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Title: CONSIDER RESOLUTION NO. 22-15-CRJPA, A RESOLUTION OF THE CARSON RECLAMATION JOINT POWERS AUTHORITY ADOPTING THE FISCAL YEAR 2022/23 BUDGET AND APPROVING APPROPRIATIONS FOR THE 2022/23 FISCAL YEAR

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Date	Ver.	Action By	Action	Result
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Report to Carson Reclamation Authority

Monday, June 06, 2022

Discussion

SUBJECT:

CONSIDER RESOLUTION NO. 22-15-CRJPA, A RESOLUTION OF THE CARSON RECLAMATION JOINT POWERS AUTHORITY ADOPTING THE FISCAL YEAR 2022/23 BUDGET AND APPROVING APPROPRIATIONS FOR THE 2022/23 FISCAL YEAR

I. SUMMARY

This action approves the Fiscal Year 2022/23 Budget for the Carson Reclamation Authority.

II. RECOMMENDATION

1. WAIVE FURTHER READING AND APPROVE Resolution No. 22-15-CRJPA, A RESOLUTION OF THE CARSON RECLAMATION JOINT POWERS AUTHORITY ADOPTING THE FISCAL YEAR 2022/23 BUDGET AND APPROVING APPROPRIATIONS FOR THE 2022/23 FISCAL YEAR

III. ALTERNATIVES

Take another action the Board deems appropriate.

IV. BACKGROUND

On January 20, 2015, the governing Boards of the Housing Authority and Carson Community Facilities Districts Nos. 2012-1 and 2012-2 ("CFDs") approved each Board's authority to enter into an agreement for the formation of the Carson Reclamation Joint Powers Authority ("CRA") for the purpose of overseeing and facilitating the remediation of contaminated properties in the City of Carson; this was achieved pursuant to the Joint Exercise of Powers Act, commencing with Section 6500 et seq. of the Government Code. The CRA may facilitate and fund the environmental study, investigation, remediation, and reclamation of any and all contaminated properties in the City, or the acquisition and subsequent reclamation of contaminated properties. These powers include any improvements on property related to environmental clean-up and any negotiations or processing of property reclamation required in connection with the California Department of Toxic Substances Control ("DTSC") or any other State or Federal environmental agency. The Authority's powers may extend beyond mere property remediation to development planning and implementation, such as with the Cal Compact Landfill, currently owned by the CRA and where remedial construction has been partially completed.

This year's budget follows the Fiscal Year 2020/21 budget and Fiscal Year 2021/22 Budget, which were presented in an easier-to-understand format, generally breaking up expenditures by General Administration; Permits, Legal, and Insurance; Utilities; Construction Costs on Cell 2; Construction Costs on Lenardo Road; and O&M costs. This year costs were also broken out for Sitewide Coordination, as the CRA will be responsible for overseeing the construction work by several different developers and their contractors. This segmentation provides more explanation of the different tasks undertaken by the CRA, and also clarifies expenditures where one contractor (or type of contractor) may have expenditure line items in different parts of the budget, and then allows the reader to look at anticipated revenue, some of which is on a project basis, against the estimated expenditures.

Additional clarification follows:

General Administration/Professional Services

1. Secondment Agreement. This is the arrangement where the City charges the CRA for staff time.
2. CRA Travel. Most previous travel has been to Sacramento for CPCFA/CALReUSE meetings; because of the pandemic there was no travel in the past year but there could be two scheduled for later this year, once the State opens up to in-person meetings.
3. RE|Solutions, LLC ("RES"). The nature of the RES contract is that as the Horizontal Development Manager much of the work on the site is paid through the RES contract, such as the O&M work (now under contract with WSP-Golder USA, Inc.), many of the design professionals, and the previous construction of horizontal improvements and the remedial systems. Compensation to RES for their work has been embedded in the overall contract that includes the payment for O&M and future construction. Because the contract with RES is being renegotiated, this line item is included in General Administration for the hourly services portion of the contract, and the remainder of the

Site Management and O&M work is included separately in other sections as it may be performed by RES or other contractors. They are different costs for different portions of the contract.

4. Other advisory services, such as SEG Advisors and Richmond Consulting, have been eliminated over the past two years.

Permits, Fees, Legal, Insurance

5. CRA pays permit fees to Water Board, AQMD, and pays DTSC for project oversight. CRA also has a lease with the Flood Control District.
6. Aleshire & Wynder fees. This is for general administration, construction-related (and reimbursed) expenditures, and litigation. Most of the cost of the CAM-Carson litigation has been covered by the CRA's D&O policy by Chubb, the insurer, who engaged Cozen O'Connor for litigation services related to the claim. Under the CRA's policy, it is responsible for the self-insured retention ("SIR"), shown in the line item below. Some of the Aleshire & Wynder litigation costs were covered by the City while the City was a defendant in the lawsuit, and some CRA litigation costs were for the litigation against the State Department of Finance. Some Aleshire & Wynder litigation costs were covered by the City while the City was a defendant in the lawsuit. Aleshire & Wynder also does all of the transactional work (such as the agreements with developers and review of all subcontractor contracts), and the CEQA work on the development projects. Much of this work is subject to the Reimbursement Agreements with developers such as Faring, though these expenditures are not reflected here as the reimbursement deposits are processed by the City.
7. Cozen O'Connor SIR. The D&O policy has a requirement for a \$250,000 SIR. Cozen O'Connor billed the CRA for it in Fiscal Year 2021-22.
8. Greenberg Traurig legal services. In the past year the CRA's insurance counsel has worked on making claims to insurers on the Builder's Risk and D&O policies; incorporating Faring into the PLL insurance programs and other policies in the Insurance Administration Agreement, including the Contractor's Pollution Liability policy; drafting the environmental language on the mechanism for Faring to take over the construction and development of Cells 3, 4 and 5; and working with DTSC on the Land Use Covenant, Enterprise Fund, and other issues. Some of this is reimbursed by developers and some of it is not.
9. Marsh USA (D&O and Builders Risk policies). Marsh is the CRA's insurance broker of record. There are two policies that are annually renewed: the Public Officials Liability (D&O) policy and builders' risk insurance. The D&O policy renews in June, at the end of the fiscal year. This year's policy has seen a considerable increase in D&O premiums, and the budget for next year reflects the higher premium. Also, the Builder's Risk policy renews in September (it was extended to mid-October) and while the Fiscal Year 2020/21 premium was \$82,611.30 the current year's policy is approximately \$270,000. The Insurance Administration Agreement with Faring provides for some cost sharing or policy substitution of the property policy so the amount may be reduced in the coming year.

Utilities

10. These amounts are about the historic levels of utility payments. This is for the utility service only (not construction) and paid directly by the CRA. Over the past two years the cost of gas has nearly doubled, so the budget for last year was increased. Gas is used to supplement landfill gas in the flaring process to burn clean and hot enough to meet AQMD guidelines; in the current year, the O&M contractors began using another technology (granulated activated charcoal filtering, or "GAC") that does not use the flare to handle the landfill gas during these price escalations, so the gas budget has been reduced. The GAC is cost effective during high gas prices; the flare is more cost-effective when gas is cheaper. Electricity costs have also risen but not as much as gas.

Construction-Related Costs (Cell 2)

11. Unlike in the prior year, the CRA has budgeted \$32,500,000 as a single line item for the completion of the Cell 2 work. All of the estimated and contracted costs for the Cell 2 work remaining are shown in the Revenue Report as Amounts Due Under Litigation, but for the purpose of the cost estimating on the Cell 2 work the \$32,500,000 anticipated for Faring as payment for Cells 3, 4, and 5 is shown as a contribution toward Cell 2, its original purpose.

Some of the engineers, designers and consultants are shown in the Sitewide Coordination section, including Antieri & Associates, electrical engineers, who need to be fully engaged to complete the electrical system design for Cell 2 to accommodate getting service to the 405 embankment (for signage), as well as completing the design for electrical on Cells 3, 4, and 5 for the Faring project. If the street is constructed in this fiscal year, all of the utility designs need to be complete so that there are no delays in construction. A portion of this cost (60% of the costs) would be reimbursed by Faring as part of their agreement and another 30% would be reimbursed by the Cell 2 developer.

Construction-Related Costs - Lenardo Road

12. The CRA has been working on a scope and cost estimate of the Lenardo Construction since early 2019. In October, 2019 Snyder Langston produced a cost estimated as a Potential Change Order (PCO) to commence the work. RES then worked to incorporate all the non-Snyder Langston costs into an overall estimate. These estimates have not been updated since last year. Like with Cell 2, there are some assumptions that should be explained.

- a. Snyder Langston GC work. Snyder Langston took approved wet utilities plans and pre-bid this work with several subcontractors to get an estimated number. For Paving, Lighting, Landscaping, and Dry Utilities, their cost estimating team developed estimates. They also included their normal rollups (insurance, fees, etc.) to arrive at a cost of about \$25 million.
- b. The Snyder Langston PCO had a number of exclusions, meaning project costs that are not part of their contract. The largest exclusion is the environmental

cost. While Lenardo is on “native” soil, the site is still located within the overall Cal Compact Landfill site and subject to the DTSC Health & Safety Plan. A separate contractor typically provides that service. In addition, because Lenardo could be constructed ahead of the cells on at least one side of the street (when we were working on Cell 2, it was assumed that we would have to address Cells 3, 4, and 5, but now it looks that sequence could be flipped, and we should be concerned about the buffer on Cell 2 to protect Cells 3, 4 and 5). TRC had originally estimated a cost of \$10 million for the Cells 3, 4, and 5 buffer, and later reduced it to \$5 million based on already being on the site and their General Conditions absorbed as part of the Cell 2 remediation contract, not the street project. (TRC is now demobilized and not on the site.) However, if a Cell 2 buffer is required on behalf of the Cell 3, 4, and 5 project the estimated cost for the Cell 2 buffer zone would be \$8.5 million. That work is shown in the budget under the “Cell 2 work” and not shown in Lenardo.

- c. A similar Cell 1 buffer would still be needed. The estimated cost is \$2.5 million and the design cost is estimated at \$250,000.
 - d. Other line items include plan check fees and permits, including those obtained from the Utility Providers; testing and site inspection; geotechnical, structural engineering, and oversight.
 - e. The next two items relate to the project being a Public Works project and not a development project; the payment bond is estimated between 1.25% and 2% of the construction cost, and a premium for compliance with the City’s Project Labor Agreement.
 - f. The last item in this section, for Project Management, reflects the need for overall project management, and could be RES, another construction manager, or an allowance if Faring constructed the street as part of the Cell 3, 4, and 5 project, with a contribution from the City and not the other way around.
13. O&M Costs. The first three line items reflect the estimated cost O&M including operation of the Landfill Operation Center (the groundwater system and the gas collection system) and other daily testing and monitoring; the basic contractual cost to WSP-Golder of \$111,000 a month plus up to \$1,000,000 annually in time and materials allowances.
- a. RES Monthly Site Management Costs. These are pass-through costs for the site, including trailer rental, fencing, and basic maintenance. These are pass-through costs and not compensation to RES.
 - b. Mayfield is the contractor that provides for weed abatement, and also assists during the rainy season with SWPPP compliance, installing the devices to manage storm water.

- c. MBI is the CRA's Qualified SWPPP Practitioner, meaning they produce the annual stormwater management plan and maintain the records with the Water Board. This line item has previously been rolled into the O&M or Site Management line items.

Revenue Estimates

Estimating revenue has been one of the biggest budgeting challenges last year and this year, as there remains pending litigation with CAM-Carson, LLC and no revenue at this point from that project, and the Faring (Carson Goose Owner, LLC) project is in the last stages of the entitlement process, after which the CRA would be compensated for Cells 3, 4, and 5. The Option Agreement was approved in December, 2020 and \$12.5 million toward the purchase price was deposited in January, 2021 plus a catch-up on the carry cost reimbursements.

Once again, this budget includes both projects as anticipated revenue sources: if the CAM litigation settles during the fiscal year and work resumes, it could be on terms already discussed which include the CRA making a fixed contribution toward the Cell 2 work and the developer contributing up to \$10 million toward the infrastructure work of the CRA. In addition, the Developer would also pay a pro rata share of the CRA's O&M costs (30%). Likewise, Faring makes about \$3 million in O&M reimbursements (they pay 60% of the O&M costs, up to \$250,000 per month). Additionally, staff expects about \$2.2 million in payment from the developer toward the insurance participation (PLL).

Finally, the budget does include the \$22.4 million in Measure M/measure R bonds issued by the City, to be used for the construction of Lenardo, and a contribution from Faring and the Cell 2 developer toward the construction of all site infrastructure.

V. FISCAL IMPACT

The proposed expenditure budget for FY2022/23 has decreased from \$108,129,665 in the current year to \$76,890,048 in FY 2022-23. The Revenue estimates also fell from \$113,265,528 in the current year to \$89,654,000 in the new fiscal year. This is largely attributable to how Cell 2 is anticipated to be completed: the current year's budget included an estimate for the remaining CRA obligations for the remedial systems plus the CRA contracting for the remaining horizontal work to be reimbursed by CAM-Carson, for a total of nearly \$63 million. The current year's budget only appropriates the \$32,500,000 due from Faring for the residual land payment for Cells 3, 4, and 5 to Cell 2 and limiting the CRA's obligation to that amount. The reimbursement and litigation settlement revenue was also removed from the budget on the revenue side, except for the \$10 million infrastructure commitment.

The construction of the on-site infrastructure is largely the same as the last two years, both in costs and revenue assumptions.

Certain operating costs, such as utilities, have increased dramatically in the past year, as has the insurance. Legal costs should decline this year.

VI. EXHIBITS

1. Resolution No. 22-15-CRJPA, A RESOLUTION OF THE CARSON RECLAMATION JOINT POWERS AUTHORITY ADOPTING THE FISCAL YEAR 2022/23 BUDGET AND APPROVING APPROPRIATIONS FOR THE 2022/23 FISCAL YEAR (pgs. 8-9)
2. FY 2022/23 Expenditure Budget (pg. 10)
3. FY 2022/23 Revenue Estimates (pg. 11)

1.

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