

CITY OF LOS ANGELES
CALIFORNIA

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CLAUDIA M. DUNN
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06-0600-S59

December 5, 2006

Chief Legislative Analyst
City Administrative Officer
Los Angeles Police Department
Budget & Finance Committee
Attn: L. Braithwaite
All City Departments

RE: FIRST FINANCIAL STATUS REPORT FOR FISCAL YEAR 2006-07

At the meeting of the Council held November 21, 2006, the following
action was taken:

Attached report adopted.....	_____
Attached amending motion (Hahn - LaBonge) adopted.....	_____ X _____
Attached amending motion (Zine - Smith) adopted.....	_____ X _____
Attached amending motion (Parks - Smith) adopted.....	_____ X _____
Attached amending motion (Perry - Parks) adopted.....	_____ X _____
Attached amending motion (Parks - Garcetti) adopted.....	_____ X _____
Attached amending motion (Parks - Hahn) adopted.....	_____ X _____
Attached resolution adopted.....	_____
FORTHWITH.....	_____
Mayor concurred	_____ 12-07-06 _____
To the Mayor FORTHWITH	_____
Motion adopted to approve communication recommendation(s), as amended.....	_____ X _____
Motion adopted to approve committee report recommendation(s)...	_____

Frank T. Martinez

City Clerk
vk



34

COMMUNICATION

TO: LOS ANGELES CITY COUNCIL

FILE NO. 06-0600-S59

FROM: COUNCILMEMBER BERNARD C. PARKS, Chair
COUNCILMEMBER WENDY GREUEL, Vice Chair
BUDGET AND FINANCE COMMITTEE

Public Comments Yes No
 — XX

COMMUNICATION FROM CHAIR, and VICE CHAIR, BUDGET AND FINANCE COMMITTEE relative to the First Financial Status Report for Fiscal Year (FY) 2006-07.

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

APPROVE the recommendations of the City Administrative Officer (CAO) contained in the FY 2006-07 First Financial Status Report, dated October 31, 2006, attached to this report, with the following amendments:

- a. Revise CAO recommendation No. 52 as follows: AUTHORIZE the Controller to increase appropriations to the Information Technology Agency Fund No. 100/32, Account 1100, Hiring Hall Salaries, in the amount of \$158,000 from MICLA Fund No. 290/70, Account S929, Mobile Data Radio System Upgrade, for the installation of Mobile Digital Computers into Police Department vehicles.
- b. TRANSFER \$160,000 from the Reserve Fund to the Unappropriated Balance and APPROPRIATE therefrom to the City Administrative Officer Fund No. 100/10, Contractual Services Account No. 3040, to execute the second year of the Barrington-Wellesly Group contract related to updating the Revenue Requirements Study for the Department of Water and Power.

Fiscal Impact Statement: The CAO reports transfers, appropriations, and adjustments totaling \$53,371,937. Of this amount, \$19,801,903 are for Bond and construction projects, \$10,177,739 for reappropriations from the Reserve Fund, \$6,742,975 for appropriations from special funds, \$5,150,000 for appropriations from the Unappropriated Balance, \$3,672,000 for an appropriation from the Reserve Fund, \$5,237,846 for transfers between accounts within various departments and funds, \$1,574,765 for reappropriations from special funds, \$767,556 for transfers between various departments and funds, \$206,041 for a Reserve Fund loan, and \$41,112 to process a payment to the Department of Fire and Police Pensions. Additionally, at this time, there is no change from the 2006-07 Adopted Budget projected Reserve Fund balance at June 30, 2007.

*ADOPTED AS AMENDED by Council action of 11-21-06.

Summary:

At its meeting of November 13, 2006, the Budget and Finance Committee considered the CAO report relative to the First Financial Status Report for FY 2006-07. The Office of the CAO monitors the budget and transmits frequent reports detailing the City's current financial condition to both the Mayor and Council. As instructed in the 2006-07 Adopted Budget, the Office is transmitting the first financial status report for 2006-07. This report details the final July 1, 2006 Reserve Fund balance, provides projected revenue and expenditure data, discusses issues that may affect the City's budget, and makes recommendations for budgetary adjustments. The CAO requested one revision to correct an account number and one additional transfer from the Reserve Fund which are both reflected in the Committee's report recommendations.

The CAO reports that the Reserve Fund balance on July 1, 2006 was \$432 million. After several adjustments including a \$231 million transfer to approved items in the 2006-07 budget, the return of \$14 million in short-term loans made by the Controller at year-end, and approved reappropriations of \$36.3 million to various departments, the Reserve Fund balance on June 30, 2006 is now projected to be \$178.8 million, which is approximately \$7 million less than the 2006-07 Reserve Fund Budget.

The CAO reports that the 2005-06 revised budget estimate was increased \$213 million (5 percent) more than the adopted budget on the strength of the very active local real estate market, the strong local economy, higher natural gas prices and increased recovery of costs from special funds. Actual 2005-06 revenue was \$27 million below the revised estimate. A County system problem delayed the remittance of \$44 million in 2005-06 property tax receipts to July 2006. Since this \$44 million was received after the close of 2005-06, it will be recognized as 2006-07 revenue for budget purposes.

Actual 2005-06 revenue was 5.8 percent high than the prior year and would have been 6.9 percent higher if the delayed revenue was counted. One particularly encouraging sign is that business tax receipts grew by nearly 10 percent even with a 3.1 percent tax rate cut and other relief to business taxpayers. Although 2005-06 revenue was very close to the revised budget, certain traditional City revenue sources are threatened by legal proceedings, policy changes and changes in the telecommunications marketplace. The City is a party to some of these cases and would also be affected if long-standing taxing practices in California are not upheld. No specific estimates of monetary amounts are available, but legal proceedings place a large portion of receipts from the telephone users' tax at risk. Because of this risk, the City Communications Tax Equity Task Force continues to evaluate options and make recommendations for clarification of the City's communications-related taxes and fees. Also, City elected officials and staff are working closely with the League of California Cities and other jurisdictions to develop a strategy to best defend local revenue sources. The CAO will continue to report in future financial status reports on all issues which have a bearing on City revenue.

During the Committee's discussion on the City's structural deficit, the CAO was asked about options to address the elimination of the structural deficit. The CAO stated that options would be summarized and available when the matter is considered by Council. At its meeting of November 13, 2006, the Chair and Vice Chair, Budget and Finance Committee, recommended approval of the CAO report recommendations as amended in Committee. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,



Councilmember BERNARD C. PARKS, Chair
Budget and Finance Committee

Councilmember WENDY GREUEL, Vice Chair
Budget and Finance Committee

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

EP
#060600.59
11/15/06

ADOPTED
MOTION ADOPTED TO APPROVE COMMUNICATION RECOMMENDATION
NOV 21 2006

** As Amended*
LOS ANGELES CITY COUNCIL

See Attached Motions

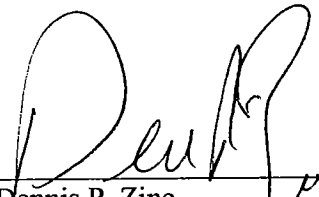
NOV 21 2006

MOTION

I MOVE that the Communication from the Chair and Vice Chair of the Budget and Finance Committee relative to the First Financial Status Report for FY 2006-07, Item No 34 on today's Council Agenda (CF 06-0600-S59), be amended to add the following language:

INSTRUCT the City Administrative Officer and the Los Angeles Police Department (LAPD), to identify funding to increase sworn overtime for police divisions in areas that have reported increases in gang activities through the end of the calendar year, and to report to the Budget and Finance Committee in one week regarding funding options, LAPD's current plans for sworn overtime use during the holiday season, and an analysis of how additional funding would be utilized.

PRESENTED BY


Dennis P. Zine
Councilman, 3rd District

SECONDED BY



NOV 21 2006


ADOPTED

NOV 21 2006

LOS ANGELES CITY COUNCIL



MOTION

The Banning Museum Refurbishment of Building and Garden Improvements - Phase II project is a Proposition K project in Council District 15. The project is for the installation of a security fence to deter vandalism in the existing Banning Museum facilities. On June 28, 2006, the Department of Recreation and Parks, the Bureau of Engineering, and the Department General Services entered into a Memorandum of Understanding for the project's construction.

The Department of General Services requires an additional \$175,852 be appropriated to General Services from the Proposition K funds to continue the construction for the Banning Museum Refurbishment of Building and Garden Improvements - Phase II.

I THEREFORE MOVE that the City Council, subject to approval of the Mayor:

1. Authorize the Controller to transfer \$175,852 from the Proposition K Fund No. 43K from Account Y363, Banning Museum Phase II, to the General Services Department, Account A140 and appropriate to the following accounts in General Services Fund No. 100/40:

<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
1101	Hiring Hall Construction	\$85,426
1121	Hiring Hall Fringe Benefits	\$16,485
3180	Construction Materials & Supplies	<u>\$73,941</u>
	Total	\$175,852

2. Request that the Department of General Services submit expenditure reports to the Bureau of Engineering and the City Administrative Officer on a monthly basis.
3. Authorize the Board of Public Works to transfer funds not to exceed \$175,852 on an as-needed basis subject to approval of the expenditure reports.
4. Authorize the City Administrative Officer to make technical corrections as necessary to implement the Mayor and Council intentions.

Mo Kern
ADOPTED

NOV 21 2006

LOS ANGELES CITY COUNCIL

PRESENTED BY: 

JANICE HAHN
Councilwoman, 15th District

SECONDED BY: 

VERBAL MOTION

I HEREBY MOVE that Council AMEND the Communication from Chair and Vice Chair, Budget and Finance Committee (Item No. 34, CF 06-0600-S59) relative to the First Financial Status Report for Fiscal Year 2006-06, to INSTRUCT the City Administrative Officer (CAO) to audit Police Overtime; and further, INSTRUCT the Los Angeles Police Department to cooperate with the CAO in the performance of the audit.

PRESENTED BY _____
BERNARD C. PARKS
Councilmember, 8th District

SECONDED BY _____
GREIG SMITH
Councilmember, 12th District

November 21, 2006

CF 06-0600-S59

Motion
ADOPTED

NOV 21 2006

LOS ANGELES CITY COUNCIL

VERBAL MOTION

I HEREBY MOVE that Council AMEND the Communication from Chair and Vice Chair, Budget and Finance Committee (Item No. 34, CF 06-0600-S59) relative to the First Financial Status Report for Fiscal Year 2006-06, as follows:

TRANSFER \$76,135 from Sites and Facilities, Fund 209/88 from Account 209, Ross Snyder Recreation Center to Account A140.

PRESENTED BY _____
JAN PERRY
Councilmember, 9th District

SECONDED BY _____
BERNARD C. PARKS
Councilmember, 8th District

November 21, 2006

CF 06-0600-S59

Motion
ADOPTED

NOV 21 2006

LOS ANGELES CITY COUNCIL

MOTION

I MOVE that the Communication from the Chair and Vice Chair of the Budget and Finance Committee relative to the First Financial Status Report for FY 2006-07, Item No. 34 on today's Council Agenda (06-0600-S59), be amended to add the following language:

1. Instruct City General Managers to:

- Limit the filling of vacancies to only critical and essential public service positions to address legal or public health and safety emergencies and to include a brief statement with their monthly Employment Level Reports that identifies the positions filled during the previous month and the reasons why;
- Defer any new initiatives that require additional General Fund support until they have been evaluated and approved for 2007-08;
- Reduce expenditures to generate internal savings to cover any anticipated deficits for the remainder of the fiscal year and to ensure that no new General Fund appropriations will be needed;
- Ensure that all revenue targets will be met or exceeded;
- Ensure that Reserve Fund loans are paid back on a timely basis;
- Continue efforts to attain full cost-recovery of special services by adjusting fees and including annual inflationary increases; and
- Conduct a thorough review of all prior-year encumbrances and identify those that can be reverted to the Reserve Fund.

2. Instruct the CAO to:

- Review with departments all unspent, prior-year MICLA monies that are over three years old and provide recommendations on sweeping those unspent, prior-year monies to Budget and Finance Committee; and,
- Include in its Mid-Year Financial Status Report recommendations for budget adjustments and other fiscal actions that will increase the City's Reserve Fund.

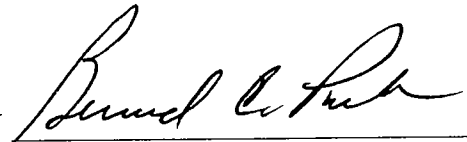
3. Instruct LAPD to examine and report back on the possibility of having more than 13 classes of 50 police recruits this fiscal year.

4. Instruct the CAO, with the assistance of LAPD, to report back on Police sworn overtime usage by obligatory and discretionary categories. Discretionary spending is to be defined as

overtime being used to augment the everyday (straight-time) workforce as opposed to employees that are obligated to work overtime (e.g. attend court on their day-off, tactical alert, etc.).


5. Instruct the CAO to report to the Budget and Finance Committee regarding the supplemental questions relative to LAPD sworn overtime provided by the Chair of Budget and Finance Committee on November 13, 2006 to the CAO.
6. That the Council, subject to the approval of the Mayor:
 - Authorize the Controller to transfer \$127,800 from the Unappropriated Balance, Fund No. 100, Department 58, Account No. 0197, City Attorney Outside Counsel to Fund No. 100, Department No. 12, Account No. 9301, City Attorney Outside Counsel, for the law firm of Mayer Brown Rowe & Maw LLP to assist with the Donner v. City of Los Angeles, BS 104862 and B193531 (Donner) and the Pasley v. Martinez, BS 104788 and B193565 (Pasley) cases;
 - Authorize the City Attorney, or designee, to amend the contract with Mayer Brown Rowe & Maw LLP to include the defense for the Pasley case;
 - Request the City Attorney to provide the Budget and Finance Committee an expenditure plan for outside counsel expenses for the balance of the 2006-07 fiscal year; and,
7. Authorize the City Administrative Officer, to prepare Controller instructions for any necessary technical adjustments to the above, and instruct the Controller to implement the instructions.

PRESENTED BY



BERNARD C. PARKS
Councilmember, 8th District

SECONDED BY



Mohr
ADOPTED

NOV 21 2006

LOS ANGELES CITY COUNCIL

MOTION

The Loren Miller Recreation Center - Childcare project is a Proposition K specified project located in Council District No. 8 at 2717 Halldale Avenue, Los Angeles, CA 90018. The project scope includes an approximate 1800 square foot addition to the existing childcare facility that will include a new classroom, restrooms, storage area, staff office and outdoor play area.

In the Year - End Adjustment to the 2004-05 Adopted Budget, General Services has received \$850,000 of the total \$964,500 in Proposition K funds as indicated in the Memorandum of Understanding dated June 29, 2004 between the Department of Recreation and Parks, Bureau of Engineering, and General Services - Construction Forces.

General Service now requires that the remaining \$114,500 be appropriated to their project account to provide for salaries and acquire needed construction materials to continue the construction for the Loren Miller Recreation Center - Childcare Center project.

I THEREFORE MOVE

That the City Council, SUBJECT TO THE APPROVAL OF THE MAYOR:

Recommendations

1. Authorize the Controller to transfer \$114,500 within Proposition K Fund No. 43K/10 from Account W459 to General Services A140 and appropriate there from to the following accounts in General Services Fund No. 100/40 for the Loren Miller Recreation Center - Childcare Center project as follows:

<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
1014	Construction Salaries	\$34,500
3180	Construction Materials & Supplies	\$80,000

2. Instruct the Department of General Services to submit expenditure reports to the Bureau of Engineering, the Department of Recreation and Parks and the City Administrative Officer on a monthly basis.
3. AUTHORIZE the City Administrative Officer to make technical corrections as necessary to implement the Mayor and Council intentions.

NOV 21 2006

Motion
ADOPTED
NOV 21 2006

PRESENTED BY Richard C. Lach
SECONDED BY James Hal

LOS ANGELES CITY COUNCIL

EG