

**BUDGET, FINANCE, AND INNOVATION COMMITTEE REPORT** relative to status of the Los Angeles Convention Center (LACC) Expansion Project.

**Recommendations for Council action:**

1. AUTHORIZE the City Administrative Officer (CAO) and Chief Legislative Analyst (CLA), in consultation with AEG Plenary Conventions Los Angeles (APCLA), to evaluate the cost and schedule, including risk exposure and cost sharing of APCLA's Public-Private-Partnership (P3) proposal using revised APCLA numbers from February 2023, as well as any other relevant updated data or information they may have; report on those findings within 45 days and report on a City-directed project; and after 45 days to engage the consultant to review the terms discussed by CLA, CAO, and Anschutz Entertainment Group.

The evaluation of the P3 proposal should be undertaken transparently and on a collaborative basis between the CAO, CLA and APCLA, with weekly meetings to occur during the 45-day period among CAO, CLA, City Tourism Department, and APCLA.

The report should answer the following five questions in relation to the LACC Expansion Project P3 as proposed by APCLA:

- a. What is the estimated construction price and scope of the LACC Expansion Project?
  - b. What is the estimated net annual obligation on the General Fund after taking LACC net revenues into account? Provide a range of options for Council to consider including various operating terms of the P3 Agreement and payment indexation rates that align with the growth rate in the General Fund.
  - c. Can the project be delivered in time for the LA 2028 Olympics/Paralympics? Provide a development schedule including the City decisions and actions required to achieve this.
  - d. When would the first annual availability payment be required to be paid by the City under the proposed financial structure? What flexibility would the City have to refinance the project or adjust the scope and cost of operating services over the term of the P3 Agreement?
  - e. Provide a high level summary of the risks transferred to APCLA and retained by the City under the P3 proposal and compare these to the risks that City would retain under a traditional delivery model.
2. INSTRUCT the CAO, with the assistance of the CLA, to report to Council within 45 days on potential funding sources and funding structures for debt service and P3 availability payments, in addition to impacts on existing programs and services.

Fiscal Impact Statement: The CAO and CLA report that the recommendations found in the joint report CAO/CLA dated December 4, 2023, attached to the Council file, state that there is no General Fund impact in the current year. Further information regarding the fiscal impact of this item can be found on the aforementioned CAO/CLA joint report.

Debt Impact Statement: The CLA and CAO report that the issuance of MICLA debt is a General Fund obligation. The issuance of MICLA for up to \$5 million would cause the City to borrow \$5 million at an approximate 5.5 percent interest rate over 20 years. The total estimated debt service related to the recommendations in this report is \$8.4 million, including interest of approximately \$3.4 million. During the life of the bonds, the estimated average annual debt service is \$418,397 for 20 years. Actual interest rates may differ as rates are dependent on market conditions at the time of issuance. We cannot fully predict what interest rates will be in the future. In accordance with the City's Debt Management Policy, the City

has an established debt ceiling to guide in evaluating the affordability for future debt. The debt ceiling for non-voted direct debt as a percentage of General Fund revenues is 6.0 percent. The revised 2023-24 Adopted Budget non voter-approved debt ratio is 2.67 percent. The issuance of debt for these purposes will not cause the City to exceed the six percent non-voter approved debt limit.

Community Impact Statement: None submitted

SUMMARY

At the meeting held on January 24, 2024, your Budget, Finance, and Innovation Committee considered a joint CAO and CLA report relative to status of the LACC Expansion Project.

After an opportunity for public comment was held, the Committee recommended to amend the joint CAO and CLA report, and move forward the recommendations, as amended, as detailed above. This matter is now submitted to the Council for consideration.

Respectfully Submitted,

BUDGET, FINANCE, AND INNOVATION COMMITTEE

| <u>MEMBER</u>  | <u>VOTE</u> |
|----------------|-------------|
| BLUMENFIELD:   | YES         |
| HARRIS-DAWSON: | ABSENT      |
| YAROSLAVSKY:   | ABSENT      |
| MCOSKER:       | YES         |
| RODRIGUEZ:     | YES         |

LV 1/24.24

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**