

PUBLIC WORKS AND GANG REDUCTION COMMITTEE REPORT relative to funding adjustments and implementing authorities for the Bridge Improvement Program (BIP) and the Sixth Street Viaduct Replacement project.

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

1. **AUTHORIZE** the Controller to close out the Seismic Bond Reimbursement Fund No. 608, and take the necessary accounting transactions to effectuate this fund close out, including the following:
 - a. Transfer up to \$6,615,665.55 in capital expenditures incurred in Fiscal Years 2016-17 and 2017-18 from the Capital Improvement Expenditure Program (CIEP) Fund No. 100/54 from the accounts and up to the amounts reflected in Attachment No. 1 of the City Administrative Officer (CAO) report dated January 3, 2019, attached to the Council file, to the Seismic Bond Reimbursement Fund No. 608, with the specific amount to be equal to the unexpended balance remaining in Fund No. 608, based on the final remaining account balances following final adoption of said CAO report.
 - b. Reduce the appropriation for CIEP accounts impacted by the transfer of expenditures authorized through Recommendation 1a by the same amounts, to the cash balance within the same Fund.
 - c. Appropriate from the cash balance within the CIEP Fund in the same amount up to a total of \$6,615,665.55 to the existing BIP account (100/54/00N218).
2. **AUTHORIZE** the following actions, subject to a final determination by the Federal Highway Administration (FHWA), if the appeal request for reimbursement of real estate costs incurred for the Sixth Street Project is denied (Parcels 14F and 25F):
 - a. The Controller to pay the non-reimbursable real estate costs for the Sixth Street Project in an amount up to \$7,289,200 from the CIEP, Fund No. 100/54, the BIP Account No. 00N218, after the completion of a transfer of expenditures in the same amount from Fund No. 54W - Sixth Street Viaduct Improvement Fund.
 - b. Repurpose \$6 million in Municipal Improvement Corporation of Los Angeles (MICLA) authorization in the 2018-19 Adopted Budget from the Sixth Street Project for Parcel 16 Acquisition to be used instead for various non-reimbursable capital expenditures for the BIP projects and the Sixth Street Project, as indicated in Attachment No. 2 of said CAO report.
 - c. Rescind action taken on December 11, 2018 relating to a Council Motion (Council file No. 11-1789-S5) introduced on December 7, 2018 relating to Parcel 16F.
 - d. Authorize the Bureau of Engineering (BOE) to draw a demand warrant for \$5,098,000 from Fund No. 298, Account TBD, Parcel 16 Acquisition, payable to Duesenberg Investment Company, LLC or its designee; However, if payment is made prior to approval of said CAO report, Authorize a transfer of expenditures from Fund No.

54W to Fund No. 298 to effectuate the intent of this Recommendation.

- e. Authorize funds in CIEP Fund No. 100/54 to complete BIP projects previously in Fund No. 608.
3. DESIGNATE BIP Cash Flow Fund No. 57Q for the deposit and expenditure of Federal and other grant sources received as reimbursements for the BIP; and, AUTHORIZE the Controller to deposit up to \$844,269 in Federal Highway Bridge Program grant reimbursement funds for the Soto Street Bridge over Mission Road and Huntington Drive Project within the Fund under a new account titled BIP Matching Fund and Account No. 50RB01.
4. AUTHORIZE the CAO to make technical corrections, as required, to implement the intent of Council in this matter; and, AUTHORIZE the Controller to implement those technical adjustments.

Fiscal Impact Statement: The CAO reports that there is no additional General Fund impact. Subject to a final determination by the FHWA, if the BOE's final appeal for the reimbursement of real estate costs incurred for the Sixth Street Project is denied, the Project would utilize up to \$7.29 million from the CIEP for the repayment of non-reimbursable real estate costs (Parcels 14F and 25F). In addition, a \$6 million MICLA allocation would be repurposed and used to partially offset funds currently dedicated to the BIP's and Sixth Street Project's construction activities. The balance (up to \$1,289,200) will be derived from an existing BIP contingency account. The real estate expenses for the acquisition of Parcel 16F will be funded from the Sixth Street Project's Fund No. 54W, Sixth Street Viaduct Improvements Fund, which receives Federal grant reimbursement funds.

Debt Impact Statement: The CAO reports that the issuance of MICLA bonds is a General Fund obligation. The issuance of \$6 million in MICLA bonds for Sixth Street Project approved by the Council and Mayor in the Fiscal Year 2018-19 Adopted Budget, and subsequently reauthorized in a CAO/Chief Legislative Analyst joint report (Council file No. 18-0600 S151), will cause the City to borrow a total of approximately \$10 million, including \$4 million in interest, over 20-years at an estimated 5.5 percent interest rate. During the life of the bonds the estimated average annual debt service is \$502,000 over the 20 years. Actual interest rates may differ as rates are dependent on market conditions at the time of issuance. We cannot fully predict what interest rates will be in the future. In accordance with the City's Debt Management Policy, the City has an established debt ceiling to guide in evaluating the affordability for future debt. The debt ceiling for non-voted direct debt as a percentage of General Fund revenues is 6.0 percent. The City is currently at 4.15 percent for 2018-19. The issuance of the debt from this re-authorization will not impact the City's debt capacity for non-voted approved debt as the issuance of debt for this project is already included in the debt ratio.

Community Impact Statement: None submitted.

SUMMARY

At the meeting held on February 20, 2019, your Public Works and Gang Reduction Committee considered a CAO report relative to funding adjustments and implementing authorities for the BIP and the Sixth Street Viaduct Replacement project. The CAO reports that the Sixth Street

Project received a total allocation of approximately \$396 million in funding through the Highway Bridge Program. The FHWA administers the Highway Bridge Program grant through Caltrans. Following a lengthy review process, Caltrans provided a determination that \$7.29 million in expenses incurred for the acquisition of two parcels acquired for the project (Parcels 14F and 25F) were considered non-reimbursable expenses because the City had combined payments for the associated acquisition and relocation costs. In a prior action, Caltrans had already issued reimbursements to the City for the two parcels deposited in Fund No. 54W. Although the BOE formally appealed the determination, Caltrans denied the appeal. BOE attended a final appeal hearing with the FHWA on November 15, 2018. As of the date of the submittal of said CAO report, a final determination by the FHWA is still pending whether any portion of the disputed amount will be determined as an eligible reimbursable expense. After an opportunity for public comment was held, the Committee moved to approve the CAO's recommendations, as detailed above. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

PUBLIC WORKS AND GANG REDUCTION COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
BLUMENFIELD:	YES
RYU:	YES
BUSCAINO:	ABSENT
O'FARRELL	YES
MARTINEZ:	YES

ME 2/20/19

-NOT OFFICIAL UNTIL COUNCIL ACTS-