

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your

BUDGET AND FINANCE Committee

reports as follows:

BUDGET AND FINANCE COMMITTEE REPORT relative to a proposed Public-Private Partnership for parking assets options.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. AUTHORIZE the City Administrative Officer (CAO) to issue a Request for Qualifications to qualify bidders for a proposed public-private partnership with respect to the City's parking structures.
2. AUTHORIZE the City Attorney to negotiate and execute an Agreement with Katten Muchin Rosenman, LLP, for a term of two years and amount not to exceed \$200,000, for legal services needed to execute and implement the public-private partnership transaction.
3. TRANSFER appropriations of \$510,000 from the Unappropriated Balance, Fund No. 100/58, Account No. 0250, Public-Private Partnership Parking, to the Capital Finance Administration Fund No. 100/53, General Administration Account No. 0170, for expenditures related to the engagement of outside counsel, Sell-Side Advisors, and Financial Advisor including subcontractors, needed to execute and implement the public-private partnership transaction.
4. RECEIVE and FILE the CAO/Chief Legislative Analyst recommendation to transfer \$200,000 from the Unappropriated Balance, Fund No. 100/58, Account No. 0250, Public-Private Partnership Parking, to the Capital Finance Administration fund No. 100/53, General Administration Account No. 9170, for expenditures related to the engagement of consultants to complete a study of the City's parking meter system.
5. INSTRUCT the General Manager, Department of Transportation, to move forward as soon as possible with a Request for Proposals relative to the repair of approximately 40,000 parking meters.
6. AUTHORIZE the CAO to make technical adjustments as necessary to implement the intent of the Mayor and Council actions.

Fiscal Impact Statement: The CAO will report back with the results of the public-private partnership solicitation and include a fiscal impact statement based on any proposals resulting from this solicitation.

Debt Impact Statement: The CAO will report back with the results of the public-private partnership solicitation and include a debt impact statement based on any proposals resulting from this solicitation.

Community Impact Statement: None submitted

SUMMARY

At its meeting of February 1, 2010, the Budget and Finance Committee considered a joint CAO/Chief Legislative Analyst (CLA) report relative to a proposed public-private partnership (P3) for parking assets options. In a joint report, dated January 28, 2010, the CAO/CLA report that in November 2008, a working group consisting of staff from the CAO, as Chair, Mayor's Office, CLA and City Attorney was convened upon request of the Mayor to explore opportunities for a P3 with respect to the City's parking assets. In July, the Controller joined the working group as an ex officio member of the working group. In September 2009, the working group was instructed by the Mayor and Council to provide the final parking study, an analysis of the results and a discussion of options for consideration. The joint CAO/CLA report contains the analysis, findings and recommendations of the working group for further action in support of a P3 concession and lease for ten parking structures within the City.

The CAO/CLA report that the impetus for the P3 project stems from significant financial challenges facing the City resulting from declining revenues, increasing obligatory expenses and the economic crisis. The challenge of managing City operations under these circumstances has prompted an examination of what core services the City must provide, and how the City might provide non-core services differently. The parking structures were built to catalyze local development and accommodate community needs. However, operating these facilities is not a core function of government on par with public health and safety. The CAO/CLA report that the private sector already operates parking facilities throughout the City, including facilities that directly compete with these City-owned parking structures. If the private sector can be tapped to operate the City-owned structures more effectively and efficiently, then the City could focus scarce public resources on core activities, and the public would have undiminished, and perhaps enhanced parking service.

A Request for Qualifications (RFQ) is necessary to qualify interested bidders. The RFQ process allows the City to engage in negotiations with qualified bidders over the terms of the concession agreement. Additionally, by qualifying potential bidders, the City will be able to gauge the interest of the qualified parties and better assess the financial and practical risks that could dissuade bidders from bidding. The working group seeks authorization to release the proposed RFQ, which is attached to the CAO/CLA report. If release of the RFQ is authorized, the CAO and CLA propose the following "Next Steps":

- The working group, in consultation with the City's advisors, will identify the bidders who qualify pursuant to the requirements stated in the RFQ;
- The working group will report back to the Mayor and Council for approval of the Request for Proposals (RFP), which will include the proposed concession and lease agreement and the list of qualified bidders. At that time, the working group will also seek authority to enter into negotiations with the qualified bidders over the final form of the concession and lease agreement;
- A final concession and lease agreement will be developed based on feedback from the qualified bidders and released for bids. The working group will report back to the Mayor and Council with the outcome of the bid process and recommendations for the selection of the winning concessionaire.

The CAO/CLA report recommends an appropriation of \$510,000 as an estimate of expenses to be incurred in the near future while bidders are qualified and the concession agreement is drafted for bidder review. The Council had previously authorized \$630,000 for the P3 assessment phase, most of which has been expended or encumbered. Contracts for the initial data compilation and assessment phases were structured to pay consultants for time and materials, rather than as a percentage of the proceeds of the transaction, to ensure the advisors' independence from the outcome of the deal. Should the Council choose to move forward and solicit proposals for this concession agreement, the additional funds will be needed to proceed.

Following completion of a competitive process to identify legal counsel to assist the City with the P3 transaction, Katten Muchin Rosenman, LLP was selected based on their relevant experience and competitive pricing proposal. The City Attorney requests authority to negotiate and execute an Agreement with Katten Muchin Rosenman, LLP to serve as outside counsel for the P3 project. The proposed term is for two years with a not-to-exceed amount of \$200,000. Funding from the Unappropriated Balance set aside for the P3 project is available for this contract.

During the Committee discussion, the Budget and Finance Committee additionally considered recommendations contained in the CAO's Three-Year Plan to Fiscal Sustainability report (CF 10-0139) relative to an additional expenditure related to the engagement of consultants to complete a study of the City's parking meter system. The Committee voted unanimously to reject this recommendation, with Committee members voting to cease further expenditures relative to a study of the City's parking meter system.

The Budget and Finance Committee recommended approval of the joint CAO/CLA recommendations relative to a proposed P3 for parking structure assets. Additionally, the Committee voted to instruct the General Manager of the Department of Transportation to move forward as quickly as possible with a Request for Proposals for the repair the approximately 40,000 broken parking meters, and to cease further expenditures relative to a study of the City's parking meter system. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
PARKS:	NO (YES on recommendations 4 and 5)
SMITH:	YES
ROSENDAHL:	YES
HUIZAR:	YES
KORETZ:	YES

LB
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-NOT OFFICIAL UNTIL COUNCIL ACTS-