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Executive Officer

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CITY OF LOS ANGELES
CALIFORNIA



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CLAUDIA M. DUNN
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07-0600-S77

March 6, 2008

All Councilmembers
All City Departments

RE: 2007-08 MID-YEAR ADJUSTMENT AND FINANCIAL STATUS REPORT AND BELT TIGHTENING MEASURES

At the meeting of the Council held February 26, 2008, the following action was taken:

Attached report adopted as amended	X
Attached motion (Parks - Greuel) adopted	X
Attached resolution (-) adopted	_____
FORTHWITH	_____
Mayor concurred	03-05-08
To the Mayor FORTHWITH	_____
Motion adopted to approve committee report recommendation(s)	_____
Motion adopted to approve communication recommendation(s)	_____
Ordinance adopted	_____
Ordinance number	_____
Publication date	_____
Effective date	_____
Mayor vetoed	_____
Mayor approved	_____
Mayor failed to act – deemed approved	_____
Findings adopted	_____
Negative Declaration adopted	_____
Categorically exempt	_____
Generally exempt	_____

City Clerk
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TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your

BUDGET AND FINANCE Committee

reports as follows:

BUDGET AND FINANCE COMMITTEE REPORT relative to the 2007-08 Mid-Year Adjustment and Financial Status Report and Belt Tightening Measures.

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

1. APPROVE the City Administrative Officer's (CAO) recommendations contained in the 2007-08 Mid-Year Adjustment and Financial Status Report dated January 28, 2007, and the Addendum to the Mid-Year Adjustment and Financial Status Report dated February 6, 2008 (Attachments 1 and 2).
2. INSTRUCT the CAO and Chief Legislative Analyst (CLA) to report back to the Budget and Finance Committee relative to:
 - (a) the recommendations contained in the Mayor's letter dated January 28, 2008, entitled "Belt Tightening Measures", to provide additional insight on these issues (Attachment 3);
 - (b) status of the report relative to home garaged vehicles that was requested during the last budget session;
 - (c) broadening the definitions of Special Funds, i.e., the Real Property Trust Fund, Street Furniture Revenue Fund, to provide the Council with greater flexibility to use said funds as it relates to community issues;
 - (d) Motion (Greuel-Smith), Council file 08-0167, relative to an exploration of new efficiencies, a revisit of past proposals to decrease expenditures while still providing essential services, and the potential cost savings; 30 day report back requested.
3. INSTRUCT the CLA to ensure that funds deposited in the Unappropriated Balance for the Heritage Month Celebration Program are distributed as earmarked for, i.e., theater awards programs, African Market Place, Pan African and Latino Film Festivals, Coliseum Fireworks Show, etc.
4. REQUEST the Mayor's Office to report back to the Budget and Finance Committee relative to:
 - (a) the Documentary Transfer Tax and the ability to recoup revenue from the sale/transfer of businesses in the City, both retroactively and on a go forward basis;
 - (b) the 22 Los Angeles Police Department (LAPD) Officers assigned to the Los Angeles World Airport (LAX) currently being funded by the General Fund.

Adopted as amended by Council action of 2-26-08

5. INSTRUCT the CAO to report back to the Budget and Finance Committee relative to:
- (a) the current dollar allocation for unimproved street, alley, and sidewalk repairs, the Community Beautification Grant Program and graffiti removal, to enable the Council to make a clear determination relative to the proposed cuts in these services; also possible alternatives to the proposed cuts to these services;
 - (b) alternatives to selling surplus property;
 - (c) a determination of the cost effectiveness of using City pool vehicles at a cost of approximately \$1.00 per mile to maintain the vehicles (for home garaged vehicles) versus \$.48 to provide mileage expense reimbursement;
 - (d) LAPD presence at LAX as it relates to overtime usage (30 day report back requested);
 - (e) the impact of a Citywide policy relative to the use of paid overtime versus compensatory time off and the impacts on operations;
 - (f) how approximately \$13.6 million in additional revenue generated through the use of BondEdge software by the Office of the City Treasurer has been allocated;
 - (g) status of relevant Council Motions concerning the feasibility of having reputable collection services identify and collect fines and fees owed to the City, on a contingency basis;
 - (h) Motion (Garcetti-Parks), Council file 08-0201, relative to an evaluation of requested amendments to the Los Angeles Municipal Code to: (1) facilitate the application of a "look back period" for new business registrations, in order to collect back taxes owed to the City; (2) require compliance with all of the City's business tax and Parking Occupancy Tax laws as a condition of granting a new permit, and authorization to suspend or revoke a business's Police Permit for non-payment of business taxes or parking taxes; (3) authorize the Office of Finance to charge a transaction fee for online credit card payments to cover the full cost of processing those payments; and, (4) amending Ordinance No. 177469, and related provisions, to authorize the Office of Finance to collect a fee to cover all costs associated with the collection of delinquencies owed to the City, replacing the flat rate currently charged to some delinquent accounts;
 - (i) a more in-depth analysis of the State's proposed deferral of almost \$18 million in Gas Tax receipts and the impact on the 07-08 and 08-09 City budgets;
 - (j) a list of Community Redevelopment Agency project areas and the potential to develop revenue streams as projects are placed onto the tax rolls;
 - (k) possibility of additional grant funding for the Commission on the Status of Women and the Commission for Children, Youth and Their Families thereby reducing their reliance on the General Fund.

- (l) recommendation(s) to more easily distinguish the Contingency and Emergency Reserve Accounts in the Reserve Fund from the Reserve for Economic Uncertainties Account in the Unappropriated Balance.
6. INSTRUCT the CAO, with the City Attorney, to report back to the Budget and Finance Committee relative to:
 - (a) the Department of Water and Power (DWP) water and power revenue transfers and expectations as to when this matter will be adjudicated;
 - (b) functions/programs within the Office of the City Attorney that are currently staffed but are not core functions.
 7. REQUEST the City Attorney to expedite preparation of ordinances requested under Motion (Garcetti-Parks), Council file 08-0201, relative to amending the Los Angeles Municipal Code to address policy changes in the Office of Finance.
 8. INSTRUCT the CAO, with the City Librarian, to minimize reductions to the book purchasing budget, while maintaining an overall reduction to the Library Department of approximately \$2.0 million.
 9. APPROVE a managed hiring freeze in which the Mayor, CAO and CLA will jointly approve departmental requests to fill authorized positions, taking into consideration such factors as: legal mandate; public safety; revenue generation; supervisory requirements; and provision of essential public services. Consideration will also be given to whether a requesting department is projected to remain within its approved budget. INSTRUCT the CAO to include in future Financial Status Reports results achieved from the managed hiring freeze.
 10. INSTRUCT the Department of Building and Safety to report back relative to fees and fines associated with code enforcement activities and efforts to achieve full cost recovery.
 11. INSTRUCT the El Pueblo de Los Angeles Historical Monument Department to report back relative to internal issues/obstacles preventing lease re-negotiations.
 12. INSTRUCT the LAPD to report back to the Budget and Finance Committee relative to:
 - (a) working with the CAO, citation revenue for the last five years;
 - (b) status of the In-Car-Video project;
 - (c) status of Taser purchase.

Fiscal Impact Statement: The CLA reports that adoption of the recommendations will partially offset the potential \$154.9 million year-end budget deficit by approximately \$117.7 million, leaving a year-end budget deficit of an estimated \$38 million. The current Reserve Fund balance is an estimated \$175.2 million (consisting of \$122 million in the Emergency Reserve Account and \$53.2 million in the Contingency Reserve Account).

SUMMARY

At its Special Meeting of February 7, 2008, the Budget and Finance Committee considered the CAO's Mid-Year Adjustment and Financial Status Report, an addendum report, and the Mayor's letter relative to Belt Tightening Measures. The CAO reports provide the status of the Reserve Fund, an update on revenues and expenditures, projections through the end of the fiscal year and makes recommendations for budgetary adjustments. The CAO reports an estimated expenditure deficit of \$85.8 million, an increase of \$10.8 million over what was reported in the Second Financial Status Report in November 2007. The primary reasons for the increased deficit are fuel costs, outside counsel expense projections, and larger deficits in the General Services, Police and Transportation departments. The CAO additionally reports a General Fund revenue shortfall of \$69.1 million. The Mid-Year Financial Status Report contains recommendations totaling \$117.3 million to partially offset the potential \$154.9 million budget problem. In making its recommendations, the Office of the CAO has made every effort to avoid significantly impacting public services and employee layoffs. Nevertheless, some of the CAO recommendations will impact public services, and some of the decisions that need to be made by the Council will be very difficult. If the CAO's recommendations are adopted, the potential year-end budget problem would be reduced to an estimated \$37.6 million. Additional actions will be necessary to balance the budget. The CAO will immediately begin preparing a follow-up report to address the remaining budget problem. The CAO reported that every effort has been made to exclude reductions to police officer hiring, firefighter resources and affordable housing programs. However, these options may still need to be considered if alternatives cannot be identified to close the remaining \$38 million budget gap, or if projected revenues fall further. The CAO additionally reported that revenues are expected to continue to fall through Fiscal Year 08-09. As a result, the CAO cautions that the Mayor and Council will need to continue to monitor expenditures and encourage departments to examine their operations and activities to determine whether additional efficiencies can be identified.

During a lengthy review of the CAO recommendations and the Mayor's belt tightening measures, during which department Managers provided the Committee with their response to the CAO's recommendations and responded to questions from the Committee, several issues of concern arose. Of particular interest/concern to the Committee were the following issues:

- (a) a Managed Hiring Process, instituted by the Mayor's Office to generate salary savings to offset the absorption by City departments of 2007-08 General Fund cost of living adjustments (COLAs), has been expanded to further restrict hiring. Positions that can be filled from new certification lists include sworn and public safety positions, revenue-generating positions, special fund positions that are not subsidized by the General Fund and positions determined by departments to be critical to service delivery. Anticipating the request for a "hard hiring freeze" from the Mayor's Office, the Committee recommended taking a middle position and asked for a "managed hard hiring freeze" that pays particular attention to departments that are in excess of their budgets, but also is considerate of smaller departments and those departments that are within budget, as well as legally mandated and revenue generating positions. The Committee does not want a blanket freeze on everyone.
- (b) sale of surplus property – both Councilmembers Smith and Rosendahl expressed their disapproval of the CAO's recommendations relative to the sale of surplus property and the suspension of the 50/50 rule whereby the profits from the sale of surplus property are split 50/50 between the General Fund and the Council District Office in which the property is located. Both members expressed that with the present economic downturn, this is the

worst time to sell City property. Additionally, Councilmember Rosendahl expressed his intention to use two identified surplus parcels in his District for affordable housing. Both Councilmembers Smith and Rosendahl offered other options for the CAO to consider rather than the sale of these surplus properties, including possible sale of the parcels to the Community Redevelopment Agency to retain site control, retaining the properties and identifying other uses for the properties, or in the case of Council District 11, identifying non-contiguous properties for sale rather than the former animal shelter and fire station that the CAO identified.

- (c) reduction in the allocations to the Board of Public Works for graffiti removal and the Community Beautification Grant Program, as well as additional reductions to the Bureau of Street Services that would impact paving of unimproved streets, alleys and sidewalks. The CAO was instructed to report back to the Committee with the present allocations for these services, to enable the Council to make a clear determination relative to the proposed cuts in these services. Inasmuch as the proposed cuts to the graffiti removal program would result in the equivalent of one month without graffiti removal service Citywide, Councilmember Smith voiced his strong disapproval saying that it was tantamount to turning the City over to gangs.
- (d) the CAO and Chief Legislative Analyst (CLA) were instructed to report back to the Committee relative to the Mayor's proposed belt tightening measures, to provide greater insight into the Mayor's proposals.
- (e) all departments were asked to cooperate fully with the CAO relative to completion of fee studies; departments were asked to complete their studies by the end of March so the projected revenue can be part of the entire 08-09 budget process. Additionally, the City Attorney was requested to expedite preparation of fee related ordinances so they can be in place at the beginning of the 08-09 fiscal year, to allow the City to receive a full year of revenue from the fees.
- (f) \$2 million reduction to the Library Department allocation will impact services, and may lead to the reduction in library hours. The CAO was instructed to work with the Library Department to try to prevent a reduction in service hours and to reduce the impact on book purchases.
- (g) the CAO was asked, for the Council discussion, to expand upon its recommendation relative to deferral of \$2.3 million for small equipment replacement in the Department of Recreation and Parks. The Committee asked, relative to small equipment purchases, that consideration be given to specific needs that are part of a major program(s). The Committee expressed concern that programs such as pool openings in the summer months could be impacted by the decision not to replace a pool pump for example.
- (h) proposed five month deferral by the State of \$18 million in Gas Tax receipts and the resulting impact to the 07-08 and 08-09 City budgets.
- (i) left-turn arrow program and whether Automated Traffic Surveillance and Control (ATSAC) funds can be used to make up the proposed \$600,000 cut to the left-turn arrow program.

The Mayor's representative advised the Committee that the Mayor concurs with the CAO recommendations in the Mid-Year Financial Status Report and requested the Committee's concurrence with the Mayor's belt tightening measures as well. The CLA also voiced support of the

CAO's recommendations. The CLA also advised the Committee that nothing should be off the table relative to closing the remaining budget problem and that the Council needs to take actions that not only save money this year but do not add to expenditures for next year, as next year will also be a difficult budget year. The CLA also advised the Committee that it should keep in mind that some of the CAO's proposed actions may or may not produce cash this year therefore a Reserve Fund loan will be necessary.

During the Committee's discussion, the CAO, CLA, and numerous City department Managers were instructed to provide reports back on a variety of issues. The Mayor's Office and City Attorney were also requested to report back to the Committee on various matters. These requests are reflected in the Budget and Finance Committee report recommendations. This matter is now forwarded to the Council for its consideration.

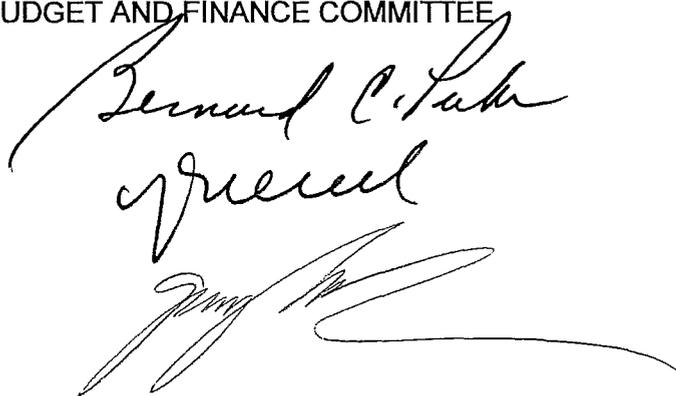
Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

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

LB
#070600.77
02/11/08

Attachments



FEB 20 2008 - CONTINUED TO Feb. 26, 2008

^{RPT}
ADOPTED
* AS - AMENDED
FEB 26 2008
SEE ATTACHED MEMO
LOS ANGELES CITY COUNCIL

VERBAL MOTION

I HEREBY MOVE that Council APPROVE the recommendations of the Chief Legislative Analyst (Item #4, Council file 07-0600-S77) contained in its February 25, 2008 report, relative to the Mid-Year Adjustment and Financial Status Report and Belt Tightening Measures, with the following amendments:

1. APPROVE Recommendation No. 1 (a) of the CLA's February 25, 2008 report, eliminating the proposed reduction of \$900,000 from the Board of Public Works, Board Office for Graffiti Removal, Community Beautification grants and Community Clean-up supplies.
2. DELETE Recommendation No. 1 (b) of the CLA's February 25, 2008 report relative to decreasing the proposed reduction to the General Fund appropriation to the Library Department budget from \$2 million to \$1.5 million.
3. APPROVE Recommendation No. 1 (C) of the CLA's February 25, 2008 report eliminating the proposed reduction of \$600,000 from the Los Angeles Department of Transportation (LADOT) for 16 new left-turn arrow approaches and two new signal installation projects, and DIRECT the LADOT to report back on whether the department anticipates being able to use the proposed funding by the end of the current fiscal year and to include in the report a detailed listing of the 16 sites.
4. APPROVE Recommendation No. 1 (d), (e) and (f) of the CLA's February 25, 2008 report relative to surplus property designation.
5. DELETE Recommendation No. 2 (b) of the CLA's February 25, 2008 report relative to decreasing the reduction to the Library Department budget.
6. DELETE Recommendation No. 3 (a) of the CLA's February 25, 2008 report relative to reducing the Executive Fleet and INSTRUCT the City Administrative Officer, CLA and the Mayor's Office to create an Executive Fleet Policy and report back to Council.
7. DELETE Recommendation No. 4 (b) of the CLA's February 25, 2008 report relative to transferring \$1 million in anticipated savings from reducing the March 2008 Police Academy class.
8. DELETE Recommendation No. 4 (d) of the CLA's February 25, 2008 report relative to reducing the size of the March Police Academy Class by 45 recruits.

9. INSTRUCT the CLA to report on Recommendation No. 4 (f)(ii) and (g) of the CLA's February 25, 2008 report relative to amending the Los Angeles Administrative Code regarding Council District Real Property Trust Funds and Street Furniture Revenue and provide a side by side comparison of current provisions vs. proposed provisions.
10. REQUEST the Los Angeles Police Department, Mayor's Office and LAWA Airport Police to report to the Public Safety Committee within 2 weeks relative to the redeployment of 22 LAPD officers currently assigned to LAWA.
11. INSTRUCT the Office of Finance, with the assistance of the CAO and CLA, to report back to the Budget and Finance Committee with recommendations to ensure that all businesses operating in the City fully comply with all applicable business tax, parking tax and police permit requirements.

PRESENTED BY _____

BERNARD C. PARKS
Councilmember, 8th District

PRESENTED BY _____

WENDY GREUEL
Councilmember, 2nd District

February 26, 2008

CF 07-0600-S77

Notion
ADOPTED

FEB 26 2008

LOS ANGELES CITY COUNCIL