

FRANK T. MARTINEZ
City Clerk

KAREN E. KALFAYAN
Executive Officer

When making inquiries
relative to this matter
refer to File No.

06-0600-S78

May 23, 2007

Office of the Mayor
All Council members
Chief Legislative Analyst
City Administrative Officer
City Clerk, Executive Office
Administrative Services

Controller, Room 300
Accounting Division, F&A
Disbursement Division
Los Angeles Police Department
City Attorney

RE: YEAR-END ADJUSTMENT AND FINANCIAL STATUS REPORT

At the meeting of the Council held May 16, 2007, the following action was taken:

Attached report adopted	<u>X</u>
Mayor concurred	<u>05/18/07</u>
To the Mayor FORTHWITH	<u>X</u>



City Clerk
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CITY OF LOS ANGELES CALIFORNIA



ANTONIO R. VILLARAIGOSA
MAYOR

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TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your **BUDGET AND FINANCE** Committee

reports as follows:

BUDGET AND FINANCE COMMITTEE REPORT relative to the Year-End Adjustment and Financial Status Report.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. APPROVE the recommendations of the City Administrative Officer (CAO) in the Year-End Adjustment and Financial Status Report dated May 11, 2007, attached to this Committee report, with the following amendments:
 - a. Revise recommendation No. 3 as follows:

TRANSFER \$13, 780,704 between accounts within various departments and funds as specified in Revised Attachment 3.
 - b. Delete recommendation No. 36.
2. INSTRUCT the **City Clerk** to place on the agenda for the first City Council meeting date in Fiscal Year 2007-08, or shortly thereafter, the instruction to the Controller to TRANSFER \$274,000 from the Reserve Fund to the Unappropriated Balance and APPROPRIATE this amount to ITA Fund No. 100/32, Account 1010, Salaries General, for the restoration of the 3-1-1 A.M. shift.
3. INSTRUCT the CAO to report back to the Budget and Finance Committee relative to the budgetary impact of implementing a hiring freeze for the period June 1 through June 30, 2007.
4. INSTRUCT the CAO to work with the Los Angeles Police Department (LAPD) and the Mayor's Office and advise the Council of the most optimal option to conduct police academy classes for Fiscal Year 2007-08, and realize the most savings, preferably no less than \$2.5 million.
5. REQUEST the City Attorney to expedite submission of ordinances intended to effectuate all new fees expected to go into effect beginning July 1, 2007.
6. INSTRUCT the LAPD to report back to the Budget and Finance Committee relative to the decrease in revenues associated with reductions for the past two years in the issuance of moving violation citations.

Fiscal Impact Statement: The CAO reports that in the Mid-Year Financial Status Report, the CAO projected over-expenditures of approximately \$41.3 million. That estimate has increased by \$5.7 million to \$47 million. The increase is primarily attributable to Workers' Compensation costs. The Mid-Year Financial Status Report addressed \$24 million of the projected shortfall. The Year-End Financial Status Report addresses the remaining projected shortfall from Departmental surpluses (\$2.4 million), transfers from the Unappropriated Balance (\$.71 million) and a transfer from the Reserve Fund (\$18.9 million), of which \$5.76 million was not budgeted.

SUMMARY

At its meeting of May 14, 2007, the Budget and Finance Committee considered the City Administrative Officer's Year-End Adjustment and Financial Status Report. The report provides the status of the Reserve Fund, projected revenue data and employment levels, and makes recommendations for budgetary adjustments.

The CAO, in the Mid-Year Financial Status Report, projected over-expenditures of approximately \$41.3 million. That estimate, however, has increased by \$5.7 million to \$47 million. The increase is primarily attributable to workers' compensation costs. The Mid-Year report addressed \$24 million of the projected shortfall; the Year-End report addresses the remaining projected shortfall as follows:

- departmental surpluses (\$2.4 million)
- transfers from the Unappropriated Balance (\$.71 million)
- Reserve Fund (\$18.9 million)

The CAO reports that the Contingency Reserve Account in the Reserve Fund has a current available balance of \$43.6 million. The 2007-08 Proposed Budget estimated that \$13 million would be needed from the Reserve Fund to balance the 2006-07 Budget after adoption of the recommendations contained in the Mid-Year report. However, the Year-End report recommends that \$18.9 million be transferred from the Reserve Fund to address potential year end deficits. The \$5.9 million difference represents an unplanned shortage to the Reserve Fund estimate included in the 2007-08 Proposed Budget (if all assumptions hold true on 2006-07 revenues, reversion estimates and other factors that affect the actual July 1, 2007 Reserve Fund balance). The use of 2006-07 Reserve Funds to balance the current year budget is expected to be offset by \$68.7 million in additional, unanticipated revenues. The Contingency Reserve Account balance is estimated to be \$165.3 million by June 30, 2007.

The LAPD requests an advance from the Reserve Fund of \$9.6 million (\$4.4 million in overtime to be reimbursed by Los Angeles World Airports [LAWA] and \$5.2 million to be reimbursed by various grants). \$3.7 million of the LAWA overtime reimbursement is anticipated to be received in the current year; the remaining \$700,000 will be received in the first two months of 2007-08.

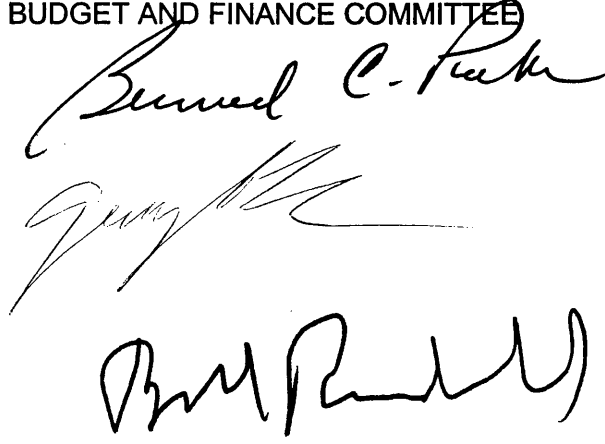
The CAO reports that monies held in the Emergency Reserve Account, which can only be used in the event of a declared emergency, total \$108.5 million. The total Reserve Fund balance (Contingency Reserve plus Emergency Reserve) is projected to be \$273.8 million at year end.

Receipts in 2006-07 are expected to be \$68.7 million more than estimated in the Adopted Budget. Most of the increase is composed of revenue belonging to prior years, but for which receipts were delayed until 2006-07: \$44 million in carryover property tax and \$3.1 million in carryover vehicle license fees. The CAO reports that without the carryover money, the revised revenue estimate would exceed budget by only \$21.6 million or less than one-half percent.

During the Committee's discussion, the CAO submitted an addendum report which contains revisions to the Year-End report. The revisions are reflected in this Committee report as well as additional recommendations made by the Committee. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
PARKS:	YES
GREUEL:	YES
SMITH:	YES
ROSENDAHL:	YES
HUIZAR:	ABSENT

LB
#060600.78
5/15/07

REPORT
ADOPTED
MAY 16 2007
LOS ANGELES CITY COUNCIL
TO THE MAYOR FORTHWITH