

**CITY OF LOS ANGELES**  
INTERDEPARTMENTAL CORRESPONDENCE

Date: March 17, 2022

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

From: Christopher F. Johnson, PE, GE  
Principal Civil Engineer  
Bureau of Engineering

Subject: **PENMAR WATER QUALITY IMPROVEMENTS PHASE III PROJECT  
BUDGET INCREASE**

**RECOMMENDATIONS**

1. Authorize an increase in the Penmar Water Quality Improvements Phase III Project (Penmar Phase III) total project budget by \$3,100,000 from \$2,541,451 to \$5,641,451 from available funds in the Proposition O Program.
2. Authorize the City Administrative Officer, in coordination with the Proposition O Implementation Manager of BOE and the Proposition O Planning Manager of LASAN, to make technical corrections, as necessary, to the transaction included in this memorandum.

**BACKGROUND**

*Penmar Phase I and II*

The original Penmar Water Quality Improvement Phase I Project (Penmar Phase I) was approved for Proposition O funding in 2007 to help improve overall water quality at the Santa Monica Bay beaches. Construction of Penmar Phase I was completed in 2013 to help address the Santa Monica Bay Beaches Wet Weather Bacteria Total Maximum Daily Loads. Penmar Phase I included capture and storage of stormwater.

The Penmar Water Quality Improvement Phase II Project (Penmar Phase II) was designed and built to provide treatment of the stormwater for irrigation by complying with the 2011 Los Angeles County Department of Public Health (LACDPH) "Guidelines for Alternate Water Sources: Indoor and Outdoor Non-Potable Uses" (2011 Guidelines). The City obtained approval for Penmar Phase II from the LACDPH in July 2014 based on the 2011 Guidelines. The construction contract was awarded in March 2016.

In June 2016, the LACDPH sent a revised approval letter to the City requiring Penmar Phase II to comply with the newly published "Guidelines for Alternative Water Sources:

Indoor and Outdoor Non-Potable Uses,” dated February 2016. In 2017, the City determined that Penmar Phase II would not be adequate to meet the LACDPH 2016 guidelines. Construction of Penmar Phase II was completed in September 2018.

### LACDPH 2016 Guidelines

For projects that generate offsite use of captured stormwater runoff, 2011 Guidelines involved standards for bacteria namely, Total Coliform, Fecal Coliform and Enterococcus. These are the standards for the product water that is used for irrigation. The 2016 Guidelines expanded the requirements to large groups of water quality standards for sprayed irrigation:

1. Meet National Science Foundation 350; and,
2. Meet California Maximum Contamination Levels, and the California Toxics Rule Standards,

or at Point of Use:

1. Meet California Code or Regulations (CCR) Title 22 Recycled Water Quality Equivalence;
2. Meet all bacterial limits at Point of Use when distributed offsite; and,
3. Meet California Maximum Contamination Levels, and the California Toxics Rule Standards.

## **PENMAR PHASE III PROJECT**

### Implementation

In May 2019, the Penmar Phase III project was awarded a grant of \$2,541,451 through State Proposition 84 Integrated Regional Water Management for upgrading Penmar Phase II with additional stormwater treatment to comply with the LACDPH 2016 guidelines. This grant requires that the project be completed by the end of 2022. In April 2021, the City Council approved Penmar Phase III and established a budget of \$2,541,451.

In order to meet the December 31, 2022 grant deadline, a design-build delivery approach was used; however, even with this approach the contract had to be awarded within days of the opening of bids. Construction bids were received for the Penmar Phase III design-build project on February 3, 2022. The City Engineer’s Estimate was \$1,660,730. Two bids were received, and the apparent low bid was \$3,989,000.

BOE has found that the high bids received can be attributed to the five factors as follows:

1. On-going procurement delays and construction cost increases related to the Covid-19 pandemic;
2. The challenging 1-year contract duration;
3. The need to restrict bidding to the eight pre-qualified Wastewater Treatment Plant contractors;
4. Installation of a pretreatment device and two maintenance holes in Rose Avenue was considered challenging due to traffic and potential unknown conditions in the street; and,

5. Challenges and risk to the contractor to secure all required project approvals and permits as part of the design portion of the design-bid contract.

The Penmar Phase III budget is not sufficient to award the design-build contract due to the high bids received. The recommended increase to the Proposition O budget by \$3,100,000 is needed to complete the project.

#### Grant Implications

For the grant purposes, the project needs to be completed and the County needs to be invoiced for the \$2.54M for the grant by December 31, 2022. LA Sanitation and Environment (LASAN) has requested an eight-month extension to the County but has not received a response.

Concurrently with this funding request, LASAN is in discussions with the Proposition 84 Integrated Regional Water Management grant funding entities, specifically the County of Los Angeles and the State's Department of Water Resources to request an extension of the December 2022 deadline for the completion of the project. It is not clear at this time if this extension will be issued and if the \$2,541,451 grant is withdrawn or not.

If the project budget increase is approved, the BOE is planning to finalize a report recommending awarding the design-build contract to the lowest responsive, responsible bidder by the Board of Public Works.

#### **OTHER CONSIDERATIONS**

In discussions with the Office of the City Administrative Officer, the following considerations in consultation with LASAN are discussed in this report due to the schedule urgency of the project.

#### Los Angeles Regional Water Quality Control Board and LACDPH Compliance

Per LASAN, the Total Maximum Daily Load standards deal with the water quality standards of the receiving water (in this case Santa Monica Bay) and the pollutant reductions that we achieve upstream. The Penmar Phase II project diverts flows (even if they are not used for irrigation) that are discharged to the sewer, thus the targeted pollutant load reductions is achieved.

The Penmar Phase II project meets the 2011 LACDPH guidelines; however, the City's interpretation on the inception of the project back in 2019 was that the Penmar Phase III project would have to meet the 2016 LACDPH guidelines. The Penmar Phase III project was also triggered by the need to improve operation of the facilities and most importantly address the need for a pre-treatment device.

#### Implementation of the Penmar Phase III Project

Per LASAN, the Penmar Phase II project as it stands provides nearly the same water quality protection as the Penmar Phase III project due to the downstream low flow diversion.

The more direct impact of not implementing the Penmar Phase III project would be the unavailability of the treated flow for use in the Penmar Park, Penmar Golf Course, and Santa Monica Marine Park. The golf course has the largest water demand, but currently it lacks the ability to utilize it without modifications to its irrigation system. The water use at the Marine Park is of concern since the City of Santa Monica installed a line to the Penmar Park to route the water to its park; however, no written agreement has been established with Santa Monica.

The City would need to decline the State grant of \$2.54 M if the project does not occur. A previously awarded grant of \$2.1M already provided to the Penmar Phase II project is not expected to be withdrawn by the State since the project does achieve potable water reduction benefits since diverted flow is routed to the Hyperion Water Reclamation Plant which provides increased amounts of recycled water.

*Penmar Phase III Cost of Irrigation Water*

A complete analysis would need to consider the cost of operation and maintenance in addition to the capital cost of the Penmar Phase III project. Based on rough estimates and assuming operation and maintenance costs of about 6% of the capital expenditures, the 30-year costs would be approximately \$11.2 million. The amount of treated irrigation-water generated would be about 660 acre-feet, or approximately \$17,000/acre-foot., which is higher than industry average.