

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Agenda Item No. 8

0220-06169-0000

Date: November 16, 2023

To: Municipal Facilities Committee

From: CAO Municipal Facilities Group, Office of the City Administrative Officer *Justin D. Lawson*

Subject: **QUARTERLY STATUS UPDATE – CITYWIDE LEASING ACCOUNT****RECOMMENDATION**

That the Municipal Facilities Committee (MFC) approve the proposed use of up to \$1.8 million of the projected year-end surplus within the 2023-24 Citywide Leasing Account to address anticipated unfunded moving and design costs associated with the Garland Building relocation.

SUMMARY

The Quarterly Status Update report provides an overview of the Citywide Leasing Account, which includes the year-end balance for the 2022-23 Fiscal Year (FY), and unfunded leasing liabilities for FY 2023-24, with potential sources of surplus funding to address the liabilities. The 2022-23 year-end balance consisted of a \$1.0 million surplus that has been reappropriated to the 2023-24 Account. Additionally, there is a projected surplus of \$866,445 remaining within the 2023-24 Account, less the unfunded liabilities.

DISCUSSION**A. 2022-23 Citywide Leasing Account**

The General Services Department (GSD) received funds totaling \$20.02 million through the FY 2022-23 Leasing Account Adopted Budget, which combined with FY 2021-22 reappropriations of \$1.4 million and interim adjustments of \$153,346 resulted in a total adjusted budget of \$21.6 million. Based on GSD's reconciliation of the FY 2022-23 Account, the amount reappropriated to FY 2023-24 totals \$1.0 million, as summarized in the chart below:

FY 2022-23 Adjusted Budget (A)	FY 2022-23 Expenses (B)	FY 2022-23 Year-End Surplus (A) – (B) = (C)	Amount Reappropriated to FY 2023-24
\$21,611,830	\$20,611,000	\$1,000,830	\$1,000,830

*Adjusted funding of \$21,611,830 includes: 1) Reappropriation of \$1,433,538 from the 2021-22 Leasing account; and, 2) Various transfers totaling \$153,346 through the 2021-22 Construction Projects Reports.

B. 2023-24 Citywide Leasing Account

Funding authorized through the FY 2023-24 Leasing Account Adopted Budget is \$25.88 million, in addition to reappropriations of \$1.0 million from FY 2022-23 funds. This provides an adjusted budget of \$26.88 million, as summarized in the charts below:

FY 2023-24 Leasing Budget (A)	FY 2022-23 Reappropriation (B)	FY 2023-24 Revised Budget (A) + (B) = (C)	FY 2023-24 Projected Expenses (D)	Projected Surplus (C) - (D) = (E)
\$25,879,975	\$1,000,830	\$26,880,805	\$26,014,360	\$866,445

C. Projected Leasing Shortfalls

Significant projected shortfalls within the FY 2023-24 Account are summarized below and detailed in Attachment 1 listing all shortfalls:

- The net shortfall for the Garland Building relocation totals (\$1.45 million) and is due to additional costs associated with swing-space rentals and the Garland Building decommissioning.
- The shortfall for the Civil + Human Rights and Equity Department at 250 East First Street totals (\$539,210) and is due to costs required for a new lease in lieu of the development of the existing space at the LA Mall.
- On March 30, 2023, MFC approved a Bureau of Street Services (BSS) report for Asphalt Plant I which included instructions for GSD to report back to MFC with potential leasing or City-owned swing space options. The shortfall for the BSS Asphalt Plant I swing space is currently unknown as a location has not been identified. GSD will report back to the MFC with an update on the location of the potential lease and anticipated shortfall.

D. Projected Leasing Surpluses

Significant projected surpluses within the FY 2023-24 Account are summarized below and detailed in Attachment 1:

- The surplus for the Bureau of Sanitation lease at 450-590 South Central Avenue totals \$2.61 million and reflects the expenditures necessary for tenant improvements and the remaining costs budgeted for the lease and tenant improvements.
- There are various project surpluses with anticipated savings totaling \$301,746 related to common area maintenance (CAM), parking, moving, and other operational savings.

E. Proposed Use of Surplus Balance

The recommendation stated in this report requests the use of up to \$1.8 million in current year FY 2023-34 Account funds to address costs associated with the Garland Building relocation as outlined in Attachment 1. The remaining projected surplus of \$866,445 would be retained to address additional anticipated unfunded liabilities in 2023-24 and additional surplus funds would need to be identified for any future unfunded liabilities (i.e. Asphalt Plant I leasing) in excess of the remaining surplus.

FISCAL IMPACT

There is no additional General Fund impact projected in the current year for the Citywide Leasing Program as a result of the report recommendation.

FINANCIAL POLICY COMPLIANCE

The actions recommended in this report comply with the City's Financial Policies in that to the extent possible, current operations will be funded by current revenues.

DP:JDL/LRR:05240040

Attachment

2023-24 Detail of Leasing Account Projection

Item No.	Department Occupant(s)*	Lease Property	2023-24 Revised Budget	2023-24 Revised Expenses	Surplus / (Deficit)	Comment
A1	N/A	N/A	\$ 1,000,830	\$ -	\$ 1,000,830	Reappropriation from 2022-23 Citywide Leasing Account.
A2	Civil + Human Rights and Equity Department	250 East First Street	420,000	959,210	(539,210)	Shortfall due to costs required for new lease in lieu of development of LA Mall space.
A3	Council District Two	5250 Lankershim Boulevard	-	383,669	(383,669)	Shortfall due to costs associated with relocation as the original site was sold for redevelopment.
A4	Bureau of Sanitation	450-590 South Central Avenue	4,000,000	1,392,624	2,607,376	Surplus reflects remaining funding budgeted for the lease and tenant improvements.
A5	Department of Transportation	100 S. Main Place	3,348,997	3,249,633	99,364	Surplus due to reduced rental rate.
A6	Council District 12	9207 Oakdale Avenue	207,259	141,657	65,602	Surplus due to CAM savings from new lease execution.
A7	Council District Two	5240 Lankershim Boulevard	93,237	46,502	46,735	Surplus due to office lease termination. Pending relocation.
A8	Office of Finance	1200 West Seventh Street	1,685,153	1,656,420	28,733	Surplus due to various sundries and parking savings.
A9	General Services Department	Lots 601 and 620 at 14401 Friar Street	192,000	165,744	26,256	Surplus due to parking savings related to COVID.
A10	Department of Transportation	5990 Sepulveda Boulevard	159,750	137,595	22,155	Surplus due to parking and CAM saving from delayed to lease initiation.
A11	City Attorney / Los Angeles Police Department	100 Oceangate	157,958	173,148	(15,191)	Shortfall due to reconciled CAMs from 2019-2022.
A12	Los Angeles Police Department	5759-71 Rickenbacker Road	453,356	469,474	(16,117)	Shortfall due to increase in operating expenses.
A13	Van Nuys Heliport	Van Nuys Heliport	846,348	864,185	(17,837)	Shortfall due to increase in monthly rental rate from LAWA.
A14	Community Investment for Families Department	1200 West Seventh Street	485,665	503,842	(18,177)	Shortfall due to various sundries and parking expenses.
A15	Council District Five	5416 Wilshire	317,038	362,361	(45,323)	Shortfall due to cost of new lease.
A16	Los Angeles Fire Department	7921 Woodley Avenue	133,200	203,437	(70,237)	FS No. 90 / Shortfall due to increase in monthly rental rate from LAWA.
A17	Various	Various	3,792,785	3,859,305	(66,520)	Shortfall due to various expenses under \$15,000.
A18	Department of Transportation	888 Vermont Avenue	1,558,922	1,662,725	(103,803)	Shortfall due to pending CAM costs.
A19	Council District 5	6380 Wilshire Boulevard	106,415	219,245	(112,830)	Shortfall due to early termination extension of six months.
A20	Los Angeles Police Department	4125 Crenshaw Boulevard	289,619	429,884	(140,264)	Shortfall due to increased cost of lease.
A21	Mayor's Office	112 L Street, Sacramento, CA	-	48,074	(48,074)	Shortfall due to costs of new lease for Sacramento field office.
A22	Garland Building Relocation	TBD	1,896,658	1,548,410	348,248	Surplus due to anticipated swing space costs from Garland Relocation budget set aside.
A23	Garland Building Decommissioning	N/A	-	1,801,602	(1,801,602)	Shortfall due to additional decommissioning, moving, and tenant improvement costs.
A24	Bureau of Street Services	TBD	-	-	-	Potential unfunded leasing liability, pending subsequent GSD report back to MFC.
A25	N/A	N/A	\$ 5,735,614	\$ 5,735,614	\$ -	Reflects the aggregate remaining leasing balance for leases without revisions.
TOTALS			\$ 26,880,805	\$ 26,014,360	\$ 866,445	