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<http://bpw.lacity.org>

November 1, 2021

**BPW-2021-0793**

The Honorable City Council  
Room No. 395  
City Hall

The Honorable Mayor Garcetti  
City Hall – Room 320  
Los Angeles, CA 90012  
Attn: Heleen Ramirez

**FRANCHISE PUBLIC RIGHT-OF-WAY PIPELINE ORDINANCE AGREEMENT  
SOUTHERN CALIFORNIA GAS COMPANY - THIRTEEN (13) YEAR TERM PLUS  
EIGHT (8) YEAR EXTENSION**

As recommended in the accompanying report from the Petroleum Administrator, which this Board has adopted, as amended, the Board of Public Works (Board) recommends that the Mayor and City Council:

1. FIND that Southern California Gas Company (SoCalGas) is in need of a pipeline franchise agreement to install, retain, operate, and maintain existing pipelines and their adjunct communication lines within the City of Los Angeles;
2. OFFER for sale a pipeline franchise to install, retain, operate, and maintain pipelines and their adjunct communication lines associated with the production and distribution of natural gas;
3. ACCEPT and AWARD the bid for the franchise to the responsible bidder offering to pay the city the highest cash consideration, but not less than \$500 and, if the existing operator and/or owner is the highest responsible bidder, or if there are no bids, award the franchise to that company;
4. REQUEST the City Clerk to publish a Notice of Sale of Pipeline Franchise, in accordance with the Los Angeles Administrative Code, Section 13.17;
5. REQUEST the Office of the City Attorney to prepare and present the pipeline franchise ordinance for the successful franchisee for City Council approval;



6. INSTRUCT the Board of Public Works to notify the successful franchisee and in accordance with Los Angeles Administrative Code, Section 13.26, ensure that all good faith deposits are returned to the unsuccessful bidders, subsequent to the award of the franchise; and
7. REQUIRE that the successful franchisee file a faithful performance bond induplicate with the City Clerk within five days in the penal sum fixed by the City Council in the advertisement for bids or established as a condition of the franchise approval, per Los Angeles Administrative Code, Section 13.30 and maintain necessary insurance as outlined in City Administrative Officer Form 146.

Fiscal Impact:

Approval of the proposed franchise between the City and SoCalGas is expected to bring in approximately \$40 million to \$50 million per year.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dr. Campos', written over a horizontal line.

DR. FERNANDO CAMPOS,  
Executive Officer, Board of Public Works

FC:ch

BPW-2021-0793

Department of Public Works  
Board of Public Works  
Office of Petroleum and Natural Gas Administration & Safety  
Report No. 1

**AS AMENDED\***  
ADOPTED BY THE BOARD  
PUBLIC WORKS OF THE CITY  
of Los Angeles California

AND REFERRED TO THE MAYOR NOV 01 2021

November 1, 2021  
CD: All

AND REFERRED TO THE CITY COUNCIL

  
Executive Officer  
Board of Public Works

**FRANCHISE PUBLIC RIGHT OF WAY PIPELINE ORDINANCE AGREEMENT WITH THE SOUTHERN CALIFORNIA GAS COMPANY (SOCALGAS), ~~A-NON-PUBLIC-UTILITY-~~ \* COMPANY, FOR A 13 YEAR TERM PLUS 8 YEAR EXTENSION TO INSTALL, RETAIN, OPERATE, AND MAINTAIN PIPELINES AND THEIR ADJUNCT COMMUNICATION LINES**

### RECOMMENDATIONS

Recommending that the Board of Public Works (Board), subject to the Los Angeles City Council's (City Council) and Mayor's approval:

1. FIND that Southern California Gas Company is in need of a pipeline franchise agreement to install, retain, operate, and maintain existing pipelines and their adjunct communication lines within the City of Los Angeles;
2. OFFER for sale a pipeline franchise to install, retain, operate, and maintain pipelines and their adjunct communication lines associated with the production and distribution of natural gas;
3. ACCEPT and AWARD the bid for the franchise to the responsible bidder offering to pay the City the highest cash consideration, but not less than \$500 and, if the existing operator and/or owner is the highest responsible bidder, or if there are no bids, award the franchise to that company;
4. REQUEST the City Clerk to publish a Notice of Sale of Pipeline Franchise, in accordance with the Los Angeles Administrative Code, Section 13.17;
5. REQUEST the Office of the City Attorney to prepare and present the pipeline franchise ordinance for the successful franchisee for City Council approval;
6. INSTRUCT the Board of Public Works to notify the successful franchisee and; in accordance with Los Angeles Administrative Code, Section 13.26, ensure that all good faith deposits are returned to the unsuccessful bidders, subsequent to the award of the franchise;

7. REQUIRE that the successful franchisee file a faithful performance bond in duplicate with the City Clerk within five days in the penal sum fixed by the City Council in the advertisement for bids or established as a condition of the franchise approval, per Los Angeles Administrative Code, Section 13.30 and maintain necessary insurance as outlined in City Administrative Officer Form 146.

## TRANSMITTALS

1. Ordinance No. 168164
2. Ordinance No. 186821
3. City Administrative Officer's, Risk Management Division Form 146 - Bond and Insurance Requirement
4. City's Standard Provisions for City Contracts
5. City's CEQA Guidelines

## DISCUSSION

### *Background*

The Southern California Gas Company (SoCalGas) is a <sup>\*</sup>~~non-public-utility-company~~ transporting natural gas in and through the City of Los Angeles. In 1992, the City of Los Angeles adopted Ordinance No. 168164 (see Transmittal No. 1) to grant SoCalGas a 20-year franchise authority to install, construct, replace, reconstruct, repair and retain its natural gas system in streets located in the City of Los Angeles, including the maintenance and operations of said gas system among other authorities. In 2019, \$18 Million was paid to the City based on 2% of sales. Between 2012 and 2021, the City of Los Angeles has extended the franchise authority through amending Ordinances until such time as a new franchise Ordinance (agreement) has been negotiated and will take effect. Under the most current Ordinance No. 186821, effective December 25, 2020, the term is set to expire on December 31, 2021 (see Transmittal No. 2). This report recommends the execution of a new thirteen year plus one eight year extension agreement.

### **Southern California Gas Company's Operations**

SoCalGas is the largest natural gas distribution utility in the U.S., delivering gas service to approximately 22 million consumers. SoCalGas' pipelines and appurtenances are part of their natural gas delivery system that distributes natural gas to approximately 5.8 million residential, 249 thousand commercial, and 25 thousand industrial consumers in Los Angeles. SoCalGas had approximately 6 million customer meters as of December 31, 2020 in the following segments:

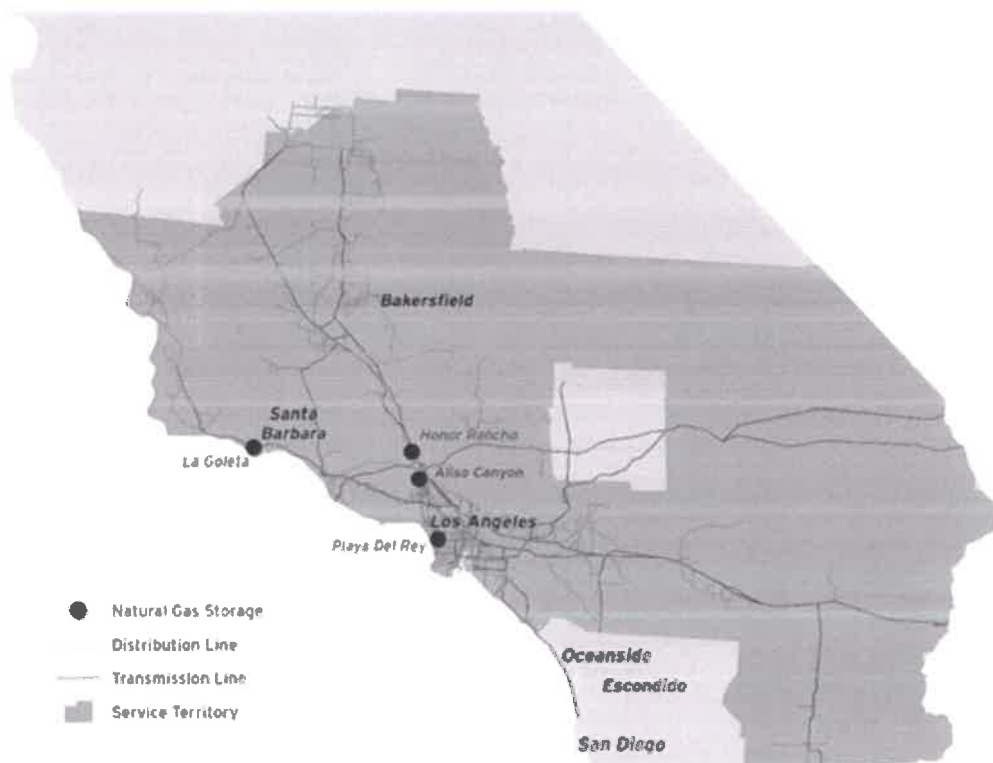
Customer Type	Number of Customers
Residential	5,792,600
Commercial	248,720
Industrial	24,880
Electric generation & wholesale	40

In 2020, SoCalGas delivered 884 billion cubic feet (Bcf) of natural gas to its customers:

Customer Type	Volumes of Natural Gas (in Bcf)
Residential	232
Commercial & Industrial	368
Electric generation	147
Wholesale	137

SoCalGas' assets consist of natural gas storage facilities, distribution lines and transmission lines. As of December 31, 2020, SoCalGas' natural gas facilities included 3,059 miles of transmission and storage pipelines, 51,367 miles of distribution pipelines, 48,492 miles of service pipelines and nine transmission compressor stations.

SoCalGas' assets at December 31, 2020 covered the following territory:



SoCalGas provided a link to a map which includes a partial view of SoCalGas' Natural Gas Transmission Pipelines which are part of a network system of pipelines that move gas across the Southwest. This map shows the general locations of SoCalGas owned or operated Gas Transmission Pipelines and High Pressure Gas Distribution Mains. Lower pressure distribution mains and smaller service lines connected to the gas meters at homes and businesses are not shown.

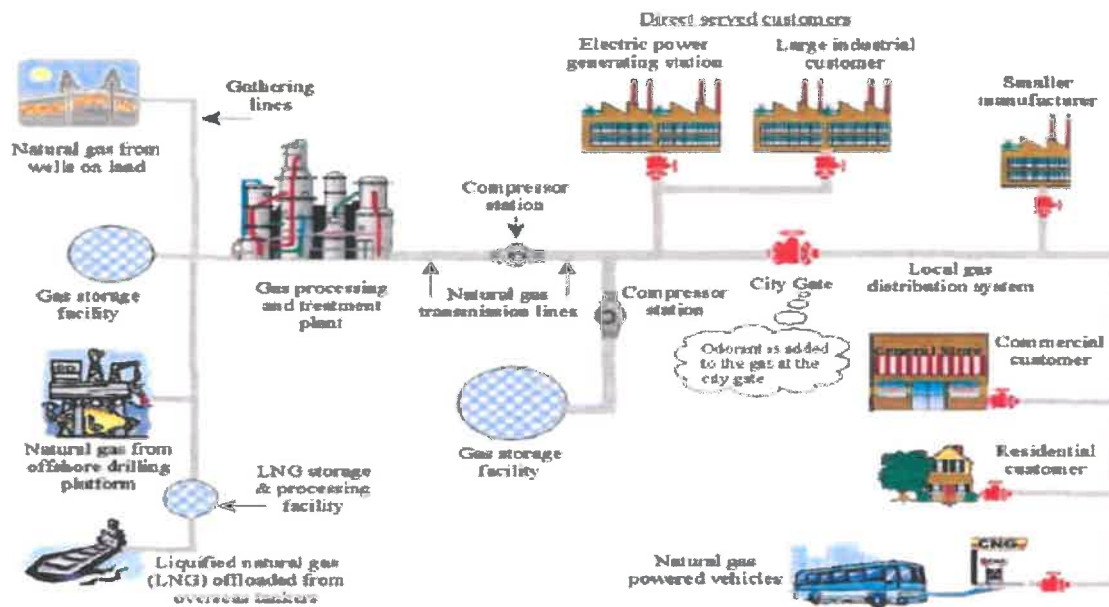


<https://socalgas.maps.arcgis.com/apps/webappviewer/index.html?id=c85ced1227af4c8aae9b19d677969335>



Transmission Pipelines are large diameter pipelines that operate at pressures above 200 pounds per square inch (psi) and transport gas from supply points to the gas distribution system and are shown in dark blue. The High-Pressure Gas Distribution Mains pipelines that operate at pressures above 60 psi and deliver gas in smaller volumes to the medium pressure distribution system are shown in light blue. SoCalGas pipelines may be located anywhere, including under streets and sidewalks, and on private property.

The process of natural gas collection and distribution is shown below.



Natural gas pipeline system from production to end user.  
(Source: U.S. DOT PHMSA)

Some common types of natural gas facilities and equipment include the following:



Gas transmission compressor station.

## Natural Gas Facilities



Natural gas wellhead.



Natural gas processing facility.



Natural gas compressor station.



City gate meter station.



Customer meter.



SoCalGas owns four natural gas storage facilities with a combined working gas capacity of 137 billion cubic feet (Bcf). The four facilities are Aliso Canyon (86.2 Bcf), Playa Del Rey (2.4 Bcf), Honor Rancho (27.0 Bcf) and La Goleta Gas (21 Bcf) which have over 200 injection, withdrawal and observation wells. Since July 19, 2017, the Aliso Canyon natural gas storage facility has been directed to maintain up to 34 Bcf of working gas at the facility to help achieve reliability for the region at reasonable rates as determined by the California Public Utilities Commission (CPUC).

## **Regulatory Environment**

### *Regulatory Agencies*

SoCalGas is principally regulated at the state level by the California Public Utilities Commission (CPUC), California Energy Commission (CEC) and California Air Resources Board (CARB).

The CPUC regulates, among other things, SoCalGas' customer rates and conditions of service, sales of securities, rates of return, capital structure, rates of depreciation, service areas and long-term resource procurement. The CPUC conducts reviews and audits of utility performance and compliance with regulatory guidelines and conducts investigations related to various matters, such as safety, reliability and planning, deregulation, competition and the environment; and the CPUC's safety and enforcement role includes inspections, investigations and penalty and citation processes for safety and other violations. The CPUC has initiated an Order Instituting a Rulemaking (OIR) to update gas reliability standards, determine the regulatory changes necessary to improve coordination between natural gas utilities and natural gas-fired electric generators, and implement a long-term planning strategy to manage the state's transition away from natural gas-fueled technologies to meet California's decarbonization goals. The OIR will be conducted in two phases, the first of which is addressing reliability standards and coordination between natural gas utilities and natural gas-fired electric generators, and the second of which will implement a long-term planning strategy.

The CEC publishes electric demand forecasts for the state and for specific service territories. The CEC conducts a 20-year forecast of available supplies and prices for every market sector that consumes natural gas in California. This forecast includes resource evaluation, pipeline capacity needs, natural gas demand and wellhead prices, and costs of transportation and distribution. This analysis is one of many resource materials used to support SoCalGas' long-term investment decisions.

AB 32, the California Global Warming Solutions Act of 2006, assigns responsibility to CARB for monitoring and establishing policies for reducing Green House Gas (GHG) emissions. The law requires CARB to develop and adopt a comprehensive plan for achieving real, quantifiable and cost-effective GHG emissions reductions, including a statewide GHG emissions cap, mandatory reporting rules, and regulatory and market mechanisms to achieve reductions of GHG emissions. CARB is a department within the California

Environmental Protection Agency, an organization that reports directly to the Governor's Office. CARB is currently considering updates to its GHG reduction plans, which are due to be finalized in 2022, that could further reduce natural gas demand.

The operation and maintenance of SoCalGas' natural gas storage facilities are regulated by California Geologic Energy Management Division (CalGEM formerly known as Division of Oil, Gas, and Geothermal Resources or DOGGR), as well as various other state and local agencies including the California State Fire Marshal and the South Coast Air Quality Management Division (SCAQMD).

SoCalGas is also regulated at the federal level by the Federal Energy Regulatory Commission (FERC), the U.S. Environmental Protection Agency (EPA), the U.S. Department of Energy (DOE) and the U.S. Department of Transportation (DOT).

The FERC regulates SoCalGas' interstate sale and transportation of natural gas. The EPA implements federal laws to protect human health and the environment, including federal laws on air quality, water quality, wastewater discharge, solid waste management, and hazardous waste disposal and remediation. The EPA also sets national environmental standards that state and tribal governments implement through their own regulations. The DOT, through Pipeline and Hazardous Materials Safety Administration (PHMSA), has established regulations regarding engineering standards and operating procedures applicable to SoCalGas' natural gas transmission and distribution pipelines, as well as natural gas storage facilities. The DOT has certified the CPUC to administer oversight and compliance with these regulations for the entities they regulate in California. SoCalGas is therefore subject to an interrelated framework of environmental laws and regulations.

### *Pipelines*

Various regulatory agencies, including the CPUC, are evaluating natural gas pipeline safety regulations, practices and procedures. After the September 2010 San Bruno pipeline explosion that destroyed 38 homes, damaged many more and resulted in 8 deaths, in February 2011, the CPUC opened a forward-looking rulemaking proceeding to examine what changes should be made to existing pipeline safety regulations for California natural gas pipelines. As the San Bruno pipeline was installed in 1956, much focus has been on the issue of pressure testing pipelines installed between January 1, 1956 and July 1, 1961.

In June 2011, the CPUC directed SoCalGas, SDG&E, PG&E and Southwest Gas to file comprehensive implementation plans to test or replace natural gas transmission pipelines located in populated areas that have not been pressure tested.

The California Utilities filed their Pipeline Safety Enhancement Plan (PSEP) with the CPUC in August 2011. The total estimated cost for Phase 1 of the two-phase plan is \$1.6 billion for SoCalGas over the 10-year period of 2012 to 2022.

Additionally, in April 2012, the CPUC issued a decision expanding the scope of the rulemaking proceeding to incorporate the provisions of California Senate Bill (SB) 705, which

requires gas utilities to develop and implement a plan for the safe and reliable operation of their gas pipeline facilities. SoCalGas submitted its pipeline safety plans in June 2012.

California Senate Bill (SB) 291, enacted in October 2013, requires the CPUC to develop and implement a safety enforcement program that includes procedures for monitoring, data tracking and analysis, and investigations, as well as delegating citation authority to CPUC staff personnel under the direction of the CPUC Executive Director. In exercising the citation authority, the CPUC staff will take into account voluntary reporting of potential violations, voluntary resolution efforts undertaken, prior history of violations, the gravity of the violation, and the degree of culpability.

#### *Underground Gas Storage*

In July 2017, the California Public Utilities Commission (CPUC) and Department of Conservation, Geologic Energy Management Division (CalGEM, formerly DOGGR) announced that the Aliso Canyon natural gas storage facility in Los Angeles County could reopen at greatly reduced capacity. This decision followed months of rigorous inspections, testing and engineering analyses, and the implementation of new safety protocols at the facility operated by SoCalGas. The robust oversight is to ensure the protection of the public and environment following a major methane gas leak that began in October 2015 and was halted after four months. In consultation with nationally recognized experts from the Lawrence Livermore, Lawrence Berkeley, and Sandia National Laboratories, CalGEM completed a comprehensive safety review of the 114 wells at the facility.

On September 28, 2021, CalGEM released pre-rulemaking discussion draft regulations for underground gas storage facilities consistent with the requirements of Senate Bill 463 (Stern, 2019). Senate Bill 463 requires that the operator of a gas storage well provide a complete chemical inventory of the materials, of any phase, that may be emitted from the gas storage well in the event of a reportable leak. This inventory must include any well kill fluids within 5 days of their use in a leaking gas storage well and must be regularly updated on a well-by-well basis as chemicals are used in and around the well. In addition, these regulations identify specific mitigation activities, including cathodic protection, well specific well control plans, and the reporting of off-normal occurrences, that are responsive to the root causes of the Aliso Canyon well leak in 2015.

Public comment on these regulations can be submitted through November 12, 2021. Commenters are encouraged to identify concerns, provide information on potential economic impacts, and suggest alternatives to the proposals. Discussion Draft & Public Notice: <https://www.conservation.ca.gov/index/Pages/rulemaking.aspx>

### **Notable Incidents**

#### *Aliso Canyon Incident*

The Aliso Canyon storage facility has been operated by SoCalGas since 1972 and represents 63 percent of SoCalGas' owned natural gas storage capacity. On October 23, 2015, SoCalGas, the owner of Aliso Canyon, discovered a leak in a well at the field. After seven failed attempts, SoCalGas stopped the leak on February 12, 2016. The well was then plugged and abandoned. During the nearly four months the leak lasted, more than 8,300 nearby households were evacuated, and those exposed to the gas reported headaches, dizziness, and respiratory problems.

Various governmental agencies, including CalGEM (then DOGGR), Los Angeles County Department of Public Health (LA County DPH), SCAQMD, CARB, CPUC, U.S.EPA, the Los Angeles District Attorney's Office and the California Attorney General's Office, investigated this incident. On January 25, 2016, DOGGR and CPUC selected Blade Energy Partners to conduct an independent analysis under their supervision and to be funded by SoCalGas to investigate the technical root cause of the Aliso Canyon leak. An extensive root-cause analysis was developed and determined that the leak was the result of corrosion and metal loss, which caused the underground metal tubes to crack. Gas escaped through the cracks and made its way to the surface. CARB determined that at least 109,000 metric tons of methane, a potent GHG, were released as a result of the leak. This is the nation's largest natural gas leak. SoCalGas spent more than \$1 billion on the blowout — with most going to temporarily relocate 8,000 families. The utility has faced more than 385 lawsuits on behalf of 48,000 people.

Senate Bill 380 (SB 380), approved by Governor Brown on May 10, 2016 continued the moratorium on injecting natural gas into the Aliso Canyon gas storage facility, required the DOGGR to complete a gas storage well comprehensive safety review (safety review), and the CPUC to determine the feasibility of minimizing or eliminating use of the Aliso Canyon natural gas storage facility while still maintaining energy and electric reliability for the region.

On August 8, 2018, SoCalGas announced a settlement agreement with the Los Angeles City Attorney's Office, the County of Los Angeles, the California Office of the Attorney General, and CARB to resolve all outstanding claims by those government bodies against the company related to the 2015-2016 natural gas leak at the Aliso Canyon natural gas storage facility. Under the \$119.5-million settlement, the utility will pay civil penalties along with \$25 million for the long-term health study and \$26.5 million for GHG emissions projects, reimburse the city, county and state governments for costs associated with their response to the leak.

The \$26.5 million will be disbursed as loans to the mitigation project developer. Those loans and interest will then be ultimately directed into (1) the Aliso Canyon Recovery Account created by Senate Bill 801 (2017, Stern), where they can be allocated by the Legislature to pay for further mitigating impacts on local air quality, public health, and ratepayers resulting from the well failure at Aliso Canyon; and (2) the Aliso Canyon Supplemental Environmental Projects Fund. The remaining \$93 million of the total settlement will be directed as follows:



- \$45.4 million to the Aliso Canyon Supplemental Environmental Project Fund run by the City of Los Angeles (City), Los Angeles County (County) and the California Attorney General's Office
- \$21 million in penalties for the City, the County, and the Attorney General's Office
- \$19 million for CARB, the City, the County, and the Attorney General's Office to cover their leak response and litigation costs.
- \$7.6 million held in reserve for mitigation, if needed.

The mitigation portion of the settlement will provide for new investment in the San Joaquin Valley and its disadvantaged communities, as well as the jobs and business opportunities that come with this type of investment. By putting the methane into a pipeline instead of burning it on-site for electrification, as is now done with some dairy methane, the settlement will also avoid localized NOx emissions generated by using the biomethane for electrical generation.

On September 27, 2021, SoCalGas announced the company has entered into a settlement agreement with total payments of up to \$1.85 billion that will compensate 35,000 plaintiffs related to the 2015 Aliso Canyon natural gas storage facility leak. The agreement is subject to about 97% of plaintiffs accepting it and could be reduced if fewer agree. Settlement costs will not be borne by ratepayers.

An in-depth review can be found in the council file for Council Motion 15-1380-S12.

***Other incidents of note:***

***Hyde Park/Brynhurst Ave Explosion***

In Council District 8 on September 6, 2017 there was a natural gas explosion from SoCalGas lines at Hyde Park/Brynhurst Ave. The explosion at a vault blasted out a chunk of the street and threw approximately four inches of concrete, three inches of asphalt and hundreds of pounds of metal manhole covers into the air. No injuries were reported, but vehicles parked on the street were damaged. Residents said it felt like an earthquake and smelled bad like petroleum. Los Angeles Fire Department (LAFD), Los Angeles Department of Water and Power (LADWP) and SoCalGas Crews responded. Following the explosion, an unusually high level of natural gas was detected in the neighborhood on September 7. Brynhurst was closed to traffic from 63rd to Hyde Park and residents were advised to remain inside until the situation could be addressed.

Per SoCalGas, the subsurface readings indicated the need to isolate and pressure test a four-inch gas line. On September 12, SoCalGas Crews began isolating and replacing approximately 150 feet of the line regardless of the pressure test results. SoCalGas also installed multiple venting tubes in the surrounding areas. CPUC performed on site monitoring and testing of the replacement work.

***Westside Odorant Spill***

In Council District 5 on November 29, 2017, around 9:10 pm reports began coming in about a possible gas leak at the intersection of Pico Boulevard and Overland Avenue. SoCalGas

sent crews to investigate and LAFD also responded. Local residents were advised to close their doors and windows until the source could be identified. Cheviot Hills, Rancho Park and Palms were among the areas where the odor was strong. There was a large amount of confusion and concern related to the odor and many residents were alarmed and wanted information.

On November 30, 2017, SoCalGas determined that the strong gas odor that was detected across a large portion of the Westside for hours was not a gas leak but resulted from a spill of a gas odorant (Mercaptan) from a tank at Hillcrest Beverly Oil Corp, at 10460 West Pico Boulevard. SoCalGas operates equipment at this oil and gas facility to odorize the natural gas produced there and from two other drill site facilities (the Hillcrest Country Club and West Pico) before it enters the natural gas pipeline system.

The cause of the leak was due to a pump failure on the odorant tank. Approximately 1-2 gallons of liquid odorant spilled from the pump unit and SoCalGas' analysis points to an internal valve failure that resulted in liquid odorant entering the pump's exhaust system.

On April 10, 2018, SoCalGas installed a new odorant pump system. The replacement pump is an upgraded model containing an additional valve designed to help prevent odorant from escaping in the future. An in-depth investigation of this incident can be found in the council file for Council Motion 17-0149-S1.

## **Safety**

These incidents have highlighted the importance of safety, communication and interagency coordination. SoCalGas' pipeline franchise application provided the additional in-depth information on Safety and Public Awareness as well as recent City coordination efforts:

### **Safety and Public Awareness Programs**

SoCalGas maintains the integrity of their system through the implementation of the following:

- Each year SoCalGas provides to the CPUC its Gas Safety Plan to enhance public awareness and summarize its overarching strategy and approach to safety
- The Company operates a public awareness program to cover all their gas pipelines, storage wells and reservoirs, and associated facilities. The following plan addresses the communications requirements of 49 CFR 192.12 and 192.616, Public Awareness, including the general program recommendations noted in the first edition of API RP 1162 and API RP 1171. Where there may be variances, the rationale is provided as to why certain provisions of the recommended practice are not practicable and/ or provide very limited value to safety. SoCalGas also includes in its Public Awareness Program provisions for familiarizing its employees with its public education objectives. Information and material used by the Company are made available to employees to promote gas pipeline and storage wells and reservoirs education in their day-to-day activities as well as in their communities.

In accordance with General Order 112-F and, by incorporation, 49 CFR Part 192, SoCalGas has implemented and follows policies, procedures and programs that govern the design, construction, testing, installation, operation, maintenance, and determination of maximum

allowable operating pressure for gas transmission and distribution facilities. These policies, procedures and programs are updated in a timely manner as appropriate in response to changes in regulation, safety advisories, and other safety information. These policies, procedures and programs have been developed to comply with the code requirements (49 CFR Part 192 Subparts B-M) for Design, Construction, Installation, Maintenance and Operations.

In addition, SoCalGas has created a dedicated safety management system (SMS) organization that goes beyond pipeline safety and is based on their 7 Safety Values (Leadership Commitment, Risk Management, Employee & Stakeholder Engagement, Competence, Awareness & Training, Emergency Preparedness & Response, Safety & Compliance Assurance, and Continuous Improvement). The adoption and implementation of SMS is reflected in the SoCalGas Safety Plan. Per the CPUC's direction, updates to the Company's Gas Safety Plan since the previous submission in 2019 and are reflected in the 2020 report

(<https://www.socalgas.com/sites/default/files/2020%20SCG%20Gas%20Safety%20Plan%20Final.pdf>) and are expected to be part of SoCalGas' upcoming 2021 report.

#### **Coordination with the City on Public Safety**

The City is grateful for the existing cooperation between the City and SoCalGas through the City's Emergency Operations Center (EOC). SoCalGas Emergency Management has a longstanding and ongoing relationship with the City's EOC. Over the years, SoCalGas participated in numerous emergency preparedness meetings, training events, and exercises as recently as 2019 and 2020. Some of the examples are:

- Preparedness meetings with Robbie Spears and Gina Wu (who left in 2020)
- Participated in Incident Command System (ICS) training
- Supporting a gas emergency exercise in cooperation with Councilmember Bob Blumenfeld's Office

*Note: The Company's interaction with the City was heavier in 2019 and early 2020 but was altered in response to prevailing COVID-19 health and safety protocols. SoCalGas intends to reengage with the City's EOC and has plans underway to coordinate outreach efforts before year end.*

SoCalGas has staff dedicated to working with the state's Certified Unified Program Agency (CUPA) hazmat manager under fire prevention. CUPA is a local agency certified by CalEPA to implement and enforce six state hazardous waste and hazardous materials regulatory management programs. To date, SoCalGas' interaction with this agency has been around reportability, storage facilities, and the gas system. Below are a few examples of SoCalGas recent interaction:

- Attended and supported the annual CUPA conference
- Participated in a meeting and helicopter tour of Aliso Canyon that included Royce Long, LAFD Chief, and a state environmental representative
- Discussed reportability triggers and requirements, gas safety

Further in response to questions regarding emergency response, much of this activity understandably goes through the City's fire department. However, SoCalGas also coordinates with LAPD through its own Corporate Security Division.

More examples of SoCalGas' Public Safety interactions with the City:

#### First Responder

- May 2021- SoCalGas' Playa Del Rey (PDR) Storage and Emergency Management team hosted a tour of PDR for the West Bureau Chief Armando Hogan and his command team. This is part of an outreach program that is done annually wherein SoCalGas provides gas safety information about its system. These meetings are generally conducted in-person (COVID-19 has forced a temporary transition to email and virtual "Teams or Zoom" platforms). The purpose of the program is to share emergency information and response practices and to strengthen SoCalGas' relationships with LAFD and other public safety agencies.
- Feb. 2020- Conducted a broken and blowing scenario with the LAFD Valley Bureau that included multiple fire stations and was put on by SoCalGas' Saticoy-based operations teams.
- May 2019- Local SoCalGas Operations and Emergency Management participated in LAFD Mandeville Canyon evacuation drills.

#### Storage Drills

- A newly formed scenario-based program that exercises the Company's Response Plan and Procedures annually. The program also allows first responders the opportunity to observe or participate in the scenario.
- Since its inception, LAFD has engaged in two of the three years (In 2020, one was not required due to COVID-19).
- In 2019, the Valley Bureau Fire Operations participated in Aliso Canyon, and 2021 West Bureau Fire Operations participated in PDR.

#### Fire Prevention and Petroleum Administrator

- SoCalGas team members (Storage, Regional Public Affairs, and Emergency Management) participated in several meetings with the CUPA manager and Petroleum Administrator Office to discuss storage-related information as recently as 8/19/20.
- Emergency Management has had numerous conversations and continuous communications with the CUPA manager and his team on reportability.

### **Southern California Gas Company Franchise Expiration**

In 1992, the City adopted Ordinance No. 168164 to grant the SoCalGas a 20-year pipeline franchise to install, construct, replace, reconstruct, repair and retain its gas system in streets located in the City, including the maintenance and operations. The City extended the Franchise agreement year by year without changes until a new agreement could be negotiated. It currently expires December 31, 2021.



Renegotiating the SoCalGas Franchise Ordinance was no simple matter. The complexity of any renegotiation of the SoCalGas Franchise Ordinance increased as a result of the California Supreme Court setting forth a two-part test in *Jacks (Rolland) et al. v. City of Santa Barbara*, which considered arguments for and against to determine if an increase in the utility bill was effectively “a tax subject to Proposition 218’s voter approval requirement or a franchise fee that may be imposed by the City without voter consent?”

The two-part ruling requires parties to (1) engage in good faith negotiations, and (2) specifies that the franchise fee must be “reasonably related to the value of the franchise and cannot “exceed any reasonable value of the franchise.”

With the assistance of the staff of the Office of the City Administrative Officer (CAO), the Office of Petroleum and Natural Gas Administration and Safety (OPNGAS), released a Valuation Study solicitation on August 13, 2020. Alvarez & Marsal (A&M), responded by the due date and was under contract by April 21, 2021. The required independent valuation of the SoCalGas franchise was completed in early August 2021. With the valuation complete, negotiations began.

### **Negotiations**

The pre-negotiations team was comprised of City staff from OPNGAS, the CAO, the Board of Public Works, the Office of the Chief Legislative Analyst (CLA), the City Attorney’s Office, and the Mayor’s Office.

The City negotiation team was comprised of the Petroleum Administrator and City Administrative Officer Matt Szabo with support from respective office staff and additional assistance from the City Attorney’s Office, the Office of Public Accountability, the Mayor’s Office, Risk Management, Streets LA and the Bureau of Engineering.

A series of 14 meetings were held with the SoCalGas team that included the President of SoCalGas Maryam Brown, the Vice President of Communication, Local Government and Community Affairs for SoCalGas, Andy Carrasco and several consultants. There were also numerous other subject specific meetings held with varying team members.

### **Franchise Terms**

#### **Term**

Thirteen years, plus one eight-year extension.

No later than July 1, 2034, the City Petroleum Administrator and City Administrative Officer will report to the Council and Mayor with a recommendation for continuation or termination of the Franchise. The report shall present a City customer analysis (number, types and forecast of future energy needs), the effects of any newly implemented policies, SoCalGas progress towards its 2045 decarbonization goals, City progress toward 2035 climate goals,

the biannual franchise compliance reports, and any franchise compliance or other relevant issues. Council may void the renewal for the secondary term upon consideration of the report.

### **Franchise Payment**

Per the Franchise Act of 1937, the compensation options applicable to general law municipalities under state law are either the two percent (2%) of gross annual receipts derived from the use, operation or possession of the franchise (also known as the Broughton Act formula), or a minimum of one percent (1%) of gross annual receipts from the sale, transmission, or distribution of gas within the limits of the municipality (otherwise known as the "2%/1%" formula). However, state law imposes no cap on the franchise fees that Charter Cities such as Los Angeles can charge their natural gas suppliers (California Public Utilities Code Sections 60001.5, 6006, and 6231) and the City is permitted to negotiate franchise fees in excess of the statutory formulas set forth in the Act. In the 1992 Franchise, the City negotiated a fee equal to 2% of the gross revenue.

The new Franchise payment for the City will increase from the current 2% to 5.5%. The 3.5% increase will be a surcharge payable by City of L.A. customers, except for CARE customers. This surcharge is subject to final CPUC approval being obtained. Several other Charter Cities and Municipalities have gas franchise fees higher than 2%:

#### **In California**

- Alhambra 4%
- San Diego 3% Gas Franchise, 4.5% Electric Franchise (1.15% included in base rates, and 3.35% in the municipal undergrounding surcharge)
- Long Beach 3%
- Huntington Beach 3%
- Ventura 3%
- Visalia 3%

#### **Out of state**

- Eugene, Oregon 5% \* May 2021 Negotiations had stalled.
- Houston, Texas 5%
- Lubbock, Texas 5%
- Amarillo, TX 5%
- Miland, TX 5%
- Odessa, TX 5%
- Pasadena, TX 4% Residential, Commercial and Industrial, \$0.07 per Mcf for Transportation

Surcharge Approval: To modify surcharges, rates or tariffs, state utilities must write an advice letter requesting approval by the California Public Utilities Commission (CPUC). The CPUC approves advice letters allowing a minimum of 20 days for protest before an advice letter is finalized.

### Recent Charter City Approvals

Charter City	Application Date	CPUC Approval Date	Approval Timeline	Notes
San Diego	May 14, 2002	December 19, 2002	7 months	Protest filed June 2002
Ventura	March 13, 2007	April 27, 2007	6 weeks	
Huntington Beach	July 7, 2010	December 2, 2010	6 months	Protest filed July 27, 2010
Visalia	October 31, 2012	December 10, 2012	6 weeks	
Long Beach	October 18, 2018	November 6, 2018	4 weeks	

As stated above, the increase in franchise fee will not be applied to customers in the California Alternate Rates for Energy (CARE) program for low-income customers.

### **CARE**

The California Alternate Rates for Energy (CARE) Program is offered by all four California investor-owned utilities (IOUs) (Pacific Gas and Electric Company, Southern California Edison, San Diego Gas & Electric, and Southern California Gas Company) and provides a monthly discount on energy bills for income-qualified households and housing facilities. The CARE discount for income eligible customers is funded through a rate surcharge paid by all other utility customers (non-CARE customers). Section 739.1 of the Public Utilities Code discusses the CARE program. SoCalGas administers the program under the auspices of the California Public Utilities Commission (CPUC).

### **CARE Subsidy Budget**

The CPUC approved \$1.3 billion for the 2015 CARE program year (Decision 14-08-030) and \$641 million each for the first and second halves of the 2016 CARE program year (Decisions 15-12-024 and 16-06-018, respectively) in bridge funding. SoCalGas' portion was \$147,508,850 in 2015 and \$147,633,640 in 2016.

In 2019, SoCalGas' CARE customers and CARE Expansion customers (i.e., farm and migrant workers and those living in non-profit group living facilities or agricultural housing) received \$130,811,185 in natural gas rate discounts and \$3,161,670 in Service Establishment Charge (SEC) discounts in Program Year (PY) 2019. The PY2019 annual subsidy for all SoCalGas CARE customers was \$133,972,855.

In 2020, SoCalGas' CARE customers and CARE Expansion customers received \$147,661,424 in natural gas rate discounts and \$2,963,228 in SEC discounts in PY 2020. The PY2020 annual subsidy for all SoCalGas CARE customers was \$150,624,652.

*Note: On May 22, 2020, SoCalGas filed Advice Letter (AL) 5604-B supplementing additional emergency disaster relief protections in SoCalGas' service territory in response to the COVID-19 emergency. PY 2020 was over the annual authorized budget due to COVID impact, but still within overall 2017-2020 cycle budget.*

Historical monthly and annual budget reports can be found at  
(<https://liob.cpuc.ca.gov/monthly-annual-reports/#>)

The most recent CARE decision (D.21-06-015) approved budgets for 2021-2026  
(<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M387/K458/387458900.pdf>).  
SoCalGas aims to maintain or exceed the 90 percent participation goal.

**SoCalGas CARE Budget 2021-2026**

2021: \$138,389,984  
2022: \$139,583,569  
2023: \$140,801,916  
2024: \$142,032,348  
2025: \$143,264,981  
2026: \$144,495,405  
Total: \$848,568,203

**CARE Eligibility Criteria**

If the total household income is at or below the income limits below, the household is eligible for the CARE program. Income limits are effective June 1, 2021 to May 31, 2022.

**CARE Income Guidelines**

Household Size	Income Eligibility Upper Limit
1-2	\$34,840
3	\$43,920
4	\$53,000
5	\$62,080
6	\$71,160
7	\$80,240
8	\$89,320
Each Additional Person	\$9,080



There may also be CARE eligibility if there is enrollment in public assistance programs such as:

- Medicaid/Medi-Cal
- Women, Infants and Children Program (WIC)
- Healthy Families A & B
- National School Lunch's Free Lunch Program (NSL)
- Food Stamps/SNAP
- Low Income Home Energy Assistance Program (LIHEAP)
- Head Start Income Eligible (Tribal Only)
- Supplemental Security Income (SSI)
- Bureau of Indian Affairs General Assistance
- Temporary Assistance for Needy Families (TANF) or Tribal TANF

Enrollment information can be found at <https://www.cpuc.ca.gov/care/>

### **Municipal Surcharge**

Per the Public Utilities Code (Chapter 2.5. Municipal Public Lands Use Surcharge), "Transportation customers" are defined as every person, firm, or corporation transporting gas or electricity on an energy transporter's transmission or distribution system, or both, when the gas or electricity was purchased by the transportation customer from a third party. A transportation customer who receives transportation service on a natural gas or electric transmission or distribution system, or both, subject to a franchise agreement from an energy transporter shall be subject to a surcharge.

This municipal surcharge is to increase from the current 2% payment to 4% except for CARE customers, and will be collected and remitted by SoCalGas on behalf of the City.

### **Most Favored Nation (MFN)**

The City of Los Angeles will receive a MFN clause. An MFN clause allows a municipality to consider increasing franchise fees if the franchise utility company agrees to pay another municipality higher fees. This clause ensures that the City can collect maximum franchise fees and surcharges throughout the agreement term, including any term extensions.

### **Street Damage and Restoration Fee (SDRF)**

Compliance with SDRF shall be required on the first day of the term. The 5.5% franchise payment paid to the City shall be discounted by the amount paid in SDRF. Any SDRF fees paid by SoCalGas, except with respect to new business and/or upgrades, shall be credited against (i.e. reduce on a dollar for dollar basis) the franchise fee payment obligation, for each quarter (i.e. for each payment period).

City and SoCalGas will use good faith efforts to mitigate the financial impact of the SDRF on the residents of the City, including, but not limited to, cooperating in applying for, and planning for the application of, statutory exemptions to the SDRF.

### **Compliance**

The City will fund from franchise payments biannual franchise compliance reports to be issued to the Mayor and Council and has developed the following plan:

#### ***OPNGAS Compliance Plan***

1. Every 2 years OPNGAS plans to hire an independent 3rd party auditor to
  - a. Verify compliance with the franchise terms
  - b. Review relevant scientific and technical information
  - c. Follow-up on the Aliso Canyon commitments/Consent Decree Settlement Agreement (Methane Mitigation Fund, Fenceline monitoring, long term health study, storage capacity and usage) and any State action (CPUC, Governor's orders, etc.) to close the natural gas storage facility
  - d. Summarize any recent incidents or accidents
  - e. Create a written report
2. Provide these biennial reports and recommendations for use prior to the term extension
3. This will be in addition to OPNGAS' transparency program's review of interagency compliance records and violations issued for the gas storage fields (Aliso Canyon and Playa Del Rey)

This is estimated to cost approximately \$250,000 biannually.

### **Indemnification and Risk Management**

The goal of Indemnification and Risk Management is to ensure that City-related interests are adequately protected from both franchise operations and related regional operations of SoCalGas (i.e. surrounding pipelines and storage facilities).

- **Indemnification-** The City CAO Risk Manager has standard provisions for indemnification and insurance requirements including "defend, indemnify and hold harmless City and any of its boards, officers, agents, employees, assigns, and successors in interest from and against all lawsuits and causes of action, claims, losses, demands and expenses"
- **Environmental Pollution Policy-** CAO Risk Management in 2016 recommended that all pipeline franchises have sudden and gradual pollution/environmental pollution liability insurance. The purpose is to ensure that citizens are protected from catastrophic events, such as earthquakes or explosions and cumulative effects such as small insidious leaks from aging pipelines. The recommendation has been for \$25 million for SoCalGas.
- **Insurance reassessment-** Due to the length of the term there is also a clause for an Insurance reassessment every 5 years.

### **Emissions Monitoring, Leak Detection and Repair**

SoCalGas will agree to provide copies of documents required to be filed with state agencies and that are publicly available. City shall receive copies of reports, including pressure tests, when such reports are publicly available.

SoCalGas will install and operate air monitors at major facilities. Major Facilities mean critical operating assets located in the franchise territory that sustain gas transmission infrastructure performance, such as storage fields and compressor stations and include the Playa Del Rey storage facility and the Sylmar Compressor Station. There will also be a public facing data

webpage as is done at Aliso Canyon (<https://sem.secmcs.com/MethaneMonitoring/>). Aliso Canyon currently has daily scanning of each well using sensitive infrared thermal imaging cameras that can detect leaks. The infrared methane-monitoring system is composed of eight infrared sensors strategically located near or along the southern border of the facility, or "fence-line." These sensors are being continuously monitored 24 hours a day, seven days a week by trained staff in the SoCalGas operations center.

#### **Infrastructure Disclosure**

SoCalGas will agree to provide copies of documents that are filed with state agencies as required and are publicly available, upon request by the City. SoCalGas will also continue to provide locational data consistent with current practice for specific City and SoCalGas projects for informational purposes.

SoCalGas will separately provide information regarding its use of Mercaptan, which is in compliance with 49 CFR § 192.625 (Odorization of gas) as well as SoCalGas' CPUC-approved tariff Rule No. 30 (Gas Delivery Specifications).

#### **Improving Resilience in Natural Disasters**

The City and SoCalGas will continue to coordinate and share information for accurate emergency preparedness planning and response.

#### **Climate Impact Mitigation**

SoCalGas shall provide the City with a shareholder-funded payment of \$21 million for the \* **franchise so that the City \* can ~~to~~** establish a Climate Equity Fund, payable in two equal installments as follows; \$10.5 million within 30 days of effectiveness of initial term and \$10.5 million within 30 days of effectiveness of secondary term. SoCalGas shall not apply to the CPUC to recover such amounts in rates or other charges from gas customers.

SoCalGas will meet annually with the City to report on progress towards its decarbonization plans, that aspire to achieve net zero greenhouse gas emissions in their operations and delivery of energy by 2045. SoCalGas has set a net zero target that includes scopes 1, 2, and 3 GHG emissions (reduction of the Company's direct emissions and those generated by customers from energy delivered by SoCalGas's energy infrastructure).

#### **Pipeline Application**

SoCalGas complied with the Los Angeles Admin Code Division 13 "Procedures for the granting of Franchises, Permits and Privileges" and the OPNGAS "Checklist Pipeline Franchise Applicants" Procedures to request a new franchise. On October 8, 2021 the cover letter, application fee (\$6,000), and supporting documentation to complete the application were received and reviewed by the OPNGAS.

## FISCAL IMPACT STATEMENT

Approval of the proposed franchise between the City and SoCalGas is expected to bring in approximately \$40 million per year.

FC/EB:

Respectfully Submitted by:



DR. FERNANDO CAMPOS  
Executive Officer, Board of Public Works



ERICA BLYTHER  
Petroleum Administrator  
Board of Public Works, OPNGAS

For questions regarding this report, please contact:  
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An ordinance replacing and terminating the gas franchises granted to Southern Counties Gas Company by Ordinance No. 137,243, and to Southern California Gas Company by Ordinance No. 137,244; and, the pipeline franchise granted to Southern California Gas Company by Ordinance No. 158,365; and, granting a gas system franchise in the City of Los Angeles to Southern California Gas Company and requiring grantee to collect, on behalf of the City, a fee on all gas transported for its transportation services customers.

WHEREAS, recent state and federal deregulation of the natural gas industry have allowed gas utilities to transmit or distribute gas purchased by others, commonly referred to as transportation service customers, and charge only a transportation fee which reduced the revenues of the gas utility and the corresponding franchise fee paid to the City on the revenues collected by the gas utility;

WHEREAS, the City has advertised for bids for a gas system franchise for a term of 21 years and other specific conditions and has received at least one bid for the franchise;

WHEREAS, the granting of a gas system franchise for the use of existing structures or facilities involving negligible or no expansion of use is hereby determined to be exempt from the requirements of the California Environmental Quality Act (CEQA), Public Resources Code Section 21000 et. seq., and by Article 7, Class 1, Section 14 of the City Guidelines;

WHEREAS, the requirements of CEQA as to the installation or construction of new facilities which are not exempt will be satisfied by compliance with CEQA through the review of such projects by the Department of Public Works in accordance with the City's Guidelines, as modified from time to time; and,

WHEREAS, at its meeting duly and regularly held on August 4, 1992, the Council of the City of Los Angeles accepted the bid of Southern California Gas Company for a gas system franchise within the City of Los Angeles, and said franchise was struck off, sold and awarded to Southern California Gas Company at the compensation set forth in said bid;

NOW, THEREFORE, THE PEOPLE OF THE CITY OF LOS ANGELES DO ORDAIN AS FOLLOWS:

A gas system franchise is granted to Southern California Gas Company, as follows:

#### SECTION 1. DEFINITIONS

Unless it is apparent from the context that it has a different meaning, each of the following words and phrases has the meaning stated wherever it is used in this franchise, that is:

**ADJUNCT COMMUNICATIONS LINE:** Any facility such as coaxial cable, optical fiber, wire or other transmission lines or forms of transmission, and associated equipment and devices located in, upon, along, across, under or over the streets of the City, the sole function of which is to monitor or control the operation or safety of the gas system facilities via the distribution of video, audio, voice or data signals. An adjunct communications line shall not include any facility which distributes, through any means, to subscribers or persons other than grantee, the signal of one or more broadcast television or radio stations or other sources of video, audio, voice or data signals for a length in excess of 1,000 feet.

**BOARD:** The Board of Transportation Commissioners of the City which has the powers and duties relating to franchises vested in it by the City Charter, Ordinance No. 58,200 and other ordinances of the City.

**BOARD OF PUBLIC WORKS:** The Board of Public Works of the City, or where appropriate, another governmental agency or department of the City or of the County or State, to the extent that it may have jurisdiction over construction and excavation in the street.

**CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA):** Section 21000 et. seq. of Division 13 of the California Public Resources Code and the City Guidelines.

**CITY:** The City of Los Angeles of the State of California, in its governmental capacity.

**COUNCIL:** The Council of the City.

**DEPARTMENT OF TRANSPORTATION:** The Department of Transportation of the City.

**FRANCHISE PROPERTY:** All property retained by the grantee in a street under authority of this franchise.

**GAS SYSTEM:** Gas distribution, transmission and storage facilities composed of, but not limited to pipe, pipeline, main, service, cathodic protection equipment, trap, vent, vault, manhole, meter, gauge, regulator, valve, conduit, cable, adjunct communications line, appliance, attachment, appurtenances and any other property located or to be located in, upon, along, across, under or over the streets of the City, and used or useful in the business of transmission, distribution and storage of gas.

**GRANTEE:** The person or corporation granted this franchise by the Council, or any person or corporation to which it may thereafter be lawfully transferred and which has filed with the Board an acceptance, bond and insurance as required in Sec. 2 and Sec. 6 of this franchise.

**PIPELINE CODE:** The federal, state and local laws (and the regulations adopted thereunder) to the extent applicable to Grantee's gas system including, but not limited to, Public Utilities Commission of the State of California General Order No. 112-D, entitled "Rules Governing Design, Construction, Testing, Maintenance and Operation of Utility Gas Gathering, Transmission, and

Distribution Piping Systems." and/or the U.S. Code of Federal Regulations, Title 49, sub-chapter D, Parts 190 through 195, and the Municipal Code of the City, as revised from time to time.

PUBLIC UTILITIES COMMISSION (PUC): That body created by the State Constitution Article XII Sec. 1 and given jurisdiction over Public Utilities by the State Legislature.

STREET: The surface of, and the space above and below, any public street, road, highway, freeway, lane, alley, court, sidewalk, parkway, river, other public place, or any other area under control of the City, now or hereafter existing as such within the City, except the Harbor District, as such district is defined in the City Charter.

VALUE OF TRANSPORTED GAS: The value of gas which Grantee transmits or distributes, but does not sell, for its transportation service customers shall be equal to the cost, or other basis used to determine the value, of such gas used by the City for purposes of calculating a sales or users tax upon such gas, or, in the absence of such basis, shall be deemed to be the core subscription weighted average cost of gas purchased by Grantee as reported to the PUC.

## SECTION 2. FRANCHISE GRANT

Section 2.1 - NATURE AND EXTENT OF GRANT. This franchise authorizes Grantee:

- (a) To install, construct, replace, reconstruct, repair and retain in City streets its gas system.
- (b) To maintain and operate said gas system.
- (c) To engage in the business of the transmission and distribution of gas to customers within the City of Los Angeles.

Sec. 2.2 - DURATION OF GRANT. This franchise shall be effective as of January 1, 1992, provided Grantee has filed with the Board within twenty (20) days after publication of this Ordinance a written instrument addressed to the Council accepting this franchise and agreeing to comply with all its provisions. The franchise shall expire December 31, 2012, unless Grantee shall surrender or abandon same or unless terminated by ordinance in the event: (a) the Grantee fails to comply with any material provision hereof, (b) any material provision hereof becomes invalid or unenforceable or, (c) the City purchases all of the franchise property of the grantee as provided in the City Charter. The Grantee shall be given 30 days written notice prior to the beginning of any termination proceedings.

Sec. 2.3 - SURRENDER OF OTHER FRANCHISES. Upon the effective date of this franchise, all other franchises of the Grantee within the City shall be abandoned or surrendered to the extent of any rights of the nature granted

herein and the portions of the gas system authorized by them shall be included under this franchise. Upon annexation to the City of any additional territory, all franchise rights owned by the Grantee in such territory shall be surrendered and the terms of this franchise shall apply.

### SECTION 3. CONSTRUCTION OF FRANCHISE

Sec. 3.1 - INTERPRETATION. Unless otherwise specifically stated the following provisions shall govern the interpretation and construction of this franchise.

- (a) The singular number includes the plural, and the plural number includes the singular.
- (b) The Grantee shall not be relieved of its obligation to promptly comply with any provision of this franchise by failure of the City to enforce prompt compliance.
- (c) Any right or power conferred, or duly imposed upon any officer, employee, department, or board of the City, may be legally transferred to any other officer, employee, department or board of the City.
- (d) The Grantee shall have no recourse whatsoever against the City for any loss, cost, expense, or damage arising out of any provision or requirement of this franchise or its enforcement by the City.
- (e) This franchise does not relieve the Grantee of any requirement of the City Charter or of any ordinance, rule, regulation or specification of the City, including, but not limited to, any requirement relating to street work, street excavation permits, or the use, removal or relocation of property in streets, except as specifically prescribed herein.
- (f) The granting of this franchise or any of the provisions contained herein shall not be construed to prevent the City from granting any identical or similar franchise to any person or corporation other than the Grantee.
- (g) The compensation provided for in this franchise is for (i) the rights and privileges granted by this franchise, and (ii) the right and privilege of using, opening and excavating within the streets of the City by Grantee in the course of installing, maintaining or removing facilities and equipment pursuant to this franchise; furthermore, the City expressly reserves the right to impose and collect from Grantee, on a non-discriminatory basis, processing and inspection fees from street cutting and excavation permits to the extent such fees are imposed generally on all non-governmental applicants for such permits within the City and the amount of such fees does not exceed the actual expense to the City of processing such permits and inspecting the work done thereunder; and, the City further reserves the right to impose upon grantee a business license tax, on a non-discriminatory basis, based upon the gross receipts of grantee derived from the sale of gas within the

City, so long as such tax does not exceed the lowest mercantile rate in effect at the time such tax is imposed on Grantee. Grantee shall not itself seek and shall oppose, in good faith, any attempt by others to impose a surcharge to residents of the City on account of a business license tax imposed under this section.

- (h) Any activities or uses of the gas system not specifically authorized under this franchise are prohibited under this franchise. Any proposed telecommunication or other non-gas system uses must be approved by the City under a separate franchise.

#### Sec. 3.2 - LIMITATIONS UPON GRANT.

- (a) No privilege or exemption is granted or conferred by this franchise except those specifically prescribed herein.
- (b) Any privilege claimed under this franchise by the Grantee in any street shall be subordinate to any prior lawful occupancy of the street.
- (c) This franchise is a privilege to be held in personal trust by the original Grantee. It cannot in any event be transferred in part, and it is not to be sold, transferred, leased, assigned, or disposed of as a whole, either by forced sale, merger, consolidation, or otherwise, without prior consent of the City expressed by ordinance, and then only under such conditions as may be therein prescribed; provided, however, that no such consent shall be required for any transfer in trust, mortgage, or other hypothecation, as a whole, to secure an indebtedness.
- (d) If any provision of this franchise, or the application thereof to any person or circumstance is held invalid, the remainder of the franchise, or the application of such provision to other persons or circumstances, shall not be affected.

Sec. 3.3 - RIGHTS RESERVED TO CITY. There is hereby reserved to the City every right and power which is required to be reserved or provided by any provision of the Charter of the City or of the Franchise Procedure Ordinance of the City, Ordinance No. 58,200. Nothing herein shall preclude Grantee from challenging the legality of such reserved rights or powers.

### SECTION 4. FACILITIES

Sec. 4.1 - CONSTRUCTION AND OPERATION OF FRANCHISE PROPERTY. The gas system authorized pursuant to this franchise shall be constructed and operated in conformance with the Pipeline Code.



## SECTION 5. STREET WORK

Sec. 5.1 - INSTALLATION AND LOCATION OF FRANCHISE PROPERTY. The installation and location of any franchise property in a street area shall be in accordance with requirements of the Board of Public Works.

Sec. 5.2 - REPAIRS. The Grantee shall promptly repair any leaks or breaks in the gas system in accordance with procedures approved by the Public Utilities Commission. If any streets or other public property are damaged thereby or from any cause arising from the operation or existence of franchise property, the Grantee shall backfill, place surfacing and otherwise repair the damaged portions thereof in accordance with the Los Angeles Municipal Code and notify the Board of Public Works. If any private property is damaged by leaks or breaks in the gas system or from any cause arising from the operation or existence of franchise property, the Grantee shall pay all damages or compensation to which the owners thereof are entitled and repair its franchise property to protect such damaged private property from further damage.

Sec. 5.3 - REMOVAL OR ABANDONMENT OF FRANCHISE PROPERTY. In the event the use of any franchise property is discontinued, or no franchise has been obtained therefor upon expiration or within eight (8) months after any termination of this franchise, the Grantee shall promptly notify the Department of Transportation of any material discontinuance and remove from the street all property involved, other than any the Board of Public Works may permit to be abandoned.

Franchise property may be abandoned in place in accordance with the requirements of the Board of Public Works.

After abandonment the Grantee shall submit to the Department of Transportation an instrument, approved by the City Attorney, transferring to the City the ownership of such franchise property.

Sec. 5.4. - CHANGES REQUIRED BY PUBLIC IMPROVEMENTS. The Grantee shall, at its expense, protect, support, temporarily disconnect, relocate in the same street, or remove from any street any franchise property when required by the Board of Public Works by reason of traffic conditions, public safety, street vacation, freeway construction, change or establishment of street grade, street maintenance requirements, or the construction of any public improvement or structure by any governmental agency acting in a governmental capacity; provided that with respect to franchise property within a State freeway which was not a State highway at the time such franchise property was originally therein, the obligations of the Grantee shall be as provided by applicable law and by such agreements between the Grantee and the State as may be applicable thereto, and further provided that with respect to work done for the benefit of any non-governmental entity, Grantee is not precluded from recovering the cost and expense of such work from such entity, unless provided otherwise by applicable law.

## SECTION 6 COMPENSATION AND GUARANTEE TO CITY

Sec. 6.1 - PAYMENTS TO THE CITY. The Grantee, for the duration of and for the use, operation and possession of this franchise, shall pay, to the City, in calendar quarterly installments, two percent (2%) of the "economic value" of the franchise. Economic value of the franchise as used herein shall mean the receipts and other revenues of grantee arising from the use, operation or possession of the franchise including, but not limited to or less than the gross receipts of the Grantee derived from the rendition of service to all consumers with points of service within the service area covered by this franchise. Such gross receipts shall consist of Grantee's receipts from selling, transmitting and distributing gas, or providing other service within the City of Los Angeles; and, as additional consideration commencing not later than 45 days after the effective date of this Ordinance, Grantee shall collect from Grantee's transportation service customers within the area covered by this franchise, and pay to the City on behalf of such customers, an amount equal to two percent (2%) of the value of transported gas or other commodity consumed within the area covered by this franchise, provided however, that any delay, failure or refusal of such customers in paying the amounts to be collected by Grantee shall not be deemed a default by Grantee, or failure by Grantee to make the payments required under the franchise for purposes of subparts (1) or (2) of this section. Grantee shall notify and assist the City in collecting any City imposed charges from any transportation customer who refuses to pay.

Each quarterly installment shall be paid to the City in money of the United States and prior to the 25th day of the second month following the respective quarter for which payment is made; for example, the installment for the first quarter of the calendar year (January through March) shall be paid to the City prior to May 25th. Payment for the last calendar quarter is due prior to February 25th of the following year.

The Grantee shall submit each quarterly payment to the City of Los Angeles along with a statement to the Department of Transportation, verified by a general officer or other duly authorized representative of the Grantee, showing in such form and detail as the Board may require from time to time, the calculations used to derive the payment. Any neglect, omission or refusal of the Grantee to make the quarterly payment or to file a verified statement, shall be grounds for the declaration by the Board of a forfeiture of this franchise and of all rights so granted.

All payments due hereunder shall be deemed paid upon receipt by the City Treasurer (or its authorized local depository) of good funds or, if made electronically in accordance with the practices of banks belonging to the Federal Reserve System, upon timely transmission to such authorized depository in accordance with such practices. City shall, upon Grantee's request, furnish Grantee with such information as may be necessary for Grantee to make such payments electronically to City's authorized depository and shall, from time to time, provide Grantee with written notice of any changes thereto.

In the event Grantee fails (other than as the result of force majeure) to make the payments required by this franchise on or before the dates due as hereinabove provided, Grantee shall pay as additional consideration both of the following amounts:

(1) A sum of money equal to two percent (2%) of the amount not timely paid. This sum of money is required in order to defray those additional expenses and costs incurred by City by reason of the delinquent payment including, but not limited to, the cost of administering, accounting and collecting said delinquent payment and the cost to City of postponing services and projects necessitated by the delay in receiving revenue; and

(2) A sum of money equal to one percent (1%) of the amount not timely paid, per month for each delinquent month or portion thereof as interest and for loss of use of the money due.

Sec. 6.1.1 INITIAL PAYMENT. The Grantee shall pay to the City a one-time payment of \$6,000,000 as compensation for the City offering this franchise for sale at a time prior to the expiration of the existing franchise of Southern California Gas Company. The payment shall be made not later than 5:00 p.m. of the 30th day following the date this ordinance becomes effective. If payment is not received by the above deadline, Grantee shall pay as additional compensation both of the amounts stated in Section 6.1., subparts (1) and (2).

Sec. 6.1.2 - INCREASES IN COMPENSATION. On or after the seventh anniversary of the effective date of this Franchise, upon a resolution approved by the vote of two-thirds of the members of the City Council or written notice from the City Administrative Officer, the compensation reserved to City pursuant to Sec. 6.1 shall be subject to increase as provided for herein, in the event that (i) Grantee shall accept a general gas system franchise with any city or county after the effective date of this franchise, containing a fee or payment condition which, if applied to this franchise, would yield a payment in excess of the compensation reserved to City by Sec. 6.1; and (ii) Grantee fails within three months after such acceptance to apply to the PUC for, and/or does not ultimately receive, authorization to impose a surcharge on the gas service provided under such other franchise so as to recoup such excess. Within thirty days after the date such resolution is adopted or written notice is received, authorized representatives of Grantee and City shall meet and negotiate in good faith to determine an appropriate increase in the compensation reserved to City under this franchise, so as to provide value comparable to such other franchise, considering the benefits and detriments received by Grantee and the granting entity under such franchise, as well as the circumstances connected therewith (hereafter referred to as "comparable value").

As part of such negotiation process, both parties must consider the analysis of a single, disinterested evaluator of professional stature and competence, which evaluator shall be selected in a mutually agreeable manner and compensated by the parties equally. In the event the parties cannot reach agreement within a reasonable period of time (not to exceed five months after commencement of negotiations), the evaluator shall submit a report to the City

Council that quantifies the comparable value of the franchise items in dispute.

In the event of an impasse in the negotiations between the Grantee and City and after issuance of the evaluator's report, the City, by written notice, may elect to have the matter determined by the City Council or by binding arbitration.

If the City Council elects to determine the matter, the City Council shall consider the evaluator's report, and by resolution, adopted by a vote of two thirds of its members, determine the increase in compensation under this franchise.

If determined by arbitration, the matter shall be submitted to a panel of three arbitrators, of whom one shall be appointed by the City, one by the Grantee and the third by the two arbitrators so appointed. Said arbitrators shall consider the evaluator's report and determine the increase in compensation under this franchise pursuant to the arbitration rules of the California Code of Civil Procedures.

In either case, such increase shall not exceed the compensation which such other franchise would provide if applied to this franchise. Upon the approval of the resolution by the City Council, or the filing of the binding arbitration award with the City Clerk, such increase shall become effective on January 1 of the following calendar year. City acknowledges that any such increase in compensation may result in a PUC-required surcharge to residents of City; provided that Grantee agrees not to voluntarily seek to surcharge such an increase.

Negotiations for increases in compensation as provided for under this section cannot be initiated more than every three years during the remaining term of this franchise, changes in compensation as defined under this section cannot occur more than three times during the term of this franchise.

Sec. 6.2 FAITHFUL PERFORMANCE BOND. The Grantee shall, within five days after the award of this franchise, file with the Board, and at all times thereafter maintain in full force and effect, an acceptable corporate surety bond, in duplicate, in the amount of five hundred thousand dollars (\$500,000.00), effective for the entire term of this franchise, and conditioned that in the event the Grantee shall fail to comply with any one or more of the provisions of this franchise, then there shall be recoverable jointly and severally from the principal and surety of such bond, any damages suffered by the City as a result thereof, said condition to be a continuing obligation for the duration of this franchise and thereafter until the Grantee has liquidated all of its obligations with the City that may have arisen from the acceptance of this franchise by the Grantee or from its exercise of any privilege herein granted.

Neither the provisions of this Section 6.2, any bond accepted by the City pursuant thereto, nor any damages recovered by the City thereunder shall be

construed to excuse faithful performance by the Grantee or limit the liability of the Grantee under this franchise or for damage, either to the full amount of the bond or otherwise.

Sec. 6.3 - INDEMNIFICATION AND INSURANCE REQUIREMENTS. Except for the active negligence or willful misconduct of the City, the Grantee undertakes and agrees to defend, indemnify and hold harmless City and any and all of City's boards, officers, agents, employees, assigns, and successors in interest from and against all suits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees and cost of litigation, damage or liability of any nature whatsoever, for death or injury to any person, including the Grantee's employees and agents, or damage or destruction of any property of either party hereto or of third parties, arising in any manner by reason of the negligent acts, errors, omissions or willful misconduct incident to the performance of this franchise on the part of Grantee or any of his agents.

Grantee agrees to submit and keep current for the duration of this franchise, evidence of adequate general liability insurance satisfactory to the City Attorney and the City Risk Manager. The amount of insurance initially required by this franchise is \$10,000,000 combined single limit. If operations of the grantee change to the extent requiring a modification of the amount or type of insurance, the Board may require or allow such modification after public hearing.

Sec. 6.4 - INSPECTION OF PROPERTY AND RECORDS. At all reasonable times, the Grantee shall permit any duly authorized representative of the Board to examine all franchise property, together with any appurtenant property of the Grantee situated in or outside the City, and to examine and transcribe any and all maps and other records kept or maintained by the Grantee or under its control which treat of the operations, affairs, transactions or property of the Grantee with respect thereto. If any of such maps or records are not kept in the City, or upon reasonable request made available in the City, and if the Board shall determine that an examination thereof is necessary or appropriate to the performance of any of its duties, then all travel and maintenance expense necessarily incurred in making such examination shall be paid by the Grantee. The Grantee shall prepare and furnish to the Board, at the times and in the form prescribed by the Board, such reports, with respect to its operations, affairs, transactions or property, as may be reasonably necessary or appropriate to the performance of any of the duties of the Board in connection with this franchise.

The grantee shall maintain all financial records for the purpose of computing franchise fees in accordance with generally accepted utility accounting principles as approved by the California Public Utilities Commission.

In order to facilitate the review of the franchise fee computation by the City, the grantee agrees to maintain copies of all company records, workpapers and other information used in preparing said computation for a period of 7 years following the close of the year to which the computation relates.



In the event of a dispute between the Grantee and the City as to the correctness of the computation, the Grantee and the City agree to submit the matter to binding arbitration for resolution utilizing the procedure provided for in Sec. 6.1.2.

Sec. 6.5 - AFFIRMATIVE ACTION POLICY. While engaged in any activity covered by this franchise, Grantee shall not discriminate in its employment practices against any employee or applicant for employment because of race, religion, national origin, ancestry, sex, age or physical handicap, and shall comply with the provisions of Ordinance No. 147,030, Los Angeles Administrative Code Sec. 10.8, all amendments to each, and any additional requirements that may be imposed by applicable law.

Sec. 7 - COLLECTION OF GAS USER TAX. Grantee shall collect the tax specified in Los Angeles Municipal Code Article 1.1 Sections 21.1. et. seq. for all gas delivered through the gas system for transportation service customers and consumed within the area covered by this franchise. The rate specified in the above Sections shall be applied to the value of transported gas in determining the tax to be paid. Grantee shall remit the tax to the City in accordance with the provisions of Los Angeles Municipal Code Article 1.1 Sections 21.1 et. seq. Grantee shall notify and assist the City in collecting from any transportation service customer who refuses to pay the tax.

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B91-077e

Sec. 8. The City Clerk shall certify to the passage of this ordinance and cause the same to be published in some daily newspaper printed and published in the City of Los Angeles.

I hereby certify that the foregoing ordinance was passed by the Council of the City of Los Angeles at its meeting of AUG 04 1992.

ELIAS MARTINEZ, City Clerk,

By *Elias Martinez*  
Deputy.

AUG 6 1992

Approved \_\_\_\_\_

*Tom Bradley*  
Mayor.

Approved as to Form and Legality

JAMES K. HAHN, City Attorney,

By *James K. Hahn*  
Deputy.

File No. 91-2467

B91-077e

LAJ 415415  
8/10

**ORDINANCE NO. 186821**\_\_\_\_\_

An ordinance amending the expiration date applicable to Southern California Gas Company Franchise Ordinance No. 168164 to extend the term of the franchise.

**WHEREAS**, in 1992, the City granted a franchise authority, Ordinance No. 168164, to Southern California Gas Company to: (a) install, construct, replace, reconstruct, repair, and retain its gas system in streets located in the City of Los Angeles; (b) maintain and operate said gas system; and (c) engage in the business of the transmission and distribution of gas to customers within the City of Los Angeles;

**WHEREAS**, the franchise authority granted to Southern California Gas Company in Ordinance No. 168164 was for a 20-year term set to expire on December 31, 2012;

**WHEREAS**, in the course of the last several years, the City has been negotiating the terms and conditions of a new franchise ordinance to allow Southern California Gas Company to prepare a bid for said franchise;

**WHEREAS**, Ordinance No. 186137 extended the term of the franchise to December 31, 2020;

**WHEREAS**, on March 11, 2019, the Department of Public Works - Office of Petroleum and Natural Gas Administration and Safety (OPNGAS) released a Request for Proposals for a Southern California Gas Utility Franchise Agreement Valuation Study (RFP) to determine the value of the franchise; however, the RFP process did not result in a contract;

**WHEREAS**, OPNGAS continues to solicit proposals through the RFP for a valuation study, but a contract has not yet been executed;

**WHEREAS**, it is necessary to extend the current franchise beyond the December 31, 2020, expiration date to ensure that Southern California Gas Company continues to operate in the City under the terms set forth in Ordinance No. 168164.

**NOW, THEREFORE,**

**THE PEOPLE OF THE CITY OF LOS ANGELES  
DO ORDAIN AS FOLLOWS:**

Section 1. Section 2.2 of Ordinance No. 168164 granting to Southern California Gas Company a franchise authority is hereby amended by deleting "December 31, 2020" and inserting therein "December 31, 2021."

Sec. 2. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By   
TANEA YSAGUIRRE  
Deputy City Attorney

Date 12-21-20

File No. 12-1880-S8

M:\GENERAL COUNSEL DIVISION\ORDINANCES AND REPORTS\ORDINANCES - FINAL YELLOW\SoCalGas franchise term-December 31, 2021.docx

The Clerk of the City of Los Angeles hereby certifies that the foregoing ordinance was passed by the Council of the City of Los Angeles.

CITY CLERK

MAYOR

  
Holly Lynn Wolcott

  
E. G. H.

Ordinance Passed 11/10/2020

Approved 11/18/2020

Published Date: 11/24/2020  
Ordinance Effective Date: 12/25/2020  
Council File No.: 12-1880-S8

## STANDARD PROVISIONS FOR CITY CONTRACTS

### TABLE OF CONTENTS

<b>PSC-1</b>	<u>Construction of Provisions and Titles Herein</u> .....	<b>1</b>
<b>PSC-2</b>	<u>Applicable Law, Interpretation and Enforcement</u> .....	<b>1</b>
<b>PSC-3</b>	<u>Time of Effectiveness</u> .....	<b>1</b>
<b>PSC-4</b>	<u>Integrated Contract</u> .....	<b>2</b>
<b>PSC-5</b>	<u>Amendment</u> .....	<b>2</b>
<b>PSC-6</b>	<u>Excusable Delays</u> .....	<b>2</b>
<b>PSC-7</b>	<u>Waiver</u> .....	<b>2</b>
<b>PSC-8</b>	<u>Suspension</u> .....	<b>3</b>
<b>PSC-9</b>	<u>Termination</u> .....	<b>3</b>
<b>PSC-10</b>	<u>Independent Contractor</u> .....	<b>5</b>
<b>PSC-11</b>	<u>Contractor's Personnel</u> .....	<b>5</b>
<b>PSC-12</b>	<u>Assignment and Delegation</u> .....	<b>6</b>
<b>PSC-13</b>	<u>Permits</u> .....	<b>6</b>
<b>PSC-14</b>	<u>Claims for Labor and Materials</u> .....	<b>6</b>
<b>PSC-15</b>	<u>Current Los Angeles City Business Tax Registration Certificate Required</u> ....	<b>6</b>
<b>PSC-16</b>	<u>Retention of Records, Audit and Reports</u> .....	<b>6</b>
<b>PSC-17</b>	<u>Bonds</u> .....	<b>7</b>
<b>PSC-18</b>	<u>Indemnification</u> .....	<b>7</b>
<b>PSC-19</b>	<u>Intellectual Property Indemnification</u> .....	<b>7</b>
<b>PSC-20</b>	<u>Intellectual Property Warranty</u> .....	<b>8</b>
<b>PSC-21</b>	<u>Ownership and License</u> .....	<b>8</b>
<b>PSC-22</b>	<u>Data Protection</u> .....	<b>9</b>



## TABLE OF CONTENTS (Continued)

<b>PSC-23</b>	<u>Insurance</u> .....	<b>9</b>
<b>PSC-24</b>	<u>Best Terms</u> .....	<b>9</b>
<b>PSC-25</b>	<u>Warranty and Responsibility of Contractor</u> .....	<b>10</b>
<b>PSC-26</b>	<u>Mandatory Provisions Pertaining to Non-Discrimination in Employment</u> .....	<b>10</b>
<b>PSC-27</b>	<u>Child Support Assignment Orders</u> .....	<b>10</b>
<b>PSC-28</b>	<u>Living Wage Ordinance</u> .....	<b>11</b>
<b>PSC-29</b>	<u>Service Contractor Worker Retention Ordinance</u> .....	<b>11</b>
<b>PSC-30</b>	<u>Access and Accommodations</u> .....	<b>11</b>
<b>PSC-31</b>	<u>Contractor Responsibility Ordinance</u> .....	<b>12</b>
<b>PSC-32</b>	<u>Business Inclusion Program</u> .....	<b>12</b>
<b>PSC-33</b>	<u>Slavery Disclosure Ordinance</u> .....	<b>12</b>
<b>PSC-34</b>	<u>First Source Hiring Ordinance</u> .....	<b>12</b>
<b>PSC-35</b>	<u>Local Business Preference Ordinance</u> .....	<b>12</b>
<b>PSC-36</b>	<u>Iran Contracting Act</u> .....	<b>12</b>
<b>PSC-37</b>	<u>Restrictions on Campaign Contributions in City Elections</u> .....	<b>12</b>
<b>PSC-38</b>	<u>Contractors' Use of Criminal History for Consideration of Employment Applications</u> .....	<b>13</b>
<b>PSC-39</b>	<u>Limitation of City's Obligation to Make Payment to Contractor</u> .....	<b>13</b>
<b>PSC-40</b>	<u>Compliance with Identity Theft Laws and Payment Card Data Security Standards</u> .....	<b>14</b>
<b>PSC-41</b>	<u>Compliance with California Public Resources Code Section 5164</u> .....	<b>14</b>
<b>PSC-42</b>	<u>Possessory Interests Tax</u> .....	<b>14</b>
<b>PSC-43</b>	<u>Confidentiality</u> .....	<b>15</b>
<b>Exhibit 1</b>	<u>Insurance Contractual Requirements</u> .....	<b>16</b>

## STANDARD PROVISIONS FOR CITY CONTRACTS

### **PSC-1.**    Construction of Provisions and Titles Herein

All titles, subtitles, or headings in this Contract have been inserted for convenience, and shall not be deemed to affect the meaning or construction of any of the terms or provisions of this Contract. The language of this Contract shall be construed according to its fair meaning and not strictly for or against **CITY** or **CONTRACTOR**. The word "**CONTRACTOR**" includes the party or parties identified in this Contract. The singular shall include the plural and if there is more than one **CONTRACTOR**, unless expressly stated otherwise, their obligations and liabilities shall be joint and several. Use of the feminine, masculine, or neuter genders shall be deemed to include the genders not used.

### **PSC-2.**    Applicable Law, Interpretation and Enforcement

Each party's performance shall comply with all applicable laws of the United States of America, the State of California, and **CITY**, including but not limited to, laws regarding health and safety, labor and employment, wage and hours and licensing. This Contract shall be enforced and interpreted under the laws of the State of California without regard to conflict of law principles. **CONTRACTOR** shall comply with new, amended, or revised laws, regulations, or procedures that apply to the performance of this Contract with no additional compensation paid to **CONTRACTOR**.

In any action arising out of this Contract, **CONTRACTOR** consents to personal jurisdiction, and agrees to bring all such actions, exclusively in state or federal courts located in Los Angeles County, California.

If any part, term or provision of this Contract is held void, illegal, unenforceable, or in conflict with any federal, state or local law or regulation, the validity of the remaining parts, terms or provisions of this Contract shall not be affected.

### **PSC-3.**    Time of Effectiveness

Unless otherwise provided, this Contract shall take effect when all of the following events have occurred:

- A.    This Contract has been signed on behalf of **CONTRACTOR** by the person or persons authorized to bind **CONTRACTOR**;
- B.    This Contract has been approved by the City Council or by the board, officer or employee authorized to give such approval;
- C.    The Office of the City Attorney has indicated in writing its approval of this Contract as to form; and
- D.    This Contract has been signed on behalf of **CITY** by the person designated by the City Council, or by the board, officer or employee authorized to enter into this Contract.

**PSC-4. Integrated Contract**

This Contract sets forth all of the rights and duties of the parties with respect to the subject matter of this Contract, and replaces any and all previous Contracts or understandings, whether written or oral, relating thereto. This Contract may be amended only as provided for in the provisions of PSC-5 hereof.

**PSC-5. Amendment**

All amendments to this Contract shall be in writing and signed and approved pursuant to the provisions of PSC-3.

**PSC-6. Excusable Delays**

Neither party shall be liable for its delay or failure to perform any obligation under and in accordance with this Contract, if the delay or failure arises out of fires, floods, earthquakes, epidemics, quarantine restrictions, other natural occurrences, strikes, lockouts (other than a lockout by the party or any of the party's Subcontractors), freight embargoes, terrorist acts, insurrections or other civil disturbances, or other similar events to those described above, but in each case the delay or failure to perform must be beyond the control and without any fault or negligence of the party delayed or failing to perform (these events are referred to in this provision as "Force Majeure Events").

Notwithstanding the foregoing, a delay or failure to perform by a Subcontractor of **CONTRACTOR** shall not constitute a Force Majeure Event, unless the delay or failure arises out of causes beyond the control of both **CONTRACTOR** and Subcontractor, and without any fault or negligence of either of them. In such case, **CONTRACTOR** shall not be liable for the delay or failure to perform, unless the goods or services to be furnished by the Subcontractor were obtainable from other sources in sufficient time to permit **CONTRACTOR** to perform timely. As used in this Contract, the term "Subcontractor" means a subcontractor at any tier.

In the event **CONTRACTOR'S** delay or failure to perform arises out of a Force Majeure Event, **CONTRACTOR** agrees to use commercially reasonable best efforts to obtain the goods or services from other sources, and to otherwise mitigate the damages and reduce the delay caused by the Force Majeure Event.

**PSC-7. Waiver**

A waiver of a default of any part, term or provision of this Contract shall not be construed as a waiver of any succeeding default or as a waiver of the part, term or provision itself. A party's performance after the other party's default shall not be construed as a waiver of that default.

**PSC-8. Suspension**

At **CITY'S** sole discretion, **CITY** may suspend any or all services provided under this Contract by providing **CONTRACTOR** with written notice of suspension. Upon receipt of the notice of suspension, **CONTRACTOR** shall immediately cease the services suspended and shall not incur any additional obligations, costs or expenses to **CITY** until **CITY** gives written notice to recommence the services.

**PSC-9. Termination**

**A. Termination for Convenience**

**CITY** may terminate this Contract for **CITY'S** convenience at any time by providing **CONTRACTOR** thirty days written notice. Upon receipt of the notice of termination, **CONTRACTOR** shall immediately take action not to incur any additional obligations, costs or expenses, except as may be necessary to terminate its activities. **CITY** shall pay **CONTRACTOR** its reasonable and allowable costs through the effective date of termination and those reasonable and necessary costs incurred by **CONTRACTOR** to effect the termination. Thereafter, **CONTRACTOR** shall have no further claims against **CITY** under this Contract. All finished and unfinished documents and materials procured for or produced under this Contract, including all intellectual property rights **CITY** is entitled to, shall become **CITY** property upon the date of the termination. **CONTRACTOR** agrees to execute any documents necessary for **CITY** to perfect, memorialize, or record **CITY'S** ownership of rights provided herein.

**B. Termination for Breach of Contract**

1. Except as provided in PSC-6, if **CONTRACTOR** fails to perform any of the provisions of this Contract or so fails to make progress as to endanger timely performance of this Contract, **CITY** may give **CONTRACTOR** written notice of the default. **CITY'S** default notice will indicate whether the default may be cured and the time period to cure the default to the sole satisfaction of **CITY**. Additionally, **CITY'S** default notice may offer **CONTRACTOR** an opportunity to provide **CITY** with a plan to cure the default, which shall be submitted to **CITY** within the time period allowed by **CITY**. At **CITY'S** sole discretion, **CITY** may accept or reject **CONTRACTOR'S** plan. If the default cannot be cured or if **CONTRACTOR** fails to cure within the period allowed by **CITY**, then **CITY** may terminate this Contract due to **CONTRACTOR'S** breach of this Contract.
2. If the default under this Contract is due to **CONTRACTOR'S** failure to maintain the insurance required under this Contract, **CONTRACTOR** shall immediately: (1) suspend performance of any services under this Contract for which insurance was required; and (2) notify its employees and Subcontractors of the loss of insurance coverage and Contractor's obligation to suspend performance of

services. **CONTRACTOR** shall not recommence performance until **CONTRACTOR** is fully insured and in compliance with **CITY'S** requirements.

3. If a federal or state proceeding for relief of debtors is undertaken by or against **CONTRACTOR**, or if **CONTRACTOR** makes an assignment for the benefit of creditors, then **CITY** may immediately terminate this Contract.
4. If **CONTRACTOR** engages in any dishonest conduct related to the performance or administration of this Contract or violates **CITY'S** laws, regulations or policies relating to lobbying, then **CITY** may immediately terminate this Contract.
5. Acts of Moral Turpitude
  - a. **CONTRACTOR** shall immediately notify **CITY** if **CONTRACTOR** or any Key Person, as defined below, is charged with, indicted for, convicted of, pleads nolo contendere to, or forfeits bail or fails to appear in court for a hearing related to, any act which constitutes an offense involving moral turpitude under federal, state, or local laws ("Act of Moral Turpitude").
  - b. If **CONTRACTOR** or a Key Person is convicted of, pleads nolo contendere to, or forfeits bail or fails to appear in court for a hearing related to, an Act of Moral Turpitude, **CITY** may immediately terminate this Contract.
  - c. If **CONTRACTOR** or a Key Person is charged with or indicted for an Act of Moral Turpitude, **CITY** may terminate this Contract after providing **CONTRACTOR** an opportunity to present evidence of **CONTRACTOR'S** ability to perform under the terms of this Contract.
  - d. Acts of Moral Turpitude include, but are not limited to: violent felonies as defined by Penal Code Section 667.5, crimes involving weapons, crimes resulting in serious bodily injury or death, serious felonies as defined by Penal Code Section 1192.7, and those crimes referenced in the Penal Code and articulated in California Public Resources Code Section 5164(a)(2); in addition to and including acts of murder, rape, sexual assault, robbery, kidnapping, human trafficking, pimping, voluntary manslaughter, aggravated assault, assault on a peace officer, mayhem, fraud, domestic abuse, elderly abuse, and child abuse, regardless of whether such acts are punishable by felony or misdemeanor conviction.



- e. For the purposes of this provision, a Key Person is a principal, officer, or employee assigned to this Contract, or owner (directly or indirectly, through one or more intermediaries) of ten percent or more of the voting power or equity interests of **CONTRACTOR**.
- 6. In the event **CITY** terminates this Contract as provided in this section, **CITY** may procure, upon such terms and in the manner as **CITY** may deem appropriate, services similar in scope and level of effort to those so terminated, and **CONTRACTOR** shall be liable to **CITY** for all of its costs and damages, including, but not limited to, any excess costs for such services.
- 7. If, after notice of termination of this Contract under the provisions of this section, it is determined for any reason that **CONTRACTOR** was not in default under the provisions of this section, or that the default was excusable under the terms of this Contract, the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to PSC-9(A) Termination for Convenience.
- 8. The rights and remedies of **CITY** provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract.
- C. In the event that this Contract is terminated, **CONTRACTOR** shall immediately notify all employees and Subcontractors, and shall notify in writing all other parties contracted with under the terms of this Contract within five working days of the termination.

**PSC-10. Independent Contractor**

**CONTRACTOR** is an independent contractor and not an agent or employee of **CITY**. **CONTRACTOR** shall not represent or otherwise hold out itself or any of its directors, officers, partners, employees, or agents to be an agent or employee of **CITY**.

**PSC-11. Contractor's Personnel**

Unless otherwise approved by **CITY**, **CONTRACTOR** shall use its own employees to perform the services described in this Contract. **CITY** has the right to review and approve any personnel who are assigned to work under this Contract. **CONTRACTOR** shall remove personnel from performing work under this Contract if requested to do so by **CITY**.

**CONTRACTOR** shall not use Subcontractors to assist in performance of this Contract without the prior written approval of **CITY**. If **CITY** permits the use of Subcontractors, **CONTRACTOR** shall remain responsible for performing all aspects of this Contract and paying all Subcontractors. **CITY** has the right to approve **CONTRACTOR'S** Subcontractors, and **CITY** reserves the right to request replacement of any

Subcontractor. **CITY** does not have any obligation to pay **CONTRACTOR'S** Subcontractors, and nothing herein creates any privity of contract between **CITY** and any Subcontractor.

**PSC-12. Assignment and Delegation**

**CONTRACTOR** may not, unless it has first obtained the written permission of **CITY**:

- A. Assign or otherwise alienate any of its rights under this Contract, including the right to payment; or
- B. Delegate, subcontract, or otherwise transfer any of its duties under this Contract.

**PSC-13. Permits**

**CONTRACTOR** and its directors, officers, partners, agents, employees, and Subcontractors, shall obtain and maintain all licenses, permits, certifications and other documents necessary for **CONTRACTOR'S** performance of this Contract. **CONTRACTOR** shall immediately notify **CITY** of any suspension, termination, lapses, non-renewals, or restrictions of licenses, permits, certificates, or other documents that relate to **CONTRACTOR'S** performance of this Contract.

**PSC-14. Claims for Labor and Materials**

**CONTRACTOR** shall promptly pay when due all amounts owed for labor and materials furnished in the performance of this Contract so as to prevent any lien or other claim under any provision of law from arising against any **CITY** property (including reports, documents, and other tangible or intangible matter produced by **CONTRACTOR** hereunder), and shall pay all amounts due under the Unemployment Insurance Act or any other applicable law with respect to labor used to perform under this Contract.

**PSC-15. Current Los Angeles City Business Tax Registration Certificate Required**

For the duration of this Contract, **CONTRACTOR** shall maintain valid Business Tax Registration Certificate(s) as required by **CITY'S** Business Tax Ordinance, Section 21.00 *et seq.* of the Los Angeles Municipal Code ("LAMC"), and shall not allow the Certificate to lapse or be revoked or suspended.

**PSC-16. Retention of Records, Audit and Reports**

**CONTRACTOR** shall maintain all records, including records of financial transactions, pertaining to the performance of this Contract, in their original form or as otherwise approved by **CITY**. These records shall be retained for a period of no less than three years from the later of the following: (1) final payment made by **CITY**, (2) the expiration of this Contract or (3) termination of this Contract. The records will be subject to examination and audit by authorized **CITY** personnel or **CITY'S** representatives at any time. **CONTRACTOR** shall provide any reports requested by **CITY** regarding

performance of this Contract. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

In lieu of retaining the records for the term as prescribed in this provision, **CONTRACTOR** may, upon **CITY'S** written approval, submit the required information to **CITY** in an electronic format, e.g. USB flash drive, at the expiration or termination of this Contract.

#### **PSC-17. Bonds**

All bonds required by **CITY** shall be filed with the Office of the City Administrative Officer, Risk Management for its review and acceptance in accordance with Los Angeles Administrative Code ("LAAC") Sections 11.47 *et seq.*, as amended from time to time.

#### **PSC-18. Indemnification**

Except for the active negligence or willful misconduct of **CITY**, or any of its boards, officers, agents, employees, assigns and successors in interest, **CONTRACTOR** shall defend, indemnify and hold harmless **CITY** and any of its boards, officers, agents, employees, assigns, and successors in interest from and against all lawsuits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by **CITY**, including but not limited to, costs of experts and consultants), damages or liability of any nature whatsoever, for death or injury to any person, including **CONTRACTOR'S** employees and agents, or damage or destruction of any property of either party hereto or of third parties, arising in any manner by reason of an act, error, or omission by **CONTRACTOR**, Subcontractors, or their boards, officers, agents, employees, assigns, and successors in interest. The rights and remedies of **CITY** provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract. This provision will survive expiration or termination of this Contract.

#### **PSC-19. Intellectual Property Indemnification**

**CONTRACTOR**, at its own expense, shall defend, indemnify, and hold harmless the **CITY**, and any of its boards, officers, agents, employees, assigns, and successors in interest from and against all lawsuits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by **CITY**, including but not limited to, costs of experts and consultants), damages or liability of any nature arising out of the infringement, actual or alleged, direct or contributory, of any intellectual property rights, including, without limitation, patent, copyright, trademark, trade secret, right of publicity, and proprietary information: (1) on or in any design, medium, matter, article, process, method, application, equipment, device, instrumentation, software, hardware, or firmware used by **CONTRACTOR**, or its Subcontractors, in performing the work under this Contract; or (2) as a result of **CITY'S** actual or intended use of any Work Product (as defined in PSC-21) furnished by **CONTRACTOR**, or its Subcontractors, under this Contract. The rights and remedies of **CITY** provided in this section shall not be exclusive

and are in addition to any other rights and remedies provided by law or under this Contract. This provision will survive expiration or termination of this Contract.

#### **PSC-20. Intellectual Property Warranty**

**CONTRACTOR** represents and warrants that its performance of all obligations under this Contract does not infringe in any way, directly or contributorily, upon any third party's intellectual property rights, including, without limitation, patent, copyright, trademark, trade secret, right of publicity and proprietary information.

#### **PSC-21. Ownership and License**

Unless otherwise provided for herein, all finished and unfinished works, tangible or not, created under this Contract including, without limitation, documents, materials, data, reports, manuals, specifications, artwork, drawings, sketches, blueprints, studies, memoranda, computation sheets, computer programs and databases, schematics, photographs, video and audiovisual recordings, sound recordings, marks, logos, graphic designs, notes, websites, domain names, inventions, processes, formulas, matters and combinations thereof, and all forms of intellectual property originated and prepared by **CONTRACTOR** or its Subcontractors under this Contract (each a "Work Product"; collectively "Work Products") shall be and remain the exclusive property of **CITY** for its use in any manner **CITY** deems appropriate. **CONTRACTOR** hereby assigns to **CITY** all goodwill, copyright, trademark, patent, trade secret and all other intellectual property rights worldwide in any Work Products originated and prepared under this Contract. **CONTRACTOR** further agrees to execute any documents necessary for **CITY** to perfect, memorialize, or record **CITY'S** ownership of rights provided herein.

**CONTRACTOR** agrees that a monetary remedy for breach of this Contract may be inadequate, impracticable, or difficult to prove and that a breach may cause **CITY** irreparable harm. **CITY** may therefore enforce this requirement by seeking injunctive relief and specific performance, without any necessity of showing actual damage or irreparable harm. Seeking injunctive relief or specific performance does not preclude **CITY** from seeking or obtaining any other relief to which **CITY** may be entitled.

For all Work Products delivered to **CITY** that are not originated or prepared by **CONTRACTOR** or its Subcontractors under this Contract, **CONTRACTOR** shall secure a grant, at no cost to **CITY**, for a non-exclusive perpetual license to use such Work Products for any **CITY** purposes.

**CONTRACTOR** shall not provide or disclose any Work Product to any third party without prior written consent of **CITY**.

Any subcontract entered into by **CONTRACTOR** relating to this Contract shall include this provision to contractually bind its Subcontractors performing work under this Contract such that **CITY'S** ownership and license rights of all Work Products are preserved and protected as intended herein.

## **PSC-22. Data Protection**

- A. **CONTRACTOR** shall protect, using the most secure means and technology that is commercially available, **CITY**-provided data or consumer-provided data acquired in the course and scope of this Contract, including but not limited to customer lists and customer credit card or consumer data, (collectively, the “City Data”). **CONTRACTOR** shall notify **CITY** in writing as soon as reasonably feasible, and in any event within twenty-four hours, of **CONTRACTOR'S** discovery or reasonable belief of any unauthorized access of City Data (a “Data Breach”), or of any incident affecting, or potentially affecting City Data related to cyber security (a “Security Incident”), including, but not limited to, denial of service attack, and system outage, instability or degradation due to computer malware or virus. **CONTRACTOR** shall begin remediation immediately. **CONTRACTOR** shall provide daily updates, or more frequently if required by **CITY**, regarding findings and actions performed by **CONTRACTOR** until the Data Breach or Security Incident has been effectively resolved to **CITY'S** satisfaction. **CONTRACTOR** shall conduct an investigation of the Data Breach or Security Incident and shall share the report of the investigation with **CITY**. At **CITY'S** sole discretion, **CITY** and its authorized agents shall have the right to lead or participate in the investigation. **CONTRACTOR** shall cooperate fully with **CITY**, its agents and law enforcement.
- B. If **CITY** is subject to liability for any Data Breach or Security Incident, then **CONTRACTOR** shall fully indemnify and hold harmless **CITY** and defend against any resulting actions.

## **PSC-23. Insurance**

During the term of this Contract and without limiting **CONTRACTOR'S** obligation to indemnify, hold harmless and defend **CITY**, **CONTRACTOR** shall provide and maintain at its own expense a program of insurance having the coverages and limits not less than the required amounts and types as determined by the Office of the City Administrative Officer of Los Angeles, Risk Management (template Form General 146 in Exhibit 1 hereto). The insurance must: (1) conform to **CITY'S** requirements; (2) comply with the Insurance Contractual Requirements (Form General 133 in Exhibit 1 hereto); and (3) otherwise be in a form acceptable to the Office of the City Administrative Officer, Risk Management. **CONTRACTOR** shall comply with all Insurance Contractual Requirements shown on Exhibit 1 hereto. Exhibit 1 is hereby incorporated by reference and made a part of this Contract.

## **PSC-24. Best Terms**

Throughout the term of this Contract, **CONTRACTOR**, shall offer **CITY** the best terms, prices, and discounts that are offered to any of **CONTRACTOR'S** customers for similar goods and services provided under this Contract.

**PSC-25. Warranty and Responsibility of Contractor**

**CONTRACTOR** warrants that the work performed hereunder shall be completed in a manner consistent with professional standards practiced among those firms within **CONTRACTOR'S** profession, doing the same or similar work under the same or similar circumstances.

**PSC-26. Mandatory Provisions Pertaining to Non-Discrimination in Employment**

Unless otherwise exempt, this Contract is subject to the applicable non-discrimination, equal benefits, equal employment practices, and affirmative action program provisions in LAAC Section 10.8 et seq., as amended from time to time.

- A. **CONTRACTOR** shall comply with the applicable non-discrimination and affirmative action provisions of the laws of the United States of America, the State of California, and **CITY**. In performing this Contract, **CONTRACTOR** shall not discriminate in any of its hiring or employment practices against any employee or applicant for employment because of such person's race, color, religion, national origin, ancestry, sex, sexual orientation, gender, gender identity, age, disability, domestic partner status, marital status or medical condition.
- B. The requirements of Section 10.8.2.1 of the LAAC, the Equal Benefits Ordinance, and the provisions of Section 10.8.2.1(f) are incorporated and made a part of this Contract by reference.
- C. The provisions of Section 10.8.3 of the LAAC are incorporated and made a part of this Contract by reference and will be known as the "Equal Employment Practices" provisions of this Contract.
- D. The provisions of Section 10.8.4 of the LAAC are incorporated and made a part of this Contract by reference and will be known as the "Affirmative Action Program" provisions of this Contract.

Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-27. Child Support Assignment Orders**

**CONTRACTOR** shall comply with the Child Support Assignment Orders Ordinance, Section 10.10 of the LAAC, as amended from time to time. Pursuant to Section 10.10(b) of the LAAC, **CONTRACTOR** shall fully comply with all applicable State and Federal employment reporting requirements. Failure of **CONTRACTOR** to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment or Notices of Assignment, or the failure of any principal owner(s) of **CONTRACTOR** to comply with any Wage and Earnings Assignment or Notices of Assignment applicable to them personally, shall constitute a default by the **CONTRACTOR** under this Contract. Failure of **CONTRACTOR** or principal owner to cure



the default within 90 days of the notice of default will subject this Contract to termination for breach. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-28. Living Wage Ordinance**

**CONTRACTOR** shall comply with the Living Wage Ordinance, LAAC Section 10.37 *et seq.*, as amended from time to time. **CONTRACTOR** further agrees that it shall comply with federal law proscribing retaliation for union organizing. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-29. Service Contractor Worker Retention Ordinance**

**CONTRACTOR** shall comply with the Service Contractor Worker Retention Ordinance, LAAC Section 10.36 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-30. Access and Accommodations**

**CONTRACTOR** represents and certifies that:

- A. **CONTRACTOR** shall comply with the Americans with Disabilities Act, as amended, 42 U.S.C. Section 12101 *et seq.*, the Rehabilitation Act of 1973, as amended, 29 U.S.C. Section 701 *et seq.*, the Fair Housing Act, and its implementing regulations and any subsequent amendments, and California Government Code Section 11135;
- B. **CONTRACTOR** shall not discriminate on the basis of disability or on the basis of a person's relationship to, or association with, a person who has a disability;
- C. **CONTRACTOR** shall provide reasonable accommodation upon request to ensure equal access to **CITY**-funded programs, services and activities;
- D. Construction will be performed in accordance with the Uniform Federal Accessibility Standards (UFAS), 24 C.F.R. Part 40; and
- E. The buildings and facilities used to provide services under this Contract are in compliance with the federal and state standards for accessibility as set forth in the 2010 ADA Standards, California Title 24, Chapter 11, or other applicable federal and state law.

**CONTRACTOR** understands that **CITY** is relying upon these certifications and representations as a condition to funding this Contract. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-31. Contractor Responsibility Ordinance**

**CONTRACTOR** shall comply with the Contractor Responsibility Ordinance, LAAC Section 10.40 *et seq.*, as amended from time to time.

**PSC-32. Business Inclusion Program**

Unless otherwise exempted prior to bid submission, **CONTRACTOR** shall comply with all aspects of the Business Inclusion Program as described in the Request for Proposal/Qualification process, throughout the duration of this Contract. **CONTRACTOR** shall utilize the Business Assistance Virtual Network (“BAVN”) at <https://www.labavn.org/>, to perform and document outreach to Minority, Women, and Other Business Enterprises. **CONTRACTOR** shall perform subcontractor outreach activities through BAVN. **CONTRACTOR** shall not change any of its designated Subcontractors or pledged specific items of work to be performed by these Subcontractors, nor shall **CONTRACTOR** reduce their level of effort, without prior written approval of **CITY**.

**PSC-33. Slavery Disclosure Ordinance**

**CONTRACTOR** shall comply with the Slavery Disclosure Ordinance, LAAC Section 10.41 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-34. First Source Hiring Ordinance**

**CONTRACTOR** shall comply with the First Source Hiring Ordinance, LAAC Section 10.44 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-35. Local Business Preference Ordinance**

**CONTRACTOR** shall comply with the Local Business Preference Ordinance, LAAC Section 10.47 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-36. Iran Contracting Act**

In accordance with California Public Contract Code Sections 2200-2208, all contractors entering into, or renewing contracts with **CITY** for goods and services estimated at \$1,000,000 or more are required to complete, sign, and submit the "Iran Contracting Act of 2010 Compliance Affidavit."

**PSC-37. Restrictions on Campaign Contributions and Fundraising in City Elections**

Unless otherwise exempt, if this Contract is valued at \$100,000 or more and requires approval by an elected **CITY** office, **CONTRACTOR**, **CONTRACTOR’S** principals, and **CONTRACTOR’S** Subcontractors expected to receive at least \$100,000 for performance under the Contract, and the principals of those Subcontractors (the “Restricted Persons”)

shall comply with Charter Section 470(c)(12) and LAMC Section 49.7.35. Failure to comply entitles **CITY** to terminate this Contract and to pursue all available legal remedies. Charter Section 470(c)(12) and LAMC Section 49.7.35 limit the ability of the Restricted Persons to make campaign contributions to and engage in fundraising for certain elected **CITY** officials or candidates for elected **CITY** office for twelve months after this Contract is signed. Additionally, a **CONTRACTOR** subject to Charter Section 470(c)(12) is required to comply with disclosure requirements by submitting a completed and signed Ethics Commission Form 55 and to amend the information in that form as specified by law. Any **CONTRACTOR** subject to Charter Section 470(c)(12) shall include the following notice in any contract with any Subcontractor expected to receive at least \$100,000 for performance under this Contract:

“Notice Regarding Restrictions on Campaign Contributions and Fundraising in City Elections

You are a subcontractor on City of Los Angeles Contract #\_\_\_\_\_. Pursuant to the City of Los Angeles Charter Section 470(c)(12) and related ordinances, you and your principals are prohibited from making campaign contributions to and fundraising for certain elected City of Los Angeles (“**CITY**”) officials and candidates for elected **CITY** office for twelve months after the **CITY** contract is signed. You are required to provide the names and contact information of your principals to the **CONTRACTOR** and to amend that information within ten business days if it changes during the twelve month time period. Failure to comply may result in termination of this Contract and any other available legal remedies. Information about the restrictions may be found online at [ethics.lacity.org](http://ethics.lacity.org) or by calling the Los Angeles City Ethics Commission at (213) 978-1960.”

**PSC-38. Contractors’ Use of Criminal History for Consideration of Employment Applications**

**CONTRACTOR** shall comply with the City Contractors’ Use of Criminal History for Consideration of Employment Applications Ordinance, LAAC Section 10.48 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

**PSC-39. Limitation of City’s Obligation to Make Payment to Contractor**

Notwithstanding any other provision of this Contract, including any exhibits or attachments incorporated therein, and in order for **CITY** to comply with its governing legal requirements, **CITY** shall have no obligation to make any payments to **CONTRACTOR** unless **CITY** shall have first made an appropriation of funds equal to or in excess of its obligation to make any payments as provided in this Contract. **CONTRACTOR** agrees that any services provided by **CONTRACTOR**, purchases made by **CONTRACTOR** or expenses incurred by **CONTRACTOR** in excess of the appropriation(s) shall be free and without charge to **CITY** and **CITY** shall have no obligation to pay for the services, purchases or expenses. **CONTRACTOR** shall have no obligation to provide any services,

provide any equipment or incur any expenses in excess of the appropriated amount(s) until **CITY** appropriates additional funds for this Contract.

**PSC-40. Compliance with Identity Theft Laws and Payment Card Data Security Standards**

**CONTRACTOR** shall comply with all identity theft laws including without limitation, laws related to: (1) payment devices; (2) credit and debit card fraud; and (3) the Fair and Accurate Credit Transactions Act ("FACTA"), including its requirement relating to the content of transaction receipts provided to Customers. **CONTRACTOR** also shall comply with all requirements related to maintaining compliance with Payment Card Industry Data Security Standards ("PCI DSS"). During the performance of any service to install, program or update payment devices equipped to conduct credit or debit card transactions, including PCI DSS services, **CONTRACTOR** shall verify proper truncation of receipts in compliance with FACTA.

**PSC-41. Compliance with California Public Resources Code Section 5164**

California Public Resources Code Section 5164 prohibits a public agency from hiring a person for employment or as a volunteer to perform services at any park, playground, or community center used for recreational purposes in a position that has supervisory or disciplinary authority over any minor, if the person has been convicted of certain crimes as referenced in the Penal Code, and articulated in California Public Resources Code Section 5164(a)(2).

If applicable, **CONTRACTOR** shall comply with California Public Resources Code Section 5164, and shall additionally adhere to all rules and regulations that have been adopted or that may be adopted by **CITY**. **CONTRACTOR** is required to have all employees, volunteers and Subcontractors (including all employees and volunteers of any Subcontractor) of **CONTRACTOR** working on premises to pass a fingerprint and background check through the California Department of Justice at **CONTRACTOR'S** sole expense, indicating that such individuals have never been convicted of certain crimes as referenced in the Penal Code and articulated in California Public Resources Code Section 5164(a)(2), if the individual will have supervisory or disciplinary authority over any minor.

**PSC-42. Possessory Interests Tax**

Rights granted to **CONTRACTOR** by **CITY** may create a possessory interest. **CONTRACTOR** agrees that any possessory interest created may be subject to California Revenue and Taxation Code Section 107.6 and a property tax may be levied on that possessory interest. If applicable, **CONTRACTOR** shall pay the property tax. **CONTRACTOR** acknowledges that the notice required under California Revenue and Taxation Code Section 107.6 has been provided.

**PSC-43. Confidentiality**

All documents, information and materials provided to **CONTRACTOR** by **CITY** or developed by **CONTRACTOR** pursuant to this Contract (collectively “Confidential Information”) are confidential. **CONTRACTOR** shall not provide or disclose any Confidential Information or their contents or any information therein, either orally or in writing, to any person or entity, except as authorized by **CITY** or as required by law. **CONTRACTOR** shall immediately notify **CITY** of any attempt by a third party to obtain access to any Confidential Information. This provision will survive expiration or termination of this Contract.

## **EXHIBIT 1**

### **INSURANCE CONTRACTUAL REQUIREMENTS**

**CONTACT** For additional information about compliance with City Insurance and Bond requirements, contact the Office of the City Administrative Officer, Risk Management at (213) 978-RISK (7475) or go online at [www.lacity.org/cao/risk](http://www.lacity.org/cao/risk). The City approved Bond Assistance Program is available for those contractors who are unable to obtain the City-required performance bonds. A City approved insurance program may be available as a low cost alternative for contractors who are unable to obtain City-required insurance.

### **CONTRACTUAL REQUIREMENTS**

#### **CONTRACTOR AGREES THAT:**

- 1. Additional Insured/Loss Payee.** The CITY must be included as an Additional Insured in applicable liability policies to cover the CITY'S liability arising out of the acts or omissions of the named insured. The CITY is to be named as an Additional Named Insured and a Loss Payee As Its Interests May Appear in property insurance in which the CITY has an interest, e.g., as a lien holder.
- 2. Notice of Cancellation.** All required insurance will be maintained in full force for the duration of its business with the CITY. By ordinance, all required insurance must provide at least thirty (30) days' prior written notice (ten (10) days for non-payment of premium) directly to the CITY if your insurance company elects to cancel or materially reduce coverage or limits prior to the policy expiration date, for any reason except impairment of an aggregate limit due to prior claims.
- 3. Primary Coverage.** CONTRACTOR will provide coverage that is primary with respect to any insurance or self-insurance of the CITY. The CITY'S program shall be excess of this insurance and non-contributing.
- 4. Modification of Coverage.** The CITY reserves the right at any time during the term of this Contract to change the amounts and types of insurance required hereunder by giving CONTRACTOR ninety (90) days' advance written notice of such change. If such change should result in substantial additional cost to CONTRACTOR, the CITY agrees to negotiate additional compensation proportional to the increased benefit to the CITY.
- 5. Failure to Procure Insurance.** All required insurance must be submitted and approved by the Office of the City Administrative Officer, Risk Management prior to the inception of any operations by CONTRACTOR.  
  
CONTRACTOR'S failure to procure or maintain required insurance or a self-insurance program during the entire term of this Contract shall constitute a material breach of this Contract under which the CITY may immediately suspend or terminate this Contract or, at its discretion, procure or renew such insurance to protect the CITY'S interests and pay any and all premiums in connection therewith and recover all monies so paid from CONTRACTOR.
- 6. Workers' Compensation.** By signing this Contract, CONTRACTOR hereby certifies that it is aware of the provisions of Section 3700 *et seq.*, of the California Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake



self-insurance in accordance with the provisions of that Code, and that it will comply with such provisions at all time during the performance of the work pursuant to this Contract.

**7. California Licensee.** All insurance must be provided by an insurer admitted to do business in California or written through a California-licensed surplus lines broker or through an insurer otherwise acceptable to the CITY. Non-admitted coverage must contain a **Service of Suit** clause in which the underwriters agree to submit as necessary to the jurisdiction of a California court in the event of a coverage dispute. Service of process for this purpose must be allowed upon an agent in California designated by the insurer or upon the California Insurance Commissioner.

**8. Aggregate Limits/Impairment.** If any of the required insurance coverages contain annual aggregate limits, CONTRACTOR must give the CITY written notice of any pending claim or lawsuit which will materially diminish the aggregate within thirty (30) days of knowledge of same. You must take appropriate steps to restore the impaired aggregates or provide replacement insurance protection within thirty (30) days of knowledge of same. The CITY has the option to specify the minimum acceptable aggregate limit for each line of coverage required. No substantial reductions in scope of coverage which may affect the CITY'S protection are allowed without the CITY'S prior written consent.

**9. Commencement of Work.** For purposes of insurance coverage only, this Contract will be deemed to have been executed immediately upon any party hereto taking any steps that can be considered to be in furtherance of or towards performance of this Contract. The requirements in this Section supersede all other sections and provisions of this Contract, including, but not limited to, PSC-3, to the extent that any other section or provision conflicts with or impairs the provisions of this Section.

# **CITY OF LOS ANGELES ENVIRONMENTAL QUALITY ACT GUIDELINES**

**Adopted :** July 31, 2002 - **CF# :** 02-1507

**Section 1.** Articles II, IV through VI, and VIII through X of the 1981 City CEQA Guidelines are hereby repealed.

**Section 2.** Article I of the City CEQA Guidelines is hereby amended to read as follows:

“Article I. INCORPORATION OF **STATE CEQA GUIDELINES**

The City hereby adopts as its own City CEQA Guidelines all of the State CEQA Guidelines, contained in title 15, California Code of Regulations, sections 15000 et seq, and incorporates all future amendments and additions to those guidelines as may from time to time be adopted by the State.”

**Section 3.** Article III of the City CEQA Guidelines is hereby renumbered as Article II and is amended to read as follows:

## **“ARTICLE II: EXEMPTIONS**

### **1. General Rule and General Exemption.**

These Guidelines apply generally to discretionary actions by City agencies which may have a significant effect on the environment. However, where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not covered by CEQA and these Guidelines do not apply.<sup>1</sup>

### **2. Exempt Activities.**

The following activities are exempt from the requirements of CEQA and these Guidelines:

#### **a. Emergency projects, such as:**

- 1) Projects undertaken, carried out, or approved by a City agency to maintain, repair, restore, demolish or replace property or facilities damaged or destroyed as a result of a disaster in a disaster-stricken area for which a state of emergency**

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<sup>1</sup> A form that may be used for this general exemption is attached as Exhibit J.

has been proclaimed by the Governor pursuant to Chapter 7 (commencing with Section 8550) of Division 1, Title 2 of the Government Code.

- 2) Emergency repairs to public service facilities necessary to maintain service.
- 3) Specific actions necessary to prevent or mitigated an emergency.

b. Ministerial projects,<sup>2</sup> such as,

- 1) Issuance of building permits,<sup>3</sup> including:
  - a) Demolition permits except those involving the demolition or removal of buildings or structures of historical, archaeological or architectural consequence as officially designated by federal, State or local government action.
  - b) Electrical permits.
  - c) Heating, ventilating, air-conditioning and refrigeration permits.
  - d) Elevator permits.
  - e) Boiler and pressure vessel permits.
  - f) Plumbing permits.
  - g) Relocation permits.
- 2) Issuance of business licenses.
- 3) Approval of final subdivision maps.
- 4) Issuance of Fire Department permits necessary for the safeguarding of life and property from the hazards of fire, explosion or panic.
- 5) Approval and installation of individual utility service connections and disconnections, including:

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<sup>2</sup> Where a project involves an approval that contains elements of both a ministerial action and a discretionary action, the project will be deemed to be discretionary and will be subject to the requirements of CEQA. (State CEQA Guidelines, Section 15268 (d).)

<sup>3</sup> A building permit will not be ministerial if the parcel in question is covered by a specific plan that gives discretion to a City official or Decision-Making Body regarding the design of the project for which the permit is sought.

- a) Water and electrical facilities to serve approved projects of public agencies, including, but not limited to, street lighting systems, fire hydrants, etc.
  - b) Utility extensions of reasonable length to serve projects for which permits have been issued.
- 6) Permits issued by the Department of Public Works as follows:
- a) Class “A” permits for construction or repair of sidewalks, driveways and curbs.
  - b) Excavation permits except those involving areas of archaeological consequence as officially designated by federal, State or local government action
  - c) House-moving permits.
  - d) Permits for house numbers on curbs.
  - e) Manhole cover permits.
  - f) Overload permits (height, width and weight).
  - g) Permit for lease dump truck (personal).
  - h) Sewer permits (special connections).
  - i) Storm drain connection permits.
  - j) Permits for private rubbish trucks.
- 7) Projects requiring the approval of the City Planning Department:
- a) Parcel Maps – determination that existing regulations do not apply.
  - b) Airport Approach Zoning Regulations – Planning Director authority to determine airport hazard area boundaries.
  - c) Change of Zone or Height District (Ordinances implementing change): Removal of “F” Funded Improvement – removal of designation from map; “Q” and “T” Classification – removal of designation from map; and “Q” plot plan approval pursuant to precise instructions from City Council leaving no discretion.

- d) Office of Zoning Administration – plot plan approvals pursuant to precise instructions or conditions leaving no discretion.
  - e) Conditional Uses – plot plan approvals pursuant to precise instructions from the Decision-Making Body.
- 8) Engineering permits issues in accordance with an entitlement for use previously granted.
- 9) Permits issued by the Department of Traffic as follows:
  - a) Searchlight permits.
  - b) Bicycle rack permits.
  - c) Vendors' permits.
- 10) Permits issued by the Police Commission as follows:
  - a) Café and entertainment shows.
  - b) Equine license.
  - c) Breeders license.
  - d) Sentry dog trainer license.
- c. Categorical Exemptions, as set forth in Article VII of these Guidelines.
- d. Feasibility and planning studies for possible future action, although such studies shall include consideration of environmental factors.
- e. Proposals for legislation to be enacted by the State Legislature.
- f. Continuing administrative, maintenance and personnel-related activities.<sup>4</sup>
- g. The submission of proposals to a vote of the people of the City of Los Angeles.
- h. Any activity specifically exempted from the requirements of CEQA by State Law.

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<sup>4</sup> This subsection should not be construed by City Agencies to exempt their ongoing programs that may have significant impacts on the environment.

- i. Any activity (approval of bids, execution of contracts, allocation of funds, etc.) for which the underlying project has previously been evaluated for environmental significance and processed according to the requirements of these Guidelines.
- j. Projects which are rejected or disapproved.<sup>5</sup>
- k. Actions undertaken by the City of Los Angeles relating to any thermal power plant site or facility, including the expenditure, obligation or encumbrance of funds for planning, engineering or design purposes, or for the purchase of equipment, fuel, water, (except ground water), steam or power for such a thermal power plant, if the thermal power plant site and related facility will be the subject of an EIR or Negative Declaration or other document or documents prepared pursuant to Public Resources Code Section 21080.5, which will be prepared by:
  - 1) The State Energy Resources Conservation and Development Commission,
  - 2) The Public Utilities Commission, or
  - 3) The City or County in which the power plant and related facility would be located.

The EIR, Negative Declaration, or other document prepared for the thermal power plant site or facility shall include the environmental impact, if any, of the action described in this Subsection.

- l. Activities or approvals necessary to the bidding for, hosting or staging of, and funding or carrying out of, Olympic Games under the authority of the International Olympic Committee (IOC), except for the construction or enlargement of facilities necessary for such Olympic Games. If such facilities are required by the IOC as a condition of being awarded the Olympic Games, the Lead City Agency need not discuss the “no project” alternative in the EIR with respect to those facilities.
- m. The adoption of ordinances that do not result in impacts on the physical environment.
- n. General policy procedure making, except if applied to a specific “project” as defined in State CEQA Guidelines section 15378.
- o. The establishment, modification, structuring, restructuring, or approval of rates, tolls, fares or other charges by the City of Los Angeles which the Decision-Making Body finds are for the purpose of:

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<sup>5</sup> This Subsection is intended to allow an initial screening of projects on the merits for quick disapprovals prior to the initiation of the environmental review process where the Lead City Agency can determine that the project cannot be approved. This Subsection shall not be construed to relieve an applicant from paying the costs of an EIR or Negative Declaration prepared for his project prior to a disapproval after normal project evaluation and processing.

- 1) Meeting operating expenses, including employee wage rates and fringe benefits,
- 2) Purchasing or leasing supplies, equipment or materials,
- 3) Meeting financial reserve needs and requirements,
- 4) Obtaining funds for capital projects, necessary to maintain service within existing service areas, or
- 5) Obtaining funds necessary to maintain such intra-city transfers as are authorized by city charter.

The Decision-Making Body shall incorporate written findings in the record of any proceeding in which an exemption under this section is claimed setting forth with specificity the basis for the claim of the exemption.

- p. Actions taken prior to January 1, 1982, by the City of Los Angeles to implement the transition from the property taxation system in effect prior to June 1, 1978, to the system provided for by Article XIII A of the California Constitution. This exemption is limited to projects directly undertaken by a person which are supported in whole or in part through contracts, grants, subsidies, loans, or other forms of assistance from the City of Los Angeles where the projects:
  - 1) Initiate or increase fees, rates, or charges charged for any existing public service, program, or activity, or
  - 2) Reduce or eliminate the availability of an existing public service program, or activity, or
  - 3) Close publicly owned or operated facilities, or
  - 4) Reduce or eliminate the availability of an existing publicly owned transit service, program, or activity.
- q. Activities and proposals by the City of Los Angeles necessary for the preparation and adoption of a local coastal program pursuant to the California Coastal Act, (commencing with Section 30000 of the Public Resources Code). CEQA shall apply to the certification of a local coastal program by the California Coastal Commission pursuant to Chapter 6 of the California Coastal Act.
- r. Projects for the institution or increase of passenger or commuter service on rail lines already in use, including the modernization of existing stations and parking facilities.



- s. Projects for the development of a regional transportation improvement program or the state transportation improvement program.
- t. Zone change ordinances initiated by the City for the purpose of complying with Section 65860 (d) of the California Government Code, provided that the zone change provides for the least intensive use category allowed by the applicable provisions of the General Plan of the City of Los Angeles.”

**Section 4.** Article VII of the City CEQA Guidelines is hereby renumbered as Article III and reads as follows:

**“ARTICLE III: CATEGORICAL EXEMPTIONS    ARTICLE    III CATEGORICAL EXEMPTIONS**

1. Classes of Categorical Exemptions.

The Secretary for Resources has provided a list of classes of projects which he has determined do not have a significant effect on the environment and which are therefore exempt from the provisions of CEQA. The following specific categorical exemptions within such classes are set forth for use by Lead City Agencies, provided such categorical exemptions are not used for projects where it can be readily perceived that such projects may have a significant effect on the environment.

a. Class 1. Existing Facilities.

Class 1 consists of the operation, repair, maintenance or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that previously existing.

- 1) Interior or exterior alterations involving remodeling or minor construction where there be negligible or no expansion of use.
- 2) Operation, repair, maintenance or minor alteration of existing facilities of both investor and publicly owned utilities, electrical power, natural gas, sewage, water, and telephone, and mechanical systems serving existing facilities, including alterations to accommodate a specific use.
- 3) Operation, repair, maintenance or minor alteration of existing highways and streets, sidewalks, gutters, bicycle and pedestrian trails, storage areas, parking lots, aircraft parking areas, wharves, railroads, runways, taxiways, navigable waterways, bridle trails, service roads, fire lanes and golf-cart paths, except where the activity will involve removal of a scenic resource including but not limited to a stand of trees, a rock outcropping or an historic building.

- 4) Restoration or rehabilitation of deteriorated or damaged structures, facilities or mechanical equipment and systems to meet current standards of public health, safety and environmental protection.
- 5) Additions to existing structures provided that the addition will not result in an increase of more than:
  - a) 50 percent of the floor area of the structures before the addition or 2,500 square feet, whichever is less; or
  - b) 10,000 square feet of:
    - i. The project is in an area where all public services and facilities are available to allow for maximum development permissible in the General Plan and
    - ii. The area in which the project is located is not environmentally sensitive.
- 6) Addition of safety, security, health or environmental protection devices for use during construction of or in conjunction with existing structures, facilities or mechanical equipment, or topographical features (including navigational devices).
- 7) New copy on existing on and off-premise signs.
- 8) Maintenance of existing landscaping, native growth, water supply reservoirs; and brush clearance for weed abatement and fire protection (excluding the use of economic poisons as defined in Division 7, Chapter 2, California Agricultural Code).
- 9) Maintenance of fish screens, fish ladders, wildlife habitat areas, artificial wildlife waterway devices, streamflows, springs and waterholes, and stream channels (clearing of debris) to protect fish and wildlife resources, lakes and reservoirs.
- 10) Division of existing multiple family rental units into condominiums or stock cooperatives.<sup>6</sup>
- 11) Demolition and removal of individual small structures listed in this subdivision except where the structures are of historical, archaeological or architectural significance:
  - a) Single-family residences not in conjunction with the demolition of two or more units;
  - b) Motels, apartments, and duplexes designed for not more than four dwelling units of not in conjunction with the demolition of two or more such structures;

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<sup>6</sup> A multiple family rental unit is "existing" when the Department of Building and Safety has issued a certificate of occupancy.

- c) Stores, offices, and restaurants of designed for an occupant load of 20 persons or less, if not in conjunction with the demolition of two or more such structures;
  - d) Accessory (appurtenant) structures including garages, carports, patios, swimming pools, and fences.
- 12) Outdoor lighting and fencing for security and operations.
- 13) Interior or internal modifications to established and discrete areas which are fully developed within the larger environment of parks or recreation centers, where such interior or internal modification is essentially a rearrangement (rather than an additive function) such as might occur at a zoo, outdoor museum, arboretum, formal garden, or similar display area.
- 14) Issuance, renewal or amendment of any lease, license or permit to use an existing structure or facility involving negligible or no expansion of use.
- 15) Installation of traffic signs, signals and pavement markings, including traffic channelization using paint and raised pavement markers.
- 16) Installation of parking meters.
- 17) Operation, repair, maintenance or minor alteration of surface pipelines serving industrial or commercial facilities and all subsurface pipelines.
- 18) Issuance of permits, leases, agreements, berth and space assignments, and renewals, amendments or extensions thereof, or other entitlements granting use of the following existing facilities and land and water use areas involving negligible or no expansion of use and/or alteration or modification of the facilities or its operations beyond that previously existing or permitted:
- a) Municipal Warehouses and Transit Sheds.
  - b) Municipal Wharves.
  - c) Municipal Airports.
  - d) Storage areas for domestic shipment-receipt and foreign import-export commodities.
  - e) Office Space.
  - f) Surface or subsurface pipelines serving industrial or commercial facilities in the Harbor District.
  - g) Municipal Utility Rights-of-Way.

- 19) The granting of variances by the Board of Police Commissioners from the requirements of Section 41.40 of the L.A.M.C., where the activity permitted will be completed within 30 days after the variance is granted.
- 20) Modernization of an existing highway, street, alley, walk, mall or minor drainage channel by construction of improvements, resurfacing, reconstruction, eliminating jut-outs, widening less than a single lane width, adding shoulders or parking lanes, adding auxiliary lanes for localized purposes (turning, passing, and speed change), correcting substandard curves and intersection, bottleneck bridge widenings not to exceed the width of the adjacent existing roadway approaches, and other bridge widenings less than an additional lane on the bridge. This exemption shall not be used where extensive tree removal will be involved.
- 21) Modifications to existing storm drain systems for collection of local water at alternate points within an existing local drainage area unless impact on a park is anticipated.
- 22) Granting or renewal of a variance or conditional use for a nonsignificant change of use in an existing facility.
- 23) Granting of a variance to permit continued operation of a non-conforming essential service or retail convenience after the mandated Zoning Code removal date.
- 24) Relocation of an existing use within a publicly owned facility.
- 25) Installation of fire hydrants on existing water mains.
- 26) Construction of erosion control facilities.
- 27) Zoning Administrator approval of foster care and day care homes pursuant to L.A.M.C. Section 12.27 E.
- 28) Zoning Administrator approval to use existing dwelling units as model homes.
- 29) Minor repairs and alterations to existing dams and appurtenant structures under the supervision of the Department of Water Resources.
- 30) Actions of the Board of Building and Safety Commissioners on Appeals of Determinations of the Superintendent of Building, except actions of the Commission taken pursuant to L.A.M.C. Sections 91.3002(f)-4-e.
- 31) Establishment or modification of any rate, fee or charge for the use of existing municipal facilities and services involving negligible or no expansion of use.

- 32) Installation, maintenance or modification of mechanical equipment and public convenience devices and facilities which are accessory to the use of the existing structures or facilities and involve the negligible or no expansion of use.
- 33) The issuance, modification or relocation of police permits for antique shops, auto parks, auto rental, bath and massage, card club, card school, dancing academy, dance (public one night), escort bureau, figure studios, game arcade, games of skill and science, identification card, jewelry auction, locksmith, messenger service, nudist colony, pawnbroker, pool table (single), pool tables, poolroom, billiard room, family billiard room, private patrol, rides/merry-go-round, rummage sale, sales (closing out and removal), secondhand (auto parts, books, jewelry, and general), seller of concealable firearms, shooting gallery, towing operation, social clubs, and proprietor or subscriber alarm system.
- 34) Federally funded programs for revitalization of deteriorating urban areas for purposes of correcting building code violations and making other improvements to existing dwelling units, including coordinating those public improvements necessary to improve public facilities in connection with such revitalization. This exemption does not include the construction of new public facilities.
- 35) Minor extensions of, and connections between, existing taxiways which permit alternative aircraft ground maneuvering operations and involve negligible or no expansion of use.
- 36) The issuance, modification or relocation of animal regulation permits for impounding stray animals declared to be a nuisance, disposal of old, crippled or infected dogs, neighborhood retail pet shops, animal trapping, keeping or wild animals as pets, and keeping of carrier or homing pigeons which are to be liberated for exercise or racing.
- 37) Crushing of cement concrete, asphalt concrete, masonry and other related materials resulting from demolition work when the crushing activity occurs on industrial zoned land, is in compliance with L.A.M.C. Secs. 112.04 and 112.05, and includes dust suppression measures sufficient to meet the requirements of the Southern California Air Quality Management District.
- 38) Conversion of a single family residence to office use.
- 39) The conversion of existing commercial or industrial units in one structure from single to condominium type ownership.
- 40) Federally funded programs for the provision of public services that result in negligible or no impact on the physical environment and that do not involve the construction of new public or private facilities.

b. Class 2. Replacement or Reconstruction.

Class 2 consists of replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced.

- 1) Replacement or reconstruction of existing schools, hospitals, recreation buildings and libraries to provide earthquake resistant structures which do not increase capacity more than fifty percent (50%).
- 2) Replacement of a commercial or industrial structure with a new structure of substantially the same size, purpose and capacity.
- 3) Replacement or reconstruction of existing utility systems and/or facilities involving negligible or no expansion of capacity.
- 4) Conversion of overhead electric utility distribution system facilities to underground including connection to existing overhead electric utility distribution lines where the surface is restored to the condition existing prior to the undergrounding.
- 5) Replacement or reconstruction of surface or subsurface pipelines involving negligible or no expansion of use beyond that previously existing.
- 6) Replacement or reconstruction of existing heating and air-conditioning systems.
- 7) Replacement of existing pedestrian stairways, including such additional rights of way as needed to bring the stairways up to current standards of length and width, providing that the project does not impact cultural resources or remove mature trees.

c. Class 3. New Construction of Small Structures.

Class 3 consists of construction and location of limited numbers of new, small facilities or structures, installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure. The numbers of structures described in this section are the maximum allowable within a two year period. Examples of this exemption include but are not limited to:

- 1) Single family residences not in conjunction with the building of two or more units. In urbanized areas, up to three single family residences may be constructed under this exemption.
- 2) Apartments, duplexes and similar structures, designed for not more than four dwelling units of not in conjunction with the building of two or more such structures. In urbanized areas, the exemption applies to single apartments, duplexes and similar structures designed for not more than six dwelling units of not constructed in conjunction with the building of two or more such units.

- 3) Stores, motels, offices, restaurants, and similar small commercial structures not involving the use of significant amounts of hazardous substances, designed for an occupant load of 30 persons or less, if not in conjunction with the building of two or more structures. In urbanized areas, the exemption also applies to commercial buildings on sites zoned for such use, if designed for an occupant load of 30 persons or less, of not constructed in conjunction with the building of 4 or more such structures and of not involving the use of significant amounts of hazardous substances.
- 4) Installation of new equipment and/or industrial facilities involving negligible or no expansion of use if required for safety, health, the public convenience, or environmental control.
- 5) Water main, sewage, electrical, gas and other utility extensions of reasonable lengths to serve already approved construction.
- 6) Accessory (appurtenant) structures including garages, carports, patios, swimming pools, fences, game courts (including tennis courts accessory to residential developments), play areas and retaining walls.
- 7) Installation of scientific measuring, monitoring and testing devices.
- 8) Additions to underground electric and water utility distribution system facilities such as cables, conduits, pipelines, manholes, vaults and appurtenances, including connections to existing overhead electrical utility distribution lines.
- 9) Installation of surface and subsurface pipelines and equipment in industrial facilities involving negligible or no expansion of use beyond that previously existing.
- 10) Street lighting projects, with the exception of those systems where illumination levels would materially exceed minimum levels of illumination recommended in the current edition of the “American National Standard Practice for Roadway Lighting” as approved by the American National Standards Institute.
- 11) Sewers constructed to alleviate a high potential or existing public health hazard. Such sewers shall be of a size and capacity to serve only the area of need.
- 12) Storm drains constructed to collect low flow or alleviate other local drainage problems unless impact on a park is anticipated.
- 13) Offsite sewers as described in Section 64.11.2 of the L.A.M.C., of no greater diameter than 10 inches, that will serve an area local in nature.
- 14) Authorizations by the Department of Public Utilities and Transportation for the installation, relocation and/or replacement of police and fire boxes, and poles, guys and antennas external to existing buildings.



- 15) Recommendations by the Department of Public Utilities and Transportation for improved crossing protection.
- 16) Issuance by the Department of Public Utilities and Transportation of permits for ambulance driver or attendant, auto-for-hire, public service vehicle, or school bus.
- 17) Projects involving less than 35 dwelling units or 15,000 square feet of commercial, industrial, governmental or institutional floor space where, as determined by the appropriate City department, the project is not in a designated hillside (“H”) area or in an officially mapped area of severe geologic hazard, conforms with or is less intensive than the adopted plan, is a fill-in rather than an initial intrusion into an established pattern of development, is not in an officially designated Paleontological, Historical, Archaeological or Seismic Study Area, and, of residential, is more than 1,000 feet from a freeway, railway, or airport, except where the mitigation of potentially significant noise and air quality impacts to an insignificant level is ensured. If any grading is required in connection with such projects, this Categorical Exemption shall not apply unless the grading is also exempted by Subsection d of Subsection 1 of this Article.

d. Class 4. Minor Alterations to Land.<sup>7</sup>

Class 4 consists of minor public or private alterations to the condition of land, water and/or vegetation which do not involve removal of mature, scenic trees except for forestry and agricultural purposes:

- 1) Grading on land with a slope of less than ten percent (10%), except where it is to be located in a waterway, in any wetland, in an officially designated (by federal, State, or local governmental action) scenic area or in an officially mapped areas of severe geologic hazard.
- 2) Grading on land with a slope of fifteen percent (15%) or more, and/or involving grading in excess of 20,000 cubic yards. This exemption will not apply to grading located in a waterway, in any wetland, in an officially designated (by federal, State, or local action) scenic area, or in officially mapped areas of severe geologic hazard, or contains scenic trees.
- 3) New gardening, tree planting, or landscaping, but not including tree removal except dead, damaged or diseased trees or limbs.

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<sup>7</sup> See “Exemption by Location,” Section 4a of this Article.

- 4) Filling of earth into previously excavated land, and maintenance and preservation of land elevation in areas of land settlement and subsidence with material compatible with the natural features of the site.
- 5) Minor alterations in land, water and vegetation on existing officially designated wildlife management areas of fish production facilities which result in improvement of habitat for fish and wildlife resources or greater fish production.
- 6) Temporary uses of land having no permanent effects on the environment, including but not limited to carnivals, parades, temporary location filming, sales of Christmas trees, building materials storage on street or sidewalk during job, construction offices and tract sales offices.
- 7) The issuance, renewal or amendment of any lease, license or permit to use land involving minor alterations to the condition of the land.
- 8) The renewal or amendment of any lease which allows for a minor increase in leased acreage.
- 9) Watercourse permits.
- 10) Grading and/or paving of existing rights of way for parking where zoning laws permit such use, street access exists, and the project does not significantly impact local drainage patterns, cultural resources, or trees.
- 11) Zoning Administrator approval to erect and maintain temporary subdivision directional signs.
- 12) Minor trenching and backfilling where the surface is restored.
- 13) The creation of bicycle lanes on existing rights-of-way.
- 14) Relocation of residential structures located on lands acquired for a public use to a new site.
- 15) Maintenance dredging where the spoil is deposited in a spoil area authorized by all applicable State and federal regulatory agencies.
- 16) Corrective grading to repair slope failures and for restoration of previously graded areas to their original configurations.

e. Class 5. Alterations in Land Use Limitations.<sup>8</sup>

Class 5 consists of minor alterations in land use limitations in areas with less than a 20% slope, which do not result in any changes in land use or density, including but not limited to:

- 1) Minor lot line adjustments, side yard and setback variances not resulting in the creation of any new parcel nor in any change in land use or density.
- 2) Issuance of minor encroachment permits.
- 3) Minor street, alley and utility easement vacations where the vacated property does not constitute a buildable site that would allow a commercial or industrial development of more than 10,000 square feet or a residential development of more than 25 units.
- 4) Conveyances of minor miscellaneous easements, including street, alley or walkway easements.
- 5) Acquisition of public street easements and the construction of street improvements required pursuant to Section 12.37 of the L.A.M.C. including minor modifications and minor waiver requirements.
- 6) Minor modifications of the conditions of previously approved tentative tract maps involving improved design features when no increase in the number of lots or parcels is proposed.
- 7) Changes in Council instructions related to a change of zone or height district.
- 8) Extensions of time to utilize “Q” provisions imposed upon changes of zone or height district, to utilize a variance or conditional use grant, or to record a final tract.
- 9) Interpretations and minor adjustments to the boundaries of zones or height districts limited by the existing provisions of Section 12.30 of the L.A.M.C.
- 10) Minor area variances, building location and configuration variances, yard variances, or slight modifications which do not result in any change in land use or additional dwelling units.
- 11) Department of Building and Safety Orders and Zoning Administrator Interpretations and appeals therefrom which do not result in change in land use or additional dwelling units.
- 12) Zone changes that reduce the maximum intensity of use of the land, but do not change the nature of the use.

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<sup>8</sup> See “Exemption by Location,” Section 4a of this Article.

- 13) Zone changes or variances that merely conform zoning to an existing use where the existing use was legally commenced.
- 14) Zone changes from residential to P-1 on connection with an already developed commercial or industrial use.
- 15) Acceptance of future streets to provide windows for sewer house connections.
- 16) Removal of minor vehicular access restrictions.
- 17) Dedication of easements for streets, alleys and walkways over City-owned property already improved as streets, alleys or walkways.
- 18) Conveyance of easements between public agencies for streets, alleys or walkways over properties already improved as streets, alleys or walkways.
- 19) Acquisition of easements for drainage and sanitary sewers for the conveyance of local drainage and sewage flow into existing outlet facilities.
- 20) Acquisition of easements for future streets, alleys and walkways.
- 21) Acceptance of future streets, alley and walkways which are already improved as streets, alley and walkways, as public streets, alley and walkways.
- 22) Release of agreements on property involving lot ties, public easements, dedications, and submittals of plans.
- 23) Granting or renewal of a variance or conditional use for a non-significant change of use of land.
- 24) Reversion to acreage in accordance with the Subdivision Map Act.
- 25) Establishment, change or removal of building lines.
- 26) Consolidation of contiguous properties into a lesser number of parcels which may involve the vacation of unimproved paper streets or alleys.
- 27) Termination of City Council approved zone changes or height district files if not implemented after three (3) years, including "T" removals and seven (7) step subdivisions subject to a withholding ordinance for dedication and improvements, if in conflict with the most recent City Council adopted community plan.
- 28) Acquisition of land for the purpose of acquiring fee title underlying an existing easement.

- 29) Acquisition of tax delinquent property where no use other than the existing use is contemplated.
  - 30) Granting easements to other local agencies, utilities or private persons to accomplish activities that are categorically exempted by these Guidelines.
  - 31) Transfer of jurisdiction of a portion of the Los Angeles City Street System to the County of Los Angeles to allow the County to improve the street.
  - 32) Reduction of a conditional use site pursuant to Section 12.24 G. 2. of the L.A.M.C.
  - 33) Zone variances to convert guest rooms into apartments.
  - 34) Granting of a conditional use for the on-site consumption of alcoholic beverages pursuant to L.A.M.C. Sections 12.21 and 12.24, as amended by Ordinance No. 148,994 (effective March 1, 1977), beverages will be dispensed and consumed do not exceed an occupant load of 200 persons, and provided that the premises will not also require an original dancehall, skating rink or bowling alley permit from the Los Angeles Police Commission.
  - 35) Granting of Zone Boundary Adjustments or Zone Changes incident to Subdivision pursuant to L.A.M.C. Section 12.32F.
  - 36) Approval of Private Street Maps pursuant to Article 8, Chapter I of the L.A.M.C. to provide access to existing legal lots.
  - 37) Approval of Reversion to Acreage Maps pursuant to L.A.M.C. Section 17.10.
  - 38) Height District changes that reduce the intensity of development of land (L.A.M.C. Section 13.05).
  - 39) Modification or removal of a “K” Horsekeeping Supplemental Use District (L.A.M.C. Section 13.05).
  - 40) Acceptance of future streets and alleys dedicated pursuant to tract map procedures.
- f. Class 6. Information Collection<sup>9</sup>

Class 6 consists of basic data collection, research, experimental management and resource evaluation activities which do not result in a serious major disturbance to an environmental

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<sup>9</sup> See “Exemption by Location,” Section 4a of this Article.

resource. These may be for strictly information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded.

- 1) Permits for test holes in public areas which will be used for engineering evaluations for street, sewer, storm drain, buildings or utility installations.
- 2) Basic data collection, field testing, research, experimental management and resource activities of City Departments, bureaus, divisions, sections, offices or officers which do not result in serious or major disturbances to an environmental resource.
- 3) Permits to drill test holes in navigable waters or submerged lands which will be used for chemical and biological engineering evaluations for marine facilities, and for chemical and biological analysis of sediments.

g. Class 7. Actions by Regulatory Agencies for Protection of Natural Resources.

Not applicable at the present time in the City of Los Angeles.

h. Class 8. Actions by Regulatory Agencies for Protection of the Environment.

Class 8 consists of actions taken by regulatory agencies as authorized by State or local ordinance to assure the maintenance, restoration, enhancement, or protection of the environment where the regulatory process involves procedures for protection of the environment. Construction activities are not included in this exemption.

- 1) Industrial waste permits.
- 2) Design approvals by the Municipal Arts Commission pursuant to Charter Section 165 and Section 91.4509 (a) of the L.A.M.C.
- 3) Renewals of permits by the Bureau of Street Maintenance for operation of existing sanitary landfills. (This exemption shall not be used where a new sanitary landfill site is to be established.)
- 4) Acquisition of lands for the purpose of preserving flood plains and/or open space where no increase in use is proposed.

i. Class 9. Inspections.

Class 9 consists of activities limited entirely to inspection, to check for performance of an operation, or the quality, health or safety of a project, including related activities such as inspection for possible mislabeling, misrepresentation or adulteration of products:

- 1) Inspection of private refuse disposal sites.
- 2) Activities of City departments, bureaus, divisions, sections, offices or officers limited entirely to inspection, to check for performance of an operation, or the quality or safety of a project.

j. Class 10. Loans.

Not applicable at the present time in the City of Los Angeles.

k. Class 11. Accessory Structures.<sup>10</sup>

Class 11 consists of construction or placement of minor structures accessory to (appurtenant to) existing commercial, industrial, or institutional facilities.

- 1) On-premise signs.
- 2) Parking lots under 110 spaces where no decking or undergrounding is involved.
- 3) Game courts, play equipment, drinking fountains, restrooms, fences, walks, visual screens, or single tennis courts constructed in residential areas.
- 4) Placement of seasonal or temporary use items such as lifeguard towers, mobile food units, portable restrooms or similar items in generally the same locations from time to time in publicly owned parks, stadiums, or other facilities designed for public use.
- 5) Signs located on City property managed by a City department which has a sign policy adopted by the City Council or, in the case of a proprietary department, by its Board of Commissioners.
- 6) Construction or placement of minor structures accessory to (appurtenant to) existing commercial, industrial or institutional facilities.
- 7) Construction or placement of buildings, or additions to buildings, involving the addition of less than 15,000 square feet, which additions are accessory to existing commercial, industrial or institutional facilities.
- 8) Authorizations by the Department of Airports for the installation, maintenance, relocation, replacement and/or removal of: structures; lighting, fencing and security facilities; noise and

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<sup>10</sup> See "Exemption by Location," Section 4a of this Article.



environmental monitoring systems and facilities; storage tanks and facilities; utility, sewer and drainage system facilities; mechanical and electrical equipment; and, other facilities which are accessory to the use of existing or approved airport structures, facilities, or operations, and involve negligible or no expansion of airport operations beyond that previously existing or permitted.

l. Class 12. Surplus Government Property Sales.

Class 12 consists of sales of surplus government property except for parcels of land located in an area of statewide interest or potential area of critical concern as identified in the Governor's Environmental Goals and Policy Report, prepared pursuant to Government Code Section 65041, et. seq. However, if the surplus property to be sold is located in those areas identified in the Governors' Environmental Goals and Policy Report, its sale is exempt if:

- 1) The property does not have significant values for wildlife habitat or other environmental purposes, and
- 2) Any of the following conditions exist:
  - a) The property is of such size or shape that it is incapable of independent development or use, or
  - b) The property to be sold would qualify for an exemption under any other class of categorical exemption in Article VII of these Guidelines, or
  - c) The use of the property and adjacent property has not changed since the time of purchase by the public agency.

m. Class 13. Acquisition of Lands for Wildlife Conservation Purposes.

Not applicable at the present time to the City of Los Angeles.

n. Class 14. Minor Additions to Schools.

Class 14 consists of minor additions to existing schools within existing school grounds where the addition does not increase original student capacity by more than 25% or five classrooms, whichever is less. The addition of portable classrooms is included in this exemption.

- 1) Minor additions to City operated training facilities within existing facility grounds where the addition does not increase original trainee capacity of the facility by more than 25% or five classrooms is included in this exemption.

o. Class 15. Minor Land Divisions

Class 15 consists of the division of property in urbanized areas zoned for residential, commercial, or industrial use into four or fewer parcels when the division is in conformance with the General Plan and zoning, no variances or exceptions are required, all services and access to the proposed parcels to local standards are available, the parcel was not involved in a division of a larger parcel within the previous 2 years, and the parcel does not have a slope greater than 20%.

p. Class 16. Transfer of Ownership in Land in order to Create Parks.

Class 16 consists of the acquisition or sale of land in order to establish a park where the land is in a natural condition or contains historic sites or archaeological sites and either:

- 1) The management plan for the parks has not been prepared, or
- 2) The management plan proposes to keep the area in a natural condition or preserve the historic or archaeological site. CEQA will apply when a management plan is proposed that will change the area from its natural condition or significantly change the historic or archaeological site.

q. Class 17. Open Space Contracts or Easements.

Class 17 consists of the establishment of agricultural preserves, the making and renewing of open space contracts under the Williamson Act, or the acceptance of easements or fee interests in order to maintain the open space character of the area. The cancellation of such preserve, contracts, interests of easements is not included.

r. Class 18. Designation of Wilderness Areas.

Class 18 consists of the designation of wilderness areas under the California Wilderness System.

s. Class 19. Annexations of Existing Facilities and Lots for Exempt Facilities.

Class 19 consists of only the following annexations:

- 1) Annexations to the City of Los Angeles of areas containing existing public or private structures developed to the density allowed by the current zoning or pre-zoning of either the gaining or losing governmental agency whichever is more restrictive, provided, however, that the extension of utility services to the existing facilities would have a capacity to serve only the existing facilities.

- 2) Annexations of individual small parcels of the minimum size for facilities exempted by Subsection c of this Section, New Construction of Small Substructures.
- t. Class 20 Changes in Organization of Local Agencies.

Class 20 consists of changes in the organization or reorganization of local governmental agencies where the changes do not change to geographical area in which previously existing powers are exercised. Examples include but not limited to:

- 1) Establishment of a subsidiary district.
- 2) Consolidation of two or more districts having identical powers.
- 3) Merger with a city of a district lying entirely within the boundaries of the City.

- u. Class 21. Enforcement Actions by Regulatory Agencies.

Class 21 consists of actions by regulatory agencies to enforce or revoke a lease, permit, license, certificate or other entitlement for use which is issued, adopted or prescribed by the regulatory agency or a law, general rule, standard or objective which is administered or adopted by the regulatory agency. Such actions include, but are not limited to, the following:<sup>11</sup>

- 1) The direct referral of a violation of a lease, permit, license, certificate or other entitlement for use or of a general rule, standard or objective to the Attorney General, District Attorney or City Attorney, as appropriate for judicial enforcement.
- 2) The adoption of an administrative decision or order enforcing or revoking the lease, permit, license, certificate or other entitlement for use or enforcing the general rule, standard or objective.

- v. Class 22. Educational or Training Programs Involving No Physical Changes.

Class 22 consists of the adoption, alteration or termination of educational or training programs which involve no physical alteration in the area affected or which involve physical changes only in the interior of existing school or training structures. Examples include, but are not limited to the following:

- 1) Development of or changes in curriculum or training methods.

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<sup>11</sup> Construction activities undertaken by the public agency taking the enforcement or revocation action are not included in this exemption.

- 2) Changes in the grade structure of a school which do not result in changes in student transportation.

w. Class 23. Normal Operations of Facilities for Public Gatherings.

Class 23 consists of the normal operations of existing facilities designed for public gatherings where there is a history of the use of the facility for that purpose. Facilities included within this exemption include, but are not limited to, racetracks, stadiums, convention centers, auditoriums, amphitheaters, planetariums, swimming pools and amusement parks.

x. Class 24. Regulation of Working Conditions.

Class 24 consists of actions taken by regulatory agencies, including the Industrial Welfare Commission as authorized by statute, to regulate any of the following:

- 1) Employee wages.
- 2) Hours of work.
- 3) Working conditions where there will be no demonstrable physical changes outside the place of work.

y. Class 25. Transfers of Ownership of Interests in Land to Preserve Open Space.

Class 25 consists of the transfers of ownership of interests in land in order to preserve open space. Examples include but are not limited to:

- 1) Acquisition of areas to preserve existing natural conditions.
- 2) Acquisition of areas to allow continued agricultural use of the areas.
- 3) Acquisitions to allow restoration of natural conditions.
- 4) Acquisition to prevent encroachment of development into flood plains.

z. Class 26. Acquisition of Housing for Housing Assistance Programs.

Class 26 consists of actions by a redevelopment agency, housing authority, or other public agency to implement an adopted Housing Assistance Plan by acquiring an interest in housing units. The housing units may be either in existence or possessing all required permits for construction when the agency makes its final decision to acquire the units.

aa. Class 27. Leasing New Facilities.

Class 27 consists of the leasing of a newly constructed or previously unoccupied privately-owned facility by a local or state agency where the local governing authority determined that the building was exempt from CEQA. To be exempt under this section, the proposed use of the facility shall be in conformance with existing State plans and policies and with general, community, and specific plans for which an EIR or Negative Declaration has been prepared, shall be substantially the same as that originally proposed at the time the building permit was issued, shall not result in a traffic increase of greater than 10% of front access road capacity, and shall include the provision of adequate employee and visitor parking facilities. Examples of Class 27 include but are not limited to:

- 1) Leasing of administrative offices in newly constructed office space.
- 2) Leasing of client services offices in newly constructed retail space.
- 3) Leasing of administrative and/or client services offices in newly constructed industrial parks.

2. Procedures for Adding Categorical Exemptions.

a. New Classes.

Requests for new classes of categorical exemptions must be submitted to the State Office of Planning and Research. All such requests by the Lead City Agencies shall be first submitted to the City Council for approval.

b. New Exemptions Under Existing Classes.

A Lead City Agency may petition the City Council to add a categorical exemption under an existing class. The Lead City Agency must provide the City Council with detailed information supporting its contention that the type of project in question does not significantly effect the environment. Where such projects may potentially be carried out in substantially different environments, specific mention should be made as to the type of environment in which the exemption may be applied.

3. Relation to Ministerial Projects.

The categorical exemptions listed above include classes of projects which in the City of Los Angeles are already exempted from the requirements of CEQA as ministerial. It is not necessary to refer to a project as categorically exempt if it is already exempt as ministerial.

4. Exceptions.

a. Location.

Classes 3, 4, 5, 6, and 11 are qualified by consideration of where the project is to be located. A project that is ordinarily insignificant in its effect on the environment may in a particularly sensitive environment be significant. Therefore, these classes may not be utilized where the project may impact on an environmental resource of hazardous or critical concern where designated, precisely mapped, and officially adopted pursuant to law by federal, State, or local agencies.

b. Cumulative Impact.

The categorical exemption may not be used when the cumulative impact of successive projects of the same type in the same place may be significant. For example, annual additions to an existing building under Class 1.”