

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

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C.F. No. 15-0989, 15-0989-S2

Date: March 22, 2019

To: Honorable Members of the Ad Hoc Committee on the 2028 Olympic and Paralympic Games

From: Richard H. Llewellyn, Jr., City Administrative Officer

Sharon M. Tso, Chief Legislative Analyst

Subject: **ACTIVITY UPDATE RELATED TO THE 2028 OLYMPIC AND PARALYMPIC GAMES**

RECOMMENDATIONS

That the Council:

1. Authorize the City Administrative Officer to accept up to \$210,380 from LA28 as reimbursement for services rendered under the Second Amendment to Agreement C-128361 with KPMG, LLP for an independent review of the proposed budget for the 2028 Summer Olympic and Paralympic Games, and to deposit funds received into Fund 100, Department 10, Revenue Source Code 5188 Miscellaneous Revenue;
2. Authorize the Controller to increase appropriations in Fund 100, Department 10, Account 003040 Contractual Services for a total up to \$210,380 in accordance with reimbursements received from LA28; and
3. Direct the City Administrative Officer and the Chief Legislative Analyst to report back with the Annual Report from LA28 for the year ending December 31, 2018, and status updates regarding the Los Angeles 2028 Games Agreement and Youth Sports Program.

SUMMARY

On August 11, 2017, the City Council approved actions to support efforts of the Los Angeles Exploratory Committee (LA28) to bring the 2028 Olympic and Paralympic Games (2028 Games) to Los Angeles (C.F. 15-0989). This included approval of the Host City Contract (HCC) and a Memorandum of Understanding (MOU).

The HCC is the agreement between the City, the United States Olympic Committee (USOC), and the International Olympic Committee (IOC), which identifies the financial obligations of the parties, contractual commitments relating to insurance, indemnification, event requirements, operations, deliverables, and efforts to cooperate. It also includes support for implementation of

a Citywide Youth Sports Program (YSP) with up to \$160 million in combined payments and in-kind value from LA28.

The MOU is an agreement between the City, LA28, and the USOC memorializing the relationship, roles, and responsibilities between the parties relative to hosting the 2028 Games. It provides financial and risk management protections to the City including the authority to conduct an independent review of the 2028 Games budget. It further requires the submission of an annual report to the City Council and other actions regarding administration of the 2028 Games.

On September 13, 2017, the IOC approved the City of Los Angeles as the host of the 2028 Games. Subsequently, LA28 initiated activities in preparation for the 2028 Games including the transition from a bid committee to the Organizing Committee for the Olympic Games (OCOG) and formed its Board of Directors on September 20, 2018. After LA28's transition from a bid committee into the OCOG, the OCOG formally signed onto the MOU through an executed Joinder Agreement (C-129859).

This report provides a status update concerning both the 2018 Annual Report (Annual Report) from LA28 and the independent financial review of the 2028 Games budget being conducted by KPMG. The report will also provide an update on the pending Los Angeles 2028 Games Agreement (Games Agreement) and YSP. This report includes a request for Council to authorize the City Administrative Officer (CAO) to accept funds from LA28 as reimbursement for the costs associated with the financial review and authorization for the Controller to increase appropriations in the CAO Contractual Services Account (3040) to allow for the receipt and expenditure of these funds.

ANNUAL REPORT AND INDEPENDENT BUDGET REVIEW

The MOU between the City of Los Angeles and LA28, and subsequently formed OCOG, requires LA28 to provide annual reports regarding the activities of the prior fiscal year to the City no later than March 31 each year. LA28 is currently preparing the 2018 Annual Report for submission to the Council by the required deadline.

The Annual Report from LA28 will include a revised 2028 Games budget along with the results of an independent review of the budget by KPMG as required by the MOU. In 2016, KPMG reviewed the potential 2024 Games budget and is currently in the process of completing a subsequent review of the revised 2028 Games budget. LA28 will address any changes to the Games budget as a result of the change in date from 2024 to 2028, the impact of the YSP, and the potential impacts of inflation and price adjustments.

The Annual Report also provides updates of the following items:

- Transition Period and Board Formation
- List of Contracts in Excess of \$1 million
- Conflict of Interest Policies, Audited Financials, and Form 990

- Management Discussion and Analysis
- Youth Sports Programs

GAMES AGREEMENT AND YOUTH SPORTS PROGRAM

In accordance with the MOU, following the IOC's selection of the City to host the 2028 Games, the parties agreed to negotiate and enter into the Games Agreement no later than September 14, 2019. The CAO, Chief Legislative Analyst (CLA), the Mayor, and the City Attorney have initiated discussions and negotiations regarding the Games Agreement with LA28. The Games Agreement will include:

- Terms of an enhanced municipal services agreement to provide for reimbursement of costs incurred by the City to support the 2028 Games
- Terms of support for the YSP
- All provisions included in the MOU, including a risk management strategy, contingency program, and reporting schedule.

Youth Sports Program

Pursuant to the HCC, LA28 will fund up to \$160 million in contribution and in-kind support to enhance opportunities for City youth to participate in sports programs in Los Angeles. Council consideration of the forthcoming Games Agreement will include terms for the allocation of funding for the YSP, in accordance with the MOU.

A Motion (O'Farrell-Wesson 15-0989-S5), introduced January 15, 2019, instructs the Department of Recreation and Parks (RAP), with the assistance of the CLA, CAO, and all other affected Departments, to report on the proposed implementation of the YSP. The Motion further referenced the need to increase participation in areas with additional capacity, in financially disadvantaged communities, and to include youth of all abilities. RAP is expected to report to Council with a plan to implement the YSP that supports increasing City youth participation in a wide variety of fitness levels and activities.

Upon completion of negotiations, the Games Agreement and YSP will be presented to the Ad Hoc Committee on the 2028 Olympic and Paralympic Games and City Council for approval. The Games Agreement and YSP will also be submitted to the IOC for approval.

FISCAL IMPACT STATEMENT

There is no General Fund impact as a result of the recommended actions. LA28 agrees to reimburse the General Fund for the expenses relating to the independent review of the 2028 Games budget.