


CITY OF LOS ANGELES
INTERDEPARTMENTAL CORRESPONDENCE

0220-03994-0013

Date: February 3, 2014

To: Energy and Environment Committee

From: Miguel A. Santana, City Administrative Officer
Chair, Proposition O Administrative Oversight CommitteeSubject: **ADDENDUM TO THE PROPOSITION O, CLEAN WATER GENERAL OBLIGATION BOND PROGRAM – FINANCIAL REVIEW, PROJECT ADJUSTMENT AND FUNDING RECOMMENDATIONS REPORT (C.F. 13-1526)**

This addendum report requests the following:

- Revise Recommendation No. 4 of C.F. 13-1526 to revise the increase of recommended funds for the Machado Lake Ecosystem Rehabilitation Project (Project) from \$16,160,000 to \$10,933,666 for total revised Project budget of \$110,457,563.

BACKGROUNDMachado Lake Ecosystem Rehabilitation Project

On October 9, 2013, three bids were received ranging from \$74.8 million to \$99.6 million for this project. To expedite the award process, the Bureau of Engineering (BOE) requested an increased budget adjustment by \$16.6 million to provide sufficient funding to award to either the first or second low bidder while the bid review was still in progress. This was approved on October 29, 2013, by the Citizen's Oversight Advisory Committee (COAC) and approved on November 4, 2013 by the Administrative Oversight Committee (AOC). Both Committees provided direction that the Project budget should be reduced if the low bidder was awarded the contract. Based upon the action of the Committees, a report was prepared by this Office, dated November 14, 2013, recommending that the City Council approve the Project budget increase in the amount of \$16.6 million (C.F. 13-1526).

On January 29, 2014, the Board of Public Works (Board) awarded the contract to the low bidder, OHL USA, in the amount of \$74,841,795. As a result, the required budget adjustment to complete the Project was reduced from \$16,607,766 to \$10,933,666 which reduced the Project budget to \$110,457,563. At the time the Board awarded the contract, the City Council had not yet approved the recommended Project budget increase per C.F. 13-1526. Therefore, the Board action included a condition that the construction contract could not be executed until Council approves an increase of \$10,933,666 to the Project's budget to ensure the entire project funding requirement is secured. BOE requests that this budget increase be approved as soon as possible to allow the project to begin construction.

Taylor Yard River Park – G2 Parcel Land Acquisition

On December 10, 2013, a Council motion was approved which instructed our Office, the CLA, General Services Department and the City Attorney to report back, in Closed Session on December 17, 2013, on the status of the negotiations with Union Pacific Railroad Company to seek the potential acquisition of the Taylor Yard-G2 Parcel. To date, negotiations are still underway and may be completed in the near future. It is recommended that any action related to this project be deferred until the negotiations are completed. However, at this time, we recommend that all other recommendations from our November 14, 2013 report be approved. For clarity, we have provided all the recommendations within this report.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor approve the recommendations from the original report dated November 14, 2013 as follows:

1. Approve the revised budget adjustments for the various Prop O projects totaling \$39.8 million listed in Attachment No. B;
2. Approve an increase of \$11,455,000 for the Albion Riverside Park Improvements Revised Project Budget;
3. Approve an increase of \$6,160,000 for the Catch Basin Inserts and Opening Screen Covers Phase IV Revised Project Budget;
4. Approve a revised increase budget adjustment totaling \$10,933,666 for the Machado Lake Ecosystem Rehabilitation Project;
5. Approve appropriations totaling \$1,595,089 for the Aliso Creek-Limekiln Creek Restoration Project Design Phase;
6. Approve an increase of \$6,000,000 of staff costs due to a three year increase to the Prop O Master Schedule;
7. Instruct the Department of Public Works, Bureau of Sanitation (BOS) to finalize an agreement with the Los Angeles County Department of Public Works (LACDPW) and secure approximately \$8,166,474 in LACDPW funds to pay for construction of the Wilmington Drain Project by February 2014;
8. Approve the transfer of up to \$7 million in Sewer Construction and Maintenance funds for construction of the Coastal Interceptor Relief Sewer by June 2014;
9. Authorize the Department of Public Works and the City Administrative Officer to make technical corrections relative to the actions approved by the Council and the Mayor on this matter and authorize the Controller to implement those corrections; and,

10. Instruct the City Administrative Officer and the Chief Legislative Analyst to periodically review the financial condition of the Prop O Bond Fund and report back to Council with appropriate recommendations.

FISCAL IMPACT STATEMENT

The recommendations in this report results in additional funding of \$67.8 million for Proposition O Projects. This is offset by transfers of approximately \$72.8 million in funds from completed projects and project savings, by interest earning, grants and other non-city sources of funds. Approval of the recommendations in this report will allocate the total amount of \$554 million in Prop O funding which includes \$10.6 million for a Program Contingency Reserve. There is an estimated additional annual cost of \$892,400 for Operation and Maintenance (O&M) costs for the projects recommended for funding in this report which will be addressed through the budgetary process once they are completed. 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.