

JON KIRK MUKRI
GENERAL MANAGER

CITY OF LOS ANGELES
CALIFORNIA



JAMES K. HAHN
MAYOR

DEPARTMENT OF
GENERAL SERVICES
ROOM 701
CITY HALL SOUTH
111 EAST FIRST STREET
LOS ANGELES, CA 90012
(213) 485-5801
FAX No. (213) 620-9149

December 2, 2003

Honorable Wendy Greuel
Chair, Audits & Governmental
Efficiency Committee
Room 395, City Hall

Attention: Ilene Shapiro, Legislative Assistant

RECEIVED
CITY CLERK'S OFFICE
2003 DEC - 4 PM 1:33
CITY CLERK
BY _____
DEPUTY

Submitted for the Audits and Government Efficiency Committee review is the report submitted to the City Controller's Office in response to the KH Consulting Group's Performance Audit of the Asset Management Division, General Services Department, City of Los Angeles. Also submitted is the response to the Financial Compliance Audit of the Department of General Services Lease Expenditures. AMD has begun implementing or resolving all of the recommendations in both audits. AMD has also submitted budget requests (see attachment) for additional resources based on the audit's findings. The following responses are an overview of our strategy for implementing the recommendations:

KH CONSULTING GROUP'S PERFORMANCE

RECOMMENDATIONS

- 1. AMD should develop option papers that address financial, operational and policy implications for the Municipal Facilities Committee (MFC), Mayoral and City Council consideration that facilitate coherent, planned decisions.***

On August 7, 2003, the Policy and Strategic Planning Group had the first of several meetings to develop an asset management plan for the real estate portfolio of the City of Los Angeles. The Policy and Strategic Planning Group consists of experts from Trammell Crow Company, Urban Partners, Gensler and Associates, Studley Realty, Mayor's Office, CLA, and CAO. The Group is developing a plan that includes specific policy and procedural recommendations on lease versus purchase, historic core policy, data management, non-profit policy, charge back plan and a five

**AUDITS & GOVERNMENTAL
EFFICIENCY**

DEC 5 - 2003



JON KIRK MUKRI
GENERAL MANAGER

CITY OF LOS ANGELES
CALIFORNIA



JAMES K. HAHN
MAYOR

DEPARTMENT OF
GENERAL SERVICES
ROOM 701
CITY HALL SOUTH
111 EAST FIRST STREET
LOS ANGELES, CA 90012
(213) 485-5801
FAX No. (213) 620-9149

December 2, 2003

Honorable Wendy Greuel
Chair, Audits & Governmental
Efficiency Committee
Room 395, City Hall

Attention: Ilene Shapiro, Legislative Assistant

RECEIVED
CITY CLERK'S OFFICE
2003 DEC - 4 PM 1:33
CITY CLERK
BY _____
DEPUTY

Submitted for the Audits and Government Efficiency Committee review is the report submitted to the City Controller's Office in response to the KH Consulting Group's Performance Audit of the Asset Management Division, General Services Department, City of Los Angeles. Also submitted is the response to the Financial Compliance Audit of the Department of General Services Lease Expenditures. AMD has begun implementing or resolving all of the recommendations in both audits. AMD has also submitted budget requests (see attachment) for additional resources based on the audit's findings. The following responses are an overview of our strategy for implementing the recommendations:

KH CONSULTING GROUP'S PERFORMANCE

RECOMMENDATIONS

- 1. AMD should develop option papers that address financial, operational and policy implications for the Municipal Facilities Committee (MFC), Mayoral and City Council consideration that facilitate coherent, planned decisions.***

On August 7, 2003, the Policy and Strategic Planning Group had the first of several meetings to develop an asset management plan for the real estate portfolio of the City of Los Angeles. The Policy and Strategic Planning Group consists of experts from Trammell Crow Company, Urban Partners, Gensler and Associates, Studley Realty, Mayor's Office, CLA, and CAO. The Group is developing a plan that includes specific policy and procedural recommendations on lease versus purchase, historic core policy, data management, non-profit policy, charge back plan and a five

**AUDITS & GOVERNMENTAL
EFFICIENCY**

DEC 5 - 2003



to twenty year vision for the City of Los Angeles' real estate portfolio. The Policy and Strategic Planning Group will complete its initial findings by the January 2004 and report back to the Municipal Facilities Committee.

In addition, AMD has requested in Fiscal Year 2004-2005 Proposed Budget a Senior Management Analyst II and Senior Management Analyst I to staff the new Planning Section. The new Planning Section will work directly with management from GSD, the CAO, the CLA, City Council, Mayor, and others to begin implementing the auditors' recommendations.

2. *AMD should prepare annual and quarterly reports of the status of real property management for submission to the MFC.*

AMD will prepare quarterly and annual reports on the status of real property management for submission to the MFC. The quarterly reports will be submitted March, June, September and December of 2004. The first annual report will be submitted to MFC January 2004.

3. *When proposing purchases of property, AMD should prepare a complete assessment of financial and non-financial impacts, and indicate how the purchase fits into the strategic direction.*

AMD presently does prepare a complete assessment of financial and non-financial impacts on all purchases of property acquisitions. Property acquisitions are then made pursuant to the strategic direction from the MFC, ITGS, City Council and Mayor.

4. *AMD should set up a separate unit to handle planning and reporting functions.*

The new Planning Section of AMD was established in September. A task force consisting of CAO, Mayor Office, CLA and private sector real estate professionals was assembled in August to discuss the framework and mission of the new section. From those discussions, a budget request was developed for fiscal year 2004-2005 to address the needed staffing.

5. *AMD should revise its mission statement and website to more accurately portray the breadth of its functions, and to reflect its appropriate role in framing issues, reporting on City performance on overall asset management, and managing real estate transaction for the City.*

The mission statement is being revised with the assistance of the Policy and Strategic Planning Group. An updated mission statement will be sent to MFC in January 2004 for approval. Once the mission statement is approved by MFC the website will be updated to more accurately portray the functions of AMD.

- 6. *AMD should advocate that the Historic Core Policy and similar initiatives are supplemented with the economic redevelopment initiatives to bring about lasting economic improvements.***

AMD and CLA are working together on a major real estate transaction that will have a significant impact on the Historic Core, the City's real estate involvement in the Historic Core and the City's policy concerning the Historic Core. If the acquisition of 1149 South Broadway is approved it will redefine the redevelopment opportunities in the Historic Core for the next twenty years.

COLLABORATIVE RELATIONS WITH PROPRIETARY DEPARTMENTS FOR DATABASE DEVELOPMENT AND MANAGEMENT

- 7. *AMD should continue to work with other GSD units and the Proprietary departments to establish a citywide database of properties.***

A Task Force comprised of representatives from the Mayor's Offices, the Chair of Information, Technology, and General Services (ITGS) Committee, the Chair of Audits and Governmental Efficiency (AGE) Committee and AMD was formed to resolve several issues involving surplus properties and the real property database. The Task Force is recommending that the Mayor and City Council direct that the proprietary departments submit to AMD in electronic form all of its improved and unimproved property database lists in 30-days.

As soon as all the information is compiled from the proprietary departments, Bureau of Engineering and AMD are prepared to download information to the citywide GIS database, which already has all the Council-controlled department information.

WORKLOAD MANAGEMENT, PROCESS IMPROVEMENTS, AND PERFORMANCE

- 8. *AMD should consider charging for services performed for client departments, piloting the approach in such areas as surplus property sales, moves and changes, and leasing properties.***

AMD is researching this new procedure and will work with appropriate departments to determine the feasibility of this approach.

- 9. *AMD should seek broader transaction authority in conjunction with a redesign of its processes, starting with surplus property.***

A Special Task Force (see #7) is reviewing this recommendation and where appropriate specific ordinance changes will be sent to Mayor and City Council for approval by January 2004.

10.AMD should develop additional outcome-based, and process time measurements to improve workload management and staff productivity.

The LA STAT program is being used to accomplish this recommendation. AMD has already submitted its management and productivity measurements to LA STAT staff.

11.AMD should solicit customer opinions of their major activities, and establish improvement targets as part of their measurement system.

AMD will conduct an annual survey in July 2004 to solicit customer opinions. The results of these surveys will be published by October 2004.

LEASES TO NON-PROFIT ORGANIZATIONS

12.AMD should propose an extension of the reach of the policy regarding leasing to non-profit organizations to cover all non-profit tenants in the City.

AMD will propose an extension of the reach of the policy regarding leases to non-profit organizations to cover all non-profit tenants in the City at the February MFC meeting.

13.AMD should prepare an estimate of the value of all properties leased or re-leased to non-profit organizations, and solicit direction from MFC about which City department is responsible for assuring that the value of services received by the City offsets the value of the property.

CAO, CDD and CAD are responsible for assuring that the value of services received by the City from non-profits offsets the value of the property. AMD will also have Class "C" estimates for all its properties by February 2004.

DATABASE MANAGEMENT

14.AMD supervisory staff should monitor security of LIS by designing and reviewing a chronological report or log of all changes to the system that affect payments to landlords.

AMD presently has a monitoring system. Each month lease payments are monitored and approved by an AMD Property Manager. To approve any lease payment, the Property Manager reviews the payment log (which is maintained by AMD's accounting clerk) against the Lease Information System (LIS) (which is maintained by the AMD Real Estate Officers). Any discrepancies between the two systems for lease payments, the Deputy Director of Asset Management must approve CAM charges, CPI payments, utility payments and parking charges before a payment is issued.

**OFFICE OF THE CONTROLLER'S FINANCIAL AND COMPLIANCE AUDIT OF THE
DEPARTMENT OF GENERAL SERVICES LEASE EXPENDITURES**

- 1. Conduct a survey of possible alternate locations for the parking lot that would meet the parking needs of the Asphalt I operations and negotiate a lease for another location.**

AMD is evaluating the possibility of either leasing another parking lot or purchasing the existing lot if Sempra Energy cleans up any possible contamination. Sempra Energy, the owner has shown interest in selling the property. Public Works Engineering Environmental Division has been requested to test the site to determine the extent of any contamination.

- 2. Conduct feasibility studies on leases that have been on-going for the last ten years, to determine if it would be more advantageous for the City to purchase suitable properties.**

AMD is presently doing studies on all of its on-going long-term leases to determine if it would be more advantageous for the City to purchase.

If you have any questions, please contact Reginald Byron Jones-Sawyer, Sr., Director of Asset Management at (213) 847-5918.



Jon Kirk Mukri
General Manager

ATTACHMENT

BUDGET REQUESTS FOR FISCAL YEAR 2004-2005

The City Controller contracted with KH Consulting Group to conduct a performance audit of the Asset Management Division (AMD). The August 2003 report identified areas for improvement in the City's management of its real property assets. Key recommendations of the audit include the following areas:

- (1) Strategic approach to asset management
- (2) Workload management, process improvements and performance
- (3) Collaborative relations with proprietary departments for database development and management
- (4) Database management of lease information
- (5) Leases to non-profit organizations

The objective in meeting these recommendations for AMD to take the lead and become a catalyst in moving the City toward a strategically coherent approach to property management with the backing of the MFC, Mayor, and City Council. The audit suggests an initial focus on City Real Property Portfolio Composition, Mall Marketing and Operations, and a strategy for Surplus Property disposal.

To accomplish these objectives within the focus as stated above, the Department of General Services (GSD) must create new sections or augment existing ones within the AMD structure, as follows:

PLANNING SECTION

The audit finds that the AMD is reactive, dealing with individual situations and requests as they arise without considering the context within an overall plan or strategy. Because the City lacks a coherent policy or direction, AMD's actions do not maximize the City's real estate holdings. The audit recommends AMD take the lead and become a catalyst in moving the City toward a strategically coherent approach to property management. The authors of the audit rate this recommendation as "necessary" ("should be implemented no later than six months") and of "high" priority, having "potential to significantly affect value of portfolio or efficiency of staff."

The Department of General Services' (GSD) AMD concurs with this finding and recommends the creation of a Planning Section within the AMD. The goal of this unit is to:

1. Develop "option papers addressing financial, operational and policy implications for MFC, Mayoral and City Council consideration that facilitate coherent, planned decisions," per the audit's recommendations. Three initial areas of focus

suggested are City Real Property Portfolio Composition, Mall Marketing and Operations, and a strategy for Surplus Property disposal.

2. Generate consensus with the MFC, Mayor and City Council "on the overall strategies or policy directions," using them "as guidance for planning and prioritizing its work."
3. Revise AMD's Mission Statement and website to more accurately portray its functions;
4. Prepare annual and quarterly reports to the MFC on the status of real property management;
5. Seek broader transactional authority in conjunction with a redesign of its processes;
6. Develop additional outcome-based and process time measurements to improve workload management and staff productivity; and
7. Solicit customer opinions of AMD's major activities, establish improvement targets as part of the measurement system, and coordinate AMD's LA STAT Project.

Creation of the Planning Section will require the addition of the following staff:

- 1 – Senior Management Analyst II
- 1 – Senior Management Analyst I

The Senior Management Analyst II (SMA II) will work directly with management from AMD, GSD, the CAO, the CLA, appropriate Council members Mayoral staff, and others to begin implementing the auditors' recommendations. The Planning Section's Senior Management Analyst I (SMA I) will work directly with the SMA II to:

- Draft policies and implement approved procedural changes
- Measure productivity improvements (LA STAT)
- Solicit customer opinions
- Prepare reports for MFC and others

FACILITIES SUPPORT SECTION

GSD manages and maintains numerous City-owned and leased facilities. In 1996, GSD instituted a Facility Manager Pilot Program. The Facility Manager coordinates building maintenance needs and repairs, resolves issues pertaining to equipment and physical facilities, and acts as the Department liaison to building occupants who include City Departments and agencies. Because of the success of the pilot program, GSD recommends extending it to other areas of the City.

Creation of the Facilities Support Section will require the addition of the following staff:
2 – Senior Management Analyst I

The new SMA II over the Planning Section will also supervise two new SMA I positions who will act as Facilities Managers for the Valley and Civic Center areas of the City, along with the existing Facility Manager for the Southern portion of the City. In keeping with the goal of maximizing its real property assets, Facilities Managers will be proactive in the maintenance of City facilities, saving the City from costly repairs in the long-term due to neglect. Buildings include newly designated Neighborhood City Halls and potential meeting sites for Neighborhood Councils.

Regular visits to their buildings will assure that Facilities Managers know about the movement of City staff and can react quickly to avoid long-term vacancies in City space, thus maximizing City assets. Being out in the field, Facilities Managers are also able to provide updated data regarding use and changes of use of buildings directly to the database staff of AMD.

The audit applauds the City's new non-profit lease policy for new non-profit tenants and recommends its extension to existing non-profit tenant leases. Facility Managers would easily be able to monitor compliance with these various non-profit leases because of their fieldwork, and could work with existing non-profit lease tenants to comply with the policy as well.

- North District Facility Manager

GSD has numerous facilities in the North District, including the West Valley Constituent Services Center, the new Marvin Braude Constituent Service Center, Van Nuys City Hall, and 125 other office facilities. The Facility Manager will be responsible for receiving, tracking, and monitoring requests for building maintenance repairs within the North District until completion. This position will ensure that workload is prioritized and completed by the Building Maintenance Division on a timely basis, as well as work with building occupants (City departments and agencies) to resolve issues pertaining to equipment and physical facilities.

- Civic Center District Facility Manager

The Civic Center is comprised of four highly visible City-owned buildings: City Hall, City Hall East, City Hall South and Parker Center. These buildings have thousands of visitors each year. Yet there is no dedicated facility manager to oversee these and other buildings located within the Civic Center District to assure that these buildings look great and are safe for the public and City employees who work here.

A dedicated Civic Center Facilities Manager will be the central contact who can facilitate the necessary repairs and ensure their timely completion to avoid potential

safety problems that could result in lawsuits if not resolved quickly. The added benefit is the continual enjoyment of the public of these historic structures.

SURPLUS PROPERTY SECTION

The audit charges AMD with developing a plan for the disposal of surplus property. To accomplish this, AMD will require the addition of the following positions:

- 1 - Real Estate Officer II
- 1 - Real Estate Officer I

These positions will be responsible for identifying and processing surplus property sales to achieve the Department's goal of generating at least \$6,000,000-\$7,000,000 in sales per year (vs. the current goal of \$5,000,000 per year). This increase will more than cover the costs of these two positions. Responsibilities include identifying property, performing Class C appraisals to determine value, obtaining the appropriate City department sign-offs, preparing the required public notifications, obtaining City Council approval, processing sales documents and assisting at public auctions.

This Section will also be responsible for maintaining the Surplus Property database which includes identifying surplus property, obtaining maps and photos of the property, determining the value, and inputting the data into the Aperture System. In addition, the position will also be responsible for updating data to reflect new entries, such as information on sold properties or current property utilization. An accurate vacant property database is required to respond to the Mayor's goal of developing pocket parks and green space Citywide.

PORTFOLIO MANAGEMENT SECTION

The KH audit calls for "collaborative relations with proprietary departments for database development and management." The Portfolio Management Section currently only collects information about non-proprietary City-owned or leased property. To combine proprietary and non-proprietary databases will require the addition of the following staff:

- 1 – Senior Systems Analyst II
- 1 – Management Analyst II
- 1 – Senior Clerk Typist
- 1 – Architectural Drafting Tech

- Senior Systems Analyst II

According to the KH audit, "the City has multiple databases for managing its assets – some within AMD and others within each of the three proprietary departments." AMD's property databases include Aperture, which has over 730 records, and separately the Building Book, used in monitoring of utility payments and for maintenance records.

The audit continues, "AMD should continue to work with other GSD units and the Proprietary departments to establish a citywide database of properties so that routine reports can be easily produced and analyzed." The advantages are many: "Identifying contiguous surplus properties and the availability of vacant space adjacent to leased space can result in reduced costs or improved opportunities to generate revenues." Proprietary departments might have space that a City department could use but the information is not readily available.

The audit concludes that AMD's database is well organized and easy to use, and should therefore be the model for a combined citywide database. It would be the responsibility of the Senior Systems Analyst II to develop a coordinated drive to the creation of such a citywide database. Given that these various databases use different, non-compatible systems, it would require the computer knowledge at this level to create a workable plan for a unified database.

- Management Analyst II and Senior Clerk Typist

In addition to the 2003 KH audit, another audit specific to the Department's information database, the Asset Management System (AMS), was conducted in 2000. A Management Analyst II and a Senior Clerk Typist are required in order to maintain the existing database and implement the auditor's recommendations. The objective would be to expand access to the information in the database, establish a User Group, include assets of the proprietary departments and formalize the process for obtaining data from user departments. Ideally, this database would be merged with Aperture, the Surplus Property database, and the proprietary databases as discussed above.

The Management Analyst II position will be responsible for the collection, analysis and organization of all information regarding department occupancy. The annual survey of departmental staffing levels at each facility in the database is extremely time consuming and complex. This position will also undertake a multi-year field investigation program to verify the information at each site. This process would be augmented by the creation of the Facilities Support Section, whose field staff could collect and verify such information.

The Management Analyst II will also assist the Senior Systems Analyst II in researching and preparing status and other reports as necessary on the progress of the integration of the various City databases into one.

The Senior Clerk Typist position will be responsible for the input of data such as head count, leasing information, landlord information and annual operating costs. The position will also be responsible for scheduling meetings, circulating correspondence to the User Group, and updating manuals and instructions for using the system.

- Architectural Drafting Technician

As databases become integrated, more and more information within the system will need to be incorporated into the "master" database. Digitalization and manipulation of the data will be essential for the database to be accessible and easily usable. Much of the data currently in Aperture and in AMS is in CADD format. The Architectural Drafting Technician has the skills to manipulate this data, standardizing the formats used, into a workable system.