

ATTACHMENT A: Project Modification Request (PMR) FORM

The purpose of this PMR form is to initiate the Project modification process and provide the District with information necessary to evaluate the Project modification request.

	☑Infrastructure Program Project
Regional Program	☐ Scientific Studies Program
	☐ Technical Resources Program
Project/Study Name	Ballona Creek TMDL Project
Project/Study Lead	City of Los Angeles, LA Sanitation and Environment (LASAN)
Watershed Area(s)	Central Santa Monica Bay
Current Project Phase	Construction
Approved Stormwater Investment Plan Fiscal Year	FY 21-22
Transfer Agreement ID (e.g., 2020RPULAR52)	2021RPCSMB01
decision to include the Project minor modifications to the I amount and Funded Activity co change in primary or second change in Project benefits change in methodology (e.g	Study components that were not material to the WASC, ROC, or Board's or Study in the SIP budget or schedule of intermediate tasks where the total Funded Activity ampletion date is unchanged dary objective , infiltration instead of diversion to sanitary sewer)
municipalities that are receivin ☐ updated engineering analys ☑ increase in Construction Cos ☑ increase or reallocation of a ☐ change in Funded Activity co	re benefits claimed are diminished or where there is a change in the ng benefits is resulting in a reduction of benefits claimed st or Life Cycle Cost greater than 10% nnual funding distribution
✓ other, please describe:	
THE TARGET NUMBER PACE CHARINA	

SCW Program

Project Modification Guidelines



Impact on scope o	r benefits?		
\square Improved		✓ Neither	
□ Diminished		☐ Not Sure	
Description of the proposed.	proposed modification(s)	and the reason(s) why	the modification(s) is/are being
partner cities in the County Flood Con weather requirement Channel; protect p	e Ballona Creek watershed, a trol District (District). The Pro ents of the TMDL for bacteria ublic health in the downstrea	along with the County of I bject will achieve the follo in Ballona Creek, Ballon am Ballona Estuary and S	ance project implemented by five Los Angeles and Los Angeles wing objectives: meet the dry a Estuary and Sepulveda Santa Monica Bay; and provide a for recycling and beneficial reuse
the Project in the Cletter detailing the 2023 before the Pl WASC included ch construction contra project cost of \$77 This PMR request	Quarter 1 (Q1) Fiscal Year (F modifications that were pres MR process was established nanges to the Project schedu act to Kiewit Infrastructure W ,593,000. s an additional \$7M (spread the funding deficit. Please so	ery) 22-23 Quarterly Reported and approved by the The modifications that pulse and total project cost a fest Co. as the lowest, restevenly between FY25/26	previously were accepted by the as LASAN had since awarded a sponsible bidder for a total and FY26/27) from the CSMB
	FY24/25 and FY25/26		

If applicable, list previously approved funding allocations/disbursements and revised funding request:

Note, if some or all of a previously Funded Activity cannot be completed as a result of the proposed modification, please include a description and indicate the amount of unused funds. Any unused funds should be reallocated and accounted for in your revised funding request.

	Fiscal Year	Approved Funding Allocations	Revised Funding Request	Description/Phase If applicable, include description of unused funds
-	21/22	\$3,000,000	\$3,000,000	This allocation has been received.
	22/23	\$3,000,000	\$3,000,000	This allocation has been received.
	23/24	\$3,000,000	\$3,000,000	This addendum is currently being executed.
(25/26	\$3,000,000	\$6,500,000	Requesting an additional \$3.5M.
	26/27	\$3,000,000	\$6,500,000	Requesting an additional \$3.5M.
1	Future Funding	\$0	\$0	
	TOTAL	\$15,000,000	\$22,000,000	Requesting an additional \$7M

FY25/26

FY24/25

SCW Program

Project Modification Guidelines



A: SCWP Approved Total Funding Allocations	\$15,000,000
B: Revised SCWP Anticipated Total Funding Request	\$22,000,000
C: Difference between B and A	\$7,000,000

If applicable, description of difference in SCWP Anticipated Total Funding Request. As a reminder, annual funding is at the discretion of the WASC, ROC, and ultimately the Board of Supervisors.

As described in the Q1 FY 22-23 Quarter Report update, LASAN had a \$45,699,000 project funding deficit to fill due to the updated total project cost. This total project cost increase is mainly attributable to historical inflation and market conditions as well as comments received to ensure OSHA and federal Army Corp permit compliance while bringing the design from 50% when approved in Round 2 of the Regional Program to the 100% design and contract awarded this year.

LASAN has committed to delivering this project as scoped and has compiled various other leveraged funding sources including, but not limited to, Proposition O, Caltrans contributions, a project partner costsharing MOA, Municipal SCW funds, and City of Los Angeles general funds. Please see the attached summary of cost sharing.

This PMR requests an additional \$7M (spread evenly between FY25/26 and FY26/27) from the CSMB WASC to address the funding deficit. This accounts for about 15% of the realized deficit and is proportional to the cost associated with solely inflation over the past few years since the Project's approval in Round 2.

Brief description of Supporting Documentation provided.

FY24/25 and FY25/26

Attachment #1: Quarter 1 (C	(1) Fiscal Year (FY)	22-23 Quarterly Report	Modification Letter
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Attachment #2: Construction Contract Notice To Proceed

Attachment #3: Summary of Cost Sharing

Attachment #4 and #5: City of Los Angeles Bureau of Engineering Inflation Rate Letters

I certify the information and supporting documentation provided is accurate and true.	✓ YES
I understand this is a request and it is under the WASC's discretion to consider requested	☑ YES
modifications.	

Name	Michael Scaduto, P.E., ENV SP	Organization_City of Los Angeles, LASAN	
Signatuı	Michael Scaduto Date: 2023.11.30 07:45:50-08'00'	Date 11/30/2023	



FOR DISTRICT USE ONLY

Proposed Modifications to Projects or Studies:

	Status	Date
Modified Project or Study is consistent with the Project or Study included in the		
current fiscal year's SIP and proposed modifications were approved by the	☐ YES	
District.		
Modified Project or Study is NOT consistent with the Project or Study included	X YES	12/11/23
in the current fiscal year's SIP. If yes, select all that apply:	A TES	12/11/23
PMR was received after October 31 of a fiscal year and the PMR will be		
considered for approval during the preparation of subsequent SIP for	☐ YES	-
the fiscal year <u>after</u> the next		
For Infrastructure Program Projects, modified Project was sent to		
Scoring Committee.	☐ YES	
If yes, revised score:		
Project or Study abandoned the proposed modifications	☐ YES	
Projector or Study was withdrawn from consideration by the WASC and	□YES	
shall issue repayment of unspent funds		
Proposed modifications were recommended for approval in the SIP	☐ YES	
Proposed modifications were recommended for approval in the SIP	\square NO	

Proposed Modifications to Project Concepts:

	Status	Date
Proposed modifications were deemed consistent with the Project concept that was approved by the WASC, ROC and Board for inclusion in the SIP and can be addressed within the existing budget. District will proceed to incorporate the proposed modification into the Feasibility Study immediately.	☐ YES	
Proposed modifications were deemed significant enough to result in a significantly different Project concept from the one approved by the WASC, ROC and Board for inclusion in the SIP. If yes, select one:	☐ YES	
District to discontinue work on the Feasibility Study, return unused funds to be programmed in the SIP for the next fiscal year, and advise the proponent to submit the modified Project concept during the Call for Projects for a future fiscal year.	☐ YES	-
District to abandon the proposed modifications and proceed with the Project concept included in the SIP.	☐ YES	-

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1149 SOUTH BROADWAY, 9[™] FLOOR LOS ANGELES, CA 90015 TEL: (213) 485-2210 FAX: (213) 485-2979 WWW.LACITYBALORG

November 8, 2022

ELECTRONIC SUBMITTAL (safecleanwaterla@dpw.lacounty.gov)

DPW-Safe, Clean Water LA

Attn: Safe Clean Water Program Team

REQUEST FOR MODIFICATIONS TO SCOPE OF WORK - EXHIBIT A, SECTION A-1, A-3 AND A-10 OF AGREEMENT NO. 2021RPCSMB01 FOR THE BALLONA CREEK TMDL PROJECT

The City of Los Angeles (City) Bureau of Sanitation and Environment (LASAN), as the Project Developer, is requesting to make modifications to the Scope of Work – Exhibit A, Section A-1, A-3 and A-10 of Agreement No. 2021RPCSMB01 for the Ballona Creek TMDL Project (Project) for Quarter 1 (Q1) Fiscal Year (FY) 22-23 Quarterly Report.

As described in the original application and Transfer Agreement, the Ballona Creek TMDL Project is a watershed-wide water quality improvement project designed to perform a combination of treat-and-release and water diversion functions during dry weather conditions in the Ballona Creek Watershed. This collaborative Project is being completed by five cities in the Ballona Creek watershed along with the County of Los Angeles and Los Angeles County Flood Control District (District) and has been developed to meet the following Project objectives:

- (1) Regulatory water quality compliance: Meet the dry weather requirements of the TMDL for bacteria in Ballona Creek, Ballona Estuary and Sepulveda Channel, as specified in the Water Quality Control Plan for the Los Angeles Region as adopted by the Los Angeles Regional Water Quality Control Board (LARWQCB).
- (2) Water contact recreation: Protect public health in the downstream Ballona Estuary and Santa Monica Bay.
- (3) Ecosystem enhancement: Protect the beneficial uses of Ballona Estuary and Santa Monica Bay.
- (4) Increase local water supply: Provide a new source of water to the Hyperion Water Reclamation Plant (HWRP) for recycling and beneficial reuse in the region.

DPW – Safe Clean Water LA November 8, 2022 Page 2

The estimated Project cost at the time the Project was submitted for Measure W Regional Program funding was \$31,894,000, of which \$15,000,000 was awarded in Round 2, Measure W Regional Program Funds with \$16,894,000 in matching funds.

The Transfer Agreement for this Project was executed by the District on May 25, 2022. LASAN has since awarded a construction contract to Kiewit Infrastructure West Co. as the lowest, responsible bidder for a contract total of \$70,437,000. This contract includes the construction of Low Flow Treatment Facility #1 for \$50,355,000 and Low Flow Treatment Facility #2 for \$20,082,000. A 5% construction contingency budget and funding necessary to bring electrical power service to Low Flow Treatment Facility #2 bring the new Project construction cost to \$75,960,000. The contractors have provided LASAN with an updated Project schedule based on the Project's scope and schedule of deliverables.

LASAN would like to report modifications to the following sections of Exhibit A of the Transfer Agreement.

LASAN is planning to provide an updated A-1 section with adjustments to the project schedule but does not include any adjustments to the approved funding distributions of \$3,000,000 for five years, starting in FY 21-22.

Table 1. Sections A-3 Estimated Reasonable Total Activity Cost

Tasks	Current Cost Estimate			Revised Cost Estimate		
Tasks	Total Cost	Cost Share	SCW Cost	Total Cost	Cost Share	SCW Cost
Design	\$1,633,000	\$1,633,000	\$0	\$1,633,000	\$1,633,000	\$0
Construction	\$30,261,000	\$15,261,000	\$15,000,000	\$75,960,000	\$60,960,000	\$15,000,000
Total	\$31,894,000	\$16,894,000	\$15,000,000	\$77,593,000	\$62,593,000	\$15,000,000

Table 2. Section A-10 Work Schedule and Completion Date Modifications

				Original Schedule		Schedule
Activity Name	Phase Type	Activity Type	Activity Start	Activity End	Activity Start	Activity End
Design	Design	Design	05/01/18	01/01/22	05/01/18	01/01/22
Bid and Award	Construction	Bid and Award	01/01/22	06/30/22	01/01/22	10/31/22
Construction	Construction	Construction	07/01/22	06/30/24	11/01/22	08/31/25
Post Construction	O&M	Post Construction	07/01/24	10/32/24	09/01/25	02/28/26

With this letter, LASAN is notifying the Safe, Clean Water Program of the Project's modifications, which would be part of the Project's Quarterly Report for Q1 FY 22-23 in the Safe Clean Water Module. If you have any questions, please contact my staff, Wendy Dinh at wendy.dinh@lacity.org. Inquiries can also be directed to the City's Measure W Program general email address at san.safecleanwater@lacity.org.

Sincerely,

Wichael Scaduto Digitally signed by Michael Scaduto Date: 2022.11.09 22:46:01-08'00'

Michael Scaduto, P.E., ENV SP Principal Engineer Safe Clean Water Implementation Division LA Sanitation and Environment

cc: Julie Allen, LASAN Susie Santilena, CSMB WASC Chair Wendy Dinh, LASAN BOARD OF PUBLIC WORKS MEMBERS

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FERNANDO CAMPOS
EXECUTIVE OFFICER

200 NORTH SPRING STREET ROOM 355, CITY HALL LOS ANGELES, CA 90012

TEL: (213) 978-0261 TDD: (213) 978-2310 FAX: (213) 978-0278

http://bpw.lacity.org

NOTICE TO PROCEED

Kiewit Infrastructure West Co. 10704 Shoemaker Avenue Santa Fe Springs, CA 90670 CONTRACT NO.: C- 141620

CONTRACT AMOUNT: \$70,437,000.00

ISSUANCE DATE: OCTOBER 25, 2022

PROJECT NO.: S33WLFT1, S33WLFT2

PROJECT TITLE: BALLONA CREEK WATER QUALITY IMPROVEMENTS CAPITAL IMPROVEMENT PROJECT J598 AND SEPULVEDA CHANNEL LOW FLOW TREATMENT FACILITY CAPITAL IMPROVEMENT PROJECT J925

This is your Notice to Proceed for the above project previously awarded to you. The Board of Public Works executed the contract on October 7, 2022.

The work on this project must commence on the issuance date of this Notice to Proceed, and completed within the number of calendar days designated in the proposal.

The Board of Public Works requests that you contact the **Bureau of Engineering**, Project Manager, **Nadir Shah** at **Nadir.Shah@lacity.org** / **(310) 648-6197** and the **Bureau of Contract Administration at (213) 485-5080** regarding the actual starting date.

Parpos

Dr. Fernando Campos Executive Officer Board of Public Works

Cc: Inspector of Public Works BOE (ADM and ARC) Office of Accounting File

Summary of Cost Sharing:

LASAN has committed to delivering this project as scoped and has compiled various other leveraged funding sources including, but not limited to, Proposition O, Caltrans contributions, a project partner costsharing MOA, Municipal Safe Clean Water funds, and City of Los Angeles general funds. Please see attached for further funding effort.

As reported in previous quarterly reports to date, the City has been leveraging funding from Municipal Funds for staff charges in support of project delivery. City of Los Angeles Public Works staff charges relate to planning, design, and construction (i.e. project administration, design review, outreach, environmental review, and construction management).

SECURED FUNDING SUMMARY

Funding information	Secured	Proposed	Total
General Funds	\$11,246,842	\$0	\$11,246,842
Regional Safe Clean Water Funds	\$15,000,000	\$7,000,000	\$22,000,000
Municipal Safe Clean Water Funds	\$17,043,914	\$5,509,647	\$22,553,561
Project Partner Agencies MOU	\$8,961,328	\$0	\$8,961,328
Prop O	\$11,431,269	\$0	\$11,431,269
Caltrans Agreement	\$1,400,000	\$0	\$1,400,000
Total	\$65,083,353	\$12,509,647	\$77,593,000

In addition, LASAN has also actively pursued grant opportunities, and will continue to in the future.

Applied for <u>2021 Urban and Multibenefit Drought Relief Grant Program</u> in January 2022, but did not get selected.

Submitted Letter of Intent for NOAA Climate Resilience Regional Challenge in October 2023 and was not get selected to move forward.

Agenda Item No. 9

CITY OF LOS ANGELES INTER-DEPARTMENTAL CORRESPONDENCE

I loud Went out

Date: 7/28/22

To: Municipal Facilities Committee

From: Deborah Weintraub, AIA, LEEDAP

Chief Deputy City Engineer

Subject: FUNDING FOR CONSTRUCTION COST INFLATION

Recommendations:

1. That the Bureau of Engineering (BOE) work with the office of the City Administrative Officer to develop a funding strategy for projects that are either in construction and/or starting construction in Fiscal Year 2022-23 due to construction cost inflation, and;

2. Reassess market conditions in January 2023 to adjust this strategy accordingly.

Introduction:

The BOE is submitting this report in order to alert our City Hall colleagues of significant price increases we are experiencing in construction cost bids. The construction cost increases have a variety of causes and are extraordinary. In order to deliver committed capital projects to the City residents, the funding allocations for construction projects may need to be augmented.

Background:

Non-residential building inflation between 2011 and 2020 on a national basis was on average 3.7% annually (Zarenski, 2021¹), and 2.4% in California (California Department of General Services). While the pandemic initially decreased construction activity in 2020, in 2021 there was a large increase in demand for construction materials. Unfortunately, this demand was met with serious supply chain challenges, and this resulted in a reduction in the availability of construction materials and higher construction costs.

Between January 2020 to July 2021, prices of all materials and services for new construction performed by contractors has gone up 26.3% on a national average (AGC, August 2021²), and 13% in California (California Department of General Services, 2022). The California Department of General Services also reported that new construction costs in California went up 15.22% from June 2021 to June 2022.

Through 2022, prices for construction materials have continued their ascent and in addition, skilled labor has become even more scarce than previous years. Construction project starts are also being delayed to account for supply chain challenges and labor shortages, and the

¹ Zarenski is a nationally recognized construction economics analyst, author, educator and presenter. Website: https://edzarenski.com/ . Article: https://edzarenski.com/2022/02/11/construction-inflation-2022/

² AGC is an organization of qualified construction contractors and industry related companies dedicated to skill, integrity and responsibility. Website: https://www.agc.org/

time delays and the uncertainty in product pricing are also resulting in higher bids (Engineering News Record, 2021). Contractors are transferring these risks to the Owner at the time of bidding.

Forecast:

Market analysis is showing the construction cost escalation rate in Los Angeles is currently 7.99% per year (Rider Levett Bucknall (RLB), 2022³), however, RLB is using 8.04% per year in their cost estimate calculations, and HNTB⁴ is using 15%.

Below is a summary of some of the other market forces impacting construction costs. As of February 2022, diesel fuel, steel mill products, lumber, plywood, copper, brass, aluminum, plastic, gypsum, concrete, pavement, and roofing have all gone up drastically and forecasts are predicting that prices through 2022 will exceed peak prices of 2021 (Engineering News Record, 2022⁵). Interest rates are set to continue to rise, and the Russia-Ukraine war creates a lot of uncertainty and has market impacts. Supply chain and labor issues continue to cause a backlog of orders and an inventory shortage, indicating a supply-demand imbalance that will result in higher-priced goods and services. The anticipated pace of inflation is not likely to decelerate until 2023, with manufacturers potentially beginning to catch up to demand in late 2022, potentially with supply chains largely unclogged by late-2023 (CBRE, 2022⁶).

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³ RLB is a global cost consultant partner and a nationally recognized project management and advisory firm. Website: https://www.rlb.com/americas/. Article: https://s31756.pcdn.co/americas/wp-content/uploads/sites/4/2022/03/City-Market-Insight-LOS-ANGELES-Q1-2022.pdf

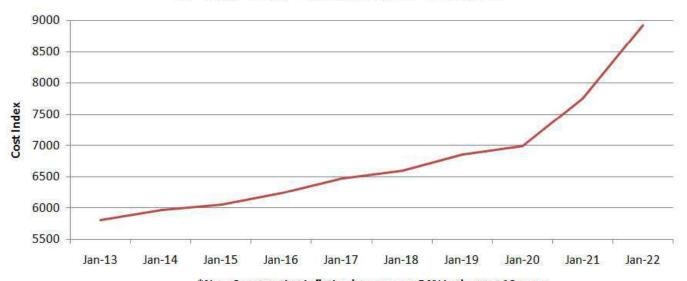
⁴ HNTB is a national engineering consulting company, with a strong presence in Southern California. Website: https://www.hntb.com/

⁵ Engineering News Record is a national magazine that covers the engineering and construction industry. Website: https://www.enr.com/

⁶ CBRE is the world's largest commercial real estate services & investment company. Website: https://www.cbre.com/about-us. Article: https://www.cbre.com/en/insights/reports/2022-fm-cost-trends-report.

Data Analysis:

10-Year New Construction Inflation



*New Construction Inflation has gone up 54% in the past 10 years
Source: Department of General Services California Construction Cost Index (CCCI), 2022

Information graphed by the Bureau of Engineering, June 2022
"The California Construction Cost index is developed based upon Building Cost Index (BCI) cost indices average for San Francisco and Los Angeles ONLY as produced by Engineering News Record (ENR) and reported in the second issue each month" (DGS).

BOE Bid Results:

In the past couple of years, there has been a wide range of cost changes with a general trend of higher than average cost increases. For example, BOE looked at price escalation data from City bids from 2021 to 2022 for two key construction scopes used on our projects that are typically bid on a unit price basis; concrete sidewalk/driveway and concrete pavement. In the past year the average unit cost of concrete sidewalk/driveway and concrete pavement increased by 79% and 21% respectively. We also found that there was a high variation on the cost changes in AC pavement.

In addition, we looked at 20 Municipal Facility project bids between 2017 to the present. These projects are typically bid on a lump sum basis. Our analysis was to look at the variance between the low bid and City Engineer's Estimate on a project-by-project basis. The average in the variance between the low bid price as compared to the City Engineer Estimate from 2017 through 2021 was that the low bid averaged 5.9% higher than the City Engineer's estimate. In 2022 this number increased dramatically to the low bids averaging 40.68% higher than the City Engineer's Estimate.

BOE Actions:

BOE is in the process of developing a draft cost inflation clause for City construction contracts, which would establish the mechanism for cost adjustments during construction for demonstrated inflationary cost increases and decreases. BOE intends to vet the proposed language with the local construction industry and with our City partners. This will help offset the perceived need by contractors to price risk into their bids.

Additionally, BOE is in the process of revising the suggested inflation rates for project budgeting. Since 2014, BOE suggested using 5% as the inflation rate for all new construction. The below chart is BOE's suggested inflation rates to use for future estimates:

Date	Annual Rate
July 1, 2022 - June 30, 2023	15%
July 1, 2023 - June 30, 2024	12%
July 1, 2024 - June 30, 2025	9%
July 1, 2025 - June 30, 2026	8%
July 1, 2026 - June 30, 2027	8%

The potential recession may cause changes in these inflation rates. Therefore, it is recommended to re-assess these rates in six months.

RL/MA:tt

Box\CMD\Administration\Municipal Facilities Meeting Minutes\MFC Report Construction Inflation

cc: Mary Hodge, Deputy Mayor
Aura Garcia, Board of Public Works
Teresa Villegas, Board of Public Works
Mike Davis, Board of Public Works
Vahid Khorsand, Board of Public Works
Susana Reyes, Board of Public Works.
Gary Lee Moore, Bureau of Engineering
Ted Allen, Bureau of Engineering
Alfred Mata, Bureau of Engineering
Julie Sauter, Bureau of Engineering
Jose Fuentes, Bureau of Engineering
Richard Louie, Bureau of Engineering

CITY OF LOS ANGELES INTERDEPARTMENTAL CORRESPONDENCE

Date: August 21, 2023

To: Municipal Facilities Committee

From: Ted Allen, City Engineer

Bureau of Engineering

Subject: FUNDING FOR CONSTRUCTION COST INFLATION UPDATE

The Bureau of Engineering (BOE) is submitting this report to follow up on the Report presented at the July 2022 meeting which alerted our City Hall colleagues to significant price increases being experienced in construction cost bids. The construction cost increases have a variety of causes and remain higher than historic norms for the last decade, but have started to decline from recent highs. In order to deliver committed capital projects to the City residents, the funding allocations for construction projects may need to be augmented.

In the July 2022 report, BOE released the following chart for suggested inflation rates to use for future estimates:

Inflation rates per July 2022 Report		
Period	Construction Cost Inflation Annual Rate	
	(%)	
July 1, 2022 - June 30, 2023	15	
July 1, 2023 - June 30, 2024	12	
July 1, 2024 - June 30, 2025	9	
July 1, 2025 - June 30, 2026	8	
July 1, 2026 - June 30, 2027	8	

Based on current market conditions, we recommend the chart be updated to the following:

Inflation Rates per July 2023 Report	
	Construction Cost
Period	Inflation Annual Rate
	(%)
July 1, 2022 - June 30, 2023	15
July 1, 2023 - June 30, 2024	8
July 1, 2024 - June 30, 2025	7
July 1, 2025 - June 30, 2026	6
July 1, 2026 - June 30, 2027	5

August 21, 2023 Municipal Facilities Committee Page 2 of 2

It should be noted that inflation for different construction types may vary. The proposed inflation rates assume that cost estimates being completed now are starting with unit costs that have accounted for the large inflationary pressures seen previously. Otherwise, additional adjustments should be made as needed to account for prior inflation to the point in time that the unit costs were established.

TA/DW/RL/MA/:tt:eg

BOX\EXE_Ready for Signature\TSA\Outbox\Archived\2023\Revised_Construction Inflation MFC Report 080323 eg

cc: Randall Winston, Office of the Mayor Aura Garcia, Board of Public Works Teresa Villegas, Board of Public Works Mike Davis, Board of Public Works Vahid Khorsand, Board of Public Works Susana Reyes, Board of Public Works