



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MARCH 9, 2011

FROM: GOODS MOVEMENT DIVISION

SUBJECT: RESOLUTION NO. _____ APPROVAL OF STATE PROPOSITION 1B TRADE CORRIDORS IMPROVEMENT FUND PROGRAM - CALIFORNIA TRANSPORTATION COMMISSION "AMENDED BASELINE AGREEMENT" BETWEEN THE CITY OF LOS ANGELES AND THE STATE OF CALIFORNIA, AND "LETTER OF NO PREJUDICE" REQUEST TO THE CALIFORNIA TRANSPORTATION COMMISSION

SUMMARY:

In 2008, the California Transportation Commission (CTC) approved \$51.23 million State Proposition 1B Trade Corridors Improvement Fund (TCIF) program funds for the West Basin Railyard. The West Basin railyard is a critical project for the Port, and needed for the construction of the planned adjacent TraPac container terminal on-dock railyard. Because of a possible rescission of the U.S. Department of Transportation (USDOT) Transportation Investment Generating Economic Recovery (TIGER) II funds, and to take advantage of an expected TCIF bond issuance by the State in the fall of 2011, formal allocation of the TCIF funds by the California Transportation Commission (CTC) is required. In order for the CTC to allocate the TCIF funds for the West Basin Railyard project, the existing "Baseline Agreement" with the State must be amended to update the project schedule and costs. On June 19, 2008, the Board of Harbor Commissioners (Board) approved the CTC required "Baseline Agreement" that set forth project scope, expected benefits, schedule, cost, and a funding plan.

Additionally, the City of Los Angeles Harbor Department (Harbor Department) anticipates seeking a TCIF allocation at the June 2011 CTC meeting. However, according to the CTC staff, State TCIF bond issuance is not expected until sometime in the fall of 2011. Thus, the allocation request would not be approved in June, but be placed in a queue until bond funds are available. To address this circumstance and potential project delay, Assembly Bill 672 was passed in 2009 that will allow the Harbor Department to apply to the CTC for a "Letter of No Prejudice" (LONP) that would permit construction to commence prior to the issuance of the bond funds and CTC allocation, which is normally required in order to be reimbursed. As construction of the West Basin Railyard needs to commence as soon as possible to spend the USDOT TIGER II funds, and also to complete the TraPac terminal on-dock railyard, it is prudent to request a LONP from the CTC.

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RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the "Amended Baseline Agreement" as to substantial form;
2. Authorize the Executive Director to execute and the Board Secretary to attest to this "Amended Baseline Agreement" for and on behalf of the Board;
3. Authorize the Executive Director to request a "Letter of No Prejudice" from the California Transportation Commission; and
4. Adopt Resolution No. _____.

DISCUSSION:

Amended Baseline Agreement

Because of a possible rescission of the USDOT TIGER II funds, and to take advantage of an expected TCIF bond issuance by the State in the fall of 2011, formal allocation of the TCIF funds by the CTC is required. In order for the CTC to allocate the TCIF funds for the West Basin Railyard project, the existing "Baseline Agreement" with the State must be amended to update the project schedule and costs. On June 19, 2008, the Board approved the CTC required "Baseline Agreement" that set forth project scope, expected benefits, schedule, cost, and a funding plan.

The total cost of the project is currently estimated at approximately \$130.2 million (including \$121.8 million for the construction phase). Advertising for construction is expected in July 2011. The table on the following page summarizes the cash flow/source of funds.

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Table 1 - West Basin Railyard Capital Outlay (\$ in millions, 2010 dollars)

	Prior FY	FY10-11	FY11-12	FY12-13	FY13-14	FY14-15	Total
Costs							
Project Approval/ Environmental Documentation (PA/ED) & Plans, Specifications, and Estimates (PS&E)	\$6.132	\$1.176	\$1.127				\$8.435
Construction (includes CM/CE)			\$8.662	\$63.196	\$47.676	\$2.262	\$121.796
Total Costs	\$6.132	\$1.176	\$9.789	\$63.196	\$47.676	\$2.262	\$130.231
Funding							
Metro Regional Surface Transportation Program (RSTP)				\$2.417	\$6.167		\$8.584
State Trade Corridor Improvement Fund (TCIF)			\$4.331	\$31.598	\$15.301		\$51.230
US DOT TIGER II				\$8.000	\$8.000		\$16.000
Harbor Department (inc. \$1.3 m in- house)	\$6.132	\$1.176	\$5.458	\$21.181	\$18.208	\$2.262	\$54.417

Letter of No Prejudice

The Harbor Department anticipates seeking a TCIF allocation at the June 2011 CTC meeting. However, according to the CTC staff, State TCIF bond issuance is not expected until sometime in the fall of 2011. Thus, the allocation request would not be approved in June, but be placed in a queue until bond funds are available. To address this circumstance and potential project delay, Assembly Bill 672 was passed in 2009 that will authorize a "lead agency for a project or project component for which bond funding has been programmed, allocated, or otherwise approved by the administrative agency or is otherwise targeted to be available, as specified, to apply to the administrative agency for a letter of no prejudice that would allow the regional or local agency eligible to expend funds be subsequently reimbursed from bond funds for expenditures of funds." This essentially would permit the Harbor Department to commence construction prior to the issuance of the bond funds and CTC allocation, which is normally required in order to be reimbursed. As the West Basin Railyard needs to be completed as soon as possible to spend the USDOT TIGER II funds, and

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also to complete the TraPac terminal on-dock railyard, it is prudent to request a "Letter of No Prejudice" from the CTC.

ECONOMIC BENEFITS:

The construction phase of the West Basin Railyard is estimated to generate 1,987 one-year, full-time equivalent direct, indirect, and induced jobs in the five-county southern California region.

ENVIRONMENTAL ASSESSMENT:

The proposed action is an Agreement between the City of Los Angeles and the State of California regarding the TCIF program. The Agreement establishes the TCIF program's overall project scope, expected benefits, schedule, cost, and a funding plan. The West Basin Railyard has already received State and federal environmental clearance via the TraPac Container Terminal Project Environmental Impact Statement/Environmental Impact Report (EIS/EIR) that was approved and certified by the Board in December 2007 (the West Basin Railyard was an element of the TraPac terminal project). Additionally, the State Department of Transportation (Caltrans) issued a Categorical Exclusion for the West Basin Railyard element on December 21, 2010. As an administrative activity for which the underlying activity has been previously assessed, the Director of Environmental Management has determined that the proposed action is exempt from the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2(i) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of this Amended Baseline Agreement will reaffirm commitment of the Harbor Department to fund the project discussed herein. Advertising for construction is expected in July of this year. Because of the recent uncertainty with the TIGER II funds and uncertainty on the availability of the TCIF funds (ergo the need for the LONP), no outside funding was assumed in the proposed Harbor Department fiscal year 2011/12 budget.

The amount spent to date (as of January 31, 2011) for Engineering Design Services (Account No. 54220) and Environmental Consulting Services (Account No. 54260) on this project is \$5.5 million. The remaining Harbor Department funds needed for the project have been accounted for in the five-year capital improvement program. It should be noted that the Harbor Department funds also include a total of approximately \$2.9 million for in-house (ergo "soft") costs, which also include grant administration costs. The Harbor Department will not be responsible for operations

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and maintenance costs, apart from a new storm water pump station that will be the Harbor Department's responsibility. Pacific Harbor Line, a short-line railroad operating within the Port, has an agreement with the Harbor Department to operate and maintain the railyard in conjunction with moving cargo for Port customers (non-containerized), the Union Pacific Railroad, and the BNSF Railway.

The Goods Movement Division is seeking yet additional funding (about \$11.9 million) from the Los Angeles County Metropolitan Transportation Authority through their biennial Call for Projects program. A grant application was submitted in January 2011. Any additional grant funding received would offset the \$54.417 million in Harbor Department funds.

CITY ATTORNEY:

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

TRANSMITTAL:

- 1. Amended Baseline Agreement



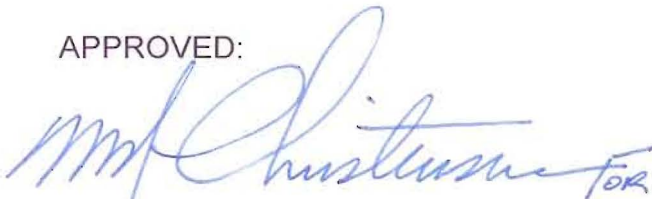
KERRY CARTWRIGHT, P.E.
Director of Goods Movement

FIS Approval: WR (initials)



MICHAEL R. CHRISTENSEN
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.
Executive Director