

ADOPTED BY THE BOARD
PUBLIC WORKS OF THE CITY
of Los Angeles California

APR 26 2024


Executive Officer
Board of Public Works

**DEPARTMENT OF PUBLIC WORKS
BOARD OF PUBLIC WORKS
REPORT NO. 1**

APRIL 26, 2024

COUNCIL DISTRICT: ALL

**REQUEST FOR AUTHORITY TO RE-ADVERTISE A REQUEST FOR PROPOSAL
AND NEGOTIATE CONTRACT(S) FOR RENTAL AND ROYALTIES PHASE 2
ASSESSMENT**

RECOMMENDATIONS

That the Board of Public Works, authorize the Executive Officer to:

1. RE-DISTRIBUTE and RE-ADVERTISE the transmitted Request for Proposal (RFP) to conduct additional research and develop the Rental and Royalties Phase 2 Assessment (Transmittal No.1);
2. EVALUATE the RFP submissions, select and interview the most qualified proposer(s) who submits the best and the most responsive proposal;
3. NEGOTIATE any proposed contract with the most responsive proposer(s) after the receipt and objective review of all proposals submitted in response to the transmitted RFP; and
4. RETURN back to the Board of Public Works with proposed contract(s) award for consideration.

TRANSMITTAL

1. Copy of the Request for Proposal for Rental and Royalties Phase 2 Assessment, in substantial form subject to any technical corrections.

BACKGROUND

The Office of Petroleum and Natural Gas Administration and Safety (OPNGAS) reports to the Board of Public Works, of the City of Los Angeles (City) and is headed by the Petroleum Administrator. OPNGAS is the City's agency for administering and managing all functions and related components of the petroleum and natural gas transported via underground pipelines, wells, and refineries throughout the City. The OPNGAS is responsible for providing technical and policy advice to the Mayor, City Council, the Board of Public Works and any City Department that requests assistance on such matters.

On April 28, 2020, OPNGAS commissioned InterAct PMTI to conduct research into City records for the purpose of determining whether royalties from petroleum mineral rights being paid by oil and gas operators are accurate and complete. The focus of the record review was to obtain lease contracts between the City and the oil and gas company (operator) that developed the property.

No production records or oil price schedules were obtained from the operators, but records were obtained from California Geological Energy Management Department (CalGEM) and from the internet. CalGEM is California's regulatory agency for oil and gas operations that provides oversight for nonfederal hydrocarbon bearing properties onshore. Within the guidelines of state regulations, the terms and conditions of lease and surface use agreements dictate how the property is developed. It is up to the City, who is the lessor, and the operator, who is the lessee, to abide by the terms and conditions of the lease and/or surface agreements. Therefore, the City should obtain those documents on a regular basis going forward.

Generally, lease contracts were fairly standard with a 16.67% royalty specified in the contract with the exception of Rancho Park and Hillcrest Country Club contracts which have a sliding scale royalty between 20 to 22.5% for mineral rights and overriding royalty of 5% for surface use of the site. However, many of the City owned properties were combined with other properties rendering the City's royalty due as only a portion of the total royalty paid by the operator. Total royalty rather than the City's share of royalty is estimated for the leases. The details of unitization agreements were not located and should be a priority for future royalty oversight.

Royalty revenues received from five City departments for 2017 were included in the City Controller's June 2018 audit report document "Review of the City Oil and Gas Drilling Sites" and production and oil prices were researched to use as a comparison to actual royalties paid. The five City departments include the Department of Recreation and Parks, the Department of Water and Power, the Department of Public Works, the General Services Department, the Port of Los Angeles, and Los Angeles Public Library.

Numerous meetings with the Petroleum Administrator and various City departments, along with record review and online investigation, identified 46 leases and unitization agreements, but only 16 specific contracts (14 leases and 2 surface use agreements) could be tied to drill sites and/or oil fields. The project showed a large discrepancy of \$31.8 million annually between the best guess calculated and the audit amount and the discrepancies may be due to missing documents changing the lease terms, miscalculation by the operator of royalty due the City or erroneous assumptions made to calculate the best estimates. The portion of this royalty due to the City depends on the specific terms of each of the unitized leases. Therefore, further research into unitized agreements is required to determine the City's portion.

The Rental and Royalties Phase 2 Assessment Request for Proposal (RFP) is part two of a research technical study for the purpose of determining whether the royalties being

paid by the oil and gas operators within the City of Los Angeles are accurate and complete. Phase 1 or the first part of the Rental and Royalties was completed in December 2020 by InterAct PMTI (See *Attachment*). To conduct the Rental and Royalties Phase 2 Assessment, the OPNGAS is requesting proposals to engage a consultant to provide research, technical expertise, and implement the results found under the Rental and Royalties Phase 2 Assessment.

Department Estimated Royalty	Best guess (BG in \$)	Possible (\$)	Actual (Audit)	Discrepancy (BG-Audit)
RAP	\$ 570,149	\$ 570,149	\$ 240,468	\$ 329,681
LADWP	\$ 5,924	\$ 6,159,510	\$ 5,924	\$ -
GSD	\$ 78,127	\$ 235,871	\$ 78,127	\$ -
Harbor	\$ 63,621	\$ 24,821,771	\$ 63,621	\$ -
Library	\$ 2,834	\$ 2,834	\$ 2,834	\$ -
Totals	\$ 720,655	\$ 31,790,135	\$ 390,974	\$ 329,681

There was also a recognition that the City should obtain those documents on a regular basis going forward. LA City Council established a budget of \$200,000 for these efforts.

Nomadic Land Services, Catalyst Environmental Solutions Corporation and 2H Offshore Engineering LTD were the three proposals received on December 15, 2023. All three proposers were not in compliance with the RFP. Two proposers failed to complete the BIP Outreach requirements of the BIP Outreach. The third proposer who completed the BIP Outreach requirements, failed other requirements and did not meet the technical requirements of the RFP.

OPNGAS is now collaborating has recently collaborated with the Bureau of Contract Administration (BCA) on regarding all standard City compliance, and non- technical procedures, so that the potential proposers have a better understanding of the City's requirements. The Bureau of Contract Administration will review the City's compliance requirements with the proposers at the mandatory pre proposal meeting.

Therefore, the Board of Public Works rejected all proposals on April 26, 2024 and is re-advertising this RFPI in todays' board meeting on Apr 26, 2024 .

OBJECTIVES

The purpose of this RFP is to solicit proposals from PROPOSERS for the development of the Rental and Royalties Phase 2 Assessment that include following research steps:

- Contact operators and request oil and gas production volumes, actual oil gravity and pricing associated with royalties going forward.
- Determine cost to overlay City owned property with existing active wells. The work requires obtaining the directional surveys of each well on City owned parcels. The section of the producing oil would also be determined to confirm that wells are producing from the City property.
- Act as land service provider to perform chain of title search on each of the 16 contracts identified in the report and search for quitclaim documents on inactive leases identified.
- Provide an updated list of leases, surface use agreements, unitized agreements and quitclaimed leases to be generated which includes information provided in the 1987 list of leases.
- Develop procedures for the Petroleum Administrator to review and verify royalty payments to each department on an annual basis.

The City will rely on the consultant's expertise to develop the Rental and Royalties Study.

PROJECT DELIVERABLES

The following is a list of the specific deliverables and action items to be performed by the selected consultant(s):

- Contact the operator (all 14 lease operators and 2 surface agreement operators) for each contract to document terms and document production volumes and pricing;
- Input well directional data and create a 3D Geographix map of City owned property with existing active wells;
- Identify chain of title for land service provider on each of the 16 contracts;
- Pull data from each department, land service provider, CalGEM and operators to generate an updated list including: 1) Lease Name, 2) Department, 3) Oil Field, 4) Current Operator, 5) Date Executed-Date of Expiration, 6) Oil Drilling District & 7) Ordinance Number from City Council;
- Develop procedure for Petroleum Administrator to track royalty annually;
- Present final findings with slide presentation to the executive City staff (approximately three to twelve presentations); Los Angeles Board of Public

Works meeting, Los Angeles City Council, and up to five City Council Committee meetings if necessary;

- Give routine feedback and updates on Project to OPNGAS;
- Develop project plans and project schedules, managing and tracking project activities and deliverables to ensure on-time, on-budget delivery of the OPNGAS website;
- Perform other miscellaneous and related tasks.

SELECTION PROCESS AND PROPOSAL CRITERIA

The RFP process is being used to solicit the best available services at the most competitive rate. An evaluation panel consisting of representatives from the Board of Public Works, Office of Petroleum & Natural Gas Administration & Safety, and the Department of City Planning staff will evaluate all proposals to determine which proposal, according to the evaluation criteria identified, will bring the greatest benefit to the City. The Office of the Board of Public Works' will then negotiate a contract with the most qualified proposer and return with a recommendation to the Board of Public Works for authorization to enter into contract with the selected proposer. The criteria to be used for the selection of the proposer are outlined in the RFP and summarized as follows:

1. Experience and Qualifications	30%
2. Approach and Methodology	25%
3. Schedule and Deliverables	25%
4. Cost and Budget Control	15%
5. Overall Proposal Evaluation and Content	5%

BUSINESS INCLUSION PROGRAM (BIP)

The Board of Public Works requested a BIP Outreach Waiver Request for a Request for Proposals for the Rental Royalties Phase 2 Assessment. On May 15, 2023, the Office of Procurement denied the BIP Outreach Waiver Request and noted it a requirement that proposers need to do the subcontractor outreach at a minimum. Due to the technical, expert nature of the work, this contract will not be able to reach the outreach target required for subcontractors. This work is highly specialized and few contractors possess the ability to conduct it. The selected contractor will need to meet the BIP Outreach requirements in order to be recommended as a responsive proposer to demonstrate good faith outreach efforts in compliance with ED14.

Per the Mayor's Executive Directive No. 14, issued on January 12, 2011, it is the policy of the City of Los Angeles to provide Minority Business Enterprise (MBE), Women Business Enterprise (WBE), Small Business Enterprise (SBE), Emerging Business Enterprise (EBE), Disabled Veteran Business Enterprise (DVBE), and all other Business

Enterprise (OBE) firms have an equal opportunity to participate in the performance of City contracts. The City will advise the contractor to reach the anticipated participation levels of eighteen (18) percent MBE, four (4) percent WBE, twenty-five (25) percent SBE, eight (8) percent EBE, and three (3) percent DVBE. This RFP is subject to the BIP Outreach Requirements as outlined in Article 7 of the RFP. Performance of the BIP Outreach to MBE, WBE, SBE, EBE, DVBE, and OBE subcontractors must be completed utilizing the City's Regional Alliance Marketplace for Procurement (RAMP) service at www.rampla.org. The selected contractor will provide evidence (documents, etc.) of their outreach activities to meet this policy.

Los Angeles Administrative Code Division 10, Chapter 1, Article 4, Section 10.25 adopted the Local Business Preference (LBP) Program which was designed to increase local employment and expenditures in the local private sector. All Proposers are eligible to participate in the LBP Program by qualifying as a Local Business Enterprise (LBE). The City shall grant an eight six percent (86%) of the total possible evaluation points added to their evaluation score to those Proposers who are certified as an LBE firm. If the LBE is also a Local Small Business (LSB) and/or Local Transitional Employer (LTE), they may be granted an additional two (2) percent (2%) of the total possible evaluation points added to their evaluation score for each of those certifications, up to a total of twelve ten percent (102%). The City shall grant a ten percent (10%) of the total possible evaluation points added to their evaluation score to those Proposers who are certified as a City Business Enterprise (CBE) firm. If the CBE is also a Local Small Business (LSB) and/or Local Transitional Employer (LTE), they may be granted an additional two percent (2%) of the total possible evaluation points added to their evaluation score for each of those certifications, up to a maximum of twelve percent (12%). Additionally, all non-LBE/CBE Proposers may be granted an additional percentage, up to a total of five (5) percent (5%), of the total possible evaluations points added to their evaluation score for each of those certifications, for every ten (10) percent (10%) of their proposal that is to be performed by a LBE, CBE, LSB, and/or LTE subconsultant/subcontractor.

Compliance with City Policies and with the Board's Policy.

All Contractors participating in this program are subject to compliance with the following City of Los Angeles' Ordinances and Policies:

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- Non-Discrimination, Equal Employment Practices, and Affirmative Action
- Program Provisions
- Equal Benefits Ordinance
- First Source Hiring Ordinance
- Contractors' Use of Criminal History for Consideration of Employment
- Applications Ordinance
- Living Wage Ordinance
- Worker Retention Ordinance

- Slavery Disclosure Ordinance
- Disclosure of Border Wall Contracting Ordinance
- Contractor Responsibility Ordinance
- Failure to comply with all requirements specified may render the bid nonresponsive.

Community-Level Contracting (CLC)

As part of the City's CLC initiative led by the Department of Public Works (DPW) as per CLC Board Motion issued on May 19, 2021, LASAN OPNGAS seeks to help make City contracting more accessible and equitable by providing small contractors the opportunity to work directly with the City as Prime contractors on smaller, more manageable projects. OPNGAS staff evaluated the work to be performed under this opportunity and determined that since the work is highly specialized and few contractors possess the ability to conduct it, it would be most feasible and cost effective to work with a single Prime contractor.

Prevailing Wage/Apprenticeship Requirements

If construction is performed as supplemental to any of the initial scopes of work, this project would be subject to the payment of prevailing wages. This contract is subject to the payment of prevailing wages and the utilization of apprentices as mandated by California Labor Code Section 1720-1815. Certified payrolls shall be submitted weekly by the contractor and all subcontractors. The Bureau of Contract Administration, Office of Contract Compliance (OCC) shall be responsible for the monitoring and enforcement of all certified payrolls, prevailing wage and apprenticeship requirements. For more information, see Attachment 05: City of Los Angeles Labor Compliance Manual Revised May 2014.

NOTIFICATION OF INTENT TO CONTRACT

The required Notification of Intent to Contract was filed with the Office of the City Administrative Officer (CAO) Clearinghouse on May 11, 2023.

CHARTER SECTION 1022 DETERMINATION

The BPW filed the Personnel 1022 Determination Request on May 12, 2023 and was approved on June 1, 2023.

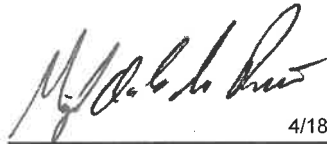
STATUS OF FUNDING

The proposed action to release the RFP will not have a fiscal impact. However, the Board of Public Works' Executive Office anticipates a fiscal impact of \$200,000 upon consideration and award of a contract(s) to launch a city wide assessment on lease management excluding internal City department costs. This RFP will likely result in additional annual revenues in excess of this amount.

Funding for this project in the amount of \$200,000 has been appropriated in the current Fiscal Year 2023/2024 budget. Funding is currently in the City's Unappropriated Balance (UB) and a request to transfer said funds is pending from the City Council. Upon authorization by the City Council, funds will be transferred from the UB to the Board of Public Works at Fund 100, Dept. 74, Appropriation Unit 003040 (Contractual Services). The Board of Public Works anticipates this fund transfer on or before staff returns to the Board of Public Works to request the award of said contract(s).

Fund/Dept. Number	Appropriation Unit	Amount
100/74	003040	\$200,000

Statement as to Funds approved by:



4/18/2024

Miguel De La Pena, Director
Office of Accounting
100/74/3040, \$200,000.00

TJK/ELB: tjk/elb/dl/sg

Respectfully Submitted,



TJ Knight,
Acting Executive Officer, Board of Public Works



ERICA BLYTHER,
Petroleum Administrator, Board of Public Works

For questions regarding this report,
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