

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: August 9, 2007

CAO File No. 0116-00001-0000  
Council File No. 07-0600  
Council District: All

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

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

Reference: 2007-08 Adopted Budget

Subject: **FIRST FINANCIAL STATUS REPORT**

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### SUMMARY

The Office of the City Administrative Officer monitors the budget and transmits reports detailing the City's current financial condition to both the Mayor and Council. As instructed in the 2007-08 Adopted Budget, this Office is transmitting the First Financial Status Report for Fiscal Year 2007-08. The First Financial Status Report provides a preliminary outlook of 2006-07 receipts and highlights issues on the horizon that may affect the current year budget. Also included in this report is a section on the status of fee increases for General Fund departments as well as an overview of departments with \$1 million or more in fee revenue (see Section 3). We also make recommendations regarding transfers and reappropriations that are necessary to support City services as well as other budgetary adjustments. As of this date, the Controller's 2006-07 Preliminary Year-End Closing Report is not yet available. However, on August 8, 2007 the Controller released a letter warning of a significant Reserve Fund shortfall. As discussed below, we have reviewed this information and believe that there could be serious implications for 2007-08.

The 2007-08 Adopted Budget also includes instructions to the CAO to report back on a variety of proposed measures to enhance budgetary compliance and control (C.F. 07-0600). Those issues will be addressed in a separate report that will be released to the Council for implementation in the Second Financial Status Report.

**AUG 10 2007**  
**BUDGET & FINANCE**

**Reserve Fund**

Based on the Controller's draft report, the preliminary Reserve Fund cash balance as of July 1, 2007, is \$224.2 million. The Available Balance is \$113.7 million after adjusting for the following:

- The \$85.8 million transfer to the 2007-08 Budget;
- Approved reappropriations of \$41.7 million to various departments, primarily for the Capital Improvement Expenditure Program and construction accounts; and,
- The return of \$17 million in short-term loans made by the Controller at year-end.

The \$113.7 million balance is approximately \$88.2 million less than the 2007-08 Budget. It is 2.56% of the 2007-08 General Fund budget. In comparison, the Reserve Fund balance on July 1, 2006, was \$178.8 million or 4.1 percent of the General Fund.

<b>Reserve Fund Available Balance</b>			
	<b>(millions)</b>		
	2007-08	July 1	
	Budget	Actual	Difference
Cash Balance, July 1	\$283.6	\$224.2	\$(59.5)
Transfer to Budget	(85.8)	(85.8)	-
Charter 261i Loans	14.0	17.0	3.0
Reappropriation	(10.0)	(41.7)	(31.7)
Available Balance	\$201.8	\$113.7	\$(88.2)
Adjustment:			
MICLA Loan Repayment	-	25.0	25.0
Adjusted Balance	\$201.8	\$138.7	\$63.2

<b>Reserve Fund Emergency and Contingency Accounts</b>			
	<b>(millions)</b>		
	2007-08	July 1	
	Budget	Actual	Difference
Emergency Account	\$122.0	\$122.0	-
Contingency Account	79.8	(8.4)	\$(88.2)
Total	\$201.8	\$113.7	\$(88.2)
Percent of General Fund	4.55%	2.56%	(1.99)%
Adjusted Balance:			
Emergency Account		\$122.0	
Contingency Account		16.7	
Total		\$138.7	

The Reserve Fund is approximately \$88.2 million below expectations as shown in the chart below:

<b>Basis for Decrease in Reserve Fund (millions)</b>	
Revenue (Attachment 2)	\$(28.7)
Reversions <sup>1</sup> (Attachment 1)	36.0
Reappropriations <sup>1</sup>	(31.7)
Loan repayments	(2.2)
Loans	(26.6)
Transfer for Contingencies	(18.7)
Early Reversion of Prior-Year Encumbrances	(1.2)
Charter 261i Loans	(17.7)
Others	2.6
<b>Total</b>	<b>\$(88.2)</b>

	<b>Reversions<sup>1</sup> (millions)</b>		
	2007-08 Budget	July 1 Actual	Difference
Departmental Reversions	\$57.5	\$88.8	\$31.3
MICLA Unspent Bond Proceeds	20.0	24.7	4.7
<b>Total</b>	<b>\$77.5</b>	<b>\$113.5</b>	<b>\$36.0</b>
Reappropriations	(10.0)	(41.7)	(31.7)
<b>Net Reversions</b>	<b>\$67.5</b>	<b>\$71.7</b>	<b>\$4.3</b>

While reversions are slightly above target, the primary reasons for the decrease in the Reserve Fund balance is lower revenue, higher than anticipated unfunded expenditures, loans and transfers for contingencies made after February, 2007, including the \$25 million short-term loan for the Figueroa Plaza escrow deposit repaid on August 8, 2007. In addition, the Controller has advised that year-end encumbrances are unusually high.

We recommend a series of actions that should be taken pending completion of the Controller's review. Furthermore, we will present options for the Mayor and Council to enact various budget reductions to reduce costs and control spending in the Second Financial Status Report.

Below, we highlight other issues that may also impact the City budget. In light of all of these concerns, it is necessary to remain fiscally prudent and work aggressively to build the Reserve Fund throughout the year. This Office will conduct a thorough review of all prior-year encumbrances and identify those that can be reverted to the Reserve Fund. Additionally, we will look at other options to free up monies that can be transferred to the Reserve Fund or the Reserve for Economic

Uncertainties. Until the Controller's year-end information is final, and this Office has had an opportunity to complete its analysis of the Reserve Fund, no new programs or expansion of existing programs should be considered, all transfers from the Unappropriated Balance should be deferred, and Reserve Fund appropriations and loans should be curtailed and restricted to the most urgent needs. We understand that there are other funding requests that are pending before the Council, we would like the opportunity to re-evaluate funding requests and comment on these matters when they are heard by the Budget and Finance Committee.

Attachment 1a provides an overview of the current Reserve Fund status which delineates pending Reserve Fund loans, transfers and repayments (i.e., the \$25 million loan for Figueroa Plaza expected to be reimbursed in August) that we are aware of. Should all pending Reserve Fund loans and transfers be approved, the Contingency Reserve account may be as low as \$3.5 million.

## **Revenue**

Preliminary 2006-07 General Fund revenue was \$4.38 billion, which is \$28.7 million less than the revised estimate included in the 2007-08 budget. There were the usual minor variances: some accounts ended the year a little higher than plan, and others, with offsetting variances, finished a little below plan. The one significant change from the revised budget is the 'licenses, permits, fees and fines' account which ended the fiscal year \$29.5 million below plan (Attachment 2). Shortfalls in budgeted reimbursements from proprietary departments account for most of the variance. Reimbursements for services to Airports were \$14.6 million less than anticipated due in part to a disputed credit and less reimbursement for police staff at the Airports. Shortfalls in budgeted reimbursements also occurred for the Harbor and the Department of Water and Power. Additional information on shortfalls in 'licenses, permits, fees and fines' is provided in Attachment 2a. This shortfall is particularly serious because the 2007-08 budget is based on similar assumptions. A review of major components of the 'licenses permits fees and fines' account is in progress. We will provide additional information for both 2006-07 and 2007-08 in our next report.

With the exception of 'licenses, permits, fees and fines,' other accounts were very close to the revised plan. The revised revenue estimate for all other General Fund revenue was \$3.84 billion. Actual receipts were \$0.8 million or 2/10<sup>th</sup> of one percent higher. The \$1.33 billion property tax account ended the year within \$192,000 of the revised plan and the sales tax, a \$334 million account, finished within \$159,000 of the revised budget. The very volatile \$604 million utility users' tax account finished about \$1 million above budget. Other supplements to Attachment 2 (b-e) provide additional detail on these and other General Fund accounts. With the exception of 'licenses, permits, fees and fines,' closing results for 2006-07 and some very early results for 2007-08 give a basis for cautious optimism that the current year revenue estimates will be achieved.

## **Issues of Concern**

Legal and technological issues still present challenges to continued collection of the telephone users' tax. Similar issues also affect most local agencies that impose such a tax. Legal challenges have been brought by a number of parties and focus on different aspects of the tax. The City Attorney and outside counsel will report separately as new information becomes available. While there are a

number of possible scenarios, based on information provided by the City Attorney, we believe that the 2007-08 telephone users' tax revenue estimate is still realistic.

Another area of concern is the impact of pending litigation on the General Fund. A jury recently awarded \$6.2 million in the Brenda Lee case in which the plaintiff alleged discrimination and retaliation in the Los Angeles Fire Department. In addition, there may be other Fire-related lawsuits with settlements or verdicts that could further strain the General Fund. Furthermore, concerns have been expressed regarding potential litigation stemming from the May 1, 2007 incident in MacArthur Park (C.F. 07-1383-S1). Our Office will closely track this litigation for any impact on the General Fund.

The impact of civilian employee cost of living adjustments is unknown at this time. Labor contract negotiations are currently underway. The full impact on the General Fund will be identified once labor contract negotiations have concluded. The current budget provides some funding in the Unappropriated Balance that may offset future wage increases in the event negotiations are finalized in the current year.

Lastly, the Department of Recreation and Parks (RAP) is currently in the process of evaluating the fiscal impact of the Griffith Park fires, including the cost of proposed recovery efforts. The 2007-08 budget includes \$2 million in the Unappropriated Balance for Griffith Park fire recovery efforts. On July 30, 2007, the Budget and Finance Committee considered the transfer of the \$2 million to RAP's operating budget for Phase II of the recovery efforts which involves erosion control and debris capture. We will report back on this issue in subsequent financial status reports once more information is known.

### **Five Year Forecast**

Attachment 6 provides an updated five-year General Fund budget forecast with a projected deficit of \$218.6 million in 2008-09. Revisions to the prior forecast include: 1) potential salary growth for sworn employees after the expiration of the current labor contract in June 30, 2009; 2) supplemental 2008-09 funding for various partially financed positions added in the 2007-08 budget; 3) an adjustment of the 2008-09 trash fee offset due to the acceleration of the fee increase to September 1, 2007; and, 4) updated debt service estimates beginning in 2008-09 (debt service payments were revised to reflect the purchase of Figueroa Plaza). In furtherance of the City's financial policies, the anticipated transfer from the Reserve Fund is reduced by the amount needed to gradually increase and maintain the Reserve Fund percentage of the General Fund budget from 4.55 percent to 5 percent by 2010-11. This Office will continue to make adjustments to the forecast in the ensuing months as information becomes available.

### **Budgetary Adjustments**

Budgetary adjustments totaling \$8,617,651 are recommended in this report. We recognize the need to be extremely judicious in recommending transfers from the Reserve Fund. As a result, recommended Reserve Fund reappropriations and appropriations (totaling \$2.5 million) are limited to those items that we believe are necessary to support City services. We recommend:

- \$1,456,902 for reappropriations from the Reserve Fund for: 1) Animal Services to fund items that are essential for the opening of shelter facilities in the fall; 2) the City Clerk to pay for temporary workers to complete required 2006-07 close-out election activities; 3) the Police Department for one-time expenses and equipment related to the opening of the Regional Crime Lab and the new Valley Bomb squad facility; 4) to comply with the AmeriCorps Grant local match requirement; and, 4) to continue the 2-Way Public Testimony expansion project requested by the Council;
- \$1,057,852 for appropriations from the Reserve Fund for: 1) unfunded furniture and equipment needed for the opening of various animal shelter facilities; 2) to provide additional audit funds for the Controller; 3) for Finance to purchase essential server equipment and cover additional costs to upgrade the LATAX system to enhance revenue recovery; and, 4) for the Police Department to meet current contractual obligations for the Portable Officer Data Device System..

Other actions include:

- \$45,000 for reappropriations from special funds;
- \$94,828 for appropriations from special funds;
- \$1,001,524 for transfers between accounts within various departments and funds;
- \$206,545 for transfers between various departments and funds; and,
- \$4,755,000 for other adjustments including increasing appropriations for related cost reimbursements and establishing appropriation accounts.

**Additional Details**

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

1. 2006-07 Reversions
  - 1a. Current Status of the Reserve Fund
  2. Preliminary Summary of Receipts for 2006-07
- 2a-e. Detailed Revenue Information
  3. Reappropriations from the Reserve Fund
  4. Transfers between Accounts within Departments and Funds
- 5a. Fee Review Update for All General Fund Revenue Departments
- 5b. Fee Review Update by Major Departments (Detail)
  6. Five-Year General Fund Revenue and Expenditure Forecast
- 6a. Five-Year Forecast-Assumptions

## RECOMMENDATIONS

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

1. Transfer \$1,456,902 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58, and appropriate therefrom to the departments and funds, as specified in Attachment 3;
2. Transfer \$1,001,524 between accounts within various departments and funds as specified in Attachment 4;

### Animal Services

3. Transfer \$323,984 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to the Animal Services Department Fund No. 100/06, Account 6010, Office and Administrative Expenses, for furniture and equipment costs needed for the anticipated September 2007 opening of the renovated, replacement and new shelter facilities;

### Finance

4. Reappropriate \$45,000 from Business Tax Fund No. 45R/39, Account A139 to Office of Finance Fund No. 100/39, Account 6010, Office and Administrative Expense, for publicity and educational efforts to inform the public regarding the reforms to be implemented under the Business Tax Fund Class Consolidation Reform Measure;
5. Transfer \$90,133 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to the Office of Finance Fund No. 100/39, Account 7300, Furniture, Office and Technical Equipment for the LATAX system;
6. Transfer \$94,828 from the Business Tax Fund No. 45R/39, Account A139, to Office of Finance Fund No. 100/39, Account 7300, Furniture, Office and Technical Equipment, for the LATAX system upgrade;

### Housing

7. Authorize the Controller to increase appropriations within the Systematic Code Enforcement Fund No. 41M/43, Account A299, Related Cost, in the amount of \$1,270,000, from code enforcement fee revenue and savings to reimburse the General Fund for related costs;

### Information Technology Agency

8. Authorize the Controller to increase appropriations to the Information Technology Agency Fund No. 100/32, Account 1100, Hiring Hall, in the amount of \$112,000 from MICLA Fund No. 290/70, Account S929, Mobile Data Radio System Upgrade, for the installation of Sprint antennas on LAPD vehicles;
9. In accordance with Recommendation 8 above, instruct the Bond Fund Administrator to transfer cash from MICLA Fund 290 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;

Police

10. Transfer \$475,000 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to the Police Department Fund No. 100/70, Account 3040, Contractual Services to meet current contractual obligations for the Portable Officer Data Device System (PODDS);
11. Authorize the Controller to process a payment made payable to the Los Angeles Regional Crime Laboratory Joint Exercise of Powers Authority in the amount of \$999,305 from the Police Department Fund No. 100/70, Account 6020, Operating Supplies and Expense to cover the City's portion of annual operating costs at the Los Angeles Regional Crime Laboratory Facility;

PW/Bureau of Sanitation

12. Authorize the Controller to establish the following appropriation accounts within the Central Los Angeles Refuse Transfer Station (CLARTS) Trust Fund No. 47R for 2007-08 in the amounts listed (the cash from the available balance will be transferred upon receipt from the private haulers):

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
C310	Private Landfill Disposal Fees	\$1,700,000
C320	Private Hauling Expense	1,000,000
C330	Community Amenities Fees	<u>673,000</u>
	Total	<u>\$3,373,000</u>

13. Transfer \$4,000 from Bureau of Sanitation Fund No. 100/82, Account 1010, Salaries General, to Sewer Operations and Maintenance Fund No. 760/50, Account A282, to reimburse the Sewer Operations and Maintenance Fund for the General Fund portion of the BKK Carson Landfill settlement payment;
14. Transfer \$87,872 from the following accounts from the Los Angeles Regional Agency Fund 48H/50 to the Bureau of Sanitation Fund No. 100/82, Account 1010, Salaries General:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
Y310	LARA Membership	\$57,358
A310	LARA Membership	<u>30,514</u>
	Total	<u>\$87,872</u>

15. Transfer \$32,186 from the Sanitation Equipment Charge RB2003B Fund 47D/50, Account V315, West Valley Yard, to the following accounts within General Services Fund No. 100/40:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1101	Hiring Hall Salaries	\$17,635
3180	Construction Materials	<u>14,551</u>
	Total	<u>\$32,186</u>



16. Transfer \$2,487 from the Sanitation Equipment Charge RB2003B Fund 47D/50, Account V314, South Central LCNG, to the following accounts within General Services Fund No. 100/40:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1101	Hiring Hall Salaries	\$587
3180	Construction Materials	1,900
	Total	<u>\$2,487</u>

Other

17. Authorize the Controller to transfer \$80,000 from the following accounts within the Office of the Mayor Fund No. 100/46 to the City Administrative Officer Fund No. 100/10, Account 3040, Contractual Services for reimbursement of the Agreement Dynamics, Inc. contract:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries General	\$40,000
3040	Contractual Services	\$40,000
	Total	<u>\$80,000</u>

18. Transfer \$168,735 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to the Office of the Controller Fund No. 100/26, Account 3040, Contractual Services, to provide additional audit funds;

19. Request the City Attorney to draft an ordinance establishing a fund that may be used for recording accounting transactions resulting from the MICLA 2007 bond issuance;

20. Instruct the City Administrative Officer to conduct a thorough review of all prior-year encumbrances and report back within 45 days regarding those that can be reverted to the Reserve Fund;

21. Instruct the City Administrative Officer, with the assistance of Airports, Harbor and the Department of Water and Power, to report back on the reasons for the shortfalls in 2006-07 budgeted reimbursements from proprietary departments, and the impact of these shortfalls in 2007-08; and,

Technical

22. Authorize the City Administrative Officer to make technical corrections as necessary to those transactions included in this report to implement Mayor and Council intentions.

## **FISCAL IMPACT**

Transfers, appropriations and other adjustments totaling approximately \$8.6 million are recommended in this report to meet current obligations. A preliminary look at 2006-07 revenue reflects a \$28.7 million deficit mainly due to shortfalls in budgeted reimbursements from proprietary departments. Revenue and expenditure risks, including Utility Users' Telephone Tax, pending lawsuits and other departmental shortfalls cannot be specifically determined at this time and will be addressed in future reports. A thorough analysis of the Reserve Fund will be provided in our next financial status report.

## **DISCUSSION**

### **1. REAPPROPRIATIONS, BUDGETARY ADJUSTMENTS AND DEPARTMENTAL ISSUES**

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

#### **A. Animal Services**

##### **Attachment 3 – Reappropriations from the Reserve Fund**

##### **Attachment 4 – Transfers between Accounts within Departments and Fund Recommendation No. 3**

Reappropriations totaling \$100,000 from the Reserve Fund are recommended for prior-year funding of items that inadvertently reverted. The items to be funded include replacement firearms (\$25,500), a personal services contract for the development of a community outreach program (\$20,000), and sanitizing systems necessary for the shelter facilities that are scheduled for move-in by September 2007 (\$54,500).

The Department is requesting a \$323,984 Reserve Fund appropriation to pay for unfunded furniture and equipment costs (e.g., telephones, security cameras, furniture and supplies) needed for the anticipated September 2007 opening of various shelter facilities. These expenditures are not eligible for Proposition F funds. In late 2006-07 the Department identified \$323,984 in savings to address these costs, however it was unable to commit the funding prior to the close of the fiscal year, due to the early Supply Management System (SMS) closing deadlines. A \$323,984 Reserve Fund appropriation is recommended due to the impending opening dates of the shelters. It is unknown at this time whether the Department will be able to generate sufficient savings in the current fiscal year to cover these costs.

Lastly, the Department continues to have trouble filling Veterinarian positions. Four of the Department's seven Veterinarian positions are currently vacant. Until all Veterinarian positions can be filled, the Department will continue to utilize private veterinary care to meet its current workload. The Department anticipates that it will exhaust all budgeted funds in the Private Veterinary Care Expenses account, by September. Projected salary savings from the vacant positions should allow the Department to absorb the projected shortfall. The Department anticipates a deficit of \$50,000 in this account. A \$50,000 transfer from the Department's Salaries General account is recommended at this time to offset this deficit.

#### **B. City Clerk**

##### **Attachment 3 – Reappropriations from the Reserve Fund**

A \$50,000 reappropriation is recommended from the Reserve Fund to the City Clerk's As-Needed Salaries account to pay for temporary workers to complete required 2006-07 close-out election activities such as preparation of: 1) precinct officer payroll; 2) payments for election expenses; and, 3) invoices to bill agencies for elections conducted on their behalf.

**C. Emergency Preparedness Department  
Attachment 3 – Reappropriations from the Reserve Fund**

On June 27, 2007, the Council appropriated \$134,744 (i.e., the City match) from the 2006-07 Unappropriated Balance, Emergency Management line item to the new AmeriCorps Grant Fund for a professional services agreement with the Los Angeles Conservation Corps to distribute member stipends as required by the AmeriCorps Grant (C.F. 05-2476). Reappropriation of these funds is recommended as the funds reverted to the Reserve Fund due to the year-end closing deadlines and the funding is necessary to comply with the local match requirement.

**D. Finance  
Recommendation Nos. 4 – 6  
Attachment 4 – Transfers between Accounts within Departments and Fund**

The Council previously approved a \$90,000 allocation from the Tax Reform Fund for publicity and educational efforts to inform the public regarding the full range of reforms under the Business Tax Fund Class Consolidation Reform (C.F. 04-0687-S3). However, the Office of Finance (OOF) public outreach program is split over two fiscal years and the remaining funds (\$45,000) for 2007-08 reverted to the Tax Reform Fund. Therefore, it is recommended that \$45,000 be reappropriated from the Tax Reform Fund to the Office and Administrative account so that the publicity campaign can proceed as scheduled. The publicity campaign is scheduled to begin in November 2007 and will continue through February 2008.

OOF also requests a \$258,266 appropriation to purchase essential server equipment and cover additional costs to upgrade the LATAX system. The need for this funding was initially identified in the 2006-07 Year End Financial Status Report. OOF indicates that this upgrade is urgently needed due to the performance issues experienced with the LATAX System during the 2006-07 tax renewal season. This is largely attributed to substantial increases in tax rolls since the system was implemented in November 2004. Additionally, the requested upgrade will provide disaster recovery capabilities. The timing of this upgrade is also critical as the renewal period begins in November with Police permits. The LATAX System funding request supplants OOF's equipment replacement schedule for 2008-09.

Funds totaling \$232,915 are recommended for the above at this time consisting of: a \$47,954 transfer from the Contractual Services account to the Furniture, Office and Technical Equipment account; a \$90,133 appropriation from the Reserve Fund; and, a \$94,828 appropriation from the Tax Reform Fund. The total Tax Reform Fund appropriation is available from funds that reverted at year-end and not programmed in 2007-08. Although the latter transfer from the Tax Reform Fund has not been reviewed by the Ad Hoc Committee on Business Tax Reform, this Office recommends the transfer to minimize the impact on the Reserve Fund. At this time, OOF is absorbing the remaining \$25,351 necessary for this project.

## **Housing Recommendation No. 7**

An increase in appropriations within the Systematic Code Enforcement Fund in the amount of \$1,270,000 is recommended, so that the General Fund is reimbursed for unpaid 2006-07 related costs associated with the Systematic Code Enforcement Program. This action will not reduce the funding available to pay the estimated 2007-08 overhead costs and will be an addition to the current revenue estimate.

## **E. Human Relations Commission**

The Department is anticipating a \$59,509 shortfall in its Salaries General account due to an unfunded resolution authority (one currently filled Senior Clerk Typist). We will monitor the Department's budget throughout the year and recommend any necessary budget adjustments in future financial status reports.

## **F. Information Technology Agency Attachment 3 – Reappropriations from the Reserve Fund Attachment 4 – Transfers between Accounts within Departments and Fund Recommendation Nos. 8 and 9**

A reappropriation of \$198,000 is recommended to the Unappropriated Balance due to prior-year funding of the two-way public testimony project that reverted at year-end. The funds will be used for the expansion of the two-way public testimony project beyond the Downtown City Hall and Van Nuys City Hall locations (as approved in the 2006-07 budget).

The following actions are also recommended:

- A \$79,000 transfer is recommended from ITA's Contractual Services account to the Furniture, Office and Technical Equipment account to replace the current remote access gateways, as the contractor (Caymas) recently declared bankruptcy. Specifically, the funds will be transferred from the Hacker Deterrence (\$54,000) and Internet Resources (\$25,000) line items in the Contractual Services account. The Caymas remote access gateways provide Citywide remote access to basic services such as GroupWise email, Service Onlinedesk System (SOS), and Citifone.
- A \$125,000 transfer is recommended from various line items within the Furniture, Office and Technical Equipment account to the Office and Administrative Expense account for replacement of technical equipment for the Mayor (\$65,000), the Council (\$50,000) and ITA internal support services (\$10,000).

- \$112,000 in MICLA funding is recommended to be appropriated to ITA for the installation of Sprint antennas on LAPD vehicles in order to improve signal reception. LAPD recently implemented a new computer aided dispatch application and mobile data system (MDS) component that utilizes Sprint wireless services for network connectivity. The MDS will be further enhanced with the installation of antennas.

During the 2007-08 budget deliberations, ITA identified a shortage of \$958,872 in its Contractual Services account for payments to IBM and third party vendors for the Enterprise Server software. The CAO is working with ITA to assess the projected shortfall. We will monitor the Department's budget throughout the year and recommend any necessary budget adjustments in future financial status reports.

Additionally, the 2007-08 Adopted Budget recommends a transfer of \$5,555,935 to the General Fund from the Telecommunications Development Account (an increase of \$192,200 from the 2006-07 fiscal year). ITA believes the amount used to calculate the available balance of the fund on July 1, 2007 is an incorrect figure. As previously reported, ITA believes that the General Fund transfer is unrealistic based on the projected revenues and existing obligations on the use of prior-year funds and its ability to make the 2006-07 transfer to the General Fund. It is projected that the 2006-07 transfer will eliminate all uncommitted balances available on July 1, 2007. The CAO is working with ITA to better determine the projected shortfall and address any shortage.

## **G. Police**

### **Attachment 3 – Reappropriations from the Reserve Fund**

### **Attachment 4 – Transfers between Accounts within Departments and Fund**

### **Recommendation Nos. 10 and 11**

Reappropriations from the Reserve Fund totaling \$974,158 are recommended as follows for prior-year funding of items that inadvertently reverted:

- \$125,000 for the partnership with the County Probation Office associated with the assignment of six full time probation officers in LAPD's Valley Bureau (C.F. 07-0104). The funds are necessary to pay for services during 2006-07 that have not been billed. In addition, at the July 30, 2007 Public Safety Committee meeting, LAPD requested an unspecified amount of funding to continue this program in 2007-08. We are working with the Department to determine how much of the \$125,000 will be available to fund this program in 2007-08. We will report back in conjunction with LAPD regarding additional funding needs for this program
- \$836,158 for one-time expenses and equipment relating to the opening of the new Regional Crime Lab.
- \$13,000 for the new Valley Bomb squad facility to purchase supplies.

Additionally, the following actions are also recommended:

- A \$475,000 Reserve Fund appropriation to the Contractual Services account is recommended to meet the current contractual obligations for the Portable Officer Data Device System (PODDS). This work was completed in the prior-year and invoices must be paid.
- A \$99,305 transfer from the Office and Administrative Expense account to the Operating, Supplies and Expense account is recommended to pay for increased operating costs for the new Regional Crime Lab. The 2007-08 budget allocates \$900,000 in the Operating Supplies and Expense account to pay the Los Angeles Regional Crime Laboratory Facility's Joint Powers Authority for the City's share of annual operating costs, as provided for in the Sublease Agreement between the City and the Authority. However, the City was recently advised that its share of annual operating costs has increased by \$99,305 for a total of \$999,305. To fully fund the payment, a transfer of \$99,305 is recommended.

It is too early to accurately project surpluses or deficits in the Police Department's accounts at this time. However, based on historical expenditures and the Department's budget, the following areas of concern will be monitored by this Office throughout the year:

- **Sworn Salaries:** If the Department hires new recruits consistent with the hiring plan (such as it did with the first session of the year with a class size of 48), the sworn salary account should come close to budget. However, there are a number of other variables which could change this with attrition being the biggest factor.
- **Civilian Salaries:** The Department's current hiring plan shows very little hiring in the first half of the fiscal year. If this is maintained, the civilian salary account should come close to budget. However, in light of a shortfall in the civilian account in 2006-07, this account will be watched closely in 2007-08.
- **Sworn Overtime:** This account was increased by more than \$8.5 million in 2007-08. In addition, approximately \$6 million was placed in the Unappropriated Balance to be available for public safety contingencies, including sworn overtime. However, due to historical overspending in this account, we will monitor expenditures very closely. We are currently waiting for historical overtime expenditure data, by category, from the Department to better evaluate any supplemental funding requests throughout the year. Once this information has been received, we will report on the matter in future financial status reports.
- **Accumulated Overtime:** Due to the impact of DROP, payouts from this account have been larger in quantity and in average size. In 2006-07, an additional \$300,000 was needed to meet demand. In 2007-08, the additional need is projected to be approximately \$800,000. While we are not recommending an appropriation at this time, we will monitor expenditures from this account and make recommendations as needed in future financial status reports.

- **Contractual Services:** The 2007-08 Adopted Budget reduced this account by more than 15 percent (\$2,000,000) without identifying where the cuts were to be made. This Office will work with the Department to meet the Department's needs in this account through a combination of savings, reductions, and transfers from other Police Department accounts.

#### **H. Public Works/Bureau of Sanitation Recommendation Nos. 12 – 16**

The Bureau continues to express concern regarding a potential funding shortfall in the Tip Fees account (previously estimated at \$4 million), as discussed during the 2007-08 budget deliberations. We will continue to monitor this account very closely and a determination will be made during the year whether this increase can be absorbed or if additional funds are necessary.

The Bureau requests the establishment of appropriation accounts and amounts in the Central Los Angeles Refuse Transfer Station (CLARTS) Trust Fund for 2007-08. Actual cash will be transferred upon receipt from the private haulers. In addition a \$4,000 transfer from the Bureau's Salaries General account to the Sewer Operations and Maintenance Fund No. 760 is requested to reimburse the Sewer Operations and Maintenance Fund for the General Fund portion of the BKK Carson Landfill settlement payment. Although the settlement amount was paid in June 2006, this action is needed to reconcile the accounts. Further, an adjustment is needed to correctly reflect the funding source for a position assigned to the Los Angeles Regional Agency (LARA). This correction was inadvertently omitted as part of the 2007-08 Adopted Budget, but will be addressed in next year's budget. Lastly, the Bureau requests transfers to the General Services Department to cover construction costs for projects at the West Los Angeles and South Los Angeles District Yards.

#### **I. Public Works/Bureau of Street Services Attachment 4 – Transfers between Accounts within Departments and Fund**

Street Services is currently projecting a cash flow issue of \$466,265 in the Hiring Hall Salaries (\$364,000), Benefits Hiring Hall (\$96,765) and Overtime Hiring Hall (\$5,500) accounts due to storm damage repair work to be undertaken during July, August and September 2007. The City's Storm Damage Repair Program was previously authorized by the Council pursuant to C.F. 05-0049-S1. The CAO routinely reports on any necessary adjustments to the program. Since a CAO report appropriating funds for the Storm Damage Repair Program (SDRP) is pending hearing in various Council committees (C.F. 05-0049-S1), a \$466,265 transfer from the Salaries General account to the above accounts is recommended in the interim to address the Bureau's immediate cash flow needs. The appropriation from the Salaries General account will be replaced by the program funds upon the approval of the SDRP Report.



## **J. Treasurer**

### **Attachment 4 – Transfers between Accounts within Departments and Fund**

A transfer of \$134,000 is recommended from the Bank Services Fees account to the Contractual Services account to purchase and install the BondEdge fixed income analytical system, in compliance with prior Council action. The Council previously authorized the Treasurer to purchase and install this system using existing funds (C.F. 07-2026).

## **2. OTHER BUDGETARY ISSUES**

### **A. Human Resources Benefits Fund**

During the 2007-08 budget deliberations, the Council recognized a total potential shortfall of \$19.1 million in the Human Resources Benefits Trust Fund as follows: Workers' Compensation (\$10 million), Civilian Flex (\$5 million), and Fire Health and Welfare Benefits (\$4.1 million) accounts. However, the Personnel Department now projects a net deficit of \$13.1 million mainly due to an estimated year-end surplus of \$4 million in the Police Health and Welfare account and a reduction in the projected deficit in the Civilian Flex account (reduced from \$5 million to \$2.3 million), both of which are a result of lower than anticipated negotiated health benefit rates. The Department has also projected deficits in the Employee Assistance (\$200,000) and Civilian Union Supplemental (\$400,000) accounts. We will continue to monitor all of these accounts for any necessary adjustments which would be recommended in future financial status reports. Funds are available in the 2007-08 Unappropriated Balance (Expense Account Contingency line item) should additional appropriations be required throughout the year.

### **B. Agreement Dynamics Inc. Contract Recommendation No. 17**

A transfer of \$80,000 is recommended from the Mayor's Salaries (\$40,000) and Contractual Services (\$40,000) accounts to the CAO's Contractual Services account to fund an existing contract between the City and Agreement Dynamics, Inc. (C-111233) to provide assistance with the City's ongoing civilian labor negotiations.

### **C. 2007-08 City Audit Plan Recommendation No. 18**

The Controller requests a \$168,735 Reserve Fund appropriation to augment the Contractual Services account in order to accomplish its 2007-08 audit plan. Since this action is anticipated to generate savings and identify efficiencies in the long-run, the Controller should be requested to document the actual savings generated as a result of this action.

### 3. STATUS OF FEE INCREASES

#### **Attachment 5a – Fee Review Update for All General Fund Revenue Departments**

#### **Attachment 5b – Fee Review Update by Major Departments (Detail)**

As part of the 2007-08 Budget, the Council instructed departments with pending fee increases to report back with ordinances to effectuate the change in fees. Timely action is necessary to ensure estimated revenue included in the 2007-08 Budget is realized. Departments were further instructed to review their fee structure by August 1, 2007.

Attachment 4a details the status of fee reviews for General Fund departments. As of this writing, the Bureau of Street Services has not submitted a report to the Board of Public Works for new and increased fees for 2007-08.

Attachment 4b focuses on departments with \$1 million or more in fee revenue. It also provides the status of the golf fee and solid waste fee increases.

There is potential for additional General Fund revenue from fee increases in 2007-08, but there is no current basis to adjust the 'licenses, permits, fees and fines' account. We will report when additional information becomes available.

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

#### **Recommendation No. 19**

The City's Financial Policies instruct the City Administrative Officer 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. CP will be used during the next few months for the construction of the Southeast, Southwest and Thatcher Yards, and non-Proposition Q funding for the construction of the Police Administration Building. Funds will also be used for previously approved MICLA projects and equipment. The City intends to refund approximately \$107,000,000 of CP in August 2007 to reduce the existing amount outstanding in CP. The City does not have any taxable notes outstanding at this time. Below is the status of the MICLA CP Program during the last quarter:

<i>Quarter Ending</i>	<i>Amount Outstanding</i>	<i>Range of Interest Rates</i>
June 30, 2007	\$176,000,000	3.57% to 3.74% (tax-exempt)

On June 13, 2007 the Council approved a bond issuance of up to \$400 million for the refinancing of short-term Commercial Paper notes used for the acquisition of capital equipment items, and for the acquisition of Figueroa Plaza (C.F. 07-1009-S1). Since proceeds from the bond sale will not be held by the City, it was initially determined that the creation of a special fund would not be required. However, following discussions with the Controller, it was determined that a special fund is required so that accounting transactions resulting from the bond sale may be recorded. It is recommended that the City Attorney be requested to create an ordinance to establish this fund.

  
\_\_\_\_\_  
Maria D. Gutierrez, Senior Management Analyst

APPROVED:

  
Assistant City Administrative Officer

KLS:RPC:MDG:01080007c

Attachments

ATTACHMENT 1

**CITY OF LOS ANGELES  
SCHEDULE OF REVERSIONS  
FYE June 30, 2007**

Dept No.	Department Name	Adjusted Uncommitted Balance	Reversion to Other Funds	Reversion to Reserve Fund
02	Aging	56,492.82	54,247.40	2,245.42
06	Animal Services	1,024,687.78	0.00	1,024,687.78
08	Building and Safety	4,741,966.00	4,496,410.09	245,555.91
10	CAO	528,339.09	0.00	528,339.09
12	City Attorney	1,150,899.15	145,937.23	1,004,961.92
14	City Clerk	948,899.36	0.00	948,899.36
17	City Ethics	325,683.40	324,652.09	1,031.31
20	Status of Women	14,912.01	0.00	14,912.01
22	CDD	37,539.63	37,539.61	0.02
26	Controller	4,714,966.34	0.00	4,714,966.34
27	Children, Youth & Family	201,621.73	0.00	201,621.73
28	Council	5,510,623.90	0.00	5,510,623.90
30	Cultural Affairs	312,177.03	250,433.84	61,743.19
32	ITA	2,320,595.74	782,130.81	1,538,464.93
33	El Pueblo	2,656.62	2,656.62	0.00
35	Emergency Preparedness	61,167.63	28,002.00	33,165.63
36	Employee Relations	79,965.26	0.00	79,965.26
37	Environmental Affairs	17,899.18	11,970.59	5,928.59
38	Fire	2,008,573.87	0.00	2,008,573.87
39	Finance	668,861.46	149,322.07	519,539.39
40	GSD	7,773,011.29	1,771,413.94	6,001,597.35
43	Housing	12,970.01	4,970.01	8,000.00
46	Mayor	1,450,938.84	295,944.16	1,154,994.68
47	Neighborhood Empowerme	132,786.92	132,786.92	0.00
48	Convention Center	68,425.66	68,425.66	0.00
49	Human Relations	49,340.15	0.00	49,340.15
53	Capital Finance	4,838,072.27	11,683.49	4,826,388.78
54	CIP	26,389,435.05	2,540,173.73	23,849,261.32
56	General City Purposes	1,365,764.09	150,001.00	1,215,763.09
58	Unappropriated Balance	13,837,448.18	2,661,476.00	11,175,972.18
59	Liability Claims	4,798,167.21	38,055.31	4,760,111.90
60	Water and Electricity	4,929.00	0.00	4,929.00
61	Human Resources	60.64	0.00	60.64
62	General	4,253,276.74	0.00	4,253,276.74
65	Disability	75,191.48	0.00	75,191.48
66	Personnel	1,330,526.96	0.00	1,330,526.96
68	Planning	1,284,191.32	270,018.79	1,014,172.53
70	Police	3,369,894.97	297,355.89	3,072,539.08
72	PW Bu of Accounting	0.00	0.00	0.00
74	PW Board Office	217,616.01	3,454.40	214,161.61
76	PW Bu of Contract Adm	3,681,668.76	1,741,883.53	1,939,785.23
78	PW Bu of Engineering	4,902,127.85	4,553,193.99	348,933.86
82	PW Bu of Sanitation	7,729,836.18	6,968,351.60	761,484.58
84	PW Bu of St Lighting	2,567,580.95	2,567,580.95	0.00
86	PW Bu of St Services	4,297,641.56	663,174.07	3,634,467.49
87	Zoo	1,191,334.76	1,191,334.76	0.00
94	Transportation	586,928.48	14,660.59	572,267.89
96	Treasurer	27,886.40	0.00	27,886.40
<b>Year-end Reversion</b>		<b>120,965,579.73</b>	<b>32,229,241.14</b>	<b>88,736,338.59</b>

Actual Total Year-end Reversion	\$88,736,339
Add: MICLA Unspent Bond Proceeds	24,735,710
Total Reversion	\$ 113,472,049
Estimated YE Reversion 2007-08 Adopted Budget	77,457,500
	\$ 36,014,549

**ATTACHMENT 1a**  
**STATUS OF RESERVE FUND AS OF 8/8/07**

Council File No.	Item Description	Amount
	Balance Available, 7/1/07	\$113,670,640
	Emergency Reserve Account	(122,039,000)
	Subtotal	\$ 235,709,640
	Less Amount Held in Reserve for Economic Uncertainties	-
<b>Contingency Reserve Account</b>		<b>\$ (8,368,360)</b>
<b>Loan Repayment and Other Receipts</b>		<b>\$ 25,000,000</b>
<b>Loans and Transfers Approved to Date</b>		
04-0881-S1	Multi-Family Residential Bulky Item Collection Program	(1,320,000)
07-1618	LINX Replacement	(3,112,000)
06-0600-S78 YE	3-1-1 Citywide Service Request System	(1,467,000)
07-1206	Workers' Comp Alternative Dispute Resolution Service	(335,000)
06-0600-S78 YE	3-1-1 A.M. Shift	(274,000)
07-1618	LINX Replacement RFP	(250,000)
<b>Loans and Transfers Approved to Date</b>		<b>\$ (6,758,000)</b>
<b>Proposed Loans and Transfers</b>		
07-1233-S1	2007-08 Six Site Comprehensive Anti-Gang Initiative	(693,000)
1st FSR	Animal Shelter Facilities	(323,984)
1st FSR	Audit Plan	(168,735)
1st FSR	LATAx System	(90,133)
1st FSR	Portable Officer Data Device System (PODDS)	(475,000)
1st FSR	Animal Services reappropriation	(100,000)
1st FSR	City Clerk reappropriation	(50,000)
1st FSR	ITA 2-Way Public Testimony reappropriation to UB	(198,000)
1st FSR	Police reappropriation	(974,158)
1st FSR	Emergency Preparedness Americorps Grant Fund reappropriation	(134,744)
05-1583	Spousal Abuse Prosecution Program - 14th Year	(59,395)
07-1995	Project Safe Neighborhoods	(58,630)
0150-03892-0041	Joint Powers of Verification Unit 9th and 10th Year	(632,173)
0100-00539-0001	Storm Damage Repair Program (prior yr reversion)	(463,434)
06-2070	Emergency Management Computers	(17,037)
0220-03790-0116	2008-10 Solving Cold Cases with DNA Grant	(329,090)
07-1233	2007-08 Six Site Comprehensive Anti-Gang Initiative	(105,000)
05-2365	WINTER SHELTER PROGRAM	(1,460,400)
<b>Proposed Loans and Transfers</b>		<b>\$ (6,332,913)</b>
<b>Contingency Reserve Available Balance as of 8/8/2007</b>		<b>\$ <u>3,540,727</u></b>

## Fiscal Year 2006-07 General Fund Receipts

\$ Thousands

	Revised Budget	Near Final	Variance	
Property Tax	\$1,333,980	<u>\$1,334,172</u>	<u>\$192</u>	Very close; detail follows.
Utility Users' Tax	604,248	605,269	1,021	Electric users' tax fell short by \$3 million; This was offset by telephone users' tax which was \$4 million greater than the revised budget; detail follows.
Licenses, Permits, Fees and Fines	574,973	545,485	(29,488)	\$23.4 million of the variance results from revisions made by proprietary departments to invoiced amounts after the time of the revised estimates; detail follows.
Business Tax	459,191	464,330	5,139	Receipts are 7% higher than the FY 2005-06 level even with a 4% tax cut.
Sales Tax	334,044	333,885	(159)	
Transfer from Reserve Fund	231,304	231,304		
Documentary Transfer Tax	185,000	188,057	3,057	City statistics continue to show rising prices and falling sales volume; detail follows.
Power Revenue Transfer	174,747	174,747		
Transient Occupancy Tax	134,000	134,557	557	
Parking Fines	122,328	119,502	(2,826)	
Parking Users' Tax	82,350	78,323	(4,027)	\$2.7 million of anticipated receipts credited to FY 07-08.
Franchise Income	48,165	47,081	(1,084)	
Interest Income	47,787	49,532	1,745	
Water Revenue Transfer	28,100	26,434	(1,666)	
State Motor Vehicle License Fees				
Grant Receipts	17,061	15,816	(1,246)	
Transfer from Tax Reform Fund	14,390	14,390		
Tobacco Settlement	9,672	9,770	98	
Transfer from Telecommunications Fund	5,364	5,364		
Residential Development Tax	4,400	4,412	12	
<b>Total General Fund</b>	<u>\$4,411,104</u>	<u>\$4,382,431</u>	<u>(\$28,673)</u>	<b>The usual minor variances in General Fund accounts offset one another except for "Licenses, permits, fees and fines" which is affected by lower reimbursements for the proprietary departments.</b>

## ATTACHMENT 2a

**Licenses, Permits, Fees and Fines**  
**Significant Revenue Variances from the FY 2006-07 Revised Budget**  
**(\$Millions)**

<b>2006-07 Revised Budget</b>		<b>\$ 575.0</b>
Services to Airports	Revisions to the bill (\$10 million); a disputed credit (\$2.3 million); and Airport decision not to pay for additional police staff (\$2.3 million) are factors in the shortfall.	(14.6)
Services to Harbor	Revisions made to the final billing in June account for the shortfall in Harbor reimbursement revenue.	(5.2)
Police	Escheatment revenue (\$3.1 million); False alarm fees (\$1.0 million); and other miscellaneous receipts (\$0.5 million) were below plan.	(4.6)
State Mandated	A State audit determined the City was overpaid for previous state mandated claims; further payments were stopped. This will also effect FY 2007-08.	(4.5)
Special Funded Related Costs	Several special fund overhead revenues were below budget; Prop A, Major Project Review and Code Enforcement had the largest negative variances.	(4.4)
Services to DWP	The 4th quarter FY 2006-07 bill was revised downward (\$3 million) after the FY 2007-08 budget was adopted. The remaining \$0.5 million will carry over to 2007-08.	(3.6)
Planning	Planning fees finished below budget.	(1.3)
Court Fines	FY 2006-07 revenue finished slightly below the prior year's total. It is possible Photo Red Light fines did not reach the level expected, but the Court no longer provides detail.	(0.8)
Fire	Brush removal, film permit and fire reimbursement revenue finished above plan.	0.8
Ambulance Billings	The proposed budget revenue estimate of \$58.9 million was decreased to \$55 million in the adopted budget. Actual receipts were \$56.4 million.	1.4
Public Works Bureau of Engineering	Overall good performance for engineering permit revenue is responsible for the positive variance.	1.7
Transportation	The increase is due to revenue related to parking meter and lot maintenance, off street parking and various permits/fees.	1.9
One Time Reimbursements	Various one time revenues for Capital Financing, Engineering and Street Services attributed to this variance.	3.0
All Others		0.6
<b>Actual 2006-07 Receipts</b>		<b>\$ 545.5</b>
<b>Change from Revised Budget</b>		<b>(29.49)</b>

**PROPERTY TAX**  
**Detail by Category**  
 (Thousand Dollars)

	2004-05	2005-06	2006-07		2007-08
	Actual	Actual	Budget	Revised	Budget
<b>Secured -Before Carryover</b>	<b>\$668,949</b>	<b>\$736,772</b>	<b>\$797,096</b>	<b>\$794,844</b>	<b>\$882,160</b>
% CHANGE	7.5%	10.1%	8.2%	7.9%	11.0%
<b>Carryover</b>		(44,000)		44,000	
<b>SECURED</b>	<b>\$668,949</b>	<b>\$692,772</b>	<b>\$797,096</b>	<b>\$838,844</b>	<b>\$882,160</b>
% CHANGE	7.5%	3.6%	15.1%	21.1%	5.2%
<b>Other Categories</b>					
<b>UNSECURED</b>	<b>\$40,306</b>	<b>\$40,495</b>	<b>\$37,500</b>	<b>\$41,006</b>	<b>\$41,826</b>
% CHANGE	-2.0%	0.5%	-7.4%	1.3%	2.0%
<b>Other (Includes homeowner exemption, redemptions, penalties, supplemental collections, former CRA monies, and is net of county charges, refunds and adjustments.)</b>	<b>68,701</b>	<b>90,671</b>	<b>82,650</b>	<b>71,348</b>	<b>61,300</b>
<b>TOTAL -- 1%</b>	<b>\$777,956</b>	<b>\$823,938</b>	<b>\$917,246</b>	<b>\$951,197</b>	<b>\$985,286</b>
% CHANGE	8.4%	-0.8%	11.3%	15.4%	3.6%
<b>State Replacements</b>					
<b>VLF REPLACEMENT</b>	<b>\$208,932</b>	<b>244,096</b>	<b>\$268,500</b>	<b>\$270,688</b>	<b>\$295,728</b>
% CHANGE		16.8%	10.0%	10.9%	9.3%
<b>VLF TRUE-UP</b>		<b>13,302</b>			
<b>SALES TAX REPLACEMENT</b>	<b>90,696</b>	<b>88,936</b>	<b>112,625</b>	<b>112,094</b>	<b>116,302</b>
% CHANGE		-1.9%	26.6%	26.0%	3.8%
<b>ERAF III</b>	<b>(48,424)</b>	<b>(48,424)</b>			
% CHANGE		0.0%			
<b>Subtotal - State Replacements</b>	<b>\$251,204</b>	<b>\$297,910</b>	<b>\$381,125</b>	<b>\$382,781</b>	<b>\$412,030</b>
% CHANGE		18.6%	27.9%	28.5%	7.6%
<b>TOTAL ALL PROPERTY TAX</b>	<b>\$1,029,160</b>	<b>\$1,121,848</b>	<b>\$1,298,371</b>	<b>\$1,333,979</b>	<b>\$1,397,316</b>
% CHANGE	43.4%	9.0%	15.7%	18.9%	4.7%



## UTILITY USERS' TAX

(Million Dollars)

	2003-04	2004-05	2005-06	2006-07	2007-08
	ACTUAL	ACTUAL	ACTUAL	REVISED	ESTIMATE
ELECTRIC USERS' TAX	\$237.863	\$238.231	\$235.708	\$252.000	\$248.983
GAS USERS' TAX	73.209	84.418	98.558	82.500	82.496
TELEPHONE USERS' TAX	265.179	267.210	270.681	269.750	273.791
	<b>\$576.251</b>	<b>\$589.858</b>	<b>\$604.947</b>	<b>\$604.249</b>	<b>\$627.225</b>

**Electric Users' Tax** -- This revenue is tied to the sales of electric power within the City. June 2007 remittances from the DWP were below plan resulting in a \$3 million reduction from the revised budget plan.

**Gas Users' Tax** -- Revised estimate on target.

**Telephone Users' Tax** -- Receipts from land and mobile carriers were both above budget; total variance is \$4 million above the revised budget.

DOCUMENTARY TRANSFER TAX  
MONTHLY AND ANNUAL STATISTICS

	MONTHLY										12-MONTH MOVING SUM									
	%					%					%					%				
	REVENUE	CHANGE YEAR AGO	DEEDS	CHANGE YEAR AGO	REVENUE PER DEED	CHANGE YEAR AGO	REVENUE PER DEED	CHANGE YEAR AGO	DEEDS	CHANGE YEAR AGO	REVENUE	CHANGE YEAR AGO	DEEDS	CHANGE YEAR AGO	REVENUE PER DEED	CHANGE YEAR AGO	REVENUE PER DEED	CHANGE YEAR AGO		
<b>04</b>																				
JUNE	13,804,614	14.1%	4,930	-1.8%	2,800	16.2%	2,800	16.2%	159,244,212	30.7%	59,555	6.0%	2,674	23.3%						
JUL	17,102,267	54.5%	5,337	12.2%	3,204	37.6%	3,204	37.6%	165,273,507	34.9%	60,137	7.6%	2,748	25.4%						
AUG	16,284,377	15.0%	5,405	0.5%	3,013	14.5%	3,013	14.5%	167,401,343	31.7%	60,163	7.0%	2,782	23.1%						
SEP	17,933,205	25.8%	5,096	-6.3%	3,519	34.3%	3,519	34.3%	171,076,790	32.0%	59,818	5.8%	2,860	24.8%						
OCT	16,352,615	35.9%	4,898	-4.5%	3,339	42.3%	3,339	42.3%	175,399,086	36.2%	59,589	4.1%	2,943	30.9%						
NOV	14,754,239	11.5%	4,654	-17.2%	3,170	34.7%	3,170	34.7%	176,922,996	34.1%	58,623	1.0%	3,018	32.7%						
DEC	13,014,707	-1.3%	4,326	-2.4%	3,008	1.1%	3,008	1.1%	176,747,288	28.0%	58,518	0.8%	3,020	27.0%						
JAN	17,088,459	15.0%	4,825	-13.1%	3,542	32.3%	3,542	32.3%	178,972,979	25.7%	57,792	-1.6%	3,097	27.7%						
FEB	14,337,263	36.4%	3,777	-5.8%	3,796	44.8%	3,796	44.8%	182,801,647	27.6%	57,561	-1.8%	3,176	29.9%						
MAR	12,738,434	7.9%	3,485	-9.8%	3,655	19.5%	3,655	19.5%	183,730,089	24.1%	57,184	-2.9%	3,213	27.8%						
APR	17,902,413	18.1%	5,236	1.3%	3,419	16.6%	3,419	16.6%	186,470,169	21.9%	57,251	-3.6%	3,257	26.4%						
MAY	17,064,277	12.6%	4,968	-5.9%	3,435	19.7%	3,435	19.7%	188,376,870	19.6%	56,937	-4.5%	3,309	25.3%						
<b>05</b>																				
JUNE	16,533,830	19.8%	4,759	-3.5%	3,474	24.1%	3,474	24.1%	191,106,086	20.0%	56,766	-4.7%	3,367	25.9%						
JUL	19,438,000	13.7%	5,402	1.2%	3,598	12.3%	3,598	12.3%	193,441,819	17.0%	56,831	-5.5%	3,404	23.9%						
AUG	20,480,000	25.8%	4,883	-9.7%	4,194	39.2%	4,194	39.2%	197,637,442	18.1%	56,309	-6.4%	3,510	26.1%						
SEP	21,887,000	22.0%	5,462	7.2%	4,007	13.9%	4,007	13.9%	201,591,237	17.8%	56,675	-5.3%	3,557	24.4%						
OCT	20,543,000	25.6%	5,125	4.6%	4,008	20.1%	4,008	20.1%	205,781,622	17.3%	56,902	-4.5%	3,616	22.9%						
NOV	17,886,000	21.2%	4,613	-0.9%	3,877	22.3%	3,877	22.3%	208,913,383	18.1%	56,861	-3.0%	3,674	21.7%						
DEC	17,175,000	32.0%	4,325	0.0%	3,971	32.0%	3,971	32.0%	213,073,676	20.6%	56,860	-2.8%	3,747	24.1%						
JAN	17,379,000	1.7%	4,471	-7.3%	3,887	9.8%	3,887	9.8%	213,364,217	19.2%	56,506	-2.2%	3,776	21.9%						
FEB	14,586,000	1.7%	3,327	-11.9%	4,384	15.5%	4,384	15.5%	213,612,954	16.9%	56,056	-2.6%	3,811	20.0%						
MAR	12,514,000	-1.8%	3,248	-6.8%	3,853	5.4%	3,853	5.4%	213,388,520	16.1%	55,819	-2.4%	3,823	19.0%						
APR	18,474,000	3.2%	4,807	-8.2%	3,843	12.4%	3,843	12.4%	213,960,107	14.7%	55,390	-3.3%	3,863	18.6%						
MAY	15,506,000	-9.1%	4,108	-17.3%	3,775	9.9%	3,775	9.9%	212,401,830	12.8%	54,530	-4.2%	3,895	17.7%						
<b>06</b>																				
JUNE	21,279,000	28.7%	4,449	-6.5%	4,783	37.7%	4,783	37.7%	217,147,000	13.6%	54,220	-4.5%	4,005	19.0%						
JUL	16,258,000	-16.4%	3,884	-28.1%	4,186	16.3%	4,186	16.3%	213,967,000	10.6%	52,702	-7.3%	4,060	19.3%						
AUG	18,131,000	-11.5%	4,464	-8.6%	4,062	-3.2%	4,062	-3.2%	211,618,000	7.1%	52,283	-7.1%	4,048	15.3%						
SEP	17,299,688	-21.0%	4,157	-23.9%	4,162	3.9%	4,162	3.9%	207,030,688	2.7%	50,978	-10.1%	4,061	14.2%						
OCT	12,811,000	-37.6%	3,520	-31.3%	3,639	-9.2%	3,639	-9.2%	199,298,688	-3.2%	49,373	-13.2%	4,037	11.6%						
NOV	15,653,000	-12.5%	3,633	-21.2%	4,309	11.1%	4,309	11.1%	197,065,688	-5.7%	48,393	-14.9%	4,072	10.8%						
DEC	12,698,186	-26.1%	3,388	-21.7%	3,748	-5.6%	3,748	-5.6%	192,588,874	-9.6%	47,456	-16.5%	4,058	8.3%						
JAN	14,326,262	-17.6%	3,584	-19.8%	3,997	2.8%	3,997	2.8%	189,536,136	-11.2%	46,569	-17.6%	4,070	7.8%						
FEB	13,039,000	-10.6%	3,136	-5.7%	4,158	-5.2%	4,158	-5.2%	187,989,136	-12.0%	46,378	-17.3%	4,053	6.4%						
MAR	13,344,000	6.6%	2,866	-11.8%	4,656	20.8%	4,656	20.8%	188,819,136	-11.5%	45,996	-17.6%	4,105	7.4%						
APR	17,276,000	-6.5%	3,863	-19.6%	4,472	16.4%	4,472	16.4%	187,621,136	-12.3%	45,052	-18.7%	4,165	7.8%						
MAY	17,828,000	15.0%	3,430	-16.5%	5,198	37.7%	5,198	37.7%	189,943,136	-10.6%	44,374	-18.6%	4,281	9.9%						
<b>07</b>																				
JUNE	19,392,850	-8.9%	3,500	-21.3%	5,541	15.8%	5,541	15.8%	188,056,986	-13.4%	43,425	-19.9%	4,331	8.1%						
JUL	16,831,508	3.5%	3,427	-11.8%	4,911	17.3%	4,911	17.3%	188,630,494	-11.8%	42,968	-18.5%	4,390	8.1%						

ATTACHMENT 2e

Fiscal Year 2006-07  
 Variance between Actual Receipts and Earlier Estimates  
 \$ Millions

	2006-07		Budget 2006-07	Revised* 2006-07	Near Final 2006-07	Proposed		Change From:			
	Proposed 2006-07	Budget 2006-07				Budget \$	Revised \$	Proposed %	Budget %	Revised %	Revised %
Property Tax .....	1,298.4	1,298.4	1,298.4	1,334.0	1,334.2	35.8	35.8	0.2	2.8%	2.8%	0.0%
Utility Users' Tax .....	613.4	613.4	613.4	604.2	605.3	(8.2)	(8.2)	1.0	-1.3%	-1.3%	0.2%
Licenses, Permits, Fees & (1) .....	516.3	526.8	526.8	575.0	545.5	29.2	18.6	(29.5)	5.7%	3.5%	-5.1%
Business Tax (2) .....	421.7	421.7	421.7	459.2	464.3	42.6	42.6	5.1	10.1%	10.1%	1.1%
Sales Tax .....	338.1	338.1	338.1	334.0	333.9	(4.2)	(4.2)	(0.2)	-1.2%	-1.2%	0.0%
State VLF .....	25.0	25.0	25.0	28.1	26.4	1.4	1.4	(1.7)	5.7%	5.7%	-5.9%
Power Revenue Transfer .....	174.2	175.0	175.0	174.7	174.7	0.5	(0.3)	0.0	0.3%	-0.1%	0.0%
Transient Occupancy Tax .....	133.6	133.6	133.6	134.0	134.6	1.0	1.0	0.6	0.7%	0.7%	0.4%
Municipal Court Fines (3) .....	121.5	122.3	122.3	122.3	119.5	(2.0)	(2.8)	(2.8)	-1.6%	-2.3%	-2.3%
Documentary Transfer Tax .....	192.5	192.5	192.5	185.0	188.1	(4.4)	(4.4)	3.1	-2.3%	-2.3%	1.7%
Parking Users' Tax (4) .....	82.4	82.3	82.3	82.4	78.3	(4.0)	(4.0)	(4.0)	-4.9%	-4.9%	-4.9%
Franchise Income (5) .....	50.9	50.9	50.9	48.2	47.1	(3.9)	(3.9)	(1.1)	-7.6%	-7.6%	-2.3%
Interest .....	44.1	44.1	44.1	47.8	49.5	5.5	5.5	1.7	12.4%	12.4%	3.7%
Water Revenue Transfer .....	31.6	31.6	31.6	0.0	0.0	(31.6)	(31.6)	0.0	-100.0%	-100.0%	-7.3%
Grant Receipts .....	17.0	17.1	17.1	17.1	15.8	(1.2)	(1.2)	(1.2)	-6.8%	-7.3%	0.3%
All Other (6) .....	28.0	34.5	34.5	33.8	33.9	5.9	(0.5)	0.1	21.3%	-1.6%	0.3%
<b>Subtotal.....</b>	<b>4,088.6</b>	<b>4,107.4</b>	<b>4,107.4</b>	<b>4,179.8</b>	<b>4,151.1</b>	<b>62.5</b>	<b>43.8</b>	<b>(28.7)</b>	<b>1.5%</b>	<b>1.1%</b>	<b>-0.7%</b>
Reserve Fund Transfer.....	248.1	231.3	231.3	231.3	231.3	(16.8)	0.0	0.0	-6.8%	0.0%	0.0%
<b>Total General Fund.....</b>	<b>4,336.7</b>	<b>4,338.7</b>	<b>4,338.7</b>	<b>4,411.1</b>	<b>4,382.4</b>	<b>45.7</b>	<b>43.8</b>	<b>(28.7)</b>	<b>1.1%</b>	<b>1.0%</b>	<b>-0.7%</b>

\*Per FY 2007-08 budget.

- (1) Transfers from proprietary departments below budget
- (2) Receipts are 7% above prior year even with a 4% tax cut.
- (3) Department of Transportation to report.
- (4) \$2.7 million in 06-07 receipts was received after July 1 and is booked to FY 07-08.
- (5) Refund from pipeline income.
- (6) Amount of transfer from Tax Reform Fund increased after proposed budget was released.

REAPPROPRIATIONS FROM THE RESERVE FUND

ATTACHMENT 3

<u>DEPARTMENT</u>	<u>FUND/ACCOUNT</u>	<u>AMOUNT</u>
<b>TRANSFER FROM THE RESERVE FUND TO THE UNAPPROPRIATED BALANCE FUND 100/58:</b>		
<b>APPROPRIATE TO:</b>		
Animal Services	<u>100/06</u>	
	3010, Firearms, Ammunition and Other	\$ 25,500
	3040, Contractual Services	20,000
	6020, Operating Supplies and Exp.	54,500
	<i>Subtotal</i>	<u>\$ 100,000</u>
City Clerk	<u>100/14</u>	
	1070, Salaries As Needed	\$ 50,000
Police	<u>100/70</u>	
	3040, Contractual Services	\$ 546,411
	6010, Office and Administrative Expense	334,875
	7300, Furniture, Office and Technical	92,872
	<i>Subtotal</i>	<u>\$ 974,158</u>
Unappropriated Balance	<u>100/58</u>	
	XXXX, 2-Way Public Testimony	\$ 198,000
<i>Special Funds</i>		
Americorps Grant Fund	<u>XXX/35</u>	
	C205, Contractual Services	\$ 134,744
	<b>TOTAL</b>	<u><u>\$ 1,456,902</u></u>

**ATTACHMENT 4**  
**FY 2007-08 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 1010, Salaries General	\$ 50,000	Fund 100/06, Animal Services 4460, Private Veterinary Care Expenses	\$ 50,000
Finance	Fund 100/39, Finance 3040, Contractual Services	\$ 47,954	Fund 100/39, Finance 7300, Furniture, Office and Technical Equipment	\$ 47,954
Information Technology	Fund 100/32, Information Technology 3040, Contractual Services 7300, Furniture, Office and Technical Equipment	\$ 79,000 \$ 125,000 Subtotal \$ 204,000	Fund 100/32, Information Technology 6010, Office and Administrative Expense 7300, Furniture, Office and Technical Equipment	\$ 125,000 \$ 79,000 Subtotal \$ 204,000
Police	Fund 100/70, Police 6010, Office and Administrative Expense	\$ 99,305 Subtotal \$ 99,305	Fund 100/70, Police 6020, Operating Supplies and Expense	\$ 99,305 Subtotal \$ 99,305
PW/Street Services	Fund 100/86, Street Services 1010, Salaries General	\$ 466,265 Subtotal \$ 466,265	Fund 100/86, Street Services 1100, Hiring Hall Salaries 1120, Benefits Hiring Hall 1190, Overtime Hiring Hall	\$ 364,000 \$ 96,765 \$ 5,500 Subtotal \$ 466,265
Treasurer	Fund 100/96, Treasurer 4040, Bank Services Fees	\$ 134,000 Subtotal \$ 134,000	Fund 100/96, Treasurer 3040, Contractual Services	\$ 134,000 Subtotal \$ 134,000
<b>TOTAL ALL DEPARTMENTS AND FUNDS</b>			<b>\$1,001,524</b>	<b>\$ 1,001,524</b>

Source of Funds:

## Fee Review Update

## All General Fund Revenue Departments

Department	Fees?	Notes
Aging	N	No fees
Animal Services	Y	A fee study is expected to be completed by September.
Building and Safety	Y	Primarily not General Fund. The General Fund fee portion fell below Budget in 2006-07.
CAO	N	No fees
City Attorney	Y	The City Attorney is preparing a report on the status of the Tobacco Enforcement Fee Review
City Clerk	Y	A new fee structure was adopted, effective September 2006.
Community Development	N	No fees
Commission on the Status of Women	N	No fees
Commission on Children, Youth & Fam.	N	No fees
Controller	Y	Fees are a small part of the Controller's revenue (around \$400k). A Fee study was undertaken in late 2006 which increased some fees as reflected in the FY 2007-08 Budget.
Council	N	No fees
Cultural Affairs	Y	Minor fee collections - \$300k in annual fees. The Design Approval fee was increased effective 7/23/2007.
Disability	N	No fees
Dep. of Neighborhood Empowerment	N	No fees
Emergency Preparedness	N	No fees
Environmental Affairs	Y	The Local Enforcement Agency Fee is under review and the results are expected in August.
Ethics Commission	NA	Minor fee amounts - \$100k.
Finance, Office of	NA	Fees are a very small part of Finance's revenue.
Fire	Y	A number of these fees are being reviewed and any changes for FY 2007-08 are expected to become effective between September and early December. The CAO will monitor the progress of Fire's fee review and any potential increases.
General Services	Y	Fees make up a small part of GSD's revenue (B Permits - \$500k) and the fee is set by the Board of Public Works.
Housing	N	No fees, but the Code Enforcement and Rent Control special fund fees are in need of revision and are policy matters. The plan is to have the recommended fee increases in place by January 2009.
Information Technology	N	No fees
Mayor	N	No fees
Human Resources Benefits	N	No fees

ATTACHMENT 5a

Fee Review Update

All General Fund Revenue Departments

Department	Fees?	Notes
Personnel	N	No fees
Planning	Y	Planning's fee increases were adopted by Council and became effective on July 22.
Police	Y	The completed fee study is under review.
PW Board	N	No fees
PW Bureau of Contract Administration	Y	New fees have approved ordinances and increased fees have been approved.
PW Bureau of Engineering	Y	New fees have approved ordinances and increased fees have been approved.
PW Bureau of Sanitation	Y	No General Fund fees. The solid waste fee is scheduled to increase in 2007-08.
PW Bureau of Street Lighting	Y	The Bureau of Street Lighting has submitted reports to the Board of Public Works to increase several fees. But the Bureau of Street Lighting receives little fee revenue.
PW Bureau of Street Services	Y	A report on the 2007-08 fee increases has not been submitted to the Board as of this writing.
Transportation	Y	The department is working on a fee review for the 2008-09 budget.
Treasurer	N	No fees

**ATTACHMENT 5b.  
Fee Review Update  
By Major Departments**

<b>Department (General Fund Revenue)</b>	<b>FY 2007-08 Annual Fee Revenue</b>	<b>Potential for Additional Revenue above Budget</b>	<b>Notes</b>
Fire Ambulance Fees	\$ 56,300,000	Yes, but is unquantifiable at this time	FY 2007-08 collections are expected to reach \$56.3 million. A fee increase is expected to start in early December and was not included in the budget. An estimate for the increased revenue will be made at mid-year.
Fire (exclusive of ambulance revenue)	26,000,000	Yes, but is unquantifiable at this time	Fire collects more than \$26 million from 18 different fees and reimbursements. A number of these fees are being reviewed and any changes for FY 2007-08 are expected to become effective between September and December. An estimate for the increased revenue will be made at mid-year.
Police	29,000,000	Yes, but is unquantifiable at this time	The Police fee study has been completed and is being reviewed. An estimate for the increased revenue will be made at mid-year.
Engineering	11,300,000	The expected increase is already budgeted	A fee study was completed in connection with FY 2007-08 budget deliberations. The three ordinances for new fees are effective July 23 and fee increases were all approved by the Board on June 22. The FY 2007-08 Budget included \$416,000 in revenue from these new and increased fees.
Planning	10,000,000	The expected increase is already budgeted	Planning's fee increases were adopted by Council last month and will be effective on July 22. The FY 2007-08 Budget included the additional expected revenue from Planning's fee increases.
Street Services	9,700,000	The expected increase is already budgeted	Street Service's fee report has been completed and will be sent to the Board of Public Works on August 1st. The FY 2007-08 Budget adds approximately \$1.5 million from new and increased fees.
Transportation	5,700,000	Unknown	The department is developing a fee review for the FY 2008-09 budget.
Contract Administration	5,200,000	The expected increase is already budgeted	A fee study was done for the FY 2007-08 budget. A new fee is the Public Right-of-Way fee, which is expected to generate an additional \$1 million in revenue. This increase was included in the budget. Also, A-permits, Utility permits, General Excavation and Special Inspection fees were increased in March 2007. An estimate for any increased revenue will be made at mid-year.
Animal Services	3,200,000	Uncertain	Animal Services revenue is almost completely comprised of fees. A fee study is expected to be completed by September. A note of caution: past expected revenue increases often have failed to materialize for this department.



**ATTACHMENT 5b.  
Fee Review Update  
By Major Departments**

<b>Department (General Fund Revenue)</b>	<b>FY 2007-08 Annual Fee Revenue</b>	<b>Potential for Additional Revenue above Budget</b>	<b>Notes</b>
Building and Safety	2,900,000	Doubtful	While the majority of permit revenue now goes to the Enterprise Fund, Building and Safety is still expected to collect approximately \$2.9 million in General Fund code enforcement fee revenue. In the past, the department has had significant difficulty with code enforcement collections and there is some doubt about increasing collections of these General Fund revenue accounts. Further, auto repair code enforcement, which makes up around 90% of the General Fund revenue, finished \$1 million below the FY 2006-07 revised budget amount of \$2.6 million.
City Attorney	1,100,000	Yes, but is unquantifiable at this time	The City Attorney is currently preparing a report on the status of the Tobacco Enforcement Fee Review. The program is not yet fully fee supported.
<b>Total Major Departments</b>	<b>\$ 160,400,000</b>		
Percentage of Total Licenses, Permits, Fees & Fines (LPFF)	26%		
All other LPFF revenue	460,318,976		
<b>Total LPFF Revenue</b>	<b>\$ 620,718,976</b>		
<b>Non-General Fund Revenue</b>			
Recreation and Parks Golf Fee	\$ 20,000,000	No	The FY 2007-08 budget assumptions included a golf fee increase. The increase is expected to generate an additional \$2 million and was approved by the board June 6, 2007.
Solid Waste Fee	189,714,000	No	The plan to accelerate the Solid Waste fee increase scheduled for July 1, 2008 to September 1, 2007 will be heard at a Public Hearing on August 7, 2007. Revenue from this acceleration is included in the FY 2007-08 Budget.
Establish fee for Sewer capacity availability review		No	Adopted by Council on June 22, 2007.
Intermittent Extra Capacity Tag Increase		No	The fee increased from \$1 to \$2, effective July 23.

**Attachment 6**  
**Five-Year Budget Forecast (\$million)**

	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
<b>ESTIMATED GENERAL FUND REVENUE</b>					
General Fund Base (1)	\$ 4,351.9	\$ 4,495.4	\$ 4,691.9	\$ 4,900.3	\$ 5,119.4
Revenue Growth (2)					
Property Related Taxes	93.9	98.8	104.6	110.9	117.6
Sales and Business Taxes	30.0	41.0	43.0	45.0	47.2
Utility Users' Tax	12.5	12.8	13.1	13.3	13.6
License, Permits and Fees	3.2	17.8	18.4	18.9	19.5
Other Fees, Taxes and Transfers	33.9	26.1	29.4	30.9	32.6
One-Time Revenues	(30.0)	-	-	-	-
<b>Total Revenue</b>	<b>\$ 4,495.4</b>	<b>\$ 4,691.9</b>	<b>\$ 4,900.3</b>	<b>\$ 5,119.4</b>	<b>\$ 5,349.8</b>
<i>General Fund Revenue Increase %</i>	<b>1.3%</b>	<b>4.4%</b>	<b>4.4%</b>	<b>4.5%</b>	<b>4.5%</b>
<i>General Fund Revenue Increase \$</i>	<b>57.7</b>	<b>196.5</b>	<b>208.4</b>	<b>219.1</b>	<b>230.4</b>
<b>ESTIMATED GENERAL FUND EXPENDITURES</b>					
General Fund Base (3)	\$ 4,437.7	\$ 4,710.8	\$ 4,882.9	\$ 5,101.6	\$ 5,287.3
Incremental Changes to Base: (4)					
Employee Compensation Adjustments (5)	126.1	87.1	89.4	91.7	94.1
City Employees Retirement System (6)	5.9	(9.5)	3.4	5.9	10.2
Fire and Police Pensions (6)	8.6	1.0	12.7	4.3	10.5
Workers Compensation Benefits (7)	10.2	11.0	11.9	12.8	13.9
Health and Dental Benefits (8)	40.1	43.7	45.1	45.8	48.1
Debt Service (9)	19.1	5.6	(7.1)	(1.4)	-
Expense CPI Increases (10)	6.2	6.3	6.4	6.5	6.7
New Facilities (11)	4.2	6.3	6.5	5.6	5.6
City Elections (12)	14.9	(14.9)	15.4	(15.4)	15.8
Police 1,000 Officers Hiring Plan (13a)	46.5	51.4	38.5	29.8	31.1
VLF Police Hires (13b)	28.5	-	-	-	-
Solid Waste Resource Fee Offset (14)	(23.3)	(11.6)	(3.4)	-	-
Public Safety Systems Project (15)	(0.4)	(4.3)	(0.1)	-	-
CIEP (16)	(13.4)	-	-	-	-
<b>Subtotal Expenditures</b>	<b>\$ 4,710.8</b>	<b>\$ 4,882.9</b>	<b>\$ 5,101.6</b>	<b>\$ 5,287.3</b>	<b>\$ 5,523.3</b>
<i>Expenditure Growth %</i>	<b>6.2%</b>	<b>3.7%</b>	<b>4.5%</b>	<b>3.6%</b>	<b>4.5%</b>
<i>Expenditure Growth \$</i>	<b>273.1</b>	<b>172.1</b>	<b>218.7</b>	<b>185.7</b>	<b>236.0</b>
<b>SUBTOTAL BUDGET GAP</b>	<b>\$ (215.4)</b>	<b>\$ (191.0)</b>	<b>\$ (201.3)</b>	<b>\$ (167.9)</b>	<b>\$ (173.5)</b>
<b>RESERVE FUND ROLLOVER (17)</b>	\$ 120.4	\$ 120.4	\$ 120.4	\$ 120.4	\$ 120.4
Increase Reserve Fund % of GF Budget	(24.3)	(14.1)	(18.5)	(8.4)	(11.8)
<b>TRANSFER FROM RESERVE FUND</b>	\$ 96.1	\$ 106.3	\$ 101.9	\$ 112.0	\$ 108.6
<b>OTHER POTENTIAL ONE-TIME EXPENDITURES</b>					
New Facilities (11)	33.9	1.5	2.0	1.4	1.4
CIEP (16)	46.8	48.5	50.7	52.6	52.6
Public Safety Radio Interoperability (18)	18.6	18.6	18.6	-	-
<b>Subtotal Other Potential Expenditures</b>	<b>\$ 99.3</b>	<b>\$ 68.6</b>	<b>\$ 71.3</b>	<b>\$ 54.0</b>	<b>\$ 54.0</b>
<b>SUBTOTAL</b>	<b>\$ (3.2)</b>	<b>\$ 37.7</b>	<b>\$ 30.6</b>	<b>\$ 58.0</b>	<b>\$ 54.6</b>
<b>BUDGET GAP</b>	<b>\$ (218.6)</b>	<b>\$ (153.3)</b>	<b>\$ (170.7)</b>	<b>\$ (109.9)</b>	<b>\$ (118.9)</b>

**ATTACHMENT 6a**  
**FIVE-YEAR GENERAL FUND BUDGET FORECAST ASSUMPTIONS**

**REVENUE:**

(1) General Fund (GF) 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 one percent for 2008-09 and above four percent over the next few years. No adjustment is made for challenges facing collection of utility users' taxes on telephone.

**ESTIMATED GENERAL FUND EXPENDITURES:**

(3) Estimated Expenditure General Fund Base: Using the 2007-08 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.

(4) The 2008-09 incremental changes reflect funding adjustments to the 2007-08 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.

(5) Employee Compensation Adjustments: This includes cost of living adjustment (COLA), change in number of working days, salary step and turnover effect, and full funding for partially financed positions. Civilian labor contracts expire on 6/30/07. 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. The forecast assumes 3% salary growth for both civilian and sworn employees beyond the current labor contracts.

(6) City Employment Retirement System (LACERS) and Fire & Police Pensions (Pensions): The LACERS and Pensions contribution 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.

(7) Workers Compensation Benefits (WC): The 2007-08 WC budget increases nearly 8% over 2006-07. The same percentage is applied through 2012-13.

(8) Health and Dental Benefits: Mercer Consulting provides the civilian plan forecast. Projected civilian employee FLEX benefits reflect medical subsidy increases of 9.68% for 2008; 9.19% for 2009; 8.71% for 2010; 8.23% for 2011; and 7.74% for 2012; as well as 1% annual increase for enrollment. Police and Fire health medical subsidy rates are historically higher and assumed to be 2% more than the civilian rates due to the type of coverage and lower deductible health plans. Police enrollment projections are consistent with the hiring plan. Fire enrollment is projected to rise 2% per annum.

(9) Debt Service: The debt service amounts include Capital Finance and Judgement Obligation Bond budgets. The Figueroa Plaza debt service starts in 2008-09 and the new Police headquarters facilities debt service starts in 2009-10.

(10) Expense CPI Increases: The CPI increases in 2008-09 and beyond are 2% per year.

(11) New Facilities: Funding projections are based on preliminary departmental estimates for ongoing staffing and expenses that have not been prioritized. The amounts shown in the Potential One-Time Expenditures section represent one-time costs. Some equipment may be eligible for debt financing but this has not been determined at this time.

(12) Elections: Citywide elections occur bi-annually.

(13)(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.

(13)(b) By the end of 2007-08, the VLF will be depleted but costs continue to be incurred. General Fund monies will be needed to provide backfill funding for those hired in prior years.

(14) Solid Waste Resources Fee Offset: A monthly increase of \$7 was approved in 2006-07 to a total of \$18. The 2007-08 adopted budget includes an increase of \$4, from \$18 to \$22, effective July 1, 2007, and another increase of \$4, from \$22 to \$26, effective September 1, 2007. A \$2 monthly fee increase is planned in 2009-10 for a \$28 monthly fee per household.

(15) Public Safety Systems Project: EOC/Fire Dispatch/Police Department Operations Center systems-related costs that cannot be bond-financed. A project consultant reports that the total investment in information, communications, and dispatch systems for the facility would be approximately \$63 million. This includes the upgrade of all fire stations' voice and data transmission systems that must be in place before an anticipated 2010 building occupancy by the Fire Department, as well as annual recurring lease of T-1 lines. Of the \$63 million total, it is anticipated that \$50 million may be eligible for MICLA financing.

(16) Capital Improvement Expenditure Program (CIEP): The 2007-08 adopted budget includes \$13.4 million for various capital projects. For future years, the CIEP amounts are detailed in the Potential One-Time Expenditures section and assume compliance with the 1% policy.

**RESERVE FUND ROLLOVER:**

(17) Potential Carryover: The 2007-08 adopted budget includes a transfer from the Reserve Fund of almost \$86 million based on its estimated June 30<sup>th</sup> year-end balance, after emergency and contingency reserves are set-aside. Future estimates from 2008-09 and beyond are based on the 12-year (Fiscal Years 1995 to 2006) historical average of year-end unallocated revenue and reversions. The transfers are reduced by the amounts needed to gradually increase the Reserve Fund to General Fund budget percentage from 4.55% budgeted in 2007-08 to 4.7% in 2008-09, to 4.85% in 2009-10, and to 5% by 2010-11.

**POTENTIAL ONE-TIME EXPENDITURES:**

(18) Public Safety Radio Interoperability: As part of a County-wide interoperability project, the City would need to replace Police, Fire, General Services Security, and potentially other departments' handheld radios. The move toward interoperability is recommended as the City's radios' lifecycle are coming to an end. Estimated cost for the City's share of the entire project is about \$250 million, of an estimated \$600 million total. The City will pursue various grant opportunities such as UASI, SHSGP, COPS, State bonds, and possibly MICLA financing subject to eligibility requirements to provide part of the funding.