

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: January 19, 2007

CAO File No. 0116-00001-0000

Council File No. 06-0600 - 567

Council District: All

To: Antonio R. Villaraigosa, Mayor  
Eric Garcetti, Council President  
Bernard C. Parks, Chair, Budget and Finance Committee

From: Karen L. Sisson, Acting City Administrative Officer *KLS*

Reference: 2006-07 Adopted Budget

Subject: Second Financial Status Report

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### SUMMARY

The Office of the City Administrative Officer 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, this Office is transmitting the second financial status report for 2006-07. This report provides the status of the Reserve Fund, projected revenue data and employment levels and makes recommendations for budgetary adjustments.

### Reserve Fund

The Contingency Reserve Account in the Reserve Fund has a current available balance of \$59.1 million (see Attachment 2). These funds could be used to cover current year shortfalls if necessary. Monies held in the Emergency Reserve Account, which can only be used in the event of a declared emergency, total \$108.5 million. The balance of the two accounts totals approximately \$167.6 million.

### Revenue

Receipts through the first half of Fiscal Year 2006-07 remain close to plans. The current revenue projection is unchanged from the First Financial Status Report: \$27.1 million more than the budgeted amount. This 0.6 percent variation is too close to plan to recommend budgetary adjustments. Attachment 1, Page 1 summarizes variances between planned and actual General Fund receipts as of December 2006. Attachment 1, Page 2 identifies currently anticipated changes to the budgeted revenue estimates.

### Five Year Forecast

Attachment 7 provides a five-year budget forecast for the General Fund reflecting a potential shortfall of approximately \$243 million for 2007-08. It is important to note that this current estimate does not include cost of living increases for civilian employees beyond their current labor contracts. In development of the 2007-08 Proposed Budget, this Office is working with

the Mayor's Office to identify actions needed to offset the projected shortfall.

Changes were made to the five-year forecast to update projected City contribution costs for Fire and Police Pensions (Pensions) and the City Employees Retirement System (CERS) due to recently published actuarial studies. An additional increase of \$18.8 million, from \$31 million to \$49.8 million in 2007-08, is projected to the Pensions contribution based on a reduction of the assumed rate of return and a significant provision for retiree health care costs. No incremental increase from 2006-07 to 2007-08 is projected for CERS. Estimated salary adjustments are factored into the assumptions.

This Office will continue to make adjustments to the forecast in the coming months as information becomes available. Because of the large shortfall projected for 2007-08, at this time, the City must remain fiscally prudent and preserve any current year savings to help balance next year's budget. Currently, this Office is exploring various options to create efficiencies and savings in the current fiscal year, which will be included in the Mid-Year financial status report. In the meantime, appropriations from the Unappropriated Balance should be restricted to only critical uses. Also, it is extremely important for departments to ensure that they meet or exceed their 2006-07 revenue targets.

### **Budgetary Adjustments**

Budgetary adjustments totaling \$22,016,020 are recommended in this report, as follows:

- \$13,584,000 for transfers between accounts within various departments and funds;
- \$4,451,335 for transfers between various departments and funds;
- \$3,296,521 for appropriations from the Unappropriated Balance; and,
- \$684,164 for Bond and construction projects.

### **Additional Details**

The Discussion Section of this report and the following attachments provide additional details:

1. Fiscal Year 2006-07 General Fund Receipts
2. Status of the Reserve Fund
3. Transfers between Accounts within Departments and Funds
4. Transfers between Departments and Funds
5. Employment Level Report
6. Status of the Unappropriated Balance (Non-General Account)
- 6a. Status of the Unappropriated Balance (General Account)
7. Five-Year General Fund Revenue and Expenditure Forecast
- 7a. Five-Year Forecast – Assumptions

**RECOMMENDATIONS**

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

1. Transfer \$13,584,000 between accounts within various departments and funds as specified in Attachment 3;
2. Transfer \$4,451,335 between various departments and funds, as specified in Attachment 4;
3. Appropriate \$400,000 from the Unappropriated Balance Fund No. 100/58, Account 0055, Litigation Expense Account, and transfer to the Office of the City Attorney Fund No. 100/12, Account 4200, Litigation;
4. Appropriate \$375,000 from the Unappropriated Balance Fund No. 100/58, Account 0197, Outside Counsel Including Worker’s Compensation, and transfer to the Office of the City Attorney Fund No. 100/12, Account 9302, Worker’s Compensation Outside Counsel;
5. Appropriate \$214,166 from the Unappropriated Balance Fund No. 100/58, Account 0195, New Fire Stations, and transfer to the Fire Department Fund No. 100/38, for expense items for Fire Station 81 and the Air Operations Facility, as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
3090	Field Equipment Expense	\$66,000
6010	Office and Administrative	14,652
6020	Operating Supplies	101,845
9350	Communication Services	<u>1,669</u>
	Total	\$214,166

6. Appropriate \$2 million from the Unappropriated Balance Fund No. 100/58, Account 0196, New Police Facilities, and transfer to the Police Department Fund No. 100/70, for expense and equipment items for the Los Angeles Regional Crime Laboratory and for the new Metro and Valley Bomb Squad Facilities, as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
3040	Contractual Services	\$586,205
6010	Office and Administrative	1,211,303
7300	Equipment	<u>202,492</u>
	Total	\$2,000,000

7. Appropriate \$307,355 from the Unappropriated Balance Fund No. 100/58, Account 0181, LA Regional Crime Laboratory, and transfer to the Police Department Fund No. 100/70, Account 6020, Operating Supplies;

8. Authorize the Controller to increase appropriations to General Services Department Fund No. 100/40 in the amount of \$426,808 from the 1989 Library Construction Bond Fund No. 187/50, Alterations and Improvements Account No. K236 for work at the Fremont, Jefferson, Lake View Terrace, Studio City, Memorial, Washington Irving, Lincoln Heights and Mid-Valley branch libraries as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1014	Construction Salaries	\$256,083
3180	Construction Materials and Supplies	<u>170,725</u>
	Total	\$426,808

9. In accordance with Recommendation No. 8 above, instruct the Board of Public Works to transfer cash on an as-needed basis upon proper documentation from General Services and approval by the Program Manager and the City Administrative Officer;
10. Authorize the Controller to appropriate \$88,046 from Department of Recreation and Parks Fund No. 302/88, Account 132A, Information Technology Agency, to the Information Technology Agency Fund No. 100/32, Account 9350, Communication Services, to move and install the Hollywood Sign Security System and for other communication services, and instruct the Department of Recreation and Parks to transfer cash on an as-needed basis to reimburse the General Fund upon approval of expenditure reports submitted by the Information Technology Agency;
11. Authorize the Controller to increase appropriations to the Department of Recreation and Parks Fund No. 302/88 in the amount of \$34,800 from MICLA Fund No. 298/50, Account Y600, 2005 Storm Damage Repair, for hydroseeding services:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1090	Overtime Salaries	\$26,100
3160	Maintenance Materials & Supplies	<u>8,700</u>
	Total	\$34,800

12. In accordance with Recommendation 11 above, instruct the Bond Fund Administrator to transfer cash from MICLA Fund No. 298/50 to reimburse the Department of Recreation and Parks on an as-needed basis upon proper documentation from Recreation and Parks and approval of the Project Manager and City Administrative Officer;
13. Authorize the Controller to increase appropriations to the Information Technology Agency Fund No. 100/32, Account 1100, Salaries Hiring Hall Account, in the amount of \$134,510 from MICLA Fund No. 298/70, Account Y735, Police Helicopters, for the installation of additional airframe, avionics and mission equipment into Police Department helicopters;
14. In accordance with Recommendation No. 13 above, instruct the Bond Fund Administrator to transfer cash from MICLA Fund 298/70 to reimburse the General Fund on an as-needed basis upon proper documentation from the Information Technology Agency and the approval of the City Administrative Officer;

15. Request the City Attorney to report on the telephone users' tax lawsuit (Ardon vs. City of Los Angeles);
16. Instruct the Department of General Services to report back with a plan to meet the sale of Surplus Property revenue target, or increase other revenues and/or decrease expenditures to ensure that no new General Fund appropriation will be needed to cover the Surplus Property revenue;
17. Authorize the General Manager of the Department of General Services to negotiate and contract with Metaformers, Inc. for the purposes of rectifying issues related to the City's SMS upgrade; and
18. Authorize the City Administrative Officer to make technical corrections, as necessary, to those transactions included in this report to implement the Mayor and Council's intentions.

#### **FISCAL IMPACT STATEMENT**

Transfers, appropriations and adjustments totaling \$22,016,020 are recommended in this report. Of this amount, \$13,584,000 are for transfers between accounts within various departments and funds, \$4,451,335 are for transfers between various departments and funds, \$3,296,521 are for appropriations from the Unappropriated Balance, and \$684,164 are for Bond and construction projects. Additionally, at this time, there is no change from the 2006-07 Adopted Budget projected Reserve Fund balance at June 30, 2007.

## **DISCUSSION**

### **1. BASIS FOR REPORT**

Throughout the course of the fiscal year, the Office of the City Administrative Officer monitors the budget and transmits frequent reports to the Mayor and Council detailing the City's current financial status. This second report: 1) reviews the status of estimated City receipts; 2) estimates potential budgetary problems in departments; and, 3) recommends various budgetary adjustments.

### **2. GENERAL FUND REVENUE**

Receipts through the first half of Fiscal Year 2006-07 remain close to plan. A carryover of property taxes originally scheduled for receipt in Fiscal Year 2005-06 is available to offset slowing revenues related to the local real estate market, the economy and commodity prices. The current revenue projection is unchanged from the First Financial Status Report: \$27.1 million more than the budgeted amount. This 0.6 percent variation is too close to plan to recommend budgetary adjustments. Attachment 1, Page 1 summarizes variances between planned and actual General Fund receipts as of December 2006. Attachment 1, Page 2 identifies currently anticipated changes to the budgeted revenue estimates.

This Office will continue to review business tax receipts for a possible upward revision of that account. The documentary transfer tax, on the other hand, is increasingly affected by the slowing real estate market. Although the current estimate is unchanged from the previous report, which reduced anticipated documentary transfer tax receipts by \$15 million, a further downward adjustment may be necessary. Most economy-sensitive revenues, including the sales, hotel and parking taxes, remain close to plan.

This Office has previously reported on issues related to the telephone users' tax. On January 3, 2007, the City Attorney received a copy of a lawsuit regarding that tax (Ardon vs. City of Los Angeles). We recommend that the Council request the City Attorney to report on this issue.

At the time of our next financial status report, this Office will have completed its mid-year revenue review and will recommend any additional revenue adjustments suggested by that review.

### **3. BUDGETARY ADJUSTMENTS AND POTENTIAL SURPLUSES/SHORTFALLS**

The following are brief descriptions by department of budgetary adjustment recommendations included in this report and potential shortfalls.

#### **A. Animal Services** **Attachment 3**

The Department is projecting a shortfall of approximately \$100,000 in its Private Veterinary Care Expenses account appropriation due to vacant Veterinarian positions. Five of the

Department's seven Veterinarian positions are currently vacant. The Veterinarian classification recently received a 9 percent pay increase which should assist in the filling of the Department's vacancies. Until all Veterinarian positions can be filled, the Department will continue to utilize private veterinary care to meet its current workload. Projected salary savings from the vacant positions should allow the Department to absorb the projected shortfall. A transfer of \$54,000 to the Private Veterinary Care Expenses account was approved in the First Financial Status Report. An additional transfer of \$100,000 is recommended to allow the Department to continue providing the expected level of veterinary care services. This Office will monitor the expenses from this account and recommend a future transfer in a later financial status report if warranted.

### **B. Building and Safety Attachments 3 and 4**

The Department is projecting a \$3.5 million shortfall in its Overtime Salaries account appropriation. The General Fund portion of the projected shortfall is \$516,000 and the Building & Safety Permit Enterprise Fund (Enterprise Fund) portion is \$2.99 million. The deficit in the overtime account is caused by a continuing high level of building activity, including plan checking and inspections on high rise projects in the City.

Sufficient funds are available in the Enterprise Fund to cover the Enterprise-funded portion of the overtime shortfall. A transfer of \$2.99 million is recommended from the Enterprise Fund, Accrued Revenues for Special Services Costs Account, to the Enterprise Fund, Los Angeles Department of Building and Safety Account (LADBS), and, therefrom, to the Department's Overtime Salaries Account. The Accrued Revenues for Special Services Costs Account includes revenues from overtime-generating activities such as off-hour inspections and expedited plan checks. Therefore, it is appropriate to use these funds for overtime.

Through its time billing system, the Department determined that there will be a total of \$516,000 in General Fund salary costs that can be reimbursed by the Repair and Demolition Fund in 2006-07. It is recommended that \$516,000 be transferred from the Department's Repair and Demolition Fund to the Salaries General Account to reimburse 2006-07 costs related to the supervision and administration of repair, demolition and clean-up contracts. A transfer of \$516,000 from the Department's Salaries General Account is therefore recommended to cover the General Fund portion of the overtime shortfall.

Department management has requested that the Code Enforcement Bureau, which is responsible for the majority of General Fund overtime, reduce its use of overtime for the remainder of the year. The projected deficit of \$516,000 assumes that the rate of overtime usage will be cut by half. In addition, the Department has determined that certain types of Code Enforcement inspections (those done on new construction work) are actually eligible to be paid from the Enterprise Fund, providing another revenue source to potentially offset Code Enforcement overtime. The Department also projects that Enterprise Funded overtime use will slow down over the rest of the fiscal year as the result of new hires. This Office will monitor the expenses for Overtime Salaries and recommend future actions in a later financial status report if warranted.

**C. City Attorney  
Recommendations 3, 4 and 15**

The City Attorney is projecting a shortfall in its Litigation account appropriation. Within the Unappropriated Balance (UB), \$750,000 is available, which should be sufficient to cover any shortfalls that may occur in the City Attorney's Litigation account. An appropriation of \$400,000 from the Unappropriated Balance is recommended to allow the Department to sufficiently cover projected expenses. This Office will monitor litigation expenses and recommend future actions in a later financial status report if warranted.

The City Attorney was not provided with a 2006-07 appropriation to pay for outside counsel services. Instead, \$2.7 million was placed in the UB, under an account entitled Outside Counsel Including Workers' Compensation, of which \$1.27 million has been recently appropriated to the City Attorney to pay for these services. Additionally, Council has approved a \$1 million transfer from Liability Claims to the City Attorney to pay for outside counsel services (Council File No. 04-0893). An appropriation of \$375,000 from the Unappropriated Balance is recommended to allow the Department to cover payments due for cases referred through December 31, 2006. This Office will monitor the expenses for outside counsel services and recommend future actions in a later financial status report if warranted.

**D. Council  
Attachment 3**

A transfer of \$1.2 million is recommended from the Salaries General account to the As Needed Salaries account to adjust budgeted funds between accounts to better match personnel authorities.

**E. Convention Center**

The Convention Center Revenue Fund is a special fund established for the receipt of revenues from shows and conventions at the Convention Center. Section 8.148 of the Los Angeles Administrative Code requires that expenses related to the operation, management, maintenance and improvement of the Convention Center be paid out of the Convention Center Revenue Fund. In 1999, the Salaries and Expense Reimbursement Account, a revolving fund account, was established as part of the Convention Center Revenue Fund. This account was established for the sole purpose of reimbursing the Convention Center Department (Department) for salary costs and other expenses incurred relative to client requested services and materials. The revenues from billings to service requestors for provided services and materials are deposited into the Salaries and Expense Reimbursement Account. At the end of each fiscal year, all unencumbered funds in the Salaries and Expense Reimbursement Account in excess of \$100,000 are transferred to the Convention Center Revenue Fund.

In the past, the Department would reimburse its operating budget (Fund No. 100/48) by reducing the expenditure amounts in the Salaries General and other impacted expense accounts and transferring the expended amounts into corresponding expense accounts in the Convention Center Revenue Fund. While this practice has no operational impact, the actual



expenditures in the impacted accounts are not reflected in the final accounting statements for the Department operating budget. The Controller indicates that, for audit trail purposes, this practice should be discontinued. Therefore, the Controller informed the Department that it would no longer process accounting documents that reduce the expenditure amounts in the Department operating budget. Due to this procedural change, an additional appropriation to various accounts of \$1,095,000 was approved by the Council in the First Financial Status Report. This represents funding for the first six months of 2006-07, and will allow the Department to utilize the funding in accordance with the Controller's requirements. It is expected that similar adjustments totaling an estimated \$1,095,000 will be required in future financial status reports.

#### **F. Cultural Affairs**

The 2006-07 budget includes \$107,597 in the Unappropriated Balance (UB) for the Nate Holden Theater Center. The Department was directed to serve as a caretaker of the facility for six months or until a vendor was selected to operate the Theater. The \$107,597 of funds set aside in the UB covers six months of operating cost. Currently, the Department is finalizing a draft of a Request for Proposals (RFP) to select a vendor. The delay in selecting a vendor may result in the Department serving as caretaker for the entire fiscal year. The Department indicates that it does not have sufficient savings to absorb the cost of serving as a caretaker for the entire fiscal year. This Office will monitor this situation and recommend a future transfer in a later financial status report if warranted.

The Department previously reported potential unfunded commitments by the previous General Manager. The City Attorney continues to work with the Department in identifying which commitments the City is obligated to follow through on. To date, the Department does not report the need for any additional funds as a result of these commitments. This Office will continue to monitor the situation and report on the status in subsequent financial status reports.

#### **G. Finance**

The Department is projecting an overall net shortfall of approximately \$224,000 in its total General Fund budget appropriation of \$24 million. This shortfall is primarily attributable to printing costs associated with new business accounts, transportation costs associated with increased field audits, and overtime. This Office will monitor the Department's expenses and recommend a future transfer in a later financial status report if warranted.

#### **H. Fire**

##### **Attachments 3 and 4 Recommendation 5**

The Department is projecting an overall net shortfall of approximately \$6.6 million in its total budget appropriation of \$509.4 million. This shortfall is primarily attributable to 170 platoon-duty vacancies that must be backfilled, field equipment expenses and Firefighter uniforms. The Fire Academy has graduated three classes (123 recruits) this fiscal year and is anticipated to graduate another two classes (up to 100 total recruits) before the end of the

fiscal year. A transfer of \$178,000 is recommended to cover short-term civilian overtime needs. This Office will monitor the Department's expenses and recommend a future transfer in a later financial status report if warranted.

The Department received a grant from Allstate Insurance Company to develop a Disaster Preparedness Public Safety Education Program (Council File No. 06-1714). The Program was implemented in September and October of 2006. The Program included Public Service Announcements that reached an estimated audience of over 5 million, street banners, fire station banners, apparatus signs, and brochures. A transfer of \$75,000 is recommended to reimburse the Department's Operating Supplies account.

An appropriation of \$214,166 from the Unappropriated Balance (UB) is recommended for expense and equipment items for new fire stations. One-time funding for new Fire Stations totaling \$299,762 was provided in the UB to purchase expense items for five Proposition F financed facilities. An appropriation of \$214,166 from the UB is recommended at this time for the purchase of one-time expense items for Fire Station 81 and the Air Operations Facility, which are expected to be completed in January 2007. The remaining \$85,596 will be requested from the UB for Fire Stations 36, 62 and 84 when they have been completed.

The Department completed the business systems requirements for the Emergency Medical Services (EMS) Field Data Capture and Billing System. This project would automate some of the Department's ambulance billing and collection processes and is expected to generate additional revenue for the City. The City Attorney and key stakeholders worked together to finalize wording of the business systems requirements for release as a Request for Proposals. Unfortunately, the EMS project manager who successfully completed the requirements and was working out the legal details of the document was offered and accepted a position with another City Department prior to final approval by the City Attorney. It is expected that at least two more work sessions are required before the document will be approved by the City Attorney. The Fire Department has completed the process of selecting a replacement for the project manager and that person should begin the assignment by the end of January 2007.

**I. General Services Department  
Attachment 3  
Recommendations 16 and 17**

At the beginning of the Fiscal Year the Department projected a shortfall of between \$10 million and \$15 million in its Petroleum Products account appropriation due to the tremendous volatility in the market. The 2006-07 budget included \$9 million for petroleum products in the Unappropriated Balance. The Council approved an appropriation to the Department of \$5 million for petroleum products with the First Financial Status Report (Council File No. 06-0600). The addition of the \$5 million from the Unappropriated Balance has decreased the Department's projected shortfall to between \$5 million and \$10 million. As of late November, gasoline and diesel costs were 4.6% and 1.2% higher, respectively, than the same year to date period last year. Fuel usage for the period June through November is up 7.3% for gasoline and down 3.1% for diesel over the same period last year. This Office will continue to monitor fuel prices and provide updated estimates in future reports.

The Department is projecting a remaining shortfall of approximately \$1.3 million in its Overtime Salaries account appropriation due to the significant number of vacancies within the newly created Office of Public Safety and a need to use overtime to provide a consistent level of security services within the City when required. Due to the background checks and specialized training required, the hiring of security personnel often takes more than six months to complete. The Council approved a transfer of \$1 million to the Overtime Salaries account with the First Financial Status Report (Council File No. 06-0600). An additional transfer of \$350,000 to the Overtime Salaries account is recommended to allow the Department to continue providing the expected level of security until a more accurate year-end projection is available. This Office will continue to monitor overtime expenditures and recommend future actions in a later financial status report if warranted.

The Department is projecting a shortfall of approximately \$1.4 million in its As Needed Salaries account appropriation due to the significant number of vacancies throughout the Department including the Office of Public Safety. A transfer of \$450,000 to the As Needed Salaries account is recommended to allow the Department to sufficiently cover projected expenses until a more accurate year-end projection is available. This Office will continue to monitor As Needed Salaries expenditures and recommend future actions in a later financial status report if warranted.

Last fiscal year, the Department upgraded the City's Supply Management System (SMS) to Version 8.8. After the implementation of the upgrade, several issues and problems between SMS and the Financial Management Information System have come to light. To rectify these issues, the Department is proposing to contract with Metaformers, a leading expert in resolving issues with PeopleSoft Financial software. The Department also requests that \$2.6 million in salary savings be transferred to their Contractual Services account to fund the proposed contract. This Office recommends the transfer to fund the contract with Metaformers.

The Department is projecting a revenue shortfall of \$2.5 million from the Sale of Surplus Property due to staffing shortages and other administrative issues. With the First Financial Status Report, the Council instructed all City departments to ensure that all revenue targets will be met or exceeded and to generate savings to cover any anticipated deficits (Council File No. 06-0600). The Department should be directed to provide a plan to meet the Sale of Surplus Property revenue target, or to reduce expenditures to ensure that no new General Fund appropriations will be needed to cover the estimated revenue shortfall.

**J. Information Technology Agency**  
**Attachments 3 and 4**  
**Recommendations 13 and 14**

The Department is projecting a \$700,000 shortfall in its Overtime Salaries account appropriation. The Department states that the deficit in the overtime account is a result of communications work for the new Proposition F and Q facilities. A transfer of \$400,000 from the Department's Salaries General account is recommended to allow the Department to sufficiently cover projected expenses. The Department is developing a plan to reduce overtime usage and is reviewing what portion of the overtime expense can be reimbursed

from special funds or other departments or agencies. This Office will monitor the expenses for Overtime Salaries and recommend future actions in a later financial status report if warranted.

An appropriation of \$134,510 is recommended for the installation of additional airframe, avionics and mission equipment in two Police Department replacement helicopters. MICLA funds have been authorized for this work. The General Fund will be reimbursed on an as-needed basis upon proper documentation from the Information Technology Agency and the approval of the City Administrative Officer.

A transfer of \$610,335 from the Construction Services Trust Fund is recommended to implement the 3-1-1 Web Portal project. The Web Portal project is a "gateway" that will provide Internet access to 3-1-1 for users trying to obtain City construction-related services. The Construction Services Committee previously approved funding for the project and authorized the Department to expend the funds on a contract for Web Portal products and services (Council File No. 01-2588). The Department expects to execute a Statement of Work with the selected contractor in early 2007 and needs to encumber funds for project software.

A transfer of \$400,000 between accounts within the Department is recommended as a technical correction. Funding in the amount of \$400,000 was provided in the Department's Contractual Services Account to replace equipment for the Fire Department Dispatch Communications Network. Funds should have been budgeted in the Department's Communication Services Account. Due to the project's high priority, the Department completed the replacement program and seeks a transfer to reimburse its Communications Services Account.

Funding of \$260,000 for a Quality Assurance Manager was added to the Department's 2006-07 Contractual Services Account to assist in the implementation and expansion of the 3-1-1 Citywide Service Request System (CSRS). The CSRS will enable the 3-1-1 Call Center to take service requests for any City department, allow the public to submit non-emergency requests via the Internet, and track information on service requests for departments and elected officials. Subsequently, it was determined that the Quality Assurance Coordinator should report to the 3-1-1 Steering Committee and to the Office of the City Administrative Officer (CAO). The CAO has fronted the payments out of existing Contractual Services funds. It is recommended that \$260,000 be transferred to reimburse the CAO's Contractual Services Account.

#### **K. Liability Claims**

\$2.9 million of the Liability Claims Over \$100,000 account appropriation has been used to pay for prior year expenditures. Two settlement checks issued last fiscal year, which totaled \$2.9 million, were cancelled by the Controller, due to technical changes in payee instructions, and re-issued using the current year appropriation. The amounts for the cancelled checks were recorded as current year departmental receipts to the General Fund. This transaction may lead to a shortfall in this account if the \$2.9 million in departmental receipts are not recognized and appropriated to the Liability Claims account as reimbursement for the re-issuing of the settlement checks. This Office will monitor this account and recommend future actions in a later financial status report if warranted.

## **L. Planning**

The Department is projecting a \$460,000 shortfall in its Overtime Salaries account appropriation due to its desire to address operational demands, such as significant case backlogs, while having a high vacancy rate. The projection for this year is consistent with prior year spending. Transfers totaling \$286,000 between accounts within the Department have already occurred to reduce the projected shortfall to \$174,000. The Department has taken recent steps to monitor overtime usage more closely and to ensure that supervisors provide advance approval of overtime. This Office will monitor the expenses from this account and recommend a future transfer in a later financial status report if warranted.

## **M. Police**

### **Attachment 3**

### **Recommendations 6 and 7**

The Department is currently projecting a surplus of approximately \$16 million in the Salaries Sworn account due to a budget calculation error related to the payroll period that overlaps from the prior fiscal year and higher than anticipated attrition. This surplus is available to compensate for projected shortfalls in the Salaries General and Sworn Overtime accounts.

The Department is currently projecting a shortfall of approximately \$18.3 million in the Overtime Sworn account. Of this amount, \$4 million is unbudgeted overtime to be reimbursed by LAWA and \$6.3 million is overtime to be reimbursed by various grants. The remaining \$8 million shortfall is due to non-reimbursable overtime, reflecting approximately 152,500 hours over the Police Department's 1.2 million hour overtime cap. The 152,500 hour overage is due to both discretionary and non-discretionary overtime. The major non-discretionary causes include Court Directed Reporting and Use of Force Investigations. The major discretionary causes include Gang Enforcement and Narcotics Enforcement Activities. It is the Department's stated opinion that the 1.2 million hour cap is insufficient to meet the public safety needs of the Department and the City.

The Budget and Finance Committee instructed this Office to report back on Police sworn overtime usage by obligatory and discretionary categories and to report back regarding the supplemental questions relative to Police sworn overtime provided by the Chair of the Budget and Finance Committee on November 13, 2006 to the CAO. A report from this Office and the Police Department to the Budget and Finance Committee on Police overtime is expected to be released in February 2007.

Transfers totaling \$4.4 million are recommended to address shortfalls in the Salaries General account due to lower than expected civilian attrition (\$3 million), the Overtime General account due to key vacancies and the 24/7 operations of some civilian divisions, e.g., the Jail Division (\$1 million), and to compensate retiring officers for accrued overtime worked (\$400,000).

An appropriation of \$2 million from the Unappropriated Balance (UB) is recommended for expense and equipment items for new police facilities. One-time funding for new police facilities totaling \$2 million was provided in the UB to purchase expense items for these Proposition Q financed facilities. An appropriation of \$2 million from the UB is recommended at this time for the purchase of one-time expense and equipment items for the new Los Angeles Regional Crime Laboratory (\$828,910) and for the new Metro and Valley Bomb Squad facilities (\$1,171,090), which are expected to be completed in March, 2007. An additional appropriation of \$307,355 from a separate line-item in the UB is also recommended for expense items for the new Los Angeles Regional Crime Laboratory.

#### **N. Recreation and Parks**

Recommendations 10 through 12

The Department operates and maintains the Hollywood Sign Security System. The Hollywood Sign was recently vandalized. To improve security, the Department recommends that the security system be moved to the General Services Department's Office of Public Safety dispatch center. The Information Technology Agency (ITA) estimates the cost to move and install the security system is \$47,046. Additionally, the Department requires telephone, data and other communication services from ITA for various Department facilities (\$41,000). On August 9, 2006, the Board of Recreation and Park Commissioners approved transfers of funds totaling \$88,046 for the above purposes to the Department's account designated for ITA.

The Storm Damage Repair Program (SDRP) involves repairing the damage to streets caused by the Winter Storms of 2005. At this time, 34 projects require hydroseeding to prevent future erosion of the slopes on which the repaired streets are situated. Because hydroseeding needs to be done in time to allow time for the grass roots to grow and establish before the rainy season, it is recommended that funds be appropriated to the Department to perform this work on overtime. The Department is the only City department with the proper equipment for hydroseeding. These projects are front-funded with MICLA Commercial Paper, with repayment as reimbursements from the Federal Emergency Management Agency (FEMA).

#### **O. Transportation**

The Department is projecting a \$2.5 million shortfall in its Overtime Salaries account appropriation. If this projection is realized, it would result in an increase of 11.3% over 2005-06 actual Overtime Salaries expenditures. The Department believes the overtime deficit is caused by an increase in the number of special events and because the overtime account was not adjusted for cost-of-living increases. Recently, the Department implemented a new reporting system for managers to better track overtime costs. The Department will be able to identify where the overtime is being spent and target those groups/areas that need to be managed better, if necessary. This Office is currently working with the Department to clarify their findings and adjust this projection and/or identify offsetting surpluses within the Department. This Office will continue to monitor this account and will provide additional information, including more specific reasons for the shortfall and a plan for attempting to eliminate it, in the next financial status report.

## **P. Treasurer**

The Budget and Finance Committee instructed this office to report in each Financial Status report on position vacancies in the Office of the Treasurer and on the status of the Treasury Workstation.

The Department has 38 authorized regular positions and 2 resolution authority positions. Currently, 37 positions are filled. The current vacancies are an Investment Officer I, Treasury Accountant and an Executive Administrative Assistant III.

The Workstation is in the testing phase. Some problems have been experienced with the functionality of the system and technical issues are being resolved with the vendor. In December 2006, the Department met with the vendor to discuss slow progress with delivering workable system updates. Many of the updates provided by the vendor in November 2006 did not meet the requirements of the City. After a lengthy review of the updates, the vendor agreed to have Department technical staff meet with their developers to work out system solutions. Considerable progress was made. The Treasurer expects a new set of system solutions from the vendor by mid-January 2007. The pilot program with the Convention Center, which began in August 2006, is progressing. Currently, new accounts are being set up. However, the Convention Center will not be brought on line until successful completion of the Workstation testing phase.

The Department is projecting shortfalls at year-end primarily due to unplanned and unbudgeted expenditures. Several workers' compensation claims have resulted in the need to purchase ergonomic supplies and equipment. The department is currently using its Office and Administrative account appropriation to front fund this expense. The Department also requires funding to replace a critical server that is failing. This Office will work with the Department to resolve any fiscal issues within existing resources and will recommend a future transfer in a later financial status report if warranted.

## **4. BOND AND CONSTRUCTION PROJECTS**

### **A. 1989 Library Construction Program Recommendations 8 and 9**

On December 8, 2004, Council approved the use of \$1,345,859 in interest earnings and cost of issuance savings from the 1989 Library Construction Program to finance alteration and improvement projects at various libraries within the approved scope of the bond program (C.F. 03-0600-S28). The funds are to be used to address design and historical preservation related alterations and improvements at 27 branch libraries within the 1989 Library Construction Program. The construction work is to be performed by the Department of General Services (GSD) construction forces.

GSD received an initial appropriation of \$133,360 to perform work on the Lincoln Heights library in March 2006 (C.F.05-0600-S56). GSD has provided the Library Department with Class C estimates to complete work at the Lincoln Heights branch library and for the next seven libraries totaling \$426,808.

The estimated cost of work to correct historical branch design defects is \$271,704. Fremont (\$26,852), Jefferson (\$20,055), Memorial (\$18,712), and Lincoln Heights (\$206,085) libraries are historic buildings. The estimate for Lincoln Heights includes funding required to repair damage caused by dry rot. The scope of work for these four branch libraries includes: water seepage remediation and damage repair; installation of tectum insulation panels to correct acoustical reverberation and resonance design defects; and, installation of additional historically appropriate lighting.

The estimated cost of work for the remaining four branches is \$155,104 (Lake View Terrace, \$63,505; Studio City, \$8,196; Washington Irving, \$63,318; and Mid-Valley, \$20,085). The scope of work for these branches includes: installation of evaporative tower guards; waterproofing of footings; water seepage remediation and damage repair; installation of tectum insulation panels to correct acoustical reverberation and resonance design defects; and, installation of additional security and patron service area lighting.

Actual cost reimbursement will occur on a monthly basis after review and approval of GSD services cost reports by the Library Bond Program Manager.

## **5. STATUS OF THE CITY'S MICLA COMMERCIAL PAPER PROGRAM**

The City's Financial Policies instruct the City Administrative Officer (CAO) to periodically report on the status of the MICLA Commercial Paper (CP) Program. In June 2004, the Mayor and Council approved a \$200 million CP program to be used as temporary financing for the construction and purchase of capital projects and for the acquisition of capital equipment. Funds used for the acquisition and tenant improvements to the Public Works Building and the design of the Police Headquarters Facility were recently refunded into a long-term MICLA issuance. CP will be used during the next few months on previously approved MICLA projects and equipment. For the quarter ending on December 31, 2006, \$105.5 million was outstanding in the MICLA CP Program with a range of interest rates from 3.35% to 3.65% (tax-exempt). The City does not have any taxable notes outstanding at this time.

## **6. SPECIAL EVENT FEE WAIVERS**

The Budget and Finance Committee instructed this Office to periodically report on the number and amount of Council-approved fee waivers (subsidies) associated with special events and with convention center meetings and events. For July 1, 2006 to November 30, 2006, the total number of fee waivers is 484 at an estimated amount of \$2 million. This does not include additional special event costs incurred by the Transportation Department, Police Department, or other agencies required to provide services as a result of the event.



## 7. EMPLOYMENT LEVEL REPORT

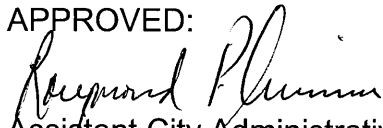
Citywide employment authority from all funding sources totaled 39,305 at the end of November 2006. Filled positions increased by 560 from 34,879 at the end of July to 35,439 at the end of November. Departments reported a total of 3,909 vacant positions, 3,430 General Fund and 479 special funded. (see Attachment 5).



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David Luther, Chief Administrative Analyst

APPROVED:



Assistant City Administrative Officer

KLS:RPC:DDL:010600022c  
Attachments

**Fiscal Year 2006-07 General Fund Variance**

**As of December 31, 2006**  
(Thousand Dollars)

	<b>Fiscal Year Budget</b>	<b>Plan</b>	<b>Receipts</b>	<b>Variance (Receipts Less Plan)</b>	
Property Tax	\$1,298,371	\$404,820	\$398,136	(\$6,684)	Line-by line analysis in progress.
Property Tax -- Carryover from 2005-06			44,000	44,000	
Utility Users' Tax	613,448	296,205	296,292	87	Telephone collections are very close to plan; electric tax receipts are \$7 million above plan but are offset by gas users' tax receipts which are below last year's level and are affected by falling commodity prices.
Licenses, Permits, Fees and Fines	526,841	211,603	236,751	25,148	Actual collections in such categories as Airport reimbursements, Building and Safety reimbursements, City Clerk election receipts and CDD special fund reimbursements explain most of the variance. At this point we anticipate 2006-07 receipts from all categories of Licenses, Permits, Fees and Fines to be very close to plan.
Business Tax	421,720	21,608	34,452	12,844	This account is being reviewed. There is a basis for optimism that the variance to date will continue throughout the fiscal year.
Sales Tax	338,097	171,507	170,849	(658)	
Transfer from Reserve Fund	231,304	231,304	231,304		
Documentary Transfer Tax	192,500	104,000	92,851	(11,149)	It is projected this account will fall below the budget estimate by at least \$15 million.
Power Revenue Transfer	175,000				
Transient Occupancy Tax	133,600	68,136	66,871	(1,265)	The variance is related to the timing of the posting of cash deposits; no change in the revenue estimate.
Parking Fines	122,328	55,500	53,505	(1,995)	At this point, we are hopeful the Department of Transportation will achieve its revenue estimate.
Parking Users' Tax	82,350	40,200	38,193	(2,007)	The variance is related to the timing of the posting of cash deposits; no change in the revenue estimate.
Franchise Income	50,946	21,693	21,832	139	
Interest Income	44,060	19,000	34,068	15,068	Current cash receipts include reserves for interest to be allocated to special funds. Variance is not significant.
Water Revenue Transfer	31,600				
State Motor Vehicle License Fees	25,000	10,100	15,390	5,290	\$3.1 million of variance is due to one-time adjustment by the State.
Grant Receipts	17,061	8,388	5,970	(2,418)	Based on police hiring, this account may be short \$4 to 5 million.
Transfer from Tax Reform Fund	14,390				
Tobacco Settlement	10,473				
Transfer from Telecommunications Fund	5,364				
Residential Development Tax	4,250	2,124	2,680	556	No basis to change estimate.
<b>General Fund</b>	<b>\$4,338,703</b>	<b>\$1,666,188</b>	<b>\$1,743,230</b>	<b>\$77,042</b>	

The primary component of the \$77 million variance is a carryover of \$44 million in 2005-06 property tax revenue into the current year. This carryover would be available to supplement the Reserve Fund if it is not necessary to offset revenue shortfalls in other property tax or General Fund accounts. Licenses, permits, fees and fines shows a possible variance of \$25 million. This account is being reviewed on a line-by-line basis. Most of the variance is the result of earlier than planned receipts and may not indicate increased fiscal year revenue. Similarly, the variance from planned interest income appears to be a cash flow issue.

## Fiscal Year 2006-07 General Fund Projection

As of December 31, 2006  
(Thousand Dollars)

	Fiscal Year Budget	Variance at December	Most Likely Year End Variance	
Property Tax (Excluding \$44 million 2005-06 Carryover)	\$1,298,371	(\$6,684)		Property tax estimate may still be achievable. Much depends on how fast real estate market slows.
Property Tax Carryover		44,000	\$44,000	This counts as 2006-07 revenue.
Utility Users' Tax	613,448	87		Pending legal issues are not expected to affect 2006-07 telephone tax receipts; but early adverse court decisions could reduce revenue.
				Declining natural gas commodity prices will reduce the gas users' tax. This reduction is currently offset by higher than anticipated electric users' tax receipts. No change recommend at this time.
Licenses, Permits, Fees and Fines	526,841	25,148		Current variance due to earlier than anticipated collections.
Business Tax	421,720	12,844		Based on 2005-06 receipts, additional revenue is possible.
Sales Tax	338,097	(658)		Estimate is on target.
Transfer from Reserve Fund	231,304			
Documentary Transfer Tax	192,500	(11,149)	(15,000)	This account is soft and will fall below budget; amount of shortfall is speculative at this time.
Power Revenue Transfer	175,000			
Transient Occupancy Tax	133,600	(1,265)		Estimate looks OK.
Parking Fines	122,328	(1,995)		Review with DOT pending.
Parking Users' Tax	82,350	(2,007)		Estimate looks OK.
Franchise Income	50,946	139		
Interest Income	44,060	15,068		Current cash receipts include reserves for interest to be allocated to special funds. Variance is not meaningful.
Water Revenue Transfer	31,600			A review of this traditional revenue source is in progress.
State Motor Vehicle License Fees	25,000	5,290	3,100	\$3.1 million of variance is due to one-time adjustment by the State.
Grant Receipts	17,061	(2,418)	(5,000)	Based on police hiring, this account figures to be short \$4 to 5 million.
Transfer from Tax Reform Fund	14,390			
Tobacco Settlement	10,473	86		
Transfer from Telecommunications Fund	5,364			
Residential Development Tax	4,250	556		
<b>General Fund</b>	<b>\$4,338,703</b>	<b>\$77,042</b>	<b>\$27,100</b>	

This positive projected variance is at risk from a drastically weaker real estate market or early adverse action affecting the telephone users' tax or water revenue transfer. Other threats to the budget estimate are a slowing economy which could reduce economy-sensitive revenues such as the sales, business, hotel and parking taxes. Still another threat is declining energy prices, which will reduce gas users' tax receipts. The business tax estimate is currently under review and we hope to have a basis to recommend an increase in that account in the near future.

**ATTACHMENT 2**  
**STATUS OF RESERVE FUND AS OF 1/9/07**

<b>Council File No.</b>	<b>Item Description</b>	<b>Amount</b>
	Balance Available, 7/1/06	\$179,084,558
	Emergency Reserve Account	(108,468,000)
<b>Contingency Reserve Account</b>		<b>\$ 70,616,558</b>
<b>Loan Repayment and Other Receipts</b>		<b>\$ 39,613,144</b>
03-0063-S5	Police Headquarter	(30,600,000)
06-0100-S9	CBDO Certification	(1,408,747)
04-2341-S1	Verdugo Mountain Park Acquisition Project	(1,106,800)
06-0600-S59;1st FSF	Safe Corridors Project	(206,041)
04-0423	Internet Crimes Against Children Grant	(138,651)
05-1583	Spousal Abuse Prosecution Program Grant	(59,395)
04-0011-S1	Project Safe Neighborhood Grant Program	(40,000)
04-0011-S1	Project Safe Neighborhood Grant Program	(26,172)
02-1820	Victim Assistance Program Grant	(10,800)
01-1401	Special Emphasis Victim Assistance Grant	(7,270)
06-0600-S59;1st FSF	Police (reappropriation)	(6,088,885)
06-0600-S59;1st FSF	LINX Replacement	(3,312,000)
06-1800-S3	Affordable Housing GO Bond Special Election	(2,500,000)
06-0600-S59;1st FSF	Information Technology Agency (reappropriation)	(1,860,656)
06-0600-S59;1st FSF	General Services Dept. Building Management System (reappropriation)	(1,086,698)
06-0600-S59;1st FSF	Controller Audit	(642,500)
06-0600-S59;1st FSF	Sanitation (reappropriation)	(400,000)
05-1196	77th Street Police Station	(383,000)
06-2648	Pensions Retirement Systems Audit	(222,000)
06-0600-S59;1st FSF	Project Restore Trust Fund	(200,000)
06-0600-S59;1st FSF	Revenue Requirement Study - DWP	(160,000)
06-0600-S59;1st FSF	Finance (reappropriation)	(90,000)
06-0600-S33	Homeless Shelter Program	(50,000)
06-0600-S33	Homeless Shelter Program	(50,000)
04-0010-S9	Special Reward Trust Fund (Sergio Reyes)	(25,000)
03-0010-s24	Special Reward Trust Fund (R. Groetken)	(25,000)
06-0600-S59;1st FSF	Disability AIDS Program (reappropriation)	(9,000)
05-1614	Ecuadorian Independence	(2,528)
06-2740	Harbor Reception	(663)
06-1741	International Cancer Symposium	(611)
06-2552	LA's BEST Reception	(530)
06-1925	Leadership Accountability Training Tom Bradley Tower	(428)
06-2676	UCLA Reception	(428)
06-2667	US District Court Reception	(407)
06-2605	LA Superior Court Reception	(362)
05-2071	Jewish Federation Reception	(326)
<b>Loans and Transfers Approved to Date</b>		<b>\$ (50,714,898)</b>
<b>Proposed Loans and Transfers</b>		<b>\$ (406,929)</b>
<b>Contingency Reserve Available Balance as of 1/9/2007</b>		<b><u>\$ 59,107,875</u></b>

**ATTACHMENT 3**  
**FY 2006-07 BUDGET ADJUSTMENTS**  
**TRANSFERS BETWEEN ACCOUNTS WITHIN DEPARTMENTS AND FUNDS**

DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Animal Services	Fund 100/06, Animal Services		Fund 100/06, Animal Services	
	1010, Salaries General	\$ 100,000	4460, Private Veterinary Care Expenses	\$ 100,000
	Subtotal	\$ 100,000	Subtotal	\$ 100,000
Building and Safety	Fund 48R, Building and Safety Permit Enterprise Fund		Fund 48R, Building and Safety Permit Enterprise Fund	
	A548, Res for Spec Services	\$ 2,990,000	A108, LADBS	\$ 2,990,000
	Subtotal	\$ 2,990,000	Subtotal	\$ 2,990,000
Council	Fund 100/08, Building and Safety		Fund 100/08, Building and Safety	
	1010, Salaries General	\$ 516,000	1090, Overtime General	\$ 516,000
	Subtotal	\$ 516,000	Subtotal	\$ 516,000
Fire	Fund 100/28, Council		Fund 100/28, Council	
	1010, Salaries General	\$ 1,200,000	1070, Salaries As Needed	\$ 1,200,000
	Subtotal	\$ 1,200,000	Subtotal	\$ 1,200,000
General Services	Fund 100/38, Fire		Fund 100/38, Fire	
	1012, Salaries Sworn	\$ 178,000	1090, Overtime General	\$ 178,000
	Subtotal	\$ 178,000	Subtotal	\$ 178,000
Information Technology Agency	Fund 100/40, General Services		Fund 100/40, General Services	
	1010, Salaries General	\$ 3,400,000	1090, Overtime General	\$ 350,000
			1070, Salaries As Needed	450,000
			3040, Contractual Services	2,600,000
	Subtotal	\$ 3,400,000	Subtotal	\$ 3,400,000
Police	Fund 100/32, Information Technology Agency		Fund 100/32, Information Technology Agency	
	1010, Salaries General	\$ 400,000	1090, Overtime General	\$ 400,000
	3040, Contractual Services	400,000	9350, Communication Services	400,000
	Subtotal	\$ 800,000	Subtotal	\$ 800,000
Police	Fund 100/70, Police		Fund 100/70, Police	
	1012, Salaries Sworn	\$ 4,400,000	1010, Salaries General	\$ 3,000,000
			1090, Overtime General	1,000,000
			1095, Accumulated Overtime	\$ 400,000
	Subtotal	\$ 4,400,000	Subtotal	\$ 4,400,000

**TOTAL ALL DEPARTMENTS AND FUNDS** **\$ 13,584,000**

**ATTACHMENT 4  
FY 2006-07 BUDGET ADJUSTMENTS  
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS**

DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Building and Safety	<u>Fund 48R/08, Building and Safety Permit Enterprise Fund</u>		<u>Fund 100/08, Building and Safety</u>	
	A108, LADBS	\$ 2,990,000	1090, Overtime General	\$ 2,990,000
	Subtotal	\$ 2,990,000	Subtotal	\$ 2,990,000
Fire	<u>Fund 346, Repair and Demolition</u>		<u>Fund 100/08, Building and Safety</u>	
	Account 000A, Expenditure	\$ 516,000	1010, Salaries General	\$ 516,000
	Subtotal	\$ 516,000	Subtotal	\$ 516,000
Information Technology Agency	<u>Fund 848/38, Fire Department Trust</u>		<u>Fund 100/38, Fire</u>	
	Account 004A, Disaster Preparedness Education	\$ 75,000	Account 6020, Operating Supplies	\$ 75,000
	Subtotal	\$ 75,000	Subtotal	\$ 75,000
Information Technology Agency	<u>Fund 438/50, One Stop Permit Ctr Trust</u>		<u>Fund 100/32, Information Technology Agency</u>	
	T004, Automation-Engineering	\$ 610,335	3040, Contractual Services	\$ 610,335
	Subtotal	\$ 610,335	Subtotal	\$ 610,335
Information Technology Agency	<u>Fund 100/32, Information Technology Agency</u>		<u>Fund 100/10, City Administrative Officer</u>	
	3040, Contractual Services	260,000	3040, Contractual Services	260,000
	Subtotal	260,000	Subtotal	260,000
<b>TOTAL ALL DEPARTMENTS AND FUNDS</b>		<b>\$ 4,451,335</b>	<b>\$ 4,451,335</b>	

**ATTACHMENT 5  
EMPLOYMENT LEVEL REPORT  
FY 2006-07**

Department	Adopted Budget	Position Authorities			Filled Positions			Vacancies	Activated Sub. Auth.
		Start of November	Changes	End of November	Start of November	Changes	End of November		
Aging	43	51	-	51	46	-	46	5	-
Animal Services	321	437	-	437	304	(3)	301	136	5
Building and Safety	839	1084	1	1085	912	19	931	154	31
City Administrative Officer	128	131	-	131	124	(1)	123	8	-
City Attorney	852	1047	-	1047	990	-	990	57	11
City Clerk	140	149	-	149	142	2	144	5	2
Commission on C, Y and their F	8	15	-	15	12	-	12	3	-
Commission on the Status of Women	5	13	-	13	12	-	12	1	5
Community Development	273	439	-	439	326	(1)	325	114	8
Controller	187	225	-	225	176	-	176	49	11
Cultural Affairs	73	75	-	75	71	(2)	69	6	2
Disability	14	21	-	21	21	-	21	-	-
El Pueblo	17	22	-	22	17	-	17	5	1
Emergency Preparedness	16	17	-	17	17	-	17	-	1
Employee Relations Board	3	3	-	3	3	-	3	-	-
Environmental Affairs	37	39	-	39	35	(1)	34	5	2
Ethics Commission	27	31	-	31	25	2	27	4	-
Finance	360	372	-	372	356	(6)	350	22	11
Fire - Civilian	346	422	8	430	362	1	363	67	35
Fire - Sworn	3,576	3640	33	3673	3624	(3)	3621	52	27
General Services	2,197	2321	-	2321	2064	12	2076	245	48
Housing	503	582	-	582	501	-	501	81	14
Human Relations Commission	11	17	-	17	15	1	16	1	-
Information Technology Agency	743	838	-	838	759	(2)	757	81	16
L.A. Convention Center	165	178	-	178	152	1	153	25	12
Neighborhood Empowerment	51	51	-	51	42	2	44	7	-
Personnel	435	547	-	547	518	(1)	517	30	21
Planning	271	346	-	346	293	1	294	52	5
Police - Civilian	3,634	3723	-	3723	3245	(1)	3244	479	-
Police - Sworn	10,310	10340	-	10340	9407	2	9409	931	-
PW/Board of Public Works	158	174	-	174	166	(1)	165	9	8
PW/Bureau of Contract Admin	309	431	-	431	363	3	366	65	-
PW/Bureau of Engineering	973	1197	-	1197	1043	-	1043	154	36
PW/Bureau of Sanitation	2,882	2910	-	2910	2597	-	2597	313	11
PW/Bureau of Street Lighting	247	259	-	259	224	(2)	222	37	-
PW/Bureau of Street Services	1,286	1623	-	1623	1362	37	1399	224	2
Transportation	1,582	1738	-	1738	1659	(3)	1656	82	36
Treasurer	38	43	-	43	37	1	38	5	3
Zoo	263	266	-	266	239	5	244	22	3
<b>Subtotal</b>	<b>33,323</b>	<b>35,817</b>	<b>42</b>	<b>35,859</b>	<b>32,261</b>	<b>62</b>	<b>32,323</b>	<b>3,536</b>	<b>367</b>
Library	1,129	1,189	-	1,189	1,064	11	1,075	114	-
Recreation and Parks	2,037	2,299	1	2,300	2,005	36	2,041	259	173
<b>Subtotal</b>	<b>3,166</b>	<b>3,488</b>	<b>1</b>	<b>3,489</b>	<b>3,069</b>	<b>47</b>	<b>3,116</b>	<b>373</b>	<b>173</b>
<b>Total</b>	<b>36,489</b>	<b>39,305</b>	<b>43</b>	<b>39,348</b>	<b>35,330</b>	<b>109</b>	<b>35,439</b>	<b>3,909</b>	<b>540</b>

"Position Authorities-Start of July" includes resolution authority and substitute positions.

Monthly Summary	Adopted Budget	Position Authorities			Filled Positions			Vacancies	Activated Sub. Auth.
		Start of Month	Changes	End of Month	Start of Month	Changes	End of Month		
July	36,489	39,167	96	39,263	34,760	119	34,879	4,384	527
August	36,489	39,263	6	39,269	34,879	177	35,056	4,213	539
September	36,489	39,269	7	39,276	35,056	33	35,089	4,187	511
October	36,489	39,276	29	39,305	35,089	241	35,330	3,967	520
November	36,489	39,305	43	39,348	35,330	109	35,439	3,909	540
December			-			-		-	-
January			-			-		-	-
February			-			-		-	-
March			-			-		-	-
April			-			-		-	-
May			-			-		-	-
June			-			-		-	-
General Fund Vacancies:	3,430								
Special Fund Vacancies:	479								
<b>Totals</b>	<b>3,909</b>		<b>181</b>			<b>679</b>			

ATTACHMENT 6

STATUS OF UNAPPROPRIATED BALANCE NON-GENERAL ACCOUNT as of 1/9/07

Council File No.	UB Non-General Accounts General Fund	Primary Department	Adopted Budget	Amount		Available Balance
					Appropriated during year	
	General (see Attachment 4A)		\$ 25,000	\$ (16,723)	\$ 8,277	
	3-1-1 Service Request System	ITA	1,120,000		1,120,000	
	Boyle Heights Neighborhood City Hall	GSD	407,022		407,022	
	Fire - Complaint Resolution Office	Fire	360,045		360,045	
06-0600-S59;1st FSR	GSD - Petroleum Products	GSD	9,000,000	(5,000,000)	4,000,000	
04-2621-S2	Gang Prevention/Intervention/Reduction Program	Mayor/Council	2,000,000	(128,280)	1,871,720	
06-0600-S59;1st FSR	LAPD Consent Decree Program	Police/CLA	1,855,018	(135,000)	1,720,018	
2nd FSR	Litigation Expense Account	City Atty	750,000	(400,000)	350,000	
2nd FSR	Los Angeles Regional Crime Laboratory	Police	307,355	(307,355)	0	
05-0894-S1	Neighborhood Council Study	DONE	500,000	(500,000)	0	
2nd FSR	New Fire Stations	Fire	299,762	(214,166)	85,596	
2nd FSR	New Police Facilities	Police	2,000,000	(2,000,000)	0	
2nd FSR; Various C.F. Nos.	Outside Counsel Including Workers' Comp	City Atty	2,700,000	(1,513,800)	1,186,200	
05-0524	Peak Hour Construction Program	Various	652,907	(493,522)	159,385	
	Training Final Decision makers of N/C Elections	DONE	25,000		25,000	
	Water and Electricity	GSD	1,371,000		1,371,000	
06-0600-S41	CCYF Phase II Special Projects	CCYF	100,000	(70,000)	30,000	
	Civic Center Master Plan	Planning	150,000		150,000	
06-1362; 06-2949	Contamination Reduction Program	P/W Sanitation	1,636,572	(1,486,668)	149,904	
	Emergency Management	EPD	710,000		710,000	
06-0272	Homeland Security Enhancement Ph 2	Fire	2,220,001	(1,822,343)	397,658	
	Homeland Security Enhancement Ph 2	Police	1,155,992		1,155,992	
	Green Agenda	EAD	62,476		62,476	
06-0600-S33	Homeless Shelter	Housing	1,050,000	(1,050,000)	0	
	Human Trafficking - CSOW	CSOW	49,000		49,000	
	In-Car Video	Police	2,500,000		2,500,000	
06-1380	Learn and Earn	Mayor/Council	2,000,000	(2,000,000)	0	
	Left-turn Arrow Signals	DOT	802,000		802,000	
	Medical Exams for Sworn Fire Emp.	Fire	800,000		800,000	
	Medical Services Efficiencies	Personnel	25,980		25,980	
	Nate Holden Performing Arts Center	Cultural Affairs	108,000		108,000	
06-2498	Neighborhood Prosecutor Program-School Safety	City Atty	251,077	(251,077)	0	
06-0600-S22	Outside Counsel Oversight Unit	City Atty	479,903	(479,903)	0	
06-2583-S1	Pollworker Stipend Phase I	City Clerk	522,000	(522,000)	0	
	Senior Services	Aging	300,000		300,000	
06-1362	Solid Waste Integrated Resource Plan	P/W Sanitation	2,758,422	(418,484)	2,339,938	
Reappropriation	Cultural & Historical Facilities	Cultural Affairs	800,000		800,000	
Reappropriation	Council Initiated Assignments	Planning	440,000	(70,000)	370,000	
06-0600-S59;1st FSR	LINX Replacement	Personnel	3,312,000		3,312,000	
			\$ 45,606,532	\$ (18,879,321)	\$ 26,727,211	



**ATTACHMENT 6**

**STATUS OF UNAPPROPRIATED BALANCE NON-GENERAL ACCOUNT as of 1/9/07**

Council File No.	UB Non-General Accounts	Primary Department	Amount		Available Balance
			Adopted Budget	Appropriated during year	
	<b>Special Funds</b>				
SB report	Alternative Waste Disposal Tech Study	Sanitation	2,000,000		2,000,000
	Contamination Reduction Program	PW Sanitation	820,000	(820,000)	0
	Green Agenda	EAD	122,952		122,952
	In-Car Video	Police	2,500,000		2,500,000
	One-Stop Permit Center- Charter Sch.	BAS	100,000		100,000
			<b>\$ 5,542,952</b>	<b>\$ (820,000)</b>	<b>\$ 4,722,952</b>
	<b>Grand Total</b>		<b>\$ 51,149,484</b>	<b>\$ (19,699,321)</b>	<b>\$ 31,450,163</b>



**ATTACHMENT 7  
FIVE-YEAR GENERAL FUND BUDGET FORECAST (\$MM)**

	2007-08	2008-09	2009-10	2010-11	2011-12
<b>ESTIMATED GENERAL FUND REVENUE</b>					
General Fund Base (1)	\$ 4,107.4	\$ 4,218.8	\$ 4,395.8	\$ 4,594.1	\$ 4,804.5
Revenue Growth (2)	111.4	177.0	198.3	210.4	221.2
Transfer from Reserve Fund (3)	97.0	97.0	97.0	97.0	97.0
<b>Total Revenue</b>	<b>\$ 4,315.8</b>	<b>\$ 4,492.8</b>	<b>\$ 4,691.1</b>	<b>\$ 4,901.5</b>	<b>\$ 5,122.7</b>
General Fund Base Increase %	-0.5%	4.1%	4.4%	4.5%	4.5%
General Fund Base Increase \$	(22.9)	177.0	198.3	210.4	221.2
<b>ESTIMATED GENERAL FUND EXPENDITURES</b>					
General Fund Base (4)	\$ 4,338.7	\$ 4,558.9	\$ 4,768.7	\$ 4,783.1	\$ 4,834.2
<b>Obligatory Incremental Changes to Base: (5)</b>					
Employee Compensation Adjustments (6)	83.4	62.9	12.0	12.0	12.0
Fire and Police Pensions (7)	49.8	(11.1)	(7.7)	1.6	12.1
City Employees Retirement System (7)	-	51.3	2.1	(2.7)	9.3
Workers Compensation Benefits (8)	5.9	6.2	6.5	6.8	7.2
Health and Dental Benefits (9)	27.5	28.5	29.3	30.0	32.4
Debt Service (10)	2.7	(11.1)	36.8	(28.5)	(13.6)
Expense CPI Increases (11)	7.2	7.3	7.4	7.6	7.8
Delete One-Time Costs (12)	-	-	-	-	-
Unappropriated Balance (13)	-	-	-	-	-
New Facilities (14)	39.1	34.5	(44.0)	4.5	5.0
City Elections (15)	(14.1)	14.5	(14.5)	15.0	(15.0)
Police 1,000 Officers Hiring Plan (16a)	15.6	23.0	29.5	9.3	-
VLF Police Hires (16b)	10.9	18.9	-	-	-
Solid Waste Resource Fee Offset (17)	(44.5)	(30.0)	(18.8)	-	-
Alternative Refuse Disposal Options (18)	-	-	-	-	-
<b>Subtotal Expenditures</b>	<b>4,522.1</b>	<b>4,753.7</b>	<b>4,807.4</b>	<b>4,838.7</b>	<b>4,891.3</b>
<b>Surplus (Deficits)</b>	<b>(206.3)</b>	<b>(260.9)</b>	<b>(116.3)</b>	<b>62.8</b>	<b>231.4</b>
<b>Other Potential Expenditures</b>					
EOC/POC/FOC/Fire Dispatch Facility (19)	\$ 21.5	\$ 11.0	\$ (32.3)	\$ (2.1)	\$ -
Stormwater Bond Operation and Maintenance (20)	2.0	4.0	8.0	11.0	-
Police Radio Replacement (21)	13.3	-	-	(13.3)	-
<b>Subtotal Other Potential Expenditures</b>	<b>36.8</b>	<b>15.0</b>	<b>(24.3)</b>	<b>(4.4)</b>	<b>-</b>
<b>Total Obligatory and Potential Expenditures</b>	<b>\$ 4,558.9</b>	<b>\$ 4,768.7</b>	<b>\$ 4,783.1</b>	<b>\$ 4,834.2</b>	<b>\$ 4,891.3</b>
Expenditure Growth %	5.1%	4.6%	0.3%	1.1%	1.2%
Expenditure Growth \$	220	210	14	51	57
<b>SURPLUS (DEFICIT)</b>	<b>(243.1)</b>	<b>(275.9)</b>	<b>(91.9)</b>	<b>67.3</b>	<b>231.4</b>

## ATTACHMENT 7a

### FIVE-YEAR GENERAL FUND BUDGET FORECAST ASSUMPTIONS

#### REVENUE:

- (1) General Fund Base: The General Fund revenue growth is separated from the revenue base. This base excludes the Reserve Fund transfer to the budget.
- (2) Revenue Growth: Overall revenue is assumed to grow slightly above four percent over the next few years. No adjustment is made for challenges facing collection of utility users' taxes on telephone.
- (3) Potential Carryover: Future estimates are based on the 10-year (Fiscal Years 1996 to 2005) historical average of unallocated revenue and reversions.

#### ESTIMATED GENERAL FUND EXPENDITURES:

- (4) Estimated Expenditure General Fund Base: Using the 2006-07 General Fund budget as the baseline year, the General Fund base is the "Total Obligatory and Potential Expenditures" carried over to the following fiscal year.
- (5) The 2007-08 incremental changes reflect proposed funding added to the 2006-07 General Fund budget. The 5-year forecast expenditures included for subsequent years are limited to those obligatory and major expenses known at this time and are subject to change.
- (6) Employee Compensation Adjustments: These do not include Civilian Cost of Living Adjustment (COLA) beyond current labor contracts. Civilian labor contracts expire on 6/30/06 and include a final COLA of 2.25% on 1/1/2007. Sworn labor contracts expire on 6/30/2009 and include the remaining COLA's of 3.5% on 7/1/2007 and 3.75% on 7/1/2008.
- (7) Fire & Police Pensions (Pensions) and City Employment Retirement System (LACERS): The contribution for Pensions and LACERS are estimated based on information from the departments' actuaries and include COLA assumptions. The estimates are mostly driven by changes in assumptions and investment returns.
- (8) Workers Compensation Benefits: The forecast reflects lower than anticipated actual expenditure of approximately 12% in 2004-05 over 2003-04, a 0.06% slight increase in 2005-06 over 2004-05; and assumes a modest annual increase of five percent.
- (9) Health and Dental Benefits: Rate increase projections, provided by Mercer Consulting, declines from 9.5% in 2007-08 to 8% in 2010-11.
- (10) Debt Service: The 2007-08 estimate includes Public Works Building debt service. The new Police headquarters facilities debt service starts in 2009-10.
- (11) Expense CPI Increases: The CPI increases in 2007-08 and beyond are 2% per year.
- (12) Delete One-Time Costs: None are deleted in 2007-08 to provide a placeholder for equipment, appropriation to special funds, and other one-time expenses incurred annually.
- (13) Unappropriated Balance (UB): The 2006-07 UB is not eliminated to provide a placeholder for various contingency requirements in the following years.
- (14) New Facilities: Funding projections are only included as placeholders. These are based on preliminary departmental estimates for staffing, expense, and equipment that have not been prioritized.
- (15) Elections: Citywide elections occur bi-annually.
- (16) (a) The Police Hiring Plan is to recruit 1,000 net new officers during 2005-06 to 2009-10, with recruitment to cover attrition in 2010-11. Costs include salaries and expense; 2006-07 cost is partly paid by General Fund (\$2M) and remaining proceeds from the VLF gap financing (\$7.4M).

## ATTACHMENT 7a

(16) (b) By the end of 2008-09, the VLF fund will be depleted but costs continue to be incurred and General Fund monies will be needed to provide funding for those hired in prior years.

(17) Solid Waste Resources Fee Offset: A monthly increase of \$7 was approved in 2006-07 to a total of \$18, with a commitment to increase the monthly fee per household for the next three years to a total of \$28 in 2009-10.

(18) Alternative Refuse Disposal Initiatives: Although no specific additional funding is forecasted, alternatives to current disposal practices are being explored, which may result in increased disposal costs.

### **OTHER POTENTIAL EXPENDITURES:**

(19) EOC/POC/FOC/Fire Dispatch Facility: Potential systems-related costs for the new fire dispatch system that cannot be bond-financed. A consultant study estimates that the total investment would be approximately \$65.1 million over four years. This includes the upgrade of all fire stations' voice and data transmission systems as well as annual recurring lease of T-1 lines.

(20) Stormwater Bond Operations and Maintenance (O&M): The City Legislative Analyst (CLA) estimates operation and maintenance costs may be 5% of \$500 million bond issue or \$25 million annually. Full impact of the annual costs is unclear at this time as it would be dependent upon completion of the new Stormwater infrastructure system. O&M funding is included on a graduated basis whereby by 2009-10, the total would be \$25 million.

(21) Police Radio Replacement: The Police Department proposes to undertake a radio replacement program for approximately \$40 million. The forecast assumes a three-year phased replacement program.

Note: The 1% CIEP line item to meet the City's financial policy of budgeting 1% of the General Fund for capital improvement projects was excluded in this version of the Five-Year Forecast. This forecast assumes that the \$58 million included in the 2006-07 adopted budget for capital improvement funding continues in 2007-08. This amount exceeds the projected 1% of the General Fund budget from 2007-08 to 2011-12.