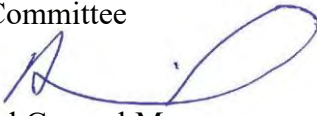


CITY OF LOS ANGELES
INTERDEPARTMENTAL CORRESPONDENCE

Date: April 1, 2021

To: Municipal Facilities Committee

From: Adel Hagekhalil, PE 
Executive Director and General Manager
Bureau of Street Services (StreetsLA)

SUBJECT: 1ST STREETS LA QUARTERLY FACILITIES REPORT FOR THE PERIOD UP TO MARCH 31, 2021

This First Public Works – Bureau of Street Services (StreetsLA) Quarterly Facilities Report will focus on the City’s Asphalt Plant facilities and their associated challenges/issues. Future Quarterly Reports will discuss additional StreetsLA facilities. These three Plant locations support our \$100M Pavement Preservation Program, and thus the need to address these issues in a timely manner is critical.

RECOMMENDATIONS

That the Municipal Facilities Committee:

- 1) Recommend to Council that funding be approved for the Department of General Services (GSD), on behalf of StreetsLA, to procure a Processing Crusher and Power Screener Unit to replace the existing rental unit at Asphalt Plant No. 1 (AP1) with a not to exceed amount of \$1.2M to ensure continuity of operations;
- 2) Concur with StreetsLA recommendation to complete an Asphalt Plant No. 2 (AP2) Master Plan for conversion to a Green Asphalt Plant and support StreetsLA utilizing existing Pavement Preservation Program funding to hire a consultant to evaluate the existing Plant and provide recommendations to upgrade it to a Green Plant using recycled plastic materials;
- 3) Recommend to Council that the \$6.0M in 2018-19 MICLA Funds previously approved to acquire asphalt plant equipment owned by All American Asphalt (AAA) and operating on City property, be reauthorized by Council with a funding deadline extension of up to 18 months, to allow GSD and StreetsLA to continue to proceed and finalize the acquisition agreement, inclusive but not limited to a Purchase and Sale Agreement and other required documents by GSD or otherwise, along with a negotiated 12-month service component with AAA during the transition period to be funded by utilizing existing 2021-22 Pavement Preservation Program funding;
- 4) GSD totaling \$18,000 to ensure funding is provided to maintain the AP3 buildings starting in the 2021-22 Budget, and recommend approval of any Hiring Hall unfreezes for GSD to maintain the building; and
- 5) Approve StreetsLA unfreeze requests for eight (8) vacant positions that would be reallocated from AP1/2 to AP3.

AP1

BACKGROUND

StreetsLA has operated AP1 at its current location, 2484 East Olympic Boulevard since 1947. The AP1 site, which is owned by the City, is approximately two (2) acres and is in an industrial area south of downtown Los Angeles in Council District 14.

A project to replace and modernize the plant was awarded to Papich Construction Co., Inc. on June 1, 2016, for \$31,073,000 and the plant has been operational since 2019. AP1 is permitted to produce 550,000 tons of asphalt per year with an increase in the use of 20% reclaimed asphalt pavement (RAP) to 50% RAP, thus decreasing the need to buy virgin asphalt material by half, along with an estimated 30% cost savings by reusing/purchasing more gravel.

However, during a functional test performed of AP1 prior to its 2019 re-opening, it was discovered that in order to produce Hot Mix Asphalt (HMA) efficiently utilizing 50% RAP, additional space along with another crusher and screening unit were required to “process” the material to a consistent gradation size of 5/8” prior to being introduced to HMA production at AP1.

Interlim Fix for the Processing Crusher and Power Screener Unit

To maintain the production of HMA with the 50% RAP, BOE issued a change order to Papich to rent a processing crusher and power screener unit as a temporary measure starting in FY 2019/2020. The RAP material is currently processed at a StreetsLA RAP storage facility at the north-east corner of 25th Street and Harriet Street, which is approximately 1.2 miles from AP1. The current annual rental cost is \$645,000 along with approximately \$60,000 in repairs to date. These additional expenses are unbudgeted. To cover these additional costs, funds are being utilized from the existing resurfacing budget resulting in reduced resurfacing/slurry miles. The StreetsLA 2021-22 Budget submission includes a budget request for funding to continue the rental of the unit.

Based on a quote received by StreetsLA, the cost to purchase the equipment is approximately \$1.2M inclusive of taxes and transport, but not inclusive of maintenance/service costs. GSD is willing to maintain these units contingent on availability of additional funding and personnel. To enable the plant to continuously and economically produce HMA using 50% RAP, StreetsLA recommends purchasing the processing crusher and power screener unit rather than renting the equipment.

Ongoing Challenges

Additional issues have been exposed on the 25th Street and Harriet Street site. Since the stockpile of both unprocessed and processed RAP is not covered, the wind-borne debris and the dust generated during loading, unloading, and processing have caused complaints from the surrounding neighbors. Having the RAP pile exposed to the elements can increase the moisture content of the material which will considerably hinder the production rate at the asphalt plant. In order to maintain a low moisture content despite inclement weather, and reduce nuisance dust, a canopy covering the RAP pile is recommended.

Hence, StreetsLA updated the original scope of work to include a canopy structure to cover the entire operation including RAP stockpiles and equipment, along with a small office space with restrooms to facilitate document processing and staff's needs. Building the new canopy will require the demolition of an existing concrete structure. Additional supporting equipment and facilities such as the truck scales, the pavement, security measures, etc., were also included. The updated scope including all the above-mentioned items are requested in the AP1 - Phase 2 project that is being developed by BOE and StreetsLA. The Class "O" cost estimate to address the ongoing issues and include the additional scope of work at AP1 is \$18.9 million which have been detailed in another Municipal Facilities Committee (MFC) report.

Associated risks with the unresolved issues at AP1:

- 1) Possible shut down of the facility at 25th and Harriet due to AQMD permit violations.
- 2) Fines from AQMD due to significant amounts of particulate matter and dust.
- 3) Reduced RAP production from 50% to 20%. This will increase production costs because StreetsLA will be forced to purchase the more costly virgin material to produce asphalt. The dumping costs of unused recycled materials will also increase.

AP2 (Proposed Green Asphalt Plant)

BACKGROUND

The AP2 site is more than 60 years old and is in an industrial area at 12251 North Sherman Way, Los Angeles in Council District 2. The issue with the equipment at AP2 is that they are outdated and in deteriorated condition due to their exterior, above ground installation and open exposure to the elements. The components are worn-out and on the verge of collapse due to age. AP2 is permitted to produce 600,000 tons per year at 20% RAP when functional. However, AP2 has not been operational since April 1, 2020 due to a chain breakdown at the main drag conveyor, as well as safety concerns with the cold aggregate bins. AP2 staff have since been assigned to AP1.

The following table identifies the critical issues with this facility and includes the associated costs to address these issues.

Table 1 – Critical Issues at AP2

Priority	Equipment to be Rehabilitated	Comments	Cost Estimate (Class C)
1	Cold Aggregate Bins	The Cold Aggregate Bins are large steel containers that hold the aggregate needed to make asphalt. This structure is over 60 years old and has passed its life expectancy. The Cold Aggregate Bins collapsed on July 14, 2017 and are now showing serious signs of structural fatigue on the seams and bolts after an inspection was held on September 6, 2019. Maintenance crews cannot do their routine work in the areas where the Cold Aggregate Bins because of the	\$2.6M

		<p>collapse. Structural rehabilitation of the Cold Aggregate Bins is necessary for the safety of StreetsLA's maintenance crews. Furthermore, the Cold Aggregate Bins are critical to the asphalt plant operations and AP2 will not be operational if the Cold Aggregate Bins are not replaced.</p> <p>StreetsLA prepared a FY 21/22 CTIEP request to replace the Cold Aggregate Bins.</p>	
2	Main Transfer Drags	<p>AP2 has not been operational since April 1, 2020 due to a chain breakdown of the main drag conveyor. The main drag conveyor was installed in 1999 and has passed its lifespan. The floor and side walls of the main drag housing are in a deteriorated condition and have collapsed due to the wear and tear of conveying hot asphalt mix for over 20 years. StreetsLA does not have the personnel to perform the repairs. This breakdown is resulting in a loss of up to 800 tons daily production of asphalt hot mix, and thus we will have to purchase from outside sources.</p>	\$0.352M
3	Miniature Dust Collector	<p>The installation of a new miniature bag house collector will contain and capture fine dust consisting of Particulate Matter (PM, a component of Criteria Pollutant) and Toxic Organics from the recycled asphalt. According to AQMD, there is a potential health risk to the workers, plant visitors, and to the public without a miniature bag house collector at the RAP grinder at AP2. The risks associated with not installing the mini dust collector include being subject to potentially more complex and costly procedures such as the ATIR Source Test, Public Notification of High-Risk Facility, Voluntary Risk Reduction Program, and paying a 10-fold increase in annual toxics emissions fee.</p>	\$0.120M
4	Two 270 ton storage silos and 36" silo console	<p>The issue with the two 20 years old silo storage bins is that they are old, and the steel walls of the silos are wearing out. Asphalt contains aggregate which acts similar to sandpaper as it is dumped into the silos.</p>	<p>Option 1 - Rehabilitate by structural tile lining: \$0.6M</p> <p>Option 2 - Remove and replace silos and</p>

		Over time, the steel walls of the silos will begin to wear down and become structurally unsound.	silos console: \$6.0M
5	Hot Oil Asphalt Tank	The issue with the 25+ years old Hot Oil Asphalt Storage Tank is that it is at the end of its lifespan. Two Hot Oil Asphalt Storage Tanks were originally installed at the same time, and only one is functional due to a leak. At this point, the hot oil asphalt storage tank is beyond repair and needs to be removed and replaced.	\$0.4M
6	Emulsion Tank	The issue with the emulsion tank is that it is at the end of its lifespan. The emulsion tank contains a heater that is not currently operational. Since the heater doesn't work properly, the emulsion doesn't flow well and the emulsion lumps together which produces an inferior product that doesn't flow properly when it is being installed in the streets.	\$0.32M
		Total Costs	\$4.4 to \$9.8 Million

StreetsLA recommends that the MFC approve our request to develop an AP2 Master plan in conjunction with other City agencies including BOE, CAO, CLA, and the Council Offices to evaluate the best possible alternatives to address the critical issues facing AP2. Some strategic options include the following:

- 1) The City makes the initial investment to modernize AP2 with the goal to continue to own and operate this asphalt plant. This option allows the City greater flexibility and leeway to produce asphalt and to manage the City's assets without any contractual limitations with a third-party vendor immediately. However, the City would have to incur a large capital investment in the beginning.
- 2) Pursue a Public-Private Partnership for AP2 with future green technology. The advantages of pursuing a Public-Private Partnership include less capital costs in the beginning. This requires additional funding to issue an RFP to hire a consultant to evaluate the existing plant and provide recommendations to upgrade it to a green plant using recycled plastic materials.
- 3) Rehabilitate/Remove & Replace the existing critical equipment at AP2. The estimated cost to Rehabilitate/Remove & Replace the existing critical equipment is in the range of \$4.4 - \$9.8 million as indicated in the Table above. There are many unforeseen conditions that the City might encounter since the existing equipment is obsolete and additional improvements and funding might be required.

The following criteria should be used to evaluate and determine the best scenario:

- 1) Environmental Sustainability Factors including reducing the carbon footprint of trucking to haul asphalt, reduced air emissions, the use of additional recycled material such as plastics, and other environmental factors.
- 2) Projected Asphalt Production and the Budget required to meet the City's goal of improving the pavement infrastructure in preparation for the 2028 Olympics and long-term goal of a PCI score of 80 in 20 years.
- 3) Planned and scheduled downtime for maintenance.
- 4) Maximum annual production of asphalt for each plant based on AQMD permits.

AP3

BACKGROUND

The proposed AP3 facility is located at 11549 Bradley Avenue in Council District No. 7. This facility is currently being operated as an Asphalt Plant by AAA on land owned by the City, but the equipment is owned by AAA. The City procures asphalt from AAA via a separate City contract when its own Plants cannot produce enough of what is needed on any given day. While AAA does provide asphalt to the City, it also sells any excess asphalt not purchased by the City to other private companies.

AP3 is permitted to produce 550,000 tons of asphalt per year and has the capability of producing 375-400 tons per hour with 50-55% RAP.

The 2018-19 Adopted Budget included \$6.0M for the acquisition of the AAA equipment operated on City land. Since that time, GSD's Real Estate Division, at the request of StreetsLA, hired a real estate consultant to perform an appraisal of the AAA equipment and subsequently AAA performed their own appraisal. The two appraisals differ significantly, and it has been recognized that: 1) This is not truly a real estate acquisition, it is an equipment purchase so it's not the perfect fit for GSD's Real Estate Division; 2) Asphalt Plant appraisals are highly specialized and rare, with very limited entities country-wide available for this type of appraisal; and 3) the City's on-call real estate list may have not included the specialization that the City required due to No. 1 and No. 2. There have also been subsequent meetings amongst StreetsLA, City Attorney's Office, CAO's Office, and GSD to sort out all the issues associated with this acquisition and the service component.

To more formally request GSD's assistance, StreetsLA sent a memo to GSD on December 17, 2020 to formally initiate the acquisition of the AAA equipment with StreetsLA assistance, and to allow GSD to negotiate with AAA a purchase price starting at the City-appraised amount of \$4.3M and up to the current acquisition MICLA funding authority of \$6.0M. StreetsLA is recommending to the MFC to purchase the AAA equipment in compliance with City requirements and the associated AAA (month-to-month) Lease Agreement (Contract No. 105862).

StreetsLA Staffing Plan

If the funding deadline extension is granted and the acquisition is completed, staffing the facility at least in the interim is a concern. The City needs AAA personnel post acquisition for up to one year, with an option to renew, and after that, the City would have to ensure adequate staffing levels are met. If AP2 continues to be shut down for an extended period, then those personnel authorities, which are currently working at AP1 could be assigned to AP3, and this will require unfreezing the assigned vacant positions.

StreetsLA has a total of 17 personnel positions to operate the City’s asphalt plant program currently consisting of AP1 and AP2 operations. Because AP2 is not functional for the foreseeable future, StreetsLA recommends reallocating 8 of the 17 authorized AP1 and AP2 positions for AP3.

The following tables illustrates StreetsLA’s staffing needs for AP1 and AP3 post acquisition.

Table 2 - AP1 Staffing Needs

Job Classification	Staffing Needs at AP1	Position Status	Crew Number
Asphalt Plant Supervisor	1	Filled	281 – AP2
Asphalt Plant Operator II	1	Filled	181 – AP1
Asphalt Plant Operator II	1	Filled	281 – AP2
Asphalt Plant Operator II	1	Filled	281 – AP2
Asphalt Plant Operator I	1	Filled	281 – AP2
Equipment Operator	1	Filled	181 – AP1
Maintenance & Construction Helper	1	Filled	098 - Coordinating
Maintenance & Construction Helper	1	Filled	098 - Coordinating
Maintenance Laborer	1	Filled	252 – Resurfacing Machine Paving
Total	9		

Table 3 - AP3 Staffing Needs Post Acquisition

Job Classification	Staffing Needs at AP3	Position Status	Crew Number
Asphalt Plant Supervisor	1	Vacant	181 – AP1
Asphalt Plant Operator II	1	Vacant	181 – AP1
Asphalt Plant Operator II	1	Vacant	181 – AP1
Asphalt Plant Operator II	1	Vacant	281 – AP2
Asphalt Plant Operator I	1	Vacant	281 – AP2
Equipment Operator	1	Vacant	181 – AP1
Equipment Operator	1	Vacant	001 – Resurfacing
Maintenance & Construction Helper	1	Vacant	098 - Coordinating
Total	8		

The positions above are funded by Gas Tax and StreetsLA proposes to use existing Gas Tax funds to fill the vacancies but it needs an unfreeze to be granted no later than October 2021.

Trucking and Hauling of Asphalt To/From Proposed AP3

StreetsLA plans to utilize its existing As-Needed Truck Program, an extremely successful MBE/WBE Program that has provided truck hauling services to the City since the 1980s. Another option would be to utilize a line bid item in our StreetsLA asphalt commodities contracts for trucking. StreetsLA is in the process of bidding/awarding new asphalt commodities contracts and would include that service as a line bid item.

GSD - Cosigners of Letters of Interest (LOI) for Maintenance Service Agreement & Required Staffing/Funding

For obvious reasons, StreetsLA cannot take over the Plant on the first day of full ownership. The Purchase and Sale Agreement needs to include a service component for the interim use of AAA personnel to ensure adequate staffing to maintain the newly purchased AP equipment and to train City staff for a period of up to 1 year, with an option to extend, for the purpose of fully assuming the operations of the plant. While the true negotiation phase has not really commenced with AAA, StreetsLA does not know the exact amount but estimates that an AAA service/maintenance component would cost about \$200,000 per year, inclusive of labor and parts.

GSD's Building Maintenance Division will maintain AP3's buildings on-site but will not be maintaining any asphalt plant equipment. GSD has provided a preliminary estimated cost of \$18,000 for maintenance activities based on similar service cost at other plants as follows:

GSD Annual Funding Required to Maintain AP3 Buildings

\$9,000 – Fund 100/40, Account No. 001101 Hiring Hall Salaries
\$4,000 – Fund 100/40, Account No. 001120 Hiring Hall Benefits
\$5,000 – Fund 100/40, Account No. 003160 Maintenance Materials
\$18,000

Milestones and Schedule to Convert to City Owned & Operated AP3

The 2018-19 Adopted Budget authorized \$6.0 million in MICLA funds for the acquisition of equipment at AP3. The City has 18 months to encumber the funds and is required to expend the funds in 3 years which is June 30, 2021. StreetsLA requests to extend the acquisition funding deadline of June 30, 2021 by an additional 18 months.

Please see schedule with milestones below to effectuate acquisition and takeover of facility:

April 2021 to June 2021

- The 1st StreetsLA Quarterly Facility Report is approved by the MFC authorizing the continued MICLA funding for acquisition of AP3.
- CAO goes to the City Council to re-authorize \$6.0M in MICLA funds and extends the acquisition funding deadline of June 30, 2021 by 18 months.

- GSD receives authority to unfreeze the required Hiring Hall positions needed for the maintenance of AP3.
- GSD receives annual funding totaling \$18,000 to maintain. StreetsLA recommendation to include in GSD's Annual Budget versus provide on an interim basis.

July 2021 to October 2021

- GSD and StreetsLA finalizes the negotiation of an acquisition contract with AAA that is inclusive of an approved Board of Public Works Board Report.
- GSD receives the requested \$18,000 in annual funding and initiates/completes onboarding/training of the required Hiring Hall employees.
- StreetsLA receives authorization to unfreeze eight (8) vacant position authorities.

November 2021 to December 2022

- The City completes final ownership no later than December 2021 and AAA service period commences January 2022 (12 Months thru December 2022).
- StreetsLA certifies and hires all vacant asphalt plant positions no later than October 2022.
- GSD is scheduled to be fully staffed to maintain AP3 buildings by January 2022. If GSD is not fully staffed by the time, then the City will extend an AAA service period with maintenance hourly rate. The maintenance hourly rates can be negotiated in the acquisition agreement.

January 2023 and ongoing

- StreetsLA has all staff on board and successfully takes over AP3 with no more AAA involvement, unless extenuating circumstances arise.

Current Lease Agreement with AAA

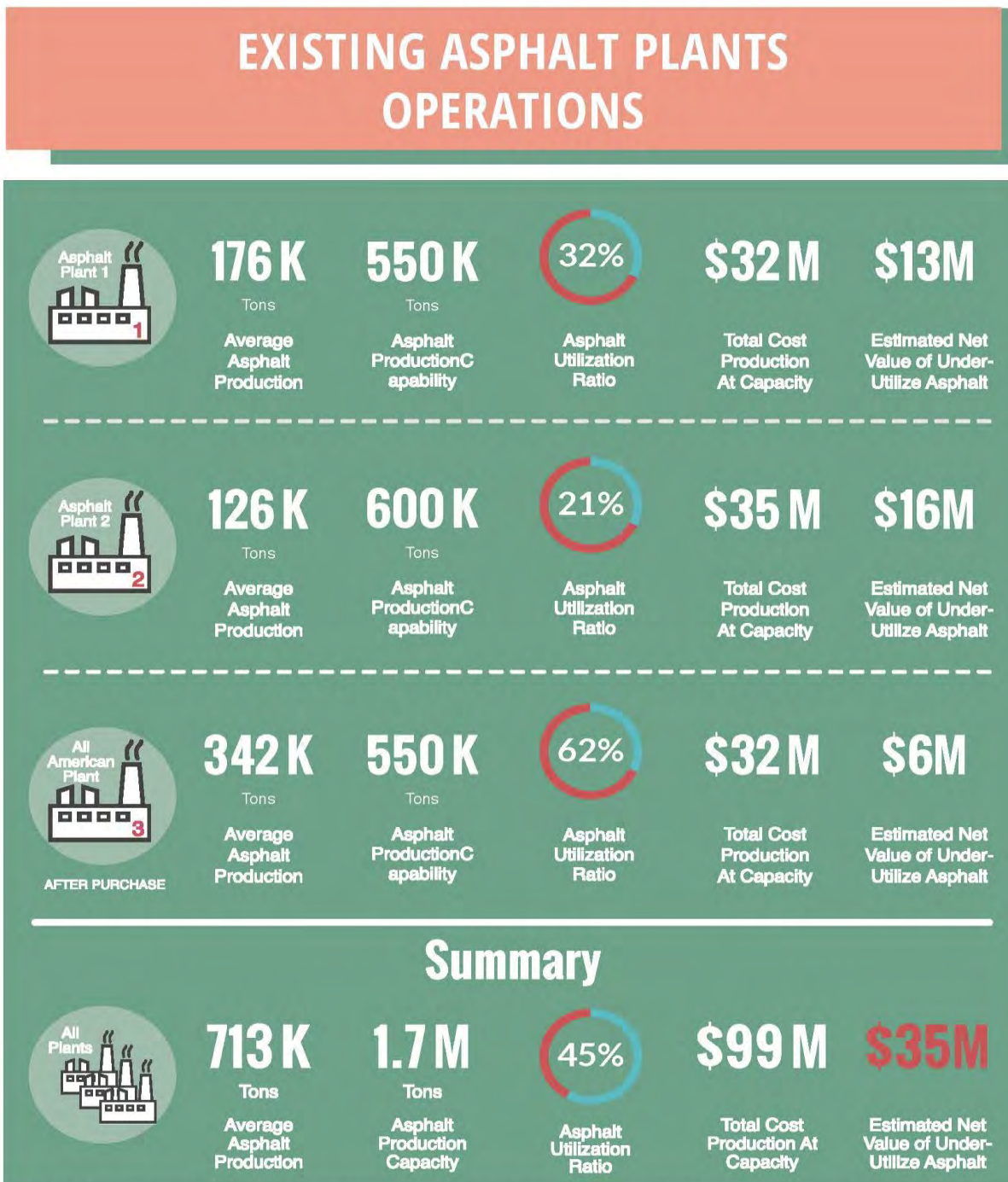
AAA leases the land from the City at a rate that StreetsLA is presumed under market value since it has not been increased in many years. If the equipment is not purchased from AAA, StreetsLA should review GSD's 2019 ground rent appraisal and use it as a component for StreetsLA to derive at the market rental value. The final rental amount is a blend of the ground rent and the asphalt that AAA provides to StreetsLA.

PROPOSED ASPHALT PLANT BUSINESS MODEL

StreetsLA has identified a substantial opportunity for the City to monetize excess asphalt that is currently being monetized by AAA operating on City land. StreetsLA supports the purchase of the AAA Plant (AP3) so that the City is the entity monetizing this excess asphalt. The initial Business Model proposed the City owning three (3) Asphalt Plants and running all three plants at full capacity. Any extra asphalt production could be 'sold' to or 'exchanged/bartered' with Proprietary Departments and then StreetsLA would receive either revenue or other services that could be used in turn for StreetsLA to fix more streets. Or, the City could use some of this funding to develop a Green AP2 facility. Furthermore, there are cost saving benefits to running three asphalt plants at various service locations, such as reducing the number of trucks needed to

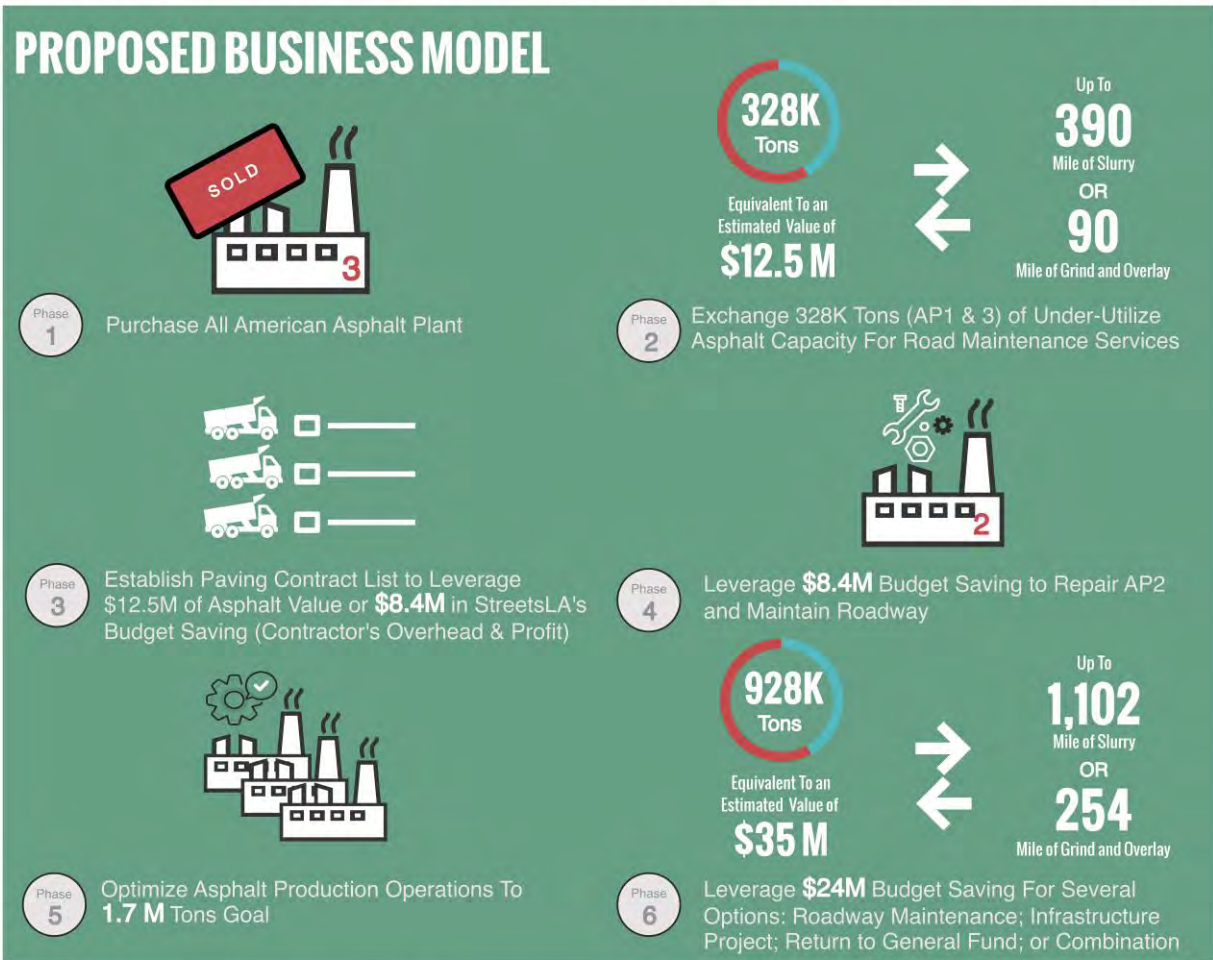
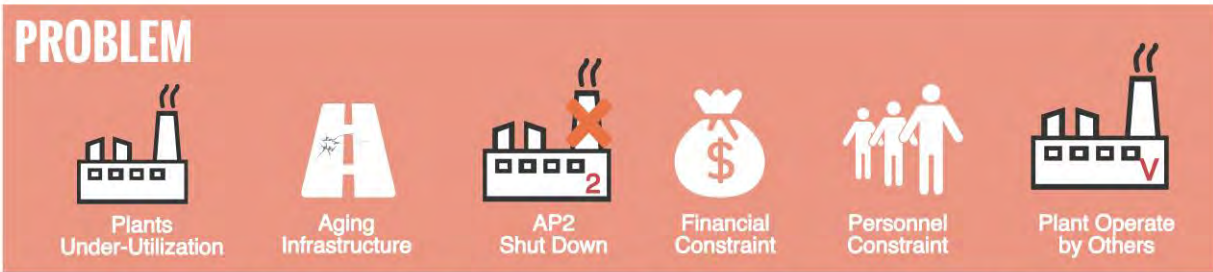
haul asphalt which reduces air emissions and preserves roadways due to fewer trucks on the City Streets.

When this Business Model was first contemplated, both AP1 and AP2 were operational. However, since that time, AP2 has closed as described above so the level of monetization is lower than initially envisioned. However, there is still a significant monetary potential if the City can finalize the purchase of the AP3 equipment and StreetsLA envisions a Green AP2 that would yield more asphalt and thus further expand monetization due to three (3) Plants being fully operational. Please see StreetsLA’s business model in the illustrations provided below.



Note & Assumption: Per 2018 NCE's CA Statewide Local Streets and Roads Need Assessment Report, Contract Slurry cost \$32,000 and Mill & Overlay cost \$139,000 per lane mile. Per Caltrans Cost Data, the 5-Years Average Asphalt cost \$96.5 per ton. On average, StreetsLA's Slurry cost \$20,000 and Mill & Overlay cost \$101,000 per lane mile. All plant capacities include 20% maintenance down time.

PROPOSED ASPHALT PLANTS BUSINESS MODEL



Note & Assumption: Per 2018 NCE's CA Statewide Local Streets and Roads Need Assessment Report, Contract Slurry cost \$32,000 and Mill & Overlay cost \$139,000 per lane mile. Per Caltrans Cost Data, the 5-Years Average Asphalt cost \$96.5 per ton. On average, StreetsLA's Slurry cost \$20,000 and Mill & Overlay cost \$101,000 per lane mile. All plant capacities include 20% maintenance down time.

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