

CITY OF LOS ANGELES
INTERDEPARTMENT CORRESPONDENCE
L.A. FOR KIDS STEERING COMMITTEE MEETING, FEBRUARY 29, 2024
AGENDA ITEM (4)

DATE: February 29, 2024

TO: Proposition K - L.A. for Kids Steering Committee

FROM: Melinda Gejer, Senior Administrative Analyst *Melinda Gejer*
Office of the City Administrative Officer

**SUBJECT: PROPOSITION K ADMINISTRATIVE FUNDING RECONCILIATION,
PROPOSED REPROGRAMMING, AND RECOMMENDED
EXPENDITURES**

RECOMMENDATIONS

The Office of the City Administrative Officer (CAO) recommends that the Proposition K – L.A. for Kids Steering Committee (Committee) approve the following:

1. Recommend to the Los Angeles City Council that the following proposed reprogramming and expenditures of the Proposition K administrative funding allocations as further detailed in this report and as set forth in Attachment A to this report be approved;
2. Instruct staff to take the necessary actions to effectuate the recommendations contained within this report, as subsequently approved by the City Council, in order to comply with all pertinent hiring policies in effect; and
3. Authorize the City Administrative Officer to make funding adjustments, including the allocation of contingency funds, and prepare technical adjustments as needed to fully commit residual administrative funds and carry out the intent of this Council action, and authorize the Controller to implement those technical adjustments.

DISCUSSION/BACKGROUND

On November 5, 1996, City of Los Angeles voters approved the Proposition K – L.A. For Kids (Proposition K) ballot measure that allows the City to collect \$25 million per year for 30 years from property owners. The City is required by State law to levy the assessment on an annual basis. Failure to fully commit the \$25 million in Proposition K funding would result in forfeiture of the uncommitted balance. The Proposition K ballot measure further specifies that eighty-two percent (82%) of the funding is to be used for capital expenditures, fifteen percent (15%) is to be used for maintenance of completed projects, and three percent (3%) is to be used for administration of the program.

Each year, as part of the Proposition K budget process, the program management team develops an annual expenditure plan that details the allocation of the annual assessment. The 3% that is set aside for administration purposes has been used as a partial reimbursement to the General Fund for the salaries of staff who work on this program and over the years has been typically allocated between the Bureau of Engineering, the Office of the City Administrative Officer, the Public Works Office of Accounting, and the City Legislative Office, with some variance over time. The 3% set aside also includes an annual set-aside amount for the Los Angeles County Assessor's Office (County), which is the agency responsible for the collection of the assessment and transmittal of the collections to the City. The City has been estimating the amount of that set-aside on an annual basis, with the actual amount being deducted by the County prior to the transmittal of the annually assessed funds to the City.

In September 2023, the Proposition K management team performed a programmatic and financial reconciliation of the program and, as a part of that reconciliation process, discovered that the City's annual set-aside amount for the County payment had been in excess of the actual payment deducted by the County by an annual average of fifty-five thousand dollars (\$55,000) for ten years, leaving a surplus in the Proposition K administrative account, Fund 43M, of approximately \$550,000. These funds are limited in their use, by law, to the administration of the Proposition K program and cannot be used to supplement the capital or the maintenance portion of the program.

Given that the Proposition K annual budget is balanced for the remainder of the program with incoming funding in the correct proportion of capital, maintenance and administrative funds, it is recommended that these administrative funds be reprogrammed from the Fund 43M cash balance to be expended on the following priorities, which are all eligible administration expenses under the program: 1) Increased staff capacity for program administrative close-out and project delivery, including support for two 120-day contracts in the current 2023-24 fiscal year and, if necessary, the 2024-25 fiscal year, in order to support the program administrative close-out and project delivery functions; 2) Increased reimbursements to the General Fund in the current and remaining years of the program; 3) Funding for final program reconciliation; and 4) Contingency funding for unforeseen administrative circumstances. It is further recommended that any remaining administrative funds be included within the contingency category with a priority on

repayments to the General Fund. Further details for these recommended administrative expenditures are as follows:

1. Increased staff capacity for program administrative close-out and project delivery:

On January 31, 2024, the Bureau of Engineering submitted letters to the Honorable Mayor Bass requesting authority to hire both Mr. Allan Kawaguchi and Mr. Neil Drucker under 120-day contracts in the current fiscal year. The Bureau of Engineering indicated that they had been in conversation with both former employees and that both were willing to return to service.

The Proposition K Program staff currently consists of approximately 3-4 dedicated staff members. The utilization of available administrative funding to provide additional resources in these final program years is crucial to meeting the ballot measure mandates for completion.

- Mr. Allan Kawaguchi retired in 2020 after serving as a Principal Civil Engineer leading the Homeless Facilities work in BOE. Mr. Kawaguchi also managed Bond Programs responsible for delivering Police and Fire facilities valued at hundreds of millions of dollars and would be primarily responsible for utilizing his specialized project and construction management experience and City contract knowledge to complete the development of the Design-Bid package for the Slauson Connect Recreation Center.
- Mr. Neil Drucker retired in 2020 after serving as the Proposition K program manager for over 20 years, managing a team of 15-20 staff to complete the design and construction of specified projects and the bid, award, and maintenance of the competitive RFP process. Mr. Drucker's institutional knowledge would be invaluable to BOE in preparing closeout documentation for past completed specified and competitive projects, as well as assisting with the plan to complete the remaining projects.

2. Increased reimbursements to the General Fund in the current and remaining years of the program:

The allocation of 3% of funding for administrative reimbursements has remained constant over the previous twenty-six (26) years of the Proposition K program, but the cost to the City for running the program have not. Each year the General Fund pays a larger proportion of salary costs associated with the Proposition K program than before. It is therefore appropriate to allocate a percentage of the available funds for the purpose of General Fund reimbursement for this purpose.

3. Funding for final program reconciliation:

With the Proposition K program coming to a close, there will be a greater number of administrative hours spent on project and program close-out and reconciliation activities. It is anticipated that there may be requests for information as the program comes to a conclusion, up to or inclusive of a programmatic audit. Additionally, City leadership may choose to celebrate the successful conclusion of the program with the citizens of Los Angeles and may require administrative support to do so.

4. Contingency for unforeseen administrative circumstances:

As with construction projects, there may be unexpected or unforeseen circumstances that arise in the final administration of the Proposition K project. It is therefore recommended that a percentage of the administration funds be held in reserve as a contingency factor. It is additionally recommended that any future residual funds be held within this category pending allocation.

Funding reprogramming recommendations and amounts are shown in the attached spreadsheet. Additional reprogramming may be required and will be addressed as necessary in subsequent annual assessment reports which are subject to Council approval.

FISCAL IMPACT

There is no additional impact to the General Fund as the funding commitments recommended through the report recommendations are funded by Special Fund monies.

CITY FINANCIAL POLICIES STATEMENT

The actions recommended in this report comply with the City's Financial Policies.

Attachment

Proposition K Administrative Funding Recommendations
Categories and Expenditures

FUNDING CATEGORY	FUNDING AUTHORITY	2023-24	2024-25	2025-26	2026-27	FUTURE
INCREASED STAFFING CAPACITY - 120-DAY CONTRACTS BOE Request for two 120-Day contracts in FY 2023-24; possible repeat in 2024-25.	\$300,000	\$172,000	\$128,000			
REIMBURSEMENT TO THE GENERAL FUND Departments: BOE, PW Accounting, CAO, CLA	\$110,000	\$36,666	\$36,667	\$36,667		
FINAL PROGRAM RECONCILIATION	\$55,000			\$27,500	\$27,500	
CONTINGENCY RESERVE	\$85,000					\$85,000
Total	\$550,000	\$208,666	\$164,667	\$64,167	\$27,500	\$85,000