

SAN JOSÉ/SANTA CLARA TREATMENT PLANT ADVISORY COMMITTEE

CHUCK REED, CHAIR
PETE McHUGH, MEMBER
KEVIN MOORE, MEMBER
JAMIE MATTHEWS, MEMBER
MADISON NGUYEN, MEMBER

KEN YEAGER, MEMBER
JOHN GATTO, MEMBER
ED SHIKADA, MEMBER
KANSEN CHU, MEMBER

AGENDA/TPAC

4:30p.m.

October 13, 2011

Room T-1734

1. ROLL CALL

2. MINUTES

A. September 8, 2011

3. UNFINISHED BUSINESS

4. CORRESPONDENCE

A. Information Memorandum: Response to Mayor's Budget Referral Regarding Percent for Art Funding at the Water Pollution Control Plant.

5. REPORTS

A. Open Purchase Orders Greater Than \$100,000
The attached monthly Procurement and Contract Activity Report summarizes the purchase and contracting of goods with an estimated value between \$100,000 and \$1 million and of services between \$100,000 and \$250,000.

B. The following Item was approved by San Jose City Council on 9/27/11:

Adopt a resolution authorizing the Director of Finance to select and purchase certain City and Redevelopment Agency insurance policies (property and liability for the City; property only for the Redevelopment Agency) for the period October 1, 2011 to October 1, 2012 at a total cost not to exceed \$1,500,000 for all policies, with the following insurance carriers:

1. Lexington Insurance Company, (Boston, MA) for Property, including Boiler & Machinery.

2. National Union Fire Insurance Company (New York, NY) to provide the following coverage:
 - Airport Owners and Operators Liability including War Risk & Extended Perils Coverage (Primary and Excess)
 - Police Aircraft Hull & Liability including War Risks & Extended Perils.
3. St Paul/Travelers Insurance Company, (Hartford, CT) for automobile Liability (Airport fleet vehicles and Shuttle Buses physical damage only/WPCP fleet vehicles), and
4. Indian Harbor Insurance Company, (Stanford, CT) for secondary Employment Law Enforcement Professional Liability.

6. **AGREEMENTS**

- A. Action Item - TPAC Recommendation for approval:

The following action item is scheduled to be considered by the San José City Council on October 18, 2011:

Adopt a resolution authorizing the City Manager to:

1. Execute a Purchase Order with Cannon Sline Industrial, Inc. (Long Beach, CA) for the painting and rehabilitation of the first five of 25 secondary clarifier tanks at the Water Pollution Control Plant (WPCP) for the period October 1, 2011 through September 30, 2012, in an amount not to exceed \$449,578.
2. Execute additional purchase orders as required to complete the painting and rehabilitation of the remaining 20 tanks, at a fixed price per tank as established by a competitive bid, over a four year period ending September 30, 2016, subject to the appropriation of funds.
3. Execute change orders for contingencies not to exceed \$50,000 for any unforeseen changes or requirements that may arise prior to the completion of services.

7. **STATUS OF ITEMS PREVIOUSLY RECOMMENDED FOR APPROVAL BY TPAC**

- A. **The following action item was approved by the San José City Council on, September 13, 2011:**

Adopt a resolution authorizing the City Manager to negotiate and execute a WaterSMART Funding Agreement with the U.S. Bureau of Reclamation (Reclamation) to allow the City to accept federal grant funding of \$2,000,000 for design and construction of South Bay Water Recycling (SBWR) Facilities.

Adopt a resolution authorizing the City Manager to negotiate and execute Feasibility Study Funding Agreement #R11AF20020 with Reclamation to allow the City to accept federal grant funding, ranging up to \$1,200,000, to perform a Feasibility Study to revise the South Bay Water Recycling Master Plan.

Adopt the following amendments to the Appropriation Ordinance and Funding Sources Resolution for 2011-2012 in the San José/Santa Clara Treatment Plant Capital Fund:

- a. Increase the estimate for Earned Revenue by \$1,268,000;
- b. Increase the appropriation to the Environmental Services Department for the Revised South Bay Action Plan - SBWR Extension by \$1,000,000; and
- c. Increase the appropriation to the Environmental Services Department for SBWR Master Plan by \$268,000.

B. The following supplemental was approved by the San José City Council on September 13, 2011:

1. Accept the Plant's odor assessment status report and direct staff to continue with the development of a regional odor assessment study:
 - (a) Develop a stakeholder process including the other possible odor generating facilities and the Plant's tributary agencies.
 - (b) Develop a funding plan to include a portion of the funding from sources other than the Sewer Service and Use Charges.
 - (c) Complete development of a scope and engage consultant services. Provide a status report in the fall of 2011 on progress made.

C. The following action item was approved by the San José City Council on, September 13, 2011:

1. It is recommended that the Council adopt a resolution approving the agreements set forth below and authorizing and directing the City Manager or designee to execute subject agreements together with all other documents needed to conclude the transaction.
 - (a) Purchase and Sale Agreement for Electric Pole Line Easement with Los Esteros Critical Energy Facility, LLC ("LECEF") setting forth terms and conditions of City's conveyance of the easement to Pacific Gas and Electric Company ("PG&E") on a 16,575 square foot portion of City's Water Pollution Control ("WPCP") buffer lands, and
 - (b) An Electric Pole Line Easement Agreement with PG&E allowing it the non-exclusive use of a portion of City's WPCP buffer lands for an electrical pole line to connect existing PG&E Transmission Lines with the adjacent LECEF Facility.

8. MISCELLANEOUS

- A. The next TPAC meeting will be November 10, 2011, at 4:30 p.m. City Hall, City Manager's Office, 17th Floor, Room 1734.

9. OPEN FORUM

10. ADJOURNMENT

NOTE: If you have any changes or questions, please contact Monica Perras, Environmental Services, 408-975-2515.

To request an accommodation or alternative format for City-sponsored meetings, events or printed materials, please call Monica Perras at (408) 975-2515 or (408) 294-9337 (TTY) as soon as possible, but at least three business days before the meeting/event.

Availability of Public Records. All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at San Jose City Hall, 200 East Santa Clara Street, 10th Floor, Environmental Services at the same time that the public records are distributed or made available to the legislative body.

DRAFT
MINUTES OF THE
SAN JOSÉ/SANTA CLARA
TREATMENT PLANT ADVISORY COMMITTEE
City Hall, City Manager's Office, 17th Floor, Room 1734
Thursday, September 8, 2011 at 4:30 p.m.

1. ROLL CALL

Minutes of the Treatment Plant Advisory Committee convened this date at 4:30 p.m. Roll call was then taken, with the following members in attendance:

Committee members: Pete McHugh, Jamie Matthews, Kevin Moore, Madison Nguyen, Ed Shikada, John Gatto, Kansen Chu, Chuck Reed.

Staff present: Monica Perras, Beth Gonzales, Kerrie Romanow, Mansour Nasser, Kirsten Struve, Bhavani Yerrapotu, Mollie Dent, Dave Freitas, Terry Medina, Mike O'Connell, Jo Zientek.

Others present: Dave Tucker (City of San Jose), Chris de Groot, Bob Wilson, (City of Santa Clara), Kathleen Phalen (City of Milpitas), Steve Machida(Cupertino Sanitary District), Joey McCarthy(McCarthy Properties), Jessica Murphey-(SJSU Student), Madison Casserly (Kennedy Jenks-San Jose City Resident), David Wall(San José City Resident).

2. APPROVAL OF MINUTES

A. August 11, 2011.

The minutes for August 11, 2011 were approved to note and file.

3. UNFINISHED BUSINESS

4. CORRESPONDENCE

5. REPORTS

A. Open Purchase Orders Greater Than \$100,000

The attached monthly Procurement and Contract Activity Report summarizes the purchase and contracting of goods with an estimated value between \$100,000 and \$1 million and of services between \$100,000 and \$250,000.

Item 5.A was approved to note and file.

6. AGREEMENTS

A. Action Item – TPAC Recommendation for approval:

The following action item is scheduled to be considered by the San José City Council on, September 13, 2011:

1. Adopt a resolution authorizing the City Manager to negotiate and execute a WaterSMART Funding Agreement with the U.S. Bureau of Reclamation (Reclamation) to allow the City to accept federal grant funding of \$2,000,000

for design and construction of South Bay Water Recycling (SBWR) Facilities.

2. Adopt a resolution authorizing the City Manager to negotiate and execute Feasibility Study Funding Agreement #R11AF20020 with Reclamation to allow the City to accept federal grant funding, ranging up to \$1,200,000, to perform a Feasibility Study to revise the South Bay Water Recycling Master Plan.
3. Adopt the following amendments to the Appropriation Ordinance and Funding Sources Resolution for 2011-2012 in the San José/Santa Clara Treatment Plant Capital Fund:
 - a. Increase the estimate for Earned Revenue by \$1,268,000;
 - b. Increase the appropriation to the Environmental Services Department for the Revised South Bay Action Plan - SBWR Extension by \$1,000,000; and
 - c. Increase the appropriation to the Environmental Services Department for SBWR Master Plan by \$268,000.

Items 6.A.1,2 & 3 (a-c) were approved unanimously.

B. Action Item – TPAC Recommendation for approval:

The following action item is scheduled to be considered by the San José City Council on, September 13, 2011:

1. Accept the Plant's odor assessment status report and direct staff to continue with the development of a regional odor assessment study:
 - (a) Develop a stakeholder process including the other possible odor generating facilities and the Plant's tributary agencies.
 - (b) Develop a funding plan to include a portion of the funding from sources other than the Sewer Service and Use Charges.
 - (c) Complete development of a scope and engage consultant services. provide a status report in the fall of 2011 on progress made

Item 6.B (a-c) was approved unanimously with an additional recommendation that the City Council direct staff to develop an implementation plan for the biosolids transition and further explore the quickest feasible implementation with the following next steps:

1. **Engage consultant services to develop an implementation plan, alternative project delivery methods, and associated costs.**
2. **Additional stakeholder engagement to further discuss opportunities and any associated costs and trade-offs for accelerating the biosolids transition**
3. **Update the technical staff of the tributary agencies monthly.**
4. **Include the results of the meetings in future report on biosolids transition plan, anticipated to be presented to TPAC and Council by the end of 2011.**

C. Action Item – TPAC Recommendation for approval:

The following action item is scheduled to be considered by the San José City Council on, September 13, 2011:

1. It is recommended that the Council adopt a resolution approving the agreements set forth below and authorizing and directing the City Manager or designee to execute subject agreements together with all other documents needed to conclude the transaction.
 - (a) Purchase and Sale Agreement for Electric Pole Line Easement with Los Esteros Critical Energy Facility, LLC (“LECEF”) setting forth terms and conditions of City’s conveyance of the easement to Pacific Gas and Electric Company (“PG&E”) on a 16,575 square foot portion of City’s Water Pollution Control (“WPCP”) buffer lands, and
 - (b) An Electric Pole Line Easement Agreement with PG&E allowing it the non-exclusive use of a portion of City’s WPCP buffer lands for an electrical pole line to connect existing PG&E Transmission Lines with the adjacent LECEF Facility.

Items 6. C.1(a&b) were approved unanimously.

7. STATUS OF ITEMS PREVIOUSLY APPROVED BY TPAC

The items that were approved by the San Jose City Council on August 16, 2011 were accepted to note and file.

8. MISCELLANEOUS

- A. The next TPAC meeting will be October 13, 2011, at 4:30p.m., City Hall, City Manager’s Office, 17th Floor, Room 1734.

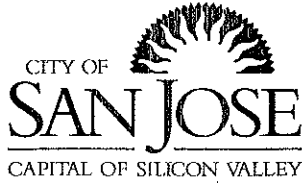
PUBLIC COMMENT

- A. David Wall presented a speaker card in Open Forum on various topics.

10. ADJOURNMENT

- A. The Treatment Plant Advisory Committee adjourned at 4:35 p.m.

Chuck Reed, Chair
Treatment Plant Advisory Committee



Distributed on:
SENT TO COUNCIL 9/7/11
City Manager's Office

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Kim Welsh

SUBJECT: REPORT ON PUBLIC
ART PROGRAM STATUS

DATE: September 7, 2011

Approved

Date

9/9/11

SUBJECT: RESPONSE TO MAYOR'S BUDGET REFERRAL REGARDING
PERCENT FOR ART FUNDING AT THE WATER POLLUTION
CONTROL PLANT

INFORMATION

BACKGROUND

In the Mayor's June 13, 2011 Budget Message for the FY 2011-2012 Operating Budget, the Mayor directed the City Manager and City Attorney to "review and report back to City Council before funds are spent for art at the Water Pollution Control Plant to ensure that all such spending complies with the Ordinance" guiding the Percent for Art requirement for City Capital Improvement Projects (Municipal Code Section 22.08.020). This work was reflected in Manager's Budget Addendum (MBA) #11, dated May 19, 2011, which decreased the Public Art budget appropriation in FY 2011-2012 by \$314,000 from \$388,000 to \$74,000. MBA #11 was incorporated into the Council-adopted June Budget Message for FY 2011-2012. The City Manager's Office and City Attorney's Office were engaged in this review and last year's budget preparations. Clear guidelines have been established for determining Percent for Art eligibility of capital projects at the Water Pollution Control Plant.

ANALYSIS

San Jose's Public Art Program, based in the Cultural Affairs division of the Office of Economic Development (OED), is guided by a Public Art Master Plan approved by City Council on March 13, 2007. The Public Art Master Plan included revisions to the City's public art ordinance to reduce the Percent for Art requirement from 2% to 1%, while applying it to a broader category of eligible capital improvement costs. The plan placed emphasis on integrating art into City capital planning efforts to deliver site-integrated art that adds maximum value to San Jose's construction projects. The plan focused on placing art in highly visible locations including community gathering places, in public buildings, and along transit corridors to reinforce the City's goal of distinctive, quality urban design.

Honorable Mayor and City Council

September 7, 2011

Subject: Response to Mayor's Budget Referral

Page 2 of 2

MBA #11 contained a thorough analysis of the FY 2011-2012 public art allocation and revised it down from the initial estimate of \$388,000 to \$74,000 by excluding projects that were designated in the Municipal Code Section 22.08.030(D) as ineligible: "non-construction projects, related projects such as studies, reports, leases, easements, cost of environmental review, seismic retrofits, site remediation, acquisition and installation of equipment, rehabilitating or maintenance of existing facilities." The FY 2011-2012 Percent for Art calculation was adjusted when the City Manager and the City Attorney determined that it should exclude any capital improvement project that was an "in kind" replacement of infrastructure that did not add capacity or constitute new construction at the Water Pollution Control Plant (Plant).

FY 2008-2009 was the first year that capital projects at the Plant were included in the Public Art appropriation. Since this time, Public Art Program staff and the Public Art Committee of the Arts Commission have carefully planned the public art projects at the Plant by working closely with Environmental Services Department (ESD) leadership to identify projects that closely align with ESD's goals. Not required to be expended at the Plant site, public art projects funded through Plant capital improvements have focused so far on environmental education, planning and supporting Plant tours. OED and ESD will continue to work collaboratively, along with the Tributary Agency partners, to determine the most appropriate use of the public art funds. It is likely that no new projects will be identified until Fiscal Year 2012-2013.

Public Art Program staff works closely with client departments in developing projects that meet the criteria of the Public Art Master Plan and align with client department plans. When public art projects for the Plant are identified, the project plan will be: shared with the Arts Commission for review and approval; presented to Tributary Agency partners; presented to the City Manager's Office during Capital Improvement Program (CIP) Budget review; and be included in the annual CIP Budget that is studied and approved by City Council.



KIM WALES

Director of Economic Development
Chief Strategist

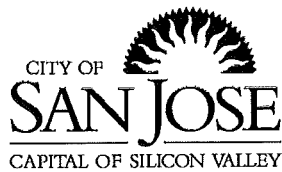
For questions please contact KERRY ADAMS HAPNER, DIRECTOR OF CULTURAL AFFAIRS, at (408) 793-4333.

City Manager's Contract Approval Summary
For Procurement and Contract Activity between \$100,000 and \$1 Million for Goods and \$100,000 and \$250,000 for Services

SEPTEMBER 30, 2011

| Description of Contract Activity ¹ | Fiscal Year | Req#/RFP# | PO# | Vendor/Consultant | Original \$ Amount | Start Date | End Date | Additional \$ Amount | Total \$ Amount | Comments |
|---|-------------|-----------|-------|--------------------------------|--------------------|------------|----------|----------------------|-----------------|----------|
| NEW: | | | | | | | | | | |
| SERVICE: ABB LICENSE AGREEMENT WITH TELEPHONE SUPPORT | FY10-11 | 13237 | 45484 | ABB INC | \$148,674 | 12/1/10 | 11/30/11 | \$100,000 | \$248,674 | |
| NEW BACKHOE LOADER | FY10-11 | 13927 | 75891 | CASE POWER AND EQUIPMENT | \$122,566 | | | | | |
| WATER TOXICITY TESTING | FY10-11 | 14164 | 45807 | TOXSCAN | \$10,000 | 6/1/11 | 5/31/11 | \$90,000 | \$100,000 | |
| WATER TOXICITY TESTING | FY10-11 | 14174 | 45806 | PACIFIC ECORISK LABORATORY | \$10,000 | 6/1/11 | 5/31/11 | \$90,000 | \$100,000 | |
| SCOOTER/CARTS | FY10-11 | 13984 | 75942 | TOYOTA MATERIAL HANDLING | \$174,713 | | | | | |
| | | | | | | | | | | |
| ONGOING: | | | | | | | | | | |
| CLEANING OF THREE (3) ANAEROBIC DIGESTERS AT WPCP | FY11-12 | 13966 | | NORTH AMERICAN DIGESTER | \$359,823 | | | | | |
| OVERHAUL OF TPS & FLOWAY PUMPS | FY11-12 | 14065 | | CONHAGEN, ALFRED INC | \$200,000 | | | | | |
| COATING REHABILITATION SERVICES | FY11-12 | 14070 | | JEFFCO PAINTING & COATING, INC | \$750,000 | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |

¹ This report captures in process contract activity (Requisition Number or RFP Number) and completed contract activity (Purchase Order Number, Contract Term, and Contract Amount)



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL AND
REDEVELOPMENT AGENCY BOARD

FROM: Julia H. Cooper
Richard Keit

SUBJECT: APPROVAL OF CITYWIDE
INSURANCE RENEWALS

DATE: September 7, 2011

Approved

Date

9-14-11

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Adopt a resolution authorizing the Director of Finance to select and purchase certain City and Redevelopment Agency insurance policies (property and liability for the City; property only for the Redevelopment Agency) for the period October 1, 2011 to October 1, 2012, at a total cost not to exceed \$1,500,000 for all policies, with the following insurance carriers:

1. Lexington Insurance Company, (Boston, MA) for Property, including Boiler & Machinery
2. National Union Fire Insurance Company (New York, NY) to provide the following coverage:
 - Airport Owners and Operators Liability including War Risks & Extended Perils Coverage (Primary and Excess)
 - Police Aircraft Hull & Liability including War Risks & Extended Perils.
3. St Paul/Travelers Insurance Company, (Hartford, CT) for Automobile Liability (Airport fleet vehicles and Shuttle Buses physical damage only/WPCP fleet vehicles), and
4. Indian Harbor Insurance Company, (Stamford, CT) for Secondary Employment Law Enforcement Professional Liability.

OUTCOME

City Council and Redevelopment Agency Board approval of the insurance renewals will ensure the City maintains appropriate insurance coverage to provide financial protection from catastrophic loss for the City.

September 7, 2011

Subject: Approval of Citywide Insurance Placement

Page 2

EXECUTIVE SUMMARY

Insurance policies provide financial protection in the event of catastrophic loss for the City of San José. Annually, the Finance Department¹, on behalf of the City and the Redevelopment Agency, analyzes the City's insurance coverage with their Insurance Broker, Marsh Risk and Insurance Services (Marsh USA). Marsh receives competitive quotes from the insurance market and presents them to the City for consideration. After reviewing the scope of coverage, cost, financial strength to pay claims and resources available to provide services, the Finance Department determines the appropriate insurance coverage and carriers for a one year term.

BACKGROUND

The City of San Jose ("City") and the Redevelopment Agency of the City of San José transfers exposures for catastrophic events via insurance policies when the frequency of events cannot be predicted, the severity of potential losses could seriously hamper operations, and where the cost of coverage is not prohibitive.

The City purchases a number of different insurance policies with annual premiums below \$100,000 and/or with different expiration dates (i.e. Fiduciary Liability, Fine Arts, and others). The insurance policies addressed in this memorandum have an annual renewal date of October 1, 2011. The premiums reflected are as of the October 1, 2011, and are subject to change during term based on additions and/or deletions to the policies as completed construction projects are added to the citywide property policy, and property values are adjusted based on current replacement values. The results for the October 1, 2011, insurance renewal are a reflection of the ever-changing market conditions. Generally the marketplace today is continuing an extended soft phase of the insurance cycle, which is favorable to buyers. This will result in the City continuing with terms and conditions that are largely unchanged from a year ago, with a possible upturn in premiums predicted prior to the next annual renewal period.

ANALYSIS

Annually, the Finance Department reviews the City's and Redevelopment Agency's risk exposures with the City's insurance broker. On June 30, 2008, Marsh Risk & Insurance Services ("Marsh") was selected through a competitive RFP process as the City's broker, and has been working diligently with the Finance Department to obtain cost effective insurance coverage.

The City, through Marsh, solicited major international insurance carriers to provide premium quotes for the aforementioned policies. The quotes were compared and evaluated with respect to scope of coverage, cost, and insurers' financial strength to pay claims, and availability of resources to provide services such as property inspections and loss control. Appendix A reflects the best value coverage, renewal premiums and insurance carriers available. The quoted renewal premiums are subject to market fluctuation prior to October 1, 2011. Additionally, further premiums may be payable based upon the addition of covered properties during the policy term. Appendix B provides a comparison of insurance premiums by fund and type of insurance. This

¹ Risk / Insurance Management Program transferred from Human Resources Department to the Finance Department in July 2011.

September 7, 2011

Subject: Approval of Citywide Insurance Placement

Page 3

comparison shows that the aggregate insurance quotes received are 3% lower than the quotes the City received last year. This incorporates a 2.7% decrease in City insured property values and a 7% decrease in the number of police officers in the secondary employment program.

Consistent with the City's annual insurance renewal process, staff, working with our insurance broker, examined the City's existing insurance program along with alternative coverage that could be considered. Staff also worked with the Agency and the affected departments listed under the coordination section below to determine their insurance needs for City property and facilities. The coverage examined for this renewal period is described below in two categories; (A) insurance coverages recommended and (B) insurance coverages which are not cost effective and therefore not recommended for purchase.

A. Insurance Coverage Recommended

1. All Risk including Boiler & Machinery Property Insurance

Provides coverage for City and Agency owned and leased real and personal property (including buildings, contents, business interruption, boiler and machinery, EDP equipment and media, fine arts, loss of rents, expediting expenses, off premises services interruption, unnamed locations, transit, accounts receivable, valuable papers, and other coverage as detailed in the policy forms subject to sub-limits as defined in the policy). The City is in the second year of a two-year rate guarantee, subject to terms and conditions of its "Successive Renewal Agreement". The property insurance limit is \$1 billion with a \$100,000 deductible per occurrence. The annual rate per \$100 of insured value remained the same for the 10/1/2011 renewal at 0.0336 per \$100; based on the two-year rate guarantee secured by the City last year.

Insurance Carrier: Lexington Insurance Company

2. Airport Owners and Operators Liability including War Risks & Extended Perils Coverage

Provides coverage for those sums that the City becomes legally obligated to pay as damages because of bodily injury, property damage and personal injury resulting from airport operations. Additionally, program provides coverage for bodily injury or property damage caused by war and other perils.

Insurance Carrier: National Union Fire Insurance Company

September 7, 2011

Subject: Approval of Citywide Insurance Placement

Page 4

3. Secondary Employment Law Enforcement Professional Liability

Provides coverage for an actual or alleged error or omission, negligent act, neglect or breach of duty by the City's police officers who have been approved to participate in the Secondary Employment program by the City's Secondary Employment Unit (SEU) while conducting law enforcement activities on behalf of an approved third party secondary employer, which result in bodily injury, property damage or personal injury.

Insurance Carrier: Indian Harbor Insurance Company

4. Auto Liability

Provides coverage for bodily injury, property damage and personal injury for claims arising out of the operation of the Airport and Water Pollution Control Plant auto fleets.

Insurance Carrier: St. Paul / Travelers Insurance Company

5. Airport Shuttle Bus –Physical Damage

Provides comprehensive physical damage (i.e. fire, theft, vandalism, malicious mischief) and collision damage subject to a \$25,000 deductible.

Insurance Carrier: St. Paul / Travelers Insurance Company

6. Police Aircraft Hull and Liability~ including War Risks & Extended Perils Coverage

Provides coverage for those sums that the City becomes legally obligated to pay as damages because of bodily injury (including passengers), property damage and hull coverage for the Cessna 182 and American Eurocopter EC 120B. Additionally, program provides coverage for bodily injury or property damage caused by war and other perils resulting from aviation operations. Provides coverage for two (2) aircraft, N408DC and N2705 with current hull values of \$1,750,000 and \$257,000 respectively and limit of liability of \$50,000,000. War coverage was included within this policy. Insurers who previously declined to quote this renewal include Starr Aviation, Global Aerospace and Allianz.

Insurance Carrier: National Union Fire Insurance Company

Appendix A provides a detailed table comparing the current insurance program by coverage levels, carrier(s) and premiums to the recommended renewal program.

B. Insurance Coverage Not Recommended

While the insurance coverages described below are not cost effective to the City today, Finance Department staff in consultation with our insurance broker will continue to review the cost and make recommendations to purchase insurance coverage to the extent the purchase of any or all of these coverages become cost effective in the future.

1. Terrorism Risk Insurance Act of 2002 (TRIA)

Provides coverage for insured losses resulting from certified acts of terrorism as defined by TRIA. For those participating, coverage is currently provided through a temporary Federal program. TRIA was extended by Congress on December 31, 2005 for an additional two years to expire on December 31, 2007, and has since been extended again and amended, as explained below.

The Terrorism Risk Insurance Act of 2002, as amended and extended in 2007 to expire on December 31, 2014, requires that insurers advise clients, prior to the renewal date of their current policy of their option to elect or reject terrorism coverage under the act as part of their property renewal policy. It also requires insurers to disclose the cost of such coverage for the policy term. The act provides licensed, admitted carriers with a substantial federal reinsurance backstop for terrorism acts that are certified by the Secretary of the Treasury of the United States as covered events (known as certified losses). Generally speaking, the act responds strictly to events that take place within the United States, its protectorates, territories, and possessions. The City first considered purchase of TRIA coverage on January 28, 2003 (item #3.6), after it was first offered following enactment of the legislation and again in June 2003 and September 2004 in conjunction with the renewal of the City's policies. The City continues to decline to purchase this coverage based on the assessment of the risk and the cost and coverage limitations.

The coverage under TRIA is very specific and somewhat limited. There are several very specific requirements for TRIA coverage to apply, as briefly summarized below:

- The Secretary of the Treasury must certify an event as an "Act of Terrorism". To qualify as an "act of terrorism", the event must be committed by an individual or individuals acting on behalf of any person or interest to coerce the civilian population of the U.S. or influence U.S. policy or conduct by coercion. Originally limited to "foreign" acts of terrorism, note that "domestic terrorism" like the Oklahoma City bombing is now considered an "Act of Terrorism" under the renewed TRIA.
- An "Act of Terrorism" is defined as any violent act or act that is dangerous to life or property that results in damage totaling at least \$5 million in the United States. Acts committed as part of a war declared by Congress are excluded from the scope of the definition.

September 7, 2011

Subject: Approval of Citywide Insurance Placement

Page 6

- The terms and conditions of coverage (limit, deductible, etc.) are governed by the specific policy.
- Under TRIA, there is a \$5 million aggregate requirement. Total damages suffered by all insureds from an "Act of Terrorism" as defined by TRIA must be at least \$5 million. If the \$5 million threshold is met, coverage applies subject to specific policy terms and conditions. In the case of the property insurance program, a \$100,000 per occurrence deductible would apply.

The cost of purchasing TRIA coverage is summarized below:

| | |
|--|-------------------|
| All Risk and Boiler & Machinery Property Insurance | \$ 146,779 |
| Airport Owners and Operators Liability | \$ 4,732 |
| Police Aircraft Hull & Liability | <u>\$434</u> |
| Total estimated TRIA Premium | \$ 151,945 |

See Appendix A for detailed description on costs associated with TRIA.

2. Excess Workers' Compensation

This excess insurance indemnifies the City for Workers' Compensation Claims. In the spring of 2004, the City's previous insurance broker evaluated the benefits and costs of obtaining Excess Workers' Compensation insurance. The cost of purchasing Worker's Compensation insurance was determined to be prohibitive at that time. At that time, the Finance Department in conjunction with the City's insurance broker explored several options associated with managing the costs and transferring the risk associated with the City's Worker's Compensation program. These options included:

- Excess Workers' Compensation Coverage
- Guaranteed Cost/First Dollar Workers' Compensation Coverage
- Loss Portfolio Transfer (selling the City's outstanding liabilities associated with Worker's Compensation claims to an insurance company)

In each instance, the cost was determined to be prohibitive. Over the next twelve (12) months, Marsh will continue to explore whether the costs associated with these options have become any more financially viable.

3. Excess Liability

Indemnifies the City for third-party claims alleging Bodily Injury, Property Damage, and Personal Injury arising from City premises, operations and vehicles.

The City has historically been self-insured for its exposures to third-party liability claims, with the exception of the Airport Owners and Operators Liability Insurance program.

The Finance Department in conjunction with Marsh analyzed the excess liability

September 7, 2011

Subject: Approval of Citywide Insurance Placement

Page 7

commercial insurance market and concluded with a recommendation that such coverage not be purchased. Principal findings of that review are summarized as follows:

- Lowest Self Insured Retention (SIR) the commercial marketplace offered is \$2 million/occurrence.
- City's 10-year loss history includes no single liability loss that exceeded \$2 million.

Recap of commercial insurance premium indications included the following²:

- \$50M limit/\$2M SIR \$723,418 annual premium
- \$50M limit/\$5M SIR \$542,000 annual premium
- \$50M limit/\$10M SIR \$240,000 annual premium

The City also obtained coverage indications from the California State Association of Counties Excess Insurance Authority (CSAC-EIA), a large statewide joint powers authority of California public entities, including cities, summarized as follows³:

- \$15M limit/\$1M SIR \$1,848,473 annual premium
- \$15M limit/\$2M SIR \$945,072 annual premium
- \$15M limit/\$3M SIR \$698,834 annual premium
- \$15M limit/\$5M SIR \$312,640 annual premium

Even at the much lower limit of \$15 million, premiums are higher than the commercial insurance costs of comparable SIRs. Given that no recent City losses exceed the minimum SIR offered by either the commercial insurance market or joint powers authorities; the commercial insurance marketplace is largely unchanged from last year; and, the City's finances continue to be constrained, it is not recommended that commercial excess liability insurance be purchased at this time.

In the event the City experiences a catastrophic loss. Options exist for payment of claim(s). Options include the issuance of so-called judgment bonds (no greater than 40 year term), as well as court-ordered installment payments (no greater than 10 year period). It should be noted that these options require either a successful validation action for the first option, and court approval is required for the second option.

4. Earthquake

Provides coverage for damage caused by the peril of earthquake or volcanic action. The coverage is limited to direct damage caused by an earthquake.

Earthquake insurance is another type of coverage that has become cost prohibitive. During last year's marketing efforts, we found that the cost for \$5 Million in coverage

² These premium quotes were obtained in advance of renewal last October and have not been refreshed; however, Marsh has indicated that they remain representative.

³ These premium quotes were also obtained in advance of renewal last October on an informal basis; in order to obtain new quotes, City is required to file a formal application.

September 7, 2011

Subject: Approval of Citywide Insurance Placement

Page 8

was in excess of \$500,000 annually. The insurance markets that write catastrophic covers (flood, wind, and earthquake) have reduced available capacity along with increasing insurance rates. This pricing level, the minimum deductible of 5% of the values at risk, and the relatively low limits of coverage available, make it uneconomical to purchase coverage citywide.

Appendix B provides a comparison of the allocation of insurance premiums by fund and insurance type between October 2010 renewal and the proposed October 2011 renewal.

EVALUATION AND FOLLOW-UP

The City Council will be informed as to the status of these policies as part of the annual renewal process each September or by Supplemental Memorandum if necessary.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1M or greater.
(Required: Website Posting)

- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City.
(Required: E-mail and Website Posting)

- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach.
(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

COORDINATION

This memo has been coordinated with the following departments: Airport, Transportation, Police, Housing, Environmental Services, City Manager's Budget Office, and the City Attorney's Office.

BUDGET REFERENCE

The insurance policies are funded by appropriations in the 2011-2012 Operating Budget.

| Fund # | Appn # | Appn. Name | Total Appn. | Amt. for Contract(1) | 2011-12 Proposed Oper. Budget Page* |
|--------------|--------|--|-------------------|----------------------|-------------------------------------|
| 001 | 2001 | Insurance Premiums | 549,000 | 471,259 | IX-24 |
| 001 | 2864 | Police Officers Professional Liability | 190,000 | 157,887 | IX-21 |
| 001 | 0502 | Non-Personal (Police) | 22,038,073 | 36,805 | VIII-287 |
| 523 | 0802 | Non-Personal (Airport) | 37,581,440 | 489,503 | XI-3 |
| 536 | 3405 | Insurance Expense | 98,000 | 93,857 | XI-24 |
| 518 | 0642 | Non-Personal (PRNS) | 25,000 | 623 | XI-69 |
| 533 | 0512 | Non-Personal (DOT) | 4,437,683 | 41,962 | XI-39 |
| 513 | 0762 | Non-Personal (ESD) | 25,548,275 | 125,694 | XI-77 |
| 443 | 0109 | Loan Management (Housing) | 250,000 | 3,014 | XI-53 |
| Total | | | 90,717,471 | 1,420,604 | |

* The 2011-2012 Proposed Budget was adopted by the City Council on June 21, 2011.

In addition, cost not to exceed \$10,000 will be charged to the Redevelopment Agency to provide insurance coverage for the Agency's properties. Funding for the proposed insurance policies is included in the Agency Adopted FY 2011-12 Capital Budget.

- (1) The Amount for Contract is subject to change up until the beginning date of the contract therefore, current estimates are lower than the recommended contract amount not to exceed \$1.5 million.
- (2) Allocated premium for Housing will be invoiced directly to Housing for payment.

CEQA

Not a Project, File No. PP 10-066 (a)~ Agreements and Contracts for purchase of insurance.

/s/

JULIA H. COOPER
 Acting Director of Finance

/s/

RICHARD KEIT
 Managing Director, Redevelopment Agency

If you have questions, please contact John Dam, Deputy Director, at 975-1438.

Appendix A
 Appendix B

APPENDIX A

1.) ALL RISK AND BOILER & MACHINERY PROPERTY INSURANCE

| | Current Program 10/1/2010– 10/1/2011 | Renewal Program 10/1/2011 – 10/1/2012 |
|--|--|--|
| Carrier | Lexington Insurance Company Boston, MA | Lexington Insurance Company Boston, MA |
| Total Insurable Values | 2,970,612,003 | \$ 2,890,588,227 |
| Limit of Liability | \$1,000,000,000 subject to a \$100,000 Deductible Per Occurrence – Option 1 \$250,000 Deductible Per Occurrence – Option 2 | \$1,000,000,000 subject to a \$100,000 Deductible Per Occurrence |
| Boiler & Machinery | Included | Included |
| Earthquake | Excluded. Relatively low limits available, 5% deductible, high premium – not recommended | Excluded. Relatively low limits available, 5% deductible, high premium – not recommended |
| Flood | \$100,000,000 but not to exceed \$25,000,000 in Zone B and \$15,000,000 in Zone A. Locations Specified in the insurance policy on file in Risk Management | \$100,000,000 but not to exceed \$25,000,000 in Zone B and \$15,000,000 in Zone A. Locations Specified in the insurance policy on file in Risk Management |
| Other Sub-limits | Other sub-limits as outlined in the insurance policy on file in Risk Management | Other sub-limits as outlined in the insurance policy on file in Risk Management |
| Terrorism and Non Certified Act of Terrorism | Excluded | Excluded |
| Average Rate Per \$100 of Values | .0336 (account rate per two-year rate guarantee) | .0336 (account rate per two-year rate guarantee) |
| Annual Premium | \$ 998,673 Annual Premium \$ 32,457 surplus lines taxes, fees (3.25%) \$1,031,130 Total Annual | \$ 971,238 Annual Premium \$ 31,565 surplus lines taxes, fees (3.25%) \$ 14,226 contracted broker fee \$ 1,017,029 Total Annual |
| Engineering Services | Included | Included |
| Multiyear Agreement | Offers a two year rate guarantee – Refer to policy for terms and conditions. | 2nd year of two year rate guarantee – Refer to policy for terms and conditions. |
| Optional TRIA Premium (not recommended for purchase) | \$150,306 Additional | \$ 146,779 Additional |

2.) AIRPORT OWNERS AND OPERATORS LIABILITY – ACE USA QUOTE

| | Current Program 10/1/2010 – 10/1/2011 | Renewal Program 10/1/2011 – 10/1/2012 |
|---|--|---|
| Carrier | National Union Fire Insurance Company, New York, NY | National Union Fire Insurance Company, New York, NY |
| Coverage and Deductible | Airport Liability - \$200,000,000 each occurrence combined single limit for bodily injury and property damage, with a \$50,000,000 each occurrence limit for personal injury, war risk liability at \$100,000,000 each occurrence and in the annual aggregate and \$50,000,000 Excess Automobile and Excess Employers Liability. Deductible: \$25,000 each occurrence, excluding all loss adjusting and litigation defense costs | Airport Liability - \$200,000,000 each occurrence combined single limit for bodily injury and property damage, with a \$50,000,000 each occurrence limit for personal injury, war risk liability at \$100,000,000 each occurrence and in the annual aggregate and \$50,000,000 Excess Automobile and Excess Employers Liability. Deductible: \$ 0 each occurrence |
| Annual Premium | \$111,577 | \$114,723 |
| Current War Risk & Extended Perils, Terrorism | \$ 13,948 | \$ 7,170 \$ 2,667 Contracted broker fee |
| Total (Including Taxes/Fees) | \$125,525 | \$ 124,560 |
| Optional TRIA premium (not recommended for purchase) | \$ 9,205 | \$ 4,732 |

3.) SECONDARY EMPLOYMENT LAW ENFORCEMENT PROFESSIONAL LIABILITY

| | Current Program 10/1/2010– 10/1/2011 | Renewal Program 10/1/2011 – 10/1/2012 |
|-------------------------------------|--|--|
| Carrier | Indian Harbor Insurance Company Stamford, CT | Indian Harbor Insurance Company Stamford, CT |
| Limits of Insurance and Deductibles | \$2,000,000 Each Occurrence \$2,000,000 Annual Aggregate Subject to a \$100,000 Deductible Each Claim | \$2,000,000 Each Occurrence \$2,000,000 Annual Aggregate Subject to a \$100,000 Deductible Each Claim |
| Average Rate per Officer | \$165 (per 1,010 officers at policy inception) | \$171 (872 officers at policy inception) |
| Annual Premium | \$166,650 | \$151,074 |
| Surplus Lines Taxes and Fees | \$ 5,416 | \$ 4,910 \$ 1,653 Contracted broker fee |
| Fees (if any) | \$ 250 | \$ 250 |
| Total Annual Premium | \$187,578 | \$ 157,887 |

4.) AUTOMOBILE LIABILITY FOR THE AIRPORT FLEET & AIRPORT SHUTTLE BUS FLEET
PHYSICAL DAMAGE

| | Current Program 10/1/2010 – 10/1/2011 | Renewal Program 10/1/2011 – 10/1/2012 |
|------------------------------|---|---|
| Carrier | St. Paul/Travelers Hartford, CT | St. Paul/Travelers Hartford, CT |
| Coverage and Deductibles | Auto Liability – Fleet Only \$1,000,000 Combined Single Limit (Any Auto) \$1,000,000 UM/UIM (Owned Autos) \$ 5,000 Medical Payments (Any Auto – No Buses) Physical Damage – Buses Only Per Schedule Subject to \$25,000 Comp/Coll Deductible \$500 Comp/Coll Deductible for Hired Physical Damage | Auto Liability – Fleet Only \$1,000,000 Combined Single Limit (Any Auto) \$1,000,000 UM/UIM (Owned Autos) \$ 5,000 Medical Payments (Any Auto – No Buses) Physical Damage – Buses Only Per Schedule Subject to \$25,000 Comp/Coll Deductible \$500 Comp/Coll Deductible for Hired Physical Damage |
| Exposure | Number of Units 112 | Number of Units 106 |
| Average Rate Per Unit | \$610 | \$641 |
| Annual Premium | \$68,318 | \$67,893 \$ 1,238 Contracted broker fee \$69,131 |

5.) AUTOMOBILE LIABILITY - WATER POLLUTION CONTROL PLANT FLEET

| | Current Program 10/1/2010– 10/1/2011 | Renewal Program 10/1/2011– 10/1/2012 |
|------------------------------|---|---|
| Carrier | St. Paul/Travelers Hartford, CT | St. Paul/Travelers Hartford, CT |
| Coverage | \$1,000,000 Combined Single Limit (Any Auto) \$1,000,000 UM/UIM (Owned Autos) \$ 5,000 Medical Payments (Any Auto) \$ 3,500 Property Damage UM | \$1,000,000 Combined Single Limit (Any Auto) \$1,000,000 UM/UIM (Owned Autos) \$ 5,000 Medical Payments (Any Auto) \$ 3,500 Property Damage UM |
| Exposure | Number of Units 39 | Number of Units 41 |
| Average Rate Per Unit | \$561 | \$589 |
| Annual Premium | \$21,891 | \$24,164 \$ 441 Contracted broker fee \$24,605 |

6.) POLICE AIRCRAFT HULL AND LIABILITY

| | Current Program 10/1/2010 – 10/1/2011 | Renewal Program 10/1/2011– 10/1/2012 |
|--------------------------------------|--|--|
| Carrier | National Union Fire Insurance Company New York, NY | National Union Fire Insurance Company New York, NY |
| Coverage | Aircraft Hull and Liability - \$50,000,000 each occurrence for liability. Hull coverage: Cessna \$257,000 Eurocopter \$1,750,000 Deductible: Liability – NIL <ul style="list-style-type: none"> • Hull/Cessna - \$500 per occurrence (in-motion) • Hull/Cessna - \$100 per occurrence (not in-motion) • Hull/Eurocopter – \$25,000 per occurrence (rotors in-motion) • Hull/Eurocopter - \$ 500 per occurrence (rotors not in motion) | Aircraft Hull and Liability - \$50,000,000 each occurrence for liability. Hull coverage: Cessna \$250,000 Eurocopter \$1,750,000 Deductible: Liability – NIL <ul style="list-style-type: none"> • Hull/Cessna - \$500 per occurrence (in-motion) • Hull/Cessna - \$100 per occurrence (not in-motion) • Hull/Eurocopter –\$25,000 per occurrence (rotors in-motion) • Hull/Eurocopter - \$500 per occurrence (rotors not in-motion) |
| Annual Premium | \$34,534 | \$ 34,544 |
| Surplus Lines Taxes and Fees | N/A | N/A |
| War Liability & Hull – both aircraft | \$ 1,474 | \$ 1,473 \$ 788 Contracted broker fee |
| Total | \$36,008 | \$ 36,805 |
| TRIA (if purchased with War | \$ 434 | \$ 434 |

APPENDIX B

Insurance Policies with October 1 Renewal Date
Allocation of Insurance Premiums by Fund & Type of Insurance

| | <u>FY 2010-11 Premiums 12 Months</u> | <u>FY 2011-12 Premiums 12 Months</u> | <u>Percentage Increase/ Decrease</u> |
|---|--|--|--|
| General Fund - Fund 001 | | | |
| Property Insurance | \$ 476,112 | \$ 471,259 | -1% |
| Police Secondary (1) | \$ 187,578 | \$ 157,887 | -16% |
| Police Air Support (Hull & Liab.) | \$ 36,008 | \$ 36,805 | 2% |
| Subtotal | \$ 699,698 | \$ 665,951 | -5% |
| Airport - Fund 523 | | | |
| Property Insurance | \$ 217,581 | \$ 295,812 | 36% |
| Liability Insurance | \$ 125,525 | \$ 124,560 | -1% |
| Auto Liability Insurance | \$ 68,318 | \$ 69,131 | 1% |
| Subtotal | \$ 411,424 | \$ 489,503 | 19% |
| ESD - Fund 513 | | | |
| Property Insurance | \$ 137,833 | \$ 101,089 | -27% |
| Auto Insurance | \$ 21,891 | \$ 24,605 | 12% |
| Subtotal | \$ 159,724 | \$ 125,694 | -21% |
| Convention and Cultural Affairs - Fund 536 | | | |
| Property Insurance | \$ 124,842 | \$ 93,857 | -25% |
| Subtotal | \$ 124,842 | \$ 93,857 | -25% |
| Municipal Golf Course - Fund 518 | | | |
| Property Insurance | \$ 867 | \$ 623 | -28% |
| Subtotal | \$ 867 | \$ 623 | -28% |
| General Purpose Parking - Fund 533 | | | |
| Property Insurance | \$ 58,377 | \$ 41,962 | -28% |
| Subtotal | \$ 58,377 | \$ 41,962 | -28% |
| Redevelopment Agency | | | |
| Property Insurance (2) | \$ 15,518 | \$ 9,412 | -39% |
| Subtotal | \$ 15,548 | \$ 9,412 | -39% |
| Housing | | | |
| Property Insurance (3) | | \$ 3,014 | |
| Subtotal | | \$ 3,014 | |
| TOTAL | \$ 1,470,480 | \$ 1,430,017 | -2.8% |

(1) Each Police Officer participating in the secondary employment program pays \$110 toward the premium cost. Renewal premium is based on 872 officers at policy inception.

(2) Allocated premium for RDA will be invoiced directly to RDA for payment.

(3) Allocated premium for Housing will be invoiced directly to Housing for payment.

PROPERTY PREMIUM ALLOCATION

| Fund # | LOCATION | TOTAL INSURED VALUE | % of TIV | Total Annual Cost Allocation | Fund Allocation |
|---------------|-------------------------|----------------------------|-----------------|-------------------------------------|------------------------|
| 1 | Main Buildings | \$ 507,714,583 | 17.56% | 178,635.06 | |
| 1 | Charged Back Properties | \$ 252,540,041 | 8.74% | 88,854.06 | |
| 1 | Community Centers | \$ 138,769,415 | 4.80% | 48,824.84 | |
| 1 | Libraries | \$ 176,874,420 | 6.12% | 62,231.76 | |
| 1 | Police Buildings | \$ 116,277,615 | 4.02% | 40,911.29 | |
| 1 | Fire Stations | \$ 147,231,498 | 5.09% | 51,802.15 | \$ 471,259 |
| 523/519 | Airport | \$ 840,754,166 | 29.09% | 295,812.20 | \$ 295,812 |
| 513 | ESD | \$ 287,313,721 | 9.94% | 101,088.89 | \$ 101,089 |
| 536 | Convention Properties | \$ 266,759,265 | 9.23% | 93,856.98 | \$ 93,857 |
| 518 | Municipal Golf Course | \$ 1,771,547 | 0.06% | 623.30 | \$ 623 |
| 533 | Parking Garages | \$ 119,263,845 | 4.13% | 41,961.97 | \$ 41,962 |
| | Housing | \$ 8,567,110 | 0.30% | 3,014.26 | \$ 3,014 |
| | Redevelopment Agency | \$ 26,751,000 | 0.93% | 9,412.11 | \$ 9,412 |
| | | \$ 2,890,588,227 | 100.00% | \$ 1,017,029 | \$ 1,017,029 |

| | | | |
|-------------------------------|-----------|------------------|--------------------------|
| Premium rate per \$100 of TIV | \$ | 0.0336 | |
| Total Premium | \$ | 971,238 | |
| Surplus Lines Taxes | \$ | 31,565 | (3.25% of total premium) |
| Broker's fee | \$ | 14,226 | |
| Total Annual Cost | \$ | 1,017,029 | |

| | | |
|---------------------------|----|---------------|
| TIV - FY 2010-11 | \$ | 2,970,612,003 |
| Net Change vs. FY 2011-12 | \$ | (80,023,776) |
| % Change vs. FY 2011-12 | | -2.7% |



Subject: Award of Purchase Order to Cannon Sline Industrial, Inc. for the Painting/Rehabilitation of Clarifier Tanks

**Council Agenda: 10/18/2011
Item:**

City Council Action Request

| | | | |
|-------------------------------|---|--|--|
| Department: Finance | CEQA: Not a Project, File No. PP10-066(c) | Coordination: Environmental Services, City Attorney's Office, City Manager's Budget Office On October 13, 2011, the Treatment Plant Advisory Committee is scheduled to consider this item. | CMO Approval: Dept. Approval: /s/ Julia Cooper |
|-------------------------------|---|--|--|

RECOMMENDED ACTION:

Adopt a resolution authorizing the City Manager to:

- a) Execute a Purchase Order with Cannon Sline Industrial, Inc. (Long Beach, CA) for the painting and rehabilitation of the first five of 25 secondary clarifier tanks at the Water Pollution Control Plant (WPCP) for the period October 1, 2011 through September 30, 2012, in an amount not to exceed \$449,578.
- b) Execute additional purchase orders as required to complete the painting and rehabilitation of the remaining 20 tanks, at a fixed price per tank as established by a competitive bid, over a four year period ending September 30, 2016, subject to the appropriation of funds.
- c) Execute change orders for contingencies not to exceed \$50,000 for any unforeseen changes or requirements that may arise prior to the completion of services.

Desired Outcome: Increase the life expectancy of the metal components within the clarifier tanks, therefore increasing the useful life of the tanks.

BASIS FOR RECOMMENDATION:

Clarifier tanks are an essential part of Water Pollution Control Plant (WPCP) operations, and are used to separate biomass solids from the processed liquids, leaving clean water for use in the recycled water service district. As part of ongoing maintenance at the Plant, it is required that these tanks be rehabilitated and painted on a five year cycle.

A Request for Bid was issued on May 31, 2011, through the City's e-procurement system. The bid specification included a maintenance schedule to service the tanks over a five year period, and required bidders to submit a fixed price bid for each tank. 30 companies downloaded the Request for Bid, eight companies attended the mandatory pre-bid conference and site visit at the Plant, and six bids were received by the June 23, 2011, due date. Cannon Sline Industrial submitted the lowest responsive and responsible bid.

No protests were received during the protest period which ended on July 5, 2011.

Pursuant to Municipal Code Section 4.12.310, recommendation of award is to Cannon Sline Industrial as the lowest bidder.

Office of Equality Assurance: Living Wage or Prevailing Wage, whichever is higher, is applicable to work under this purchase order.

COST AND FUNDING SOURCE:

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT: The total cost for the initial Purchase Order is \$499,578
2. SOURCE OF FUNDING: 513- San José-Santa Clara Treatment Plant Operating Fund, Environmental Services Department Non-Personal –Equipment appropriation. The 2011-2012 Adopted Operating Budget for this appropriation is \$25.5 million.

FOR QUESTIONS CONTACT: Mark Giovannetti, Purchasing Division Manager 408-535-7052