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April 23, 2024

Honorable Members of the Budget, Finance, and Innovation Committee
Office of the City Clerk
200 N. Spring Street, City Hall, Room 395
Los Angeles, CA 90012

BUREAU OF ENGINEERING FISCAL YEAR 2024-25 PROPOSED BUDGET

Dear Honorable Members:

The Bureau of Engineering (Engineering) appreciates the opportunity to provide input on the Mayor's 2024-25 Proposed Budget. Engineering is the City's primary project delivery organization for non-proprietary capital projects, with a mission and organization-wide commitment to be a national leader in the delivery of sustainable capital projects. Engineering annually delivers a diverse set of wastewater, municipal, and recreation and park facilities, as well as bridge and street improvements, streetscapes, and stormwater system projects. Engineering supports business and economic development through permitting and regulation of activity in the public right-of-way. Through data-driven performance management and Engineering's vision to lead the transformation of Los Angeles into the world's most livable and resilient city, we continue to work with our City partners to focus on environmentally responsible capital projects.

We recognize that the financial situation is exceptionally challenging this year and that many hard decisions must be made. Our input on the proposed budget is provided through this lens of understanding.

Key Goals

In accordance with the letter from the Chair of the Budget, Finance and Innovation Committee dated April 12, 2024, Engineering provides the following five important goals that we will be able to achieve with the allocation provided in the 2024-25 Proposed Budget:

1. Support the City's Efforts to Reduce Homelessness

Engineering designs and constructs homeless services facilities, including temporary housing, permanent supportive housing, and navigation centers. In the last five years, we have delivered 39 homeless housing and related services facilities for the City with a project cost of approximately \$212 million, providing 3,784 interim beds. Engineering is currently supporting the Mayor's focus on acquiring additional sites to eventually lower the cost of providing housing and homeless services, as initiated by Executive Directive 3. The 2024-25 Proposed Budget continues two current positions devoted to delivering homeless services facilities, which are funded by outside resources. Engineering is currently evaluating the Proposed Budget's impacts on additional positions that support this work.

2. Accelerate the Construction of Affordable Housing



Engineering performs an important role in permitting work in the public right-of-way. Engineering meets the goals of accelerating permitting related to affordable housing under multiple Executive Directives by providing enhanced tracking and case management for qualified projects, and by leading the development of the Affordable Housing Tracking System as a part of the BuildLA project. The 2024-25 Proposed Budget maintains a significant portion of staffing for these efforts. Engineering will continue to prioritize affordable housing projects with the provided resources.

Aside from permitting, Engineering also delivers street projects for the public portion of Affordable Housing Sustainable Communities infrastructure projects, which are grant-funded in partnership with affordable housing developers. Importantly, the Proposed Budget includes a net increase of five positions working to deliver these projects, which are needed to maintain eligibility and competitiveness for this significant statewide affordable housing funding source.

3. Deliver Sustainable, Equitable, and Resilient Infrastructure

Engineering is currently managing nearly 500 capital projects with a combined construction value of over \$4.5 billion across our portfolio of clean water, municipal facilities, and mobility programs. To help put that in perspective, that equates to nine years worth of projects if completing \$500 million dollars in projects per year. These capital projects include new and renovated recreational facilities in underserved neighborhoods, wastewater and stormwater projects to protect our environment and safeguard human health, and streets and sidewalks that provide safe and accessible mobility for our communities. Through our pursuit of Envision, LEED and Net-Zero certifications, as well as our work on decarbonization, Engineering incorporates sustainability, equity, and resiliency into the design of all of our projects. The 2024-25 Proposed Budget makes modest reductions in project delivery capacity across several divisions with the elimination of vacant positions. Engineering had more projects scheduled for the coming years than we had staffing for even before the proposed position reductions. We will need to work with the appropriate oversight committees to propose schedule adjustments to enable us to prioritize critical projects and keep them on schedule while pushing out less urgent projects.

4. Provide Safe and Accessible Mobility for All

In close partnership with our Los Angeles Department of Transportation and Bureau of Street Services colleagues, Engineering plans, designs, and constructs bridges, streets, and sidewalks to meet the diverse mobility needs of our communities. The 2024-25 Proposed Budget increases support for project review of transformative regional transportation projects by our partners at Metro and Los Angeles World Airports. The Proposed Budget also provides two new positions to lead the Street Design Modernization Initiative to update standards and guidance needed to consistently deliver multimodal, sustainable, and accessible streets. An updated Street Design Manual will help Engineering and our partner agencies more efficiently and effectively deliver capital projects to implement Mobility Plan 2035.

5. Cultivate a Dynamic and Skilled Workforce

Engineering places the highest priority on maintaining and growing a highly trained workforce capable of achieving the previous goals. We are appreciative that the 2024-25 Proposed Budget provides some continued funding for a Bureau-wide employee development and training program focused on management and leadership, building on a more significant effort in the current fiscal year. In an era of position reductions and managed hiring, investments in workforce reliability will improve employee efficiency and retention.

Proposed Changes

The 2024-25 Proposed Budget continues critical investment in Engineering's core functions and will advance the above priorities. However, the Proposed Budget does reduce some permitting and project delivery capacity with the deletion of 95 vacancies in various divisions throughout the Bureau. The Proposed Budget also increases the Bureau's salary savings rate, which could slow the pace of filling remaining vacancies. This environment of reduced staffing and managed hiring will create challenges in delivering services and organizational management. Engineering is currently evaluating the Proposed Budget's staffing changes and intends to provide more robust analysis of service impacts and offset opportunities for the Committee's consideration. This year has been especially challenging to analyze the proposed budget in time to submit the budget letter with the number of changes proposed.

As requested by the Chair's letter, Engineering has so far identified the following adjustments that we propose to help minimize the impact of proposed cuts. We don't have the proposed solutions for each of these yet, but in the coming days we will develop cost-neutral offsets for each of them, which we will be ready to present by the time of the budget hearings.

- Restore the Deputy City Engineer position: This is by far our top priority. This position is to lead a Financial Management and Data Analytics Program. It has been vacant while we worked with the Personnel Department to convert it to an Assistant General Manager position to allow non-Engineers to compete. Creation of a new classification is not preferred by the Personnel Department due to the amount of work to create a new class for a single position. Therefore, our proposal is to repurpose the position into a Chief Financial Officer, as explained in the following section.
- Preserve the existing BuildLA Programmer Analyst III that is proposed to be cut and eliminate the proposed addition of a new Programmer Analyst that would need to go through paygrade review. The Programmer Analyst work of BuildLA is at least at the level of the III paygrade, and keeping the existing position would avoid all of the administrative work of creating a new position.
- Restore one of three positions funded by the Sewer Construction and Maintenance Fund that support permit issuance in the development services program. This position is revenue-generating in addition to being special-funded and issues sewer-related permits. If eliminated, it would require the use of General Funded positions instead.
- Restore two Measure W positions. These are fully special funded and the workload is increasing significantly in the coming years with hundreds of millions of dollars' worth of projects going to construction.
- Restore the Civil Engineer over the West Los Angeles District Office B-Permit section. This position is revenue-generating and critical to the timely processing of B-Permits.
- Restore the Civil Engineering Associate IV position that serves as our Flood Control design expert. We propose to cut a lower paygrade and absorb the cost difference.
- Restore the Control Systems Associate IV that serves as our control systems expert for treatment plant projects. We propose to cut a lower paygrade and absorb the cost difference.
- Restore the Environmental Engineering Associate IV that serves as our design expert for Emergency Sewer Repairs. We propose to cut a lower paygrade and absorb the cost difference.
- Cut Engineering and Architectural Associate II positions instead of III positions where possible to allow for employees to promote to III positions when they obtain their Professional Engineering or Architect licenses. Associate II's with professional licenses receive a bonus, while the III does not because it is required for the position. The cost difference is not much to the City, but it allows employees to begin getting experience with supervision for future growth.

- Cut resolution authority positions instead of regular authority positions where possible for future stability. For example, if we have a regular authority street design position slated to be cut, but also have a resolution authority to work on a specific street project, it makes more sense to cut the resolution authority position for the same savings while better stabilizing the base program for the future.
- Restore three Environmental Specialist positions in our Environmental Management Group. Two are special funded and the other is revenue-generating and is the only position for development services in the group. This small group impacts all capital projects and many large permits in Engineering and also assists many departments around the City.

We have done our best to identify proposed changes to be itemized in this letter as requested, but due to the significance of the proposed changes and the short time to analyze them we respectfully request possible consideration if others are identified ahead of the budget hearing.

Repurposing and/or Restructuring

Engineering requests the restoration of the Financial Management and Data Analytics Deputy City Engineer and conversion to a Chief Financial Officer position. This would allow Engineering to reorganize administrative functions to better support our divisions with billing and grant management services. Over the past several decades, Engineering's funding has become exponentially more complex, increasing from just five major sources to more than 40. Many positions are reliant on special billings for grants or other reimbursements and issues with these reimbursements can ultimately fall back on the General Fund. Consolidating fund administration into one Bureau-wide unit will promote greater proficiency and opportunities for cross-training to retain institutional knowledge as people switch roles. Deleting this position would set back this long-planned restructuring. As this position will be funded by a mix of funding sources, the impact of this request on the General Fund is small. The impact could be further reduced by providing only 6 months' salary funding. Engineering will evaluate options for offsetting the remaining General Fund cost of this position.

Equity

Engineering applies an equity lens to refine all budget requests and to prioritize them. This year, Engineering's top budget priority continues to be workforce development, with an emphasis on management and leadership training to ensure that the Bureau is a place where all employees are supported and valued. These initiatives were prioritized in our Racial and Gender Equity Action Plans, as well as our overall Strategic Plan. I am proud of the inclusive culture that we have built at Engineering and will continue to prioritize investments in our people.

Revenue Suggestions

A large portion of our departmental budget is related to the delivery of capital projects that are funded by grants or other funding sources that do not contribute any training or technology funding. There is a great need for training as a part of our focus on workforce reliability, and all Engineering projects require the use of equipment, cloud computing, and software. This requires us to then request very scarce General Fund appropriations for these costs. We propose to establish a surcharge against capital improvement projects for the purposes of funding training and technology. A one percent surcharge would result in a fairer distribution of costs and would relieve some of the General Fund expenditures.

Engineering has also just received the results of a fee study which shows that many Engineering fees could be adjusted if there is a goal to move toward full cost recovery. Most fees cover our direct departmental costs and a portion of overhead, but not full overhead. We propose to meet with the Mayor's Office and City Council to discuss various options and determine the path forward.

In closing, I want to thank the dedicated Engineering employees who work hard every day to serve the great residents of our City. I also would like to thank the City Council for your consideration of our suggestions. I look forward to partnering with you through this budget process, and in the upcoming fiscal year, to enhance our public service. If you have any questions, please contact me at (213) 485-4935.

Sincerely,



ENGINEERING
Electronically signed by Ted Allen, PE
on April 23, 2024 11:52:23 AM

Ted Allen, PE
City Engineer

TA/EB;eg

Box\EXE_Ready for Signature\TSA\Outbox\Archived\FY2024-25 BOE Budget Letter to BFI
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cc: Randall Winston, Office of the Mayor
Matthew Hale, Office of the Mayor
Aura Garcia, Board of Public Works
M. Teresa Villegas, Board of Public Works