

MINUTE ITEM

1/25/79
Thompson

25. CLOSING ACCOUNTS OF EXPENDITURES FOR SUBSIDENCE REMEDIAL WORK, CITY OF LONG BEACH - W 10281.

Due to the similarities of the two items, Calendar Items 24 and 25 were considered simultaneously.

Mr. W. M. Thompson, Chief, Extractive Development, Long Beach Operations; and Mr. N. Gregory Taylor, Assistant Attorney General, summarized the staff's position.

With regard to Calendar Item 24 it is the staff's position that the replacement of the asphalt on the pier should be considered a permanent improvement because it exceeded 60 percent of the total wharf area, which in turn resulted in it being upgraded and its life being extended considerably. The staff's main concern is at what point should a project of this type and magnitude be considered a replacement or a repair. By concurring with the City that this type of project is a repair, a precedent would be established for future subsidence projects of a similar nature, which would result in the State's inability to realize the depreciation credit to which it is entitled.

Mr. Einar Peterson, Deputy City Attorney; and Mr. A. Wheeler, Senior Civil Engineer, both representing the City of Long Beach, appeared. It was the City's position that even though the excavation resulted in replacing a substantial portion of the pier, it should be considered a repair. They stated the enormity of the excavation was required in order to determine the exact extent of the damage to the pier.

With regard to Calendar Item 25, the City contended that because the elevation of the area where the sewer was constructed was below water level, it should be considered temporary since it will have to be raised at a later date to the elevation before the subsidence occurred. They indicated they had a letter from the staff of the Commission dated May 1973 indicating at that time the staff considered the sewer line to be a temporary facility. However, at this time the staff of the Commission contends that since it already replaced the sewer as a permanent fixture, it should be considered a permanent facility.

In summary, the fundamental issue regarding Calendar Items 24 and 25 center around when is a project determined to be "temporary" and when is it determined to be "permanent".

At the conclusion of the discussion, Chairman Kenneth Cory deferred these two items until the City and staff of the Commission could enter into further discussions to better define the facts and then return to the Commission for its reconsideration.

Attachment: Calendar Item (3 pages)

A 52, 57, 58
S 27, 31

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CALENDAR ITEM

25.

1/79
W 10281
Thompson

CLOSING ACCOUNTS OF EXPENDITURES
FOR SUBSIDENCE REMEDIAL WORK
CITY OF LONG BEACH

SUBSIDENCE REMEDIAL PROJECT:

Broadway Sewer Rehabilitation.

FISCAL IMPACT: Allowable subsidence cost for the project is \$111,029.49. There will be a credit adjustment of \$17,746.16 to the State.

COMMISSION PRIOR APPROVALS:

1. January 26, 1972, Minute Item 17, \$25,000 (1st phase).
2. September 27, 1973, Minute Item 23, \$140,000 (2nd phase).
3. July 25, 1974, Minute Item 19, Closing AFE 954 (1st phase).

CONDITIONS FULFILLED:

1. That the amounts, if any, of each of the items to be allowed ultimately as subsidence costs, deductible under Section 4(d) of Chapter 138/64, 1st E.S. will be determined by the Commission upon an engineering review and final audit subsequent to the time when the work under any of these items is completed. The work has been completed, an engineering review conducted and a final audit of project accounts made.
2. That the work conform in essential details to the plans and background material submitted. The work has so been accomplished.

DISCUSSION:

The subsidence cost determination includes a credit to the State of \$15,140.38 for depreciation of the old sewer which was replaced. This is in accordance with the 1968 State-City agreement on allowable subsidence costs for streets and utilities.

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S 27, 31

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replaced in the town lot area. The City claims depreciation credit is not allowable on the basis that the replacement sewer is temporary because it is constructed in a subsided area that has not yet been filled and raised. The replacement sewer was completed in March 1974. There are no known plans for raising the privately held parcel that this sewer serves. The staff concludes that the depreciation credit is applicable because the new facility is a complete replacement of the old, constructed to permanent standards and with an expected normal useful life.

EXHIBIT: A. Subsidence Cost Determination, Results of Engineering Review and Final Audit upon Completion of the Work.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT THE SUBSIDENCE COSTS DEDUCTIBLE FROM TIDELAND OIL REVENUE UNDER PROVISIONS OF SECTION 4(d) OF CHAPTER 138/64, 1ST E.S., FOR PORT OF LONG BEACH AUTHORIZED FUND EXPENDITURE NUMBER 994 ARE AS SHOWN IN EXHIBIT "A" ATTACHED AND BY REFERENCE MADE A PART HEREOF.
2. ON THE BASIS OF THIS DETERMINATION, AUTHORIZE THE EXECUTION OF WRITTEN INSTRUMENTS TO FINALLY CLOSE SUCH ACCOUNTS.

W10281(994)

EXHIBIT "A"

SUBSIDENCE COST DETERMINATION
RESULTS OF ENGINEERING REVIEW AND FINAL AUDIT
UPON COMPLETION OF THE WORK

<u>LBHD AFE</u>	<u>LBWO NO.</u>	<u>PROJECT TITLE</u>	<u>AMOUNT REPORTED AS SUBSIDENCE COSTS</u>	<u>DETERMINATION OF ALLOWABLE SUBSIDENCE COSTS</u>	<u>CREDIT DUE STATE</u>
994	W10281	Broadway Sew- er Rehabilitation	\$128,775.65	\$111,029.49	\$17,746.16

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