



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: DECEMBER 10, 2014

FROM: GOODS MOVEMENT

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF STATE PROPOSITION 1B TRADE CORRIDORS IMPROVEMENT FUND PROGRAM "BASELINE AGREEMENT" BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND THE STATE OF CALIFORNIA FOR THE YUSEN TERMINALS, INC. IMPROVEMENTS PROJECT

SUMMARY:

On January 22, 2015, the California Transportation Commission (CTC) is anticipated to approve programming of \$12.796 million of State Proposition 1B Trade Corridors Improvement Fund (TCIF) program funds for the construction phase of the City of Los Angeles Harbor Department (Harbor Department) Yusen Terminals, Inc. (YTI) Terminal Improvements project. The YTI project entails berth/wharf improvements and expansion of the on-dock railyard. As a program requirement, the Harbor Department must equally match the TCIF funds, at a minimum. The YTI project is contained in the Harbor Department five-year Capital Improvement Program (CIP), but the Board of Harbor Commissioners (Board) has not yet approved construction phase funds. Future Fiscal Year (FY) revenue projections used for the CIP do not presently include these TCIF funds. To receive the TCIF funds, a Baseline Agreement (BA) with the State of California (State) is required. The BA includes a funding plan, and represents a full commitment to complete the project. Therefore, in addition to approval of the BA itself, staff also seeks approval of \$33.294 million in Harbor Department funds over FY16-18 for the construction phase, in advance of approving the overall FY16-18 budgets. Once approved by the Board, the BA will be transmitted to the State for their full execution, which is expected to occur at the January 22, 2015 CTC meeting.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve \$33.294 million in Harbor Department funds over FY 16-18 for the YTI project;
2. Approve the YTI Terminal Efficiency Enhancement and Truck Trip Reduction Program (On-Dock Railyard and Berth/Wharf Improvements Project) Baseline Agreement substantially as to form;
3. Authorize the Executive Director to execute, and the Board Secretary to attest to, this Baseline Agreement, for and on behalf of the Board;

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4. Authorize the Executive Director to execute, and the Board Secretary to attest to, future Baseline Agreement Amendments to account for revised project schedule and/or reduced project cost, for and on behalf of the Board; subject to the approval of the City Attorney as to form and legality; and
5. Adopt Resolution No. _____.

DISCUSSION:

On November 7, 2014, the Board approved the YTI project and certified the Final Environmental Impact Report (FEIR). On January 22, 2015, the CTC is anticipated to approve programming of \$12.796 million of TCIF funds for the construction phase of the YTI project. As a program requirement, the Harbor Department must equally match the TCIF funds, at a minimum. The YTI project is contained in the Harbor Department CIP, but the Board has not yet approved construction phase funds. Future FY revenue projections used for the CIP do not presently include these TCIF funds. To receive the TCIF funds, a Baseline Agreement (BA) with the State is required. The BA includes a funding plan, and represents a full commitment to complete the project. Therefore, in addition to approval of the BA itself, staff also seeks approval of \$33.294¹ million in Harbor Department funds over FY16-18 for the construction phase, in advance of approving the overall FY16-18 budgets. Once approved by the Board, the BA will be transmitted to the State for their full execution, which is expected to occur at the January 22, 2015 CTC meeting.

State funding rules require the BA to be executed prior to advertising for construction. In order to meet YTI's schedule for accommodating larger vessels, advertising for construction should occur in late February/early March 2015. The schedule of CTC meetings for 2015 is such that the BA must then be approved at their January 22, 2015 meeting. This project is conditional upon YTI executing a lease extension, to which it has the unilateral right to exercise pursuant to their existing permit. If YTI does not exercise its right to a lease extension by January 22, 2015, the Harbor Department can request that the State postpone their approval and full execution of the BA, until a later date. The Board could also approve the construction phase funds conditional upon a lease extension. However, the Board will be required to make a decision on the TCIF funds by February 2016 at the latest, as the CTC must approve the BA along with a formal funding allocation on or before their June 2016 meeting, or the TCIF funds will be completely forfeited. The Board will also need to approve another agreement with State ("Program Supplement Agreement") on or before issuance of notice to proceed to the construction contractor, in order to submit invoices for reimbursement.

If there are changes in the project schedule and/or cost, the BA will need to be amended prior to the official allocation of funds by the CTC. Thus, the Executive Director also seeks approval from the Board to execute subsequent amendments to the BA in the future to account for schedule changes and/or project cost decreases. If the project cost increases, staff will seek Board approval for an amended BA.

¹ Net amount; accounts for TCIF funds reimbursement

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ENVIRONMENTAL ASSESSMENT:

The Board certified the FEIR for the YTI project on November 7, 2014. As the proposed actions herewith (approving a funding agreement and Harbor Department funds) are administrative, and as the identified project has been previously evaluated for environmental significance and processed according to the requirements of California Environmental Quality Act (CEQA), the Director of Environmental Management has determined that these proposed actions are exempt from CEQA in accordance with Article II Section 2(i) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

Approval of the BA will have no employment impact. The construction phase is projected to generate a combined 750 direct/indirect jobs as reported in the certified EIR.

FINANCIAL IMPACT:

The Board has not yet approved construction phase funds for the YTI project. Staff is seeking approval of \$33.294 million in Harbor Department funds over FY16-18 for the construction phase. The TCIF funds are paid on a monthly reimbursement basis, so the Harbor Department must first front-fund project costs. The tenant will be responsible for on-going operations and maintenance costs of the improvements. The table below summarizes the cash flow needs for the project (amounts in \$ millions):

		Prior FY	FY 14/15	FY 15/16	FY 16/17	FY 17/18	Total
Total		\$2.548	\$2.915	\$16.243	\$29.029	\$0.818	\$51.553
Source	TCIF	-	-	\$4.510	\$8.060	\$0.226	\$12.796
	Harbor Department	\$2.548	\$2.915	\$11.733	\$20.969	\$0.592	\$38.757

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CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the Baseline Agreement as to form and legality.

TRANSMITTAL:

1. YTI Terminal Project Baseline Agreement

FIS Approval:  (initials)
CA Approval:  (initials)



KERRY CARTWRIGHT, P.E.
Director of Goods Movement



MICHAEL R. CHRISTENSEN, P.E.
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

Author: Kerry Cartwright, P.E.
Board Meeting: December 18, 2014
KC:ss