


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0640-01399-0028

Date: January 26, 2010

To: Budget and Finance Committee

From: Miguel Santana, City Administrative Officer 

Subject: **REPONSE TO QUESTIONS REGARDING THE 2009-10 SECOND CONSTRUCTION PROJECTS REPORT (C.F. 09-2535-S1)**

Your Committee requested that we provide additional information relative to several issues presented in the Second Construction Projects Report (CPR), which was approved in your Committee on January 11, 2010. Our Office is providing the following response to your questions and requests.

1. Where are we with MICLA?

Our Office is in the final stages of drafting a comprehensive report to the Council on the status of MICLA-funded capital projects. We hope to release the report in the next several weeks. Though the Mayor and Council have already taken actions to defer a number of MICLA projects, the report will note that the City's worsening financial condition will require additional actions. The upcoming report will include a recommendation to defer all authorized MICLA projects not yet in construction so that our debt capacity can be reserved for emergencies. In addition, this report will point out that MICLA debt service is at 4.93% of General Fund revenue.

2. Can the cash flow requirements of the four L.A. River and Park projects included in the report be revisited to reduce the repayment timeline?

The original analysis of the cash flow needs for these projects was based on a six month reimbursement schedule. If that schedule is changed to a five month reimbursement, the requested funding could be reduced from \$3.7 million to \$3 million. We recommend this change.

The four projects proposed to be cash flowed by \$3.7 million in Public Works Trust Fund (PWTF) monies will be constructed concurrently. As the projects near completion, there is a diminished need for cash flow beginning December 2011. At that time, approximately \$2 million could be returned to the PWTF. Since project completion and close-out will continue through 2012, \$1 million should be retained in the new cash flow account for these activities. We recommend the early repayment of \$2 million in December 2011. Additional information on the project scopes and timelines is included in Attachment No. 1.

3. What is current status of the Public Works Trust Fund?

The Board of Public Works indicates that as of January 14, 2010, the Fund had deposits totaling \$69.4 million. Of this amount \$30.1 million is loaned out and \$0.7 million is restricted for special projects, leaving a cash balance of \$38.6 million. Appropriation and encumbrances for active projects total \$2.9 million, while reservation for working capital requirements is maintained at \$15 million. The working capital reservation is for transferring earned revenue to the General Fund, expending for projects funded by the deposits, and

making refunds. The appropriated and working capital amounts further reduced the cash balance to \$20.7 million. Loan reservations to front fund certain projects total \$9.7 million, which includes the \$3.7 million front funding request covered under C.F. 09-2535-S1 and \$6.0 million front funding requests for four projects currently being discussed that will be presented for Council approval. After the loan reservations, the cash balance of the Fund is \$11 million.

With the cash balance reduced to \$11 million, the Fund will not be able to provide a short-term loan to the General Fund at the same level as in the past. The most recent General Fund short term borrowing, which was fully paid, was \$15 million.

4. What is the General Fund impact of the projects listed in the Second CPR?

Your Committee also requested that we report on the General Fund impact of projects in the Second CPR. Most of the projects receiving funding in this CPR are existing facilities; therefore, there will be no additional impact on the General Fund for those projects as noted in Attachment No. 2. There will be a General Fund impact for the four RAP projects included in Attachment No. 2; however, specific amounts for each project needs to be developed. We did not have sufficient time to obtain this data before the report was scheduled for Council approval. As a reference, based on RAP's 2010-11 budget request, over \$3.5 million in operation and maintenance funds will be needed for 31 projects. In accordance with the instructions from your Committee, we will report on the General Fund impact of projects in all future CPRs.

RECOMMENDATIONS:

Delete Recommendation Nos. 16 through 18 in the Second Construction Projects Report and replace with the following:

R16. Authorize the transfer of \$2,000,000 million from the Subventions and Grant Fund No. 305, Department 50, N. Atwater Park Expansion account, from originating Public Works Trust Fund loan C.F. 09-1150, to the newly established cash flow account;

R17. Authorize the transfer of \$1,000,000 million from the Subventions and Grant Fund No. 305, Department 50, Sunnynook River Park Account, from originating Public Works Trust Fund loan C.F. 07-3723-S2, to the newly established cash flow account;

R18. Instruct the Department of Public Works to repay the \$2,000,000 loan from the Public Works Trust Fund no later than December 2011, and to repay the balance of \$1,000,000 upon receipt of grant reimbursements at the completion of the projects.

FACT SHEET ON L.A. RIVER AND PARK PROJECTS

1) Sunnynook River Park Project:

Project Budget 1.7 million, (\$1.35M from Prop 84, and \$350,000 from Environmental Enhancement and Mitigation Program)

Amount Cash flowed through the PWTF \$1.7

Bid and Award 4/10

Cash flow needed 11/10

2) Peck Park Canyon Enhancement Project:

Project Budget \$8.2 million (\$1.4 M from Prop 50, and \$120,000 from Recreational Trails)

Amount Cash flowed through PWTF \$1.52 million

Bid and Award 1/10

Cash flow needed 3/11

3) North Atwater Park River Vista Expansion Project:

Project Budget \$6 million (\$2 M from Prop 50)

Amount Cash flowed through PWTF \$2 million

Bid and Award 4/10

Cash flow needed 11/10

4) Los Angeles River Parkway Project:

Project Budget \$2.7 million (\$1.98 from Prop 50)

Amount Cash flowed through PWTF \$1.98 million

Bid and Award 4/10

Cash flow needed 5/10

The cumulative total budget for the four projects is \$18.6 million. Of this, \$7.2 million is provided by several State grants: Proposition 50, Proposition 84 and the Recreational Trails Grants. These sources require the City to provide cash flow in advance of receiving reimbursement for completed work. A review of the project schedules and the cash flow needs of these four projects revealed that the \$3 million loan from the PWTF would be sufficient to cash flow all four projects if the reimbursement scheduled is changed to five months.

Loan reservations from the Public Works Trust Fund were previously allocated to the Sunnynook River Park Project in the amount of \$1.7 million and to the North Atwater Park River Vista Expansion Project in the amount of \$2 million (C.F. 07 3723-S2 and C.F. 09-1150 respectively). The action recommended in the Second CPR expands the use of these funds by using them on a revolving basis for all four projects.

2009-2010 2nd Construction Project Report				
Follow-up to Budget and Finance Committee Questions re: C.F. 09-2535-S1				
Operations and Maintenance (O&M) Costs Relative to 2nd CPR Projects				
		2009-10 2nd CPR Appropriation	Operations and Maintenance (O&M) Cost	Comments
1	CONSTRUCTION PROJECTS SECTION			
1A	Alterations and Improvements - Changes to the 2008-09 Approved List of Projects - DOT Central Yard	\$145,000	N/A	Existing facility
1B	Bureau of Street Services - Hoover Retaining Wall - Phase II	145,000	N/A	Existing structure
1C	Community Redevelopment Agency - Asset Management and Construction Services	594,001	N/A	Various existing facilities and improvements
1D	Eagle Rock Street Services - Asbestos Abatement	12,352	N/A	Existing facility
1E	General Services Department - Asset Management Residential Properties	53,000	N/A	Existing facilities
1F	L.A. For Kids:			
	Reprogramming of Recreational and Cultural Facilities Project Funding Residuals	5,578,341	TBD	Request to move funds; O&M TBD
	Campo de Cahuenga Project	80,000	N/A	Existing recreational facility
	DeLongpre Park - Outdoor Improvement Project	70,087	TBD	Existing recreational facility; O&M TBD
	Sepulveda Basin Community Gardens Restroom Project	400,000	TBD	Existing recreational facility; O&M TBD
1G	Los Angeles Police Department - Construction Projects			
	Ahmanson Recruit Training Center	68,013	N/A	Existing facility
	Piper Technical Center Freezers - DNA Storage Facility	20,500	N/A	Existing equipment
	Various Police Stations	44,500	N/A	Existing facilities
1H	Police Administration Building (New Parker Center - PAB) Project			
	PAB - City Staff Costs		N/A	Request to pay staff; no impact on O&M
	PAB - City Staff Cost Reimbursement	792,201	N/A	Request to pay staff; no impact on O&M
	PAB - Post-Construction Work - Hot Water System	20,000	N/A	Existing facility
	PAB - Post-Construction Work - Paver Tiles Replacement	50,000	N/A	Existing facility
2	BOND PROJECTS SECTION			
2A	Proposition F - Fire and Animal Facilities - Staff Cost Reimbursement	3,173,012	N/A	Request to pay staff; no impact on O&M
2B	Proposition G - Seismic Bond Program - Staff Cost Reimbursement	4,234,582	N/A	Request to pay staff; no impact on O&M
2C	Proposition Q - Citywide Public Safety Bond Program			
	Fire Facilities Renovation Program	200,000	N/A	Existing Facilities
	Staff Cost Reimbursement	2,338,611	N/A	Request to pay staff; no impact on O&M
2D	Proposition DD - Library Bond Program - Staff Cost Reimbursement	535,285	N/A	Request to pay staff; no impact on O&M
2E	Proposition 50 Grant - Revolving Cash Flow Loan			
	Peck Park and Los Angeles River Parkway Projects	3,700,000	TBD	Loan request; Future O&M costs TBD
TOTAL		\$22,254,485		