


TRANSMITTAL			0150-12240-0001
TO The Board of Public Works The City Attorney		DATE 08/01/2024	COUNCIL FILE NO.
FROM The Mayor			COUNCIL DISTRICT Citywide
<p>Request for Authority to Execute a First Amendment To C-142695 With Baker & O’Brien, Inc. for the Continued Provision of Conducting an Amortization Study for Existing Oil Well Facilities</p> <p>Transmitted for further processing. See the City Administrative Officer report attached.</p> <div> MAYOR (Carolyn Webb de Macias for)</div> <div>MWS:SEV:06250010t CAO 64</div>			

Report From

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Analysis of Proposed Contract

(\$25,000 or Greater and Longer than Three Months)

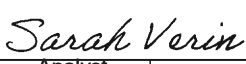

To: The Mayor	Date: 7-23-24	C.D. No. Citywide	CAO File No.: 0150-12240-0001
Contracting Department/Bureau: Board of Public Works		Contact: Erica Blyther 213-978-2679	
Reference: Transmittal from the Board of Public Works dated December 20, 2023; Received by the City Administrative Officer on December 20, 2023; Additional information received through July 11, 2024			
Purpose of Contract: To conduct research and analysis to determine an amortization period(s) for oil production facilities and existing wells in the City of Los Angeles.			
Type of Contract: () New contract (X) Amendment, Contract No. C-142695		Contract Term Dates: January 27, 2023 through January 26, 2026	
Contract/Amendment Amount: \$15,856.26			
Proposed amount \$ 15,856.26 + Prior award(s) \$ 2,224,750 = Total \$ 2,240,606.26			
Source of funds: Climate Equity Fund			
Name of Contractor: Baker & O'Brien, Inc.			
Address: 12001 N. Central Expressway, Suite 1200 Dallas, TX 75243			
	Yes	No	N/A
1. Council has approved the purpose	X		
2. Appropriated funds are available	X		
3. Charter Section 1022 findings completed	X		
4. Proposals have been requested	X		
5. Risk Management review completed	X		
6. Standard Provisions for City Contracts included	X		
7. Workforce that resides in the City: 0%			
Contractor has complied with:		Yes	No
8. Business Inclusion Program			X
9. Equal Benefits & First Source Hiring Ordinances		X	
10. Contractor Responsibility Ordinance		X	
11. Disclosure Ordinances		X	
12. Bidder Certification CEC Form 50		X	
13. Prohibited Contributors (Bidders) CEC Form 55		X	
14. California Iran Contracting Act of 2010		X	

RECOMMENDATION

That the Mayor authorize the President of the Board of Public Works (Board), or two members of the Board, to executive a First Amendment to Contract No. C-142695 with Baker & O'Brien, Inc. for the provision of conducting an Amortization Study on existing City of Los Angeles oil production facilities, to increase the compensation amount by \$15,856.26, for a revised total-not-to-exceed amount of \$2,240,606.26, and modify Section 202 A.a.iii for Part C, Studies 6-25 time allowance from "180 days" to "180 business days", in substantial conformance with the draft amendment attached to the Board's transmittal dated December 20, 2023 (Report), subject to the review and approval of the City Attorney as to form.

SUMMARY

The Board of Public Works (Board) requests authority to execute a First Amendment (Amendment) to Contract C-142695 with Baker & O'Brien, Inc. (Contractor) for the provision of conducting an Amortization Study on existing oil production facilities in the City of Los Angeles, to increase the compensation amount by \$15,856.26 and modify Section 202 A.a.iii for Part C Studies 6-25 time allowance from "180 days" to "180 business days". There are no changes to the term. Funding is provided by the Climate Equity Fund. Additional background information can be found in the Board's

 SEV Analyst 0150-12240-0001	 for City Administrative Officer
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Report. Pursuant to Los Angeles Administrative Code Section 10.5 (a), Council approval is not required as the term does not exceed three years.

The Contractor was selected from a Request for Proposals process conducted on April 12, 2022. The Board received a waiver from the Business Inclusion Program from the Mayor's Office. Proposals were reviewed by an evaluation panel comprised of representatives from the Board of Public Works and Department of City Planning. The evaluation panel reviewed all three bids that were submitted, and selected all three bidders as their combined approaches meet the City's needs.

The proposed Amendment is necessary to add funding to reimburse the Contractor for the cost of Professional Liability (Errors and Omissions). While the City's Standard Provisions Section PSC-23 states that a Contractor should provide and maintain at its own expense insurance coverage that is required, section 301.M of the original contract states that the City agrees to reimburse the Contractor for the annual cost to carry Professional Liability (Errors and Omissions) insurance for the duration of this agreement and an additional twelve months. The Board states that this was a negotiated term that the Contractor insisted on and they wanted to ensure a successful contract execution per the direction of the Council President. The Board states that the City Attorney was aware of the negotiated change and signed off on it.

On April 8, 2022, pursuant to Charter Section 1022, the Personnel Department determined that the City does not have classifications that can perform the work. Since the proposed Amendment does not change the scope of work of the contract, the Personnel Department's original determination remains in effect and another determination is not needed. This Office has confirmed that the Contractor is in compliance with the City contracting requirements.

FISCAL IMPACT STATEMENT

There is no additional impact to the General Fund. The additional \$15,856.26 will be provided by the Climate Equity Fund No. 65K. The City financial obligation is limited to funds appropriated for this purpose.

FINANCIAL POLICIES STATEMENT

The recommendation of this report complies with the City Financial Policies as expenditures are limited to the amount appropriated by the Council and Mayor.

MWS:SEV:06250010

Attachment 1: Transmittal from the Board of Public Works dated December 20, 2023

**BOARD OF PUBLIC WORKS
MEMBERS**

AURA GARCIA
PRESIDENT

M. TERESA VILLEGAS
VICE PRESIDENT

DR. MICHAEL R. DAVIS
PRESIDENT PRO TEMPORE

VAHID KHORSAND
COMMISSIONER

SUSANA REYES
COMMISSIONER

CITY OF LOS ANGELES

CALIFORNIA



KAREN BASS
MAYOR

**OFFICE OF THE
BOARD OF PUBLIC WORKS**

DR. FERNANDO CAMPOS
EXECUTIVE OFFICER

200 NORTH SPRING STREET
ROOM 361, CITY HALL
LOS ANGELES, CA 90012

TEL: (213) 978-0261
TDD: (213) 978-2310
FAX: (213) 978-0278

<http://bpw.lacity.org>

December 20, 2023

BPW-2023-0733

The Honorable Mayor Bass
City Hall – Room 320
Los Angeles, CA 90012
Attn: Heleen Ramirez

**AMENDMENT NO. 1 – PERSONAL SERVICES CONTRACT – BAKER & O'BRIEN, INC.
– CITY OF LOS ANGELES EXISTING OIL WELL AMORTIZATION STUDY**

As recommended in the accompanying report from the Executive Offices of the Board of Public Works, which this Board has adopted, the Board of Public Works (Board) recommends that the Mayor:

1. APPROVE the proposed Amendment No.1 between the City of Los Angeles and Baker & O'Brien, Inc. to pay for insurance fee services increasing the total contract ceiling by \$15,856.26 from \$2,224,750 to \$2,240,606.26, and modify Section §202 A. a. iii. For Part C, Studies 6-25 time allowance from "180 days" to "180 business days", (all other terms and conditions of the original contract remain in effect and unchanged); and
2. AUTHORIZE the President or two members of the Board to execute contract Amendment No. 1.

(C-142695)


Sincerely,

DR. FERNANDO CAMPOS,
Executive Officer, Board of Public Works

FC:lc

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

DEC 20 2023
AND REFERRED TO THE MAYOR


Executive Officer
Board of Public Works

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

December 12, 2023

COUNCIL DISTRICT: ALL

**AUTHORITY TO EXECUTE AMENDMENT NO. 1 TO PERSONAL SERVICES
CONTRACT C-142695 - CITY OF LOS ANGELES EXISTING OIL WELL
AMORTIZATION STUDY**

RECOMMENDATIONS

That the Board of Public Works, subject to approval by the Mayor:

1. APPROVE the proposed Amendment No.1 to Contract No. C-142695 between the City of Los Angeles and Baker & O'Brien, Inc. to pay for insurance fee services increasing the total contract ceiling by \$15,856.26 from \$2,224,750 to \$2,240,606.26, and modify Section §202 A. a. *iii. For Part C , Studies 6-25* time allowance from "180 days" to "180 business days" (Transmittal 4), (all other terms and conditions of the original contract remain in effect and unchanged);
2. AUTHORIZE the President or two members of the Board to execute contract Amendment No. 1

TRANSMITTALS

1. Adopted Board Report, dated December 2, 2022, authorizing the Board to execute a contract between the City and Baker & O'Brien, Inc. to conduct an Amortization Study on existing City of Los Angeles oil production facilities (CF# 17-0447)
2. Contract No. C-142695, executed by BPW President Garcia and approved as to form by City Attorney 2/27/23, between the City and Baker & O'Brien, Inc for the Amortization Study.
3. Invoice from Baker & O'Brien, INC. for reimbursement for insurance required by the City of Los Angeles and not previously included in the executed contract (Contract No.142695) for the Office of Petroleum and Natural Gas Administration

(OPNGAS) Amortization Study. (Insurance premiums for coverage for 18 months, during the 2023-2024 period.)

4. Proposed Amendment No.1 to Contract No. C-142695 between the City and Baker & O'Brien, Inc., in substantial form.

FISCAL IMPACT STATEMENT

There is no fiscal impact to the General Fund.

DISCUSSION

Background

On December 2, 2022, the Los Angeles City Council adopted Ordinance No. 187709 (effective January 18, 2023) which deems all existing drill sites and oil/ gas wells a legally nonconforming use, immediately banning new oil and gas extraction and requiring the removal of existing operations after an amortization period.

On January 26, 2022, the Los Angeles City Council instructed the Office of Petroleum and Natural Gas Administration and Safety (OPNGAS) to hire experts to conduct an amortization period(s) study for oil production facilities and existing wells (CF# 17-0447) with a budget \$3.5 million.

Proposals from three qualifying bidders were reviewed and interviews were conducted. OPNGAS, working with DCP, selected all three bidders as their combined approaches meet the City's needs and schedule. Board of Public Works approved the award of contracts to three qualifying bidders on December 2, 2022 and approval was obtained from the Mayor's Office January 18, 2023.

Contract No. C-142695 was executed between the City and Baker & O'Brien, Inc. on February 27, 2023 with a cost ceiling of \$2,224,750 (Transmittal 1 & 2).

At the time of execution, the cost of insurance required by the City was not included in the contract, therefor the cost ceiling will be increased by \$15,856.26 from \$2,224,750 to \$2,240,606.26 based on insurance subsequently obtained by Baker & O'Brien, INC to meet the City's requirements.

The Baker & O'Brien, Inc. invoice (Transmittal 3) in the amount of \$15,856.26 is in reimbursement for insurance required by the City of Los Angeles, per discussion with City Attorney, but not previously included in the executed contract (Contract No.142695)

for the Office of Petroleum and Natural Gas Administration (OPNGAS) Amortization Study. This invoice is for insurance premiums for coverage for 18 months, during the 2023-2024 period.

As of December 2023, a total of \$267,000 has been spent to implement the Baker & O'Brien Amortization Study on existing City of Los Angeles oil production facilities. The study is still in progress and is expected to conclude before the term of the contract on January 26, 2026.

Due to ongoing invoice processing delays at the City, Baker & O'Brien, Inc. has received payment for only the first two of four invoices. They have received payment for invoices received in May and June 2023 but are awaiting payment for two invoices received in August 2023.

As a result of these delays in payment by the City, Baker & O'Brien, Inc. had to shift staffing resources within the firm. This caused a hiatus in Amortization Study work that now requires extending the time allowance for Part C, modifying the contractual milestone deadline of §202 A. a. iii. *For Part C, Studies 6-25* (Transmittal 4) from "180 days" to "180 business days." This modification will allow Baker & O'Brien to finish work on Part C according to the agreed-upon timeline and will not extend the term of the contract beyond the contract term of January 26, 2026.

After receiving payment for their May and June invoices in November, Baker & O'Brien, Inc. has already proceeded to reallocate staffing resources back to the Amortization Study and is again making progress on this project.

Based on the good performance of the contractor, Amendment No. 1 are necessary to continue services and complete the study.

Scope of Work

There are no changes to the scope of work.

Cost Estimate

The cost ceiling will be increased by \$15,856.26 from \$2,224,750 to \$2,240,606.26 for the performance term of January 27, 2023 to January 26, 2026

The Baker & O'Brien, Inc. invoice (Transmittal 3) in the amount of \$15,856.26 is in reimbursement for insurance required by the City of Los Angeles, per discussion with City Attorney, but not previously included in the executed contract (Contract No.142695)

for the Office of Petroleum and Natural Gas Administration (OPNGAS) Amortization Study. This invoice is for insurance premiums for coverage for 18 months, during the 2023-2024 period.

Without this additional required insurance in place, Baker & O'Brien would not be able to proceed with work to accomplish the Amortization Study. This study is will be used in future zoning decisions by the Department of City Planning and will be used in preparing reports to the Mayor, the City Council, Board of Public Works, and community groups.

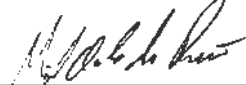
Charter Section 1022

Per the Personnel Department, since there are no changes to the scope of work, the original Charter Section 1022 determination remains the same for the Amendment.

STATUS OF FUNDING

The proposed action to increase the cost ceiling by \$15,856.26 will not have a fiscal impact. Funding is available in the Climate Equity Fund, which funds will be transferred during the mid-year Financial Status Report (FSR) (65000/50/50WZBL) to the Board of Public Works (100/74/003040).
CEF 65K

Statement as to Funds approved by:


 12/13/2023

Miguel De La Pena, Director
Office of Accounting (100/74/003040)

Respectfully Submitted,

 9/13/2023

DR. FERNANDO CAMPOS,
Executive Officer, Board of Public Works

_____
ERICA BLYTHER,
Petroleum Administrator, Board of Public Works

For questions regarding this report,
Please contact Erica Blyther at Erica.Blyther@lacity.org

FC/ELB: fc/elb/rs

**BOARD OF PUBLIC WORKS
MEMBERS****AURA GARCIA**
PRESIDENT**M. TERESA VILLEGAS**
VICE PRESIDENT**DR. MICHAEL R. DAVIS**
PRESIDENT PRO TEMPORE**VAHID KHORSAND**
COMMISSIONER**SUSANA REYES**
COMMISSIONER**CITY OF LOS ANGELES**

CALIFORNIA

**ERIC GARCETTI**
MAYOR**OFFICE OF THE
BOARD OF PUBLIC WORKS****DR. FERNANDO CAMPOS**
EXECUTIVE OFFICER200 NORTH SPRING STREET
ROOM 361, CITY HALL
LOS ANGELES, CA 90012TEL: (213) 978-0261
TDD: (213) 978-2310
FAX: (213) 978-0278<http://bpw.lacity.org>

December 2, 2022

BPW-2022-0795

The Honorable Mayor Garcetti
 City Hall – Room 320
 Los Angeles, CA 90012
 Attn: Heleen Ramirez

**PERSONAL SERVICES CONTRACTS – ALVAREZ & MARSAL PUBLIC SECTOR
 SERVICES LLC., BAKER & O'BRIEN, INC., CJM PETROLEUM CONSULTING INC.
 – AMORTIZATION STUDY**

As recommended in the accompanying report from the Director of the Office of Petroleum and Natural Gas Administration and Safety, which this Board has adopted, the Board of Public Works (Board) recommends that the Mayor:

1. APPROVE the proposed Personal Services Contract between the City of Los Angeles and Alvarez & Marsal Public Sector Services LLC (A&M) for a term of three (3) years at a cost not-to-exceed \$250,000 to conduct research and analysis to determine an amortization period(s) for oil production facilities and existing wells in the City of Los Angeles;
2. APPROVE the proposed Personal Services Contract between the City of Los Angeles and Baker & O'Brien INC. (Baker & O'Brien) for a term of three (3) years at a cost not-to-exceed \$2,224,750 to conduct research and analysis to determine an amortization period(s) for oil production facilities and existing wells in the City of Los Angeles;
3. APPROVE the proposed Personal Services Contract between the City of Los Angeles and CJM Petroleum Consulting INC. (CJMPC) for a term of three (3) years at a cost not-to-exceed \$594,600 to conduct research and analysis to determine an amortization period(s) for oil production facilities and existing wells in the City of Los Angeles; and

4. AUTHORIZE the President of the Board of Public Works or two Commissioners of the Board to execute the proposed personal services contracts between the City and A&M, Baker & O'Brien, and CJMPC subject to the approval of the City Attorney.

Sincerely,

A handwritten signature in black ink, appearing to read "F. Campos", written in a cursive style.

DR. FERNANDO CAMPOS,
Executive Officer, Board of Public Works

FC:ch/lc

Department of Public Works
Board of Public Works
Office of Petroleum and Natural Gas Administration & Safety
Report No. 1

December 1, 2022
CD: All

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

NOV 30 2022

AND REFERRED TO THE MAYOR
Charles
Executive Officer
Board of Public Works

PROPOSED CONTRACTS WITH ALVAREZ & MARSAL PUBLIC SECTOR SERVICES LLC., BAKER & O'BRIEN, INC., and CJM PETROLEUM CONSULTING INC. TO PROVIDE TECHNICAL EXPERTISE AND CONDUCT RESEARCH AND ANALYSIS TO DETERMINE AN AMORTIZATION PERIOD(S) FOR OIL PRODUCTION FACILITIES AND EXISTING WELLS IN THE CITY OF LOS ANGELES.

RECOMMENDATIONS

Recommending the Board, subject to approval by the Mayor:

1. **APPROVE** the proposed Personal Services Contract between the City of Los Angeles (City) and Alvarez & Marsal Public Sector Services LLC (A&M) for a term of for three (3) years at a cost not-to-exceed \$250,000 to conduct research and analysis to determine an amortization period(s) for oil production facilities and existing wells in the City of Los Angeles; and
2. **APPROVE** the proposed Personal Services Contract between the City of Los Angeles (City) and Baker & O'Brien INC. (Baker & O'Brien) for a term of for three (3) years at a cost not-to-exceed \$2,224,750 to conduct research and analysis to determine an amortization period(s) for oil production facilities and existing wells in the City of Los Angeles; and
3. **APPROVE** the proposed Personal Services Contract between the City of Los Angeles (City) and CJM Petroleum Consulting INC. (CJMPC) for a term of for three (3) years at a cost not-to-exceed \$594,600 to conduct research and analysis to determine an amortization period(s) for oil production facilities and existing wells in the City of Los Angeles; and
4. **AUTHORIZE** the President of the Board of Public Works or two Commissioners of the Board to execute the proposed personal services contracts between the City and A&M, Baker & O'Brien, and CJMPC subject to approval of the City Attorney.

TRANSMITTALS

1. Proposed Contract between the City of Los Angeles and Alvarez & Marsal Public Sector Services LLC. in substantial form;
2. Proposed Contract between the City of Los Angeles and Baker & O'Brien INC. in substantial form;
3. Proposed Contract between the City of Los Angeles and CJM Petroleum Consulting INC. in substantial form;
4. Business Inclusion Program Waiver from the Mayor's Office;
5. Frequently Asked Questions (FAQ)

DISCUSSION

Background

In 1892, Edward Doheny and Charles Canfield drilled the first successful oil well in the Los Angeles City Oil Field (modern day Echo Park). Their discovery set off a series of major oil discoveries in the early 1900's and led to the City's first major population boom. Even after more than a century of prolific production, the US Geological Survey estimates 1.6 billion barrels of recoverable oil remain in place beneath the City, rivaling the reserves in the Middle Eastern countries, like Saudi Arabia, Iraq, and Kuwait 14,000 miles away.

Petroleum production in most fields in the City and most of the Los Angeles Basin has several natural characteristics that are distinct to each field's specific geochemistry, depth, sulfur content, and production volumes. The growing body of scientific and public health evidence demonstrating the health, safety, and climate threats posed by oil and gas extraction has led to increased support for stronger regulations as well as the call to phase out urban oil drilling in its entirety.

In recent years, there has been movement on oil and non-conforming land use by various local and state jurisdictions, including the State of California, Los Angeles (LA) County, and the City of Culver City. The following provides a brief description of these agencies' efforts:

State of California

The California Geologic Energy Management Division (CalGEM) is the state agency that oversees California's oil, natural gas, and geothermal industries. CalGEM has undertaken a process to update public health and safety protections for communities near oil and gas production operations. This process began in response to a November 2019 directive by Governor Gavin Newsom.

CalGEM began an informal Public Health Rulemaking and released a Draft Rule on October 21, 2021 for 60 days of public comment. CalGEM retained a Scientific Advisory Panel composed of public health experts to inform CalGEM's draft rule. The proposed CalGEM rulemaking has a setback exclusion area of 3,200 feet where CalGEM will not approve any Notice of Intention to drill a new well with a new surface location. The draft rulemaking also includes many operational requirements.

The public comment period for the draft public health rule regulations closed on December 21, 2021. More than 83,500 public comments were received. CalGEM continues to assess the comments received during the Pre-Rulemaking. The Formal Rulemaking process will begin after the Pre-Rulemaking concludes and is expected to take approximately one year.

CalGEM is currently conducting stakeholder outreach and at a January 25, 2022 meeting with local government agencies, CalGEM expressed the intent that these state mitigations would overlay, not prohibit or replace, the local municipal mitigations.

SB1137

Senate Bill 1137 was approved by Governor Newsom on September 16, 2022. SB1137 prohibits the issuance of well permits and the construction and operation of new production facilities within a Health Protection Zone (HPZ) (3,200 feet from a sensitive receptor), establishes strict engineering controls to be implemented by existing operations within the HPZ and defines a sensitive receptor as a residence, education resource, community resource center, health care facility, live-in housing, and any building housing a business that is open to the public. Effective January 1, 2023 operators are prohibited from issuing permits for well work within HPZ as well as constructing or operating a new production facility within an HPZ. Effective July 1, 2023, operators are required to submit annual reports on their operations and nearby sensitive receptors, and a determination of which wells and facilities are located within HPZ. Starting January 1, 2025, operators with a well or production facility within an HPZ must submit a leak detection and response plan to CalGEM, comply with applicable federal, state, and local permits, comply with sound, light, dust requirements and conduct chemical analyses of produced water transported from the oil field. Effective January 1, 2026, CalGEM must approve the leak detection and response plan or issue notices of deficiencies and effective January 1, 2027, operators shall suspend all operations within an HPZ unless an approved leak detection and response plan is implemented. Operators with operations within HPZ must, at least annually, provide CalGEM information on leak detection and response plan outcomes.

CalGEM is the lead agency that has been tasked with implementation and will work with the California Air Resources Board (CARB) and local air agencies such as the South Coast Air Quality Management District (SCAQMD). Interagency coordination will focus immediate efforts on preparing to implement provisions that become effective in 2023 and emergency rulemaking, with operator compliance and assistance through workshops, guidance and templates.

LA County

In August 2019, the LA County Board of Supervisors adopted the "OurCounty Sustainability Plan," which specifically called for the creation of a 'Just Transition' plan.

Consequently, in September 2020, the LA County Board of Supervisors unanimously passed a motion, "Facilitating the Development of a 'Just Transition' to Clean Energy" that directed the Department of Public Works, in consultation with other members of the County Oil and Gas Strike Team, to identify priority wells in the County that should be abandoned and develop a financial and operational strategy for initiating this work.

In September 2021, the LA County Board of Supervisors passed three oil-related motions. "Developing a Comprehensive Strategy for a Just Transition Away from Fossil Fuels in Los Angeles County," "Developing an Oil Well Cleanup Pilot Program for Los Angeles County," and "Protecting Communities Near Oil and Gas Drilling Operations in Los Angeles County." Collectively, these motions coordinate to develop a "just transition" approach to phasing out

oil drilling, including studying and mitigating the impacts on workers in the fossil fuel industry, and taking steps to develop a framework for an Oil Well Cleanup Pilot Program that prioritizes public health.

Within the "Protecting Communities Near Oil and Gas Drilling Operations in Los Angeles County" motion, the LA County Board of Supervisors moved to prohibit all new oil and gas extraction and designate all existing oil and gas extraction activities as legal nonconforming uses.

On September 27, 2022 on a unanimous vote, the Los Angeles County Board of Supervisors approved an ordinance banning new oil wells and production facilities in unincorporated areas, while ordering the phase-out of existing operations over the next 20 years. The ordinance, which mirrors the one being considered by the City of Los Angeles, designates existing oil wells and facilities in unincorporated areas as "nonconforming" uses, requiring them to be discontinued within 20 years. The County of Los Angeles approach to banning oil wells, like that of the City, is based on non-conforming land use via an ordinance prohibiting new oil wells and production facilities in all zones and establishing an amortization period(s) required for cessation of non-conforming status. *Note: The ordinance does not apply to the Baldwin Hills Community Standards District/Inglewood Oil Field, specific plans, nor uses operating under a valid discretionary permit. DRP will address these in future efforts. Details can be found at (<https://planning.lacounty.gov/oilwell>)

LA County Department of Regional Planning (DRP) has also released a Request for Proposals (RFP) in June 2022 for amortization studies with an initial budget of \$1 million.

The DRP selected a consultant, CJM Petroleum, Inc., for the scope of work. The contract for the work went to the Board of Supervisors on November 1st. DRP is finalizing the contract and insurance, and the consultant will likely start the work by mid-December 2022. DRP anticipates the following schedule:

- Project kick-off – in November 2022
- Background reports and representative samples recommendations – December 2022 – March 2023
- Amortization Models and Sensitivity Analysis – March – June 2023
- Weighted Factors – March-April 2023
- Draft Recommendation – June-July 2023
- Final Recommendations – September 2023

The scope of work will also include an amortization schedule for the Inglewood Oil Fields in Baldwin Hills.

Culver City

Approximately 78 acres of the Inglewood Oil Field (IOF) are located within Culver City. Culver City reaffirmed that oil production was a nonconforming use in the 1960s.

On June 20, 2018, Culver City began a succession of studies, reports, and public meetings spanning more than three years, to evaluate and prepare an amortization program intended

to resolve incompatible oil and gas uses within City limits and phase them out over a specified period of time.

In October 2020, Culver City Council adopted a Resolution declaring its intent to evaluate establishing an approximate five-year phase-out period for the amortization of nonconforming oil and gas uses within the City. This decision was based on the Oil Drilling Subcommittee's recommendation to City Council following a 2020 amortization study, "Capital Investment Amortization Study for the Culver City Portion of the Inglewood Oil Field," prepared by the City's consultant, Baker & O'Brien.

On October 25, 2021, Culver City Council adopted the Oil Termination Ordinance, prohibiting the drilling of any new wells or re-drilling of any existing oil wells. The ordinance also requires the abandonment of existing oil wells by November 24, 2026.

In November 2021, Culver City entered into 90-day tolling agreements with Sentinel Peak Resources (SPR) as well as two groups of stakeholders. The tolling agreements extend the deadline for these parties to file legal claims against Culver City to facilitate a reasonable time period to accommodate discussions between the parties as to settlement of potential claims. As discussions between Culver City and SPR were considered productive, the tolling agreement was periodically extended, up through November 15, 2022.

At its November 14, 2022 meeting, the Culver City Council received a report on the status of its discussions with SPR. The staff report motioned that the Culver City Council:

1. Receive a report on discussions between Culver City and Sentinel Peak Resources related to the Oil Termination Ordinance, status of the tolling agreement and implementation of the Ordinance;
2. Approve the proposed settlement framework with Sentinel Peak Resources related to Culver City's Oil Termination Ordinance;
3. Authorize continued discussions with Sentinel Peak Resources toward completion of a tentative settlement agreement;
4. Authorize Culver City Attorney to review/prepare the necessary documents; and
5. Authorize Culver City Manager to execute such documents on behalf of Culver City.

Culver City Council unanimously adopted these motions at its November 14, 2022 meeting.

City of Los Angeles

City of Los Angeles Oil Production Overview

Based on CalGEM 2021 data, the City of Los Angeles has twenty-six (26) oil and gas fields that intersect City boundaries and about 5,274 oil and gas wells (704 active, 1,335 idle, 3,190 plugged, 31 Canceled and 5 unknown, 8 New and 1 Held in Abeyance wells). There are seventeen (17) drill sites that are either active or idle oil or perform gas drill site operations across the City. There are oil and gas facilities in nearly every section of the 503 square miles of the City. Approximately sixty-seven percent (67%) of oil and gas wells are within drill sites. The remaining wells are dispersed throughout the City in urban and rural locations.

Table 1. Well Count and Status by Council District
(Source: CalGEM WellSTAR and GIS Databases [as of 4/13/2021])

Council District	Active Wells	Idle Wells	Plugged Wells	Total
1. Gilbert Cedillo	0	435	270	705
2. Paul Krekorian	0	1	3	4
3. Bob Blumenfield	0	3	2	5
4. Nithya Raman	0	21	176	197
5. Paul Koretz	112	72	343	529
6. Vacant	0	0	11	11
7. Monica Rodriguez	0	4	28	32
8. Marqueece Harris Dawson	22	9	20	51
9. Curren D. Price Jr.	0	0	10	10
10. Heather Hutt	67	59	67	197
11. Mike Bonin	43	13	330	387
12. John Lee	43	10	84	139
13. Mitch O' Farrell	11	431	67	509
14. Kevin de León	13	25	53	92
15. Joe Buscaino *(Also 8 New & 1 Held in Abeyance)	393	252	1,726	2,406
Total:	704	1,335	3,190	5,274

CalEnviroScreen is a science-based mapping tool that helps identify California communities

that are most affected by many sources of pollution, and that are often especially vulnerable to pollution's effects. CalEnviroScreen uses environmental, health, and socioeconomic information to produce a numerical score for each census tract in the state.

The results are depicted on maps so that different communities can be compared to one another. A census tract with a high score is one that experiences higher pollution burden and vulnerability than census tracts with low scores. Of the 17 drill sites, 10 are in or around low income and disadvantaged communities and subject to the highest pollution burden per CalEnviroScreen (scores of 85-100%).

Table 2. Oil & Gas Drill Sites by Council District and CalEnviroScreen 3.0 Score and Pollution Burden

Rank	Drill Site Name	Council District	CalEnviroScreen 3.0 Percentile	Pollution Burden Percentile
1	Echo Park Drill Site	CD13	95-100%	96
2	Broadway Drill Site	CD14	95-100%	94
3	Harbor Gateway Drill Site #1	CD15	90-95%	93
4	Harbor Gateway Drill Site #2	CD15	90-95%	93
5	AllenCo	CD1	90-95%	82
6	Murphy Drill Site	CD10	90-95%	71
7	Warren E & P Site	CD15	85-90%	95
8	Packard Drill Site	CD10	85-90%	91
9	Jefferson Drill Site	CD8	85-90%	65
10	FilipinoTown Drill Site	CD13	85-90%	83

On April 19, 2017, Los Angeles City Council Motion (Council File No. 17-0447) was introduced by Council President Wesson and seconded by Councilmember Huizar to report back on the Feasibility of Amending Current City Land Use Codes in Connection with Health Impacts at Oil and Gas Wells and Drill Sites.

The Board of Public Works, Office of Petroleum and Natural Gas Administration and Safety (OPNGAS) staff conducted an extensive inventory of oil and gas facilities within the City of

Los Angeles, participated in a public hearing at the Los Angeles City Health Commission, collected historical records from multiple private and public databases, held dozens of meeting with numerous agencies, and retained a consultant to study the potential health impacts at oil and gas wells and drill sites within the City of Los Angeles. On July 29, 2019, the office produced the groundbreaking report "Oil and Gas Health Report" on Land Use Codes, Oil and Gas Development, Impact on Resident Health and Safety, Code Change Proposals" (CF 17-0447). Throughout 2020 and 2021, numerous Council Committee meetings were held as the City Council motion and report moved through designated committees.

At the meeting held on November 22, 2021, the Budget and Finance Committee considered a Joint Report from the Department of City Planning and the Board of Public Works (BPW), dated September 23, 2021, the OPNGAS report, dated July 29, 2019, recommendations approved by the Energy, Climate Change, and Environmental Justice Committee on December 1, 2020, and recommendations approved by the Planning and Land Use Management (PLUM) Committee on April 20, 2021, relative to the feasibility of amending current City Land Use Codes in connection with health impacts at oil and gas wells and drill sites. The Committee moved to concur with the April 20, 2021, PLUM Committee recommendations as amended, and the Council file was forwarded to the full City Council for its consideration.

On January 26, 2022, the City Council unanimously adopted the Budget and Finance Committee report and motions which included the following:

- INSTRUCT the Department of City Planning (DCP), with the assistance of the City Attorney, to prepare and present an Ordinance to prohibit new oil and gas extraction and make extraction activities a nonconforming use in all zones; and
- INSTRUCT the OPNGAS to hire an expert to conduct an amortization period study for existing wells.
- INSTRUCT the Planning Department and the Office of Petroleum and Natural Gas Administration and Safety, to report, in conjunction with the adoption of the Ordinance to prohibit new oil and gas extraction, on state rulemaking around gas and oil to ensure that the City is in compliance and not duplicating efforts.

Under the Mayoral and City Council directive, on August 9, 2022, Los Angeles City Planning released a draft citywide ordinance prohibiting new oil and gas extraction and making existing extraction activities nonconforming use in all zones. Upon Council adoption and Mayoral signature, the ordinance would immediately ban new oil and gas drilling and end existing operations after a 20-year amortization period. Depending on the results of the amortization study, there may be future code amendments requiring individual wells to shut down sooner, in instances when the operator may recoup their investments prior to the proposed 20-year amortization period as stipulated under this ordinance. A public hearing was held on August 30, 2022, followed by the Planning Commission review on September 22, 2022. The proposed ordinance was approved by the City Council Energy, Climate Change, Environmental Justice, and River Committee (October 6, 2022) and Planning and

Land Use Committee (November 1, 2022). The ordinance is scheduled to be heard in the full City Council on December 2, 2022 for its first reading and on December 9, 2022 for its second.

The Office of Petroleum and Natural Gas Administration and Safety (OPNGAS) has been working to hire an expert to conduct an amortization period(s) study for oil production facilities and existing wells.

LA City Council established a budget of \$3.5 million for these efforts.

- The Board of Public Works approved the RFP release on April 8, 2022
- OPNGAS released the RFP on April 12, 2022,
- OPNGAS hosted a Pre-proposal meeting on April 20, 2022.
- Proposals were due May 10, 2022.
- Proposals from three qualifying bidders were received

SELECTION PROCESS AND PROPOSAL CRITERIA

An evaluation panel consisting of representatives from the Board of Public Works, Office of Petroleum & Natural Gas Administration & Safety (Erica Blyther and Amanda Suter), and Department of City Planning staff (Edber Macedo and Lilian Rubio) evaluated all proposals to determine which proposal(s), according to the evaluation criteria identified, will bring the greatest benefit to the City. In addition, interviews were conducted. The criteria used for the selection of the proposer is 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%

The evaluation panel selected all three bidders as their combined approaches meet the City's needs and schedule. The unique approaches exemplify several possible ways to approach the study. The benefit of having three contractors is that this approach enables the City to view the solution from multiple lenses. It also provides the City with flexibility. The combined findings, conclusions and recommendations will offer greater perspective for the development of future policy.

The Board of Public Works, Office of Petroleum & Natural Gas Administration & Safety has negotiated the attached contracts (Transmittals 1,2,3) and requests authorization to enter into contract with the selected proposers to conduct/perform an Amortization Study on existing Oil Wells within the City of Los Angeles.

Contract Services

The proposed contractors will provide technical expertise and conduct research and analysis to determine an amortization period(s) for oil production facilities and existing wells in the City

of Los Angeles (see Transmittals 1,2,3):

Alvarez & Marsal Public Sector Services LLC (A&M)

Services to be provided by Alvarez and Marsal (A&M) will include:

- Develop an income approach to determine the amortization period(s) including an economic life expectancy based on engineering-based reserve life, forward market prices, asset retirement costs, royalty overrides, regulatory requirements, and operating expenses. This approach will consider various scenarios that flex market prices, drilling costs, regulatory and environmental costs, and asset retirement costs. The income approach will utilize an economic benefit stream of the subject company that is reasonably reflective of likely future operations. The selected benefit stream will be discounted to the present value with an appropriate risk-adjusted discount rate or capitalization rate;
- Validate the methodology with City staff based on industry expertise;
- Collect and analyze publicly available data and data made available by the City for estimating revenues, operating expenses, and capital expenses, such as production and well data, geology, lease operating expenses, production and income taxes, plugging and abandonment expenses, general and administrative expenses, capital expenditures related to drilling costs, royalty overrides, and any other expenses including regulatory or environmental. This analysis would inform the final amortization period(s), report findings and recommendations;
- Perform sensitivity analyses for the study based on potential changes to market, regulatory, and environmental factors; and
- Prepare a draft and final report, including recommendations and findings.
- **Expected timeframe: 4 months**

The key deliverables provided by Alvarez and Marsal (A&M), will include:

1. Prepare and submit a draft report with findings, conclusions and recommendations in response to the Scope of Work items within nine weeks of receipt of the Notice to Proceed or such other time provided therein;
2. Present draft findings with a slide presentation to Board of Public Works and other relevant City staff (approximately six to twelve separate presentations);
3. Submit a final report with findings, conclusions and recommendations within 30 days of receipt of comments from the Board of Public Works, the City Planning Department, and the City Attorney;
4. Present final findings with slide presentation to the executive City staff (approximately six to twelve presentations); Los Angeles Board of Public Works meeting, Los Angeles City Council, and up to five City Council Committee meetings if necessary; and,
5. Deliver all digital study data to be retained by the City, including but not limited to GIS data in City-defined GIS format, digital amortization model with description and operation details, and model input data to be imported and exported in a variety of common spreadsheet formats including tab-delimited text, .CSV, .XLS, .XLSX, and .XML files.

Baker & O'Brien INC. (Baker & O'Brien)

Services to be provided by Baker & O'Brien INC. (Baker & O'Brien) will include:

- Prepare a pilot project and series of studies (less than or up to 25) that determine the amortization period(s) for oil facilities located within the City. This series of studies will begin with a Part A, a pilot study that will consider the highest priority wells, as determined during discussions with City staff. The number of wells modeled in each study will vary by oil field, operator, and/or other criteria to be determined in consultation with City staff;
- Each amortization study will include preparation of an income model that will determine the time at which revenues from oil and gas production, less operating costs, royalties, and capital expenditures, have provided a return of investment and a market return on investment to the operator;
- Validate the methodology with City staff based on industry expertise;
- Collect and analyze publicly available data and data made available by the City to determine original investment in the facilities, historical and projected revenues from oil and gas production, operating costs, royalties, and capital expenditures. Contractor shall determine an appropriate market rate of return for investment in oil and gas production assets, which will be used to discount net income to present value. This data will inform the amortization models and final amortization period(s), report findings, and recommendations;
- Perform sensitivity analyses that consider how alternate assumptions or scenarios may affect the study conclusions;
- Following receipt of comments and feedback from the draft pilot presentation, Contractor will incorporate feedback and all lessons resulting from the pilot study to the remaining series of studies. The City will be presented with the pilot assessment and may elect to omit or constrain the remaining series of studies;
- Prepare a draft and final report, including recommendations and findings.
- **Expected timeframe: Part A, Pilot: 5 months, Part B, Studies 2-5: 6 months, Part C, Studies 6-25: 7 months**

The key deliverables provided by Baker & O'Brien INC. (Baker & O'Brien), the proposed contractor will include:

i. For Part A, Pilot Study,

1. At the commencement of work on Part A, meet with relevant City staff in a kick-off meeting to decide on a carefully prioritized list of drill sites.
2. Prepare and submit a draft report with findings, conclusions and recommendations in response to the Scope of Work items within 120 days after the prioritized list of drill sites to serve as the Pilot Study is approved by the City or such later time as provided therein for comment by executive City staff for the Pilot Study;
3. Present draft findings with a draft slide presentation to the Board of Public Works and/or other relevant City staff (up to two times in total);
4. Submit a final report with findings, conclusions and recommendations within 30 days of receipt of comments from the Board of Public Works, the City Planning Department, and the City Attorney;

5. Upon completion of the Pilot Study, present final findings with a slide presentation up to four times in total; and,

ii. For Part B, Studies 2-5

1. For each study, prepare and submit a draft report with findings, conclusions and recommendations in response to the Scope of Work items within 150 days of the effective date of Part B Notice to Proceed or such later time as provided therein for comment by executive City staff;
2. For each study, submit a final report with findings, conclusions and recommendations within 30 days of receipt of comments from the Board of Public Works, the City Planning Department, and the City Attorney;
3. Upon completion of all of the studies in Part B, present overall findings with a slide presentation; up to two times for a draft presentation and up to four times for the final presentation; and,

iii. For Part C, Studies 6-25,

1. For each study, prepare and submit a draft report with findings, conclusions and recommendations in response to the Scope of Work items within 180 days of the effective date of Part C Notice to Proceed or such later time as provided therein for comment by executive City staff;
2. For each study, submit a final report with findings, conclusions and recommendations within 30 days of receipt of comments from the Board of Public Works, the City Planning Department, and the City Attorney;
3. Upon completion of all of the studies in Part C, present overall findings with a slide presentation; up to two times for a draft presentation and up to four times for the final presentation; and,

iv. Deliver all digital study data to be retained by the City, including but not limited to GIS data in City-defined GIS format, digital amortization model with description and operation details, and model input data to be imported and exported in a variety of common spreadsheet formats including tab-delimited text, .CSV, .XLS, .XLSX, and .XML files.

CJM Petroleum Consulting INC. (CJMPC)

Services to be provided by CJM Petroleum Consulting INC. (CJMPC) will include:

- Conduct a well-level economic assessment to determine the amortization period(s) for oil production facilities located within the City. This study will begin with a pilot study model initialization and validation that will consider the highest priority wells, as determined during discussions with City staff, and calculate amortization period(s) through the modeling and analysis of capital costs (drilling, completion, intervention, and abandonment), operating costs, royalty and tax obligations, depreciation, and revenue.
- Validate the methodology with City staff based on industry expertise;
- Collect and examine publicly available data and data made available by the City to prioritize necessary data collection initiatives and qualify the variables

affecting amortization.

- Data derived scalable model assumptions and perform comparative analysis to generate confidence intervals where assumptions are necessitated. This model analysis would inform the final amortization period(s), report findings and recommendations;
- Perform sensitivity analyses for the pilot study to identify focus areas for quality control initiatives that may affect the final study conclusions;
- Following receipt of comments and feedback from the draft pilot presentation, the model will be adjusted to incorporate feedback and all lessons resulting from the pilot study. Scale-out of the model for evaluation of all wells in the city shall sequentially follow. The City will be presented with the pilot assessment and may elect to omit or constrain the remaining study;
- Configure an interactive Power BI dashboard to summarize and represent results of the study which will facilitate transparency and improve confidence in the model, and will be configured for internal use and/or allow for (independent) publication of information for external interaction. The City shall retain sole discretion on publication/sharing of the dashboard product, subject to the end user license agreement (EULA) fee schedule;
- Prepare a draft and final report, including recommendations and findings.
- **Expected Timeframe: Pilot: 5 months, Full Scale Evaluation: 8 months, Digitization 5 months, Dashboard support: 36 months**

The key deliverables provided by CJM Petroleum Consulting INC. (CJMPC), the proposed contractor will include:

1. Prepare and submit a draft report with findings, conclusions and recommendations in response to the Scope of Work items within 90 days of the Notice to Proceed or such other time as provided therein;
2. Present draft findings with a slide presentation to Board of Public Works and other relevant City staff (approximately six to twelve separate presentations);
3. Submit a final report with findings, conclusions and recommendations within 30 days of receipt of comments from the Board of Public Works, the City Planning Department, and the City Attorney; and,
4. Present final findings with slide presentation to the executive City staff (approximately six to twelve presentations); Los Angeles Board of Public Works meeting, Los Angeles City Council, and up to five City Council Committee meetings if necessary;
5. Deliver all digital study data to be retained by the City, including but not limited to GIS data in City-defined GIS format, digital amortization model with description and operation details, and model input data to be imported and exported in a variety of common spreadsheet formats including tab-delimited text, .CSV, .XLS, .XLSX, and .XML files; and,
6. Deliver an interactive Power BI dashboard to summarize and represent results of the study and will be configured for internal use and/or allow for (independent) publication of information for external interaction.

Business Inclusion Program

The Board of Public Works requested a BIP Waiver Request for a Request for proposals for an Amortization Study of existing oil and gas wells in the City of Los Angeles. The BIP Waiver Request was approved on March 23, 2022 (Transmittal 4).

This work is highly specialized and few contractors possess the ability to conduct it.

Contract Terms and Amount

Alvarez & Marsal Public Sector Services LLC (A&M)

The proposed contract shall not exceed a term of 3 years. The proposed contract shall not exceed \$250,000.

Baker & O'Brien INC. (Baker & O'Brien)

The proposed contract shall not exceed a term of 3 years. The proposed contract shall not exceed \$2,224,750.

CJM Petroleum Consulting INC. (CJMPC)

The proposed contract shall not exceed a term of 3 years. The proposed contract shall not exceed \$594,600.

Table 3. Contractor costs and duration.

Contractor	Study Phase	Proposed Payment Upon Milestone	Duration (Months)
A&M	Kick off	\$0	1
	Draft Report	\$125,000	2
*total costs \$250,000	Final Report	\$125,000	1
Baker & O'Brien	Pilot Study and Presentations	\$357,000	5
	Studies 2-5	\$395,250	6
*total cost \$2,224,790	Studies 6-25	\$1,472,500	7
CJM	Pilot Study	\$143,560	5
	Full-scale Evaluation	\$256,040	8
	Digitization of Pre 1977 Data	\$153,600	5
*total costs \$594,600	Dashboard End User License Agreement (EULA)	\$41,400	36
Proposed Total:		\$3,069,390	
Total Budget:		\$3,500,000	
Remaining Contingency:		\$430,610	

The remaining contingency could be used if there are any issues with the data discovered at the end of the project or a need for other items arises such as travel related expenses related to attendance at more in person meetings.

STATUS OF FUNDING

The Board of Public Works' Executive Office anticipates a fiscal impact of \$3.5 Million upon consideration and award of a contract(s) to launch the Amortization Study.

Funding for this project in the amount of \$3,500,000 which has been appropriated in the current Fiscal Year 2022/2023 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	\$3,500,000


FISCAL IMPACT STATEMENT

Approval of the proposed contracts between the City and Alvarez & Marsal Public Sector Services LLC, Baker & O'Brien INC., and CJM Petroleum Consulting INC. will impact the General Fund or other alternate identified source of fund(s) as recommended by the Mayor's Office of Budget and Innovation in the amount of \$3,500,000.

Respectfully Submitted,



for DR. FERNANDO CAMPOS,
Executive Officer, Board of Public Works



12/01/2022

MIGUEL DE LA PEÑA,
Director Office of Accounting, Board of Public Works



ERICA BLYTHER,
Petroleum Administrator, Board of Public Works

CONTRACT SUMMARY SHEET

TO: THE OFFICE OF THE CITY CLERK,
COUNCIL/PUBLIC SERVICES DIVISION
ROOM 395, CITY HALL

DATE: 2/2/2023

(PLEASE DO NOT STAPLE THE CONTRACT FOR THE CLERK'S FILE)

FORM MUST BE TYPEWRITTEN

FROM (DEPARTMENT): BOARD OF PUBLIC WORKS

CONTACT PERSON: Erica Blyther PHONE: (213) 978-2679

CONTRACT NO.: C-142695

COUNCIL FILE NO.: 17-0447

ADOPTED BY COUNCIL: _____

APPROVED BY BPW: 1/27/2023
DATE

NEW CONTRACT X
AMENDED AND RESTATED _____
ADDENDUM NO. _____
SUPPLEMENTAL NO. _____
CHANGE ORDER NO. _____
AMENDMENT _____

CONTRACTOR NAME: Baker & O'Brien INC. (Baker & O'Brien)

TERM OF CONTRACT: 1/27/2023 THROUGH: 1/26/2026

TOTAL AMOUNT: Total not-to-exceed cost \$2,224,750

PURPOSE OF CONTRACT:

Personal Services Contract between the City of Los Angeles and Baker & O'Brien INC. (Baker & O'Brien) for a term of three (3) years at a cost not-to-exceed \$2,224,750 to conduct research and analysis to determine an amortization period(s) for oil production facilities and existing wells in the City of Los Angeles.

NOTE: CONTRACTS ARE PUBLIC RECORDS - SCANNED AND UPLOADED TO THE INTERNET



PERSONAL SERVICES AGREEMENT

BY AND BETWEEN THE
CITY OF LOS ANGELES

AND

BAKER & O'BRIEN, INC.

Project Title: OIL PRODUCTION FACILITIES AND EXISTING WELLS
AMORTIZATION STUDY

Contract No. C-142695

**CONTRACT
BETWEEN THE
CITY OF LOS ANGELES
AND
BAKER & O'BRIEN, INC.**

THIS AGREEMENT is made and entered into by and between the CITY OF LOS ANGELES, a municipal corporation, acting by and through its Board of Public Works (hereinafter called the "City") and, BAKER & O'BRIEN, INC., a Texas Corporation with its principal office at 12001 North Central Expressway, Suite 1200, Dallas, TX 75243 (hereinafter called "Contractor"), with reference to the following facts:

RECITALS

WHEREAS, the Los Angeles City Council on January 26, 2022, instructed the Office of Petroleum and Natural Gas Administration and Safety (OPNGAS) to hire an expert to conduct an amortization period(s) study for oil production facilities and existing wells (CF No. 17-0447);

WHEREAS, the OPNGAS is housed under the Board of Public Works (Board) and is headed by the Petroleum Administrator;

WHEREAS, the OPNGAS sought to hire a contractor to determine the amortization period(s) of oil production facilities and existing wells in the City;

WHEREAS, the OPNGAS received Board approval to release the Request for Proposals (RFP) on April 8, 2022;

WHEREAS, the OPNGAS released the RFP on April 12, 2022 and Contractor submitted a proposal in response to the RFP and was selected for the award of a contract;

WHEREAS, Contractor has extensive experience working with the public and private sector with technical experience in the upstream, midstream, and downstream oil and gas industries, including asset valuations, technical land use issues, due diligence studies for transactions, and advisory and litigation support services to law firms, government agencies, lenders, insurers, operating companies that produce oil and gas. Additionally, Contractor has assisted various California agencies and stakeholders regarding technical and economic implications of land use associated with the market values of oil and gas producing properties, refineries, petroleum terminals, and midstream facilities;

NOW THEREFORE, in consideration of the premises, and the covenants and conditions herein contained to be kept and performed by the respective parties, it is hereby mutually agreed that:

I
INTRODUCTION

§101 Parties to the Agreement

A. The parties to this Agreement are:

1. The City of Los Angeles, a municipal corporation, having its principal office at 200 North Spring Street, Los Angeles, California 90012.
2. The Contractor, known as BAKER & O'BRIEN, INC., a Texas Corporation having its principal office at: 12001 North Central Expressway, Suite 1200, Dallas, TX 75243.

§102 Representatives of the Parties and Service of Notices

A. The representatives of the respective parties who are authorized to administer this Agreement and to whom formal notices, demands and communications shall be given are as follows:

i) The representative of the City shall be:

Erica Blyther, Petroleum Administrator
Board of Public Works
200 N Spring St., Room 358
Los Angeles, CA 90012

ii) The representatives of the Contractor shall be:

Charles Kemp, Vice President
BAKER & O'BRIEN, INC.
12001 North Central Expressway
Suite 1200
Dallas, TX 75243
(214) 368-7626

B. Formal notices, demands and communications to be given hereunder by either party shall be made in writing and may be affected by personal delivery or by electronic mail, registered or certified mail, postage prepaid, return receipt requested and shall be deemed communicated as of the date of mailing.

C. If the name of the person designated to receive the notices, demands or communications or the address of such person is changed, written notice shall be given, in accord with this section, within five (5) working days of said change.

II
TERM AND SERVICES TO BE PROVIDED

§201 Term and Time of Performance

- A. The term of this Agreement is for three (3) years to commence from the Time of Effectiveness as defined in Attachment A, PSC-3. Performance shall not commence until the Contractor has obtained the City's approval of the insurance required herein and a written Notice to Proceed.

§202 Services to be Provided by Contractor

- A. As requested in the Notice to Proceed issued in accordance with Section 204 by the City, the Contractor shall provide the deliverables set forth in Section 202.A.a. by performing the tasks set forth in section 202.A.b within the time periods set forth in this Agreement or an applicable Notice to Proceed

- a. Deliverables – Contractor shall:

i. **For Part A, Pilot Study,**

1. At the commencement of work on Part A, meet with relevant City staff in a kick-off meeting to decide on a carefully prioritized list of drill sites.
2. Prepare and submit a draft report with findings, conclusions and recommendations in response to the Scope of Work items within 120 days after the prioritized list of drill sites to serve as the Pilot Study is approved by the City or such later time as provided therein for comment by executive City staff for the Pilot Study;
3. Present draft findings with a draft slide presentation to the Board of Public Works and/or other relevant City staff (up to two times in total);
4. Submit a final report with findings, conclusions and recommendations within 30 days of receipt of comments from the Board of Public Works, the City Planning Department, and the City Attorney;
5. Upon completion of the Pilot Study, present final findings with a slide presentation up to four times in total; and,

ii. **For Part B, Studies 2-5**

1. For each study, prepare and submit a draft report with findings, conclusions and recommendations in response to the Scope of Work items within 150 days of the effective date of Part B Notice to Proceed or such later time as provided therein for comment by executive City staff;
2. For each study, submit a final report with findings, conclusions and recommendations within 30 days of receipt of comments

from the Board of Public Works, the City Planning Department, and the City Attorney;

3. Upon completion of all of the studies in Part B, present overall findings with a slide presentation; up to two times for a draft presentation and up to four times for the final presentation; and,

iii. **For Part C, Studies 6-25,**

1. For each study, prepare and submit a draft report with findings, conclusions and recommendations in response to the Scope of Work items within 180 days of the effective date of Part C Notice to Proceed or such later time as provided therein for comment by executive City staff;
 2. For each study, submit a final report with findings, conclusions and recommendations within 30 days of receipt of comments from the Board of Public Works, the City Planning Department, and the City Attorney;
 3. Upon completion of all of the studies in Part C, present overall findings with a slide presentation; up to two times for a draft presentation and up to four times for the final presentation; and,
- iv. Deliver all digital study data to be retained by the City, including but not limited to GIS data in City-defined GIS format, digital amortization model with description and operation details, and model input data to be imported and exported in a variety of common spreadsheet formats including tab-delimited text, .CSV, .XLS, .XLSX, and .XML files.

- b. **Tasks** - To provide the deliverables in Section 202.A.a., Contractor shall perform the following tasks to determine the amortization period(s) of oil production facilities and existing wells in the City:

1. Prepare a Pilot Study followed by a series of studies (less than or up to 24) that determine the amortization period(s) for oil facilities located within the City. This series of studies will begin with the Pilot Study that will consider the highest priority wells, as determined during discussions with City staff. The number of wells modeled in each study will vary by oil field, operator, and/or other criteria to be determined in consultation with City staff;

The budget associated with this Project is tabulated below and includes Part A Pilot Study, Part B Studies 2 through 5, and Part C Studies 6 through 25:

Activity by Part	Duration	Budget
A. Pilot Study		
Study	4 months	\$267,000
Final Presentations	Upon completion of Pilot Study	\$45,000
B. Studies 2-5		
4 Studies	5 months	\$395,250 (\$98,812 each)
Summary Presentations	Upon completion of all 4 studies	\$45,000
C. Studies 6-25		
20 Studies	9 months	\$1,472,500 (\$73,625 each)
Summary Presentations	Upon completion of all 20 studies	\$45,000
	Total	\$2,224,750

2. Each amortization study will include preparation of an income model that will determine the time at which revenues from oil and gas production, less operating costs, royalties, and capital expenditures, have provided a return of investment and a market return on investment to the operator;
3. Validate the methodology with City staff based on industry expertise;
4. Collect and analyze data available from the California Geologic Energy Management Division (CalGEM), other publicly available data, and data made available by the City to determine original investment in the facilities, historical and projected revenues from oil and gas production, operating costs, royalties, and capital expenditures. Contractor shall determine an appropriate market rate of return for investment in oil and gas production assets, which will be used to discount net income to present value. This data will inform the amortization models and final amortization period(s), report findings, and recommendations;
5. Perform sensitivity analyses that consider how alternate assumptions or scenarios may affect the study conclusions;
6. Following receipt of comments and feedback from the draft Pilot Study presentation, Contractor will incorporate feedback and apply lessons resulting from the Pilot Study to the remaining series of studies. After completion of Part A, the City may elect to omit or constrain the remaining series of studies;
7. For each study, prepare a draft and final report, including recommendations and findings.
8. Contractor will only be available for two in-person meetings: the

kick-off meeting (Part A) and the final presentation to the City Council (Part C). All other meetings are assumed to be virtual, subject to the requirements of the Brown Act.

§203 Services to be Provided by City

- A. To support the Contractor successfully, the City will be:
 - i. Monitoring the Contractor's performance in the daily operation of this Agreement.
 - ii. Provide direction to the Contractor in areas relating to policy, information and procedural requirements.

§204 Issuance of Notice to Proceed

- A. The City will issue three separate Notices to Proceed to commence work on the scopes of work for Part A, Part B, and Part C, respectively, as described in Section 202. Notices to Proceed for Part B and Part C are not effective until the submission of the final report for the Pilot Study under Part A. In the event that (i) the Pilot Study evidences that amounts budgeted for Parts B and C are materially different than what was reasonably anticipated by the parties and (ii) the Contractor reasonably requests that the duration and cost budgets be revised accordingly, the City will not issue a Notice to Proceed for Part B or Part C until mutually satisfactory revisions to the budgets are made.
- B. Notice(s) to Proceed will authorize the Contractor to begin work and specify a "not to exceed" compensation amount. The Contractor shall complete the work within the "not to exceed" amount unless changes to a Notice to Proceed are made by the City. Any change to a Notice to Proceed must be requested in writing and approved by the City in writing. The Contractor shall not proceed with:
 - i) any work on Part A until Notice to Proceed for Part A is issued.
 - ii) any work on Part B until Notice to Proceed for Part B is issued and effective.
 - iii) any work on Part C until Notice to Proceed for Part C is issued and effective.

III PAYMENT

§301 Compensation and Method of Payment

- A. The Notice to Proceed from the City shall serve as authorization to proceed with the scope of work, described in Section 202, as requested by City to Contractor. Notice(s) to Proceed will be issued based on the service needs of the City as per the guidelines in Section 204. No guarantee is made that more than one Notice to Proceed will be issued against this Agreement.

B. Contractor will invoice the City for work performed in accordance with the contract. This is a "Fee For Service" Agreement. Compensation for complete and satisfactory performance of the terms of this Agreement shall not exceed \$2,224,750. The foregoing amount represents the total compensation to be paid by the City to the Contractor for services to be performed as designated by this Agreement.

i) Payments shall be made by the City upon completion of the following milestones subject to the reservations set forth in section 301.C through N, below:

Part A: Pilot Study: For the purpose of invoicing, Part A is split into four milestone payments as follows:

Milestone No.	Milestone Payments	Milestone Deliverables for Completion
A1	\$95,000	Preparation and prioritization, CalGEM data by B&O, initial data gathering
A2	\$58,000	Model development
A3	\$69,000	Final Report for Pilot Study
A4	\$45,000	Completion of final Presentations for Pilot Study
Total	\$267,000	

Part B: Studies 2 through 5: For the purpose of invoicing, Part B is split into five milestone payments as follows:

Milestone No.	Milestone Payments	Milestone Deliverables for Completion
B2	\$98,812	Final Report for Study 2
B3	\$98,812	Final Report for Study 3
B4	\$98,812	Final Report for Study 4
B5	\$98,812	Final Report for Study 5
B6	\$45,000	Completion of Summary Presentations for Part B
Total	\$440,248	

Part C: Studies 6 through 25: For the purpose of invoicing, Part C is split into 21 milestone payments as follows:

Milestone No.	Milestone Payments	Milestone Deliverables for Completion
C6	\$73,625	Final Report for Study 6
C7	\$73,625	Final Report for Study 7
C8	\$73,625	Final Report for Study 8
C9	\$73,625	Final Report for Study 9
C10	\$73,625	Final Report for Study 10
C11	\$73,625	Final Report for Study 11

C12	\$73,625	Final Report for Study 12
C13	\$73,625	Final Report for Study 13
C14	\$73,625	Final Report for Study 14
C15	\$73,625	Final Report for Study 15
C16	\$73,625	Final Report for Study 16
C17	\$73,625	Final Report for Study 17
C18	\$73,625	Final Report for Study 18
C19	\$73,625	Final Report for Study 19
C20	\$73,625	Final Report for Study 20
C21	\$73,625	Final Report for Study 21
C22	\$73,625	Final Report for Study 22
C23	\$73,625	Final Report for Study 23
C24	\$73,625	Final Report for Study 24
C25	\$73,625	Final Report for Study 25
C26	\$45,000	Completion of Summary Presentations for Part C
Total	\$1,517,500	

- C. The City shall have sufficient opportunity to review all draft deliverables and request changes that are within the defined services. All requested changes to the draft reports and the draft presentations shall be communicated in writing within ten (10) working days.
- D. Contractor shall have sufficient opportunity to make changes and provide revised deliverables within ten (10) working days.
- E. The City must accept the deliverables as complete in accordance with the defined services for a milestone invoice to be paid. The acceptance of deliverables is not contingent upon achieving a particular outcome or opinion. The City shall not unreasonably withhold acceptance of the deliverables and payment of invoices. If deliverables are not accepted, Contractor will work on a best-efforts basis with the City and within the defined services to provide deliverables that are accepted. The duration of the activity will be extended to accommodate this effort and any parallel activities may be delayed until the deliverables are accepted.
- F. Contractor payments shall be made upon the submission and approval of each invoice by the City representative.
- G. The City may request, in writing, changes to the content and format of the invoice and supporting documentation at any time. The City reserves the right to request additional supporting documentation to substantiate costs at any time. All invoices must be signed by an officer of the Contractor under penalty of perjury that the information submitted is true and correct.

- H. In no event shall the final expenditures for the period specified herein exceed the total compensation set forth above except as provided for by an amendment to this Agreement.
- I. Funds paid to the Contractor pursuant to this Agreement shall be used exclusively for the activities set forth by this Agreement.
- J. The Contractor shall maintain the account and records for work done under this agreement separate from all work performed under other contracts that the Contractor may have. The City will not make duplicate payments for the same work.
- K. Payments to the Contractor may be unilaterally withheld or reduced by the City if the Contractor fails to comply with the provisions of this Agreement. Contractor shall be notified of the failure to comply with this Agreement and given a reasonable opportunity to remedy the failure. Work performed to date in preparation of deliverables in accordance with the Agreement shall be paid.
- L. The Contractor included its expected time and costs for two in-person meetings in the total budget for this assignment. The City may request the Contractor's attendance at additional in-person meetings for which the Contractor will be reimbursed for reasonable time and travel expenses.
- M. The City agrees to reimburse the Contractor for the annual cost to carry Professional Liability (Errors and Omissions) insurance for the duration of this engagement and an additional twelve months.

§302 Modifications

- A. The dollar amount set forth above is subject to change and may be reduced or increased by an amendment to this Agreement. The City makes no commitment to fund this project beyond Part A of this Agreement. The City shall review Contractor's performance on a periodic basis. In the event the City determines that the Contractor is not meeting its proposed performance standards, the City may unilaterally reduce the compensation set forth herein upon written notice to Contractor and as set forth by a written amendment. Contractor shall be notified of the failure to meet the proposed performance standards and be given a reasonable opportunity to remedy the failure.

- B. Modifications in cost or scope of work for each task may not be made except by mutual agreement of the City and Contractor as monthly work status reports are presented and discussed.

§303 Right to Timely Payment

- A. The City shall make all commercially reasonable efforts to pay undisputed funds within 60 days of receipt of the invoice. Contractor shall reserve the right to suspend work or withhold work when an invoice is unpaid after 60 days. The duration of activities may be extended to accommodate delays in payment.

§304 Withheld Payments

- A. The City has the authority to withhold funds under this Agreement pending a final determination by the City of questioned expenditures or indebtedness to the City arising from past or present agreements between the City and the Contractor. Upon final determination by the City of disallowed expenditures or indebtedness, the City may deduct and retain the amount of the disallowance or indebtedness from the amount of the withheld earned funds.

IV ADDITIONAL TERMS

§401 Standard Provisions for City Contracts

- A. The Contractor agrees to comply with the Standard Provisions for City Contracts, (Rev. 10/21 v.4) ("Standard Provisions"), which are attached hereto as Attachment A and incorporated herein. The order of precedence for interpretative purposes shall be (a) this Agreement; (b) the Standard Provisions; and (c) any particular Notice to Proceed.

§402 Disclosure of Border Wall Contracting

- A. The Contractor shall comply with Los Angeles Administrative Code Section 10.50 et seq., 'Disclosure of Border Wall Contracting. City may terminate this Contract at any time if City determines that Contractor failed to fully and accurately complete the required affidavit and disclose all Border Wall Bids and Border Wall Contracts, as defined in LAAC Section 10.50.1.

§403 Amortization Study Proposal

- A. Attached hereto as Attachment B is the Contractor's Amortization Study Proposal which shall be incorporated into this Agreement for reference purposes.

§404 Contractor's Personnel (PSC-11)

- A. The Contractor is approved to use Subcontractors.

§405 Evaluations, Forecasts or Projections

- B. If work requires the development of any evaluations, forecasts, or projections, these will be prepared using the Contractor's best judgment. All such evaluations, forecasts, or projections represent informed opinions based on information used by the Contractor at the time of preparation. The Contractor cannot and does not warrant the future outcomes of such evaluations, forecasts, or projections. In no case shall the Contractor be held liable or responsible for any loss, cost, damages, or expense that the City may incur or sustain as a result of reliance on the Contractor's evaluations, forecasts, or projections.

§406 Indemnification (PSC-18)

- A. Clause PSC-18 is replaced with the following:

*Except for the active negligence or willful misconduct of **CITY**, or any of its boards, officers, agents, employees, assigns and successors in interest, **CONTRACTOR** shall defend, indemnify and hold harmless **CITY** and any of its boards, officers, agents, employees, assigns, and successors in interest from and against all lawsuits and causes of action, claims, out of pocket losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by **CITY**, including but not limited to, costs of experts and consultants), damages or liability of any nature whatsoever, for death or injury to any person, including **CONTRACTOR'S** employees and agents, or physical damage or physical destruction of any property of either party hereto or of third parties, arising in any manner by reason of an act, error, or omission by **CONTRACTOR**, Subcontractors, or their boards, officers, agents, employees, assigns, and successors in interest. The rights and remedies of **CITY** provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract. This provision will survive expiration or termination of this Contract*

§407 Data Protection (PSC-22)

- B. The City waives all obligations associated with PSC-22 Part B.

§408 Liability, Warranty and Responsibility of Contractor (PSC-25)

- A. Clause PSC-25 is replaced with the following:

The Contractor shall perform work on a best efforts basis and use reasonable care and skill in applying methods of analysis that are consistent with normal industry practice. The Contractor shall rely upon information and facts available at the time of

analysis, but does not guarantee the accuracy or completeness of such information. THE CONTRACTOR PROVIDES NO IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. In any event, the City agrees that the Contractor's liability for damages (exclusive of amounts recoverable under Contractor's insurance policies) shall not exceed the following limitations; (a) upon Notice to Proceed for Part A (Pilot Study) the limit shall not exceed \$267,000, and (b) thereafter upon receiving Notice to Proceed for Part B and/or Part C, the limit shall not exceed the cumulative amount paid to Contractor in professional fees or US \$1 million, whichever is less. In no event shall the Contractor be liable for consequential, exemplary, punitive, or other speculative damages, including lost profits of the City.

§409 Compliance with California Public Resources Code Section 5164 (PSC-41)

B. The City waives all obligations associated with PSC-41.

§410 COVID-19 (PSC-44)

A. The City agrees that the obligations of PSC-44 only apply to the Contractor's personnel that are attending in-person meetings in California.

V

ENTIRE AGREEMENT


A. This Agreement includes nine (9) pages and two (2) Attachments (Attachment A and B), which constitute the entire understanding and agreement of the parties.

B. This Agreement may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. The parties further agree that facsimile signatures or signatures scanned into .pdf (or signatures in another electronic format designated by City) and sent by email shall be deemed original signatures.

IN WITNESS WHEREOF, the City of Los Angeles and the Contractor have caused this Agreement to be executed by their duly authorized representatives.

THE BOARD OF PUBLIC WORKS

BAKER & O'BRIEN, INC.

By 
Aura Garcia, President

By 
Charles G. Kemp, Vice President

Date: 2/27/2023

Date: November 30, 2022



APPROVED AS TO FORM

ATTESTED

Hydee Feldstein Soto, City Attorney

Holly L. Wolcott, City Clerk

By 
Edward M. Jordan, Assistant City Attorney

By  

2/27/2023
Date:

Date: 3/1/2023

City Business Tax Registration Certificate Number: _____

Internal Revenue Service ID Number: _____

Contract No.: C-142695

ATTACHMENT A
STANDARD PROVISIONS
(REV. 9.22) [V.1]

ATTACHMENT A

Standard Provisions for City Contracts (Rev. 9/22) [v.1]

STANDARD PROVISIONS FOR CITY CONTRACTS

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STANDARD PROVISIONS FOR CITY CONTRACTS

PSC-1. Construction of Provisions and Titles Herein

All titles, subtitles, or headings in this Contract have been inserted for convenience, and shall not be deemed to affect the meaning or construction of any of the terms or provisions of this Contract. The language of this Contract shall be construed according to its fair meaning and not strictly for or against **CITY** or **CONTRACTOR**. The word "**CONTRACTOR**" includes the party or parties identified in this Contract. The singular shall include the plural and if there is more than one **CONTRACTOR**, unless expressly stated otherwise, their obligations and liabilities shall be joint and several. Use of the feminine, masculine, or neuter genders shall be deemed to include the genders not used.

PSC-2. Applicable Law, Interpretation and Enforcement

Each party's performance shall comply with all applicable laws of the United States of America, the State of California, and **CITY**, including but not limited to, laws regarding health and safety, labor and employment, wage and hours and licensing. This Contract shall be enforced and interpreted under the laws of the State of California without regard to conflict of law principles. **CONTRACTOR** shall comply with new, amended, or revised laws, regulations, or procedures that apply to the performance of this Contract with no additional compensation paid to **CONTRACTOR**.

In any action arising out of this Contract, **CONTRACTOR** consents to personal jurisdiction, and agrees to bring all such actions, exclusively in state or federal courts located in Los Angeles County, California.

If any part, term or provision of this Contract is held void, illegal, unenforceable, or in conflict with any federal, state or local law or regulation, the validity of the remaining parts, terms or provisions of this Contract shall not be affected.

PSC-3. Time of Effectiveness

Unless otherwise provided, this Contract shall take effect when all of the following events have occurred:

- A. This Contract has been signed on behalf of **CONTRACTOR** by the person or persons authorized to bind **CONTRACTOR**;
- B. This Contract has been approved by the City Council or by the board, officer or employee authorized to give such approval;
- C. The Office of the City Attorney has indicated in writing its approval of this Contract as to form; and
- D. This Contract has been signed on behalf of **CITY** by the person designated by the City Council, or by the board, officer or employee authorized to enter into this Contract.

PSC-4. Integrated Contract

This Contract sets forth all of the rights and duties of the parties with respect to the subject matter of this Contract, and replaces any and all previous Contracts or understandings, whether written or oral, relating thereto. This Contract may be amended only as provided for in the provisions of PSC-5 hereof.

PSC-5. Amendment

All amendments to this Contract shall be in writing and signed and approved pursuant to the provisions of PSC-3.

PSC-6. Excusable Delays

Neither party shall be liable for its delay or failure to perform any obligation under and in accordance with this Contract, if the delay or failure arises out of fires, floods, earthquakes, epidemics, quarantine restrictions, other natural occurrences, strikes, lockouts (other than a lockout by the party or any of the party's Subcontractors), freight embargoes, terrorist acts, insurrections or other civil disturbances, or other similar events to those described above, but in each case the delay or failure to perform must be beyond the control and without any fault or negligence of the party delayed or failing to perform (these events are referred to in this provision as "Force Majeure Events").

Notwithstanding the foregoing, a delay or failure to perform by a Subcontractor of **CONTRACTOR** shall not constitute a Force Majeure Event, unless the delay or failure arises out of causes beyond the control of both **CONTRACTOR** and Subcontractor, and without any fault or negligence of either of them. In such case, **CONTRACTOR** shall not be liable for the delay or failure to perform, unless the goods or services to be furnished by the Subcontractor were obtainable from other sources in sufficient time to permit **CONTRACTOR** to perform timely. As used in this Contract, the term "Subcontractor" means a subcontractor at any tier.

In the event **CONTRACTOR'S** delay or failure to perform arises out of a Force Majeure Event, **CONTRACTOR** agrees to use commercially reasonable best efforts to obtain the goods or services from other sources, and to otherwise mitigate the damages and reduce the delay caused by the Force Majeure Event.

PSC-7. Waiver

A waiver of a default of any part, term or provision of this Contract shall not be construed as a waiver of any succeeding default or as a waiver of the part, term or provision itself. A party's performance after the other party's default shall not be construed as a waiver of that default.

PSC-8. Suspension

At **CITY'S** sole discretion, **CITY** may suspend any or all services provided under this Contract by providing **CONTRACTOR** with written notice of suspension. Upon receipt of the notice of suspension, **CONTRACTOR** shall immediately cease the services suspended and shall not incur any additional obligations, costs or expenses to **CITY** until **CITY** gives written notice to recommence the services.

PSC-9. Termination

A. Termination for Convenience

CITY may terminate this Contract for **CITY'S** convenience at any time by providing **CONTRACTOR** thirty days written notice. Upon receipt of the notice of termination, **CONTRACTOR** shall immediately take action not to incur any additional obligations, costs or expenses, except as may be necessary to terminate its activities. **CITY** shall pay **CONTRACTOR** its reasonable and allowable costs through the effective date of termination and those reasonable and necessary costs incurred by **CONTRACTOR** to effect the termination. Thereafter, **CONTRACTOR** shall have no further claims against **CITY** under this Contract. All finished and unfinished documents and materials procured for or produced under this Contract, including all intellectual property rights **CITY** is entitled to, shall become **CITY** property upon the date of the termination. **CONTRACTOR** agrees to execute any documents necessary for **CITY** to perfect, memorialize, or record **CITY'S** ownership of rights provided herein.

B. Termination for Breach of Contract

1. Except as provided in PSC-6, if **CONTRACTOR** fails to perform any of the provisions of this Contract or so fails to make progress as to endanger timely performance of this Contract, **CITY** may give **CONTRACTOR** written notice of the default. **CITY'S** default notice will indicate whether the default may be cured and the time period to cure the default to the sole satisfaction of **CITY**. Additionally, **CITY'S** default notice may offer **CONTRACTOR** an opportunity to provide **CITY** with a plan to cure the default, which shall be submitted to **CITY** within the time period allowed by **CITY**. At **CITY'S** sole discretion, **CITY** may accept or reject **CONTRACTOR'S** plan. If the default cannot be cured or if **CONTRACTOR** fails to cure within the period allowed by **CITY**, then **CITY** may terminate this Contract due to **CONTRACTOR'S** breach of this Contract.
2. If the default under this Contract is due to **CONTRACTOR'S** failure to maintain the insurance required under this Contract, **CONTRACTOR** shall immediately: (1) suspend performance of any services under this Contract for which insurance was required; and (2) notify its employees and Subcontractors of the loss of insurance coverage and Contractor's obligation to suspend performance of

services. **CONTRACTOR** shall not recommence performance until **CONTRACTOR** is fully insured and in compliance with **CITY'S** requirements.

3. If a federal or state proceeding for relief of debtors is undertaken by or against **CONTRACTOR**, or if **CONTRACTOR** makes an assignment for the benefit of creditors, then **CITY** may immediately terminate this Contract.
4. If **CONTRACTOR** engages in any dishonest conduct related to the performance or administration of this Contract or violates **CITY'S** laws, regulations or policies relating to lobbying, then **CITY** may immediately terminate this Contract.
5. Acts of Moral Turpitude
 - a. **CONTRACTOR** shall immediately notify **CITY** if **CONTRACTOR** or any Key Person, as defined below, is charged with, indicted for, convicted of, pleads nolo contendere to, or forfeits bail or fails to appear in court for a hearing related to, any act which constitutes an offense involving moral turpitude under federal, state, or local laws ("Act of Moral Turpitude").
 - b. If **CONTRACTOR** or a Key Person is convicted of, pleads nolo contendere to, or forfeits bail or fails to appear in court for a hearing related to, an Act of Moral Turpitude, **CITY** may immediately terminate this Contract.
 - c. If **CONTRACTOR** or a Key Person is charged with or indicted for an Act of Moral Turpitude, **CITY** may terminate this Contract after providing **CONTRACTOR** an opportunity to present evidence of **CONTRACTOR'S** ability to perform under the terms of this Contract.
 - d. Acts of Moral Turpitude include, but are not limited to: violent felonies as defined by Penal Code Section 667.5, crimes involving weapons, crimes resulting in serious bodily injury or death, serious felonies as defined by Penal Code Section 1192.7, and those crimes referenced in the Penal Code and articulated in California Public Resources Code Section 5164(a)(2); in addition to and including acts of murder, rape, sexual assault, robbery, kidnapping, human trafficking, pimping, voluntary manslaughter, aggravated assault, assault on a peace officer, mayhem, fraud, domestic abuse, elderly abuse, and child abuse, regardless of whether such acts are punishable by felony or misdemeanor conviction.

- e. For the purposes of this provision, a Key Person is a principal, officer, or employee assigned to this Contract, or owner (directly or indirectly, through one or more intermediaries) of ten percent or more of the voting power or equity interests of **CONTRACTOR**.
- 6. In the event **CITY** terminates this Contract as provided in this section, **CITY** may procure, upon such terms and in the manner as **CITY** may deem appropriate, services similar in scope and level of effort to those so terminated, and **CONTRACTOR** shall be liable to **CITY** for all of its costs and damages, including, but not limited to, any excess costs for such services.
- 7. If, after notice of termination of this Contract under the provisions of this section, it is determined for any reason that **CONTRACTOR** was not in default under the provisions of this section, or that the default was excusable under the terms of this Contract, the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to PSC-9(A) Termination for Convenience.
- 8. The rights and remedies of **CITY** provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract.
- C. In the event that this Contract is terminated, **CONTRACTOR** shall immediately notify all employees and Subcontractors, and shall notify in writing all other parties contracted with under the terms of this Contract within five working days of the termination.

PSC-10. Independent Contractor

CONTRACTOR is an independent contractor and not an agent or employee of **CITY**. **CONTRACTOR** shall not represent or otherwise hold out itself or any of its directors, officers, partners, employees, or agents to be an agent or employee of **CITY**.

PSC-11. Contractor's Personnel

Unless otherwise approved by **CITY**, **CONTRACTOR** shall use its own employees to perform the services described in this Contract. **CITY** has the right to review and approve any personnel who are assigned to work under this Contract. **CONTRACTOR** shall remove personnel from performing work under this Contract if requested to do so by **CITY**.

CONTRACTOR shall not use Subcontractors to assist in performance of this Contract without the prior written approval of **CITY**. If **CITY** permits the use of Subcontractors, **CONTRACTOR** shall remain responsible for performing all aspects of this Contract and paying all Subcontractors. **CITY** has the right to approve **CONTRACTOR'S** Subcontractors, and **CITY** reserves the right to request replacement of any

Subcontractor. **CITY** does not have any obligation to pay **CONTRACTOR'S** Subcontractors, and nothing herein creates any privity of contract between **CITY** and any Subcontractor.

PSC-12. Assignment and Delegation

CONTRACTOR may not, unless it has first obtained the written permission of **CITY**:

- A. Assign or otherwise alienate any of its rights under this Contract, including the right to payment; or
- B. Delegate, subcontract, or otherwise transfer any of its duties under this Contract.

PSC-13. Permits

CONTRACTOR and its directors, officers, partners, agents, employees, and Subcontractors, shall obtain and maintain all licenses, permits, certifications and other documents necessary for **CONTRACTOR'S** performance of this Contract. **CONTRACTOR** shall immediately notify **CITY** of any suspension, termination, lapses, non-renewals, or restrictions of licenses, permits, certificates, or other documents that relate to **CONTRACTOR'S** performance of this Contract.

PSC-14. Claims for Labor and Materials

CONTRACTOR shall promptly pay when due all amounts owed for labor and materials furnished in the performance of this Contract so as to prevent any lien or other claim under any provision of law from arising against any **CITY** property (including reports, documents, and other tangible or intangible matter produced by **CONTRACTOR** hereunder), and shall pay all amounts due under the Unemployment Insurance Act or any other applicable law with respect to labor used to perform under this Contract.

PSC-15. Current Los Angeles City Business Tax Registration Certificate Required

For the duration of this Contract, **CONTRACTOR** shall maintain valid Business Tax Registration Certificate(s) as required by **CITY'S** Business Tax Ordinance, Section 21.00 *et seq.* of the Los Angeles Municipal Code ("LAMC"), and shall not allow the Certificate to lapse or be revoked or suspended.

PSC-16. Retention of Records, Audit and Reports

CONTRACTOR shall maintain all records, including records of financial transactions, pertaining to the performance of this Contract, in their original form or as otherwise approved by **CITY**. These records shall be retained for a period of no less than three years from the later of the following: (1) final payment made by **CITY**, (2) the expiration of this Contract or (3) termination of this Contract. The records will be subject to examination and audit by authorized **CITY** personnel or **CITY'S** representatives at any time. **CONTRACTOR** shall provide any reports requested by **CITY** regarding

performance of this Contract. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

In lieu of retaining the records for the term as prescribed in this provision, **CONTRACTOR** may, upon **CITY'S** written approval, submit the required information to **CITY** in an electronic format, e.g. USB flash drive, at the expiration or termination of this Contract.

PSC-17. Bonds

All bonds required by **CITY** shall be filed with the Office of the City Administrative Officer, Risk Management for its review and acceptance in accordance with Los Angeles Administrative Code ("LAAC") Sections 11.47 *et seq.*, as amended from time to time.

PSC-18. Indemnification

Except for the active negligence or willful misconduct of **CITY**, or any of its boards, officers, agents, employees, assigns and successors in interest, **CONTRACTOR** shall defend, indemnify and hold harmless **CITY** and any of its boards, officers, agents, employees, assigns, and successors in interest from and against all lawsuits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by **CITY**, including but not limited to, costs of experts and consultants), damages or liability of any nature whatsoever, for death or injury to any person, including **CONTRACTOR'S** employees and agents, or damage or destruction of any property of either party hereto or of third parties, arising in any manner by reason of an act, error, or omission by **CONTRACTOR**, Subcontractors, or their boards, officers, agents, employees, assigns, and successors in interest. The rights and remedies of **CITY** provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract. This provision will survive expiration or termination of this Contract.

PSC-19. Intellectual Property Indemnification

CONTRACTOR, at its own expense, shall defend, indemnify, and hold harmless the **CITY**, and any of its boards, officers, agents, employees, assigns, and successors in interest from and against all lawsuits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by **CITY**, including but not limited to, costs of experts and consultants), damages or liability of any nature arising out of the infringement, actual or alleged, direct or contributory, of any intellectual property rights, including, without limitation, patent, copyright, trademark, trade secret, right of publicity, and proprietary information: (1) on or in any design, medium, matter, article, process, method, application, equipment, device, instrumentation, software, hardware, or firmware used by **CONTRACTOR**, or its Subcontractors, in performing the work under this Contract; or (2) as a result of **CITY'S** actual or intended use of any Work Product (as defined in PSC-21) furnished by **CONTRACTOR**, or its Subcontractors, under this Contract. The rights and remedies of **CITY** provided in this section shall not be exclusive

and are in addition to any other rights and remedies provided by law or under this Contract. This provision will survive expiration or termination of this Contract.

PSC-20. Intellectual Property Warranty

CONTRACTOR represents and warrants that its performance of all obligations under this Contract does not infringe in any way, directly or contributorily, upon any third party's intellectual property rights, including, without limitation, patent, copyright, trademark, trade secret, right of publicity and proprietary information.

PSC-21. Ownership and License

Unless otherwise provided for herein, all finished and unfinished works, tangible or not, created under this Contract including, without limitation, documents, materials, data, reports, manuals, specifications, artwork, drawings, sketches, blueprints, studies, memoranda, computation sheets, computer programs and databases, schematics, photographs, video and audiovisual recordings, sound recordings, marks, logos, graphic designs, notes, websites, domain names, inventions, processes, formulas, matters and combinations thereof, and all forms of intellectual property originated and prepared by **CONTRACTOR** or its Subcontractors under this Contract (each a "Work Product"; collectively "Work Products") shall be and remain the exclusive property of **CITY** for its use in any manner **CITY** deems appropriate. **CONTRACTOR** hereby assigns to **CITY** all goodwill, copyright, trademark, patent, trade secret and all other intellectual property rights worldwide in any Work Products originated and prepared under this Contract. **CONTRACTOR** further agrees to execute any documents necessary for **CITY** to perfect, memorialize, or record **CITY'S** ownership of rights provided herein.

CONTRACTOR agrees that a monetary remedy for breach of this Contract may be inadequate, impracticable, or difficult to prove and that a breach may cause **CITY** irreparable harm. **CITY** may therefore enforce this requirement by seeking injunctive relief and specific performance, without any necessity of showing actual damage or irreparable harm. Seeking injunctive relief or specific performance does not preclude **CITY** from seeking or obtaining any other relief to which **CITY** may be entitled.

For all Work Products delivered to **CITY** that are not originated or prepared by **CONTRACTOR** or its Subcontractors under this Contract, **CONTRACTOR** shall secure a grant, at no cost to **CITY**, for a non-exclusive perpetual license to use such Work Products for any **CITY** purposes.

CONTRACTOR shall not provide or disclose any Work Product to any third party without prior written consent of **CITY**.

Any subcontract entered into by **CONTRACTOR** relating to this Contract shall include this provision to contractually bind its Subcontractors performing work under this Contract such that **CITY'S** ownership and license rights of all Work Products are preserved and protected as intended herein.

PSC-22. Data Protection

- A. **CONTRACTOR** shall protect, using the most secure means and technology that is commercially available, **CITY**-provided data or consumer-provided data acquired in the course and scope of this Contract, including but not limited to customer lists and customer credit card or consumer data, (collectively, the "City Data"). **CONTRACTOR** shall notify **CITY** in writing as soon as reasonably feasible, and in any event within twenty-four hours, of **CONTRACTOR'S** discovery or reasonable belief of any unauthorized access of City Data (a "Data Breach"), or of any incident affecting, or potentially affecting City Data related to cyber security (a "Security Incident"), including, but not limited to, denial of service attack, and system outage, instability or degradation due to computer malware or virus. **CONTRACTOR** shall begin remediation immediately. **CONTRACTOR** shall provide daily updates, or more frequently if required by **CITY**, regarding findings and actions performed by **CONTRACTOR** until the Data Breach or Security Incident has been effectively resolved to **CITY'S** satisfaction. **CONTRACTOR** shall conduct an investigation of the Data Breach or Security Incident and shall share the report of the investigation with **CITY**. At **CITY'S** sole discretion, **CITY** and its authorized agents shall have the right to lead or participate in the investigation. **CONTRACTOR** shall cooperate fully with **CITY**, its agents and law enforcement.
- B. If **CITY** is subject to liability for any Data Breach or Security Incident, then **CONTRACTOR** shall fully indemnify and hold harmless **CITY** and defend against any resulting actions.

PSC-23. Insurance

During the term of this Contract and without limiting **CONTRACTOR'S** obligation to indemnify, hold harmless and defend **CITY**, **CONTRACTOR** shall provide and maintain at its own expense a program of insurance having the coverages and limits not less than the required amounts and types as determined by the Office of the City Administrative Officer of Los Angeles, Risk Management (template Form General 146 in Exhibit 1 hereto). The insurance must: (1) conform to **CITY'S** requirements; (2) comply with the Insurance Contractual Requirements (Form General 133 in Exhibit 1 hereto); and (3) otherwise be in a form acceptable to the Office of the City Administrative Officer, Risk Management. **CONTRACTOR** shall comply with all Insurance Contractual Requirements shown on Exhibit 1 hereto. Exhibit 1 is hereby incorporated by reference and made a part of this Contract.

PSC-24. Best Terms

Throughout the term of this Contract, **CONTRACTOR**, shall offer **CITY** the best terms, prices, and discounts that are offered to any of **CONTRACTOR'S** customers for similar goods and services provided under this Contract.

PSC-25. Warranty and Responsibility of Contractor

CONTRACTOR warrants that the work performed hereunder shall be completed in a manner consistent with professional standards practiced among those firms within **CONTRACTOR'S** profession, doing the same or similar work under the same or similar circumstances.

PSC-26. Mandatory Provisions Pertaining to Non-Discrimination in Employment

Unless otherwise exempt, this Contract is subject to the applicable non-discrimination, equal benefits, equal employment practices, and affirmative action program provisions in LAAC Section 10.8 et seq., as amended from time to time.

- A. **CONTRACTOR** shall comply with the applicable non-discrimination and affirmative action provisions of the laws of the United States of America, the State of California, and **CITY**. In performing this Contract, **CONTRACTOR** shall not discriminate in any of its hiring or employment practices against any employee or applicant for employment because of such person's race, color, religion, national origin, ancestry, sex, sexual orientation, gender, gender identity, age, disability, domestic partner status, marital status or medical condition.
- B. The requirements of Section 10.8.2.1 of the LAAC, the Equal Benefits Ordinance, and the provisions of Section 10.8.2.1(f) are incorporated and made a part of this Contract by reference.
- C. The provisions of Section 10.8.3 of the LAAC are incorporated and made a part of this Contract by reference and will be known as the "Equal Employment Practices" provisions of this Contract.
- D. The provisions of Section 10.8.4 of the LAAC are incorporated and made a part of this Contract by reference and will be known as the "Affirmative Action Program" provisions of this Contract.

Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-27. Child Support Assignment Orders

CONTRACTOR shall comply with the Child Support Assignment Orders Ordinance, Section 10.10 of the LAAC, as amended from time to time. Pursuant to Section 10.10(b) of the LAAC, **CONTRACTOR** shall fully comply with all applicable State and Federal employment reporting requirements. Failure of **CONTRACTOR** to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment or Notices of Assignment, or the failure of any principal owner(s) of **CONTRACTOR** to comply with any Wage and Earnings Assignment or Notices of Assignment applicable to them personally, shall constitute a default by the **CONTRACTOR** under this Contract. Failure of **CONTRACTOR** or principal owner to cure

the default within 90 days of the notice of default will subject this Contract to termination for breach. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-28. Living Wage Ordinance

CONTRACTOR shall comply with the Living Wage Ordinance, LAAC Section 10.37 *et seq.*, as amended from time to time. **CONTRACTOR** further agrees that it shall comply with federal law proscribing retaliation for union organizing. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-29. Service Contractor Worker Retention Ordinance

CONTRACTOR shall comply with the Service Contractor Worker Retention Ordinance, LAAC Section 10.36 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-30. Access and Accommodations

CONTRACTOR represents and certifies that:

- A. **CONTRACTOR** shall comply with the Americans with Disabilities Act, as amended, 42 U.S.C. Section 12101 *et seq.*, the Rehabilitation Act of 1973, as amended, 29 U.S.C. Section 701 *et seq.*, the Fair Housing Act, and its implementing regulations and any subsequent amendments, and California Government Code Section 11135;
- B. **CONTRACTOR** shall not discriminate on the basis of disability or on the basis of a person's relationship to, or association with, a person who has a disability;
- C. **CONTRACTOR** shall provide reasonable accommodation upon request to ensure equal access to **CITY**-funded programs, services and activities;
- D. Construction will be performed in accordance with the Uniform Federal Accessibility Standards (UFAS), 24 C.F.R. Part 40; and
- E. The buildings and facilities used to provide services under this Contract are in compliance with the federal and state standards for accessibility as set forth in the 2010 ADA Standards, California Title 24, Chapter 11, or other applicable federal and state law.

CONTRACTOR understands that **CITY** is relying upon these certifications and representations as a condition to funding this Contract. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-31. Contractor Responsibility Ordinance

CONTRACTOR shall comply with the Contractor Responsibility Ordinance, LAAC Section 10.40 *et seq.*, as amended from time to time.

PSC-32. Business Inclusion Program

Unless otherwise exempted prior to bid submission, **CONTRACTOR** shall comply with all aspects of the Business Inclusion Program as described in the Request for Proposal/Qualification process, throughout the duration of this Contract. **CONTRACTOR** shall utilize the Business Assistance Virtual Network ("BAVN") at <https://www.labavn.org/>, to perform and document outreach to Minority, Women, and Other Business Enterprises. **CONTRACTOR** shall perform subcontractor outreach activities through BAVN. **CONTRACTOR** shall not change any of its designated Subcontractors or pledged specific items of work to be performed by these Subcontractors, nor shall **CONTRACTOR** reduce their level of effort, without prior written approval of **CITY**.

PSC-33. Slavery Disclosure Ordinance

CONTRACTOR shall comply with the Slavery Disclosure Ordinance, LAAC Section 10.41 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-34. First Source Hiring Ordinance

CONTRACTOR shall comply with the First Source Hiring Ordinance, LAAC Section 10.44 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-35. Local Business Preference Ordinance

CONTRACTOR shall comply with the Local Business Preference Ordinance, LAAC Section 10.47 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-36. Iran Contracting Act

In accordance with California Public Contract Code Sections 2200-2208, all contractors entering into, or renewing contracts with **CITY** for goods and services estimated at \$1,000,000 or more are required to complete, sign, and submit the "Iran Contracting Act of 2010 Compliance Affidavit."

PSC-37. Restrictions on Campaign Contributions and Fundraising in City Elections

Unless otherwise exempt, if this Contract is valued at \$100,000 or more and requires approval by an elected **CITY** office, **CONTRACTOR**, **CONTRACTOR'S** principals, and **CONTRACTOR'S** Subcontractors expected to receive at least \$100,000 for performance under the Contract, and the principals of those Subcontractors (the "Restricted Persons")

shall comply with Charter Section 470(c)(12) and LAMC Section 49.7.35. Failure to comply entitles **CITY** to terminate this Contract and to pursue all available legal remedies. Charter Section 470(c)(12) and LAMC Section 49.7.35 limit the ability of the Restricted Persons to make campaign contributions to and engage in fundraising for certain elected **CITY** officials or candidates for elected **CITY** office for twelve months after this Contract is signed. Additionally, a **CONTRACTOR** subject to Charter Section 470(c)(12) is required to comply with disclosure requirements by submitting a completed and signed Ethics Commission Form 55 and to amend the information in that form as specified by law. Any **CONTRACTOR** subject to Charter Section 470(c)(12) shall include the following notice in any contract with any Subcontractor expected to receive at least \$100,000 for performance under this Contract:

"Notice Regarding Restrictions on Campaign Contributions and Fundraising in City Elections

You are a subcontractor on City of Los Angeles Contract #

_____. Pursuant to the City of Los Angeles Charter Section 470(c)(12) and related ordinances, you and your principals are prohibited from making campaign contributions to and fundraising for certain elected City of Los Angeles ("**CITY**") officials and candidates for elected **CITY** office for twelve months after the **CITY** contract is signed. You are required to provide the names and contact information of your principals to the **CONTRACTOR** and to amend that information within ten business days if it changes during the twelve month time period. Failure to comply may result in termination of this Contract and any other available legal remedies. Information about the restrictions may be found online at ethics.lacity.org or by calling the Los Angeles City Ethics Commission at (213) 978-1960."

PSC-38. Contractors' Use of Criminal History for Consideration of Employment Applications

CONTRACTOR shall comply with the City Contractors' Use of Criminal History for Consideration of Employment Applications Ordinance, LAAC Section 10.48 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-39. Limitation of City's Obligation to Make Payment to Contractor

Notwithstanding any other provision of this Contract, including any exhibits or attachments incorporated therein, and in order for **CITY** to comply with its governing legal requirements, **CITY** shall have no obligation to make any payments to **CONTRACTOR** unless **CITY** shall have first made an appropriation of funds equal to or in excess of its obligation to make any payments as provided in this Contract. **CONTRACTOR** agrees that any services provided by **CONTRACTOR**, purchases made by **CONTRACTOR** or expenses incurred by **CONTRACTOR** in excess of the appropriation(s) shall be free and without charge to **CITY** and **CITY** shall have no obligation to pay for the services, purchases or expenses. **CONTRACTOR** shall have no obligation to provide any services,

provide any equipment or incur any expenses in excess of the appropriated amount(s) until **CITY** appropriates additional funds for this Contract.

PSC-40. Compliance with Identity Theft Laws and Payment Card Data Security Standards

CONTRACTOR shall comply with all identity theft laws including without limitation, laws related to: (1) payment devices; (2) credit and debit card fraud; and (3) the Fair and Accurate Credit Transactions Act ("FACTA"), including its requirement relating to the content of transaction receipts provided to Customers. **CONTRACTOR** also shall comply with all requirements related to maintaining compliance with Payment Card Industry Data Security Standards ("PCI DSS"). During the performance of any service to install, program or update payment devices equipped to conduct credit or debit card transactions, including PCI DSS services, **CONTRACTOR** shall verify proper truncation of receipts in compliance with FACTA.

PSC-41. Compliance with California Public Resources Code Section 5164

California Public Resources Code Section 5164 prohibits a public agency from hiring a person for employment or as a volunteer to perform services at any park, playground, or community center used for recreational purposes in a position that has supervisory or disciplinary authority over any minor, if the person has been convicted of certain crimes as referenced in the Penal Code, and articulated in California Public Resources Code Section 5164(a)(2).

If applicable, **CONTRACTOR** shall comply with California Public Resources Code Section 5164, and shall additionally adhere to all rules and regulations that have been adopted or that may be adopted by **CITY**. **CONTRACTOR** is required to have all employees, volunteers and Subcontractors (including all employees and volunteers of any Subcontractor) of **CONTRACTOR** working on premises to pass a fingerprint and background check through the California Department of Justice at **CONTRACTOR'S** sole expense, indicating that such individuals have never been convicted of certain crimes as referenced in the Penal Code and articulated in California Public Resources Code Section 5164(a)(2), if the individual will have supervisory or disciplinary authority over any minor.

PSC-42. Possessory Interests Tax

Rights granted to **CONTRACTOR** by **CITY** may create a possessory interest. **CONTRACTOR** agrees that any possessory interest created may be subject to California Revenue and Taxation Code Section 107.6 and a property tax may be levied on that possessory interest. If applicable, **CONTRACTOR** shall pay the property tax. **CONTRACTOR** acknowledges that the notice required under California Revenue and Taxation Code Section 107.6 has been provided.

PSC-43. Confidentiality

All documents, information and materials provided to **CONTRACTOR** by **CITY** or developed by **CONTRACTOR** pursuant to this Contract (collectively "Confidential Information") are confidential. **CONTRACTOR** shall not provide or disclose any Confidential Information or their contents or any information therein, either orally or in writing, to any person or entity, except as authorized by **CITY** or as required by law. **CONTRACTOR** shall immediately notify **CITY** of any attempt by a third party to obtain access to any Confidential Information. This provision will survive expiration or termination of this Contract.

PSC-44. COVID-19

Employees of Contractor and/or persons working on its behalf, including, but not limited to, subcontractors (collectively, "Contractor Personnel"), while performing services under this Agreement and prior to interacting in person with City employees, contractors, volunteers, or members of the public (collectively, "In-Person Services") must be fully vaccinated against the novel coronavirus 2019 ("COVID-19"). "Fully vaccinated" means that 14 or more days have passed since Contractor Personnel have received the final dose of a two-dose COVID-19 vaccine series (Moderna or Pfizer-BioNTech) or a single dose of a one-dose COVID-19 vaccine (Johnson & Johnson/Janssen) and all booster doses recommended by the Centers for Disease Control and Prevention. Prior to assigning Contractor Personnel to perform In-Person Services, Contractor shall obtain proof that such Contractor Personnel have been fully vaccinated. Contractor shall retain such proof for the document retention period set forth in this Agreement. Contractor shall grant medical or religious exemptions ("Exemptions") to Contractor Personnel as required by law. If Contractor wishes to assign Contractor Personnel with Exemptions to perform In-Person Services, Contractor shall require such Contractor Personnel to undergo weekly COVID-19 testing, with the full cost of testing to be borne by Contractor. If Contractor Personnel test positive, they shall not be assigned to perform In-Person Services or, to the extent they have already been performing In-Person Services, shall be immediately removed from those assignments. Furthermore, Contractor shall immediately notify City if Contractor Personnel performing In-Person Services (1) have tested positive for or have been diagnosed with COVID-19, (2) have been informed by a medical professional that they are likely to have COVID-19, or (3) meet the criteria for isolation under applicable government orders.

PSC-45. Contractor Data Reporting

If Contractor is a for-profit, privately owned business, Contractor shall, within 30 days of the effective date of the Contract and on an annual basis thereafter (i.e., within 30 days of the annual anniversary of the effective date of the Contract), report the following information to City via the Regional Alliance Marketplace for Procurement ("RAMP") or via another method specified by City: Contractor's and any Subcontractor's annual revenue, number of employees, location, industry, race/ethnicity and gender of majority owner ("Contractor/Subcontractor Information"). Contractor shall further request, on an annual basis, that any Subcontractor input or update its business profile, including the Contractor/Subcontractor Information, on RAMP or via another method prescribed by City.

EXHIBIT 1

INSURANCE CONTRACTUAL REQUIREMENTS

CONTACT For additional information about compliance with City Insurance and Bond requirements, contact the Office of the City Administrative Officer, Risk Management at (213) 978-RISK (7475) or go online at www.lacity.org/cao/risk. The City approved Bond Assistance Program is available for those contractors who are unable to obtain the City-required performance bonds. A City approved insurance program may be available as a low cost alternative for contractors who are unable to obtain City-required insurance.

CONTRACTUAL REQUIREMENTS

CONTRACTOR AGREES THAT:

1. Additional Insured/Loss Payee. The CITY must be included as an Additional Insured in applicable liability policies to cover the CITY'S liability arising out of the acts or omissions of the named insured. The CITY is to be named as an Additional Named Insured and a Loss Payee As Its Interests May Appear in property insurance in which the CITY has an interest, e.g., as a lien holder.

2. Notice of Cancellation. All required insurance will be maintained in full force for the duration of its business with the CITY. By ordinance, all required insurance must provide at least thirty (30) days' prior written notice (ten (10) days for non-payment of premium) directly to the CITY if your insurance company elects to cancel or materially reduce coverage or limits prior to the policy expiration date, for any reason except impairment of an aggregate limit due to prior claims.

3. Primary Coverage. CONTRACTOR will provide coverage that is primary with respect to any insurance or self-insurance of the CITY. The CITY'S program shall be excess of this insurance and non-contributing.

4. Modification of Coverage. The CITY reserves the right at any time during the term of this Contract to change the amounts and types of insurance required hereunder by giving CONTRACTOR ninety (90) days' advance written notice of such change. If such change should result in substantial additional cost to CONTRACTOR, the CITY agrees to negotiate additional compensation proportional to the increased benefit to the CITY.

5. Failure to Procure Insurance. All required insurance must be submitted and approved by the Office of the City Administrative Officer, Risk Management prior to the inception of any operations by CONTRACTOR.

CONTRACTOR'S failure to procure or maintain required insurance or a self-insurance program during the entire term of this Contract shall constitute a material breach of this Contract under which the CITY may immediately suspend or terminate this Contract or, at its discretion, procure or renew such insurance to protect the CITY'S interests and pay any and all premiums in connection therewith and recover all monies so paid from CONTRACTOR.

6. Workers' Compensation. By signing this Contract, CONTRACTOR hereby certifies that it is aware of the provisions of Section 3700 *et seq.*, of the California Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake

self-insurance in accordance with the provisions of that Code, and that it will comply with such provisions at all time during the performance of the work pursuant to this Contract.

7. California Licensee. All insurance must be provided by an insurer admitted to do business in California or written through a California-licensed surplus lines broker or through an insurer otherwise acceptable to the CITY. Non-admitted coverage must contain a **Service of Suit** clause in which the underwriters agree to submit as necessary to the jurisdiction of a California court in the event of a coverage dispute. Service of process for this purpose must be allowed upon an agent in California designated by the insurer or upon the California Insurance Commissioner.

8. Aggregate Limits/Impairment. If any of the required insurance coverages contain annual aggregate limits, CONTRACTOR must give the CITY written notice of any pending claim or lawsuit which will materially diminish the aggregate within thirty (30) days of knowledge of same. You must take appropriate steps to restore the impaired aggregates or provide replacement insurance protection within thirty (30) days of knowledge of same. The CITY has the option to specify the minimum acceptable aggregate limit for each line of coverage required. No substantial reductions in scope of coverage which may affect the CITY'S protection are allowed without the CITY'S prior written consent.

9. Commencement of Work. For purposes of insurance coverage only, this Contract will be deemed to have been executed immediately upon any party hereto taking any steps that can be considered to be in furtherance of or towards performance of this Contract. The requirements in this Section supersede all other sections and provisions of this Contract, including, but not limited to, PSC-3, to the extent that any other section or provision conflicts with or impairs the provisions of this Section.

Required Insurance and Minimum Limits

Name: _____

Date: _____

Agreement/Reference: _____

Evidence of coverages checked below, with the specified minimum limits, must be submitted and approved prior to occupancy/start of operations. Amounts shown are Combined Single Limits ("CSLs"). For Automobile Liability, split limits may be substituted for a CSL if the total per occurrence equals or exceeds the CSL amount.

Limits

Workers' Compensation (WC) and Employer's Liability (EL)

WC Statutory

EL _____

☐ Waiver of Subrogation in favor of City☐ Longshore & Harbor Workers☐ Jones Act

General Liability

☐ Products/Completed Operations☐ Sexual Misconduct☐ Fire Legal Liability☐

Automobile Liability (for any and all vehicles used for this contract, other than commuting to/from work)

Professional Liability (Errors and Omissions)

Discovery Period _____

Property Insurance (to cover replacement cost of building - as determined by insurance company)

☐ All Risk Coverage☐ Boiler and Machinery☐ Flood☐ Builder's Risk☐ Earthquake☐

Pollution Liability

☐

Surety Bonds - Performance and Payment (Labor and Materials) Bonds

Crime Insurance

Other: _____

Required Insurance and Minimum Limits

Name: Baker & O'Brien, IncDate: 11/22/2022Agreement/Reference: Oil Production Facilities and Existing Wells Amortization Study

Evidence of coverages checked below, with the specified minimum limits, must be submitted and approved prior to occupancy/start of operations. Amounts shown are Combined Single Limits ("CSLs"). For Automobile Liability, split limits may be substituted for a CSL if the total per occurrence equals or exceeds the CSL amount.

Limits

☒ **Workers' Compensation - Workers' Compensation (WC) and Employer's Liability (EL)**
WC StatutoryEL \$1,000,000☐ Waiver of Subrogation in favor of City☐ Longshore & Harbor Workers☐ Jones Act

☒ **General Liability**
\$1,000,000☒ Products/Completed Operations☐ Sexual Misconduct☐ Fire Legal Liability☐

Automobile Liability (for any and all vehicles used for this contract, other than commuting to/from work)

☒ **Professional Liability** (Errors and Omissions)
\$1,000,000Discovery Period 12 months After Completion of Work or Date of Termination

Property Insurance (to cover replacement cost of building - as determined by insurance company)
☐ All Risk Coverage☐ Boiler and Machinery☐ Flood☐ Builder's Risk☐ Earthquake☐

Pollution Liability
☐

Surety Bonds - Performance and Payment (Labor and Materials) Bonds

100% of the contract price

Crime Insurance

Other: Sent to Erica Blyther @ PW Office of Petroleum & Natural Gas Administration

1) In the absence of imposed Auto Liability requirements, all contractors using vehicles during the course of their contract must adhere to the financial responsibility laws of the State of California.

2) If a contractor has no employees and decides to not cover herself/himself for Workers' Compensation, please complete the form entitled "Request for Waiver of Workers' Compensation Insurance Requirement" located at <http://lacity.org/cao/risk/InsuranceForms.htm>

ATTACHMENT B

SECTIONS FROM RFP 2022

AMORTIZATION STUDY SUBMISSION –

BAKER & O'BRIEN

3. QUALIFICATIONS OF STAFF

- 1) Who will be the responsible Principal for the project? What is this person's background, experience, and role within the firm? How long has this person been with the firm? Include a resume of this person.
 - a. Mr. Kemp will be the responsible Principal and serve as the primary contact with the City for this assignment. His resume is found in **Appendix A**. Mr. Kemp has led many complex petroleum valuation assignments. He was the project manager for the Culver City and City of Goleta amortization studies. He has led several oil field valuations in California, including those in Los Angeles County.
 - b. Mr. Kemp is a Vice President of Baker & O'Brien, is located in our Dallas office, and has been a consultant with Baker & O'Brien for 13 years. Mr. Kemp is a Chemical Engineer with more than 32 years of hands-on industry experience, including work as an oil field roustabout for Occidental Petroleum during college. He has held technical and commercial roles in several large petroleum companies and served as a Director of Economics for Valero Energy Corporation. Mr. Kemp is an expert on petroleum value chain economics, as well as the valuation of assets in the oil, gas, and refining industries.
- 2) What is the commitment of Principal/Senior Staff to this project? How will your support staff work together to combine elements of a large project together?
 - a. Our Principal and Staff will be dedicated to the project, as necessary, to complete the scope of work within our schedule. We will work closely with the City to define deadlines and tasks that meet the City's goals.
 - b. Baker & O'Brien organizes the steps for an amortization study into three general work flows: 1) data gathering; 2) cash flow modeling; and 3) report writing. We plan to develop work flow efficiencies across multiple drilling sites based on commonalities, data availability, transaction dates, types of wells, etc.
- 3) Who will be the Project Manager(s)? Describe the background, experience, and availability over the life of the contract. Attach a resume for each staff member.
 - a. Project managers for this assignment will include Mr. Kemp, Mr. Cheek, and Mr. Flessner. Their resumes are found in **Appendix A**.
 - b. Mr. Kemp will serve as a Project Manager with responsibility for coordination of data collection and validation, and for development and coordination of a strategy to develop amortization studies for the various oil fields and drilling sites located within the City. Mr. Kemp's background is described above.
 - c. Mr. Cheek will serve as a Project Manager with responsibility for developing and validating the amortization models. Mr. Cheek is an Analyst with Baker & O'Brien with more than 18 years of experience in economic and financial

analysis. Mr. Cheek has worked extensively on multiple major valuation studies, including those for California refineries and oil fields. His activities often include development of rigorous cash flow models for valuation purposes and industry costs of capital. He has prepared detailed discounted cash flow models for California refineries, midstream and upstream facilities, and for the amortization studies prepared for the City of Goleta and Culver City. He has also provided expert testimony regarding discount rates that are appropriate in California for use in cash flow analysis in asset valuations.

- d. Mr. Flessner will serve as a Project Manager with responsibility for report writing and delivery of the study reports. Mr. Flessner is an Associate of Baker & O'Brien, having recently retired as President of Baker & O'Brien with more than 40 years of technical and commercial experience in the oil, gas, refining, and chemicals industries. His background offers in-depth experience in project evaluation and management, operations and strategic planning, and supply logistics. Mr. Flessner has prepared feasibility studies, due diligence reviews, and valuations for acquisition and financing of refining, petrochemical, and fertilizer assets. He has served as the principal consultant in the valuation of California refineries and amortization studies for the City of Goleta and Culver City. He has also worked on other land use and valuation issues in California, including the Los Angeles County and Monterey County assignments.
- e. Each of these project managers offers experience with previous amortization studies, including development of income streams, operating costs, and capital investments. All three managers plan to be available to the conclusion of this engagement. Additional Baker & O'Brien consultants and associates are available to serve as project managers for parallel efforts.
- f. Identify other professional staff working on the projects in this proposal. John Rayne, Kent Bayazitoglu, John Copeland, and Melody Ramirez are full time employees of Baker & O'Brien.
- g. Mr. Rayne will serve as a Subject Matter Expert (SME) in Petroleum Engineering. He will assist with Data Collection and Report Writing and will step up into a Project Manager role as necessary. Mr. Rayne has over 30 years of experience in project management and technical roles on oil and gas field development projects with an emphasis on production, drilling, and facilities engineering.
- h. Mr. Bayazitoglu will assist with Data Collection and Modelling and will step up into a Project Manager role as necessary. Mr. Bayazitoglu has over 20 years of experience in the refining and natural gas industries, including extensive expertise in financial modeling, energy trading, and hedging activities. He has previously modeled oil and gas production economics in California.
- i. Mr. Copeland will assist with Data Collection. Mr. Copeland has over 20 years of experience as an Energy Analyst. He has performed numerous research and data

collection assignments and has experience with the use of well data available from CalGEM's online database.

- j. Ms. Ramirez will assist with our quality assurance process. She has been an Administrative Assistant at Baker & O'Brien for 19 years, during which time she provided quality assurance for hundreds of client reports and litigation ready documents.

4) Will there be Subcontractors? If so, provide a list of the Subcontractors.

- a. Baker & O'Brien regularly integrates associate consultants who are independent subcontractors to Baker & O'Brien. These associates provide specific expertise and additional manpower to extend the firm's capabilities. Baker & O'Brien proposes to use the following associates: Melanie Doran Traxler, Richard Thesken, Don LeBlanc, and Don Flessner. The proposed role and relevant experience for each of these Associates is summarized:
- b. Ms. Traxler has a Bachelor of Science degree in Environmental Science and has over 35 years as a project management and planning professional. Ms. Traxler is an independent consultant that provides services related to land use and environmental planning in projects that involve complex, multi-faceted and often controversial issues. For this assignment, Ms. Traxler will gather, validate, and interpret oil and gas well data and provide quality assurance of the amortization reports. In addition, she brings to the project team a local presence and in-depth knowledge of local issues related to oil and gas production within Los Angeles County. Most recently, Ms. Traxler served as Project Manager for Culver City coordinating the preparation and review of studies and various policy and regulatory documents related to existing nonconforming oil and gas activities within the city. This effort culminated in adoption of an Oil Termination Ordinance that targets a five-year phase out of all oil and gas activities in Culver City. Ms. Traxler continues her role in assisting Culver City with implementation of that ordinance and with participation in several Los Angeles regional community-based programs that monitor and review oil and gas activities. These programs include the Community Advisory Panel (CAP) for the Baldwin Hills Community Standards District (CSD) for the Inglewood Oil Field and the Los Angeles City and County Just Transition Task Force. In addition, Ms. Traxler assisted the City of Bakersfield with the identification of "urban drill site" criteria and completed an environmental review in preparation of initiating an ordinance to regulate urban drilling practices. She has also participated in other studies that evaluated the placement of geological exploratory core holes and zoning programs that addressed and regulated oil activities.
- c. Mr. Thesken is a Professional Geologist/Hydrogeologist with over 31 years of experience as a geologist/engineer in California state government, which included extensive work with DOGGR (now CalGEM). Mr. Thesken holds a Bachelor's and a Master's degree in Geology. He is a licensed consulting geologist and has

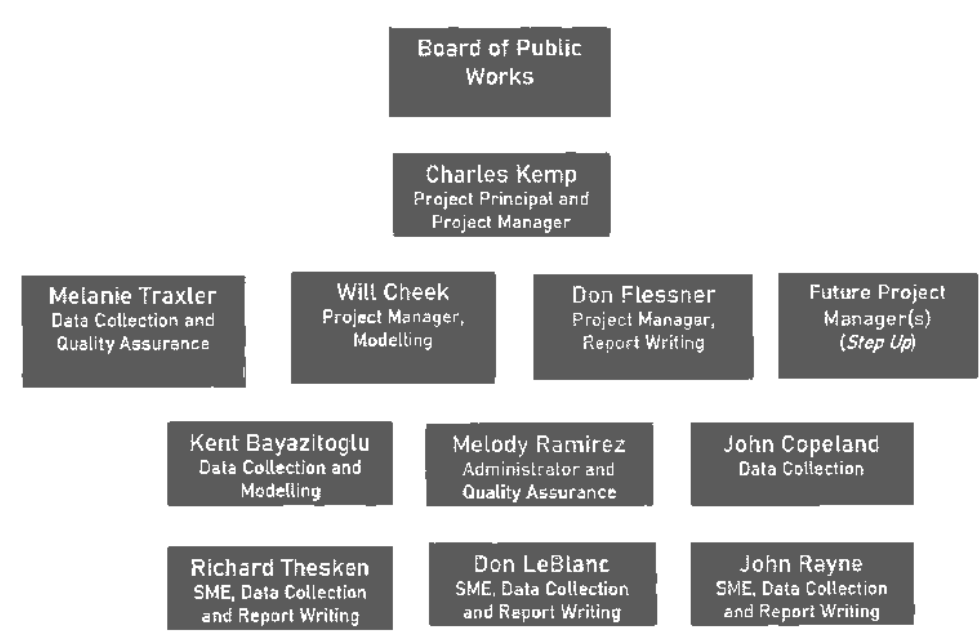
worked on oilfield regulatory and environmental compliance issues in California. He offers extensive knowledge and experience in the permitting process and environmental issues in oil and gas fields. Mr. Thesken will provide expertise on permitting, CalGEM data, well-operations, and environmental issues. He will contribute to report writing and presentations as needed.

- d. Mr. LeBlanc is a Professional Engineer and consultant with 40 years of experience in petroleum engineering with world-class exploration and production companies around the world. He has extensive experience with field development and rehabilitation activities and has served in reservoir engineering roles in the development of conventional and unconventional assets. Mr. LeBlanc will provide expertise on reservoir estimates, production declines, and well-life issues. He will contribute to report writing and presentations as needed.
 - e. Mr. Flessner's role and qualifications are described above. Although he will serve as an independent contractor in this matter, Mr. Flessner continues to be affiliated with Baker & O'Brien as a Director of the firm.
- 5) Provide an organization chart that identifies the Project Principal, Project Manager(s), key staff, and other personnel, include their roles, responsibilities, and their current project obligations.
- a. The proposed project team, project obligations, roles, and organization chart are shown below. The responsibilities were listed after each name above.
 - b. The project team will be adjusted as necessary after the pilot study to accommodate the City's evolving schedule needs. John Rayne and Kent Bayazitoglu can step up into Project Manager roles to manage parallel efforts. Future staffing needs will be enlisted from current Baker & O'Brien staff, associates, and new hires.

Project Team:

- Charles Kemp (Project Principal and Project Manager, Information Development)
- Will Cheek (Project Manager, Modeling)
- Don Flessner (Project Manager, Report Writing)
- Melanie Traxler (Data Collection, Quality Assurance, and Local Liaison)
- John Rayne (SME, Data Collection, and Report Writing, Step up PM)
- Kent Bayazitoglu (Data Collection and Modeling, Step up PM)
- Melody Ramirez (Administrator and Quality Assurance)
- Richard Thesken (SME, Data Collection and Report Writing)
- Don LeBlanc (SME, Data Collection and Report Writing)
- John Copeland (Data Collection)

Organization Chart:



4. SCOPE OF WORK

Project Understanding

The City seeks assistance of a qualified and experienced consultant team to provide technical expertise and conduct research and analysis to determine the appropriate amortization period (or periods) for existing oil and gas production facilities and infrastructure located throughout the City.

There are approximately 5,274 oil and gas wells dispersed throughout all areas of the City of Los Angeles, of which an estimated 3,190 wells are assumed plugged and approximately 2,040 wells identified as active or idle.

The City has twenty-six (26) oil and gas fields that are wholly contained within or intersect the City limit boundary. Two of these fields are designated for gas storage and at least seven of these fields have been previously abandoned (i.e., all wells have been plugged and the related production equipment closed down and/or removed). A majority of the remaining active fields have operations that are generally limited to less than three dozen active/idle wells per field.

The City has recognized seventeen (17) oil and gas drill sites, several of which have been previously abandoned or are currently in the process of closure. Drill sites appear to be located within the confines of the designated oil and gas fields with some fields encompassing two or more drill sites. An estimated one-quarter (i.e., approximately 550 wells) of all City-wide active/idle oil and gas wells appear to be located within the footprint of a recognized active drill site. An estimated 265 of those wells are located within drill sites listed in Table 2 of the RFP as having a high ranking CalEnviroScreen (CES) 3.0 Score and Pollution Burden.

It is estimated that 98-99 percent of all active/idle wells with the City are located within the boundary of a defined oil field, leaving only a small number (i.e., between 20 and 40 wells) scattered and dispersed in various urban and rural locations throughout the City and not within a drill site or oil field.

The varied locational, historical, jurisdictional, operational and production characteristics among the estimated 2,040 active/idle oil and gas wells highlights the need for adaptative approaches to our study.

Approach Overview

Baker & O'Brien proposes to prepare a series of amortization studies that determine appropriate amortization periods for oil and gas facilities located within the City. Each amortization study will include preparation of an income model that will determine the time at which revenues from oil and gas production, less operating costs, royalties, and capital expenditures, have provided a return of investment and a market return on investment to the operator.

To develop the amortization models, Baker & O'Brien will evaluate data for wells that are publicly available from CalGEM and market values for crude oil and natural gas to determine income from the facilities. We will also review publicly available and confidential information (to the extent available) regarding the original investment in these facilities, operating expenses,

sustaining capital expenditures, and abandonment costs for wells during the period that well data is available. If possible, we will conduct site visits and engage with operators to review historical and planned income, operating costs, and capital investment.

We will determine an appropriate market rate of return for investment in oil and gas production assets, which will be used to discount net income to present value. Lastly, we will evaluate sensitivity cases to consider how alternate assumptions or scenarios may affect the study conclusions. It is expected that, in some cases, data deficits or unique facilities may present challenges to developing an amortization study that will necessitate resolution with the City.

General Methodology Per Study

Based on our experience with the amortization studies for Culver City and the City of Goleta, Baker & O'Brien recommends a phased approach to preparing amortization studies for the numerous oil fields and drill sites in the City. Each amortization model will be developed to incorporate information that may be made available at each stage of inquiry to improve the confidence of the study conclusions. This approach would include a survey of public information, preparation of a base case model, and review of additional information that is available to refine the analysis. A more detailed description of these activities is summarized:

Phase 1 – Data Gathering

Baker & O'Brien will provide a standard information request list to the City for potential delivery to the operator of an oil field. If the operator is responsive, information provided in response to this request will be considered in development of the amortization model. If the operator is open to exchange of information, we will discuss with the relevant City staff the need to conduct a site visit and engage with the operator regarding technical issues, including historical operating costs and capital investments. In the event that information is not available from the operator, Baker & O'Brien will develop estimates and projections based on the team's experience and research of public records, including data available from CalGEM.

Phase 2 - Model Development

We will use the information developed in Phase 1 to prepare an amortization model. Each amortization model will tabulate historical and projected revenues from oil and gas production, less operating costs, royalties, and capital expenditures. Baker & O'Brien will develop the amortization model in consultation with relevant City staff. If a need is identified in Phase 1 for one or more sensitivity analyses, these will be included in the model. Where possible, wells will be aggregated for representation in each amortization study. Deliverables from this phase of work will include the amortization model and a conclusion of an amortization period.

Phase 3 – Report Preparation

Part A: Baker & O'Brien will prepare a draft report that summarizes the basis for the analysis, findings, and conclusions for review and comment by executive City staff.

Part B: After presentation and discussions with the Board and other relevant City staff, Baker & O'Brien will finalize the amortization model and submit a final report.

Phase 4 – Presentations

After submitting the final report, Baker & O'Brien will present the basis and conclusions of the amortization study to the City staff at Board meetings, to the Los Angeles City Council, and at City Council meetings as needed.

Multiple Studies Coordination Strategy

Prior to beginning Phase 1, Baker & O'Brien will meet with relevant City staff to decide on a carefully prioritized list of drill sites. It is expected that the higher ranking CES sites will be prioritized for the amortization study. Other considerations may include spud dates, changes of ownership, well status, well type, and ability to aggregate wells by location or operator.

We propose to develop the initial amortization studies on a small number of high priority drill sites to serve as a pilot study to evaluate methods of aggregating wells, information availability, and operator engagement in the amortization study. When the City staff is satisfied with the results of the pilot study, Baker & O'Brien will make appropriate adjustments to the amortization process and continue to work through the list of prioritized sites in parallel efforts. We will plan to engage additional internal and associate staff in a parallel process to meet the City's goals.

5. FEE SCHEDULE

Baker & O'Brien's fee schedule is included as **Appendix B**.

6. PROJECT TIMELINE

As detailed in Phases 1, 2, and 3A above, Baker & O'Brien will prepare and submit draft reports for the pilot program wells for comment by executive City staff within 90 days of the City's written notice to proceed and after the prioritized list of drill sites to serve as the pilot study is approved by the City. Prior to beginning Phase 1, Baker & O'Brien will plan to undertake a joint strategy meeting with the City to identify the pilot location and to map out a prioritization and potential schedule for subsequent study sites.

After the pilot study, Baker & O'Brien will seek approval on replication of the amortization process. Once the City has approved the amortization process, each amortization study for an individual drill site is expected to require approximately 90 days to deliver a draft amortization study. Phases 1, 2, and 3A require approximately 30 days each. If wells can be quickly determined to follow a pattern of previously amortized wells, the time required may be shortened.

We will plan to coordinate the scheduling of presentations to the Board and other City staff with the delivery of the draft amortization study. After receiving comments from the Board, we will submit the final amortization study for a drill site or oil field within 30 days. We will remain available to present our final findings to City staff at Board meetings, to the Los Angeles City Council, and to City Council Committee meetings as may be needed.

BAKER & O'BRIEN
I N C O R P O R A T E D12001 N. CENTRAL EXPRESSWAY, SUITE 1200
DALLAS, TEXAS 75243
214/368-7626FACSIMILE: 214-368-0190
E-MAIL: accounting@bakerobrien.comFebruary 28, 2023
Federal Tax ID # 75-2464053City of Los Angeles
Board of Public Works, Office of Petroleum and Natural Gas Administration and Safety
200 North Spring Street, Room 358
Los Angeles, CA 90012

ATTN: Ms. Erica Blyther

Re: Amortization Model

Job Number: A33010
Invoice Number: 2023081

Other Expenses - Insurance	\$15,856.26
Total Expenses Incurred	\$15,856.26
Total Due for February 2023	<u>\$15,856.26</u>

Net Due Upon Receipt
Accounts Payable in United States Funds
Please remit to the Above Address or Sent Payment Electronically to:
Account Name: Baker & O'Brien, Inc
Account No.: 608926956
SWIFT No.: FRSTUS44
Bank: Frost Bank, San Antonio, TX
ABA No. for Wire & ACH Transfers: 114000093

DALLAS

HOUSTON

LONDON

STATEMENT

Frederiksen & Frederiksen, A Corp

Insurance & Risk Mgmt Services
12900 Preston Road, Suite 500
Dallas, TX 75230
(972)387-8646

Customer	Baker & O'Brien Inc. 19503
Date	02/08/2023
Customer Service	Mark Frederiksen Erik Frederiksen
Page	1 of 1

Baker & O'Brien Inc.
12001 N. Central Expressway #1200
Dallas, TX 75243

Payment Information	
Statement Total	5,173.84
Payment Amount	
Payment For:	

Thank You

Please detach and return with payment



Customer: Baker & O'Brien Inc.

Invoice	Transaction Date	Description	Amount	Sub-Total
223178	02/06/2023	Policy #VPPL018637 01/27/2023 - 07/27/2024 RT Specialty Effective: 01/27/2023 Errors and Omissions - New business Stamping Fee - New business Surplus Lines Tax - New business Property & Casualty Company Fee - New business J/E: From Invoice 223177 Invoice Balance	14,812.00 11.33 732.93 300.00 -10,682.42	5,173.84
				Statement Total
				5,173.84

Thank you

Less than 0	0 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
0.00	5,173.84	0.00	0.00	0.00
Frederiksen & Frederiksen, A Corp Insurance & Risk Mgmt Services 12900 Preston Roa Dallas, TX 75230				(972)387-8646 Date 02/08/2023

This Face Page attaches to and becomes a part of the following policy:

Insured: Baker & O'Brien, Inc.
Policy #: VPPL018637
Effective Date: 1/27/2023
Date Policy/Endorsement Received:
Zip Code of Risk Location: 75243

THIS INSURANCE CONTRACT IS WITH AN INSURER NOT LICENSED TO TRANSACT INSURANCE IN THIS STATE AND IS ISSUED AND DELIVERED AS SURPLUS LINE COVERAGE UNDER THE TEXAS INSURANCE STATUTES. THE TEXAS DEPARTMENT OF INSURANCE DOES NOT AUDIT THE FINANCES OR REVIEW THE SOLVENCY OF THE SURPLUS LINES INSURER PROVIDING THIS COVERAGE, AND THE INSURER IS NOT A MEMBER OF THE PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION CREATED UNDER CHAPTER 462, INSURANCE CODE, CHAPTER 225, INSURANCE CODE, REQUIRES PAYMENT OF A 4.85 PERCENT TAX ON GROSS PREMIUM.

Rev. 4/1/09

Name and Address of Insurer:
Gemini Insurance Company

Name and Address of Surplus Lines Agent:
RT Specialty
180 N. Stetson Avenue, Suite 4600
Chicago, IL 60601

Premium:	\$14,812.00
TRIA Premium:	
Fees:	Brokerage Fee \$300.00
Surplus Lines Tax:	\$732.93
Stamping Fee:	\$11.33
Total:	\$15,856.26

GEMINI INSURANCE COMPANY

A DELAWARE STOCK COMPANY

(herein called "the Company")

COMMON POLICY DECLARATIONS

Policy No.: VPPL018637

Renewal/Rewrite of: _____

Named Insured and Mailing Address

Baker & O'Brien, Inc.
12001 N. Central Expressway
Suite 1200
Dallas, TX 75243

Producer's Name and Address

R-T Specialty, LLC
12404 Park Central Drive
Suite 380
Dallas, TX 75251
Producer Code: V517

Policy Period: From 01/27/2023 to 07/27/2024 at 12:01 a.m. Standard Time at the address of the First Named Insured as stated herein

PROFESSIONAL SERVICES: See Endorsement

IN RETURN FOR THE PAYMENT OF THE PREMIUM AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

THIS POLICY CONSISTS OF THE FOLLOWING COVERAGES FOR WHICH A PREMIUM IS INDICATED. THIS PREMIUM MAY BE SUBJECT TO ADJUSTMENT.

Professional Liability Coverage Part	\$	14,812.00
Terrorism Coverage	\$	Rejected
TOTAL PREMIUM	\$	14,812.00

Form (s) and Endorsement (s) made a part of this policy at inception.

See attached schedule:

This policy is not binding unless sealed and countersigned by Gemini Insurance Company or its Authorized Representative.

In Witness Whereof, we have caused this policy to be executed and attested, and, if required by state law, this policy shall not be valid unless countersigned by our authorized representative.

Countersigned On: 1/25/2023

By: 

W. Robert Berkley, Jr.
President



Philip S. Welt
Secretary

At: Greenwich, Connecticut

Administrative Office: 7233 E BUTHERUS DR SCOTTSDALE ARIZONA 85260

THESE COMMON POLICY DECLARATIONS AND, IF APPLICABLE, THE PROFESSIONAL LIABILITY DECLARATIONS, THE COMMERCIAL GENERAL LIABILITY DECLARATIONS TOGETHER WITH THE COMMON POLICY CONDITIONS, COVERAGE PART (S), FORM (S) AND ENDORSEMENTS, IF ANY, ISSUED TO FORM A PART THEREOF, COMPLETE THE ABOVE NUMBER POLICY

This insurance contract is with an insurer not licensed to transact insurance in this state and is issued and delivered as surplus line coverage under the Texas insurance statutes. The Texas Department of Insurance does not audit the finances or review the solvency of the surplus lines insurer providing this coverage, and this insurer is not a member of the property and casualty insurance guaranty association created under Chapter 462, Insurance Code. Chapter 225, Insurance Code, requires payment of a 4.85 percent tax on gross premium.

**FIRST AMENDMENT
TO AGREEMENT NUMBER C-142695**

BETWEEN THE CITY OF LOS ANGELES AND BAKER & O'BRIEN, INC.

THIS FIRST AMENDMENT to Agreement Number C-142695 of City of Los Angeles contracts is made and entered into, by and between CITY OF LOS ANGELES ("City"), and Baker & O'Brien, Inc., a Texas Corporation ("Contractor").

RECITALS

WHEREAS, the Los Angeles City Council on January 26, 2022, instructed the Office of Petroleum and Natural Gas Administration and Safety (OPNGAS) to hire an expert to conduct an amortization period(s) study for oil production facilities and existing wells (CF No. 17-0447);

WHEREAS, the OPNGAS is housed under the Board of Public Works (Board) and is headed by the Petroleum Administrator;

WHEREAS, the OPNGAS sought to hire a contractor to determine the amortization period(s) of oil production facilities and existing wells in the City;

WHEREAS, the OPNGAS received Board approval to release the Request for Proposals (RFP) on April 8, 2022;

WHEREAS, the OPNGAS released the RFP on April 12, 2022 and Contractor submitted a proposal in response to the RFP and was selected for the award of a contract;
WHEREAS, Contractor has extensive experience working with the public and private sector with technical experience in the upstream, midstream, and downstream oil and gas industries, including asset valuations, technical land use issues, due diligence studies for transactions, and advisory and litigation support services to law firms, government agencies, lenders, insurers, operating companies that produce oil and gas. Additionally, Contractor has assisted various California agencies and stakeholders regarding technical and economic implications of land use associated with the market values of oil and gas producing properties, refineries, petroleum terminals, and midstream facilities;

WHEREAS, on December 2, 2022 the Board of Public Works authorized the Office of Petroleum and Natural Gas Administration and Safety to execute contracts with respondents to the Request for Proposal, and

WHEREAS, this Amendment is necessary and proper to continue and/or complete certain activities authorized under the Agreement.

NOW THEREFORE, in consideration of the premises, and the covenants and conditions herein contained to be kept and performed by the respective parties, it is hereby mutually agreed that:

**FIRST AMENDMENT
TO AGREEMENT NUMBER C-142695**

**II
TERM AND SERVICES TO BE PROVIDED**

§202 A. a.

This First Amendment extends the time for Part C. Therefore, Article II TERM AND SERVICES TO BE PROVIDED, Subsection 202 is hereby amended to state:

iii. For Part C, Studies 6-25,

1. For each study, prepare and submit a draft report with findings, conclusions and recommendations in response to the Scope of Work items within 180 business days of the effective date of Part C Notice to Proceed or such later time as provided therein for comment by executive City staff;

**III
PAYMENT**

§301

This First Amendment modifies the ceiling. Therefore Article III PAYMENT, Subsection 301 is hereby amended to state:

B. Contractor will invoice the City for work performed in accordance with the contract. This is a "Fee For Service" Agreement. Compensation for complete and satisfactory performance of the terms of this Agreement shall not exceed \$2,240,606.26. The foregoing amount represents the total compensation to be paid by the City to the Contractor for services to be performed as designated by this Agreement.

Except as herein amended, all terms and conditions of the Agreement shall remain in full force and effect.

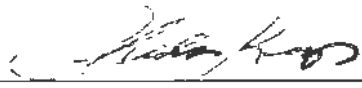
**FIRST AMENDMENT
TO AGREEMENT NUMBER C-142695**

IN WITNESS WHEREOF, the City of Los Angeles and the Contractor have caused this Agreement to be executed by their duly authorized representatives.

THE CITY OF LOS ANGELES,
A Municipal Corporation

BAKER & O'BRIEN, INC.
A Texas Corporation

By: _____
AURA GARCIA, President
Board of Public Works

By:  _____
Charles G. Kemp, Vice President

Date: _____

Date: December 13, 2023

Approved as to form:
HYDEE FELDSTEIN SOTO, City
Attorney

ATTEST:
HOLLY L. WOLCOTT, City Clerk

By: _____
ADENA M. HOPENSTAND
Deputy City Attorney

By: _____
Deputy City Clerk

Date: _____

Date: _____

**FIRST AMENDMENT
TO AGREEMENT NUMBER C-142695**

Contractors Los Angeles Business Tax Registration Certificate Number: 0003312922

Contractors Internal Revenue Service Identification Number: 75-2464053

Contract Number: c-142695