

CITY OF LOS ANGELES
INTERDEPARTMENTAL CORRESPONDENCE

Date: October 28, 2015

To: Proposition O Administrative Oversight Committee

Kendrick K. Okuda

From: Kendrick K. Okuda,
Bureau of Engineering (BOE)
Project Implementation Program Manager

Subject: **PROPOSITION O PROJECT BUDGET REDUCTIONS AND SAVINGS**

RECOMMENDATIONS

1. Authorize a decrease in the Echo Park Lake Rehabilitation total project budget by \$8,670,774 from \$45,296,789 to \$36,626,015.
2. Authorize a decrease in the Peck Park Canyon Enhancement funding by \$632,910 from \$6,190,000 to \$5,557,090.
3. Authorize a decrease in the Rosecrans Recreation Center Stormwater Enhancements funding by \$1,850,884 from \$4,829,119 to \$2,978,235.
4. Authorize a decrease in the South Los Angeles Wetlands Park funding by \$2,548,828 from \$12,378,202 to \$9,829,374.
5. Authorize the transfer of the net sum of Recommendations 1 through 4, in the amount of \$13,703,396 to Program Contingency. This increases the current Program Contingency from \$20,084,026 to \$33,787,422.
6. Reserve \$12,400,000 for future Program Contingency.
7. Authorize the City Administrative Officer, in coordination with the Bureau of Sanitation and BOE Program Managers, to make technical corrections, as needed, to the recommendations in this correspondence.

BACKGROUND

The BOE continues to complete partial and final project budget close-outs. The project budget close-outs calculate total project expenditures, compares expenditures to total project budgets, and adjusts project budgets accordingly. Total project expenditures consists of City labor costs, engineering consultant services costs, permitting costs, the cost of the construction contract, the cost of construction inspection, and the cost of land acquisition (if any). This correspondence summarized individual project budget adjustments.

Echo Park Lake Rehabilitation

The original project budget was \$84,263,313. In March 2013, and again in June 2013, the AOC approved budget reductions to \$69,263,313 and \$45,296,789, respectively. This project is now complete, with post-construction activity and expenditures finalized. This is the final budget reduction for this project.

Peck Park Canyon Enhancement

The original project budget was \$6,190,000. Project construction is now complete and the project is in a habitat restoration monitoring and reporting phase. To date, habitat restoration has been successful however, the monitoring and reporting phase will continue until Spring of 2016. This is a partial budget reduction; \$115,000 is being reserved to complete the current phase. Additional savings may be realized after the completion of the monitoring and reporting phase.

Rosecrans Recreation Center Stormwater Enhancements

This project is now complete, with all post-construction activity and expenditures finalized. This is the final budget reduction for this project.

South Los Angeles Wetlands Park

The original Proposition O funding amount was \$16,678,202. In August 2013, the AOC reduced the funding amount to \$12,378,202. This project is now complete, with all post-construction activity and expenditures finalized. This is the final budget reduction for this project.

STATUS OF PROGRAM CONTINGENCY

Currently, there are 12 active Proposition O projects, including the \$110.5 million Machado Lake Ecosystem Restoration project. The BOE forecasts that project implementation activity will continue through the middle of 2020. In order to safeguard the Program from unforeseen costs, it is recommended that \$12,400,000 be reserved for Program Contingency.

This correspondence includes \$13,703,396 in project savings. The current Program Contingency is \$20,084,026. The BOE recommends reserving \$12,400,000 for future Program Contingency. This leaves \$21,387,422 available to be reprogramed to fund other Proposition O needs.

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0220-03994-0045

Date: October 29, 2015

To: Proposition O, Administrative Oversight Committee

From: Miguel A. Santana, City Administrative Officer Subject: **PROPOSITION O CLEAN WATER GENERAL OBLIGATION BOND
REPROGRAMMING OF PROJECT SAVINGS**

The City Engineer has submitted a request to recognize \$13.7 million in project savings. As a result, our Office is recommending reprogramming project savings within the Proposition O, Clean Water General Obligation Bond (Prop O) Program for Optimization activities, and to provide additional appropriations for two active projects. The current Prop O Program budget is \$534.1 million plus \$20.1 million in program contingency. Of that, Council has approved project budgets totaling \$495.9 million (which is allocated to 43 projects, including 27 completed projects and 16 active projects).

In a memo dated October 28, 2015, the Bureau of Engineering (BOE) identified \$13.7 million in savings from the approved budget of four completed projects as shown in the table below. BOE also recommended reducing the Prop O program contingency by \$7.7 million, from the original amount of \$20.1 million to a revised program contingency of \$12.4 million.

Project	Originally Approved Budget	Prior Budget Reductions	Current Approved Budget	Proposed Budget Amount	Savings
Echo Park Lake Rehabilitation	\$84,263,313	(\$38,966,524)	\$45,296,789	\$36,626,015	\$8,670,774
Peck Park Canyon Enhancement	\$6,190,000	-	\$6,190,000	\$5,557,090	\$632,910
Rosecrans Recreation Center Stormwater Enhancements	\$4,829,119	-	\$4,829,119	\$2,978,235	\$1,850,884
South Los Angeles Wetlands Park	\$16,678,202	(\$4,300,000)	\$12,378,202	\$9,829,374	\$2,548,828
Total Project Savings Available for Reprogramming:					\$13,703,396

We reviewed the status of the Prop O program with the BOE and Bureau of Sanitation (BOS) and concur with the recommendations in BOE's report to reduce program contingency and utilize savings identified. Therefore, it is recommend that the project savings of \$13.7 million be reprogrammed for the Prop O eligible projects listed in priority order below.

Project	Approved Budget	Proposed Budget Amount	Adjustment Needed
Aliso Creek – Limekiln Creek Restoration	\$1,595,089	\$10,940,089	\$9,345,000
Machado Lake – Phase I (Wilmington Drain)	\$21,049,911	\$25,093,711	\$4,043,800
Optimization – Structural Improvements 10 projects (Attachment A)	-	\$1,572,588	\$1,572,588
Optimization on recently completed projects 8 projects (Attachment B)	-	\$2,296,000	\$2,296,000
Total Additional Appropriations:			\$17,257,388
Total Project Savings Identified by BOE:			\$13,703,396
Additional Funding Needed:			(\$3,553,992)
Program Contingency BOE Proposed Reduction	\$20,084,026	\$12,400,000	\$7,684,026
Contingency that may be reprogrammed for additional projects:			\$4,130,034

Recommended Adjustments

The AOC approved a budget of \$1.6 million for design of the Aliso Creek Limekiln Creek Restoration project, with the intention that the remainder of the \$10.9 million project cost would be funded when additional savings are identified. The Machado Lake project was recently completed, but the permit acquired for construction on this project requires that the City perform habitat monitoring, maintenance, and reporting for five years following completion of the project. This activity required by the California Department of Fish and Wildlife (CDFW) is estimated to cost \$4 million. Of this amount, approximately \$1.3 million will be reimbursed by CDFW. Separately, the Los Angeles County Flood Control District is to reimburse the project approximately \$8.2 million, in a cost sharing arrangement. In the interim, BOE recommends increasing the project budget to fund the project's current needs.

In August 2012, the AOC and Council approved the concept of Optimization, allowing the BOS and their consultants to analyze the physical, chemical, and biological characteristics of Prop O projects to ensure that project elements are performing at an optimal level in real world conditions. The AOC approved \$2.2 million for Optimization, and as a result of their analysis, BOS recommends \$1.6 million in structural improvements for 10 projects. BOS also recommends funding of \$2.3 million to begin Optimization on eight recently completed projects to continue ensuring that Prop O projects maintain long-term sustainability.

Additional Projects for Discussion

If the recommendations in this report are adopted, there would be \$4.1 million remaining in savings that can be allocated to any of the projects listed below:

Project	Original Budget	Requested Adjustment	Outstanding Issues
Argo Drain Sub basin Facility	\$30,122,000	\$1,800,000	Determination of LAWA funding responsibility
Continue Optimization on 11 projects	\$2,172,620	\$645,600	Structural improvements already recommended
Vermont Avenue Stormwater Capture & Green Street Project	-	\$1,000,000	Portion of grant funding not yet secured
Boyle Heights Joint Use Comm. Center	-	\$2,300,000	To be replaced with Hollenbeck Lake project
Westwood Neighborhood Greenway	-	\$3,100,000	

The following is a brief discussion on the outstanding issues for these projects:

- BOE states there is an increase in scope for the Argo Drain Sub-basin Facility project as a result of increased Los Angeles World Airports (LAWA) water flows. Additional discussion is needed to validate the financial impact of the additional scope, and to determine if LAWA should be responsible for the increase.
- BOS recommends \$0.6 million to continue optimization on 11 projects that already had funding approved for initial optimization (Attachment C). Further clarification is needed to determine the need for continued consulting when the key findings of the analysis are already being implemented through structural improvements.
- The Vermont Avenue Stormwater Capture and Green Street project is estimated to cost \$4.7 million, including \$3.7 million in grant funding and \$1 million from Prop O. A portion of the grant funding has not yet been secured.

If funding is not allocated to additional projects, the project savings may be moved to program contingency. This would result in a revised program contingency of \$16.5 million.

RECOMMENDATIONS

1. Approve an increase of \$4,043,800 in the budget for the Machado Lake Phase I project from the original amount of \$21,049,911 to a revised project budget of \$25,093,711;
2. Approve an increase of \$9,345,000 in the budget for the Aliso Creek – Limekiln Creek Restoration project from the original amount of \$1,595,089 to a revised project budget of \$10,940,089;
3. Approve an allocation for Prop O Optimization activities in the amount of \$1,572,588 for structural improvements on 10 projects and \$2,296,000 to begin optimization on eight recently completed projects;
4. Approve a revised program contingency of \$16,530,034; and,
5. Instruct staff to report back to the AOC with recommendations for use of savings on additional Prop O eligible projects.

FISCAL IMPACT STATEMENT

The recommendations in this report result in additional funding of \$17.3 million for various Prop O projects. This is offset by transfers of approximately \$21.4 million from completed projects and project savings. Approval of the recommendations in this report will allocate the total amount of \$554.2 million in Prop O funding, including \$16.5 million in Program Contingency Reserve. The recommendations in this report are in compliance with the City's Financial Policies as funding for the proposed projects is provided primarily from bond funds which are supported by voter-approved property tax revenue.

MAS:REM:06160061
Attachments