

**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 Third Financial Status Report for Fiscal Year (FY) 2008-09.

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

1. APPROVE the recommendations of the City Administrative Officer (CAO) as contained in the Third Financial Status Report for Fiscal Year 2008-09, attached to the Committee report.
2. INSTRUCT the CAO and Chief Legislative Analyst to provide the Council with recommendations of a more permanent nature which may be instituted to address the \$430 million projected budget deficit for FY 2009-10 and the increasing FY 2008-09 budget deficit.
3. INSTRUCT the CAO to report back to the Council relative to a list of Municipal Corporation of Los Angeles (MICLA) funded projects and the status of the projects.

Fiscal Impact Statement: The CAO reports that transfers, appropriations and other adjustments totaling approximately \$30.2 million are recommended in this report to meet current-year obligations. The current Reserve Fund balance is estimated at \$155 million (consisting of \$125 million in the Emergency Reserve Account and \$30 million in the Contingency Reserve Account).

SUMMARY

At its meeting of December 15, 2008, the Budget and Finance Committee considered the CAO's Third Financial Status Report (FSR) for FY 2008-09 which summarizes the budget status through November. In this report the CAO identifies changes to the City's overall deficit since the release of the CAO's Budget Balancing Report on November 19, 2008. The estimates in the Third FSR reflect the actions taken by the Council, as well as current revenue estimates and department expenditure data.

The CAO reports that based on the latest data, the projected year-end deficit has increased by \$3.1 million, from \$89.11 million to approximately \$92.21 million, consisting of an expenditure shortfall of \$14.56 million and revenue deficit of \$77.65 million. The \$77.65 million revenue shortfall is due to shortfalls in sales tax, business tax and vehicle license fee revenue. The recommendations in the Third FSR reduce the projected year-end deficit to approximately \$91 million.

Following a lengthy discussion which included consideration of the Mayor's Mid-Year Budget Adjustments report, the Committee recommended approval of the recommendations contained in the CAO's Third FSR. Additionally, the Committee instructed the CAO and CLA to provide the Council with recommendations of a more permanent nature which may be instituted to address the \$430 million projected budget deficit for FY 2009-10 and the increasing FY 2008-09 budget deficit. The Committee requested that the CAO present some proposed permanent recommendations for

the Council discussion. The CAO was additionally instructed to report back to the Council relative to a list of MICLA funded projects and the status of the projects. 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

Attachment

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08-0600-S35_RPT_BFC_12-16-08

-NOT OFFICIAL UNTIL COUNCIL ACTS-

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 12, 2008

CAO File No. 0116-00001-0000
Council File No. 08-0600
Council District: All

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

From: Raymond P. Ciranna, Interim City Administrative Officer *RPC*

Reference: 2008-09 Budget

Subject: **THIRD FINANCIAL STATUS REPORT**

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 2008-09 Budget, this Office is transmitting the Third Financial Status Report for 2008-09. This report summarizes the budget status through November.

On October 17, 2008 this Office released the Second FSR which identified a current-year budget shortfall of \$110 million. We subsequently released the 2008-09 Budget Balancing Measures Report (Budget Balancing Report) on November 19, 2008 in which we recommended budgetary adjustments and other offsets to begin to address this deficit. The City Council approved the Budget Balancing Report as amended on December 8, 2008 reducing the known deficit from \$110 to \$89 million.

In this report we identify changes to the City's overall deficit since the Budget Balancing Report. The estimates reported in this FSR reflect the actions taken by the City Council, as well as current revenue estimates and department expenditure data. Based on this latest data, the projected year-end deficit has increased by \$3.1 million, from \$89.11 million to approximately \$92.21 million consisting of an expenditure shortfall of \$14.56 million and revenue deficit of \$77.65 million. The recommendations in this report reduce this deficit to approximately \$91 million.

Consistent with the Mayor's Belt Tightening directives, a major assumption of the Budget Balancing Report was that City departments would maintain staffing at October 25, 2008 levels. However, since that time, various positions have been filled and some department hiring plans assume that they will be able to continue filling revenue generating positions or positions critical to service delivery. Unanticipated retirement payouts and expense account deficits have also contributed to this increase. These latest assumptions, coupled with the short-term layoff budget reductions, have resulted in increased deficits across some departments or a reduction in previously anticipated savings for a total net increase in departmental deficits of \$1.57 million. In particular, the largest

BUDGET & FINANCE

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expenditure changes (totaling \$1.47 million) are attributed to the Office of Finance and the Information Technology Agency.

After accounting for the Council-approved Budget Balancing actions and estimates to date, including offsets from the Unappropriated Balance (Reserve for Economic Uncertainties and Short-Term Layoff Agreement), the remaining net year-end expenditure deficits (departmental and non-departmental combined) have decreased from the Budget Balancing estimate of \$17.46 million to \$14.56 million (i.e., a \$2.9 million decrease).

2008-09 Appropriation Deficits (in millions)		
2 nd FSR		\$(55.09)
Budget Balancing Report Offsets		37.63
	<i>Subtotal</i>	(17.46)
3 rd FSR		
Deficit decrease		2.90
	<i>Subtotal</i>	(14.56)
Proposed Offsets (3 rd FSR)		0.85
	Total	\$(13.71)

Revenue

In our October 18, 2008 Second FSR, we anticipated a shortfall of \$55 million. We now revise that estimate to \$77.65 million due to shortfalls in sales tax, business tax and vehicle license fee revenue. Most City revenues are directly linked to the local economy. These include such categories as property-related taxes; the sales, business, hotel, parking, and utility taxes; and also departmental receipts. Declining employment, falling property values, reductions in new car sales and losses in retirement savings directly translate into declining consumer spending and lower City tax receipts. The sales tax is the City's most economy-sensitive revenue and is the best benchmark for all economy-related receipts. While sales tax receipts at November are still close to plan, these receipts reflect taxable sales only through Summer 2008, and do not fully reflect Wall Street troubles and the continuing effects of the recession. Fourth Quarter 2008 (which includes Christmas) receipts will not be available until April 2009. The City cannot wait until April 2009 to respond to the changes in the economy nor can it base its financial planning on receipts-to-date. An early warning signal is that State sales tax cash collections (which are received by the State about one calendar quarter before the City's allocation) are 4 percent below last year's level. Based on long-term experience, City sales and business taxes will most likely be consistent with the statewide experience by the end of the fiscal year.

State vehicle license fee revenue has now fallen below the level needed to fund any distribution to California cities. A major component of vehicle license fee revenue is new vehicle sales which have declined sharply. The outlook for a significant distribution to California cities, beyond what has

already been received, is grim. We recommend reducing this account by \$10 million.

The property tax collection-rate declined by more than two percentage points last year. The collection-rate is expected to fall more this year. Each one-percent drop in the collection-rate reduces City revenue by more than \$10 million. We recommend no reduction in the property tax only because property tax receipts at November are more than \$36 million above target. But even with this cushion, increasing the property tax estimate in the face of declining collections would be very speculative.

Additional information on revenue is provided in the "Discussion" section of this report and in attachments 9.1 through 9.8. We believe the reduced estimates recommended in this report are the most realistic basis for adjusting the budget. Notwithstanding receipts through November, which are close to plan, there is little upside potential and real downside risk that the revised revenue estimates will be further reduced.

The table below summarizes the current year potential revenue shortfalls.

2008-09 Revenue Shortfalls (in millions)		
2 nd FSR		\$(55.00)
Budget Balancing		
Additional Revenue Shortfall		(20.00)
Offsets from Reimbursements		3.35
	<i>Subtotal</i>	<u>(71.65)</u>
3 rd FSR		
Increase to deficit		(6.00)
	Total	<u>\$(77.65)</u>

Proposed Budget Balancing Actions

In a November 21, 2008 Memorandum, the Mayor identified plans for a 2008-09 Extraordinary Budget Revision for the remaining six months of the current fiscal year. Departments were instructed to submit revised budget plans by December 1, 2008. It is anticipated that the Mayor will be making recommendations for additional budget reductions based on these submissions shortly.

Concurrently, this Office is also in the process of reviewing additional proposals which we will bring forward in the Mid-Year. These include:

- Reviewing special funds for potential General Fund savings.
- Re-evaluating new services included in the current year budget.
- Reviewing additional budget cuts based on department's 2009-10 budget reduction submittals.

Reserve Fund

The current Reserve Fund balance as of November 26, 2008 is estimated at \$155 million (consisting of \$125 million in the Emergency Reserve Account and \$30 million in the Contingency Reserve Account). This Office will review prior-year encumbrances and loans to identify General Funds for reversion to the Reserve Fund. While these efforts are expected to increase the Reserve Fund balance, we do not recommend that the Reserve Fund be utilized to offset any expenditure deficits in the current year. Assuming loan repayments and other transfers of approximately \$15 million, the year-end Reserve Fund balance is estimated at \$170 million.

Short-Term Layoff Reductions & Voluntary Furloughs

As of December 1, 2008, savings of \$598,199 have been achieved across City departments through voluntary furloughs. However, a portion of this amount consists of special funds and should not count toward the \$3.1 million General Fund savings target. If employee participation continues at the current level through the remainder of the fiscal year, about \$1.4 million would be generated from voluntary furloughs by year-end, short of the \$3.1 million in General Fund savings required per the short-term layoffs alternative agreement.

State Budget

There is still much uncertainty surrounding the State budget. The most recent estimates from State officials indicate that the State budget deficit will reach \$41.8 billion over the next 18 months, a figure far worse than the preliminary estimate of \$28 billion (through June 2010) provided by the California Legislative Analyst's Office. The \$41.8 billion estimate assumes that the State will not complete a \$5 billion borrowing plan based on future State lottery revenues.

On November 6, 2008, due to a significant decline in State revenues, the Governor called a Special Session of the Legislature to address the California fiscal crisis. However, the Legislature did not reach agreement on any of the recent proposals to address the State's current year \$11.2 billion budget shortfall. On December 1, 2008 the Governor declared a "fiscal emergency" for the State, allowing him to call a Proposition 58, legislative special session to address the State's current year deficit. Under Proposition 58 the legislature has 45 days to pass and send a bill(s) to the Governor's desk addressing the State's budget crisis.

These developments are a cause for concern. We are not aware of any current proposals to borrow local government (Proposition 1A) or transportation (Proposition 42) revenues, however, under California law, the State may suspend protections for specific revenues (e.g., property tax and Proposition 42 revenues) if the Governor declares a "severe state fiscal hardship" and the Legislature approves the shift by a two thirds majority.

Any potential State action to fix the State problem at local government expense would be in addition to the revenue shortfall identified elsewhere in this report. We continue to watch these developments closely and will report on the impact of any State action on the City.

Issues of Concern

The following are significant issues of potential impact to the 2008-09 Budget which this Office is closely tracking:

- **Petroleum:** A total of \$42.3 million is budgeted in the Petroleum Products account this year and an additional \$4 million is included in the Unappropriated Balance for petroleum contingencies. We continue to project a significant year-end petroleum deficit (excluding the \$4 million in the UB). The average cost of fuel per gallon decreased dramatically from the first quarter of the fiscal year (July 2008 to September 2008) to November 2008. During the first quarter, the average costs were \$3.95 per gallon for diesel and \$3.71 for unleaded. For the month of November, the average costs were \$2.48 per gallon for diesel and \$2.16 for unleaded. This represents a price decline of 37 percent for diesel and 42 percent for unleaded between the first two quarters.

Although the price of fuel has decreased in the last several months, there are pending volatility factors which impact the fuel markets. OPEC is expected to address the current low price level by adjusting supply. Additionally, given the cyclical nature of the market, the General Services Department anticipates a cost increase in January or February. This Office will continue to monitor this account and recommend adjustments at a later time.

Liability Claims: The 08-09 Adopted Budget provides \$32 million to settle claims and pay judgments against the City. We previously projected a shortfall in the range of \$10 to \$32 million for Liability Claims; however, based on updated case activity and revised potential exposure, a shortfall of approximately \$29 million is now projected. However, this projection does not include potential May Day settlements. Transfers and appropriations totaling \$3.9 million are recommended to the Liability Claims Account 9770. This Office continues to explore payment options to cover these shortfalls. See City Attorney section for additional discussion.

- **Sale of Surplus Properties:** The 2008-09 Budget includes \$21.5 million in General Fund revenue from the sale of surplus properties. A shortfall of \$11 million is projected due to a decrease in surplus properties for sale. This estimate may be further impacted by the delayed sale of properties or by fluctuating market values.

Five Year Forecast

At the time of the release of this report this Office is working on a new Five-Year Forecast model. The model previously used was based on the premise of revenues consistent with the Adopted Budget. In a time of economic volatility we must consider a new model. Preliminary estimates place the 2009-10 deficit between \$400 million and \$500 million.

Budgetary Adjustments

Budgetary adjustments of approximately \$30.2 million are included in this report consisting of the following:

- \$6.9 million for transfers between accounts within various departments and funds;
- \$19.6 million for transfers between various departments and funds including a \$15.5 million transfer for planned street resurfacing projects; and,
- \$3.7 million in appropriations from the Unappropriated Balance, including a \$2.9 million appropriation for Liability Claims.

Additional Details

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

1. Status of the 2008-09 Budget
2. Status of the Reserve Fund
- 3a. Status of the Unappropriated Balance-General
- 3b. Status of the Unappropriated Balance-non General
4. Projected Expenditures-Deficits and Surpluses by Department
5. Transfers between Accounts within Departments and Funds
6. Transfers between Departments and Funds
7. Appropriations from the Unappropriated Balance
8. Employment Level Report
9. Status of Receipts for 2008-09

RECOMMENDATIONS

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

1. Transfer \$6,858,512 between accounts within various departments and funds as specified in Attachment 5;
2. Transfer \$1,843,069 between various departments and funds as specified in Attachment 6;
3. Appropriate funds in the amount of \$3,682,500 from the Unappropriated Balance to the departments and funds as specified in Attachment 7;

City Attorney

4. Transfer \$2,962,500 from the Unappropriated Balance, Reserve for Economic Uncertainties line item and appropriate therefrom to Fund 100/59, Account No. 9770, Liability Claims over \$100,000, to provide sufficient funding for upcoming settlements;

Convention Center

5. Transfer \$291,448 from the Convention Center Fund No.100/48, Account 9150, Modifications Repairs Addition, to the following accounts within General Services Fund No. 100/40, to pay for costs associated with the West Hall Restroom Renovation Project:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1101	Hiring Hall	\$105,000
1121	Hiring Hall Fringe Benefits	28,500
1191	Construction Hiring Hall Overtime	10,000
3180	Construction Materials and Supp.	<u>147,948</u>
	Total	\$291,448

6. Increase appropriations in the Convention Center Fund No. 100/48 by \$20,000, from the available balance in the Convention Center Revenue Trust Fund No. 725, and appropriate therefrom to Fund 100/48, Account 3380, Electrical Services;

Housing

7. Approve the following actions relative to the Systematic Code Enforcement Trust Fund:

- a. Transfer appropriations within the Systematic Code Enforcement (CODE) Trust Fund No. 41M/43, to provide reimbursement to the General Fund for related costs obligations incurred by the Los Angeles Housing Department (LAHD) in 2007-08, as follows:

FROM:	<u>Fund</u>	<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
	41M/43	Y143	Housing	\$ 112,669.54
	41M/43	Y299	Related Costs	<u>68,603.77</u>
			Total	<u>\$181,273.31</u>

TO:	<u>Fund</u>	<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
	41M/43	C299	Related Costs	\$181,273.31

- b. Authorize the Controller to expend funds not to exceed \$181,273.31 from the Systematic Code Enforcement (CODE) Trust Fund No. 41M/43, Account No. C299, Related Costs, upon proper written demand of the General Manager, LAHD, or designee;

Planning

8. Appropriate \$397,354.26 from available monies from Fund No. 47E Planning Department Expedited Permit Trust Fund to the following accounts for Fiscal Year 2007-08 expenditures:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
E368	Planning	\$385,984.43
E378	PW/Engineering	\$660.55
E394	Transportation	\$5,629.28
E338	Fire Department	<u>\$5,080.00</u>
	Total	\$397,354.26

9. Instruct the Planning Department to reimburse the General Fund, upon receipt of funds, for direct costs incurred by the Planning Department, Bureau of Engineering, Transportation and Fire Department from March 1, 2008 to June 30, 2008 in Fiscal Year 2007-08 as follows:

<u>From Fund/Account</u>	<u>To Fund/ Revenue Source</u>	<u>Amount</u>
47E/ 68/ E368	100/ 68/ 4610	\$385,984.43
47E/ 68/ E378	100/ 78/ 4610	\$660.55
47E/ 68/ E394	100/ 94/ 4610	\$5,629.28
47E/ 68/ E338	100/ 38/ 4610	<u>\$5,080.00</u>
	Total	\$397,354.26

10. Instruct the Planning Department to reimburse the General Fund for all associated related costs incurred by the Planning Department, Public Works/Bureau of Engineering, Department of Transportation and Fire Department from March 1, 2008 to June 30, 2008 with funds received in the Expedited Permit Trust Fund;

Police

11. Recognize \$230,811 in additional General Fund revenue from Proposition 69 to Police Department Fund No. 100/70, Revenue Source Code 4551, and appropriate a like amount to Police Department Fund No. 100/70, Account 1090, Overtime General, for additional DNA processing;

PW-Engineering

12. Instruct the Bureau of Engineering and request the City Attorney's Office to expedite the preparation of the ordinance amendments to the Engineering Equipment and Training Trust Fund, and the Engineering Special Services Fund;
13. Instruct the Bureau of Engineering to report to the Office of the City Administrative Officer the actual direct and indirect costs of the Privately Financed Program for 2007-08 in its Mid-Year Financial Status Report;

PW-Street Services

14. Appropriate \$15.5 million within the Proposition 1B Infrastructure Bond Fund No. 50J/50, to a new account entitled 2008-09 Street Resurfacing and Reconstruction, and appropriate therefrom to the following accounts within the Bureau of Street Services Fund No. 100/86 for street resurfacing and reconstruction work in 2008-09, and transfer cash to reimburse the General Fund on an as-needed basis:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
3030	Construction Expense	\$13,143,109
3330	Utilities Expense, Private Co.	450,718
6010	Office and Administrative	319,409
6020	Operating Supplies	<u>1,586,764</u>
	Total	\$15,500,000

15. Reappropriate Community Development Block Grant funds previously approved in the 2007-08 Housing and Community Development Consolidated Plan (C.F. 06-2366) to Public Works Street Services as follows, for the completion of the Pico Washington Streetscape (\$805,515.63), sidewalk repairs for CD 2 (\$20,891.35) and NBG Lincoln Heights (\$197,727.96):

a. Establish new account and transfer appropriations within the Community Development Trust Fund No. 424 as follows:

FROM:	<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
	C186	Public Works Street Services	\$1,024,134.94
TO:		<u>Account Name</u>	<u>Amount</u>
	E186	Public Works Street Services	\$1,024,134.94

b. Appropriate \$1,024,134.94 to Fund 100/86 Public Works Street Services as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries General	\$256,033.74
3030	Construction Expense	634,963.66
6020	Operating Supplies	<u>133,137.54</u>
	Total	\$1,024,134.94

16. Transfer receipts totaling \$128,054.80 from Subventions and Grants Fund 305/50, Revenue Source Code 3734, to the Bureau of Street Services Fund 100/86, Revenue Source Code 4610, for reimbursement of costs related to illegal dumping and waste tire enforcement, as requested by the State of California Waste Management Board;

Technical

17. 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 \$30.2 million are recommended in this report to meet current-year obligations. The current Reserve Fund balance is estimated at \$155 million (consisting of \$125 million in the Emergency Reserve Account and \$30 million in the Contingency Reserve Account).

DISCUSSION

1. BASIS FOR REPORT

The Office of the City Administrative Officer monitors the budget throughout the fiscal year and transmits frequent reports to the Mayor and Council detailing the City's current financial status. This report 1) reviews the status of City receipts; 2) provides supplemental information regarding factors that may impact the administration and control of the current year budget; 3) estimates potential budgetary problems in departments; and, 4) recommends various budgetary adjustments.

2. GENERAL FUND REVENUE

General Fund receipts at November remain very close to budget, but they are expected to fall at least \$77.65 million short of plan by the end of the fiscal year. In our October 18, 2008 Second FSR, we anticipated a shortfall of \$55 million, we now revise that estimate by approximately \$22.65 million.

Most City revenues are directly linked to the local economy. These include such categories as property-related taxes; the sales, business, hotel, parking, and utility taxes; and also departmental receipts. Citizens are acutely aware of declining employment, falling property values, declining new car sales and sharp reductions in retirement savings related to financial markets. These factors directly translate into declining consumer spending and feed a cycle of retrenchment. When the City budget was adopted, the economic outlook from various economists was mixed. The City projections were more conservative than those used by the State and many economists. For example, the sales tax was budgeted to be at the same level as the prior year and the business tax, which is based on earlier economic activity, was budgeted to grow by less than one percent.

What follows is an outline of the changing status of key revenue accounts:

- **Sales Tax** – Receipts to date are still close to plan. Current receipts reflect taxable sales through Summer 2008, and do not fully reflect Wall Street troubles and the continuing effects of the recession. Fourth quarter (which includes Christmas) receipts will be available in April. An early warning sign is that State sales tax cash collections (which lead City receipts by about one calendar quarter) are 4 percent below last year's level. City receipts are on a different payment cycle, but a three-percent reduction from the prior year is indicated. Additional reductions may be necessary if taxable sales continue to decline. We recommend reducing this account by another \$10 million – total reduction \$15 million.
- **Business Tax** – 95 percent of business taxes are received after January 1 and early receipts are not meaningful. Based upon what we are seeing in taxable sales and generally worsening economic data, a 3 percent reduction in this account is also warranted. We recommend reducing this account by another \$10 million – total reduction \$15 million.

- **Vehicle License Fees** – More than 90 percent of this historically local revenue has been swapped back to property tax by State action. The remaining portion, budgeted at \$19.7 million in the current year, is linked to vehicle license fee payments received by the state. The City receives a population-based share of the distribution to all California cities – about 13 percent of the distribution. However, before the distribution, monies budgeted by the state for its administrative costs and other funding requirements established by law are deducted. In November and December, such State-mandated costs exceeded the total collection, leaving nothing to distribute to California cities. Since July 2006, State revenue has been flat, state mandated costs have increased by 13 percent and the California cities share has declined by 28 percent. State vehicle license fee revenue has fallen in recent months below the level needed to fund any distribution to California cities. A major component of vehicle license fee revenue is new vehicle sales, which have declined sharply in recent months. The outlook for a significant distribution to California cities beyond what has already been received is grim. We recommend reducing this account by \$10 million.
- An audit settlement for prior-year telephone-related taxes resulted in a one-time receipts of \$8.2 million, which mitigates some of the additional revenue reductions. This is the only truly positive adjustment.

No recommendation for an additional change in estimate is made in the following accounts, but we identify some issues that require careful watching:

- **Property tax** – On the positive side, City secured receipts include \$12 million in carryover revenue from Fiscal Year 2007-08. In addition, redemptions are currently \$17 million ahead of plan and supplemental receipts are \$8 million above plan. At November property tax receipts are more than \$36 million above plan. On the negative side, the County collection rate declined by more than 2 percentage points last year. The collection rate is expected to fall more this year. Each one-percent drop in the collection rate reduces City revenue by more than \$10 million. Increasing the property tax estimate in the current market would be very speculative. No change in this account is recommended.
- **Gas users' tax** – This revenue is nearly \$5 million above plan at November, but the commodity price has declined more than 50 percent since the beginning of the fiscal year. The positive variance at November will likely be needed to offset below-budget revenue in the peak Winter months. Even then, the gas users' tax will likely fall short.
- **Franchise income** – This account is composed of income from a variety of sources including taxicabs, cable TV and natural gas. Most categories are tracking budget. The exception is natural gas, which has a \$3+ million positive variance at November. But the price of natural gas is declining and the positive variance is expected to wash out by the end of the fiscal year.
- **Telephone users' tax** – This tax is \$18 million ahead of plan at November. \$8.2 million of that is from the audit recovery included in the revenue adjustments above. The balance of the telephone tax variance at November (about \$10 million) likely relates to Measure S approved

by the electorate on the February 2008 election ballot. The budget anticipated a 10 percent tax rate cut offset by 6 percent growth in the tax base. Part of this growth is from expansion of the telephone users' tax base to include users' of telecommunications services not previously taxed. We need to watch this for a few more months before recommending a change. Some or all of any surplus in this account may be needed to offset anticipated declining revenue from the gas users' tax and franchise income.

- Documentary transfer tax – Receipts are \$6 million below plan; we previously reduced our estimate by \$10 million. Real estate volume in Los Angeles County increased in November, but prices continue to slide. We will watch this for another month or two. Additional downward adjustments are possible.

Current estimates are displayed in attachment 9.1. We caution against viewing the positive variances at November as indications that the problem is less severe than we report. These variances are presented on attachment 9.2. There is still considerable downside risk that revenue shortfall will drop further than the currently-estimated \$77.65 million; and, notwithstanding the positive variances, there is little upside potential.

Attachment 9.3 puts receipts-to-date in perspective. The City's most economy-sensitive revenue, the sales tax, is a little above last year's level. But State sales tax receipts are four-percent below last year's level. State receipts are three months ahead of the City. City receipts are sometimes higher and sometimes a little lower than the State, but nothing in our long-term experience suggests the State's obvious problems will not be apparent in the City when we see fourth quarter receipts in April 2009. The Governor proposes reducing this fiscal year's statewide sales tax estimate to a four-percent decline from the previous year. The three percent downward adjustment we recommend in City sales tax receipts is consistent with current State cash receipts and the Governor's estimate because the full effect of the current decline is delayed three months.

Attachment 9.4 provides some perspective on the relationship between recessions and City sales tax receipts. Based on the National Bureau of Economic Research, the current recession will be longer and more severe than most post World War II recessions. Most often, because of lags in receipts, City revenue actually rises during the early part of a recession and hits its cyclical low in the fiscal year after the recession. The current recession will have declining receipts for at least two years. As can be seen on attachment 9.4, the City suffered a four-year period of declining revenue in the early 1990s when the recession of the early 1990s turned into the southern California aerospace recession and sales tax did not return to its pre-recession level for nine years. The only time City sales tax revenue did not fall as a result of a recession was in the recession of 1974-75 when the effects of the recession were masked by very high inflation.

Attachment 9.5 captures the effect of the local real estate market on City revenue. Real estate volume is picking up with lower prices and forced sales. We previously reduced the documentary transfer tax estimate by \$10 million. We will watch this for a few more months, and further reductions may be necessary.

Attachment 9.6 shows property tax collection rates holding at 97 percent between 2002 and 2007.

But the collection rate fell to 95 percent last year. Based on the experience of the early 1990s it could fall another 1 to 3 percent this year. Each 1 percent decline reduces City revenue by more than \$10 million.

Attachment 9.7 shows the volatile nature of the natural gas price market. It also shows the basis for the budget estimate for gas users' tax and the franchise fee on natural gas. The current price is about one-half of the budgeted level and we have not yet seen Winter receipts. Although we have a positive variance in the gas-related accounts, we can expect to see a revenue drop.

Attachment 9.8 provides recent data on City vehicle license fee receipts. This information is consistent with the material provided earlier in this section.

3. BUDGETARY ADJUSTMENTS AND DEPARTMENTAL ISSUES

The following are brief descriptions by department of potential surpluses and deficits at year-end, and recommended budgetary adjustments. Attachment 4 summarizes projected surpluses and deficits by department.

A. Aging

A year-end deficit is no longer projected for this department, due to anticipated grant funding from the Federal Older Americans Act Title III program. The Department anticipates that these funds will be received in the current year. We will work with the Department to monitor the status of this reimbursement to ensure timely receipt before the year-end.

B. Animal Services

A year-end deficit of \$405,350 was identified in the Second FSR, due to the short-term layoff budget reduction of \$414,811. However, based on the assumption that the department's staffing would be maintained at October 25, 2008 levels, the deficit was subsequently eliminated in the Budget Balancing Report. At this time, the department is projecting a year-end deficit of \$174,288. This estimate includes a previously approved \$1 million supplemental appropriation to the Salaries account to avoid the layoff of 31 Animal Care Technicians. Other accounts also merit close watching.

The Department continues to express concern over potential shortages in the As-Needed, Overtime, Animal Medical Supplies and Private Veterinary Care accounts. Historically, salary savings have been available to offset deficits in these accounts; however, similar savings are unlikely to be available in the current year. The Department anticipates that funding from the Animal Welfare Trust Fund may be available to offset potential deficits in the Animal Medical Supplies and Private Veterinary Care accounts. This Office will continue to monitor these accounts and advise on any necessary adjustments in subsequent financial status reports should these deficits actually materialize.

The Department continues to request the following Reserve Fund reappropriations/appropriations; however, given the City's existing economic constraints, this Office will continue to work with the

Department to identify funding within its existing budget to offset these expenses. We will report on this matter in subsequent FSRs. No adjustments are recommended at this time.

- In 2007-08, the Council and Mayor authorized appropriations totaling \$107,940 to the Office and Administrative account for Proposition F ineligible expenditures as follows: \$46,535 for telephone equipment and \$61,405 for security card readers. However, the funds were not encumbered prior to the year-end closing and reverted to the Reserve Fund.
- In 2007-08, \$5,789.92 was appropriated to the Department for relocation expenses for the new Assistant General Manager, however, the reimbursement was not processed prior to the year-end closing and reverted to the Reserve Fund.
- The Department requests a \$7,500 appropriation to cover the cost of outstanding expenditures required to complete equipping the Harbor and Northeast facilities.

C. Building and Safety

Attachment 5 – Transfers between Accounts within Departments and Funds

A net year-end deficit of \$1.45 million is now projected consisting of \$540,565-General Fund and \$914,066-special fund.

The Budget Balancing report assumed that the Department would not have a year-end General Fund deficit as it was assumed that staffing would be maintained at October 25, 2008 levels. However, since that time, the Department has paid out about \$2.3 million in MOU 5 (Inspectors) retro payments, which is more than the previously anticipated amount of \$1.7 million. Concurrently, the Department also plans to fill critical positions. As a result, a net year-end General Fund deficit of \$540,565 is now projected in Salaries General. This estimate assumes a proposed \$615,000 transfer from the Repair and Demolition Fund. A \$615,000 transfer is recommended from the Repair and Demolition Fund to the Department's Salary account for building conservation work. If anticipated Community Development Block Grant reimbursements in the amount of \$330,000 are received in the Spring of 2009, the General Fund deficit will be reduced to \$210,565.

The Department is also reporting a special fund deficit of \$914,066 mainly due to a shortfall in Salaries General account for Building and Safety Permit Enterprise Fund eligible activities. The shortfall is a result of a \$1.5 million special fund short-term layoff furlough reduction and the MOU 5 retro payments. The Department reports that these funds will be needed in order to meet payroll prior to consideration and approval of the Mid-Year Report. Therefore, a \$914,066 transfer is recommended from the Building and Safety Permit Enterprise Fund to the Salaries General account. We will work with the Department to determine if this will result in additional overhead reimbursement to the General Fund.

The Department highlights the following issues relative to its current revenues:

- General Fund receipts are lower than expected. The slowdown is likely attributed to the state

of the economy. The Department is currently working on an ordinance which will allow collection of annual inspection fees on more businesses.

- Building and Safety has launched a more aggressive collection process which is anticipated to increase non-compliance revenues. It is anticipated that this will contribute to an increase in revenues in the coming months.
- Building and Safety Permit Enterprise Fund continues to experience a downturn in revenue as of this date. The Department is hopeful that with federal economic initiatives, builders/developers will be able to secure financing and restore credit necessary for large projects.

D. City Attorney

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 7 – Appropriations from the Unappropriated Balance

Recommendation No. 4

Excluding the liability claims shortfall, there is no change to the City Attorney's remaining deficit of about \$5.6 million after recommended actions in the Budget Balancing Report. We continue to project deficits in the Salaries General (\$1,852,992), Salaries Proprietary (\$2,726,952), and Litigation Expense (\$1,000,000) accounts. As previously reported, approximately \$2 million of the salaries shortfall is attributable to the short-term layoff reduction. As in years past, an additional appropriation will need to be made at mid-year or year-end due to unfunded positions which serve the Proprietary Departments.

The following provides more detail regarding the estimated deficits for this Department.

- A remaining deficit of \$1.85 million is currently projected in the Salaries General account. This projection includes revenue identified by the department in the Budget Balancing Report to mitigate part of the shortfall, and assumes no new hires for the remainder of the fiscal year. This shortfall is attributable to the short term layoff budget reduction and less attrition than previously estimated. The Department indicates that a conservative hiring plan has been implemented and will limit hiring to Police or employment litigation as necessary. This Office has recommended that all hiring be limited by the amount of funds available.
- There is no significant change to the projected year-end deficit in the Salaries Proprietary account (currently estimated at \$2.7 million). Of this amount approximately \$2.6 million is attributable to unfunded resolution authorities approved in the 2008-09 Budget. Although these positions serve the Proprietary Departments and are fully reimbursable, a shortfall is projected due to a cash flow problem for the last two payroll periods at the end of the fiscal year. Specifically, the proprietary reimbursements will not be available until the beginning of the following year. Therefore, the Department will require an additional appropriation at mid-year or year-end to meet salary needs. This appropriation will be fully reimbursed by the Proprietary Departments.

- We continue to project a \$1 million deficit in the Litigation Expense account due to the high volume and complexity of cases filed against the City. The shortfall is in addition to the funding currently available in the Unappropriated Balance, Litigation Expense line item in the amount of \$750,000. A \$750,000 transfer is recommended from the Unappropriated Balance, Litigation Expense line item.
- The 2008-09 Adopted Budget provides \$4 million in the Unappropriated Balance Outside Counsel Including Workers Compensation line item. The current available balance in the UB is \$3.6 million. The department will be submitting a request under separate cover to transfer \$1.9 million for various outside counsel contracts. At this time, the department expects to stay within budgeted funds and will keep the Council apprised of any changes. No appropriation is necessary at this time.
- The 2008-09 Budget provides \$32 million to settle claims and pay judgments against the City. The Second FSR reported a shortfall in the range of \$10 to \$32 million, however the updated shortfall of approximately \$29 million reflects updated case activity and revised potential exposure. This estimate only includes payouts on cases likely to occur this fiscal year and does not include payouts on all cases as previously reported. This high-end estimate includes Attorney Conflict Panel (ACP) cases including the Harper, Liddy, Ortiz case.

Additionally, this overall projection does not include possible May Day settlements. Any potential May Day settlement offers will be reported under separate cover to Mayor and Council. The Department and the CAO are working together to monitor settlement activity and will continue to apprise Council of the most current status.

The following actions are recommended at this time to partially mitigate the Liability Claims shortfall: 1) An Intra-departmental Transfer of \$1 million from Liability Claims Account 9760 to Liability Claims Account 9770; and, 2) A \$2.9 million appropriation from the Unappropriated Balance, Reserve for Economic Uncertainties to Account 9770. These funds totaling \$3.9 million will allow the City Attorney to continue to pay upcoming settlements slated for the approval process in December and January, as the current balance in Account 9770 is insufficient.

The CAO continues to explore payment options to cover the projected shortfall.

E. City Clerk

A year-end surplus of \$240,796 was identified in the Budget Balancing report based on the assumption that the department's staffing would be maintained at October 25, 2008 levels. The savings were subsequently recommended to be transferred to the UB, Reserve for Economic Uncertainties. Deficits are not reported at this time, and it is anticipated that the department will maintain hiring within available funds. However, the department cautions that there are other issues that could potentially impact its budget.

The Department continues to raise the following issues of concern:

- The City Clerk reports that additional funding (in an amount unknown at this time) will be required to offset increased publication costs resulting from the expansion of the escheatment notification process. The City Council recently instructed the City Clerk to expand the notification process for all current and future escheatments by including public notices in the *Los Angeles Times* and in regional newspapers near jail facilities. Updated expenditures will be provided by the City Clerk in future FSRs.
- The City Clerk anticipates that it will submit a recommendation regarding the award of a contract for the procurement of an approved replacement Election Vote System to the City Council in February 2009. Estimated costs for the new system will not be available until bids are received. The City Clerk will design the RFP in modules to accommodate County Election specifications as savings could be realized by partnering with Los Angeles County. This Office will continue to monitor this issue. An impact to the 2009-10 Budget is possible.

F. Commission for Children, Youth and Their Families

Assuming that the Department continues to limit hiring to current levels, a year-end surplus of \$58,762 is anticipated. This surplus is in addition to the \$36,871 in savings already transferred to the UB, Reserve for Economic Uncertainties in the Budget Balancing Report. However, as reported in the Second FSR, the Commission has expressed concern over a potential \$40,000 deficit in the Contractual Services account attributed to the Joy Picus Childcare Center (\$35,000) and the No Secrets Program (\$5,000). If the \$40,000 deficit materializes, a portion of the projected \$58,762 surplus will be necessary to offset this deficit, reducing the surplus to \$18,762.

As part of the Second FSR, the Council instructed this Office to report back to the Budget and Finance Committee relative to the status of the City subsidy to the Joy Picus Child Care Center. Historically, the City's contract with the Joy Picus Child Care Center operator authorizes a subsidy up to \$175,000 annually. However, the actual payments for the last two fiscal years have averaged \$140,757. The three categories of payments are for tuition, Living Wage and management. These costs have previously been paid out of the First and Broadway Trust Fund. Currently approximately \$140,000 remains in the Trust Fund and no new revenue is anticipated as the agreement regarding the Trust Fund has expired. Future funding for this subsidy will result in a General Fund impact and should be considered in the context of annual budget deliberations.

<u>Fiscal Year</u>	<u>Tuition</u>	<u>Living Wage</u>	<u>Management</u>	<u>Total</u>
2006-07	\$51,589	\$24,000	\$72,152	\$147,741
2007-08	\$56,993	\$8,641	\$68,139	\$133,773
Two-year Average	\$54,291	\$16,320	\$70,146	\$140,757
Current Maximum	\$75,000	\$25,000	\$75,000	\$175,000

G. Commission on the Status of Women

The Budget Balancing Report identified a year-end surplus of \$58,649 based on the assumption that the Department's staffing would remaining at October 25, 2008 levels. These savings were transferred to the UB, Reserve for Economic Uncertainties. There is no change to the Commission's budget status and a deficit is not projected at this time.

H. Community Development Department

A year-end deficit is not projected for this Department. This assumes that the Department will maintain its current vacancy level of 11 percent through the end of the fiscal year. The First and Second FSRs identified approximately \$4 million to \$6 million in unrecovered related costs as the overall 2008-09 General Fund subsidy. This shortfall is due to the ongoing reductions to the Community Development Block Grant and Workforce Investment Act grants over recent years. The Department has identified approximately \$3.7 million in anticipated additional revenues and savings from current year expenditures that may be available for transfer to the General Fund to mitigate the Department's unrecovered related cost obligations. The transfer of the actual cash for the additional revenues and savings will occur in future FSRs. The 2008-09 Budget Balancing Measures report identified \$300,000 in salary savings and transferred it to related costs.

I. Controller

Two retirements anticipated in the current year are expected to result in a payout of approximately \$200,000 which may require an additional appropriation at year-end. We will monitor this issue in subsequent FSRs.

J. Convention Center

Attachment 6 – Transfers between Departments and Funds Recommendation Nos. 5 – 6

The projected year-end special fund shortfall in the Convention Center Revenue Fund has increased from the previously reported amount of \$700,000 to \$1 million. This is due to increased shortfalls in several operating accounts (\$503,000) and a cash balance shortfall based on actual 2007-08 revenues (\$500,000). The deficit could be offset with potential savings and unappropriated revenues; however, no estimates of potential savings or additional revenues are available at this time. The Department also reports that although revenues for the first quarter have met projected estimates, it is uncertain whether this trend will continue given the current state of the economy. Therefore, it is unknown whether the Convention Center will have sufficient revenues to mitigate the shortfall. To offset the projected deficit, the Department recommends decreasing the Capital Finance appropriation from the Convention Center Revenue Trust Fund. However, we do not recommend approval of this proposal due to the General Fund impact. Instead, we strongly urge that the Department increase savings and recommend that all unappropriated revenues from the Convention Center Revenue Trust Fund be used to offset any shortfall. We do not make recommendations for transfer of funds at this time and will continue to monitor activities.

The Convention Center is requesting authority to reappropriate funds that inadvertently reverted to the Convention Center Revenue Trust Fund No. 725 (Convention Center Fund), due to a purchase order that was not processed in sufficient time to meet the Supply Management System deadline in the previous fiscal year. This Office recommends that the Controller be authorized to transfer and appropriate funds in the amount of \$20,000 from the Convention Center Fund to the Department's operating budget.

The Convention Center is also requesting an \$800,000 appropriation to match a \$2 million grant received from the Community Redevelopment Agency Infill Infrastructure Grant Program. Specifically, the grant was awarded for the Gilbert Lindsay Plaza at the Los Angeles Convention Center. We are continuing to work with the Department to identify alternative matching funds and will report back in subsequent FSRs regarding the matter.

The Convention Center has plans to renovate the second restroom as part of the West Hall Restroom Remodel Project. The General Services Department will be performing the work for an estimated cost of \$280,000. A transfer of \$291,448 is recommended to reimburse GSD for the cost of work performed on the first restroom renovation.

K. Cultural Affairs

A net year-end deficit of \$45,198 is anticipated consisting of a \$80,802 surplus in Salaries General and a \$126,000 deficit in Salaries As-Needed:

- The year-end surplus of \$80,802 in Salaries General assumes that the Department will be able to fully absorb a \$109,550 short-term layoff budget reduction. The projected surplus is a result of Cultural Affairs adhering to the Mayor's belt tightening measures and receipt of a portion of grant funds anticipated in the Second FSR.
- The Department continues to report a potential revenue shortfall of up to \$126,000 for the Gallery Theater, which directly impacts funding in its Salaries As-Needed account. Additional grant reimbursements expected later in the fiscal year could be used to partially offset this potential deficit. Other options, as previously discussed in the Second FSR include a reduction in the appropriation to the As-Needed account to the equivalent extent that the revenue is reduced, if necessary. Our Office will continue to work with Cultural Affairs to monitor its salary needs, make transfers where necessary within existing authorized funding and will report back in the next FSR.

L. Disability

Based on the assumption that that the Department's staffing would be maintained at October 25, 2008 levels, a year-end deficit was not anticipated in the Budget Balancing Report. However, a year-end deficit of \$55,692 has materialized due to anticipated employee sick time payouts of \$27,900, a transfer of \$6,500 out of the salaries account to cover the 2008-09 car allowance expense for the

General Manager, and increased contract costs for sign language services. The Department projects an increase in sign language costs due to a rise in service requests and a shortage of sign language interpreters. The Department has agreed to manage sign language interpretation service requests as much as possible within available funds and to report back after it has completed its analysis on the cost increases associated with the new contracts. This Office will continue to work with the Department and will report back in the next FSR regarding the actual funding need.

M. El Pueblo

A year-end expenditure deficit is not projected at this time. It is also expected that the Department will be able to absorb the short-term layoff budget reduction of \$32,669. The Department continues to express concern that the DWP rate increases approved in 2007-08 will result in a shortfall in their Water and Electricity Account in the amount of \$51,000 which is expected to be offset with savings in other accounts. No transfer of funds is recommended at this time as this Office will continue to monitor the status and activities of this account.

The Department projects that it will collect \$3.56 million in revenue which is \$77,000 less than the 2008-09 Budget revenue plan. If the Department is unable to meet its budgeted revenue, the deficit can be offset by prior year surpluses within the El Pueblo De Los Angeles Historical Monument Revenue Fund.

N. Emergency Management Department Attachment 6 – Transfers between Departments and Funds

The Budget Balancing Report identified a year-end deficit of approximately \$79,000 for this Department. However, the deficit has now been reduced to about \$31,000. This estimate assumes receipt of approximately \$469,886 in grant reimbursements this fiscal year from the 2006 Urban Area Security Initiative (UASI) Grant, the 2007 UASI Grant, the Regional Catastrophic Preparedness Grant and the AmeriCorps Grant.

The deficit has decreased mainly because the Department has identified additional grant funds that can be transferred to its Salaries General account and a supplemental appropriation as part of the Second FSR for additional positions. Specifically, the Department has achieved cost savings within its AmeriCorps Grant (CF 05-2476) budget, and has requested and received approval from the grantor to reallocate the City cash match funds to salaries of personnel associated with the grant program. Therefore, this Office recommends a transfer of \$68,900 from the AmeriCorps Grant Fund to the Department's Salaries General account to reimburse the Department for direct salary costs associated with grant activities.

O. Employee Relations Board

The Employee Relations Board (ERB) is faced with several unique circumstances this year. It has received about 25 more unfair filings this year than by the same time last year. Depending upon the outcome of the filings, and whether the rate of filings remains elevated, ERB may run short of

contractual services funds and may require a transfer to this account. Deficits in the Contractual Services account have historically been covered by savings within other Department accounts. However, the Department may also need to pay expenses for several elections, depending upon the outcome of upcoming Board decisions. In addition, one of three staff to the Board will retire this year resulting in a payout.

The total cost of these items, which cannot be determined at this time, may restrict the ability of the Department to manage salary and contractual costs within budget. A deficit of \$13,000 is projected in the salary account at this time, due primarily to anticipated retirement payouts. We continue to work closely with the department to assess future expenses and will provide additional information in the mid-year report.

P. Environmental Affairs

The Budget Balancing Report identified a \$10,000 surplus. However, a year-end surplus is no longer projected at this time.

Q. Ethics Commission

A year-end deficit is no longer projected for this Department as the previously identified \$186,282 shortfall is expected to be fully offset by anticipated savings in the Contractual Services account.

R. Finance

Attachment 6 – Transfers between Departments and Fund

The Budget Balancing Report identified a remaining deficit of \$849,732 for this Office, based on the assumption that staffing would be maintained at October 25, 2008 levels. However, based on the latest expenditure projections, the year-end deficit has now increased to about \$1.4 million. In particular, the deficit in the Salaries General account has risen from \$660,732 to \$1,046,189. Additional deficits are now reported in the Printing and Binding (\$84,000), Contractual Services (\$50,000), and the Office and Administrative Expense (\$57,000) accounts due to the mandated Communication Users Tax Audit and Public Outreach efforts for the latest Business Tax Rate Reduction as discussed below. A shortfall is anticipated in the Printing and Binding account (\$84,000) primarily due to the cost of printing the annual business tax renewal booklets. These booklets were formerly printed by an outside vendor, but will now be printed through GSD.

As reported in earlier FSRs, the salaries shortfall is primarily attributed to a \$568,348 short-term layoff budget reduction, sick/retirement payouts, unfunded substitute authorities, and high employment levels to meet aggressive revenue targets. The increase in the salaries deficit is mainly a result of the Department's current hiring for revenue generating positions outpacing attrition, as attrition is expected to occur later in the fiscal year. Since the Second FSR, the Department has hired 15 additional staff, while only attriting six positions. This Office will continue to work with the Department in monitoring the deficit and report back in the next FSR.

The following actions are recommended:

- **Communication Users Tax (CUT):** In February 2008, City voters approved Measure S, which replaced the existing Telephone Users' Tax with the CUT. As part of this measure, the City is required to perform an annual audit of the CUT. Per the implementing ordinance, Finance is designated with overseeing the independent audit with an estimated cost of \$50,000. Finance indicates that they do not have sufficient savings in their budget to absorb the cost of this contract. The Department is in the process of selecting a vendor to perform the audit. Funding is not recommended at this time, and we will report back in the next FSR. Our Office will address annual funding for the audit during the 2009-10 budget process.
- **Public Outreach:** In October 2008, the City Council and the Mayor authorized a 3.9 percent business tax rate reduction (C.F. 07-2435). In addition, the corresponding funding to perform public outreach for the rate reduction was also approved (\$57,000). This Office identified available funding in the Tax Reform Fund for public outreach and has confirmed that this expense is eligible to be funded by the Tax Reform Fund. It is recommended that \$57,000 be appropriated from the Tax Reform Fund (Fund 45R) to the Office of Finance for public outreach efforts.

S. Fire

After accounting for the actions adopted as part of the Budget Balancing Report, the Department's year-end remaining deficit has decreased from \$6.3 million to \$6.1 million. The shortfall is primarily attributable to a \$3.875 million reduction to the Sworn Salaries account for payment of back wages related to the Haro/Ackley case (C.F. 08-1873), 180 platoon-duty vacancies that must be backfilled, constant overtime staffing (approximately \$9.1 million), sworn and civilian overtime (\$570,000) and Salaries General (\$500,000). Surpluses of \$4 million in various accounts, mainly from the Sworn Salaries and Overtime Variable Staffing accounts, are available to partially offset these deficits. The estimated year-end deficit also reflects a \$502,551 short-term layoff budget reduction. Also, it should be noted that the Department continues to express concern regarding pending litigation that could further impact the reported deficit.

Furthermore, in the first three months of the fiscal year, the Department has provided resources to battle numerous major fires and deployed their Urban Search and Rescue and Swift Water teams to two hurricanes at a cost of approximately \$3.3 million. While this is expected to impact the Department's Civilian Overtime, Sworn Overtime and Contractual Services accounts, most of these expenses are reimbursable. However, all may not be received by the end of the fiscal year.

As part of the 2008-09 Budget deliberations, resolution authority without funding was provided for 18 Fire Captain positions. The Department was authorized to retain the positions, on the condition that if salary shortfalls were identified in the FSRs, the positions would be transferred to vacancies in the field. The Department is preparing a service reduction package to fund the 18 EMS Captains. This Office is reviewing options provided by the Department to fund this staff.

This Office will continue to monitor the Department's salary and expense accounts and will provide updates in subsequent FSRs. The Fire Academy has graduated 115 recruits and expects an additional 114 before the end of the fiscal year, which should reduce the number of platoon duty vacancies.

T. General Services

Attachment 6 – Transfers between Departments and Funds

In the Second FSR, we projected a \$1.5 million year-end deficit for this department based on the status of all departmental accounts, excluding petroleum. However, as reported in the Budget Balancing Report, the deficit is now expected to be eliminated by year-end due to the effects of the City's Managed Hiring Process. Although a \$2.4 million surplus has accrued in the Salaries General account as a result of the City's Managed Hiring Process, the savings will be needed to offset anticipated shortfalls in other accounts.

The Department highlights the following areas of concern:

- According to the Department, the Managed Hiring Process has significantly delayed hiring and has created a high vacancy rate within the Department. The hiring delay has also increased the Department's reliance on overtime generating a shortfall of approximately \$1 million in the Salaries Overtime account. The Fleet Services and the Office of Public Safety divisions have had to incur overtime costs due to high workloads and recent events such as the fires, the Metrolink crash, and community protests.
- The Department has also expressed concern over the status of the Contractual Services and Postage accounts due to costs incurred for the Police Administration Building project, the purchase of furniture for the Los Angeles mall seating area, and the anticipated increase in first class postage costs. These accounts are expected to have shortfalls, however the Department is taking measures to absorb these deficits.
- As part of the November Budget Balancing Measures Report, funds in the amount of \$952,000 from the Unappropriated Balance, New Facilities line item were transferred to the UB, Reserve for Economic Uncertainties. As a result, the Department will be expected to generate additional savings to support the remainder of the new facilities opening this fiscal year.

We are not recommending any transfers for the above accounts at this time, however it is anticipated that the anticipated savings will be used to offset any shortfalls due to the above.

The following transfer is recommended at this time:

- The General Services Department has agreed to provide maintenance services for the Los Angeles Convention Center facility's escalators and elevators since the Los Angeles Convention Center (LACC) lacks the necessary labor and resources to provide such services.

GSD's assistance will create significant savings for the Convention Center as opposed to contracting for the services. This Office recommends a transfer of \$101,867 from the LACC to GSD to pay for the cost of three positions to provide services for the remainder the fiscal year.

U. General City Purposes

We previously reported a \$1.45 million year-end deficit in various employee payroll accounts. There is no change to this estimate at this time. We do not recommend any adjustments for these accounts in this report. Once we obtain more expenditure data, adjustments can be made in the Mid-year or Year-end Financial Status Report.

V. Housing Recommendation No. 7

The Housing Department (Housing) is projecting an increase in its year-end special fund surplus (from \$407,440 to \$575,248). A year-end General Fund deficit is not projected. Although the Department continues to project deficits in its Lease and Transportation accounts, the shortfalls are expected to be offset with special fund savings.

At this time, a transfer of \$181,273 is recommended from prior year Code Enforcement Trust Funds to reimburse the General Fund for related costs obligations incurred by the Department during 2007-08. Since any other anticipated surplus funds comprise restricted federal grant and fee sources, the funds cannot be used to offset deficits in other City Departments.

In addition, the following will be addressed in future FSRs or departmental transmittals and may require Council and Mayor action at a later date:

- Under a separate cover, Housing will report to the Council and Mayor requesting authority to receive continuation funding through the Federal Lead Program. Housing applied for and received continuation funding, including funds to cover staff salaries. Currently, there are sufficient grant funds to cover the 12 exempt Lead Program positions through the end of January 2009, the end of the existing grant. In addition, employment authority for these 12 positions will expire on January 30, 2009 (C.F. 07-0695).

Our Office will continue to work closely with Housing to monitor and resolve these issues.

W. Human Relations Commission

There is no significant change to the previously reported deficit for this department.

X. Information Technology Agency

Attachment 5 – Transfers between Accounts within Departments and Funds

In the Second FSR we projected a year-end deficit of \$2.05 million. However, after accounting for the proposed actions in the Budget Balancing Measures and based on the assumption that staffing levels would be maintained at October 25, 2008 levels, the estimated deficit was reduced to \$1.2 million. Since that time the Department's projected deficit has increased to \$2,133,224 largely due to the Department's hiring to date and future hiring expectations. The year-end deficit is comprised of shortfalls in the Salaries General (\$1,582,713), Salaries As-Needed (\$148,697), and Salaries Overtime (\$657,654) accounts. These deficits are partially offset by surpluses in the Salaries Hiring Hall (\$16,840) and Contractual Services (\$239,000) accounts.

The \$1.58 million Salaries General deficit is nearly equal to the short-term layoff budget reduction. The deficit in this account has increased by nearly \$500,000 since the Second FSR primarily due to continued hiring and projected future hiring that was approved under ITA's limited blanket exemption from the managed hiring process. Although that exemption expired on October 31, 2008, ITA is still anticipating 26 new hires and promotions over the next two months for positions that were approved under the original exemption. In the absence of this hiring, ITA's Salaries General deficit would be significantly reduced.

Other changes from the prior FSR include the previously unreported deficits in the Salaries As-Needed account, a reduction in the projected Salaries Overtime account deficit of nearly \$150,000, and the previously unreported surplus in the Contractual Services account. The Salaries As-Needed account deficit illustrates that ITA is unlikely to curtail the services provided by those employees, as would be required to spend at the budgeted level. The reduction in the Overtime deficit and new savings in Contractual Services reflect ongoing efforts by the Department to reduce expenditures, consistent with the instructions in the Second FSR.

Two transfers within ITA accounts are recommended to enable the purchase of computers, printers, and peripherals for the new public safety facility that will house the City's Emergency Operations Center, the Fire Department's Communications, Dispatch, and Operations Centers, the Police Department's Operations center and administrative office for the Real-Time Analysis and Critical Response Unit. The transfers are as follows:

- \$710,000 from the Equipment account to the Office and Administrative account since the cost of the equipment to be purchased is under \$5,000 per unit and cannot be purchased from the Equipment Account; and,
- \$300,000 from the Contractual Services account to the Office and Administrative account to purchase this equipment for the Police Department's portion of the facility. ITA has generated savings in contractual services dedicated to the new public safety facility that can be used for the purchase of this equipment.

A transfer of \$419,000 from the Equipment Lease account to the Contractual Services account is recommended to reflect a new agreement and method for paying for support of the City's mainframe. Instead of the current lease of the mainframe, ITA has entered into a new contract with IBM to upgrade the mainframe, and these costs must be paid from the Contractual Services account, and not the Equipment Lease account.

Y. Library

A year-end deficit is not projected for this Department. The Budget Balancing Report recommended a \$1.45 million reduction to the Library's General Fund appropriation and the transfer of these funds to the UB, Reserve for Economic Uncertainties. The Library has advised that it will have to limit expenditures in various accounts to generate the savings. According to the Library, savings will be realized by reducing non-critical alterations and improvements to branch libraries that do not present health and safety issues; reducing repairs to network and database equipment; reducing office supply purchases; and, reducing repairs to library books and materials. It is anticipated that the budget reductions will be mitigated if the Bethune Branch Library (also referred to as the Expo Library) is sold in the current year at the appraised value. The Bethune Branch Library has been appraised by GSD at \$1.6 million, more than the amount anticipated in the budget. The auction is scheduled to take place before the end of the fiscal year.

Z. Neighborhood Empowerment

Given the City's current fiscal constraints, and based on the assumption that that the Department's staffing would be maintained at October 25, 2008 levels, a \$43,000 surplus was identified in the Budget Balancing Report and transferred to the UB, Reserve for Economic Uncertainties. A year-end deficit is not projected at this time.

AA. Personnel

Since the release of the Budget Balancing Report, the Personnel Department's projected year-end deficit has increased slightly from \$336,409 to \$384,000. Although the deficit in the Salaries General account has decreased to \$231,00 due to attrition and the Managed Hiring Process, a new shortfall is now projected in the Salaries As-Needed account in the amount \$103,000 due to increased demand for as-needed medical staffing in the jails. Additionally, the Department continues to project a \$50,000 deficit in the Police Recruitment Incentive account. This Office will continue to monitor these accounts and report back on the status of these accounts in subsequent FSRs. No adjustments are recommended at this time.

As part of the First FSR, this Office was instructed to report back to the Council relative to the status of the Personnel Departments' Request for Proposals process for the Health Care Plan Contracts (08-0600-S18). The Personnel Department reports that the contracts have been drafted and are currently under reviews by the City Attorney. Once both parties agree on the language, the contracts will be signed and executed. Mayor and Council approval are not required. These contracts were approved by the Joint Labor Management Benefits Committee (JLMBC).

BB. Planning

**Attachment 5 – Transfers between Accounts within Departments and Funds
Recommendation Nos. 8 - 9**

Based on the assumption that the Planning Department would maintain hiring at October 25, 2008 levels, the Budget Balancing Report previously identified savings of approximately \$940,000 to be transferred to the UB, Reserve for Economic Uncertainties. At this time, there is no further change to the Department's budget status. A year-end deficit is not projected.

However, it should be noted that the Planning Department is concerned over the increased case backlog. Due to the high number of vacancies, the Department proposes to use retired planners and additional contract labor to work through the backlog of cases. A \$100,000 transfer is recommended from the Salaries General account to the Contractual Services account to provide the funds needed for the contract labor. This one-time transfer will enable Planning to address the case backlog quickly and effectively.

The Department is responsible for administering its Expedited Permit Trust Fund. Appropriations totaling \$397,354.26 are recommended from the Expedited Permit Trust Fund to reimburse various departments and the General Fund for services rendered for projects that are paid by developers through this Fund.

Lastly, the Department projects a decrease in the amount collected for the Systems Development Trust Fund No. 588, which may result in a shortage for related costs receipts to the General Fund. For 2008-09, Planning anticipates General Fund revenues of \$14.8 million, which is less than the \$17.1 million originally estimated for the fiscal year. The CAO will continue to monitor Planning revenues and will work closely with the Planning Department to identify ways to meet the revenue plan.

CC. Police

**Attachment 5 – Transfers between Accounts within Departments and Funds
Attachment 6 – Transfers between Departments and Funds
Recommendation No. 11**

The Budget Balancing Report identified a remaining deficit of about \$1.37 million for this department. However, based on the most recent expenditure projections, the year-end deficit has been reduced to about \$551,000 mainly due anticipated savings in the Salaries General and Salaries Sworn accounts.

The projected surplus in the Salaries Sworn account has increased from \$4.9 million to \$5.4 million as net hiring continues to be slightly below budget plan. Net hiring through October is currently at four under plan. This is due to slightly higher than anticipated attrition. Due to the last two recruit classes of 2007-08 being smaller than anticipated, the starting point for 2008-09 was approximately 43 below the budgeted amount. This difference accounts for most of the projected surplus. Hiring of police officers is still the top priority of the Mayor and Council. City officials are committed to hiring 1,000 officers consistent with the Council's policy adopted in 2006.

The following table summarizes year-to-date sworn hiring:

	July	August	September	October	YTD*
Actual Hires	63	118	58	63	302
08-09 Budget	60	120	60	60	300
Actual Attrition					
Actual Attrition	50	105	39	29	223
08-09 Budget	79	67	32	39	217
Actual Net					
Actual Net	+13	+13	+19	+34	+79
08-09 Budget	-19	+53	+28	+21	+83

Savings in the amount of \$800,000 are currently projected in the Salaries General account due to the Department's voluntary limitation on civilian hiring earlier in the fiscal year.

Deficits are mainly projected in the following accounts:

- **Civilian Overtime** – We continue to project a \$300,000 deficit in this account as the Department did not receive a cost of living adjustment for this account. As previously reported, the amount of overtime required has increased due to reduced civilian staffing without reduced workload. Similar to the prior fiscal year, the Department has already limited anticipated overtime to those Divisions which operate on a 24/7 basis (such as Jail and Communications Divisions) and those which require a minimum amount of overtime to operate. An appropriation of \$230,000 is recommended to this account from unanticipated revenue received in the first quarter of 2008-09 from State Proposition 69 funds to partially address this deficit. These funds can be used for DNA analysis.
- **Field Equipment Expense-A** \$250,000 deficit is now projected in this account. As part of the Second FSR actions, the Council and Mayor authorized additional staff for the Department's DNA/Serology Unit. In processing and analyzing DNA samples, staff uses a significant amount of consumables. Due to the additional staff added to this unit, expenses to DNA operations are also expected to increase by \$250,000. A \$250,000 transfer is recommended from the Sworn Salaries account to offset the deficit in this account. The Department will manage sworn promotions throughout the year to mitigate any further impact to this account.
- **Contractual Services**-We continue to project a year-end deficit of \$451,000 for this account.
- **Sworn Overtime** – A Sworn Overtime deficit of \$5.75 million is projected by the Department due to unbudgeted *reimbursable* overtime. Based on hours worked to date compared to prior years, the Department has made large strides in limiting sworn overtime usage. The success of these efforts, combined with an increased 1.6 million hour cap, has brought usage in-line with budget. In fact, funding for *non-reimbursable* overtime (the only overtime subject to the 1.6 million hour cap) is expected to subsidize approximately \$3.2 million of the unbudgeted

reimbursable overtime deficit (estimated at \$9.1 million). In addition, we will continue to work with the Department to draw clearer connections between the overtime worked and the reimbursement revenue coming back to the City.

See Section 2JJ Transportation relative to a \$562,500 appropriation to the Sworn Overtime account from the Transportation Regulation and Enforcement Trust Fund for the Bandit Taxicab Enforcement Program.

The following table provides a breakdown of LAPD sworn overtime use by category:

Police Sworn Overtime Use-Hours Worked Through October 25, 2008

Reimbursable Overtime Category:		
	Hours	Percent
LAX	76,544	64%
Grants/Other	42,917	36%
Total Reimbursable Hours Worked:	119,461	
Non-Reimbursable Overtime Category:		
	Hours	Percent
Court	140,645	28%
Department Administration	17,650	4%
Detective Operations	45,982	9%
Gang Activities	15,173	3%
Homicide Investigations	35,358	7%
Narcotics Activities	22,651	5%
Patrol Operations	101,735	20%
Special Events/Staples	5,071	1%
Tactical Situation	17,946	4%
Traffic Enforcement	12,796	3%
Use of Force Investigations	18,101	4%
Other	69,687	14%
Total Non-Reimbursable Hours Worked:	502,795	
Total Overtime Hours Worked:	622,256	

Lastly, a transfer of \$122,271 is recommended from the Police Sworn Salaries account to General Services for the installation of fire sprinklers at the DNA storage facility. The transfer is recommended as it is critical to fire and life safety.

DD. Public Works/Bureau of Contract Administration

Assuming anticipated bond reimbursements are received in the current year, a year-end deficit is not projected for this Bureau. However, if bond reimbursements are not received by year-end, a General

Fund deficit of \$3,956,205 is anticipated. This is due to the \$707,221 short term layoff reduction, retroactive payments of approximately \$1,161,876 for Municipal Construction Inspectors Association employees (MOU 5), increased transportation costs for construction inspectors, and delays in Sewer Construction Maintenance funded projects. This Office will track bond reimbursements closely to ensure that the required funding is received by year-end.

In addition, the Bureau anticipates a net increase of \$75,000 revenue from the original budgeted amount.

**EE. Public Works/Bureau of Engineering
Recommendation Nos. 12 – 13**

The Bureau is currently projecting a year-end special fund surplus of \$3.9 million in Sewer Construction and Maintenance funds. The majority of the savings are in the salaries account due to an existing vacancy rate of 15.6 percent. Budget adjustments are not recommended at this time.

In addition, the Bureau is reporting that it is working with the City Attorney's Office on the amendments of ordinances for two off-budget funds, Engineering Equipment and Training Trust Fund and Engineering Special Services Fund. It should be noted that the \$3 million projected to be transferred to the General Fund from the Engineering Equipment and Training Trust Fund to attain full cost recovery cannot occur until the necessary ordinance is amended and actual costs are calculated by the Bureau. Therefore, it is recommended that the departments expedite the preparation of the ordinance amendments. This Office recommends that the Bureau be instructed to report at mid-year on the actual costs of the Privately Financed Program for 2007-08. There is no fiscal impact in the delay of the Engineering Special Services Fund amending ordinance.

**FF. Public Works/Bureau of Sanitation
Attachment 6 – Transfers between Departments and Funds**

After factoring in the adjustments recommended in this report and those of the recently released 2008-09 Budget Balancing Report, the Bureau will have a year-end special fund surplus of \$2.5 million, which is more than the \$1.9 million projected in the Second FSR. The surplus is mainly attributed to the Sewer Construction and Maintenance Fund due to vacancies.

The following transactions are recommended:

- Transfer \$72,786 from the Wastewater Capital Improvement Program (WCIP) to the Bureau of Sanitation for completion of Terminal Island Water Reclamation Plant Administration Building improvements. This item uses existing funding for the project but to be administered in-house by Sanitation staff. Funding is provided by the Sewer Capital Fund.
- Transfer \$24,000 to the Bureau of Sanitation for overtime associated with Venice trash and recycling efforts. Funding is provided by the Integrated Solid Waste Management Fund.

- Transfer \$600 to the Stormwater Pollution Abatement Fund (SPAF) to compensate the SPAF for plan check services associated with the North Central Yard Improvement Project. The plan check is necessary for compliance with the Standard Urban Stormwater Mitigation Plan (SUSMP) requirement. Funding is provided by Sanitation Equipment Charge revenue bond proceeds.
- Transfer \$37,585 to reimburse the Department of General Services for services necessary to install security kiosks at each of the City's six Solid Resources Collection Yards. Funding is provided by Sanitation Equipment Charge revenue bond proceeds.

The impacts of recent wildfire events in Lopez Canyon and Sylmar may warrant additional budget adjustments to restore Bureau operations and facilities and facilitate any State or Federal reimbursement. Those costs are in the process of being finalized, and any funding requirements would be presented as early as the mid-year report.

As reported in the last FSR, Solid Waste trash fee receipts continue to trend short. Sewer Service Charges (SSC), which are also reflected in DWP billing to City customers, are also falling short of plan. Solid waste receipts are at 85 percent of the monthly cumulative planned level from a total of \$269 million. The SSC receipts are at 96 percent of the monthly cumulative planned level from a total of \$520 million. Some of this is attributed to delayed customer payments as a result of the current economic climate. Additionally, both funds had fee adjustments this year which usually result in erratic revenue patterns in the immediate months following implementation. The last of approved increases on the SSC took effect in July 2008, while the recently approved increase on the trash fee took effect in September 2008.

Based on these conditions, it is too early to determine whether year end shortfalls can be expected. We do anticipate some level of catch up revenue over the following months. Any resulting shortfalls would be met with additional revenues in other Solid Waste and Wastewater resources (e.g., debt service savings on the Solids program and additional revenue debt on Wastewater), as well as operational and capital reductions and deferrals. We will continue to monitor this item. Current hiring with respect to these funds is limited to positions that are critical in maintaining minimum service levels and addressing public health and safety.

GG. Public Works/Bureau of Street Lighting
Attachment 5 – Transfers between Accounts within Departments and Funds
Attachment 6 – Transfers between Departments and Funds

Assuming pending special fund transfers and reimbursements are received in the current year, a year-end deficit is not projected for this Bureau. No General Fund impact is anticipated at this time.

The following actions are recommended in this report:

- A transfer of \$467,000 between accounts within the Bureau's operating budget to allow for City forces to complete work on the Sun Valley Street Lighting Improvement project that was

originally anticipated to be completed through a contract.

- A transfer of \$50,000 from the Gas Tax Fund for the emergency replacement of deteriorated light poles near the Marina as part of the Stairway Walkway Unit 5 project.
- A transfer of \$75,000 from the Gas Tax Fund for the replacement of stolen copper wire that continues to be a problem for the Bureau due to the increased value of copper.
- A transfer of \$76,000 from the Street Lighting Maintenance Assessment Fund (SLMAF) for construction on a deteriorated underground system in the Grand-Olive-Hill-Pico and 17th Street area.
- Transfers of \$515,000 from the Transportation Grant Fund (TGF) to complete construction projects as part of the TGF and Automated Traffic Surveillance and Control (ATSAC) Work Programs.

HH. Public Works/Bureau of Street Services
Attachment 5 – Transfers between Accounts within Departments and Funds
Recommendation Nos. 14 – 16

After accounting for the actions in the Budget Balancing Report, a year-end deficit is not projected for this department. On December 9, 2008, the City Council approved the elimination of the second module of the 50/50 Sidewalk Repair Program resulting in savings of \$1.9 million. These savings were transferred to the Unappropriated Balance, Reserve for Economic Uncertainties. The Bureau reported that the number of applications received to date has been lower than expected, and that the 50/50 Sidewalk Repair Program's first module has sufficient funds to cover the current number of requests. Seven of the 22 positions exempted from the Managed Hiring Freeze for this program have been hired since July 1, 2008. These staff members will be relocated to other similar work programs.

Various transfers and appropriations are recommended at this time. As part of the 2007-08 Mid Year Report, the Council and Mayor authorized Street Services to submit an application for \$15.5 million in funding to the State for 2008-09 additional resurfacing projects (07-0600-S77). Appropriation of \$15.5 million in Proposition 1B funds is now recommended to be used as supplemental funding for the Street Resurfacing and Reconstruction Program. This funding will allow for the completion of approximately 40 to 45 miles. These additional miles have already been accounted for in the Bureau's 2008-09 work plan of 235 miles of street resurfacing. An inter-account transfer of \$400,000 is also recommended to resolve an anticipated shortfall in the Utilities account due to an increase in electricity costs and delays in receiving interim appropriations.

The Council authorized an increase in the annual permit fee from \$22 to \$40 per newsrack, increasing the annual revenue projection from \$556,000 to \$943,000. The \$387,000 increase will enable the program to recover direct costs and fringe benefits. Revenues to date total \$27,422, which is significantly below the \$943,000 revenue budget. The Street Services Investigation and

Enforcement Division met with industry representatives regarding the increase, and is in the process of preparing a report to the Board of Public Works. Progress in implementing the permit fee increase will be monitored. Revenue shortfalls will be reported in future FSRs.

II. Recreation and Parks

The \$5.7 million year-end deficit previously estimated for this department in the Second FSR, due to shortfalls in the Salaries General and Salaries-As Needed accounts, has decreased by \$2.5 million due to various actions.

The previously estimated \$2.4 million deficit in the Salaries General account was partially offset by a \$1.2 million appropriation from the UB, Short-Term Layoffs Agreement account. However, a \$1.2 million shortfall remains. It is anticipated that the remaining shortfall in Salaries General will be eliminated with the continued implementation of the Managed Hiring Process. This Office will continue to monitor the Department's anticipated shortfall in the Salaries General account and make appropriate recommendations in future FSRs.

A \$3.3 million deficit in the Salaries As-Needed account was previously identified in the Second FSR due to unfunded cost of living adjustments. However, the \$3.3 million estimate was based on the assumption that service would be maintained at prior year levels. As part of the Second FSR actions, the deficit was reduced to \$2.0 million due to a \$1.3 million transfer from the UB, Short-Term Layoffs Agreement account. This supplemental appropriation enabled the Department to restore all half-time employees through the end of the fiscal year and restore intermittent part-time employees until December 27, 2008. However, as reported in the Budget Balancing Report, an additional appropriation of \$2 million is required in order to restore all intermittent part-time employees through the end of the fiscal year. The projected shortfall in the Department's Salaries General account and a potential shortfall in the Department's revenues make it highly unlikely that the Department will be able to identify internal savings to offset the deficit in the Salaries As-Needed account. Due to the City's current financial situation, it is also improbable that other City funds will be identified to offset this deficit. Therefore, it appears that a reduction in as-needed service levels is unavoidable in the second half of the fiscal year. It is recommended that the Department report back on the impact of this service level reduction.

The Department is now projecting a \$2.8 million shortfall in Departmental revenues, an increase of \$1 million from the \$1.8 million shortfall reported in the Second FSR. Specifically, revenue shortfalls are now reported as follows:

- A \$1 million shortfall in golf revenues is still projected. According to the Department, the number of rounds played continued to decrease in September. As previously reported, the Department indicates that current economic conditions, and possibly, the increase in golf rates and fees, contributed to the decrease in the number of golf rounds played. The Department continues to increase promotions and advertisement of City golf courses to communities and visitors to raise more revenues and meet its budgeted revenue goal.

- A \$280,000 shortfall in swimming pool revenues is still projected due to decreased pool attendance.
- The Department continues to uphold its initial projection of a \$500,000 shortfall in other revenue categories, such as camps, parks, recreation centers and tennis.
- Reimbursements from other funds, specifically Proposition K reimbursements could be up to \$880,000 below budget. The Department is committed to seeking grant reimbursements to eliminate this deficit.

This Office will closely monitor the Department's revenue stream closely and report back in subsequent FSRs.

JJ. Transportation

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

In the Second FSR we estimated an overall \$1 million General Fund year-end deficit for the Department due to a \$2.38 million short-term layoff budget reduction. However, due to the actions recommended in the Budget Balancing Measures Report (i.e., the transfer of \$520,000 to the Department's Salaries General account), the deficit has been reduced to approximately \$500,000. It should be noted that many of the Department's core programs, including left-turn arrow signal activities, LED conversions and parking enforcement, are General Funded activities. Therefore, the Department is unable to maintain program and revenue schedules with high vacancies in these General Funded divisions and absorb the deletion of funds for short-term layoffs.

The Department also maintains an overall special fund surplus of approximately \$1 million. This surplus is attributed to an estimated surplus in the Salaries General account due to staff vacancies.

The Department requests the following actions:

- A transfer of \$1,983,446 from the Special Parking Revenue Fund, Parking Meter and Off-Street Parking Administration account to the Special Parking Revenue Fund, Contractual Services account. This transfer will provide funding for the Department of General Services to operate parking facilities.
- A transfer of \$79,650 from the Department's Contractual Services account to the Department of General Services' Construction Salaries and Construction Materials and Supplies accounts. This transfer will provide for the reconstruction of damaged flooring at the Hollywood Parking Enforcement Office.
- A transfer of \$562,500 from the Transportation Regulation and Enforcement Trust Fund to the Los Angeles Police Department's Sworn Overtime account to provide for the Bandit Taxicab Enforcement Program for the period covering October 2008 through June 2009.

The First FSR identified a potential parking meter revenue shortfall of approximately \$4 million due to a two-month delay in the effective date of the Ordinance to adjust parking meter rates. The Ordinance became effective on August 31, 2008 (C.F. 08-0600-S6), and the Department began the process to adjust rates in the first week of September 2008. Completion of all parking meter rate adjustments is expected to occur in December 2008. This Office is currently evaluating incoming revenue data to support this anticipated \$4 million revenue shortfall estimated by the Department.

KK. Treasurer

The Second FSR identified a \$393,872 year-end deficit. After accounting for the proposed actions in the Budget Balancing Measures and based on the assumption that staffing levels would be maintained at October 25, 2008 levels, the estimated deficit was reduced to \$285,374. However, a year-end deficit of \$365,692 is now projected for this Office as it continues to plan to fill four positions later in the fiscal year which is more than the amount it is expected to attrite. The Treasurer was recently authorized to fill four positions to manage workload, the transition to the new banking service provider, and provide support required for the various treasury systems in the Department. Shortfalls are projected in the Salaries General (\$229,092) and Contractual Services (\$136,600) accounts. The deficit in the Salaries General account is attributed to the \$69,959 short-term layoff reduction, retroactive payouts for non-represented employees (\$12,400), sick leave (\$5,000), and a litigation settlement (\$70,000). The Contractual Services deficit is attributed to the unfunded BondEdge Investment System contract. This Office will continue to work with the Department in monitoring the deficit and report back in the next Financial Status Report.

LL. Zoo

A year-end deficit is not projected at this time. Additionally, the Zoo reports that although revenue remains on target, attendance is 5 percent lower than projections. Should a revenue shortfall materialize, potential year-end savings in salary and expense accounts may be available to offset such shortfall. It should be noted that as part of the Budget Balancing Report, the Department's General Fund appropriation was reduced by \$1.14 million due to prior year savings.

4. OTHER BUDGETARY ISSUES

A. Human Resources Benefits

A year-end surplus is anticipated for Human Resources Benefits. We are currently working with the Personnel Department to identify the actual amount of savings available.

B. Special Event Fee Waivers

The Budget and Finance Committee instructed this Office to periodically report on the number and amount of Council-approved fee waivers (subsidies) associated with special events and with convention center meetings and events. For the period July through August 2008, the total number of fee waivers approved is 194 at an estimated amount of \$1.22 million. This estimate includes Council-

approved room rental charge waivers for seven events at the Convention Center. We will provide expenditures through mid-year in the next FSR.

C. Development Fee and Permit Subsidies

Pursuant to the City's Development Fee Subsidy Policy, this Office is required to report on the number and amount of Council-approved development fee subsidies. For the current year, no development fee subsidies have been approved.

5. EMPLOYMENT LEVEL REPORT

Citywide employment authority from all funding sources totaled 35,606 at the end of October 2008 for both civilian and sworn classes. Filled positions *increased* by 55 from 35,551 at the end of July to 35,606 at the end of October. Departments reported a total of 4,003 vacant positions, 2,962 General Fund and 1,041 special funded (see Attachment 8).

Based on departments' monthly reporting, the number of filled civilian positions *decreased* by 3, from 22,151 at the end of July 2008 to 22,148 at the end of October 2008. Since February of 2008 there had been a steady decrease in the number of reported filled civilian authorities. However, in the months of September and October there was an increase in the total number of filled civilian positions, as the total number of filled positions increased by 39, from 22,109 at the end of August 2008 to 22,148 at the end of October.

6. STATUS OF THE CITY'S MICLA COMMERCIAL PAPER PROGRAM

The City's Financial Policies instruct the City Administrative Officer (CAO) to periodically report on the status of the MICLA Commercial Paper (CP) Program. In June 2004, the Mayor and Council approved a \$200 million CP program to be used as temporary financing for previously approved MICLA capital construction projects and capital equipment purchases. During the reporting period, CP was used for the construction of the Motor Transport Division, Neighborhood City Halls for CD 7 and CD 9, Southwest Alternative Fuel Infrastructure Facility and Proposition K related projects. Capital equipment and capital replacement vehicles were purchased for the Departments of Fire, Police and General Services.

The amount of outstanding tax-exempt CP notes is \$120,300,000. The City does not have any taxable notes outstanding at this time. Below is the status of the MICLA CP Program through October 31, 2008:

Reporting Period	Amount Outstanding	Range of Interest Rates
7/1/08 to 10/31/08	\$120,300,000	1.40% to 5.50% (tax-exempt)

In the previous quarterly reporting period ending June 30, 2008, the City had three commercial paper remarketing agents for the City's \$200 million CP program. The names of the firms and their

respective allocations were JP Morgan for \$90 million, Lehman Brothers for \$85 million, and Backstrom, McCarley and Berry for \$25 million.

On September 15, 2008, Lehman Brothers filed for bankruptcy. On September 22, 2008, Lehman Brothers was purchased by Barclays Capital. At that time, \$63.1 million of CP was outstanding with Lehman Brothers. Since Barclays Capital did not appear in the City's underwriting pool, JP Morgan was re-allocated Lehman Brothers' outstanding CP beginning with trades on October 2, 2008.

On October 10, 2008, the CAO issued a mini-RFP to replace Lehman Brothers allocation of \$85 million using the City's existing underwriting pool. The Mayor and Council authorized the CAO to substitute firms through a competitive process for an annual fee not-to-exceed 10 basis points (C.F. 04-0675).

On October 24, 2008, the CAO selected Bank of America for a \$75 million allocation and Loop Capital for a \$10 million allocation. The transition of Lehman Brothers' CP notes to the new remarketing agents will be completed by January 8, 2009. JP Morgan will have been re-allocated \$52.1 million and Bank of America will have \$11 million in Lehman Brothers' outstanding CP notes.

The current remarketing agents and their respective allocations for CP notes at 7 basis points are JP Morgan for \$90 million, Bank of America for \$75 million, Backstrom, McCarley and Berry for \$25 million, and Loop Capital for \$10 million.

Highlighted trades during the reporting period:

<u>Dealer</u>	<u>Trade</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity</u>	<u>Days to Maturity</u>
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Lowest and Highest for the Reporting Period:

Lehman Brothers	08/07/08	\$ 3,500,000	1.40%	11/5/08	90
Backstrom	09/30/08	5,000,000	5.50%	10/7/08	7

Lehman Rollover Trades:

JP Morgan	10/02/08	\$ 5,800,000	4.25%	11/17/08	46
JP Morgan	10/02/08	2,500,000	3.75%	10/09/08	7
JP Morgan	10/06/08	2,500,000	3.75%	11/17/08	42
JP Morgan	10/07/08	14,300,000	2.60%	12/10/08	64
JP Morgan	10/08/08	17,000,000	2.35%	02/17/09	132
JP Morgan	10/09/08	1,000,000	2.00%	12/10/08	62

 by MF

Maria D. Gutierrez, Finance Specialist

APPROVED:



Matias Farfan, Chief Administrative Analyst

RPC:MF:MDG:01090037c

Attachments

ATTACHMENT 1
2008-09 SUMMARY OF BUDGET STATUS
(in millions)

Expenditures		Revenue		Total Year-End Shortfall
2nd FSR		2nd FSR		
	\$ 4,554		\$ 4,554	
Issues/Changes:		Issues/Changes:		
Departmental Deficits	\$ 35.00	Revenue Shortfall	\$ (55.00)	
Non-Departmental Deficits	\$ 47.00			
Expenditure Shortfall	\$ 82.00			
2nd FSR Offsets	\$ (26.91)	2nd FSR Offsets	\$ (55.00)	
	55.09			
2008-09 Projected Expenditures	\$ 4,609	2008-09 Projected Revenues	\$ 4,499	\$ (110.09)
Budget Balancing		Budget Balancing		
Issues/Changes:		Issues/Changes:		
		Additional Revenue Shortfall	(20.00)	
Budget Balancing Offsets	(37.63)	Budget Balancing Offsets	3.35	
	(37.63)		(16.65)	
2008-09 Projected Expenditures	\$ 4,571	2008-09 Projected Revenues	\$ 4,482	\$ (89.11)
3rd FSR		3rd FSR		
Issues/Changes:		Issues/Changes:		
Change to Deficit	(2.90)	Additional Revenue Shortfall	(6.00)	
Recommended Offsets	(0.85)		(6.00)	
	(3.75)			
Year-End Estimated Shortfall	\$ 4,568		\$ 4,476	\$ (91.36)
Reserve Fund				
Balance as of November 26, 2008	\$ 155			
Increase from loan repayments & misc.	15			
Projected Reserve Fund Balance, 6/30/09	\$ 170			

ATTACHMENT 2
STATUS OF RESERVE FUND AS OF 11/26/08

Council File No. Item Description	Amount
Balance Available, 7/1/08	\$ 166,068,118
Less: Emergency Reserve Account	125,226,000
Contingency Reserve Account 7/1/08	\$ 40,842,118
General Fund Appropriation to the Reserve Fund \$14,858,525 (to UB)	-
Loan Repayment and Other Receipts	8,654,017
Contingency Reserve Account	\$ 49,496,135
Loans and Transfers Approved to Date	
07-2878 Forensic DNA Backlog Reduction Program	\$ (870,921)
08-1268-S1 Senior Community Service Employment Program Summary	(337,873)
08-0600 1st FSR LED Conversion Program	(9,100,000)
07-0121 Supply Management System	(2,500,000)
08-0600-S27 P/W Street Services Reappropriation	(1,153,097)
07-1959 Youth Development Strategy	(600,000)
08-0600-S27 Police Reappropriation	(369,058)
08-1800-S2 November 2008 Special Election Update of Low Rent Housing	(200,000)
07-0591 Annual Audit Contract for Fiscal Years (FY) 2007-08 through 2009-10	(109,950)
08-0600 1st FSR Youth Development Strategy Assessment prior-year reversion	(99,999)
08-1733 Unclaimed Monies Seized Incidental to Arrest replacement system	(75,000)
05-0049-S2 Storm Damage Repair Program	(53,700)
08-2862 UCLA Day in Local Government	(697)
05-0010 Jae Yang Case Reward	(50,000)
Loans and Transfers Approved to Date	\$ (19,120,295)
Proposed Loans and Transfers	
04-0010-S55 Sherman Clark Case Reward	(50,000)
Proposed Loans and Transfers	\$ (50,000)
Contingency Reserve Available Balance as of 11/26/2008	\$ 30,325,840
Total Reserve Fund	\$ 155,551,840

ATTACHMENT 3a
STATUS OF UNAPPROPRIATED BALANCE
GENERAL ACCOUNT as of 12/8/08

C.F.	Appropriations	Date	Amount
	Beginning Balance		\$ 25,000
Approved Transfer			
08-1662	Trade Commissioner of Chile		(541)
08-1541	Council District Nine American Cancer Society Kick Off		(98)
08-2094	Stand Up for Cancer		(2,400)
08-0144	Council District 9 Farmers Market		(1,300)
08-2056	Los Angeles Area Chamber of Commerce		(398)
06-1264-S1	Millennium Momentum Foundation		(5,220)
08-3137	LA County Bar Association		(390)
06-2179-S1	Goldenvoice Third Annual LA Weekly Detour Festival		(7,450)
08-3182	Home Preservation Event		(324)

Anticipated Appropriations

Projected Balance Available	<u><u>\$ 6,879</u></u>
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ATTACHMENT 3b
STATUS OF UNAPPROPRIATED BALANCE NON-GENERAL ACCOUNT as of 12/8/08

Council File No.	UB Non-General Accounts	Primary Department	Adopted Budget	Transfer In/ Reapprop.	Amount Appropriated during year	Transfer from/to Reserve for economic Uncert/Reserve Fund	Available Balance
	General Fund						
	General (see Attachment 3A)		\$ 25,000	\$ -	\$ (18,121)	\$ -	\$ 6,879
	Benefits Contingency	All	3,071,000		(3,071,000)		-
	Council Meetings Security Enhancement	GSD	75,000				75,000
	GSD - New City Facilities	GSD	952,000			(952,000)	0
	GSD - Petroleum Products	GSD	4,000,000				4,000,000
07-0600-S90 YE	LAPD Consent Decree Program	Police	500,000	113,142			613,142
	LA Regional Interoperable Communications System		250,000				250,000
3rd FSR	Litigation Expense Account	City Atty	750,000		(750,000)		0
	Neighborhood Council Elections	DONE	100,000				100,000
	Neighborhood Council Funding	DONE	149,500				149,500
	New Fire Stations	Fire	540,000				540,000
	New Police Facilities	Police	2,050,000		(2,050,000)		0
08-1957; 08-2368 (Veto \$96,000)	Outside Counsel including Workers' Comp.	City Atty	4,000,000		(430,000)		3,570,000
07-0600-S90 YE	Gang Prevention/Intervention/Reduction (reapprop)			40,000			40,000
1st FSR	Short-term Layoff Agreement	Various		19,870,000	(5,000,000)		14,870,000
3rd FSR Liability Claims	Reserve for Economic Uncertainties			30,709,897	(2,962,500)		27,747,397
							0
	Grand Total		\$ 16,462,500	\$ 50,733,039	\$ (14,281,621)	\$ (952,000)	\$ 51,961,918

ATTACHMENT 4-2008-09 SUMMARY OF GENERAL FUND SURPLUS (DEFICIT)

		2ND FSR Surplus/(Deficits)	Budget Balancing Surplus/(Deficits)	October FSR Change	3RD FSR Surplus/(Deficits)	3RD FSR Recommend.
DEPARTMENTAL	Account No., Name	After Council Actions	After Council Actions		Oct. FSR Amt	
Aging	1010, Salaries General	\$ (145,901)	\$ -	\$ -	\$ -	
Animal Services	1010, Salaries General	(405,350)	-	(174,288)	(174,288)	
Building And Safety	1010, Salaries General	(532,370)	-	(540,565)	(540,565)	
City Administrative Officer	-	-	-	-	-	
City Attorney	1010, Salaries General	(2,431,579)	(1,852,992)	-	(1,852,992)	
	4200, Litigation Expense	(1,000,000)	(1,000,000)	-	(1,000,000)	
City Attorney-Proprietaries	1080, Salaries, Proprietary	(2,831,569)	(2,726,872)	(80)	(2,726,952)	
	Subtotal	(6,263,148)	(5,579,864)	(80)	(5,579,944)	
City Clerk	1010, Salaries General	(71,433)	-	-	-	
Comm. /Children, Youth	1010, Salaries General	-	-	58,762	58,762	
	3040, Contractual Services	-	-	(40,000)	(40,000)	
	Subtotal	-	-	18,762	18,762	
Comm./Status Of Women	1010, Salaries General	-	-	-	-	
Community Development	-	-	-	-	-	
Controller	1010, Salaries General	(322,107)	-	(200,000)	(200,000)	
	4620, Contingent Expense	-	-	-	-	
	6010, Office and Administrative	-	-	-	-	
	Subtotal	-	-	(200,000)	(200,000)	
Convention Center	-	-	-	-	-	
Council	-	-	-	-	-	
Cultural Affairs	1010, Salaries General	-	-	80,802	80,802	
	1070, Salaries As-Needed	-	-	(126,000)	(126,000)	
	Subtotal	-	-	(45,198)	(45,198)	
Department on Disability	-	-	-	(55,692)	(55,692)	
El Pueblo	-	-	-	-	-	
Emergency Management	1010, Salaries General	(49,199)	(78,744)	46,757	(31,987)	

ATTACHMENT 4-2008-09 SUMMARY OF GENERAL FUND SURPLUS (DEFICIT)

		2ND FSR Surplus/(Deficits)	Budget Balancing Surplus/(Deficits)	October FSR Change	3RD FSR Surplus/(Deficits)	3RD FSR Recommend.
DEPARTMENTAL	Account No., Name	After Council Actions	After Council Actions		Oct. FSR Amt	
Employee Relations	-	-	-	(13,083)	(13,083)	
Environmental Affairs	1010, Salaries General	(65,714)	10,747	(10,747)	-	
Ethics Commission	1010, Salaries General	(186,282)	(186,282)	-	(186,282)	
	3040, Contractual Services	-	186,282	-	186,282	
	Subtotal	(186,282)	-	-	-	-
Finance	1010, Salaries General	(670,732)	(660,732)	(385,457)	(1,046,189)	
	1070, Overtime General	(88,000)	(88,000)	-	(88,000)	
	2120, Printing & Binding	-	-	(84,000)	(84,000)	
	2130, Travel	-	-	-	-	
	3040, Contractual Services	-	-	(50,000)	(50,000)	
	3310, Transportation	(101,000)	(101,000)	(7,400)	(108,400)	
	6010, Office & Administrative	-	-	(57,000)	(57,000)	57,000
	Subtotal	(859,732)	(849,732)	(583,857)	(1,433,589)	57,000
Fire	1010, Salaries General	(500,000)	(500,000)	36,375	(463,625)	
	1012, Salaries Sworn	3,234,966	3,234,966	(1,627,861)	1,607,105	
	1030, Sworn Bonuses	209,566	209,566	(1,445)	208,121	
	1050, Unused Sick Time	(1,179,360)	(1,179,360)	1,343,411	164,051	
	1070, Salaries As-Needed	82,236	82,236	(1,265)	80,971	
	1070, Overtime General	(782,087)	(782,087)	494,209	(287,878)	
	1092, Overtime Sworn	(235,095)	(235,095)	(49,859)	(284,954)	
	1093, Overtime Constant Staffing	(10,286,811)	(9,286,811)	111,193	(9,175,618)	
	1098, Overtime Variable Staffing	2,136,540	2,136,540	(121,464)	2,015,076	
	3090, Field Equipment Expense	-	-	-	-	
	4430, Uniforms	-	-	-	-	
	Subtotal	(7,320,045)	(6,320,045)	183,294	(6,136,751)	
General Services	1010, Salaries General	(1,500,000)	-	-	-	
Housing Dept	-	-	-	-	-	-
Human Relations	1010, Salaries General	(68,275)	(68,704)	2,938	(65,766)	

ATTACHMENT 4-2008-09 SUMMARY OF GENERAL FUND SURPLUS (DEFICIT)

		2ND FSR Surplus/(Deficits)	Budget Balancing Surplus/(Deficits)	October FSR Change	3RD FSR Surplus/(Deficits)	3RD FSR Recommend.
DEPARTMENTAL	Account No., Name	After Council Actions	After Council Actions		Oct. FSR Amt	
Information Technology	1010, Salaries General	(1,050,115)	(352,941)	(1,229,772)	(1,582,713)	
	1070, Salaries As-Needed		-	(148,697)	(148,697)	
	1090, Overtime General	(800,000)	(1,000,000)	342,346	(657,654)	
	1100, Hiring Hall Salaries	-	(200,000)	216,840	16,840	
	2120, Printing & Binding		113,755	(113,755)		
	3040, Contractual Services	-	-	239,000	239,000	
	6020, Operating Supplies	-	200,000	(200,000)	-	
	9350, Communication Services	(200,000)	-	-	-	
	Subtotal	(2,050,115)	(1,239,186)	(894,038)	(2,133,224)	
Mayor		-	-	-	-	
Neighborhood Empowerment	1010, Salaries General	(224,845)	-	-	-	
Personnel	1010, Salaries General	(944,000)	(286,409)	55,409	(231,000)	
	1070, Salaries As Needed		-	(103,000)	(103,000)	
	9590, Police Recruitment Incentive	(50,000)	(50,000)	-	(50,000)	
	Subtotal	(994,000)	(336,409)	(47,591)	(384,000)	
Planning	1010, Salaries General	890,976	-		-	
Police	1010, Salaries General	(262,116)	(262,116)	1,062,116	800,000	
	1012, Salaries Sworn	4,969,137	4,969,137	430,863	5,400,000	(250,000)
	1030, Sworn Bonuses	99,827	99,827	(99,827)		
	1070, Salaries As-Needed	421	421	(421)		
	1090, Overtime General	(305,144)	(305,144)	5,144	(300,000)	230,000
	1092, Overtime Sworn	(5,308,000)	(5,308,000)	(442,000)	(5,750,000)	562,500
	2120, Printing & Binding	48,675	48,675	(48,675)		
	2130, Travel	(51,260)	(51,260)	51,260		
	3010, Firearms, Ammunition & Others	(27,359)	(27,359)	27,359		
	3040, Contractual Services	(451,722)	(451,722)	-	(451,722)	
	3090, Field Equipment Expense	17,500	17,500	(267,500)	(250,000)	250,000
	3110, Institutional Supplies	(23,199)	(23,199)	23,199		
	3290, Traffic and Signal Expense	1,008	1,008	(1,008)		
	3310, Transportation	4,520	4,520	(4,520)		
	4310, Secret Service	60	60	(60)		
	4430, Uniforms	26,805	26,805	(26,805)		
	4440, Reserve Officer Expense	790	790	(790)		
	6010, Office & Administrative	(271,115)	(271,115)	271,115		
	6020, Operating Supplies	477	477	(477)		
	7300, Furniture, Office & Tech Equip.	23	23	(23)		
	7340, Transportation Equipment	156,721	156,721	(156,721)		
	Subtotal	(1,373,951)	(1,373,951)	822,229	(551,722)	792,500

ATTACHMENT 4-2008-09 SUMMARY OF GENERAL FUND SURPLUS (DEFICIT)

		2ND FSR Surplus/(Deficits)	Budget Balancing Surplus/(Deficits)	October FSR Change	3RD FSR Surplus/(Deficits)	3RD FSR Recommend.
DEPARTMENTAL	Account No., Name	After Council Actions	After Council Actions		Oct. FSR Amt	
Board Of Public Works		-	-	-	-	
PW/Contract Administration		-	-	-	-	
PW/Engineering	1010, Salaries General	-	-	-	-	
PW/Sanitation		-	-	-	-	
PW/Street Lighting		-	-	-	-	
PW/Street Services		-	-	-	-	
Transportation	1010, Salaries General	(1,000,000)	(480,000)	-	(480,000)	
	3040, Contractual Services	-	-	-	-	
	Subtotal	(1,000,000)	(480,000)	-	(480,000)	
Treasurer	1010, Salaries General	(262,504)	(154,006)	(75,086)	(229,092)	
	3040, Contractual Services	(131,368)	(131,368)	(5,232)	(136,600)	
	2120, Printing & Binding	-	-	-	-	
	2130, Travel	-	-	-	-	
	6010, Office & Administrative	-	-	-	-	
	6020, Operating Supplies	-	-	-	-	
	Subtotal	(393,872)	(285,374)	(80,318)	(365,692)	
Zoo	1010, Salaries General	334,747	-	-	-	
Total-Budgetary Depts.		\$ (22,600,616)	\$ (16,601,262)	\$ (1,571,477)	\$ (18,172,739)	\$ 849,500
Library	1010, Salaries General	\$ (543,261)	\$ -	\$ -	\$ -	
	1070, Salaries As-Needed	(350,000)	-	-	-	
	3310, Transportation	(28,000)	-	-	-	
	Subtotal	(921,261)	-	-	-	
Rec. & Parks	1010, Salaries General	(1,201,089)	(1,201,089)	-	(1,201,089)	
	1070, Salaries As-Needed	(2,000,000)	(2,000,000)	-	(2,000,000)	
	Subtotal	(3,201,089)	(3,201,089)	-	(3,201,089)	
Total-Departmental		(26,722,966)	(19,802,351)	\$ (1,571,477)	\$ (21,373,828)	\$ 849,500

ATTACHMENT 4-2008-09 SUMMARY OF GENERAL FUND SURPLUS (DEFICIT)

		2ND FSR Surplus/(Deficits)	Budget Balancing Surplus/(Deficits)	October FSR Change	3RD FSR Surplus/(Deficits)	3RD FSR Recommend.
DEPARTMENTAL	Account No., Name	After Council Actions	After Council Actions		Oct. FSR Amt	
NONDEPARTMENTAL						
General City Purposes	0510, Medicare Contributions	(1,360,496)	(1,360,496)	-	(1,360,496)	
	0505, Retirement Defrayal Contributions	(121,484)	(121,484)	-	(121,484)	
	0577, Pensions Savings Plan	(160,560)	(160,560)	-	(160,560)	
	0570, Social Security Contributions	190,312	190,312	-	190,312	
	Subtotal	(1,452,228)	(1,452,228)	-	(1,452,228)	
Unappropriated Balance	0130, GSD Petroleum Products	4,000,000	4,000,000	-	4,000,000	
	0240, Short Term Layoff Agreement	14,870,000	14,870,000	-	14,870,000	
	XXXX, Reserve for Economic Uncert.		30,709,897	-	30,709,897	(2,962,500)
Human Resources Benefits			-	-		
	9100, Unemployment Insurance	-	-	-	-	
	9110, Employee Assistance	-	-	-	-	
	9200, Civilian FLEX Program	-	-	-	-	
	9210, Fire Health & Welfare Program	-	-	-	-	
	9220, Police Health & Welfare Program	-	-	-	-	
	9330, Supplemental Union Benefits	-	-	-	-	
	Subtotal	-	-	-	-	
Liability Claims	9760, Liability Claims \$100,000 & Under	1,500,000	1,500,000	(500,000)	1,000,000	(1,000,000)
	9770, Liability Claims Over \$100,000	(15,017,313)	(15,017,313)	4,224,578	(10,792,735)	3,962,500
Liability Claims-Harper Case	9770, Liability Claims Over \$100,000	(19,268,766)	(19,268,766)	743,468	(18,525,298)	
	Subtotal	(32,786,079)	(32,786,079)	4,468,046	(28,318,033)	2,962,500
Outside Counsel		-				
Petroleum Expense	3230, Petroleum Products	(13,000,000)	(13,000,000)	-	(13,000,000)	
Total - Nondepartmental		\$ (28,368,307)	\$ 2,341,590	\$ 4,468,046	\$ 6,809,636	\$ -
GRAND TOTAL		\$ (55,091,273)	\$ (17,460,761)	\$ 2,896,569	\$ (14,564,192)	\$ 849,500

**ATTACHMENT 5
FY 2008-09 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN ACCOUNTS WITHIN DEPARTMENTS AND FUNDS**

DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Building and Safety	<u>Fund 48R/08, Building and Safety Permit Enterprise</u> E200, Reserve for Unanticipated Costs	\$ 914,066	<u>Fund 100/08, Building and Safety</u> 1010, Salaries General	\$ 914,066
	<u>Fund 346/08, Repair and Demolition</u> 000A, Expenditure	\$ 615,000	<u>Fund 100/08, Building and Safety</u> 1010, Salaries General	\$ 615,000
City Attorney	<u>Fund 100/59, Liability Claims</u> 9760, Liability Claims under \$100,000	\$ 1,000,000	<u>Fund 100/59, Liability Claims</u> 9770, Liability Claims over \$100,000	\$ 1,000,000
Information Technology Agency	<u>Fund 100/32, Information Technology Agency</u> 7300, Equipment	\$ 710,000	<u>Fund 100/32, Information Technology Agency</u> 6010, Office and Administrative	\$ 1,010,000
	9810, Equipment Lease	\$ 419,000	3040, Contractual Services	\$ 119,000
	Subtotal	\$ 1,129,000	Subtotal	\$ 1,129,000
Planning	<u>Fund 100/68, Planning</u> 1010, Salaries General	\$ 100,000	<u>Fund 100/68, Planning</u> 3040, Contractual Services	\$ 100,000
Police	<u>Fund 100/70, Police</u> 1012, Sworn Salaries	\$ 250,000	<u>Fund 100/70, Police</u> 3090, Field Equipment	\$ 250,000
PW, Bureau of Street Lighting	<u>Fund 100/84, Street Lighting</u> 3040, Contractual Services	\$ 467,000	<u>Fund 100/84, Street Lighting</u> 1090, Salaries Overtime	\$ 235,000
			8780, Street Lighting Improvement & Supplies	\$ 232,000
			\$ 467,000	
PW Bureau of Street Services	<u>Fund 100/86, PW Bureau of Street Services</u> 3030, Construction Expense	\$ 400,000	<u>Fund 100/86, PW Bureau of Street Services</u> 3330, Utility Expense, Private Co.	\$ 400,000
Transportation	<u>Fund 393/94, Special Parking Revenue Fund</u> 0060, Parking Meter & Off-Street Parking Admin	\$ 1,983,446	<u>Fund 393/94, Special Parking Revenue Fund</u> 0050, Contractual Services	\$ 1,983,446
TOTAL ALL DEPARTMENTS AND FUNDS		\$ 6,858,512		\$ 6,858,512

**ATTACHMENT 6
FY 2008-09 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS**

DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Emergency Management	<u>Fund 50A/35, Americorp Grant Fund</u>		<u>Fund 100/35, Emergency Management</u>	
	C205, Contractual Services	\$ 49,900	1010, Salaries General	\$ 68,900
	C206, Training/Other	\$ 19,000		
	Subtotal	\$ 68,900		
Police	<u>Fund 100/70, Police</u>		<u>Fund 100/40, General Services</u>	
	1012, Sworn Salaries	\$ 122,271	1014, Construction Salaries	\$ 11,911
			1101, Hiring Hall Construction	\$ 35,000
			1121, Benefits Hiring Hall Construction	\$ 12,250
			3180, Construction Materials & Supplies	\$ 63,110
			Subtotal	\$ 122,271
Office of Finance	<u>Fund 45R/39, Office of Finance</u>		<u>Fund 100/39, Office of Finance</u>	
	1010, Available Cash Balance	\$ 57,000	6010, Office and Administrative Expense	\$ 57,000
Bureau of Sanitation	<u>Fund 761/50, Sewer Capital Fund - WCIP</u>		<u>Fund 760/50, Sewer Construction Maintenance & Ops</u>	
	CH81, TITP Capital Str Replacement	\$ 72,786	E282, Expense and Equipment	\$ 62,943
			<u>Fund 100/82, Bureau of Sanitation</u>	
			1010, Salaries General	\$ 9,843
	<u>Fund 556/50, Integrated Solid Waste Mgmt Fund</u>		<u>Fund 100/82, Bureau of Sanitation</u>	
	1010, Available Cash Balance	\$ 24,000	1090, Salaries Overtime	\$ 24,000
	<u>Fund 47D/50 SEC Revenue Bonds Series 2003B</u>		<u>Fund 511/50, Storm Pollution Abatement</u>	
	V318, Storm Water Mitigation	\$ 600	3892, Cons. Plan Checking	\$ 600
	<u>Fund 47D/50 SEC Revenue Bonds Series 2003B</u>		<u>Fund 100/40, General Services</u>	
	C331, District Yards Security Kiosks	\$ 37,585	1014, Construction Salaries	\$ 25,709
		3180, Construction Materials and Supplies	\$ 11,876	
		Subtotal	\$ 37,585	

**ATTACHMENT 6
FY 2008-09 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS**

TRANSFER FROM			TRANSFER TO		
DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT	
Los Angeles Convention Center	<u>Fund 100/48, Los Angeles Convention Center</u>		<u>Fund 100/40, General Services</u>		
	3040, Contractual Services	\$ 101,867	1070, Salaries As-Needed	\$ 67,130	
			1090, Overtime	\$ 3,056	
			3040, Contractual Services	\$ 9,983	
			3160, Maintenance Materials	\$ 20,068	
			6010, Office and Administrative	\$ 1,630	
		Subtotal	<u>\$ 101,867</u>		
PW-Bureau of Street Lighting	<u>Fund 206/50, Gas Tax</u>		<u>Fund 100/84, Street Lighting</u>		
	Account A924, Stairway & Walkway Lighting 5	\$ 50,000	1090, Salaries Overtime	\$ 25,000	
			8780, Street Lighting Improvement & Supplies	\$ 25,000	
		Subtotal	<u>\$ 50,000</u>		
	<u>Fund 206/50, Gas Tax</u>		<u>Fund 100/84, Street Lighting</u>		
	E967, Copper Wire Replacement	\$ 75,000	1090, Salaries Overtime	\$ 75,000	
	<u>Fund 347/50, St Lighting Maint Assessment Fund</u>		<u>Fund 100/84, Street Lighting</u>		
	C600, Available-Series to Multiple	\$ 76,000	8780, Street Lighting Improvement & Supplies	\$ 76,000	
Transportation	<u>Fund 655/94, Transportation Grant Fund</u>		<u>Fund 100/84, Street Lighting</u>		
	A712, Brdwy/Figueroa Transit Corridor Enhancement	\$ 14,000	1090, Salaries Overtime	\$ 354,600	
	C912, Chinatown Streetscape Improvements	\$ 50,000	3040, Contractual Services	\$ 20,000	
	W913, E Hollywood Shared Ped Circ Improvement	\$ 9,000	8780, Street Lighting Improvement & Supplies	\$ 140,400	
	T816, Hollywood Media District Ped Improvement	\$ 77,000	Subtotal	<u>\$ 515,000</u>	
	A734, Little Tokyo Pedestrian Linkages	\$ 100,000			
	C819, Bus Stop Imprv San Fernando Rd & Lighting	\$ 135,000			
	A556, Sun Vall-Sunland Bl Wide b/t Sn Frmdo/Strthm	\$ 60,000			
	A278, ATSAC Reseda Phase I & II	\$ 30,000			
	C286, ATSAC Platt Ranch	\$ 20,000			
	C281, ATSAC San Pedro	\$ 20,000			
		Subtotal	<u>\$ 515,000</u>		

**ATTACHMENT 6
 FY 2008-09 BUDGET ADJUSTMENTS
 TRANSFERS BETWEEN DEPARTMENTS AND FUNDS**

DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Transportation	<u>Fund 100/94, Transportation</u>		<u>Fund 100/40, General Services Department</u>	
	3040, Contractual Services	\$ 79,560	1014, Construction Salaries	\$ 22,795
			3180, Construction Materials & Supplies	\$ 56,765
			Subtotal	\$ 79,560
	<u>Fund 596/94, Transportation Regulation & Enforcement</u>		<u>Fund 100/70, Los Angeles Police Department</u>	
	3294, Taxicab Vehicle Bandit Fee	\$ 562,500	1092, Sworn Overtime	\$ 562,500
TOTAL ALL DEPARTMENTS AND FUNDS		\$ 1,843,069		\$ 1,843,069

**ATTACHMENT 7
 FY 2008-09 BUDGET ADJUSTMENTS
 APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE**

APPROPRIATE FROM:	APPROPRIATE TO:	
DEPARTMENT	FUND/ACCOUNT	AMOUNT
Outside Counsel Inc. Workers Comp.	<u>100/12, City Attorney</u> 4200, Litigation Expenses	\$ 750,000
Reserve for Economic Uncertainties	<u>100/59, Liability Claims</u> See Recommendation No. 4	\$ 2,932,500
TOTAL ALL DEPARTMENTS AND FUNDS		\$ 3,682,500

**ATTACHMENT 8
EMPLOYMENT LEVEL REPORT
FY 2008-09**

Department	Adopted Budget	Position Authorities			Filled Positions			Vacancies	Activated Sub. Auth.
		Start of October	Changes	End of October	Start of October	Changes	End of October		
Aging	44	61	-	61	49	(3)	46	15	1
Animal Services	357	412	-	412	377	-	377	35	32
Building and Safety	810	1112	-	1112	997	(10)	987	125	43
City Administrative Officer	130	135	-	135	127	(1)	126	9	
City Attorney	831	1042	-	1042	1009	1	1010	32	
City Clerk	150	157	-	157	145	(2)	143	14	3
Commission on C, Y and their F	16	31	-	31	19	(1)	18	13	1
Commission on the Status of Women	3	3	-	3	2	-	2	1	
Community Development	210	317	-	317	282	-	282	35	5
Controller	189	239	1	240	183	(1)	182	58	11
Cultural Affairs	76	80	-	80	66.5	-	66.5	14	3
Disability	13	19	-	19	19	-	19	-	
El Pueblo	21	23	-	23	17	-	17	6	2
Emergency Management	17	25	-	25	24	1	25	-	
Employee Relations Board	3	3	-	3	3	-	3	-	
Environmental Affairs	31	32	-	32	30	(1)	29	3	1
Ethics Commission	23	27	-	27	26	-	26	1	
Finance	362	389	-	389	377	(2)	375	14	20
Fire - Civilian	353	438	1	439	377	3	380	59	35
Fire - Sworn	3,586	3649	(2)	3647	3694	(16)	3678	(31)	10
General Services	2,217	2293	-	2293	2012	(7)	2005	288	22
Housing	501	598	1	599	536	(1)	535	64	13
Human Relations Commission	6	10	-	10	10	-	10	-	
Information Technology Agency	729	828	5	833	727	1	728	105	17
L.A. Convention Center	165	193	-	193	155	(1)	154	39	22
Neighborhood Empowerment	49	49	-	49	40	2	42	7	
Personnel	464	554	2	556	497	(2)	495	61	25
Planning	270	401	-	401	298	-	298	103	
Police - Civilian	3,786	3856	-	3856	3146	10	3156	700	
Police - Sworn	10,467	10493	-	10493	9746	34	9780	713	
PW/Board of Public Works	130	142	-	142	132	(1)	131	11	
PW/Bureau of Contract Admin	290	454	-	454	364	(1)	363	91	
PW/Bureau of Engineering	961	1154	-	1154	976	3	979	175	32
PW/Bureau of Sanitation	2,945	3030	-	3030	2710	(8)	2702	328	16
PW/Bureau of Street Lighting	230	247	-	247	211	(1)	210	37	2
PW/Bureau of Street Services	1,282	1637	-	1637	1327	(2)	1325	312	30
Transportation	1,584	1765	-	1765	1554	43	1597	168	16
Treasurer	38	43	-	43	36	-	36	7	3
Zoo	257	261	-	261	228	(3)	225	36	2
Subtotal	33,596 #	36,202	8	36,210	32,529	34	32,563	3,648	367
Library	1,136	1,181	-	1,181	1,134	(2)	1,132	49	-
Recreation and Parks	2,038	2,217	-	2,217	1,917	(6)	1,911	306	124
Subtotal	3,174	3,398	-	3,398	3,051	(8)	3,043	355	124
Total	36,770	39,600	8	39,608	35,580	26	35,606	4,003	491

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

Monthly Summary	Adopted Budget	Position Authorities			Filled Positions			Vacancies	Activated Sub. Auth.
		Start of Month	Changes	End of Month	Start of Month	Changes	End of Month		
July	36,770	39,518	16	39,534	35,586	(35)	35,551	3,983	430
August	36,770	39,534	37	39,571	35,551	(48)	35,503	4,068	460
September	36,770	39,571	29	39,600	35,503	77	35,580	4,020	482
October	36,770	39,600	8	39,608	35,580	26	35,606	4,003	491
November			-			-		-	-
December			-			-		-	-
January			-			-		-	-
February			-			-		-	-
March			-			-		-	-
April			-			-		-	-
May			-			-		-	-
June			-			-		-	-

Attachment 9.1
2008-09 Revised Revenue Outlook

At November 30, 2008

\$ Millions

Budget Revenue \$ 4,554.0

	Changes			
	October 17	November 30	Cumulative	
Economy Sensitive				
Sales Tax	(\$5.0)	(\$10.0)	(\$15.0)	
Business Tax	(5.0)	(10.0)	(15.0)	
Hotel Tax	(3.0)		(3.0)	
Parking Tax	(2.0)		(2.0)	
Real Estate - Documentary Tax	(10.0)		(10.0)	
Communication Users' Tax		8.2	8.2	
Vehicle License Fee		(10.0)	(10.0)	
Departmental Receipts	(30.0)	(0.9)	(30.9)	
Recommended Adjustments	\$ (55.0)	\$ (22.7)	\$ (77.7)	(77.7)
Revised Revenue Estimate				<u>\$ 4,476.4</u>

These accounts would be affected by a recession.

This account is most affected by the real estate downturn. Budget anticipated a decline of 10%; this revises the revenue drop to 20%.

One-time audit-recovery of \$8.2 million in prior-year taxes.

Slump in new vehicle sales reduces state collections of vehicle license fees. State-mandated administrative costs and distributions provided by law take precedence over distribution to California cities. In November, collections were insufficient to make any distribution to California cities.

Likely shortfall is related to difficulty of completing property sales in current market and economy-related factors and collection issues affecting special fund receipts. This could leave insufficient funds for the full budgeted reimbursements and transfers from special funds.

Attachment 9.2
Fiscal Year 2008-09 General Fund
Receipts At November 30, 2008
 \$ Thousands

	Budget	Plan @ Nov 30	Receipts @ Nov 30	Variance (Receipts Less Plan)	
Property Tax	\$1,461,394	\$102,837	\$139,374	\$36,537	<p>City secured receipts include \$12 million in secured carryover revenue from FY 2007-08. In addition, redemptions are currently \$17 million ahead of plan and supplemental receipts are \$8 million above plan. The County collection rate declined by more than 2 percentage points last year. The collection rate is expected to fall more this year. Each one-percent drop in the collection rate reduces City revenue by more than \$10 million. The carryover, higher redemptions and supplemental receipts result in more than a \$36 million positive variance at November. But increasing the property tax estimate in the current market would be very speculative. No change in this account is recommended.</p>
Utility Users' Tax	637,600	265,203	289,684	24,481	<p>Electric is \$1 million above plan -- too close to change.</p> <p>Gas is nearly \$5 million above plan, but the commodity price has declined more than 50% since the beginning of the fiscal year. The positive variance at November will likely be needed to offset below-budget revenue in the peak Winter months. Even then, the gas users' tax figures to fall short.</p> <p>Telephone users' tax receipts are \$17 million above plan at November. \$8.2 million of the positive variance is from an audit settlement related to prior year taxes. This unbudgeted revenue can be added to our revised revenue estimate.</p>

Attachment 9.2
Fiscal Year 2008-09 General Fund
Receipts At November 30, 2008

\$ Thousands

	Budget	Plan @ Nov 30	Receipts @ Nov 30	Variance (Receipts Less Plan)	
					<p>The balance of the telephone tax variance at November likely relates to Measure S approved by the electorate on the February 2008 election ballot. The budget anticipated a 10% tax rate cut offset by 6% growth in the tax base. Part of this growth is related to expansion of the telephone users' tax base to include users' of telecommunications services not previously taxed. We need to watch this for a few more months before recommending a change. Some or all of any surplus in this account figures to be needed to offset anticipated declining revenue from the gas users' tax.</p>
Licenses, Permits, Fees and Fines	804,178	253,496	206,625	(46,871)	<p>Overhead reimbursements from proprietary billings are below plan at November. Some of the variance may be related to the timing of cash receipts, but at least \$30 million will not be achieved.</p>
Business Tax	472,395	23,494	29,079	5,585	<p>Business tax receipts are currently ahead of plan; but 95% of business tax receipts come in the second half of the fiscal year. The current variance is not meaningful. This account figures to fall short.</p>

Attachment 9.2
Fiscal Year 2008-09 General Fund
Receipts At November 30, 2008

\$ Thousands

	Budget	Plan @ Nov 30	Receipts @ Nov 30	Variance (Receipts Less Plan)	
Sales Tax	336,137	135,664	138,238	2,574	City sales tax receipts are a little below last year's level, but slightly above budget plan. The variance to date is more linked to the timing of cash flow than economic activity. Current receipts reflect taxable sales through Spring '08. Summer quarter receipts will be known by December 22, but Summer activity still would not fully reflect Wall Street troubles and the continuing effects of the recession. Fourth quarter (which includes Christmas) receipts will be available in April. An early warning sign is that state sales tax cash collections -- which lead city receipts by about one calendar quarter -- are 4% below last year's
Documentary Transfer Tax	120,024	52,002	45,757	(6,245)	Receipts are \$6 million below plan; we previously reduced our estimate by \$10 million. Real estate volume in Los Angeles County increased in November, but prices continue to slide. We will watch this for another month or two.
Power Revenue Transfer	197,400				
Transient Occupancy Tax	155,914	66,522	63,220	(3,302)	We previously reduced this account by \$3 million. We will keep watching; additional adjustments may be necessary.
Parking Fines	134,000	53,900	53,815	(85)	
Parking Users' Tax	94,480	38,480	34,160	(4,320)	We previously reduced this account by \$2 million. We will keep watching; additional adjustments may be necessary.

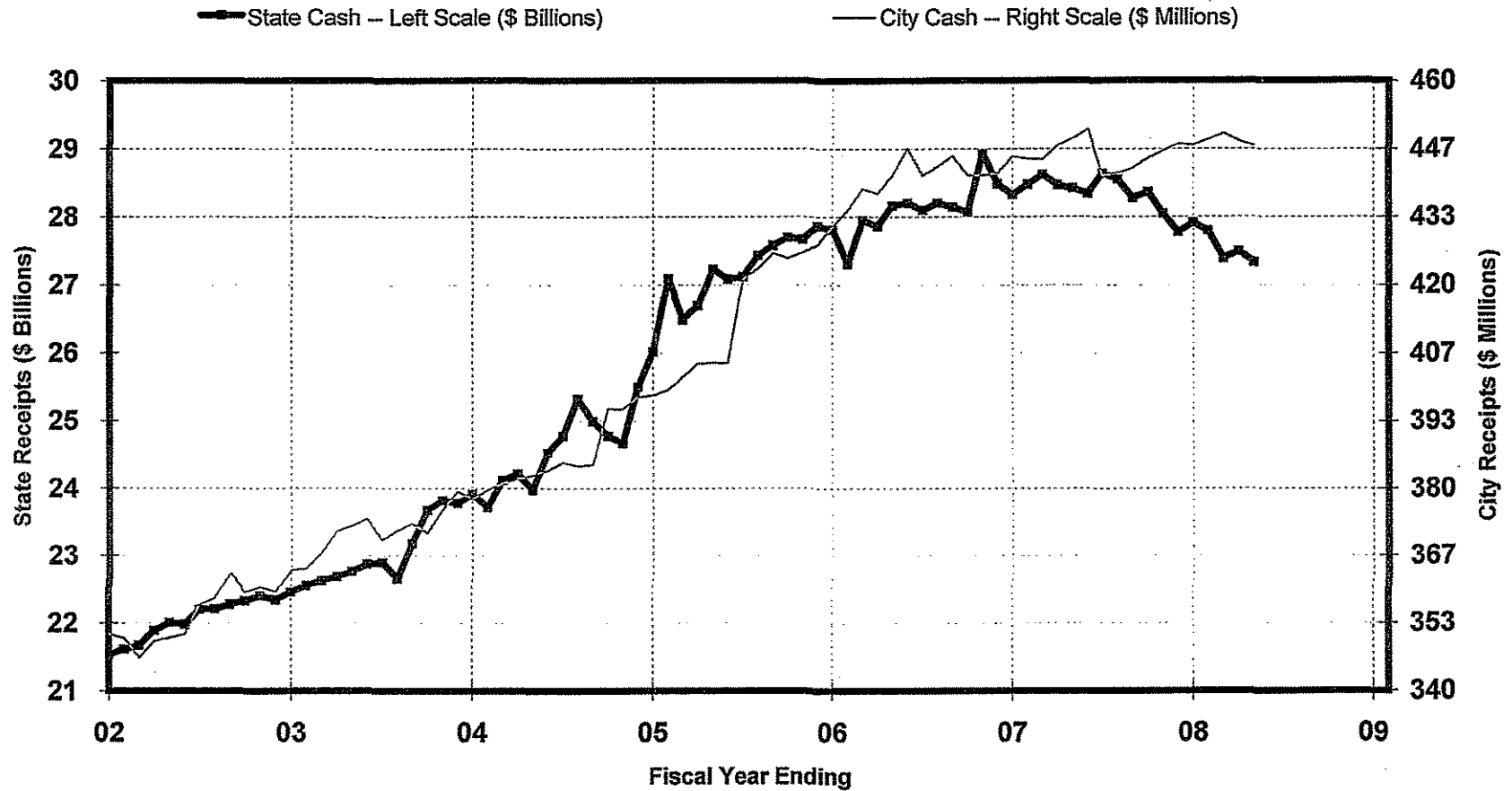
Attachment 9.2
Fiscal Year 2008-09 General Fund
Receipts At November 30, 2008

\$ Thousands

	Budget	Plan @ Nov 30	Receipts @ Nov 30	Variance (Receipts Less Plan)	
Franchise Income	53,341	22,735	26,102	3,367	This account is composed of income from a variety of sources including taxicabs, cable TV and natural gas. Most categories are tracking budget. The exception is natural gas, which causes the \$3+ million variance at November. But the price of natural gas is declining and the positive variance is expected to wash out by the end of the fiscal year.
State Motor Vehicle License Fees	19,700	8,207	6,042	(2,165)	This was close to plan through September; in November, state receipts are less than statutory disbursement requirements and there is nothing available for distribution to California cities. Based upon recent receipts and the linkage between this account's and new vehicle sales, vehicle license fee revenue figures to fall \$10 million short.
Grant Receipts	17,116	7,132	6,526	(606)	
Transfer from Tax Reform Fund					
Tobacco Settlement	12,028				
Transfer from Telecommunications Fund	3,871				
Residential Development Tax	1,920	800	812	12	
Subtotal General Fund Less Interest Income	\$4,521,498	\$1,030,472	\$1,039,436	\$8,964	Close at November; but not sustainable.
Interest Income	32,172	9,924	18,980	9,056	Variance relates to timing of disbursements to proprietary departments and special funds. Current variance not meaningful.
Total General Fund	\$4,553,670	\$1,040,396	\$1,058,415	\$18,019	

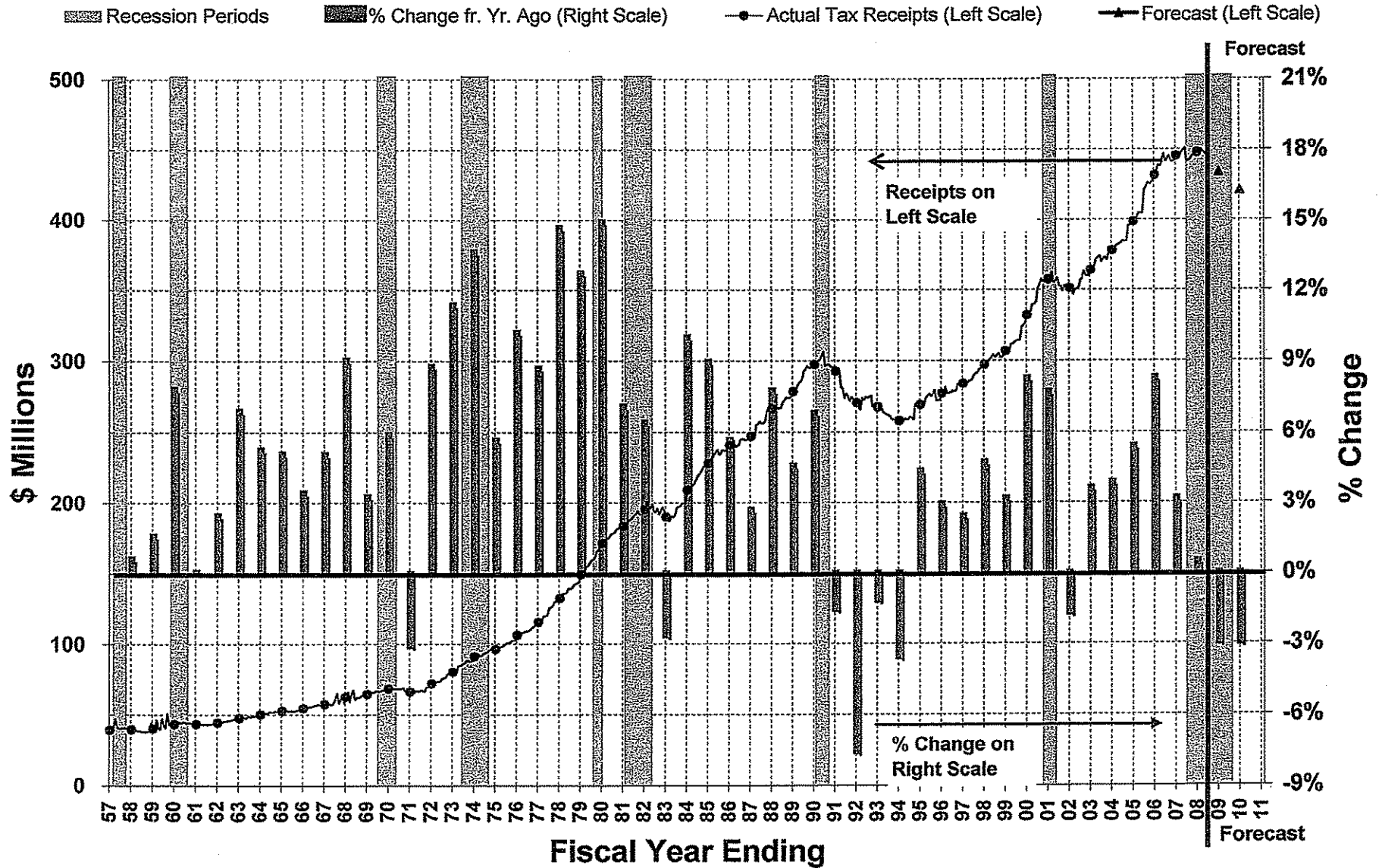
Attachment 9.3: State and City Cash Receipts

12-Month Moving Sum

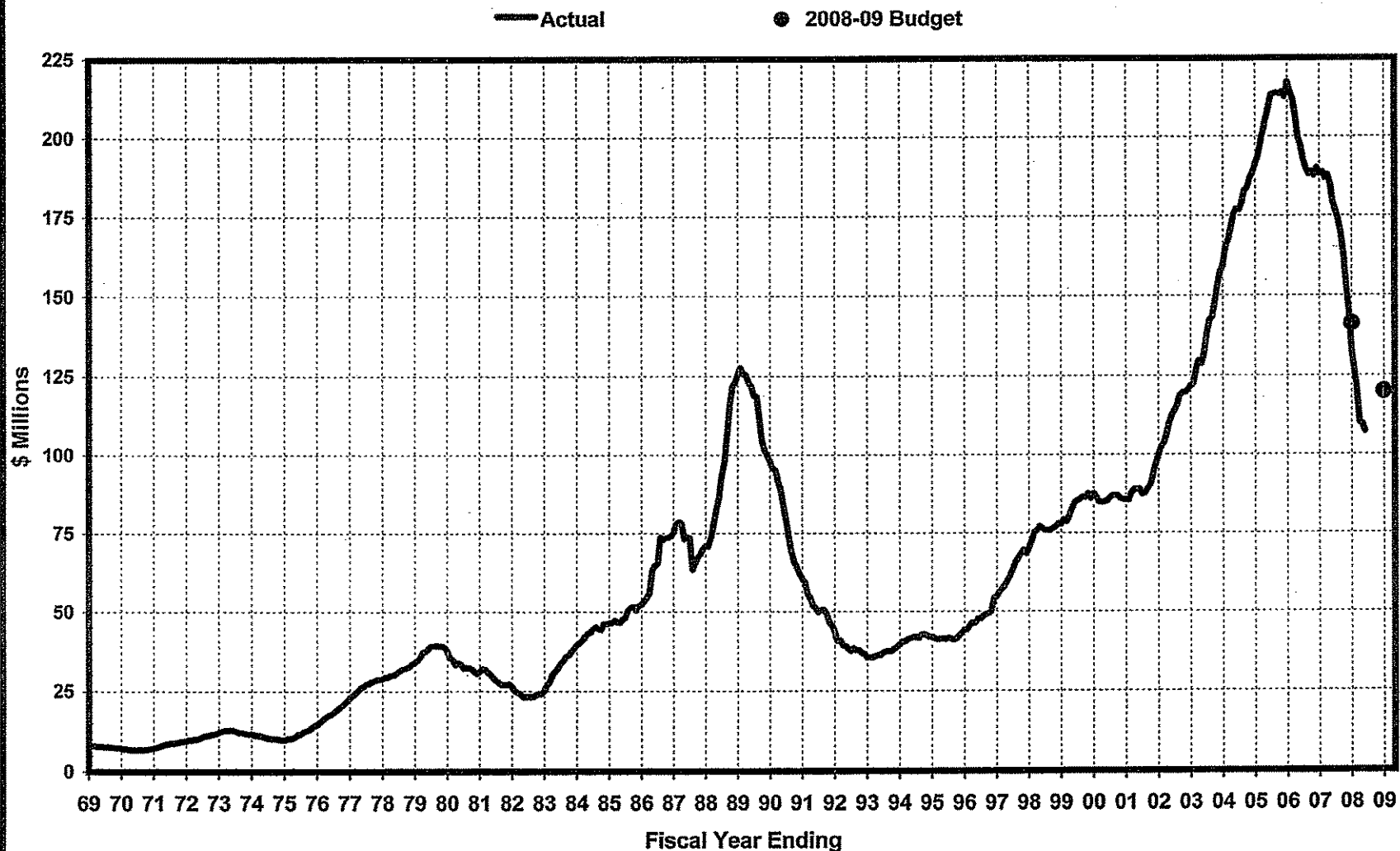


State sales tax cash receipts from retail stores trail taxable activity by a month and City receipts from the state trail taxable activity by another couple of months. State cash receipts reflect Summer quarter sales; City receipts still reflect mostly Spring activity. At October, City receipts are stalled at about the same level as last year; state receipts — which reflect later activity — are nearly 4% below last year's level. City receipts will chase state cash.

Attachment 9.4: Recessions and Sales Tax



**Attachment 9.5: Documentary Transfer Tax Receipts
12-month Moving Sum
(Data prior to 1991 is adjusted for change in tax rate)**

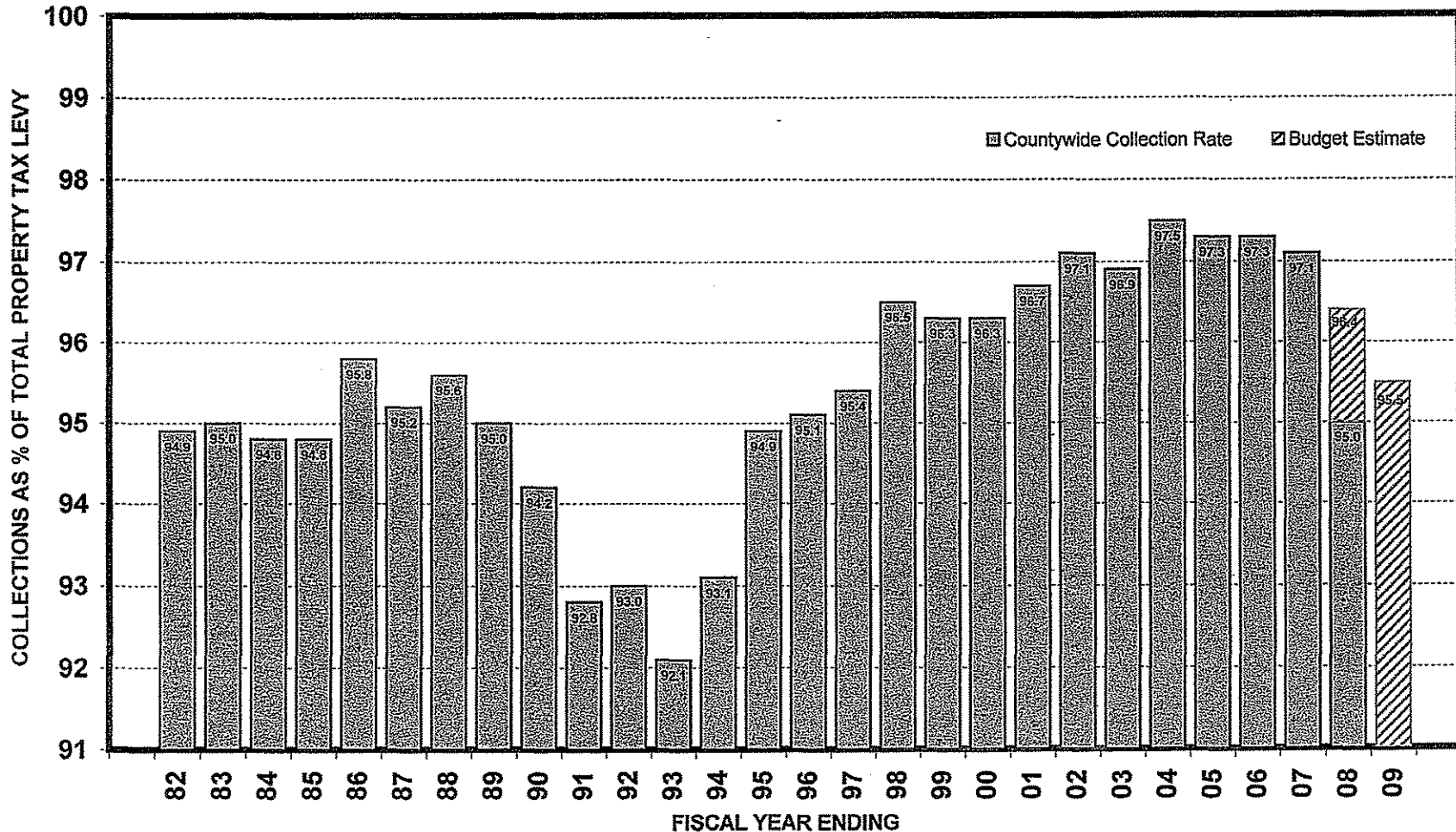


The FY 2008-09 budget anticipated a revenue drop of 25% in FY 2007-08, followed by a 15% decline in FY 2008-09. The actual decline in FY 2007-08 was 29%. Receipts for the 12-months ending November 2008 are 11% below the budgeted level for FY 2008-09 and 40% below the prior year.

Attachment 9.6: Property Tax Collection Rate

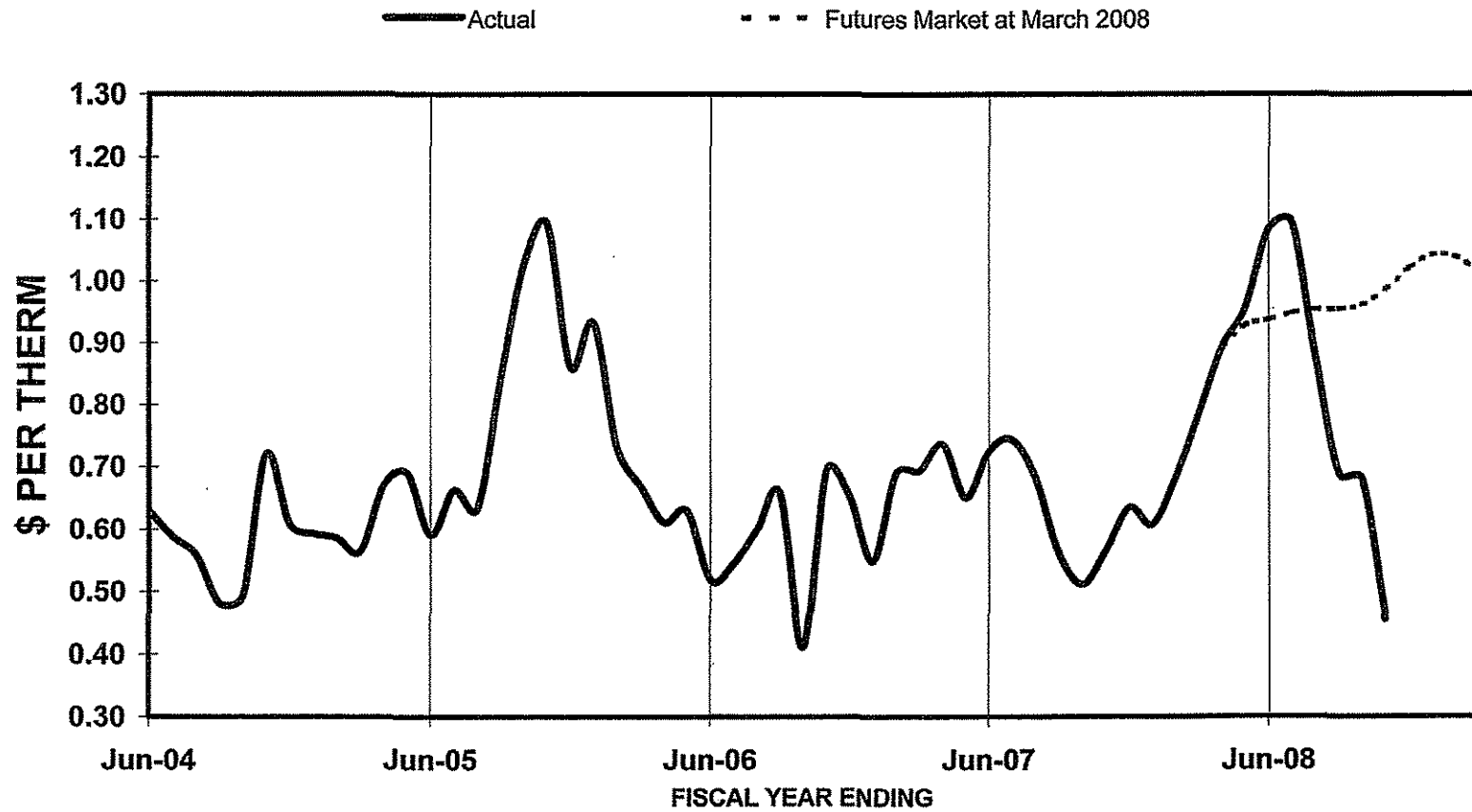
County of Los Angeles

Source: County of Los Angeles, Comprehensive Annual Financial Report



The countywide 'current year collection rate' averaged more than 97% between 2001 and 2007. But the collection rate was much lower in the early 1990s – 92%. In anticipation of the slowing real estate market, the 2007-08 City budget reduced the anticipated collection rate to 96.4%. The actual 2007-08 collection rate was 95% – 1.4% below plan. The 2008-09 budget, which was adopted before the 2007-08 collection rate was known, projected a 2008-09 collection rate of 95.5%. Because that projection is higher than last year's actual, the 2008-09 forecasted collection rate now appears to be optimistic. Each one-percent change in the collection rate affects City revenue by about \$10 million.

Attachment 9.7: COST OF NATURAL GAS



Natural gas prices have been declining.

Attachment 9.8
REVENUE MONTHLY STATUS REPORT
State Motor Vehicle License Fees (VLF)

(Thousand Dollars)

MONTHLY	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$1,558	\$2,151	\$284	\$1,642	\$962	(\$680)
AUGUST	946	4,452	1,758	1,642	1,443	(199)
SEPTEMBER	4,136	4,341	3,482	1,642	3,309	1,667
OCTOBER	1,722	1,455	934	1,642	329	(1,313)
NOVEMBER	1,857	2,095	2,009	1,642	0	(1,642)
DECEMBER	971	895	525	1,642		
JANUARY	2,101	1,658	1,413	1,642		
FEBRUARY	2,218	2,507	2,442	1,642		
MARCH	627	978	919	1,642		
APRIL	2,852	2,852	1,511	1,642		
MAY	2,261	2,054	1,170	1,642		
JUNE	2,427	996	691	1,642		
TOTAL	\$23,676	\$26,434	\$17,138	\$19,700		
% CHANGE	-44.0%	11.6%	-35.2%	-16.8%		

CUMULATIVE	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$1,558	\$2,151	\$284	\$1,642	\$962	(\$680)
AUGUST	2,504	6,603	2,042	3,283	2,405	(878)
SEPTEMBER	6,640	10,944	5,524	4,925	5,714	789
OCTOBER	8,362	12,399	6,458	6,567	6,043	(524)
NOVEMBER	10,219	14,494	8,467	8,208	6,043	(2,165)
DECEMBER	11,190	15,389	8,992	9,850		
JANUARY	13,291	17,047	10,405	11,492		
FEBRUARY	15,509	19,554	12,847	13,133		
MARCH	16,136	20,532	13,766	14,775		
APRIL	18,988	23,384	15,277	16,417		
MAY	21,249	25,438	16,447	18,058		
JUNE	23,676	26,434	17,138	19,700		

More than 90 percent of this historically local revenue has been swapped back to property tax by state action. The remaining portion, budgeted at \$19.7 million in the current year, is linked to vehicle license fee payments received by the state.

The City receives a population-based share of the distribution to all California cities -- about 13% of the distribution. But before the distribution, monies budgeted by the state for state administrative costs and funding requirements of the Revenue and Taxation code are deducted. In November, such state-mandated costs exceeded the total collection, leaving nothing for distribution to California cities.

Since July 2006, state revenue has been flat, state mandated costs have increased by 13% and the California Cities share has declined by 28%. State revenue has fallen in recent months below the level needed to fund any distribution to California cities. A major component of vehicle license fee revenue is new vehicle sales, which have declined sharply in recent months. The outlook for a significant distribution to California cities beyond what has already been received is grim.