

CITY OF LOS ANGELES
INTERDEPARTMENTAL CORRESPONDENCE

Date: September 18, 2023

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

From: Christopher F. Johnson, PE, GE, Division Engineer
Clean Water Division
Bureau of Engineering



Subject: **PENMAR WATER QUALITY IMPROVEMENTS PHASE III PROJECT DELETION**

RECOMMENDATIONS

1. Authorize the deletion of the Penmar Water Quality Improvements Phase III Project (Penmar Phase III) carrying an allocated total project budget of \$2,541,451.
2. Reduce the budget appropriation from \$2,541,451 to \$0 as the project will be cancelled.
3. 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.

SUMMARY

Penmar Phase III

In May 2019, the Penmar Phase III project was awarded a grant of \$2,541,451 through the 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 required that the project be completed by the end of 2022. In April 2021, the City Council approved Penmar Phase III for an authorized budget of \$2,541,451 with front funding provided by Proposition O.

In order to meet the December 31, 2022 grant deadline, a design-build delivery approach was used; however, all bids received were above the City Engineer's estimate of \$1,660,730. The lowest bid was \$3,989,000, which is \$2.3M million higher than the City Engineer's estimate.

The Penmar Phase III budget was not sufficient to award the design-build contract due to the high bids received. Therefore, on March 31, 2022, the Prop O AOC considered a Bureau of Engineer report to increase the project budget by \$3.1 million, from \$2.54 million to \$5.64 million. The AOC did not approve the budget increase, but requested the Bureaus of Engineering and Sanitation to identify other funding sources for it, including whether the grantor could provide additional grant funds for the project.

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.

Grant Outcomes

LASAN was in discussions with the Proposition 84 Integrated Regional Water Management (IRWM) 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. IRWM requested the City to respond by August 31, 2022 with a justification showing the additional budget increase of \$3,100,000 had been secured prior to authorizing the time extension. Given the Proposition O AOC did not recommend the Penmar Phase III budget increase and the short timeline given by IRWM to secure additional funds, the time extension was not granted. LASAN had pursued additional grant funding for the project, but were unsuccessful in that effort.

Project Costs

To date, consultant and staff costs related to Penmar Phase III are about \$171,812. Some of these costs were funded by Prop O and will have to be repaid since the Penmar Phase III is not moving forward. Funds to reimburse Prop O will be addressed through the City's annual budget process.

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