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June 20, 2018

Council File No.: 18-0394

Honorable Councilmember Koretz, Chair  
Honorable Councilmember Blumenfield, Chair  
Honorable Members of the Personnel and Animal Welfare  
and Public Works and Gang Reduction Committees  
c/o Office of the City Clerk  
200 N. Spring Street, Ste. 360,  
Los Angeles, CA 90012

**SUBJECT: RESOLUTION AUTHORITY – LONG TERM NEED FOR ONE SENIOR  
MANAGEMENT ANALYST I POSITION (CLASS CODE 9171-1)**

On May 2, 2018, the Board of Public Works adopted, as amended, the Nexus Study of the Public Works Trust Fund (PWTF) and Establishment of the Trust Fund Use Rules and Guidelines (BPW-2018-0361 and CF 18-0394). A series of recommendations were forwarded to the Los Angeles City Council (City Council) for its consideration, such as the need for one resolution position authority to ensure long-term active fund management. On June 15, 2018, the Office of the City Administrative Officer released its response to our report, which indicates that the 2018/2019 adopted budget has appropriated \$100,000 for contractual services for this purpose and does not recommend this position.

As the committees of the City Council deliberate between both departmental reports, I would like to take the opportunity to express the Board's concurrence that one dedicated, full-time Senior Management Analyst I position will bolster our long-term need to comply with the State of California Mitigation Fee Act reporting and management requirements, strengthen our fund management internal controls, and continue our efforts to seek/generate revenues for public works infrastructure projects. More important, the need for the requested full-time Senior Management Analyst I position is not temporary in nature as the work requirements to manage this and other funds will be on-going for many years to come.

The following provides a non-exhaustive list of work requirements and duties delineated into five major categories (not listed in priority order) to clarify that a long-term need exists for a full-time, dedicated position:



### **1. To Improve Governance and Oversight**

- Improves governance and oversight by dedicating a resource focused on compliance, active management, reporting, revenue generation and support, and independent analysis and administration;
- Restores position eliminated during Great Recession and improves public service delivery by increasing transparency, accountability, and responsiveness and responsibility to depositors/permittees;
- Dedicates resource to actively manage and administer fund, including tracking and monitoring of current and future deposits (Note: currently, the PWTF has more than 12,500 deposits and fund balance has increased in last five years by 70% from \$73.2 million to \$124.7 million in 2012 and 2017, respectively. Therefore, no indication that this trend will slow down.);
- Provides resource to gather, identify, and analyze documents to determine and find potential reasonable relationships (Nexus) between funds collected and final use, including need to geo-plot, conduct site inspections to keep up with increased service demands from developer industry, including implement and enforce proper documentation protocols; and
- Allows for preparation of on-going management reports requested by the Mayor, City Council, Board of Public Works, and Executive Officer of the Board (see CF Nos. 16-0393-S1 and 18-0394).

### **2. To Ensure Compliance with the State of California Mitigation Fee Act (MFA)**

- Determines MFA applicability for all accounts within the PWTF and other funds department-wide (Note: Public Works oversees more than 200 active funds);
- Assists with the tracking and separation of deposits into separate and distinct accounts due to disallowance of commingling of funds, and establishment of a process to document deposits in a five year plan to adhere to MFA requirements. Adherence to the MFA will be recurring until such time the State of California modifies or eliminates this compliance requirement; therefore, active management and compliance is on-going and not temporary in nature; and
- Satisfies MFA record-keeping, annual review of deposits, and five-year compliance report for deposit expenditure/disposition and future fee (deposit) outlook. Per the MFA, upon receipt of a fee, the City is required to deposit, invest, account for, and expend the fees. For circumstances in which the fee is not expended on an improvement project and a refund is required, the MFA states that the fee, or any unexpended portion of the fee and any interest accrued, shall be refunded to the current owner(s) of the property. Therefore, proper management and tracking of said deposits is critical (see CF 16-0393-S1 for recommended long-term management solutions).

### **3. To Seek and Support Revenue Efforts**

- Provides resource to identify other potential funds that may be available for public works infrastructure investments – this should be an on-going effort and the potential value is estimated at approximately \$8 million yet could change with the proper dedication of resources and active management. More important, allows for investigation and preparation of reports on other potential funds available for use that are or have been dormant (inactive) for an unspecified period of time (Note: again, this could result in millions more that Council Districts consider for future infrastructure investment);
- Continues effort to review remaining 227 deposits within the Special Project Account, each deposit requiring approximately 8 to 16 hours on average, for research and conduct a site inspection for a total of 2,724 hours (based on 12 research hours per deposit). In contrast, a typical consulting blended hourly rate may range between \$125 and \$175 per hour or on average of \$150 per hour, which equates to an approximate cost of \$408,600 to contract out this portion of the work. Additional work will be required beyond this one account to include the remaining PWTF deposits and other funds under our department's management. Therefore, this work is long-term and continuous. In addition, deposits are continuously placed into the Special Projects account and this resource will assist to track and gather all necessary data points critical to ensure compliance with applicable laws;
- Allows for review of remaining 12,500 deposits within PWTF Accounts, such as Guarantee Improvement, Permits, Excavation, Vacation, and Land Work Orders, etc. Many of these deposits will require not only review of documents but also site inspections throughout City; and
- Allows for the review of Tree Deposits that may be able to fund future tree planting needs and also review of Damage Claims/Settlement and Misc. Accounts, with high concentration in Council District 8.

### **4. To Improve Financial Management and Administration of Fund(s)**

- Assists in the development of a long-term cash flow modeling and forecasting for loan approvals and liquidity, including process flow charts for revenue collection and disbursement;
- Develops short and long term financial reporting and plans in compliance with the Los Angeles City Charter Section 582, including aging and dormancy reports of existing deposits; and
- Improves and dedicates resource to ensure transfer of funds from the Public Works Trust Fund to appropriate General and Special Funds from construction related permits (Note: same recommendation made by CAO via CF 16-0393-S1). More important, assists to de-bottle neck A, E, and U permit and work order expenses charged but not transferred to the General or Special Funds and ensure that back-log is not regenerated.

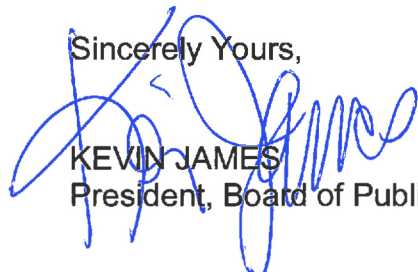
#### **5. To Institutionalize Active Fund Management and Internal Controls**

- Shifts paradigm from a passive to active fund management style;
- Allows dedicated resource to review, analyze, and report on potential reasonable relationships that may exist between existing and future deposits and future public works infrastructure projects;
- Supports concept to improve and implement adequate internal controls within the PWTF and other 200+ funds managed by the department of Public Works, such as improving process tracking weakness, correlating fees collected with specific permits/projects, increase transparency, provide supporting evidence in cases of litigation, and safeguard against potential problems arising from the current manual tracking and monitoring of loans made from the PWTF to other City departments;
- Continues effort to research, analyze, and inspect deposits in the PWTF remaining 28 accounts and provides opportunity to leverage full-time resource to support various Council District requests to make reasonable determinations to use deposits in the PWTF and other funds (Note: existing staff can only absorb a few per year); and
- Assist in the implementation and enforcement of pending Fund Use and Guidelines management.

Without this dedicated resource, the outcomes to improve fund management, seek revenues, and perform active management, analytics, and deposit inspection services will be negatively impacted. Some examples include: (i) delay identification of potential revenue for use up to 18 months or longer; (ii) continuing compliance challenges with State Laws for an unknown period of time; (iii) cost of outsourcing may exceed salary expenses projected; (iv) not in the City's best interest to achieve its full potential to actively manage this and other funds within our jurisdiction; (v) continue internal controls as-is and expose the department and City to adverse audit findings; (vi) prevent or diminish effort to address service and process gaps highlighted in the Nexus Study; and (vii) continue to forego deposit site inspections that are increasing on a continuous basis, which will continue to create a larger back-log and hinder our responsiveness and responsibility to depositors/permittees.

Thank you in advance for your time and consideration of our departmental request and needs. Should you have any questions, please contact Dr. Fernando Campos, Executive Officer, at (213) 978-0250 or via e-mail at [Fernando.Campos@lacity.org](mailto:Fernando.Campos@lacity.org).

Sincerely Yours,



KEVIN JAMES  
President, Board of Public Works

KJ/fc

cc: Richard Llewellyn, City Administrative Officer