SUMMARY

As directed by the Budget and Finance Committee on Monday, March 2, 2020, Attachment A, the proposed Capital and Technology Improvement Policy for the City of Los Angeles, has been amended to include an annual minimum target of 1.5 percent of the General Fund revenue for new capital projects, maintenance of existing assets, and information technology (IT).

RECOMMENDATIONS

That the City Council, subject to the approval of the Mayor:

1. Adopt the attached Capital and Technology Improvement Policy for the City of Los Angeles (Attachment A), which will replace the existing Capital Improvement Expenditure Program Funding Policy adopted as part of the City's Financial Policies in April 2005 (C.F. 04-1822-S3);

2. Approve the new minimum target of annual investment at one-and-a-half percent (1.5 percent) of the General Fund revenue starting in Fiscal Year 2021-22. This annual investment may be adjusted periodically as additional metrics, including the return on the City's investment, become available and allocated to:
   - capital maintenance and repair of the City's existing assets;
   - information technology (IT) projects; and
   - new capital projects.

3. Authorize the City Administrative Officer to develop and implement procedures based on the approved policy; and

4. Request the City Attorney, with the assistance of the City Administrative Officer, to prepare and present to the Council and Mayor, any necessary ordinances required to codify the Capital and Technology Improvement Policy within the City's Financial Policies for the City of Los Angeles.

Attachment:
- Attachment A: Proposed Capital and Technology Improvement Policy
CAPITAL AND TECHNOLOGY IMPROVEMENT POLICY

INTRODUCTION

The City of Los Angeles is responsible for the planning, development, acquisition, construction, and maintenance of critical capital and technology infrastructure that ensures the health, safety, and well-being of its residents. The City's investment in these assets and infrastructure is essential to promote and improve its ongoing economic development and vitality.

Pursuant to the Administrative Code, Chapter 3, Article 1, the City Administrative Officer (CAO) is responsible for developing an Annual Capital Improvement Expenditure Program. The City will use the development of its annual program as the basis for an enhanced, coordinated approach on infrastructure planning that includes technology infrastructure projects. The revised approach will be known as the annual Capital and Technology Improvement Expenditure Program (CTIEP) and will be incorporated into the annual City budget development process.

Furthermore, in order to make sound and informed decisions regarding projects with costs that span multiple years, the City will quantify and capture, to the extent possible, project costs over a five-year term. This information will be presented as a five-year Capital and Technology Improvement Plan (CTIP) that will be updated on an annual basis, incorporating the approved projects within the annual CTIEP, with year one of the five-year CTIP to correspond with the annual CTIEP.

OBJECTIVE

This policy creates the framework to:

- Enable elected officials and City departments to submit capital and technology funding requests in a systematic and transparent process;
- Determine annual appropriations based on prioritization criteria;
- Establish a governance structure for the purpose of overseeing project progress, and for the approval of interim funding requests; and,
- Collect data and measure the effectiveness of this policy and its impact on the City's capital and technology infrastructure.
POLICIES

1. Annual Plan Updates

1.1 The CAO will submit the proposed annual CTIEP for funding or other consideration in conjunction with the Mayor's Proposed Budget. The Mayor and Council's approval of the budget and concurrent approval of the annual CTIEP will provide appropriations to the approved individual projects for one fiscal year.

1.2 The adopted annual CTIEP will list the capital projects approved by the Mayor and Council for funding and, combined with projects receiving grant awards, will represent the projects within the first year of the updated five-year CTIP.

1.3 Each year, the five-year CTIP will be updated and released after the annual CTIEP has been approved. The information contained in the five-year CTIP will include project descriptions, total cost estimates, project costs over the next five years based upon the construction and implementation schedule, potential funding sources for the project, and project ranking based on the prioritization criteria.

2. Annual Investment

2.1 The City shall, to the extent feasible, invest an annual minimum target of 1.5 percent of the General Fund revenue for new capital projects, maintenance of its existing assets, and information technology (IT) improvements in annual amounts consistent with the policies adopted by Mayor and Council.

2.2 The percentage will be adjusted periodically as additional metrics, including the rate of return on the City's investment, become available to assess the effectiveness of the capital and technology improvement program. The ultimate goal is to develop an outcome driven investment measure. The CAO will develop procedures based on this Policy that will be amended as needed to facilitate the annual funding request process.

2.3 Capital and technology improvement as used in this policy is inclusive of all aspects of the City's municipal facilities, physical plant and major information technology (IT) infrastructure and systems. These are further described in Section 8 - Capital and Technology Element Descriptions of this Policy.

3. Project Identification Process

3.1 The City shall identify projects for funding on an annual basis through a systemic and transparent process that is consistent with the City's annual budget development process and that reflects the prioritization criteria detailed in Section 4 - Project Prioritization Criteria of this Policy. The annual process is as follows:
A. **Funding Requests for Ongoing Projects**

- July: The CAO will release the annual funding request solicitation for ongoing projects and provide instructions and deadlines to Council offices and departments for the submission of these requests.

B. **Funding Requests for New Projects**

- September - October: The Mayor’s Budget Letter and subsequent CAO budget instructions will provide departments with an opportunity to submit funding requests for new capital improvement and technology projects.*

C. **Review and Determination Schedule for Ongoing and New Projects**

- July - December: Funding requests for ongoing and/or new projects must be submitted with all required documents with necessary approvals from governing boards or commissions by the established deadlines to the CAO.*

- August - March: The CAO will assess requests for capital and technology improvement projects in accordance with the prioritization criteria.

- February – March: The CAO provides annual funding recommendations to the Mayor for consideration in the Proposed Budget.

- April: The Mayor submits the Proposed Budget to Council, including a proposed annual CTIEP.**

- April - May: The City Council will consider the proposed annual CTIEP as part of its consideration of the Proposed Budget.

- May - June: The Mayor and Council adopt the City Budget, which includes the Capital and Technology Improvement Expenditure Program.

- July - August: The Five-year CTIP is updated to reflect the adopted CTIEP and incorporate comments from Mayor and Council.

* The steps leading up to the release of the Proposed Budget are subject to change based on when the Mayor’s Budget Policy Letter is released except for dates established by the Charter.

** April 20th is the Charter deadline for the Mayor to submit the Proposed Budget to the Council.

3.2 The Oversight Committees, described in Section 7 - Project Management and Governance of this Policy, will review project progress and consider and
recommend interim changes and/or additions to the approved annual program, which will be subject to Mayor and Council approval.

3.3 The CAO will assess expenditures and report to the Oversight Committees on any necessary reprogramming actions to address funding needs for critical, emergent projects and for delayed or accelerated projects previously authorized.

4. Project Prioritization Criteria

4.1 Primary Criteria: All project funding requests will be reviewed and recommended for funding in accordance with the following primary criteria:

A. Risk to Health and Safety
   1. Project avoids or minimizes the risk to health, safety, climate concerns and seismic risk associated with the infrastructure based on condition assessment of the asset, or the lack of an asset, that may include the age, size, material, capacity, and history of failure of the infrastructure.
   2. Project is urgent and necessary to reduce potential hazards to the public, property and environment.
   3. Project has the potential to reduce health and safety hazards.

B. Compliance with Legal, Regulatory, or other policy Mandated Requirements
   1. Project is required by regulatory requirements (project specific or programmatic - e.g. General Permit Compliance or State and Federal regulations).
   2. Project is required to comply with court orders and settlements.
   3. Project complies with General Plan, Community Plan, Regional Transportation Plan, Sustainability Plan, Resiliency Plan, and/or other approved City-wide master plans.

C. Resilience and Sustainability
   1. Project improves the health of the community and natural environment through sustainable designs with improved water resources and regional air quality and reduced greenhouse gas emission that contributes to climate change, open space and land for preservation, habitat protection and biological diversity, and enhanced urban runoff management.
   2. Project facilitates multiple transportation options (including walk-ability, bicycles, and public transportation) and reduces the need for auto-dependency.
3. Project promotes infill development, where appropriate.

4. Project incorporates design that meets or exceeds recognized Federal and State standards in the field of energy efficiency, such as State of California Title 24 Energy Efficiency Standards, or LEED building standards.

5. Project results in greener neighborhoods and reduces or avoids the potential public exposure to pollutants, contamination and other hazards to public health and environment.

D. Impact to City Operations, Asset Condition, Annual Recurring Costs and Asset Longevity

1. Project is necessary to meet basic level of service needs.

2. Project avoids potential infrastructure failure.

3. Project minimizes maintenance needs by improving infrastructure and/or reducing future costs.

4. Project delay would create significant future costs, or negative community impacts.

E. Equitable Community Investment and Economic Sustainability

1. Project contributes toward economic development and revitalization efforts.

2. Project will benefit underserved communities including those with low-income households, low community engagement and low mobility or access to transportation systems.

3. Project benefits communities that have the highest population served per acre.

4.2 Secondary Criteria: Projects meeting the primary criteria will be assessed against the secondary criteria to reach a final recommendation.

A. Project Readiness

1. Project is ready to enter the phase corresponding to the funding requested (e.g., a design-build project with a completed environmental document will rank higher than a design-build project without a complete environmental document).

2. Project shall be ranked based upon the delivery method. Projects that can be delivered most expeditiously shall be preferred.
B. **Funding Availability**

1. Project that has higher leveraging of City funds against external funds (grant funds or cost sharing from outside entities) will receive greater priority.

2. Project rank is increased based on assessment of the amount of funding needed to complete the current project phase and the entire project.

C. **Multiple Category Benefit and Bundling Opportunities**

1. Project reduces construction costs and community disruption by potentially bundling with adjacent projects.

2. Project provides for partnering or bundling opportunities with other local, state, or federal agencies (e.g., leverages shared resources).

3. Completion of project sooner may provide significant financial benefits.

5. **Cost Estimates**

5.1 Cost estimating is an iterative process that should be done at significant milestones during the development of capital and technology improvement projects. Cost estimating should develop a greater degree of detail and accuracy at each milestone and provide a major budgetary control mechanism on every project.

5.2 For purposes of initial scoping, preliminary cost estimates may be based on industry standards or existing practices.

5.3 Once a project has been funded through the annual CTIEP, cost estimates should be prepared after each applicable phase, such as space planning, preliminary design, conceptual design, final design (just prior to bid initiation), and on change orders during construction or implementation.

5.4 Cost estimates should be as complete as possible based on the information available at milestones and should address such areas as CEQA or NEPA compliance, land acquisition, grant funding requirements, design, construction, furniture, fixtures and equipment (FF&E), software and hardware, contingency funding, costs associated with staffing, maintenance and other additional incremental costs that may be incurred once the project is complete.

6. **Funding Requirements**

6.1 Total requested funding should identify the total amount needed to complete the project, potential sources of funding including any applicable restrictions, options for phased implementation, and a timeline with milestones and the corresponding funding needed to accomplish each milestone.
6.2 The funding requirement should include the estimated amount needed to fund ongoing maintenance, programming, and operating needs of the project.

7. Project Management and Governance

7.1 The project manager is accountable to the user department, Mayor, City Council, and the Oversight Committees, as applicable, for cost control, progress, and timely completion of the project.

7.2 Oversight Committees established by the voters or by the Mayor and Council to oversee voter-approved construction programs will continue to provide administrative oversight of their respective projects as applicable.

7.3 The Municipal Facilities Committee (MFC), chaired by the CAO, with the Chief Legislative Analyst and the Mayor’s Office, or designee, as members, will be responsible for the municipal facilities component of the Capital and Technology Improvement Plan. The Municipal Facilities Committee is responsible for the following:

- Assess project progress and report to the Mayor and Council on any adjustments to project schedule or funding requirements;

- Review maintenance and replacement schedules to ensure that municipal facility assets produce the longest, most cost effective life cycle; and,

- Work with the Physical Plant oversight committees and the Information Technology Oversight Committee, as applicable, to periodically review and revise, subject to Mayor and Council approval, the Capital and Technology Improvement Policy to ensure that the City’s needs are addressed in a comprehensive manner.

7.4 Information Technology Oversight Committee (ITOC), chaired by the CAO, with the Mayor or designee, and the Chief Legislative Analyst as members, is responsible for the oversight, as needed, of the information technology component of the Capital and Technology Improvement Plan. The ITOC is responsible for the following on an as-needed basis:

- Assess project progress and report to the Mayor and Council on adjustments to project schedule or funding requirements;

- Review maintenance and replacement schedules to ensure that information technology assets produce the longest and most cost-effective lifespan while maintaining relevance and providing benefit to the City in the frequently changing world of technology; and,
- Work with the MFC and the Physical Plant oversight committees, as applicable, to periodically review and revise, subject to Mayor and Council approval, the Capital and Technology Improvement Policy to ensure that the City's needs are addressed in a comprehensive manner.

7.5 The Physical Plant management oversight structure is comprised of several oversight committees and working groups that are created to provide oversight to their respective infrastructure asset classes. This approach allows for a focused discussion and evaluation of projects by asset class which have different characteristics and funding streams. These committees or working groups include the following:

- **Street and Transportation Projects Oversight Committee (STPOC)** – Established by the Council and Mayor during the Adoption of the 2011-12 Budget. Chaired by the City Administrative Officer, with the Mayor or designee and the Chief Legislative Analyst as members, is responsible for the street and transportation component of the Capital and Technology Improvement Plan.

- **Proposition O Administrative Oversight Committee (AOC) and Citizens Advisory Oversight Committee (COAC)** – Established by voter approval of Proposition O. The AOC is chaired by the City Administrative Officer, with the Mayor or designee, Chief Legislative Analyst, the Board of Public Works, and the Department of Water and Power as members. The COAC consists of nine experts in clean water appointed by the Council President and the Mayor. Both the AOC and COAC are responsible for water quality benefit projects that are funded by Proposition O (Prop O). This governance structure may potentially evolve into a more general oversight role for over $7 billion worth of stormwater quality projects funded from other sources of funds. These projects will be similar in scope to projects implemented under Prop O.

- **Measure W** – Approved in 2018, is a County-wide parcel tax to support stormwater-related projects and activities. The City is in the process of establishing a governance structure that will be incorporated by reference as part of this policy (C.F. 18-0384-S1).

- **Working Groups** – The lead department(s) and/or the Mayor's Office may establish program/project specific working groups to monitor progress. These working groups advise the Mayor and Council on critical programmatic and/or budgetary issues.

7.7 The Physical Plant management oversight committees and working groups are responsible for making recommendations to the Mayor and Council. These committees are responsible for the following:
Review progress of projects, identify obstacles to project completion and recommend adjustments to facilitate timely project completion;

Provide reports and recommendations to the Mayor and Council on the priorities of physical plant projects for funding, acquisition, and construction;

Review maintenance and replacement schedules to ensure that physical plant assets achieve the maximum useful life;

Establish funding protocols for its respective projects; and

Work with the MFC and ITOC, as applicable, to periodically review and revise, subject to Mayor and Council approval, the Capital and Technology Improvement Policy to ensure that the City's needs are addressed in a comprehensive manner.

8. Capital and Technology Element Descriptions

8.1 The Capital and Technology Improvement Plan will include all elements of municipal facilities, physical plant, and major information technology infrastructure and systems.

8.2 The Municipal Facilities elements include:

- Administrative Quarters: Includes office buildings such as City Hall, City Hall East, and City Hall South.

- Recreational and Cultural Facilities: Includes zoos, parks, pools, recreation centers, senior citizens centers, boxing gyms, junior arts centers, and youth art centers.

- Library Infrastructure: Includes regional and local libraries when not under the exclusive control of that department.

- Public Safety Infrastructure: Includes all fire and police facilities, and both regional and local animal shelters.

- Off-site Infrastructure: Includes yards and shops that support the various departments.

8.3 The Physical Plant elements include:

- Stormwater Projects: Storm drain projects, water quality improvement projects, projects funded by the Proposition O Clean Water Bond, pipelines, sewer treatment facilities, and sewer pipes.
- Street Projects: Includes highways, streets, bikeways, sidewalks, busways, bridges, tunnels, bus pads, median islands, signs, street furniture, slope failures, stairwells, bike paths (not adjacent to streets), trees, signals (and other traffic controls), and green street infrastructure.

- Street Lighting Projects: Street lighting safety improvement projects, tunnel and bridge lighting projects, stairway and walkway lighting, and energy-saving conversion projects.

- Transportation Projects: Includes rail, bicycle and pedestrian projects.

8.4 Information Technology infrastructure and systems elements include:

- Citywide Infrastructure: Includes core technical infrastructure, such as radio towers, network equipment, servers, storage systems, backup and recovery systems, licensing for citywide services, security/disaster recovery hardware and software, ecommerce, database platform, fiber optic infrastructure, citywide broadband, and specialty equipment.

- Major Projects and System Replacements: Includes upgrades or replacement of major technology systems, such as the Asset Management System (AiM). The scope of the systems either benefit the entire City or support large departmental operations, such as public safety technology, that require significant investments in resources and time (i.e. public safety radio communication system and the Human Resources and Payroll System (HRP)).

8.5 Information Technology capital projects shall not include:

- Computer Equipment: Funding to replace, upgrade, or repair personal computers, laptops, and associated network devices as well as associated software will be considered on a case-by-case basis during the City's annual budget process.

- Minor Projects and Infrastructure Upgrades, such as Business Applications, Mobile Applications, Cloud Computing, Social Media, and Online Services: Projects with an estimated cost less than $1,000,000, unless the project is determined to have a significant citywide impact.