DATE:    May 23, 2023

TO:      Mayor and Council Members

FROM:    Finance Department

SUBJECT: Operations and Maintenance Funding Commitment for the Inglewood Transit Connector Project

RECOMMENDATION:
It is recommended that the Mayor and Council Members direct the Mayor to execute a funding agreement, approved as to form by the City Attorney, with the Inglewood Transit Connector Joint Powers Authority (JPA) to contribute $7.6 million annually (Fiscal Year 2023 dollars), as adjusted for inflation, during the operations period to support the ongoing cost of operating and maintaining the Inglewood Transit Connector (Project), and $3.75 million annually in each of the two years prior, as adjusted for inflation, to planned construction completion (estimated to occur in 2028) to establish a project reserve for unexpected operating period obligations.

BACKGROUND:
The Inglewood Transit Connector (ITC) Project is poised to address a critical gap in the region’s transportation network by connecting the Metro K Line to the Kia Forum, SoFi Stadium, Hollywood Park, and the Intuit Dome, as well as to the thousands of units of housing and millions of square feet of commercial space that have been developed or are in the pipeline. In addition to addressing a “first/last” mile gap and facilitating congestion relief for the City of Inglewood (City), the 1.6-mile automated people mover is anticipated to dramatically reduce greenhouse gases through a reduction in millions of vehicle miles traveled and create thousands of construction and permanent jobs and economic investment within the City.

The Project has made significant strides over the past year, having certified an Environmental Impact Report in compliance with the California Environmental Quality Act and having received a Finding of No Significant Impact from the Federal Transportation Administration (FTA) in compliance with the National Environmental Policy Act.

In cooperation with the JPA, the City has qualified three developer teams to formally bid on the project, with a final Request for Proposals set to be released this summer.

On a parallel track, the City is working closely with the FTA to apply for over $1 billion in Capital Investment Grant funding, which is necessary to fully fund the project. The next step in the process is to secure a “medium” project rating from the FTA, which is a precursor to receiving approval to enter into the engineering phase of the project. In order to accomplish this, the City must demonstrate the financial capacity to construct, operate, and maintain the Project.
DISCUSSION:
The City and JPA are working to commence construction of the ITC Project in 2024, with the goal of providing passenger service by the 2028 Olympic and Paralympic Games.

In order to secure federal funding, the City must apply for a project rating from the FTA that evaluates its economic development, land use, and ridership benefits, as well as its financial strategy. The financial strategy component of the ratings process aims to assess the project sponsor’s capability to fund the design and construction of the project as well as support long-term operations, maintenance, and state of good repair of the System. The FTA also requires the project’s sponsor demonstrate capacity for contingent funding to cover unforeseen costs or revenue shortfalls that exceed the contingencies built into the project budget during both phases of the project.

In regard to the costs for design and construction (D&C), the City has been awarded or selected for award of approximately $765 million in funding to-date, which is anticipated to serve as a local funding match to the FTA’s Capital Investment Grant. The City has also collaborated with the South Bay Councils of Government in order to secure over $100 million to-date in financial backstop funding.

In order to support the project rating necessary to qualify for Capital Investment Grant (CIG) funding from the FTA, the Project must demonstrate that a minimum of 30% of the future annual operations, maintenance and renewal costs have been committed to the Project. The cost for JPA operations, maintenance is anticipated to be approximately $30 million, and the set aside required for state of good repair of the system is anticipated to be approximately $5 million annually. A portion of these costs will come from farebox, concessions and advertising revenue, as well as state grant sources available for low carbon emissions transit operations. In addition, the City is engaging the owners of the venues. The JPA, in the future, will also seek additional federal, state and local support to reduce the currently anticipated contribution levels identified as set aside for state of good repair.

In addition to the above and given that a regular share of the ITC’s ridership will occur on non-event days, it’s appropriate that the City contribute a share of the costs of operations. This action will also be instrumental in demonstrating to the FTA progress toward fully funding the operations of the ITC.

If the JPA’s total annual revenues, including the City’s annual contribution, exceed the JPA’s annual costs of operation, maintenance, and funding for reasonable reserves, the City will be entitled to a refund of the excess revenues (up to the amount of the City’s annual contribution).
FINANCIAL/FUNDING ISSUES AND SOURCES:
Funding requested in this action is expected to be supported primarily by existing or anticipated City revenue streams dedicated to, or eligible for, funding of transportation and infrastructure improvements. These future funding sources may include, but are not limited to, existing signage revenue that must be dedicated to transportation-related services, local return revenue distributed by the Los Angeles Metropolitan Transportation Authority, future parking lot revenues, including those generated at the sites of the future ITC stations, Transportation Infrastructure Impact Fees, and Transient Occupancy Tax collections. Increases in the annual contribution to the JPA costs would be subject to an index or formula, based on inflation in the consumer price index and labor price index, and are expected to be offset largely by similar inflationary increases in the anticipated revenue streams.

An analysis by staff indicates that current City services would not be compromised based on this funding commitment.

No funding for the Project is required during the current fiscal year. Future funding will commence following the receipt of a Full Funding Grant Agreement from the FTA, and subsequently be budgeted as part of the City’s annual proposed budget process, subject to annual approvals by the Mayor and Council Members.

Payments to the JPA would be made monthly, and the City would be refunded on an annual basis to the extent that payments are not needed by the JPA to cover such costs.

DESCRIPTION OF ANY ATTACHMENTS:
Attachment No. 1: Operations and Maintenance Funding Agreement between the City of Inglewood and the Inglewood Transit Connector Joint Powers Authority

PREPARED BY:
Sharon Koike, Assistant Finance Director

COUNCIL PRESENTER:
Sharon Koike, Assistant Finance Director
APPROVAL VERIFICATION SHEET

DEPARTMENT HEAD APPROVAL: ______________________
Sharon Koike, Assistant Finance Director

ACTING ASSISTANT CITY MANAGER APPROVAL: ______________________
Jose O. Cortes, Acting Asst. City Mgr

CITY MANAGER APPROVAL: ______________________
Artie Fields, City Manager
ATTACHMENT NO. 1
AGREEMENT #______________

________________________________________

OPERATIONS AND MAINTENANCE
FUNDING AGREEMENT
DATED AS OF ________, 2023

________________________________________

Executed by the
CITY OF INGLEWOOD
a municipal corporation

and by

INGLEWOOD TRANSIT CONNECTOR JOINT POWERS AUTHORITY
a California joint powers authority
# TABLE OF CONTENTS

**FUNDING AGREEMENT**

1. Recitals ............................................................................................................. 1
2. Definitions .......................................................................................................... 2
3. Term .................................................................................................................... 4
4. JPA Budgeting and Funding of O&M Costs .................................................... 4
5. City Contributions for O&M Costs ................................................................. 5
6. City Contributions to Initially Fund JPA’s O&M Contingency Reserve Fund ..... 7
7. Condition to City Funding Obligations ............................................................. 8
8. Additional JPA Covenants .................................................................................. 8
9. Representations and Warranties ....................................................................... 10
10. Developer Rights ............................................................................................ 11
11. Project Ridership Assistance .......................................................................... 11
12. Notices ............................................................................................................ 11
13. Independent Parties ......................................................................................... 12
14. No Security Interest ......................................................................................... 12
15. Limitation of Liability ..................................................................................... 12
16. No Third Party Beneficiaries .......................................................................... 12
17. Cooperation .................................................................................................... 12
18. Remedies ........................................................................................................ 13
19. Governing Law; Venue .................................................................................. 13
20. Attorneys’ Fees .............................................................................................. 13
21. Successors and Assigns .................................................................................. 13
22. Entire Agreement ............................................................................................ 13
23. Amendments .................................................................................................. 14
24. Waiver ............................................................................................................ 14
25. Severability .................................................................................................... 14
26. Captions and Headings; Section References ................................................. 14
27. Counterparts .................................................................................................. 14
28. Electronic Signatures ...................................................................................... 14
EXHIBIT A  CALCULATION OF INSTALLMENTS FOR O&M CONTINGENCY RESERVE INITIAL FUNDING
OPERATIONS AND MAINTENANCE FUNDING AGREEMENT

This operations and maintenance funding agreement (this "Agreement") is entered into as of the ___ day of __________, 2023 (the "Effective Date"), by and between the City of Inglewood, a municipal corporation (the "City"), and the Inglewood Transit Connector Joint Powers Authority, a California joint powers authority ("JPA," and together with the City, collectively, the "Parties" and each a "Party").

RECITALS

A. The City is pursuing development of the Inglewood Transit Connector Project, an approximately 1.6-mile long, three station, fully elevated, electrically powered automated transit system, a maintenance and storage facility and other supporting infrastructure, (collectively, the "Project") that will connect passengers directly from the LA Metro K Line Downtown Inglewood Station to new housing and employment centers, and regionally serving sports and entertainment venues in the City, including the Kia Forum, the Los Angeles Sports and Entertainment District at Hollywood Park/SoFi Stadium and the Inglewood Basketball and Entertainment Center.

B. The City has commenced procurement of a design-build-finance-operate-maintain agreement for the Project (the "Project Agreement") that will include payments to the selected developer for its operation and maintenance of the Project for a period not exceeding 30 years after the Project commences passenger service.

C. The City and the Los Angeles County Metropolitan Transportation Authority ("LA Metro") formed the JPA for the purpose of assuming responsibility for the Project from the City after the City completes its procurement of the Project Agreement. Among other things, the City will assign to the JPA and the JPA will assume the Project Agreement after the City completes its procurement.

D. In order to meet the Project operating and maintenance costs after the Project has opened for passenger service, including payment obligations under the Project Agreement, the JPA must secure sufficient funding. The City will provide the JPA with funding, on the terms and conditions of this Agreement, to assist with a portion of the funding for the Project’s operating and maintenance costs and for a contingency reserve for operating and maintenance costs.

E. The City and JPA now desire to enter into this Agreement to confirm their respective rights and obligations regarding the O&M Funding and O&M Contingency Reserve Initial Funding (defined below).

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Recitals. The foregoing recitals are true and correct and are incorporated herein by reference.
2. **Definitions.** The following terms shall have the meanings given them in this Section. Capitalized terms not defined in this Agreement have the respective meanings set forth in the Project Agreement.

**"Advertising Revenue"** means the money that will be received by the JPA from third parties for display of advertisement upon the Project at approved signage locations or advertisement signage located on or within the Project's vehicles.

**"Consumer Price Index (CPI)"** means the consumer price index for “All items in Los Angeles-Long Beach-Anaheim, CA, all urban consumers, not seasonally adjusted”, for which the base year is 1982-84 = 100, as published by the U.S. Bureau of Labor Statistics; provided, however, that if the CPI is changed so that the base year of the CPI changes, the CPI shall be converted in accordance with the conversion factor published by the U.S. Bureau of Labor Statistics. If the CPI is discontinued or substantially altered, the applicable substitute index will be that chosen by the Secretary of the Treasury for the Department of the Treasury’s Inflation-Linked Treasuries as described at 62 Federal Register 846-847 (January 6, 1997), or if no such securities are outstanding, the applicable substitute index will be determined by the Parties in accordance with general market practice at the time.

**"Existing Signage Revenue"** means the money received by the City from currently existing digital signage that is available to third parties for a license fee in order to display advertisement.

**" Farebox Revenue"** means the money that will be received by the JPA from the ticket sales and transit passes sold to transit riders of the Project.

**"Fiscal Year"** means the fiscal year adopted by the JPA.

**"ITC Parking Lot Revenue"** means the money and funds received by the City from the parking of vehicles at the Project station parking facilities either directly or through a third party vendor hired by the City with expertise in operating parking facilities.

**"JPA’s O&M Contingency Reserve Fund"** means the reserve fund described in Section 4.e.

**"JPA’s Reserve Funds"** means the reserve funds for (a) the JPA O&M Contingency Reserve Fund, and (b) the reserve fund for anticipated and programmed Renewal Payments as described in Sections 4.e and 4.f.

**"Labor Index (LABI)"** means the “Employment Cost Index – Wages and salaries for Private industry workers in West” Series ID: Series ID: CIU202000000240A, as published by the U.S. Department of Labor, Bureau of Labor Statistics; provided, however, that if the LABI is changed so that the base year of the LABI changes, the LABI shall be converted in accordance with the conversion factor published by the U.S. Department of Labor, Bureau of Labor Statistics. If the LABI is discontinued or substantially altered, a suitable replacement will be determined by the Parties in accordance with general market practice at the time.

2
“LA Metro Local Return Revenue” means the funding that the City receives from LA Metro grant funds for capital improvements for traffic mobility and safety to the major arterials that run through the City.

“LCFS Credits” means the Low Carbon Fuel Standard Credits (representing one metric ton of carbon dioxide reduced) which are generated as fuel is consumed within transportation systems where the fuel has a carbon intensity score lower than the target established by the California Air Resources Board. Such LCFS Credits are available to owners of electric vehicle chargers of level 2 and direct current fast chargers based on the amount of electricity dispensed. LCFS Credits have a market value and spot price that can be traded to obligated parties (for example petroleum importers, refiners and wholesalers) for revenue.

“LCTOP Revenue” means revenue that is received from the Low Carbon Transit Operations Program which is part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California legislature in 2014 by Senate Bill 862, administered by the California Department of Transportation (Caltrans) in coordination with Air Resource Board and State Controller’s Office, and created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emission and improve mobility, with a priority on serving disadvantaged communities.

“O&M Contingency Reserve Initial Funding” means the funding that the City shall provide to the JPA to assist the JPA in initially funding the JPA’s O&M Contingency Reserve Fund.

“O&M Costs” means:

a. all costs for operation and maintenance the JPA will incur from and after inception of passenger service on the Project in order to:

i. carry out its management, operation and maintenance of the Project and the administration of the Project Agreement, including costs of JPA staff, technical/engineering consultants, legal, financial and accounting consultants, insurance, and other necessary JPA overhead and expenses; and

ii. pay amounts owed to the Developer under the Project Agreement, including termination compensation for termination of the Project Agreement occurring after the Project commences regular passenger service; plus

b. amounts the JPA requires to fund and maintain the JPA’s Reserve Funds at the levels set forth in this Agreement.

“O&M Funding” means the funding that the City shall provide to the JPA to assist the JPA in funding a portion of its O&M Costs. O&M Funding excludes the O&M Contingency Reserve Initial Funding.

“O&M Revenue Surplus” means, for any Fiscal Year (or partial Fiscal Year) from and after the Passenger Service Availability Date, the excess, if any, of total JPA revenues from all
sources in such Fiscal Year (or partial Fiscal Year) over the O&M Costs in such Fiscal Year (or partial Fiscal Year).

"Operating Year" means each of the consecutive 12 month periods starting on the first of the month in which the Passenger Service Availability Date occurs (being Operating Year 1), and each anniversary thereafter. The last Operating Year may be less than 12 full months.

"Project" means the approximately 1.6-mile long, three station, fully elevated, electrically powered automated transit system, a maintenance and storage facility and other supporting infrastructure and improvements to be developed in the City.

"Project Agreement" has the meaning set forth in Recital B.

"Transient Occupancy Tax" means the revenue raised by the City in the form of a tax that is chargeable on the occupancy of rental accommodations for stays of less than 30 days, which is currently in the amount of 15.5% of the rent charge demanded by the hotel operator, as set forth in the Inglewood Municipal Code Section 9-56. The transient pays the tax to the hotel operator that must then account to the City for such tax, except in the limited instance that the transient may have an express exemption from paying the tax. The City currently collects such Transient Occupancy Tax from the hotel operator on or before the last day of the month following the month in which the hotel operator is paid the tax on the short term rental by the transient.

"Transportation Infrastructure Impact Fees" means the portion of funds received by the City for transportation improvements as part of application fees paid to the City by applicants for City building permits.

3. **Term.** This Agreement shall take effect on the Effective Date and continue in full force and effect until 30 years after the Passenger Service Availability Date, subject to:

   a. the right of the City to terminate this Agreement if for any reason the Project does not achieve Passenger Service Availability within seven years after execution of the Project Agreement;

   b. earlier automatic termination in the event the Project permanently ceases operations; and

   c. extension by mutual agreement of the Parties.

4. **JPA Budgeting and Funding of O&M Costs.**

   a. Pursuant to procedures developed by the board of the JPA, for each Fiscal Year in which the Project is or will be in passenger service, the JPA shall adopt a budget of the anticipated O&M Costs and anticipated revenues from all sources for such Fiscal Year. Within five business days following the JPA board adoption of the budget, the JPA shall provide a copy of the same to the City.

   b. The JPA shall operate the Project in a manner that is consistent with and adheres to the Fiscal Year budget. All expenditures directly related to the operation and
maintenance of the Project that are made by the JPA shall be consistent with the JPA budget and budget amendments adopted by the board of the JPA.

c. The JPA shall apply towards the O&M Costs the JPA’s revenues that the JPA receives from, without limitation, the following:

i. Advertising Revenue;

ii. Farebox Revenue;

iii. LCFS Credits;

iv. LCTOP Revenue;

v. revenues from concessionaires and kiosks; and

vi. other sources of income or revenue.

d. The JPA’s budget will identify other sources of revenue and anticipated amounts that the JPA expects to receive directly or indirectly from third parties. Such sources may include payments from owners and operators of sports and entertainment venues and housing and commercial development served by the Project. The JPA will use such other sources of revenue for O&M Costs, including for contributions to the JPA’s Reserve Funds. The City will assist and cooperate with the JPA to facilitate payment of such third party revenues directly to the JPA or via custodial arrangements if permissible under applicable law.

e. As part of the budget for O&M Costs, the JPA shall establish a contingency reserve that shall be available to the JPA to meet any extraordinary unanticipated O&M Costs (the JPA’s O&M Contingency Reserve Fund). The JPA shall have the right and obligation to maintain an amount of funds in the JPA’s O&M Contingency Reserve Fund equal to not less than 100% and not more than 150% of the then current Fiscal Year’s budgeted O&M Costs other than the amount thereof that is budgeted to fund the JPA’s O&M Contingency Reserve Fund and Renewal Payments.

f. The JPA also shall establish a reserve fund that will be sufficient and available as and when needed to pay anticipated and programmed Renewal Payments under the Project Agreement.

5. **City Contributions for O&M Costs.**

a. Subject to Section 7.a, the City commits to make a contribution to the JPA for each Operating Year equal to $7,600,000 multiplied by an escalation factor. The escalation factor \( ESC_y \) for each Operating Year \( y \) shall be calculated in accordance with the following formula:

\[
ESC_y = 40\% \times \frac{CPI_y}{CPI_{base}} + 60\% \times \frac{LABI_y}{LABI_{base}}
\]
Where:

\( CPI_y \) means the value of CPI corresponding to the most recently published month as of commencement of Operating Year (y).

\( CPI_{base} \) means the value of CPI corresponding to the most recently published month as of the due date for submission by proposers of their financial proposals pursuant to the City’s procurement for the Project Agreement.

\( LABI_y \) means the value of LABI corresponding to the most recently published Quarter as of commencement of Operating Year (y).

\( LABI_{base} \) means the value of LABI corresponding to the most recently published Quarter as of the due date for submission by proposers of their financial proposals pursuant to the City’s procurement for the Project Agreement.

b. The City’s annual contribution shall be net of any credit to be applied from any previous year as calculated in Section 5.e.

c. Subject to Section 7.a, the City will deliver to the JPA the established sum of O&M Funding for each Operating Year in equal monthly payments on the first business day of each month.

d. As soon as practicable after the end of each Fiscal Year, the JPA will prepare and deliver to the City the financial statement for such Fiscal Year identifying:

i. the actual O&M Costs for that Fiscal Year;

ii. the actual income and revenues received from all sources for that Fiscal Year (including the City’s O&M Funding); and

iii. the O&M Revenue Surplus, if any, for that Fiscal Year.

e. Following the end of each Fiscal Year the O&M Funding delivered by the City during that Fiscal Year will be subject to a reconciliation against the actual O&M Costs for such Fiscal Year in order to determine if the JPA is required to provide the City a credit or refund. If the JPA experiences an O&M Revenue Surplus for such Fiscal Year, then the City will receive a credit or refund equal to the lesser of (i) the O&M Revenue Surplus or (ii) the O&M Funding delivered by the City during such Fiscal Year, unless City concurs in writing that it is reasonably necessary for the JPA to retain the excess O&M Funding (or a portion thereof) for such Fiscal Year in order to increase the JPA’s Reserve Funds. The Parties shall utilize the financial statement prepared by the JPA and delivered to the City to assist in making such determination.

f. Illustrative examples for the calculation of the O&M Funding and reconciliation are set forth in Exhibit A to this Agreement.
g. The City may allocate the O&M Funding from some or all of the following sources of City revenue, as determined by the City at its sole discretion:

i. Existing Signage Revenue;

ii. Transportation Infrastructure Impact Fees;

iii. LA Metro Local Return Revenue;

iv. ITC Parking Lot Revenue;

v. Transient Occupancy Tax collections; and

vi. other or alternative sources of City revenues identified at the sole discretion of the City.

h. The Parties acknowledge that Transportation Infrastructure Impact Fees are eligible only to fund capital costs and not operating and maintenance costs. Therefore:

i. the portion of the O&M Funding for each Operating Year paid from Transportation Infrastructure Impact Fees shall not exceed the ratio of the Base Maximum Renewal Payments scheduled for such Operating Year to the sum of the MaxAP and Base Maximum Renewal Payment scheduled for such Operating Year;

ii. if and to the extent that the City chooses to use Transportation Infrastructure Impact Fees to pay a portion of the O&M Funding, the City will provide an accounting to the JPA of the amount thereof, and the JPA will use such amounts only to pay costs of Renewal Work, Handback Renewal Work or other capital costs; and

iii. the JPA will be able to hold receipts of Transportation Infrastructure Impact Fees as part of the JPA’s Reserve Funds for use to pay future capital costs.

6. City Contributions to Initially Fund JPA’s O&M Contingency Reserve Fund

a. In order to assist the JPA with building its initial funding of contingency reserves for O&M Costs, subject to Section 7.a, the City commits to make a contribution to the JPA’s O&M Contingency Reserve Fund in each of the two years leading up to Passenger Service Availability equal to $3,750,000 annually (multiplied by an escalation factor). The City shall contribute its O&M Contingency Reserve Initial Funding in 24 monthly installments during the 24 months prior to the Passenger Service Availability Date as originally scheduled in the Preliminary Baseline Schedule, payable on the first business day of each such month. The escalation factor for each year and the calculation of the monthly installments are set forth in Exhibit A to this Agreement.

b. The City may provide its O&M Contingency Reserve Initial Funding from all or a portion of the following City revenues:

7
i. Existing Signage Revenue, Local Return Revenue, Transit Occupancy Tax and Transportation Infrastructure Impact Fees; and

ii. Project related sales taxes received by the City that relate to Project expenditures during the design and construction period that are paid by Project parties incurring such sales taxes.

c. If the City terminates this Agreement because the Project does not achieve Passenger Service Availability within seven years after execution of the Project Agreement, then the JPA shall refund to the City the entire amount of the O&M Contingency Reserve Initial Funding received by the JPA, together with any interest thereon earned by the JPA.

d. City’s initial funding under this Section 6 is in addition to amounts included in future O&M Funding for deposit to the JPA’s Reserve Funds in accordance with this Agreement.

7. **Condition to City Funding Obligations.**

a. The JPA acknowledges that the City’s O&M Funding obligation and O&M Contingency Reserve Initial Funding obligation are subject to annual budgetary decisions by the City Council.

b. The City shall use diligent efforts to include in its annual City budget presented to the City Council provisions that budget and allocate funds sufficient to meet the O&M Funding obligation and O&M Contingency Reserve Initial Funding obligation of the City to the JPA.

c. The JPA shall have the right to suspend Project operations without liability to the City if:

i. the City fails to budget and allocate funds sufficient to meet the O&M Funding obligation and O&M Contingency Reserve Initial Funding obligation of the City to the JPA, or fails to pay all or any portion of the O&M Funding or O&M Contingency Reserve Initial Funding;

ii. the JPA delivers written notice to the City of such failure and the City does not cure the failure within 30 days after receipt of such written notice; and

iii. the JPA reasonably determines that such failure will have a material adverse effect on the JPA’s ability to make payments of O&M Costs as they become due, after taking into consideration all revenues available to the JPA.

d. If the JPA exercises its right to suspend Project operations, it shall restore Project operations promptly after the City cures the applicable failure and compensates the JPA for any suspension-related increases in O&M costs.

8. **Additional JPA Covenants.**
a. The JPA shall cause audits of the JPA accounts to be performed by an independent certified public accountant, the cost of which shall be included in the annual budget of the JPA. With respect to such audits:

i. the minimum requirements shall be those prescribed by the State Controller under California Government Code section 26909, or its successor code, and in conformance with generally accepted auditing standards;

ii. the JPA shall require the independent certified public accountant to deliver the JPA financial audit reports to the JPA and the City contemporaneously and without delay;

iii. audits performed for periods during Project operations shall determine, among other things, whether O&M Costs incurred, other than payments to the Developer under the Project Agreement, are ordinary and reasonable, including whether the salaries, fringe benefits and reimbursements paid to the JPA board members, officers and employees are consistent with market practices;

iv. the JPA shall notify the City in writing if any audit findings indicate that the JPA has incurred O&M Costs, other than payments to the Developer under the Project Agreement, that are not ordinary and reasonable; and

v. the JPA shall implement corrections within 60 days after receipt of the auditor’s findings that any O&M Costs are not ordinary and reasonable.

b. The JPA shall manage its O&M Costs, other than payments to the Developer under the Project Agreement, so that they are ordinary and reasonable, and so that its salaries, fringe benefits and reimbursements paid to the JPA board members, officers and employees are consistent with market practices.

c. The City shall have the right, but not the obligation, upon reasonable prior notice to the JPA, to review or audit during normal business hours the books and records of the JPA pertaining to the O&M Costs incurred by the JPA and the JPA’s Reserve Funds.

d. To meet the Project’s goals, where reasonably necessary the JPA may engage necessary and specialized experts who are familiar with the JPA’s funding needs in order to meet the JPA’s funding obligations in respect of operations and maintenance of the Project. The costs of the specialized experts shall be reasonable and customary in relation to the services rendered.

e. The JPA shall make its Project team available to the City and/or its consultants as reasonably needed for regular meetings with the City and/or its consultants regarding the JPA’s funding and finances.

f. The JPA shall comply with all applicable local, state and federal laws and regulations relating to the O&M Funding and O&M Contingency Reserve Initial Funding received from the City.
g. The JPA shall collect and report all appropriate Federal Transit Administration required data in accordance with federal guidelines.

h. The JPA will make all funding requests in a timely manner to the City and the JPA’s other funding sources in order to avoid any delay in receipt of funds that are to be directed towards the O&M Costs obligations.

i. To the extent any funding source for O&M Costs is subject to any federal or state appropriation, the JPA will make requests to the applicable federal or state agency to include such appropriation in its budget requests for the years that payments are due to the JPA from such funding source.

j. The JPA shall indemnify, protect, defend and hold harmless the City, the City Council members and the City’s officers, employees, personnel and agents from and against any and all claims, actions, damages, losses, demands, liabilities and expenses of every type and description arising out of the JPA’s acts or omissions, including negligent acts or failure to act, in the course of carrying out the JPA’s duties under this Agreement. This Section 8.j shall survive expiration or earlier termination of this Agreement.

9. **Representations and Warranties.**

a. The JPA represents and warrants that:

   i. **Organization; Power and Authority.** The JPA is a joint powers authority duly organized and validly existing under the California Government Code Title 1, Division 7, Chapter 5 (sections 6500 et seq.), has the requisite power to carry on its present and proposed activities, and has full power, right and authority to execute, deliver and perform this Agreement.

   ii. **Authorizations; Enforceability.** This Agreement has been duly authorized by the JPA and constitutes legal, valid and binding obligations of the JPA, enforceable against the JPA in accordance with its terms, except as such enforceability may be limited by (A) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors’ rights generally and (B) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

b. The City represents and warrants that:

   i. **Organization; Power and Authority.** The City is a municipal corporation and charter city duly organized and validly existing under California law, has the requisite power to carry on its present and proposed activities, and has full power, right and authority to execute, deliver and perform this Agreement.

   ii. **Authorizations; Enforceability.** This Agreement has been duly authorized by the City and constitutes legal, valid and binding obligations of the City, enforceable against the City in accordance with its terms, except as such enforceability may be limited by (A) applicable bankruptcy, insolvency, reorganization, moratorium or
other similar laws affecting the enforcement of creditors’ rights generally and (B) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

10. **Developer Rights.**

   a. The Parties agree that, so long as the Project Agreement is in effect or amounts are due or claimed to be due to the Developer in respect of O&M Work, the prior written consent of the Developer shall be required to:

   i. terminate this Agreement, including termination due to default by either Party; or

   ii. enter into any amendment of this Agreement that would have a material adverse effect on the JPA’s rights to O&M Funding and O&M Contingency Reserve Initial Funding or the City’s obligations to provide O&M Funding or O&M Contingency Initial Funding.

   b. The Developer is declared to be an intended third party beneficiary of this Section 10 with the right to enforce it against the Parties.

11. **Project Ridership Assistance.** The Parties acknowledge that it is in the interest of the Project for the Parties to seek assistance from LA Metro with establishing programs to maximize local community ridership. The City and the JPA agree to cooperate to advocate for and seek from LA Metro expansion of its program for on-demand rideshare service known as Metro Micro, through adoption of a new service zone within the City that supports community access to the Project.

12. **Notices.** Any notices under this Agreement may be made by personal delivery, overnight/express delivery, or United States mail. Notices shall be deemed received as follows: if by personal delivery, the same day; if by overnight/express delivery, two days after delivery; if by United States mail, five days after delivery. Any notices under this Agreement shall be delivered to the applicable Party at the following addresses:

   **If to the JPA:**
   Inglewood Transit Connector Joint Powers Authority
   One Manchester Boulevard
   Third Floor
   Inglewood, CA 90301
   Attn: Chairman of the Board

   **If to the City:**
   City of Inglewood
   One Manchester Boulevard
   Third Floor
   Inglewood, CA 90301
   Attn: Director of Public Works
with a copy to:  
City Attorney’s Office  
One Manchester Boulevard  
Eighth Floor  
Inglewood, California 90301  
Attn: City Attorney

and to:  
City Clerk  
One Manchester Boulevard  
First Floor  
Inglewood, California 90301  
Attn: City Clerk

13. **Independent Parties.** The JPA and agents and employees of the JPA, in performance of this Agreement, shall act in an independent capacity and not as officers, employees or agents of the City. The City and agents and employees of the City, in performance of this Agreement, shall act in an independent capacity and not as officers, employees or agents of the JPA.

14. **No Security Interest.** Nothing set forth in this Agreement is intended or shall be construed or create or grant to any third party, including without limitation the Developer, any pledge, lien, collateral assignment or other security interest in, to or of any of the funding sources for the JPA or any agreements related to the same.

15. **Limitation of Liability.**

   a. No councilmember, staff member or agent of the City shall incur any liability to the JPA under the terms of this Agreement. No board member, staff member or agent of the JPA shall incur any liability to the City under the terms of this Agreement.

   b. In no event shall either Party be liable for any direct, indirect, incidental, special, punitive, exemplary, punitive, or consequential damages, whether arising in tort, contract or otherwise, arising out of or in any way related to this Agreement.

16. **No Third Party Beneficiaries.** Except as provided otherwise in Section 10, this Agreement shall not be construed or deemed to be an agreement for the benefit of any third party, and no third party shall have any claim or right of action hereunder for any causes whatsoever.

17. **Cooperation.**

   a. The Parties shall carry out their responsibilities as set out in this Agreement in good faith and shall collaborate with each other on their interrelated responsibilities. The Parties will be deemed to have carried out their responsibilities if they evidence a good faith effort to satisfy such responsibilities within a reasonable time period unless an express time period for performance is stated herein, in which case it shall govern.

   b. The JPA shall use diligent efforts to assist the City in obtaining the funding sources described in this Agreement, including providing information concerning the Project to support budgetary requests to the City Council.
c. Prior to the date for the first payment from the City to the JPA under this Agreement, the Parties shall establish mutually acceptable payment procedures for invoicing payments due and for funds transfer from the City to the JPA and from the JPA to the City.

d. All consents, approvals or determinations required of either the City or the JPA pursuant to this Agreement shall be promptly given or made, and shall not be unreasonably withheld.

18. Remedies. Except as provided otherwise in Section 10, each Party shall have the right to fully enforce the terms and conditions of this Agreement by exercising any and all remedies available at law or in equity.

19. Governing Law; Venue. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California, without regard to conflicts of laws principles. Moreover, the Parties agree that in the event of litigation between the Parties, venue for litigation brought in any state court shall lie exclusively in the County of Los Angeles, Superior Court, Southwest District located at 825 Maple Avenue, Torrance, California 90503-5058, and venue for any litigation brought in federal court shall lie exclusively in the Central District of California, Los Angeles.

20. Attorneys' Fees. The Parties shall bear their own attorneys’ fees and costs in connection with this Agreement.

21. Successors and Assigns.

   a. This Agreement shall be binding upon and inure to the benefit of the permitted successors and assigns of the Parties.

   b. Except as set forth in clause c. below, this Agreement may not be assigned by either Party without the express written consent of the other Party.

   c. In its sole discretion, the JPA may assign this Agreement without the City’s prior consent to any other governmental entity that:

      i. succeeds to the governmental powers and authority of the JPA respecting the Project and all rights of the JPA to funding sources and commitments respecting the Project not needed to satisfy the JPA’s retained obligations respecting the Project; and

      ii. has been in existence for the last five years as of the time of assignment.

22. Entire Agreement. This Agreement contains the entire agreement between the City and the JPA relating to the City’s funding to the JPA for O&M Costs and related reserves. Any prior agreements, promises, negotiations, representations or other writings relating to such subject matter not expressly set forth in this Agreement are of no force or effect.
23. **Amendments.** Amendments to this Agreement shall be valid and effective only if made by a written instrument execute by an authorized representative of each Party.

24. **Waiver.** No waiver of any term, provision, condition or covenant, or waiver of any breach of any term, provision, condition or covenant, shall be construed as a waiver of any subsequent breach, default or violation of the same or any other term, provision, condition or covenant. Failure by a Party to insist upon the strict performance of any of the provisions of this Agreement by the other Party shall not constitute a waiver of such Party’s rights to insist and demand strict performance by the other Party under the terms of this Agreement.

25. **Severability.** If any covenant or provision of this Agreement should be held to be invalid or unenforceable in any respect, the validity and enforceability of the remaining covenants and provisions of this Agreement shall not be affected thereby and shall remain in full force and effect.

26. **Captions and Headings; Section References.** The captions and headings used herein are for convenience only and shall not be considered nor referred to for resolving questions of interpretation. All references to Sections are to the sections set forth in this Agreement.

27. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

28. **Electronic Signatures.** The exchange of copies of this Agreement and of signature pages by facsimile transmission or electronic mail transmission (e.g., in .PDF format) will constitute effective execution and delivery of this Agreement and may be used in lieu of the original instrument for all purposes. Signatures of the Parties transmitted by facsimile or electronic mail (e.g., in .PDF format) will be deemed to be their original signatures for any purpose whatsoever. Without limiting the foregoing, the words “execution,” “execute,” “signed,” “signature,” and words of like import in or related to this Agreement or any document to be signed in connection with this Agreement and the transactions contemplated hereby (including any amendments, waivers and/or consents) shall be deemed to include electronic signatures (e.g., through DocuSign© or other similar electronic e-signature application), each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

[Remainder of page blank; signature page follows]
IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

JPA:

INGLEWOOD TRANSIT CONNECTOR JOINT POWERS AUTHORITY, a California joint powers authority

By: ______________________________
Name: ______________________________
Title: Chief Executive Officer

CITY:

CITY OF INGLEWOOD

By: ________________________________
   James T. Butts, Jr.
   Mayor

By: ________________________________
   Aisha L. Thompson, City Clerk

[End of signatures]
EXHIBIT A
CALCULATION OF INSTALLMENTS FOR O&M FUNDING AND
O&M CONTINGENCY RESERVE INITIAL FUNDING

The examples below provide an illustration of how City’s annual contributions of O&M Funding and O&M Contingency Reserve Initial Funding will be calculated and how the reconciliation will be carried out, as described in more detail in Sections 4 through 6 of the Agreement. The numbers are for illustrative purposes only and are subject to change based on the actual indices and timing to the Passenger Service Availability Date.

Calculation of Annual O&M Funding

By way of example, in year 1 of operations, commencing on an assumed January 2028 Passenger Service Availability Date, with the below illustrative index values, City’s contribution would be inflated by the escalation factor (ESC₁) calculated below.

\[
ESC₁ = 40\% \times \frac{CPI₁}{CPI_{base}} + 60\% \times \frac{LABI₁}{LABI_{base}}
\]

\[
= 40\% \times \frac{338}{300} + 60\% \times \frac{184}{160} = 1.14
\]

City’s annual contribution for year 1 of operations = \$7,600,000 \times 1.14 = \$8,664,000

City’s equal monthly payment in year 1 of operations = \$8,664,000 / 12 = \$722,000

Annual O&M Funding Reconciliation

Annual reconciliation is done on a Fiscal Year basis. By way of example, assuming an October 1 to September 30 Fiscal Year cycle, at the end of the first full Fiscal Year during the O&M Period which would be September 2029, the reconciliation would be carried out as illustrated in the two examples below.

Sample Financial Statement Excerpt (Oct 1, 2028 – Sept 30, 2029)

<table>
<thead>
<tr>
<th></th>
<th>Example 1</th>
<th>Example 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>O&amp;M Funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project revenues (advertising, farebox, LCFS credits, LCTOP, other revenues)</td>
<td>12,000,000</td>
<td>17,000,000</td>
</tr>
<tr>
<td>O&amp;M Funding from the City (C)</td>
<td>8,664,000</td>
<td>8,664,000</td>
</tr>
<tr>
<td>Add’l City/venue/property owner payments</td>
<td>20,000,000</td>
<td>20,000,000</td>
</tr>
<tr>
<td><strong>Total O&amp;M Funding (A)</strong></td>
<td><strong>40,664,000</strong></td>
<td><strong>45,664,000</strong></td>
</tr>
<tr>
<td>O&amp;M Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developer O&amp;M payments</td>
<td>25,000,000</td>
<td>25,000,000</td>
</tr>
<tr>
<td>JPA costs</td>
<td>5,000,000</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Deposits to JPA O&amp;M Contingency Reserve Fund*</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Deposits to JPA Renewal Reserve Fund*</td>
<td>5,000,000</td>
<td>5,000,000</td>
</tr>
<tr>
<td><strong>Total O&amp;M Costs (B)</strong></td>
<td><strong>36,000,000</strong></td>
<td><strong>36,000,000</strong></td>
</tr>
</tbody>
</table>

Exhibit A
16
O&M Reconciliation

Revenue surplus \( (D = A - B) \) 4,664,000 9,664,000
Maximum credit/refund to the City \( (E = Min(D, C)) \) 4,664,000 8,664,000
Revenue retained by the JPA \( (F = D - E) \) - 1,000,000

* The amounts required to fund and maintain the JPA’s Reserve Funds shall be determined prior to each Fiscal Year as part of the annual budget process.

Calculation of O&M Contingency Reserve Initial Funding

City will start making monthly contributions of the O&M Contingency Reserve Initial Funding two years leading up to the Passenger Service Availability Date. The amount to be contributed in each such year will be escalated as shown in the following example.

\[
ESC_{2026} = 40\% \times \frac{CPI_{2026}}{CPI_{base}} + 60\% \times \frac{LABI_{2026}}{LABI_{base}}
\]

\[
= 40\% \times \frac{325}{300} + 60\% \times \frac{177}{160} = 1.10
\]

City’s 2026 initial contribution to O&M Contingency Reserve Fund = $3,750,000 × 1.10 = $4,125,000

City’s equal monthly payment in 2026 = $4,125,000 / 12 = $343,750

\[
ESC_{2027} = 40\% \times \frac{CPI_{2027}}{CPI_{base}} + 60\% \times \frac{LABI_{2027}}{LABI_{base}}
\]

\[
= 40\% \times \frac{338}{300} + 60\% \times \frac{184}{160} = 1.14
\]

City’s 2027 initial contribution to O&M Contingency Reserve Fund = $3,750,000 × 1.14 = $4,275,000

City’s equal monthly payment in 2027 = $4,275,000 / 12 = $356,250

Exhibit A

17