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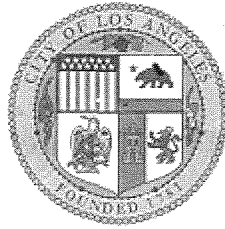
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OFFICE OF THE  
BOARD OF PUBLIC WORKS

DR. FERNANDO CAMPOS  
EXECUTIVE OFFICER

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December 15, 2021

**BPW-2021-0890**

The Honorable Mayor Garcetti  
City Hall – Room 320  
Los Angeles, CA 90012  
Attn: Heleen Ramirez

**PUBLIC WORKS TRUST FUND (NO. 834) FINANCIAL STATUS REPORT - FISCAL  
YEAR END JUNE 30, 2021**

As recommended in the accompanying report from the Executive Officer of the Board of Public Works, which this Board has adopted, the Board of Public Works (Board) recommends that the Mayor and City Council:

1. APPROVE the annual Public Works Trust Fund (PWTF) No. 834 Financial Status Report (FSR) for Fiscal Year End (FYE) June 30, 2021;
2. RECEIVE and file the PWTF FSR for FYE June 30, 2021;
3. REQUEST that the City Administrative Officer and/or City Engineer identify funds and process loan repayment during current FY 2021-22 related to the North Atwater Multimodal Bridge in the amount of \$2,079,939.90 to bring the loan balance current;
4. AUTHORIZE the reimbursement of funds from a direct appropriation from the General Fund or other alternative source(s) as determined by the CAO and/or City Engineer to the PWTF Fund 834; and
5. AUTHORIZE the Board of Public Works, Executive Officer, or designee, to make any technical or accounting updates to the recommendations above to effectuate the intent of the Mayor and City Council.

Sincerely,

DR. FERNANDO CAMPOS,  
Executive Officer, Board of Public Works

FC:ch





BPW-2021-0890

Department of Public Works  
Board of Public Works  
Executive Office and Office of Accounting


Joint Report No. 1  
Council District: ALL

December 8, 2021

Honorable Members of the Board of Public Works

ADOPTED BY THE BOARD  
PUBLIC WORKS OF THE CITY  
of Los Angeles California

DEC 15 2021  
AND REFERRED TO THE MAYOR

  
Executive Officer  
Board of Public Works  
AND REFERRED TO THE CITY COUNCIL

**FINANCIAL STATUS REPORT OF THE PUBLIC WORKS TRUST FUND (NO. 834)  
FOR FISCAL YEAR END JUNE 30, 2021**

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**SUMMARY**

The Public Works Trust Fund (Fund 834/Dept. 50) is overseen within the jurisdiction of the Board of Public Works and actively managed by a fund administrator, collector(s), and accountant. The fund primarily acts as an escrow account holding in trust developers'/permittees' deposits for various public works projects related to development projects. As of June 30, 2021, there are 41 revenue account types in the fund totaling \$140.2 million, with majority of the funds identified as deposits and some as fines and fees. As part of the City general investment pool, the fund earned \$0.6 million in interest and said interest transferred to the City's General Fund. Due to the fund's unique trust (i.e., escrow) nature and focus on public works services, loans may be authorized to other City departments/Bureaus to front-fund shovel-ready projects. As of June 30, 2021, there are 11 loans outstanding to City departments totaling \$32.1 million.

**RECOMMENDATIONS**

That the Board of Public Works, subject to the Los Angeles City Council and Mayor approval:

1. APPROVE the annual Public Works Trust Fund (PWTF) Number 834 Financial Status Report (FSR) for Fiscal Year End (FYE) June 30, 2021; and
2. FORWARD report to the Mayor and City Council requesting to receive and file the PWTF Financial Status Report for FYE June 30, 2021; and
3. REQUEST that the City Administrative Officer and/or City Engineer identify funds and process loan repayment during current FY 2021-22 related to the North Atwater Multimodal Bridge in the amount of \$2,079,939.90 to bring the loan balance current; and
4. AUTHORIZE the reimbursement of funds from a direct appropriation from the General Fund, or other alternative source(s) as determined by the CAO and/or City Engineer to the PWTF Fund 834; and

5. AUTHORIZE the Board of Public Works, Executive Officer, or designee, to make any technical or accounting updates to the recommendations above to effectuate the intent of the Mayor and City Council.

### **ATTACHMENTS**

- A. Detailed Description of Revenue Source Code (Deposit) Accounts
- B. Six Year Comparative Deposit Amounts by Account
- C. Outstanding Loans
- D. Pending Loans Balance
- E. PWTF Appropriation (Expense) Accounts
- F. Loan Status Updates from Departments
- G. PWTF Loan Pre-Approval Process

### **DISCUSSION AND ANALYSIS**

#### ***Background***

The State of California Mitigation Fee Act requires an annual reporting of potential mitigation fees on deposit, including a 5-year report. In April 2007, the Los Angeles City Council (City Council) instructed the Department of Public Works (DPW) to provide annual Financial Status Report (FSR) of the Public Works Trust Fund (PWTF), Fund No. 834, including a description of its purpose, operation, deposit nature, and loan status (CF 07-0600-S56). The PWTF annual FSR for FYE June 30, 2008 was adopted by Council on October 2, 2008 (CF 08-2355). During the Committee discussion, the Committee requested the City Attorney, working with the Chief Legislative Analyst, Board of Public Works, Controller and any other City department as necessary, to prepare an Ordinance which codifies the Public Works Trust Fund. In asking for the City Attorney to prepare the Ordinance codifying the Public Works Trust Fund, the Committee additionally requested that the Ordinance address the issue of interest bearing and non-interest bearing funds and be consistent with the City's existing Financial Policies. Subsequently, the next seven annual FSRs of the PWTF covering FYE June 30, 2009 thru June 30, 2015 were received and filed by City Council.

On January 13, 2017, the Board of Public Works (BPW) approved the annual FSR for FYE June 30, 2016, which established the ability to assess, bill, and collect interest on PWTF loans approved on or after July 1, 2017 when the loan proceeds are transferred to another Special Fund that earns interest but does not transfer earned interest to the City's General Fund. On November 22, 2017, the BPW received and filed the annual FSR for FYE June 30, 2017. In August 2018, the City Council adopted as amended both FYE June 30, 2016 and June 30, 2017 reports via the City Administrative Officer's report (CF 16-0393-S1). Subsequently, the Mayor approved both reports in September 2018. At that time, significant discussion was dedicated on the application of the State of California's Mitigation Fee Act (MFA), assessment and collection of loan interest, and fiduciary responsibility of managing funds in trust (on behalf) of developers/permittees intended for a specific purpose. The amended recommendations adopted by City Council neither concurred with the City Administrative Officer's report to not assess interest nor the BPW's report to assess interest (CF 16-0393-S1).

On May 15, 2019, the BPW received and filed the annual FSR for FY June 30, 2018. On January 29, 2020, the City Council adopted as amended said report (CF 19-1609), which approved the PWTF Nexus Study Rules and Guidelines. This FSR is also the most recent annual FSR approved by City Council and Mayor. Also included were instructions for the BPW, Executive Officer, PWTF Manager, and City Administrative Officer to report back on the development of a cash flow model and formal lending guidelines and approval process, with potential opportunity to increase the PWTF outstanding loan-to-balance ratio, in alignment with the following concepts: (a) assessment and collection of interest on PWTF loans when loan proceeds are distributed to a fund where interest earnings are retained by the said fund. (b) Continuing the existing PWTF loan approval process, including the sunset loan approval provision that would terminate a PWTF loan approval within a set time period when any loan proceeds have not been distributed for its approved purpose in order to allow other shovel-ready projects in need of temporary front funding to receive a PWTF loan and start construction. The Board of Public Works has completed its lending guidelines and approval processes and will reach out to the Office of the CAO for their input, if any. The report, will be submitted for Council adoption and approval within the next upcoming months. The delay is primarily driven by Covid priorities and focus on revenue generation from the PWTF.

On November 13, 2020, the BPW received and filed the annual FSR for FY June 30, 2019 and FY June 30, 2020. To date, the Office of the City Administrative Officer or Mayor have not forwarded its recommendation(s) to the City Council; therefore, action on the Fiscal Years 2019 and 2020 FSRs have not yet been acted on.

### ***Purpose of the PWTF***

The purpose of the PWTF is to serve as a trust fund, which operates similar to a bank or escrow account, for deposits received from various depositors (also referred to as Permittees) to be used for specified public works projects related to a development or for recovery of staff cost associated with the development project's inspections or approvals. Deposits (i.e., receipts) are received and accounted for by Permittee in each respective account type for which the receipt belongs to. Each account is classified by purpose and description, comprising of 41 account types as of June 30, 2021 as described in Attachment A.

The BPW, Office of Accounting (OOA) is responsible for ensuring that all the transactions recorded into the PWTF are properly accounted for. Proper cost accounting, along with fund receipt and expense management, is used to actively monitor and track monies intended and authorized for its specific purpose by Permit, Bond, or other unique identifier. On an interim basis, as a project is partially completed and funds are reconciled, realized expenses are transferred to the respective department's General Fund and/or Special Fund as appropriate. However, when the project is fully completed and closed, final accounting and reconciliation of the project will determine if the remaining deposit amount is either (a) sufficient to cover all expenses, (b) more than the amount expended, which then requires a refund due to the Permittee/Developer, or (c) insufficient to cover all expenses, which then requires a billing or invoice to recover cost due to the City for expenses exceeding the deposit. In the event a project is not completed, monies remaining on the permit and/or in guarantee deposit(s) for work completion may be transferred to the PWTF Special Projects Account No. 4873 to provide funding, subject to approval by the Board and City Council, for the City to complete said project or utilize the funds as a reinvestment to the

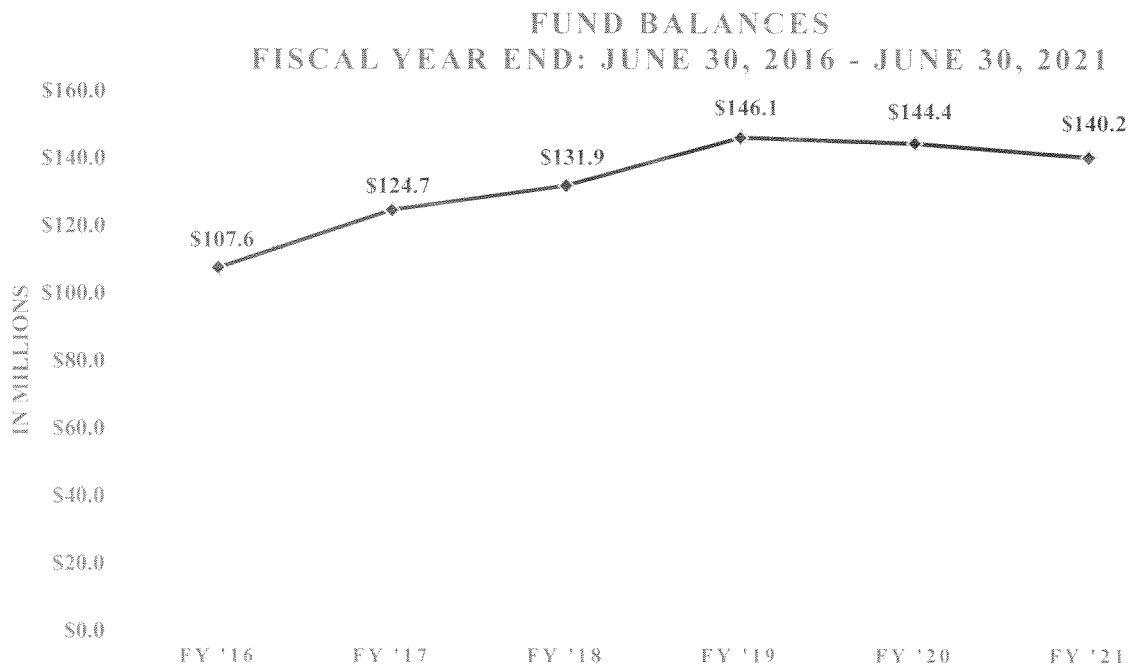
public good for the same or similar Public Works infrastructure project(s) within the Council District in which the project was not completed. The Nexus Study Rules and Guidelines were approved by Council in the FYE June 30, 2018 report (CF 19-1609).

Further, pursuant to the Los Angeles City Charter §581(f) and §582(i), the DPW is required to make a “...determination of benefits, damages and costs incident to a proposed change or improvement of any public place, right-of-way or property belonging to the City...” and that the Director of Public Works shall “...file with the board and the Mayor a written report on the work of the department on a regular basis as requested by the Mayor or board,” respectively. The latter includes the work, control, and oversight of funds in the PWTF, which is hereby transmitted to Board, Mayor, and City Council.

The BPW envisions establishing long-term fund management goals of this fund and other funds within BPW’s jurisdiction. As a precursor to this, the BPW’s Executive Officer presented in November 2018 the PWTF Mission, Vision, Values, and Goals to the Board. In short, the Mission is “To safeguard and manage all funds held in trust for its purpose of improving public works infrastructure” and the Vision is “To be the best actively managed, fiscally prudent, and responsive fund in the City of LA.”

#### ***PWTF Balance At-A-Glance***

This FSR provides the status of the PWTF as of June 30, 2021. The deposit amounts by account for the last six FYE June 30, 2016 to June 30, 2021 are provided in Attachment B and illustrated in the following graph.



***PWTF Financial Status***

As of June 30, 2021, the PWTF reflected a total accountable deposit amount of \$140.2 million. Out of this amount, \$32.1 million was loaned out to various departments/funds (Attachment C) with another \$3.6 million pending disbursement (Attachment D), \$4.0 million is appropriated, and \$10.1 million is restricted for pre- and post-1989 (pre/post-MFA) unclaimed deposits. When factoring in both disbursed and undisbursed approved loans from the PWTF through June 30, 2021, the loan to deposit ratio is 25.8% resulting in a 74.2% available balance for working capital. At any given time, it is normal practice for the Board to set aside at least 25% of the total deposits as a reserve for working capital to provide for liquidity and periodic permittee refunds. As of June 30, 2021 the financial components of the PWTF are as follows:

	<b>Balance as of June 30, 2021 (In Thousands)</b>
Total Deposits	\$ 140,200
Loans to Other Departments/Funds	( 32,124)
<b>Cash Balance</b>	<b>\$ 108,076</b>
Cash Balance Reserved for:	
Appropriations	(\$ 4,010 )
Loans for Approval/Release	( 3,220 )
Pre/Post 1989 Restricted Deposits	( 10,051 )
Restricted Deposits for BSS	( 2,037 )
Working Capital Set Aside (25% of Deposits)	( 30,497 )
Pending Transfers to General and Special Funds	( 2,117 )
<b>Cash Balance Reserved/Restricted</b>	<b>(\$ 51,932)</b>
<b>NET CASH AVAILABLE</b>	<b>\$ 56,144</b>

As of FYE June 30, 2021, three (3) out of 41 deposit accounts (types) comprise approximately \$91.3 million or 65% of the total fund balance. The top three deposit accounts/types and balances are:

	<b><u>FYE 2021</u></b>
1. General Improvement Guarantee Deposits	\$43.9 million
2. B-Permits	\$37.3 million
3. Special Projects	\$10.1 million

Between FYE 2020 and 2021, the PWTF experienced a decrease of \$4.2 in the net balance. This marks the second consecutive year where the PWTF experienced a decrease as the net balance from FYE 2019 to 2020 decreased by \$1.7 million. The top 3 deposit accounts (i.e. Special Project, General Improvement Guarantee, and B-Permit), cumulatively, experienced a decrease of \$7.3 million from FYE 2020 to 2021 whereas all other deposits within the PWTF experienced an

increase of \$3.1 million. Although there was \$23.2 million in total inflows during FYE 2021, there was also \$27.4 million in total outflows. These outflows consisted of refunds to depositors, transfers to the general and special fund, and expenditures.

Between FYE 2020 and 2021, the top five deposit accounts (types) with highest positive (upward) balance change were:

1. B-Permit Deposits	\$2.2 million increase
2. Subdivision Guarantee Deposits	\$1.7 million increase
3. E-Permit Excavation > 1,000 sq. feet	\$1.2 million increase
4. General Improvement Guarantee Deposits	\$0.5 million increase
5. BSS – Other Deposits	\$0.5 million increase

The two accounts with the highest negative (downward) balance change between FYE 2020 and 2021 are:

1. Special Projects Deposits	\$10.0 million decrease
2. Street Tree Deposits	\$0.3 million decrease

### ***Appropriation Accounts***

In addition to the 41 revenue source (deposit) accounts, the fund also has 26 active appropriation accounts totaling \$4.0 million (Attachment E) through FY 2021. Of this balance, \$1.3 million is associated with an appropriation account related to the Department of Recreation and Parks and the CIEP. Another 11 appropriation accounts totaling \$0.7 million are related to funds that have been transferred to other Departments but were reverted back to the PWTF at FYE. These funds will be transferred back to the Departments, subject to City Council approval via either Financial Status Report or Capital Projects Report, so that the corresponding balances can be fully expended as originally intended. The remaining 14 appropriation accounts totaling \$2.0 million are comprised mainly of City Plants (Tree Planting), tree planting deposits, Japanese Garden Deposits, and other minor street improvement encumbrances.

### ***Management of the PWTF***

Three management functions are evidenced in the PWTF with separate responsible agents to lead efforts in each of three functions, which are illustrated below:

Management Functions	Responsible Agents
Administrator	PWTF Manager (Financial Mgmt. Svcs.)
Accountant	BPW, Office of Accounting
Collector	Department Bureaus or Board Offices <sup>1</sup>

The Administrator directs the use of the PWTF and provides specific instructions to the Accountant regarding the proper disposition of each deposit (receipt) and provides advice to the Collector(s) and the Board's Executive Officer on matters of fund performance, trends, patterns, usage rate,

<sup>1</sup> Bureau or Office is dependent on the type of Revenue Source Code (deposit).

and financial and operational improvements. Deposits in the PWTF are received initially by the Bureaus (i.e., Engineering, Street Lighting, Street Services, Sanitation, and Contract Administration) or Board Offices, known as the Collector. Receipts are then deposited and accounted for in the PWTF by the OOA or the Accountant, and are held for future disposition, appropriate to the particular type of deposit. For example, deposits supporting at-cost work are transferred to the General Fund and/or Special Funds as applicable when work is completed and revenues are earned. Another example is for deposits made to guarantee work (i.e., Guarantee Deposits), funds are held in the PWTF by the Accountant pending instructions from the responsible Collector on whether to release and refund the original depositors or to declare deposits in default. If defaulted, funds (i.e. permit and guarantee deposit funds) are transferred to the PWTF Special Projects Revenue Source Account No. 4873, to be used by the City to complete required or like-kind work. Afterwards, the Administrator will research and provide recommendations to the Board of Public Works and City Council for fund use to ensure improvement to the City's public works infrastructure.

### ***Accounting and Financial Reporting of the PWTF***

The PWTF is audited by independent certified public accountants (CPAs) as part of the City's annual audit. No performance or financial audits had been conducted over the last ten fiscal years. However, the City's financial auditors have asked many questions related to the PWTF, including potential need to implement various Governmental Accounting Standards Board (GASB) pronouncements. Implementation of new GASB pronouncements do not have an operational effect on the fund since they are related to reporting activities. Most important, along with other City funds, the PWTF is included in the City's Comprehensive Annual Financial Report (CAFR) and is treated as a liability of the City. The OOA is responsible for performing the accounting and financial reporting of the PWTF. This includes, but not limited to: creating, processing and entering all receipts, appropriations, encumbrances, expenditures, transfers, refunds, and journal entry transactions for the PWTF in the Controller's Financial Management System (FMS) as the General Ledger; and accounting of and for all detailed financial transactions for each Permittee in the PWTF system, which serves as a Subsidiary Ledger. The PWTF Subsidiary Ledger contains the details for each deposit, such as the name and address of the depositor, document reference, work order number, project address or reference, type of deposit, etc., which is data the FMS General Ledger is not programmed to store.

The OOA is required to reconcile the PWTF Subsidiary Ledger against the City's FMS General Ledger on a monthly basis. In July 2016, a new PWTF System (known as the PWTFs) was developed internally by the Bureau of Engineering (BOE) with close partnership with the BPW's OOA and Financial Systems Division (FSD) to streamline and improve processes. The PWTFs is now maintained by BPW's FSD and has provided an efficient and effective vehicle for reconciliation at a much faster pace. However, other improvements could be made to improve the PWTF management function, such as automating the close out of work orders related to A, B, E, R, S, and U Permits, creating management reports to assess and analyze trends and patterns, streamlining and interfacing critical fields with the City's FMS, PWTFs, and other standalone tertiary systems (i.e. BOEs Permitting system). The PWTF Manager is currently working on these areas and the Board anticipates submitting a budget proposal packet for consideration to improve the permit review process to preserve and/or generate revenue.



In addition to working with and reconciling against both general and subsidiary ledgers, loans are made from the PWTF to front-fund the projects of borrower department(s) and fund(s). These loans are manually tracked by the OOA and monitored by the PWTF manager. The total outstanding loan amount decreased from \$35.4 million in FY 2019-20 to \$32.1 million in FY 2020-21 (a decrease of \$3.3 million). During the same time period, the ratio of outstanding loans to total deposits decreased by 1.6%, from 24.5% in FY 2019-20 to 22.9% in FY 2020-21.

The addition of the PWTF Manager (fund administrator) position in October 2018 has allowed for the increase in revenue generation and active reporting on the status of the PWTF to the Board, Mayor, and City Council (CF 18-0394). This position has added value as a dedicated resource to improve the BPWs collection efforts and has resulted in an opportunity to send more frequent collection reminders to recapture funds and ensure outstanding loan liabilities are actively being paid by any borrower. This effort has resulted in approximately \$78.9 million in loan payments collected during FYE 2021. Included in this amount was a payment of \$75.0 million for a Covid-19 loan issued from the PWTF to the City for its Emergency Response to the pandemic.

During this same time period, new loans of \$75.6 million were disbursed and new funding of \$8.6 million was identified. In addition, since 2018, this position has generated or supported \$13.6 million in transfers to the general fund for its departments for permits, capital infrastructure or tree related projects. Based on these figures discussed, this position has created value with revenue/cash flow solutions through FYE 2021 and will continue to do so moving forward.

During the FY 2021-22 budget process, the Board requested a new authority (Management Analyst) to assist with permit review and revenue generation within the PWTF. The Board was successful in its efforts as this new position authority was included in the adopted budget for FY 2021-22. This Management Analyst will dedicate more hours needed to review current and future deposits within the PWTF. Having this additional resource will continue to reduce the review time and most importantly, generate new revenue or cover cost via reimbursements and transfers to the General Fund, including some special funds.

This new added resource will allow the fund manager to continue working on developing a cash flow model to forecast the PWTF trends more proactively and predict how much the PWTF can assist in front funding Public Works infrastructure projects that have an identified repayment source. Collectively, both the fund manager and the management analyst are both revenue supporting and generating; therefore, critical. The BPW continues to pursue the regularization of both positions for continued revenue generation and preservation.

## **REVENUE**

There are some deposit accounts within the PWTF where potential fund use may be available for repurposing to fund other projects. In total, the PWTF has 41 separate accounts. Most of these accounts hold deposits that generate cost reimbursement revenue to the City. However, a significant amount of these deposits (about 12,000 deposits) must be analyzed to determine if and when deposits are required to be refunded to a depositor/permittees, reimbursed to the City for front funded activities (i.e. permit plan checks, etc.), or identified a reasonable relationship between the original purpose of the deposit and a potential Public Works project(s) that may be

used to invest in the City's Public Works infrastructure. Through FYE 2021, the PWTF fund manager continued to review deposits within the Special Projects Account, the three (3) Tree Guarantee Fee Deposit Accounts, began meeting with the Bureau of Street Services to investigate deposits within the Oak Tree Deposit account and other tree related accounts, and developed an action plan for E and U permit reimbursements that will generate \$1.0 to \$3.0 million in cost recovery revenue.

### ***Special Projects Account***

The account with the 3rd highest balance in the PWTF is the Special Projects Account. As of June 30, 2021, this account has a balance of \$10.1 million. In FY 2017-18, a Nexus Study of this revenue account (i.e. Special Projects - 4873) was conducted (see Council File No. 18-0394). This account has the most aged deposits at about 20 years and of the \$12.6 million (which was the balance at that time) that was reviewed, the Nexus Study resulted in the identification of nearly \$6 million in funds that could be repurposed to fund other projects. Nearly all these funds have been repurposed and reinvested (i.e. transferred out). In regards to the current balance through FYE 2021, \$7.7 million consisting of approximately 203 deposits may be available for repurposing but further vetting is needed as the initial review of these deposits began during the Nexus Study. The remaining deposits that make up the balance of \$2.4 million still need to be examined to determine if these funds are available for repurposing. In addition, deposits are continuously placed into the Special Projects account. The BPW will continue to track and gather all necessary data points critical to ensure compliance with applicable laws.

\$8.0 million was transferred in FY 2021, of which \$1.0 to BSS for street improvement and resurfacing projects. Lastly, \$7.0 million was transferred to BOE to complete the design and construction of the required improvements for the Broadway Streetscape Implementation Project.

### ***Tree Guarantee Fee Revenue Deposits***

The Tree Guarantee Fee deposits are collected in three separate revenue source accounts within the PWTF. These three accounts consist of deposits received from developers for the planting of subsidized trees, unsubsidized trees, and city planning trees. Beginning in FY 2019 and moving forward, all deposits per FY for each of the three tree guarantee deposit accounts must be allocated and distributed over a three-year period. Year 1 is for all expenses related to the purchase and planting of the trees. Years 2 and 3 are for the maintenance and watering of the trees. From FY 2019 thru FY 2021, a total of \$1.6 million was deposited in these three revenue accounts and will be allocated over a three-year period to provide funding to the Bureau of Street Services and Board of Public Works for services related to the administration, planting, and maintenance of these trees. Of the \$1.6 million, approximately \$1.0 million has been transferred out for tree planting. This has resulted in 744 trees being planted with another 267 trees scheduled for planting in Fall 2021 or Spring 2022.

As a result, these deposit accounts within the PWTF will continue to be a revenue source for the Bureau of Street Services and the Board of Public Works on a continuous basis. The management analyst will assist in the management and review of all deposits made within the three (3) Tree Guarantee Revenue Deposit accounts within the PWTF.

### ***Other Tree Related Accounts***

The other three (3) Tree related accounts within the PWTF are Oak Tree Deposits, Street Tree Deposits, and Street Tree Planting. During FY 2021, the BPW began working with the BSS on reviewing the deposits within these accounts to possibly identify funds within these accounts that can be repurposed for the procurement and planting of additional trees within the City. It is estimated that \$1.0 million may be available within the Oak Tree and Street Tree deposit accounts for repurposing, including funds already appropriated yet not transferred.

Lastly, once the special projects and tree related accounts are fully examined, analyzed, and funds dispositioned, then the next focus will be to analyze the remaining 34 revenue accounts. The Board's intent is to start reviewing other accounts with the highest balance, which is the General Improvement Guarantee account (\$43.9 million) followed by a series of Excavation, Vacation, and Land Work Order accounts (\$25.9 million).

### **INTEREST EARNINGS**

Like any other City funds, PWTF is invested through the City's investment pool managed by the Office of Finance (OOF). About 98% of total interest earnings of the PWTF is allocated by the OOF to the City's general fund. During FYE 2021, the PWTF earned approximately \$0.6 million in interest. Interest earned is transferred to the City's General Fund.

There are currently 5 loans in which interest is being assessed and collected because the loan proceeds were distributed to a Special Fund that earns interest yet retains said interest for its Special Fund purpose and does not transfer interest earnings to the City's General Fund. Through FYE June 30, 2021, total accrued interest from these 5 loans is \$0.4 million. The \$0.4 million would have been lost earnings to the General Fund or one less source of funds to offset administrative expenses.

### **PWTF LOANS**

Outstanding loans were initially disbursed from August 2005 through September 2020, with due dates ranging from July 2020 through some open-ended dates. On average, of those outstanding loans that projects have been completed yet loan not repaid, the loan arrears or past due time range is about 6.7 years, which represents a slight increase of 0.3 years from 6.4 years reported in the FYE 2020 FSR. This average is mainly driven by 4 loans that are more than 9 years old and one (1) loan that has not made a payment and is non-compliant to the loan terms, which is the North Atwater Bridge Project (CF 11-1246-S1). The BOE has indicated that a request has been made to include a payment of approximately \$2.8 million be included in the FY 2022-23 to bring this loan balance current. Waiting until FY 2022-23 to make the next re-payment will result in this loan being in arrears by four (4) FYs. Included in this report is a recommendation to request the CAO

and/or City Engineer to identify a funding source(s) and process a loan re-payment during FY 2021-22 to make the current loan balance current. The other 7 loans are less than 5 years of age.

There are certain Council actions authorizing loans that do not have specific repayment dates, but include such repayment notations as “upon completion of the project or upon receipt of funds”. This is a practice that the BPW is diligently working to curtail. All loans from PWTF cannot be written off due to the nature of the fund (i.e. PWTF is a liability of the City to the depositors/permittees). PWTF is an obligatory fund that requires liquid assets in the form of cash and receivables to fund third party deposits that the City is obligated to pay back. Therefore, it is mandatory that loans from the PWTF be repaid.

The PWTF may be used by the City as a source of front funding for capital grant-funded or capital general or special fund backed projects in the form of loans to other City departments and funds. Capital grant projects are on a reimbursement basis from the grantor; hence, PWTF is considered as a front funding source for said projects. As soon as a reimbursement from the grantor is received, the PWTF must be repaid. Capital general or special fund backed projects are reimbursed similarly to that a capital grant project except instead of a grantor reimbursing the City, the Mayor and City Council adopt a resolution to reimburse the PWTF based on a reimbursement schedule using a specified source (i.e. general or special fund).

The schedule of borrower department and funds and the aging of the loan is shown in Attachment F, including updates/responses from Borrower(s) to collection letters sent by BPW in May 2021. Most loans are interest free; however, interest on PWTF loans approved on or after July 1, 2017 is now being assessed and collected when the loan proceeds are distributed to a Special Fund that earns interest yet retains said interest for its Special Fund purpose and does not transfer interest earnings to the City’s General Fund.

Effective March 2016 and pursuant to BPW’s Council Report (CF 16-0393), the BPW implemented a more streamlined policy in regards to the issuance of loans from PWTF. Any loans must be pre-approved first by the Board’s Executive Officer, PWTF Manager, and Director of Accounting, to ensure the loan request does not exceed the high-end 30% loan-to-outstanding balance ratio. The 30% is an increase to the ceiling from the prior, yet still enforced, low-end 25% ratio. Attachment G provides a listing of steps and actions necessary to obtain a PWTF loan, such a pre-approval, approval, disbursements, service account maintenance, and loan payoff. A Sunset Loan Approval Provision was adopted by the BPW to allow for the termination of an approved PWTF loan within a set time period when any loan proceeds have not been distributed for its approved purpose in order to allow other shovel-ready projects in need of temporary front funding to receive a PWTF loan and start construction. However, during the City Council deliberation process, the City Council neither adopted nor denied adding the sunset loan approval provision (CF 19-1609). Therefore, this report recommends to adopt the Sunset Loan Approval Provision included in Attachment G.

Included in the PWTF FSR for FYE June 30, 2018, was a recommendation to reaffirm the BPW’s prior recommendation to assess and collect interest on PWTF loans approved on or after July 1, 2017 when loan proceeds are distributed to a fund where interest is earned and not transferred to the City’s General Fund. Subsequently, City Council adopted the report from the PWGRC (CF

19-1609) related to the FYE June 30, 2018 PWTF FSR, which included instructions for the BPW, Executive Officer, PWTF Manager, and City Administrative Officer to develop formal lending guidelines and approval process, with potential opportunity to increase the PWTF outstanding loan-to-balance ratio, in alignment with the following concepts: (a) Assessing and collecting interest on PWTF loans when loan proceeds are distributed to a fund where interest earnings are retained by the said fund; and (b) Continuing the existing PWTF loan approval process, including the sunset loan approval provision that would terminate a PWTF loan approval within a set time period when any loan proceeds have not been distributed for its approved purpose in order to allow other shovel-ready projects in need of temporary front funding to receive a PWTF loan and start construction.

As instructed by both CF 16-0393-S1 and CF 19-1609, the Executive Officer and PWTF Manager will provide a report back related to the items discussed above to the BPW and Council for consideration and adoption. Again, the Fund Manager has completed the loan approval process research and will reach out to the Office of the CAO for input. Subsequent to the review period, the Board anticipates to submit a report back for Council consideration.

### **MANAGEMENT OBSERVATIONS, RECOMMENDATIONS, AND NEXT STEPS**

The following is a series of next steps anticipated to continue to improve and strengthen the oversight of the PWTF. This list is not intended to be exhaustive or in priority order but rather a road-map.

#### **1. *Nexus Study Recommendations***

The Nexus Study makes recommendations on three areas of concern for future improvement. These areas are: (1) weakness in the process of tracking fee deposits, (2) lack of adherence to the MFA requirements, and (3) additional research needed on the remaining balance of Special Project Deposit Account No. 4873. In brief, an action plan on item 1 will be developed. Items 2 and 3 are now under review. The below provides an overview of the concern and recommendation.

- *Process Tracking Weakness* – Process for coding, segregating, tracking, refunding, and using fees deposited creates opportunities for errors. Multiple points of contacts (i.e., cashier, coder, tracker, accountant, etc.) are evident throughout the process and many steps are completed manually. This allows errors and increases risk for unintentional, non-compliant actions and increases miscommunication or lack of communication between the Bureaus and the OOA. The proposed action plan will assess and improve the process for recording information through the use of technology. *An integrated solution would simplify correlating fees collected with specific permits/projects, increase transparency, provide supporting evidence in cases of litigation, and safeguard against potential problems arising from the current manual tracking.*
- *Lack of Adherence to MFA Requirements* - The MFA stipulates how deposits should be managed and used, and how reports should be kept on such deposits. The MFA states that commingling of funds is authorized for temporary investments; therefore, deposits from development impact fees and cash payments taken in-lieu of constructing the

improvements should not be comingled in the same fund. MFA also requires record-keeping, annual review of deposits, and a five-year plan for deposit expenditure. The first two requirements are now compliant, yet the five-year report has not been completed since the act was enacted. The proposed action plan of action will establish a set of procedures and controls for fee collection and account/fund management, including the separation of different types of deposits into distinct accounts and establishment of process to document deposits in a five-year plan.

- *Additional Research to Special Projects Deposit Account No. 4873* – The Fund Manager is actively seeking and researching deposits from the \$10.1 million balance, including collection, review, and analysis of deposit supporting documentation.

2. ***Quarterly Transfers to the General and Special Funds***

Currently, transfers to the general and special fund are occurring on a quarterly basis. The BPW and OOA continue to meet this goal. The BPW's Executive Office and Fund Manager aspire to increase the frequency from quarterly to monthly transfers in order to stabilize cash flow projections for both the PWTF and City in general.

3. ***Cash Flow Model & PWTF Lending Guidelines/Interest Assessment***

As instructed, per CF 19-1609, the BPW, Executive Officer, PWTF Manager will work with the Office of the CAO to report to the BPW and the Council on the development of a cash flow model and formal lending guidelines and approval process, with potential opportunity to increase the PWTF outstanding loan-to-balance ratio.

As described in the body of this report, the BPW has drafted its PWTF Pre-Approval loan process and will work in collaboration with the Office of the CAO to report back on a final PWTF Loan Pre-Approval Process to incorporate the concepts discussed above and in this report for BPW and Council consideration and approval.

4. ***Other Improvements***

- Automation of the close out work order process related to A, B, E, R, S, and U Permits is critical to transfer out funds (either to the General/Special Fund or refund). City Council has instructed the BPW to report on the efficiency of each responsible department in processing the construction related permits (CF 16-0393-S1). Based on work demands, the Fund Manager will develop and propose an action plan on identifying potential areas to improve efficiency as it relates to fund management.
- Enhanced management reports to assess and analyze trends and patterns.
- Streamline and interface of critical fields within the PWTF system, City's Financial Management System, and other departmental standalone tertiary systems will be important. This area will be heavily focused on information technology and may have a budgetary impact. Therefore, prior to engaging on any improvement in this forefront, the Fund Manager will provide a status update via these FSRs or other separate reports.

### **FISCAL IMPACT**

Action to receive and file this report will not have an impact to the City's general fund. However, also included in this report is a recommendation requesting that the City Administrative Officer and/or City Engineer to identify funds during FY 2021-22 and process loan repayment related to the North Atwater Multimodal Bridge (CF 11-1246-S1) in the amount of \$2,079,939.90 (\$693,313.30 x 3 Years) to bring the loan balance current. The impact to the General Fund will be determined when the actual source of reimbursement is determined by the CAO and/or City Engineer. If it is determined that a full or partial amount will come from a direct appropriation from the General Fund, then the impact to the General Fund will be that determined amount.

Per CF 11-1246-S1, adopted by Council on May 26, 2017 and approved by the Mayor on June 1, 2017, annual loan re-payments are to be made in the amount of \$693,313.30 to begin in FY 2018-19, as established through the annual budget process, and paid through various binding sources, such as Gas Tax, Measure R, Measure M, and other potential sources including but not limited to future grant funds, and new revenue sources. One re-payment has been received by the BPW Office of Accounting for FY 2018-19. No re-payments have been received since then resulting in an arrearage of 3 FYs (from FY 2020 to FY 2022). For the past two years, the BPW waived making a formal recommendation to collect due to COVID. Waiting until next FY 2022-23 to receive re-payment will extend the delinquency to four (4) FYs and continue to not allow the Bureau of Engineering to borrow additional funds from the PWTF until fully compliant or in good loan standing.

Respectfully Submitted:


Prepared by:



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NORMAN TANADA  
Fund Manager, Financial Mgmt. Services

Approved by:



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DR. FERNANDO CAMPOS  
Executive Officer, Board of Public Works

  
12/8/2021

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MIGUEL DE LA PENA  
Director, Office of Accounting

Report prepared by and for any questions on this report, please contact:  
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**PUBLIC WORKS TRUST FUND  
DETAILED DESCRIPTION OF DEPOSIT ACCOUNTS  
FY 2021**

<b>Department Revenue Source</b>	<b>Revenue Account Name</b>	<b>Detailed Description of Deposit Accounts</b>
574208	General Improvement Guarantee Deposits	These are amounts collected by the BOE from developers, contractors and property owners for general improvement cash bonds. These deposits are usually made in connection with City planning cases, street vacations, issuances of building permits, excavation lateral supports, and import/export hauling routes. The bond guarantees the completion of required public improvements, such as construction of streets, storm drains, sewers, alleys, street trees, street lights and traffic facilities at or adjacent to the project location. The City holds the cash bond until the improvements have been constructed and accepted by the City Engineer. When the developer completes the construction of the improvements, the bond is exonerated and the cash is returned to the depositor. If the construction is not completed, the bond is declared in default and the deposit is transferred to Account 4873, Special Project Deposits, to be used by the City to complete the improvements.
574203	B-Permit Deposits	These are amounts collected from developers, contractors and property owners for work to be performed by City in connection with a Class "B" Street Permit (B-Permit) issued by the BOE. Per LAMC, Section 62.110, the permittee must deposit a sufficient amount with the Department of Public Works, to reimburse the City for any and all costs of (1) design, plan checking, surveying and engineering costs or fees, (2) inspection, (3) testing of materials, (4) furnishing street light energy, (5) furnishing and installing street name signs, street trees, traffic warning and regulatory signs, (6) sandblasting obsolete pavement markings, and (7) any appurtenance work or other applicable costs. B-Permits are billed using actual work order charges. If actual charges are less than the deposit, the balance is refunded, otherwise, the difference is billed to the permittee. Most revenue from work performed by the BSL is credited to the Street Lighting Maintenance Assessment Fund, while certain fees and surcharges, such as the Construction Services Center Surcharge, and the Bureau of Engineering Equipment and Training Surcharge, are credited to the designated special funds.



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574202	Special Project Deposits	These are amounts collected for a specific development project collected by the BOE from developers, contractors, property owners and other agencies. Deposits include non-refundable amounts taken from defaults on surety bonds for non-performance by developers and contractors, and cash payments for work to be performed by the City for development projects. Cash payments are made as conditions of subdivision or planning actions and are made in-lieu of constructing public improvements. Deposits are used to perform the work on a per project basis as directed by the BOE.
574207	Excavation Work Order Deposits	These are amounts collected by the BOE from developers, contractors and other customers for excavation-related work to be performed. The deposits to this account include the estimated cost of checking plans, inspecting, testing and surveying. A work order to record actual costs is opened by the Bureau of Engineering and upon completion of the work, costs are billed using actual work order charges. If actual charges are less than the deposit, the balance is refunded, otherwise, the difference is billed to the customer. Most revenue from the work performed is credited to the General Fund of the BOE and Board of Contract Administration (BCA). However, certain fees and surcharges, such as the Construction Services Center Surcharge, and the Bureau of Engineering Equipment and Training Surcharge, are credited to designated special funds.
574205	Vacation Work Order Deposits	These are amounts collected by the BOE from developers, contractors and other customers for property vacation work. A work order to record actual costs is opened by the BOE and upon completion of work, costs are billed, using actual work order charges. If actual work charges are less than the deposit, the balance is refunded, otherwise, the difference is billed to the customer. Most revenue from the work performed is credited to the General Fund of the BOE. However, certain fees and surcharges, such as the Construction Services Center Surcharge, and the Bureau of Engineering Equipment and Training Surcharge, are credited to designated special funds.

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574204	Land Work Order and Right-of-Way Deposits	These are amounts collected by BOE from developers, contractors and customers for right-of-way and land-related work such as dedication of an easement, quitclaim of an easement, relinquishment of future dedications or a private street name. A work order to record actual costs is opened by the BOE and upon completion of the work, costs are billed, using actual work order charges. If actual charges are less than the deposit, the balance is refunded, otherwise, the difference is billed to the customer. Most revenue from the work performed is credited to the General Fund of the BOE. However, certain fees and surcharges, such as the Construction Services Center Surcharge, and the Bureau of Engineering Equipment and Training Surcharge, are credited to the designated special funds.
574209	Subdivision Guarantee Deposits	These are amounts collected by the BOE from developers of subdivision projects for improvements. Developers post these cash bonds in connection with the recordation of tracks and parcel maps. The cash bond guarantees construction of the required public improvements, which usually consist of streets, storm drains, sewers, street lights and traffic facilities at or adjacent to the subdivision location. The City holds the cash bond until the improvements have been constructed and accepted by the City Engineer. When the construction is completed, the bond is exonerated by the City Engineer and the cash is returned to the developer. If the construction is not completed, the bond is declared in default and the deposit is transferred to Account 4873, Special Project Deposits, to be used by the City to complete the improvements.
324401	U- Permit Deposits	These are amounts collected from permittees for Utility Permit (U-Permit) issued by the Bureau of Engineering (BOE) to allow construction, inspection, maintenance, repair, abandonment or removal of facilities that require vertical, horizontal, directional borings, trenching or excavation in the public right-of-way. These permits are issued using actual work order charges. If actual work order charges are less than the deposit, the balance is refunded, otherwise, the difference is billed to the permittee. Most revenue from the work performed is credited to the General Fund of the performing Bureau. However, certain fees and surcharges, such as the Construction Services Center Surcharge, and the Board of Engineering Equipment and Training Surcharge, are credited to the designated special funds.
574210	Street Tree Deposits	These are amounts collected by the BOE or the Bureau of Street Services from developers and contractors for tree planting. Trees are required to be planted in accordance with development plans. The deposit guarantees that the trees will be planted by the developer or the deposit will be forfeited. Once planted, the developer can apply for a refund, otherwise, if the trees are not planted, the City will plant the trees using the deposit in this account.

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429601	Street Tree Planting & Maintaining Initiative to Plant Trees Deposits	These are amounts collected from the Los Angeles Department of Water and Power, the Port of Los Angeles and the South Coast Air Quality Management District, to plant and maintain trees as part of the Mayor's Million Tree Initiative. This account was established during fiscal year 2008-09.
574296	Expedited E-Permit Deposits	These are amounts collected by the BOE for the estimated total cost of providing the expedited services for an E-Permit when the applicant elects to obtain expedited Bureau services. E-Permit is issued for jobs in or adjacent to public streets for the purposes of the street light relocation, shoring (lateral support), monitoring well, soil boring, private conduits (non-franchise) and others.
574219	BSS-Other	Deposits into this account are made by the BSS until a new Department revenue source is set up for the BSS. Once this new Department Revenue source is established, funds are transferred out of the PWTF and into the new Revenue Source Account for BSS.
574206	Monument Bond Deposits	These are cash bonds posted by developers, contractors and property owners when survey monument requirements have not been fully met at the time of recordation, and to assure required surveying work is completed. The deposits guarantee that the private surveyor of record will set the final monuments when directed by the BOE. The deposits further guarantee that the private surveyor is paid for setting the monuments. Upon satisfactory completion of and payment for the surveying work, the BOE directs a refund of the deposit.
574286	E Permit Excavation > 1000 Sq. Ft. Deposit	These are amounts collected by the BOE from developers, contractors and other customers for excavation-related work greater than 1,000 square feet to be performed. The deposits to this account include the estimated cost of checking plans, inspecting, testing and surveying. A work order to record actual costs is opened by the Bureau of Engineering and upon completion of the work, costs are billed using actual work order charges. If actual charges are less than the deposit, the balance is refunded, otherwise, the difference is billed to the customer
512101	Damage Claims and Settlements	These are amounts from contractual contribution from Browning Ferris Industries (BFI). The deposit is to be used for a public benefit project (Lanzit Project Industrial Site) in Council District 8.

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493405	Japanese Garden Facilities Use Fees	These are amounts collected for use of the Japanese Garden and proceeds from the sale of Japanese Garden Gift Shop items. The amounts are also used to improve and operate the garden and to procure gift shop items. The Japanese Garden is located at the Donald C. Tillman Water Reclamation Plant in Van Nuys. The Mayor's Citizens' Advisory Committee to the Japanese Garden provides public participation and guidance for use and operation of the Garden.
574211	Oak Tree Deposits	These are amounts collected by the BOE from developers and contractors for oak tree planting, replanting and relocation. Developers post these cash bonds to guarantee that oak trees will be planted, replanted or relocated and to assure their continuous living existence at the approved planting, replacement or relocation site for three years. Once the developer has complied with these requirements and the work is accepted by the City Engineer, the bond is exonerated by the City Engineer and the cash is returned to the developer.
574201	Street Lighting Deposits	These are amounts collected from developers, contractors and property owners for work to be performed by the Bureau of Street Lighting (BSL), such as relocating street lights or pull boxes and expediting plan checks. A work order is opened by the BSL and upon completion of the work, costs are billed using actual work order charges. If actual charges are less than the deposit, the balance is refunded, otherwise, the difference is billed to the depositor. Revenue from the work performed is credited to the Street Lighting Maintenance Assessment Fund.
574294	Expedited Revocable Permit Deposits	These are amounts collected by the BOE for estimated total costs of providing the expedited services for a Revocable (R) permit when the applicant elects to obtain expedited Bureau services.
574292	Expedited B-Permit Deposits	These are amounts collected by the BOE for estimated total cost of providing expedited services for a B-Permit when an applicant elects to obtain expedited Bureau services.
574293	Expedited U-Permit Deposits	These are amounts collected by the BOE for estimated total cost of providing expedited services for a Utility Permit (U-Permit) when an applicant elects to obtain expedited Bureau services.
423301	Revocable Permit Deposits	These are amounts collected from permittees of Revocable Permit (R-Permit) issued by BOE to grant conditional encroachment of the public right-of-way by private parties not authorized to occupy the right-of-way. The R-Permit review process ensures that encroachments are checked for compliance with the City's specifications for designs, use, material, and inspection.

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574232	Final Tract Map- ARSPC SBDV Deposit	These are amounts collected from applicants for Final Tract Map clearance issued by the Bureau of Engineering (BOE) for the review of air space subdivision (LAMC 19.02.A.2.(a)). The approvals are issued using actual work order charges. If actual work order charges are less than the deposit, the balance is refunded, otherwise, the difference is billed to the applicant.
574100	Other Financing Sources	These are donations to the City to help finance specific programs and projects. Currently, these donations include the Keep Los Angeles Beautiful Program and the Valley Village community identification sign and landscaping.
574220	St. Tree Replacement Guarantee (in-Lieu) Fee-PW Subsidy	These are non-refundable deposits to pay for the anticipated cost to plant a tree at an off-site location for private development and residential projects as an option to satisfy the Department of Public Works' Tree Replacement Policy of two-for-one tree replacement/tree removal ratio; and, to provide the Department of City Planning with a permit alternative compliance option for private residential development projects to meet the City's Zoning Code requirements – Residential Public Works Projects that are four units or less.
574221	St. Tree Replacement Guarantee (In-Lieu) Fee-PW No Subsidy	These are non-refundable deposits to pay for the anticipated cost to plant a tree at an off-site location for private development and residential projects as an option to satisfy the Department of Public Works' Tree Replacement Policy of two-for-one tree replacement/tree removal ratio; and, to provide the Department of City Planning with a permit alternative compliance option for private residential development projects to meet the City's Zoning Code requirements – Residential (Non-Development) Public Works Projects.
574222	St. Tree Replacement Guarantee (In-Lieu) Fee-Planning No Subsidy	These are non-refundable deposits to pay for the anticipated cost to plant a tree at an off-site location for private development and residential projects as an option to satisfy the Department of Public Works' Tree Replacement Policy of two-for-one tree replacement/tree removal ratio; and, to provide the Department of City Planning with a permit alternative compliance option for private residential development projects to meet the City's Zoning Code requirements – Private Commercial and Residential City Planning Development Projects

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574295	Expedited Highway Dedication Investigation & Processing Deposits	These are amounts collected by the BOE for the estimated total cost of providing the expedited services for highway dedication and processing when an applicant elects to obtain expedited Bureau services.
574213	Overload Charge Account Deposits	These are amounts collected by the Bureau of Street Services from overload haulers to provide for billings on credit. The LAMC, Section 62.141 provides that in lieu of paying individual overload permit fees and making individual deposits, the applicant may make and maintain with the Board of Public Works a general deposit which is used to guarantee payment of permit and inspection fees that are billed on a monthly charge account.
574215	Public Street Name Change Deposits	These are amounts collected by the BOE from owners of real property abutting any public street and requesting that the name of any street upon which said petitioner's real property abuts, be changed.
324101	A- Permit Deposits	These are amounts collected from permittees for an A-Permit (LAMC 62.106a) issued by BOE to allow minor construction in the public right-of-way which includes repair, construction or reconstruction of curbs, sidewalks, driveway approaches or gutters, and work appurtenant to the foregoing, work within a public easement, where the work contemplated is limited in extent and can be constructed to match existing grades without a survey or engineered plans. A-Permit is also often issued in conjunction with sewer permit which require excavation in a public street.
574231	Final Tract Map >= 20 Lots Deposits	These are amounts collected from applicants for Final Subdivision Map clearance issued by the Bureau of Engineering (BOE) for the review of 20 or more lots (LAMC 19.02.A.2.(a)). The approvals are issued using actual work order charges. If actual work order charges are less than the deposit, the balance is refunded, otherwise, the difference is billed to the applicant.
574235	Final Tract Map - ARSCP SBDV Deposit	These are amounts collected from applicants for Final Parcel Map clearance issued by the Bureau of Engineering (BOE) for airspace subdivision (LAMC 19.02.B.3.(a)). The approvals are issued using actual work order charges. If actual work order charges are less than the deposit, the balance is refunded, otherwise, the difference is billed to the applicant.

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574270	Above Ground Facility Deposits	These are amounts collected from permittees for Excavation U-Permits issued by the Bureau of Engineering (BOE) to allow for the installation of Above Ground Facility within a public street (LAMC 62.03.2.IV). These permits are issued using actual work order charges. If actual work order charges are less than the deposit, the balance is refunded, otherwise, the difference is billed to the permittee.
574218	Sewer Contractor Cash Bond Deposits	As per Ordinance No. 180158, a permit required by Section 64.12 under which an excavation, tunnel or the laying of sewer or storm drain pipe in any public street or public easement is contemplated, will not be issued until the applicant has deposited with the Board not less than \$10,000 in cash which shall remain on deposit with the Board for not less than six months from the date of the last permit issued to the depositor thereof. Such deposit will be held to insure the faithful and proper performance of the work and the payment of all charges required by Sections 64.12 to 64.22 inclusive, and the Board is hereby empowered to deduct from the cash deposit all sums due for charges hereunder and for any and all damages accruing to this City by reason of faulty, defective or incomplete work by the permittee.
574283	U Permit Excavation > 1000 Sq. Feet Deposit	These are amounts collected from permittees for Utility Permit (U-Permit) issued by the Bureau of Engineering (BOE) to allow construction, inspection, maintenance, repair, abandonment or removal of facilities that require vertical, horizontal, directional borings, trenching or excavation greater than 1000 square feet in the public right-of-way. These permits are issued using actual work order charges. If actual work order charges are less than the deposit, the balance is refunded, otherwise, the difference is billed to the permittee.
574284	R Permit Tier 3 Deposit	These are amounts collected from applicants for the review of applications for Revocable Permits issued by the Bureau of Engineering (BOE) to allow for the construction, maintenance, or an excavation in connection with the construction or maintenance, of a building, structure or improvement within a public street (LAMC 62.118.2). These applications are reviewed using actual work order charges. If actual work order charges are less than the deposit, the balance is refunded, otherwise, the difference is billed to the permittee.

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481201	City Contractor- Disputed Living Wage Violations	These are amounts collected from City contractors disputing violations of the City's Living Wage Ordinance, as determined by the Public Works Bureau of Contract Administration, Office of Contract Compliance (OCC). Per the Los Angeles Administrative Code (LAAC) Sections 10.37 et. seq., the deposits are held pending an arbitrator's decision on the dispute. The LAAC also provides that interest earned on this account shall be added to the principal sum deposited. This account was established during fiscal year 2008-09.
574200	Miscellaneous Deposits	These are all other deposits which are not directly identifiable to any of the PWTF deposit accounts or classification of which cannot be determined at once.
574230	Ten Tract Map >= 20 Lots Deposit	These are amounts collected by the BOE from applicants for all work associated with establishing recommendations for BOE requirements relating to a Tentative Tract Map consisting of 20 or more lots. A work order to record actual costs is opened by the BOE and upon completion of work, costs are billed, using actual work order charges. If actual work charges are less than the deposit, the balance is refunded, otherwise, the difference is billed to the customer. Most revenue from the work performed is credited to the General Fund of the BOE. However, certain fees and surcharges, such as the Construction Services Center Surcharge, and the Bureau of Engineering Equipment and Training Surcharge, are credited to designated special funds.
574245	Public Street Name Change Deposit	These are amounts collected by the BOE from owners of real property abutting any public street and requesting that the name of any street upon which said petitioner's real property abuts, be changed. A work order to record actual costs is opened by the BOE and upon completion of work, costs are billed, using actual work order charges. If actual work charges are less than the deposit, the balance is refunded, otherwise, the difference is billed to the customer. Most revenue from the work performed is credited to the General Fund of the BOE. However, certain fees and surcharges, such as the Construction Services Center Surcharge, and the Bureau of Engineering Equipment and Training Surcharge, are credited to designated special funds.



**PUBLIC WORK TRUST FUND  
ATTACHMENT B  
COMPARATIVE DEPOSIT AMOUNTS BY ACCOUNT  
FY 2016 to FY 2021**

<b>FMS Dept. Rev. Source</b>	<b>Account Description</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
574208	General Improvement Guarantee Deposits	43,885,896.22	\$ 43,386,879.22	\$ 52,175,090.84	\$ 49,833,095.51	\$ 46,572,751.06	\$ 30,640,622.59
574203	B-Permit Deposits	37,299,871.39	35,116,223.12	33,704,936.40	32,175,162.58	34,555,497.18	36,390,080.83
574202	Special Project Deposits	10,051,192.22	20,051,376.19	19,962,572.37	12,647,824.74	12,032,757.49	11,566,800.85
574207	Excavation Special Work Order Deposits	8,862,021.09	8,860,521.09	8,886,046.72	7,833,527.96	6,647,592.36	5,618,342.03
574205	Vacation Work Order Deposits	7,094,373.36	6,891,896.27	6,440,107.11	6,039,289.80	5,224,329.97	4,785,664.01
574209	Subdivision Guarantee Deposits	6,663,520.44	4,966,520.44	3,944,775.83	3,741,359.19	3,750,640.24	3,459,889.86
574204	Land Work Order and Right-of-Way Deposits	5,861,393.36	6,018,517.12	5,813,760.96	5,028,214.66	4,256,999.53	3,454,126.22
324401	U-Permit Deposits	2,876,750.13	2,879,323.81	2,886,663.73	2,846,303.90	2,569,880.73	2,187,447.50
429601	Street Tree Planting & Maintaining Initiative to Plant Trees Deposits	2,208,484.22	2,483,332.13	1,884,809.45	2,110,934.13	1,390,568.15	2,615,299.13
574286	E Permit Excavation > 1000 Sq. Ft. Deposit	2,084,397.80	903,957.96				
574219	BSS - Other Deposits	2,036,651.00	1,578,238.57	1,369,097.42	5,000.00		
574296	Expedited E-Permits Deposits	1,954,553.19	1,950,053.19	1,524,820.80	1,183,179.20	715,679.20	427,721.79
574210	Street Tree Deposits	1,884,958.19	1,895,815.19	1,884,958.19	1,884,958.19	1,890,880.19	1,890,880.19
574206	Monument Bond Deposits	1,186,293.80	1,197,793.80	1,275,043.80	1,259,593.80	1,236,493.80	1,204,393.80
512101	Damage Claims and Settlements	1,091,507.00	1,091,507.00	1,091,507.00	1,091,507.00	1,091,507.00	1,091,507.00
493405	Japanese Garden Facility Use Fees	866,861.79	867,386.93	746,994.50	570,428.69	557,367.64	489,477.46
574211	Oak Tree Deposits	716,926.68	716,926.68	716,926.68	716,926.68	793,606.68	793,606.68
574221	St. Tree Replacement Guarantee(In-Lieu) Fee-PW No Subsidy	569,064.00	449,961.00	144,597.00			
574222	St. Tree Repl Guarantee(In-Lieu) Fee-Planning No Subsidy	390,016.00	572,298.00	125,376.00			
574293	Expedited U-Permit Deposits	354,500.00	348,500.00	248,000.00	120,000.00	182,094.16	94,594.16
574294	Expedited Revocable Permit Deposits	344,348.38	343,952.93	266,952.93	189,151.52	130,883.64	79,130.00
574201	Street Lighting Deposits	326,493.98	326,493.98	276,990.79	250,990.79	242,191.45	213,241.45
574292	Expedited B-Permit Deposits	286,324.94	279,240.35	257,011.10	182,550.03	132,202.23	100,454.07
574232	Final Tract Map-ARSPC SBDV Deposit	204,520.00	99,860.00				
423301	Revocable Permit Deposits	194,770.04	194,770.04	189,770.04	138,770.04	116,770.04	109,270.04
574100	Other Financing Sources	158,738.63	174,802.67	187,992.99	159,886.58	159,886.58	196,552.56
574283	U Permit Excavation > 1000 SQ Ft Deposit	158,289.92	33,500.00				
574200	Miscellaneous Deposits	105,406.75	362,347.75	(76,751.00)	1,768,022.00	301,275.00	58,228.00
574295	Expedited Highway Dedication Investigation & Processing Deposits	98,000.00	98,000.00	65,000.00	65,000.00	65,000.00	50,000.00
574284	R Permit Tier 3 Deposit	91,016.22	45,000.00				
574235	Final Tract Map-ARSPC SBDV Deposit	55,720.00	12,600.00				
574218	Sewer Contractor Cash Bond Deposits	53,200.00	48,200.00	11,100.00	6,800.00		
574213	Overload Charge Account Deposits	48,303.83	48,303.83	47,803.83	47,803.83	47,803.83	47,803.83
574231	Final Tract Map >= 20 Lots Deposit	44,440.00	14,080.00				
574215	Public Street Name Change Deposits	32,363.40	32,363.40	27,690.50	23,017.60	18,691.60	9,345.80
324101	A-Permit Deposits	15,975.10	15,749.85	15,749.85	15,749.85	15,749.85	14,249.85
574270	Above Ground Facility Permit Deposit	13,000.00	5,000.00				
574230	Ten Tract Map >= 20 Lots Deposit	11,990.00	-	-	-	-	-
574220	St. Tree Replacement Guarantee(In-Lieu) Fee-PW Subsidy	10,636.00	79,985.00	39,783.00			
574245	Public Street Name Change Deposits	5,000.00	-	-	-	-	-
481201	City Contractor-Disputed Living Wage Violations	2,620.72	2,620.72	2,620.72	2,620.72	2,620.72	2,620.72
466001	Construction Traffic Management Traffic Deposits	-	-	12,169.00	9,622.00	5,604.41	6,955.00
381100	Reimbursement from Other Agencies			-	-	-	-
466501	Development Charges			-	-	-	-
	<b>TOTAL:</b>	<b>140,200,389.79</b>	<b>144,443,898.23</b>	<b>146,149,968.55</b>	<b>131,947,290.99</b>	<b>124,707,324.73</b>	<b>107,598,305.42</b>

PUBLIC WORK TRUST FUND  
ATTACHMENT C  
OUTSTANDING LOANS TO OTHER FUNDS/DEPARTMENTS  
June 30, 2021

REF#	COUNCIL FILE #	DESCRIPTION	FUND/DEPT LOAN TO		DATE OF LOAN	ORIGINAL LOAN AMOUNT	Interest Assessed? ( Yes / No )	Interest Accrued (Loan Inception to Date)	TOTAL BALANCE DUE AS OF 06/30/2021	ORIG PYMT PLAN DUE DATE/TOTAL PAYMENTS	SOURCE OF PYMT
1	09-0444	Prop 12 & 40 cash flow loan	205/88	Recreation and Parks (RAP)	4/15/2009	\$ 3,000,000	No	\$ -	\$ 3,000,000	Full Repayment is expected by the end of FY 2021-22.	State Grant
		Total Funds 205/88 -Recreation and Parks Dept.				\$ 3,000,000		\$ -	\$ 3,000,000		
2	05-0049-S1	Storm Drain Damage (2004-05)	305/50	City Administrative Officer (CAO)	8/30/2005	\$ 10,450,000	No	\$ -	\$ 269,266	Unspecified Date	Federal & State
3	08-2475-S2	Seismic Bridge Improvement Program	57Q/50 (305/50)	City Administrative Officer (CAO)	6/25/2009	\$ 10,000,000	No	\$ -	\$ 10,000,000	Upon Completion of the Project in June 2024	Federal and State Grant
		Fund 305 - City Administrative Officer				\$ 20,450,000		\$ -	\$ 10,269,266		
4	17-0267	A Greater, Greener Los Angeles	537/50	Bureau of Sanitation (BOS)	8/15/2017	\$ 1,000,000	Yes	\$ 44,998	\$ 228,869	Upon Receipt of Grant Reimbursement	Grant fr Ca Dept of Forestry & Fire Prot
5	17-0267-SI	Shade Los Angeles Project	537/50	Bureau of Sanitation (BOS)	2/13/2019	\$ 500,000	Yes	\$ 20,549	\$ 520,549	Upon Completion of the Project in August 2022	State Funds
		Fund 537- Bureau of Sanitation				\$ 1,500,000		\$ 65,547	\$ 749,418		
6	14-1158-S3	Taylor Yard (G-2) River Park of the LA River	682/50	Bureau of Engineering (BOE)	9/25/2017	\$ 700,000	Yes	\$ 40,610	\$ 140,610	Upon Receipt of Grant Reimbursement	Proposition 1 Bond
7	11-1246-S1	North Atwater Multimodal Bridge	682/50	Bureau of Engineering (BOE)	7/25/2018	\$ 6,933,133	Yes	\$ 331,866	\$ 6,571,686	FYE 2028	Local Transportation Funds/Transp. Dev. Act
8	20-0507	LA River Way - SF Valley Proj.	682/50	Bureau of Engineering (BOE)	6/9/2020	\$ 200,000	Yes	\$ 2,935	\$ 202,935	FYE 2022	Active Transporation Program Funding (Caltrans)
		Fund 682 - Bureau of Engineering				\$ 7,833,133		\$ 375,411	\$ 6,915,231		
9	16-1256	MTA Lighting	347/50	Bureau of Street Lighting (BSL)	12/27/2018	\$ 5,032,647	No	\$ -	\$ 1,576,160	Upon Receipt of Grant Reimbursement	Federal Grant
10	20-0325	Energy paymets due to the DWP	347/50	Bureau of Street Lighting (BSL)	6/22/2020	\$ 10,000,000	No	\$ -	\$ 10,000,000	FYE 2025	LA County
		Total Funds 347/50 -Bureau of Street Lighting				\$ 15,032,647		\$ -	\$ 11,576,160		
11	19-0078	Compete4LA Regional Procurement Portal	347/50	Information Technology Agency (ITA)	9/23/2020	\$ 577,460	No	\$ -	\$ 55,246	FYE 2022	LA City
		Total Funds 100/32 -Information Technology Agency				\$ 577,460		\$ -	\$ 55,246		
		Total Funds -Dept. of Public Works (BSS, BOS, & BOE)				\$ 24,365,780		\$ 440,958	\$ 19,240,808		
		Total Funds - Other (RAP, CAO, & ITA)				\$ 24,027,460		\$ -	\$ 13,324,513		
		Total Outstanding Loans - Beg./Ending				\$ 48,393,240		\$ 440,958	\$ 32,565,321		
		Ratio of Outstanding Loans to Outstanding Deposits							23.23%		

\*Total balance due less Accrued Interest is \$32.1M

PUBLIC WORKS TRUST FUND  
ATTACHMENT D  
PENDING LOANS TO OTHER FUNDS/DEPARTMENTS  
As of June 30, 2021

	Amount	Loan Ratio to Outstanding Deposits
<b>Approved Loans Outstanding Balance:</b>		
<b>Loans Receivable from Other Funds/Depts. Subtotal:</b>	<b>\$ 32,565,321</b>	<b>23.23%</b>
<b>Approved Loans Pending Disbursement:</b>		
CF 16-1256: MTA Lighting (BSS)	\$ 1,720,154	
CF 20-0176: CAL FIRE (BPW)	\$ 1,500,000	
CF 21-0148: SO. CAL. GAS PUBLIC RIGHT OF WAY VALUATION STUDY	\$ 368,000	
<b>Outstanding Loans Pending Disbursement Subtotal:</b>	<b>\$ 3,588,154</b>	<b>2.56%</b>
<b>Loans Approved, Disbursed, &amp; Pending Disbursements Total:</b>	<b>\$ 36,153,475</b>	<b>25.79%</b>

*\*Total Loans Approved, Disbursed, & Pending Disbursements less Accrued Interest is \$35.7M*

**PUBLIC WORK TRUST FUND**  
**ATTACHMENT E**  
**OUTSTANDING APPROPRIATION ACCOUNTS**  
**AS OF JUNE 30, 2021**

<b>Appropriation Account No.</b>	<b>Appropriation Account</b>	<b>Encumbered Amount</b>	<b>Uncommitted Amount</b>	<b>Total Appropriated Amount</b>	<b>BFY</b>
50000C	Street Trees	1,121.84	191,903.47	193,025.31	2004
5000DW	Design/Const Vermont Kaiser	16,086.75	59,608.44	75,695.19	2005
5000BC	Special Projects	137,903.68	90,058.75	227,962.43	2008
500OFC	Tree Planting Project	929,979.22		929,979.22	2008
500OHC	Killion St/Lankershim Blvd		16,395.75	16,395.75	2008
500O1C	High School Internship Program		233.19	233.19	2008
500OJC	Valley Village Signage		50,000.00	50,000.00	2008
5000DE	Keep Los Angeles Beautiful	6,039.59	77,359.61	83,399.20	2009
500OAG	Santa Monica Blvd		10,000.00	10,000.00	2011
500OGC	S. LA Business Academy		160.00	160.00	2011
500OHT	Broadhead Trees		44,426.00	44,426.00	2012
50000K	Available Balance - B	109,769.91	6,796.00	116,565.91	2014
50174K	PW-Board		4,000.00	4,000.00	2014
50186L	PW-Street Services		4,660.42	4,660.42	2015
500OML	Reseda Boulevard Tree	55,014.00	-	55,014.00	2015
50174M	PW-Board Office		1,627.34	1,627.34	2016
50186M	PW-Street Services		\$ 12,912.84	\$ 12,912.84	2016
500OBM	Tree Removal Permit	-	132,062.56	132,062.56	2016
50184N	PW-Street Lighting		43,857.31	43,857.31	2017
50174P	PW-BOARD OFFICE		1.61	1.61	2018
50174R	PW-BOARD OFFICE		1,447.66	1,447.66	2019
50140S	GENERAL SERVICES		49,117.88	49,117.88	2020
50174S	PW-BOARD OFFICE		54,341.00	54,341.00	2020
50154T	CAPITAL IMPROVEMENT		1,368,524.05	1,368,524.05	2021
50174T	PW-BOARD OFFICE		216,285.00	216,285.00	2021
50186T	PW-STREET SERVICES		318,101.21	318,101.21	2021
<b>Total</b>		<b>\$ 1,255,914.99</b>	<b>\$ 2,753,880.09</b>	<b>\$ 4,009,795.08</b>	

**PUBLIC WORK TRUST FUND**  
**ATTACHMENT F**  
**LOANS STATUS UPDATES FROM DEPARTMENTS**  
**As of June 30,2021**

Department	Loan	Original Loan Amount	Principal Balance as of June 30, 2021	Upcoming Payment Amount	Upcoming Payment Date	Pay Off Date
Recreation and Parks (RAP)	Prop 12 & 40 cash flow loan	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	12/31/2021	12/31/2021
City Administrative Officer (CAO)	Storm Drain Damage (2004-05)	10,450,000	269,266	269,266	6/30/2022	6/30/2022
City Administrative Officer (CAO)	Seismic Bridge Improvement Program	10,000,000	10,000,000	10,000,000	6/30/2024	6/30/2024
Bureau of Sanitation (BOS)	A Greater, Greener Los Angeles	1,000,000	183,870	183,870	6/30/2022	6/30/2022
Bureau of Sanitation (BOS)	Shade Los Angeles Project	500,000	500,000	500,000	6/30/2022	6/30/2022
Bureau of Engineering (BOE)	Taylor Yard (G-2) River Park of the LA River	700,000	100,000	100,000	12/31/2021	12/31/2021
Bureau of Engineering (BOE)	North Atwater Multimodal Bridge	6,933,133	6,239,820	1,386,627	7/1/2022	6/30/2028
Bureau of Engineering (BOE)	LA River Way - SF Valley Proj.	200,000	200,000	200,000	10/31/2021	1/31/2022
Bureau of Street Lighting(BSL)	MTA Lighting	5,032,647	1,576,160	1,062,016	7/31/2022	7/31/2022
Bureau of Street Lighting(BSL)	Energy paymets due to the DWP	10,000,000	10,000,000	1,000,000	6/30/2022	6/30/2025
Information Technology Agency (ITA)	Compete4LA Regional Procurement Portal	\$ 577,460	\$ 55,246	\$ 55,246	11/30/2021	11/30/2021
<b>Total</b>		<b>\$ 48,393,240</b>	<b>\$ 32,124,362</b>	<b>\$ 17,757,025</b>		

**PUBLIC WORKS TRUST FUND (NO. 834)**  
**LOAN APPROVAL PROCESS**

The following describes the steps and actions necessary to obtain a Public Works Trust Fund (PWTF) loan:

**1. Pre-Approval**

- a. Prior to requesting a loan from the Board of Public Works and subsequently, City Council and Mayor, a potential borrower must submit a request to the Executive Officer for loan pre-approval consideration.
- b. The Executive Officer requests the PWTF Manager to review and analyze the request for loan practice compliance (i.e., balance-to-loan ratio, cash flow, etc.). Loan requests will not be approved if the balance-to-loan ratio exceeds 30%<sup>1</sup>, unless, upon loan portfolio review, forecasting, and evaluation by the PWTF Manager, it is determined that pending cash inflow (either loan payments or increase in fund balance) will produce enough cash liquidity in the fund to allow for new loan approvals to remain within the 30% balance-to-loan ratio. The Board of Public Works reserves the right to change the maximum threshold at its discretion.
- c. The PWTF Manager notifies the Director of Accounting and designated PWTF Accountant of pre-approval consideration and request to add a placeholder for loan use, including amount, project title, and borrower information. The PWTF Accountant confirms fund availability to PWTF Manager.
- d. The PWTF Manager will notify borrower of pre-approval request status.

**2. Approval**

- a. Borrower prepares Board Report seeking formal approval from the Board of Public Works, subject to Mayor and City Council approval. The Board Report should clearly indicate the following:
  - i. Amount and purpose of the loan.
  - ii. Exact or estimated date when the loan will be paid, including repayment schedule, amount, and frequency.
  - iii. Source of fund from which the loan and interest will be paid off.
  - iv. How the loan will be paid off if the expected source of funding will not materialize.
- b. Borrower submits report to PWTF Manager for pre-approval and fund confirmation, including loan recommendations. Fund manager or designee signature is obtained on Board Report.
- c. Office of Accounting (OOA) ensures sufficient funds are set aside for permittee refunds, restrictions, or other cash flow requirements. Director of Accounting or designee signature is obtained on Board Report.
- d. Borrower submits report to Board of Public Works for consideration.

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<sup>1</sup> It's important to note that in December 2016, the Executive Officer cautioned the Board the Public Works to proceed conservatively on loan approvals due to cash flow liquidity that exceeded the 25% balance-to-loan ration threshold. This advice was to ensure that the loan percentage does not exceed a 30% maximum threshold, which would provide some flexibility for cash flow when loan funds had not yet been disbursed.

- e. Once Board of Public Works approves loan request, including repayment schedule and interest assessment if applicable, the Board Report is sent by the Board Secretariat Office to the Mayor and City Council for approval.
- f. Once Mayor approves, Board Report is scheduled to the Public Works and Gang Reduction Committee of the City Council.
- g. Once Public Works and Gang Reduction Committee approves, Board Report is sent to the City Council for final approval.

### **3. Disbursement**

- a. Once City Council and Mayor approves the loan, the OOA obtains proof of repayment source, such as grant award letter or other funding source. In the event of General or Special Fund backed loan, then City Council approval is the proof of repayment based on its action adopted.
- b. Once proof of repayment is verified, OOA will disburse and transfer the loan amount from PWTF to the requesting department, fund, and account.
- c. Sunset Loan Approval Provision - terminate a PWTF loan approval within a set time period when any loan proceeds have not been distributed for its approved purpose in order to allow other shovel-ready projects in need of temporary front funding to receive a PWTF loan and start construction.

### **4. Service Maintenance**

- a. PWTF Accountant tracks and reports loan balances to management. If loan is assessing interest, OOA calculates interest owed and includes accrual to outstanding loan. Upon receipt of any repayment amount, funds will be applied to outstanding interest first and any remaining funds will be applied to the principal loan balance.
- b. PWTF Manager routinely analyzes, monitors, and collects on outstanding loan balances.
- c. Borrowers provides repayment authorization to PWTF Manager. PWTF Manager submits instructions to OOA on loan repayment transfer or tracks borrower initiated loan repayment.
- d. PWTF Manager sends out frequent loan statements and repayment requests.

### **5. Payoff**

- a. Borrower provides final payoff instructions to PWTF Manager. PWTF Manager submits instructions to OOA on final loan repayment transfers or tracks borrower initiated loan repayment.

It is important to note that any PWTF loans that by-passed the above procedures may not be funded. This is to prevent over-extending credit from the PWTF and ensure its fund obligatory nature and liquidity.

### **POINT OF CONTACTS**

Fernando Campos, Executive Officer (213) 978-0250

Norman Tanada, Fund Manager, (213) 978-0246

Miguel De La Pena, Director, Office of Accounting, (213) 978-0900