



Legislation Details (With Text)

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Title: CONSIDER RESOLUTION NO. 24-06-CRJPA, A RESOLUTION OF THE CARSON RECLAMATION JOINT POWERS AUTHORITY ADOPTING THE FISCAL YEAR 2024/25 BUDGET AND APPROVING APPROPRIATIONS FOR THE 2024/25 FISCAL YEAR

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Attachments: 1. Resolution No. 24-06-CRJPA, 2. FY24-25 CRA Expenditures_5-27-24, 3. FY24-25 CRA Revenue Budget as of 5-27-24

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

Monday, June 03, 2024

Discussion

SUBJECT:

CONSIDER RESOLUTION NO. 24-06-CRJPA, A RESOLUTION OF THE CARSON RECLAMATION JOINT POWERS AUTHORITY ADOPTING THE FISCAL YEAR 2024/25 BUDGET AND APPROVING APPROPRIATIONS FOR THE 2024/25 FISCAL YEAR

I. SUMMARY

This action approves the Fiscal Year 2024/25 Budget for the Carson Reclamation Authority.

II. RECOMMENDATION

WAIVE FURTHER READING AND **APPROVE** Resolution No. 24-06-CRJPA, A RESOLUTION OF THE CARSON RECLAMATION JOINT POWERS AUTHORITY ADOPTING THE FISCAL YEAR 2024/25 BUDGET AND APPROVING APPROPRIATIONS FOR THE 2024/25 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 and is largely similar to the Fiscal Year 2023/24 budget, generally presenting expenditures by General Administration; Permits, Legal, and Insurance; Utilities; Construction Costs on Cell 2; Construction Costs on Lenardo Road; and O&M costs. Last year costs were also broken out for Sitewide Coordination, as the CRA will be responsible for coordinating the construction work by several different developers and their contractors. This segmentation provides more explanation of the different tasks undertaken by the CRA and 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. Administrative Services (Secondment) Agreement. This is the arrangement whereby the City charges the CRA for staff time and is significantly different than what was proposed last year. In 2023, the CRA anticipated the wind-down of the contract with RE|Solutions, LLC (RES) as Development Manager, with post-closure tasks such as overseeing the O&M contractor and providing regular reports to the environmental regulators to be performed by CRA (City) staff. This would have included absorbing the onsite secretary as a Senior Clerk and adding three new positions: (1) an Administrative Analyst to work on day-to-day contracting issues; (2) an Environmental Engineer to work with the on-site manager, O&M contractor, and Environmental Advisor on permits and regulatory issues related to the landfill systems; and (3) a Development Manager to oversee the broad range of real-estate, contractual, and regulatory responsibilities of the Authority.

However, most of the administrative and now the O&M tasks will be performed by RES, so there is no longer a need to create additional CRA/City positions to undertake the work.

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 scheduled for this year, once the State returns to in-person meetings. There could be a small amount of travel associated with one or more of the development agreements on the Site, too.
3. Project Management/On-Site Management. The On-Site Development Manager on the site includes overseeing the O&M work (now under contract with WSP-Golder USA, Inc., which contract is ending), plus all the site coordination among and between the private developers and the CRA. An example of this site coordination is air quality/dust monitoring and noise & vibration monitoring, which will be performed by the CRA during the construction but billed back to the developers on a pro rata basis. Neither is really an O&M activity so shouldn't fall under the fixed price O&M contract, and instead belong under "Site Management." The Site Management contract with RES is included in General Administration for the hourly services portion of the contract. The remainder of the Site Management and O&M work is included separately in other sections as over the next year the work will be performed by RES and its subcontractors. These represent different costs for different portions of the contract.

Permits, Fees, Legal, Insurance

4. CRA pays permit fees to Water Board and AQMD and pays DTSC for project oversight. CRA also has a lease with the Flood Control District for use of the Torrance Lateral access road.
5. Aleshire & Wynder ("A&W") legal services. 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. The CRA paid the self-insured retention ("SIR") in FY 2022/23. A&W does all the transactional work such as 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 Carson Goose Owner, LLC ("CGO"), though these expenditures are not reflected in the CRA budget as the reimbursement deposits are made to and payments processed by the City.
6. Greenberg Traurig legal services. In the past year the CRA's environmental risk management/insurance counsel has worked on renewing policies for D&O, Property, and Contractor's Pollution Liability ("CPL") insurance; incorporating CGO into the PLL insurance programs and other policies in the Insurance Administration Agreement; drafting the environmental language on the mechanism for CGO 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 under the same deposit arrangement described above, and some of it is not.
7. Marsh USA (D&O, Property, and CPL policies). Marsh is the CRA's insurance broker of

record. There are now three policies that are annually renewed: the Public Officials Liability (D&O) policy, property insurance, and the CPL policy. The D&O policy renews in June and the Property policy renews in September/October. The Insurance Administration Agreement with CGO provides for some cost sharing or policy substitution of the property policy so the amount may be reduced in the coming year.

Utilities

8. These amounts reflect the historic averages of utility payments. This is for utility service only (not construction) and paid directly by the CRA. Over the past two years the cost of gas nearly doubled, so the budget for last year was increased, and then the price declined somewhat. Gas is used to supplement landfill gas in the flaring process to burn clean and hot enough to meet AQMD guidelines; two years ago, 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 and water costs have also risen but not as much as gas.

Construction-Related Costs (Cell 2)

9. Unlike in the prior year, the CRA has budgeted \$21,000,000 as a single line item for the completion of the Cell 2 work. The source of this funding is from the City of Carson's Economic Development Benefit Agreement. Last year \$32,500,000 was anticipated from CGO as payment for Cells 3, 4, and 5 but that agreement has been restructured with part of the contribution, \$16,000,000, to be paid out over a number of years with \$7,500,000 shown in the budget as the Lenardo Cost Overrun Fund. If the \$7,500,000 is not needed by the Lenardo project it is still paid to the CRA through the multi-year payments.

Some of the engineers, designers and consultants are shown in the Sitewide Coordination section, including Antieri & Associates, electrical designer, were engaged in FY 2023/24 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 CGO project. Lenardo is anticipated to be constructed in this fiscal year, so all the utility designs need to be complete so that there are no delays in construction.

Construction-Related Costs - Lenardo Road

10. The CRA began working on a scope and cost estimate of Lenardo Construction in early 2019. In October 2019 Snyder Langston produced a cost estimated as a Potential Change Order (PCO) to commence the work. The CRA and RES then worked to incorporate all the non-Snyder Langston costs into an overall estimate. These estimates were updated in March 2023 by the City's Engineering Division. Like with Cell 2, there are some assumptions that should be explained:

- a. The cost estimates still contain several exclusions, meaning project costs that

are not part of the general contractor's scope. 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 Sitewide Health & Safety Plan and many other sitewide plans. A separate environmental contractor typically provides that service. In addition, because Lenardo could be constructed ahead of the cells on at least one side of the street (potentially Cell 2), there is concern about needing to construct the buffer on Cell 2 to protect Cells 3, 4 and 5 because of the uncertain status of the CAM-Carson project. 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 is \$8.5 million, plus the installation of the 13 GCCS vaults near Lenardo at an estimated cost of \$4.0 million. That work is shown in the budget under the "Cell 2 work" (to be paid from the \$21,000,000) and not shown in the Lenardo line items for street work. This would be part of the CAM-Carson work if they proceed with their project; if not, the CRA would need to undertake that work using the \$21,000,000 from the Economic Development Benefit Agreement.

- b. A similar Cell 1 buffer would still be needed, as the current Cell 1 developer is not far enough along in either the project design/entitlement or financing process to be able to undertake a buffer zone project. The 2019 estimated cost is \$2.5 million and the design cost is estimated at \$250,000 for a total of \$2,275,000.
 - c. 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.
 - d. The payment bond was estimated between 1.25% and 2% of the construction cost. Under the current contracting structure contractor will use Subcontractor Default Insurance ("SDI") so it is unlikely there will be a payment bond.
 - e. Street-Specific Project Management reflects the need for overall project management for the construction of the street (vs. Site Management) and will likely be a construction manager under the RES contract for the construction of Lenardo. In addition, certain items such as Testing & Inspection of road materials, previously shown as separate line items, will be rolled under the RES fee for constructing the street.
11. O&M Costs. As noted under Section 1. "Administrative Costs," the direct performance of the O& M activities will transition from WSP/Golder USA, Inc. this year to RES. The first 3 line-items reflect the estimated cost of 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 is \$195,000 a month plus up to \$1,000,000 annually in "time and materials" allowances ("Task 7 Allowances").
- a. Monthly Site Management Costs. These are costs for the site, including trailer rental, fencing, and basic maintenance. These are pass-through costs and not

compensation to RES.

- b. Site Security. Because of its status as an unclosed landfill with active O&M facilities and operations, the CRA maintains 24/7 security on the site. Site security costs will increase this year as construction begins, as the second entry gate will open to service visitors and construction workers, while the other gate will be for specific construction-related traffic.
- c. Mayfield and Oak Ridge are the contractors that provide for weed abatement and assist during the rainy season with SWPPP compliance, managing the stormwater.
- d. MBI is the CRA's Qualified SWPPP Practitioner, meaning they produce the annual stormwater management plan and maintain the records with the Water Board.

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 CGO project received its entitlements at the beginning of FY 2022/23. Once the transaction with CGO closes based on the closing conditions, the CRA will receive CGO's \$12,500,000 commitment to Lenardo plus certain other payments described above in Section 9.

Once again, this budget includes both projects as anticipated revenue sources: if the CAM litigation settles or is tolled again and its due diligence period closes during the fiscal year and work resumes, the certain contributions from CAM as well as the Cell 2 contribution toward the remedial costs will proceed as described in this report. In addition, CAM would also pay a pro rata share of the CRA's O&M costs (30%). Likewise, CGO makes about \$3 million in O&M reimbursements (60% of the O&M costs, up to \$250,000 per month). Additionally, staff expects about \$880,000 in payment from CGO toward participation in the PLL insurance policy plus other insurance program reimbursements.

Finally, the budget does include the \$23.0 million in Measure M/Measure R bonds issued by the City, to be used for the construction of Lenardo, and a contribution from CGO toward the construction of all site infrastructure.

V. FISCAL IMPACT

The proposed expenditure budget for FY2024/25 has decreased from \$80,680,941 in FY 2023/24 to \$66,885,000. The Revenue estimates also fell from FY 2023/24. This is largely attributable to how Cell 2 is anticipated to be completed: previous years' budgets 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 \$12,500,000 due from CGO for the Lenardo contribution for Cells 3, 4, and 5 and the City's Economic Development Benefit Agreement payment of \$21,000,000 to Cell 2 and limits the CRA's

obligation to that amount.

Certain operating costs, such as utilities, after increasing dramatically in the past year, have levelled off, as has the insurance. Legal costs are anticipated to be about the same this year.

VI. EXHIBITS

1. Resolution No. 24-06-CRJPA (pgs. 8- 9)
2. FY 2024/25 Expenditure Budget (pg. 10-12)
3. FY 2024/25 Revenue Estimates (pg. 13)

1.

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