

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: February 10, 2022

CAO File No. 0640-01399-0115
Council File No. 21-1028-S2
Council District: All

To: Mayor
Council

From: *for* Matthew W. Szabo, City Administrative Officer *Ylenda Chavez*

Reference: 2021-22 Third Construction Projects Report

Subject: **2021-22 Third Construction Projects Report - Addendum**

SUMMARY

On February 9, 2022, this Office released the 2021-22 Third Construction Projects Report (CPR) that provides updates for major capital projects and associated financial transactions (C.F. 20-1021-S2). This addendum is needed to address time-sensitive items that were identified subsequent to the release of the Third CPR.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

Tonopah Pedestrian Tunnel Closure (Item A)

1. Authorize the Controller to effectuate the following transfer between the CTIEP Fund and the budgetary accounts below:

FROM:	<u>Fund 100/54, CTIEP</u>	
	00V826, Tonopah St Tunnel Closure	\$119,028.00
	Total:	\$119,028.00

TO:	<u>Fund 100/40, General Services Department</u>	
	001014, Salaries Construction	\$ 4,234.00
	001101, Hiring Hall Construction	36,190.00
	001121, Benefits Hiring Hall Construction	10,586.00
	003180, Construction Materials	<u>53,018.00</u>
	Total:	\$104,028.00

	<u>Fund 100/78, Bureau of Engineering</u>	
	001010, Salaries General	\$ 15,000.00
	Total:	\$ 15,000.00
	Grand Total:	\$ 119,028.00

Yard – Trailer Salvage Value (Item B)

2. Rescind the Controller's Instruction included in the 2020-21 Fifth Construction Projects Report (C.F. 20-1021-S4, Recommendation 11) and Council Motion (DeLeon - Blumenfield, C.F. 21-0563) to eliminate contradicting Council instructions, and authorize the Controller to deposit salvage revenue of ten trailers located at 850 North Mission Road in the amount of \$35,000 to be deposited into Fund 100, Department 54, RSC 5142, and transfer said funds to AB1290 Fund No. 53, Department 28, Account No. 281214 to partially reimburse Council District 14 for the cost of paving and fencing the Bureau of Sanitation property located at Mission Road and Jesse Street;

Los Angeles Convention Center (LACC) Expansion Project (Item B)

3. Authorize the Office of the City Administrative Officer (CAO) and the City Attorney to negotiate and execute contract amendments for financial advisory and legal services related to the Los Angeles Convention Center Expansion Project, for up to an additional aggregate amount of \$500,000 to Contract Nos. C-133453 and C-132995 with Ernst & Young Infrastructure Advisors and Nossaman LLP, respectively, funded by the MICLA Commercial Paper Program (Los Angeles Convention Center); and,
4. Authorize the City Administrative Officer (CAO) to make technical corrections, as necessary, to the transactions authorized through this report, as required to implement the intent of those transactions.

FISCAL IMPACT

Transfers, appropriations, and expenditure authority totaling \$119,028 are recommended in this report. The entire \$119,028 is for transfers, appropriations, and expenditure authority for the Bureau of Engineering (BOE). All transfers and appropriations are based on existing funds, reimbursements, or revenues. There is no immediate General Fund impact for operations and maintenance costs as a result of these recommendations.

DEBT IMPACT STATEMENT

The issuance of Municipal Improvement Corporation of Los Angeles (MICLA) debt is a General Fund obligation. The issuance of MICLA for the Los Angeles Convention Center Expansion Project's increased financial advisory and legal services would cause the City to borrow an additional aggregate amount up to \$500,000 at an approximate 5.5 percent interest rate over 20 years. The total estimated debt service is \$837,000, including interest of approximately \$337,000. During the life of the bonds, the estimated average annual debt service is \$42,000 over 20 years.

Actual interest rates may differ as rates are dependent on market conditions at the time of issuance. We cannot fully predict what interest rates will be in the future. In accordance with the City's Debt Management Policy, the City has an established debt ceiling to guide in evaluating the affordability for future debt. The debt ceiling for non-voted direct debt as a percentage of General Fund revenues is 6.0 percent. The City is currently at 3.35 percent for 2021-22. The issuance of debt for this project will not impact the City's debt capacity for non-voter approved debt as the issuance of debt for the project is already included in the debt ratio.

FINANCIAL POLICIES STATEMENT

The actions recommended in this report comply with the City's Financial Policies.

DISCUSSION

A. Bureau of Engineering (BOE) - Tonopah Pedestrian Tunnel Closure CTIEP Recommendation No. 1

A transfer of \$119,028 in CTIEP funds to the General Services Department and Bureau of Engineering's budgetary accounts is recommended to fund design and construction services for the Tonopah Pedestrian Tunnel Closure, located in Council District 6. The project entails the closure of the pedestrian tunnel at Tonopah Street under the I-5 and I-170 freeways to abate the public safety issues occurring at this site. The scope of work includes the closure of the pedestrian tunnel by providing locked wrought iron gates, trimming of hanging electrical wires and removing graffiti and trash. The estimated project completion date is June 2022. Council authority is required to appropriate funds to the departments' budgetary accounts. *O&M Fiscal Impact: There is no General Fund impact for operations and maintenance as this is an existing structure.*

B. Bureau of Street Services (BSS) – Yard – Trailer Salvage Value CTIEP Recommendation No. 2

Authority to rescind prior Controller's Instructions included in the 2020-21 Fifth CPR (C.F. 20-1021-S4, Item O) and Council Motion (C.F.21-0563) is recommended to eliminate contradicting Council instructions. The 2020-21 Fifth CPR provided for the establishment of a new CTIEP account for the deposit and expenditure of the anticipated receipt of funds for the salvage value of ten trailers located at 850 North Mission road. Subsequent to the approval of the CPR, Council approved the Motion (DeLeon – Blumenfield) instructing that the salvage receipts be deposited to Fund 53P/Account 281214 to partially reimburse Council District 14 for the cost of paving and fencing the Bureau of Sanitation property located at Mission Road and Jesse Street (C.F. 21-0563). Council approval is required to rescind prior Controller's Instructions provided in the 2020-21 Fifth CPR and Council Motion in order to provide corrected Controller's Instructions to ensure that the intent of Motion (DeLeon – Blumenfield) is effectuated. *O&M Fiscal Impact: There is no General Fund impact for operations and maintenance as this is an administrative action.*

C. Los Angeles Convention Center (LACC) - Expansion Project MICLA Recommendation No. 3

Authority is recommended for the CAO and the City Attorney to negotiate and execute amendments to Contract No. C-133453 with Ernst & Young Infrastructure Advisors, LLC (EYIA) and Contract No. C-132995 with Nossaman LLP, to increase the contractual ceilings by an aggregate amount up to \$500,000 for financial advisory and legal services related to the LACC Expansion Project (the Project), and to pay this amount from the MICLA LACC CP Program. On December 12, 2018, the City Council approved a report from the Chief Legislative Analyst (CLA) authorizing the City to negotiate with Anschutz Entertainment Group (AEG), and subsequently AEG Plenary Convention Los Angeles, LLC (APCLA), for a public-private partnership

development project to expand and modernize the LACC (C.F. 15-1207-S1). The report and subsequent reports authorized up to \$5,275,000 from the MICLA LACC CP Program to procure, negotiate, and execute contracts for various consulting services necessary to support the City's negotiations (C.F. 20-1021-S4). Pursuant to these authorizations, the CAO executed a contract with EYIA for financial advisory services and the City Attorney executed a contract with Nossaman LLP for legal services related to the Project. The onset of the coronavirus pandemic in March 2020 drew an immediate halt to operations at the LACC and paused major work related to the Project. Due to the complexity and uncertainty surrounding the prolonged effects of the pandemic and the resulting impacts to the convention and tourism industry, the financial assumptions for this project require reexamination, which may include reassessing and renegotiating certain draft legal documents related to the Project. This Office recommends the authorization of up to \$500,000 in additional funds to provide for an updated financial analysis and related as-needed legal services. Council approval is required to authorize additional resources paid from the MICLA LACC CP Program for financial advisory and legal services related to the LACC Expansion Project. *O&M Fiscal Impact: There is no additional General Fund impact for operations and maintenance associated with this recommendation as this is a one-time cost for a financial analysis and accompanying as-needed legal services.*

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