

- **Board of Directors**
Asset and Real Property Committee

May 16, 2006 Board Meeting

7-1

Subject

Appropriate, authorize, and consolidate \$120,000 in previously authorized funds and an additional \$120,000 into the capital budget (totaling \$240,000) to design and construct the leased legislative office in Washington, D.C.; and increase the minor capital project appropriation by \$240,000 (Approp. 15430)

Description

On March 23, 2006, the Metropolitan Water District of Southern California (Metropolitan) entered into an agreement for an office lease with the National Association of Realtors (owner). The lease is for 1,598 square feet (sf) of space in the office building located at 500 New Jersey Avenue, NW, Washington, D.C. in close proximity to the U.S. Capitol Building. Confidential board item 8-13 (December 2005) authorized the Total Program Estimate amount of \$1,359,423 to cover initial expenses during the construction of the office space and rent payments for ten years. The lease terms provide for the following: (a) base rental rate of \$36.50 per sf plus operating expenses and taxes (estimated to be an additional \$20 per sf), in all totaling approximately \$91,000 in the base year; (b) 10-year term; (c) a tenant improvement allowance of \$55 per sf; and, (d) authority to sublease or terminate. Metropolitan is responsible for any construction or office improvement costs in excess of the tenant improvement allowance. As part of the December 2005 board authorization, \$120,000 was approved to cover additional out-of-pocket expenses for the new office space. This current request for appropriation and authorization would include these expenses in the capital budget, where appropriate, and increase the amount by an additional \$120,000 to \$240,000. A portion of the increased amount is due to overall industry wide construction material increases. The remainder is for necessary equipment and furnishing repairs and replacements. The Total Program Estimate decreases to \$1,239,423. The Total Program Estimate for the minor capital projects increases to \$3,240,000 (see [Attachment 1](#)).

In order to expedite the move-in, staff completed an assessment of the design and construction of the new office improvements that concluded that certain equipment and furniture in the existing office were obsolete and would need to be upgraded and/or replaced. This includes replacement and repair of existing telephone, computer, and videoconferencing wiring and equipment, and basic furnishings. In order to complete the office for move-in and occupancy by September 2006, this out-of-budget appropriation is necessary to cover the increased construction and improvement costs.

This action appropriates and authorizes funds to carry out the design, construction, procurement, installation, operational testing, and pay associated expenses of the replacement equipment. Where possible, Metropolitan staff will prepare the specifications and install the equipment. Where necessary, a contractor will perform the construction and removal of certain damaged and outdated systems, which requires specialized equipment and furniture placement. It is anticipated that the construction contract will be approximately \$87,000, an amount that is below the \$250,000 threshold requiring further board approval and, thus, will be awarded under the authority of the General Manager in accordance with Metropolitan's Administrative Code.

The legislative affairs office is conveniently located and nearby to public transportation, hotel accommodations, and is three blocks from the U.S. Capitol Building (see [Attachment 2](#)). The office is in a newly constructed certified green building that complies at the "silver" rating level with the Leadership in Energy and Environmental Design (LEED) Program.

This project has been evaluated and recommended by Metropolitan’s staff and consultants. Due to the urgent nature of the work, it is unbudgeted within the fiscal year 2005/06 capital budget. See [Attachment 1](#) for the financial statement and [Attachment 2](#) for the location map.

Policy

Metropolitan Water District Administrative Code Section 5108: Capital Project Appropriation

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. The overall activities involve the funding, design, minor alterations and replacement of existing public or private facilities with negligible or no expansion of use and no possibility of significantly impacting the physical environment. Accordingly, the proposed action qualifies under Class 1 and Class 2 Categorical Exemptions (Sections 15301 and 15302 of the State CEQA Guidelines).

The CEQA determination is: Determine that pursuant to CEQA, the proposed action qualifies under two Categorical Exemptions (Class 1, Section 15301 and Class 2, Section 15302 of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination, appropriate, authorize, and consolidate \$240,000 into the capital budget for design, procurement, installation, and testing of equipment and furnishings at leased office for legislative affairs in Washington, D.C. and increase the minor capital project appropriation by \$240,000.

Fiscal Impact: \$240,000 of unbudgeted capital funds. If the Board approves this option, the fiscal year 2005/06 CIP expenditure plan will be adjusted for this project.

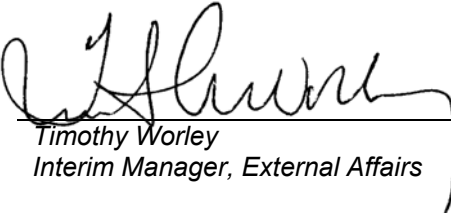
Option #2

Do not authorize additional funds for this work.

Fiscal Impact: Loss in effectiveness and utility of leased office for legislative affairs in Washington D.C.

Staff Recommendation

Option #1



Timothy Worley
Interim Manager, External Affairs

4/19/2006
Date



Jeffrey Kightlinger
General Manager

4/19/2006
Date

[Attachment 1 – Financial Statement](#)

[Attachment 2 – Location Map](#)

Financial Statement for Washington D.C. Office Lease

A breakdown of Board Action No. 2 for Appropriation No. 15430, for capital projects costing less than \$250,000 for FY 2005/06 is as follows:

	Previous Total Appropriated Amount	Current Board Action No. 2 May 2006	New Total Appropriated Amount
Labor			
Studies and Investigations	\$ 23,000	\$ -	\$ 23,000
Design and Specifications	273,000	5,000	278,000
Owner Costs	136,000	30,000	166,000
Construction Inspection and Support	45,000	10,000	55,000
Metropolitan Force Construction	1,554,000	-	1,554,000
Materials and Supplies	205,000	-	205,000
Incidental Expenses	5,000	-	5,000
Professional/Technical Services	32,000	30,000	62,000
Contracts	468,000	155,000	623,000
Remaining Budget	259,000	10,000	269,000
Total	\$ 3,000,000	\$ 240,000	\$ 3,240,000

Funding Request

Program Name:	Washington D.C. Office Lease at 500 New Jersey Avenue N.W.		
Source of Funds:	General Funds		
Appropriation No.:	15430	Board Action No.:	2
Requested Amount:	\$ 240,000	Capital Program No.:	15430-I
Total Appropriated Amount:	\$ 3,240,000	Capital Program Page No.:	E-11
Total Program Estimate:⁽³⁾	\$ 3,240,000	Program Goal:	R-Reliability

Financial Statement for Washington D.C. Office Lease

A breakdown of Board Action No. 2 for the Washington, D.C. office lease for Appropriation No. 11002 (General and Supervision) is as follows:

	<u>Previous Total Approp. Amt. (Dec. 2005)⁽¹⁾</u>	<u>Current Board Action No. 2 (May 2006)⁽²⁾</u>	<u>New Total Appropriated Amount</u>
Appropriation No. 11002 - Initial Costs:			
Moving expenses, furniture, telephone upgrade, computer networking, tenant improvements, and misc. expenses	\$ 120,000	\$ (120,000)	\$ -
Appropriation No. 11002 - Projected			
Lease Payments over 10 years	1,019,423	-	1,019,423
Contingency - Incidental Expenses and Repairs over term of lease	220,000	-	220,000
Total	<u>\$ 1,359,423</u>	<u>\$ (120,000)</u>	<u>\$ 1,239,423</u>

Funding Request

Program Name:	Washington D.C. Office Lease at 500 New Jersey Avenue N.W.		
Source of Funds:	General and Supervision Funds		
Appropriation No.:	11002	Board Action No.:	2
Requested Amount:	\$ (120,000)	Capital Program No.:	N/A
Total Appropriated Amount:	\$ 1,359,423	Capital Program Page No.:	N/A
Total Program Estimate:	\$ 1,239,423	Program Goal:	N/A

(1) Budgeted through External Affairs FY2005/06

(2) Amount transferred to capital appropriation No. 15430

