

PROPOSITION K:
L.A. FOR KIDS STEERING COMMITTEE
Minutes from the Special Meeting of September 28, 2023

MEMBERS: Yolanda Chavez, City Administrative Officer, Chair (CAO)
Matias Farfan, Chief Legislative Analyst (CLA)
Bernyce Hollins, Office of the Mayor (Mayor)

The meeting was called to order at 9:02 A.M.

General Public Comment, Multiple Agenda Item Comment.

Ron Bitzer offered comments on Agenda Item 4, Studio City Recreation Center.

General Public Comment, Multiple Agenda Item Comment, comment period closed.

Item 1 Minutes of the September 12, 2023 Special Meeting.

DISPOSITION Approved on consent.

Item 2 Department of Recreation and Parks (RAP) report providing a status update on Measure A Grants covering the period from January 1, 2023 through July 31, 2023 in accordance with City Council instructions. (Measure A; All CDs). Action by Committee. Direction to staff and related actions.

DISPOSITION Note and File.

Steven Tran, RAP, provided an update on the grants for playground replacements. Mr. Tran stated that all 15 projects are complete and RAP is in the closeout process. As of July 2023, seven of the grants are officially closed. The grant application for 109th Street Recreation Center Improvement project has been submitted and RAP has collaborated with BOE and the Council office to prepare the grant application for Sixth Street Viaduct Park, Arts, River, and Connectivity Improvements project. The Griffith Park Multi-trails and Venice Beach Pier Repair projects are in pre-development.

Bernyce Hollins, Mayor, requested that RAP to continue looking for options to leverage the Measure A grant funds. Ms. Hollins stated that due to shortfalls in other programs, there is a burden on the General Fund.

Matias Farfan, CLA, asked if RAP received the other six grants of the nine grant applications for capital improvement park projects that they had applied for. Mr. Tran responded that these grant applications are in the process of being reviewed and RAP anticipates receiving more grant awards in the future.

Yolanda Chavez, CAO, asked if there are any restrictions on the other funding sources that may be used as opportunities to leverage the Measure A grant funds. Mr. Tran responded that RAP is working with the Council Offices, Mayor's Office, and BOE to identify other funding sources that are appropriate for the projects, that there are a variety of funding sources available, and that the requirements of each of the funds would require additional research.

- Item 3 BOE report providing a status update on the Engine Company 23 Junior Arts Center project. (Proposition K – ID No. S78, CD 14). Action by Committee. Direction to staff and related actions.

DISPOSITION Note and File.

Ohaji Abdallah, BOE, provided a summary on the history of the fire station and explained that the historic nature of the building and funding constraints required the project to be completed in phases. Mr. Abdallah reported that Phase I, structural retrofit and upgrades to the infrastructure systems, is currently in construction. Due to the scope changes, unforeseen conditions, and historical preservation challenges, Phase I is estimated to be completed in September 2024 with a cost of approximately \$14 million. Mr. Abdallah stated that three LVNOC meetings have been conducted and the Department of Cultural Affairs (DCA) will conduct a design charrette to develop the youth art programming. The total project estimate is \$22.5 million with a \$6 million allowance for Phase II. BOE will report back with an updated estimated cost for Phase II upon completion of the schematic design phase. To expedite Phase II, BOE will be performing the design in-house.

Ms. Hollins stated that this project has been long delayed and is currently facing a lot of inflationary factors. This facility is intended to benefit a population with high needs and should be completed in a reasonable amount of time. Ms. Hollins reported that DCA anticipates the design charrette to be held in the upcoming months and asked that the project management team remain engaged and ensure that the charrette process moves forward in order to fast track implementation of the construction. There is a critical need to have projects moving into construction to avoid potential funding loss each year. Mr. Abdallah responded that BOE intends to staff the charrettes to ensure that the ideas are captured.

- Item 4 BOE report requesting approval of revised project budget and authority to re-bid the Studio City Recreation Center project located in Council District 4. (Proposition K – ID No. S12, CD 4). Action by Committee. Direction to staff and related actions.

DISPOSITION Approved with discussion.

Mr. Abdallah began his report by discussing the background, bid history, and funding status details of the project. Mr. Abdallah explained that due to the impact of the pandemic and construction material inflation factors, the project budget and construction cost have been adjusted multiple times. BOE has sought additional congressional and CTIEP funding however the escalation has been outpacing available funding for the project. Mr. Abdallah reported that the current shortfall is approximately \$2.9 million.

Ms. Hollins asked if the late revision to the report was due to an additional inflationary adjustment. Mr. Abdallah confirmed that the revision was due to a late inflationary adjustment and added that there was an error in previous reporting.

Mr. Farfan asked if it was common to disqualify bids due to non-compliance with the City's Business Inclusion Program. Mr. Abdallah responded that is it not common to disqualify bids for this reasoning because most contractors are aware of the City's process and requirements.

Mr. Farfan then asked if there was any flexibility to work with the contractors if both the bids that were submitted were disqualified. Mr. Abdallah responded that through a discussion with the City Attorney and RAP, there was no flexibility to work with the contractors based on the submitted bids.

Mr. Farfan asked about the additional costs due to the NEPA review. Mr. Abdallah explained that the congressional HUD funding required an additional environmental review that delayed the project by a year. The current construction documents have not been adjusted to include any revelations from the NEPA review.

Ms. Chavez asked if the HUD funding was an earmark. Mr. Abdallah confirmed that the funding was an earmark.

- Item 5 BOE report providing a status update on the Oakwood Junior Arts Center project. (Proposition K – ID No. S99, CD 11). Action by Committee. Direction to staff and related actions.

DISPOSITION Note and File.

Mr. Abdallah began his report with a background on the facility and a status update on the Oakwood Junior Arts Center project. DCA will lead the effort to either release a RFP for community arts related services or to staff the facilities themselves. Mr. Abdallah reported that the surplus CDBG funds of \$327,408 and available Proposition K funding of \$1,880,282 will allow BOE to address the tenant improvements. BOE will report back to the Steering Committee once GSD provides an updated cost estimate.

Ms. Hollins recommended looking into potentially leveraging additional CDBG funds if there is a funding gap at the time of the final project budget.

Ms. Chavez asked who will be responsible for determining whether the former tenants will operate the facility and if DCA will have enough room for the cultural services. Mr. Abdallah responded that due to the layout of the facility, it would be difficult for DCA to co-locate with another non-profit entity. DCA would prefer to either release a RFP for an entity to take over the entire facility or to staff the entire facility themselves.

Ms. Chavez then asked if there is a timeline on the DCA's decision on the whether to release a RFP or staff the facility. Mr. Abdallah stated he would follow up with DCA and provide an update to the Steering Committee.

Ms. Hollins added that the project is not an existing facility that is operated by DCA. Therefore, the decision to release a RFP would be tied to whether or not the department is funded for additional staff.

- Item 6 CAO report providing the Proposition K Reconciliation for Fiscal Years 1997-98 through 2026-27, including status of active projects, recommended funding adjustments, and policy considerations. Action by Committee. (Proposition K; All CDs). Direction to staff and related actions.

DISPOSITION Approved as amended.

Melinda Gejer, CAO, began the reconciliation report with a brief summary of the Proposition K, L.A. for Kids program and its requirements. Ms. Gejer stated that the program is slated to collect \$75 million in the remaining three program years and of that amount, \$29 million is obligated to the administration, maintenance, and competitive portions of the program. The \$45.9 million remaining will be for the completing the specified projects. The overall shortfall after subtracting the funding entitlement, remaining surplus funding capacity, and applying the interest accumulated, is \$66 million. Ms. Gejer added that there is anticipated residual funding once the completed projects are financially reconciled as part of the final closeout procedure. The residual funds would be reprogrammed to active projects.

Ms. Gejer reported that the General Fund reimbursement for program delivery cost would not be as robust as previously reported due to the legal mandate to complete the Proposition K specified and competitive projects. Ms. Gejer added that additional administrative funding was reconciled and can be used to reimburse the General Fund for administrative costs.

Ms. Gejer reported that four project phases were satisfied by external funding sources and that the City Attorney has advised that in order to credit the

program for satisfying the respective scope requirements, Proposition K must reimburse a portion of the incurred expenses. Therefore the Steering Committee staff will process General Fund reimbursements for the identified projects.

For competitive projects, Ms. Gejer stated that funding for rescinded projects could be reprogrammed to other competitive projects, or to increase capacity for specified spending, but only in the case that the original category has been allocated over the amount specified in the ballot measure. Ms. Gejer continued by discussing the inflation and interest award eligibility. Ms. Gejer recommended to award the available interest of \$9 million to the four projects with the largest shortfalls in order to provide maximum leverage to potential external funding sources.

Ms. Gejer completed her presentation by summarizing the contents of each attachment to the report. In Attachment 8, cost-to-complete the specified projects, Ms. Gejer explained the methodology used to calculate the inflation eligibility.

Mr. Farfan asked if the interest amount of \$9 million is what is currently available and if any future interest earnings are accounted for in the total. Ms. Gejer confirmed that the \$9 million is the current amount of interest available and stated that when the previous reconciliation was completed in 2014, that \$16 million in interest was available and awarded.

Mr. Farfan then asked if there would be an increase in the shortfall if the project phases completed by external funding sources were reimbursed by Proposition K. Ms. Gejer responded that the project management team will need to determine the costs of the each project phase. Mr. Farfan then asked if the action to reimburse the external sources would be presented to the Steering Committee in the future for approval or if the current actions of the Committee would allow for the reimbursement. Ms. Gejer responded that approval of the current report would allow for this action and will be captured in a future report on the reconciliation of completed projects, but that the reimbursements would be made from project residuals and not increase the cost-to-complete shortfall as presented. Ms. Hollins clarified that there is no set reimbursement amount for the project expenses and likely deducted from the residual funding in the specific project accounts. This will not have an effect on the capacity identified in Attachment 1.

Mr. Farfan questioned if the projects appear on multiple attachments. Ms. Gejer responded that active projects that are phased would appear on multiple attachments.

Mr. Farfan asked which attachment would provide information on any potential deficit increases over time. Ms. Gejer clarified that if a construction contract has

not yet been awarded then the estimates in Attachment 8 reflect BOE's project estimate. The longer the project takes to be awarded, the less accurate the project estimate will become. Due to the possible increases in estimated costs, Ms. Gejer suggested that the project management team report to the Steering Committee annually on the project status, estimated cost to complete, and program shortfalls for each remaining specified project prior to the start of the annual budget cycle.

Ms. Hollins asked if the net shortfall amount of \$66 million include projects that may be considered for infeasibility findings. Ms. Gejer responded that the amount does not take into consideration any remaining projects that might be considered for infeasibility findings as those decisions have not yet been made. Ms. Hollins then asked if the surplus in administration funding includes the reconciliation of the county assessor fee. Ms. Gejer confirmed the surplus of approximately \$500,000 included the county assessor fee reconciliation.

Ms. Hollis questioned if there was a methodology proposed to utilize the gap capacity of \$14 million. Ms. Hollins added that the prior reconciliation divided the capacity equally amongst the remaining future specified projects; however, there is a recent shift to address equity amongst the projects with the highest need. Ms. Gejer responded that the project management team intends to use the surplus capacity as projects are moving into the construction phase in order to be able to obligate the \$25 million in annual Proposition K funding annually. Ms. Hollins requested that the project management team discuss the use of the capacity with the City Attorney as the funds are collected citywide, but there is a need to consider an equitable approach when awarding gap funding.

Ms. Hollins requested that the project management team focus on outreach efforts to award the remaining competitive funding in the school category. If LAUSD does not intend to apply, there will be a need to reach out to private schools to ensure that the funding can be fully awarded.

Ms. Hollins asked if there are any issues regarding compliance of projects awarded to external applicants. Mr. Abdallah responded that there are no current known issues.

Ms. Hollins recommended to amend the action language in recommendation number four from award to tentative earmark of \$9.0 million in Proposition K program interest funds to prevent obligation issues as the projects will not go into construction this fiscal year.

Ms. Chavez recommended the addition of two footnotes to Attachment 8 to explain the inflation and interest eligibility and that the future Proposition K funding is included in the total funds column.

The LAFKSC Chair adjourned the Special meeting at 10:06 A.M.