



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: SEPTEMBER 13, 2012

FROM: ENGINEERING

**SUBJECT: RESOLUTION NO. _____ FUNDING INCREASE FOR
THE PORT OF LOS ANGELES CHANNEL DEEPENING PROJECT-
AGREEMENT NO. 2236**

SUMMARY:

Additional funding in the amount of \$7.5 million is requested to complete the Port of Los Angeles (Port) Channel Deepening Project (Channel Deepening Project). Total funding for the Channel Deepening Project is requested to increase from \$298 million to \$305.5 million. The funds will be forwarded to the Department of the Army, US Army Corps of Engineers (Corps), as requested, to fund project costs in accordance with the amended Project Cooperation Agreement (PCA).

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Authorize the increase of funding for the Channel Deepening Project from \$298 million to \$305.5 million and authorize the Executive Director to transfer funds as requested by the Department of the Army, US Army Corps of Engineers; and
2. Adopt Resolution No. _____.

DISCUSSION:

Project Description – The Channel Deepening Project consists of deepening the existing 45-foot deep Main Channel, West Basin Channel, East Basin Channel and turning basins to a 53-foot depth. During this project, 15.0 million cubic yards of dredge material has been generated and disposed of at various sites throughout the Port as shown on Transmittal 1.

Project Cooperation Agreement – The PCA defines the contractual and financial obligations of the federal government and the City of Los Angeles (City). The PCA defines the financial responsibilities for additional costs beyond the estimated project cost. These costs include: contract modifications due to unforeseen conditions or design changes, project betterments which are additional contract scope work items requested by the City of Los Angeles Harbor Department (Harbor Department), and

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local service facilities which are berthing areas, wharf modifications and pipeline removals and replacements not included in the awarded construction contract. The PCA allows for work related to the Channel Deepening Project to be added to the current US Army Corps of Engineers construction contract.

On November 12, 2009, the Board authorized Amendment 1 to increase the funding for the Channel Deepening Project by \$96,000,000 for a total authorized amount of \$298,000,000 for continuation of construction activities for the Channel Deepening Project.

The \$96,000,000 approved under PCA Amendment 1 was based on a Harbor Department/Corps estimate of remaining work on the Channel Deepening Project, using estimated quantities and unit prices, prior to the receipt of a contract proposal from the Corps' contractor. Final negotiations between the Corps and their contractor resulted in unit prices higher than anticipated; however, value engineering and reduced dredging quantities brought the contract cost estimate closer to the \$96,000,000 estimate. It was on this basis that the Corps finalized the scope of work with their contractor and issued their Notice to Proceed.

Work completed to date as part of the initial and amended Channel Deepening Project PCA consists of deepening portions of the existing 45-foot deep Main Channel, West Basin Channel, East Basin Channel, and turning basins to -53 feet Mean Lower Low Water (MLLW), including the dredging and disposal of approximately 15.0 million cubic yards of material as shown on Transmittal 1. All Main Channels and turning basins throughout the harbor have now been dredged to -53 feet MLLW and all berth dredging called for under the Channel Deepening Project has been completed.

Work on the project has now reached the point where the Corps' final contract cost is relatively certain. Completion of the scope of work authorized by the Board under Amendment 1 to the PCA, plus the \$1,100,000 amount of APL dredging required for maintenance dredging of APL's Berths 302 through 305 (new/additional scope of work) equals \$7.5 million. Maintenance dredging of these berths using the Channel Deepening Contract is estimated to save \$1.2 million compared to using the Harbor Department's On-Call Marine Improvement contract. These savings are as a result of the Channel Deepening contractor being already mobilized and having a disposal site available for the dredged material.

Funding of the Channel Deepening Project will allow the Harbor Department to:

- Finish construction of the 50-acre Cabrillo Shallow Water Habitat;
- Remove remaining surcharge from the Berth 102 fill site to allow construction of the China Shipping Terminal;

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- Maintenance dredge Berths 302-305 to -53 feet MLLW.

Contingent upon approval of this funding request, completion of the Channel Deepening Project will occur on schedule in March 2013.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval to increase funding for the Channel Deepening Project which will afford completion of the project in accordance with Amendment 1 to the existing PCA between the Harbor Department and the US Army Corps of Engineers. The Channel Deepening Project was assessed under the Port of Los Angeles Channel Deepening Supplemental Environmental Impact Statement/Environmental Impact Report (ADP: 990809-102) which was certified by the Board on April 29, 2009. As an activity for which the underlying project has previously been evaluated for environmental significance and processed according to the requirements of the California Environmental Quality Act (CEQA), the Director of Environmental Management has determined that the proposed action is exempt from requirements of CEQA in accordance with Article II, Section 2(i) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

Spending on Channel Deepening Project construction activities under this Amendment will support approximately 1,200 one-year-equivalent jobs in the five-county region.

FINANCIAL IMPACT:

It is anticipated that the additional funding will be expended as follows:

<u>BUDGET</u>	<u>FY 12/13</u>
CIP	\$6,400,000
<u>MIP</u>	<u>\$1,100,000</u>
Total	\$7,500,000

Funds for Fiscal Year 2012/2013 have been budgeted in the amount of \$10,295,000 in Account 54510, Center Nos. 1005, 1103 and 1160, Program Nos. 000 and 631; and \$1,500,000 in Account 54060, Center No. 0311, Program No. 308. There is currently a balance of approximately \$3,900,000 of existing funding to spend on the \$298,000,000 authorization. Congress has authorized and appropriated the total authorized federal share of \$61,536,000 for the Channel Deepening Project which represents approximately 17% of the total project cost.

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CITY ATTORNEY:

The City Attorney's Office has reviewed this Resolution and determined that it raises no legal issues at this time.

TRANSMITTALS:

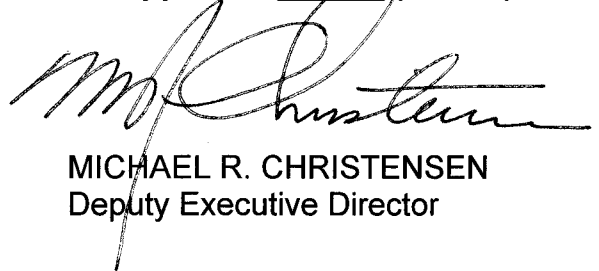
1. Amendment 1 to the Project Cooperation Agreement (PCA)
2. Channel Deepening Project Map

FIS approval: KP (initials)

CA approval: TAY (initials)



ANTONIO V. GIOIELLO
Chief Harbor Engineer



MICHAEL R. CHRISTENSEN
Deputy Executive Director

APPROVED:



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