

**CITY OF LOS ANGELES**  
INTER-DEPARTMENTAL CORRESPONDENCE

0116-00001-0000

Date: March 21, 2008

To: Honorable Members of the Budget and Finance Committee  
Attn: Lauraine Braithwaite, Office of the City Clerk

From: Raymond P. Ciranna, Assistant City Administrative Officer *BC*

Subject: **ADDENDUM TO THE 2007-08 4<sup>TH</sup> FINANCIAL STATUS REPORT  
(C.F. 07-0600-S82)**

The CAO issued the 4<sup>th</sup> Financial Status Report on March 12, 2008. The following additional actions are recommended:

- Transfer \$20,000 from the Emergency Management Department's Salaries General account to the Contractual Services account to cover the final payment of a contract with the recently retired General Manager.
- Transfer \$780,000 from LAPD's Contractual Services (\$522,000), Reserve Officers Expense (\$58,000), and Office and Administrative Expense (\$200,000) accounts to the Uniform Expense account. The funds are needed to purchase 3,200 ballistic vests to replace older vests manufactured in 2003 that are under a warranty that will expire in May 2008.
- Recommendation No. 3 of the 4<sup>th</sup> FSR must be amended to reflect the correct amount of funds (\$9,224,252) to be transferred to the Unappropriated Balance, Reserve for Economic Uncertainties as noted in Attachment 6 of the FSR. This action will not impact the City-wide deficit.
- A Reserve Fund loan in the amount of \$160,000 is recommended for the Police Department to front-fund conference-related expenses pending the receipt of 2007 Urban Area Security Initiative (UASI) grant funds. The funding is needed by May 1, 2008. The Reserve Fund loan is expected to be reimbursed in the current fiscal year, upon receipt of the grant funds.
- A \$1 million appropriation is recommended from the Unappropriated Balance, Reserve for Economic Uncertainties to the LAPD Sworn Overtime account. The Department requests this appropriation to cover payroll in May 2008 prior to the release of the Year-End Financial Status Report.
- We are revising our estimate of the Police Department's year-end deficit. In the Mid-Year FSR, we estimated the Department's remaining shortfall at \$3.30 million contingent on a proposed \$1.5 million appropriation from the Unappropriated Balance (UB), Reserve for Economic Uncertainties. However, on February 5, 2008, the Council

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authorized a transfer from the Sworn Salaries account in lieu of the UB appropriation which increased the Police Department's remaining deficit by \$1.5 million. Additional factors have further impacted the Department's financial picture. The Department is reporting that the remaining year-end deficit is now projected at \$6.97 million. This is partly because the projected surplus in the Sworn Salaries account has been eliminated due to attrition continuing to be below plan and because of approximately \$1.5 million in unanticipated back pay liabilities.

- Lastly, in 2004 the City and County each contributed \$3 million into an escrow account to be available in case of cost overruns during construction of the new Los Angeles Regional Crime Laboratory facility. The City used its MICLA Commercial Paper Program (i.e., short-term debt) to fund the \$3 million contribution. Construction is now complete, and because the escrow funds were not needed, they are being returned, with interest, to the City and County. The funds will be received when the State officially closes the project. We anticipate that this will occur before the end of the fiscal year. The Joint Powers Authority unanimously recommended that the escrow funds be used by each entity to modernize and expand their analytical capabilities. The Police Department requests authority to purchase new and replacement equipment for LAPD's Scientific Investigation Division at the new Los Angeles Regional Crime Laboratory.

Because the City's \$3 million contribution was funded by MICLA Commercial Paper, the monies that are returned to the City should be used to pay down this short-term debt. Therefore, an increased appropriation in the amount of \$3 million is recommended to the Capital Finance Administration Fund Commercial Paper account. To allow for the acquisition of the requested equipment, the Police Department should also be given authority to expend \$3 million of new MICLA financing on equipment. These actions will not impact the City-wide deficit.

## RECOMMENDATIONS

### Amend Recommendation No. 1

1. Transfer **\$13,844,774** between accounts within various departments and funds as specified in *Revised* Attachment 4;

### Amend Recommendation No. 3

2. Transfer **\$9,224,252** from the funds and accounts as shown on Attachment 6 to the Unappropriated Balance Fund No. 100/58, titled Reserve for Economic Uncertainties;

### Amend Recommendation No. 4.

3. Appropriate **\$3,070,000** to different departments for various purposes from the Unappropriated Balance as specified in *Revised* Attachment 7;

### Add New Recommendations

4. Authorize the City Administrative Officer (CAO) to accept, and deposit to Fund 100/53, Capital Finance Administration Fund, monies that are returned to the City from the City's contribution to the Regional Crime Laboratory Facility's escrow account (i.e. \$3 million plus interest);
5. Authorize the Controller to increase the appropriation to the Capital Finance Administration Fund No. 100/53, Commercial Paper Account No. 0316, by \$3 million, and allow the CAO to pay down \$3 million of Municipal Improvement Corporation of Los Angeles (MICLA) Commercial Paper debt;
6. Authorize the Police Department to use \$3 million in new MICLA financing to acquire new and replacement equipment for the Scientific Investigation Division; and,
7. Authorize the Controller to transfer \$160,000 from the Reserve Fund to the Unappropriated Balance and appropriate a like amount therefrom to the Police Department Fund No. 100/70, Account 6010, Office and Administrative Expenses, to be repaid in the current year upon receipt of 2007 Urban Area Security Initiative (UASI) grant funds.

#### **Fiscal Impact**

The Mid-Year FSR contained recommendations totaling approximately \$117.2 million to partially offset the potential \$154.9 million year-end budget problem to an estimated \$37.7 million. The 4<sup>th</sup> Financial Status Report contains recommendations to further reduce the known deficit as of March 10, 2008 down to approximately \$12.44 million. A revision to the Police Department's estimated year-end deficit increases the City-wide deficit by \$3.79 million to approximately \$16.23 million. The March 1<sup>st</sup> Reserve Fund balance is about \$181.3 million (consisting of \$122 million in the Emergency Reserve Account and \$59.3 million in Contingency Reserve Account).

#### **Attachments**

*RPC:DDL:MDG:01080046d*

**REVISED 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
Building and Safety	Fund 48R/08 Building & Safety Enterprise Fund		Fund 48R/08 Building & Safety Enterprise Fund	
	C200, Reserve for LADBS	\$ 236,215	C140, General Services	\$ 36,215
			C641, B&S Lease Costs	\$ 200,000
			Subtotal \$	\$ 236,215
Council	Fund 100/28, Council		Fund 100/28, Council	
	1010, Salaries General	\$ 100,000	6010, Office and Administrative Expense	\$ 100,000
Environmental Affairs	Fund 100/37, Environmental Affairs		Fund 100/37, Environmental Affairs	
	1010, Salaries General	\$ 14,500	1070, Salaries, As-Needed	\$ 34,500
	3040, Contractual Services	\$ 20,000		
	Subtotal \$	\$ 34,500		
Emergency Management	Fund 100/35, Emergency Management		Fund 100/35, Emergency Management	
	1010, Salaries General	\$ 20,000	3040, Contractual Services	\$ 20,000
Fire	Fund 100/38, Fire		Fund 100/38, Fire	
	1012, Salaries Sworn	\$ 2,031,497	1010, Salaries General	\$ 420,560
	1030, Sworn Bonuses	\$ 235,098	1093, Overtime Constant Staffing	\$ 4,498,912
	1050, Unused Sick Time	\$ 117,469	Subtotal \$	\$ 4,919,472
	1070, Salaries As Needed	\$ 76,494		
	1090, Overtime General	\$ 97,793		
	1092, Overtime Sworn	\$ 260,937		
	1098, Overtime Variable Staffing	\$ 2,100,184		
	Subtotal \$	\$ 4,919,472		
	Human Resources Benefits	Fund 100/61, Human Resource Benefits		Fund 100/61, Human Resource Benefits
9200, Civilian Flex Benefits		\$ 1,500,000	9910, Workers' Compensation	\$ 2,500,000
9220, Police Health & Welfare		\$ 1,000,000		
Subtotal \$		\$ 2,500,000		
Information Technology Agency	Fund 100/32, Information Technology Agency		Fund 100/32, Information Technology Agency	
	9350, Communication Services	\$ 250,000	1090, Salaries - Overtime	\$ 250,000
Mayor	Fund 100/46		Fund 100/46	
	1010, Salaries General	\$ 700,000	1070, Salaries As Needed	\$ 700,000
Personnel	Fund 100/66, Personnel		Fund 100/66, Personnel	
	6010, Office and Administrative Expense	\$ 200,000	2120, Printing and Binding	\$ 200,000
	3040, Contractual Services	\$ 160,000	9600, Transit Subsidy	\$ 160,000
	Subtotal \$	\$ 360,000	Subtotal \$	\$ 360,000

**REVISED ATTACHMENT 4**  
**FY 2007-08 BUDGET ADJUSTMENTS**  
**TRANSFERS BETWEEN ACCOUNTS WITHIN DEPARTMENTS AND FUNDS**

DEPARTMENT	FUND/ACCOUNT	AMOUNT	TRANSFER FROM	FUND/ACCOUNT	AMOUNT	TRANSFER TO
Police	Fund 100/70, Police			Fund 100/70, Police		
	3040, Contractual Services	\$ 1,622,000		6010, Office and Administrative	\$ 1,100,000	
	4440, Reserve Officers Expense	\$ 58,000		4430, Uniforms Expense	\$ 780,000	
	6010, Office and Administrative	\$ 200,000				
	Subtotal	\$ 1,880,000		Subtotal	\$ 1,880,000	
PW/Contract Administration	Fund 100/76, Contract Administration			Fund 100/76, Contract Administration		
	1010, Salaries General	\$ 68,950		3310, Transportation	\$ 68,950	
PW/Street Services	Fund 100/86			Fund 100/86		
	1090, Salaries Overtime	\$ 1,000,000		6020, Operating Supplies	\$ 2,000,000	
	3040, Contractual Services	\$ 1,000,000				
		\$ 2,000,000				
Transportation	Fund 596/94, Transportation Regulation and Enforcement Trust Fund			Fund 596/94, Transportation Regulation and Enforcement Trust Fund		
	3294, Taxicab Vehicle Bandit Fee	\$ 775,637		C170, Los Angeles Police Department	\$ 750,000	
				C194, L.A. Department of Transportation	\$ 25,637	
	Subtotal	\$ 775,637		Subtotal	\$ 775,637	
<b>TOTAL ALL DEPARTMENTS AND FUNDS</b>		<b>\$ 13,844,774</b>		<b>TOTAL ALL DEPARTMENTS AND FUNDS</b>	<b>\$ 13,844,774</b>	

\* Source of Funds:

REVISED ATTACHMENT 7  
 FY 2007-08 BUDGET ADJUSTMENTS  
 APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE

APPROPRIATE FROM:	APPROPRIATE TO:	AMOUNT
Reserve for Economic Uncertainties Account (See Attachment 6) <b>Total Available:     <u>\$38,892,437</u></b>	<u>100/12, City Attorney</u> 1080, Salaries Proprietary  <u>100/40, General Services</u> 1090, Salaries Overtime 3230, Petroleum Products  <i>Subtotal</i>	\$ 700,000 \$ 700,000  \$ 750,000 \$ 500,000 \$ 1,250,000  \$ 120,000  \$ 1,000,000
<b>SUBTOTAL (Appropriations from the UB, Reserve for Economic Uncertainties Account):</b>		<b><u>\$ 3,070,000</u></b>
<b>TOTAL APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE</b>		<b><u>\$ 3,070,000</u></b>