

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 1, 2015

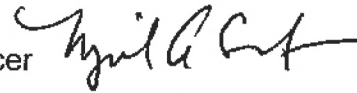
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Council File No.

Council District: All

To: The Council
The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Proposition O Administrative Oversight Committee Recommendations

Subject: **PROPOSITION O CLEAN WATER GENERAL OBLIGATION BOND
REPROGRAMMING**

SUMMARY

At its meeting of October 29, 2015, the Proposition O, Clean Water General Obligation Bond (Prop O) Administrative Oversight Committee (AOC) approved recommendations to reprogram project savings of \$13.7 million within the Prop O Program to provide additional appropriations for two active projects, and to increase program contingency by \$0.3 million from the current amount of \$18.1 million to a revised program contingency of \$18.4 million. This matter is now being transmitted for Council consideration.

Summary/Budget

In November 2004, the City of Los Angeles voters passed Prop O, authorizing the sale of \$500 million in general obligation bonds to finance projects that protect public health by cleaning up pollution in the City's rivers, lakes, and beaches. Since then, the City has issued \$439.5 million in general obligation bonds for Prop O. The total funding for the Prop O program is \$552.2 million consisting of bond proceeds, interest earnings, grants, and special funds. The current Prop O Program budget is \$534.1 million plus \$18.1 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).

Prop O Funding Sources	Amount
Bond Proceeds (Sale)	\$439,500,000
Interest Earnings	\$26,893,763
Future Bond Sale	\$60,500,000
Secured Grants Received	\$18,270,046
Sewer Construction and Maintenance (SCM)	\$7,000,000
TOTAL Prop O Funds:	\$552,163,809

Prop O Budgeted Items	Amount
Project Costs	\$495,937,895
City Staff	\$33,562,799
Consultants	\$959,865
General Costs	\$3,619,224
Prop O Program Budget:	\$534,079,783
Prop O Program Contingency:	\$18,084,026

Project Savings

In a memo to the AOC dated October 28, 2015 (Attachment A), 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. These funds are not required for project close-out activities, and the AOC adopted the recommendations in BOE's report to accept the project savings.

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

Staff reviewed the status of the Prop O program with the BOE and the Bureau of Sanitation (BOS) to identify projects or concepts that required additional funding. In a memo to the AOC dated October 29, 2015 (Attachment B), our Office recommended that the project savings of \$13.7 million be reprogrammed for the Prop O eligible projects listed 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
Total Recommended Budget Adjustments:			\$13,388,800
Total Project Savings Identified by BOE:			\$13,703,396
Project Savings Remaining:			\$314,596

Recommended Adjustments

Previously, the AOC and Council 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. Since sufficient savings are now identified, full funding is recommended.

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, it is recommended that the project budget be increased to fund the project's current needs.

Revised Program Contingency

The current program contingency is \$18.1 million. If the recommendations in this report are adopted, there would be \$0.3 million in project savings remaining that may be added to the existing program contingency. This would result in a revised program contingency of \$18.4 million. In their memo to the AOC, BOE recommended reserving a minimum of \$12.4 million for program contingency in order to safeguard the Prop O Program from unforeseen costs. Based on this minimum, there would be \$6.0 million in program contingency funds available for additional projects.

Additional Projects

Below is a list of unfunded projects that are still being considered by the AOC. These projects have been presented to the AOC in concept, but have outstanding issues to be resolved before consideration for funding. Staff will report back to the AOC on these projects once they are ready for implementation.

Project	Original Budget	Requested Adjustment	Outstanding Issues
Structural Improvements of 11 projects as a result of Optimization	-	\$2,166,000	Estimates to be analyzed
Continue Optimization on 11 projects	\$3,539,144	\$800,000	Estimates to be analyzed
Optimization on 8 recently completed projects	-	\$2,416,000	Estimates to be analyzed

Project	Original Budget	Requested Adjustment	Outstanding Issues
Argo Drain Sub basin Facility	\$30,122,000	\$1,800,000	Determination of LAWA funding responsibility
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	Estimate is being updated

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

- Our Office is working with the BOE and BOS to further analyze the scope of work and finalize the estimates for Optimization activities, and will report back to the AOC on the funding needed for the work.
- 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.
- 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. However, only a portion of the grant funding has been secured to date.
- BOS is currently preparing a concept report for the Hollenbeck Lake project which would potentially replace the Boyle Heights Joint Use Community Center project. This report will be presented to the AOC upon its completion.

RECOMMENDATIONS

That the Council, subject to approval of the Mayor,

1. Approve a decrease of \$8,670,774 in the budget for the Echo Park Lake Rehabilitation project from the original amount of \$45,296,789 to a revised project budget of \$36,626,015;
2. Approve a decrease of \$632,910 in the budget for the Peck Park Canyon Enhancement project from the original amount of \$6,190,000 to a revised project budget of \$5,557,090;
3. Approve a decrease of \$1,850,884 in the budget for the Rosecrans Recreation Center Stormwater Enhancements project from the original amount of \$4,829,119 to a revised project budget of \$2,978,235;
4. Approve a decrease of \$2,548,828 in the budget for the South Los Angeles Wetlands Park project from the original amount of \$12,378,202 to a revised project budget of \$9,829,374;
5. 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;
6. 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;
7. Transfer the remaining balance from the net sum of Recommendations 1 through 6, in the amount of \$314,596 to Program Contingency. This will increase the existing Program Contingency of \$18,084,026 to a revised Program Contingency of \$18,398,622;
8. Instruct staff to report back to the AOC and Council with recommendations for use of savings on additional Prop O eligible projects; and,
9. Authorize the City Administrative Officer and the Department of Public Works to make technical corrections, as necessary, to those actions included in this report to implement Mayor and Council intentions.

FISCAL IMPACT STATEMENT

The recommendations in this report result in additional funding of \$13.4 million for various Prop O projects. This is offset by transfers of approximately \$13.7 million from completed projects and project savings. Approval of the recommendations in this report will allocate the total amount of \$552.2 million in Prop O funding, including \$18.4 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.

DISCUSSION

The Prop O Program consists of projects designed to remove trash, bacteria, and stormwater pollution from the City's rivers, lakes, beaches and the ocean. These projects are also intended to assist the City in complying with Federal Clean Water Act requirements by increasing water conservation as it relates to Total Maximum Daily Load (TMDL). The improvements may consist of elements that protect water quality, provide flood protection, increase water conservation, provide habitat protection, and create open space.

Upon the completion of Prop O projects, the BOS performs optimization activities to ensure that the water quality elements of the completed projects are functioning properly to meet the original intent of the project.

The Mayor and Council formed a five member AOC made up of representatives of the City Administrative Officer, Chief Legislative Analyst, Mayor, Board of Public Works, and the Los Angeles Department of Water and Power. To assist with overseeing the program, the Mayor and President of the Council a nine member Citizens Oversight Advisory Committee (COAC).

Financial Status Review of Program

The City has sold general obligation bonds totaling \$439.5 million through five different issuances. There is still \$60.5 million in bond fund authority remaining to be issued. Interest earnings through August 31, 2015 total \$26.9 million. The Prop O program has also secured \$18.3 million in Federal and State grants. In addition, the City is expected to receive up to \$7 million from the Sewer Construction and Maintenance Fund for the construction of the Coastal Interceptor Relief Sewer project due to the increase in wastewater capacity provided. After setting aside \$2 million for potential arbitrage payments, the total funding available for the Prop O program is \$552.2 million.

The current Prop O program budget is \$534.1 million plus \$18.1 million in program contingency. Of that, Council approved a project budget of \$495.9 million which is allocated to direct project costs for design, bid and award, construction, and post-construction. The program budget also allocates \$33.6 million for staffing costs, of which \$19.6 million has been approved by Council.

Aliso Creek – Limekiln Creek Restoration

In November 2013, BOS presented the Aliso Creek project to the AOC for consideration for funding. The project will construct Best Management Practices (BMP) such as LFD systems, bioswales, vegetated basin, and open space restoration of upland and riparian habitat to reduce contaminants to the Aliso and Limekiln creeks. In comparison with the scores of other unfunded projects, the Aliso Creek project had the highest ranking of all the projects. At that time, insufficient funds were available to fund the entire project estimate of \$10.2 million. In February 2014, Council approved an appropriation of \$1.6 million in Prop O funds for the design phase of the Aliso Creek project. After reaching the 30% design milestone, BOE provided an updated cost

estimate of \$10.9 million for construction of the project. This includes the previously approved design cost of \$1.6 million, \$180,000 for Right of Way acquisition, a construction cost of \$7.8 million, and construction management costs of \$1.4 million. This report recommends an increase in the project budget by \$9.3 million from the approved amount of \$1.6 million to a revised project budget of \$10.9 million. Construction is expected to be completed in September 2019.

Machado Lake – Phase I

The scope of the Machado Lake – Phase I project included installation of trash netting systems, installation of smart irrigation in landscaped areas, the use of biofilters, and to recontour and align the channel. The project site is on a soft bottom channel that is within the jurisdiction of the United States Army Corps of Engineers (USACE). As a condition of the project, the USACE required that the City restore the wetlands and the existing habitat. Consequently, the City had to obtain an Incidental take permit which included several conditions listed in the Habitat Restoration Mitigation Monitoring Plan. Through that p, the CDFW requires that the City perform habitat monitoring, maintenance, and reporting for five years following the completion of the project. The City's Bond Counsel has confirmed that operations and maintenance activities are not eligible for Prop O funding. However, this survey and monitoring was required as a condition of the permits needed to complete the project. It does not include operations and maintenance activities that will be performed by the County of Los Angeles. Instead, this work will focus on preserving the habitat and bringing it to a state of equilibrium. One of the responsibilities of the consultant will be to eliminate invasive bird species that would damage the project's natural systems.

Argo Drain Sub basin Facility

The Argo project will be developed on approximately five acres located north of the Westchester Parkway between Falmouth Avenue and Pershing Drive. In order to comply with federal Clean Water Act requirements, the project is intended to capture stormwater-related discharges from the industrial areas near LAX. In December 2008, the AOC suspended design work on the Argo project to allow completion of land use negotiations between the BOS and Los Angeles World Airports (LAWA). In April 2015, the Council and Mayor authorized the execution of an MOU between BOS and LAWA allowing the two departments to jointly pursue drainage basin solutions for stormwater issues near LAX. The project is now intended to accommodate a watershed area of approximately 2,200 acres, including the additional Argo Drainage Channel flows located on LAWA property. The project elements include diversion structure in the local storm drain system, conveyance of diverted stormwater to an underground rainwater storage tank with trash removal BMPs, followed by conveyance to several underground infiltration facilities. The original project budget was \$30.1 million. The project budget was increased by \$7 million to a total of \$37.1 million to include LAWA's requested design upgrades for facility upsize and sewer connection. In accordance with the MOU, LAWA will provide \$7 million in reimbursement for this work, including \$2.7 million for design and \$4.3 for construction. Construction completion is anticipated in Summer 2020.

Optimization

In August 2012, the BOS presented the concept of Optimization to the AOC. Many of the Prop O projects consist of natural elements, so it is important to evaluate the effectiveness of the project elements in a real world environment. Green infrastructure projects take time to reach their natural equilibrium, and often do not reach that point until well after construction is completed. BOS refers to this activity as optimization or stabilization. Engaging in these activities will help ensure that Prop O investments meet the expected outcome by the voters. The analysis will require that the project site be evaluated through a number of seasons and wet weather events. The City's Bond Counsel confirmed that expenditures for optimization are a capitalizable cost and are eligible to be paid for by Prop O because they constitute "improvement of real property." In August 2012, the AOC approved the recommendations to authorize \$2.2 million in funding to begin optimization of 11 specific Prop O projects. Optimization would be funded through the use of remaining funds from the Catch Basin Phase III project. In April 2013, the AOC approved \$1.4 million from the Echo Park Lake project for optimization activities on the project.

In July 2014, the BOS hired a team of consultants from Carollo Engineers, CH2M Hill, and Geosyntec to collaborate on the Optimization Period. The team will establish current project conditions, compare them to the concept and design intents, monitor their performance, provide recommendations to improve or enhance performance, and summarize findings. A different consultant team was assigned to each category.

Project	Amount Approved by AOC	Project Type	Consultant
South LA Wetlands Park	\$301,000	Natural Treatment Systems	CH2M Hill
Hansen Dam Wetlands Restoration	\$172,000		
Echo Park Lake Project	\$1,366,524		
Mar Vista Recreation Center Stormwater BMP	\$162,000	Mechanical System BMPs	Carollo Engineers
Penmar Water Quality Improvement Phase I	\$257,500		
Westside Park Rainwater Irrigation	\$225,000		
Peck Park Canyon Enhancement	\$197,000	Passive BMP Projects	Geosyntec
Grand Blvd Tree Wells	\$74,820		
Imperial Hwy Sunken Median Stormwater BMP	\$208,500		
Westminster Dog Park Stormwater BMP	\$78,900		
Oros Green Street	\$60,300		
Catch Basins Opening Screen Covers Phase III	\$435,600		
TOTAL:	\$3,539,144		

Unfunded Projects

The BOS has divided the primary criteria for funding eligibility for new projects into three weighted categories as follows: Water Quality Improvements, 40 percent; Achieves Multiple Objectives, 30

percent; and Project Feasibility/Readiness/Financial, 30 percent. The scoring for each project is ranked based on the overall results of the sub-criteria met within each of these categories. The primary purpose of projects selected for funding is to improve water quality by reducing pollutant loads to the impaired waters of the City. The table below summarizes the projects with approved concept reports that haven't received funding:

Project Name	CD	Category Number	Rank Score	Proposed Funding (millions)
Vermont Avenue Stormwater Capture and Green Street Project	8	3	Medium or 82 Score	1.0
Boyle Heights Joint Use Community Center Improvements	14	3	Medium or 82 Score	2.3
L.A. River Natural Park	2	3	Medium or 81 Score	58.3
Verdugo Hills Golf Course Project	2	3	Medium or 81 Score	33.4
Westwood Neighborhood Greenway Project	5	3	Medium or 81 Score	3.1

The Vermont Avenue Stormwater Capture and Green Street project will include BMPs that filter and/or infiltrate storm water to be installed in three prioritized sub-watershed areas between Gage Avenue and Florence Avenue. As noted in the table above, the Vermont Ave. project is one of the highest ranking projects among those which are still unfunded. In 2013, the BOS presented the Vermont Ave. project concept to the AOC for consideration. The project had a preliminary budget of \$4.7 million, which was anticipated to include \$3.7 million in grant funding and \$1 million from Prop O. At the time the project was presented to the AOC, only \$ 1.8 million in grant funding had been secured for the project, so the AOC deferred the project until all grant funding was secured. The remaining \$2.2 million in grant funding has not yet been secured but the project is ready to proceed once the additional grant funding is secured.

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Attachments