

CITY OF LOS ANGELES

INTER-DEPARTMENTAL MEMORANDUM

Date: August 26, 2025

To: Street and Transportation Projects Oversight Committee

Carlos Rios

From: Carlos Rios, Principal Transportation Engineer
Bureau of Capital Projects
Department of Transportation

Subject: **Sustainability of the Transportation Grant Fund**

SUMMARY

The Los Angeles Department of Transportation (LADOT) manages the Transportation Grant Fund (TGF) to front fund transportation grant projects. This report addresses the long term sustainability of the TGF and provides alternatives to keep the TGF a viable front funding source for transportation grant-funded projects going forward.

RECOMMENDATION

Note and File, inasmuch as this is for information purposes only.

BACKGROUND

The Transportation Grant Fund (TGF) is managed by LADOT and provides capital front-funding for projects that are awarded transportation grant funding. Since the inception of the TGF, the amount of competitive grant funding opportunities has grown exponentially to include various other competitive external funding programs. The demands of the TGF have grown accordingly as depicted in Exhibit 1, and as a result, there are growing concerns about the liquidity of TGF to sustain payments for contract/vendor obligations.

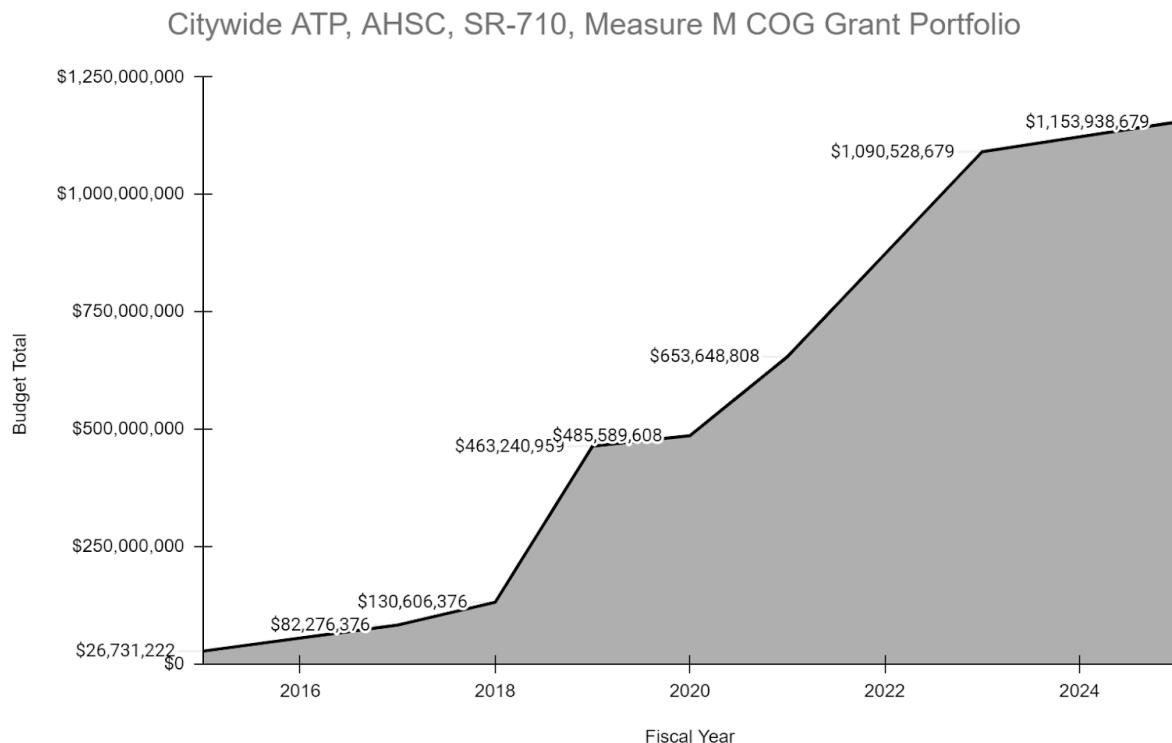
DISCUSSION

The TGF was established in the late 1990s and managed wholly by LADOT to provide front funding for transportation grant projects managed by LADOT, the Bureau of Engineering (BOE), the Bureau of Street Services (BSS) and the Bureau of Street Lighting (BSL) as a revolving fund. The revolving feature of this fund allows the City to make contractor/vendor payments, and provides time to receive reimbursements from the grantors, which then subsequently fund additional project expenditures in the pipeline.

The original intent of the TGF was to provide front funding for the Metro Call for Projects (Metro CFP) Work Program in the Mid 1990's, but has since expanded its usage to front fund other transportation grant programs, including but not limited to: federal and state earmarks, Active Transportation Program (ATP), Highway Safety Improvement Program (HSIP), Measure M Subregional Grants, SR-710 Mobility Investment Program (MIP), and most recently the transportation elements of the Affordable Housing and Sustainable Communities (AHSC) program. The City's grant portfolio has experienced exponential growth without an

increase to LADOT accounting staff to reflect the support required, and without additional cash infusion into the TGF. The following graph (Exhibit 1) represents the recent trend and total budget of a list of impactful grants that weighs heavily on the TGF.

Exhibit 1



LADOT Accounting currently bears the majority of the administrative burden to provide contractor/vendor payments and grant billing support for projects that utilize the TGF, resulting in having to support several Departments citywide. The BSS also supports grant billings to supplement LADOT's accounting resources. The overall health of the TGF is dependent on staff's ability to bill the grantor for reimbursement on a timely basis. LADOT Accounting staff is currently experiencing an 80% vacancy rate, and it has been historically difficult to backfill and retain staff due to the high complexity of the varying grant programs, and the need for significant interdepartmental coordination. Among the 10 position authorities allotted to the LADOT Accounting section in support of the TGF, only 2 positions are currently filled with one Principal Accountant and one Senior Accountant II. The vacancy rate in this group has averaged 50% in the past 5 years. LADOT's Accounting staff's goal is to submit a grant reimbursement request every 3 months to replenish the TGF with grant receivables, so the fund can continue to remit payment for future obligations. With the high vacancy rate and complex grant billing requirements, a 3 month billing regimen is not achievable and has resulted in a more realistic 10-12 month billing cycle. This expanded cycle has increased the risk factor of not generating enough reimbursements to revolve the funding to meet the TGF's other obligations.

The TGF currently has \$882 million in unspent/appropriated commitments. The forthcoming TGF appropriation request for FY2025-26 will add approximately \$73 million to the unspent commitment for a total of \$955 million in obligations. The TGF cash balance currently has approximately \$55 million in reserves, consisting of a combination of Prop C, Measure R and Measure M funds. There has been no infusion of cash into the TGF since 2014. The cash balance has historically fluctuated between \$50 million and \$70 million

over the past few years. Project delays have provided some relief to the TGF in that large remittances have not fully materialized as anticipated, but only delayed the inevitable as these large capital projects that have been delayed will ultimately move into construction. With the increased volume and value of recent transportation grant projects, a reimbursement cycle of 10 to 12 months, and a high vacancy rate of TGF accountants, LADOT anticipates the TGF is only sustainable until the Fall of 2026.

LADOT performed various scenarios with varying reimbursement cycles to demonstrate the need to increase the billing frequency if the TGF is to remain sustainable. The data used to perform this analysis comes from the project implementation budgets and schedules as reflected in the BOE's Uniform Project Reporting System (UPRS). Staff used the projected begin and end dates of phases of the project that require TGF support, as reflected in the UPRS system for contractor/vendor payment schedules, and applied grant reimbursement billing cycles. See summary below on the scenarios conducted and sustainability of the TGF:

Billing Frequency	Date TGF balance approaches \$0
Every 3 months (Ideal)	Summer 2027 with a quick recovery into positive territory
Every 6 months (Goal)	Winter 2026
Every 10 to 12 months (Currently))	Fall 2026

The sustainability reflects staff's frequency of billings. Historically, project schedules are adjusted due to delays resulting from various project management complexities, which has resulted in delayed expenditures, thereby not necessitating the shortest billing cycle to maintain the necessary cash balance levels. The level of knowledge and training to bring staff up to speed is resource intensive for the remaining staff already fully tasked with day to day operational duties. Provision of additional authorities to LADOT to fill Accounting staff will not resolve the retention problem.

ALTERNATIVES

In order for LADOT to continue to properly manage the TGF, not expose any project obligations, and reduce the risk of defaulting in grant reimbursements, the following alternatives are being provided for consideration to support the sustainability of the TGF:

- Require partnering departments that use the TGF to provide supplemental staff for grant support to manage regular billings for their respective projects
- Require partnering departments to provide their own front funding sources and manage their own programs/projects
- Request the City to provide additional cash infusion into the TGF (exact amount to be determined)
- Backfill LADOT Accounting vacancies with candidates through the Expedited Transfer Process (ETP)
- Explore retention strategies for Accounting staff who oversee and work on TGF related projects/programs.

CONCLUSION

LADOT will work with all affected City departments to identify any available staffing support and identify alternate funding sources to front fund grant projects, while continuing to work with the City Administrative Office (CAO) to identify additional funding to be infused into the TGF.

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