audit Highlights . . .

*Our audit of the Central Basin Municipal Water District (district) revealed the following:*

- » *The district's board of directors' (board) poor leadership has impeded the district's ability to effectively meet its responsibilities:*
  - *The board has not maintained stability in the district's key executive management position.*
  - *It has not established essential policies to safeguard the district's long-term financial viability.*
  - *The board's actions caused the district to lose its liability insurance coverage, resulting in higher costs for less coverage.*
- » *The board violated state law when it improperly approved the establishment of a legal trust fund without adequate public disclosure. Further, it lacked a means of ensuring the expenditures made from the \$2.75 million trust fund were appropriate.*
- » *The district consistently engaged in questionable contracting practices by avoiding competitive bidding and inappropriately using amendments to extend and expand contracts.*
- » *The district spent funds on purposes unrelated to its mission that likely constitute gifts of public funds.*
- » *The district did not always follow its policies for hiring employees—it hired unqualified staff and created an unnecessary position.*

*continued on next page . . .*

- » *Some of the benefits the district offers to its board members may be overly generous. For example, it provides full health benefits and a generous automobile allowance, even though board members essentially work part-time.*
- » *The district paid for unreasonable travel and meal expenses for both its board members and staff.*
- » *Although the district has made changes to improve its ability to operate efficiently and effectively, it could benefit from a different governance structure.*

from a national organization that promotes the professional management of governmental resources, the district has not engaged in long-term financial planning to help it develop strategies to overcome financial challenges and achieve long-term sustainability. In addition, the district has not performed the study necessary to ensure that its water rate structure is appropriate and that it will collect sufficient revenues to meet its costs. In fact, in planning its annual budgets, the district overestimated its revenues in four of the past five years, and consequently its expenditures exceeded its revenues in three of those years.

Also, the district's debt coverage ratio, which measures its ability to produce enough cash to cover its debt payments, has fallen below the level required by its debt agreements twice in the past five fiscal years. This is partly because the board has not ensured that the district has a formal debt management policy, despite the district's external auditors' recommendations that it implement one. Various factors contributed to the decline in the district's debt coverage ratio—including that the district faced sustained high legal costs and a decline in water revenues—and the credit rating on the district's debt was downgraded in August 2013 and again in October 2015. According to a former general manager's memo, because of the August 2013 downgrade, the district could face an increase in total interest costs when it issues new debt to restructure its outstanding debt. The current general manager stated that as a result of the October 2015 downgrade, the district will likely incur additional costs when it restructures its debt.

Further, the board's actions caused the district to lose its insurance coverage. Specifically, in 2014 the board did not respond to the conditions required by its then-insurer in a timely manner, and consequently the insurer canceled the district's insurance coverage, including its general liability and employment practices liability coverage. Subsequently, in September 2014, after the district had obtained new insurance coverage from private insurance companies, the district's insurance broker warned the district that any changes to senior staff could adversely impact the district's employment practices liability insurance coverage. Despite this warning, the board subsequently fired the district's then-general manager, and the insurance company did not renew the district's insurance coverage in 2015. As a result, the district had to obtain new coverage yet again and currently pays thousands more for \$1 million less general liability and employment practices liability insurance coverage than previously.

The board also violated state law in 2010 when it approved the establishment of a legal trust fund (trust fund) without adequate public disclosure. State law requires the district to hold open and public meetings, although it makes some exceptions to this

requirement. For example, the board may meet in closed session to discuss ongoing litigation or pending litigation if public deliberation on the matter would prejudice its litigation position. The board relied on its outside legal counsel's advice and cited this exception when it met in a closed session in June 2010, reporting that its discussion and actions were related to pending litigation. However, a later investigation by an external law firm found reason to believe that the board used the discussion and vote in that closed meeting to create a programmatic environmental impact report pertaining to groundwater storage, to finance many other nonlitigation expenses, and to avoid criticism. State law does not allow public entities to use the litigation exception as a subterfuge to reach nonlitigation-oriented policy decisions.

Further, the district did not disclose to the public the \$2.75 million in transfers it made to the trust fund. In addition, because the board did not approve the expenditures the district's outside legal counsel made from the fund, the board lacked assurance that all of the trust fund expenditures related to the purposes for which the fund was established. Moreover, the board's actions caused the district to incur more than \$500,000 in ongoing costs for the subsequent investigation into the trust fund and for a lawsuit that a current board member filed to recover, in part, the money the board transferred to the fund.

Additionally, the district often inappropriately avoided its competitive bidding processes when it awarded contracts to vendors during the period we audited. According to its procurement policy, the district is committed to obtaining the best value for the services it purchases and to using a competitive bidding process to procure these services. However, for 13 of the 20 contracts we reviewed that the district executed between July 2010 and June 2015, we determined that the district did not use its competitive bidding process. We further determined that the district did not adequately justify why it failed to competitively bid for 11 of these contracts, although its policies suggest using such justifications. When the district does not clearly identify and justify its reasons for avoiding its competitive bidding process, it leaves itself vulnerable to allegations of favoritism or conflicts of interest. For instance, in early 2015 the Fair Political Practices Commission fined a former general manager and a former board member for accepting gifts in excess of applicable limits from a contractor doing business with the district. By circumventing its competitive bidding process, the district cannot demonstrate that it obtained the best value for the services it purchased with public funds.

In addition to failing to follow its contracting practices, the district spent thousands of dollars of district money on purposes unrelated to its underlying authority, some of which very likely constitute

gifts of public funds. Allowable district expenditures include those that serve a public purpose and are within the scope of the district's jurisdiction and specific purposes. However, it did not appear that the district met this criteria when it gave \$9,000 to outside organizations for holiday turkeys in fiscal year 2012–13. It also currently allocates \$3,000 in community outreach funds to each board member annually, which various board members had the district donate on their behalf to golf tournaments, a legislative member's breakfast panel, religious organizations, local high school sports programs, local pageants, and car shows. The district also spent unreasonable amounts of money on installation ceremonies for its board members and does not expressly limit the amounts that can be spent on these ceremonies. We found no clear correlation between any of these expenditures and the district's mission.

Finally, on several occasions during our period of review, the district failed to follow its policies for hiring employees. Its administrative code states that the district must use a competitive process for hiring employees based on their qualifications and ability. Further, it outlines the use of an interviewing panel for senior manager positions. The district also maintains job descriptions that detail the minimum qualifications applicants must possess before being hired. Nevertheless, we noted that the district did not follow its policies for hiring four individuals into senior manager positions. Despite the fact that the district's general manager is responsible for hiring, the board hired one of these employees—an assistant to the general manager who earned about \$98,000 annually—without first authorizing the position. The district also hired two individuals who did not possess the required minimum levels of education for their positions as specified in their job descriptions. Further, the district chose to prepay \$22,000 in college tuition, registration, and fees so that one of these individuals could earn the degree required for the position. The district authorized this payment, even though its policies limit payment for educational expenses to 90 percent of the cost of college courses and allows such payments only after employees complete their coursework. The district ultimately terminated this employee before he completed his coursework. When the district fails to follow its hiring policies, it risks not hiring the most qualified individuals for the job and unnecessarily spending the district's funds.

As we previously mentioned, Public Works explored the possibility of dissolving the district in its 2014 report. We believe such an extreme action might be viewed as premature given that the district and the board have recently made some changes to the district's policies and practices that, if followed, will improve the district's ability to operate efficiently and effectively. Nonetheless, the magnitude of the problems we found suggests that the district

could benefit from a different governance structure. Specifically, because the board is publicly elected, it is not directly accountable to its customers, which are the various entities that sell water throughout the district. Other water agencies in the region, including Metropolitan and the San Diego County Water Authority, have boards composed of members appointed by their customers. If the Legislature chose to change the district's governance structure, modifying the structure to increase the board members' accountability to the entities they serve would help to ensure that the board makes decisions that reflect the district's best interest.

### Recommendations

To ensure the efficient and effective delivery of imported and recycled water in southeastern Los Angeles County, the Legislature should pass special legislation to preserve the district as an independent entity but modify the district's governance structure. In doing so, the Legislature should consider a governance structure that ensures the district remains accountable to those it serves; for example, the district's board could be changed from one elected by the public at large to one appointed by the district's customers.

To ensure the stability of the district's operations, by June 2016 the district's board should establish a formal policy for hiring for the general manager position. Because the current general manager is on a contract set to expire in May 2017, the board should initiate the hiring process for a new general manager or begin the process of renegotiating the contract with the current general manager in the fall of 2016.

To ensure its long-term financial sustainability, the board should complete a long-term financial plan no later than December 2016.

To ensure its water rate structure is appropriate to provide the revenue necessary to cover its legitimate costs, the district should complete its planned water rate study no later than the spring of 2017.

To ensure that it continues to take steps to improve its financial condition and avoids additional costs due to downgrades of its debt credit ratings, the district should immediately create a formal debt management policy. This policy should clearly define its credit objectives and provide guidelines for suitable debt agreements. This policy should also require the district to periodically monitor the specific financial ratios, such as its debt coverage ratio, that are relevant to its credit rating.



To help it maintain its current insurance coverage and better position it to negotiate for more cost-effective and appropriate coverage in the future, the board should review the district's insurance coverage annually and renegotiate costs and coverage amounts as necessary, particularly as the district resolves outstanding legal claims against it.

To ensure it holds itself accountable to the public, the district should follow the law and operate in an open and transparent manner by, among other things, disclosing to the public the true nature and purpose of all of its expenditures.

To make better use of the funds it spends on services, the district should amend its administrative code by June 2016 to limit its sole-source contracts to emergency circumstances and circumstances in which only one vendor can meet the district's needs. Further, before executing any sole-source contracts, the district should require written justification demonstrating the reasons for not competitively bidding the services.

To ensure its expenditures do not constitute gifts of public funds, the district should do the following:

- Immediately eliminate its allocation of funds to individual board members for community outreach.
- Develop policies that specify limitations on the types of activities it will provide funds for in the future to ensure that it benefits only those organizations whose activities have a direct link to its authorized purposes.
- Revise its administrative code by June 2016 to include more specific guidance as to what constitutes a reasonable and necessary use of public funds. The guidance should establish restrictions on the amount spent for board member installation ceremonies.

To ensure it considers the most qualified candidates for positions, the district should follow its established hiring policies. Specifically, it should use a competitive hiring process and ensure that its board first formally approves all positions for which the district recruits. Further, the district should consider for employment only individuals who meet the established minimum qualifications for the positions for which they have applied.

### **Agency Comments**

The district generally agreed with our recommendations and indicated that it plans to take various actions to implement them. However, the district disagreed with our recommendation to the Legislature that it should modify the district's governance structure.

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# Introduction

## Background

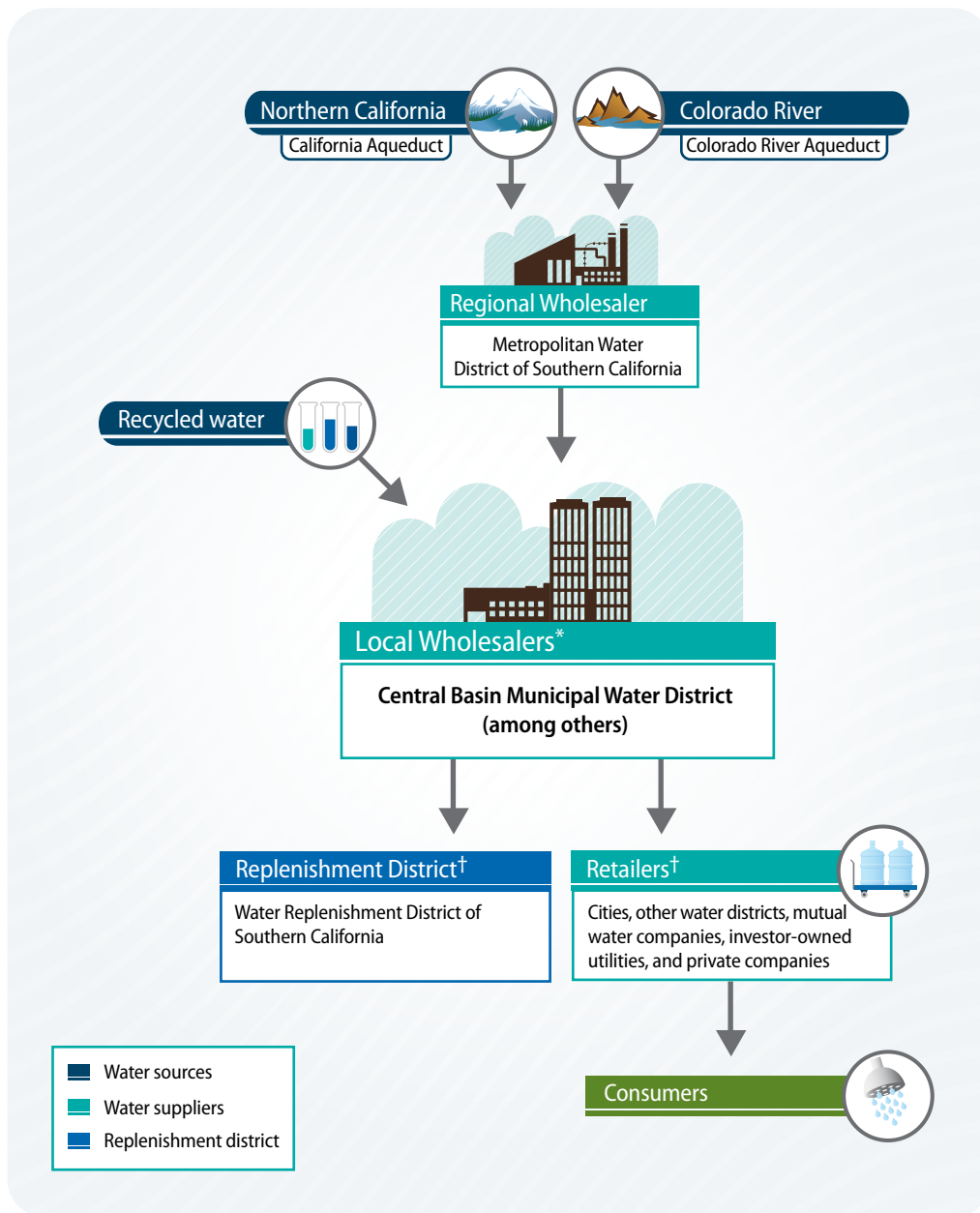
To help mitigate the overpumping of groundwater in southeastern Los Angeles County, the public voted to establish the Central Basin Municipal Water District (district) in 1952 under the Municipal Water District Law of 1911. The district's founders realized they would have to curtail the region's use of relatively inexpensive yet diminishing local groundwater by providing it with imported water. The district's stated mission is to exercise the powers given to the district under its establishing act, utilizing them to the benefit of parties within the district and beyond. The district's mission includes acquiring, selling, and conserving imported water and other water that meets all required standards and furnishing it to customers in a planned, timely, and cost-effective manner that anticipates future needs.

In 1954, the district became a member agency of the Metropolitan Water District of Southern California (Metropolitan), an agency that provides the Southern California region with water that it imports from Northern California and from the Colorado River. The district purchases the imported water from Metropolitan and wholesales it to cities, mutual water companies, investor-owned utilities, and private companies. Further, the district supplies water for groundwater replenishment and provides the region with recycled water for municipal, commercial, and industrial use. Figure 1 on the following page provides an overview of the system of water supply and delivery in Southern California.

The district currently serves a population of more than two million people in 24 cities in southeast Los Angeles County and in some unincorporated areas of the county. Its mission statement indicates that it provides leadership, support, advice, and information on water issues to the people and agencies within and outside its boundaries, as appropriate. For example, the district supplies information on drought-conservation measures to the public and provides water education courses and materials to students. According to its comprehensive annual financial report, the district's 227-square-mile service area used approximately 241,000 acre-feet of water in fiscal year 2013–14.<sup>1</sup> Figure 2 on page 11 shows the district's boundaries and the cities included within those boundaries.

<sup>1</sup> An acre-foot of water is approximately 326,000 gallons, which the district states is enough to meet the water needs of two average families in and around their homes for one year.

**Figure 1**  
**Central Basin Municipal Water District's Role in Water Delivery**

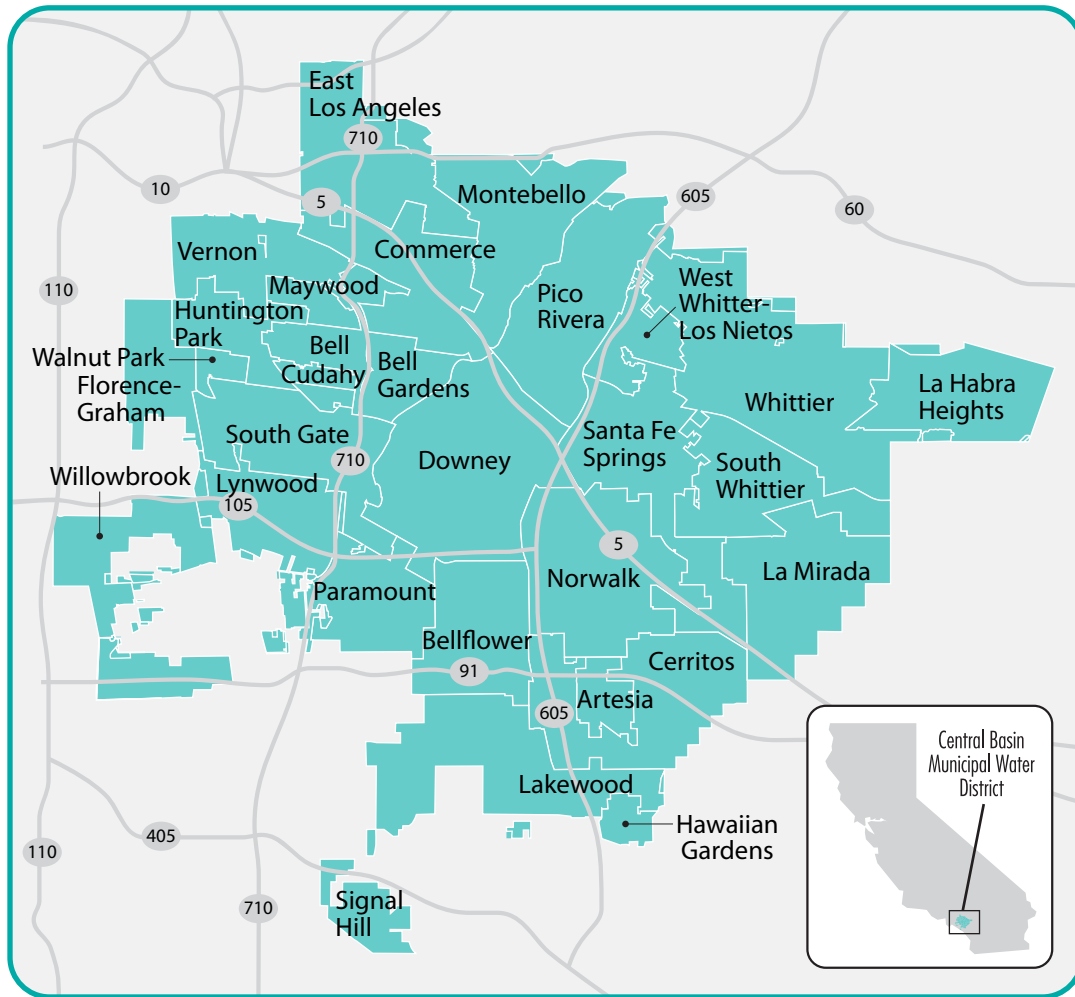


Sources: Documents obtained from the websites of the named entities.

\* Members of the Metropolitan Water District of Southern California (Metropolitan).

† Nonmembers of Metropolitan.

**Figure 2**  
Central Basin Municipal Water District's Service Area



Source: Central Basin Municipal Water District's website.

## The District's Governance and Administration

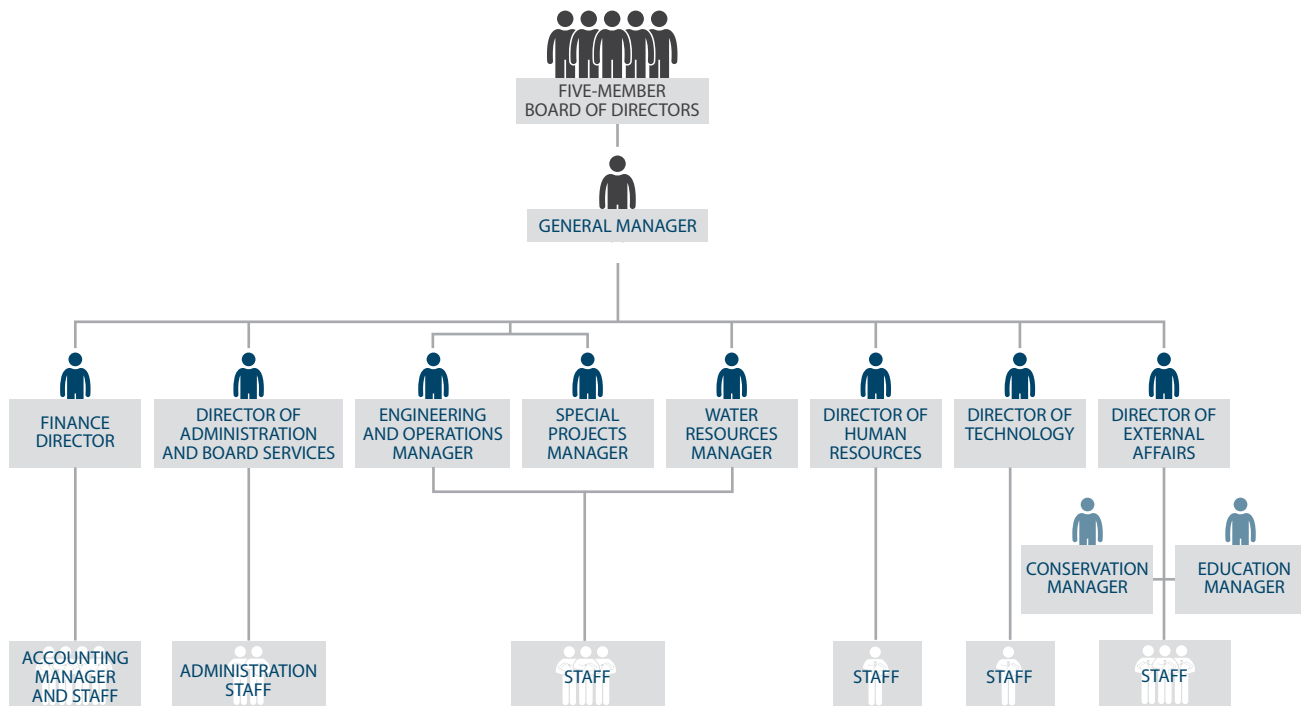
A five-member board of directors (board) governs the district. Each board member represents one of five divisions within the district and is elected to a four-year term by the voters within that division. No limits exist on the number of terms a board member may serve; according to the district's website, the longest-serving member of the board was in his fifth four-year term as of September 2015. Board elections are nonpartisan and held during November general elections.<sup>2</sup> According to state law, the board is ultimately

<sup>2</sup> In 2012 the district received approval from Los Angeles County to change its election to June for that year only.

responsible for the performance of the district's powers, privileges, and duties. Toward this end, the district's administrative code states that the board's responsibilities include ensuring that the district is managed well, determining its objectives and policies, approving its annual budget, and appointing its general manager. As we discuss further in Chapter 3, board members receive compensation for their service in the form of a payment for each day they attend meetings and other events on district business. They also receive medical and other health benefits equivalent to those of full-time employees of the district.

The general manager is the chief executive of the district and is responsible to the board for the district's administrative affairs. The general manager prepares and recommends the district's annual budget, hires its employees, and manages its day-to-day operations, among other duties. As of July 2015 the district had a total of 23 authorized positions, including the general manager. Figure 3 presents the organization of the district.

**Figure 3**  
**Central Basin Municipal Water District Organizational Chart**



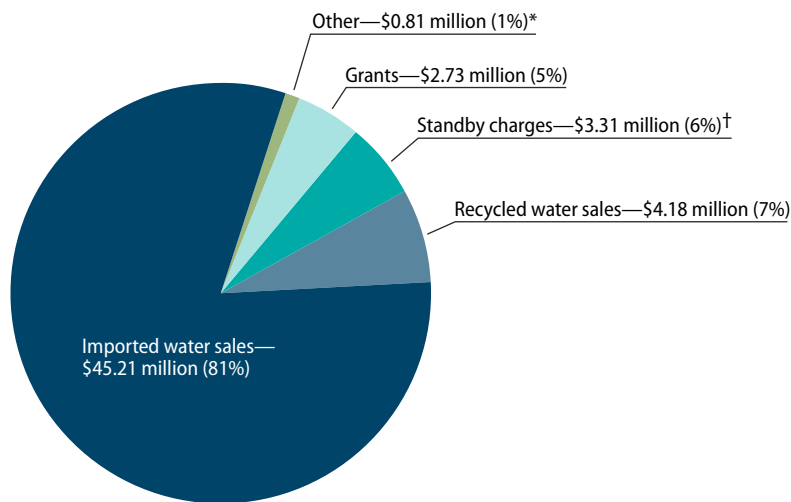
Source: Central Basin Municipal Water District's website.

For more than 15 years the district shared administration with a companion organization, the West Basin Municipal Water District (West Basin). West Basin performs similar functions to the district but for communities in southwest Los Angeles County. Between 1990 and 2006 the two districts shared staff and an office building. However, in 2006 West Basin took action to end the partnership. West Basin purchased the office building, and the district relocated its headquarters to the City of Commerce, California.

### District Revenue

The district's primary source of operating revenue is the sale of imported water and, to a lesser degree, recycled water. Figure 4 shows the distribution of district revenue by source during fiscal year 2014–15. Its revenue from the sale of imported water was about \$45 million, or 81 percent of its total revenues, in fiscal year 2014–15, while its sales of recycled water accounted for about \$4 million, or 7 percent of its total revenues, in the same period.

**Figure 4**  
Central Basin Municipal Water District's Revenue Sources by Major Category  
For Fiscal Year 2014–15



Source: Central Basin Municipal Water District's (district) fiscal year 2014–15 draft financial statements as of October 2015.

\* The district derives other revenues from deliveries of treated water, investment income, and other miscellaneous sources.

† Standby charges are imposed by the district on landowners and used by the district to help pay its debt service costs on its water recycling facilities and the purchase of its headquarters building.



The district's other significant source of revenue is standby charges that the district imposes on landowners with the annual approval of its board. Los Angeles County includes the charge on each property owner's property tax bill. The standby charge's purpose is to minimize the effects of the drought on the area through the construction of recycled water distribution systems that could provide an alternative source of water. The district currently uses revenue from the standby charges to pay debt service on the debt it issued to finance the construction of its water recycling facilities, as well as to pay for the acquisition of its headquarters building. The district's standby charges accounted for about \$3 million, or 6 percent of its total revenues, in fiscal year 2014–15.

### **Recent Scrutiny of the District**

The district and its board have come under scrutiny in recent years. News reports have alleged that the district misused public funds, including that it established a legal trust fund in a manner that violated state open meeting law, that it inappropriately reimbursed meal expenses, and that it engaged in inappropriate contracting practices and employment practices. We address these allegations in this report. In addition, the district has been involved in a number of lawsuits over the past several years. Although many of these lawsuits have been settled or dismissed, a small number related to the district's employment practices are still pending.

In October 2014 the County of Los Angeles Department of Public Works published a report on the district that sought to ensure it addressed its ongoing problems so that it could continue to provide water and service to its customers. The report recommended an independent management audit of the district's operations and included a discussion of the process necessary to dissolve the district and transfer its functions to another entity. We discuss this report further in Chapter 1.

### **Scope and Methodology**

The Joint Legislative Audit Committee (audit committee) directed the California State Auditor's office to perform an audit of various aspects of the district's operations, including its contracting, expenditures, strategic planning, financial viability, and human resources. Table 1 includes the audit objectives the audit committee approved and the methods we used to address them.

**Table 1**  
**Audit Objectives and the Methods Used to Address Them**

AUDIT OBJECTIVE	METHOD
1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.	We reviewed relevant state laws and regulations.
2 Assess whether the Central Basin Municipal Water District (district) has appropriate policies, processes, and oversight for various aspects of its operations. Specifically, perform the following covering the five-year period from 2010 to 2015:  a. Assess whether the district's board of directors (board) has sufficient policies and practices to guide its spending decisions. In addition, determine whether the board exercises sufficient oversight regarding expenditures.	<ul style="list-style-type: none"> <li>• For our audit period of July 1, 2010, through June 30, 2015:</li> <li>• We interviewed relevant district staff and reviewed documentation related to the district's process for setting its annual budget and the board's process for approving the budget.</li> <li>• We reviewed the district's administrative code and accounting policies.</li> <li>• We reviewed minutes and agendas for meetings of the district's board, which included the consent calendar items from its finance committee.</li> <li>• We reviewed expenditure lists the district provided to the board and the public, which we discuss further in Table 2 on page 19.</li> </ul>
b. Assess whether the district has sufficient processes and controls to ensure expenditures and other financial activities are appropriate.	<ul style="list-style-type: none"> <li>• We interviewed relevant district staff and reviewed documentation related to the district's process for approving expenditures.</li> <li>• We determined whether the district had and followed a debt management policy.</li> </ul>
c. Review the district's contracting procedures and determine whether they are consistent with applicable contracting requirements and with procedures used by other municipal water districts. From a selection of contracts, determine whether the district complied with the applicable laws, policies, and regulations.	<ul style="list-style-type: none"> <li>• We judgmentally selected 20 contracts active primarily during our audit period and determined the extent to which the district followed legal requirements and its own policies and practices for contracting. We ensured that we reviewed contracts for a variety of different services, including engineering and construction services, legal services, lobbying services, and public affairs services, as well as contracts that had received significant media attention.</li> <li>• We judgmentally selected and reviewed five contracts the district entered into before our audit period that were still active during our audit period. We selected these contracts based on their amendment histories and on the media attention they received.</li> <li>• We identified best practices for contract management using the Project Management Institute's <i>Project Management Body of Knowledge</i>, the <i>State Contracting Manual</i>, and contracting policies from other water agencies, including the Western Municipal Water District and the Municipal Water District of Orange County, as well as the San Diego County Water Authority.</li> </ul>
d. Assess whether the district has adequate resources and policies to address personnel matters, including the conduct of its board members.	<ul style="list-style-type: none"> <li>• We determined that the district maintained codes of conduct for both its staff and its board throughout the audit period.</li> <li>• We reviewed district policies and interviewed relevant staff regarding how the district investigates violations of its policies and codes of conduct.</li> <li>• We reviewed district records and noted that board members and senior managers attended ethics and sexual harassment training as required.</li> <li>• We ensured board members and relevant staff filed required conflict-of-interest forms. We reviewed those forms to determine whether the individuals reported significant relationships that conflicted with board decisions. We had no findings in this area; however, we note the results of an investigation by the Fair Political Practices Commission in Chapter 2.</li> </ul>

continued on next page . . .

AUDIT OBJECTIVE	METHOD
<p>e. Assess whether the district operates transparently, including complying with laws governing public meetings, public records, and fee-setting, and whether it publicly reports on all its spending.</p>	<ul style="list-style-type: none"> <li>• We interviewed relevant staff regarding the district's compliance with state open meeting laws and training on such laws for board members.</li> <li>• We reviewed the district's tracking of its compliance with state requirements regarding advanced posting of meeting agendas. According to the director of administration and board services, the district did not have any process for tracking its compliance with posting requirements until March 2013; however, our review of its tracking process subsequent to that date found no reportable concerns.</li> <li>• We reviewed a selection of eight public records act requests. We identified instances in which the district did not clearly indicate it had fully addressed requests and another in which the district missed a deadline by several days. Although in our judgment these issues do not rise to the level of reportable findings because the district still responded to the requests, we discussed ways to improve the district's process with its staff.</li> <li>• We reviewed minutes of board meetings and determined the board conducted public meetings before considering changes to its fees.</li> <li>• We noted that the district includes lists of expenditures in its monthly board agendas, which are publicly available on the district's website.</li> </ul>
<p>3 Assess whether the district's expenditures and revenues are reasonable. Specifically, perform the following covering the five-year period from 2010 to 2015:</p> <p>a. To the extent possible, assess the reasons for any trends in revenues generated through customer rates during the past five years.</p>	<ul style="list-style-type: none"> <li>• We reviewed the district's comprehensive annual financial reports for the fiscal years 2010–11 through 2013–14 and its draft fiscal year 2014–15 financial statements as of October 2015 to determine the reasons for increases or decreases in revenues generated through customer rates.</li> <li>• We analyzed reasons for large changes in the district's revenues generated through customer rates.</li> </ul>
<p>b. For major categories of expenditures, assess the reasons for any major trends, including those expenditure trends related to legal matters and those not directly related to the district's primary mission.</p>	<ul style="list-style-type: none"> <li>• We analyzed reasons for large changes in district expenditures, including its legal services expenditures.</li> <li>• We interviewed relevant district staff and reviewed the district's audited financial statements to determine the reasons for increases or decreases in major expenditure categories.</li> </ul>
<p>c. For a sample of expenditures, determine whether they were legally allowable, reasonable, and consistent with the mission of the agency.</p>	<ul style="list-style-type: none"> <li>• We reviewed the district's administrative code, prior external audit findings, and other policy documents.</li> <li>• We interviewed relevant staff regarding the district's internal controls over expenditures.</li> <li>• We judgmentally selected 50 expenditures from the audit period and tested them for compliance with applicable laws, policies, and best practices.</li> <li>• We selected 35 expenditures for testing from the district's file room and 15 expenditures from the public expenditure lists created from its accounting system. We found that the public expenditure lists were incomplete because they did not include certain transfers the district made to a legal trust fund, which we describe further in Chapter 2.</li> </ul>
<p>4 To the extent the district has a strategic plan, determine the following:</p> <p>a. Whether the strategic plan contains goals and objectives that support the mission of the organization.</p> <p>b. How often the district evaluates its success in achieving its goals and objectives, and updates the strategic plan to reflect changes, including changes in regulatory requirements, goals, and milestones.</p>	<ul style="list-style-type: none"> <li>• We reviewed the district's strategic plans the board considered in October 2010 and May 2015 and determined they contained key elements of strategic plans and reflected the district's mission. However, as we describe in Chapter 1, the board did not approve or ensure the district appropriately implemented its October 2010 strategic plan.</li> <li>• We interviewed relevant staff regarding the development and implementation of the district's strategic plans, including the district's plans for periodic review.</li> <li>• We reviewed proposed metrics for both the 2010 and 2015 plans. Because the district did not adequately implement its 2010 plan, we reviewed its planned approach to evaluating its current strategic plan and determined it is reasonable.</li> </ul>

AUDIT OBJECTIVE	METHOD
<p>5 Assess whether the district has qualified staff to manage its operations. Specifically, perform the following:</p> <p>a. To the extent possible, determine whether technical staff has sufficient qualifications and resources to adequately maintain its infrastructure over the long term.</p> <p>b. To the extent possible, assess the qualifications and sufficiency of the district's management staff responsible for essential operations.</p> <p>c. Identify the total compensation of each member of the board of directors and top managers.</p> <p>d. Determine whether the total compensation received by each of the district's top managers is comparable to that received by top managers in similar public agencies or municipal water districts in the region.</p>	<ul style="list-style-type: none"> <li>• We interviewed the district's director of human resources and engineering staff.</li> <li>• We obtained and reviewed position descriptions for the district's engineering staff and its general manager.</li> <li>• We compared the position descriptions to the staff's qualifications.</li> <li>• We reviewed the district's contract for operations and maintenance of its recycled water pipeline.</li> <li>• We determined that the district recently hired additional technical staff and that its current staff are qualified. We have no reportable findings in this area.</li> <li>• We interviewed the district's director of human resources.</li> <li>• We reviewed the district's organizational chart and human resources files to compare position descriptions to stated qualifications for a selection of current district managers.</li> <li>• We determined the selected current managers were qualified and that the district had sufficient staff for its essential operations.</li> <li>• We interviewed the district's current general manager regarding his tenure and the board's plans for hiring general managers in the future.</li> <li>• We interviewed the director of human resources.</li> <li>• We reviewed district policies regarding compensation, expenditure reports, and payroll data to determine board member compensation.</li> <li>• To identify the amounts board members received for per diem and allowances, such as the automobile or transportation allowance, we relied on monthly reports of expenditures the district generated from its accounting systems and presented to the board.</li> <li>• We noted that board members generally receive health and other benefits to the same extent that staff do, and we describe these benefits in Chapter 3.</li> <li>• We reviewed data the district reported to the California State Controller's Office (State Controller) regarding the compensation of its top managers.</li> <li>• We compared the salaries of selected district managers to the State Controller's data to ensure the district accurately reported its compensation to the State Controller.</li> <li>• We selected four additional water agencies in Southern California. We reviewed data the district and the four additional water agencies reported to the State Controller regarding the compensation for selected management positions.</li> <li>• We reviewed the district's surveys of certain water agencies' compensation and benefits.</li> </ul>
<p>6 Assess the district's financial viability and control environment. Specifically, for the five-year period from 2010 to 2015, determine the following:</p> <p>a. Whether the district retained a qualified, independent auditor for its annual financial audits and whether completed audits were publicly available.</p> <p>b. What deficiencies were reported by its independent auditor and how the district has addressed such deficiencies.</p>	<ul style="list-style-type: none"> <li>• We reviewed the district's contracts with its auditors for fiscal years 2010–11 through 2014–15.</li> <li>• We reviewed licensing records for the district's auditors. The district contracted with three different audit firms between fiscal years 2010–11 and 2014–15. We noted the firms were licensed and had no complaints on file.</li> <li>• We reviewed the district's website and determined the district made its annual financial audits publicly available.</li> <li>• We reviewed the district's independent auditors' reports for fiscal years 2010–11 through 2013–14.</li> <li>• We noted that the district received an unqualified opinion on its financial statements every year for fiscal years 2010–11 through 2013–14. The district's external auditor had not issued an opinion on the district's fiscal year 2014–15 financial statements as of October 2015.</li> <li>• We noted that the district adequately addressed all deficiencies its independent auditors reported except for the following: <ul style="list-style-type: none"> <li>– The district does not have a debt management policy. We discuss this further in Chapter 1.</li> <li>– The district did not have meal expense limits in place until July 2015. We discuss this further in Chapter 3.</li> </ul> </li> </ul>

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AUDIT OBJECTIVE	METHOD
c. How often the district changed auditors and the reasons for changing auditors.	<ul style="list-style-type: none"> <li>• We reviewed the district's contracts with its auditors for fiscal years 2010–11 through 2014–15.</li> <li>• The district contracted with three audit firms, changing auditors twice during our audit period. In the first instance, according to board memoranda, the district selected a different firm than the one that had been its auditor for the previous 10 years. In the second, a board memorandum stated that the firm told the district it could not complete its contract. We had no reportable findings in this area.</li> </ul>
d. The district's debt ratio coverage for bond commitments and the reasons for any year in which the ratio fell below the generally accepted level.	<ul style="list-style-type: none"> <li>• We interviewed relevant staff and reviewed documentation related to the district's debt coverage ratio. We also examined the reasons why the debt coverage ratio fell below the accepted level.</li> <li>• We interviewed relevant staff and reviewed documentation to determine how the district's inability to meet its required debt coverage ratio affected its credit rating and debt costs.</li> </ul>
e. To the extent possible, assess whether the five-year trends in revenues and expenditures indicate long-term financial viability.	<ul style="list-style-type: none"> <li>• We analyzed the information we gathered for Objectives 3a, 3b, and 6d, as well as pertinent information contained in the district's audited financial statements and other records, to determine the extent to which this information indicates the district's long-term financial viability.</li> <li>• We determined whether the district had and used a long-term financial plan. We describe our findings in this area in Chapter 1.</li> </ul>
7 Review and assess any other issues that are significant to the district's operations and management.	<ul style="list-style-type: none"> <li>• We interviewed relevant staff and reviewed documentation related to the district's attempts to obtain and retain insurance coverage for its operations.</li> <li>• We reviewed state law and interviewed staff at the Los Angeles County Local Area Formation Commission to determine the process through which the district's governance may change or the district may dissolve.</li> <li>• We interviewed the five current members of the board to obtain their perspectives on the district's operations and its challenges over the last five years. While we did not directly quote any of the board members' interviews in our report, we used their comments to help inform our audit fieldwork.</li> </ul>

Sources: The California State Auditor's analysis of Joint Legislative Audit Committee audit request 2015-102 and information and documentation identified in the table column titled *Method*.

### Assessment of Data Reliability

In performing this audit, we relied upon reports generated from the information systems listed in Table 2. The U.S. Government Accountability Office, whose standards we are statutorily required to follow, requires us to assess the sufficiency and appropriateness of computer-processed information that is used to support our findings, conclusions, or recommendations. Table 2 shows the results of this analysis.

**Table 2**  
**Methods Used to Assess Data Reliability**

INFORMATION SYSTEM	PURPOSE	METHOD AND RESULT	CONCLUSION
<b>Central Basin Municipal Water District's (district):</b> <ul style="list-style-type: none"> <li>– New Logos Database data, for the period July 2012 through June 2015</li> <li>– Master Accounting Series 90 data, for the period July 2010 through June 2012</li> </ul>	To make a judgmental selection of expenditures	<ul style="list-style-type: none"> <li>• This purpose did not require a data reliability assessment. Instead, we needed to gain assurance that the population of expenditures was complete for our review purposes.</li> <li>• We obtained reasonable assurance by comparing total disbursements presented on the expenditure lists to the district's monthly bank reconciliations or payment register reports.</li> </ul>	As part of our audit work, we identified certain transactions not present on the district's expenditure lists. Nevertheless, we noted that these lists materially agreed with monthly bank reconciliations or payment register reports, and were thus adequate to use for selecting expenditures for review.
	To calculate per diem payments the district made to its board members	To determine accuracy, we judgmentally selected 50 board-approved per diem payments from the district's records and compared them to claim forms detailing the meetings board members attended. To determine completeness, we reviewed district records and noted directors generally received per diem payments in each pay period between July 2010 and June 2015.	Sufficiently reliable for the purposes of this audit.
<b>The district's:</b> <ul style="list-style-type: none"> <li>– New Logos Database data, for the period July 2012 through June 2015</li> <li>– Access Database data, for the period July 2010 through June 2012</li> </ul>	To make a judgmental selection of contracts	This purpose did not require a data reliability assessment. Instead, we needed to gain assurance that the population of contracts was complete for our review purposes. To determine completeness, we haphazardly selected 39 contracts from the district's files and ensured they were present in either the New Logos or Access database, as appropriate.	Complete for the purposes of this audit.

Sources: California State Auditor's analysis of various documents, interviews, and data obtained from the district.

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# Chapter 1

## THE CENTRAL BASIN MUNICIPAL WATER DISTRICT'S BOARD OF DIRECTORS HAS CONSISTENTLY FAILED TO PROVIDE APPROPRIATE LEADERSHIP AND OVERSIGHT

### Chapter Summary

The board of directors (board) of the Central Basin Municipal Water District (district) has failed to lead the district in a manner that encourages its efficient operation, effective management, and adherence to laws and rules. For example, the board has not maintained stability in the district's top executive position: Over the five years of our review, six different individuals filled this role, a level of turnover that significantly affected the district's ability to perform its necessary functions. Further, the board did not establish an effective structure for reporting and investigating ethics violations by board members and staff. In fact, the Fair Political Practices Commission (FPPC) uncovered such violations. Also, the board did not ensure that it approved or that the district implemented its previous strategic plan; it did not require the district to create a long-term financial plan; and through its lack of action, it contributed to the district suffering two credit rating downgrades. Finally, the board's actions led to several changes in its liability insurance, resulting in higher costs for less coverage.

Because the district has lacked effective leadership, the public's confidence in it has eroded, and it has risked being unable to meet its obligations to its customers. The district has recently taken some positive steps to correct these issues, such as retaining an experienced general manager on a two-year contract and creating a new strategic plan. However, given the magnitude of its past problems, we believe considering ways to improve the district's governance is necessary. Although the public currently elects the district's board, the district does not serve the public directly but instead sells water to various entities that in turn sell water to the public. Thus, those who select the board are not those whom it directly serves. If the Legislature chose to change the district's governance structure, it could consider a structure through which board members would be directly accountable to the entities the district serves. Such a change would enable those entities to hold the board responsible when it takes actions or makes decisions that are not in the district's best interest.



### **The Board's Dysfunctional Oversight Has Threatened the District's Ability to Meet Its Responsibilities**

The board's poor leadership and decision making significantly impeded the district's ability to effectively and efficiently perform its necessary functions over the course of our audit period from July 2010 through June 2015. Specifically, during this time, the board failed to ensure that it provided the district with stability in either the general manager or finance director position. In addition, the board did not establish a structure for investigating or referring ethics complaints against board members and staff related to violations of the district's code of conduct or conflict-of-interest code that minimizes political influence. Finally, the board failed to approve or implement a strategic plan dated October 2010, and it is too soon to tell whether the district will effectively implement a subsequent strategic plan it adopted in May 2015. When the board fails to exercise appropriate leadership, it impedes the district's ability to operate in an efficient and effective manner.

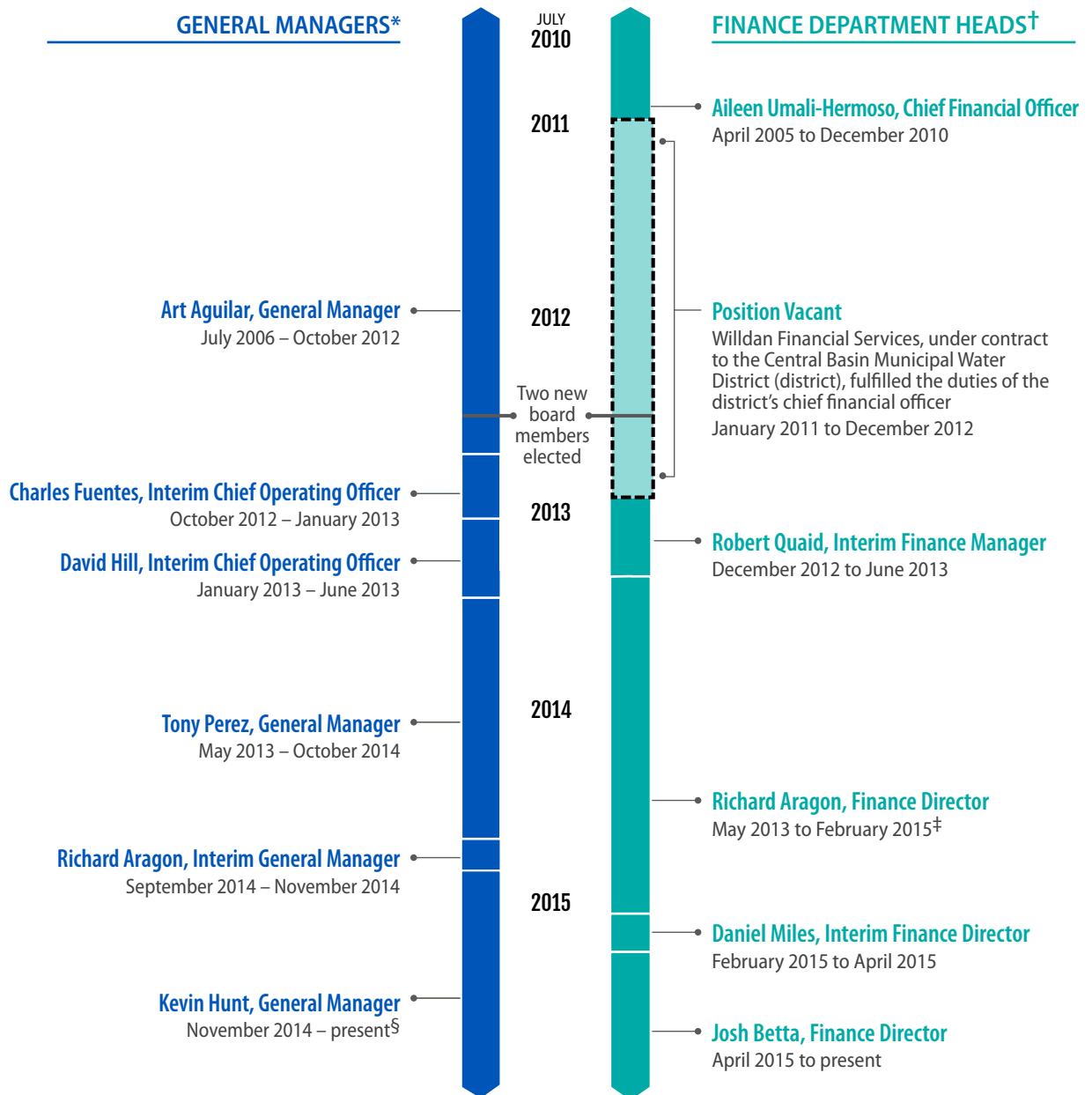
### ***The Board Has Not Ensured That the District Has Consistent Leadership***

Between July 2010 and June 2015 the board and the general manager demonstrated a lack of leadership by not maintaining stability in the district's key executive management and finance positions, hindering the district's ability to effectively manage and meet its responsibilities. Figure 5 presents the length of time these two critical positions were either vacant or filled by one of numerous individuals over the five-year period.

As shown in Figure 5, the district has faced high turnover in its top executive position. State law requires municipal water district boards to appoint a general manager. The board has full authority over the employment of the general manager, who in turn has full charge and control of the operation of the district, including the authority to employ and discharge all personnel except for those the board is required to appoint. However, between July 2010 and June 2015, the district had six individuals in this critical leadership role, including four general managers or interim general managers and two interim chief operating officers (interim chiefs). According to the position description, the interim chiefs served at the pleasure of the board until the board finalized the recruitment for the general manager position. The interim chiefs were not to have the authority to hire or fire staff or to enter into new contracts without board approval. Further, they could not participate as candidates for the general manager position.

***Between July 2010 and June 2015, the district had six individuals in critical leadership roles, including four general managers or interim general managers and two interim chief operating officers***

**Figure 5**  
Timeline of Changes in Key Leadership Positions at the Central Basin Municipal Water District



Sources: District human resources records, interviews with district staff, and the County of Los Angeles's final official election results for June 5, 2012.

\* In certain cases during our audit period, this position was referred to as the interim chief operating officer and some of the position's duties were restricted.

† In certain cases during our audit period, this position was referred to as the chief financial officer, interim finance manager, finance director, and interim finance director.

‡ As shown in the figure, Richard Aragon briefly served as interim general manager during this time.

§ Kevin Hunt was initially hired as the interim general manager, a position he held from November 10, 2014, through May 10, 2015, until the district hired him as the current general manager on May 11, 2015.

Lack of agreement among the board members was a contributing factor to instability in the district's top executive position. In October 2012, the district's long-standing general manager retired. According to the district's director of human resources, the board appointed an interim chief in October 2012. However, the board terminated him less than four months later in January 2013, during a contentious board meeting shortly after two new board members took office. The board approved the termination by a three-to-two vote.

The board subsequently appointed a series of individuals to the top executive role. In January 2013 the board appointed a second individual to the position of interim chief. He returned to his former position as the district's water resources and planning manager after the board hired a new general manager effective May 2013. The board placed this general manager on paid administrative leave in September 2014 and terminated his employment in October 2014. As with the first interim chief in 2013, this termination occurred during a contentious board meeting and was the result of a three-to-two vote by the board. Also in September 2014, the board appointed the district's then-finance director to also serve as an interim general manager. In November 2014 the board appointed another interim general manager and approved a recruitment process for hiring the general manager in that same year. The board subsequently entered into a two-year employment contract in May 2015 with the individual it had previously appointed as interim general manager.

The district's current general manager's two-year contract expires in May 2017, and he stated that he is contemplating retiring at that time. If he chooses to retire at the completion of his contract, the general manager anticipates the board would start the recruitment process between June 2016 and October 2016. The most recent hiring process the district conducted for a general manager included establishing an independent ad hoc hiring committee, selecting a recruitment firm, and having the board interview the top candidates. However, the district does not have a formal policy for recruiting and hiring a general manager in the future, and the current general manager acknowledged that the district would benefit from such a policy. In our judgment, establishing a formal policy for the hiring process of the general manager position and beginning the hiring process a year in advance of the end of the current general manager's contract provides the district ample time to identify and select a replacement, should the current general manager retire. If the board does not fill the general manager position either prior to the current general manager's retirement or within a reasonable amount of time thereafter, the board will likely hinder the district's ability to effectively meet its responsibilities.

***If the board does not fill the general manager position either prior to the current general manager's retirement or within a reasonable amount of time thereafter, the board will likely hinder the district's ability to effectively meet its responsibilities.***

In addition, the district had five different individuals and one financial services firm perform the role of finance director or a similar position between 2010 and 2015. In December 2010, the district's chief financial officer resigned after more than five years in the position, and the district hired a financial services firm to perform the duties of the chief financial officer. Despite the financial services firm's recommendation in March 2012 that the district recruit and hire a full-time dedicated finance director, the district did not fill the role with an interim finance manager until December 2012. According to the district's director of human resources, she raised the question of hiring a finance director on multiple occasions, and the general manager at that time told her that the financial services firm was performing the job adequately and had some remaining work to complete. Nevertheless, the fact that the same financial services firm recommended that the district hire a finance director suggests that the district should have prioritized filling this position. The district finally hired a finance director in May 2013. He remained in the position until February 2015, when the district hired an interim replacement until it recruited a new finance director in April 2015.

*The district had five different individuals and one financial services firm perform the role of finance director or a similar position between 2010 and 2015.*

The lack of stability in these two key management positions has threatened the day-to-day operations of the district. As we note later in this chapter, a lack of stable management was a factor in the district's losing its insurance in 2014. Further, together these positions help establish an environment that promotes effective stewardship of both resources and staff. As we note in Chapter 2, the district's management of its contracts and expenditures needs improvement, and in Chapter 3 we discuss that the lack of a general manager contributed to staff not receiving timely performance evaluations. If the board struggles to maintain consistency in these critical positions in the future, the district may continue to lack the leadership necessary to meet its responsibilities.

***The Board Lacks an Effective Structure to Investigate Its Own and District Staff's Noncompliance With Laws and Rules***

The board has not adequately maintained a mechanism to respond to complaints regarding its members' or district staff's violations of laws and district codes related to ethics. From the beginning of our audit period in July 2010 until the end of July 2015, the district's administrative code called for an ethics committee to investigate ethics complaints against board members and staff. According to the administrative code in force prior to July 2015, this committee was to include two board members. Further, the administrative code indicated that certain district staff and the district's counsel were to be members of the committee but was silent as to whether they would be voting members. However, according to the human

***In August 2013 the ethics committee violated the Brown Act when it conducted a meeting in open session even though the posted agenda indicated that this meeting was to be in closed session.***

resources director, district staff only provided information to the ethics committee and, according to our review of the district's board minutes, these staff were not voting members.

Until July 2015 the district's administrative code stated that the ethics committee would meet twice yearly. However, this committee did not meet regularly. Specifically, according to the district's director of human resources, she informed the then-general manager in July 2011 that the ethics committee was listed in the administrative code as a standing committee that met every six months. She explained that the ethics committee met the following month, although it conducted no business during that meeting, and that it met again in February 2012. It scheduled another meeting for October 2012, but this meeting did not occur because not enough committee members attended. The ethics committee did not schedule another meeting until August 2013, 18 months after its February 2012 meeting. The director of human resources did not know why the ethics committee did not meet regularly during this time but commented that the board had not established the practice of ensuring the committee met every six months.

When the committee finally did meet to conduct business in August 2013, the meeting generated controversy. First, the chair of the ethics committee chose to conduct the meeting in open session, even though the posted agenda indicated that this meeting was to be in closed session. By conducting an open meeting without correctly noting that in the advance agenda, the committee violated the Ralph M. Brown Act (Brown Act). We discuss additional concerns with the board's adherence to the Brown Act and make a related recommendation in Chapter 2. Further, at its meeting the ethics committee discussed a letter from the district attorney's office regarding its investigation into the alleged release of confidential information by the then-board president to a local newspaper. During this meeting, the committee authorized the general manager to seek an investigator to review the matter further. After the investigation was completed, the committee voted in September 2013 to refer the then-board president's alleged disclosure of confidential information to the Los Angeles County Grand Jury. As of September 2015, published reports of the Los Angeles County Grand Jury had not addressed this issue.

Shortly after the September 2013 meeting, the then-board president—who had the authority to appoint members of committees—stated in a memorandum to the general manager that he was very concerned about the ethics committee and the manner in which it was using its role to investigate board members. He stated that he was reconfiguring the ethics committee immediately by placing himself on the committee as the chair, adding another

board member, and replacing the two sitting board members. In October 2013, in another memorandum to the general manager, the then-board president stated that there was dissension and turmoil caused by the ambiguity of the administrative code and the ethics committee, and this was having a pernicious and destructive impact on staff morale. At a subsequent October 2013 meeting, the board temporarily suspended the ethics committee until it could resolve the ambiguity in the district's administrative code.

Although the board temporarily suspended the ethics committee in October 2013, it did not approve revisions to the district's administrative code regarding the committee until July 2015. According to the district's director of human resources, a former general manager postponed finalizing a new policy because he was concerned that board members would use a reinstated ethics committee to act on political disagreements. The board finally approved amendments to the administrative code in July 2015, establishing a new ethics committee; however, the committee's structure remained fundamentally the same. Like its predecessor, it consists of two board members, and the ambiguity regarding staff membership—whether they are voting members or only provide information to the committee—remains. The director of human resources stated that the district plans to address this ambiguity in the administrative code and make staff nonvoting members of the committee, although she did not give a timeline. Because the board did not make significant structural changes to the new ethics committee, it will be subject to the same issues the former ethics committee faced.

The district recognizes the inherent conflicts of interest in its current ethics committee structure and is making changes. In August 2015 the general manager made a presentation to the board on this topic, and the board's agenda included an informational document regarding its new ethics committee. The informational document acknowledged that the most significant difficulty in crafting an ethics enforcement policy is the inherent conflict of interest in asking board members and the general manager to investigate their peers, coworkers, friends, or bosses. To address this, the general manager discussed in the meeting the possibility of contracting with an independent law firm to conduct preliminary investigations. Also, the informational document suggested that the new ethics committee consider its role and alternative ways for it to function effectively. Finally, the general manager noted in the meeting that district staff recently met with the ethics officer for the Metropolitan Water District of Southern California (Metropolitan) and learned that Metropolitan participates in an independent, anonymous ethics hotline. Metropolitan's ethics officer made a presentation to the board in

*The district recognizes the inherent conflicts of interest in its current ethics committee structure and is making changes.*

*In October 2015 the board adopted a plan to implement a hotline for reporting potential ethics violations and to contract with a law firm to conduct an independent review of those alleged violations.*

September 2015. At a meeting in October 2015, the board adopted a plan to implement a hotline for reporting potential ethics violations and to contract with a law firm to conduct an independent review of those alleged violations.

Further, board members and staff have attended ethics training; however, the training by itself may not prevent ethical violations. As we will discuss in Chapter 2, in 2015 a former general manager and a former board member received fines from the FPPC of about \$30,000 each for violating the Political Reform Act by, for example, receiving gifts in excess of established limits from a district contractor. Although a functioning independent ethics committee may not have prevented or detected these specific violations, the lack of such a body would prevent the district and the board from receiving and acting on complaints of similar potential violations.

### ***The Board Failed to Demonstrate Any Commitment to the Strategic Planning Process in the Past***

Until recently, the board demonstrated a lack of leadership by not ensuring the district had an approved strategic plan or made progress in achieving the plan's goals and objectives. According to the Government Finance Officers Association (GFOA), strategic planning is a comprehensive and systematic management tool to help an organization assess its current environment, anticipate and respond appropriately to changes in that environment, envision the future, increase effectiveness, develop commitment to its mission, and achieve consensus on strategies and objectives for achieving that mission.<sup>3</sup> The GFOA recommends that all governmental entities use some form of strategic planning to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between their authorized spending and broad organizational goals.

However, the board did not demonstrate a commitment to the strategic planning process and missed opportunities to identify whether the district was making progress in achieving its goals and objectives. Specifically, the board considered a five-year strategic plan in October 2010 that included a mission statement, a vision of the district in 2015, goals, and a set of metrics to help assess and guide the district's progress toward that vision. However, according to the director of human resources, the board never approved this strategic plan. Nevertheless, she explained that when she began working at the district in January 2011, the then-general

<sup>3</sup> The GFOA represents public finance officials throughout the United States and Canada. The GFOA's mission is to enhance and promote the professional management of governmental financial resources. One of the ways in which it does this is by providing best practice guidance to its members.

manager directed her to use this plan and implement its objectives. The director of human resources stated that staff initiated implementation of the strategic plan in the summer of 2011, but that continued execution of the plan was put on hiatus once the then-general manager left the district in 2012. Not only did the district lack this critical organizational planning tool for several years, but the board failed to demonstrate its commitment to the strategic planning process by not approving the strategic plan or ensuring its appropriate implementation.

Despite these past shortcomings, the board recently adopted a new strategic plan that, if properly implemented, appears adequate. The current general manager stated that one of his first priorities after joining the district in November 2014 was to develop a new strategic plan for the district. The district engaged a consultant to coordinate and facilitate the development of a strategic plan in January 2015. The plan was developed with input from the district's customers, board members, and a project team that included the current general manager as well as various district managers. The new plan covers three years and reflects the district's overall mission and responsibilities. The board adopted this strategic plan in May 2015, and the district implemented it beginning in fiscal year 2015–16. District staff developed a performance measurement scorecard that provides a basis for the district's periodic review of its progress toward its strategic planning objectives. According to the general manager, the district will review this scorecard on a quarterly basis. Additionally, he explained that the district will use the budgetary process to update the board and identify strategic plan goals for the upcoming year. In October 2015 district staff presented a status update to the board that indicated steady progress has been made under the major goals included in the strategic plan. To the extent the board ensures that the district follows through on its plans to monitor and publicly report on its progress in achieving the strategic plan's goals and objectives, the board will help ensure the district is transparent in its actual achievement of the strategic plan.

*The board adopted a new strategic plan in May 2015 that covers three years and reflects the district's overall mission and responsibilities and, if properly implemented, appears adequate.*

### **The Board Has Failed to Take Critical Steps Necessary to Ensure the District's Continued Financial Sustainability**

The board has not established the essential policies necessary to safeguard the district's long-term financial viability. It has not ensured that the district engages in long-term financial planning to protect its long-term financial viability or that the district conducts a water rate study to ensure it collects sufficient revenue to cover its operating expenses. These deficiencies, at least in part, contributed to the district's inability to meet the debt coverage ratio required by its debt agreements, and as a result the district's credit



rating was downgraded in 2013. These deficiencies may also have contributed to the downgrade in 2015. The downgrades may lead to an increase in the costs the district pays on its debt. In addition, the board's inaction at a critical moment led to the avoidable loss of the district's insurance coverage, resulting in a substantial increase in costs and reduction in coverage for the district's subsequent liability insurance policies.

### ***The District Has Not Developed a Long-Term Financial Plan***

Although the GFOA recommends that all government entities regularly engage in long-term financial planning, the district failed to do so throughout our audit period. Long-term financial planning could help the district develop strategies to overcome financial challenges and achieve long-term sustainability. Instead, the district has forecast its revenue and expenditures on a year-to-year basis during its budget process. According to the current finance director, one of the reasons the district did not engage in long-term financial planning was its lack of consistent leadership in the finance director and general manager positions, which we describe earlier in this chapter.

In August 2015 Moody's Investors Service (Moody's) placed \$48.4 million of the district's debt credit rating on review for a possible downgrade, in part because of the district's lack of future year financial projections.<sup>4</sup> Moody's subsequently downgraded the credit rating on this debt in October 2015 citing other reasons, as we discuss in the next section. According to an article the GFOA published on building a financially resilient government, credit rating agencies point to long-term financial planning as evidence of management's dedication to the practices that maintain long-term financial health. The credit rating downgrade—the second the district has received in the past three years—may cause the district to incur additional costs. We describe the credit downgrades and their financial consequences in the next section. Not surprisingly, the district's recently adopted strategic plan includes an objective related to conducting long-term financial planning. In October 2015 the board authorized the general manager to engage a consultant to prepare a 10-year financial forecast. The general manager stated that his goal is for the district to have a completed long-term financial plan by the end of 2016.

***The district's lack of a long-term financial plan to guide its revenue estimation process contributed to the district overestimating its revenues during the last four years in our audit period.***

The district's lack of a long-term financial plan to guide its revenue estimation process contributed, at least in part, to the district overestimating its revenues during the last four fiscal

<sup>4</sup> Moody's is a provider of credit ratings, research, and risk analysis. The purpose of its credit ratings is to provide investors with a simple system of gradation by which they may gauge the future relative creditworthiness of securities.

years in our audit period. When the district does not develop reasonable revenue estimates during its budgeting process, it risks that its revenue will not cover its expenses. The current general manager, who has more than 20 years of experience in the water industry, explained that in his experience it is normal for actual revenues from water sales to vary somewhere between 10 percent and 15 percent of estimates. However, as shown in Table 3, the yearly variance in the district's budgeted-to-actual revenues was greater than 20 percent in three of the five fiscal years within our audit period. The district did not have an individual in the finance director position when it prepared its budgets for fiscal years 2011–12 and 2012–13—two of the fiscal years in which its actual revenues were at least 20 percent less than its corresponding estimates—and instead engaged a consultant to perform its financial management duties. According to the current general manager, the district's former management was too optimistic when developing revenue estimates. Additionally, he explained that the 21 percent variance in fiscal year 2014–15 was primarily the result of lower replenishment water sales than the district had estimated because an invasive shellfish contaminated the source of the district's replenishment water.

**Table 3**  
**Differences Between Budgeted and Actual Revenues at Central Basin**  
**Municipal Water District**  
**Fiscal Years 2010–11 Through 2014–15**  
**(In Millions)**

	2010–11	2011–12	2012–13	2013–14	2014–15
Budgeted revenues	\$58.3	\$64.1	\$66.0	\$52.0	\$71.4
Actual revenues	60.9	50.8	45.1	46.3	56.2
Difference (Shortfall)	2.6	(13.3)	(20.9)	(5.7)	(15.2)
Difference as a percentage of budgeted amount	4%	21%	32%	11%	21%

Sources: Central Basin Municipal Water District budget documents, comprehensive annual financial reports for fiscal years 2010–11 through 2013–14 and draft financial statements as of October 2015 for fiscal year 2014–15.

Despite large variances in the district's past budgeted-to-actual revenues, it appeared to follow a reasonable methodology when preparing its budget for fiscal year 2015–16. Specifically, in a memorandum to the board, district staff reported that the district surveyed its customers to determine a baseline projection for potable water sales and then reduced the projection to reflect allocations from the district's regional wholesaler. Staff also reported that they adjusted the projection to reflect the State's recent mandated water conservation order due to the drought. The current general manager believes that this methodology will

*The district has not conducted a water rate study to determine the appropriateness of its water rate structure to ensure it meets its operating costs on a long-term basis.*

provide a reasonable estimate for the district's revenue in fiscal year 2015–16. We believe the district's approach was logical, especially since the drought has made it problematic to use historic trends to predict future water sales.

Although the district appears to now have a reasonable methodology for forecasting its revenue on a short-term basis, it has not conducted a water rate study to determine the appropriateness of its water rate structure to ensure it meets its operating costs on a long-term basis. As a wholesaler, one of the district's main sources of revenue to cover its expenses is the surcharge it adds to the water it purchases from the regional wholesaler and sells to its customers. The district risks running deficits when declining water sales lead to lower surcharge revenues than it estimated and it does not reduce its expenses accordingly. Nonetheless, the district's board has not increased the district's surcharge since fiscal year 2011–12. According to the current general manager, the district intends to contract with an outside consultant to provide technical analysis of its water rate schedule to determine the appropriateness of its rates. He further stated that the district should not adjust its surcharge until it develops a long-term financial plan to forecast its revenues and expenses; the water rate study it plans to conduct can then help it set its water rates to meet these revenue forecasts. The general manager plans to have the water rate study completed by spring 2017.

Largely because the district collected less revenue than it had budgeted, its expenses exceeded its revenues in three of the past five fiscal years. The district incurred deficits in each of the fiscal years 2011–12 through 2013–14, with the largest of nearly \$5 million occurring in fiscal year 2012–13. These deficits were due to a combination of factors, including reduced water sales, increased expenses, and an early debt payment. For instance, the district made a \$3.9 million payment in June 2013 to pay off part of its debt early in order to reduce its overall debt load. In addition, the district's imported water revenue declined by more than \$12 million between fiscal years 2010–11 and 2013–14. During the same time period, its general and administrative expenses increased by more than half a million dollars, in part because its legal costs were greater than \$1.5 million every year from fiscal year 2010–11 through 2013–14. In particular, the district reported historically high general and administrative expenses in fiscal year 2012–13 due to litigation involving another water agency. Further, during fiscal year 2013–14, the district's legal expenses accounted for almost \$2.6 million, or 60 percent, of its general and administrative costs. The district has now settled most of its litigation issues, and its fiscal year 2014–15 legal expenses of \$677,000 were \$900,000 less than its legal expenses in any of the other years during our audit period.

Finally, until recently, the board did not ensure the district had an adequate reserve policy. An article the GFOA published about building a financially resilient government highlights that public entities must maintain a reserve policy as a component of long-term financial planning. By not following a reserve policy in the past, the board did not demonstrate a commitment to financial prudence and careful stewardship of district assets, and the district risked potential adverse impacts from unanticipated expenditures. The current general manager stated he wrote the district's current reserve policy soon after he began providing interim general manager services to the district in November 2014; the board approved the updated reserve policy in April 2015. According to the district's current reserve policy, its reserves are funds it sets aside to achieve its objectives, respond to operational uncertainties, and address emergencies. The district's updated policy establishes funding levels for several designated reserves, which are earmarked for purposes such as cash flow, legal expenses, and building replacement. The current general manager stated that in his experience, an adequate reserve policy is necessary for the financial health of the district and is an important tool to assist with the budgeting process.

According to the finance director, the district will reassess its reserve levels, which totaled nearly \$15 million at the end of fiscal year 2014–15, on an ongoing basis during its budget process. Nevertheless, because the district averaged a \$2.9 million deficit between fiscal years 2011–12 and 2013–14, and if these deficits continue, the district may not achieve its reserve goals.

*The district averaged a \$2.9 million deficit between fiscal years 2011–12 and 2013–14. If these deficits continue, the district may not achieve its reserve goals.*

#### ***The District Could Incur Additional Costs on Its Debt Due to Credit Rating Downgrades in 2013 and 2015***

The district may incur an increase in its debt costs due to downgrades by Moody's to its credit rating. In August 2013 and again in October 2015, Moody's downgraded the credit rating on the district's debt. As a result of these downgrades, Moody's current rating indicates the district's debt is upper-medium grade and subject to low credit risk. Nevertheless, in 2014, a former general manager stated he estimated that the district had already incurred costs and would incur additional costs due to the August 2013 credit rating downgrade. In addition, the current general manager stated that due to the October 2015 downgrade, the district will likely incur additional costs when it restructures its outstanding debt.

Moody's stated that it downgraded the district's credit rating on \$53 million of its debt in August 2013 in part to reflect the precipitous decline in the district's debt coverage ratio in fiscal year 2012.

Essentially a calculation of the district's net revenues divided by its net debt-service costs, the debt coverage ratio serves as a benchmark to measure the district's ability to produce enough cash to cover its debt payments. When the district issued debt in the past to fund its capital projects, such as its recycled water distribution system, it entered into debt agreements with financial institutions that required it to maintain a minimum debt coverage ratio of 1.15. As shown in Table 4, the district's debt ratio coverage dropped below the 1.15 ratio required by its debt agreements twice within the past five fiscal years, falling as low as 0.20 in fiscal year 2012–13 but improving since then. According to the district's comprehensive annual financial report for the fiscal year ending June 30, 2013, this decrease occurred in part because the district faced sustained high legal costs and in part because of a decline in water revenues in fiscal year 2012–13. Moody's also stated that the other reason for its 2013 downgrade of the credit rating on the district's debt was the litigation surrounding one of its primary customers. Moody's indicated that it was concerned about the district's ability to restore debt-service coverage and cash reserves to their historic levels.

**Table 4**  
**Central Basin Municipal Water District's Debt Coverage Ratio**  
**Fiscal Years 2010–11 Through 2014–15**

REQUIRED DEBT COVERAGE RATIO*	2010–11	2011–12	2012–13	2013–14	2014–15
1.15	1.91	0.64	0.20	1.33	1.75

Sources: Central Basin Municipal Water District's (district) comprehensive annual financial reports for fiscal years 2010–11 through 2013–14 and the California State Auditor's analysis of information in the district's draft financial statements as of October 2015 for fiscal year 2014–15.

\* The required debt coverage ratio is set by the district's debt agreements.

After Moody's downgraded its rating of the district's debt in August 2013, the then-general manager prepared a memorandum to the board in April 2014 in which he estimated that the downgrade would cause the district's costs related to one of its credit agreements to increase by a two-year total of \$65,000 from fiscal year 2013–14 through fiscal year 2014–15. The memorandum also stated that because of the downgrade, the district could face an increase in total interest costs when it issues new debt to restructure its outstanding debt. Specifically, the former general manager estimated that the credit downgrade could result in additional interest costs of between \$100,000 and \$500,000 over the life of the district's restructured debt. The district's current finance director, who was not a district employee at the time, explained that he does not have information related either to the decrease in the debt ratio coverage in fiscal years 2011–12 and 2012–13 or to the costs resulting from the credit rating downgrade. The current general manager

explained that he would like to restructure the district's debt. The district's financial advisor has recommended the district wait until the conclusion of our audit before proceeding with its plans for debt restructuring.

Additionally, Moody's stated that it downgraded the district's credit rating on its debt again in October 2015 because it believed that debt service coverage levels will likely be lower than previously anticipated, given declining operating revenues caused largely by the conservation efforts associated with prolonged drought conditions. The current general manager stated that, as a result of this downgrade, the district will likely incur additional borrowing costs when it issues new debt to restructure its outstanding debt, although it is too early to determine what the actual effect will be. The district's finance director believes this downgrade will not affect the district's current debt costs because the district's debt service coverage remains above the target set by the district's bond agreements.

The district may have struggled with its debt coverage ratio because the board has not ensured the district has a formal debt management policy. In 2011, 2012, and 2013, two different external auditors recommended that the district implement a formal debt management policy. According to the GFOA, a government's adherence to such a policy signals to rating agencies that it is well managed and therefore is likely to meet its debt obligations in a timely manner. The GFOA recommends the policy should include, among other things, debt structuring practices and the potential credit rating impacts of weak debt coverage ratios. Although two district managers wrote memoranda to the board during our audit period that indicate their awareness of the district's debt coverage ratio requirements, the current general manager confirmed that the district has never implemented a formal debt management policy. The current finance director stated he is uncertain why the board did not address the external auditors' past findings but that he is aware of the GFOA's recommendation. He explained that his goal is for the district to maintain a debt coverage ratio of over 1.50. However, the district's lack of a formal debt management policy may put it at risk of making financial decisions that could impair its ability to meet its required debt coverage ratio of 1.15, let alone its higher goal for this ratio.

*The district's lack of a formal debt management policy may put it at risk of making financial decisions that could impair its ability to meet its required debt coverage ratio.*

#### ***The Board's Inaction Resulted in the District's Loss of Insurance Coverage and Subsequent Higher Insurance Costs***

The district's costs for its liability insurance increased significantly in 2014 and 2015 when the board failed to take action to preserve its insurance policies. Because an agency such as the district can

***The board failed to act on an opportunity to negotiate its coverage with the Insurance Authority before the district's insurance was canceled.***

be exposed to significant liability, we believe it is a good business practice for it to maintain both general and employment practices liability insurance. Until May 2014 the district procured its insurance through the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority), a public entity that is a partnership of water agencies that provides risk-sharing pools to meet its members' needs for property, liability, workers' compensation, and employee benefits insurance coverage. However, in March 2014 the Insurance Authority notified the district of its plans to recommend to its executive committee that it cancel the district's participation in the insurance program, citing its concerns with the magnitude and frequency of employment practices claims against the district. The Insurance Authority specifically stated that its greatest concern was that many of these claims stemmed from the board's actions. In that same month, the Insurance Authority's executive committee voted to recommend to its board of directors the cancellation of the district's participation in insurance programs for liability, property, and workers' compensation—a recommendation the Insurance Authority's board of directors approved in May 2014.

However, the board failed to act on an opportunity to negotiate its coverage with the Insurance Authority before the district's insurance was canceled. In April 2014 the Insurance Authority offered the district the opportunity to apply to continue the district's participation in its liability and property insurance programs so long as the district agreed to certain conditions. Specifically, these conditions included the district accepting a six-month suspension of its employment practices liability coverage, withdrawing from the workers' compensation insurance program, assuming responsibility for certain costs resulting from a number of lawsuits, and securing a four-fifths vote by the district's board before it could terminate a general manager. Had the district agreed to these conditions, based on its assessment, it would have had to temporarily obtain workers' compensation and employment practices liability insurance from another insurance provider. However, the district then would have had the opportunity to apply to have its insurance coverage reinstated by the Insurance Authority.

During March and April 2014 district staff informed the board on several occasions of the causes and consequences of the potential loss of the district's insurance coverage, as well as proposed solutions. At a board meeting in late April 2014, the board postponed its decision on its response to the Insurance Authority's proposal. Instead, it stated that it would consider the district's insurance coverage at a special meeting that was scheduled just days before the Insurance Authority's May 5, 2014, meeting when it was to consider the district's response to its proposal. However, the special meeting was canceled because not enough board members

attended. As a result of the board's inaction, it failed to reach an agreement on the Insurance Authority's proposed conditions or to submit a counterproposal before the meeting. Consequently, the Insurance Authority's board of directors voted in May 2014 to cancel the district's insurance coverage effective in June 2014. Before its cancellation became effective, however, the district withdrew from the Insurance Authority's coverage in order to obtain coverage from alternate carriers in May 2014.

The district subsequently obtained new insurance; nonetheless, the board's poor management practices caused the district to lose a part of that coverage. As previously mentioned, the Insurance Authority proposed as one of its conditions that the board require a four-fifths vote to terminate its general manager. However, the board did not agree to this condition before the Insurance Authority canceled its coverage. After the district had obtained new insurance coverage from private insurance companies, the district's insurance broker warned the district in September 2014 that any change to senior staff would create a level of uncertainty in the insurance markets that would affect the pricing for the district's employment practices liability insurance. Despite this warning, the board terminated the district's then-general manager the next month in October 2014. In response, he filed a legal claim in February 2015 for more than \$8.2 million against the district and three board members for wrongful and illegal termination. At that time, the insurance company that provided the district with its employment practices liability coverage notified the district that it would not renew the district's policy when it expired in May 2015, citing its annual reevaluation of risks in light of changing conditions in the insurance market. As a result of the board's poor decision making, the district is currently paying substantially more for less general liability and employment practices liability insurance coverage than it had before, as noted in Table 5 on the following page.

If the board fails to maintain the district's current insurance coverage, it will place the district at risk of becoming uninsurable. According to correspondence from the district's insurance broker in May 2015, marketing of its employment practices liability insurance coverage has been quite challenging. In fact, the insurance broker notified the district that it had approached numerous companies to obtain quotes for the district's coverage, but only two responded while all the others declined. In other words, the coverage the district obtained in June 2015 was the less expensive of the only two quotes it received, in part due to the district's history of litigation.

***If the board fails to maintain the district's current insurance coverage, it will place the district at risk of becoming uninsurable.***



**Table 5**  
**Central Basin Municipal Water District's General Liability and Employment Practices Liability Insurance Coverage and Costs**  
**October 2013 Through June 2016**

COVERAGE PERIOD		OCTOBER 1, 2013, THROUGH MAY 15, 2014*	MAY 15, 2014, THROUGH MAY 15, 2015		MAY 15, 2015, THROUGH MAY 15, 2016	
General liability coverage	<b>\$2 million per occurrence</b>  <b>Carrier:</b> Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority)  <b>Deductible:</b> \$10,000	<b>\$1 million per occurrence</b>  <b>Carrier:</b> Allied World Assurance Company	<b>Deductible:</b> \$1,000	<b>\$1 million per occurrence</b>  <b>Carrier:</b> Allied World Assurance Company	<b>Deductible:</b> \$10,000	
			<b>Premium:</b> \$49,950		<b>Premium:</b> \$49,096	
<b>COVERAGE PERIOD</b>			<b>MAY 15, 2014, THROUGH JUNE 15, 2015</b>		<b>JUNE 15, 2015, THROUGH JUNE 15, 2016</b>	
Employment practices liability coverage		<b>\$2 million per claim</b>  <b>Carrier:</b> ACE Municipal Advantage	<b>Self-Insured Retention:</b> <sup>†</sup> \$100,000	<b>\$1 million per claim</b>  <b>Carrier:</b> Kinsale Insurance Company	<b>Deductible:</b> \$250,000	
			<b>Premium:</b> \$69,826 <sup>‡</sup>		<b>Premium:</b> \$150,000	
<b>Total annual premium</b>	<b>\$70,420<sup>§</sup></b>		<b>\$119,776<sup>‡</sup></b>		<b>\$199,096</b>	

Sources: Central Basin Municipal Water District (district) insurance policies and its comprehensive annual financial reports for fiscal years 2010–11 through 2013–14.

\* The district maintained insurance through the Insurance Authority from the beginning of our audit period in July 2010 through May 2014.

† The district's former employment practices liability insurance had a self-insured retention rather than a deductible. The insurance carrier's liability only applies to the part of damages and claim expenses that are in excess of the retention.

‡ The district made an additional \$6,000 payment for a one-month extension to this insurance policy, which is not included in the amount above.

§ The \$70,420 was the cost to the district of the policy through September 2014. However, the Insurance Authority voted to cancel the policy effective in June 2014, but the district withdrew from coverage earlier in May 2014.

Further, according to the current general manager, the district losing its insurance would expose it to substantial liability and severe operational impacts. For example, between 2013 and 2015, the district's insurers paid out about \$1 million in claims against the district, amounts the district would have had to pay on its own in the absence of any insurance coverage. As of September 2015 the district had three employment practices lawsuits pending against it, including the more than \$8.2 million lawsuit from the former general manager, which demonstrates the magnitude of the financial risk the district could face in the absence of adequate insurance coverage.

### A New Method of Governance Would Improve the District's Leadership

As described in this chapter, the board has failed to lead the district in a manner that encourages its efficient operation and effective management. Further, as we will show in Chapters 2 and 3, the board has violated its own policies related to contracting and hiring, and it also violated state open meeting law when it inappropriately approved the establishment of a legal trust fund in 2010. The

board's poor decisions over the past five years have eroded the public's trust in the district and cost the district many thousands of dollars in misspent funds.

As previously discussed, the district and board recently made certain changes that have improved—or have the potential to improve—the management of the district. Most significantly, in the past year, the board hired a general manager with significant experience managing another water district and a finance director with experience in local government. Also, in July 2015 the board approved various changes to the district's administrative code that, if followed, will help the district to address some of the issues we describe in this and subsequent chapters. Finally, since October 2014 the district has generally held monthly meetings for its customers to update them on the district's activities and other issues of interest. Such meetings provide an opportunity for the district to report to and receive feedback from its customers.

Although these are positive steps, we remain skeptical of the board's ability to consistently ensure the district's stability and to provide it with effective, ongoing leadership. For instance, days after an October 2014 report by the County of Los Angeles Department of Public Works (Public Works) noted the improved stability of the district's operations and senior management team, the board voted to terminate the employment of the individual serving as general manager at that time. At this time, we have little assurance that the board will not make similar decisions in the future that could undo the positive effects of the recent changes.

Overall, Public Works' report was critical of the district, and it included an exploration of the steps necessary to dissolve it. However, the report stopped short of recommending such an extreme action. Public Works noted that the Local Agency Formation Commission for the County of Los Angeles (LAFCO) controls the process for dissolving the district. Under state law, a petition for dissolution of the district could be filed by a resolution of the legislative body of an affected agency such as a city, county, or the district itself. A petition may also be filed by 10 percent of the voters in the district, or LAFCO itself may initiate a proposal. State law then requires LAFCO to hold a public hearing on the proposal and inform the affected entities, including providing written notice of the hearing to landowners and registered voters. Further, LAFCO may terminate the proposed dissolution or place the matter up for a vote by the voters in the district, depending on whether protests are received to the proposal under various specified conditions.

If the district were dissolved, another entity would need to take over its responsibilities. According to state law, the choice of a successor to the district would be based on the existing jurisdiction

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***Should the board not succeed in maintaining a stable leadership team, experience additional lawsuits, or lose its insurance coverage again, it will risk not being able to operate effectively as an independent entity.***

within the district—such as the county or an individual city—that has the greatest assessed value of taxable property, or the terms and conditions of the petition for dissolution could name the entities to take responsibility for the district’s duties. Public Works’ report also noted that a reorganization of the district—for example, breaking it into smaller pieces—is also under the jurisdiction of LAFCO and would be subject to steps similar to those required to dissolve it. The report did not indicate whether Los Angeles County would be willing or able to take on the district’s work itself, nor did it recommend another entity to assume those responsibilities. Instead, the report recommended this audit.

Given the concerns we raise in this report, a dissolution or restructuring may become necessary in the future. Should the board not succeed in maintaining a stable leadership team, should the district experience additional lawsuits, or should it lose its insurance coverage again, it will risk not being able to operate effectively as an independent entity. However, because of the district’s recent progress, a complete dissolution may be premature at this time.

A less extreme option to address the lack of leadership of the district would be to change its governance structure. Currently, the five divisions within the district elect the board members by popular vote, but electing new board members has proven to be ineffective at improving the board’s leadership. For example, in 2012 two board members were defeated and replaced with two new individuals, yet some of the same problems we discuss in this report continued well beyond 2012. In fact, the financing of board members’ political campaigns may also have contributed to some of the missteps we describe in this report, as their campaigns receive donations from entities doing business with the district.

To address the problems we found, we believe that board members need to be answerable to those who select them. Although the voters in the district elect the board members, the district’s direct customers are not members of the public; rather, they are the cities, other water districts, mutual water companies, investor-owned utilities, and private companies to whom the district sells imported and recycled water. Because these entities do not select the board members, the board members are only indirectly accountable to those they actually serve. As a result, the board may face few or no repercussions if it chooses to ignore the input of the district’s customers. Further, the board’s responsibilities are narrow in scope. Specifically, the district’s role is to purchase water from a limited number of sources and resell it to entities who in turn sell it directly to the public. Such a role does not require broad policy making, but instead requires significant input from its customers

regarding water purchases and sales. The district and its residents would be better served if its direct customers were able to select its policymakers.

Consequently, we believe an option for improving the district's governance would involve a board appointed by its customers, a structure for which precedent exists. For example, Metropolitan, which delivers water to numerous member public agencies including the district, has a board composed of representatives from its member agencies. The San Diego County Water Authority also has a board appointed by its member agencies. If the Legislature chooses to act on our recommendation, it could preserve the district as an independent entity, allowing the district to continue to provide both imported and recycled water without confusion or disruption. However, the Legislature could modify the district's governance structure to adopt an appointed board, thus improving the board's accountability to the entities the district serves. Further, because the local entities the district serves would appoint the board members from within their communities, the board would continue to represent the interests of the residents of the district.

The district's current general manager expressed reservations about an appointed board. He acknowledged that an appointed structure is possible but stated that such a move may simply replace one set of problems with another. For example, he said that state law does not provide for private water companies or mutual water companies having a seat on the board. Instead, the underlying city is represented, which would create a disconnect between service and rate setting and affect 25 percent of the district's service area. Further, the general manager stated that the district's electors are not its direct customers; however, they are all rate payers through the district's standby charge. Also, he stated that the district serves residents through 47 water retailers and one water wholesaler. All of the district's customers benefit from district activities, including its Metropolitan representation and its efforts regarding water conservation, water recycling, water resources planning, and water education. Further he stated that rate setting by more than 40 agencies—which is the model Metropolitan follows—that benefit in different ways from their associations with the district would be difficult and divisive. The electorate provides a balance for the various water entities the district serves and helps to ensure that they do not unduly influence the board. He said that, depending on how the district's customers were to select their appointed representatives, larger or wealthier water districts could attempt to establish policies that disadvantage smaller or less wealthy districts. Finally, he noted that the district has been in existence for more than 60 years and the structure has worked fine for most of that period. In the opinion of the current general manager, the

*We believe an option for improving the district's governance would involve a board appointed by its customers, a structure for which precedent exists.*

problems in the last five years are a result of actions by individual board members and not a failure of the institutional structure. Nevertheless, as we previously discussed, the district's board is not directly accountable to those the district serves, and the decisions it needs to make are narrowly defined according to the district's mission. Given the significant problems we outline in this report and the lack of leadership displayed by the board, in our judgment it is time to consider an alternate governance structure to improve the accountability of the board to its customers and ensure the district continues to focus on its responsibilities.

## **Recommendations**

### ***Legislature***

To ensure the efficient and effective delivery of imported and recycled water in southeastern Los Angeles County, the Legislature should pass special legislation to preserve the district as an independent entity but modify the district's governance structure. In doing so, the Legislature should consider a governance structure that ensures the district remains accountable to those it serves; for example, the district's board could be changed from one elected by the public at large to one appointed by the district's customers.

### ***District***

To ensure the stability of the district's operations, by June 2016 the district's board should establish a formal policy for hiring for the general manager position. Because the current general manager is on a contract set to expire in May 2017, the board should initiate the hiring process for a new general manager or begin the process of renegotiating the contract with the current general manager in the fall of 2016.

To better address potential ethical violations, the district should implement by June 2016 a means for investigating board members' and staff's potential violations of the district's code of conduct and conflict-of-interest code that would insulate those investigations from undue influence from either the board or the general manager.

To evaluate its progress toward its goals and objectives, the district should use its recently adopted strategic plan and issue an annual report that describes the steps it has taken toward achieving the goals and objectives in the strategic plan.

To ensure its long-term financial sustainability, the board should complete a long-term financial plan no later than December 2016.

To ensure its water rate structure is appropriate to provide the revenue necessary to cover its legitimate costs, the district should complete its planned water rate study no later than the spring of 2017.

To strengthen its financial stability against present and future uncertainties, the district should follow its recently adopted reserve policy.

To ensure that it continues to take steps to improve its financial condition and avoids additional costs due to downgrades of its debt credit ratings, the district should immediately create a formal debt management policy. This policy should clearly define its credit objectives and provide guidelines for suitable debt agreements. This policy should also require the district to periodically monitor its specific financial ratios, such as its debt coverage ratio, that are relevant to its credit rating.

To help it maintain its current insurance coverage and better position it to negotiate for more cost-effective and appropriate coverage in the future, the board should immediately adopt a policy requiring a four-fifths majority to terminate the district's general manager. Further, the board should review the district's insurance coverage annually and renegotiate costs and coverage amounts as necessary, particularly as the district resolves outstanding legal claims against it.

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## Chapter 2

### **THE CENTRAL BASIN MUNICIPAL WATER DISTRICT HAS ESTABLISHED INADEQUATE POLICIES RELATED TO CONTRACTING AND EXPENDITURES AND HAS CIRCUMVENTED OTHER POLICIES**

#### **Chapter Summary**

The Central Basin Municipal Water District (district) has not always demonstrated good stewardship of the public funds entrusted to it. Its board of directors (board) violated state law when it set up a legal trust fund (trust fund) in 2010 that it did not disclose to the public. Further, the board's inadequate oversight of the millions of dollars of expenditures its outside legal counsel subsequently made from the trust fund may have led to payments for services unrelated to the fund's purposes. In addition, the district consistently engaged in questionable contracting practices during our audit period. Specifically, it improperly avoided competitive bidding when selecting vendors in more than half the contracts we reviewed, and it inappropriately used amendments to extend and expand other contracts. Its inadequate contract management may also have led it to pay for unnecessary or unperformed services. Finally, some of the district's expenditures very likely could be viewed as gifts of public funds.

#### **The Board Established an Improper Legal Trust Fund and Did Not Disclose Its Actions to the Public**

In June 2010, the board improperly approved the establishment of a trust fund for which it authorized the use of an unspecified amount of money, ultimately totaling millions of dollars, without adequate disclosure to the public. Because the board took this action in a closed session, we believe it violated state open meeting law. Further, the board allowed its outside legal counsel to make expenditures from the trust fund with no board oversight; thus, it has no assurance that its outside legal counsel used the trust fund only for purposes that aligned with the fund's original intent.

According to a board member at the time, the board voted in a closed-session meeting on June 28, 2010, to approve the establishment of the trust fund whose proceeds would be used to develop a programmatic environmental impact report (PEIR) to support a groundwater storage program. The money in this trust fund was to be held by outside legal counsel retained by the district at that time. According to the former board member, the board also authorized its then-general manager and the outside legal counsel



to use whatever financial resources they deemed necessary to develop the PEIR. However, the published agenda for this meeting indicated that the purpose of the closed session was to discuss an issue under the pending litigation exception.

The California Constitution provides that the constituents of public agencies have the right of access to information concerning those entities' conduct, and therefore the entities' meetings and writings must be open to public scrutiny. To ensure that public entities, in this case the district's board, meet this goal, the Ralph M. Brown Act (Brown Act) requires them to hold open and public meetings unless a specific closed-session exception applies. The board's meeting minutes from June 28, 2010, indicate that the board believed it did not have to meet in open session under the Brown Act to discuss the establishment of the trust fund because the Brown Act makes an exception for pending litigation. This exception authorizes legislative bodies to discuss pending litigation, including anticipated litigation, in closed session with legal counsel if public deliberation on the matter would prejudice the legislative body's litigation position. However, the pending litigation exception permits public entities to receive legal advice and make litigation decisions only; the Brown Act does not allow them to use the exception as a subterfuge to reach nonlitigation-oriented policy decisions.

Although the board had previously been involved in a legal dispute regarding the storage of groundwater, we did not observe evidence that suggested such litigation could reasonably be anticipated when the board took this action. An investigation performed by a law firm subsequent to the establishment of the trust fund stated that, while the board's decision to create a groundwater storage plan was within the district's legal authority at the time, if this action were to be reviewed by a governmental authority, that authority would conclude that this action should have been taken in open session.

***We believe the board should have held the vote to establish the trust fund in open session.***

We also believe that the pending litigation exception did not apply in this case and that the board should have held the vote to establish the trust fund in open session. Although the board's official minutes from the June 2010 meeting state that in closed session it authorized its then-general manager to provide resources and enter into an agreement as necessary for ongoing litigation, the law firm's investigation found reason to believe the board used the discussion and vote to finance many nonlitigation expenses, avoid criticism, and create a PEIR. Although the investigation concluded that the board relied on its outside legal counsel's advice when it decided that it was permitted to discuss and cast its vote in closed session, we believe it was the board's responsibility to be

intimately familiar with the laws governing its operations, including the Brown Act, and that it should have questioned its outside legal counsel's advice on this matter.

Further, the district did not disclose to the public the \$2.75 million in transfers it made to the trust fund. It omitted the first \$2 million in transfers from its public expenditure reports, and it reported the final transfer of \$750,000 as a generic "legal services" expense. These omissions deprived the district's constituents of their constitutional right of access to information concerning the district's conduct.

Once the board approved the establishment of the trust fund, the district violated another state law that requires the general manager to select competent environmental professionals when it instead allowed the district's outside legal counsel to make this selection and contract with vendors to provide various services, including creating the PEIR. In fact, as reported in the law firm's investigation, the district's outside legal counsel selected the vendors, drafted contracts, and processed payments from the fund. According to a board member who approved the establishment of the trust fund, he did not have specific knowledge of how the outside legal counsel spent the resources of the trust fund because those expenditures did not come before the board for its approval. This acknowledgment indicates that the board did not ensure district staff or outside legal counsel provided it with the information necessary for it to fulfill certain of its duties, such as safeguarding the assets of the district.

In addition, because the board did not approve the expenditures the district's outside legal counsel made from the fund, the board could not ensure the district's outside legal counsel entered into only contracts related to the fund's purpose. As indicated in the law firm's investigation, the outside legal counsel tracked the expenditures outside of the district's ordinary course of business. Because of this lack of oversight, the district's outside legal counsel may not have spent all the money in the trust fund on the purpose for which it was established. As shown in Table 6 on the following page, the outside legal counsel paid a total of roughly \$2.3 million from the trust fund to the engineering services firm that was primarily responsible for creating the PEIR. However, according to the contracts or other available documentation, it also paid more than \$400,000 to seven other consultants for services, summarized in Table 6.

The district appears to have received very little value from its trust fund expenditures. In August 2012, after the district's outside legal counsel had spent most of the trust fund, the governor approved statewide legislation that effectively denied the district the authority to manage, control, or administer the importation of water for the storage of groundwater. Nevertheless, the engineering services firm had created a draft PEIR by this time. As noted by the law

*The district did not disclose to the public the \$2.75 million in transfers it made to the trust fund—it omitted \$2 million from its public expenditure reports, and it reported \$750,000 as a generic "legal services" expense.*

firm's investigation, the district categorized this cost as a five-year capital asset rather than as a litigation expense. The district's decision to categorize the cost of the PEIR as an asset instead of as a litigation expense further demonstrates that the pending litigation exception described earlier did not apply and that the board violated the Brown Act when it established the fund.

**Table 6****Summary of Expenditures From the Central Basin Municipal Water District's Legal Trust Fund**

CONTRACTOR	TOTAL AMOUNT PAID	TYPE OF FIRM	CONTRACTED SERVICES
HDR Engineering, Inc.	\$2,298,750	Engineering services	To create a programmatic environmental impact report (PEIR) and to provide water resources consulting services.
Mark Fabiani LLC and CSL Strategies LLC	270,000	Strategic communications	To provide advice, counsel, and litigation support regarding the representation of the district in various litigation and other related matters, including both ongoing and potential or anticipated litigation.
Matrix New World Engineering, Inc.	38,725	Engineering services	To conduct a peer review of the PEIR.
Horvitz & Levy LLP	33,185	Law	To conduct all necessary legal research and prepare and file in the California Supreme Court a letter asking it to depublish the Court of Appeal's opinion in a lawsuit to which the district was not a party.
Irell & Manella LLP	25,000	Law	To provide legal consulting services in connection with appellate proceedings in a lawsuit between the local replenishment district and local cities.
The Calderon Group	20,000	Consultant	To provide advice and consultation services related to ongoing litigation, as well as to provide advice and/or settlement negotiation consultation concerning the storage and extraction of groundwater resources.
Fitzgerald Public Finance	15,625	Financial services	To provide advice with regard to financial matters as needed related to ongoing litigation, as well as to evaluate financial implications and resources of the storage and extraction of groundwater for anticipated litigation.
Iverson, Yoakum, Papiano & Hatch	553	Law	To provide advice with regard to legal matters related to ongoing litigation, as well as to evaluate an opinion on other legal issues involving litigation.
<b>Total</b>	<b>\$2,701,838*</b>		

Sources: Accounting records, contracts, and other available documentation provided by the Central Basin Municipal Water District (district).

\* The remaining balance of approximately \$48,000 plus interest left in the trust fund after the final disbursement by the district's outside legal counsel was transferred back to the district by the end of January 2013.

Finally, as a result of the board establishing the trust fund in closed session and not disclosing its actions to the public, the district incurred significant investigative and legal costs. Specifically, according to the district's records, it has spent more than \$500,000 on a law firm's investigation and on legal costs related to a whistleblower lawsuit filed by a current board member. In particular, in 2013 a current board member who was not involved in establishing the fund filed a lawsuit under the California False Claims Act (CFCA) against certain former district contractors and employees pertaining to the establishment and

use of the trust fund.<sup>5</sup> The purpose of the lawsuit is to recover the money transferred to the fund and to recover certain damages and expenses related to the district officials' actions. As of November 2015 the outcome of this lawsuit was still pending.

### **The District Did Not Consistently Use Competitive Bidding and May Not Have Received the Best Value for Its Expenditures**

The district did not consistently adhere to robust contracting policies and practices between fiscal years 2010–11 and 2014–15. Specifically, we found that the district did not adequately adhere to its own policies when it did not competitively bid 11 of the 20 contracts we selected for review. Further, it used amendments to circumvent the competitive bidding process in four out of five additional contracts that we reviewed. When the district does not make full use of its competitive bidding process, it cannot ensure that it receives the best value for the public funds it awards and it increases the risk that its board members or staff will develop conflicts of interest with vendors.

#### ***The District Inappropriately Avoided Competitively Bidding Its Contracts***

Competitive bidding is a vital component of the district's contracting practices. The district states in its procurement policy that it is committed to obtaining the most reasonable value for the goods and services it purchases. Further, the district states that it will procure the services of consultants and contractors through a competitive bidding process. The text box describes the district's competitive bidding requirements for services at different purchasing levels. When the district purchases services without using competitive bidding by entering into a contract with a singular or sole-source service provider, it skips key steps in its vendor selection process. These steps, such as soliciting bids and evaluating vendors, help the district to ensure it meets its commitment to obtain the most reasonable value for its purchases. Figure 6 on the following page illustrates the

#### **Central Basin Municipal Water District Procurement Authorization Requirements for Contracts for Professional Services**

- Services up to \$5,000 require a single price quote and purchase order approved by the department manager and the general manager.
- Services over \$5,000 and up to \$25,000 require an informal solicitation with at least three competitive proposals or quotes, a justification for the contract award, and a contract executed by both the general manager and the Central Basin Municipal Water District's (district) general counsel.
- Services over \$25,000 require a formal solicitation process and board approval prior to execution of the contract by the general manager and district general counsel.

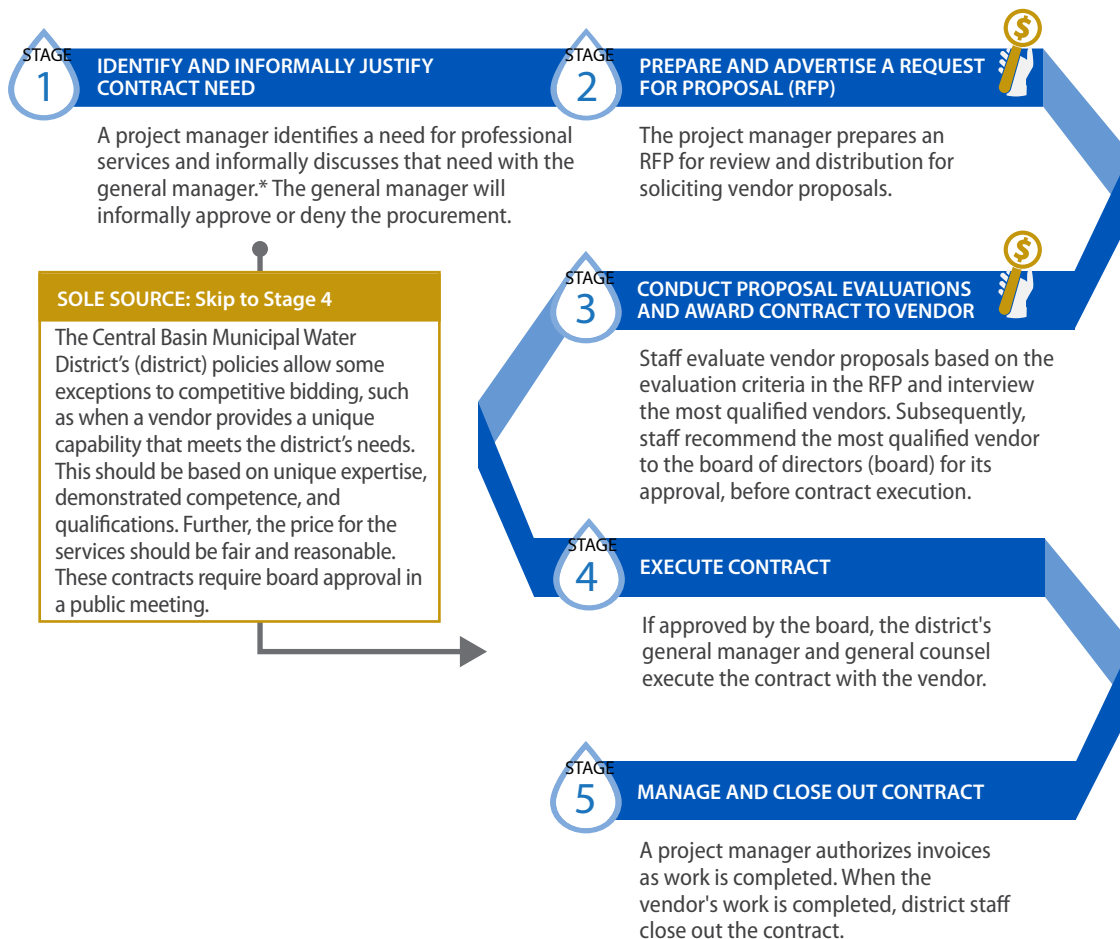
Source: The district's administrative code.

<sup>5</sup> The CFCA permits private residents to initiate and prosecute false claims actions on behalf of the state or local government entity whose funds are at issue. Private suits under the CFCA are permitted as *qui tam* actions, in which prevailing private litigants are entitled to a percentage of the proceeds recovered as payment for their efforts in successfully prosecuting fraudulent claims against the government. The district declined to join the board member as a plaintiff in the lawsuit, and the board member is pursuing the lawsuit as a private resident on behalf of the district.

district's contracting process for obtaining services valued at greater than \$25,000 and the critical stages in this process that the district bypasses when it chooses to use sole-source contracts.

**Figure 6**

**Summary of Key Stages in the Central Basin Municipal Water District's Procurement Process for Professional Services Contracts Greater Than \$25,000**



Sources: The district's administrative code, procurement procedures, interviews with district staff, and the California State Auditor's observations during its testing of the district's contracts.

\* The general manager can also be a project manager.

Despite a policy to competitively bid its contracts, the district frequently purchased services through sole-source contracts, often without providing sufficient justification for circumventing the competitive bidding process. Specifically, 13 of the 20 district contracts we reviewed were sole-source. The district's procurement policy suggests that the district's justification for using a sole-source contract when purchasing services demonstrates either that a vendor has a unique capability that meets the district's needs or that

it is an emergency. According to the district's policy, the district should base the determination to award a sole-source contract because of a unique need based on the vendor's unique expertise, demonstrated competence, and qualifications. However, the district did not include adequate justifications for 11 of the 13 sole-source contracts we reviewed.

The district's justifications for these 11 contracts did not contain all of the information its policy suggests its justifications should include. For example, in July 2012 a former general manager approved a sole-source contract with the overall objective of providing professional assistance to the district's public relations efforts and to support the district and board by creating the public perception that district staff are committed to the betterment of the community. The general manager at the time entered into this contract under his authority for an amount not to exceed \$24,960. In his justification for the contract, he stated that communication with local agencies became strained two to three months earlier and a sole-source contract was necessary because staff could not take the normal amount of time to solicit firms for this service. Similarly, in February 2013 a former public affairs manager justified a sole-source contract not to exceed \$9,000 for specialized media and public relations services by stating that the district was in a transitional period, had come under increased legislative and media scrutiny, and needed a crisis media expert immediately to assist with correcting misperceptions and misinformation. Neither of these justifications provided any description of the vendors' unique expertise or demonstrated competence and qualifications, nor did they indicate an emergency. When the district does not adequately justify the reasons it enters into sole-source contracts, it cannot demonstrate it received the best value for the services it procures and it leaves itself vulnerable to allegations of favoritism.

Other public entities have more restrictive requirements for sole-source contracts than the district. For example, the San Diego County Water Authority's policy allows for noncompetitively bid procurements only when a contract's requirements are so critical or call for such specialized expertise that only one source is capable of providing the services. State law also limits the circumstances under which a state agency may procure goods and services without a competitive bidding process. For example, a state agency can use a sole-source contract in an emergency, when immediate acquisition is necessary for the protection of the public health, welfare, or safety. Further, the *State Contracting Manual* requires a department that awards a sole-source contract to submit detailed information explaining why it circumvented the competitive bidding process, including its reasons for restricting the purchase to one vendor, the events leading to the purchase, a description of the vendor's uniqueness, the consequences of not purchasing from

*The district did not include adequate justifications for awarding 11 of the 13 sole-source contracts we reviewed.*

***When the district cannot clearly identify and justify its reasons for avoiding a competitive bidding process, it leaves itself vulnerable to allegations of favoritism.***

the vendor, market research to substantiate lack of competition, and an evaluation of other items it considered. By contrast, the policies the district had in effect since the beginning of our audit period suggested but did not require that it justify sole-source contracts based on a vendor's unique ability or based on emergency circumstances. When the district cannot clearly identify and justify its reasons for avoiding a competitive bidding process, it leaves itself vulnerable to allegations of favoritism. Moreover, it also cannot demonstrate that it is obtaining the best value for the services it purchases with public funds.

***The District Inappropriately Used Amendments to Extend and Expand Contracts***

The district's inappropriate use of amendments to extend and expand contracts left it unable to demonstrate that it did not pay more than it should have for services. Although the district's administrative code requires board approval of contract amendments that exceed the contract amounts the board originally approved, it does not offer guidance on the circumstances under which the district should amend an existing contract rather than use competitive bidding. According to the *State Contracting Manual*, a contract amendment that changes a contract's original scope of services constitutes a noncompetitively bid contract award. It defines changes to quantity, pricing, and products as scope changes. Although we could not identify a similar district policy or process related to amendments that change a contract's scope of work, the district's current general manager stated that the district should reopen a contract to competitive bidding when the scope of work is so different that it constitutes a new project altogether. However, we noted instances in which the district appeared to circumvent the competitive bidding process by amending existing contracts to add new services. We also found an instance in which a former general manager failed to adhere to board instructions when amending a contract.

The district circumvented the competitive bidding process through contract amendments on several occasions during our audit period. In fact, we found that four out of five contracts with significant amendment histories that fell within our audit period contained amendments that the district could have opened for competitive bidding. For example, in October 2009 the district entered into a \$920,000 contract with a nonprofit foundation to purchase and install 3,000 high-efficiency toilets for residents of a city within the district's service area. Four months later, however, the district amended the contract to include marketing and outreach services to the city's residents to promote the program and educate the community about the city's water conservation

efforts, and increased the contract amount by \$27,400. Because these services are a separate product from purchasing and installing toilets, the district could have competitively bid these services. In another example, the board failed to competitively bid strategic planning duties for the 2010 strategic plan we discussed in Chapter 1. Specifically, the district engaged the services of a human resources consultant to provide various human resources work in October 2008. However, in November 2009 the board approved changing this vendor's contract to include providing services related to strategic planning for the district's management team and board—a separate work product from the original scope of work. Ultimately, the board never approved the strategic plan or ensured its proper implementation. When the district chooses not to use competitive bidding to purchase additional goods or services and instead adds them to existing contracts through amendments, it risks paying for services that are not the best value for the district and creates the appearance of favoritism when other potential bidders are not given the opportunity to compete.

Because the district does not maintain and adhere to clear contract amendment policies, it risks spending millions of dollars on professional services of substandard value. Unaudited district records from the database it has used since 2012 indicate that the amendments it executed during the most recent three years of our audit period constituted a sizable portion of its contracts' overall costs. Our review found that the district had 264 contracts that were active between July 2012 and July 2015. We calculate that during these three years, the district executed a total of 134 amendments to 65 of these contracts. These 134 amendments increased the total cost of the associated contracts by roughly \$14 million, from more than \$15 million to almost \$30 million. When the district avoids seeking competitive bids on new work and instead amends existing contracts, it increases the risk that it is spending millions of dollars on services that may not provide the best value.

We also identified an instance in our review of 20 contracts that were active between July 2010 and June 2015 in which the district mishandled an amendment. In April 2012 the board voted to amend a \$36,000 contract with a consultant who provided public affairs and public policy outreach services, increasing the contract's value by \$6,000, and extending its term by two months. Although the contract's total value after the amendment should have been \$42,000, the general manager at the time did not adhere to the board-approved changes and instead amended the contract by increasing its value by \$42,000, for a total contract value of \$78,000. He also increased the contract's term by 14 months rather than two months. According to district records, the district ultimately paid the vendor \$30,000 during the amended term of the contract,

***Between July 2012 and July 2015, the district executed a total of 134 amendments to 65 of these contracts, increasing the total cost of the associated contracts by roughly \$14 million to almost \$30 million.***



or \$24,000 more than the amount of the amendment authorized by the board. According to district records, staff noticed this discrepancy in an audit of the district's contracts and in February 2013 asked the board to retroactively approve the additional payments. Although the board later approved the payments, the initial mistake was a violation of the district's administrative code that cost the district more than the original contract amount.

The district can do more to ensure that it executes accurate amendments that its board has approved. For example, according to its administrative code, the San Diego County Water Authority requires its general manager to provide annual reports to the district's board of directors on all the contracts and contract amendments greater than \$10,000 made or awarded by the general manager. The San Diego County Water Authority's administrative code states that the report must identify the original amount and term of each contract, its total number of amendments, its cumulative dollar value, and any extensions to its term. By requiring a similar report, the board could ensure that it has the opportunity to review the amendment history of contracts to identify errors in contract execution and to uncover instances in which the district could have used competitive bidding.

### ***The District Repeatedly Circumvented Competitive Bidding in Its Contract With One Firm***

The district spent several million dollars on a contract with one firm—Pacifica Services Incorporated (Pacifica)—that exemplifies the concerns related to competitive bidding that we have previously described. According to its marketing materials, Pacifica is a professional consulting firm that specializes in providing engineering, environmental, and related management services to various clients, including private-sector entities and federal, state, and local public agencies. In October 2007 the district entered into a \$600,000 contract with Pacifica to perform a variety of activities that included assisting the district with recycled water operations, providing technical assistance for the district's southeast water reliability project, and managing the district's move to a new headquarters. However, the district did not use its competitive bidding process when it awarded this contract to Pacifica. Further, it subsequently amended the contract numerous times, in some cases changing the original scope of work. The contract ended in 2013.

When we reviewed the contract files and board approvals for the district's original contract with Pacifica, we could not find any requests for proposals, Pacifica's proposal, or other competitive bidding process documents that would accompany a competitively bid contract. When we asked the district's interim engineering and

operations manager why the district did not get competitive bids for this contract, she stated that the district executed the contract before her employment. Other district staff we interviewed who were employed at the time of the contract's execution also did not know why the contract was not competitively bid because they told us they were not directly involved with it. The district could not provide any evidence that the services procured from Pacifica were unique and that a sole-source procurement was justified. Consequently, the district cannot demonstrate that it received the best value for the public funds it spent on the services in this contract.

The district ultimately amended its contract with Pacifica eight times, two of which we identified as opportunities to competitively bid as separate contracts. In October 2009 the district amended Pacifica's contract, adding nearly \$1.9 million to its value and 18 months to its contract term so that Pacifica could provide project management services during construction of the district's southeast water reliability project. The district had not specifically included this project in the contract's original scope of work. Further, in July 2011 the district executed another amendment for \$278,000 for engineering design, project management, and construction management services for new projects not included in the contract's original scope of work. In fact, at the time it executed this amendment, the district recorded in the board's action calendar that the contract's original scope of work was nearing completion, which suggests that the district could have competitively bid for these services. When we asked the district's interim engineering and operations manager about these amendments, she stated that she was not a part of the district's management when Pacifica contracted with the district. Because the services the district covered in these two amendments could have been competitively bid as new contracts, the district cannot ensure that it received the best value for the more than \$2.1 million it spent on them.

Moreover, circumventing competitive bidding processes can lead to the district developing inappropriate relationships that influence how it recommends and approves its contract awards. Early in 2015 the Fair Political Practices Commission (FPPC) found that during the majority of the period of the district's contract with Pacifica, the district's former general manager accepted gifts from this contractor in excess of annual gift limits and failed to report to the public in a timely manner 31 gifts totaling approximately \$3,500. These gifts included rounds of golf and a company holiday party. The FPPC further determined that the former general manager made, participated in, or attempted to use his official position to influence eight district decisions to award Pacifica more than \$6 million in contracts. The FPPC also found that one of the district's board members during this same time period committed similar violations by voting to approve these contract awards,

*In 2015, the FPPC found that the district's former general manager accepted gifts from Pacifica in excess of annual gift limits and failed to report to the public in a timely manner 31 gifts totaling approximately \$3,500.*

***By the time the district made its final payment to Pacifica in April 2013, district records indicate it had paid the firm nearly \$4.2 million, or roughly \$3.6 million more than the original contract amount.***

accepting gifts from Pacifica in excess of gift limits, and failing to report 28 gifts totaling approximately \$4,400. The FPPC fined the former general manager and former board member \$30,000 and \$31,500, respectively, for the violations.

The Pacifica contract and a subsequent legal settlement ultimately cost the district more than \$5 million. By the time the district made its final payment to Pacifica in April 2013, district records indicate it had paid the firm nearly \$4.2 million, or roughly \$3.6 million more than the original contract amount. Further, in July 2013 the district sued Pacifica for fraud and misrepresentation. The district settled its dispute with Pacifica in June 2014 and agreed to pay an additional \$875,000 to the firm. Because the district did not use its competitive bidding process when it awarded and amended its contract to Pacifica, it cannot know whether it received the best value for the services it purchased. Finally, neither the district nor the public can know to what degree the district's decisions to enter into the contract and to add subsequent amendments were motivated by conflicts of interest rather than what was best for the district.

### **The District Has Poorly Managed Its Contracts and Did Not Always Follow Best Practices or Its Own Contracting Procedures**

In addition to failing to use competitive bidding, the district often used procurement processes that did not follow best practices we identified from the *State Contracting Manual*, a global project management organization, and other water agencies. Further, it sometimes circumvented its own policies for managing its contracts. We noted that the district's legal counsel did not always sign contracts when required to do so. When the district does not adequately manage its contracts, it increases the risk that it will pay for inadequate services, unnecessary services, or even services not rendered.

### ***The District's Management of Its Contracts Did Not Follow Best Practices***

Although the district's contracting processes should closely align with procurement and project management standards and best practices, they often have not. A global organization recognized for its development of standards for project management, the Project Management Institute publishes the *Project Management Body of Knowledge* (PMBOK), which provides guidelines for managing individual projects, including project procurements. According to PMBOK, an organization's management of project procurement includes four processes: planning, conducting, administering, and

closing procurements. However, we noted numerous instances where the district did not conduct its procurements according to the best practices that PMBOK describes for these processes.

For example, the district failed to include in many contracts' scopes of work information that would allow it to effectively administer the contracts. The district's procurement process calls for its project managers to develop a scope of work that clearly defines all expected tasks and deliverables for a proposed procurement; the scope of work should then form the basis for vendor solicitations and the contract. Similarly, PMBOK defines scope as the sum of the products, services, and results to be provided by a project. Although the district is not bound by the *State Contracting Manual*, the manual's requirements further illustrate best practices in this area. According to the *State Contracting Manual*, a scope of work includes measurable results, timelines or progress reports, and an evaluation component. Nonetheless, we found that the scopes of work for 19 of the 20 contracts we reviewed did not include all of these elements.<sup>6</sup> In fact, 15 of the 20 contracts did not contain any of these elements. Altogether, the 19 contracts constituted nearly \$3.7 million the district awarded to vendors.

***For 20 contracts we reviewed, 15 did not contain any of the recommended elements of a scope of work—measurable results, timelines or progress reports, and evaluation components.***

When the district does not provide clear and concise language in its scopes of work, it increases the risk that it will not procure services of sufficient or relevant value. For example, in May 2011 the district entered into a \$36,000 contract with a consultant to provide public affairs and public policy outreach services. When the former general manager recommended to the board that it approve this contract, he stated that the district was looking to develop potential projects and agreements in the San Gabriel Valley area and that he believed this consultant provided the unique services for this endeavor. However, the scope of work in the contract the general manager executed did not contain any evaluation component; any timelines or required progress reports to inform the district of the consultant's progress; or any specific results to measure the consultant's performance, despite requiring a review after six months to determine whether to extend the contract term further. When we asked the district to provide us with any reviews or evaluations it performed that were related to this contract, it was unable to do so. After a subsequent amendment in June 2012, this contract ultimately cost the district \$66,000. However, because the scope of work lacked any mechanisms that would enable the district to monitor and review the adequacy of the services the consultant provided, the district cannot demonstrate to its stakeholders that the costs it incurred for this contract provided any value.

<sup>6</sup> The remaining contract was a lease agreement for overflow parking. In our judgment, such an agreement does not need measurable results, timelines, progress reports, or evaluation components because there are no professional services being provided.

In addition to the inadequate scopes of work in its contracts, the district could not always produce documentation demonstrating that it had verified vendors' work products before approving their invoices for payment. As PMBOK indicates, project managers should monitor payments to vendors to ensure that they have met their contracts' payment terms and that their compensation is linked to their progress, as defined in the contract. PMBOK emphasizes that one of the principal concerns when making payments to vendors is ensuring a close relationship between the payments and the work accomplished. The *State Contracting Manual* also notes that keeping an auditable paper trail of contract administration is a best practice, stating that departments are responsible for maintaining records in sufficient detail to allow anyone who reviews the documentation to understand how each procurement was requested, conducted, awarded, and administered. However, when we reviewed 30 invoices from the contracts that we had selected, we found 13 instances in which the district paid its vendors without sufficient evidence that they had provided the contracted services. For example, we identified nine invoices totaling about \$125,000 that the district paid in advance for work the consultants in question had not yet performed. These consultants' contracts each indicated that the district would pay them after they rendered the services. When the district disregards legally agreed-upon payment processes and approves invoices for services yet to be completed, it risks paying for substandard or incomplete services.

When we asked the current general manager about the issues we identified with the district's contract administration, he stated that when the district split with West Basin Municipal Water District (West Basin) in 2006, West Basin kept most of its previously shared technical staff and projects. He further explained that Central Basin has historically tended to focus on public relations projects and contracts because the former general manager was a journalist by trade. He stated that, as a result, many employees have not had the necessary training to manage contracts and therefore do not know how to properly do so. The current general manager explained that the district is planning a comprehensive training on contract management, based on the Project Management Institute's curriculum. Nevertheless, when the district does not effectively administer its contracts, it increases the risk that it will pay for inadequate services or even services never rendered.

#### ***The District Circumvented Other Established Procedures Related to Contracting***

The district did not always follow its procurement policies when executing contracts between fiscal years 2010–11 and 2014–15. According to its administrative code, the district requires that

both the general manager and the district's general counsel execute all procurements of professional services over \$5,000. Further, the district's administrative code requires the general manager to report all sole-source contracts and contracts entered into under the general manager's authority to the board's finance committee, composed of two board members, on a quarterly basis. Nevertheless, we identified instances where the district violated each of these provisions.

Specifically, three of the 20 contracts we reviewed did not include the general counsel's signature, even though it was required in each case. If the district's general counsel does not review contract language, the district risks engaging in contracts or contract terms that could lead to overpayments or lawsuits. For example, we found that one of the three contracts that lacked the general counsel's signature resulted in the district settling with the vendor who had filed a lawsuit. Specifically, according to an email from a former general manager, in one case a former interim chief operating officer and the then-board president entered into a verbal agreement with a law firm for \$20,000 for investigative and legal services. The subsequent written contract, executed in March 2013, did not include a contracted amount and was not executed by the general counsel. When the district refused to pay more than the verbally arranged amount, the firm took the district to court, and the district eventually settled with the firm for a payment of more than \$23,000.

In addition, former district general managers did not always report certain contracts to the district's finance committee. Specifically, former general managers did not correctly report seven of the 20 contracts we reviewed to the finance committee. For example, in August 2012 the then-general manager approved a contract with a consultant for services related to client relations and government affairs for an amount not to exceed \$24,960. Although the general manager entered into a sole-source contract for this procurement and executed it under his authority, he approved a report to the finance committee in October 2012 that stated the district had not entered any contracts under his authority or entered any sole-source contracts from July through September 2012.

When we asked the district's contracts and procurement analyst (contracts analyst) why some contracts were not accurately reported to the finance committee during our review period, she stated that prior to July 2014 the former general managers were in charge of finalizing and submitting these reports. Based on our review of the reports, it appears the general managers did not always ensure that they were accurate. The contracts analyst explained that the district created a new report template and process, which it implemented in July 2014. Based on our review, we believe that if appropriately

*If the district's general counsel does not review contract language, the district risks engaging in contracts or contract terms that could lead to overpayments or lawsuits.*

followed, this process, which now includes approval of the report by the finance director, should help ensure the accurate reporting of contracts to the finance committee in the future. Nevertheless, when district leaders enter into contracts without publicly reporting them, the district decreases transparency while increasing the opportunity for waste and fraud.

#### Allowable District Expenditures

- An expenditure must serve a public purpose that is within the scope of the district's jurisdiction and specific purpose.
- For an expenditure made to a private party, the district must receive consideration.

Sources: *Golden Gate Bridge and Highway District v. Dale W. Luehring* (1970) 4 Cal.App.3d 204, 84 and *Robert E. Winkelman v. City of Tiburon* (1973) 32 Cal. App. 3d 834, 108.

#### The District Spent Funds on Purposes Unrelated to Its Mission That Likely Constitute Gifts of Public Funds

The California Constitution prohibits governmental agencies such as the district from making gifts of public funds. Rather, the district must use its public funds to carry out those purposes the Municipal Water District Law of 1911 authorizes. The district may not spend public funds for purposes that do not return benefits to the district that are reasonably related to the laws under which the district was established.

Allowable district expenditures are defined in the text box. Expenditures that do not demonstrate a clear relationship to the district's purpose, which is to provide an adequate supply of water within its service area, constitute a gift of public funds.

Nevertheless, the district's board members have spent thousands of dollars of district funds on purposes unrelated to the district's underlying authority. The district's current administrative code allows each board member to spend up to \$3,000 annually for outreach-related purposes in their respective divisions. For example, the district may sponsor programs, conferences, and events on behalf of a particular board member's own choosing. However, our review of the district's records found that the purposes for which the board members directed the use of the funds did not always clearly support the district's authorized activities. For instance, on behalf of various board members, the district donated funds to golf tournaments, a legislative member's breakfast panel, religious organizations, local high school sports programs, local pageants, organizations that feed those in need, car shows, and other purposes unrelated to providing an adequate supply of water in the district. In addition to these board member-directed expenditures, the district also spent more than \$9,000 on holiday turkeys in fiscal year 2012–13 to provide to organizations in the community, a purpose that is also unrelated to the district's mission. As a result, these expenditures very likely constitute gifts of public funds.

After we began our audit, the district updated its administrative code to clarify that the board members should use the \$3,000 allocated to each of them annually for purposes that promote discussion and educational activities for regional water conservation, water public policy, and water-use efficiency issues. However, we fail to see the value of providing any district funds to board members to spend at their discretion, particularly because the board's role is the governance of the district, not its administration. Further underscoring our point, the district already has a public affairs department whose responsibility is to inform community stakeholders about the district's programs and the water issues that impact the region.

The district's current general manager agrees that the district should eliminate the board members' outreach funds because they are difficult to administer and subject to potential abuse. For example, a neighboring water district, West Basin, also allocated outreach funds to its board members until early 2015, when its ethics committee recommended—based on an independent audit—that the district eliminate these funds. West Basin's board approved the elimination of these funds after one of its board members accepted a plea bargain on charges of misuse of public funds in September 2014. Similar to West Basin, the district's current general manager suggested to the board in April 2015 that it should eliminate the outreach funds; however, rather than eliminating the funds, the board members agreed to reduce them from \$5,000—the amount each board member was authorized to receive during fiscal year 2014–15—to the current annual amount of \$3,000.

The district has also spent an unreasonable amount of money on board member installation ceremonies that provided little or no benefit to the district. The current general manager stated that, in his experience, the practice in most of the Southern California region is for water agencies to swear board members into office at regular board meetings. In contrast, we found that the district has spent significant, and we believe unreasonable, amounts on its board member installation ceremonies. For instance, in January 2013 the district spent more than \$6,500 on catering expenses and the equipment rental for an installation event for three board members. Further, the district's records show that in January 2011 it spent more than \$6,400 on catering expenses for an installation event for two board members. According to the district's director of administration and board services, the district has budgeted as much as \$10,000 per board member in the past when it has held these ceremonies off-site, requiring the rental of a hall. Further, she stated that the district does not expressly limit the amounts it can spend on these ceremonies. The current general manager believes that board member installation ceremony expenses should be minimal and that a budget of \$10,000 per board

***The district has spent unreasonable amounts on its board member installation ceremonies. In January 2013 it spent more than \$6,500 on catering expenses and the equipment rental for an installation event for three board members.***



member is unreasonable. The district's most recent installation ceremony—in December 2014 for two board members—cost less than \$1,300. However, until it places reasonable and specified limits on these costs, the district risks spending unreasonable amounts on these ceremonies, which can undermine public confidence in its stewardship of the public's funds.

### Recommendations

To ensure it holds itself accountable to the public, the district should follow the law and operate in an open and transparent manner by, among other things, disclosing to the public the true nature and purpose of all of its expenditures. To ensure its board makes informed decisions on when it is proper to hold discussions and take votes in closed-session meetings, the district should require its board members to attend training—as soon as possible and biennially thereafter—specifically focused on the Brown Act and its closed-meeting requirements.

To make better use of the funds it spends on services, the district should amend its administrative code by June 2016 to limit its sole-source contracts to emergency circumstances and circumstances in which only one vendor can meet the district's needs. Further, before executing any sole-source contracts, the district should require written justification demonstrating the reasons for not competitively bidding the services. The justification should include the background of the purchase, a description of the vendor's uniqueness, an explanation of the consequences of not purchasing from the vendor, market research to substantiate a lack of competition, and an analysis of pricing and alternatives.

To ensure that it does not unnecessarily use amendments that limit competitive bidding for its contracts, the district should amend its administrative code by June 2016 to require that it rebid contracts if it significantly changes those contracts' scopes of work, specifically the nature of the services or work products.

To ensure its contract amendments reflect the authorization of the board, the district should revise its administrative code to require the general manager to submit a quarterly report to the district's board detailing all its contracts, contract amendments, and contract and amendment dollar amounts.

To ensure it receives the best value from its contracts, the district should do the following by June 2016:

- Adopt and implement a policy requiring that it include in all its contracts' scopes of work specific, well-defined deliverables, measurable results, timelines or progress reports, and evaluations of the contractors once they complete the work.
- Ensure project managers verify services were rendered before approving invoices for payment.
- Create processes for project managers to organize and retain contract files that include important documents such as vendor performance and deliverable verification and acceptance.

To ensure its employees are able to properly administer contracts, by September 2016 the district should follow through with its plan to require that staff responsible for project management attend training by a reputable trainer on contract management.

To minimize its risk when contracting with vendors, the district should adhere to its administrative code and execute all contracts only after approval by its general counsel. Further, the district should amend its administrative code to prohibit engaging in a verbal contract. Finally, the district should continue to report to its finance committee all sole-source contracts and contracts entered under the general manager's authority.

To ensure its expenditures do not constitute gifts of public funds, the district should do the following:

- Immediately eliminate its allocation of funds to individual board members for community outreach.
- Develop policies that specify limitations on the types of activities it will sponsor in the future to ensure that it funds only those organizations whose activities have a direct link to its authorized purposes. For example, it should eliminate its purchase of holiday turkeys.
- Revise its administrative code by June 2016 to include more specific guidance as to what constitutes a reasonable and necessary use of public funds. The guidance should establish restrictions on the amount spent for board member installation ceremonies. It should also include a process for the district to ensure that expenses are reasonable and necessary before it pays them.

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## Chapter 3

### **THE CENTRAL BASIN MUNICIPAL WATER DISTRICT DID NOT ALWAYS FOLLOW ESTABLISHED HIRING POLICIES AND NEEDS TO ENSURE CERTAIN BENEFITS AND EXPENDITURES ARE APPROPRIATE**

#### **Chapter Summary**

The Central Basin Municipal Water District (district) did not always follow its policies for hiring employees. For example, it did not use a competitive process to hire certain former staff members, which led it to employ individuals who did not possess the necessary qualifications for their positions. In one instance, the district paid more than \$22,000 for an employee to obtain a bachelor's degree when the high-level position for which he was hired required him to already have one. Further, the district's board of directors (board) improperly hired another employee for a position that it never formally created and that appears to have been unnecessary for district operations. In addition, the district did not always conduct annual performance evaluations as its administrative code requires.

Although the district's compensation for its staff and board generally appears reasonable, we found that some of the benefits it offers may be overly generous. Specifically, it provides board members with full health benefits, even though their work is essentially part-time. It also pays its board members a generous automobile allowance. Finally, we found multiple instances in which it paid for unreasonable travel and meal expenses for both its board members and staff.

#### **The District Has Hired Some Unqualified Staff and Failed to Perform Regular Performance Evaluations**

Although the district has established appropriate policies related to hiring employees, it did not always follow them. Specifically, it hired individuals who did not meet the minimum qualifications for their positions. It also created a new position without following its approved process, which includes board authorization. Further, in some instances, it incurred unnecessary expenses because of its failure to follow its hiring policies. For example, the district violated its policies when it prepaid more than \$22,000 for a new employee to complete his bachelor's degree when such a degree was a minimum qualification for the position; this individual subsequently was laid off by the district before completing his degree. Additionally, the district's administrative code requires it to provide employees with

performance evaluations every fiscal year and generally to base their raises on performance. However, we found the district did not always perform these required evaluations.

### ***The District's Failure to Follow Its Policies Led It to Hire Some Unqualified Staff***

The district failed to follow its policies for hiring employees in several instances during our audit period from July 2010 through June 2015. State law gives the board the authority to hire the general manager and gives the general manager full power and authority to employ and discharge all other employees, with certain exceptions. The district's administrative code states that the district must use a competitive process for hiring employees that is based on their qualifications and ability. It also outlines the use of an interviewing panel for senior manager positions. Further, the district maintains job descriptions that detail the minimum qualifications job applicants must possess before being hired. However, in our review of the hiring process for individuals in certain positions, we identified four instances in which the district did not follow its established policies when hiring staff, as shown in Table 7. The district's failure to follow its hiring policies resulted in legal disputes and caused it to incur unnecessary expenses in salary and benefits.

**Table 7**  
**The Central Basin Municipal Water District's Failure to Adhere to Its Hiring Process for Four Selected Positions**

POSITION	DATES OF EMPLOYMENT	FINAL APPOINTMENT MUST BE MADE BY THE GENERAL MANAGER, BUT THIS PROCESS WAS NOT FOLLOWED	CENTRAL BASIN MUNICIPAL WATER DISTRICT (DISTRICT) DID NOT FOLLOW A COMPETITIVE HIRING PROCESS	THE INDIVIDUAL WAS UNQUALIFIED	THE POSITION WAS NOT APPROVED BY THE BOARD AS REQUIRED
Interim chief operating officer	October 2012 through January 2013	NA	●	●	
Business development manager	April 2011 through July 2013			●	
Assistant to the general manager	December 2012 through January 2013	●	●		●
Public affairs manager	December 2012 through March 2013	●	●		

Sources: California State Auditor's analysis of minutes from the district's board meetings, the district's administrative code, its human resources records, and interviews with the district's human resources director.

NA = Not applicable.

Although the district's current senior managers meet the qualifications required for their positions, the district hired certain individuals in the past who did not possess bachelor's degrees in the fields their positions required. For example, in 2010 the board created a business development manager position. Although the

position required a bachelor's degree, the resume of the individual the district hired for the position in April 2011 shows that he did not possess one. The individual's annual salary—nearly \$113,000 by the time of his layoff in July 2013—made him one of the highest paid senior managers at the district, despite his not meeting his position's minimum qualifications.

The district further violated its policies when it paid in advance for this individual's education. As a condition of the business development manager's employment, the district required him to pursue and complete a bachelor's degree. Nevertheless, the district hired and continued to employ him for more than a year without his having such a degree. He eventually requested that the district pay his registration, tuition, and fees to obtain the required degree. Although these costs totaled more than \$22,000, the district violated its administrative code by paying the amount in advance of the individual successfully completing any of the required coursework. Specifically, the district's administrative code allows it to reimburse individuals for only 90 percent of the cost of college courses and then only upon the individuals' completion of the courses with a passing grade. However, according to course records he provided to the district, this employee did not begin his coursework until after the district made the payment for his entire degree program, and he did not complete the program while he was employed by the district. According to the director of human resources, the former general manager authorized this payment at his own discretion.

In July 2013—a little more than two years after hiring the business development manager—the district eliminated the position and laid off the individual. The director of human resources explained that the district did not seek reimbursement from him because he did not leave the district voluntarily. Regardless, the district hired this individual in violation of its own policies and then inappropriately paid his tuition and fees.

The district also hired another individual for a high-level position who did not meet that position's minimum qualifications. Specifically, in September 2012 the board approved the October hiring of an interim chief operating officer who, according to his resume, did not hold a bachelor's degree in business management, business administration, engineering, or public administration as the position description required. Rather, his resume indicated that he attended college and studied Latin American studies and general education. Also, according to the director of human resources, the district did not follow a formal recruitment process for this individual and thus cannot demonstrate that it used a competitive process to hire him.

*The district hired an individual for a senior management position who did not meet the position's minimum qualifications.*

***By not following the district's administrative code, the board risked hiring and paying an individual to fill a position for which the district had not budgeted sufficient funds.***

Further, the board did not follow the appropriate hiring process when it approved the hiring of an assistant to the general manager in December 2012. This appointment violated the district's policies in a number of different ways. First, the district's administrative code provides the general manager with authority over appointing and terminating subordinate employees. Nonetheless, in December 2012 the board voted in closed session to approve the hiring of an individual for the position of assistant to the general manager, with an annual salary of about \$98,000. In addition, the administrative code requires the district to follow a competitive process when hiring district employees and states that the general manager must make the final appointment for senior manager positions based in part on the recommendations of an interviewing panel. However, according to the director of human resources, the board did not use any competitive process or perform any interviews when hiring for this position.

The board also violated district policy by hiring the assistant to the general manager without having previously approved the creation of the position. According to the district's administrative code, the general manager must propose a labor budget to the board for its approval each year. The director of administration and board services acknowledged that the assistant to the general manager position was not in the district's labor budget at the time the board approved the hiring of the individual for this position. By not following the district's administrative code, the board risks hiring and paying an individual to fill a position for which the district has not budgeted sufficient funds. Further, the current general manager believes that such a position is unnecessary for an office of the district's size.

The board's approval of hiring the assistant to the general manager was only one of two instances in which it did not follow the administrative code as it relates to hiring employees that occurred in the same month. Specifically, in the same closed session in December 2012, the board appointed a public affairs manager without following a competitive hiring process. The district terminated both this individual and the assistant to the general manager less than three months after their appointments.

Two of these hires resulted in legal disputes, while another caused it to incur unnecessary expenses in salary and benefits. Subsequent to their dismissal, the former interim chief operating officer and the former assistant to the general manager filed two lawsuits and one made a demand for additional claims against the district for wrongful termination and retaliation. The district signed settlement agreements with the former interim chief operating officer for \$80,000—which the district's insurance paid—leaving one remaining lawsuit still pending. Furthermore, the district paid the former assistant to the general manager more than \$6,000 in salary and benefits for less than one month of employment in an

unapproved position that was likely unnecessary. Finally, if the district had hired a business development manager with the requisite degree, it would not have incurred the more than \$22,000 in education expenses described previously.

To avoid similar situations in the future, the board approved changes to the district's administrative code in July 2015 that expressly prohibit board members from participating in any aspect of its employment and personnel matters except those pertaining to the general manager. The director of human resources confirmed that these changes were made to address the issues created by these past board decisions. At the same time, the board also approved changes to the administrative code to create a specific requirement for it to approve employee positions and classifications as part of its review of the general manager's proposed labor budget. Nevertheless, the board and the district must follow these and all other established policies if they are to avoid the risks associated with hiring individuals in a manner that is inconsistent with the district's administrative code.

*In July 2015, the board approved changes to the district's administrative code that prohibit board members from participating in any aspect of its employment and personnel matters except those pertaining to the general manager.*

### ***The District Did Not Consistently Evaluate the Performance of Its Senior Managers***

The district did not consistently review its senior managers' performance, and it issued raises to some of these employees without having completed the required evaluations. The district's administrative code specifies that district employees will receive performance evaluations each fiscal year in May. Further, the code notes that the evaluating manager will review each employee's compensation and will base decisions regarding raises on performance. However, the district did not provide some of its managers with the required performance evaluations. We reviewed the performance evaluations of six senior managers employed continuously by the district from fiscal year 2010–11 through fiscal year 2013–14 and expected to find a total of 24 performance evaluations for the four fiscal years. Instead, we found the district had completed only 14 evaluations and did not perform the other 10. Nonetheless, during this same time period, the district provided raises to most of these managers without the corresponding required evaluations. Although district policy allows for merit increases between evaluations, the policy states that such increases are rare.

According to the district's director of human resources, the district's former general managers were responsible for completing the necessary evaluations but failed to do so. She explained that the former general manager, who began his service in May 2013, believed he did not have a basis for evaluating senior managers in that year. She also stated that the former general manager in fiscal years 2010–11 and 2011–12 simply did not complete many of the



*Although board members are not full-time employees, they receive many of the same benefits as full-time district staff, including fully paid medical, dental, and vision insurance for themselves and their dependents.*

evaluations he was required to perform. Nevertheless, if it fails to provide regular performance evaluations, the district risks not identifying and correcting concerns with performance in a timely manner. Further, the district may provide raises to individuals whose performance does not merit a pay increase.

### **Although the District's Compensation for Its Board Members and District Managers Is Generally Reasonable, Some of the Benefits It Provides Board Members May Be Overly Generous**

The district provides compensation and benefits to its board members and staff that are generally reasonable; however, benefits may be excessively generous in some cases. Board members receive payment for days on which they attend meetings or certain other events related to district business, such as conferences, a monthly automobile or transportation allowance for the use of their personal vehicles, and an allowance for their personal communication devices. Although they are not full-time employees, they also receive many of the same benefits as full-time staff at the district, including fully paid medical, dental, and vision insurance for themselves and their dependents. We noted that although some water agencies provide benefits to their board members, others do not; given that fact, the district could reconsider the necessity and reasonableness of some of the benefits it provides to its board members.

### **Although the District's Per Diem Compensation for Its Board Members Is Slightly Above the Average Provided by Other Water Districts, Its Senior Managers' Salaries Are Below Average**

The district's payments to its board members are above average relative to those provided by comparable water agencies but do not appear unreasonable. State law allows water districts to compensate their board members by paying them for the days they attend board meetings and the days they render services by request of their respective boards of directors. The district's administrative code refers to these payments as per diems. The district's administrative code authorizes board members to claim a maximum of 10 per diems each calendar month, although any board member who also serves as a representative to the Metropolitan Water District of Southern California may claim an additional 10 per diems for meetings associated with that agency. According to a 2014 district compensation survey of 10 municipal water agencies, the district's per diem of approximately \$233 was the third highest of the 10 agencies. The district's survey noted that per diems ranged from \$150 at the San Diego County Water Authority to roughly \$241 at the Western Municipal Water District, with a median per diem of about \$206. Although the district's per diem is about 13 percent above the median, it does not appear unreasonable.

In total, the district may spend up to about \$200,000 annually on board members' per diems. According to the director of administration and board services, the district uses this amount when creating its annual budget. Table 8 shows the total per diem payments the district made to all of its board members in each of the last five fiscal years.

**Table 8**  
**Summary of the Central Basin Municipal Water District's Per Diem Compensation to Its Board of Directors**  
**Fiscal Years 2010–11 Through 2014–15**

BOARD MEMBER	DIVISION REPRESENTED	2010–11	2011–12	2012–13	2013–14	2014–15	TOTAL FOR FIVE YEARS
Edward Vasquez	Division I	\$26,348	\$27,048	\$13,524	–	–	\$66,920
James Roybal	Division I	–	–	13,524	\$27,048	\$27,980	68,552
Robert Apodaca	Division II	22,851	24,716	27,514	30,079	27,747	132,907
Arturo Chacon	Division III	18,654	20,053	19,353	21,918	21,918	101,895
Rudy Montalvo	Division IV	24,949	26,115	9,560	–	–	60,624
Leticia Vasquez	Division IV	–	–	20,752	55,494*	37,074	113,321
Phillip Hawkins	Division V	31,759	31,245	23,783	21,918	24,716	133,421
<b>Totals</b>		<b>\$124,561</b>	<b>\$129,177</b>	<b>\$128,010</b>	<b>\$156,457</b>	<b>\$139,435</b>	<b>\$677,640</b>

Source: The Central Basin Municipal Water District's (district) financial records.

\* In fiscal year 2013–14 Leticia Vasquez's per diem compensation was larger than that of any board member in any other fiscal year. During this fiscal year, she attended meetings as both a district board member and a member of the Metropolitan Water District of Southern California, and the total per diem compensation she received was within legally allowed limits.

While the district's per diems for board members appear reasonable, the salaries it pays its senior managers are lower than those certain other water agencies pay. State law allows the district to hire staff as needed to conduct the district's business. As we previously discussed, the general manager must submit salary classifications and a labor budget to the board for its approval each fiscal year. The general manager then sets the individual salaries of staff. We conducted a review of salary data from the California State Controller's Office (State Controller) and found that the district's current pay for senior managers overall is lower than that at certain other water agencies, which may in part reflect the fact that it has the smallest number of staff. For example, as shown in Table 9 on the following page, the maximum salary for the water resources manager at the district was just under \$125,000 based on data from 2013, which were the most recent available and complete data as of the end of September 2015. This amount is below the average maximum salary of roughly \$157,500 for the five agencies we reviewed. The district's director of human resources has also conducted past surveys indicating that the district's salary ranges for its senior managers were generally below average.

**Table 9**  
Comparison of Yearly Manager Salaries at the Central Basin Municipal Water District and Four Other Water Agencies in the Region for Various Manager Positions  
For the Years 2012 and 2013

2012												
	GENERAL MANAGER*	DIRECTOR OF HUMAN RESOURCES		FINANCE DIRECTOR		WATER RESOURCES MANAGER		DIRECTOR OF EXTERNAL AFFAIRS		NUMBER OF CUSTOMERS‡	NUMBER OF STAFF‡	
	SALARY	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM			
Central Basin Municipal Water District	\$237,839	\$79,140	\$118,710	NA†	NA†	\$83,316	\$124,974	\$79,140	\$118,710	48	23	
West Basin Municipal Water District	239,187	NA	NA	\$124,827	\$166,957	124,827	166,957	124,827	166,957	11	43	
Western Municipal Water District	265,375	89,206	122,658	113,407	155,931	124,750	171,531	NA	NA	13	125	
Municipal Water District of Orange County	215,064	NA	NA	116,330	157,046	100,664	135,897	100,664	135,897	28	30	
San Diego County Water Authority	256,624	123,030	166,096	139,909	188,876	139,909	188,876	123,030	166,096	24	253	
Average	\$242,818	\$84,173	\$120,684	\$123,618	\$167,203	\$114,693	\$157,647	\$106,915	\$146,915	–	–	

2013												
	GENERAL MANAGER*	DIRECTOR OF HUMAN RESOURCES		FINANCE DIRECTOR		WATER RESOURCES MANAGER		DIRECTOR OF EXTERNAL AFFAIRS		NUMBER OF CUSTOMERS‡	NUMBER OF STAFF‡	
	SALARY	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM			
Central Basin Municipal Water District	\$185,000	\$79,140	\$118,710	\$87,492	\$131,238	\$83,316	\$124,974	\$79,140	\$118,710	48	23	
West Basin Municipal Water District	244,693	106,047	145,815	134,939	185,541	114,520	157,465	124,828	171,639	11	43	
Western Municipal Water District	269,881	90,990	125,111	127,245	174,961	127,245	174,961	127,245	174,961	13	125	
Municipal Water District of Orange County	225,000	NA	NA	127,556	172,201	102,678	138,615	102,678	138,615	28	30	
San Diego County Water Authority	291,019	123,030	166,096	142,008	191,709	142,008	191,709	133,625	179,716	24	253	
Average	\$243,119	\$112,692	\$138,933	\$123,848	\$171,130	\$113,953	\$157,545	\$113,503	\$156,728	–	–	

Sources: Data from the California State Controller's Office, documentation provided by the Central Basin Municipal Water District, and information obtained from the water agencies' websites.

Note: 2012 and 2013 are the most recent years for which data for all five water agencies are available.

NA = Not applicable.

\* The listed water agencies set their general managers' salaries by contract.

† Central Basin did not have a finance director in 2012 and contracted for its financial management services in that year.

‡ Data for the number of customers and staff are from the most recent information we were able to obtain. However, due to the structure of the agencies, we believe that these numbers have not changed significantly since 2013.

Additionally, based on information as of September 2015 from the websites of the four other agencies we reviewed, the current salary of the district's general manager—\$220,000 annually—is less than the general managers' salaries for the four other agencies we reviewed. The board hires the general manager and negotiates an employment contract with that individual. The fact that the current general manager's salary is less than that of the other agencies we reviewed is not surprising given that the district has the least number of full-time staff. For example, the Municipal Water District of Orange County reported on its website as of September 2015 that its general manager receives a salary of nearly \$238,000 but manages 30 full-time staff members as opposed to the district's 23 staff. The survey the district conducted indicates that its general manager's salary is 7 percent below that of the average of seven other water agencies.

***Some of the Benefits the District Pays to Board Members May Be Overly Generous, but Its Staff Benefits Are Reasonable***

The district spends tens of thousands of dollars annually providing benefits to board members that appear to be excessively generous, especially given that the board members' work is essentially part-time. State law allows district boards to approve benefits in addition to the per diem we previously described as long as the amounts of most benefits do not exceed those that their staff receive. The district's administrative code states that board members and their eligible dependents may receive medical, dental, and vision health care coverage and that the district will contribute to their insurance premiums in an amount it determines yearly. However, for most benefit categories, the district contributes the maximum possible—it pays all of the costs for board members' and their dependents' medical, dental, and vision coverage, as well as for their \$10,000 life insurance policies. As of 2015 the cost for a board member's medical, dental, and vision premiums with family coverage could be as much as approximately \$2,000 per month. In addition, the district contributes a maximum of between \$4,000 and \$12,000 each year to each board member's health expense reimbursement account, with the maximum determined by the board member's number of dependents. The board member can use this account to pay for any eligible out-of-pocket health care expenses not fully covered by the insurance policies. Overall, these benefits are equivalent to those the district provides to its full-time employees. The only exceptions are that the employees receive greater life insurance and disability insurance benefits.

Although state law does not prohibit the district from providing full-time benefits to board members for part-time duties, we believe that it risks providing benefits that are overly generous.

***Board member benefits are equivalent to those the district provides to its full-time employees, with the exceptions of life insurance and disability insurance benefits.***

***The district's administrative code allows it to pay board members a \$600 monthly automobile or transportation allowance that is significantly more generous than what other water agencies offer.***

In reviewing the most recent compensation data from the State Controller for 2013, we noted that the majority of water agencies' board members in California do not provide any health benefits to their board members. For example, according to the websites of the Santa Margarita Water District and South Coast Water District, they do not provide board members any health, life, or retirement benefits. Based on district accounting records, the district spent more than \$70,000 on medical, dental, vision, and life insurance benefits for board members in fiscal year 2014–15. According to the district's director of human resources, the board has reviewed its benefit compensation during its annual budget review but has not voted to make any significant changes.

In addition to benefits, the district's administrative code allows it to pay board members a \$600 monthly automobile or transportation allowance that is significantly more generous than what other water agencies offer. Currently all board members receive this monthly benefit as reimbursement for any vehicle expenses they incur while conducting district business.<sup>7</sup> According to a survey another water district in Southern California conducted regarding the compensation and benefits selected water agencies provided to their board members in 2014, most water agencies reimburse board members for mileage only, and the two agencies that reported providing automobile allowances offered much lower amounts. Specifically, Upper San Gabriel Valley Municipal Water District reported an automobile allowance of \$335, and West Basin Municipal Water District reported an allowance of \$411. According to district records, it paid nearly \$36,000 to board members for the automobile or transportation allowance in fiscal year 2014–15. The director of human resources stated that the district has not formally considered a proposal to change the automobile allowance to a mileage-based system. Further, in the past the district provided its automobile allowance without requiring proof that board members possessed valid California driver's licenses and carried automobile insurance. However, the district updated its administrative code in July 2015 to ensure board members demonstrate they have a valid driver's license, automobile insurance, and an acceptable driving record.

Finally, the district pays board members compensation for the use of their personal communication devices. Until July 2015 the administrative code allowed board members to receive this benefit in an amount the board determined. In July 2015 the district revised its administrative code by fixing the amount at \$200 per month. In fiscal year 2014–15 district records indicate that it paid a total of \$12,000 to its board members for the yearly communications

<sup>7</sup> According to the district's administrative code, board members who are unable to drive due to a qualifying disability may use the automobile or transportation allowance for alternative transportation expenses if they provide medical certification on an annual basis.

allowance, or an average of \$2,400 per board member. However, the director of human resources confirmed that during the past five years the district has not conducted an assessment to determine whether this amount was necessary or reasonable. Without conducting an analysis of the need for a communications allowance, the district cannot be certain whether the amount it pays is appropriate.

In contrast to the benefits the district provides to its board members, the benefits that it pays to its staff appear reasonable given their full-time status and salary levels. For example, full-time district employees receive the same medical, dental, vision, and health reimbursement account benefits as board members. However, staff also receive other benefits, including short- and long-term disability insurance coverage and life insurance policies for up to \$150,000, for which the district pays the premiums. Staff also participate in the State's pension program, under which retirees can receive a percentage of their final compensation as retirement benefits. Although the general manager receives a communication allowance and an automobile allowance, other staff—unless approved by the board—do not receive such allowances. However, the district reimburses them for mileage when on district business, and senior managers receive cellular phones for business use. Additionally, in the most recent district survey of employee salaries and benefits conducted in 2012, district salary ranges for 11 of 12 of the positions compared, excluding the general manager, were at or below the median of the ranges reported by eight nonunion agencies with fewer than 300 employees. Although the district's salaries for nearly all of its staff are reportedly lower than those at other water agencies, the director of human resources told us that the district's benefits have generally been effective in retaining staff, but have not been as effective for recruiting new staff following the statewide pension reforms in 2013. She explained that she plans to conduct a salary and benefits survey with the help of a consultant by the end of 2016.

The current general manager participates in district-sponsored benefit plans, including medical, dental, and vision, at the same level as other staff. However, the district has entered into contracts with past general managers that have provided for additional benefits beyond those the district provides to its staff. Because the board negotiates the general manager's compensation separately from the staff's compensation, it has the ability to make such offers. For example, in 2011 the board approved a new contract for the then-general manager that included the district contributing about \$158,000 over three years to his retirement account. According to district records, it paid \$99,000 into this account, the maximum allowed during 2011 and 2012, before the general manager retired in October 2012. The district's records indicate that it then paid him

*The district has entered into contracts with past general managers that have provided for additional benefits beyond those the district provides to its staff.*

the remaining \$59,000, plus roughly \$34,000, which, according to the director of human resources, was to offset his taxes on the remainder, as allowed for by the provisions of his contract. Further, in 2013 the board approved a contract with its then-general manager that included the offer of lifetime retiree health benefits to the general manager and his spouse if he remained with the district for five consecutive years. However, he remained with the district for only about 17 months and did not receive the lifetime retiree health benefits. We observed similar provisions in two other comparable districts' contracts with their respective general managers. Nevertheless, according to the director of human resources, instead of contributing to the former general manager's retirement, additional consideration could have been given to negotiating a higher salary.

#### **The District Has Made Questionable and Inappropriate Expenditures for Travel and Meal Costs**

*We identified instances in which the district paid amounts for travel and meal expenses in excess of what we consider reasonable.*

In our limited review of the district's expenditures, we identified instances in which the district paid amounts for travel and meal expenses in excess of what we consider reasonable. For example, we found instances in which the district paid travel expenses for board members and employees to attend conferences and seminars having no clear connection to its mission or purpose. In addition, when we reviewed six flight expenses, we found that three included higher-class airfares than the district's policies allow. Moreover, the district often paid for expenses that exceeded the meal reimbursement limits that the Internal Revenue Service (IRS) has established and, to the extent these meal expenses were incurred by board members, they violated state law. Further, the district paid for business meals that it could have avoided by holding meetings at its office. When the district pays for unreasonable travel and meal expenses, it wastes public funds.

Although the district's administrative code states that it will only allow payment for travel and other expenses that are reasonably necessary to represent its interests and objectives, we identified instances in which the district did not ensure its payments for travel were necessary or prudent. As shown in Table 10, we found that the district pays expenses for board members and staff to attend conferences and seminars unrelated to its responsibilities, let alone water policy. For instance, the district paid for board members to attend a legislative caucus related to another state's immigration law. It also paid for one of its general managers to attend a scholastic press association seminar. We believe that these expenses had no direct connection to furthering the district's mission and that the district's payment of these costs demonstrates that it did not use public funds in a reasonable manner.

**Table 10**  
**Examples of the Central Basin Municipal Water District's Inappropriate Travel Expenses**  
**2010 Through 2015**

EXPENSE INCURRED FOR	YEAR	CENTRAL BASIN MUNICIPAL WATER DISTRICT'S (DISTRICT) POLICY	DESCRIPTION	INAPPROPRIATE COSTS
Legislative Caucus	2010	Payment for travel and other expenses shall be allowed when reasonably necessary to represent the interests and objectives of the district.	The district paid for travel expenses for two board members to attend a legislative caucus in Arizona related to that state's proposed immigration law. We do not believe this trip was necessary for the district's interests. The district's current general manager also believes Arizona's immigration laws have nothing to do with district business.	\$784
Journalism seminar	2010, 2012		The district paid for travel expenses for the then-general manager to attend a scholastic press association seminar in San Luis Obispo. For the 2012 seminar, the director of administration and board services stated that the former general manager explained that he would use previous board agendas in his teaching materials for high school students. We do not believe this trip was related to district business.	2,461
Rental car	2011	Before July 2015, the district's administrative code did not require vehicles to be rented under the name of a board member or employee. Nevertheless, we believe it is reasonable to conclude that this was the expectation.	The district reimbursed rental car expenses to a board member despite the fact that the rental agreement indicated that a different individual rented the vehicle. The board member provided no proof, except for a signed note, that he actually incurred the expense. We believe the district should not have paid this claim. The director of administration and board services stated that, due to this incident, the district revised its administrative code in July 2015 to require vehicles are rented only under the name of a board member or an employee.	239
Airfare	2012, 2014	The district's administrative code requires air travel in coach or an equivalent class unless otherwise justified, such as when a traveler has a physical disability or for prolonged travel in excess of four hours.	Three of the six airfares we reviewed were above the coach or base-level economy fare for flights between the Los Angeles region and Sacramento. Using the same airline as the district for travel between the same airports in August 2015, we calculated the cost difference in flights when opting for base-level economy flights could save roughly \$150 per flight. The district's director of administration and board services acknowledged that for shorter flights a base-level economy class fare should be used. She also stated that moving forward, the district will document exceptions in writing and take them to the board for approval.	450 (estimated)
Lodging	2010–2015	State law requires board members traveling on business for the district to use the group or government rate for lodging when available or, if not, to obtain board approval in a public meeting before the expense is incurred. The district's administrative code requires staff to use the government or group rate when possible.	In our limited review of 20 lodging expenses, we noted that the majority—14—lacked any documentation that the traveler had used one of the rates prescribed by state law or the district's administrative code. Seven of the claims lacked documentation that the board preapproved exceptions for board members and three lacked documentation that the general manager preapproved exceptions for staff. The director of administration and board services stated that, with respect to board members' and staff lodging, the district has used the government or group rate in the past, but did not preserve independent evidence of this, such as the conference brochure, other than hotel receipts, which do not always indicate that a government or group rate was used. Moving forward, she stated staff would include documentation that conference rates were used.	Unknown*

Sources: Government Code Section 53232.2, the district's administrative code, and district financial records.

\* Because the district could not demonstrate that it used government or group rates for these 14 lodging expenses, it was not possible to calculate the inappropriate cost incurred.



***Our review of 20 lodging expenses found that the majority—14—lacked any documentation that the travelers had used one of the rates prescribed by state law or the district's administrative code.***

In addition, the district's administrative code requires board members and staff to exercise sound judgment when traveling in order to incur reasonable costs to the district. However, as shown in Table 10 on the previous page, we identified occasions when district representatives did not take appropriate steps to ensure the reasonableness of the district's costs. For example, the code requires travelers to fly coach or an equivalent class unless otherwise justified, such as when a traveler has a physical disability or for prolonged travel in excess of four hours. However, three of the six airfare expenses we reviewed included higher-class airfares, which often include privileges such as priority boarding and premium beverages, for short flights between the Los Angeles region and Sacramento. Additionally, state law requires board members traveling on business for the district to use the group or government rate for lodging when available or, if not, to obtain board approval in a public meeting before the expense is incurred. The district's administrative code also requires the district's staff to use the government or group rate when possible. However, our review of 20 lodging expenses found that the majority—14—lacked any documentation that the travelers had used one of the rates prescribed by state law or the district's administrative code. Finally, in 2011 the district reimbursed a board member for the cost of a car he purportedly rented while attending a water conference in Las Vegas. However, according to the car rental agreement and receipt, another individual who was not a representative of the district rented the vehicle. Other than a signed note from the board member claiming that he rented the car, the expense claim lacked any documentation showing that the board member had actually paid for the rental car. As a result of these incidents, we are concerned that the district is paying travel expenses for its board members and staff without ensuring that those expenses are reasonable and necessary.

In addition, we found that the district often paid for inappropriate and questionable meal costs for board members, employees, and others. As shown in Table 11, we found that the district often paid for meals in excess of IRS limits and, to the extent these meal expenses were incurred by board members, they violated state law. In addition, the district paid for meals in the local area for meetings that participants could have held at its office, thus avoiding such costs. Finally, the district paid for meals to third parties which, based on state law and California Attorney General opinions, we believe were not permissible.

**Table 11**  
**Examples of the Central Basin Municipal Water District's Inappropriate Meal Expenses**  
**Fiscal Years 2010–11 Through 2014–15**

ISSUE	NUMBER OF EXPENSES WITH ISSUE (OUT OF 95)*	DESCRIPTION	TOTAL INAPPROPRIATE COSTS
Meal expenses above IRS rates	39	<p>California law allows local governments, such as the Central Basin Municipal Water District (district), to set limits on actual and necessary meal costs incurred in the performance of official duties that are reimbursed to board members. If a local government does not set its own meal reimbursement limits, state law requires the local government to use limits established by the Internal Revenue Service (IRS) unless the meal expenses have been preapproved by the board at a public meeting. Our limited review found no documentation that any of the meals we examined were preapproved by the board. According to the director of administration and board services, the district was not aware of the state law requirement to impose limits on meal expenses. In addition, the district did not have limits on other meal expenses, such as those charged to a district credit card or incurred by staff, or those for meals provided to third parties, until July 2015.</p> <p><b>Example #1:</b> In October 2011 a board member charged \$61 on the district credit card for a second dinner on the same day he had already incurred dinner-related expenses while attending a seminar.</p> <p><b>Example #2:</b> In May 2012 a former general manager spent \$101 on breakfast for himself and three guests without identifying who the guests were or providing justification for the business purpose of the meal; the IRS breakfast rate at the time was \$10 per person.</p>	\$1,461
Meals in the local area†	20	<p>The district's external auditor noted in its audit of the fiscal year ending June 30, 2011, that in recent years, many governments have greatly restricted the practice of charging local meals to government agencies, but the district placed no limitations on local meals. Although the district revised its administrative code in July 2015 to state that board members and employees should make every effort to hold meetings at the district's headquarters to limit unnecessary expenses, the administrative code is still permissive and, as a result, district staff and board members may continue to incur unnecessary expenses.</p> <p><b>Example #1:</b> In April 2012 the district paid for a dinner meeting in Los Angeles between a board member and the district's then-business development manager at a total cost of nearly \$190, even though these two individuals could have easily held a meeting at the district's office.</p> <p><b>Example #2:</b> In January 2015 the district paid almost \$70 for a lunch meeting in Los Angeles between two board members, even though the district's office could have been used.</p>	1,113
Meals provided to third parties	24	<p>State law permits reimbursement only for "actual and necessary" expenses incurred by board members or staff in the performance of their official duties. Based upon state law and California Attorney General opinions, we believe that actual and necessary expenses do not include meals purchased for third parties, such as constituents, public officials, or business owners, even if those meals are for a business purpose. Therefore, they are not permissible.</p> <p><b>Example #1:</b> In December 2010 the district paid about \$565 for a dinner, or an average of about \$81 per person, for board members attending a conference. The dinner included costs for two spouses. The director of administration and board services stated the district's administrative code at that time allowed for these expenses because they were seen as a benefit to the district. We disagree with this assertion, and we note that the then-general manager stated at a board meeting in December 2010 that the administrative code did not allow for reimbursement of spouses' expenses. The director of administration and board services further elaborated that spouses' expenses are no longer paid for and the administrative code has been amended to reflect this change.</p> <p><b>Example #2:</b> In July 2014 the district paid nearly \$220 for a dinner while attending a conference for the then-general manager, a board member, a Montebello school board member, and a Pico Rivera council member. In addition, the claim for the dinner expense lacks any description of the business purpose of the meal and how it furthered the interests of the district.</p> <p><b>Example #3:</b> The district paid over \$100 for a dinner in February 2015 for a district board member and a board member from a neighboring water district. The claim lacks any description of the business purpose of the meal and how it furthered the interests of the district.</p>	986

Sources: California Government Code, Section 53232.2, California Court decisions, California Attorney General opinions, the district's administrative code, and financial records.

\* Some meal expenses are included under more than one issue. For instance, the district paid \$188, or \$94 per person, for a dinner meeting between a board member and a business development manager in the local area. We included \$116 in the *meal expenses above IRS rates* row, which reflects the amount the district paid above the IRS dinner rate for two people. We included the full \$188 in the *meals in the local area* row since this meeting was held in Los Angeles.

† The district defines the local area as Los Angeles County and Orange County.

Further, until recently, the district did not address a recommendation that it establish meal expense limits. Specifically, in 2011 the district's external auditor at the time recommended the district set limits on the costs of meals, whether incurred locally or while traveling. The district disagreed with this recommendation, stating that some district business required travel around the country, which made setting limits on meals difficult because of cost variances between cities, states, and regions. However, we disagree, particularly given that the federal government has established meal rate limits for its employees that vary by city and that California sets a fixed meal reimbursement limit for state employees regardless of where they travel within the United States. Moreover, we believe that by failing to implement the external auditor's recommendation, the district missed an opportunity to demonstrate to the public that it was spending its funds in a prudent manner. After we began our audit work and raised these concerns with district staff, the district finally adopted meal cost limits in July 2015 that are comparable to the IRS's established rates. The district's new limits apply to both board members and staff.

Finally, board members have consistently violated state law by failing to report back to the board on meetings or conferences they attend at the district's expense. Both state law and the district's administrative code require a board member who travels to a meeting or a conference at the district's expense to make a brief oral or written report to the other board members at the board's next regularly scheduled meeting. Our review of 12 conferences attended by board members between July 2010 and June 2015 at the district's expense found no evidence in half of these instances that board members provided the required reports at the subsequent board meetings. When board members do not provide these required reports, they deprive other board members and district officials of the opportunity to learn from their experiences, and they also fail to justify to the public the value of the expenses they incurred.

### **Recommendations**

To ensure it considers the most qualified candidates for positions, the district should follow its established hiring policies. Specifically, it should use a competitive hiring process and ensure that its board first formally approves all positions for which the district recruits. Further, the district should consider for employment only individuals who meet the established minimum qualifications for the positions for which they have applied. If the district believes certain qualifications are not necessary for a position, it should indicate in the position description that such qualifications are desirable but not required.

To ensure that it does not inappropriately grant undeserved raises to its staff, the district should follow its policy to provide annual performance evaluations to all employees.

To ensure it is efficiently using its resources, the district should do the following:

- Eliminate its board members' automobile or transportation allowances and instead reimburse them based on their business mileage or transit use.
- Periodically analyze and, beginning in June 2016, report to the board whether all elements of its board member compensation, including health and related benefits, are appropriate and reflect the common practices of special districts.
- Adopt a policy that its general managers will participate in benefits at the same level as district staff and that the board will negotiate the general managers' contracts on the basis of salary and not other benefits, such as retirement.

To ensure that its travel expenses are reasonable and necessary, the district should take steps, such as issuing a clarifying memorandum or providing additional training, to ensure all board members and staff, especially those who process reimbursement claims, are aware of what the district considers to be proper expenses incurred while traveling, including only paying for the following:

- Air travel that is coach or an equivalent class.
- Meetings and conferences that have a direct connection to water policy or the district's mission. It should update its list of such preapproved meetings accordingly.
- Lodging expenses that reflect group or government rates, unless there is documentation that such rates are unavailable.

To ensure it reimburses only reasonable and necessary meal expenses, the district should take steps, such as issuing a clarifying memorandum or providing additional training, to ensure that all board members and staff, especially those who process reimbursement claims, are familiar with its meal reimbursement limits.

The district should revise its administrative code by June 2016 to prohibit paying for or reimbursing meals that occur within the local area that involve meetings either between only district representatives or between district representatives and the district's contractors.

The district should revise its administrative code by June 2016 to prohibit paying for the costs of meals provided to third parties.

To ensure it complies with state law and its own administrative code, the district should require board members to report back to the board on meetings and conferences they attend at the district's expense. The district should record these reports in meeting minutes or document them in expense files before it reimburses the board members for their travel expense claims.

We conducted this audit under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives specified in the Scope and Methodology section of the report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor

Date: December 3, 2015

Staff: Laura G. Kearney, Audit Principal  
John Lewis, MPA  
Joseph R. Meyer, CPA, CIA  
Richard Marsh, MST  
Marshall Miller, MPAC  
Kurtis Nakamura, MPIA  
Ray Sophie, MPA

Legal Counsel: Heather Kendrick, Sr. Staff Counsel  
Richard B. Weisberg, Sr. Staff Counsel

For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.



## Central Basin

Municipal Water District

October 29, 2015

Elaine Howle, CPA\*  
State Auditor  
State of California  
621 Capitol Mall  
Suite 1200  
Sacramento, CA 95814

6252 Telegraph Road  
Commerce, CA 90040-2512

Phone: 323.201.5500  
Fax: 323.201.5550  
[www.centralbasin.org](http://www.centralbasin.org)

Re: Response to audit report received on October 23, 2015

### Board of Directors

#### Division I

James B. Roybal

#### Division II

Robert Apodaca

#### Division III

Arturo Chacon

#### Division IV

Leticia Vasquez

#### Division V

Phillip D. Hawkins

For 63 years, the Central Basin Municipal Water District (District) has successfully secured water supply reliability for our residents, businesses, water retailers and wholesalers and other stakeholders. It has also provided regional water policy representation at the Metropolitan Water District of Southern California, supplied both potable and recycled water, engaged our citizens through education and public information programs, and provided innovative water conservation programs. The District serves more than 2 million residents in 24 cities and unincorporated portions in Southeast Los Angeles County through 47 water retailers and one water wholesaler.

It is unfortunate that the actions of the District over the past several years generated genuine concerns of State Legislators which resulted in this audit. We recognize that the report reflects considerable effort and resource expenditures by the State. We believe that the audit, coupled with on-going efforts that the District has undertaken over the past few years, will result in improved governance and an even stronger, more responsive and transparent Central Basin.

### Serving the Cities of

Artesia	La Mirada
Bell	Lynwood
Bellflower	Maywood
Bell Gardens	Montebello
Carson	Monterey Park
Cerritos	Norwalk
Commerce	Paramount
Compton	Pico Rivera
Cudahy	Santa Fe Springs
Downey	Signal Hill
East Los Angeles	South Gate
Florence-Graham	Walnut Park
Hawaiian Gardens	Whittier
Huntington Park	Willowbrook
La Habra Heights	Vernon
Lakewood	

We would like to thank the Office of the State Auditor for recognizing progress that the District has made. Specifically:

- Ensuring that current staff meet qualifications
- Currently meeting debt coverage
- Approval and initial implementation of a three-year strategic plan
- The most recent hiring process for General Manager which included: establishing an independent ad hoc committee, selection of a recruitment firm and interviewing of top candidates by Board of Directors
- Acknowledgement that many of the District's lawsuits have been resolved
- Adoption of a Reserves Policy
- Monthly meeting with water retailers and wholesalers to discuss Central Basin and regional water issues and receive feedback

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①

- Strengthening Administrative Code, Board and Staff Code of Conduct and Conflict of Interest policies

In addition, we are pleased to report the following recent areas of progress:

- Revision of the District's Ethics Policy to include independent review of potential ethics violations and a confidential hotline (adopted October 26, 2015)
- Recognition of the District for excellence in the areas of transparency, financial reporting and information technology
  - Certificate for Excellence in Transparency (Special District Leadership Foundation)
  - Certificate of Achievement for Excellence in Financial Reporting (Government Finance Officers Association)
  - Excellence in Information Technology Practices Award (Municipal Information Systems Association of California)
- Initiating the process to develop 10-year financial forecast (long range financial plan). (Contract awarded October 26, 2015)

The District recognizes that the audit report provides valuable insight on how we can improve our governance and performance; therefore we are committed to presenting all of the audit report's recommendations to our Board of Directors, as listed below:

- Establish a formal policy for the hiring of the General Manager by June 2016
- Complete a long-term financial plan by December 2016 (in process)
- Complete a water rate study no later than Spring 2017
- Create a formal debt management policy immediately
- Review the District's insurance coverage annually
- Disclose to the public the nature and purpose of all expenditures (implemented)
- Require Brown Act and closed meeting training to the Board every two years
- Limit sole source contracts to emergency or circumstances in which only one vendor can meet the District's needs
- Require written justification for not competitively bidding services
- Rebid contracts if the scope of work significantly changes
- Submit a quarterly report to the Board detailing contracts, contract amendments and dollar amounts
- Revise policies to provide greater contract management control by June 2016
- Require project management training for project managers
- Execute contracts after receiving approval by General Counsel (implemented)
- Update policies to prohibit engaging in verbal contracts
- Report on all sole-source contracts and contracts entered under General Manager's authority
- Revise Administrative Code by 2016 to include more specific guidance as to what constitutes reasonable and necessary use of public funds
- Eliminate Director's outreach funds (immediately)
- Use competitive hiring process (implemented)

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- Ensure that the Board formally approves of all positions for which the District recruits (implemented)
- Consider for employment individuals who meet the established minimum qualifications (implemented)
- Provide annual performance evaluations to all employees (implemented)
- Report to the Board whether elements of its Board member compensation, including health and automobile allowance, is appropriate and reflect common practice of special districts by June 2016
- Adopt a policy that general manager benefits are same as staff and negotiations will be solely based on compensation.
- Adopt policy requiring Board members to report back on meetings and conferences they attend
- Provide a clarifying memo and training to ensure Board members and staff are aware of proper expenses when traveling and for meal reimbursement
- Revise Administrative Code to prohibit paying or reimbursing meals in the local area that involve meetings between any District representatives or District representatives and contractors by June 2016
- Revise its Administrative Code to prohibit providing costs of meals for third parties

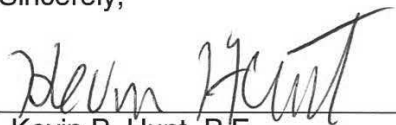
We want to express our appreciation for the professional manner in which your staff interfaced with our staff throughout the audit process. They were unfailingly polite, conscientious and committed to excellence. In the attached addendum we look at each recommendation of the Audit report and make more specific comments on the District's approach moving forward.

We believe, however, that the recommendation that the Legislature consider enactment of special legislation may be premature and unnecessary, in light of your recommendations with suggested future time frames for completion by the District. The Central Basin Municipal Water District Board Directors are elected by the citizens of the service area. Denying 2 million citizens the right to direct representation on major water policy issues is contrary to the basic tenets of American government and should only be a last resort, if ever. Furthermore, for decades the existing statutes have provided the sole and exclusive authority and procedure for such a change of organization (Government Code Section 56100); for the Legislature to deviate from long established processes would be an unnecessary consumption of time and attention of the Legislature when faced with many issues of statewide significance.

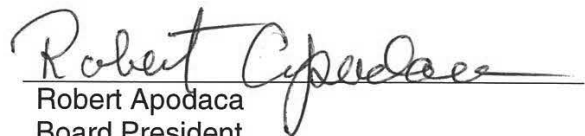
②

③

Sincerely,



Kevin P. Hunt, P.E.  
General Manager  
Central Basin Municipal Water District



Robert Apodaca  
Board President  
Central Basin Municipal Water District



## Addendum

### Chapter 1 Recommendations and District Response

④

*Preliminarily, we understand that when an audit has been directed to cover multiple years, the resulting report is written in summary form and fails to reflect the operational improvements over time. For example, many of the individuals who were involved in questionable circumstances described in your report are no longer with Central Basin Municipal Water District (District).*

⑤

*In another example, the report states that for 13 of 20 contracts reviewed, the District did not use its competitive bidding process; the statement fails to reflect those occurred during the earlier part of the audit period and leaves the reader with the impression that the process was ignored throughout the period, without recognizing the improvements in our compliance in the latter portion of the audit period.*

*As the new General Manager, I solicited a number of qualified law firms to serve as General Counsel and succeeded in obtaining the services of Nossaman LLP, which has the breadth and depth of experience in not only water law but also in public agency law; and together, with our staff, have undertaken the updating of the District's Administrative Code, Ethics Policies and procedures, and proposed training of staff and the Board of Directors.*

### Legislature

1. To ensure the efficient and effective delivery of imported and recycled water in southeastern Los Angeles County, the Legislature should pass special legislation to preserve the district as an independent entity but modify the District's governance structure. In doing so, the Legislature should consider a governance structure that ensures the district remains accountable to those it serves, for example, by changing the District's board from one elected by the public at large to one appointed by the District's customers.

*The Central Basin Municipal Water District has existed for 63 years, providing potable water through retailers to over 2 million residents living in 24 cities in Los Angeles County. Those residents, who pay charges to the District to partially fund its operations, directly elect the five member board of directors as provided statewide for such municipal water districts. Statutes for over 50 years have addressed uniform processes for making changes to such an organization.*

③

*The current law, known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, would already be an appropriate means to effect change, if any is warranted. Local Agency Formation Commissions, existing in each county, have long been delegated the authority and responsibility to address*

*such issues at the local level. In light of the actions which have been taken and are scheduled to be taken, the necessity of new legislation is not evident, would be duplicative and would invade the long delegated authority held by the Local Agency Formation Commission.*

③

*In addition, considering the demographics of the 2 million residents in the 24 cities in Los Angeles County, disenfranchising the residents in those communities from the decades long system of directly electing the board of their respective municipal water districts would raise a number of legal issues, including those of constitutional proportions. In addition, since the number of retailers who obtain water from the District approaches almost double in numbers the size of the staff of the District, any organization of a governing board from these retailers would almost be guaranteed to increase the size of their organization (and therefore its cost of operation) and be subject to a number of conflicts not encountered by the current system of having voters exercise their constitutional right to elect their local government officials.*

②

⑥

## District

1. To ensure the stability of the district operations, the district should establish a formal policy for the hiring of the General Manager position by June 2016. The Board should initiate the hiring process for a new General Manager or begin the process of renegotiating the contract with the current General Manager in the fall of 2016.

*The District recognizes that a formal policy for the hiring of a General Manager position should be implemented to further ensure stability by June 2016. Moreover, the District plans to formalize its recruitment process for the General Manager prior to fall 2016.*

2. To better address potential ethical violations, the Board should adopt by June 2016 a means for investigating board members' and staff's potential violations of the district's code of conduct and conflict-of-interest code that would insulate those investigations from undue influence from either the board or the General Manager.

①

*The report accurately identifies that the District maintained an Ethics Committee. Due to concerns over the Committee's ability to operate with complete independence, the District felt it was necessary to restructure the Committee in such a way to provide complete independence from staff and/or its Board. The District has recently adopted a new independent structure and policies to provide the tools necessary for proper oversight and notification of potential improprieties and ethical violations. This includes a confidential hotline with an independent legal firm review to validate and/or investigate any reported ethical violations and provide a structure for response, allocations of resources, and determination of required actions if any are necessary.*

3. To evaluate its progress toward its goals and objectives, the district should use its recently adopted strategic plan and issue an annual report that describes the steps it has taken toward achieving the goals and objectives in the strategic plan.

*The District adopted a new strategic plan in July 2015 and completed its first quarterly report on October 26, 2015. The District is committed to providing the highest level of transparency in all its reporting including the strategic plan; furthermore, the reporting for the strategic plan will include quarterly and annual reporting as part of its process to highlight the progress that has been made.*

4. To ensure its long-term financial sustainability, the board should complete a long-term financial plan no later than December 2016.

*The District recognizes the necessity for long term financial planning and selected a firm on October 2015, to complete a 10-year financial plan and forecast.*

5. To ensure its water rate structure is appropriate to provide the revenues necessary to cover its legitimate costs, the district should complete its planned water rate study no later than the spring 2017.

*As part of its long term financial planning the District plans to engage in a rate study. This rate study will be used to help guide evaluation of all the District's rates and revenue sources. This has been identified in the District Strategic Plan and is scheduled to be complete before spring 2017.*

6. To strengthen its financial stability against present and future uncertainties, the district should follow its recently adopted reserve policy.

*The District intends to follow the reserves policy to ensure the financial stability and future success of the District.*

7. To ensure that it continues to take steps to improve its financial condition and avoids additional costs due to downgrades of its debt credit ratings, the district should immediately create a formal debt management policy. This policy should clearly define its credit objectives and provide guidelines on suitable debt agreements. This policy should also require it to periodically monitor its specific financial ratios, such as its debt coverage ratio, that are relevant to its credit rating.

*As part of the District's Strategic Plan, a debt management policy is scheduled to be completed by the end of 2015. At minimum, the policy will define the credit objectives while providing guidelines on suitable debt agreements. Additionally,*

*the policy will also address the monitoring of specific financial ratios such as debt coverage.*

8. To maintain its current insurance coverage and better position it to negotiate for more cost-effective and appropriate coverage in the future, the board should immediately adopt a policy requiring a four-fifths majority to terminate the district's general manager. Further the board should review the district's insurance coverage annually and renegotiate costs and coverage amounts as necessary, particularly as the district resolves outstanding legal claims against it.

*The District will discuss and deliberate the policy implementation of requiring a four-fifths majority vote to terminate the District's general manager.*

*The District is committed to obtaining the lowest cost insurance possible while meeting its obligations to its customers and the public at large. The District has and will continue to annually review its coverages to ensure viability, adequacy and lowest cost possible.*

## Chapter 2 Recommendations and District Response

*The District takes pride in its continual effort to provide the highest level of open governance and transparency by providing the communities it serves with access to its financial reports, operations, and procedures. The following section will provide information on the additional steps the District has taken and will take to further foster an open governance.*

1. To ensure it holds itself accountable to the public, the district should follow the law and operate in an open and transparent manner by, among other things, disclosing to the public the true nature and purpose of all of its expenditures.

*In recognizing this recommendation, the District remains committed to operating in an open and transparent manner. This includes disclosing all expenditures through the demands list, budget versus actual reporting, debt coverage ratio reporting, budget versus actual sales, and revenue reporting. In addition, the District conducts a semi-annual review of its budget, monthly water sales productions, and annually publishes a Comprehensive Annual Financial Report. The District also hosts a monthly meeting with water retailers and wholesalers to discuss Central Basin and regional water issues including detailed budget processes and changes.*

*To further operate in an open and transparent manner, the District also provides online access (via its website) to Board Agendas, financial reporting and budget related documents. Additionally, the District's commitment to promote transparency and good governance has been recognized by the Special District*

*Leadership Foundation with the Transparency Certificate of Excellence that was awarded to the District in September 2015. Furthermore, for the 10<sup>th</sup> consecutive year, the District received the Certificate of Achievement for Excellence in Financial Reporting (for its Comprehensive Annual Financial Report) from the Government Finance Officers Association. Both of these awards are a testament to the District's commitment to operate in an open and transparent manner.*

2. To ensure its board makes informed decisions on when it is proper to hold discussions and take votes in closed-session meetings, the district should require its board members to attend training – as soon as possible and biennially thereafter – specifically focused on the Brown Act and its closed meeting requirements.

*The District agrees with this recommendation; in addition to the required ethics training (AB1234), the District will require Brown Act training for its Board members and staff every two years.*

3. To make better use of the funds it spends on services, the district should amend its administrative code by June 2016 to limit its sole-source contracts to emergency circumstances and circumstances in which only one vendor can meet the district's needs. Further, before executing any sole source contracts, the district should require written justification demonstrating the reasons for not competitively bidding the services. The justification should include the background of the purchase; a description of the vendor's uniqueness; an explanation of the consequences of not purchasing from the vendor; market research to substantiate a lack of competition; and an analysis of pricing and alternatives.

*To integrate more refined policies pertaining to sole source contracts, the District is currently revising its policy to strengthen sole sourcing language to specifically limit to emergency circumstances or occasions when the service is so critical or unique that only one vendor meets the District's needs. The District will implement these changes no later than June 2016.*

4. To ensure that it does not unnecessarily use amendments that limit competitive bidding for its contracts, the district should amend its administrative code by June 2016 to require that it rebid contracts if it significantly changes those contracts' scope of work, specifically the nature of the services or work products.

*The District concurs with this recommendation and is currently revising its policy to limit the use of contract amendments under the authority of the General Manager to time extensions only and will rebid any contracts that significantly change the scope of work or the nature of services or work product. The District will implement these changes prior to June 2016.*

5. To ensure its contract amendments reflect the authorization of the board, the district should revise its administrative code to require the general manager to submit a



quarterly report to the district's board detailing all its contracts, contract amendments, and contract and amendment dollar amounts.

*In recognition of this recommendation, the District will expand on its current practice of reporting on contracts entered into under the General Manager's authority. Future reports will include all contracts and amendments disclosing dollar amounts. The District will implement these changes prior to June 2016.*

6. To ensure it receives the best value from its contracts, the district should do the following by June 2016:
  - Adopt and implement a policy requiring that it include in all its contracts' scopes of work specific, well-defined deliverables; measurable results; timelines and progress reports; and evaluations of the contractors once they complete the work.
  - Ensure project managers verify services were rendered before approving invoices for payment.
  - Create processes for project manager to organize and retain contract files that include important documents such as vendor performance and deliverable verification and acceptance.

*The District agrees with this recommendation and is currently revising its procurement policy and contracting procedures to provide greater contract management controls as outlined in the Auditor's recommendations. The District is currently in the process of adopting these revisions immediately.*

7. To ensure its employees are able to properly administer contracts, the district should, by September 2016, follow through with its plan to require its staff responsible for project management to attend training by a reputable trainer on contract management.

*To further ensure that contracts are properly administered, the District agrees with this recommendation and will provide contract management training for all project managers. This process will commence in December 2015 and will be completed by June 2016.*

8. To minimize its risk when contracting with vendors, the district should adhere to its administrative code and execute all contracts after approval by its general counsel. Further, the district should amend its administrative code to prohibit engaging in a verbal contract. Finally, the district should continue to report to its finance committee all sole-source contracts and contracts entered under the general manager's authority.

*The District agrees with this recommendation. We are committed to the integrity of our contracting procedures. To limit potential risk, greater oversight is exercised through legal review of all contracts prior to execution. Procurement policy revisions will explicitly prohibit verbal contracts. As previously stated, the District will continue and plans to expand our practice of reporting to the Finance and Audit Committee all sole-sourced contracts and contracts entered under the General*

*Manager's authority. The District will implement these changes no later than June 2016.*

9. To ensure its expenditures do not constitute a gift of public funds, the district should do the following:
  - Immediately eliminate its allocation of funds to individual Board Members for community outreach.
  - Develop policies to specify limitations on the types of activities it will sponsor in the future to ensure that it funds only those organizations whose activities have a direct link to its authorized purposes. For example, it should eliminate its purchase of holiday turkeys.
  - Revise the administrative code by June 2016 to include more specific guidance as to what constitutes a reasonable and necessary use of public funds. The guidance should establish restrictions on the amount spent for board member installation ceremonies. It should also include a process for the district to ensure that expenses are reasonable and necessary before it pays them.

*The District agrees with these recommendation and plans to immediately eliminate its allocation of funds to individual Board Members for community outreach. The District will also refine its policies to specify limitations on sponsorship activities. Further, the District has eliminated the sponsorship for turkey donations.*

*Additionally, the District will revise its Administrative Code to limit and specify the types of expenditures and activities it sponsors; this will include restrictions in funding of Board Member installations. These items will be addressed in the District's Administrative Code prior to June 2016.*

## Chapter 3 Recommendations and District Response

*The District continues to improve its operations through the establishment and enforcement of strong policies and procedures. The following will provide additional clarification and actions taken by the District in the past few years to improve its handling of hiring, compensation of its board and employees, and appropriateness of its expenditures.*

1. To ensure it considers the most qualified candidates for the positions, the district should follow its established hiring policies. Specifically, it should use a competitive hiring process and ensure that its board first formally approves of all positions for which the district recruits. Further, the district should only consider for employment individuals who meet the established minimum qualifications for the positions for which they have applied. If the district believes certain qualifications are not necessary for the position, it should indicate in the position description that such qualifications are desirable but not required.

*The District agrees with these recommendations. By way of background and as stated in the report, the District has policies and procedures for recruitment and hiring of staff. During the five-year audit period, a total of 24 job openings were filled with a competitive recruitment process. The recruitment of the four positions that were not in compliance with district policy, occurred in 2011 and 2012. Since 2013, the District has ensured that it follows a competitive recruitment process. Examples of the District's compliance includes the recruitment and hiring of the former general manager and finance director in 2013, and the recent recruitment and hiring of the general manager and finance director in 2015, in addition to all other lower level positions filled since 2013.*

⑦

*Since 2013, the District has ensured that all candidates meet the minimum qualifications of their current positions. As noted in the report, current senior managers meet the qualifications required for their positions. In addition, the remaining non-senior manager staff also meet the minimum qualifications of their current positions.*

*As noted in the report, the District maintains job descriptions that detail the minimum qualifications of staff. The District will continue to maintain appropriate job descriptions to meet the operations needs of the District.*

*In July 2015, the Board approved recent policy that further enforces that the Board will abstain from participating in any aspect of employment and personnel matters with the exception of matters pertaining to the General Manager. The Board also approved recent policy that the Board will approve employee classifications and positions before a competitive process is commenced. Since 2013, the District has followed these policies as a matter of practice; however, additional enforcement will be provided by the development of a human resources procedures manual to ensure compliance with its recruitment and hiring policies.*

2. To ensure that it does not inappropriately grant merit raises to its staff, the district should follow its policy to provide annual performance evaluations to all employees.

*As noted in the report, the District has a policy and procedure for performance evaluations. Moving forward, the District will ensure that all performance evaluations for all staff are completed on an annual basis by the end of the fiscal year.*

3. To ensure it is efficiently using its resources, the District should do the following:
  - Eliminate its board members' automobile allowances and instead reimburse them based on mileage or transit use.
  - Periodically analyze and beginning in June 2016, report to the board whether all elements of its board member compensation, including health and related benefits, are appropriate and reflect the common practices of special districts.



- Adopt a policy that its general managers will participate in benefits at the same level as District staff and that the board will negotiate the general managers' contracts on the basis of salary and not other benefits such as retirement.

*The District recognizes the need for improved policies to efficiently use its resources with regards to automobile allowances and compensation for the board and employment contracts for general managers. With regard to board members per diem and benefits, the District's board policy states that board member benefits in no event shall exceed the benefit contributions of employees. The District will continue to follow state law and ensure that its benefits for directors and employees are comparable with other benefits provided by similar water districts. In early 2013, the board froze its per diem amount for four years. In addition, the district has maintained the same communication allowance of \$200 since before 2006. The District plans to provide an annual analysis during the budget review period of all of the benefits provided to board members to ensure that benefits are reasonable and comparable to other benefits provided by other water districts.*

*As it relates to board members' automobile allowance, the District plans to continue to build upon best practices, efficiencies, and cost savings measures already implemented. Specifically and as noted in the report, the District recently revised its policies to ensure board members demonstrate they have a valid driver's license, automobile insurance, and an acceptable driving record as a condition for receipt of the automobile allowance and for mileage reimbursement expenses. The automobile allowance will be reviewed by the board by June 30, 2016 as part of the annual analysis of benefits for board members. Further, the District will complete a report by June 2016 or sooner on all board member benefits, including health.*

*With regard to staff compensation and benefits, the District plans to conduct a total compensation survey that would include salary and benefits by the end of 2016. With regard to compensation and benefits for the general manager, the District will strengthen its policies and enforce language that general managers will have the same benefits as staff and will negotiate total compensation on the basis of salary only. As noted in the report, the employment contract with the current general manager offers the same benefits as other employees.*

4. To ensure it complies with state law and its own administrative code, the district should require board members to report back to the board on meetings and conferences they attend at the district's expense. The district should record these reports in meeting minutes or document them in expense files before it reimburses the board members for their travel expense claims.

*As it relates to requiring board members to report back to the board on meetings and conferences they attend at the District's expense; in previous years the District has left the reporting of external meetings and conferences to individual board members. The District acknowledges the need for reporting and, moving forward,*

*the District will provide stronger enforcement of this reporting requirement by establishing procedures including a board agenda listing of board of director's report of meetings and conferences.*

5. To ensure that its travel expenses are reasonable and necessary, the district should take steps, such as issuing a clarifying memorandum or providing additional training, to ensure all board members and staff, especially those who process reimbursement claims, are aware of what it considers to be proper expenses incurred while traveling, including the following:
  - Air travel that is coach or an equivalent class.
  - Meetings and conferences that have a direct connection to water policy or the district's mission. It should update its list of such preapproved meetings accordingly.

*The District agrees with these recommendations and adopted revisions, in July 2015, to Part 3 of the Administrative Code that addresses the concerns presented in the report. Prior to the recent change, in February of 2013, the District approved a resolution to revise the Administrative Code to allow for a maximum of \$5,000 budget per fiscal year for each Board Director to attend conferences or seminars. Moreover, the District will continue to implement recent changes to its policies and will further develop procedures to ensure compliance of these policies specifically addressing the authorization of rental vehicles, travel expenses, lodging, and meals.*

*With regard to rental vehicles, as stated in the report, the District adopted a policy in July 2015 requiring that vehicles be rented only to board members or employees for eligible reimbursement. In addition, language was added to the policy with specific requirements and guidelines of the authorization and use of rental vehicles for eligible reimbursement. With regard to forms of travel other than automobile travel, the District will strengthen its procedures to ensure that travel expenses are reasonable and necessary. The District will review its current procedures in processing claims by designated staff and will provide additional training to all employees on the criteria and steps to process reimbursements. These steps will include the substantiation that air travel is of coach or equivalent class, substantiation that meeting expenses and conferences have a direct connection to the District's mission, and substantiation that lodging expenses reflect a group or government rate. These recommendations will be completed by June 2016.*

6. To ensure it only reimburses reasonable and necessary meal expense, the district should take steps such as issuing a clarifying memorandum or providing additional training, to ensure all board members and staff, especially those who process reimbursement claims, are familiar with its meal reimbursement limits.

The district should revise its administrative code by June 2016 to prohibit paying for reimbursing meals that occur within the local area that involve meetings either

between only district representatives or between district representatives and the district's contractors.

The district should revise its administrative code by June 2016 to prohibit providing the costs of meals to third parties.

*For further refinement of its policies for meal expense reimbursements, as stated in the report, the District will revise the Administrative Code to prohibit paying or reimbursing meals in the local area that involve meetings between any District representatives or District representatives and contractors by June 2016. The District will also revise its Administrative Code to prohibit providing cost of meals for third parties.*

*Additionally, in relation to this report, the District recently adopted meal costs limits that are comparable to the IRS's established rates. Staff has received training on the new meal expense reimbursement limits and will receive additional training as the policies and procedures are strengthened to include the recommendations on meal reimbursement restrictions that are recommended in this report.*

## Comments

### CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE CENTRAL BASIN MUNICIPAL WATER DISTRICT

To provide clarity and perspective, we are commenting on the response to our audit report from the Central Basin Municipal Water District (district). The numbers below correspond to the numbers we placed in the margin of the district's response.

During the district's official review of our draft report in late October 2015, the board of directors (board) adopted a plan to implement a hotline for reporting potential ethics violations and to contract with a law firm to conduct an independent review of those alleged violations, which we describe on page 28. As a result of the board's action, we added text to our recommendation on page 42 to clarify that the district should implement changes to its ethics policy by June 2016.

①

At the outset, it is helpful to point out that, unlike most municipal water districts in this state that directly provide water to residents, this district is a limited-purpose agency whose primary responsibility during most of the 63 years of its history is to wholesale water from the Metropolitan Water District of Southern California (Metropolitan) to be resold to water distributors who directly provide water to residents of their respective communities. Whatever governance structure is put in place, this function remains the primary responsibility of the district. Therefore, a change in governance would not deny "2 million citizens the right to direct representation on major water policy issues" because the district's role does not require broad policy making. Further, our recommendation to the Legislature on page 42 would not result in the loss of representation, or disenfranchisement, of the residents within the district's jurisdiction. The district's eligible voters currently have the power to elect the public officials of the public agencies that constitute the district's customer base. If the Legislature implemented our recommendation, these public agencies would then have the power to appoint the board. Thus, the district's residents would retain ultimate authority over the district's board through representative democracy. This would be analogous to the way in which the representatives of Metropolitan and the San Diego County Water Authority are appointed, as we describe on page 41. Moreover, any subsequent governing body would continue to operate in an open and transparent manner under the Ralph M. Brown Act and would allow for public participation in the decision-making process.

②

- ③ As stated in our report on pages 39 through 41, because of the recent positive changes made by the district, we believe the options available under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Reorganization Act) are premature at this time. However, as stated on page 39, we remain skeptical of the board's ability to consistently ensure the district's stability and provide it with effective, ongoing leadership. Thus, the intent of our recommendation is for the Legislature to consider options, such as the one we propose, that are less extreme than those permitted under the Reorganization Act, but that create greater accountability between the district and its direct customers so that the district remains encouraged to continue the positive changes it recently made. We also note that while the Reorganization Act is locally administered, the Legislature may revise the statutes it enacted to authorize the district if it deems such revisions are necessary to meet changing conditions.
- ④ The district's statement that our report fails to reflect the district's operational improvements over time ignores the numerous instances in our report where we point out the district's improvement in certain areas. For instance, we note the district's recent progress related to addressing potential ethical violations on pages 27 and 28 and adopting a new strategic plan on page 29. Further, we acknowledge actions it has recently taken to address the issues we found related to the district paying for inappropriate and questionable meal expenses on page 80. In addition, the district's statement that many of the individuals who were involved in the questionable circumstances described in our report are no longer with the district overlooks the fact that the district's policies and controls were weak or lacking in many areas throughout our audit period, regardless of the individuals involved. For instance, the district still has no formal debt management policy, as we describe on page 35; its management of its contracts did not follow best practices and sometimes circumvented its own policies regarding contracts throughout our audit period, as we point out beginning on page 49; and several of the travel and meal expense issues we identified in Tables 10 and 11 on pages 77 and 79, respectively, occurred within the past two fiscal years.
- ⑤ Our contract selection included four contracts the district entered into in each of the five fiscal years in our audit period. The district is correct that 11 of the 13 contracts we identified as sole-source contracts on page 50 were executed prior to fiscal year 2013–14. However, we describe additional contracting issues that occurred throughout our audit period in Chapter 2 on pages 56 through 60. For example, on page 57 we describe that 19 of the 20 contracts we reviewed had scopes of work that did not include one or more of the following elements: measurable results, timelines or progress reports, or an evaluation component. Further, on pages 62 and 63

we recommend changes to the district's contracting policies and processes to ensure that it not only receives the best value from its contracts, but also strengthens its control environment and ensures it has adequate contracting practices.

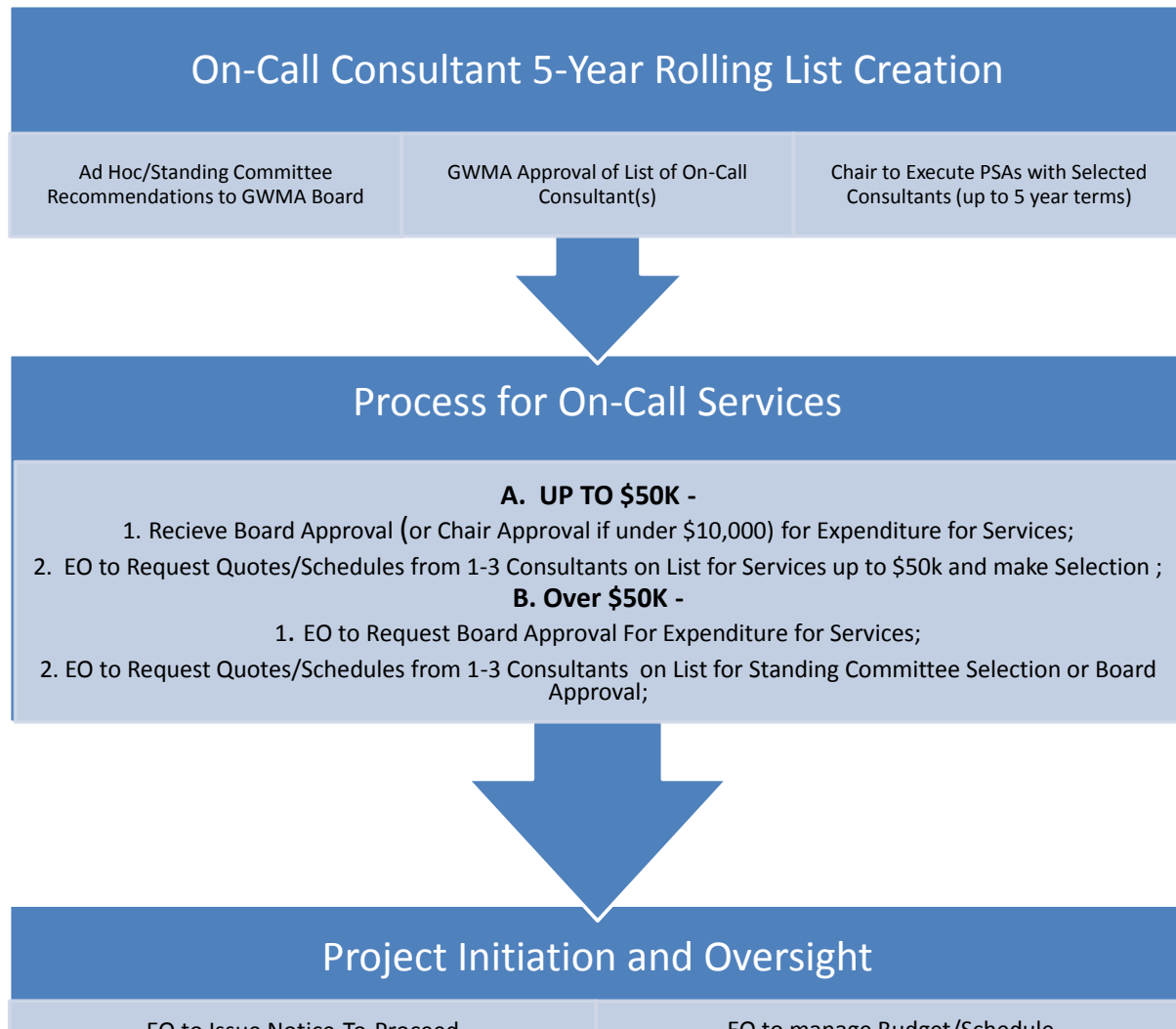
We do not recommend a specific structure for or size of the board. In the recommendation to the Legislature on page 42, we offer the example of a board appointed by the district's customers to better reflect the fact that the district's customers are generally water retailers and not the residents of the district. We can envision multiple ways that can happen that may include, among other possibilities, a hybrid board of elected and appointed officials or a board of limited size elected by the retailers from a slate of individuals nominated by those retailers. Ultimately the decision of whether or how to change the governance structure resides with the Legislature.

⑥

Consistent with the audit objectives, we reviewed the qualifications of the district's senior managers. In reviewing the qualifications of specific former managers, we identified additional concerns with the district's hiring process, including its failure to consistently follow established policies requiring it to use a competitive hiring process, and discuss those concerns on pages 66 through 69. Although we note on page 24 that the process the district used to hire the current general manager included interviews of top candidates, we did not review the competitiveness of the process the district used for its other current hires and therefore cannot conclude that it did or did not follow a competitive process for all individuals hired since 2013. Nevertheless, we stand by our recommendation on page 80 that the district follow its hiring policies by using a competitive hiring process.

⑦

2015  
On-Call Consulting Services for GWMA



# Gateway Water Management Authority

*Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority*

16401 Paramount Blvd., Paramount, CA 90723 • 562.663.6850 phone 562-634-8216 fax • [www.gatewayirwmp.org](http://www.gatewayirwmp.org)

## ON-CALL CONSULTING SERVICES FOR GWMA

### Planning/Studies/Env. Docs/Grants

Cannon – Craig Parker [craigp@cannoncorp.us](mailto:craigp@cannoncorp.us)

Stetson Engineers, Inc. – Steve Johnson [stevej@stetsonengineers.com](mailto:stevej@stetsonengineers.com)

DR Consultants & Designers, Inc. – Tom Love [tlove@drcdinc.com](mailto:tlove@drcdinc.com)

GEI Consultants – Bill Bennett [bbennett@geiconsultants.com](mailto:bbennett@geiconsultants.com)

### Stormwater

CWE – Vik Bapna [vbapna@cwecorp.com](mailto:vbapna@cwecorp.com)

John L Hunter & Associates – John Hunter [jhunter@jlkha.net](mailto:jhunter@jlkha.net)

Richard Watson & Associates, Inc. – Rich Watson [rwatson@rwaplanning.com](mailto:rwatson@rwaplanning.com)

### General Engineering

Cannon – Craig Parker [craigp@cannoncorp.us](mailto:craigp@cannoncorp.us)

Civiltec – David Bryum [dbyum@civiltec.com](mailto:dbyum@civiltec.com)

Stetson Engineers, Inc. – Steve Johnson [stevej@stetsonengineers.com](mailto:stevej@stetsonengineers.com)

CWE – Vik Bapna [vbapna@cwecorp.com](mailto:vbapna@cwecorp.com)

### Project/Construction Management

Simplus Management – Paul Buckley [pbuckley@simplusmangement.com](mailto:pbuckley@simplusmangement.com)

Stetson Engineers, Inc. – Steve Johnson [stevej@stetsonengineers.com](mailto:stevej@stetsonengineers.com)

DR Consultants & Designers, Inc. – Tom Love [tlove@drcdinc.com](mailto:tlove@drcdinc.com)

**Christopher Cash, Board Chair • Adriana Figueroa, Vice-Chair • Charlie Honeycutt, Secretary/Treasurer • Kevin Wattier, Chair Emeritus**

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*With Technical Support From The Sanitation Districts Of Los Angeles County*



AGENDA ITEM NO. 8

BYLAWS  
OF  
THE LOS ANGELES GATEWAY REGION  
INTEGRATED REGIONAL WATER MANAGEMENT  
JOINT POWERS AUTHORITY  
EFFECTIVE OCTOBER 12, 2015

ARTICLE 1. AUTHORITY

Section 1. Authority. These bylaws are adopted pursuant to the authority of Section 6(e)(8) of the Joint Powers Agreement (“Agreement”) of the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority (“Authority”).

ARTICLE 2. MEMBERS OF THE BOARD OF GOVERNORS

Section 1. Board Member Term of Office. The term of office for Board Members and Alternate Board Members (collectively “Board Member” or “Board Members”) of the Governing Board (“Board”) shall commence on October 1st of each odd-numbered year and terminate on September 30th two years later. The terms of all Board Members of the Governing Board shall run consecutively and shall not be staggered.

Section 2. Current Terms of Office. The terms of office of Board Members whose terms have not expired on the date these Bylaws are adopted shall continue to hold office until September 30, 2017.

Section 3. Appointment to Fill Vacancy. Board Members appointed to fill a vacancy on the Board shall hold office for the remainder of the unexpired term.

Section 4. Manner of Appointment. A Member agency may appoint a member of its legislative body to the Board by minute action. Alternatively, a Member agency may appoint persons other than a member of the Member agency’s legislative body to the Board only by adoption of a resolution.

Section 5. Only Individuals can be Appointed to the Board. Member agencies must appoint Board Members by name and not by position or title.

Section 6. Board Members and Alternate Board Members. Each Member Agency may not appoint more than one Member and three Alternate Members.

Section 7. Contracts with Independent Contractor Board Members. The Board cannot approve a contract with an independent contractor Board Member or his or her firm or a contract in connection with which the independent contractor Board Member or his or her firm will be a sub-contractor.

Section 8. Amendments to Bylaws. These bylaws can be amended by the affirmative vote of a majority of the Board Members.



Toni Penn &lt;tonipenn.gateway@gmail.com&gt;

## Fwd: FW: Request for Letters to METRO - Green Street Funding for WMP/EWMP Compliance

Toni Penn &lt;tonipenn.gateway@gmail.com&gt;

Thu, Jan 7, 2016 at 5:50 PM

Draft

----- Forwarded message -----

From: "Ken Farfsing" &lt;kfarfsing@carson.ca.us&gt;

Date: Jan 7, 2016 3:05 PM

Subject: FW: Request for Letters to METRO - Green Street Funding for WMP/EWMP Compliance

To: "Grace Kast" &lt;gracekast.gateway@gmail.com&gt;

Cc:

Hi Grace - It was great to see you today. Thanks again for lunch. This is the copy of the e-mail request for letters that I sent out to the City Managers on December 21st. The request letter tracks back to the GWMA letter that we sent out last year.

I appreciate your placing this on the next GWMA agenda.

Ken

---Original Message---

From: Ken Farfsing

Sent: Monday, December 21, 2015 5:17 PM

To: 'Andrea Miller - City of Covina'; 'Anthony R. Ybarra - City of South El Monte'; 'Anton Dahlerbruch - City of Palos Verdes Estates'; 'Art Gallucci - City of Cerritos'; 'Artie Fields - City of Inglewood'; 'Blaine Michaelis - City of San Dimas'; 'Bob Russi - City of La Verne'; 'Brian Saeki - City of San Fernando'; 'Bryan Cook - City of Temple City'; 'Charlie Honeycutt - City of Signal Hill'; 'Cherie L. Paglia - City of Hidden Hills'; 'Chris Freeland - City of West Covina'; 'Chris Jeffers - City of Glendora'; 'Darrell George - City of Duarte'; 'David Carmany - City of La Puente'; 'Dominic Lazzaretto - City of Arcadia'; 'Douglas Prichard - City of Rolling Hills Estates'; 'Douglas Willmore - City of Rancho Palos Verdes'; 'Francesca Tucker-Schuyler - City of Montebello'; 'Greg Ramirez - City of Agoura Hills'; 'Howard L. Chambers (Alma) - City of Lakewood'; 'James DeStefano - City of Diamond Bar'; 'Jeff Allred - City of Rosemead'; 'Jeff Boynton - City of La Mirada'; 'Jeffrey L. Stewart - City of Bellflower'; 'Jeffrey W. Collier - City of Whittier'; 'Jim Thorsen - City of Malibu'; 'John Schaefer - City of San Marino'; 'Jorge Rifa - City of Commerce'; 'Ken Farfsing - City of Carson'; 'Kenneth Striplin - City of Santa Clarita'; 'Linda Benedetti-Leal - City of Paramount'; 'Linda Lowry - City of Pomona'; 'Mark Danaj - City of Manhattan Beach'; 'Mark R. Alexander - City of La Canada Flintridge'; 'Mark Whitworth - City of Vernon'; 'Mary Swink - City of Alhambra'; 'Michael Beck - City of Pasadena'; 'Michael Egan - City of Norwalk'; 'Michael Flad - City of South Gate'; 'Michelle Keith - City of Bradbury'; 'Oliver Chi - City of Monrovia'; 'Patrick H. West - City of Long Beach'; 'Paul Philips - City of Industry'; 'Paul Talbot - City of Monterey Park'; 'Phillip Wagner - City of Bell Gardens'; 'Raymond B. Taylor - City of West Lake Village'; 'Rene Bobadilla - City of Pico Rivera'; 'Scott Ochoa - City of Glendale'; 'Stephen L. Burrell - City of Lomita'; 'Steven Preston - City of San Gabriel'; 'Thaddeus McCormack - City of Santa Fe Springs'; 'Tom Bakaly - City of Hermosa Beach'; 'Tony Ramos - City of Claremont'; 'Troy Butzlaff - City of Azusa'; 'William Rawlings - City of Artesia'

Cc: Sam Olivito; 'Kristine Guerrero'; Richard Watson (rwatson@rwaplanning.com); Irapp@lakewoodcity.org; 'John Hunter'; Jacki Bacharach (jackibach@cox.net); Richard Powers (rpowers@gatewaycog.org)

Subject: Request for Letters to METRO - Green Street Funding for WMP/EWMP Compliance

Importance: High

Dear City Managers:

During the last year, the METRO Board has been considering Measure R2, an additional 1/2 cent sales tax override ballot measure. METRO has been out meeting with cities and COGs to discuss potential projects that would help our communities support the new tax. Measure R2 is designed to implement projects over the next

40 years.

During this same period of time the cities have filed Watershed Management Plans or Enhanced Watershed Management Plans with the Regional Board. Their implementation will cost our cities millions of dollars each, collectively billions of dollars, over the next twenty year period. With the failure of the County's regional storm water fee, cities are struggling to fund the watershed plans. Measure R2 is an opportunity to partially fund some of your stormwater compliance needs. Streets generate 30% to 35% of your stormwater runoff and there is a strong connection between streets and water pollution.

Many of the watershed plans include the construction of "Green Streets" as part of their compliance strategy. We support this common sense approach. In our area the City of Los Angeles and County of Los Angeles will rely on Green Streets to achieve over 65% of their compliance needs. For the City of Carson's the construction of Green Streets will meet 29% of our compliance needs. Our City will require approximately \$1 million annually to implement Green Streets. Carson had been relying on Redevelopment Agency funds to construct Green Street improvements.

With the failure of the regional fee, our cities have collectively supported exploring funding options or a "tool box" of funding measures. One of the measures includes a dedicated fund for Green Streets in any future sales tax override proposed by METRO. The Gateway Water Management Authority communicated this need in October of last year (see the attached pdf).

Other groups are bringing this urgent funding need to the attention of METRO. The most recent communication to METRO came from EnviroMetro, a large group of environmental organizations formed to advocate for Measure R2 projects and guidelines. Unfortunately, one of EnviroMetro's suggestions is that the Green Street be funded from our municipal Local Return, instead of a dedicated Green Street fund.

The Elected Officials Stormwater Options Committee met last week and recommends that our cities communicate with the METRO Board advocating for a separate fund for Green Streets in the proposed Measure R2. This is due to the fact that our cities are struggling to fund existing street maintenance needs and new street projects, much less to implement Green Streets from the Local Return fund.

We have prepared a sample letter to METRO for your consideration. You may wish to customize the letter based on your community's needs. Please send a copy of your completed letter to me, so that I can keep the Elected Officials Committee informed. Also, please send a copy of your letter to your METRO Board member.

Thanks for considering this request. I can be reached at [kfarfsing@carson.ca.us](mailto:kfarfsing@carson.ca.us) or at 310-952-1728.

Happy Holidays to you and have a great New Year.

Sincerely,

Ken Farfsing  
Carson City Manager

—  
Toni Penn  
Admin/Accounting Manager  
GWMA  
(626) 484-6876 cell

---

**2 attachments**

1/7/2016

Gmail - Fwd: FW: Request for Letters to METRO - Green Street Funding for WMP/EWMP Compliance



**Scanned from a Xerox Multifunction Device.pdf**

244K



**Ltr - Green Street Funding Request - Measure R2 (GENERIC).doc**

33K

December 21, 2015

Phillip A. Washington, CEO  
METRO  
One Gateway Plaza  
Mail Stop 99-25-1  
Los Angeles, CA 90012-2952

**Re: Green Streets Program – Measure R2**

Dear Mr. Washington:

In the next few months the METRO Board will consider the region's fourth sales tax override ballot measure for transportation projects. The specific ballot measure will include a list of projects to be funded over the next 30-45 year period of time. If approved by the voters, the sales tax measure will continue to provide funding to transform the region's transportation system for decades to come.

We are writing to you with an urgent request, that the METRO Board adds funding for Green Streets into the proposed sales tax measure. The requested Green Streets program is patterned after a successful funding program managed by the OCTA as part of Measure M in Orange County. Measure M allocates 2% of the gross annual sales tax revenues to assist Orange County's communities in improving surface water quality through implementing Green Streets and other environmental cleanup programs.

Similar to Orange County's communities, the cities in Los Angeles County are under increasingly strict storm water permits that require our communities to make substantial improvements to surface water quality. In fact many professionals believe that the Los Angeles area municipal stormwater permits are the most expensive in the state to implement. There is a strong link between transportation projects and surface water pollution. Streets, highways and intersections generate significant environmental impacts, since approximately thirty-percent of urban land use is related to streets, highways and intersections.

It has long been known that automobiles, trucks and busses generate substantial water pollution, from copper in brake pads, zinc in tires, antifreeze and oils, and grease dripping onto the pavement, as well as numerous pollutants from exhaust discharges.

It is estimated that almost 50% of zinc pollution found in the region's surface water is generated from tire wear alone. Pollutants from vehicles are deposited on the streets and highways in our communities and then are mobilized by rainfall and washed into the region's storm drains, flood control channels, rivers, bays and lakes; the number one cause of water pollution.

Implementation of the storm water program for our region's communities is estimated to be in the millions, if not billions of dollars over the next two decades. The region's 85 cities are working collaboratively to address the water pollution and to capture storm water in dozens of watersheds. For example, the cities of Carson, El Segundo, Hawthorne, Inglewood, Lawndale, Lomita and Los Angeles are participating with Los Angeles County in the implementation of the Dominguez Channel Water Enhanced Watershed Program ("DC EWMP"). The costs of implementing the entire DC EWMP is estimated at \$1.3 billion over the next two decades. Funding the clean-up program is proving to be daunting, especially for disadvantaged communities in the watershed.

The DC EWMP will retrofit existing streets to "Green Streets" as one of four programs to achieve storm water compliance. Green Streets in the City of Carson comprise 29% of the city's compliance strategy. In the City of Los Angeles, 68% of the compliance strategy is based on Green Streets; while Green Streets comprise 65% of the mitigation required in the unincorporated territories of Los Angeles County and Green Street comprise 65% of the compliance strategy for the City of Hawthorne.

The request for METRO to establish an environmental cleanup program and Green Streets was first raised by the Gateway Water Management Authority in their October 29, 2014 letter to Mayor Garcetti (attached). The Authority represents 26 cities in Southeast Los Angeles County, over 2 million residents, of which a large number are disadvantaged. In a significant development, Enviro-Metro, a coalition of the region's environmental organizations, wrote to METRO in August of 2015 with a similar Green Streets funding request.

We do not believe that merely incorporating green requirements into the Local Return or into the Call for Projects is workable or equitable. We do support green construction requirements for new projects; however, the State continues to erode local municipal gas tax revenues and our communities struggle to fund street maintenance, much less to retrofit existing streets with green street improvements. Taking funding for green infrastructure from the Local Return lessens the funds available for local improvement projects. In addition, making Green Streets compete in the Call for Projects is inherently unfair to many of the region's communities, who do not have substantial "matching funds" to compete with the Green Street projects from larger communities, who overcommit matching funds in order to score more grant points.

We believe that the environmental cleanup and Green Streets program should be established at 2% of gross annual revenues outside of the Local Return programs. These 2% environmental cleanup program revenues should be available to all communities to retrofit existing streets, highways and intersections in order to implement Green Streets and other environmental clean-up programs. We appreciate the consideration of this request by the METRO Board.

Sincerely,

Mayor

cc: City Council  
METRO Board Member  
City Manager

Attachment: October 29, 2014, letter to Mayor Garcetti

# GATEWAY WATER MANAGEMENT AUTHORITY

*Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority*

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October 29, 2014

Honorable Mayor Eric Garcetti, Chair  
and Board of Directors  
LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY  
1 Gateway Plaza  
Los Angeles, CA 90012

**Re: Environmental Cleanup Action Program – Measure X**

Dear Chairperson Garcetti:

The Gateway Water Management Authority (GWMA) is writing to request that METRO consider an environmental action cleanup program as part of Measure X. GWMA is a Joint Powers Authority made up of 26 cities and water agencies in Southeastern Los Angeles County serving more than 2 million people. As an agency responsible for coordinating/addressing watershed-related issues that impact the region, this program could provide significant opportunity to fund environmental cleanup improvements associated with transportation projects in Los Angeles County. This cleanup program would be similar to the cleanup program included in the Measure M2 bond issued by the Orange County Transportation Authority.

Surface transportation projects, such as streets, highways and intersections, generate significant environmental impacts. Approximately thirty-percent of urban land use is related to streets, highways, and intersections. Automobiles, trucks, and busses generate substantial water pollution, from copper in brake pads, zinc in tires, antifreeze and oils and grease dripping onto the pavement, as well as numerous pollutants from exhaust discharges. These pollutants are deposited on the streets and highways and are then mobilized by rainfall and wash into the region's storm drains, flood channels, river, bays, and lakes.

All of our cities are moving forward with implementation of Green Street and Complete Street strategies. Stormwater concerns are a large part of local projects funded by Proposition C and Measure R. Future transportation projects, inevitably, will also have to deal with these environmental concerns, particularly at the local level which will cost

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millions of dollars. Augmenting the enormous cost for these types of projects is paramount to addressing the environmental cleanup actions that we all face. Further, this type of measure is consistent and appropriate with the policies of the LA Regional Board and METRO and would help meet the common goals of both agencies.

Los Angeles County and its 88 cities are governed by both a Federal TMDL Consent Decree related to surface water pollution and individual NPDES permits. This decree and the individual permits require substantial investments by the County and the cities in programs and capital improvements to improve water quality. The County and the cities are required to monitor their urban runoff. This data is submitted to the LA Regional Water Quality Control Board ("Regional Board") and is publicly available. Failure to meet water quality clean-up requirements by dates in the TMDL permits will open up Los Angeles County and the cities to costly Water Board fines and third-party litigation. Los Angeles County has already been sued in Federal Court for water quality violations.

There is currently no stable or viable funding source to deal with the pollutants from our streets, highways and intersections. Measure X provides the region with an ideal opportunity to provide the County and cities with a stable funding measure that will help to address this funding shortfall over a long period of time. Such a stable funding program could present valuable opportunities for Co-Permittees to help finance NPDES capital expenditures or provide local matching funds for state and local grant programs.

METRO is aware that the Los Angeles County Board of Supervisors "tabled" the "Clean Water, Clean Beaches" measure in 2012, which would have provided the County and the cities with a stable source of revenue to fund surface water quality projects. During the public hearings at the Board meeting, it was suggested that local governments pursue alternative funding options, including increasing local sales taxes, to fund stormwater improvements. Measure X now provides this opportunity for transportation-related projects.

There is a local precedent for developing an environmental clean-up program as part of voter approved transportation funding. In 1990, Orange County voters approved Measure M, a 20-year program for local transportation improvements that is funded by a half-cent sales tax. The original Measure M transportation improvement program ended in 2011. However, in 2006, Orange County voters approved the continuation of Measure M for another 30 years to 2041.

The renewed Measure M contains a water quality and environmental cleanup program. Under this program, two percent of gross revenues (estimated at \$327 million over 30 years) will be set aside to assist Orange County municipalities in improving water quality. According to the ballot materials for the renewed Measure M, the environmental monies may be used for water quality improvements with a transportation nexus, including capital and operations improvements such as:

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- Catch basin screens, filters, and inserts;
- Roadside bioswales and biofiltration channels;
- Wetlands protection and restoration;
- Continuous deflective separation units;
- Maintenance of catch basins and bioswales; and
- Other street-related BMPs for capturing and treating urban runoff.

This program is intended to augment, not replace, existing water quality expenditures. In addition, all new transportation projects funded by Measure M will include water quality mitigation as part of the project scope and costs (i.e., this will not be funded through the set aside for the environmental action cleanup program).

OCTA formed "The Environmental Cleanup Allocation Committee" consisting of representatives from local cities, the County of Orange, districts and special interest groups to oversee the allocation and dispersing of water quality and environmental cleanup funds.

We request that METRO work with local governments in identifying and securing funding to implement Green Streets Policies as required by the Los Angeles Regional Water Quality Control Board as part of Measure X. It is time for an Environmental Cleanup Action Program in the Los Angeles region.

Sincerely,



Christopher S. Cash, Chair

cc: Mr. Art Lehey, METRO  
GWMA Board Members  
Mr. Richard Powers, Gateway Cities COG

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## **AS OF 2009: FROM OC STORMWATER PROGRAM**

### **MEASURE M RENEWAL**

In 1990, Orange County voters approved Measure M, a 20 year program for local transportation improvements funding by half-cent sales tax. The original Measure M transportation improvement program ends in 2011. However, in 2006 Orange County voters approved the continuation of Measure M for another 30 years to 2041.

The renewed Measure M contains a water quality and environmental cleanup program. Under this program, two percent of gross revenues (estimated at \$327 million over 30 years) will be set aside to assist Orange County municipalities improve water quality.

According to the ballot materials for the renewed Measure M, the environmental monies may be used for water quality improvements with a transportation nexus, including capital and operations improvements such as:

- Catch basin screens, filters, and inserts;
- Roadside bioswales and biofiltration channels;
- Wetlands protection and restoration;
- Continuous deflective separation units;
- Maintenance of catch basins and bioswales; and
- Other street-related BMPs for capturing and treating urban runoff.

This program is intended to augment, not replace, existing water quality expenditures. In addition, all new transportation projects funded by Measure M will include water quality mitigation as part of the project scope and costs (i.e., this will not be funded through the two percent set aside for water quality).

The Orange County Transportation Authority ("OCTA") is currently developing program guidelines as well as a competitive grant process to award Measure M funds to the highest priority, most cost-effective projects. OCTA has formed "The Environmental Cleanup Allocation Committee" consisting of representatives from local cities, the County of Orange, districts and special interest groups to oversee the allocation and disbursement of water quality and environmental cleanup funds.

The Committee is currently exploring two categories of programs (a catch basin program and a new capital and operations projects program) and is working toward making recommendations to the Board on water quality program guidelines. These guidelines are expected to be available for local agencies to submit project applications and funding requests starting in fiscal year 2009-10. This could present valuable opportunities for Co-Permittees to help finance NPDES capital expenditures or provide local matching funds for state and local grant programs.

# GATEWAY WATER MANAGEMENT AUTHORITY

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January 14, 2016

## SECTION 12: Discussion/Action Regarding Prop 84 Round 2 Stormwater Grant

### SUMMARY

The Gateway Water Management Authority (GWMA) is acting as the lead agency, overseeing and administering of the Proposition 84 grant. The eight (8) cities of Bell Gardens, Downey, Lynwood, Norwalk, Paramount, Pico Rivera, Santa Fe Springs and Vernon are participating in the grant efforts with the Gateway. All participating cities are members of the GWMA. The bid specifications outline the grant requirements, treatment system locations and work to be performed to fulfill the construction aspects of the Proposition 84 grant.

The bid specifications are based on plans approved by the State Water Resources Control Board, and are a necessary part in fulfilling the State Water Resources Control Board grant agreement with GWMA.

### BACKGROUND

On December 4, 2014, GWMA was awarded a Proposition 84 grant by the State Water Resources Control Board to implement Low Impact Development (LID) treatment systems along major transportation corridors. The installation of these treatment systems is expected to decrease the loading of metals at multiple sites along the Los Angeles River, San Gabriel River, and Los Cerritos Channel. The cost for complete implementation of the grant is \$1.34 million. Of this total amount, 80% will be provided by the State Water Resources Control Board as part of the awarded grant and 20% will be required (in matching funds) from the participating cities. Eight (8) cities are fully participating in the GWMA's effort (there are 11 cities total that are participating in the grant; however, the Cities of Whittier, Signal Hill and South Gate are contracting and managing the grant independent of the GWMA. Each City has previously signed and executed a sub-recipient

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agreement with the GWMA that outlines the details of the partnership between the GWMA and the cities.

## DISCUSSION

Eight (8) cities in the Prop 84 grant, Bell Gardens, Downey, Lynwood, Norwalk, Paramount, Pico Rivera, Santa Fe Springs and Vernon, participating in a regional multi-watershed project through the Gateway Water Management Authority (GWMA). The treatment systems include: eighteen (18) tree box filters, and ten (10) bioretention tree wells. The table below lists the responsible city for each treatment system in the Proposition 84 grant project.

To date, several milestones have been completed to include CEQA, final designs, and development of a monitoring plan. Final plans have been approved by the State Water Resources Control Board. The next step in continued implementation of the Proposition 84 grant would be to release bid specifications and select a contractor. Construction is anticipated to last for approximately eight months. Associated activities for construction will include mobilization and site preparation, installation of BMPs and proper documentation. All relevant project information is included in the bid specifications to be released.

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## AGENDA ITEM NO. 12

# GATEWAY WATER MANAGEMENT AUTHORITY

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City	LID BMPs	Location
Bell Gardens	(1) Tree box filter	(1) Florence Avenue at Garfield Avenue
Downey	(4) Tree box filters	(2) Brookshire Avenue at Gardendale Street at Northeast and northwest corner, (2) Pangborn Avenue at Firestone Boulevard at Northeast and northwest corner
Lynwood	(10) Bioretention Tree Wells (3) Tree box filters	Locations to be determined (1) Clark Street at Atlantic Avenue, (2) Clark Street at Wright Road
Norwalk	(2) Tree box filters	(1) Imperial Highway and Volunteer Avenue, (1) Firestone Boulevard and Imperial Highway
Paramount	(2) Tree box filters	(2) Alondra Boulevard west of Hunsaker Avenue
Pico Rivera	(2) Tree box filters	(1) Beverly Boulevard and Tobias Avenue, (1) Slauson Avenue and Paramount Boulevard
Santa Fe Springs	(2) Tree box filters	(1) Alondra Boulevard and Shoemaker Avenue, (1) Alondra Boulevard and Marquardt Avenue
Vernon	(2) Tree box filters	(2) 26th Street

### FISCAL IMPACT

1. The fiscal impact to the GWMA is negligible in comparison to the full grant funds. GWMA will incur administration costs that have been allocated from the grant funds.
2. The total grant is \$1.34 million, with 80% of this cost provided by the State Water Resources Control Board, and 20% matched by the participating cities.
3. GWMA has already collected the grant cost match deposit from the participant cities.

### RECOMMENDATION

Authorize the Executive Officer to release the bid specifications and Notice Inviting Bids to fulfill the Proposition 84 grant: Multi-Agency, Multi-Watershed Project to Incorporate LID BMPs into Major Transportation Corridors in the Gateway Region of Los Angeles, upon completion of legal counsel review.

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# **GATEWAY WATER MANAGEMENT AUTHORITY**

## **CONTRACT DOCUMENTS SPECIFICATIONS AND STANDARD DRAWINGS FOR**

**Proposition 84 Stormwater Grant Project Titled, “Multi-Agency/Multi-Watershed Project to Incorporate Low Impact Development Best Management Practices (BMPs) into Major Transportation Corridors”**

**CONSTRUCTION OF LOW IMPACT DEVELOPMENT (LID)  
BMPs AT  
VARIOUS LOCATIONS,  
FY 2015-16**

**IN THE CITIES OF BELL GARDENS, DOWNEY, LYNWOOD,  
NORWALK, PARAMOUNT, PICO RIVERA, SANTA FE  
SPRINGS AND VERNON  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA**

THE ADMINISTRATIVE/ACCOUNTING ASSISTANT OF THE GATEWAY WATER MANAGEMENT  
AUTHORITY WILL RECEIVE AT  
THE OFFICE IN PARAMOUNT, CA, UNTIL 11:00 A.M. ON **XXX, 2016**  
SEALED PROPOSALS FOR THE PERFORMANCE OF THE ABOVE DESCRIBED SERVICES.

Date: \_\_\_\_\_

Grace J. Kast  
Executive Officer

# **GATEWAY WATER MANAGEMENT AUTHORITY**

## **CONTRACT DOCUMENTS SPECIFICATIONS AND STANDARD DRAWINGS FOR**

**CONSTRUCTION OF LOW IMPACT DEVELOPMENT (LID)  
BMPs AT  
VARIOUS LOCATIONS,  
FY 2015-16  
IN THE CITIES OF BELL GARDENS, DOWNEY, LYNWOOD,  
NORWALK, PARAMOUNT, PICO RIVERA, SANTA FE  
SPRINGS AND VERNON  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA**

Prepared by:

**JOHN L. HUNTER & ASSOCIATES, INC.  
6131 ORANGETHORPE AVENUE, SUITE 300  
BUENA PARK, CA 90620  
(562) 802-7880**



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105460/1000/10005  
SPC15-20

NOTICE INVITING SEALED BIDS  
FOR  
CONSTRUCTION OF LOW IMPACT DEVELOPMENT (LID) BMPs AT  
VARIOUS LOCATIONS,  
FY 2015-16  
IN THE CITIES OF BELL GARDENS, DOWNEY, LYNWOOD, NORWALK,  
PARAMOUNT, PICO RIVERA, SANTA FE SPRINGS AND VERNON  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Public Notice is hereby given that sealed proposals will be received at the Office of the Gateway Water Management Authority, 16401 Paramount Boulevard, Paramount, CA 90723 until **XX:XX a.m. XXX, XXX, 2016**, at which time and date they will be publicly opened and declared for the project, **CONSTRUCTION OF LOW IMPACT DEVELOPMENTAL (LID) BMPs AT VARIOUS LOCATIONS, FY 2015-16, IN THE CITIES OF BELL GARDENS, DOWNEY, LYNWOOD, NORWALK, PARAMOUNT, PICO RIVERA, SANTA FE SPRINGS AND VERNON , COUNTY OF LOS ANGELES, STATE OF CALIFORNIA.**

If further information is needed regarding this work, please contact: Toni Penn, Administrative/Accounting Assistant of the Gateway Water Management Authority, Monday through Friday from 8:00 a.m. to 12:00 noon or 1:00 p.m. to 5:00 p.m. at (626) 484-6876.

Proposals must be submitted on forms prepared and furnished. They may be obtained in the office of the Gateway Water Management Authority at 16401 Paramount Boulevard, Paramount, CA 90723 at which office the bidder may purchase copies of the plans and specifications for a non-refundable amount of \$40.00 per set (and an additional \$15.00 mailing charge). A mailing address, fax number and phone number, at which the bidder may be reached, must be left at said office.

This Project seeks to prevent stormwater contamination of surface waters in the Los Angeles River, Lower San Gabriel River, and Los Cerritos Channel Watersheds. The work to be performed includes installation of 28 LID BMPs—18 tree box filters and 10 bioretention tree wells—to treat stormwater runoff, and its associated metal pollutants, throughout eleven cities within these three watersheds. The project will include a 90-day period following the completion of construction for plant care and maintenance.

Funding for this project has been provided in full or in part through an agreement with the State Water Resources Control Board. The contents of this document do not necessarily reflect the views and policies of the State Water Resources Control Board, nor does it mention of trade names or commercial products, constitute endorsement or recommendation for use.

Any contract entered into pursuant to this Notice will incorporate the provisions of the State Labor Code. Pursuant to the provisions of Section 1773.2 of the Labor Code of the State of California, the minimum prevailing rate of per diem wages for each craft, classification,

or type of workman needed to execute the contract shall be those determined by the Director of Industrial Relations of the State of California, which are on file at the AGENCY office and are available to any interested party on request.

This project is subject to state contract nondiscrimination and compliance requirements pursuant to Government Code Section 12990. AGENCY affirms that in any contract entered into pursuant to this advertisement, DBEs will be afforded full opportunity to submit bids in response to this invitation. The AGENCY hereby affirmatively ensures that minority business enterprises will be afforded full opportunity to submit bids in response to this notice and will not be discriminated against on the basis of race, color, national origin, ancestry, sex, religion, or handicap in any consideration leading to the award of contract.

Pursuant to Section 1773 of the Labor Code, the State prevailing wage rates for this project have been determined by the Director of the California Department of Industrial Relations (DIR) and are online at <http://www.dir.ca.gov/DLSR/PWD> but not printed in the Specifications. The Federal prevailing wage rates for this project are set forth on the Department of Labor website: <http://www.wdol.gov/wdol/scafiles/davisbacon/ca33.dvb> but are not printed in the Specifications. If there is a conflict between State and Federal wage rates, the higher of the two will prevail. Lower State wage rates for work classifications not specifically listed in the Federal wage decision are not acceptable.

Attention is directed to the provisions of Section 1777.5 (Chapter 1411, Statutes of 1968) and 1777.6 of the Labor Code concerning the employment of apprentices by the Contractor or any such subcontractor under him. Affirmative action to ensure against discrimination in employment practices on the basis of race, color, national origin, ancestry, sex, religion, or handicap will also be required.

The U.S. Department of Transportation (DOT) provides a toll-free hotline service to report bid rigging, bidder collusion, or other fraudulent activities. The hotline is available Mondays through Fridays between 8:00 a.m. and 5:00 p.m. eastern time, at (800) 424-9071. The hotline is part of the DOT's continuing effort to identify and investigate highway construction contract fraud and abuse and is operated under the direction of the DOT Inspector General. All information will be treated confidentially, and caller anonymity will be respected.

Conflict of Interest: in the procurement of supplies, equipment, construction, and services by sub-recipients, the conflict of interest provisions in 24 CFR 85.36, OMB Circular A-110, and 24 CFR 570.611 shall apply. No employee, officer, or agent of the sub-recipient shall participate in the selection, award, or administration of a contract supported by federal funds if a conflict of interest, real or apparent, would be involved.

The AGENCY will deduct a 5-percent retention from all progress payments as specified in Section 9-3.2 of these Specifications. The Contractor may substitute an escrow holder surety of equal value to the retention. The Contractor shall be beneficial owner of the surety and shall receive any interest thereon.

In entering into a public works contract or a subcontract to supply goods, services, or materials pursuant to a public works contract, the Contractor, or subcontractor offers and agrees to assign to the awarding body all rights, title, and interest in and to all cases of action it may have under Section 4 of the Clayton Act (15 U.S.C. Section 15) or under the Cartwright Act (Chapter 2 [commencing with Section 16700] of Part 2 of Division 7 of the Business and Professions Code), arising from purchases of goods, services, or materials pursuant to the public works contract or the subcontract. This assignment shall be made and become effective at the time the awarding body tenders final payment to the Contractor without further acknowledgment by the parties.

Bids must be prepared on the approved proposal forms in conformance with the Instructions to Bidders and submitted in a sealed envelope plainly marked on the outside.

The bid must be accompanied by a certified or cashier's check or by bidder's bond issued an "admitted surety insurer," made payable to the AGENCY for an amount not less than 10 percent of the amount bid.

The proposals will be publicly opened and read at the time and date stated herein, in the Office of the Gateway Water Management Authority.

The successful bidder shall be licensed in accordance with provisions of the Business and Professions Code and shall possess a State Contractor's License, Class A, at the time this contract is awarded. The successful Contractor and his subcontractors will be required to possess business licenses from the Cities involved in the project.

Pursuant to BELL GARDENS, DOWNEY, LYNWOOD, NORWALK, PARAMOUNT, PICO RIVERA, SANTA FE SPRINGS AND VERNON, Municipal Codes, contractor shall obtain a City Business License. The contract will not be executed until the Contractor obtains such license from each City respectively. Proof of possession of respective City Business Licenses must be presented to the Gateway Water Management Authority prior to signing of the contract.

The Gateway Water Management Authority reserves the right to reject any or all bids, and to accept any portion of any bid, to waive any informality in a bid, and to take all bids under advisement for a period of 60 days, and to make award in the best interest of the Gateway Water Management Authority, and the respective cities.

**Effective January 1, 2015, in order to be awarded and to perform work on public works projects, prime contractors and subcontractors must possess and maintain registration with the Department of Industrial Relations (DIR) at <https://efiling.dir.ca.gov/PWCR>. This is a separate requirement from the Contractors State License Board (CSLB) licensing requirement. See the Special Provisions for additional details.**

The Contractor should be advised that separate contracts will need to be made with the cities of Signal Hill and . The bid documents and specifications for those cities are

included in the attached bid documents and specifications. The contracts for all other cities listed in the project description will be incorporated into the main contract with the Gateway Water Management Authority.

The Gateway Water Management Authority complies with the American Disabilities Act. If you require a reasonable accommodation to participate in the bid opening, please contact Toni Penn, Administrative/Accounting Assistant at (626) 484-6876, at least 48 hours before the starting time of the meeting.

Dated: \_\_\_\_\_

\_\_\_\_\_  
GRACE J KAST  
EXECUTIVE OFFICER  
GATEWAY WATER MANAGEMENT  
AUTHORITY

BY ORDER OF the Office of the Gateway Water Management Authority.

PUBLISH: List in local papers in each respective City, the publishing Green Sheet, and in Contractor Notices.

INSTRUCTIONS TO BIDDERS  
FOR  
CONSTRUCTION OF LOW IMPACT DEVELOPMENT (LID) BMPs AT  
VARIOUS LOCATIONS,  
FY 2015-16  
IN THE CITIES OF BELL GARDENS, DOWNEY, LYNWOOD, NORWALK,  
PARAMOUNT, PICO RIVERA, SANTA FE SPRINGS AND VERNON  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

PROPOSAL FORMS

Bids shall be submitted in writing on the proposal forms provided by the AGENCY. All information requested therein must be clearly and legibly set forth in the manner and form indicated. The AGENCY will not consider any proposal not meeting these requirements.

PROPOSAL GUARANTEE

Proposals must be accompanied by a proposal guarantee consisting of a certified or cashier's check or a bid bond by an "admitted surety insurer" payable to the AGENCY in an amount not less than 10 percent of the total amount bid. Any proposal not accompanied by such a guarantee will not be considered. If a bidder to whom a contract is awarded fails or refuses to execute the Contract Documents or furnish the required insurance policies and bonds as set forth in these documents, the proposal guarantee shall be forfeited to the AGENCY. The proposal guarantees of all bidders will be held until the successful bidder has properly executed all contract documents.

BIDDER'S EXAMINATION OF SITE

Before submitting a proposal, the bidder shall carefully examine the drawings, specifications and other contract documents, and he/she shall visit the site of the work. It will be assumed that the bidder is familiar with existing site conditions and has a clear understanding of the requirements of the contract regarding the furnishing of labor, tools, equipment and materials and doing the prescribed work.

DELIVERY OF PROPOSAL

Proposals shall be enclosed in a sealed envelope plainly marked on the outside, "SEALED BID FOR CONSTRUCTION OF LOW IMPACT DEVELOPMENT (LID) BMPs AT VARIOUS LOCATIONS, FY 2015-16 IN THE CITIES OF BELL GARDENS, DOWNEY, LYNWOOD, NORWALK, PARAMOUNT, PICO RIVERA, SANTA FE SPRINGS AND VERNON COUNTY OF LOS ANGELES, STATE OF CALIFORNIA - DO NOT OPEN WITH REGULAR MAIL." Proposals may be mailed or delivered by messenger. However, it is the bidder's responsibility alone to ensure delivery of the proposal to the hands of the

AGENCY's designated official prior to the bid opening hour stipulated in the Notice Inviting Sealed Bids. Late proposals will not be considered.

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## WITHDRAWAL OF PROPOSALS

A proposal may be withdrawn by a written request signed by the bidder. Such requests must be delivered to the AGENCY's designated official prior to the bid opening hour stipulated in the Notice Inviting Sealed Bids. Proposals may not be withdrawn after said hour without forfeiture of the proposal guarantee. The withdrawal of a proposal will not prejudice the right of the bidder to submit a new proposal providing there is time to do so.

## IRREGULAR PROPOSALS

Unauthorized conditions, limitations, or provisions attached to a proposal will render it irregular and may cause its rejection. The completed proposal form shall be without interlineations, alterations, or erasures. Alternative proposals will not be considered unless specifically requested. No oral, telegraphic, or telephonic proposal, modification, or withdrawal will be considered.

## TAXES

No mention shall be made in the proposal of sales tax, use tax, or any other tax as all amounts bid will be deemed and held to include any such taxes which may be applicable.

## COMPETENCY OF BIDDERS

In selecting the lowest responsible bidder, consideration will be given not only to the financial standing but also to the general competency of the bidder for performance of the work covered by the proposal. To this end, each proposal shall be supported by a statement of the bidder's experience as to recent date on the form entitled "INFORMATION REQUIRED OF BIDDER" bound herein. No proposal for work will be accepted from a contractor who is not licensed in accordance with applicable state law.

## DISQUALIFICATION OF BIDDERS

In the event that any bidder acting as a prime contractor has an interest in more than one proposal, all such proposals will be rejected, and the bidder will be disqualified. This restriction does not apply to subcontractors or suppliers who may submit quotations to more than one bidder, and while doing so, may also submit a formal proposal as a prime contractor. The successful bidder shall be licensed in accordance with the provisions of the Business and Professions Code and shall possess a State Contractor License Class A at the time this contract is awarded.

## RETURN OF PROPOSAL GUARANTEE

Normally, within ten (10) days after award of the contract, the Gateway Water Management Authority will return all proposal guarantees, except bonds, to their respective bidder except those accompanying proposals submitted by the three lowest responsible bidders. Those three will be held until the contract has been finally executed after which they will be



returned to the respective bidders whose proposal they accompany.

### DISCREPANCIES AND MISUNDERSTANDINGS

Bidders must satisfy themselves by personal examination of the work site, Plans, Specifications, and other contract documents and by any other means as they may believe necessary as to the actual physical conditions, requirements, and difficulties under which the work must be performed. No bidder shall at any time after submission of a proposal make any claim or assertion that there was any misunderstanding or lack of information regarding the nature or amount of work necessary for the satisfactory completion of the job. Any errors, omissions, or discrepancies found in the Plans, Specifications, or other contract documents shall be called to the attention of the AGENCY and clarified prior to the submission of proposals.

### EQUIVALENT MATERIALS

Approval of equipment and materials offered as equivalents to those specified must be obtained in writing from the AGENCY prior to the opening of bids. Requests for consideration of equivalents must be submitted in writing, allowing sufficient time for complete consideration of all specifications, samples, references, tests, and other details to the full satisfaction of the AGENCY.

### LEGAL RESPONSIBILITIES

All proposals must be submitted, filed, made, and executed in accordance with State and federal laws relating to bids for contracts of this nature whether the same or expressly referred to herein or not. Any bidder submitting a proposal shall by such action thereby agree to each and all of the terms, conditions, provisions, and requirements set forth, contemplated and referred to in the Plans, Specifications, and other contract documents and to full compliance therewith.

Additionally, any bidder submitting a proposal shall, by such action thereby, agree to pay at least the minimum prevailing per diem wages as provided in Section 1773, et seq., of the labor code for each craft, classification, or type of workman required as set forth by the Director of Industrial Relations of the State of California.

### AWARD OF CONTRACT

The Award of Contract, if made, will be to the lowest responsible bidder as determined solely by the AGENCY. Additionally, the AGENCY reserves the right to reject any or all proposals, to waive any irregularity and to take the bids under advisement for a period of 90 days, all as may be required to provide for the best interests of the AGENCY. In no event will an award be made until all necessary investigations are made as to the responsibility and qualifications of the bidder to whom the award is contemplated. All bids will be compared with the Engineer's Estimate.

## EXECUTION OF CONTRACT

The bidder to whom award is made shall execute a written contract with the Gateway Water Management Authority on the form provided and shall secure City Business Licenses in each respective City, as well as all insurance and bonds required by the Specifications within thirty (30) calendar days after date of receipt of written Notice of Award. Failure or refusal to enter into a contract as herein provided or to conform to any of the stipulated requirements in connection therewith shall be just cause for annulment of the award and the forfeiture of the proposal guarantee. If the successful bidder refuses or fails to execute the contract, the Gateway Water Management Authority may award the contract to the second lowest responsible bidder. If the second lowest responsible bidder refuses or fails to execute the contract, the Gateway Water Management Authority may award the contract to the third lowest responsible bidder. On the failure or refusal of such second or third lowest bidders to execute the contract, such bidders' guarantee likewise shall be forfeited to the Gateway Water Management Authority. The work may then be re-advertised.

## NON-DISCRIMINATION IN EMPLOYMENT

Contracts for work under this proposal will obligate the contractors and subcontractors not to discriminate against any person on account of age, race, color, religion, sex or national origin.

## STATE REQUIREMENTS

The Gateway Water Management Authority hereby notifies all bidders that it will affirmatively insure that in any contract entered into pursuant to this advertisement, disadvantaged business enterprises will be afforded full opportunity to submit bids in response to this invitation and will not be discriminated against on the grounds of race, color or national origin consideration for an award.

In accordance with the provisions of Division 2, Part 7, Chapter 1 of the California Labor Code, the California Department of Industrial Relations has established the general prevailing rates of per diem wages for each craft, classification and type of work needed to execute contracts for public works and improvements. The per diem wages published at the date the contract is advertised for bids shall be applicable. Future effective wage rates which have been predetermined are on file with the Department of Industrial Relations, are referenced but not printed in said publication. The new wage rates shall become effective on the day following the expiration date and apply to this contract in the same manner as if they had been included or referenced in this contract.

The wage rate for any classification not listed by the California Department of Industrial

Relations, but which may be required to execute the proposed contract, shall be in accord with specified rates for similar or comparable classifications or for those performing similar or comparable duties, within the agencies determinations.

#### LABOR NONDISCRIMINATION

Attention is directed to the following Notice that is required by Chapter 5 of Division 4 of Title 2, California Code of Regulations.

#### **NOTICE OF REQUIREMENT FOR NONDISCRIMINATION PROGRAM (GOV. CODE, SECTION 12990)**

Your attention is called to the “Nondiscrimination Clause”, set forth in Section 7-1.02I (2), “Nondiscrimination,” of the Caltrans Standard Specifications, which is applicable to all nonexempt state contracts and subcontracts, and to the “Standard California Nondiscrimination Construction Contract Specifications” set forth therein. The Specifications are applicable to all nonexempt federally funded construction contracts and subcontracts of \$5,000 or more.

PROPOSAL  
FOR  
CONSTRUCTION OF LOW IMPACT DEVELOPMENT (LID) BMPs AT  
VARIOUS LOCATIONS,  
FY 2015-16  
IN THE CITIES OF BELL GARDENS, DOWNEY, LYNWOOD, NORWALK,  
PARAMOUNT, PICO RIVERA, SANTA FE SPRINGS AND VERNON  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

TO THE GATEWAY WATER MANAGEMENT AUTHORITY, as AGENCY:

In accordance with AGENCY's Notice Inviting Sealed Bids, the undersigned Bidder hereby proposes to furnish all materials, equipment, tools, labor, and incidentals required for the above-stated project as set forth in the Plans, Specifications, and Contract Documents therefor and to perform all work in the manner and time prescribed therein.

Bidder declares that this proposal is based upon careful examination of the work site, Plans, Specifications, Instructions to Bidders, and all other contract documents. If this proposal is accepted for award, Bidder agrees to enter into a contract with AGENCY. Bidder understands that failure to enter into a contract in the manner and time prescribed will result in forfeiture to AGENCY of the guarantee accompanying this proposal.

Bidder understands that a bid is required for the entire work. THE AGENCY RESERVES THE RIGHT TO INCREASE OR DECREASE THE AMOUNT OF ANY QUANTITY SHOWN AND TO DELETE ANY ITEM FROM THE CONTRACT. It is agreed that the unit and/or lump sum prices bid include all appurtenant expenses, taxes, royalties, and fees. In the case of discrepancies in the amounts bid, unit prices shall govern over extended amounts and words shall govern over figures.

Said bidder agrees that, within thirty (30) calendar days after date of receipt of written Notice of Award of the Contract by the Gateway Water Management Authority, he or she will execute a contract in the required form, of which the Notice Inviting Bids, Instructions to Bidders, Proposal, Specifications, Drawings and all Addenda issued by the Gateway Water Management Authority prior to the opening of proposals, are part, and will secure the required insurance and bonds; and that upon failure to do so within said time, then the proposal guarantee furnished by said bidder shall be forfeited to the Gateway Water Management Authority as liquidated damages for such failure; provided, that if said bidder shall execute the contract and secure the required insurance and bonds within said time, his/her check, if furnished, shall become void.

Said bidder further agrees to complete all work required under the contract within the time stipulated in said Specifications, and to accept in full payment therefore the price named in the Bidding Schedule.

Said bidder is aware of the provisions of Section 3700 of the Labor Code which requires

every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with such provisions before commencing the performance of the work of this contract.

If awarded the contract, the undersigned further agrees that in the event of Bidder's default in executing the required contract and filing the necessary bonds and insurance certificates within 10-working days after the date of the AGENCY's notice of award of contract to Bidder, the proceeds of the security accompanying this bid shall become the property of the AGENCY and this bid and the acceptance hereof may, at the AGENCY's option, be considered null and void.

\_\_\_\_\_  
Signature Dated: \_\_\_\_\_

\_\_\_\_\_  
Name and Title

\_\_\_\_\_  
Signature Dated: \_\_\_\_\_

\_\_\_\_\_  
Name and Title

\_\_\_\_\_  
Signature Dated: \_\_\_\_\_

\_\_\_\_\_  
Name and Title

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## DESIGNATION OF SUBCONTRACTORS

BIDDER proposes to subcontract certain portions of the work which are in excess of one-half of 1 percent of the total amount bid or \$10,000, whichever is greater, as follows:

### LIST OF SUBCONTRACTORS

- 1) Name \_\_\_\_\_  
Address \_\_\_\_\_  
Telephone Number \_\_\_\_\_  
Email Address \_\_\_\_\_  
State Contractor's License No. and Class \_\_\_\_\_  
Department of Industrial Relations Registration No. \_\_\_\_\_  
Portion of Work \_\_\_\_\_  
\_\_\_\_\_
- 2) Name \_\_\_\_\_  
Address \_\_\_\_\_  
Telephone Number \_\_\_\_\_  
Email Address \_\_\_\_\_  
State Contractor's License No. and Class \_\_\_\_\_  
Department of Industrial Relations Registration No. \_\_\_\_\_  
Portion of Work \_\_\_\_\_  
\_\_\_\_\_
- 3) Name \_\_\_\_\_  
Address \_\_\_\_\_  
Telephone Number \_\_\_\_\_

Email Address\_\_\_\_\_

State Contractor's License No. and Class\_\_\_\_\_

Department of Industrial Relations Registration No.\_\_\_\_\_

Portion of Work\_\_\_\_\_

\_\_\_\_\_

4) Name\_\_\_\_\_

Address\_\_\_\_\_

Telephone Number\_\_\_\_\_

Email Address\_\_\_\_\_

State Contractor's License No. and Class\_\_\_\_\_

Department of Industrial Relations Registration No.\_\_\_\_\_

Portion of Work\_\_\_\_\_

\_\_\_\_\_

5) Name\_\_\_\_\_

Address\_\_\_\_\_

Telephone Number\_\_\_\_\_

Email Address\_\_\_\_\_

State Contractor's License No. and Class\_\_\_\_\_

Department of Industrial Relations Registration No.\_\_\_\_\_

Portion of Work\_\_\_\_\_

\_\_\_\_\_

Prior to award of Contract, Contractor shall submit a list of suppliers and vendors, in



writing, to the City Engineer.

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## REFERENCES

The following are the names, addresses, and telephone numbers for three public agencies for which Bidder has performed similar work within the past 2 years:

1. \_\_\_\_\_  
Name and address of owner  
  
\_\_\_\_\_  
Name and telephone number of person familiar with project  
  
\_\_\_\_\_  
Contract amount                      Type of work                      Date completed
2. \_\_\_\_\_  
Name and address of owner  
  
\_\_\_\_\_  
Name and telephone number of person familiar with project  
  
\_\_\_\_\_  
Contract amount                      Type of work                      Date completed
3. \_\_\_\_\_  
Name and address of owner  
  
\_\_\_\_\_  
Name and telephone number of person familiar with project  
  
\_\_\_\_\_  
Contract amount                      Type of work                      Date completed

The following are the names, addresses, and telephone numbers for all brokers and sureties from whom Bidder intends to procure insurance and bonds:

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### EQUAL EMPLOYMENT OPPORTUNITY COMPLIANCE

Bidder certifies that in all previous contracts or subcontracts, all reports which may have been due under the requirements of any Agency, State, or federal equal employment opportunity orders have been satisfactorily filed and that no such reports are currently outstanding.

### AFFIRMATIVE ACTION CERTIFICATION

Bidder certifies that affirmative action has been taken to seek out and consider minority business enterprises for those portions of the work to be subcontracted, that such affirmative actions have been fully documented, that said documentation is open to inspection and that said affirmative action will remain in effect for the life of any contract awarded hereunder. Furthermore, Bidder certifies that affirmative action will be taken to meet all equal employment opportunity requirements of the contract documents.

### NONCOLLUSION AFFIDAVIT

Bidder declares that the only persons or parties interested in this proposal as principals are those named herein; that no officer, agent, or employee of the AGENCY is personally interested, directly or indirectly, in this proposal; that this proposal is made without connection to any other individual, firm, or corporation making a bid for the same work and that this proposal is in all respects fair and without collusion or fraud.

## NONCOLLUSION AFFIDAVIT

In accordance with Title 23 United States Code Section 112 and Public Contract Code 7106, the bidder declares that the bid is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation; that the bid is genuine and not collusive or sham; that the bidder has not directly or indirectly induced or solicited any other bidder to put in a false or sham bid, and has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham bid, or that anyone shall refrain from bidding; that the bidder has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the bid price of the bidder or any other bidder, or to fix any overhead, profit, or cost element of the bid price, or of that of any other bidder, or to secure any advantage against the public body awarding the contract of anyone interested in the proposed contract; that all statements contained in the bid are true; and, further, that the bidder has not, directly or indirectly, submitted his or her bid price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, or paid, and will not pay, any fee to any corporation, partnership, company, association, organization, bid depository, or to any member or agent thereof to effectuate a collusive or sham bid.

Executed under penalty of perjury:

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Signature

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Date

Printed Name

Title

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## BIDDER'S INFORMATION

Bidder certifies that the following information is true and correct:

Bidder's Name \_\_\_\_\_

Business Address \_\_\_\_\_

Telephone \_\_\_\_\_

State Contractor's License No. and Class \_\_\_\_\_

Original Date Issued \_\_\_\_\_ Expiration Date \_\_\_\_\_

Department of Industrial Relations Registration No. \_\_\_\_\_

Registration Date \_\_\_\_\_ Expiration Date \_\_\_\_\_

Email Address \_\_\_\_\_

The following are the name, titles, addresses, and telephone numbers of all individuals, firm members, partners, joint venturers, and/or corporate officers having a principal interest in this proposal:

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The date of any voluntary or involuntary bankruptcy judgements against any principal having an interest in this proposal, or any firm, corporation, partnership or joint venturer of which any principal having an interest in this proposal was an owner, corporate officer, partner, or joint venturer are as follows:

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All current and prior DBA's, aliases, and/or fictitious business names for any principal having an interest in this proposal are as follows:



IN WITNESS WHEREOF, Bidder executes and submits this proposal with the names, titles, hands, and seals of all aforementioned principals this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Bidder

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The undersigned declares under penalty of perjury under the laws of the State of California that the representatives made hereto are true and correct.

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Contractor's Signature

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Printed Name

**NOTE:** All signatures must be acknowledged before a Notary Public, and evidence of the authority of any person signing as attorney-in-fact must be attached.



PROPOSAL GUARANTEE  
BID BOND  
FOR  
CONSTRUCTION OF LOW IMPACT DEVELOPMENT (LID) BMPs AT  
VARIOUS LOCATIONS,  
FY 2015-16  
IN THE CITIES OF BELL GARDENS, DOWNEY, LYNWOOD, NORWALK, PARAMOUNT, PICO RIVERA, SANTA FE SPRINGS  
AND VERNON  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

KNOW ALL MEN BY THESE PRESENTS that \_\_\_\_\_  
\_\_\_\_\_ as BIDDER, and

\_\_\_\_\_ a corporation organized and existing under the laws of the State of \_\_\_\_\_, and duly authorized to transact business under the laws of the State of California, as SURETY, are held and firmly bound unto the Gateway Water Management Authority, Los Angeles County, hereinafter called the Gateway Water Management Authority, as AGENCY, in the penal sum of \_\_\_\_\_ [IN WORDS] dollars (\$\_\_\_\_\_), which is 10 percent of the total amount bid by BIDDER to AGENCY for the above-stated project, for the payment of which sum, BIDDER and SURETY agree to be bound, jointly and severally, firmly by these presents.

THE CONDITIONS OF THIS OBLIGATION ARE SUCH that, whereas BIDDER is about to submit a bid to AGENCY for the above-stated project, if said bid is rejected, or if said bid is accepted and a contract is awarded and entered into by BIDDER in the manner and time specified, then this obligation shall be null and void, otherwise it shall remain in full force and effect in favor of AGENCY.

IN WITNESS WHEREOF the parties hereto have set their names, titles, hands, and seals this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

Dated: \_\_\_\_\_

BIDDER: Name: \_\_\_\_\_

Address: \_\_\_\_\_

By: \_\_\_\_\_

(Signature)

Type Name and Title: \_\_\_\_\_

SURETY: Name: \_\_\_\_\_

Address: \_\_\_\_\_

By: \_\_\_\_\_

(Signature)

Type Name and Title: \_\_\_\_\_

NOTE: This bond must be executed and dated, all signatures must be acknowledged before a Notary Public, and evidence of the authority of any person signing as attorney-in-fact must be attached.

CONTRACT AGREEMENT  
FOR  
CONSTRUCTION OF LOW IMPACT DEVELOPMENT (LID) BMPs AT  
VARIOUS LOCATIONS,  
FY 2015-16  
IN THE CITIES OF BELL GARDENS, DOWNEY, LYNWOOD, NORWALK,  
PARAMOUNT, PICO RIVERA, SANTA FE SPRINGS AND VERNON  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

This contract agreement is made and entered into for the above-stated project this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between the Gateway Water Management Administrative/Accounting Assistant and the Executive Director, as AGENCY and \_\_\_\_\_, as Contractor.

WITNESSETH that AGENCY and Contractor have mutually agreed as follows:

ARTICLE I

The Contract Documents for the aforesaid project shall consist of the Notice Inviting Sealed Bids, Instructions to Bidders, Proposal, General Specifications, Standard Specifications, Special Provisions, Plans, and all referenced specifications, details, standard drawings, and appendices; together with this contract agreement and all required bonds, insurance certificates, permits, notices, and affidavits and also including any and all addenda or supplemental agreements clarifying, amending, or extending the work contemplated as may be required to ensure its completion in an acceptable manner. All of the provisions of said Contract Documents are made a part hereof as though fully set forth herein.

ARTICLE II

For and in consideration of the payments and agreements to be made and performed by AGENCY, Contractor agrees to furnish all materials and perform all work required for the above-stated project and to fulfill all other obligations as set forth in the aforesaid contract documents.

ARTICLE III

Contractor agrees to receive and accept the prices set forth in the Proposal as full compensation for furnishing all materials, performing all work, and fulfilling all obligations hereunder. Said compensation shall cover all expenses, losses, damages, and consequences arising out of the nature of the work during its progress or prior to its acceptance including those for well and faithfully completing the work and the whole thereof in the manner and time specified in the aforesaid contract documents and also including those arising from actions of the elements, unforeseen difficulties, or obstructions encountered in the prosecution of the work and also including those arising from actions of

the elements, unforeseen difficulties, or obstructions encountered in the prosecution of the work, suspension, or discontinuance of the work and all other unknowns or risks of any description connected with the work.

#### ARTICLE IV

AGENCY hereby promises and agrees to employ and does hereby employ, Contractor to provide the materials, do the work and fulfill the obligations according to the terms and conditions herein contained and referred to, for the prices aforesaid and hereby contracts to pay the same at the time, in the manner and upon the conditions set forth in the contract documents.

#### ARTICLE V

Contractor acknowledges the provisions of the State Labor Code requiring every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code and certifies compliance with such provisions.

Contractor further acknowledges the provisions of the State Labor Code requiring every employer to pay at least the minimum prevailing rate of per diem wages for each craft classification or type of workman needed to execute this contract as determined by the Director of Labor Relations of the State of California.

#### ARTICLE VI

Contractor agrees to indemnify and hold harmless AGENCY and all of its officers and agents from any claims, demands, or causes of action including related expenses, attorney's fees, and costs based on, arising out of, or in any way related to the work undertaken by Contractor hereunder. In the event the insurance coverage is on a claims made basis the Contractor shall indemnify and hold harmless the AGENCY and all of its officers and agents from any and all claims, demands, or causes of action that arise after the expiration of the Contractor's current policy or after the service contract has ended, for any occurrences arising out of or any way related to the work undertaken by the Contractor. Please refer to the Special Provisions, Section 7-3 LIABILITY INSURANCE for the required insurance and limits.

Acceptable insurance coverage shall be placed with carriers admitted to write insurance in California with a rating of A:VIII by A.M. Best & Co. Any deviation from this rule shall require specific approval in writing from the AGENCY.

Insurance shall name the AGENCY, its officers, agents, and employees as additional insured by endorsement of the Contractor's policy. A copy of the endorsement, showing policy limits, shall be provided to the AGENCY on or before signing this contract.

#### ARTICLE VII

Contractor affirms that the signatures, titles, and seals set forth hereinafter the execution of this contract agreement represent all individuals, firm members, partners, joint venturers, and/or corporate officers having a principal interest herein.

#### ARTICLE VIII

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#### ARTICLE IX

Records and Audits. The Contractor shall maintain accounts and records, including personnel, property, and financial records, adequate to identify and account for all costs pertaining to the contract and such other records as may be deemed necessary by the AGENCY to assure proper accounting for all project funds, both federal and non-federal shares. These records will be made available for audit purposes to the AGENCY or any authorized representative and will be retained for 5 years after the expiration of this Contract unless permission to destroy them is granted by the AGENCY.

IN WITNESS WHEREOF, the parties hereto for themselves, their heirs, executors, administrators, successors, and assigns do hereby agree to the full performance of the covenants herein contained and have caused this contract agreement to be executed in duplicate by setting hereunto their names, titles, hands, and seals this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Contractor: \_\_\_\_\_  
(Signature)

Name and Title (Printed) \_\_\_\_\_

Contractor's License No. \_\_\_\_\_

Federal Tax Identification No. \_\_\_\_\_

**NOTE:** Contractor signature must be acknowledged before a Notary Public, and evidence of the authority of any person signing as attorney-in-fact must be attached.

**GATEWAY WATER MANAGEMENT AUTHORITY (GWMA):**

By: \_\_\_\_\_  
Grace J Kast, Executive Director

By: \_\_\_\_\_  
Toni Penn, Administrative/Accounting Assistant

APPROVED AS TO FORM:

\_\_\_\_\_  
Candice K. Lee, GWMA Attorney

\_\_\_\_\_  
Date

FAITHFUL PERFORMANCE BOND  
FOR

CONSTRUCTION OF LOW IMPACT DEVELOPMENT (LID) BMPs AT  
VARIOUS LOCATIONS,  
FY 2015-16

IN THE CITIES OF BELL GARDENS, DOWNEY, LYNWOOD, NORWALK, PARAMOUNT, PICO RIVERA, SANTA FE SPRINGS  
AND VERNON  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

KNOW ALL MEN BY THESE PRESENTS that \_\_\_\_\_ as  
CONTRACTOR and \_\_\_\_\_,  
a corporation organized and existing under the laws of the State of \_\_\_\_\_,  
and duly authorized to transact business under the laws of the State of California, as SURETY, are held and firmly bound unto the  
Gateway Water Management Authority, as AGENCY, in the penal sum of \_\_\_\_\_

Dollars (\$ \_\_\_\_\_), which is 100 percent of the total contract amount for the above-stated project, for the payment of which  
sum, CONTRACTOR and SURETY agree to be bound, jointly and severally, firmly by these presents.

THE CONDITIONS OF THIS OBLIGATION ARE SUCH that, whereas CONTRACTOR has been awarded and is about to enter into the  
annexed Contract Agreement with AGENCY for the above-stated project, if CONTRACTOR faithfully performs and fulfills all obligations  
under the contract documents in the manner and time specified therein, then this obligation shall be null and void, otherwise it shall  
remain in full force and effect in favor of AGENCY; provided that any alterations in the obligations or time for completion made pursuant  
to the terms of the Contract Documents shall not in any way release either CONTRACTOR or SURETY, and notice of such alterations is  
hereby waived by SURETY.

IN WITNESS WHEREOF, three (3) identical counterparts of this instrument, each of which shall for all purposes be deemed an original  
hereof, have been duly executed by Bidder and Surety, on the date set forth below, the name of each corporate party being hereto  
affixed and these presents duly signed by its undersigned representative(s) pursuant to authority of its governing body.

Dated: \_\_\_\_\_

BIDDER: Name: \_\_\_\_\_

Address: \_\_\_\_\_

By: \_\_\_\_\_

(Signature)

Type Name and Title \_\_\_\_\_

SURETY: Name: \_\_\_\_\_

Address: \_\_\_\_\_

By: \_\_\_\_\_

(Signature)

Type Name and Title: \_\_\_\_\_

**NOTE:** This bond must be executed in duplicate and dated, all signatures must be acknowledged before a Notary Public,  
and evidence of the authority of any person signing as attorney-in-fact must be attached.

MATERIAL AND LABOR BOND  
FOR

CONSTRUCTION OF LOW IMPACT DEVELOPMENT (LID) BMPs AT  
VARIOUS LOCATIONS,

FY 2015-16

IN THE CITIES OF BELL GARDENS, DOWNEY, LYNWOOD, NORWALK, PARAMOUNT, PICO RIVERA, SANTA FE SPRINGS  
AND VERNON

COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

KNOW ALL MEN BY THESE PRESENTS that \_\_\_\_\_, as CONTRACTOR, and \_\_\_\_\_, a corporation organized and existing under the laws of the State of \_\_\_\_\_, and duly authorized to transact business under the laws of the State of California, as SURETY, are held and firmly bound unto the Gateway Water Management Authority, as AGENCY, in the penal sum \_\_\_\_\_ of \_\_\_\_\_ Dollars (\$), which is 100 percent of the total contract amount for the above-stated project, for payment of which sum, CONTRACTOR and SURETY agree to be bound, jointly and severally, firmly by these presents.

THE CONDITIONS OF THIS OBLIGATION ARE SUCH that, whereas CONTRACTOR has been awarded and is about to enter into the annexed Contract Agreement with AGENCY for the above-stated project, if CONTRACTOR or any subcontractor fails to pay for any labor or material of any kind used in the performance of the work to be done under said contract, or fails to submit amounts due under the State Unemployment Insurance Act with respect to said labor, SURETY will pay for the same in an amount not exceeding the sum set forth above, which amount shall inure to the benefit of all persons entitled to file claims under the State Code of Civil Procedures; provided that any alterations in the work to be done, materials to be furnished, or time for completion made pursuant to the terms of the contract documents shall not in any way release either CONTRACTOR or SURETY, and notice of said alterations is hereby waived by SURETY.

IN WITNESS WHEREOF, three (3) identical counterparts of this instrument, each of which shall for all purposes be deemed an original hereof, have been duly executed by Bidder and Surety, on the date set forth below, the name of each corporate party being hereto affixed and these presents duly signed by its undersigned representative(s) pursuant to authority of its governing body.

Dated: \_\_\_\_\_

BIDDER: Name: \_\_\_\_\_

Address: \_\_\_\_\_

By: \_\_\_\_\_

(Signature)

Type Name and Title: \_\_\_\_\_

SURETY: Name: \_\_\_\_\_

Address: \_\_\_\_\_

By: \_\_\_\_\_

(Signature)

Type Name and Title: \_\_\_\_\_

NOTE: This bond must be executed in duplicate and dated, all signatures must be acknowledged before a Notary Public, and evidence of the authority of any person signing as attorney-in-fact must be attached.

GENERAL SPECIFICATIONS  
FOR  
CONSTRUCTION OF LOW IMPACT DEVELOPMENT (LID) BMPs AT  
VARIOUS LOCATIONS,  
FY 2015-16  
IN THE CITIES OF BELL GARDENS, DOWNEY, LYNWOOD, NORWALK,  
PARAMOUNT, PICO RIVERA, SANTA FE SPRINGS AND VERNON  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

SCOPE OF WORK

The work to be done consists of furnishing all materials, equipment, tools, labor, and incidentals as required by the Plans, Specifications, and Contract Documents. The general items of work include the installation of various types of filtering devices that will reduce the amount of pollutants to the storm drain system, including other incidental and appurtenant work necessary for the proper completion of the project.

This Project seeks to prevent stormwater contamination of surface waters in the Los Angeles River, Lower San Gabriel River, and Los Cerritos Channel Watersheds. The work to be performed includes installation of 28 LID BMPs (18 tree box filters and 10 bio-retention tree wells) to treat stormwater runoff, and its associated metal pollutants, throughout eleven cities within these three watersheds. The work to be performed includes clearing and grubbing, subgrade preparation, removing existing sidewalk, driveways, curb and gutter, trees, AC pavement, fencing, private property improvements (with permission), and construction of sidewalks, curbs and gutters, AC paving, bio-retention tree wells, tree box filters, new trees, fencing, private property improvements, restoring landscape and appurtenant work as shown on the specifications and as specified hereinafter. This work also includes plant maintenance in order to ensure the establishment of the trees, and replacement if necessary, for a 90-day period following completion of construction.

LOCATION OF WORK

The general locations and catch basin identification numbers are shown on the Appendix I - List of Locations.

TIME FOR COMPLETION

The Contractor shall complete all work in every detail within one hundred twenty (120) working days after the date in the Notice to Proceed, exclusive of maintenance periods.

AWARD AND EXECUTION OF CONTRACT

The award of the contract, if it be awarded, normally will be made within thirty (30) calendar days after opening of the proposals. The contract agreement shall be executed by the Contractor within thirty (30) calendar days after receiving Notice of Award of the contract.



## NOTIFICATION

The Contractor shall notify Gateway Water Management Authority and the owners of the storm drain system not less than 48 hours prior to starting construction. The following list of names and telephone numbers is intended for the convenience of the Contractor and is not guaranteed to be complete or correct:

### JOHN HUNTER AND ASSOCIATES

Attention: John Hunter (562) 802-7880, Ext. 226

### WILLDAN ENGINEERING

Attention: John Hidalgo (562) 908-6200

### CITY OF BELL GARDENS

Attention: John Oropeza (562) 806-7770

### CITY OF DOWNEY

Attention: Dan Mueller (562) 904-7113

### CITY OF LYNWOOD

Attention: Lorry Hempe (310) 603-0220, Ext. 287

### CITY OF PARAMOUNT

Attention: Bill Pagett (562) 220-2108

### CITY OF PICO RIVERA

Attention: Gladis Deras (562) 801-4354

### CITY OF SANTA FE SPRINGS

Attention: Sarina Morales-Choate (323) 357-9661

### CITY OF VERNON

Attention: Claudia Arellano (323) 583-8811, Ext. 828

### LOS ANGELES COUNTY

DEPARTMENT OF PUBLIC WORKS (562) 458-3129

### UNDERGROUND SERVICE ALERT

(800) 422-4133

## EMERGENCY INFORMATION

The names, addresses, and telephone numbers of the Contractor and subcontractors, or their representatives, shall be filed with the Engineer and the County Sheriff's Department or the City Police Department prior to beginning work.

## STANDARD SPECIFICATIONS

The Standard Specifications of the AGENCY are contained in the 2012 Edition of the Standard Specifications for Public Works Construction and the Standard Plans and Standard Specifications of the State of California Department of Transportation (CALTRANS) published 2010, including all supplements, and current supplements as written and promulgated by the Joint Cooperative Committee of the Southern California Chapter of the American Public Works Association and the Southern California District of the Associated General Contractors of California and all amendments thereto. Copies of these Standard Specifications are available from the publisher, Building News, Incorporated, 990 Park Center Drive, Suite E, Vista, California 92081, telephone (760) 734-1113.

The Standard Specifications set forth above will control the General Provisions, Construction Materials, and Construction Methods for this Contract, except as amended by the Plans, Special Provisions, or other contract documents. The following Special Provisions are supplementary and in addition to the provisions of the Standard Specifications unless otherwise noted and the section numbers of the Special Provisions coincide with those of the said Standard Specifications. Only those sections requiring elaborations, amendments, specifying of options, or additions are called out.

In case of conflict between the Standard Specifications and these Specifications documents, as modified herein, these Specifications documents shall control in each case.

## ENVIRONMENTAL PROVISIONS

The Contractor shall, as appropriate, comply with all provisions of Public Contracts Code Section 7104 (SB1470). The requirements of this code are summarized as follows:

In the event Contractor is required to dig any trench or excavation that extends deeper than 4 feet below the surface in order to perform the work authorized under this contract, Contractor agrees to promptly notify AGENCY in writing and before further disturbing the site if any of the conditions set forth below are discovered:

1. Materials that the Contractor believes may be material that is hazardous waste, as defined in Section 25117 of the Health and Safety Code that is required to be removed to a Class I, Class II, or Class III disposal site in accordance with the provisions of existing law.
2. Subsurface or latent physical conditions at the site differing from those indicated.

3. Unknown physical conditions at the site of any unusual nature, different materially from those ordinarily encountered and generally recognized as inherent in the work of the character provided for in this Contract.
  - a. AGENCY agrees to promptly investigate the conditions, and if AGENCY finds that the conditions do materially differ, or do involve hazardous waste, and cause a decrease or increase in Contractor's cost of, or the time required for, performance of any part of the Work, shall issue a change order under the procedures described in this Contract.
  - b. That, in the event a dispute arises between AGENCY and Contractor as to whether the conditions materially increase in Contractor's cost of, or time required for, performance of any part of the Work, Contractor shall not be excused from any scheduled completion date provided for in this Contract, but shall proceed with all Work to be performed under the Contract. Contractor shall retain any and all rights provided either by this Contract or by law, which pertain to the resolution of disputes and protests between contracting parties.

#### STATE DISCLOSURE REQUIREMENTS

Signage shall be posted in a prominent location at each Project site and shall include the following statement and color logo:

"Funding for this [NAME OF PROJECT AND CITY] has been provided in full or in part through an agreement with the State Water Resources Control Board."



## SPECIAL PROVISIONS

### PART 1

## GENERAL PROVISIONS

### SECTION 1 - TERMS, DEFINITIONS, ABBREVIATIONS, UNITS OF MEASURE, AND SYMBOLS

#### 1-2 DEFINITIONS

AGENCY: Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority

Board: Board of Directors of the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority

Caltrans: State of California Department of Transportation

County: County of Los Angeles

Federal: United States of America

Department The Gateway Water Management Authority (GWMA)

Director: The Executive Director of the GWMA, Grant Project Director

Engineer: John L Hunter & Associates, Grant Contact / Engineer

State: The Gateway Water Management Authority

**Bid Guaranty** – The cash, certified check, or Bidder's surety bond accompanying the Bid as a guaranty that the Bidder will enter into a Contract with the Board for the performance of the work.

**Catch Basin** – A structure or device which intercepts water runoff from surface streets and directs it into a storm drain conduit system.

**Connector Pipe** – A drain pipe constructed for the purpose of directly connecting a catch basin to a main line storm drain conduit.

**Curb Opening Catch Basin** – A catch basin with an opening in the curb face serving as the only means for allowing storm water to enter into the catch basin from the street.

## 1-3 ABBREVIATIONS

1-3.2 Common Usage. Add the following:

1-3.2 Common Usage. The list of abbreviations in the "Greenbook" 2012 Edition is added to the specifications.

## SECTION 2 - SCOPE AND CONTROL OF THE WORK

### 2-1 AWARD AND EXECUTION OF CONTRACT

Within 10-working days after the date of the AGENCY's Notice of Award, the Contractor shall execute and return the following contract documents to the AGENCY:

Contract Agreement

Faithful Performance Bond

Material and Labor Bond

Public Liability and Property Damage Insurance Certificate

Workers' Compensation Insurance Certificate

Failure to comply with the above will result in annulment of the award and forfeiture of the proposal guarantee.

The Contract Agreement shall not be considered binding upon the AGENCY until executed by the authorized AGENCY officials.

A corporation to which an award is made may be required, before the Contract Agreement is executed by the AGENCY, to furnish evidence of its corporate existence, of its right to enter into contracts in the State of California and that the officers signing the contract and bonds for the corporation have the authority to do so.

### 2-4 CONTRACT BONDS

The Faithful Performance Bond shall remain in force for a period of 1 year after the date of recordation of the Notice of Completion. The Material and Labor Bond shall not be for less than 100 percent of the contract price and shall remain in force until 45 days after the date of recordation of the Notice of Completion.

### 2-5 PLANS AND SPECIFICATIONS

2-5.1 General. The Contractor shall maintain a control set of Plans and Specifications on the project site at all times. All final locations determined in the field and any deviations from the Plans and Specifications shall be marked in red on this control set to show the as-built conditions. Upon completion of all work, the Contractor shall return the control set to the Engineer. Final payment will not be made until this requirement is met.

The Contractor shall maintain a control set of Specifications on the project site at all times. All final locations determined in the field, and any deviations from the Specifications, shall be marked in red on this control set to show the as-built conditions. Upon completion of all work, the Contractor shall return the control set to the Engineer. Final payment will not be made until this requirement is met

2-5.1.1 Plans. Included as part of the Contract Documents are the following which show the location, character, dimensions, or details of the Work:

- a) List of Catch Basins Within the Cities (Appendix I)
- b) Standard Plans and Details (Included in Appendix III):

Standard Plans for Public Works Construction promulgated by Public Works Standards, Inc.:

300-2	301-2	302-2	310-2
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2-5.2 Precedence of Contract Documents. The Special Provisions shall include the Bid Proposal.

2-5.3 Shop Drawings and Submittals.

All submittals shall be submitted prior to the start of the work unless otherwise approved by the Engineer. No work shall begin until the construction schedule has been approved by the Engineer.

No work shall begin on the respective items of work which require a submittal until the submittals for those items of work have been approved in writing by the AGENCY.

2-5.3.3 Shop Drawings.

The following shop drawings are required:

- 1) Connector Pipe

- 2) Filterra Units (or equivalent as approved by the contracting agency)

#### 2-5.3.4 Supporting Information. Add the following:

The following additional Supporting Information is required:

- 1) Preliminary Catch Basin Inspection
- 2) Onsite testing.

Section 2 is amended by adding thereto the following new Subsection 2-5.4 Examination of Contract Documents:

2-5.4 Examination of Contract Documents. The bidder shall examine carefully the entire site of the work, including but not restricted to the conditions and encumbrances related thereto, the Plans and Specifications, and the proposal and contract forms therefore. The submission of a bid shall be conclusive evidence that the bidder has investigated and is satisfied as to the conditions to be encountered, as to the character, quality, and scope of the work to be performed, the quantities of material to be furnished and as to the requirements of the proposal, Specifications, and the contract.

Add the following new subsection 2.5.5 Record Drawings:

#### 2-5.5 Record Drawings:

All corrections on record drawings shall be done in red ink for approval by the Engineer. Record drawings shall be a control set of the construction plans kept on the site for daily recording of "as built" conditions. Submit the final "As-Built" plans in Mylar.

Dimensions must be taken from above ground permanent, architectural objects, not plants or irrigation heads. All dimensions, notes, etc., shall be legible.

Record drawing shall be reviewed prior to all progress payment requests, and submitted prior to final inspection.

#### 2-6 WORK TO BE DONE. Add the following:

The work to be performed or executed under this Contract consists of the installation of filtering devices preceding a storm drain catch basins that will reduce the amount of pollutants entering the storm drain system. It includes other incidental and appurtenant work necessary for the proper completion of the Project.

The work shall be performed in accordance with the Specifications for the catch basins listed in the Appendix II list of catch basins within the cities.

## 2-9 SURVEYING

2-9.2 Survey Service. For this improvement work, the Contractor shall furnish all labor, equipment, and services, and be responsible for all surveying, staking, and layout necessary for the improvements. In the event of a substantial discrepancy between information shown on the Plans and actual field conditions, the Contractor shall cease any affected work and notify the Engineer. The Engineer will provide direction and authority to proceed. Consequently, any reference to the Engineer providing such services in Subsection 2-9 shall be disregarded.

## SECTION 3 - CHANGES IN WORK

### 3-2 CHANGES INITIATED BY THE AGENCY

3-2.2.1 Contract Unit Prices. The first two paragraphs of Subsection 3-2.2.1 are hereby deleted and replaced with the following:

The AGENCY reserves the right to increase or decrease the amount of any quantity shown and to delete any item from the Contract.

### 3-3 EXTRA WORK

#### 3-3.2 Payment.

3-3.2.1 General. When the price for the extra work cannot be agreed upon, payment for extra work by cost plus a differential for labor, materials and equipment shall be considered payment under force account basis. The labor, materials, and equipment provided shall be subject to the approval of the Engineer and compensation will be determined as provided herein.

#### 3-3.2.2 Basis of Establishing Costs.

##### 3-3.2.2(a) Labor.

The Contractor will be paid the cost of labor for the workmen (including foremen when authorized by the Engineer), used in the actual and direct performance of the work. The cost of labor, whether



the employer is the Contractor, subcontractor, or other forces will be the sum of the following:

3-3.2.2(a).1 Actual Wages. The actual wages paid shall include any employer payments to or on behalf of the workmen for health and welfare, pension, vacation, and similar purposes.

3-3.2.2(a).2 Labor Surcharge. To the actual wages, as defined in Section 3-3.2.2(a).1, will be added a labor surcharge set forth in the Department of Transportation publication entitled "Labor Surcharge and Equipment Rental Rates," which is in effect on the date upon which the work is accomplished and which is a part of the contract. Said labor surcharge shall constitute full compensation for all payments imposed by State and Federal laws and for all other payments made to, or on behalf of, the workmen, other than actual wages as defined in Section 3-3.2.2(a).1 and subsistence and travel allowance as specified in Section 3-3.2.2(a).3.

3-3.2.2(a).3 Subsistence and Travel Allowance. The actual subsistence and travel allowance paid to such workmen.

#### 3-3.2.2(c) Tool and Equipment Rental.

The Contractor will be paid for the use of equipment at the rental rates listed for such equipment in the Department of Transportation Publication entitled "Labor Surcharge and Equipment Rental Rates," which is in effect on the date upon which the work is accomplished and which is a part of the Contract, regardless of ownership and any rental or other agreement, if such may exist, for the use of such equipment entered into by the Contractor. If it is deemed necessary by the Engineer to use equipment not listed in the said publication, a suitable rental rate for such equipment will be established by the Engineer. The Contractor may furnish any cost data which might assist the Engineer in the establishment of such rental rate.

The rental rates paid as provided above shall include the cost of fuel, oil, lubrication, supplies, small tools, necessary attachments, repairs, and maintenance of any kind, depreciation, storage, insurance, and all incidentals.

Operators of rented equipment will be paid for as provided in Section 3-3.2.2(a), "Labor."

All equipment shall, in the opinion of the Engineer, be in good working condition and suitable for the purpose for which the equipment is to be used.

Unless otherwise specified, manufacturer's ratings and manufacturer approved modifications shall be used to classify equipment for the determination of applicable rental rates. Equipment which has no direct power unit shall be powered by a unit of at least the minimum rating recommended by the manufacturer.

Individual pieces of equipment or tools not listed in said publication and having a replacement value of \$200 or less, whether or not consumed by use, shall be considered to be small tools and no payment will be made therefor.

Rental time will not be allowed when equipment is inoperative due to breakdowns.

3-3.2.2(c).1 Equipment on the Work. The rental time to be paid for equipment on the work shall be the time the equipment is in operation on the extra work being performed, and in addition, shall include the time required to move the equipment to the location of the extra work and return it to the original location or to another location requiring no more time than that required to return it to its original location, except that moving time will not be paid for if the equipment is used at the site of the extra work on other than such extra work. Loading and transporting costs will be allowed, in lieu of moving time, when the equipment is moved by means other than its own powers, except that no payment will be made if the equipment is used at the site of the extra work on other than such extra work.

The following shall be used in computing the rental time of equipment on the work:

1. When hourly rates are listed, less than 30 minutes of operation shall be considered to be 2 hours of operation.
2. When daily rates are listed, less than 4 hours of operation shall be considered to be 2 days of operation.

3-3.2.2(c).2 Equipment not on the Work. For the use of equipment moved in on the work and used exclusively for extra work paid for on a force account basis, the Contractor will be paid the rental rates listed in the Department of Transportation publication entitled "Labor Surcharge and Equipment Rental Rates," which is in effect on the date upon

which the work is accomplished and which is a part of the Contract, or determined as provided in Section 3-3.2.2(c) and for the cost of transporting the equipment to the location of the work and its return to its original location, all in accordance with the following provisions:

1. The original location of the equipment to be hauled to the location of the work shall be agreed to by the Engineer in advance.
2. The AGENCY will pay the costs of loading and unloading such equipment.
3. The cost of transporting equipment in low bed trailers shall not exceed the hourly rates charged by established haulers.
4. The cost of transporting equipment shall not exceed the applicable minimum established rates of the Public Utilities Commission.
5. The rental period shall begin at the time the equipment is unloaded at the site of the extra work, shall include each day that the equipment is at the site of the extra work, excluding Saturdays, Sundays, and legal holidays unless the equipment is used to perform the extra work on such days, and shall terminate at the end of the day on which the Engineer directs the Contractor to discontinue the use of such equipment. The rental time to be paid per day will be in accordance with the following:

<u>Hours Equipment is in Operation</u>	<u>Hours to be paid</u>
0.0	4.00
0.5	4.25
1.0	4.50
1.5	4.75
2.0	5.00
2.5	5.25
3.0	5.50
3.5	5.75
4.0	6.00
4.5	6.25
5.0	6.50
5.5	6.75
6.0	7.00
6.5	7.25
7.0	7.50
7.5	7.75
8.0	8.00

#### Over 8 Hours in Operation

The hours to be paid for equipment which is operated less than 8 hours due to breakdowns shall not exceed 8 less the number of hours the equipment is inoperative due to breakdowns.

When hourly rates are listed, less than 30 minutes of operation shall be considered to be 2 hour of operation.

When daily rates are listed, payment for 2 day will be made if the equipment is not used. If the equipment is used, payment will be made for 1 day.

The minimum rental time to be paid for the entire rental period on an hourly basis shall not be less than 8 hours or if on a daily basis shall not be less than 1 day.

6. Should the Contractor desire the return of the equipment to a location other than its original location, the AGENCY will pay the cost of transportation in accordance with the above provisions, provided such

payment shall not exceed the cost of moving the equipment to the work.

7. Payment for transporting, loading and unloading equipment, as provided above, will not be made if the equipment is used on the work in any other way than upon extra work paid for on a force account basis.

When extra work, other than work specifically designated as extra work in the Plans and Specifications, is to be paid for on a force account basis and the Engineer determines that such extra work requires the Contractor to move on to the work equipment which could not reasonably have been expected to be needed in the performance of the Contract, the Engineer may authorize payment for the use of such equipment at equipment rental rates in excess of those listed as applicable for the use of such equipment subject to the following additional conditions:

1. The Engineer shall specifically approve the necessity for the use of particular equipment on such work.
2. The Contractor shall establish, to the satisfaction of the Engineer, that such equipment cannot be obtained from his normal equipment source or sources and those of his subcontractors.
3. The Contractor shall establish to the satisfaction of the Engineer that the proposed equipment rental rate for such equipment from his proposed source is reasonable and appropriate for the expected period of use.
4. The Engineer shall approve the equipment source and the equipment rental rate to be paid by the AGENCY before the Contractor begins work involving the use of said equipment.

3.2.2(c).3 Owner-Operated Equipment. When owner-operated equipment is used to perform extra work to be paid for on a force account basis, the Contractor will be paid for the equipment and operator, as follows:

Payment for the equipment will be made in accordance with the provisions in Section 3-3.2.2(c), "Equipment Rental."

Payment for the cost of labor and subsistence or travel allowance will be made at the rates paid by the Contractor to other workmen operating similar equipment already on the project or, in the absence of such other workmen, at the rates of such labor established by

collective bargaining agreements for the type workman and location of work whether or not the owner-operator is actually covered by such an agreement. A labor surcharge will be added to the cost of labor described herein, in accordance with the provisions in Section 3-3.2.2(a), "Labor."

To the direct cost of equipment rental and labor, computed as provided herein, will be added to the mark-ups for the equipment rental and labor as provided in Section 3-3.2.3, "Mark-up."

### 3-3.2.3 Mark-up.

The text of Subsection 3-3.2.3 is hereby deleted and replaced with the following:

1. Work by Contractor. The following percentages shall be added to the Contractor's costs and shall constitute the mark-up for all overhead and profits, which shall be deemed to include all items of expense not specifically designated as cost or equipment rental in Sections 3-3.2.2(a) and 3-3.2.2(b), "Materials," and 3-3.2.2(c), "Equipment Rental."

Labor	20
Materials	15
Equipment Rental	15
Other Items and Expenditures	15

To the sum of the costs and mark-ups provided for in this subsection, 1 percent shall be added as compensation for bonding.

2. Work by Subcontractor. When all or any part of the extra work is performed by a subcontractor, the mark-up established in Subsection 3-3.2.3(a) shall be applied to the subcontractor's actual cost of such work, to which a mark-up of 10 percent on the first \$2,000 of the subcontracted portion of the extra work and a mark-up of 5 percent on work added in excess of \$2,000 of the subcontracted portion of the extra work may be added by the Contractor.

## 3-5 DISPUTED WORK

### 3-5.1 Claims and Disputes During Performance.

The following procedures and requirements shall apply and be fully complied with for any claim or dispute to be considered for payment as extra work:

Procedure:

- A. The Contractor and the AGENCY shall make good-faith attempts to resolve any and all claims and disputes that may from time to time arise during the performance of the Work of this Contract. If the Contractor considers any Work required of them to be outside the requirements of the Contract, or if they consider any instruction, meaning, requirement, ruling or decision of the AGENCY or its representative to be unauthorized, they shall, within seven (7) calendar days after such demand is made, or instruction is given, file a written protest (dispute) with the AGENCY stating clearly and in detail their objection and reason therefore. The Contractor shall promptly comply with the Work required of them even though a written protest has been filed. If a written protest is not issued within seven (7) calendar days, the Contractor shall waive their right to further claim on the specific issue.
- B. The AGENCY will review the Contractor's written protest and provide a decision, if the Contractor still considers the Work required of them to be outside of the requirements of the Contract, they shall so notify the AGENCY, in writing, within seven (7) calendar days after receiving the decision that a formal claim will be issued. Within thirty (30) calendar days of receiving the decision, the Contractor shall submit their claim and all arguments, justification, cost or estimate, schedule analysis, and detailed documentation supporting their position. Failure to furnish notification within seven (7) calendar days and all justifying documentation within thirty (30) calendar days will result in the Contractor waiving their right to the subject claim.
- C. Upon receipt of the Contractor's formal claim including all arguments, justification, cost or estimates, schedule analysis, and documentation supporting their position as previously stipulated, the AGENCY or its representative will review the issue and within thirty (30) calendar days from receipt of the Contractor's claim render a final determination.

Certification:

- A. The Contractor shall submit with the claim their and Subcontractors' certifications under penalty of perjury that:
  - 1. The claim is made in good faith.
  - 2. Supporting data are accurate and complete to the best of the Contractor's knowledge and belief.

3. The amount requested accurately reflects the Contract adjustment for which the Contractor believes the AGENCY is liable.
  4. If the Contractor is an individual, the certification shall be executed by that individual.
  5. If the Contractor is not an individual, the certification shall be executed by an officer or general partner of the Contractor having overall responsibility for the conduct of the Contractor's affairs.
  6. If a false claim is submitted, it will be considered fraud and the Contractor may be subject to criminal prosecution.
- B. In regard to any claim or portion of a claim for subcontractor work, the Contractor shall fully review said claim and certify said claim, under penalty of perjury, to have been made in good faith.
- C. Failure to furnish certification as required hereinbefore will result in the Contractor waiving their right to the subject claim.

Claim Format

- A. The Contractor shall submit the claim justification in the following format:
1. Summary of claim merit and quantum plus clause under which the claim is made.
  2. List of documents relating to claim:
    - a. Specifications.
    - b. Drawings.
    - c. Clarifications/Requests for information.
    - d. Schedules.
    - e. Other.
  3. Chronology of events and correspondence.
  4. Analysis of claim merit.
  5. Analysis of claim cost.



## SECTION 4 - CONTROL OF MATERIALS

### 4-1 MATERIALS AND WORKMANSHIP

4-1.1 General. The Contractor and all subcontractors, suppliers, and vendors, shall guarantee that the entire work will meet all requirements of this Contract as to the quality of materials, equipment, and workmanship. The Contractor, at no cost to the AGENCY, shall make any repairs or replacements made necessary by defects in materials, equipment, or workmanship that become evident within 1 year after the date of recordation of the Notice of Completion. Within this 1-year period, the Contractor shall also restore to full compliance with requirements of this contract any portion of the work which is found to not meet those requirements. The Contractor shall hold the AGENCY harmless from claims of any kind arising from damages due to said defects or noncompliance. The Contractor shall make all repairs, replacements, and restorations within 30 days after the date of the Engineer's written notice.

The Contractor shall make all repairs, replacements, and restorations within 30 days after the date of the Engineer's written notice.

4-1.4 Test of Materials. Except as elsewhere specified, the AGENCY will bear the cost of testing material and/or workmanship which meet or exceed the requirements indicated in the Standard Specifications and the Special Provisions. The cost of all other tests, including the retesting of material or workmanship that fails to pass the first test shall be borne by the Contractor.

4-1.5 Certification. A Certificate of Compliance shall be furnished prior to the use of any materials for which these Specifications or the Special Provisions require that such a certificate be furnished. In addition, when so authorized in these Specifications or in the Special Provisions, the Engineer may permit the use of certain materials or assemblies prior to sampling and testing if accompanied by a Certificate of Compliance. The certificate shall be signed by the manufacturer of the material or the manufacturer of assembled materials and shall state that the materials involved comply in all respects with the requirements of the specifications. A Certificate of Compliance shall be furnished with each lot of material delivered to the work and the lot so certified shall be clearly identified in the certificate.

All materials used on the basis of a Certificate of Compliance may be sampled and tested at any time. The fact that material is used on the basis of a Certificate of Compliance shall not relieve the Contractor of responsibility for incorporating material in the work which conforms to the requirements of the Plans and Specifications, and any such material not conforming to such requirements will be subject to rejection whether in place or not.

The AGENCY reserves the right to refuse to permit the use of material on the basis of a Certificate of Compliance.

The form of the Certificate of Compliance and its disposition shall be as directed by the Engineer.

4-1.6 Trade Names or Equals. Approval of equipment and materials offered as equivalents to those specified must be obtained prior to the opening of bids as set forth in the Instructions to Bidders.

4-1.9 Submittals. The Contractor shall examine the Plans and Specifications to verify requirements for submittals of manufacturer's data, catalog cuts, shop drawings, test data, samples, etc.

Within 35 days after the Award of Contract, the Contractor shall submit to the Engineer five (5) copies of a complete list of all products that are proposed for installation. The list shall be tabulated by specification section and shall reference critical dates for material deliveries to the site; which dates shall also be shown on the construction schedule.

All submittals shall be made in ample time to allow for review and approval prior to the date needed. Fifteen working days shall be considered an absolute minimum; requests for substitution, incomplete or improper submittals will require a greater length of time. No time extensions will be granted for the Contractor's failure to allow sufficient time for review.

## SECTION 5 - UTILITIES

### 5-1 LOCATION

The location and existence of any underground utility or substructure was obtained from a search of available records. No guarantee is made or implied that the information is complete or accurate. It shall be the Contractor's responsibility alone to determine the exact location of underground utilities or substructures of every nature and to protect them from damage. The Contractor shall excavate and expose all high-risk underground facilities.

The Contractor shall notify the owners of all utilities and substructures as set forth in the General Specifications.

#### 5-4 RELOCATION

The second sentence of the last paragraph of Subsection 5-4 of the Standard Specifications is hereby deleted and replaced with the following:

When not otherwise required by the Plans and Specifications and when directed by the Engineer, the Contractor shall arrange for the relocation of service connections as necessary between the meter and property line or between the meter and limits of construction.

#### 5-5 DELAYS

The Contractor will not be entitled to damages or additional payment for delays attributable to utility relocations or alterations if correctly located, noted, and completed in accordance with Subsection 5-1 of the Standard Specifications. The Contractor shall ascertain further detailed information to coordinate his work to this effect.

All notification of utility companies shall be done by the Engineer based on Contractor's request as submitted to the Engineer at least 24 hours in advance of the needed work. Any costs for delay of the Contractor by utility companies in this regard shall be assigned to the Contractor, if these costs are a result of the Contractor's request being untimely in any respect, except for the utility company not responding at their agreed time before the 24-hour period elapses.

Compensation for idle time due to delays shall be in conformance with Subsection 8-1.09 of the State Standard Specifications wherein reference to Section 4-1.03D shall mean Subsection 3-3.1 of the Standard Specifications.

### SECTION 6 - PROSECUTION, PROGRESS, AND ACCEPTANCE OF THE WORK

#### 6-1 CONSTRUCTION SCHEDULE AND COMMENCEMENT OF WORK

The Contractor's proposed construction schedule shall be submitted to the Engineer within 10-working days after the date of the AGENCY's execution of the Contract Agreement. The schedule shall be supported by written statements from each supplier of materials or equipment indicating that all orders have been placed and acknowledged and setting forth the dates each item will be delivered. The Construction Schedule shall be in the Critical Path Method schedule format.

Prior to issuing the Notice to Proceed, the Engineer will schedule a preconstruction meeting with the Contractor to review the proposed construction schedule and

delivery dates, arrange utility coordination, discuss construction methods, and clarify inspection procedures.

The Contractor shall submit periodic progress reports to the Engineer by the 10th day of each month. The report shall include an updated construction schedule. Any deviations from the original schedule shall be explained. Progress payments will be withheld pending receipt of any outstanding reports.

**The Contractor shall distribute to each adjacent resident a written notice at least 72 hours (excluding weekends and holidays) prior to commencing construction that will affect access or restrict on-street parking adjacent to that property. The notice shall indicate the date and duration when construction will be completed.** It shall be the Contractor's responsibility to complete the notification letter. Failure to meet the notified schedule requires that the Contractor resubmit Notice to Residents within 48 hours to reschedule. The Contractor may use the sample letter or submit his/her own letter to the Administrative/Accounting Assistant for approval prior to its distribution.

The Contractor shall be responsible for posting, and removing the furnished temporary "No Parking" signs along all affected sidewalks in each respective city where construction is taking place. Signs shall be posted at intersections. Signs may be posted to existing poles, street light standards, or whatever exists in the public right-of-way but never on trees. When necessary the Contractor shall furnish the post.

## 6-2 PROSECUTION OF WORK

The following sentence is hereby added to Section 6-2:

The Contractor shall provide the following:

- (1) The Contractor must place concrete within 3 working days after the removal of existing concrete. Asphalt Concrete pavement replacement at driveways shall be installed within 3 calendar days of pouring concrete.
- (2) AC pavement replacement shall be installed the same day as removals are performed.
- (3) The Contractor shall clean up all rubble/debris piles daily and ensure the work areas are secured safely for vehicular and pedestrian passage.

FAILURE OF THE CONTRACTOR TO COMPLY WITH THE AFOREMENTIONED WORK SCHEDULING REQUIREMENTS, (1)-(6), DUE TO CONDITIONS UNDER HIS CONTROL WILL RESULT IN DAMAGES BEING SUSTAINED BY THE AGENCY. SUCH DAMAGES ARE, AND WILL CONTINUE TO BE, IMPRACTICAL AND EXTREMELY DIFFICULT TO DETERMINE. FOR EACH DAY THE CONTRACTOR FAILS TO CONFORM TO THESE REQUIREMENTS, THE

CONTRACTOR SHALL PAY TO THE AGENCY, OR HAVE WITHHELD MONIES DUE TO HIM THE SUM OF TWO HUNDRED FIFTY DOLLARS (\$250.00), AS LIQUIDATED DAMAGES FOR EACH CALENDAR DAY.

## 6-6 DELAYS AND EXTENSIONS OF TIME

### 6-6.1 General.

Utility delays subject to the provisions of Subsection 5-5 of the Standard Specifications shall only be granted time extensions or payment for delay based on strict conformance with Subsections 6-6.2, 6-6.3, and 6-6.4 in the Standard Specifications and as those subsections are modified in the General Conditions.

### 6-6.3 Payment for Delays to Contractor

Compensation for idle time due to delays shall be in conformance with Subsection 8-1.09 of the State Standard Specifications wherein reference to Section 4-1.03D shall mean Subsection 3-3.1, of the Standard Specifications.

6-6.4 Written Notice and Report. The first sentence of subsection 6-6.4 is hereby deleted and replaced with the following:

If the Contractor desires payment for a delay as specified in Subsection 6-6.3 of the Standard Specifications, it shall notify the Engineer in writing within 3 days of beginning of the delay. If the Contractor desires an extension of time as specified in Subsection 6-6.2 of the Standards Specifications, it shall notify the Engineer, in writing, within 3 days of beginning of the delay. Such notice shall specify the nature of the delay, cause, and the conditions which set the beginning time for the delay.

## 6-7 TIME OF COMPLETION

6-7.1 General. The time for completion shall be as noted in the General Specifications.

6-7.2 Working Day. The Contractor's activities shall be confined to the hours between 7:00 a.m. and 3:30 p.m., Monday through Friday, excluding holidays. Deviation from these hours will not be permitted without the prior consent of the Engineer, except in emergencies involving immediate hazard to persons or property. In the event of either a requested or emergency deviation, inspection service fees will be charged against the Contractor. The service fees will be calculated at overtime rates, including benefits, overhead, and travel time. The service fees will be deducted from any amounts due the Contractor.

## TABLE 1 - DESIGNATED HOLIDAYS

New Year's Day  
Martin Luther King, Jr. Day  
Presidents' Day  
Memorial Day  
Independence Day  
Labor Day  
Veteran's Day  
Thanksgiving Day  
Day after Thanksgiving  
Christmas Day

The Contractor shall pay the Gateway Water Management Authority a current overtime inspection rate for any inspection requested or made necessary by his/her actions outside the normal working hours.

### 6-9 LIQUIDATED DAMAGES

Section 6-9 of the Standard Specifications shall be changed as follows: For each consecutive calendar day in excess of the time specified for completion of the work, the Contractor shall pay to the Gateway Water Management Authority, or have withheld from monies due it, the sum of \$500.00. Execution of the contract shall constitute agreement by the Gateway Water Management Authority and Contractor that \$500.00 per day is a minimum value of the costs and actual damages caused by failure of the Contractor to complete the work within the allotted time, that such sum is liquidated damages and shall not be construed as a penalty, and that such sum may be deducted from payments due to the Contractor if such delay occurs.

## SECTION 7 - RESPONSIBILITIES OF THE CONTRACTOR

### 7-1 CONTRACTOR'S EQUIPMENT AND FACILITIES

A noise level limit of 86 dBA at a distance of 50 feet shall apply to all construction equipment on or related to the job whether owned by the Contractor or not. The use of excessively loud warning signals shall be avoided, except in those cases required for the protection of personnel.

### 7-2 LABOR

7-2.2 Laws. The Contractor and all subcontractors, suppliers, and vendors shall comply with all AGENCY, State, and federal orders regarding affirmative action to ensure equal employment opportunities and fair employment practices. Failure to file any report due under said orders will result in suspension of periodic progress payments.

The Contractor shall ensure unlimited access to the job site for all equal employment opportunity compliance officers.

In accordance with the Labor Code, as provided in Section 1773, et. seq., the AGENCY has on file in the City Clerk's office the latest prevailing rates as established by the Director of Industrial Relations of the State of California. The Contractor shall not pay less than these rates.

### 7-3 LIABILITY INSURANCE

The first four paragraphs of Section 7-3 are hereby replaced with the following:

The Contractor shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees, or subcontractors.

#### 7-3.1 Minimum Scope of Insurance.

Coverage shall be at least as broad as:

1. Insurance Services Office "Commercial General Liability" policy Form CG 00 01 or the exact equivalent.
2. Insurance Services Office Form No. CA 00 01 covering Automobile Liability, including Symbol I (any auto) or the exact equivalent.
3. Workers' Compensation on a state-approved policy form providing statutory benefits as required by law and Employer's Liability Insurance.
4. Course of Construction insurance form providing coverage for "all risks" of loss (if required by the contract).

#### 7-3.2 Minimum Limits of Insurance.

The Contractor shall maintain limits no less than:

1. Commercial General Liability: A per occurrence limit of \$2,000,000 and \$4,000,000 in the aggregate, written, with dedicated limits, on a "per project" basis and a products completed operations aggregate limit of at least \$4,000,000 for bodily injury, personal injury, and property damage. Defense costs must be paid in addition to limits. There shall be no cross-liability exclusion for claims or suits by one insured against another.
2. Automobile Liability: \$2,000,000 per accident for bodily injury and property damage.

3. Workers' compensation providing statutory benefits.
4. Employer's Liability: \$1,000,000 per accident for bodily injury or disease.
5. Excess or Umbrella Liability Insurance (Over Primary): if used to meet limit requirements, shall provide coverage at least as broad as specified for the underlying coverages. Any such coverage provided under an umbrella liability policy shall include a "drop down" provision with a maximum \$25,000 self-insured retention for liability not covered by primary but covered by the umbrella. Coverage shall be "pay on behalf," with defense costs payable in addition to policy limits. There shall be no cross-liability exclusion precluding coverage for claims or suits by one insured against another. Coverage shall be applicable to the AGENCY for injury to the employees of the Contractor, subcontractors, or others involved in the Work. The scope of coverage provided is subject to approval of the AGENCY following receipt of proof of insurance as required herein.
6. Course of Construction: Completed value of the project.

Any and all available insurance proceeds in excess of the specified minimum limits shall be made available to the AGENCY. If the contractor maintains higher limits than the minimums shown above, the AGENCY requires and shall be entitled to coverage for the higher limits maintained by the contractor. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the AGENCY.

#### 7-3.3 Deductibles and Self-Insured Retentions.

Any deductibles or self-insured retentions must be declared to and approved by the AGENCY. At the option of the AGENCY, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the AGENCY, its officers, officials, employees, and volunteers; or the Contractor shall procure a bond guaranteeing payment of losses and related investigations, claims administration, and defense expenses.

#### 7-3.4 Other Insurance Provisions.

The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. The AGENCY, its officers, officials, employees, agents, and volunteers, including Willdan, while acting within the scope of their duties, are to be named as additional insureds as respects: all



liability arising out of activities or in connection with the Work performed by or on behalf of the Contractor, products and completed operations of the Contractor, premises owned, occupied, or used by the Contractor, or automobiles owned, leased, hired, or borrowed by the Contractor, except as provided for in Subsection 6-10. The coverage shall contain no special limitations on the scope of protection afforded to the AGENCY, its officers, officials, employees, agents, or volunteers, including Gateway Water Management Authority.

2. For any claims related to this project, the Contractor's insurance coverage shall be primary insurance as respects the AGENCY, its officers, officials, employees, agents, and volunteers, including Willdan. Any insurance or self-insurance maintained by the AGENCY, its officers, officials, employees, agents, or volunteers, including Gateway Water Management Authority, shall be in excess of the Contractor's insurance and shall not contribute with it. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the AGENCY for all work performed by the Contractor, its employees, agents and subcontractors.
3. Any failure to comply with reporting or other provisions of the policies, including breaches of warranties, shall not affect coverage provided to the AGENCY, its officers, officials, employees, agents, or volunteers, including Gateway Water Management Authority.
4. The Contractor's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
5. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits, except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the AGENCY.

Course of construction policies shall be purchased by the Contractor only if required by the contract. The AGENCY may obtain course of construction insurance under its existing property insurance program or through other means. If Contractor obtains this coverage, policies shall contain the following provisions:

1. The AGENCY shall be named as loss payee.
2. The insurer shall waive all rights of subrogation against the AGENCY.

#### 7-3.5 Acceptability of Insurers.

Insurance is to be placed with carriers admitted to write insurance in California with a current A. M. Best's rating of no less than A:VIII.

#### 7-3.6 Verification of Coverage.

The Contractor shall furnish the AGENCY with original endorsements effecting coverage required by this clause. The endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. All endorsements are to be received and approved by the AGENCY before work commences. The Contractor's insurer shall provide complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these Specifications.

#### 7-3.7 Subcontractors.

Contractor shall include all subcontractors as insureds under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein, except that subcontractor shall not be responsible for obtaining course of construction insurance.

Except as provided for in Subsection 6-10, the Contractor shall save, keep, and hold harmless the AGENCY and all of its officers, consultants, and agents, including Gateway Water Management Authority, from all damages, costs, or expenses in law or equity that may at any time arise or be set up because of damages to property, or of personal injury received by reason of or in the course of performing work, which may be caused by any willful or negligent act or omission by the Contractor, any of the Contractor's employees, or any subcontractor. The AGENCY and all of its officers, consultants, and agents, including Gateway Water Management Authority, will not be liable for any accident, loss, or damage to the Work prior to the completion or acceptance of the Work, except as provided for in Subsection 6.10.

### 7-5 PERMITS AND REGISTRATIONS

Prior to the start of any work, the Contractor shall take out the applicable AGENCY permits and make arrangements for AGENCY inspections. The AGENCY will issue the permits at no charge to the Contractor. The Contractor and all subcontractors shall each obtain a business license from the Cities involved in the project and shall be licensed in accordance with the State Business and Professions Code. The Contractor shall also obtain any and all other permits, licenses, inspections, certificates, or authorizations required by any governing body or entity.

The Contractor shall pay all cost incurred by the permit requirements.

Pursuant to State Bill 854, the following new requirements apply to all public works projects:

A contractor or subcontractor shall not be qualified to bid on, be listed in a bid proposal, subject to the requirements of Section 4104 of the Public Contract Code, or engage in the performance of any contract for public work, as defined in this chapter, unless currently registered and qualified to perform public work pursuant to Section 1725.5. It is not a violation of this section for an unregistered contractor to submit a bid that is authorized by Section 7029.1 of the Business and Professions Code or by Section 10164 or 20103.5 of the Public Contract Code, provided the contractor is registered to perform public work pursuant to Section 1725.5 at the time the contract is awarded. The website for contractor registration with the Department of Industrial Relations (DIR) is <https://efiling.dir.ca.gov/PWCR>; the annual non-refundable fee, valid July 1 through June 30 (state fiscal year), is \$300.

Contractors who are awarded a public works project must submit electronic payroll records to the DIR's Compliance Monitoring Unit (CMU) in addition to providing wet-ink original copies to the City or its designated labor compliance enforcement officer.

Should any street closure or restriction to access be needed as part of the work, the Engineer shall be notified within seventy-two (72) hours. A list of entities requiring notification will be provided for the Contractor to notify. And any others that are determined by the Gateway Water Management Authority as necessary to be notified.

#### COOPERATION WITH OTHERS

Ordinarily, utility owners, contractors of the Gateway Water Management Authority, or contractors authorized by the Gateway Water Management Authority responsible for facilities located within the limits of work shall have the right to enter upon the limits of work and upon any structure therein for the purpose of making new installations, changes, or repairs, and the Contractor shall so conduct his/her operations as to provide the time needed for such work to be accomplished during the progress of the improvement. **Contractor shall at his/her expense contact all utility owners with facilities in the project area and pay for all permit, inspection and other fees associated to the work prior to start working on the project.**

### 7-8 PROJECT SITE MAINTENANCE

7-8.1 General. The Contractor shall provide and operate a self-loading motor sweeper with spray nozzles every day for the purpose of keeping the

entire project site clean as acceptable to the Engineer. Payment for the cleanup and dust control shall be included in the price paid for other items of work. No additional payment will be made for project site maintenance.

7-8.6 Water Pollution Control. Add the following subsection:

7-8.6.2 Best Management Practices (BMPs).

a) General.

This Project lies within the boundaries of the Los Angeles Region of the Regional Water Quality Control Board and shall conform to the following requirements:

- Waste Discharge Requirements for Municipal Storm Water and Urban Runoff Discharges within the County of Los Angeles, and the Incorporated Cities Therein, Except the City of Long Beach (Order No. R4-2012-0175, NPDES No. CAS004001).

In order to ensure a minimum level of water quality control, the Contractor shall effectively implement and maintain appropriate Construction Site BMPs, as shown in Table 7-8.6.2(A), and shall comply with the following requirements:

- 1) Sediments shall not be discharged to the storm drain system or receiving waters.
- 2) Sediments generated on the Project site shall be contained within the Project site using appropriate BMPs.
- 3) No construction-related materials: waste, spills, or residue shall be discharged from the Project site to streets, drainage facilities, receiving waters, or adjacent property by wind or runoff.
- 4) Non-storm water runoff from equipment, vehicle washing, or any other activity shall be contained within the Project site using appropriate BMPs.

**Table 7-8.6.2(A)**  
**Construction Site BMPs (1)**

ID	BMP Name	Minimum Requirement
<b>Temporary Soil Stabilization</b>		
SS-1	Scheduling (2)	<b>X</b>
SS-2	Preservation of Existing Vegetation (2)	
SS-3	Hydraulic Mulch	
SS-4	Hydroseeding	
SS-5	Soil Binders	
SS-6	Straw Mulch	
SS-7	Geotextiles, Plastic Covers, & Erosion Control Blankets/Mats	
SS-8	Wood Mulching	
SS-9	Earth Dikes/Drainage Swales & Ditches	
SS-10	Outlet Protection/Velocity Dissipation Devices	
SS-11	Slope Drains	
<b>Temporary Sediment Control</b>		
SC-1	Silt Fence	
SC-2	Desilting Basin	
SC-3	Sediment Trap	
SC-4	Check Dam	
SC-5	Fiber Rolls	
SC-6	Gravel Bag Berm	
SC-7	Street Sweeping and Vacuuming (2)	<b>X</b>
SC-8	Sandbag Barrier (2)	<b>X</b>
SC-9	Straw Bale Barrier	
SC-10	Storm Drain Protection (2)	<b>X</b>
<b>Wind Erosion Control</b>		
WE-1	Wind Erosion Control	
<b>Tracking Control</b>		
TC-1	Stabilized Construction Entrance/Exit (2)	
TC-2	Stabilized Construction Roadway	
TC-3	Entrance-Outlet Tire Wash	
<b>Non-Storm Water Management</b>		
NS-1	Water Conservation Practices	
NS-2	Dewatering Operations	
NS-3	Paving and Grinding Operations (2)	
NS-4	Temporary Stream Crossing	
NS-5	Clear Water Diversion	
NS-6	Illicit Connection/Illegal Discharge Detection and Reporting (2)	<b>X</b>
NS-7	Potable Water/Irrigation	
NS-8	Vehicle Equipment Cleaning (2)	<b>X</b>
NS-9	Vehicle Equipment Fueling (2)	
NS-10	Vehicle Equipment Maintenance (2)	<b>X</b>
<b>Waste Management and Material Pollution Control</b>		
WM-1	Material Delivery (2)	<b>X</b>
WM-2	Material Use (2)	<b>X</b>
WM-3	Stockpile Management (2)	
WM-4	Spill Prevention and Control (2)	<b>X</b>
WM-5	Solid Waste Management (2)	<b>X</b>
WM-6	Hazardous Waste Management	
WM-7	Contaminated Soil Management	

<b>ID</b>	<b>BMP Name</b>	<b>Minimum Requirement</b>
WM-8	Concrete Waste Management (2)	<b>X</b>
WM-9	Sanitary/Septic Waste Management (2)	<b>X</b>
WM-10	Liquid Waste Management	

- (1) Additional BMPs may be required as a result of actual field conditions, Contractor activities, or construction operations.
- (2) As required on all projects as determined by the AGENCY.

Water pollution control work shall conform to the requirements in the latest edition of the Los Angeles County Department of Public Works "Construction Site Best Management Practices (BMP) Manual BMP Manual), and addenda thereto issued up to and including, the date of advertisement of the Project. Copies of this manual are available for purchase from:

Los Angeles County Dept. of Public Works  
Cashier's Office  
900 South Fremont Avenue  
Alhambra, CA 91803  
(626) 458-6959

The Contractor shall have a minimum of two readily accessible copies of the BMP Manual on the Project site at all times.

The Contractor shall become fully knowledgeable and fully comply with the applicable provisions of the BMP Manual, Permits and Federal, State and local regulations that govern the Contractor's operations and storm water discharges from the Project site.

**b) Year-Round Implementation Requirements.**

The Contractor shall effectuate a year-round program for implementing, inspecting, and maintaining water pollution control practices for wind erosion control, tracking control, erosion and sediment control, non-storm water control, and waste management and materials pollution control.

Soil stabilization, erosion and sediment control practices conforming to the "Minimum Requirements" specified in Table 7-8.6.2 (A) shall be implemented throughout the rainy season, defined as between October 15 and April 15, and whenever the National Weather Service predicts rain within 24 hours. The

National Weather Service weather forecast shall be monitored by the Contractor on a daily basis. An alternative weather forecast service may be used if approved by the Engineer. If precipitation is predicted, the rainy season water pollution control practices shall be deployed prior to the onset of the precipitation.

The non-rainy season shall be defined as all days outside the defined rainy season. Disturbed soil areas within the Project site shall be protected in conformance with the requirements in the Manual with an effective combination of tracking control, soil stabilization, and erosion and sediment control. Additionally, if the AGENCY has determined that the Contractor has not properly maintained an effective year round program for implementing, inspecting and maintaining appropriate water pollution control practices for wind erosion control, tracking control, erosion and sediment control, non-storm water control, and waste management and materials pollution control, the Engineer will direct the Contractor to immediately deploy effective BMPs conforming to the requirements in Table 7-8.6.2(A).

c) Maintenance

The Contractor shall be responsible throughout the duration of the Contract for installing, constructing, inspecting, maintaining, removing and disposing of the water pollution control BMPs. Unless otherwise directed by the Engineer, the Contractor shall be responsible for BMP implementation and maintenance throughout any temporary suspension of the Work. The Project site shall be inspected and findings recorded on a weekly BMP checklist by the Contractor as follows:

- 1) Prior to a forecast storm;
- 2) After a precipitation event which causes site runoff;
- 3) At 24-hour intervals during extended precipitation events; and
- 4) Routinely, a minimum of once every week.

d) Report of Discharge, Notices, or Orders.

If the Contractor identifies any discharge into receiving waters in a manner causing, or potentially causing, a condition of pollution, or if the Project receives a written notice or order from any regulatory agency, the Contractor shall so inform the Engineer within 24 hours. The Contractor shall submit a written report to the Engineer within five working days of the discharge event, notice or order. The report shall include the following information:

- 1) The date, time, location, nature of the operation, and type of discharge, including the cause or nature of the notice or order.
  - 2) The water pollution control practices deployed before the discharge event, or prior to receiving the notice or order
  - 3) The date of deployment and type of water pollution control practices deployed after the discharge event, or after receiving the notice or order, including additional measures installed or planned to reduce or prevent recurrence.
  - 4) An implementation and maintenance schedule for any affected water pollution control practices.
- e) Enforcement and Penalties.

The AGENCY is subject to enforcement action by the State Water Resources Control Board (SWRCB), Environmental Protection Agency, private citizens and citizen groups. The AGENCY will assess the Contractor a penalty of \$1,000 for each calendar day that the Contractor does not fully implement or comply with the provisions set forth in these Special Provisions. The penalty will be deducted from Contract progress payments due the Contractor if the Contractor is determined by the Engineer to be noncompliant, including but not limited to, the following:

- 1) Noncompliance with the applicable provisions of the BMP Manual.
- 2) Noncompliance with the immediate corrective action specified on the AGENCY-issued "Field Notice of BMP Noncompliance" form.



- 3) Applicable local permits.
- 4) Federal, State, and local water pollution control regulations.

The Contractor shall be responsible for the costs and for the liabilities imposed by law as a result of the Contractor's failure to comply with these Special Provisions. Costs and liabilities include, but are not limited to, fines, penalties, and damages whether assessed against the AGENCY or the Contractor, including those levied under the Federal Clean Water Act and the State Porter Cologne Water Quality Act. In addition, the AGENCY will deduct, from any monies due the Contractor, the total amount of any legal fees, staff costs, and consultant fees as a result of the Contractor's noncompliance with these Special Provisions.

The Contractor shall notify the Engineer immediately following receipt of a request from any jurisdictional regulatory agency, to enter, inspect, sample, monitor, or otherwise access the Project site or the Contractor's records pertaining to water pollution control.

f) Payment.

Full compensation for the implementation of BMPs, including construction, deployment, maintenance, removal, and the furnishing of all necessary labor, equipment, materials, and all other related costs shall be considered as included in the lump sum Bid price for "IMPLEMENTATION OF BMPs." Payment will be prorated on a monthly basis over the duration of the Contract.

## 7-9 PROTECTION AND RESTORATION OF EXISTING IMPROVEMENTS

The second paragraph of Subsection 7-9 of the Standard Specifications is hereby deleted and replaced with the following:

The Contractor shall relocate, repair, replace, or reestablish all existing improvements within the project limits which are not designated for removal (e.g., curbs, sidewalks, driveways, fences, walls, sprinkler systems, signs, utility installations, pavements, structures, etc.) which are damaged or removed as a result of his operations or as required by the Plans and Specifications.

Existing traffic striping, pavement markings, and curb markings shall also be considered as existing improvements and the Contractor shall repaint or replace such striping or markings if damaged or their reflectivity reduced due to construction operations.

Relocations, repairs, replacements, or reestablishments shall be at least equal to the existing improvements and shall match such improvements in finish and dimensions unless otherwise specified.

The last paragraph of Subsection 7-9 of the Standard Specifications is hereby deleted and replaced with the following:

All costs to the Contractor for protecting, removing, restoring, relocating, repairing, replacing, or reestablishing existing improvements shall be included in the bid for the various items of work.

#### PARKWAY TREES

The contractor shall protect all trees and tree roots (regardless of their size) during excavation. **Under no circumstances is the contractor permitted to cut, trim, shave or break any portion of exposed tree root by any means without approval from the certified arborist, or his/her designee. Any damage to the tree or root system shall be paid for by the Contractor at the rate set forth by International Society of Arboriculture (I.S.A.) Standard for Tree Valuation or estimate from the certified arborist.** In the case that tree roots are exposed from the excavation of pavement, curb and gutter or sidewalk area and interfere with the placement of proposed improvement, the contractor shall notify the Engineer immediately for direction.

#### DISPOSAL OF EARTH EXPORT

All existing pavement to be removed and other miscellaneous materials, which interfere with the work, shall be removed and disposed of outside the boundaries of the project by the Contractor. Should disposal of waste material or clean earth be necessary as part of the work, the Engineer shall be notified within seventy-two (72) hours. Disposal of material other than clean earth will be at the price or at the prevailing price at the time of disposal. The Contractor will pay any and all applicable charges or fees required to dispose of the waste materials.

#### PROTECTION OF WORK

The Contractor shall protect and care for all work until final acceptance. Throughout the period of construction, the Contractor shall keep the site free and clean from all rubbish and debris and any unnecessary obstructions and shall promptly clean up all or any portion of the site when notified to do so by the Gateway Water Management Authority representative. When so directed by the Gateway Water Management Authority representative, the Contractor shall furnish

and operate two self-loading motor sweepers for cleaning the site. Care shall be taken to prevent spillage on streets over which hauling is done and any such spillage or debris deposited on the streets due to the Contractor's operations shall immediately be cleaned up. The Contractor shall promptly remove from any parts of the working area all unused materials and debris, to the end that construction areas are returned to a clean, neat and acceptable condition at the earliest time following completion of the work in any reasonable reach. Failure on the part of the Contractor to comply with the orders of the Gateway Water Management Authority regarding cleanup may result in a written directive from the Gateway Water Management Authority to cease progress on any or all parts of the work under contract until the unsatisfactory condition is corrected. No additional compensation or time extension will be allowed as a result of such suspension. During the construction work, the Contractor shall take precautions to abate dust nuisance by cleaning up, sweeping, sprinkling with water, or other means as necessary to accomplish results satisfactory to the Gateway Water Management Authority representative.

Once construction work is completed, the Contractor will perform plant maintenance activities to ensure the establishment of the plants. In such a case that the plant becomes damaged, dies, or for some reason is not fulfilling its purpose, it is the responsibility of the Contractor to replace or rehabilitate such plants. This maintenance work will be performed for a 90-day period following completion of construction.

## 7-10 PUBLIC CONVENIENCE AND SAFETY

7-10.1 Traffic and Access. The Contractor shall notify the occupants of all affected properties at least 48 hours prior to any temporary obstruction of access. Vehicular access to property line shall be maintained, except as required for construction for a reasonable period of time. No overnight closure of any driveway will be allowed, except as permitted by the Engineer.

At least one 12-foot wide traffic lane shall be provided for each direction of travel on all streets at all times, except as permitted by the Engineer. The traffic lanes shall be maintained on pavement and shall remain unobstructed.

Clearances from traffic lanes shall be 5 feet to the edge of any excavation and 2 feet to the face of any curb, pole, barricade, delineator, or other vertical obstruction.

One 4-foot wide paved pedestrian walkway shall be maintained in the parkway area on one side of each street.

The Contractor shall provide, place and maintain precautionary traffic and construction signs, pedestals, lanterns and painted barricades or provide flagmen in sufficient number to the satisfaction of the Engineer (as defined previously) for adequate traffic control in and on the streets that lead to the

construction area. The construction of asphalt pavement or concrete pavement in the area shall not start until such time that all access to the construction area has been properly barricaded in accordance with the Work Area Traffic Control Handbook (WATCH) and/or California Manual on Uniform Traffic Control Devices for Streets and Highways (California MUTCD) latest edition and Engineer.

Should the Contractor fail to furnish precautionary traffic control devices within one (1) hour after notification by the Gateway Water Management Authority, the Gateway Water Management Authority shall place the necessary items or personnel and the Contractor shall be billed for said items or personnel.

In addition to the above schedule, in the event that services of the Gateway Water Management Authority forces are required for the correction of traffic control conditions during hours other than the normal working hours of the Gateway Water Management Authority, an additional charge of \$30.00 per person per hour so required shall be levied for each occurrence thereof.

At least five (5) working days prior to commencing work, the Contractor shall submit his/her work schedule to the Gateway Water Management Authority for review. Based upon the work schedule, the Contractor shall distribute to the affected residence and business a written notice a minimum of three (3) working days prior to commencing any construction that will affect access to that property. The notice shall include the day written in words and the date when the construction will begin. It shall be the Contractor's responsibility to complete the notification letter with the proper dates at the time of notification. Failure to meet notified schedule requires that the Contractor resubmit notice to residents within two (2) working days of resurfacing the street. The Contractor may use the sample letter or distribute his/her own letter subject to prior approval by the Gateway Water Management Authority.

Requests for changes in the work schedule shall be submitted by the Contractor to the Gateway Water Management Authority for approval at least forty-eight (48) hours prior to the scheduled work of the streets affected.

Along work location, pedestrian traffic shall conform to the (Greenbook) provisions in Section 7-10 and these Provisions. No streets adjacent to the project site shall be closed to traffic at any time. Emergency vehicles shall be permitted to pass through the work area without delay at all times.

**Contractor shall secure and submit to the Gateway Water Management Authority a written authorization from property owner prior to using any lot for material and/or equipment storage and shall bear all costs. No materials are to be stored on City streets or property without the City's written approval.**

7-10.3 Street Closures, Detours, Barricades. Street closures will not be allowed, except as specifically permitted by the Engineer.

The Contractor shall prepare any traffic control or detour plans that may be required as directed by the Engineer.

Lane transitions shall conform to the Caltrans Traffic Manual, Section 5-08.4, "Transition Area."

Temporary traffic channelization shall be accomplished with delineators.

At least 7-working days prior to commencing work, the Contractor shall submit his final construction schedule to the Engineer for approval. This schedule shall allow affected people ample "on-street" parking within a reasonable distance from their homes and businesses. Requests for changes in the schedule shall be submitted by the Contractor to the Engineer for approval at least 48 hours prior to the scheduled operations on the streets affected.

All work shall be scheduled so that all areas are open to traffic between 4 p.m. and 8 a.m. the following day.

Traffic shall be directed through the project with warning signs, cones and flagpersons in a manner that provides maximum safety for traffic and the workers, and the least interruption of the work.

All costs incurred in complying with the above requirements shall be considered as included in the bid price for the various items of work.

#### 7-10.4 Safety

7-10.4.4 Confined Spaces. Delete Subparagraphs (b) and (c) and substitute the following:

- a) Permit-Required Confined Spaces. Entry into permit-required confined spaces as defined in Section 5157, Title 8, CCR, may be required as a part of the Work. All catch basins, manholes, tanks, vaults, or other enclosed or partially enclosed spaces shall be considered permit-required confined spaces until the pre-entry procedures demonstrate otherwise. The Contractor shall implement a permit space program prior to performing any work in a permit-required confined space. A copy of the permit shall be available at all times for review by Contractor and AGENCY personnel at the work site.

- b) Testing for Safe Atmospheric Conditions. The Contractor shall continuously test for safe atmospheric conditions in each catch basin. Testing shall be done immediately prior to removing the manhole cover and continuously thereafter while working in the basin. Testing shall verify that safe atmosphere conditions exist in the catch basin. Gas meters shall test for oxygen deficiency or enrichment, flammable gases, hydrogen sulfide, and carbon monoxide. The Contractor shall test the atmosphere of the catch basins using a gas meter that tests for all four gases simultaneously. Instruments shall be “bump checked” at the start of each day to verify calibration.

Testing instruments are available from:

J.G. Tucker & Son  
600 A Terrace Drive  
San Dimas, CA 91773  
(800) 441-4307

Fisher Scientific  
(800) 772-6733

Lab Safety Supply  
(800) 356-0783

If unsafe readings are indicated, the Contractor shall use a blower to provide continuous ventilation of the catch basin. Entry shall not be made until readings show no hazardous atmospheric conditions exist.

The following is a list of pre-approved companies for confined space training:

KERR Safety Training  
(949) 494-2401

GLOBAL Environmental  
(714) 434-1702

Add the following Subparagraph:

- c) Payment. Payment for implementing, administering, and providing all materials, equipment and personnel to perform the Confined Space Entry Plan (CSEP), including testing at all locations requiring entry into

confined spaces, shall be included in the other item of work and no separate payment thereof.

Failure to comply with the above requirements will constitute noncompliance with the Specifications and result in suspension of contract progress payments.

7-10.5 Protection of the Public. Subsection 7-10.5 is hereby added to Section 7 of the Standard Specifications as follows:

It is part of the service required of the Contractor to make whatever provisions are necessary to protect the public. The Contractor shall use foresight and shall take such steps and precautions as his operations warrant to protect the public from danger, loss of life, or loss of property which would result from interruption or contamination of public water supply, from interruption of other public service, or from the failure of partly completed work or partially removed facilities. Unusual conditions may arise on the work which will require that immediate and unusual provisions be made to protect the public from danger or loss or damage to life and property due directly or indirectly to prosecution of work under this contract.

Whenever, in the opinion of the Engineer, an emergency exists against which the Contractor has not taken sufficient precaution for the public safety, protection of utilities and protection of adjacent structures or property which may be damaged by the Contractor's operations and when, in the opinion of the Engineer, immediate action shall be considered necessary in order to protect the public or property due to the Contractor's operations under this contract, the Engineer will order the Contractor to provide a remedy for the unsafe condition. If the Contractor fails to act on the situation within a reasonable time period, the Engineer may provide suitable protection to said interests by causing such work to be done and material to be furnished as, in the opinion of the Engineer, may seem reasonable and necessary.

The cost and expense of said labor and material, together with the cost and expense of such repairs as are deemed necessary, shall be borne by the Contractor. All expenses incurred by the AGENCY for emergency repairs will be deducted from the progress payments and the final payment due to the Contractor. However, if the AGENCY does not take such remedial measures, the Contractor is not relieved of the full responsibility for public safety.

Temporary "No Parking" signs shall be posted at least 24 hours, but no more than 48 hours, in advance of the work. The signs shall be placed at the location of the catch basin. Signs shall be posted only for the areas necessary to accomplish the work. The Contractor shall provide the signs and will be responsible for adding the dates and hours of closure to the signs, removal of the signs, and furnishing and placing of barricades, if

necessary, for posting of signs. All signs shall be removed within 48 hours after the effective date.

## 7-15 RECYCLING OF MATERIALS

Subsection 7-15 is hereby added to the Standard Specifications.

7-15.1 Contractor's Obligation. Recycling of asphalt concrete, portland cement concrete, aggregate base, and green waste (trees and shrubs) are required. All recycled materials shall be weighed on a certified weigh scale with weight tickets showing project name. RECORDS OF DISPOSAL, INCLUDING WEIGHT OF MATERIALS, SHALL BE SUBMITTED TO THE AGENCY ON A MONTHLY BASIS.

Prior to commencing work, the Contractor shall complete the "Construction and Demolition Waste Reduction and Recycling Plan" form and submit it to the Public Works Department for review and approval. The Contractor will be expected to follow the approved Plan and document results during construction. At the completion of activities, the Contractor shall submit the "Construction and Demolition Waste Reduction and Recycling Report" form to the Public Works Department for review and approval of compliance with the Plans. The above-referenced forms are provided in Appendix IV.

The Contractor is obligated, under this contract, to recycle the waste material through an approved recycling plant.

All existing broken pavement to be removed and other miscellaneous items that interfere with the work shall be removed and disposed of outside the boundaries of the project by the Contractor. No overnight stockpile of debris or waste material is allowed.

**All unsuitable materials to be removed and other miscellaneous items, which interfere with the work, shall be removed and disposed of outside the boundaries of the project by the Contractor.** Contractor shall comply with Waste Discharge Requirements of the National Pollutant Discharge Elimination System (NPDES) Permit for Municipal Storm Water and Urban Runoff Discharges in the County of Los Angeles. Contractor shall use Best Management Practices "B.M.P." to prevent materials from entering the storm drain system and control not to pollute the air.

Payment for recycling of materials shall be included in the unit price for other items of work. No additional payment will be made for recycling of materials.

## SECTION 8 - FACILITIES FOR AGENCY PERSONNEL



No field offices for AGENCY personnel shall be required; however, the AGENCY's personnel shall have the right to enter upon the project at all times and shall be admitted to the offices of the Contractor if so provided by the Contractor for his own personnel.

The contractor shall provide a portable toilet with an attached hand-washing facility to assure health and hygiene for employees at the job site in accordance with relevant provisions of OSHA standards.

## SECTION 9 - MEASUREMENT AND PAYMENT

### 9-3 PAYMENT

9-3.2 Partial and Final Payment. The text of Subsection 9-3.2 of the Standard Specifications is hereby deleted and replaced with the following:

The closure date for the purpose of making partial progress payments will be the last day of each month. The Contractor shall prepare the approximate measurement of the work performed through the closure date and submit it to the AGENCY for approval by the 10th day of the following month.

The contractor and/or subcontractor conducting business in the cities must obtain a business license in each respective city. In the event that a contractor and/or subcontractor fails to obtain a valid business license, in each respective city, the AGENCY will deduct the amount of the required business license fee(s) from the first payment for services.

Payments are commonly authorized and made within 30 days following the 10th day of the month submitted. However, payments will be withheld pending receipt of any outstanding reports required by the Contract Documents. In addition, the final progress payment will not be released until the Contractor returns the control set of Plans and Specifications showing the as-built conditions.

The full 5-percent retention will be deducted from all progress payments. The final retention will be authorized for final payment 35 days after the date of recordation of the Notice of Completion.

The Contractor, however, may receive interest on the retention for the length of construction or receive the retention itself as long as the retention is substituted with escrow holder surety of equal value.

At the request and expense of the Contractor, retained amounts or securities equivalent to the retained amounts may be deposited with the State Treasurer or a State or Federally chartered bank approved by the AGENCY

as the escrow agent, who shall return such monies or securities to the Contractor upon satisfactory completion of the contract.

Securities eligible for investment shall include those listed in Section 16430 of the State Government Code or bank or savings and loan certificates of deposit, interest bearing demand deposit accounts, and standby letters of credit.

Any escrow agreement entered into shall contain the following provisions:

1. The amount of surety to be deposited;
2. The terms and conditions of conversion to cash in case of default of the Contractor; and
3. The termination of the escrow upon completion of the contract.

9-3.2.1 Claims. Procedures for final payment are hereby supplemented by Caltrans' Standard Specifications, Subsection 9-1.07B, Final Payment and Claims, and Subsections 9-1.03C, 9-1.04, and 9-1.09 where they are referenced from as they pertain to Subsection 9-1.07B. References originating in Subsection 9-1.07B to Subsections 4-1.03, 8-1.06, 8-1.07, 9-1.03A, and 8-1.10 shall refer to Subsections 3-4, 6-7, 6-6, 3-3, and 5-5 respectively of the Standard Specifications. Where Director, Deputy Director, District or State are referenced, it shall mean AGENCY.

9-3.2.2 Alternative Dispute Resolution. After submittal of the proposed final estimate to the Contractor, a meeting shall be held promptly between Contractor and AGENCY, attended by the individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of claims arising under or related to performance of the contract.

If, within 30 days after such meeting, the parties have not succeeded in negotiating a resolution of the claims, they will jointly appoint a mutually acceptable neutral person not affiliated with either of the parties (the "neutral"). If they have been unable to agree upon such appointment within 40 days from the initial meeting, the parties shall seek assistance in finding a mutually acceptable neutral. If the parties are unable to agree on a neutral, either party may request that the presiding judge of the Superior Court which would have jurisdiction of the matter if a suit were filed, to appoint the neutral. The fees of the neutral shall be shared equally by the parties.

In consultation with the neutral, the parties will select or devise an alternative dispute resolution procedure ("ADR") by which they will

attempt to resolve the dispute, and, if the parties are unable to agree on such matters within 20 days after the initial consultation with neutral, the procedure, time, and place for the ADR to be held will be decided by the neutral. Unless circumstances require otherwise, the ADR shall be held not later than 60 days after selection of the neutral.

The parties agree to participate in good faith in the ADR to its conclusion as designated by the neutral. If the parties are not successful in resolving the dispute through the ADR, then the parties may agree to submit the matter to binding arbitration, or a private adjudicator, or either party may seek an adjudicated resolution through the appropriate court.

9-3.3 Delivered Materials. Materials and equipment delivered but not incorporated into the work will not be included in the estimate for progress partial payment.

#### SECTION 10 - SPECIAL PROJECT SITE MAINTENANCE AND PUBLIC CONVENIENCE AND SAFETY

Section 10 is hereby added to the Standard Specifications as follows:

Pursuant to the provisions of Section 7-8 and Section 7-10 of the Standard Specifications and these Special Provisions, the Contractor is responsible for project site maintenance and for public convenience and safety. Payment for compliance with these Provisions is considered as included in the prices bid for other contract items.

The AGENCY, however, to maintain good public relations, may deem it necessary to require special project site maintenance and public convenience and safety actions and work to be performed by the Contractor that are over and above those required by the provisions of Section 7-8 and Section 7-10 of the Standard Specifications and these Special Provisions.

These actions and work shall be as directed by the Engineer in writing and payment for compliance therewith shall be on a cost plus basis for extra work per Section 3-3 of the Standard Specifications and applied against the not-to-exceed bid item for Special Project Site Maintenance and Public Convenience and Safety.

SPECIAL PROVISIONS  
PART 2  
CONSTRUCTION MATERIALS

SECTION 200 – ROCK MATERIALS

200-1 ROCK PRODUCTS

200-1.3 Gravel. Gravel for 4" perforated pipe wrap shall be per tree box filter and bio-retention tree box manufacturer's specifications.

200-2 UNTREATED BASE MATERIALS

200-2.1 General. Untreated base shall be crushed aggregate base.

200-2.2 Crushed Aggregate Base.

200-2.2.3 Quality Requirements. The minimum R-value requirement will not be waived.

SECTION 201 - CONCRETE, MORTAR, AND RELATED MATERIALS

201-1 PORTLAND CEMENT CONCRETE

201-1.1 Requirements

201-1.1.1 General. The same brand, type, and source of cement and aggregate shall be used for all portland cement concrete.

201-1.1.2 Concrete Specified by Class.

Concrete for curb and gutter, and sidewalks shall be Class 560-E-3250 with 100mm(4-inch) maximum slump.

Fly ash shall not be used.

201-3 EXPANSION JOINT FILLER AND JOINT SEALANTS

201-3.1 General. Contractor shall submit materials to Engineer for approval.

201-3.4 Sealant shall be Type "A" with Polyethylene foam filler. Submit two samples to the Engineer for approval.

201-4 CONCRETE CURING MATERIALS

#### 201-4.1 Membrane Curing Compounds

201-4.1.1 General. Concrete curing compound shall be Type 1-D.

### SECTION 212 - LANDSCAPE AND IRRIGATION MATERIALS

#### 212-1 LANDSCAPE MATERIALS

##### 212-1.1 Topsoil.

Topsoil shall be Class A.

All Class A topsoil shall be tested for agricultural suitability. The test results from samples taken at the source shall be delivered to the Engineer at least 10-working days prior to anticipated delivery date to the site. Should the proposed source material be unsatisfactory, the Contractor shall locate a suitable material, and shall pay all additional costs for testing.

Soil for tree well backfill shall be Class A Topsoil with the following restrictions: Gradation limits shall be 85 percent through 95 percent sand, maximum 10 percent silt, maximum 5 percent clay. The permeability rate shall be not less than 38mm (1½") per hour and no greater than 75mm (3") per hour.

##### 212-1.2 Soils Fertilizing and Conditioning Materials

###### General

Composted organic humus shall be tested by the soils testing laboratory prior to being used.

Nitrogen stabilized sawdust shall be derived from redwood or fir and shall be granular in nature, stabilized with nitrogen and shall have a minimum organic content of 90% by weight, particle size with 95 to 100% passing 2.33 mm standard sieve, 0.5% nitrogen, 1.75 salinity, iron content minimum 0.08% dilute acid soluble Fe (dry weight), ash 0 to 6% (dry weight), pH of 5.5 to 6.0.

Sand shall be fine, clean and natural, free from deleterious material, weed seed, clay balls, or rock with minimum 95% passing a No.4 sieve and maximum of 10% passing a No.100 sieve.

Gypsum shall be agricultural grade with 90% minimum calcium sulfate.

Fertilizer shall be commercially mixed and packaged pelleted or granular form N-P-K blend with micronutrients as recommended by an approved soils report.

Dolomite lime shall be agricultural grade with 35% minimum magnesium carbonate and 49% minimum calcium carbonate with 100% passing a No. 65 sieve.

#### 212-1.2.3 Commercial Fertilizer.

Commercial fertilizer shall be 12-12-12 NPK.

Planting tablets shall be tightly compressed, long-lasting, slow-release fertilizer tablets weighing 21 grams, with a potential acidity of not more than 5 percent by weight and having an analysis of 20-10-5.

Humate shall be TRI-C humate or premium humate available from TRI-C Enterprises. Contact Marilyn Chambers at 1-800-927-3311.

#### 212-1.2.4 Organic Soil Amendment.

Organic soil amendment shall be Type 1.

The organic amendment shall be a high quality, composed or natural organic with an  $EC < 2.0 \text{ dSm}^{-1}$ . The amendments shall be composted to a C:N ratio of 12:1 maximally, or additional nitrogen provided during incorporation. The compost shall be sampled and analyzed by a lab before being incorporated.

#### 212-1.2.5 Mulch.

Mulch shall be Type 5 graded fir Nitrolized wood chips, 1 inch to 3 inch in size by 3/8 inch to 5/8 inch in diameter.

#### 212-1.2.6 Add New Section 212-1.2.6 Soil Conditioner:

##### 212-1.2.6 Soil Conditioners.

Iron Sulfate. Iron sulfate shall be ferric sulfate or ferrous sulfate in pelleted or granular form, containing not less than 18.5 percent iron expressed as metallic iron and shall be registered as an agricultural mineral with the State Department of Agriculture in compliance with Article 2, "Fertilizing Materials," Section 1030 of the Agricultural Code.

#### 212-1.4 Plants.

##### 212-1.4.1 General. Add:

Varieties shall be as shown on the drawings.

All quantities shall be verified by an actual count on the drawings.

Plants, including trees, shrubs, and groundcovers, shall have been grown in nurseries inspected by the State Department of Agriculture.

Inspection and approval of plants is required. Engineer may reject entire lot of plants represented by defective samples. Plants not approved are to be removed from site immediately and replaced with suitable plants. All plants will be inspected on site of work prior to installation.

All shrubs, groundcovers, vines, and planting material shall be inspected and approved by the engineer, via photo submittals, prior to delivery to the site. Photo submittal shall include nursery/supplier information and date. Any material delivered to the site without prior approval is subjected for rejection. Photo submittals shall be sent to the engineer a minimum of 72 hours prior to shipment of material. Submittals should include some type of scale reference in photo (e.g. person, measuring tape, etc.). Engineer shall be notified of scheduled nursery delivery times a minimum of 24 hours prior to shipment. Refer to planting specifications for additional requirements regarding quality of nursery stocks.

#### 212-1.4.2 Trees. Add:

- (a) Contractor Furnished Trees: All trees not noted as "Agency-Furnished" or "City-Furnished" shall be selected by the Contractor and inspected by the Engineer. All trees of 24-inch (600mm) box size or larger shall be inspected at the nursery. Inspections at no cost to the Contractor will be limited to three nurseries, all within a 30-mile (48Km) radius of the site of work. Additional inspections and inspections out of the area will be charged to the Contractor at the Engineer's standard billing rate in effect at the date of bid, plus mileage costs, and will be deducted from payments due to the Contractor.
- (b) All trees of 24-inch size or larger shall be guaranteed for 1 year. Guarantee period shall start on the date the Contractor is relieved of landscape maintenance responsibility.

#### 212-1.5 Headers, Stakes and Ties.

212-1.5.3 Tree Stakes. Stakes shall be round, 10-feet (3m) long, conically pointed at one end, minimum 2-inch (50mm) diameter.

Stake material shall be Lodgepole pine, pressure treated with wood preservative.

Add new Section 212-1.5.4 Tree Ties.

Tree ties shall be rubber cinch ties by V.I.T. products (800) 729-1314 or fabricated item approved by the Engineer. Wire devices shall not be used.

Add new Section 212-1.7 Landscape Materials.

212-1.7.1 Filter Cloth. Filter cloth shall be a geo-textile fabric, Type 90N as specified in Table 213-2.2 (A), or TenCate Mirafi S-Series, Trevira Spunbond 1115, or equal.

212-1.7.3 Root Control Barrier. (Refer to Section 308-3.1.2) Root control barrier shall be 24-inches (600mm) wide by 0.080-inches (2mm) thick high impact polyethylene or polypropylene sheeting with reinforced double top edge, manufactured for root barrier purposes.

Sheeting shall have integrally molded root deflector ribbing and integrally molded joiner strips.

212-1.7.4 Samples. Within 15 calendar days of award of contract, submit one 24-inch by 24-inch (600mm x 600mm) sample of each item with joining strip or seam and two copies of manufacturer's technical data for approval.



SPECIAL PROVISIONS  
PART 3  
CONSTRUCTION METHODS

SECTION 300 - EARTHWORK

300-1 CLEARING AND GRUBBING

300-1.1 General. Add:

Demolition and removal of irrigation equipment, turf, footing, tree removal, and such other items not mentioned that are required by the Plans and Specifications, shall be considered included in clearing and grubbing.

Sawcut, removal and disposal of existing concrete sidewalk, AC ramps, pavement, concrete driveways, curb and gutter, concrete ramps, base, landscape and hardscape within the project site and as shown on the plan or directed by the Engineer. Concrete removals shall extend to the nearest saw cut line or expansion joint for a clean edge to place new work. Saw cutting shall be done with a double saw cut to avoid chipping or breaking existing concrete to remain in place. Contractor shall pay for removal and reconstruction of concrete to remain intact that is damaged or chipped.

Maintaining dust control at all times by watering.

Removal and disposal of any additional items not specifically mentioned herein, which may be found within the work limits or are shown on the plans to be removed.

Removal and disposal of unnamed concrete improvements.

Restoration and cleanup of the site.

Removal of fencing and foundation complete. Salvage fencing as instructed by the Engineer.

All excess excavated materials, shall be disposed of offsite in a legal manner at no additional costs to the Agency.

All obstructions within project limits shall be removed to a minimum of 12-inches below subgrade.

Soil backfill for holes caused by the removal of the existing structures foundations shall be filled with selected site soils and recompactd in 6-inch layers to the density of 90-percent relative compaction.

Tree removal shall include grinding stumps and associated roots to the diameter of the trunk at existing grade and to 3-foot depth below existing grade. Grindings shall be removed from this 3-foot hole. The hole shall then be filled with Class A topsoil and compacted to 90-percent relative compaction.

All equipment and facilities shown on the Plans to be salvaged, removed and stockpiled, adjusted, and/or relocated shall be measured, marked, and identified in the field.

All existing site furnishing, e.g.: bus bench and trash receptacle, shall be removed, temporarily stored and reinstalled after the construction of new sidewalk has been completed. Verify exact locations with engineer prior to re-installation of site furnishing.

Contractor shall note the locations, dimensions, and configurations of all existing equipment to be salvaged, and shall clearly mark or tag all equipment to be reused in the field prior to removal to facilitate reassembly; Contractor shall notify Engineer of any damaged or non-salvageable materials **prior** to commencing any removal or grading operations. Materials found to be damaged after the work commences shall be assumed to be the responsibility of the Contractor. Contractor will not be paid for the replacement or repair of facilities or equipment believed by the Engineer to be damaged after the work commences.

Contractor shall replace designated, unusable existing facilities and equipment, in kind, at the direction of the Engineer.

The application of herbicide to kill turf and weeds, shall be per manufacturers' recommendations, including roots; and the removal and disposal of soil and turf offsite, and such other items not mentioned that are required by the Plans and Specifications, are part of the work in this section.

All existing turf in the area designated for replacement shall be stripped, removed, and disposed of offsite in a legal manner.

The last paragraph of Subsection 300-1.1 is hereby deleted and replaced with the following:

Tree branches which hang within 13.5 feet above finished roadway grade or within 9 feet above finished sidewalk or parkway grade shall be removed to the branch collar in accordance with the current pruning standards of the International Society of Arboriculture (ISA). The Contractor shall remove

additional tree branches, under the direction of the Engineer, in such a manner that the tree will present a balanced appearance. No paint or tree sealant shall be applied to the resulting scars. All pruning shall be done under the supervision of an ISA Certified Arborist in the Contractor's employ.

The following is hereby added to Subsection 300-1.1:

All the root pruning required to place or replace walks, or other permanent facilities shall be limited to the minimum amount necessary to set forms.

All roots 2 inches and larger shall be cut with sharp tool such as axe or chainsaw. No roots shall be broken off by trenching or other heavy equipment.

No root shall be removed within five (5) diameters of the tree trunk measured at 4 feet, 9 inches above grade without the express written permission of the City. Any such root removed without the City's written permission may create a hazardous condition for which the Contractor shall be liable.

Should the Contractor create a hazardous condition in the sole judgment of the Engineer the Contractor shall remove the tree and replace it with a specimen of the same species and value at the Contractor's expense.

All significant root pruning (3 inch diameter and larger) shall be performed under the direct supervision of an ISA Certified Arborist in the Contractor's employ.

Delete the last paragraph of this section and replace it with the following:

#### 300-1.1.3 Tree Removal and Salvage

All other trees to be removed are considered to the property of the Contractor. Trees to be destroyed shall be recycled as green waste.

#### 300-1.1.4 Protection of Existing Trees to remain.

All trees to remain in place within the limits of work shall be protected from damage by workmen, equipment, and operations. Insofar as prosecution of the work allows, following removal of surrounding pavements, etc., the root area beneath the tree drip line shall be protected from damage, including compaction. Protection shall include temporary fencing, barricades, etc. Warning tape will not be considered sufficient.

### 300-1.2 Preservation of Property

Add the following subsection:

#### 300-1.2.1 Repair / Modification of Existing Property Improvements

- (a) Lawn. The Contractor shall resod in accordance with 308-4.8.3 areas where turf is removed for construction. Thickness and type of sod shall match removed lawn.
- (b) Private Sprinklers and Improvements. The Contractor shall coordinate work with adjacent property owners. The Contractor shall test and document the condition of existing improvements before beginning required removals or excavation. The Contractor shall restore private improvements to documented conditions after completing adjacent work.
- (c) Miscellaneous Private Property Improvement: Existing private property improvements such as new fencing that is to Code, landscape curbing, wall repair and other improvements not listed that may need to be made as a part of the project. This item will be negotiated as work is done for each property. Contractor shall be responsible to protect all existing improvements in place and free from damage. This item will cover work to be completed as instructed by the Engineer. PLEASE NOTE: This section may not be applicable to all member cities.
- (d) Existing Private Property Fencing and Gates. Existing private property fencing and/or gates will require relocation to accommodate the new alignment of the sidewalk. Contractor shall remove fencing intact, remove existing footings, repair landscaping (sod and/or grass and/or plants) and reinstall fencing with footings, fencing and gates as needed.

If fencing is damaged by contractor, contractor shall, at his sole expense replace the fencing to the satisfaction of the ENGINEER. IF the fencing is in a deteriorated state such that preservation of the fencing is not practical, allowances will be provided to replace the fence to a similar type.

### 300-1.3 Removal and Disposal of Materials

300-1.3.2 Requirements. The text of Subsection 300-1.3.2(a), (b) and (c) of the Standard Specifications is hereby deleted.

### 300-1.4 Payment. Note the following:

Payment for clearing, grubbing, demolition and removals, tree removal, turf eradication and items not mentioned but are part of demolition and removals shall be at the contract bid lump-sum price for clearing and grubbing, and no additional compensation will be made therefor.

Payment for miscellaneous private property improvements will be a budgeted lump sum amount to cover all costs associated with the improvements. The budget is a time and materials not to exceed amount with no additional increases related to additional work unless the budget is exceeded. The payment shall be considered full compensation for all labor, materials, tools and equipment necessary to perform all the work complete as specified herein.

Payment for removal and relocating existing fence and gates shall be per lineal foot as measured for the location of the new fence. The payment shall be considered full compensation for all labor, materials, tools and equipment necessary to perform all the work complete as specified herein.

## 300-2 UNCLASSIFIED EXCAVATION

### 300-2.1 General. Add the following:

Excavation and stock piling of selected materials shall be in accordance with these Specifications.

Unclassified excavation shall consist of all excavation, including concrete pavement, footings, and AC pavement, and items not mentioned but are part of demolition and removals.

300-2.1.1 Requirements. Subsection 300-2.1.1 is hereby added to Section 300 of the Standard Specifications as follows:

- A) Concrete Pavement, Gutter, Driveways. Concrete pavement shall be removed to neatly sawed edges. Saw cuts shall be made to full depth of adjacent slab. If a saw cut in concrete pavement falls within 3 feet (0.9m) of a construction joint, cold joint, expansion joint, or edge, the concrete shall be removed to the joint or edge or as indicated on drawings. The edges of existing concrete pavement adjacent to trenches, where damaged subsequent to saw cutting of the pavement, shall again be saw cut to neat straight lines for the purpose of removing the damaged pavement areas. Such saw cuts shall be either parallel to the original saw cuts or shall be cut on an angle which departs from the original saw cut not more than 1 inch (25mm) in each 6 inches (150mm).
- B) Concrete sidewalk, access ramp, or driveway to be removed shall be neatly sawed in straight lines either parallel to the curb or at right angles to the alignment of the sidewalk. No section to be replaced shall be smaller than 30 inches (750 mm) in either length or width. If the saw cut in sidewalk or

driveway would fall within 30 inches (750 mm) of a construction joint, expansion joint, or edge, the concrete shall be removed to the joint or edge, except that where the saw cut would fall within 12 inches (300 m) of a score mark, the saw cut shall be made in and along the score mark. Curb and gutter shall be sawed to the full depth on a neat line at right angles to the curb face.

- C) Bituminous Pavement. Bituminous pavement shall be removed to neatly sawed edges. Saw cuts shall be to full depth of adjacent slab. Where only the surface of existing bituminous pavement is to be removed, the method of removal shall be approved by the Engineer, and a minimum laying depth of 1 inch (25mm) of new pavement material shall be provided at the join line. Where bituminous pavement adjoins a trench, the edges adjacent to the trench shall be saw cut to a neat straight line before resurfacing to ensure that all areas to be resurfaced are accessible to the rollers used to compact the subgrade or paving materials.

300-2.7 Selected Material. The text of Subsection 300-2.7 of the Standard Specifications is hereby deleted and replaced with the following:

Selected materials encountered in the excavations within the project limits that meet the specifications for base material, trench bedding or backfill, topsoil, or other specified materials shall be used as shown on the Plans, in the Specifications, or as directed by the Engineer. Topsoil excavated may be considered only for the purpose of backfilling areas to be planted.

300-2.9 Payment. The text of Subsection 300-2.9 of the Standard Specifications is hereby deleted and replaced with the following:

Full compensation for all unclassified excavation shall be considered included in those items of work, and no additional compensation will be allowed.

#### 300-4 UNCLASSIFIED FILL

300-4.1 General. Add the following:

The site shall be graded to the limit lines and elevations shown on the drawings with such allowances as may be required for the construction of walks, and other site improvements. Tolerance for rough grading is 1/10th of a foot, plus or minus, at drainage swales, adjacent property grates, and paved areas. At other areas, appearance shall be the governing factor.

Finish grades shall slope to drain without water pockets or irregularities and shall conform to the intent of all plans and sections, after thorough settlement, and compaction of the soil. Finished grades shall meet all existing or established controls of sidewalks, curbs, and walls and shall be of uniform slope and grade between points of fixed elevations or elevation controls from such point to established grades. Tolerance for finish grading is ¼ inch, plus or minus.

300-4.1 General. Delete the second and third paragraphs and replace with the following:

Rocks, broken concrete, or other solid materials which are larger than 1 inch in greatest dimension shall not be placed in fill areas that are to be planted.

Clods or hard lumps of earth 1 inch or more in greatest dimension shall be broken up before compacting the material in fill areas to be planted. Fill material containing large rocks, boulders, or hard lumps (such as hardpan or cemented gravel which cannot be broken readily) over 12 inches in greatest dimension shall not be incorporated in the fill. Such materials shall be removed from the site.

Selected material from the site that meets the requirements for Class C topsoil may be used in landscaped areas in the upper 12 inches of fill. (Ref: Sec. 300-2.7) or as make-up fill material underneath hardscape paving.

Make-up fill material in landscaped areas shall be Class A topsoil for the upper 12 inches of fill. (Ref: Sec 308-2)

300-4.9 Measurement and Payment.

Add the following:

Payment for unclassified fill shall be considered included in those items of work, and no separate compensation will be allowed.

Payment for subgrade preparation required for PCC walks, AC pavement, and wall construction shall be considered included in those items of work, and no separate payment will be made therefor.

## SECTION 301 - TREATED SOILS, SUBGRADE PREPARATION, AND PLACEMENT OF BASE MATERIALS

### 301-1 SUBGRADE PREPARATION

The preparation of the subgrade prior to placement of concrete sidewalk, curb and gutter, bioretention tree wells and tree box filters, and concrete ramps shall be performed in accordance with Section 301-1, of the Standard Specification.

Subgrade shall be scarified and cultivated. Subgrade shall be re-compacted to a firm and unyielding condition prior to placement of concrete.

301-1.3 Relative Compaction. The first paragraph of Subsection 301-1.3 of the Standard Specifications is hereby deleted and replaced with the following:

When pavement is to be placed directly on subgrade material or when base or subbase material, curb, driveway, or sidewalks are to be placed on the subgrade material, the top 6 inches of such subgrade material shall be excavated and recompact to a relative compaction of 95 percent.

## 301-2 UNTREATED BASE

301-2.4 Measurement and Payment. Crushed Aggregate Base shall be included in the price of various items of work involved, and no separate payment shall be made therefor.

## 303-5 CONCRETE CURBS, WALKS, GUTTERS, AND CROSS GUTTERS,

Concrete curb and gutter will include the curb and gutter for all driveways; and curb and gutter extensions and aprons.

### 303-5.1 Requirements.

303-5.1.1 General. Concrete areas behind sidewalks, driveways and right-of-way shall be considered as walks.

### 303-5.4 Joints.

303-5.4.1 General. Add: Tooled Joints, Cold Joints, and Expansion Joints shall follow the patterns shown on the Plans. Where no pattern is shown, joint intervals shall be spaced equally, and shall not exceed the width of the walk.

303-5.4.2 Expansion Joints. Add: Expansion joints shall be placed against all walls and structures, and around all penetrations of walk, such as posts, poles, or equipment foundations. In non-reinforced slabs, exceeding 8 feet in width, expansion joints shall be placed at a minimum in the longitudinal centerline, and regularly spaced at intervals not exceeding the width of the slab.

303-5.6 Curing. The first paragraph of Subsection 303-5.6 of the Standard Specifications is hereby deleted and replaced with the following:



Immediately after finishing operations are complete, Type 1-D concrete-curing compound shall be applied at a rate of one gallon per 150 square feet.

#### 303-5.9 Measurement and Payment

Payment for 4-inch thick PCC sidewalk shall each be at the contract bid unit price per square foot for construction, including expansion joint and joint filler, removals, soil excavation and disposal, steel reinforcement, compaction, subgrade preparation, and no other payment shall be made therefor.

Payment for PCC curb and gutter shall be at the contract bid unit price per linear foot for construction, including expansion joint and filler, soil excavation and disposal, compaction, subgrade preparation, AC pavement removal and replacement, and no other payment shall be made therefor.

### SECTION 306 - UNDERGROUND CONDUIT CONSTRUCTION

#### 306-1 OPEN TRENCH OPERATIONS

##### 306-1.1 Trench Excavation

###### 306-1.1.1 General. Add the following:

Where conduit is to be placed within the drip line of existing trees, the following conditions apply:

- A. When the trench excavation is outside five (5) diameters of the tree trunk measured at 1.5 m (4 feet, 9 inches) above grade, the provisions of Section 300-1.1 apply
- B. When the trench excavation is to encroach within five (5) diameters of the tree trunk measured at 1.5 m (4 feet, 9 inches) above grade, the excavation in the vicinity of tree roots shall be by hand, air jet, or water jet to expose affected roots. Conduit shall be placed beneath the structural tree roots (all roots 2-inches or larger). No structural root shall be cut without the express written permission of the Engineer. Any such cutting shall comply with the provisions of Section 300-1.1.

### SECTION 308 - LANDSCAPE AND IRRIGATION INSTALLATION

#### 308-1 GENERAL

Landscape shall conform to Section 212 and 308 of the Standard Specifications. Undergrowth vegetation or grass replacement shall match existing. Landscape shall be completed within ten (10) days after the completion of concrete work and before the expiration of the contract time.

Irrigation systems that require modification to accommodate new construction will be done so at the direction of the Engineer. All work to restore irrigation systems is included herein, complete.

All existing lawn and landscape areas disturbed by the Contractor as part of or as a result of the work shall be prepared and resodded and/or replanted in kind, except as otherwise designated in the Plans. Existing irrigation systems shall be repaired and restored to operating condition to the satisfaction of the Engineer.

Contractor shall field verify with Engineer exact location of all irrigation components such as, but not limited to, valves, sprinkler heads, piping, etc., prior to start of construction. All irrigation components shall be protected in place. However, where there are conflicts with new sidewalks, the water supply lines, valves, and sprinkler heads shall be modified and adjusted to grade or relocated, as necessary. The reinstallation of irrigation components shall be performed in the same manner in which they were originally installed.

Contractor shall not have the existing irrigation system inoperable for more than 48 hours continuously.

CONSTRUCTION OF BIO-RETENTION TREE WELL: Bio-retention tree well will be installed/constructed at locations where existing trees are removed and a new tree is planted. Components to be included in this item are the following:

A. Removals

- saw cutting AC paving and concrete,
- curb and gutter (use 15 LF),
- AC paving (use 45 sf),
- excavate existing earth to a depth of 4 feet (assume 5 cy),

B. Install/Construct

- curb and gutter (8 LF),
- curb only per APWA Std. Plan No. 120-2, A1-6 (150, 14 LF),
- 4" PVC perforated pipe surrounded by 6 inches of gravel wrapped by geo-synthetic fabric (6 LF),
- furnish and install new tree per item 13 (24 gallon Podocarpus Henkeleii),
- 4 inch curb along pedestrian edges (10 LF),

- bio-retention basin surrounding tree (soil and mulch),
- furnish and install grate cover for inlet and outlet (galvanized metal),
- place AC paving (full depth of existing, PG64-10).

All locations will be constructed in a manner to allow dry weather flows or rain water to flow into bio-retention area and flow out to the existing curb and gutter. Tree wells are anticipated to be 5 feet by 5 feet and will protrude into the street roadway at a 45 degree angle.

Contractor shall remove trees in accordance with City standards and codes that work is being conducted in. Work will be done in safe and courteous manner. Contractor shall post no parking a minimum of two days prior to the scheduled tree removal date. Tree and stump will be removed complete. Contractor shall dispose of tree and grindings in a proper manner. Stump removal is defined for the purpose of these specifications as the grinding of stumps and surface roots, removal of grindings, filling of stump hole with Class A topsoil, and fine raking.

The Contractor shall utilize sod approved by the ENGINEER. Sod type variety shall watch adjacent lawn.

The Contractor shall fine rake the sodded area so as to result in a smooth level surface.

Stump hole filling shall be completely performed by the Contractor, as specified here, within 24 hours following stump grinding.

CONSTRUCTION OF TREE BOX FILTERS: Contractor shall construct tree box filters in accordance with the plans as shown in the Appendix.

CONTRACTOR must submit plans to the selected proprietary vendor (Filterra Unit or equivalent as approved by the contracting agency).

All locations will be constructed in a manner to allow dry weather flows or rain water to flow into filter area and flow out to the existing curb and gutter.

## 308-2 EARTHWORK AND TOPSOIL PLACEMENT

### 308-2.3 Topsoil Preparation and Conditioning

#### 308-2.3.1 General. Add the following:

After Class A topsoil has been placed and prior to amendment, the topsoil will be sampled and tested by the Contractor to assure compliance with the Specifications and approved testing source. Supplemental tests may be made to assure compliance with

amendment and fertilization specifications. All costs associated with testing shall be borne by the Contractor.

308-2.3.2 Fertilizing and Conditioning Procedures. Add the following:

The topsoil shall be amended as recommended by the testing laboratory. Should the amendment recommendations furnished by the laboratory exceed those required by the bidding documents, the laboratory recommendations shall be applied at no additional cost to the Agency.

Incorporate into the top 150mm (6") of the soil, using a mechanical tiller, tilling in two separate directions the following materials, in all areas to be planted:

Material	Rate per 1000 Sq. Ft.
Type I Amendment	(3 cubic yards)
Commercial Fertilizer	(10 pounds)
Agricultural Gypsum	(100 pounds)

### 308-3 HEADER INSTALLATION

Add new Section 308-3.1 ROOT CONTROL BARRIER INSTALLATION

308-3.1.2 Root Control Barrier Installation. Install root control barrier in all tree wells to form a continuous barrier at the perimeter. Install and join sections in strict accordance with manufacturer's printed instructions.

### 308-4 PLANTING

308-4.1 General. Add the following:

The Contractor is responsible to schedule tree deliveries. Daily deliveries shall not exceed the Contractor's capability to place delivered trees on site unless the Contractor has provided adequate off-site storage space. All charges for extra handling shall be borne by the Contractor.

The Contractor shall provide off-loading and placing equipment of adequate capacity to safely handle the furnished trees.

308-4.3 Layout and Plant Location. Delete the first paragraph and replace with the following:

"The Contractor shall layout all planting areas for the Engineer's approval prior to planting."

308-4.5 Trees and Shrub Planting. Delete the fourth paragraph of Subsection 308-4.5 of the Standard Specifications and replace it with the following:

All planting holes, unless otherwise specified in manufacturer's specifications, shall be backfilled with a prepared backfill mix consisting of the following:

Material	Rate per cubic yard
Topsoil	1.0 CY
Soil Amendment	0.25 CY
Iron Sulfate	2 lbs.
Commercial Fertilizer	1 lb.

Insert planting tablets in the manner and of the number specified by the manufacturer in its printed instructions.

308-4.10 Mulch.

308-4.10.1 Installation. Following acceptance of plant material installation, apply even layer of mulch, 2-inches (50mm) thick, over all areas shown as planting areas and tree wells on the Plans, except lawn areas. The mulch blanket inside watering basins shall be 2 inches (50mm) thick. Taper thickness of mulch to meet pavement 15mm (½") minimum below the finished surface of pavement. Keep mulch 6 inches away from tree and shrub root crown.

## 308-6 MAINTENANCE AND PLANT ESTABLISHMENT

308-6.1 General.

The entire project shall be satisfactorily maintained, commencing from the time that all items of work have been completed as specified in the foregoing articles of these Special Provisions and to the satisfaction of the Engineer, and continuing through the plant establishment period and the landscape maintenance period until final acceptance of the project.

Project maintenance work shall consist of:

Project maintenance work shall consist of applying water (except initial watering of plants), weeding, caring for plants, sweeping walks, litter pickup, and performing all general project maintenance.

#### 308-6.2 Plant Establishment Period.

The plant establishment period shall be 30-calendar days, commencing upon written approval of the installation, and shall be part of the contract time for the project.

The plant establishment period shall end upon written authorization of the Engineer.

#### 308-6.3 Landscape Maintenance Period.

The landscape maintenance period shall be a minimum of 90 calendar days, commencing upon written authorization from the Engineer. This period shall not start until all construction work is complete, including the plant establishment period.

#### 308-6.4 Plant Establishment and Landscape Maintenance Requirements.

308-6.4.1 General. In order to carry out the work, the Contractor shall maintain a sufficient number of men and adequate equipment to perform the work herein specified from the time any planting is done until the final approval.

If at any time the Contractor is not performing maintenance work in the opinion of the Engineer, maintenance period shall be suspended and not restarted until all deficiencies have been corrected to the satisfaction of the Engineer. No payments will be made for work required during the suspended period and the period shall be extended by the length of time of the suspension.

All plants and planted areas shall be kept well-watered and kept well weed-free at all times. Weeds shall be removed and disposed of off the site.

The Contractor shall be responsible for detecting diseases and pests as soon as their presence is manifested. He shall take immediate action to identify the disease and/or pest and apply such remedies as are necessary to control the infestation. He shall remove all rodents, taking control measures immediately upon discovery.

Apply commercial fertilizer on all planted areas as required to sustain growth. The Engineer shall be notified at least 2 days before starting this operation.

Damage to planting areas shall be repaired immediately.

#### 308-6.4.3 Trees, Shrubs and Groundcovers.

No pruning shall be performed by the Contractor unless directed in writing by the Engineer. The Agency's Certified Arborist must be present for any attempted pruning operations. Seventy-two (72) hours prior notice to the Agency is required before commencing pruning operations.

ANY TREES PRUNED WITHOUT PERMISSION OR IN A FASHION UNACCEPTABLE TO THE AGENCY SHALL BE REPLACED IN KIND AND SIZE BY THE CONTRACTOR AT NO ADDITIONAL COST TO THE AGENCY.

If pruning is permitted by the Engineer:

- All trees and shrubs shall be pruned to maintain natural structure. Clipping into formal shapes such as boxes and balls will not be allowed unless such is specified in the design.
- Young trees shall be pruned to select and develop permanent scaffold branches; to remove overlapping and rubbing limbs; to eliminate narrow crotches; and to maintain growth within space limitations. All cuts shall be made to lateral branches, or buds, or flush with branch bark collar. Side pruning of young trees, stubbing or heading back will not be permitted.
- Evergreen trees shall not be pruned, except under the direction of the Engineer.
- The objectives of shrub pruning are the same as for trees.

Groundcovers shall be edged and trimmed to keep in bounds and to achieve an overall even appearance. Keep ground cover 12-inches (300mm) clear of the base of shrubs, and clear of low branches.

308-6.4.4 Replacement of plants. All plants that show signs of failure to grow at any time during the life of the contract or those plants so injured or damaged from any cause, including vandalism, as to render them unsuitable for the purpose intended shall be immediately replaced in kind and size at the expense of the Contractor.

308-6.4.5 Inspections. A written notice requesting an inspection should be submitted to the Engineer at least 48 hours prior to the anticipated date.

Prior to inspection, the site must be thoroughly cleaned up and all excess material and debris removed.

Prior to start of and at the end of the plant establishment and landscape maintenance periods, the Contractor will be required to have a complete inspection and approval of all landscape construction items.

An inspection shall be scheduled at 30-calendar day intervals during the landscape maintenance period.

#### 308-6.5 GUARANTEE

Close Out. The irrigation system shall be ready for complete automatic operation to the satisfaction of the Engineer. Contractor shall provide all appurtenances, devices, record documents, and manufacturers' literature necessary to operate and maintain the system, and guarantees, in writing.

#### 308-7 PAYMENT

Add the following:

Payment for Landscape Planting and Irrigation System shall be as follows:

- (a) Landscape Planting: Payment for Landscape Planting shall be at the contract bid lump sum price for furnishing and installing complete per plan and specifications, and no additional payment thereof. In addition, payment shall include, but not limited to inspections, soil testing, submittals, record drawings, root barriers, topsoil, amendments, soil preparation, moisture barrier, weed control, fine grading, sidewalk removal, top dress shredded wood mulch, and any other miscellaneous costs items required for the installation of landscape planting as shown on the plans and specifications and no additional payment will be made therefor.
- (b) Irrigation System Modification: Payment for irrigation system modifications shall be at the contract bid lump-sum price, and shall include all costs for furnishing and installing a complete operating system, including lowering and/or raising and relocating existing valve boxes and valves, water supply and lateral lines and sprinkler heads; adjusting control wire servicing the valve; adjusting control wires to controller, lateral pipes, and splice boxes; sleeving, cutting and capping existing water supply and lateral lines to



accommodate the new alignment; salvage irrigation controller and re-install; removing and/or abandoning irrigation equipment, conduit, boring under curbs, trenching for sleeving, and trenching for lateral pipe; backfilling, AC and PCC pavement removal and replacement, and all appurtenant devices and work, and no additional compensation will be made therefor.

- (c) Construction of bio-retention tree well: Payment for construction of the bio-retention tree well shall be per each installation. The payment shall be considered full compensation for all labor, materials, tools and equipment necessary to perform all the work complete as specified herein.
- (d) Construction of tree box filter: Payment for construction of the tree box filter shall be per each installation. The payment shall be considered full compensation for all labor, materials, tools and equipment necessary to perform all the work complete as specified herein.
- (e) Removal of existing trees: Payment for the removal of existing trees shall be per each tree removed. The payment shall be considered full compensation for all labor, materials, applicable fees, tools and equipment necessary to perform all the work for establishing the centerline ties and submission of the County recorded survey data to the Gateway Water Management Authority as specified herein.
- (f) Landscape Maintenance Period: Payment shall be at the contract lump-sum bid price, and shall include all costs of labor, materials, equipment, tools, and appurtenances to maintain the landscape planting and irrigation system.

All costs for testing, record drawings, and other miscellaneous costs shall be distributed among the various items, and no additional payment will be made therefor.

### SECTION 313 – PORTABLE CHANGEABLE MESSAGE SIGN

The following section is hereby added to the Standard Specifications:

1. Portable changeable message sign shall be solar powered with auxiliary gasoline power.
2. Each portable changeable message sign unit shall consist of a controller unit, a power supply and a structural support system, all mounted on a trailer. The unit shall be assembled to form a complete self-contained portable changeable message sign which can be delivered to the site of the work and placed in immediate operation. The complete message sign unit shall be capable of operating in an ambient air temperature range of -4°F to 158°F and shall not be affected by unauthorized mobile radio transmissions. The trailer shall be equipped so that it can be leveled and plumbed.

3. The message displayed on the sign shall be visible from a distance of 1,500 feet and shall be legible from a distance of 750 feet, at noon on a cloudless day, by persons with vision of or corrected to 20/20. The sign panel shall be 3-line matrix and shall display not less than 7 characters per line. Sign messages to be displayed shall be as approved by the Engineer.
4. The sign face shall be flat black and shall be protected from glare of the sun by a method which does not interfere with the clarity of the sign message. The sign shall be raised and lowered by means of a power driven lifting mechanism.
5. The matrix sign shall be capable of complete alphanumeric selection.
6. Lamp matrix type signs shall be equipped with an automatic dimming operational mode that automatically compensates for the influence of a temporary light source or other abnormal lighting conditions. The sign shall have manual dimming operation modes of 3 or more different lamp intensities.
7. Matrix signs not utilizing lamps shall be either internally or externally illuminated at night.
8. The controller shall be an all solid-state unit containing all the necessary circuitry for the storage of at least 5 preprogrammed messages. The controller shall be installed in a location allowing the operator to perform all functions from one position. A keyboard entry system shall be provided to allow an operator to generate an infinite number of additional messages over the preprogrammed stored messages. The keyboard shall be equipped with a security lockout feature to prevent unauthorized use of the controller.
9. The controller shall contain a nonvolatile memory to hold the keyboard created messages in memory during periods when the power is not activated. The controller shall provide for a variable message display rate which allows the operator to match the information display to the speed of the approaching traffic. The flashing off time shall be operator adjustable within the control cabinet.
10. Full operation height shall be with the bottom of the sign at least 7 feet above the ground and the top no more than 14.5 feet above the ground.
11. After initial placement, portable changeable message signs shall be moved from location to location as directed by the Engineer.
12. Sign locations shall be determined in the field by the engineer.

Payment for portable changeable message sign shall be made at the unit price bid to furnished, placed, operated, reprogrammed, maintained and no additional payment will be allowed thereof.

**APPENDIX I**

**LOCATIONS AND  
CONSTRUCTION LISTS**

## TREE BOX FILTER

<b>CITY</b>	<b>STREET</b>	<b>CROSS STREET</b>	<b>BMP</b>	<b>NEAREST CATCH BASIN OWNERSHIP</b>	<b>LATITUDE</b>	<b>LONGITUDE</b>
Bell Gardens	Garfield Ave	Florence Pl	Tree Box Filter	County	33.96675	-118.15107
Downey	Brookshire Ave	Gardendale St	Tree Box Filter	County	33.9138	-118.14866
Downey	Brookshire Ave	Gardendale St	Tree Box Filter	County	33.91367	-118.14844
Downey	Pangborn Ave	Firestone Blvd	Tree Box Filter	County	33.930944	-118.11375
Downey	Pangborn Ave	Firestone Blvd	Tree Box Filter	County	33.930825	-118.1135
Lynwood	Clark St	Atlantic Ave	Tree Box Filter	County	33.91107	-118.1915
Lynwood	Clark St	Wright Rd	Tree Box Filter	County	33.910356	-118.18638
Lynwood	Clark St	Wright Rd	Tree Box Filter	County	33.910243	-118.18641
Norwalk	Alondra Blvd	Greystone Ave	Tree Box Filter	County	33.887402	-118.09369
Norwalk	Alondra Blvd	Gridley Rd	Tree Box Filter	County	33.887807	-118.09093
Paramount	Alondra Blvd	Alondra Pl	Tree Box Filter	City	33.889296	-118.18463
Paramount	Alondra Blvd	Home Depot	Tree Box Filter	City	33.889062	-118.18463
Pico Rivera	Beverly Blvd	Tobias Ave	Tree Box Filter	City	34.007572	-118.07188
Pico Rivera	Slauson Ave	Industry Ave	Tree Box Filter	Other	33.974719	-118.11669
Santa Fe Springs	Alondra Blvd	Carmenita Rd	Tree Box Filter	City	33.888064	-118.03886
Santa Fe Springs	Alondra Blvd	Marquardt Ave	Tree Box Filter	City	33.88804	-118.04695
Vernon	26th St	Indiana St	Tree Box Filter	City	34.0063	-118.19019
Vernon	26th St		Tree Box Filter	City	34.009405	-118.19949

## BIO-RETENTION TREE BOX

CITY	STREET	CROSS_STRE	BMP	LATITUD E	LONGITUDE
Lynwood	Santa Fe Ave	E 108th St	Bio-retention Tree Box	33.936887	-118.223099
Lynwood	Santa Fe Ave	E 109th St	Bio-retention Tree Box	33.93609	-118.22276
Lynwood	Santa Fe Ave	E 110 St	Bio-retention Tree Box	33.935313	-118.22265
Lynwood	Muriel Dr	Palm Ave	Bio-retention Tree Box	33.911386	-118.199316
Lynwood	Muriel Dr	Palm Ave	Bio-retention Tree Box	33.911421	-118.199422
Lynwood	Lilita St	Eve Ave	Bio-retention Tree Box	33.930323	-118.19576
Lynwood	Lilita St	Eve Ave	Bio-retention Tree Box	33.930166	-118.196303
Lynwood	Edgebrook St		Bio-retention Tree Box	33.909735	-118.182629
Lynwood	Edgebrook St		Bio-retention Tree Box	33.908813	-118.182807
Lynwood	Edgebrook St		Bio-retention Tree Box	33.907873	-118.183063

## CONSTRUCTION LIST

City	LID BMPs	Location	Anticipated Treatment Volume <sup>1</sup>	Watersheds
<b>Bell Gardens</b>	(1) Tree box filter	(1) Florence Place	7,258 cf	Los Angeles River
<b>Downey</b>	(4) Tree box filters	(2) Brookshire Avenue at Gardendale Street at Northeast and northwest corner, (2) Pangborn Avenue at Firestone Boulevard at Northeast and northwest corner	29,032 cf	San Gabriel River Los Cerritos Channel
<b>Lynwood</b>	(10) Bioretention Tree Wells	(1) Santa Fe Ave at E 108 <sup>th</sup> Street, (1) Santa Fe Ave at E 109 <sup>th</sup> Street, (1) Santa Fe Ave at E 110 <sup>th</sup> Street, (2) Muriel Drive at Palm Ave, (2) Lilita Street at Eve Ave, (3) Edgebrook Street	5,870 cf	Los Angeles River
	(3) Tree box filters	(1) Clark Street at Atlantic Avenue, (2) Clark Street at Wright Road	21,774 cf	
<b>Norwalk</b>	(2) Tree box filters	(2) Alondra Blvd. at Greystone Ave and Gridley Road	14,516 cf	San Gabriel River
<b>Paramount</b>	(2) Tree box filters	(2) Alondra Boulevard west of Hunsaker Avenue	14,516 cf	Los Angeles River
<b>Pico Rivera</b>	(2) Tree box filters	(1) Beverly Boulevard and Tobias Avenue, (1) Slauson Avenue and Industry Ave	14,516 cf	Los Angeles River
<b>Santa Fe Springs</b>	(2) Tree box filters	(1) Alondra Boulevard and Carmenita Road, (1) Alondra Boulevard and Marquardt Avenue	14,516 cf	San Gabriel River
<b>Vernon</b>	(2) Tree box filters	(2) 26 <sup>th</sup> Street east of Downey Road and east of Indiana Street	14,516 cf	Los Angeles River

<sup>1</sup> Treatment volume calculations based on a 24-hour, 0.75-inch storm, 6x6 tree box filter units, and a 1200 LF swale. Additional details and calculations used to determine treatment volumes can be found in Attachment 6: Technical Report

**NOTE**

The following pages are the proposed approximate locations of the LID BMPs by City.

The limits of the proposed work shall be identified and marked in the field by the Contractor conforming to the work specified and a time shall be arranged for City staff to verify the locations and types prior to start any work.

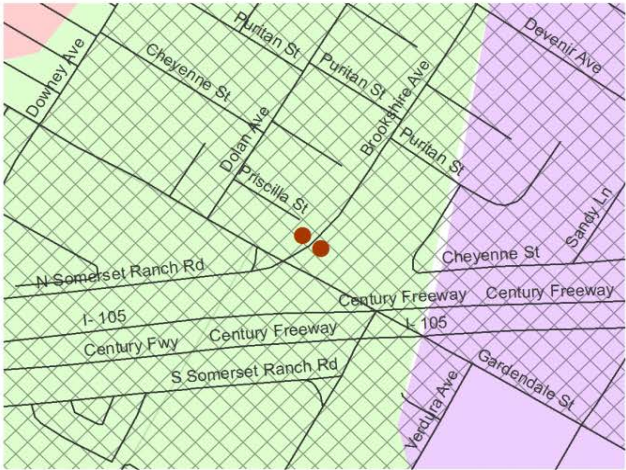
Final BMP siting is subject to feasibility analysis.

# CITY OF BELL GARDENS





CITY OF DOWNEY



# CITY OF LYWOOD






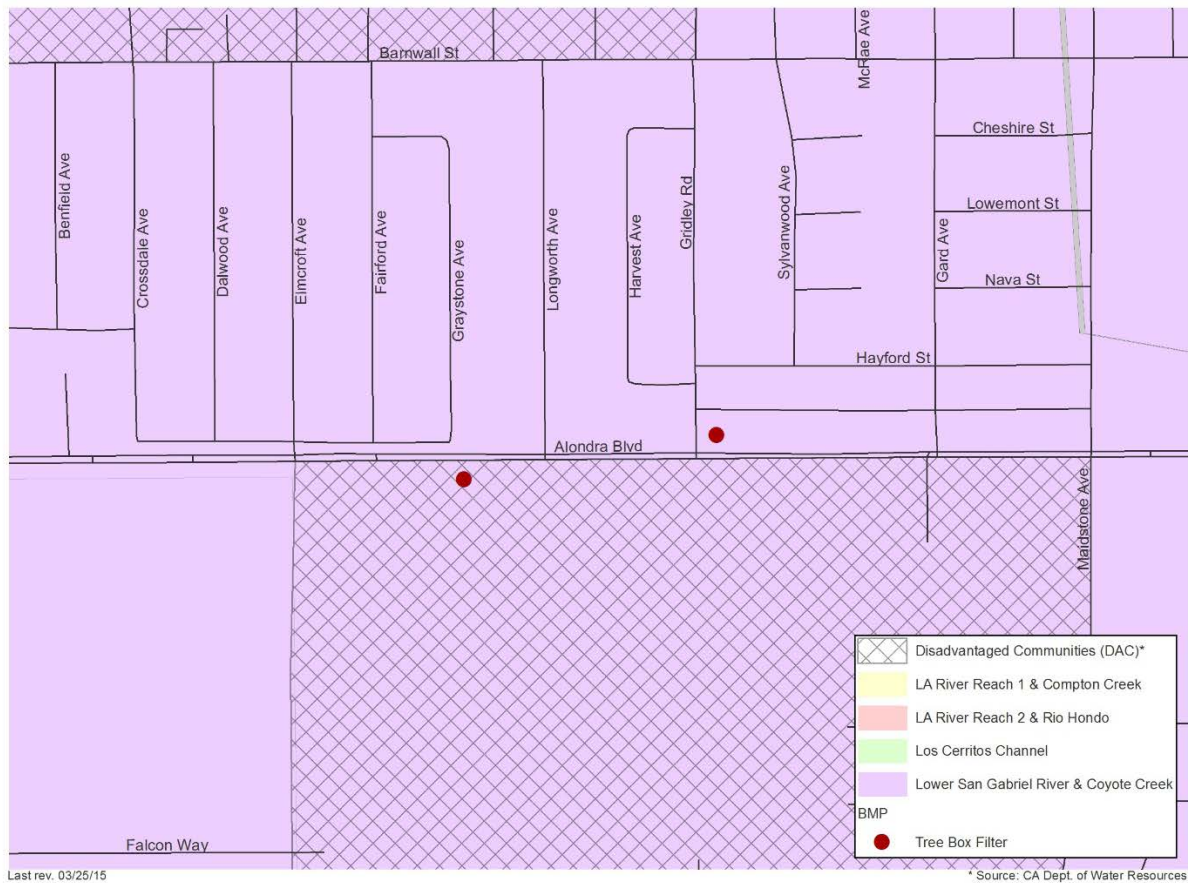
# CITY OF LYNWOOD



Last rev. 03/25/15

BMP  
 Bio-retention Tree Box  
 \* Source: CA Dept. of Water Resources

# CITY OF NORWALK



Last rev. 03/25/15

\* Source: CA Dept. of Water Resources



CITY OF PARAMOUNT



CITY OF PICO RIVERA



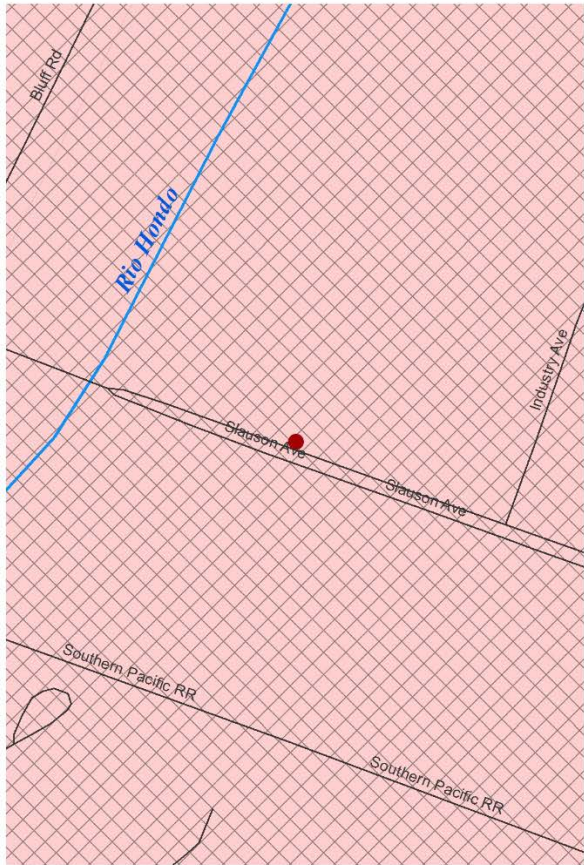
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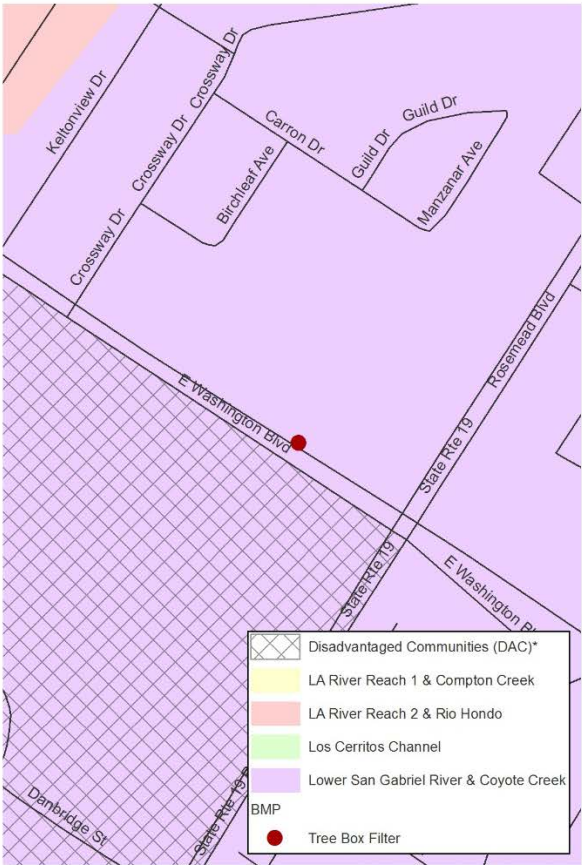
\* Source: CA Dept. of Water Resources



CITY OF PICO RIVERA

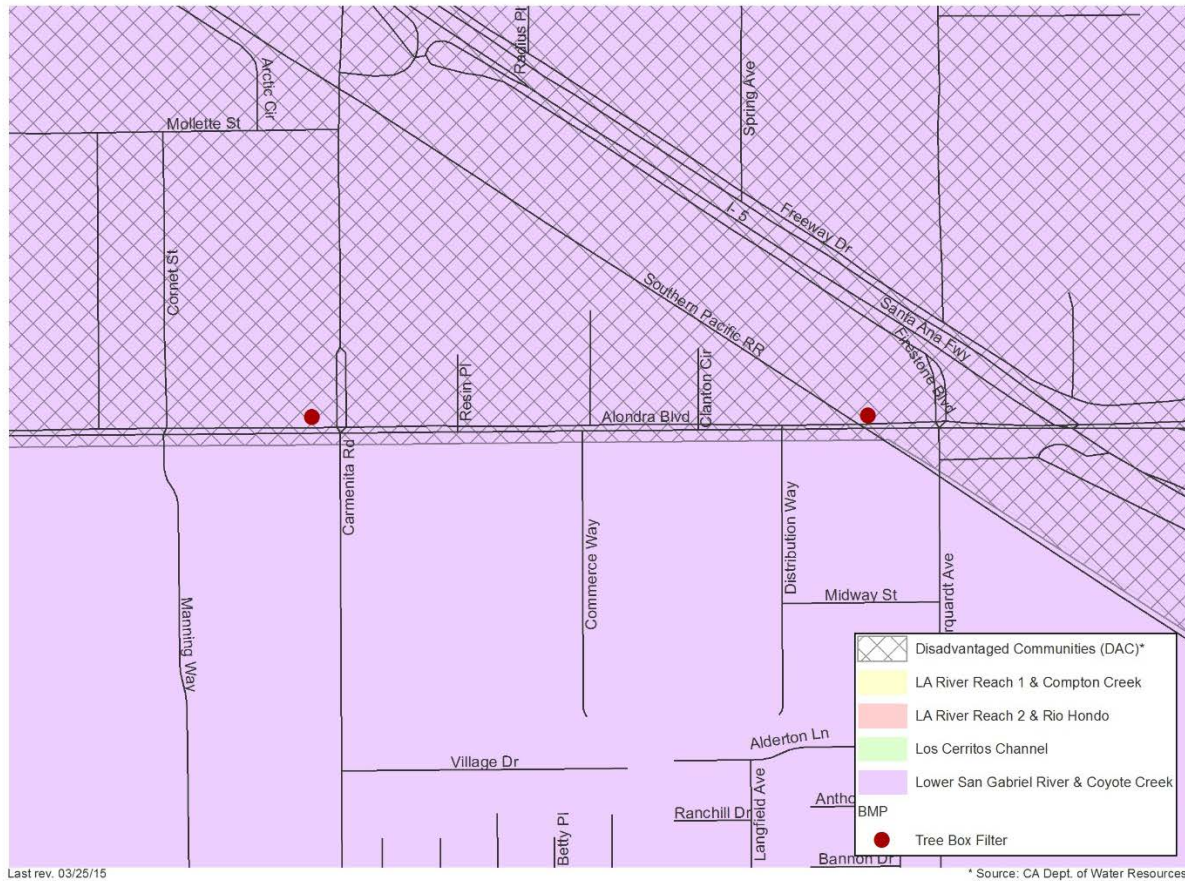


Last rev. 03/25/15



\* Source: CA Dept. of Water Resources

# CITY OF SANTA FE SPRINGS

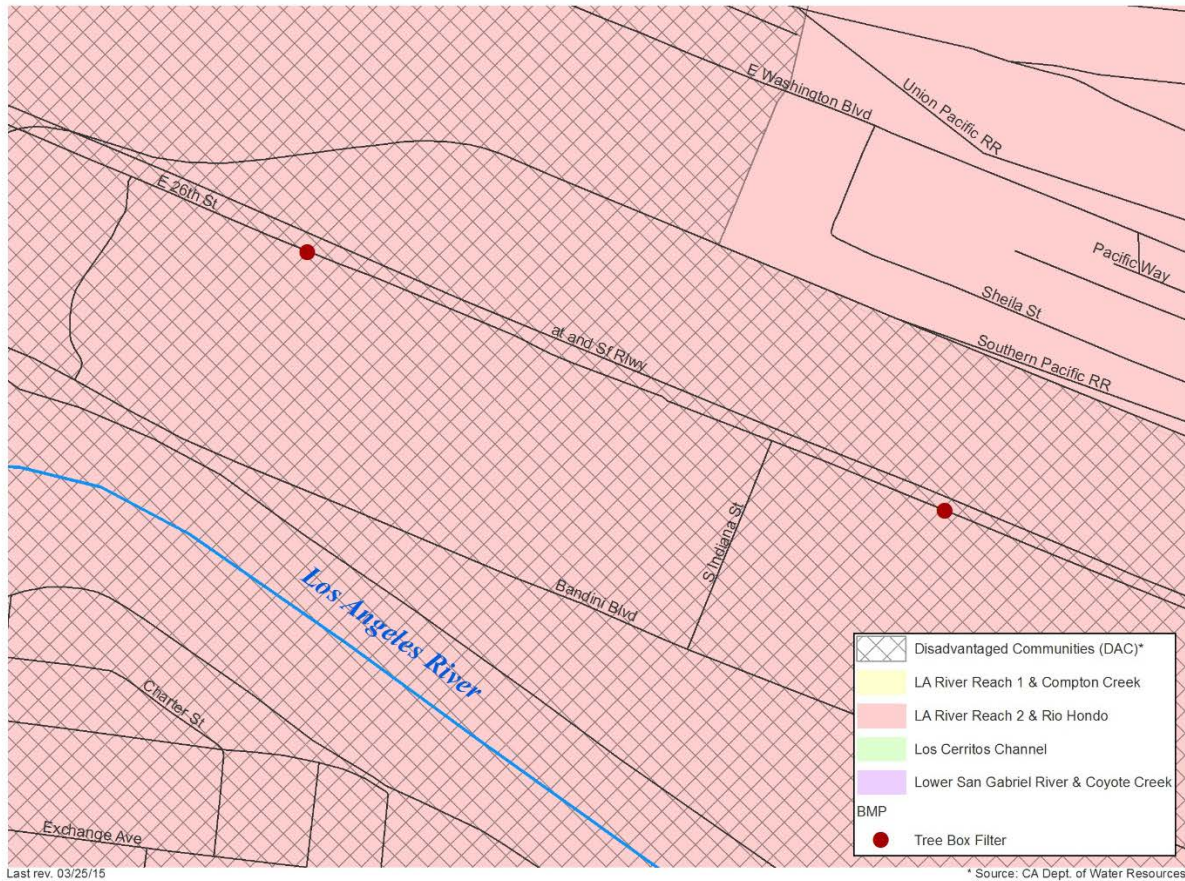


Last rev. 03/25/15

\* Source: CA Dept. of Water Resources



# CITY OF VERNON



**APPENDIX II**  
TECHNICAL REPORT

**TECHNICAL REPORT**  
FOR  
CONSTRUCTION OF LOW IMPACT DEVELOPEMENT (LID)  
BMPs AT VARIOUS LOCATIONS,  
FY 2015-16  
IN THE CITIES OF BELL GARDENS, DOWNEY, LYNWOOD,  
NORWALK, PARAMOUNT, PICO RIVERA, SANTA FE  
SPRINGS AND VERNON COUNTY OF LOS ANGELES, STATE  
OF CALIFORNIA

**NOTE**

Although the technical report references a third type of BMP (a bio-swale) this BMP is outside the scope of the work outlined in this contract. It is a part of the overall Grant Project, but should not be included in the work items, price, or any other considerations taken by the Contractor when fulfilling the requirements of this Notice Inviting Bids.

# TECHNICAL REPORT

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Multi-Agency, Multi-Watershed Project to Incorporate  
LID BMPs into Major Transportation Corridors

## Table of Contents

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BMP Descriptions .....	1
Tree Box Filter .....	2
Bioretention Tree Well .....	3
BMP Performance Analysis.....	4
BMP Volume & Catchment Area .....	4

## INTRODUCTION

This project will implement 10 tree box filters and 10 bio-retention tree wells. The tree box filters will be concentrated in high volume transportation corridors. Studies have found contamination levels of the heavy metals in road dust to be highly dependent on traffic volume, brake use, and vehicle speed in highly trafficked areas. According to the Brake Pad Partnership, a group of brake manufacturers, stormwater agencies, and environmental groups, copper from brakes is the single greatest contributor to elevated copper levels in urban creeks. In addition to addressing metals, situating these BMPs in high traffic roadways will also allow them to capture and treat bacteria laden stormwater flows originating from residential, commercial, industrial, and recreational land uses in these areas.

## BMP DESCRIPTIONS

Each agency associated with the BMPs has identified intersections along major transportation corridors that serve average daily traffic flows greater than 30,000 cars. Green streets projects provide a great opportunity to treat stormwater runoff from large areas; however, there are unique site constraints associated with green streets projects. Oftentimes infiltration is deemed infeasible due to underground utilities such as sewer lines, electrical lines, gas lines, and other utilities. Due to the nature of the project being alongside highly trafficked roadways, it was determined that infiltration would pose a high risk of infeasibility and therefore bio-treatment BMPs were chosen to be the most reasonable option.

Three different design options were chosen to be implemented as part of this Project. The tree box filters were chosen for all except one of the high volume transportation corridor locations. These BMPs are known to have the highest pollutant removal of the three BMP types and were selected with the highest priority. A vegetated swale was chosen for the City of Downey within a high volume transportation corridor due to the site being in a shopping center. The use of the swale will allow for flows from the shopping center as well as from the street to be captured and treated resulting in a higher overall pollutant load reduction in runoff from the area. The bio-retention tree wells were chosen for the areas located in lower traffic intensive areas. A description of each BMP can be found below.

## TREE BOX FILTER

Tree box filters are bio-treatment systems enclosed in concrete boxes or other sub-surface structures that drain runoff from paved areas via a standard storm drain inlet structure. They consist of a precast concrete (or other) container, a mulch layer, media mix, observation and cleanout pipes, under-drain pipes, a street tree or large shrub, and a grate cover. These facilities function as a filtration device that removes pollutants through a variety of physical, biological, and chemical treatment processes.

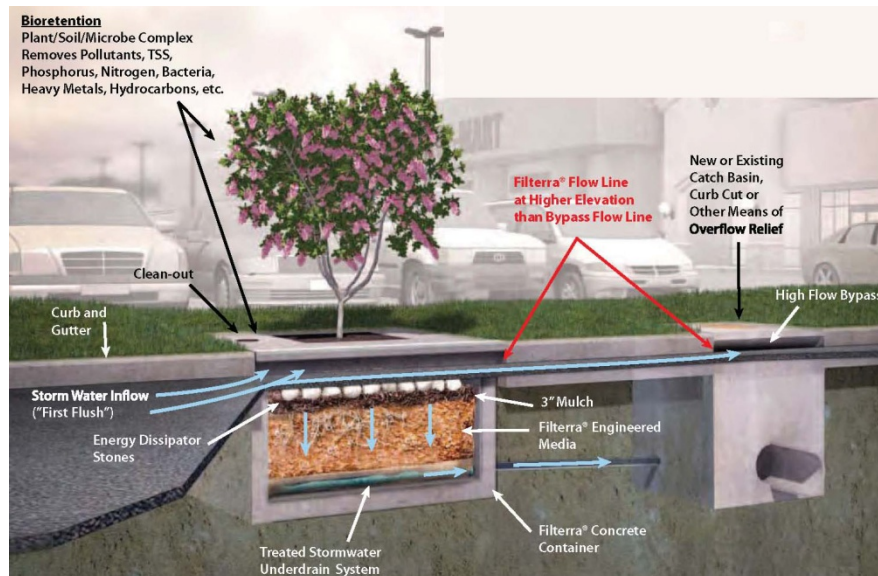


Figure 1: Tree Box Filter Schematic (Filterra Engineering Design Assistance Kit).



## BIO-RETENTION TREE WELL

Bio-retention is a water quality and water quantity control practice using the chemical, biological and physical properties of plants, microbes and soils for bio-filtration and the removal of pollutants from stormwater runoff. A bio-retention tree well provides bio-filtration for removal of pollutants, increases time of concentration, may provide detention and prevents surface ponding of stormwater.

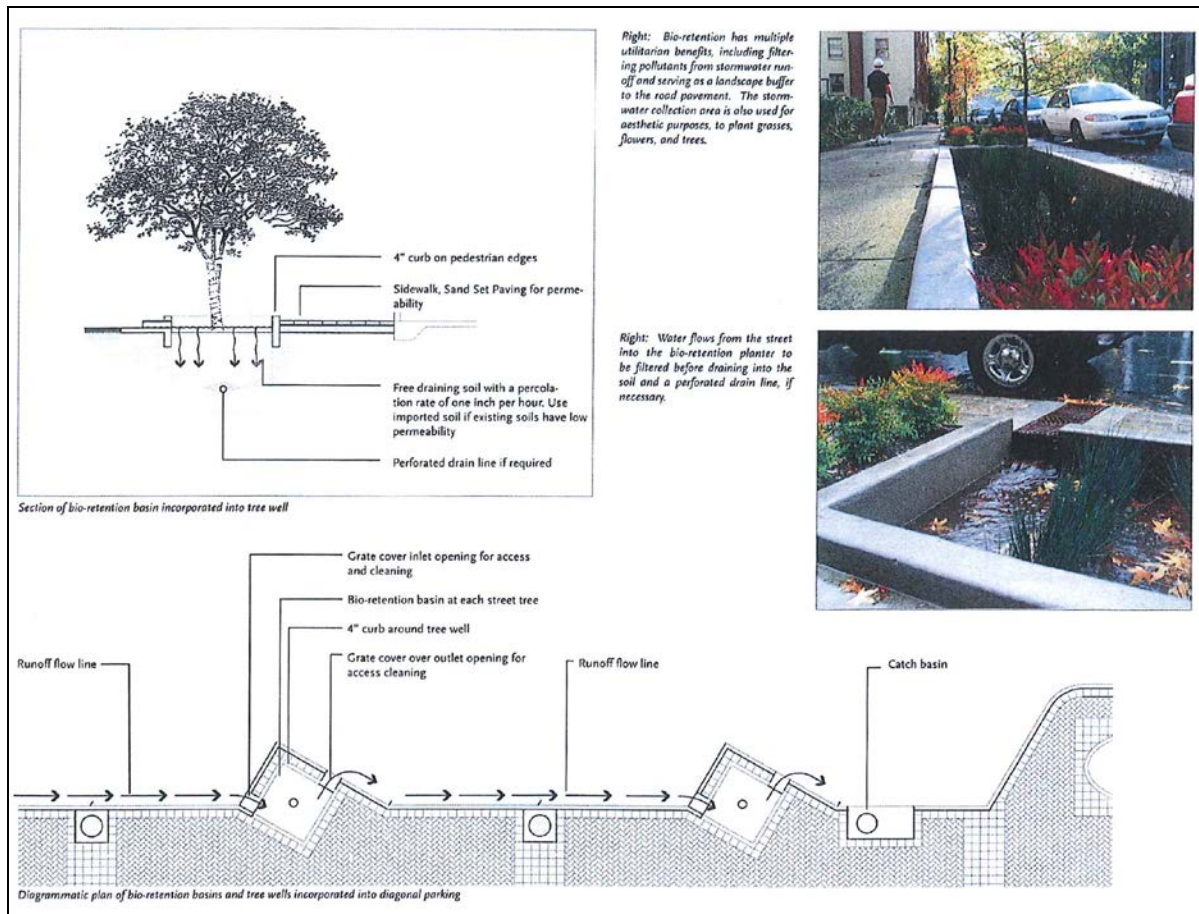


Figure 2: Typical Bioretention Tree Well Schematic (City of Whittier General Plan).



## BMP PERFORMANCE ANALYSIS

### BMP Volume & Catchment Area

Combined, the proposed BMPs have the capacity to treat approximately 183,157 cubic feet of stormwater runoff per storm event from approximately 20 acres of transportation corridors. Approximately 92,966 cubic feet of stormwater will be treated in the Los Angeles River Watershed, 61,159 in the San Gabriel River Watershed, and 29,032 in the Los Cerritos Channel Watershed. A summary of the volume and catchment area can be found in Table 1 and the sample calculations for each BMP can be found below.

**Table 1: BMP Volume and Catchment Area Summary.**

<b>BMP2</b>	<b>Quantity</b>	<b>Size</b>	<b>Approx. Volume per BMP (cu. ft.)</b>	<b>Approx. Catchment Area per BMP (Acres)</b>
<b>Tree Box Filters</b>	<b>18</b>	<b>6x6</b>	<b>7,258</b>	<b>0.25</b>
<b>Bio-retention Tree Wells</b>	<b>10</b>	<b>(2) 6x6 ea.</b>	<b>587</b>	<b>0.45</b>

#### Tree Box Filter Calculation<sup>3</sup>

Equations:

$$Q = \text{Volume} / \text{time}$$

Assumptions:

Size: 6x6

Calculations:

$$\text{Flow Rate (Q)} = 0.084 \text{ cfs}$$

$$\text{Storm Duration} = 86,400 \text{ seconds} \text{ <---- Based on 24 hour storm}$$

$$\text{Volume} = 7,258 \text{ CF}$$

#### Bioretention Tree Well Calculation

Equations:

$$C = (0.75 * \text{imp}) + 0.15$$

$$V = C d A * 43560 / 12$$

Assumptions:

$$A = 0.25 \text{ Acres}$$

$$\text{imp} = 95 \%$$

$$d = 0.75 \text{ in} \text{ <---- Based on a 0.75-inch storm depth}$$

Calculations:

$$\text{Volume} = 587 \text{ CF}$$

---

<sup>2</sup> Based on a 24-hour, 0.75-inch storm

<sup>3</sup> Based on a standard 6x6 Filterra and a 24-hour storm

## **APPENDIX III**

### **STANDARD DRAWINGS AND DETAILS**

## **APPENDIX IV**

### **ENCROACHMENT PERMIT - LOS ANGELES COUNTY DEPARTMENT OF PUBLIC WORKS**

AGENDA ITEM NO. 13A

# GATEWAY WATER MANAGEMENT AUTHORITY

*Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority*

16401 Paramount Blvd., Paramount, CA 90723 • 562.663.6850 phone 562-634-8216 fax • [www.gatewayirwmp.org](http://www.gatewayirwmp.org)

January 14, 2016

SECTION NO. 13(a) Ratify Authorization to Release the Request for Proposal and Scope of Work for a Feasibility Study for LAR UR2

SUMMARY:

The GWMA, on behalf of the Los Angeles River Upper Reach 2 (LAR UR2) is seeking authorization to release a Request for Proposal (RFP) to prepare a feasibility study of six structural, regional Best Management Practices (BMP) projects that have been identified in the LAR UR2 Management Program Plan.

The suggested schedule is as follows:

- |   |                                       |
|---|---------------------------------------|
| - Issuance of RFP                                   | December 14 <sup>th</sup>             |
| - Request for Information or Clarification Due Date | January 21 <sup>st</sup> at 5:00 p.m. |
| - Proposal Due Date                                 | February 18 <sup>th</sup> at Noon     |

SCOPE OF WORK REQUESTED

The following tasks outlined a proposed scope of work to prepare a feasibility study for all six structural regional BMP Projects:

- Environmental Evaluation/Documentation
- Field Work
- Topographic Survey
- Utility
- Geotechnical Evaluation
- Hydrology and Water Quality Analysis

**Christopher Cash, Board Chair • Adriana Figueroa, Vice-Chair • Steve Myrter, Secretary/Treasurer**

**Proudly serving Gateway cities and agencies in Southeastern Los Angeles County**

Members: Artesia • Avalon • Bell • Bell Gardens • Bellflower • Central Basin Municipal Water District • Cerritos • Commerce • Cudahy • Downey • Hawaiian Gardens • Huntington Park • La Mirada • Maywood • Lakewood • Long Beach • Long Beach Water Department • Lynwood • Montebello • Norwalk • Paramount • Pico Rivera • Santa Fe Springs • Signal Hill • South Gate • Vernon • Water Replenishment District of Southern California • Whittier

*With Technical Support From The Sanitation Districts Of Los Angeles County*

**AGENDA ITEM NO. 13A**

# **GATEWAY WATER MANAGEMENT AUTHORITY**

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- GIS Maps
- Permits
- Operation and Maintenance
- Monitoring Plan
- Project Cost and Schedule
- Final Deliverable

**FISCAL IMPACT:**

None.

**RECOMMENDATION:**

Ratify Authorization to release the Request for Proposal and scope of work for a Feasibility Study for the LAR UR2 as presented.

**Christopher Cash, Board Chair • Adriana Figueroa, Vice-Chair • Steve Myrter, Secretary/Treasurer**

**Proudly serving Gateway cities and agencies in Southeastern Los Angeles County**

Members: Artesia • Avalon • Bell • Bell Gardens • Bellflower • Central Basin Municipal Water District • Cerritos • Commerce • Cudahy • Downey • Hawaiian Gardens • Huntington Park • La Mirada • Maywood • Lakewood • Long Beach • Long Beach Water Department • Lynwood • Montebello • Norwalk • Paramount • Pico Rivera • Santa Fe Springs • Signal Hill • South Gate • Vernon • Water Replenishment District of Southern California • Whittier

*With Technical Support From The Sanitation Districts Of Los Angeles County*

**REQUEST FOR PROPOSAL**  
**FEASIBILITY STUDY FOR LOS ANGELES RIVER UPPER REACH 2**  
**WATERSHED MANAGEMENT PROGRAM**

---

**Administered by:** Gateway Water Management Authority

**Administered on behalf of:** Cities of Bell, Bell Gardens, Commerce, Cudahy, Huntington Park, Maywood, Vernon, and the Los Angeles County Flood Control District

**Issuance Date:** December 14, 2015

**Request for Information or Clarification Due Date:** January 21, 2016 at 5:00 p.m.

**Proposal Due Date:** February 18, 2016 at noon

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## **PURPOSE**

The Gateway Watershed Management Authority (GWMA), on behalf of the Cities of Bell, Bell Gardens, Commerce, Cudahy, Huntington Park, Maywood, Vernon, and the Los Angeles County Flood Control District (LACFCD), is seeking proposals from qualified professional consultants to prepare a feasibility study for six structural regional Best Management Practice (BMP) projects that have been identified in the Los Angeles River Upper Reach 2 Watershed Management Program (LAR UR2 WMP) Plan.

## **BACKGROUND**

The National Pollutant Discharge Elimination System (NPDES) Municipal Separate Storm Sewer System, Permit Order No. R4-2012-0175 (MS4 Permit) was adopted on November 8, 2012 by the Los Angeles Regional Water Quality Control Board (Regional Board) and became effective December 28, 2012. The MS4 Permit provides Permittees an option to implement stormwater programs through the development of Watershed Management Program (WMP) Plans to demonstrate water quality standards compliance. The Cities of Bell, Bell Gardens, Commerce, Cudahy, Huntington Park, Maywood, Vernon, and LACFCD formed the LAR UR2 group (**Figure 1**) and developed their WMP Plan to submit to the Regional Board. The Final WMP Plan was submitted on June 12, 2015 and received the Regional Board's Final approval on August 13, 2015. The Final WMP Plan is posted on the Regional Board's website and can be accessed with the following link:

[http://www.waterboards.ca.gov/losangeles/water\\_issues/programs/stormwater/municipal/watershed\\_management/los\\_angeles/upper\\_reach2/Upper LA River R2 FinalWMP.pdf](http://www.waterboards.ca.gov/losangeles/water_issues/programs/stormwater/municipal/watershed_management/los_angeles/upper_reach2/Upper_LA_River_R2_FinalWMP.pdf)



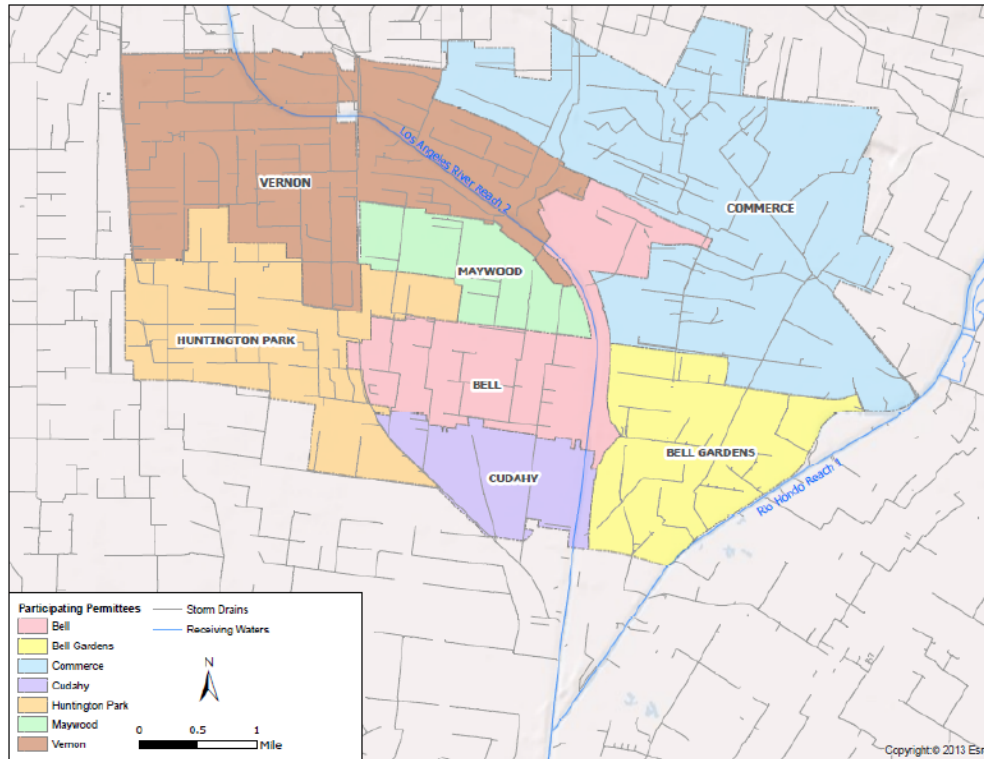
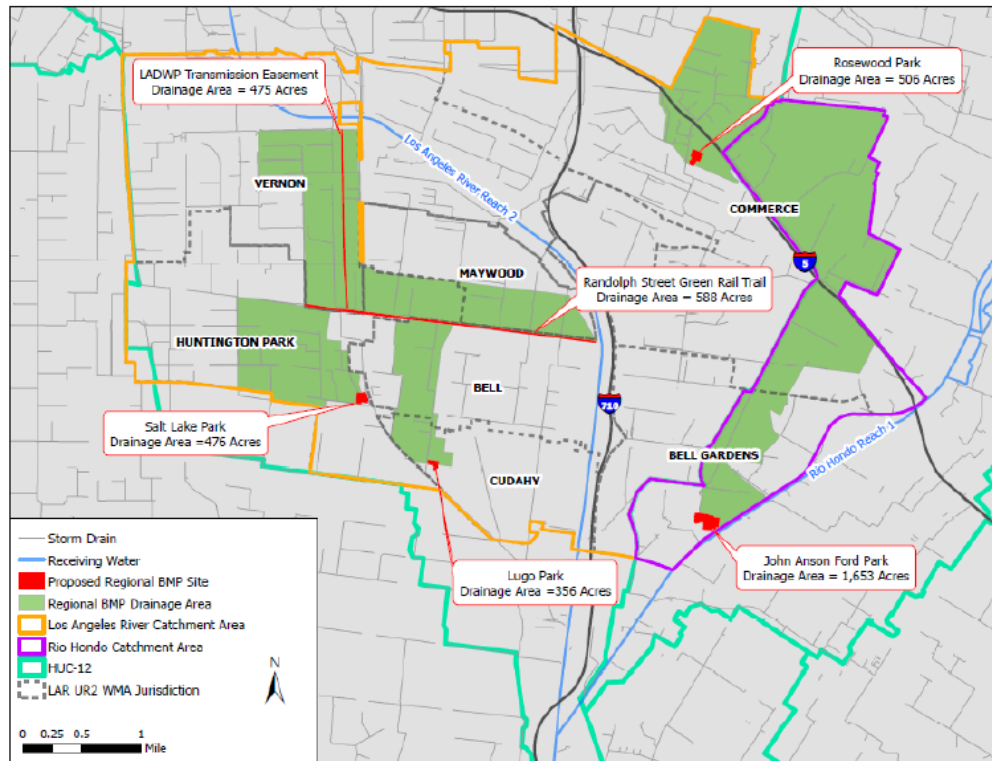


Figure 1 – Los Angeles River Upper Reach 2 Group

The WMP Plan identifies six regional projects that include infiltration trenches, infiltration basins and subsurface infiltration systems. The following six structural regional BMP projects that will help meet water quality standards compliance are listed below:

1. John Anson Ford Park
2. Randolph Street Green Rail Trail
3. LADWP Transmission Easement
4. Rosewood Park
5. Lugo Park
6. Salt Lake Park

In order to take the next step towards implementing the WMP, the LAR UR2 group is further investigating the feasibility of the six potential BMP projects. These six regional BMPs, and their tributary drainage areas, are shown in **Figure 2**.



**Figure 2 – Proposed Regional BMP Project Sites**

## PROJECT DESCRIPTION

### 1. John Anson Ford Park

A subsurface infiltration project opportunity was identified at the ball fields of John Anson Ford Park located in the City of Bell Gardens. An illustration of the proposed regional BMP footprint is presented in **Figure 3**. The BMP was modeled as an infiltration basin using the design parameters and assumptions in **Table 1**.



Figure 3 – John Anson Ford Park

Table 1 – John Anson Ford Park Design Parameters	
Design Parameter	Value
Water Quality Design Volume	72 acre-feet/3,124,000 cubic feet
Infiltration Rate	0.36 inches/hour
Design Storm Treated	0.6 inches
Footprint Area	544,500 square feet
Assumed Void Ratio	0.9

## 2. Randolph Street Green Rail Trail

The Randolph Street Green Rail Trail infiltration trench project regional BMP was sized using the maximum dimensions presently considered feasible due to size and design constraints. The regional BMP project is located in the City of Maywood. **Figure 4** illustrates the specific proposed project site and corresponding tributary drainage area. The BMP was modeled as an infiltration basin using the design parameters and assumptions in **Table 2**.



Figure 4 – Randolph Street Green Rail Trail

Table 2 – Randolph Street Green Rail Trail Design Parameters	
Design Parameter	Value
Water Quality Design Volume	8.2 acre-feet/354,000 cubic feet
Infiltration Rate	0.17 inches/hour
Design Storm Treated	0.19 inches
Regional BMP Length	10,400 feet
Regional BMP Width	10 feet
Regional BMP Depth	10 feet
Area Assumed for Pretreatment and Side Slopes	15%
Assumed Void Ratio	0.4



### 3. LADWP Transmission Easement

The Los Angeles Department of Water and Power (LADWP) Transmission Easement infiltration trench project regional BMPs was sized using the maximum dimensions considered feasible due to size and design constraints. The regional BMP project is located in the City of Vernon. **Figure 5** illustrates the proposed project site and corresponding tributary drainage area. The BMP was modeled as an infiltration basin using the design parameters and assumptions in **Table 3**.



Figure 5 – LADWP Transmission Easement

Table 3 – LADWP Transmission Easement Design Parameters	
Design Parameter	Value
Water Quality Design Volume	15 acre-feet/656,000 cubic feet
Infiltration Rate	0.17 inches/hour
Design Storm Treated	0.43 inches
Regional BMP Length	4,760 feet
Regional BMP Width	20 feet
Regional BMP Depth	10 feet
Area Assumed for Pretreatment and Side Slopes	15%
Assumed Void Ratio	0.9

#### 4. Rosewood Park

A subsurface infiltration project opportunity was identified at the baseball fields in Rosewood Park located in the City of Commerce. An illustration of the proposed regional BMP is presented in **Figure 6**. The BMP was modeled as an infiltration basin using the design parameters and assumptions in **Table 4**.



Figure 6 – Rosewood Park

Table 4 – Rosewood Park Design Parameters	
Design Parameter	Value
Water Quality Design Volume	29 acre-feet/1,250,000 cubic feet
Infiltration Rate	0.23 inches/hour
Design Storm Treated	0.77 inches
Footprint Area	21,000 square feet
Assumed Void Ratio	0.9

## 5. Lugo Park

A subsurface infiltration project opportunity was identified at the softball field and open space of Lugo Park located in the City of Cudahy. An illustration of the proposed regional BMP footprint is presented in **Figure 7**. The BMP was modeled as an infiltration basin using the design parameters and assumptions in **Table 5**.



Figure 7 – Lugo Park

Table 5 – Lugo Park Design Parameters	
Design Parameter	Value
Water Quality Design Volume	13.2 acre-feet/575,000 cubic feet
Infiltration Rate	0.17 inches/hour
Design Storm Treated	0.71 inches
Footprint Area	100,000 square feet
Assumed Void Ratio	0.9



## 6. Salt Lake Park

A subsurface infiltration project opportunity was identified at the ball fields of Salt Lake Park located in the City of Huntington Park. An illustration of the regional BMP footprint is presented in **Figure 8**. The BMP was modeled as an infiltration basin using the design parameters and assumptions in **Table 6**.



Figure 8 – Salt Lake Park

**Table 6 – Salt Lake Park Design Parameters**

Design Parameter	Value
Water Quality Design Volume	26 acre-feet/1,125,000 cubic feet
Infiltration Rate	0.17 inches/hour
Design Storm Treated	0.75 inches
Footprint Area	196,000 square feet
Assumed Void Ratio	0.9



## **SCOPE OF WORK**

The following tasks outline a proposed scope of work to prepare a feasibility study for all six structural regional BMP projects. The services to be performed by the Consultant shall include, but not be limited to, the following items of work:

### **1. Environmental Evaluation/Documentation**

- a. Review and evaluate the required environmental clearance processes to satisfy the California Environmental Quality Act (CEQA), National Environmental Policy Act (NEPA), and any other environmental requirements including historical, cultural, etc. processes.

*Deliverable:* *Environmental evaluation report*

### **2. Field Work**

- a. Perform onsite visual inspection of each proposed BMP project location and its contributing watershed.
- b. Verify the tributary drainage areas for each site, as well as the existing storm drain locations and type, catch basins, open channels, etc. and prepare AutoCAD and GIS documentation.

*Deliverable:* *AutoCAD and GIS map and documentation showing tributary drainage areas and existing storm drain structures*

### **3. Topographic Survey**

- a. Acquire/prepare topographic mapping, surface, and utility survey and existing storm drain plans and infrastructure plans from the County and City sources and determine the watersheds that contribute to each regional BMPs including hydrological and hydraulic analyses.

*Deliverable:* *A topographic map in AutoCAD format*

### **4. Utility**

- a. Perform a utility search of existing or future planned underground facilities and utilities within the sites that may affect the proposed BMP locations.

Deliverable: Utility search report

## **5. Geotechnical Evaluation**

- a. Conduct soil investigations and percolation testing at each proposed regional BMP's location to determine soil characteristics and feasibility of proposed stormwater BMPs.
- b. Determine percolation rates and appropriate recommended factors of safety.

Deliverable: Geotechnical report showing percolation rates and recommended factors of safety. Based on soils and percolation testing and reports, evaluate and prepare conceptual stormwater implementation measures that may include subdrain systems, infiltration chambers, bio-filtration systems, bioswales, and detention basins, filtration, and all types of BMPs currently manufactured and available commercially.

## **6. Hydrology and Water Quality Analysis**

- a. Analyze the hydrology for each project location to determine the expected flow rates for the 85<sup>th</sup> percentile 24-hour storm event. Prepare conceptual water quality flow rate and volume and/or flow based calculations for the drainage areas tributary to the project locations.
- b. Using the calculated water quality volumes, flows, and percolations rates, prepare BMP sizing requirements and a conceptual plan for each of the structural BMPs.
- c. Research best available data to analyze the known plumes of pollutants that extend from many sites that could affect ground water if a source of water was introduced.

Deliverable: Hydrology study and Conceptual BMP plans

## **7. GIS Maps**

- a. Prepare a GIS map for each project to identify the proposed regional BMP locations in an exhibit along with jurisdictional boundaries.

- b. Prepare aerial mapping of where the diversion structures would be located, how and where will the conveyance (storm drain) system for the water quality flows be located.
- c. Determine the percentage from each jurisdiction that is tributary to the proposed BMP.

Deliverable: GIS Maps

## **8. Permits**

- a. Analyze each proposed location with respect to land use, existing uses, possible joint use with the parks, easement requirements, legal ramifications and joint agreements such as locating BMPs in the LADWP line Transmission Easement or Railroad Easements and permitting requirements. Identify all potential permits and/or agreements that will need to be obtained or executed prior to construction of the each of the projects.
- b. Clarify the permit process to obtain an encroachment permission and related fees from other agencies such as Railroads, LADWP, special districts and Cities prior to commencement of investigation at the site.

Deliverable: Required permit(s) report

## **9. Operation and Maintenance**

- a. Develop a draft operation and maintenance plan that includes an annual cost.

Deliverable: Operation and maintenance plan

## **10. Monitoring Plan**

- a. Develop a baseline monitoring plan to determine initial water quality.

Deliverable: Baseline monitoring plan

## **11. Project Cost & Schedule**

- a. Prepare a conceptual engineer's cost estimate and construction schedule for all six regional projects based on the information obtained from the investigations included in this scope of work.
- b. Prepare a project schedule utilizing MS Project (or equivalent) for each task in the scope of work and take into consideration the time needed for agencies to review and provide comments.

*Deliverable: Project schedule and cost*

## **12. Final Deliverable**

- a. Based on the findings from each task in the scope of work, submit a final feasibility report for all six regional BMP projects.

## **CONSULTANT SELECTION**

A Project Review Committee will review and evaluate all proposals submitted. The Committee will evaluate all proposals received and may interview top ranked Consultants if it is deemed necessary. The Project Review Committee will make the selection of the Consultant for this work based on a combination of the following criteria:

### **1. Project Understanding**

Comprehension of the scope of work included in the project, awareness of the Permittee's needs, identification of the work elements, sequence of operations, project objectives, completeness in answering the Request for Proposal.

### **2. Project Team**

Identification of person in charge of the project, including qualifications, technical backgrounds and experience of all key personnel to be assigned to this project.

### **3. Experience**

Relevant technical experience and projects completed demonstrating the ability and capacity to perform the work included in this project. Experience

with municipal government projects and familiarity with public contract bidding requirements are very desirable.

**4. Budget and Schedules**

Ability to deliver required documents meeting the anticipated schedule for this project. Techniques used for controlling costs and attaining project objectives within time and budget constraints. Record of firm in accomplishing its work on schedule, within a budget and in providing realistic cost estimates.

**5. Project Approach**

Originality and soundness of firm's approach to the project, including unique, innovative or cost saving methods.

**6. Capabilities**

Staff and facilities available, location of offices, current workload, including commitment of staff to the project and technology applications.

**7. Local Sensitivity**

Familiarity with the Permittees, drainage facilities, and the project vicinity.

**8. Reputation**

Past clients, repeat business, stature in the industry, awards earned, etc.

**9. Full Service**

Qualifications, technical backgrounds and experienced of subconsultants, contractors, etc. used on this project. Discipline coordination, service from project beginning to completion.

**10. Selection Criteria**

The GWMA will conduct a comprehensive, fair, and impartial evaluation of proposals received in response to this RFP. All proposals received will be reviewed and evaluated by a committee of qualified personnel. The name, information or experience of the individual members will not be made available to any proposer. The Evaluation Committee will first review and screen all proposals submitted, except for the cost of proposals, according to the minimum qualifications set forth above. The following criteria will be used in reviewing and comparing the proposals and in determining the highest scoring bid:

- i. 40% Qualifications, background and prior experience of the firm in the Service Area(s) being proposed, experience of the key staff assigned to oversee services provided to GWMA, evaluation of size and scope of similar work performed and success on that work.
- ii. 30% Cost and fees to the GWMA for handling matters. Cost is not the sole determining factor but will be taken into consideration. Proposer must offer services at a rate of the Proposer. If rates differ for different types or levels of service or for different Service Areas, the Proposer should so state.
- iii. 10% Responsiveness to the RFP and quality and responsiveness of the proposal.
- iv. 20% References including past performance of the Proposer.

## **RIGHT TO REJECT ALL PROPOSALS**

The GWMA reserves the right to accept or reject any or all proposals, negotiate modifications to proposals that it deems acceptable, to request and consider additional information from any proposer, and to waive minor irregularities and technical defects in this proposal process. The GWMA reserves the right to seek new proposals when it determines that it is in the best interest to do so. No representation is made that any contract will be awarded pursuant to the Request for Proposal. The GWMA will provide only the staff assistance and documentation specifically referred to herein and will not be responsible for any other cost or obligation that may be incurred by the respondent. All proposals submitted to the GWMA shall become the property of the GWMA and the Permittees.

## **PROFESSIONAL SERVICES AGREEMENT**

The GWMA's standard Professional Services Agreement template for Consulting Services is attached as Appendix A and will be used for this contract, which at a minimum will include the terms set forth in the Professional Services Agreement template. The information provided by the selected firm's proposal will serve as the basis for negotiation. Negotiations may then be undertaken with the review committee's

second choice or ceased altogether. If an agreement is reached with the Consultant, a contract for the work will be prepared in final form, executed by the Consultant, accompanied by the appropriate certificates of insurance, together with the required endorsements, and returned to the GWMA for approval and execution.

## **EQUAL EMPLOYMENT OPPORTUNITY**

The GWMA is an equal opportunity employer and requires all consultants to comply with all State and Federal regulations concerning equal employment opportunity.

## **CONFLICT OF INTEREST**

The Consultant may be required to complete conflict of interest forms.

## **PROPOSAL REQUIREMENTS**

The GWMA reserves the right to award a contract for all or some of the tasks specified in the Scope of Work, and has therefore requested that all proposals include at minimum a breakdown of costs on a task by task basis.

### **1. Proposal Submittal**

The Consultant shall submit nine (9) copies of the technical proposal and two (2) copies of the sealed fee proposal by February 18, 2016 at 12:00 noon to:

**Ms. Toni M. Penn, Admin/Accounting Manager  
Gateway Water Management Authority  
16401 Paramount Blvd.  
Paramount, CA 90723**

Questions regarding this Request for Proposal or requests for additional background information may be directed to Ms. Gina Nila at [ginan@ci.commerce.ca.us](mailto:ginan@ci.commerce.ca.us).

## 2. **Proposal Format**

Proposals must include the information requested and comply with the requirements outlined in this Request for Proposal. Proposals should, at minimum, address the Scope of Work and should be formatted to include the following sections:

- **Perception and Approach:** Demonstrate an understanding of the Project and how the project will be approached including steps to ensure ultimate compliance with objectives of the MS4 NPDES Permit.
- **Key Personnel:** Qualifications with respect to this project, responsibilities to be assigned, amount of each individual's time to be allocated, locations where the work will be performed.
- **Project Management:** Provide examples that demonstrate capability in management of projects of this scope. Include a sample monthly report, procedure for monitoring progress, providing cost control, and to maintain the project on schedule.
- **Fee Proposal:** Submit two (2) copies in separate sealed envelopes, plainly labeled "Fee Proposal," including a not-to-exceed fee for all work to be completed. The fee summary should also include a cost and man-hour breakdown consistent with the requirements of the Scope of Work and a project schedule that accounts for all tasks.

## 3. **Cover Letter**

All proposals shall include a cover letter which states, at a minimum that the proposal shall remain valid for a period of not less than ninety (90) days from the date of submittal.

## 4. **Required Information**

Proposal must include the minimum information as outlined below:

- i. Legal name of firm, address, and telephone number
- ii. Firm's Tax Identification Number
- iii. Year firm was established as currently being operated



- iv. Identification of the Project Manager assigned to this project
- v. Name, address, and telephone number of the person to whom correspondence should be directed
- vi. List of subconsultants, if any, who will be part of the project team including their specific areas of responsibility
- vii. General description of the structure of the organization (i.e., whether an individual, partnership, corporation, joint venture, etc.)
- viii. A minimum of four references that the GWMA may contact concerning the firm's performance on similar projects
- ix. Representative listing of contracts that are of a similar nature to the required work for which the firm has been engaged, paying particular attention to those of the last four years in the Southern California/Los Angeles and Orange County areas for consulting engineering services.

#### **COST OF PROPOSAL PREPARATION**

Any party responding to this RFP shall do so at their own risk and cost. The GWMA and Permittees shall not, under any circumstances, be liable for any pre-contractual expenses incurred by any Proposer who elects to submit a proposal in response to this RFP or by any Proposer that is selected. Pre-contractual expenses are defined as expenses incurred by Proposers and the selected Proposer, if any, in:

- Preparing a Proposal and related information in response to this RFP;
- Submitting a Proposal to the GWMA;
- Negotiations with the GWMA on any matter related to this RFP;
- Costs associated with interviews, meetings, travel or presentations; or
- Any and all other expenses incurred by a Proposer prior to the date of award, if any, of an agreement, and formal notice to proceed.

## **GENERAL REQUIREMENTS**

### **Minimum Qualifications**

The firm and any subconsultants must be legally qualified to practice the work requested in the State of California. Subconsultants performing more than 5% of the work must be approved by the GWMA.

Previous professional work, demonstrated capabilities and experience of the project team, and Project Manager on similar projects, must be documented and will be a heavily weighted factor in the selection process.

The Consultant's commitment of staff to the project will also be a heavily weighted factor in the selection process. Only staff who will, in fact, commit a substantial percentage of their time to the work should be set forth in any organization charts, résumés or interviews. A Project Manager is to be designated by name and may not be changed without prior written approval by the GWMA. Significant deviations from proposed staff may result in a reduction of the Consultant's fee or termination of the contract. Additionally, the GWMA reserves the right to have the Consultant remove and replace the Project Manager or any project staff member or subconsultant from the project for cause.

### **Quality of Work**

The Consultant agrees to deliver quality products and services that meet or exceed generally accepted industry standards (or best practices) and those, which have been expressly stated herein as requirements. Products which fail to meet these standards will not be accepted. The Consultant will be wholly responsible for correcting any deficiency at no additional cost to GWMA. The Consultant's proposal shall include a detailed description of quality assurance procedures that are to be used on the project.

### **Insurance**

The Consultant shall maintain commercial general liability insurance and professional liability (errors and omissions) insurance in the aggregate limit of \$2,000,000 each

during the term of the proposed Consultant. Prior to the start of work, the Consultant shall furnish a Certificate of Insurance in duplicate, naming the GWMA, the seven cities, and the LACFCD, its officers, agents and employees as additional insured under the policy. Consultant shall also furnish proof of workers' compensation liability insurance.

### **Disadvantaged Business Enterprise (DBE) Participation**

Use of small and minority firms, Women's Business Enterprises (WBE), and labor surplus area firms is not mandatory on this project but is encouraged when possible. As such, Consultants meeting the definition of one of the above and meeting the requirements of this RFP are encouraged to respond. Consultants are also encouraged to use small and minority firms, Women's Business Enterprises (WBE), and labor surplus area firms for subconsultant work when possible.

### **Non-disclosure of Information**

Any consultant hired to perform work under this project, shall take reasonable and prudent measures to safeguard all information used in the development of the work products and all draft and final work products including the information in this RFP. The consultant shall not disclose this information to any party, or use the project data or information on any other project, without the express consent of the GWMA or as required by Federal law. The GWMA shall ensure that the same is required of any subconsultants working under the Consultant.

### **Payments**

The Consultant will be paid monthly, on a task by task, not to exceed contract amount, basis.

### **Miscellaneous**

All plans, digital files, hydraulic analysis programs and files, and other documents prepared by the Consultant on behalf of the GWMA and the Permittees shall become the sole property of the GWMA and the Permittees.

# PROFESSIONAL SERVICES AGREEMENT

This Professional Services Agreement (“Agreement”) is dated and effective \_\_\_\_\_, and is between the Los Angeles Gateway Region Integrated Regional Water Management Authority also referred to as the Gateway Water Management Authority (“GWMA”) and \_\_\_\_\_ (“Consultant”).

The parties agree as follows:

## SECTION 1 - SCOPE OF SERVICES

Consultant shall provide the services (the “Services”) described with each requested scope of services upon GWMA’s approval of cost, schedule and any other applicable terms.

## SECTION 2 - TIME FOR PERFORMANCE

The term of this Agreement shall commence on the effective date of this Agreement and expire on           , unless earlier terminated in accordance with the terms of this Agreement or extended by the Project Manager or GWMA Chair.

### SECTION 3 - STANDARD OF PERFORMANCE

Consultant's services shall be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of Consultant's profession currently practicing under similar conditions. By delivery of completed work, Consultant certifies that the work conforms to the requirements of this Agreement and all applicable federal, state and local laws and regulations. Consultant shall maintain throughout the term of this Agreement all licenses, certifications, registrations or other similar requirements necessary for Consultant's performance of services under this Agreement.

## SECTION 4 - OWNERSHIP OF WORK PRODUCT

Upon delivery, the work product, including, without limitation, all original reports, writings, recordings, drawings, files, and detailed calculations developed under this Agreement (collectively “work product”) are GWMA’s property. All copyrights that arise from work product shall vest in GWMA. Consultant waives and relinquishes all claims to copyright or other intellectual property rights in the work product in favor of GWMA. GWMA’s use of the work product is limited to the purposes contemplated by the Services and Consultant makes no representation of the suitability of the work product for use in or application to circumstances not contemplated by this Agreement. Any alteration or reuse by GWMA of the work product on any project other than the Services provided pursuant to this Agreement shall be at GWMA’s sole risk, unless GWMA compensates Consultant for such alteration or reuse.

## **SECTION 5 - COMPENSATION AND METHOD OF PAYMENT**

GWMA shall pay Consultant, for the Services performed based on the proposal/quote received and accepted for each scope of work.

Consultant shall perform the Services for the amount(s) listed for each scope of work. GWMA shall not withhold federal payroll, state payroll and other taxes, or other similar deductions from each payment made to Consultant. Consultant shall pay all applicable federal, state, and local excise, sales, consumer use, and other similar taxes required by law. GWMA shall not allow any claims for additional services performed by Consultant, unless the Project Manager or GWMA Chair authorizes the additional services in writing prior to Consultant's performance of the additional services or the incurrence of additional expenses. Any additional services authorized by the Project Manager or GWMA Chair shall be compensated at the hourly rates set forth above, or, if not specified, at a rate mutually agreed to by the parties. Consultant shall submit invoices to GWMA on a monthly basis for actual work performed and actual expenses incurred during the preceding month. The invoices shall describe in detail the services performed by each person for each task, including the days and hours worked. GWMA shall review the invoices and notify Consultant in writing within ten (10) business days of any disputed amounts. GWMA shall pay all undisputed portions of the invoices within thirty (30) calendar days after receipt up to the maximum amount of compensation specified above. GWMA shall make payment payable to: John L Hunter & Associates, 6131 Orangethorpe, Suite 350, Buena Park, CA 90620.

## **SECTION 6 - INDEPENDENT CONTRACTOR**

Consultant is an independent contractor. Neither Consultant nor any of Consultant's officers, employees, agents or subconsultants, if any, shall be an employee of GWMA or its members by virtue of this Agreement or performance of the Services under this Agreement.

## **SECTION 7 - CONFLICT OF INTEREST**

Consultant and its officers, employees, associates and sub consultants, if any, shall comply with all applicable conflict of interest statutes of the State of California applicable to Consultant's Services under this Agreement, including, the Political Reform Act (Cal. Gov. Code § 81000, *et seq.*) and Government Code Section 1090.

## **SECTION 8 - INDEMNIFICATION**

Indemnities. Consultant shall indemnify, defend and hold harmless GWMA, and its officials, officers, attorneys, agents, employees, designated volunteers, successors and assigns in accordance with the terms of this Section 9. Consultant's covenant under this Section 9 shall survive the expiration or termination of this Agreement.

To the fullest extent permitted by law, Consultant hereby agrees, at its sole cost and expense, to protect, defend, hold harmless and indemnify GWMA, its officials, officers, attorneys, agents, employees, designated volunteers, successors, assigns and those GWMA agents serving as independent contractors in the role of GWMA officials (collectively "Indemnitees") from and against any and all damages, costs, expenses, liabilities, claims, demands, causes of action, proceedings, expenses, judgments, penalties, liens, and losses of any nature whatsoever,

including fees of accountants, attorneys, or other professionals and all costs associated therewith and the payment of all consequential damages (collectively “Claims”), in law or equity, whether actual, alleged or threatened, which arise out of, pertain to, or relate to the acts or omissions of Consultant, its officers, agents, servants, employees, subconsultants, suppliers or their officers, agents, servants, employees, subconsultants, contractors (or any entity or individual that Consultant shall bear the legal liability thereof) in the performance of this Agreement, including the Indemnitees’ active or passive negligence, except for Claims arising from the sole negligence or willful misconduct of Indemnitees, as determined by final arbitration or court decision or by the agreement of the parties. Consultant shall defend Indemnitees in any action or actions filed in connection with any Claim with counsel of Indemnitees’ choice, and shall pay all costs and expenses, including all attorneys’ fees and experts’ costs actually incurred in connection with such defense. Consultant shall reimburse Indemnitees for any and all legal expenses and costs incurred by Indemnitees in connection therewith.

The indemnity under this Section 9 is effective regardless of any prior, concurrent, or subsequent misconduct, negligent acts, errors or omissions of the Indemnitees and without reference to the existence or applicability of any insurance coverages that are required under this Agreement or any additional insured endorsements that may extend to the Indemnitees. The indemnity under this Section 9 is in addition to any other rights or remedies that the Indemnitees may have under the law. Payment is not required as a condition precedent to the Indemnitees’ right to recover under this Section 9, and an entry of judgment against Consultant shall be conclusive in favor of the Indemnitees’ right to recover under this Section 9. Consultant shall pay Indemnitees for any attorneys fees and costs incurred in enforcing these indemnification provisions.

## **SECTION 9 - INSURANCE**

### **Insurance Requirements.**

Consultant shall at all times during the term of this Agreement carry, maintain, and keep in full force and effect, the following policies of insurance with minimum limits as indicated below and issued by insurers with A.M. Best ratings of no less than A:VII:

“Occurrence Form” Comprehensive General Liability Insurance (at least as broad as ISO Form CG 0001, covering liability on an occurrence basis) providing protection against bodily injury, including death, personal injury and property damage. This insurance shall provide broad form contractual liability protection covering the indemnity provisions contained in this Contract, underground hazards, products-completed operations. A per occurrence limit of \$2,000,000 and \$4,000,000 in the aggregate, written, with dedicated limits, on a “per project” basis; and a products-completed operations aggregate limit of at least \$4,000,000. The Contractor’s insurance policy shall include or be endorsed to include a “severability of interests” provision ensuring that each “additional insured” is treated as if it is the only insured; and “Occurrence Form” Automobile Liability Insurance providing protection against bodily injury, including death, and property damage. This insurance shall provide contractual liability by endorsement (ISO Form CA 0001, Code 1, “any auto” or equivalent) and shall cover any motor vehicle (or mobile equipment, to the extent it may be excluded from general liability insurance) used by the Contractor (whether owned, non-owned, hired or scheduled). The Contractor’s insurance policy

shall include or be endorsed to include a “severability of interests” provision ensuring that each “additional insured” is treated as if it is the only insured; and

Professional liability (if Design/Build), with limits no less than \$1,000,000 per occurrence or claim, and \$2,000,000 policy aggregate, with a five year tail from the completion of the project; and

Workers’ compensation and Employer’s Liability: Workers’ Compensation insurance as required by the State of California, with Statutory Limits, and Employers’ Liability insurance with a limit of no less than \$1,000,000 per accident for bodily injury or disease.

The insurance required by this Section 10 shall apply on a primary non-contributing basis. Any insurance or self-insurance maintained by GWMA, its member agencies, officers, employees, agents, subcontractors or volunteers, shall be in excess of Consultant’s insurance and shall not contribute with it.

The automobile and comprehensive general liability insurance policies shall contain an endorsement naming GWMA and its officers, employees, officials and agents as additional insureds. All insurance policies shall contain an endorsement providing that the policies cannot be canceled or reduced except on thirty (30) days’ prior written notice to GWMA. All insurance policies shall be endorsed to delete the subrogation condition as to GWMA, or shall explicitly allow Consultant to waive Consultant’s right of recovery prior to loss. Consultant waives all rights of subrogation and contribution against GWMA. Consultant shall require its insurer to modify the certificates of insurance to delete any exculpatory wording stating that failure of the insurer to mail written notice of cancellation imposes no obligation, and to delete the word “endeavor” with regard to any notice provisions.

Consultant shall require all subconsultants or other third parties hired to perform services under this Agreement, to carry, maintain, and keep in full force and effect, insurance policies that meet the requirements of this Section 10, unless otherwise agreed to by GWMA. The procurement of insurance by any subconsultant or other third party hired to perform services under this Agreement shall not relieve Consultant from any duties or liability otherwise arising under this Section 10.

Prior to performance of the Services under this Agreement, Consultant shall file a certificate or certificates of insurance, together with the required endorsements, with GWMA showing that the insurance policies are in effect in the required amounts.

## **SECTION 10 - TERMINATION**

Termination by the Parties.

Termination by GWMA. The Project Manager or GWMA Chair may terminate this Agreement or any portion of this Agreement or the Services required under this Agreement for any reason on ten (10) calendar days’ written notice to Consultant. Upon receipt of a notice of termination, Consultant shall perform no further services except as specified in the notice. Before the date of termination, Consultant shall deliver to GWMA all work product, whether complete or incomplete, prepared or compiled through the date of termination and not otherwise previously

delivered to GWMA. GWMA shall pay Consultant for services satisfactorily performed in accordance with this Agreement to the date of termination. GWMA shall reimburse Consultant for authorized expenses incurred to the date of termination and not previously reimbursed. Consultant shall not have any other claim against GWMA by reason of such termination.

Termination by Consultant. Consultant may terminate this Agreement on thirty (30) calendar days' written notice to GWMA only in the event of a material default by GWMA, which default GWMA has not been cured within thirty (30) days following receipt by GWMA of written notice from Consultant specifying the basis of the alleged default.

## **SECTION 11 - ADMINISTRATION**

GWMA's representative for administration of this Agreement, is the Grace Kast, or such other person designated in writing by the Executive Officer ("Project Manager"). Consultant's representative for administration of this Agreement is John Hunter ("Consultant's representative"), unless notified in writing by Consultant that additional representatives are authorized.

## **SECTION 12 - NOTICES**

Any routine administrative communication between the Project Manager and the Consultant's representative required to be in writing may be made by personal delivery, first class U.S. mail, facsimile transmission or electronic mail. Any other notices, invoices or reports required by this Agreement shall be given by first class U.S. mail or by personal service. Notices shall be deemed received on (a) the day of delivery if delivered by hand or overnight courier service during Consultant's and GWMA's regular business hours or by facsimile before or during Consultant's regular business hours; or (b) on the third business day following deposit in the United States mail, postage prepaid, to the addresses below, or to such other addresses as the parties may, from time to time, designate in writing pursuant to the provisions of this Section 13. All notices shall be delivered to the parties at the following addresses:

If to GWMA: Gateway Water Management Authority  
Attn: Toni Penn  
16401 Paramount Blvd.  
Paramount, CA 90723  
Email: tonipenn.gateway@gmail.com

If to Consultant:




### **SECTION 13 - WAIVER**

No delay or omission to exercise any right, power or remedy accruing to GWMA under this Agreement shall impair any right, power, or remedy of GWMA, nor shall it be construed as a waiver of, or consent to any breach or default. No waiver of any breach, any failure of a condition, or any right or remedy under this Agreement (1) shall be effective unless it is in writing and signed by the party making the waiver; (2) shall be deemed to be a waiver of, or consent, to any other breach, failure of a condition, or right or remedy, or (3) shall be deemed to constitute a continuing waiver unless the writing expressly so states.

### **SECTION 14 - ATTORNEY'S FEES**

In the event that either party to this Agreement shall commence any legal action or proceeding to enforce or interpret the provisions of this Agreement, the prevailing party in such action or proceeding shall be entitled to recover its costs of suit, including reasonable attorney's fees.

### **SECTION 15 - ENTIRE AGREEMENT**

This Agreement constitutes the final, complete and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement and supersedes all other prior or contemporaneous oral or written understandings and agreements of the parties.

### **SECTION 16 - MODIFICATION**

This Agreement may be supplemented, amended or modified only by a writing signed by Consultant and the Project Manager or GWMA Chair.

*[SIGNATURE PAGE FOLLOWS]*

The parties are signing this Agreement on the effective date.

GWMA

Consultant

Los Angeles Gateway Region Integrated  
Regional Water Management Authority

**INSERT COMPANY NAME HERE**

By: \_\_\_\_\_  
Name: Christopher Cash  
Title: Chair

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

(Please note: Two signatures required for corporations pursuant to California Corporations Code Section 313.)