

**TRADE, TRAVEL AND TOURISM and BUDGET, FINANCE AND INNOVATION COMMITTEES' REPORT** relative to the Los Angeles Convention Center Expansion Project (Expansion Project).

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

1. ACCEPT the City Administrative Officer's (CAO) findings Pursuant to Charter Section 371 and 372, that it is desirable, practical, and compatible with the City's interests to engage with AEG Plenary Conventions Los Angeles, LLC (APCLA) in exclusive negotiations related to the Expansion Project, without a competitive process.
2. INSTRUCT the Chief Legislative Analyst (CLA) and CAO, with assistance of other departments as appropriate, to approve and execute the 2024 Proposed Term Sheet and negotiate and enter into an Early Works Agreement (EWA) with APCLA for up to \$36.9 million for pre-development work necessary to complete a modernization and expansion of the Los Angeles Convention Center within the terms substantially as indicated in Attachment A of the joint CAO/CLA report dated June 14, 2024, attached to the Council file, subject to the City Attorney as to form.
3. AUTHORIZE the CLA and CAO to pay APCLA for Early Works including:
  - a. \$4 million for the reimbursement of work completed under the 2019 Exclusive Negotiating Agreement (ENA).
  - b. Up to \$1.98 million in reimbursements for all remaining costs for work completed under the ENA.
4. INSTRUCT the Bureau of Engineering (BOE), Bureau of Contract Administration, Department of Building and Safety (LADBS), Los Angeles Department of Water and Power (LADWP), Los Angeles Department of Transportation (LADOT), Los Angeles Fire Department, Los Angeles Police Department, Department of Cultural Affairs, City Tourism Department, and other departments as needed, to report to council within 45 days on resources necessary to implement the EWA. This report should include recommended processes for expedited review to implement the EWA.
5. RESOLVE that seven positions as listed on said CAO/CLA report are approved in the BOE for the period of July 1, 2024 through June 30, 2025 in accordance with Section 4.133(a) of the Los Angeles Administrative Code, subject to allocation by the Personnel Department and paygrade and Project Manager determination by the CAO, for the Expansion Project.
6. AUTHORIZE the Controller to establish and appropriate \$2 million within Fund No. 29B/50 Commercial Paper Notes (Convention Center) Accounting Fund to a new appropriation account entitled "LACC Expansion – Bureau of Engineering Staffing;" and, AUTHORIZE periodic transfers upon verification of labor amounts to the BOE Fund No. 100/78, Account No. 001010, Salaries General, for salary costs associated with the expansion of the Los Angeles Convention Center.
7. AUTHORIZE the CAO, CLA, City Attorney, BOE, subject to CAO review and approval, to procure, negotiate, and execute contracts and contract amendments for financial advisory, legal, construction management, and other consulting services as necessary for up to \$9.5 million, paid from the Municipal Improvement Corporation of Los Angeles (MICLA) Commercial Paper Program (Los Angeles Convention Center).
8. INSTRUCT the CAO and CLA to report to Council regarding the status of the Expansion Project no later than December 2024 or sooner if the City assesses that project completion is infeasible or there has been increase to the Not to Exceed Budget (NTE) amount.

9. AUTHORIZE the CAO and CLA to make technical corrections as necessary to those transactions included in said CAO/CLA report to implement Mayor and Council intentions.
10. DIRECT the CAO to report by December, 2024 on:
  - a. The annual cash flow required to pay for the Expansion Project over the course of the 30-year debt service.
  - b. Recommendations for how the City will pay for the Expansion Project, including what programs or funds the CAO recommends reducing or offsetting.
11. INSTRUCT the LADWP to immediately begin discussions with APCLA and the BOE on all water and power work needed to facilitate the successful implementation of the project including pre-design activities during the EWA.
12. INSTRUCT the BOE to provide Peak Hour Exemptions for permitted work to be performed by APCLA contractors, City departments, and utility companies in order to execute deliverables for the EWA.
13. AUTHORIZE all departments to utilize overtime hours in order to deliver all items detailed in the EWA and to coordinate with the CAO on establishing the necessary work orders for departments to bill their hours to the project.
14. INSTRUCT the CAO and CLA to report verbally to relevant committees on a monthly basis regarding progress of the EWA. These verbal reports should include any changes to the development schedule, changes to the NTE budget amount, city assessments of project feasibility and status of project deliverables.
15. INSTRUCT the CAO and CLA to accompany any Project Agreement with a dedicated City staffing plan to ensure modernization and expansion is complete by February 25, 2028. This dedicated staffing plan should include assigned roles and responsibilities within the CAO, CLA, LADBS, BOE, Department of Public Works, LADWP, and LADOT.
16. INSTRUCT the CAO and CLA to include in their negotiations any incentives or remedies needed to ensure timely completion of all deadlines and deliverables.

Fiscal Impact Statement: The CAO and CLA report that there is no General Fund impact in 2023-24 as a result of the recommendations proposed in said CAO/CLA report. Costs associated with the Proposed Term Sheet and EWA are expected to be incurred in Fiscal Year 2024-25 and be paid from the MICLA Commercial Paper Program (Los Angeles Convention Center). The General Fund impact in 2024-25 has already been accounted for as an appropriation of \$2 million in the 2024-25 Adopted Budget, Capital Finance Administration Fund, Los Angeles Convention Center Commercial Paper Account, for costs associated with administering this commercial paper program, including interest costs. The future repayment of these costs will be financed through MICLA and will require an appropriation from the General Fund or some other funding source. The additional City costs for the duration of the EWA are estimated to be \$11.5 million consisting of \$9.5 million in consultant costs and \$2 million in BOE Staff costs. The full City costs and General Fund impact will depend on the timing and sizing of the debt issued to finance the Expansion Project which will be fully evaluated and reported to Council and the Mayor at a later date, concurrent with final recommendations concerning the Project Agreement. The fiscal impact of the Expansion Project construction is contemplated to be \$1.4 billion, excluding City staff and support costs.

DEBT IMPACT STATEMENT: The CAO and CLA report that the issuance of MICLA debt is a General Fund obligation. The issuance of MICLA for the Early Works related to the Expansion Project would cause the City to borrow up to \$54.4 million at an approximate 4.4 percent interest rate over 30 years.

The total estimated debt service related to the recommendations in said CAO/CLA report is \$99 million including interest of approximately \$44.6 million. During the life of the bonds, the estimated annual debt service is \$3.3 million for 30 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 six percent. Issuing debt for this project will impact this debt ratio. The 2024-25 Adopted Budget non-voter-approved debt ratio is 2.63 percent. The issuance of debt for these purposes will likely not cause the City to exceed the six percent non-voter approved debt limit. Per the proposal, the total Expansion Project construction cost is contemplated to be \$1.4 billion. The cost of issuing that debt will depend on the timing and sizing of the Expansion Project which will be concurrent with final recommendations concerning Project Agreements.

Community Impact Statement: None submitted

**(Personnel, Audits, and Hiring Committee waived consideration of the above matter)**

### SUMMARY

At the meeting held on June 18, 2024, your Trade, Travel and Tourism Committee considered a CAO/CLA joint report relative to the Expansion Project. The CAO and CLA gave a presentation and responded to related questions about the matter along with staff members from related departments. After an opportunity for public comment was held, the Committee moved to approve the CAO recommendation as amended, as detailed above.

Subsequently, at its meeting held on June 26, 2024, the Budget, Finance and Innovation Committee considered this matter and concurred with the prior committee's action above.

This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

### TRADE, TRAVEL AND TOURISM COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
PARK:	YES
MCOSKER:	YES
DE LEÓN:	YES
PRICE, JR:	YES
SOTO-MARTÍNEZ:	YES

### BUDGET, FINANCE AND INNOVATION COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
BLUMENFIELD	YES
HARRIS-DAWSON	ABSENT
YAROSLAVSKY	YES
McOSKER	YES
RODRIGUEZ	NO

ME

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**