



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: OCTOBER 11, 2013

FROM: ENGINEERING

**SUBJECT: RESOLUTION NO. _____ - APPROVAL TO FUND
ADDITIONAL PROJECTS WITHIN THE APPROVED FISCAL YEAR
2013/2014 CAPITAL IMPROVEMENT PROGRAM BUDGET**

SUMMARY:

On June 6, 2013, the Board of Harbor Commissioners (Board) approved a \$399.9 million Capital Improvement Program (CIP) budget for the fiscal year (FY) 2013/2014. The CIP is a major strategic priority for developing and maintaining world class infrastructure and a primary driver of the City of Los Angeles Harbor Department's (Harbor Department) budget. Based on the most current projections, the CIP is estimated to spend approximately \$389.4 million resulting in \$10.5 million available for new project starts during the current fiscal year. Of the \$10.5 million, staff recommends that \$5,132,731 be allocated to fund the projects not identified in the June 6, 2013 approved budget (itemized in this report), and the remaining \$5,367,269 be moved to CIP contingency to fund currently unidentified projects throughout FY 2013/2014. The FY 2013/2014 CIP budget will remain at \$399.9 million as approved.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the current fiscal year budget reallocation of \$5,132,731 for the projects itemized in this Board letter;
2. Approve reallocating \$5,367,269 to Capital Improvement Program contingency;
and
3. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – On June 6, 2013, the Board approved a \$399.9 million CIP budget for FY 2013/2014. Based on current project cash flow projections for this fiscal

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year, it is estimated that \$389.4 million of the CIP will be spent. Project savings for the current fiscal year are due mainly to the acceleration of the Alternative Maritime Power (AMP) system equipment delivery last fiscal year that was anticipated and budgeted for in the current fiscal year budget.

Proposed New Project Starts – The Project Development Committee (PDC) has recommended the following projects be authorized to begin with first-year costs funded from the funds made available within the FY 2013/2014 budget as follows:

Project Title	Initial Estimated Total Project Cost	Proposed FY Project Spending	Budget Request FY 2013/2014	Proposed work for FY 2013/2014
Yang Ming Wharf and Rail Improvements	\$121,000,000	2014/2017	\$1,467,222	CEQA, Preliminary Engineering
Everport Terminal Improvements	\$ 33,000,000	2014/2019	\$1,500,000	CEQA, Preliminary Engineering
Berths 187-190 Marine Oil Terminal Repair Plans	\$ 3,575,000	2014/2015	\$ 500,000	CEQA, Design
Berths 163-164 Marine Oil Terminal Improvements	\$ 1,600,000	2014/2015	\$ 180,000	CEQA, Design
22 nd Street Park Improvements	\$ 174,800	2014/2015	\$ 105,078	CEQA, Design, Construction
Ports O' Call Development Design Support	\$ 500,000	2014/2015	\$ 250,000	Conceptual Design
Waterfront Directional Signage*	\$ 140,000	2014	\$ 140,000	Design, Construction
Port Pilot Electrical Service Upgrade	\$ 310,500	2014/2015	\$ 24,412	CEQA, Design
APL Buildings Water Leak Mitigation	\$ 1,325,000	2014	\$ 966,019	Construction
Total	\$161,625,300		\$5,132,731	

*Project below PDC threshold.

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The remaining \$5,367,269 is proposed to be reallocated to CIP contingency. The Board, as part of the annual budget, has already approved \$4 million of contingency for consultant services; \$2,763,949 for materials and equipment; and \$7,359,952 for the City of Los Angeles (City) services, permits, and administrative costs. As stated in the approved budget, contingency is for unidentified projects which will come up throughout the fiscal year. It includes consultants, hiring hall expenses, materials, equipment, services from other City departments and administrative expenses. It also includes funding for deferred maintenance projects for the Construction and Maintenance Division (C&M). This year's CIP budget includes a slippage factor, based on historic patterns of CIP project financial performance, which eliminated contingency in account 54510, Capital Construction Services. This factor was applied to lower the overall CIP budget based on a risk assessment of potential project variations. A comparison of available funds in the June 6, 2013 approved contingency budget and the available contingency as a result of the recommended action is shown in the below table.

Budget Category	Available Contingency funds in the June 6, 2013 Approved Budget	Available Contingency Funds per the Recommended Action (Based on actuals through July 2013)
Consultant Services	\$4,000,000	\$ 3,000,000
Construction	\$ 0	\$10,500,000
Materials/Equipment	\$2,763,949	\$ 2,072,962
Other	\$7,359,952	\$ 5,519,964
Total	\$14,123,901	\$21,092,926

Available Funding Source – Upon review of the most recent CIP projections (through August 2013), the Engineering Division has identified available funding for these projects from the following programs:

Program	FY 13/14 Budget	FY 13/14 Projection	Variance
Berths 118-131 – Yang Ming Container Terminal AMP	\$10,308,706	\$ 4,115,687	\$ 6,193,018
Berths 300-306 Development – APL Container Terminal	\$28,809,876	\$20,975,381	\$ 7,834,494
Total	\$39,118,582	\$25,091,068	\$14,027,512

These savings are primarily a result of equipment deliveries for the AMP systems anticipated for the current fiscal year occurring in FY 2012/2013. Although the savings

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as a result of these above two programs total approximately \$14 million, only \$10.5 million is recommended for allocation to new projects. The remaining funds will stay within the Board approved terminal program annual budgets to account for potential variations of anticipated cash flows. There are currently 262 projects tracking in the current fiscal year CIP budget ranging from approximately \$2,500 to \$59 million. Anticipated cash flows for these projects will vary depending on a multitude of issues and complexities that will vary over the life of the project. With projects spanning multiple years and valued at over \$600 million currently in construction and over \$200 million already advertised for construction, cash flow projections are guaranteed to fluctuate throughout the year. This being the case it is prudent to allow enough flexibility to cover these fluctuations.

Description of Proposed Projects

1. Yang Ming Wharf and Rail Improvements (Estimated total project cost: \$121,000,000)

This proposed project was agreed upon per the term sheet signed by the Harbor Department and Yang Ming Marine Transport Corporation (Yang Ming) on May 30, 2013. This proposed project will increase rail capacity and provide a new 53-foot deep berth to accommodate larger ships which Yang Ming will be putting into service.

The proposed scope of work includes:

- a. Demolition of the existing wharf and dike at Berths 127-129.
- b. Dredging to a depth of -53 feet Mean Low Low Water (MLLW) at the newly constructed wharf (Berths 127-129).
- c. Construction of a new 1,260 linear feet wharf at Berths 127-129 for a typical 14,000 TEU vessel, including AMP.
- d. Either 100-foot or 120-foot gauge crane rail suitable to support single or dual trolley cranes and associated electrical infrastructure to accommodate approximately six to ten additional cranes on the wharf. (Cranes to be provided by the tenant).
- e. Expansion of West Basin Intermodal Container Transfer Facility (WBICTF) with two additional loading tracks for "top pick" operations and accommodating approximately 18 additional rail car spots (approximately 3,000 feet each).

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2. Everport Terminal Improvements (Estimated total project cost: \$33,000,000)

This proposed project was agreed upon per the letter of understanding signed by the Harbor Department and Everport Terminal Services Inc. (Everport) on August 7, 2013. The letter of understanding proposes to extend the length of the term for Permit 888 by ten years and proposes to construct wharf deepening and backland improvements.

The proposed scope of work includes:

- a. Driving sheet piles along 2,800 lineal feet of wharf at Berths 226 – 232.
- b. Dredging to -53 feet MLLW along Berths 226-229 and to -47 feet MLLW along Berths 230 – 232.
- c. Provide electrical infrastructure for up to three additional cranes.
- d. Construct 1.5 acres of additional backland which includes grading, paving, lighting, and striping.

3. Berths 187-190 Marine Oil Terminal Repair Plans – Vopak (Estimated total project cost: \$3,575,000) and Berths 163-164 Marine Oil Terminal Improvements – Ultramar/Shore (Estimated total project cost: \$1,600,000)

The existing Marine Oil Terminals (MOT) at Berths 187-190 and Berths 163-164 need to be repaired as required by Chapter 31F of the California Building Code. The various elements of the wharf in need of repair were identified in the Initial and Subsequent Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) audit reports submitted to the California State Lands Commission. MOTEMS requires a long term compliance plan that in most situations will result in completely new wharf improvements. In the interim, periodic audits identify deficiencies that require more immediate maintenance action, and the Harbor Department's MOTs continue to operate under various restrictions pending full redevelopment to comply with MOTEMS. These repairs are required now to allow restricted operations to continue until long term wharf improvements can be implemented.

Only the repairs that will extend the useful life of the wharf three to five years will be completed. The scope of the repairs includes the following: remove/replace or repair damaged structural wharf components, including but not limited to, vertical and batter timber piles, bracing, girders, beams, pile caps, and decking as necessary; and remove/replace or repair other damaged wharf components such as fender piles, bollards, cleats, and supporting connections.

These repairs are the responsibility of the Harbor Department under the existing permits with Vopak, Ultramar and Shore and are being funded in the FY 2013/2014

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CIP separately from the MOTEMS program capital investment. By extending the useful life of these wharves, the Harbor Department will continue to receive wharfage and dockage revenue under the existing permits, estimated between \$4 million to \$5 million annually, for the next three to five years until new MOTEMS compliant wharves are constructed. The Harbor Department is currently in negotiations for new 30-year term permits with these companies including development of new MOTEMS compliant wharf improvements. These MOTEMS compliant wharf improvements are planned to be completed by 2018 and are currently budgeted in the Harbor Department's Five-Year CIP.

4. 22nd Street Park Improvements (Estimated total project cost: \$174,800)

The 22nd Street Park has been experiencing flooding after rain storms. This has caused erosion of trails within the park and creates a safety hazard. The proposed work will fix any damages to the park trails, as well as mitigate future damages. The proposed work in the park includes construction of an infiltration trench drain system, full depth trail repairs using a soil cement mix, and minor grading to eliminate low areas. In addition to trail repairs, the proposed work includes the construction of approximately 250 feet of sidewalk along 22nd Street. This will complete pedestrian sidewalk access between the park and marinas along the north side of 22nd Street.

5. Ports O' Call Development Design Support (Estimated total project cost: \$500,000)

The scope of work consists of a conceptual master planning effort including coordination with the Los Angeles Waterfront Alliance (LAWA) and other project teams and preliminary engineering support for any environmental supplement/amendments proposed by the developer. Based on recent discussions between the Harbor Department and the LAWA teams, a jointly comprehensive conceptual planning effort is necessary and essential to the success of the redevelopment of Ports O' Call (POC). This conceptual planning effort will consider the LA Waterfront Parking Management Plan (currently underway) and adjacent projects including Sampson Way Roadway Improvements, Red Car re-alignment, AltaSea project, 7th Street Harbor and Pier, Downtown Harbor, and other San Pedro Waterfront projects.

6. Waterfront Directional Signage (Estimated total project cost: \$140,000)

Remove, refurbish, and reinstall several existing black and yellow vehicular directional signs throughout the LA Waterfront to direct visitors to the numerous attractions and places within the LA Waterfront, including the USS Iowa battleship, 22nd Street Park, Cabrillo Way Marina, and the SP Slip with the iconic public art "Ghost Fish". In addition, the LA Waterfront is home to CRAFTED at the Port of Los Angeles at Warehouse Nos. 9 and 10; and hosts numerous events, including Cirque du Soleil at the Outer Harbor, and various summer and winter events. Directional signage is essential for efficient traffic management throughout the waterfront.

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7. Port Pilot Electrical Service Upgrade (Estimated total project cost: \$310,500)

To maintain Pilot Station operations during loss of utility power or a catastrophic event, it is proposed to upgrade the multiple separate utility power services into one main service and to purchase and install a new backup generator capable of handling the entire load. The proposed project will upgrade the existing five small services into one main 600 amp electrical service and will provide for the purchase and installation of an onsite backup power generator to provide temporary power during loss of utility power.

8. APL Buildings Water Leak Mitigation (Estimated total project cost: \$1,325,000)

Water leaks have been an on-going problem since the original construction at the American President Line (APL) Terminal. The APL Gatehouse Building (GHB), APL's Administration Building, is the one structure of four still to be addressed for water leak mitigation. On May 6, 2013, C&M commenced the water leak mitigation repair work on the east side of the GHB with a budget of \$484,000 and an approximate schedule to complete the entire building by September 2013. However, once mitigation commenced, several unforeseen conditions were discovered. C&M was directed to complete all water leak mitigation on the east side of the GHB with only the \$484,000 allocated. In order to complete the entire building, \$689,000 is required to address the actual field conditions encountered.

Project Approval Process – Projects over \$150,000 must be approved by the PDC and Executive Director prior to including them into the CIP. The PDC is co-chaired by the Deputy Executive Directors of Development and Business Development and includes participation of the Deputy Directors of Operations, Finance and Administration, and External Relations. The PDC is facilitated by the Planning and Economic Development Division and includes seven additional divisions involved in the project development process. Information required by the PDC for project approval includes scope, cost, schedule, and other pertinent information deemed necessary to make an informed decision. Projects approved by the PDC must subsequently be approved by the Executive Director prior to inclusion into the CIP.

Once a project is approved by the PDC, it will be added to the proposed CIP budget and considered for approval as part of the annual budget approval process. Projects that were not anticipated or undefined at the time of the annual budget approval process will be brought to the Board for approval under separate Board action as necessary.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is limited to a fiscal year budget reallocation to fund new projects and moving remaining funds to the CIP contingency. This Board action is not legally binding nor does it commit the Harbor Department to the approval of any agreement, permit, or lease or any terms or conditions thereof, or any proposed project, including the new projects itemized in this Board letter. Any proposed project would be subject to environmental review under the requirements of the California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA), as appropriate, as well as the issuance of relevant and necessary permits and entitlement(s).

ECONOMIC BENEFITS:

Because this Board action reallocates CIP funds without changing the overall CIP budget amount, the economic benefits of the budgeted FY 2013/14 CIP spending remain the same at 6,870 one-year full-time equivalent direct and secondary jobs in the five-county region.

FINANCIAL IMPACT:

On June 6, 2013, the Board approved a \$399.9 million CIP budget. Based on current project cash flow projections for the current fiscal year, it is estimated the CIP will spend \$389.4 million. Approximately, \$5,132,731 of the \$10.5 million is proposed to be allocated to the projects identified in this report. The remaining \$5,367,269 is proposed to be allocated to CIP contingency. This request does not increase the approved CIP budget for FY 2013/2014 nor does it intend to eliminate or defer projects approved by the Board.

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CITY ATTORNEY:

The Office of the City Attorney has reviewed and commented on this report.

FIS Approval:  (initials)

CA Approval:  (initials)



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