

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 14, 2018

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Council File No. 13-1526

Council District: All

To: The City Council

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: City Administrative Officer report dated March 9, 2018 relative to Proposition O Clean Water General Obligation Bond – Budget Adjustments and Funding Considerations

Subject: REPORT BACK ON ARGO DRAIN SUB-BASIN FACILITY PROJECT

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Authorize an increase in the Argo Drain Sub-Basin Facility Project of \$13,240,131, from \$30,122,000 to \$43,362,131; and
 - a. Authorize the transfer of funds up to \$13,240,131 within Proposition O (Prop O) accounts to Fund 16T, Dept. 50, Account 50LWAF;
2. Authorize the City Administrative Officer, in coordination with the Bureau of Engineering, to make technical corrections as needed to the above recommendation to implement Mayor and Council intentions.

SUMMARY

On April 16, 2018, the City Council adopted Energy, Climate Change, and Environmental Justice's (ECCEJ) recommendation to withhold further budget adjustments on the Argo Drain Sub-Basin Facility (Argo Drain) project and requested a report back from the Bureau of Sanitation (LASAN) and the Los Angeles World Airports (LAWA) on an equitable funding allocation that takes into account commensurate water quality compliance responsibilities and an appropriate funding allocation, and minimizes any fiscal impact to the Stormwater Pollution Abatement Fund and General Fund. At the ECCEJ's meeting on June 5, 2018, LASAN and LAWA reported on an equitable funding allocation whereby LAWA will fund 50 percent of the \$15.5 million project budget increase, which is approximately \$7.78 million. The budget increase is the difference between the City Engineer's Estimate (\$23.4 million) and the highest bidder's estimate (\$37.6 million), including 10 percent contingency.

Under the original Lease Agreement between LAWA and LASAN for the Argo Drain project (C.F. 15-0361-S1), LAWA would contribute an additional \$2.5 million, for a total contribution of \$6.8 million, or 17.5 percent of the hard construction costs, whichever is less. In addition to the \$2.5

million contribution as provided in the original Lease Agreement, LAWA is proposing to increase their contribution by an additional \$5.28 million, for a total of \$7.78 million, representing half of the project budget increase. LAWA has updated the Lease Agreement to reflect this increase in contribution, for a total contribution of \$12.0 million as shown in the table below. On June 14, 2018, the Board of Airport Commissioners approved an updated 50-year Lease Agreement between LAWA and LASAN for the Argo Drain project.

LAWA's Contribution	Original Contribution	Original Lease Agreement	Updated Lease Agreement
Design	\$ 2,739,530	\$ 2,739,530	\$ 2,739,530
Construction	\$ 4,260,470	\$ 6,760,470	\$ 12,038,332
Total LAWA Funding:	\$ 7,000,000	\$ 9,500,000	\$ 14,777,862
% of Prop O Budget :	9.8%	15.6%	27.8%

On April 16, 2018, the Council also adopted ECCEJ's recommendations relative to the budget adjustments for the Machado Lake Ecosystem Rehabilitation and the Temescal Canyon Park Stormwater Best Management Practices Phase II projects. As a result of these actions, the current balance available in Proposition O (Prop O) is \$26.8 million. Of this amount, \$23.3 million is set aside for Program Contingency. This leaves \$3.5 million available for appropriation at this time.

A Prop O project budget increase of \$13.2 million, from \$30.1 million to \$43.3 million, is needed to complete the Argo Drain project. Since LAWA will be contributing \$12.0 million towards the project, Prop O will have to fund the difference, which is \$1.2 million. This will reduce the amount available for appropriation by \$1.2 million, from \$3.5 million to \$2.3 million. Therefore, the total Prop O budget, including Program Contingency, is \$25.6 million as shown in the table below.

Prop O Program	Available for Appropriation (\$ millions)	Program Contingency (\$ millions)	Total Budget Available (\$ millions)
Current Balance (as of April 2018)	\$ 3.5	\$ 23.3	\$ 26.8
Argo Drain Project	\$ (1.2)		
Total Balance:	\$ 2.3	\$ 23.3	\$ 25.6

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. Approval of the budget increase for the Argo Drain Sub-Basin Facility will reduce the total Prop O budget by \$1.2 million, from \$26.8 million to \$25.6 million. The operation and maintenance cost for the Argo Drain project will be discussed in a separate report relative to the Lease Agreement between the Bureau of Sanitation and the Los Angeles World Airports for the development of the Argo Drain Sub-Basin Storm Water Facility. The recommendation in this report is in compliance with the City's Financial Policies as sufficient funds exist to support the recommendation.