

**TO THE COUNCIL OF THE
CITY OF LOS ANGELES**

Your **BUDGET AND FINANCE** Committee

reports as follows:

BUDGET AND FINANCE COMMITTEE REPORT relative to 2008-09 budget balancing measures.

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

1. APPROVE the recommendations contained in the City Administrative Officer (CAO) report, dated November 19, 2008 (attached to this Committee report), relative to budget balancing measures, with the following amendments:
 - a. Revised 2008-09 Projected Budget Gap Summary chart (page 3 of the CAO report) and CAO report Attachment 1 (attached to the Committee report) reflect technical amendments to the CAO report, adjustments to revenue and various expenditure deficits which increase the estimated total deficit from \$55.94 million to \$86.57 million.
 - b. Revise the transfer from funds and accounts to the Unappropriated Balance (UB), Reserve for Economic Uncertainties amount from \$35,348,199 to \$30,734,897. (Revised CAO Attachment 3 attached to the Committee report.)
 - c. Eliminate CAO recommendations 10, 11 and 12, inasmuch as the proposed reductions have been held in abeyance.
 - d. Eliminate CAO recommendation 15, inasmuch as the Department of Recreation and Parks has been asked to report back to the Budget and Finance (B&F) Committee in accordance with recommendation 12 of this Committee report.
2. APPROVE the technical amendments to the CAO report, submitted in Committee and attached to this Committee report.
3. REQUEST the Controller to report back to the B&F Committee within two weeks relative to recent Controller audits which have been completed but not yet acted upon by the Council; the report should identify audit recommendations which are cost saving and/or revenue producing.
4. INSTRUCT the CAO to work with the Controller, relative to recommendation 3 above, to ensure that the next Financial Status Report considers the Controller's cost saving/revenue producing recommendations.
5. SUPPORT a more stringent managed hiring process where requests from Council controlled departments to fill positions must be reviewed by a committee composed of the CAO, Chief Legislative Analyst (CLA) and the Mayor's representative, and INSTRUCT the CAO to report back to the B&F Committee with recommended hiring criteria for Council approval.

6. REDUCE the Department of City Planning transfer amount to the UB from \$1,040,976 to \$940,976; eliminate the proposed reduction of \$100,000 in Account No. 1090, Overtime General.
7. INSTRUCT the Planning Department to report back to the Council relative to a strategy to address staffing shortages.
8. REDUCE the Bureau of Street Services transfer amount to the UB from \$300,000 to \$20,000; eliminate the proposed reduction of \$230,000 from the Public Right-of-Way Program and \$50,000 for trash liners provided to Business Improvement Districts for clean-up efforts.
9. REDUCE the Bureau of Street Services transfer amount to the UB from \$4,436,794 to \$1,853,492; and:
 - a. APPROVE proposed \$1,853,492 reduction to the 50/50 Sidewalk Repair Program;
 - b. APPROVE in concept the swap of \$2.4 million in General Funds for 100 miles of slurry seal with Proposition 1B funds upon further review by the CAO;
 - c. HOLD in abeyance the proposed reduction to the dirt street/alley paving and tree trimming budget.
10. REDUCE the Department of Transportation transfer amount to the UB from \$2,112,500 to \$1,853,492, and:
 - a. APPROVE transfer of savings from LED conversion and video cameras for pedestrian detection component of Smart Crosswalk Program;
 - b. SUPPORT the reduction of five new signal construction projects;
 - c. HOLD in abeyance the Crossing Guard Program reduction and reduction in the left-turn arrow signal construction program.
11. INSTRUCT the Department of Transportation to report back to the B&F Committee relative to any potential savings that could be achieved by reducing/eliminating the "count-down" pedestrian cross walk signals.
12. INSTRUCT the CAO and Department of Recreation and Parks (DRP) to report back to the B&F Committee relative to the impact a \$6-8 million budget reduction would have on Department services, staffing, facility maintenance, etc., and hold in abeyance the CAO's proposed reductions for this Department until the impacts can be reviewed.
13. INSTRUCT the CAO to report back to the B&F Committee relative to the availability of Quimby funds as a possible funding source for the DRP.
14. INSTRUCT the CAO and CLA to report back to the B&F Committee relative to the status of the Parking Validation study.

15. INSTRUCT the CAO to report back to the B&F Committee relative to:
 - a. Implementation of Valley Industry and Commerce Association (VICA) recommendations relative to improving collections, approved by the Council on October 21, 2008 under Council file 08-2122;
 - b. The status of a pending draft ordinance relative to Police Department permits and alarm installations.
16. INSTRUCT the CAO, for the next FSR, to look for suggestions for more permanent budget reduction strategies.
17. INSTRUCT the CAO to report back to the B&F Committee with a cost analysis, including a cost per class, of savings that could be achieved if no Police or Fire Department hiring were done from January through June 2009.
18. INSTRUCT the CAO to report back to the B&F Committee relative to privatization of the Ontario Airport.

Fiscal Impact Statement: The CAO reports that adoption of the above recommendations will reduce appropriations by \$30.7 million to partially offset the potential \$75 million in revenue shortfall and \$55 million in expenditure deficit. The estimated year-end budget problem totaling \$130 million would be reduced to approximately \$86.6 million after counting identified savings and reductions, transfers to the Unappropriated Balance and additional revenue.

SUMMARY

At its meeting of November 24, 2008, the Budget and Finance Committee considered the CAO's report relative to 2008-09 budget balancing measures. In the Second Financial Status Report (FSR), considered by the Budget and Finance Committee on October 27, 2008, the CAO identified an overall budget shortfall totaling \$110 million. At that time, the CAO advised that it would be necessary to take prompt and definitive action before the Mid-Year FSR to begin addressing the City's anticipated budget shortfall. The CAO's budget balancing report includes recommended budgetary adjustments and other offsets totaling \$54 million to begin addressing the projected gap in the City's 2008-09 Budget. The CAO's forecast for 2009-2010 identifies, at a minimum, a budget gap of approximately \$300 million. If the economic picture continues to deteriorate, the gap could grow further. The CAO reports that the City must work towards implementing permanent budget reductions in addition to one-time budget solutions.

The CAO reports that the proposed budget balancing measures comprise the first of several steps the City must take to maintain a balanced budget this year and next. The CAO will continue to monitor the City's financial status in subsequent reports, and will make additional recommendations regarding financial and operational issues that the CAO believes will strengthen the City's financial position. The CAO further states that if no improvements are realized, the CAO will bring forward to the Mayor and Council staffing efficiency efforts that may include a labor component.

During the Committee discussion, the CAO reported that sales and business tax revenue projections have been reduced by one (1) percent, and may have to be further reduced by two (2) percent which equals an approximate \$15 million reduction. In response to comments by

Councilmember Smith that no significant cuts to Police and Fire were contained in the budget balancing report, the CAO stated that this budget balancing report is part one, and that for part two "everything should be on the table - including Fire and Police."

In reviewing the CAO report, the Committee questioned departments on various issues. The Los Angeles Fire Department (LAFD) was questioned relative to 18 Emergency Medical Services (EMS) Captain positions which were approved in the 2008-09 budget without funding. The Department retained the personnel authorities which could be filled if funding was found within the Department's budget. The Department, however, has funded the positions using overtime which the Committee advised was never the Council's intention. The LAFD was instructed to work with the CAO to resolve this issue. In questioning the Department of Recreation and Parks relative to a reported potential \$3.3 million shortfall, Department representatives reported that the Department would need to make \$6-8 million in cuts to be in balance at the end of the fiscal year. The Committee instructed the CAO and the Department to report back to the B&F Committee relative to the impact a \$6-8 million budget reduction would have on Department services, staffing, facility maintenance, etc., and asked to hold in abeyance any proposed reductions for this Department until the impacts can be reviewed. The Department of Neighborhood Empowerment was asked to provide for the Council discussion, information relative to the overall amount in the Neighborhood Empowerment Trust Fund and how much is projected to be available to revert to the General Fund at the end of the fiscal year. The CAO was instructed to provide for the Council discussion an overview of budget balancing measures being employed by other cities. Additional reductions proposed by the CAO but recommended by the Committee to be held in abeyance pending further information and discussion are: (1) reduction to the Paving of Dirt Streets and Dirt Alleys program; (2) reduction in the Contract Tree Trimming budget; and (3) reduction in the Crossing Guard Program.

Following a lengthy discussion and public comment, the Committee made several amendments to the CAO's report and requested reports back from various departments all of which are reflected in the recommendations of this Committee report. The Committee additionally recommended approval of technical corrections submitted in Committee by the CAO. 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:	ABSENT
SMITH:	YES
ROSENDAHL:	YES
HUIZAR:	YES

Attachments

LB
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-NOT OFFICIAL UNTIL COUNCIL ACTS-