

ENERGY, CLIMATE CHANGE AND ENVIRONMENTAL JUSTICE COMMITTEE REPORT
relative to Proposition O (Prop O) funding in connection with the Argo Drain Sub-Basin Facility
Project.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. AUTHORIZE:

- a. An increase in the Argo Drain Sub-Basin Facility Project from \$30,122,000 to \$52,862,131 to account for both Prop O and LAWA funding and an increase in Prop O funding of \$7,965,269, from \$30,122,000 to \$38,087,269.
- b. The Transfer of funds up to \$7,965,269 within Prop O accounts to Fund 16T, Department 50, Account No. 50LWAF.

2. APPROVE the City Administrative Officer (CAO), in coordination with the Bureau of Engineering to make technical corrections as needed to the above recommendation to implement Mayor and Council intentions.

Fiscal Impact Statement: The CAO reports that there is no impact to the General Fund. Approval of the budget increase for the Argo Drain Sub-Basin Facility Project 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 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 recommendations contained in the June 14, 2018 CAO report, attached to the Council file, are in compliance with the City's Financial Policies as sufficient funds exist to support the recommendations.

Community Impact Statement: None submitted.

Summary:

On June 19, 2018, your Committee considered a June 14, 2018 CAO report relative to Prop O funding in connection with the Argo Drain Sub-Basin Facility Project. According to the CAO, on April 10, 2018, Council moved 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 (BOS) 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 (Council File No. 13-1526).

On June 5, 2018, the BOS 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 BOS for the Argo Drain Project (Council File No. 15-0361-S1), the 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, the 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. The 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 BOS for the Argo Drain project.

On April 10, 2018, Council also adopted recommendations in regard 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 Prop O is \$26.8 million of which \$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 the 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. After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the recommendations contained in the June 14, 2018 CAO report, as amended, and detailed in the above recommendations. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ENERGY CLIMATE CHANGE, AND ENVIRONMENTAL JUSTICE COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
MARTINEZ:	YES
KORETZ:	YES
KREKORIAN:	YES
CEDILLO:	YES
O'FARRELL:	YES

ARL
6/19/18

-NOT OFFICIAL UNTIL COUNCIL ACTS-