

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: May 8, 2015

To: Honorable Members of the City Council

From: L.A. for Kids Steering Committee

Miguel A. Santana, City Administrative Officer *MAS*

Sharon Tso, Chief Legislative Analyst *Sharon Tso*

Ryan R. Carpio, Manager, Office of the Mayor *Ryan R. Carpio*

Subject: **2015-16 PROPOSITION K ASSESSMENT REPORT**

SUMMARY

The L.A. for Kids Steering Committee presents for Council and Mayor consideration, the 2015-16 Proposition K Assessment Report that includes the recommended 2015-16 expenditure plan and funding earmarks for 2016-17 through 2019-20. Recommendations for current year budget adjustments and award of 2014-15 maintenance and inflation funds are also provided.

The Proposition K: L.A. for Kids Program was established on November 5, 1996, by passage of a Ballot Measure approved by City voters which authorized the City to collect up to \$25 million annually in local assessments over a 30 year period. Prior to June 30th of each year, the City is required to adopt an expenditure plan for the upcoming fiscal year. On February 18, 2015, Council took the first action for levying the 2015-16 assessment by adopting the Resolution to Initiate Proceedings (C.F. 14-1194). This report recommends that Council proceed with actions one through three and initiate actions four through six, as follows:

1. Approve the 2015-16 expenditure plan and adjustments to the 2014-15 adopted budget;
2. Adopt the City Engineer's report describing the proposed improvements for 2015-16;
3. Adopt a Resolution and Ordinance of Intention to levy the assessment;
4. Hold a public hearing on the proposed assessment;
5. Acknowledge the status of environmental documents for the projects being considered for inclusion in the assessment; and,
6. Adopt an ordinance confirming the assessment for the 2015-16 fiscal year.

2015-16 Expenditure Plan

The proposed 2015-16 expenditure plan presented in Section 3 of the report findings, totals \$25 million, with a breakdown as detailed on the following page.

2015-16 Proposition K Expenditure Plan (in millions)						
Capital Projects	Admin	Maint	Inflation	Debt Service on Bonded Projects	Additional Specified Funding	Total Budget
\$12.3	\$0.8	\$4.1	\$3.8	\$3.1	\$0.9	\$25.0

The 2015-16 expenditure plan is detailed in the Five Year Plan (Attachment 1) and the A List of projects recommended for funding in 2015-16 (Attachment 2). Projects earmarked for funding in Fiscal Years 2016-17 through 2019-20 form the B List of Projects (Attachment 3) and serve as alternates that may be substituted for A List projects that cannot be implemented during the course of 2015-16. The C List of Projects (Attachment 4) includes projects that did not receive the full funding amount requested in Eighth Cycle Proposition K competitive funds, but qualify to receive eligible full funding if projects that received competitive funds are later withdrawn or become infeasible.

2014-15 Budget Modifications

Several actions needed prior to the close of this fiscal year in order to fully obligate the \$25 million in 2014-15 program funds are presented in Sections 2.b., 4 and 5 of the report findings. These recommendations include:

- Reprogramming of current year project allocations (Attachment 13) by substituting certain projects funded in the 2014-15 A List with those on the 2014-15 B List.
- Awarding \$3.82 million in maintenance funds to projects qualifying through a competitive maintenance funding process that is administered each year (Attachment 9).
- Awarding \$735,900 in 2014-15 inflation funds to eligible projects entering construction prior to the close of the current fiscal year (Attachment 14).
- Proceeding with the defeasement of the three Proposition K bond series issued in 2000, 2001 and 2002, for an estimated payment of \$16.43 million and additional associated fees utilizing a combination of assessment and program interest monies that are not currently needed to fund other program priorities.
- Adding a new expense category in the Five Year Plan for the purpose of budgeting funds on an annual basis that would be used to resolve funding shortfalls for the remaining specified projects, utilizing future funds that are currently budgeted for debt service payments and any additional surplus funds identified through the annual budgeting and reprogramming process (Attachment 1).

RECOMMENDATIONS

That the City Council, subject to the concurrence of the Mayor:

1. Adopt the attached City Engineer's Report for the 2015-16 Proposition K Assessment (Attachment 10);
2. Adopt the Resolution of Intention to levy an assessment authorized by Proposition K, pursuant to the Landscaping and Lighting Act of 1972 (Attachment 11);
3. Adopt the Ordinance of Intention to levy an assessment authorized by Proposition K, pursuant to the Landscaping and Lighting Act of 1972 (Attachment 12);

4. Approve the 2014-15 Proposition K Maintenance funding awards totaling \$3,816,403 (Attachment 9);
5. Approve the reprogramming of 2014-15 funding allocations, as reflected in Attachments 1 and 13;
6. Approve the 2014-15 Proposition K inflation awards totaling \$735,900 as reflected in Attachment 14;
7. Authorize the City Engineer to execute or amend grant agreements with Proposition K grantees that are recommended for 2014-15 project allocations (Attachment 1), as needed to effectuate the 2014-15 maintenance awards (Attachment 9) and reprogramming actions (Attachment 13), subject to approval of the City Attorney;
8. Authorize the Controller to adjust accounts to reflect the 2014-15 maintenance awards (Attachment 9), inflation awards (Attachment 14) and reprogramming actions (Attachment 13) in the following funds, pursuant to instructions to be provided by the City Administrative Officer: Proposition K Projects Fund No. 43K, Proposition K Maintenance Fund No. 43L, Proposition K Administration Fund No. 43M, Landscaping and Lighting Assessment Series 2000 Fund No. 43P, Landscaping and Lighting Assessment Series 2001 Fund No. 44S, and Landscaping and Lighting Assessment Series 2002 Fund No. 46A;
9. Instruct the City Clerk to publish notice by May 22, 2015, of a public hearing to take place on June 3, 2015, at 10:00 A.M., during the regular Council meeting;
10. Instruct the City Clerk to set an agenda item for public hearing on the Council agenda for June 3, 2015, to include the following actions:
 - a. With respect to the projects in List 3 of Attachment 8:

Acknowledge that the City Council's action is exempt from CEQA under Article II, Section 2.i. of the City's CEQA guidelines, because the underlying project has already been evaluated and processed in accordance with the City CEQA Guidelines.
 - c. With respect to the projects in List 5 of Attachment 8:

Acknowledge that these are projects that may be considered for funding after CEQA compliance. No further action is required at this time.
 - d. Adopt the Ordinance Confirming the Assessment, as prepared and transmitted by the City Attorney, confirming the assessments and approving the diagram for the District for Fiscal Year 2015-16.
 - e. Instruct the City Engineer to record a Notice of Assessment with the County Recorder.
 - f. Approve the 2015-16 Five Year Plan for the L.A. for Kids Program and related schedules, as set forth in Attachments 1, 2, 3, 4 and 7.

- g. Approve the 2015-16 allocation of administrative funds up to the following amounts within Proposition K Fund 43M:

<u>Department</u>	<u>Amount</u>
PW/Bureau of Engineering	\$278,083
PW/ Board/Office of Accounting	136,457
Office of the City Administrative Officer	97,000
Office of the Chief Legislative Analyst	33,356
Total	<u>\$544,896</u>

- h. Instruct the Information Technology Agency to prepare and transmit the necessary computer tape, compact disk or data file as appropriate, to the County containing the assessment levy information confirmed by the City Council for Fiscal Year 2015-16 for each parcel in the Assessment District.
- i. Authorize the City Engineer to negotiate and execute Proposition K grant agreements with grantees that are recommended for 2015-16 project allocations (Attachment 1), except for competitive projects awarded to City departments, subject to approval of the City Attorney.
- j. Authorize the Controller to:
- 1) Set up accounts for the 2015-16 Proposition K assessment in the following Funds pursuant to instructions to be provided by the City Administrative Officer: Proposition K Projects Fund No. 43K; Proposition K Maintenance Fund No. 43L; and, Proposition K Administration Fund No. 43M;
 - 2) Increase the 2015-16 appropriations for the Information Technology Agency by \$50,000 from Proposition K Fund 43K/10, Account No. (TBD) - Information Technology Agency to Fund 100/32, Account 9350 - Communication Service Request;
 - 3) Transfer cash from Proposition K Fund 43K/10 on as-needed basis upon proper documentation from the Information Technology Agency and approval by the Bureau of Engineering Program Managers and the City Administrative Officer; and,
 - 4) Appropriate \$7,807,194 in Proposition K interest earnings (Fund, 43K, Revenue Source Code No 4903) to a new account within the Proposition K Projects Fund No. 43K, Account TBD, Account Title "Debt Service Payoff," for the purpose of defeasing the three Proposition K bond series issued in 2000, 2001 and 2002, as discussed in this report.
- k. Instruct the City Engineer, City Administrative Officer, Chief Legislative Analyst and Board of Public Works, Office of Accounting to submit journal voucher requests supported by documentation of work order charges for program administrative and project construction management staffing costs to the City Administrative Officer.

- l. Instruct the Department of General Services and the Department of Recreation and Parks to submit expenditure reports to Bureau of Engineering and the City Administrative Officer on a monthly basis.
- m. Authorize the City Engineer to make technical corrections to the City Engineer's Report to reflect the intent of this Council action.
- n. Authorize the City Administrative Officer to prepare technical adjustments as needed to carry out the intent of this Council action and authorize the Controller to implement those technical adjustments.
- o. Authorize the Controller, pursuant to instructions provided by the City Administrative Officer, to revert residual funds within Proposition K Funds to the originating Proposition K project accounts for projects completed by the Department of General Services and Recreation and Parks as part of ongoing program reconciliation activities.

FISCAL IMPACT STATEMENT

Adoption of an Ordinance and Resolution of Intention to levy the Proposition K: L.A. for Kids Assessment for Fiscal Year 2015-16 indicates the Council's intention to levy assessments totaling \$25 million to acquire and construct park and recreational facilities. The assessment can only be used for capital improvements, acquisition of land, Proposition K Program administration and maintenance of completed projects. The cost of operating Proposition K projects as they are completed in future years will be funded by the annual operating budget adopted for City departments and with independent funding for projects operated by external entities.

A total of \$5.12 million will be reimbursed to the General Fund in 2015-16 for program administration, maintenance and project delivery expenses. This funding includes both ongoing and one-time revenues that are available from funds remaining for completed Proposition K projects.

The Department of Recreation and Parks (RAP) reports an annual fiscal impact of \$6.05 million once active Proposition K projects, currently in various stages of development, become operational over future years. This includes \$3.41 million for maintenance and \$2.64 million for operations (Attachments 5 and 6). The fiscal impact for completed projects will be partially offset by Proposition K maintenance funding. The proposed 2014-15 maintenance award for RAP projects totals \$3.08 million.

FINDINGS

1. Basis for Report

On February 18, 2015 the City Council adopted a Resolution to Initiate Proceedings that directed the Public Works Bureau of Engineering (BOE) and the Office of the City Administrative Officer (CAO) to report on the 2015-16 capital program proposed for Year 19 of the Proposition K Program (C.F. 14-1194). This Assessment Report transmits the 2015-16 Five Year Plan along with proposed adjustments to 2014-15 funding allocations.

2. Proposition K Program Overview

The Proposition K Program, currently in its eighteenth year of a 30-year program, was established by the adoption of a Ballot Measure approved by City voters in November 1996. The L.A. for Kids Steering Committee (Steering Committee) was created by City ordinance in the subsequent year as the program's administering entity. Committee membership consists of representatives from the Offices of the Mayor, the Chief Legislative Analyst (CLA) and the CAO, with the latter serving as the chair. Council transferred project management to BOE in April 2002 (C.F. 01-0600-S51) and administration of the program's competitive awards process in December 2003 (C.F. 03-0515-S2). The Board of Public Works, Office of Accounting (PW Accounting) provides program accounting services.

Funding deliberations begin each year with the convening of three Regional Volunteer Neighborhood Oversight Committees (RVNOC) for the Central, Southern and Valley Proposition K Program planning areas of the City. Two RVNOC members are appointed by each of the fifteen Council Offices to represent district funding priorities. At the conclusion of the RVNOC deliberations, five-year expenditure plans for each region are presented to the Steering Committee for further deliberation, including consideration of staff input. While RVNOC recommendations are limited to the upcoming five-year funding period, staff recommendations also include proposed changes to the current year expenditure plan.

The Steering Committee transmits to Council initial funding recommendations through an annual Assessment Report that coincides with the release of the Mayor's Proposed Budget. Prior to the public hearing scheduled by June of each year, any proposed changes to the initial funding recommendations are transmitted to Council through an amending Motion. Program funding recommendations must conform to use restrictions established by the 1996 Ballot Measure, which are summarized in the remainder of this section.

Approval of the 2015-16 expenditure plan includes adoption of a Resolution and Ordinance of Intention that formally indicates the City's intention to levy program assessment funds (Attachments 11 and 12). The Engineer's Report, which is provided in draft form as report Attachment 10, reflects the proposed 2015-16 expenditure plan and the associated cost-benefit methodology used to allocate the assessment levy to parcels throughout the City. After Council approves the draft Engineer's Report and adopts the Ordinance confirming the assessment, BOE will finalize the Engineer's Report. The final Engineer's Report and related assessment documents, including the assessment levy information for each parcel in the Assessment District that is prepared by the Information Technology Agency (ITA), will be filed with the Los Angeles County Recorder and the County Assessor, as applicable.

a. Project Categories: Specified and Competitive

Proposition K funds two types of projects: 1) those that were specified in the Ballot Measure; and, 2) those awarded through a competitive process open to City entities, other governmental agencies and qualified non-profit agencies. Specified and competitive projects are further divided into local and regional categories.

Under the terms of the Proposition K Ballot Measure authorizing the program, the City is required to complete 183 specified projects and award a minimum of \$143.65 million in competitive funds across eight funding categories. At this stage of the program, with 12 additional years remaining, the majority of the Proposition K funding requirements have been satisfied. Out of the 183 required specified projects, the City has completed 112 projects, with 38 additional projects in active phases of development and a remaining balance of 36 specified projects to be accomplished in future years (3 phased projects have active and future components). For competitive grant awards, the City has awarded \$126.97 million through eight prior rounds of funding. In total, there are 231 competitive projects which include 168 completed projects and 63 in active development. Due to excess funding of nearly \$11 million for four of the eight competitive funding categories, an additional \$27.48 million in competitive funds will be awarded through future award cycles in order to satisfy the Proposition K funding requirements for the competitive program. The chart below provides a breakdown of the specified and competitive projects completed as of the current fiscal year:

Proposition K Completed Projects			
Project Type	Competitive Projects*	Specified Projects**	Total
a. Museum, Theater and Zoo Facilities	2	5	7
b. Childcare Centers	10	16	26
c. Junior Arts / Youth Center Facilities	15	7	22
d. Intergenerational (Senior & Youth) Centers	0	1	1
e. Pool, Lake, Wetlands and Other Aquatics	15	4	19
f. Roller/Ice/Hockey/Skatepark Facilities	5	1	6
g. Park Development / Facility Renovations	71	68	139
h. Lighting Projects	23	1	24
i. Urban Greening and Trail development	13	3	16
j. Acquisition for Open Space and Parks	14	6	20
Total Projects:	168	112	280
* Competitive projects are awarded through a Request for Proposals process conducted every two to three years, with a total of eight award cycles to date.			
** Specified projects have defined scopes and funding limits established by the Ballot Measure.			

b. Proposition K Funding Restrictions

The Proposition K Ballot Measure specifies expenditure ratios that the City must achieve over the 30-year life of the program for capital expenses (82%), maintenance (15%) and administration (3%). Capital funds can be used to finance debt service on bonded

Proposition K projects. State law prohibits the use of Proposition K funds for program operations.

Maintenance funds are awarded on a current year basis through a competitive process administered by BOE. Eligibility is limited to projects completed by December 31st of the awarding year. Since program monies do not fund operations and only partially offset annual maintenance expenses, external agencies applying for competitive project funds must demonstrate an ability to maintain and operate the completed project before competitive funds are awarded.

Program administration funds are allocated on a first priority basis to fund the estimated fee charged by the Los Angeles County Recorder for collecting assessment monies. The remaining administration funds are allocated to certain City departments to partially offset Proposition K staffing costs.

Proposition K Bond Program

The annual program budget includes debt service for three bond series issued by the City between 2000 and 2002. Under the original bond issuances, 16 projects received funding of \$43.23 million. In Fiscal Year 2011-12, a financial review of the Proposition K bond program confirmed substantial compliance in terms of completing the required capital improvements and satisfying bond match requirements. Through this review, a total of \$7.93 million was identified as available for programming, which is comprised of \$1.8 million in unspent bond funds and \$6.13 in bond interest earnings. Under the terms of the Bond Ordinance and related issuance documents, the City can utilize the available bond and bond interest monies on previously non-bonded Proposition K projects through a public hearing process that adds the additional projects to the list of projects that can receive funding from the 2000 through 2002 Proposition K Bond series.

In February 2012, the Steering Committee approved program priorities for use of the funds that were subsequently approved by Council in April 2012 (C.F. 12-0479). Council authorized the addition of 11 projects to the Proposition K bond program, with the required public hearing held on May 1, 2012 (C.F. 12-0479). By two subsequent Council actions on September 11, 2012 and December 17, 2013 (C.F. 12-0479-S1 and 12-0479-S3), an additional five projects were added to the bond program for a total cumulative count of 32 bond projects receiving funding from the three original bonds series issued between 2000 and 2002.

In March 2015, the Steering Committee authorized staff to proceed with the defeasement of the three Proposition K bond series issued in 2000, 2001 and 2002. Staff has identified \$17.75 million in program funds that are available to fund an early payoff of the remaining debt service for a cost of \$16.43 million, with the balance of \$1.32 million available for associated fees. The proposed funding sources would utilize a combination of assessment and program interest monies that are not currently needed to fund other program priorities. Active projects that received these bond funds and interest earnings will still be able to utilize the previously awarded bond and bond interest funds to complete the authorized scope of work.

Proposed Funding for Debt Defeasance

- \$ 9.94 million - Assessment funds already budgeted for debt service
- \$ 7.81 million - Uncommitted program interest funds
- \$ 17.75 million - Total proposed funding for debt service payoff

The early defeasance of the bond debt would provide an estimate savings of \$2.7 million in future debt payments and reduce administrative reporting requirements. Of greater significance, the early payoff would free capacity to fund additional capital improvements on an annual basis beginning in Fiscal Year 2016-17. Refer to Section 4 of this report regarding budgetary adjustments to utilize future surplus capacity.

c. Program Expenditure Requirements

To facilitate reporting and tracking requirements, Proposition K collections are deposited on an annual basis into three separate funds, in accordance with the expenditure ratios defined in the Ballot Measure authorizing the program. Refer to the chart below:

Proposition K Accounting Funds			
Fund No.	Share of Revenues	Funding Limit (30 Year Total)	Primary Use
43K	82%	\$ 615.0 million	Capital expenses
43M	15%	112.5 million	Maintenance expenses
43L	3%	<u>22.5 million</u>	Administrative expenses
Total:		<u>\$ 750.0 million</u>	

The City is not restricted to the noted expenditure ratios on an annual basis, provided they are achieved by program completion. As the program progresses and projects specified in the Ballot Measure are completed, annual funding for capital expenses will decrease relative to funding for maintenance and administration.

3. 2015-16 Proposed Five Year Expenditure Plan

Incorporated within the Engineer's Report is the 2015-16 Five Year Plan (Attachment 1) which includes the proposed Year 19 expenditure plan that is also referred to as the A List (Attachment 2), along with funding earmarks for Years 20 through 23 that comprise the B List (Attachment 3). The funding recommendations presented for Council and Mayor approval are summarized in the chart on the following page and detailed in the above referenced report attachments.

2015-16 Five Year Plan Funding Recommendations					
Funding Category	2016-17 Year 19	2016-17 Year 20	2017-18 Year 21	2018-19 Year 22	2019-20 Year 23
	A List	B List			
Specified - Regional	\$ 1,238,752	\$ 2,530,431	\$ 2,592,612	\$ 2,824,875	\$ 3,965,000
Specified - Local	4,257,187	5,047,845	4,011,275	3,130,981	3,633,295
Subtotal:	\$ 5,495,939	\$ 7,578,276	\$ 6,603,887	\$ 5,955,856	\$ 7,598,295
8 th Cycle Competitive	\$ 6,408,450	\$ 3,092,435	\$ 1,442,361	\$ -	\$ -
5 th & 6 th Cycles*	323,000	300,000	-	-	549,000
Future Competitive Funds	-	5,456,775	5,738,660	5,759,000	5,128,990
Subtotal:	\$ 6,731,450	\$ 8,849,210	\$ 7,181,021	\$ 5,759,000	\$ 5,677,990
ITA Set-Aside	50,000	50,000	50,000	50,000	50,000
Total- All Projects:	\$ 12,277,389	\$ 16,477,486	\$ 13,834,908	\$ 11,764,856	\$ 13,326,285
Administration	\$ 785,264	\$ 791,482	\$ 797,750	\$ 804,068	\$ 810,435
Maintenance	4,131,197	4,471,956	4,840,823	5,240,115	5,672,343
Inflation	3,850,460	3,965,974	4,084,953	4,207,502	4,333,727
Debt Service	3,056,690	-	-	-	-
Additional Specified Funding	899,000	3,054,524	3,059,979	3,058,849	3,060,833
Total - Other Costs:	\$ 12,722,611	\$ 12,283,936	\$ 12,783,505	\$ 13,310,534	\$ 13,877,338
Grand Totals:	\$ 25,000,000	\$ 28,761,422	\$ 26,618,413	\$ 25,075,390	\$ 27,203,623

* Although 5th and 6th Cycle projects were originally funded in prior Fiscal Years, due to various development delays, funding for impacted projects is currently programmed in upcoming years.

The City is only required to balance the program budget to the \$25 million annual funding limit for the 2014-15 and 2015-16 program years. The budget for Years 20 through 23 will be balanced through future year funding deliberations. During the 2015-16 program year, delayed A List projects may be substituted with any of the B List projects, up to the level of funding earmarked for Program Years 20-23. Council approval would be required in order to reprogram funds between the A and B lists.

Funding for competitive projects that are withdrawn or become infeasible can be awarded to projects on the C List of Alternate Competitive Projects (Attachment 4). Only projects that did not receive the full eligible funding requested under the Eighth Funding Cycle are eligible as C List projects, with funding priority given to projects with similar scopes or those located in the same Council District or region of the City. The various reprogramming options ensure that the required \$25 million annual funding obligation of program funds is maintained.

a. RVNOC Funding Deliberations – Specified Projects

The RVNOCs conducted the 2015-16 funding deliberations over a five week period, meeting a total of eleven times between September 30, 2014 and October 29, 2014. Each of the three RVNOC planning areas was given a \$1.03 million funding limit for specified projects in the upcoming Program Year 19 (2015-16). A breakdown of the RVNOC funding

recommendations for Proposition K specified projects is reflected in the chart below:

RVNOC Region	Year 19 Spending Limit	RVNOC Recommendations – Specified Projects		
		Regional	Local	Total
Central	\$ 1,026,650	\$ 350,000	\$ 676,650	\$ 1,026,650
Southern	1,026,650	300,000	726,650	1,026,650
Valley	1,026,650	725,300	301,350	1,026,650
Grand Total:	\$ 3,079,950	\$ 1,375,300	\$ 1,704,650	\$ 3,079,950

The Steering Committee approved reprogramming actions recommended by BOE at its meeting held March 26, 2015. These funding adjustments impact both current year allocations and those recommended by the RVNOCs for the upcoming five-year cycle, as presented more fully in Section 5 of this report.

b. Competitive Award Cycle – Prior Years and Current Eighth Cycle

The City is required under the terms of the Proposition K Ballot Measure to award \$143.65 million through a competitive award process. The Ballot Measure established minimum funding levels for eight categories of competitive projects. To date, the City has awarded \$126.97 million in Proposition K competitive funding through eight award cycles conducted every two to three years. As of the last award cycle, the program has met and exceeded four of the eight categories by nearly \$11 million. In order to satisfy the funding requirements for the remaining four categories, an additional \$27.48 million in competitive funds will need to be awarded prior to the sunset of the program in FY 2026-27, as reflected in the chart below:

Proposition K Competitive Funding – Distribution of Funds by Award Category				
Project Type	Minimum Funding Requirement	Cumulative Awards	Excess Funding (over minimum)	Remaining Award Requirement
1. Regional Recreation / Educational Facilities	\$ 20,000,000	\$ 21,419,791	\$ 1,419,791	\$ --
2. Neighborhood At-Risk Youth Facilities	20,000,000	21,651,508	1,651,508	--
3. Youth Schools / Recreation Projects	20,000,000	9,472,020	--	10,527,980
4. Aquatic upgrades	16,000,000	11,411,949	--	4,588,051
5. Athletic Fields	16,650,000	22,357,274	5,707,274	--
6. Lighting	16,000,000	9,413,504	--	6,586,496
7. Urban Greening	15,000,000	17,021,693	2,021,693	--
8. Acquisition of Parks/Natural Lands	20,000,000	14,220,112	--	5,779,888
TOTALS:	\$ 143,650,000	\$ 126,967,851	\$ 10,800,266	\$ 27,482,415

Council authorized the release of the Proposition K Request for Proposals (RFP) for the Ninth Funding Cycle on January 20, 2015 (C.F. 14-1664). The RFP was subsequently released on January 29, 2015 to award competitive funds over a three-year period covering Fiscal Years 2016-17 through 2018-19. Proposals were due back on April 30, 2015. The funding amount for the RFP is approximately \$16.9 million. This amount is based on recommendations from BOE to focus the RFP on three of the four remaining categories. The Tenth and final RFP is anticipated to be released in the first quarter of 2018 and will provide funding in the final category for Youth Schools/Recreation Projects. Any recommendation to have future RFPs focus on certain categories is subject to Steering Committee and Council approval.

A total of 23 proposals were received at the time of the proposal due date. RFP proposals will be initially rated by a scoring panel and considered as part of the RVNOC budget deliberations that will commence in October 2015. The L.A. for Kids Steering Committee will consider the RVNOC funding recommendations along with staff input and will transmit the Ninth Cycle award recommendations to Council in April 2016 as part of the 2016-17 Assessment Report.

c. Fiscal Impact for Active Projects

Since a majority of Proposition K projects are operated by RAP, an estimate of the fiscal impact for the increased cost of maintenance and operations was prepared by the department (Attachments 5 and 6, respectively). RAP preliminary estimates the increased annual cost of maintenance as \$3.41 million and \$2.64 million for operations, for a total annual cost of \$6.05 million, once active Proposition K projects become operational over future years. The fiscal impact for completed projects will be partially offset by Proposition K maintenance funding. As presented in Section 5.b. of this report, RAP is recommended to receive \$3.08 million in current year maintenance funding for projects completed in Program Years 1 through 18.

d. City Reimbursements: Administration, Maintenance and Project Delivery Costs

Since the inception of the program, City departments receive funding for program administration and project maintenance costs at fairly stable levels. Refer to the chart below:

Category	2014-15 Adopted	2015-16 Proposed
Administration Funds	\$ 544,896	\$ 544,896
Maintenance Funds	\$ 2,803,908	\$ 3,272,547

The reimbursement of project delivery costs advanced by the General Fund has been irregular due to the need to prioritize use of available funds on completing the capital improvements that the City is required to accomplish under the Proposition K Program. Reimbursements of project delivery costs fluctuate each year as a result of availability of program savings from completed projects. Refer to the chart on the following page.

City Reimbursements for Project Delivery Costs: 2011-12 through 2015-16						
Fiscal Year:	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Funding Level:	\$1,499,917	\$1,321,917	\$1,500,000	\$1,300,000	\$1,300,000	\$6,921,834

For 2015-16, the reimbursement of project delivery costs is estimated at \$1,300,000, which is the same amount as the current year. The overall City reimbursements from Proposition K increases by \$468,639 due to a modest increase in maintenance funding:

City Reimbursements for Proposition K Program Expenses			
Category	Department Recipients & Eligible Use	2014-15 Adopted	2015-16 Proposed
Administration Funds	BOE, PW Accounting, CAO & CLA administrative costs in support of the program	\$ 544,896	\$ 544,896
Maintenance Funds	RAP, CAD and Zoo – for maintenance of completed program facilities.	2,803,908	3,272,547
Capital Funds	BOE and Con Ad – for project delivery costs.	<u>1,300,000</u>	<u>1,300,000</u>
Total		<u>\$ 4,648,804</u>	<u>\$ 5,117,443</u>

For future years, the level of administrative reimbursements will remain fairly stable. Although increases in the actual costs incurred by the City for maintenance of completed Proposition K projects may outpace available program funding, Proposition K maintenance funding will continue to increase with each successive program year. The reimbursement level for project delivery costs in future years will be addressed in Assessment Reports for upcoming years based on project completions and available funding determined at that time.

Due to the limited amount of Proposition K administration funds, it is recommended that departments providing administrative services in support of the program - including BOE, RAP, CAO, CLA, ITA, City Clerk, City Attorney and the Cultural Affairs Department (CAD) - continue to absorb this cost within budgeted funds. The allocation of administrative funds for City departments in the upcoming fiscal year (Attachment 7) is proposed at the same levels adopted for the current year. A breakdown of administrative fund allocations is provided in the chart below:

Proposition K Administrative Allocations		
Recipient	Approved 2014-15	Proposed 2015-16
County Assessor	\$ 234,198	\$ 240,368
Bureau of Engineering	278,083	278,083
PW Accounting	136,457	136,457
CAO	97,000	97,000
CLA	<u>33,356</u>	<u>33,356</u>
Totals:	<u>\$ 779,094</u>	<u>\$ 785,264</u>

e. 2015-16 Maintenance, Inflation and Debt Service

The proposed 2015-16 maintenance (\$4.13 million) and inflation (\$3.85 million) allocations will be awarded to individual projects during the course of the 2015-16 program year. The individual project awards will be presented for Mayor and Council approval in April 2016, as part of the 2016-17 Assessment Report. The proposed 2015-16 debt service allocation of \$3,056,690 will be used to pay for the early defeasance of the bond debt.

4. Budgetary Adjustments to Utilize Future Surplus Capacity

As stated earlier in the report, the Steering Committee authorized staff to proceed with the defeasement of the three Proposition K bond series at its March 2015 meeting. The early payoff would free capacity to fund additional capital improvements on an annual basis beginning in Fiscal Year 2016-17. Monies that would have otherwise been used for debt service would become available to fund other program priorities. This report recommends repurposing future assessment funds to provide the additional monies to address funding shortfalls for the remaining Proposition K specified projects that the City is required to complete. The proposed repurposing would enable the program to utilize an estimated \$45 million in surplus capacity, as authorized by Council through the adoption of the Proposition K Reconciliation Report, on August 12, 2014 (C.F. 12-1670-S2). However, use of these surplus capacity funds would still be restricted to the project scopes defined in the Proposition K Ballot Measure and other applicable restrictions, including State law.

Background

On August 12, 2014, Council approved the recommendations presented in the Proposition K Reconciliation Report that identified an estimated \$45 million in surplus capacity after reserving sufficient funding to complete all other program mandates (C.F. 12-1670-S2). This surplus capacity was authorized for use as a first priority to address funding shortfalls for the remaining Proposition K specified projects that the City is required to complete. Other potential uses could include additional competitive grant cycles and increased cost recovery for City staffing expenses.

As stated in the Reconciliation Report, City Attorney has confirmed that there are no legal authorities that expressly allow or prohibit the recommended use of the program's surplus funding capacity. However, City Attorney also states there is the possibility of legal challenges from City property owners who may assert that there was an expectation that the City would commit non-program funding sources to offset funding shortfalls for specified projects in excess of the levels authorized in the Proposition K Ballot Measure, inclusive of inflationary adjustments from program inflation and interest monies.

The Steering Committee has indicated its intent to continue leveraging capital funds from both City and external funding sources, to the extent that these monies are available. However due to the magnitude of shortfalls projected for some of the remaining specified projects, the most viable means for moving these projects into active development is to utilize a portion of the program's surplus funding capacity, as authorized by Council.

Annual Budgeting of Surplus Capacity

Despite the authority granted by Council earlier this fiscal year to utilize the program's surplus funding capacity on allowable program expenses, there is currently no mechanism in place to budget these funds. Steering Committee staff recommends repurposing funding that would have otherwise been used for debt service to fund a new budgetary line item that would be used to address funding shortfalls on Proposition K specified projects in excess of the levels awarded under established program inflation and interest rates. This proposed repurposing of program funds would likely accelerate the completion of remaining program mandates.

The new proposed budgetary line item in the Five Year Plan, currently termed "Additional Specified Funding," would effectively provide a vehicle for accessing the program's surplus capacity. In addition to receiving the repurposed debt service funds, this new line item would also receive additional surplus funds identified by Steering Committee staff through the reprogramming and annual budget adoption process. These monies would be committed in the same manner as program inflation funds as part of the annual budget adoption process for projects ready to proceed with acquisition or construction prior to the close of each fiscal year. Use of these funds would still be subject to the scope restrictions defined in the Proposition K Ballot Measure, and would have to be obligated within the same fiscal year the funds are allocated. Steering Committee staff will continue to monitor the geographic distribution of funds and make recommendations to the Steering Committee to address any current or future imbalances over the course of the remaining program years.

5. 2014-15 Proposed Adjustments for Allocated Funds

To avoid forfeiture of uncommitted funds, the City must adopt a \$25 million expenditure program prior to the start of each program year. As each year progresses, adjustments to project allocations through reprogramming actions are necessary to ensure that the full funding commitment is maintained. Other current year funding actions include the award of Proposition K maintenance, inflation and interest monies. This section presents recommendations for both current year reprogramming and the award of program maintenance, inflation and interest funds.

a. Current Year Reprogramming

Reprogramming actions are taken each year to address changes in project status, funding availability and site conditions, and thereby maintain the program's full funding commitment level of \$25 million annually. At its meeting held on March 26, 2015, the Steering Committee approved reprogramming actions for the current program year and upcoming five-year cycle, which are incorporated into the 2015-16 Draft Five Year Plan (Attachment 1) and detailed in report Attachment 13. The proposed reprogramming actions are prompted by:

- An inability to close escrow on acquisition projects;
- Unforeseen site conditions and promotion of cost efficiencies;
- Adjustments to project allocations due to revised project schedules;
- Programming remaining funds available for projects awarded in the current year;

- Unresolved funding shortfalls or community opposition to project implementation; and,
- Adjustment of funding earmarks for future competitive award cycles to complete the program funding requirements under two award cycles.

The reprogramming actions resulted in adjustments to the RVNOC recommendations for Program Year 19 (2015-16) which includes decreasing the funding programmed for Competitive projects by \$3,314,989, decreasing the funding programmed for Specified-Regional projects by \$136,548, and increasing funding programmed for Specified-Local projects by \$2,552,537. These changes are reflected in the chart below. These changes will impact 12 Competitive projects, 9 Specified-Regional projects and 11 Specified-Local projects, as reflected in Attachment 13.

Adjustments to Year 19 Proposed Budget (FY 2015-16)			
Funding Categories	RVNOC Allocations	Reprogrammed Allocations	Variance
Competitive	\$ 6,419,038	\$ 3,104,049	(\$ 3,314,989)
Specified - Regional	635,000	498,452	(136,548)
Specified - Local	1,603,300	4,155,837	2,552,537
Other Costs	6,907,150	7,806,150	899,000
Totals	\$ 15,564,488	\$ 15,564,488	\$ --

b. Maintenance Awards

The 2014-15 Proposition K expenditure plan adopted by Council in May 2014 (C.F. 14-0133), sets aside \$3,816,403 in maintenance funding for award this year. At its meeting held on November 20, 2014, the Steering Committee authorized release of the 2014-15 maintenance application on January 7, 2015, with responses due February 11, 2015.

A total of 126 applications were submitted for the current funding cycle, for an overall funding request of \$5.93 million. Of the 126 applications, one was submitted after the application deadline and one was determined ineligible leaving a total of 124 qualified applications. The agency that submitted the late application submitted an appeal to the Steering Committee which was denied at its March 2015 meeting as it would require a reduction in the funding awards recommended for applicants who submitted on time. A maintenance application for the Mudtown Studio project submitted by Watts Labor Community Action Committee (WLCAC) was determined ineligible. BOE was notified that WLCAC has experienced a loss in funding which supported the recreational activities of the Mudtown Studio resulting in no services being provided in the studio. Therefore, BOE determined that WLCAC is ineligible for maintenance funding for the 2014-15 maintenance cycle and informed them of this determination in a letter dated March 5, 2015.

Of the 124 qualified applications, eligible maintenance expenses total \$4.52 million after deducting ineligible costs and adjusting for the percentage of Proposition K monies used to fund the original capital improvements. Since the eligible award level exceeds available funds by \$705,573, a proportionate reduction of approximately 15.6 percent was applied to

all qualified applicants, resulting in the following award recommendations detailed in Attachment 9:

2014-15 Maintenance Award Recommendations						
Applicants:	Non Profit Agencies	LA Unified School District	Zoo Dept.	Cultural Affairs Dept.	Dept. of Recreation and Parks	Grand Total
Applicant Request:	\$1,495,796.85	\$481,951.19	\$71,850.00	\$220,140.00	\$3,655,485.87	\$5,925,223.91
Eligible Costs:	\$512,356.00	\$132,069.00	\$50,295.00	\$171,950.00	\$3,655,485.87	\$4,522,155.87
Recommended Award:	\$432,398.00	\$111,458.00	\$42,446.00	\$145,115.00	\$3,084,986.00	\$3,816,403.00
No. of Eligible Applicants:	34	16	1	5	68	124

Maintenance funding is awarded on a current year basis, but paid on a reimbursement basis during the subsequent program year. The proposed 2014-15 maintenance awards include a total of \$3,272,547 for projects maintained by City departments. These funds are programmed in the 2015-16 Mayor's Proposed Budget.

Award Adjustments

Award adjustments typically include deduction of ineligible expenses, corrections to values and computational errors and the percentage adjustment to prorate the maintenance awards by the same percentage of Proposition K monies used to fund the original capital development project. Of these factors, the percentage adjustment typically accounts for the most significant variance between the requested and eligible award level. City departments such as Cultural Affairs and Recreation and Parks already apply the percentage adjustment as part of their respective funding requests. As such, there are typically more adjustments needed for applications submitted by external applicants in comparison to those submitted by City departments. Adjustments for ineligible expenses typically include: 1) costs of operations; 2) maintenance costs for amenities unrelated to the original Proposition K project; and, 3) expenses defined as ineligible in the 2014-15 Proposition K maintenance application memorandum.

c. Allocation of Program Inflation and Accumulated Interest Monies

Proposition K inflation funds are primarily used to offset project funding shortfalls that are attributable to inflationary cost escalation over the course of the 30 year program. Program inflation funds are programmed each year as part of the \$25 million annual Proposition K budget, while program interest funds are outside the budget and in addition to annual collections. The interest funds are program revenues in the form of interest earnings on the assessment funds and collection penalties. Program interest monies can also be used to offset shortfalls in annual collections or to accelerate program outcomes by funding expenses in excess of the \$25 million annual spending limit that applies to program assessment funds. As discussed earlier in this report, program interest funds will also be used to fund the early defeasance of bond debt. A total of \$735,900 in Proposition K inflation funds is recommended for programming in 2014-15.

2014-15 Inflation Award Recommendations

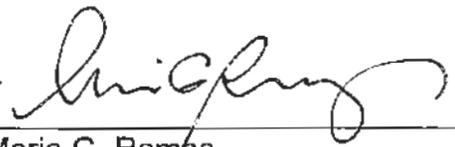
The award of both program inflation and interest funds is limited to specified projects during the year that the construction contract is awarded, up to the level of project funding shortfalls identified at that time. The maximum award level for inflation funds is set at three percent from year two of the program, while the maximum interest award is set by an objective index (currently the Producer Price Index). The 2014-15 Five Year Plan, which was adopted by Council in June 2014, included an allocation of \$3,738,311 for program inflation funds (C.F. 14-0133). Projects eligible to receive current year inflation funds only qualify to receive \$735,900 based on current award rates and project funding needs. As such, the remaining inflation set-aside is recommended for a reduction of \$3,002,411 through the reprogramming recommendations, from the \$3,738,311 to \$735,900.

Out of the 13 projects entering construction or projected to close acquisition prior to the end of 2014-15, only one project is eligible for inflation awards (refer to the chart below). The overall inflation eligibility for this project totals \$735,900.

2014-15 Inflation & Interest Award Recommendations		
Category of Award Eligibility	Projects Entering Award in FY 2014-15	Amount
1. Competitive Projects <u>Ineligible</u> - inflationary adjustment is applied to competitive funding pool instead of the individual competitive projects.	1. Oro Vista Park Development, C165-6 2. Lincoln Park Pathways, C213-8 3. Whitsett Synthetic Soccer Field, C214-8 4. Loren Miller Synthetic Soccer Field, C222-8 5. Glassell Park Soccer Field, C233-8 6. Juntos Park, C234-8 7. Evergreen Park ADA Improvements, C236-8 8. Rose Hill Park Walking Paths, C237-8	N/A
2. Specified Project with Sufficient Funding <u>Ineligible</u> - projects that are fully funded by the specified funding level authorized for each project do not qualify for additional funding from program inflation or interest monies.	1. Griffith Park Phase II – Restroom and Trail, R13 2. Alpine Recreation Center – Phase II, S1* 3. Stonehurst Recreation Center, S11 4. Chatsworth Park South, S107**	N/A
3. Specified Projects Eligible for Award	1. Gaffey Street Pool, S142	\$ 735,900
Total Recommended Award:		<u>\$ 735,900</u>

* Alpine Recreation Center – Inflation for this project has already been awarded per C.F. 13-1370.

** Chatsworth Park South – Inflation for this project has already been awarded per C.F. 14-0133.

By: 

Maria G. Ramos
Senior Administrative Analyst I

APPROVED:


Assistant City Administrative Officer

MAS:MGR: 05150104d

Attachments:

1. 2015-16 Five Year Plan (Program Years 19-23)
2. 2015-16 A List of Projects (Program Year 19)
3. 2015-16 B List of Projects (Program Years 20-23)
4. C List of Alternate Eighth Cycle Competitive Projects
5. Fiscal Impact – RAP Maintenance Costs
6. Fiscal Impact – RAP Operations Costs
7. 2015-16 Recommended Administrative Funding Allocations
8. Categories of Environmental Documents for 2015-16 A List
9. 2014-15 Maintenance Funding Recommendations
10. City Engineer's Report for Fiscal Year 2015-16
11. Resolution of Intention to Levy Assessment
12. Ordinance of Intention to Levy Assessment
13. BOE Reprogramming Recommendations
14. 2014-15 Inflation Award Recommendations