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TRANSMITTAL

TO
The Council

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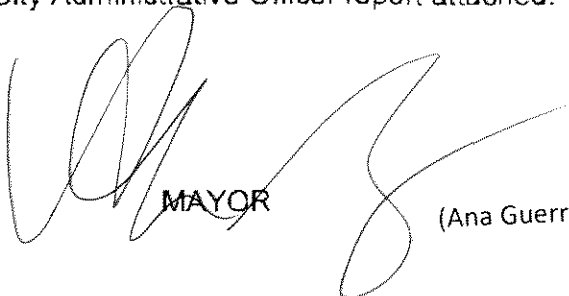
COUNCIL FILE NO.

FROM
The Mayor

COUNCIL DISTRICT
CD-11

Memorandum of Understanding Between Los Angeles Bureau of Sanitation and Los Angeles World Airports for the Preparation of the Design and Environmental Documents for the Argo Drain Sub-Basin Facility and the Imperial Drainage Basin Projects

Approved and forwarded for your consideration.
See the City Administrative Officer report attached.


MAYOR (Ana Guerrero)

MAS:AMG:061501111

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 25, 2015

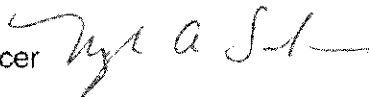
CAO File No. 0150-10317-0000

Council File No.

Council District:

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Transmittal from the Bureau of Sanitation dated November 19, 2014; referred by the Mayor for report on November 20, 2014

Subject: **MEMORANDUM OF UNDERSTANDING BETWEEN LOS ANGELES BUREAU OF SANITATION AND LOS ANGELES WORLD AIRPORTS FOR THE PREPARATION OF THE DESIGN AND ENVIRONMENTAL DOCUMENTS FOR THE ARGO DRAIN SUB-BASIN FACILITY AND THE IMPERIAL DRAINAGE BASIN PROJECTS**

SUMMARY

At its meeting of November 6, 2014 and November 19, 2014 the Board of Airports Commissioners and the Board of Public Works (Board) respectively, approved a Memorandum of Understanding (MOU) between the Bureau of Sanitation (BOS) and the Los Angeles World Airports (LAWA) for the preparation of the design and environmental documents for the Argo Drain Sub-Basin facility project, also known as the Westchester Stormwater Best Management Practices (BMP) Facility, and the Imperial Drainage Basin connection to the Hyperion Treatment Plant (Imperial Drainage Basin) project. Both BOS and LAWA propose to work jointly in the development of these two projects for the management of urban runoff and stormwater. This MOU is effective beginning upon execution and will continue for five years or until termination by either department with written notice.

According to Article 4, Section C of the MOU, the overall intended purpose of the MOU is to provide a framework for subsequent negotiations of a proposed Lease Agreement regarding the development of the proposed aforementioned projects. The MOU is not intended to create any binding contractual obligation on any Party or to commit any Party to a particular course of action, except for those obligations set forth in Article 3 which briefly include:

- LAWA will initially pay BOS \$2,739,530, of the estimated \$7 million in design upgrades for the proposed Argo Drain Sub-Basin facility project, to accommodate additional flows from LAWA's development/redevelopments needed to meet Low Impact Development requirements;
- BOS, with the assistance of the Bureau of Engineering (BOE), will design the Argo Drain Sub-Basin facility project and prepare the environmental documents pursuant to California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA);
- LAWA will draft a proposed Lease Agreement for the Argo Drain Sub-Basin facility project for a term of 50 years with a currently estimated fair market annual rental value of \$500,000 which will be fully offset (in the form of a credit) against LAWA's cost. Offset includes sewer services charges (SSCs) related to the Imperial Drainage Basin project (estimated at \$250,000) and 50 percent of estimated annual operation and maintenance (O&M) costs (estimated at \$250,000) for the Argo Drain Sub-Basin facility project;

- LAWA will design the Imperial Drainage Basin project, prepare the environmental documents pursuant to CEQA and NEPA and pay for a one time sewerage facilities charge (SFC) estimated at \$600,000;

Upon completion of design and the environmental review of both projects, the lease agreement and environmental permit documents and refined project costs and scope will be submitted for both the Board of Airport Commissioners and Board of Public Works approval, subject to Council and Mayoral approval.

BACKGROUND

LAWA and BOS are subject to comply with the federal Clean Water Act requirements including those administered through the City's Municipal Separate Storm Sewer System (MS4) National Pollutant Discharge Elimination System (NPDES) Permit. In addition, as of July 1, 2015, LAWA will be subject to more restrictive regulations required by the Industrial General Permit (IGP) for stormwater-related discharges from industrial areas of LAX. All of these requirements serve to minimize the discharge of pollutants to Santa Monica Bay through stormwater runoff. To fulfil these requirements, both LAWA and BOS propose to work jointly in the development of two projects: Argo Drain Sub-Basin Facility Project and Imperial Drainage Basin Project.

Argo Drain Sub-Basin Facility Project

The Argo Drain Sub-Basin Facility Project will be developed on approximately five acres located north of the Westchester Parkway between Falmouth Ave. and Pershing Drive. This facility will accommodate a watershed area of approximately 2,200 acres, including the Argo Drainage Channel flows located on LAWA property. Most elements of the proposed facility would be generally underground with access hatches and ventilation outlets on the surface. Current project elements include diversion structures in the local storm drain system, conveyance of diverted stormwater to an underground rainwater storage tank with trash removal best management practices (BMPs), followed by conveyance to several underground infiltration facilities.

The current total approved project budget is \$32.7 million which will be funded by Proposition O Clean Water Bond funds. This project budget was increased by \$7 million to \$39.7 million to include LAWA's requested design upgrades for facility upsize and sewer connection to be funded by LAWA funds. On January 29, 2015, this revised project budget of \$39.7 million was approved by the Prop O Administrative Oversight Committee. As currently envisioned, the project is anticipated to be completed in the summer of 2020.

City's Financial Impact of Proposed MOU Terms:

The total annual cost of this facility is estimated at \$1,250,000. This is based on the estimated \$500,000 annual lease cost, based on fair market value, plus the estimated \$500,000 in annual O&M costs and plus the \$250,000 in lost revenue from the SSCs charges. This facility will be leased to the City for a period of 50 years. The rental cost is expected to be entirely offset (in the form of a credit) against LAWA's cost for SSCs related to the Imperial Drainage Basin Project (estimated at \$250,000) and LAWA's share of half of the Argo Drain Sub-Basin Facility Project's

O&M costs (estimated at \$250,000).

Total costs over a 50 year lifespan for BOS are estimated at \$37.5 million. This is based on total annual lease costs of \$500,000 plus 50 percent of annual O&M costs of \$250,000 for a total of \$750,000 to be paid from the Stormwater Pollution Abatement Fund (SPA) or the General Fund.

LAWA's total costs over a 50 year lifespan are estimated at \$32.6 million based on the one-time cost of \$7 million for design upgrades plus an annual cost of \$500,000, based on 50 percent of O&M (\$250,000) and SSCs (\$250,000) and a one-time SFC (\$600,000) to be paid from the LAX Revenue Fund.

Imperial Drainage Basin Project

The Imperial Drainage Basin Project will collect stormwater runoff from future developments/redevelopments at LAX in the Imperial/Pershing Sub-basin. This will be done via the development of a new high-flow diversion structure set to divert captured stormwater runoff to a sewer line to BOS' Hyperion Treatment Plant. This Hyperion connection would require LAWA to pay annual SSCs, in the form of offsetting credit towards the City's lease cost for the proposed Argo Drainage Basin Project, and a one-time SFC. LAWA will fund this project and prepare the appropriate environmental documents, pursuant to CEQA and NEPA. LAWA is in full control of this project and its progress is not impacted by the proposed MOU terms. The project, as currently envisioned, is anticipated to be completed in the spring of 2017.

RECOMMENDATIONS

That the Council, subject to approval of the Mayor;

1. Approve and authorize the General Manager of the BOS to execute the Memorandum of Understanding with LAWA for the preparation of design and environmental documents for the Argo Drain Sub-Basin Facility and the Imperial Drainage Basin projects, subject to the review and approval of the City Attorney;
2. Authorize the Controller to transfer and appropriate \$2,739,530 from the Los Angeles International Airport (LAX) Revenue Fund No. 700 to the Capital Improvement Expenditure Program Fund (CIEP Fund No. 100/54), into a new account entitled, Prop O - Argo Drainage Basin Project, for design upgrades, upon execution of the MOU;
3. Authorize the City Administrative Officer to make technical corrections, as necessary, to implement the Mayor and Council's intentions.

FISCAL IMPACT STATEMENT

Approval of the Proposed Memorandum of Understanding will result in the expenditure of \$32.7 million in Proposition O General Obligation Bond funds and \$7 million from the LAX Revenue Fund for construction of the Argo Drain Sub-Basin Facility Project.

Attachments