

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: April 4, 2016

CAO File No. 0220-03994-0048

Council File No. 13-1526

Council District: All

To: The Council
The Mayor

From: Miguel A. Santana, City Administrative Officer

BH
RW

Reference: Proposition O Administrative Oversight Committee Recommendations

Subject: **PROPOSITION O CLEAN WATER GENERAL OBLIGATION BOND
REPROGRAMMING ADDENDUM: REPROGRAMMING OF FUNDS FOR
OPTIMIZATION ACTIVITIES**

SUMMARY

On December 1, 2015, this Office released a Proposition O Clean Water General Obligation Bond (Prop O) Reprogramming report that detailed project savings and recommended approval of the reprogramming of those funds for other Prop O project budgets (C.F. 13-1526). This addendum is needed to address additional items approved by the Prop O Administrative Oversight Committee subsequent to the release of the original report.

At its meeting of January 28, 2016, the Prop O AOC approved recommendations to reprogram \$4,582,000 of project savings and program contingency for Optimization activities. This matter is now being transmitted for Council consideration.

Optimization Background

In 2012, the AOC and Council approved funding for the concept of Optimization, allowing the Bureau of Sanitation (BOS) and their consultants to analyze the physical, chemical, and biological characteristics of Prop O projects to ensure that project elements are performing at an optimal level in real world conditions. Green infrastructure projects require time to reach natural equilibrium, and often do not reach that point until well after construction is completed. The analysis of the project site must be evaluated through several seasons and wet weather events. The City's Bond Counsel confirmed that expenditures for optimization are a capitalizable cost and are eligible to be paid for by Prop O because they constitute "improvement of real property."

BOS and the consultant team established current project conditions for 11 projects, compared them to the initial concept and design intents, monitored their performance, and provided recommendations to improve or enhance performance of the natural elements on 10 projects. On January 28, 2016, the AOC approved funding of \$2,166,000 for the construction of additional

structural improvements based on the analysis performed as part of the initial Optimization period on 10 projects. The AOC also approved \$2,416,000 to begin Optimization activities on eight projects where construction was recently completed.

Current Funding Sources and Existing Program Budget

The program contingency described in the original report was \$18.1 million, but updated interest earnings and secured grants received reflects a revised program contingency of \$21.8 million.

Prop O Funding Sources	Amount
Bond Proceeds	\$439,500,000
Interest Earnings <i>(Updated)</i>	\$28,617,122
Future Bond Sale	\$60,500,000
Secured Grants Received <i>(Updated)</i>	\$20,243,815
Sewer Construction and Maintenance (SCM)	\$7,000,000
TOTAL Prop O Funds:	\$555,860,937
TOTAL Prop O Program Budget:	\$534,079,783
Program Contingency:	\$21,781,154

Summary of Revisions to Existing Program Budget

If Recommendations 1 through 6 in the original report are adopted, there would be \$0.3 million in project savings that may be added to the existing program contingency. Recommendations 3 and 4 of this addendum, totaling \$4.6 million for Optimization, would be funded using the existing program contingency. This would result in a revised program contingency of \$17.2 million. In their memo to the AOC, BOE recommended reserving a minimum of \$12.4 million for program contingency in order to safeguard the Prop O Program from unforeseen costs. As such, there would be \$4.8 million in program contingency funds available for additional projects.

Proposed Adjustments	Recommendation #	Balance
Project Savings	Original Report Recommendations 1 through 4	\$13,703,396
Revised Project Budgets	Original Report Recommendations 5 and 6	(\$13,388,800)
Remaining Project Savings added to Existing Program Contingency		\$314,596
Existing Program Contingency		\$21,781,154
Optimization – Structural Improvements	Addendum – Recommendation 3	(\$2,166,000)
Optimization – New Projects	Addendum – Recommendation 4	(\$2,416,000)
Revised Program Contingency	Addendum - Recommendation 5	\$17,199,154
Proposed Minimum Program Contingency		(\$12,400,000)
Contingency available for future projects		\$4,799,154

RECOMMENDATIONS

That the Council, subject to approval of the Mayor,

1. Approve Recommendations 1, 2, 3, and 4 of the original report dated December 1, 2015, resulting in project savings totaling \$13,703,396;
2. Approve Recommendations 5 and 6 of the original report dated December 1, 2015, resulting in budget adjustments totaling \$13,388,800;
3. Approve an increase of \$2,166,000 in the budget for Optimization Structural Improvements on 10 projects described in Attachment A of this addendum;
4. Approve an increase of \$2,416,000 in the budget for Optimization activities on eight recently completed projects described in Attachment A of this addendum;
5. Authorize the Controller to appropriate \$4,582,000 from Proposition O, Clean Water Bond funds, Fund 16T, Department 50, Account 50LWCT, entitled Program Contingency-C1 to Fund 16T, Department 50, Account TBD, entitled Optimization;
6. Replace Recommendation 9 of the original report dated December 1, 2015, and approve a revised Program Contingency of \$17,199,154;
7. Instruct staff to report back to the Administrative Oversight Committee and Council with recommendations for use of savings on Prop O eligible projects; and,
8. Authorize the City Administrative Officer and the Department of Public Works to make technical corrections, as necessary, to those actions included in this report to implement Mayor and Council intentions.

FISCAL IMPACT STATEMENT

The sum of recommendations in this addendum and the original report dated December 1, 2015 result in additional funding of \$18.0 million for various Prop O projects. This is offset by transfers of approximately \$13.7 million from completed projects and project savings, as well as \$4.3 million from existing program contingency. Approval of the recommendations in this report will allocate the total amount of \$555.9 million in Prop O funding, including \$17.2 million in Program Contingency Reserve. 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.

Estimates for Proposed Structural Improvements

Project Name	Category	Cost Estimate
South LA Wetlands Park Project	Natural Treatment Systems	\$ 158,000
Hansen Dam Wetlands Restoration		\$ 54,000
Echo Park Lake Project		\$ 622,000
Mar Vista Rec. Center	Mechanical System BMPs	\$ 412,000
Westside Park Rainwater Irrigation		\$ 425,000
Peck Park Canyon Enhancement	Passive BMP Projects	\$ 231,000
Grand Blvd Tree Wells		\$ 12,000
Imperial Hwy Sunken Median		\$ 228,000
Westminster Dog Park		\$ 8,000
Oros Green Street		\$ 16,000
TOTAL:		\$ 2,166,000

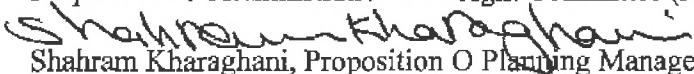
Estimates for Optimization on Recently Completed Projects

Project	Construction Completion	Optimization Costs
Glenoaks-Sunland Stormwater Capture	June-14	\$102,000
Rosecrans Rec. Center Stormwater Enhancements	October-13	\$200,000
Elmer Avenue Phase II	November-13	\$134,000
Elmer Paseo	November-13	\$130,000
Temescal Canyon Park Stormwater BMP Ph I and Ph II	January-15	\$550,000
Avalon Green Alley South	December-15	\$180,000
Wilmington Drain	April-16	\$650,000
Broadway Neighborhood Stormwater Greenway	December-14	\$350,000
Laboratory Testing for Optimization Monitoring		\$120,000
TOTAL:		\$2,416,000

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: October 29, 2015

TO: Proposition O Citizens Oversight Advisory Committee (COAC)
Proposition O Administrative Oversight Committee (AOC)

FROM: 
Shahram Kharaghani, Proposition O Planning Manager
Bureau of Sanitation

SUBJECT: **PROPOSITION O – ADDITIONAL OPTIMIZATION FUNDING NEEDS**

RECOMMENDATIONS

1. Authorize the Bureau of Sanitation (LASAN), in coordination with the Bureau of Engineering (BOE), to continue the optimization phase of Proposition O projects through FY 15-16, FY 16-17, FY 17-18, FY 18-19 and FY 19-20.
2. Authorize an appropriation in the amount of \$800,000 (Table 1) from the Proposition O bond proceeds to LASAN's Project optimization contractual services account. This authority will enable LASAN to continue optimization activities such as risk assessment, biological health assessment of wetlands, monitoring of physical, chemical, and biological characteristics of the first eleven (11) projects completed under Proposition O.
3. Authorize an appropriation in the amount of \$2,166,000 (Table 2) from the Proposition O bond proceeds to LASAN contractual services account to implement structural improvements that are required for the first eleven (11) projects completed under Proposition O.
4. Authorize an appropriation in the amount of \$2,416,000 (Table 3) from the Proposition O bond proceeds to LASAN contractual services account to enable LASAN to implement optimization activities that are required for eight (8) newly constructed Proposition O projects.
5. Authorize LASAN in coordination with CAO, CLA, and BOE to make the necessary technical financial adjustments recommended here.

BACKGROUND

In 2013, the AOC and COAC approved the recommendations of LASAN to authorize the commencement of the optimization phase for eleven (11) completed Proposition O projects and authorized funding in the amount of \$2,172,620 for optimization staffing and activities. The goal of the optimization phase is to ensure long-term sustainability of Proposition O projects by establishing stable physical, chemical and biological processes of the green projects, evaluating these processes through water quality and project effectiveness monitoring, and developing the protocols for operation and maintenance.

The optimization process for the aforementioned eleven (11) projects commenced several years ago, but has identified several additional activities, consulting services, and structural improvements that require additional funding. The associated costs for additional consulting services and structural improvements of the eleven (11) projects are summarized in Tables 1 and 2, respectively.

Table 1 – Costs for Continuing Consulting Services for Optimization

Category	Project Names	Cost Estimate
Natural Treatment Systems	South LA Wetlands Park Project	\$40,000
	Hansen Dam Wetlands Restoration	\$10,000
	Echo Park Lake Project	\$120,000
Mechanical System BMPs	Mar Vista Rec. Center	\$120,000
	Westside Park Rainwater Irrigation	\$90,000
Passive BMP Projects	Peck Park Canyon Enhancement	\$37,200
	Grand Blvd Tree Wells	\$900
	Imperial Hwy Sunken Median	\$75,300
	Westminster Dog Park	\$3,600
	Oros Green Street	\$3,000
Pond Company Optimization Services	Additional 12 months (December 2015 to November 2016)	\$240,000
Laboratory Testing for Optimization Monitoring ¹	2 wet weather and 2 dry weather sampling events	\$60,000
TOTAL		\$800,000

1. Water quality samples testing by private laboratories.

Table 2 – Costs for the Structural Improvements

Category	Project Names	Cost Estimate
Natural Treatment Systems	South LA Wetlands Park Project	\$158,000
	Hansen Dam Wetlands Restoration	\$54,000
	Echo Park Lake Project	\$622,000
Mechanical System BMPs	Mar Vista Rec. Center	\$412,000
	Westside Park Rainwater Irrigation	\$425,000
Passive BMP Projects	Peck Park Canyon Enhancement	\$231,000
	Grand Blvd Tree Wells	\$12,000
	Imperial Hwy Sunken Median	\$228,000
	Westminster Dog Park	\$8,000
	Oros Green Street	\$16,000
TOTAL		\$2,166,000

In addition to the eleven (11) projects that are already in the optimization phase, BOE/LASAN have recently completed the construction of eight (8) more Proposition O projects that will require funding to commence the optimization activities. The estimated cost for the optimization phase of these eight (8) projects is \$2,416,000 as summarized in Table 3.

Table 3 – Optimization Costs for Additional Projects

Project Name	Scope and Schedule	Cost Estimate
Glenoaks-Sunland Stormwater Capture	Parkway infiltration swales and dry wells – Two years	\$102,000
Rosecrans Rec. Center Stormwater Enhancements	Bioswales, vegetated retention and infiltration basins – Two years	\$200,000
Elmer Avenue Phase II	Hydrodynamic separators and catch basins – Two years	\$134,000
Elmer Paseo	Bioswales and permeable materials – Two years	\$130,000
Temescal Canyon Park Stormwater BMP Ph I and Ph II	Rainwater capture and use – Two years	\$550,000
Avalon Green Alley South	Rainwater harvesting, dry wells – Two years	\$180,000
Wilmington Drain	Cross-channel trash netting systems and vegetated BMPs – Two years	\$650,000
Broadway Neighborhood Stormwater Greenway	Residential rain gardens, infiltration trenches, dry wells – Two years	\$350,000
Laboratory Testing for Optimization Monitoring ¹	4 wet weather and 4 dry weather sampling events	\$120,000
TOTAL		\$2,416,000

1. Water quality testing by private laboratories.

The total cost from the three tables is summarized below:

Costs for Continuing Consulting Services for Optimization:	\$ 800,000
Costs for the Structural Improvements and Associated Costs:	\$2,166,000
Optimization Costs for Additional Projects:	\$2,416,000
Total funding requested:	\$5,382,000

The Albion Riverside Park, Aliso Creek-Limekiln Creek Restoration, Argo Drain, Machado Lake Ecosystem Rehabilitation and Rory M. Shaw Wetlands Park projects are either in the design or in the early construction phase and, in the future, they will need to undergo an optimization phase as well. While a refined estimate of the associated optimization costs is not premature at this time, it is anticipated that \$5M – \$8M will potentially be needed for this purpose.

It is important to note that the optimization phase of the above Proposition O projects achieve three major goals:

October 28, 2015

Page 4

- (1) Ensures long term sustainability of these fragile natural systems;
- (2) Enables the City to stay in compliance with its 22 TMDLs water quality regulations; and
- (3) Educates City staff how best to deal with challenges like green/blue algae and red apple snails that have an impact on these natural systems.

We respectfully request that you take immediate action on this important item. If you have any questions or wish to discuss this matter further, please contact me at (213) 485-0587, or Mr. Wing Tam at 213-485-3985.

SK/WKT/KK

cc: David Hirano, CAO
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