

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: *October 17, 2008*

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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: **SECOND FINANCIAL STATUS REPORT**

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### SUMMARY

The Office of the City Administrative Officer monitors the budget and transmits reports detailing the City's current financial condition to both the Mayor and Council. As instructed in the 2008-09 Budget, this Office is transmitting the Second Financial Status Report for 2008-09. This report summarizes the budget status through September.

Potential expenditure deficits of approximately \$82 million are identified in this report. About \$35 million of this amount is attributable to departmental shortfalls that are mainly due to short-term layoff reductions in the 2008-09 Budget. Approximately \$47 million is due to non-departmental shortfalls primarily due to anticipated liability claim settlements and petroleum expenditures. Attachment 4 provides a detailed breakdown of the projected expenditure deficits. Funds totaling \$25.9 million are available from various line items in the Unappropriated Balance (mainly \$19.87 million from the Short-Term Layoff Agreement line item) to partially offset these expenditure deficits, as well as \$1.2 million from a Fire Department special fund for a total of about \$27.1 million in offsets. After accounting for these offsets, the net year-end expenditure deficit is reduced to approximately \$55 million. The following table illustrates current year potential expenditure deficits.

2008-09 Appropriation Deficits (in millions)	
Departmental	\$(35)
Nondepartmental	(47)
Offsets:	
Unappropriated Balance	26
Fire Special Training Fund	1
Total	<u>\$(55)</u>

In addition to potential expenditure deficits, year-end revenue projected shortfalls of approximately \$55 million are identified in this report. These revenue shortfalls are due to a decrease in economy sensitive revenue, documentary transfer tax and departmental receipts. The table below illustrates current year potential revenue shortfalls.

2008-09 Revenue Shortfalls (in millions)	
Economy-Sensitive	\$(15)
Real Estate Related (Documentary)	(10)
Departmental Receipts	(30)
Projected Revenue	<u>\$(55)</u>

The combined revenue shortfalls of \$55 million and expenditure deficits of \$55 million result in a total year-end imbalance of \$110 million that must be addressed by year-end. The magnitude of this budget imbalance will require a reduction in services and deletion of position authorities. Therefore, through the Managed Hiring Process, this Office, in coordination with the Mayor's Office and the Chief Legislative Analyst, will continue working toward increasing departmental vacancies to generate savings and minimize any potential layoffs.

Although it is still too early in the fiscal year to determine whether all of the anticipated expenditure deficits will materialize, immediate steps must be taken to reduce current year expenditures, particularly in light of budgeted revenues that may not materialize. In addition, the State's current economic outlook and the status of the financial markets present significant risks. Therefore, departments should make every effort to mitigate potential budgetary shortfalls by managing hiring and identifying internal savings.

### **Proposed Budget Balancing Actions**

We are in the process of identifying interim budget solutions that will begin to address current-year deficits and mitigate any impact on 2008-09. It is anticipated that this process will be complete and we will report to the Council regarding these budget solutions in November. Until that time, we are recommending the following Mayor and Council actions:

- A temporary moratorium on Special Event Fee Waivers including Convention Center Fee Waivers;
- A review of special funds for potential General Fund savings;
- Continued strict administration of the Managed Hiring Process;
- A re-evaluation of new services included in the 2008-09 Budget; and
- Assistance from departments in identifying current year budget cuts that can be implemented as soon as December 2008.

## **Revenue**

At the time the 2008-09 Budget was adopted, the consensus of economists and industry analysts was that the national and local economic expansion since 2002 was not sustainable, but few were willing to forecast a recession. An overwhelming consensus of economists now forecast a severe recession which would affect both the current year and 2009-10. The Wall Street Journal reports that, if the predictions of its forecasting survey bear out, it would mark the first time the U.S. economy has contracted for three consecutive quarters in more than half a century.

Because year-to-date budget estimates were consistent with a slowing economy and a declining real estate market, most revenue accounts are close to plan after three months. However, the gap between actual receipts and the budget plan will widen in coming months as the effects of a depressed local real estate market combined with what appears to be a severe national recession erode the City's tax base. Further, the single biggest risk to City revenue is the potential for State action that would eliminate or reduce traditional City receipts. The State viewed such possibilities during its prolonged budget process but adopted a budget that did not substantially encroach on local revenue. A major concern is that the State budget will be reopened and balanced by redirecting local revenue.

We now recommend that City budget planning anticipate a \$55 million reduction in available revenue in this fiscal year and project that known available revenue next year will be lower than current-year revenue (Attachments 14a-14dd). The recommended reduction in the current fiscal year is a starting point based on the effects of receipts from taxable transactions already in process. The full-year effect of the recession will be felt next fiscal year. There is little basis in the current pattern of receipts to quantify the depth of the revenue decline this fiscal year and additional adjustments may be still necessary.

Even after making the \$55 million in current-year reductions, there is still more downside risk and little upside potential. The risk to the City's budget from a severe recession is real since 75 percent of General Fund revenue is directly linked to the economy. We will continually monitor all accounts and make additional recommendations as information becomes available.

## **Reserve Fund**

The current Reserve Fund balance as of October 14, 2008, is estimated at \$150 million (consisting of \$125 million in the Emergency Reserve Account and \$25 million in the Contingency Reserve Account). The \$15 million transfer from current-year revenue has not yet occurred (see Attachment 2). 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 \$20 million and the \$15 million from current-year General Fund receipts, the year-end Reserve Fund balance is estimated at \$185 million.

## **Short-Term Layoff Reductions & Voluntary Furloughs**

In the First FSR, we reported the elimination of mandatory short-term layoffs due to an alternative plan negotiated with the Coalition of L.A. City Unions. The 2008-09 Budget assumed total savings of approximately \$36 million, \$23 million from the General Fund and \$13 million from special funds resulting from these short-term layoffs. However, the alternative plan identified savings equivalent to the General Fund portion consisting of \$19.87 million from Human Resources Benefits (HRB) with the balance of \$3.1 million to be generated through voluntary furloughs for a total of about \$23 million. Funding in the amount of \$19.87 million was subsequently transferred from HRB to the new Short-Term Layoff Agreement account in the Unappropriated Balance. Although these funds are available to supplement department salary accounts to cover costs related to the elimination of the short-term layoffs, the funds are insufficient to fully offset the entire \$36 million short-term layoff budget reduction. The special fund portion of the short-term layoffs (\$13 million) will be addressed on a fund by fund basis in future FSRs.

It should be noted that as of October 3, 2008, savings of \$263,391 have been achieved across City departments through voluntary furloughs. If employee participation continues at the current level through the remainder of the fiscal year, about \$1 million would be generated from voluntary furloughs by year-end, short of the \$3.1 million required. Assuming that the savings from voluntary furloughs do not increase, departments will also need to generate internal savings to offset these reductions by year-end. The Managed Hiring Process will continue to be used to generate savings to this end.

Based on our review of year-end department expenditure projections, it appears that some departments will be able to absorb the short-term layoff budget reductions. To date about half of all City departments are projected to be on track to absorb the General Fund reductions without additional appropriations from the UB, Short-Term Layoff Agreement account. The remaining City departments will either partially absorb these reductions or require an appropriation from the UB to offset the full amount of the reduction. At this time, we are recommending a \$5 million appropriation from this account to the Department of Recreation and Parks (\$2.5 million) and the Police Department (\$2.5 million) as these departments are unable to absorb these reductions without a significant impact to their operations.

## **State Budget**

The State Budget was signed by the Governor on September 23, 2008. Although the budget does not include borrowing of local government (Proposition 1A) or transportation (Proposition 42) revenues, and many reductions only directly impact State and County agencies, it is possible that some of the agency cuts may trickle down to the City in some way. Departments are in the process of receiving written notification regarding impacted grant awards. We will continue to monitor the budget closely as more information unfolds. At this time we are aware of the following issues:

- As part of the 7.7 percent shift of local redevelopment funds to schools and community colleges, the Los Angeles Community Redevelopment Agency (CRA) will experience a one-

time loss of \$15 million with no repayment. The deadline to submit payments is May 10, 2009. The CRA is in the process of identifying the project areas and funding sources that will be impacted.

- It is also important to note that special revenue collected by the State and allocated to local agencies is below budget. At this time we identify a reduction in Gas Tax receipts from the State in the amount of \$4.9 million and a decrease in Traffic Congestion Relief Fund revenue (commonly known as Proposition 42 fund) in the amount of \$1.75 million, for a total projected shortfall of \$6.65 million. To offset this shortfall, this Office is recommending deferral of capital projects instead of reducing funding to departments' operating budgets. This issue is discussed in further detail in Section 4B of this report.
- The State's Budget includes a reduction to the State Public Library Foundation (PLF). Based on this reduction, the Los Angeles Public Library anticipates a potential drop in PLF grant receipts (possibly a drop of \$169,236). The Library and CAO staff will continue to monitor these developments and report back in the Mid-Year.
- The Department of Aging is anticipating a drop in State funding for the Senior Community Service Employment Program of about \$250,000, which includes a federal funding increase. The Ombudsmen and Elder Abuse Prevention Program has also been impacted. The State has eliminated funding for this Program by approximately \$312,000. The Department reports that Federal funds will have to supplement these State reductions. This is expected to impact service levels. The Department is preparing a memo to the Mayor and Council relative to these issues.

The State's fiscal condition continues to be a major cause for concern. State officials are pointing to a potential \$3 billion to \$5 billion current-year budget deficit, as well as a significant cash flow problem which is compounded by the effects of the financial markets. The State Controller has cautioned that the State may run out of cash in October. Furthermore, there is concern that the current credit markets may prevent California from obtaining enough cash to pay for services. Talks of an emergency budget session to discuss budget cuts or tax increases are underway. Although, the actual impact to the City is unknown at this time, we are watching these developments very closely for any impact to the City.

### **Issues of Concern**

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

- **Financial Markets:** During September, turmoil in the U.S. financial markets began. The municipal long-term credit market came to a virtual standstill in the days and weeks that have followed. Overseas, the European Union also experienced turmoil in its financial markets. Numerous credit ratings downgrades have followed and further affected the municipal market.

The municipal market has never seen market events such as those that have transpired over the last month. We hope that the \$700 billion bailout package recently passed by Congress will help restore credit to the markets, including the municipal market. Further, the Federal Reserve announced this week that it would begin to purchase corporate commercial paper in an attempt to restore some stability to the short-term market. Although last week saw an increased demand for variable rate bonds by traditional investors such as money market funds, it is premature to say whether that trend will continue and markets will stabilize.

This Office believes that the credit market will remain volatile over the next six to 12 months and will continue to react to economic data as it is learned. The affect for the municipal market is that it will be more difficult to price bonds. This will require flexibility in documents and the ability to change underwriters and/or consultants quickly to ensure the most advantageous position to the City. It is already evident that underwriters will demand a higher fee for remarketing bonds. We currently pay between four (4) and six (6) basis points but we understand that firms are beginning to ask for eight (8) to ten (10) basis points. This will affect both the Wastewater System and MICLA Commercial Paper (CP) programs.

- **Petroleum:** The General Services Department (GSD) is projecting a shortfall in the Petroleum Products account between \$18 million to \$28 million. However, this Office believes that the shortfall may be less. The price of crude oil has fallen to its lowest price in a year, trading below \$80 a barrel. If the current price trend continues, the projected shortfall could be between \$13 million to \$20 million (this estimate excludes the \$4 million in the Unappropriated Balance for petroleum contingencies). There is a lag between a drop in crude oil prices and the prices the City pays for fuel. We would expect to see the cost the City pays to gradually drop over the next several months. Additionally, we believe volume will fall moderately as City employment levels and programs constrict due to the current economic crisis. A total of \$42.3 million has been budgeted in the Petroleum Products account. An additional \$4 million is included in the Unappropriated Balance for petroleum contingencies. This Office will continue to monitor this account and recommend adjustments at a later time.
- **Liability Claims:** In the First FSR we projected a potential year-end deficit in the range of \$5 million to \$20 million for liability claims based on earlier assumptions. However, based on the most recent information provided by the City Attorney relative to City Attorney-managed cases, and the latest developments from Attorney Conflict Panel (ACP) cases, a shortfall in the range of \$13.5 million to \$32.7 million is now projected. See Section 3D for additional discussion.

## Five Year Forecast

Attachment 13 provides the current five-year General Fund budget forecast with a projected deficit of \$281.7 million in 2009-10. It is important to note that the full-year impact of the recession is expected to be felt next year. We will be revisiting the five-year forecast in the next FSR to update projected revenues and expenditures.

## **Budgetary Adjustments**

Budgetary adjustments totaling approximately \$31.4 million are recommended in this report. These actions include:

- \$1.5 million in Reserve Fund reappropriations (Police Department and Street Services);
- \$1.2 million for reappropriations from special funds;
- \$3.3 million for transfers between accounts within various departments and funds;
- \$4.7 million for transfers between various departments and funds;
- \$10.4 million for appropriations from the Unappropriated Balance (including \$5 million from the Short-term Layoff Agreement account)
- \$6.65 million in total adjustments within the Special Gas Tax Improvement Fund to offset a reduction in Gas Tax receipts from the State and a decrease in Proposition 42 revenue; and,
- \$3.7 million for increases in appropriations and other adjustments.

## **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. Reappropriations from the Reserve Fund
6. Transfers between Accounts within Departments and Funds
7. Transfers between Departments and Funds
8. Reappropriations from Special Funds
9. Appropriations from the Unappropriated Balance
10. Special Gas Tax Improvement Fund Transfers
11. Status of Fee Increases in the 2008-09 Budget
12. Employment Level Report
- 13a. Five-Year General Fund Revenue and Expenditure Forecast
- 13b. Five-Year Forecast-Assumptions
- 14a-dd. Status of Receipts for 2008-09

## **RECOMMENDATIONS**

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

1. Transfer \$3,314,937 between accounts within various departments and funds as specified in Attachment 6;

2. Transfer \$4,687,953 between various departments and funds as specified in Attachment 7;
3. Reappropriate \$1,171,904 from various special funds as specified in Attachment 8;
4. Appropriate \$10,361,000 to various departments from the Unappropriated Balance as specified in Attachment 9;

Community Development

5. Approve the following actions to allow the Community Development Department (CDD) to pay for costs associated with the Enterprise Zone Tax Credit as authorized by Ordinance No. 176632:

- a. Increase and/or establish new accounts and appropriate \$439,850 within the Enterprise Zone Tax Credit Fund No. 48L/22 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
E122	Community Development Department	\$285,985
E299	Related Costs	124,015
C299	Related Costs	<u>29,850</u>
	Total	\$439,850

- b. Appropriate \$285,985 to the Community Development Fund No. 100/22 as follows:

<u>Account No</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries General	\$250,736
1090	Overtime General	3,600
6010	Office and Administrative	951
6030	Leasing	<u>30,698</u>
	Total	\$285,985

- c. Decrease appropriations within the Enterprise Zone Tax Credit Fund No. 48L/22 as follows:

<u>Account No</u>	<u>Account Name</u>	<u>Amount</u>
Y299	Related Costs	\$1,185.41
A122	Community Development Department	891.56
A299	Related Costs	<u>935.61</u>
	Total	\$3,012.58

6. Approve the following actions to allow CDD to pay for costs associated with the Office of Traffic and Safety Grant (CF 07-2715) for the period of July 1, 2008 to June 30, 2009:



- a. Transfer appropriations within the Traffic Safety Education Program Fund No. 45C/22 as follows:

b.

	<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
From:	C045	Traffic Safety Education	\$ 696,839
	C122	Community Development Department	<u>332,919</u>
			\$1,029,758
To:	E122	Community Development Department	\$ 888,849
	E299	Related Costs	<u>140,909</u>
		Total	\$1,029,758

- c. Appropriate \$888,849 to the Community Development Fund No. 100/22 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries General	\$444,779
2120	Printing and Binding	17,861
2130	Travel	14,099
3040	Contractual Services	37,936
6010	Office and Administrative	9,865
6020	Operating Supplies	<u>364,309</u>
	Total	\$888,849

7. Approve the following actions to allow CDD to pay for costs associated with the Ending Chronic Homelessness-LA Hope Grant for the period of July 1, 2008 to June 30, 2009:
- a. Transfer appropriations in the amount of \$38,261.30 within the Ending Chronic Homelessness - L.A. Hope Fund No. 48D/22, from Account W330, Ending Chronic Homelessness, to Account E122, Community Development Department;
  - b. Appropriate \$38,261.30 to Community Development Fund No. 100/22, Account 1010, Salaries General;
8. Authorize the Community Development Department to prepare Controller instructions and/or make any technical adjustments that may be required and are consistent with Recommendations Nos. 5, 6, and 7, subject to the approval of the City Administrative Officer and authorize the Controller to implement these instructions;

Cultural Affairs

9. Instruct the General Manager of the Department of Cultural Affairs to refrain from making additional hires that will result in a shortfall in its Salaries As-Needed account;

El Pueblo

10. Authorize the Controller and El Pueblo to transfer the reimbursements for Overtime and As-Needed costs associated with filming and special events held at El Pueblo de Los Angeles Historical Monument from the El Pueblo de Los Angeles Historical Monument Revenue Fund No. 737 to El Pueblo Fund No. 100/33, Account 1090, Overtime General, and Account 1070, Salaries As-Needed;

General Services

11. Transfer \$19,298 within the Sanitation Equipment Charge Fund No. 47D/50, from Account V322, Call Center Improvements to Account E140, General Services Department (GSD) and increase appropriations to the following accounts within General Services Department Fund No. 100/40:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1014	Construction Salaries	\$11,579
3180	Construction Materials and Supplies	<u>7,719</u>
	Total	\$19,298

12. In accordance with the Recommendation No. 11, transfer funds in the amount of \$19,298 from the Sanitation Equipment Charge Fund No. 47D/50, Account E140, General Services Department to General Services Department Fund No. 100/40 on as needed basis upon proper documentation from the General Services Department and the approval of the Bureau of Sanitation (Solid Resources Support Services Division);

13. Approve the following actions to allow GSD to pay for the installation of additional airframe, avionics and mission equipment into Police Department Helicopters:

- a. Transfer appropriations within the MICLA Fund No. 298/70 as follows:

	<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
From:	A735	Police Helicopters MICLA CP07	\$ 78,360
	C735	Police Helicopters MICLA CP08	<u>81,000</u>
			\$159,360
To:	E140	General Services Department	\$159,360

- b. Appropriate \$159,360 to the General Services Department Fund No. 100/40, Account 1010, Salaries General;

14. In accordance with Recommendation No. 13, instruct the Bond Fund Administrator to transfer cash from MICLA Fund No. 298/70 to reimburse the General Fund on an as-needed basis upon proper documentation from the Information Technology Agency and General Services and approval of the City Administrative Officer;

15. Instruct the General Services Department (GSD) to collect all costs associated with filming productions, and authorize the Controller and GSD to transfer funds from the Motion Picture Coordination Fund No. 417, as appropriate, for reimbursement of direct expenditures provided in support of filming activity, to the following accounts within GSD Fund No. 100/40: Account 1090, Salaries Overtime, Account 1070, Salaries As-Needed, Account 3160, Maintenance Materials and Supplies, and Account 6010, Office and Administrative;

#### Housing

16. Approve the following actions to fund administrative costs associated with a City Planning Associate positions assigned to the Housing Department's Major Projects division:
  - a. Transfer appropriations in the amount of \$90,861 within the Community Development Trust Fund No. 424 from Account E143, LAHD, to Account E225, Planning-LAHD;
  - b. Decrease appropriations to Los Angeles Housing Department Fund No. 100/43, Account 1010, Salaries General, by \$90,861;

#### Information Technology Agency

17. Transfer appropriations in the amount of \$62,141 within the Telecommunication Development Account (TDA) Fund No. 342/32 from Account 000E, Available Funds, to Account 015E, LA CityView 35 Operations, to reimburse Channel 35 for services provided primarily to the Los Angeles World Airports and the Department of Water and Power;
18. Increase by \$49,733 the appropriation for the Telecommunication Development Account (TDA), Fund No. 342/32, Account 015E, LA CityView 35 Operations, from the TDA, Revenue Source Code 4511, Contributions from Non-Government Sources, to reimburse Channel 35 for services provided to the Port of Los Angeles;
19. Authorize the use of up to \$1.2 million in MICLA financing to allow ITA to upgrade the infrastructure of the City's 18 GHz Microwave Radio System;
20. Increase by \$12,342 the appropriation for the Information Technology Agency (ITA) Fund No. 100/32, Account 9350, Communications Services, from the ITA, Fund 100/32, Revenue Source Code 4610, Reimbursements from other Departments / Funds, to reimburse ITA for communications service requests completed for various City departments;
21. Instruct the Information Technology Agency to take all necessary steps to address its projected \$1,000,000 Salaries Overtime deficit within its budgeted funds;

#### Los Angeles Convention Center

22. Transfer \$413,000 from the Available Balance in the Convention Center Revenue Trust Fund No. 725 to Account 148E, Los Angeles Convention Center, and increase appropriations of the following accounts in the Convention Center Fund No. 100/48:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1070	Salaries As-Needed	\$ 225,000
3040	Contractual Services	143,000
3160	Maintenance, Materials & Supplies	15,000
3380	Electrical Services	10,000
6020	Operating Supplies	<u>20,000</u>
Total		\$413,000

LA Inc., The Convention and Visitors Bureau

23. Transfer appropriations of \$811,717.38 within Los Angeles Convention and Visitors Bureau Trust Fund No. 429/10, from Account C200, Unallocated, to the Los Angeles Convention and Visitors Bureau, Account C429;
24. Increase appropriations for the Los Angeles Convention and Visitors Bureau, Fund No. 429/10, Account C429, by \$811,717.38 from the available balance within the Los Angeles Convention and Visitors Bureau Trust Fund No. 429;
25. In accordance with Recommendation Nos. 23 and 24, authorize the City Administrative Officer to pay LA INC., The Convention and Visitors Bureau, the final invoices for 2007-08;

Mayor

26. Approve the following actions relative to the Census 2010 Outreach Plan:

- a. Transfer appropriations in the amount of \$284,369 within the Community Development Trust Fund No. 424 from Account E432, Census 2010 Outreach Plan, to Account E146, Mayor's Office;
- b. Appropriate \$284,369 to Fund No. 100/46 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries General	\$109,369
2120	Printing and Binding	75,000
2130	Travel	5,000
3040	Contractual Services	50,000
6010	Office & Administrative Expense	15,000
6020	Operating Supplies	20,000
7300	Furniture Equip	<u>10,000</u>
Total		\$284,369

- c. Transfer funds in the amount of \$284,369 from the Community Development Trust Fund No. 424, Account E146, Mayor's Office, to Mayor's Office Fund No. 100/46 on as needed basis upon proper demand of the General Manager of the Community Development Department;

27. Transfer \$60,000 from the Mayor's Office Fund No. 100/46, Balance Sheet Account 2200, Miscellaneous Deposits, to the Mayor's Office Fund No. 100/46, Account 3040, Contractual Services, from funds received from the Housing Authority of the City of Los Angeles to reimburse expenditures for contractual services (C-113680) involving the redevelopment of public housing;

Police

28. Authorize the Los Angeles Police Department (LAPD) to fill 16 vacant DNA positions added by the Council in the 2008-09 Budget (Motion No. 8);
29. Instruct LAPD to hold 24 additional civilian positions vacant to offset the ongoing cost of the 16 DNA positions noted in Recommendation No. 28;
30. Instruct LAPD and the CAO to include in future Financial Status Reports the status of filling these positions and civilian staffing levels to ensure LAPD remains within budget;

PW/Board

31. Transfer \$350,000 in Community Development Block Grant (CDBG) funding for the River Rangers Program and the Clean Streets, Clean Neighborhoods Program as follows:

- a. Transfer appropriations in the amount of \$350,000 within the Community Development Trust Fund No. 424 from the accounts noted below to Account E174, Public Works-Board:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
E431	River Rangers	\$150,000
E435	Clean Streets-Neighborhoods	<u>200,000</u>
	Total	\$350,000

- b. Appropriate \$350,000 to Fund No. 100/74, Account 3040, Contractual Services;
- c. Transfer funds in the amount of \$350,000 from the Community Development Trust Fund No. 424, Account E174 Public Works Board to Public Works Board Fund No. 100/74 on as needed basis upon proper demand of the General Manager of CDD;

Public Works/Street Services

32. Reappropriate funds in the amount of \$1,153,097 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58, and appropriate therefrom to the Subventions and Grants Fund 305/50, to a new account for the Wilmington Industrial Park resurfacing project; and, further, appropriate \$1,153,097 therefrom to the following accounts in Bureau of Street Services Fund No. 100/86:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries, General	\$161,433
1090	Salaries, Overtime	69,186
1100	Hiring Hall, Salaries	69,186
1120	Hiring Hall, Benefits	23,062
1190	Hiring Hall, Overtime	11,531
3030	Construction Expense	645,734
3040	Contractual Services	11,531
3330	Utilities Expense	11,531
6010	Office & Administrative	23,062
6020	Operating Supplies	<u>126,841</u>
	Total	\$1,153,097

Gas Tax and Proposition 42

33. Approve the following actions to offset a reduction in Gas Tax receipts:

- a. Transfer \$5,419,000 in appropriations within the Special Gas Tax Improvement Fund No. 206/50, as specified in Attachment 10, to a new account entitled, Deferred Projects;
- b. Decrease appropriations in the Special Gas Tax Improvement Fund No. 206/50 for the following projects that have completed construction:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
V588	Chandler Blvd Widening Improvement	\$1,198,456
W522	EDA Glendale Blvd-Madera	10,000
A687	Cahuenga-Cahuenga Terrace	<u>22,544</u>
	Total	\$1,231,000

Technical

34. 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 \$31.4 million are recommended in this report to meet current-year obligations. This includes appropriations totaling \$5 million from the Unappropriated Balance, Short-Term Layoff line item and Reserve Fund reappropriations in the amount of \$1.5 million. Appropriations to fund departmental deficits are deferred pending receipt of more current cost data and a review of budget balancing proposals. The current Reserve Fund balance is estimated at \$150 million (consisting of \$125 million in the Emergency Reserve Account and \$25 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**

At the time the 2008-09 Budget was adopted, the consensus of economists and industry analysts was that the national and local economic expansion since 2002 was not sustainable. But few were willing to forecast a recession.

The City budget anticipated no growth in the sales tax, the City's most economy-sensitive revenue. A 10 percent decline is anticipated in the documentary transfer tax, the revenue most closely linked to the real estate market.

An overwhelming consensus of economists now forecast a severe recession which would affect both the current year and 2009-10. The Wall Street Journal reports that, if the predictions of its forecasting survey bear out, it would mark the first time the U.S. economy has contracted for three consecutive quarters in more than half a century.

Because the budget estimates were consistent with a slowing economy and a declining real estate market, most revenue accounts are close to plan after three months. But the gap between actual receipts and the budget plan will widen in the coming months as the effects of a depressed local real estate market combined with what appears to be a severe national recession erode the City's tax base.

We now recommend that City budget planning anticipate a \$55 million reduction in available revenue in this fiscal year and that known available revenue next year will be lower than current-year revenue. The recommended reduction in the current fiscal year is a starting point based on the effects of receipts from taxable transactions already in process. The full-year effect of the recession will be felt next fiscal year. There is little basis in the current pattern of receipts to quantify the depth of the revenue decline this fiscal year and additional adjustments may still be necessary.

The single biggest risk to City revenue is the potential for State action that would eliminate or reduce traditional City receipts. This would be particularly difficult for the City if major reductions were taken midway through the fiscal year when the City budget is already constricted by declining revenues. The State viewed such possibilities during its prolonged budget process but adopted a budget that did not substantially encroach on local revenue. A major concern is that the State budget will be reopened and balanced by redirecting local revenue to the State.

- **2008-09 Budget Outlook** – Attachment 14a displays recommended adjustments to the budget including \$15 million in reductions to the economy-sensitive accounts, a \$10 million reduction to the documentary transfer tax, and \$30 million in reductions in departmental receipts.
- **Receipts at September** – Attachment 14b summarizes the variance between City receipts at September and the budget plan. These variances are discussed individually below.
- **Trends: City vs. State** – Attachment 14c displays the relationship between State, county and City taxable sales in recent quarters. Historically, the City sales tax base underperformed the county and the State, but in recent times City retail sales were stronger. Both State and county taxable sales were negative in the last two quarters, while the City showed very modest (less than 1 percent) growth. That is noteworthy and suggests caution in applying the State economic trends directly to the City. But there is no assurance that the City will continue to out-perform the State and incremental differences could be lost in a severe recession. The City receives its revenue nearly one calendar quarter after the event. For example, Christmas quarter sales are reported around Mid-March. Attachment 14d, tracks State sales tax cash receipts, which are only about one month behind the taxable event. Receipts stopped growing more than one year ago and have been steadily declining for the past six months. Notwithstanding the difference between the State and the City, this is cause for concern.
- **Comparison of City's Economy-Sensitive Tax Base** – Attachment 14e compares the City's hotel, sales and parking taxes over a fifteen-year period. The hotel tax grew faster than the other revenues except during the 2002 recession. The parking tax generally grew at a faster rate than the sales tax. It is important that any adjustments be carefully gauged to reflect the diversity of the City's tax base. The business tax is affected by multiple changes in the tax rates and tax base and comparisons with other revenues are less helpful.
- **Foreclosures** – Attachment 14f provide perspective on City real estate foreclosures. Foreclosures have been rising through midyear 2008, and based on Notice of Defaults, which occur before foreclosures, it appears foreclosures will continue to rise. Attachment 14g shows that real estate volume is falling and that foreclosures, which were less than 1 percent of real estate volume in 2006, are now 11 percent of all sales.
- **City Sales Tax** – Attachment 14h tracks City sales tax receipts by month. Receipts for the first three months are slightly ahead of plan. But Attachment 14i, puts that in perspective. Growth in City receipts have been less than one percent for the past year. That is consistent with the budget, but not consistent with a severe recession. A \$5 million reduction is recommended.
- **Transient Occupancy Tax** – This account grew by more than 10 percent last year and averaged 10% growth for the last three years. Budget for the current year was reduced to 5 percent growth in recognition of a slowing economy. Attachment 14j shows receipts to date



very close to budget plan. Attachment 14k provides additional perspective. A severe recession would affect this revenue. A \$3 million reduction is recommended.

- **Parking Users' Tax** – Attachment 14l shows this account \$2.4 million below budget plan at September. But, as can be seen on Attachment 14m, there is considerable monthly volatility and in other years the current variance would only bear watching. The revenue estimate added additional revenue in anticipation of benefiting from a program to link enforcement of parking taxes with issuance of City permits. But this account will be affected to some extent by the recession. A \$2 million reduction is recommended.
- **Property Tax** – Notwithstanding the rising rate of foreclosures and the declining real estate market, the property tax is more stable than other revenues in the short term. The complex Proposition 13-factors limit growth in times of rising property values and provide some protection against sudden declines. Declining values will be reflected in the tax base, but most such reevaluations will occur in 2009-10 and beyond. The property tax roll for the current year has been established and is nearly 2% higher than anticipated at the time the budget was prepared. This should mitigate a possible declining collection rate and what reassessments are processed before June 30. Attachment 14n shows receipts through September to be \$18 million above plan. City secured receipts include what appears to be \$12 million in carryover revenue from 2007-08. Redemptions and supplemental receipts are each \$2.5 million ahead of the historical level, but in the uncertain current real estate market that may not be sustained. No change to the property tax estimate is recommended. Additional perspective on property tax accounts is provided in Attachments 14o through 14q.
- **Documentary Transfer Tax** – This tax is among the most volatile City revenues. Attachments 14r through 14u provide perspective. Attachment 14r shows receipts just three years ago were \$217 million; budget this year is \$120 million. But receipts at September are \$3 million below plan. Attachment 14t shows that receipts in the 12-month period ending September 2008 are behind the budgeted level for 2008-09. Attachment 14u shows the number of deeds recorded in the City to be at the lowest level since the tax was established in the late 1960s. A \$10 million reduction is recommended.
- **Parking Fines** – Attachments 14v through 14w provide perspective on parking fine revenue. No adjustment is recommend at this time, but citation issuance and revenue are a little below plan.
- **Utility Users' Tax** – This account is currently \$12 million ahead of budget plan as can be seen in Attachment 14x. This early variance is encouraging, but there is too much uncertainty in this account to recommend an adjustment. The **electric users' tax** is \$2 million ahead of plan at September (Attachment 14y) but there is a lot of month to month variance. The account was nearly \$1 million behind plan at the end of August. The budget anticipates 7 percent growth; that will be hard to achieve in a declining economy. We need to see a few more months. The **gas users' tax** is now some \$5 million ahead of plan (Attachment 14z) carried along by rising natural gas prices. But commodity prices often fall in anticipation of a

recession and that is what the market is showing. Attachments 14aa shows how far natural gas prices have declined since the budget was prepared in March. Finally, the **telephone users' tax** is \$4 million ahead of plan at September. Attachment 14bb shows that variance occurred in July and August. September revenue was on target. It is possible the effects of the 10% telephone tax reduction are showing later than anticipated. We need to see a few more months before any adjustment can be recommended.

- **Other Accounts** – Attachment 14cc through 14dd highlight two special fund receipts that bear watching. After adjusting for the delayed remittance of **gasoline tax**, receipts from the State are behind plan - possibly related to higher prices. The **solid waste fee** is behind plan. The low September receipt looks like an anomaly, but this fee is collected on the same bill as the electric users' tax which is ahead of plan. We are looking into this. No change is recommended to either of these accounts at this time.
- **Departmental Receipts** – A shortfall is anticipated related to difficulty of completing budgeted property sales in the current market. Also, economy-related factors may affect special fund receipts and leave insufficient funding available to make the full amount of the budgeted reimbursements to the General Fund. In addition, this account includes an \$86 million transfer from the Special Parking Revenue Fund. Some of that funding is linked to the sale of real property and another portion is linked to higher parking meter revenue. Full realization of all of these fund revenues is not free from doubt. A \$30 million reduction is recommended.

Even after making the \$55 million in current-year reductions, there is still more downside risk and little upside potential. The risk to the City's budget from a severe recession is real since 75 percent of General Fund revenue is directly linked to the economy. We will continually monitor all accounts and make additional recommendations as information becomes available.

### 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. We identify a preliminary year-end General Fund deficit of approximately \$82 million consisting of \$35 million in departmental deficits and \$47 million in non-departmental deficits. Attachment 4 summarizes projected deficits by department.

#### A. Aging

A year-end deficit of \$145,901 is projected for this department mainly due to a \$43,606 short-term layoff budget reduction and anticipated employee payouts of \$31,000. Additionally, the Department has been absorbing the cost of a position under sub-authority to avoid a layoff. Due to the City's current economic constraints, it is recommended that the Department closely monitor its expense accounts and manage its current vacancies to offset the projected deficit.

## **B. Animal Services**

A year-end deficit of \$405,350 is projected for this Department, due to a \$414,811 short-term layoff budget reduction. This estimate includes a \$1 million supplemental appropriation to the Salaries account to avoid the layoff of 31 Animal Care Technicians. The Department anticipates that if proposed Animal Services fee increases are approved, additional revenue may be available to partially offset the projected year-end shortfall. The Department's Fee Study is pending hearing before the Budget and Finance and Public Safety Committees (C.F. 07-0600-S69). In addition, the Department is finalizing its Licensing Study which contains recommendations for increasing Citywide licensing.

The Department has expressed 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. This Office will continue to monitor these accounts and advise on any necessary adjustments in subsequent financial status reports (FSRs).

In 2007-08, the Council and Mayor authorized appropriations totaling \$107,940 from 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, due to accounting procedural issues, the funds were not encumbered prior to the year-end closing and reverted to the Reserve Fund. The Department requests that these funds be reappropriated, however, given the City's existing economic constraints, this Office will work with the Department to identify funding within its existing budget to offset this deficit. We will report on this matter in subsequent FSRs.

## **C. Building and Safety**

The Department is anticipating a General Fund deficit of \$532,370 and an Enterprise Fund surplus of \$173,099. 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 \$202,370. The General Fund deficit is attributed to a shortfall in the Salaries General account due to anticipated retroactive payments for Building Inspectors (\$1.75 million) and the short-term layoff budget reduction of \$1,794,468.

Additionally, the Department reports an estimated 15 to 20 percent downturn in construction activities for this period compared to the same period last year, as well as a slowdown in General Fund revenue. However, the Department reports that there are still a large number of projects in Case Management that will likely proceed through the development process (e.g., permits issued and inspections made). The Department is considering a change to an existing ordinance that will allow the inspection of additional establishments and result in increased revenue. This Office will work with the Department to monitor the construction activities and revenue during this fiscal year.

#### **D. City Attorney** **Attachment 9 – Appropriations from the Unappropriated Balance**

Excluding the liability claims shortfall, a net year-end deficit of approximately \$6,263,148 is projected for the City Attorney. This shortfall is attributable to the Salaries General (\$2,431,579), Salaries Proprietary (\$2,831,569), and Litigation Expense (\$1,000,000) accounts. As in years past, an additional appropriation may be necessary at mid-year due to unfunded positions which serve the proprietary departments. It should also be noted that approximately \$2.1 million of the City Attorney's overall shortfall is attributable to the short-term layoff budget reductions.

The following provides more detail regarding the estimated City Attorney deficits:

- Salaries General – A \$2,431,579 deficit is projected in this account mainly due to a \$1,870,707 short-term layoff budget reduction. The other portion of the shortfall (\$560,872) is attributable to sick leave payouts, salary step increases, retro payouts and less attrition than previously estimated. The Department advises that it has implemented a conservative hiring plan to generate salary savings and intends to limit hiring to positions related to Police or employment litigation as necessary. This Office recommends that the Department further delay all hiring to offset the projected deficit.
- Salaries Proprietary – A \$2,831,569 deficit is projected in this account. Of this amount, approximately \$2,509,578 is attributable to unfunded resolution authorities approved in the 2008-09 Budget, with the remaining portion due to sick leave payouts and a reduction of \$244,991 taken as part of the short-term layoff proposal. As in previous years, an additional appropriation to this account will be requested by the Department in subsequent FSRs to fund these positions since not all proprietary reimbursements for the current year are expected to be available by year-end.
- Salaries Grant Reimbursed – A deficit is not projected in this account at this time. However, this account may experience a shortfall if the State further reduces grant awards to the City based on State budget actions. The City Attorney's Office has been advised that the Victim Assistance Program and the Special Victim Assistance Program may be impacted. The Department will report back in subsequent FSRs should any reductions directly impact these programs.
- Litigation Expense – A \$1 million deficit is projected in this account due to the high volume and complexity of cases filed against the City. Approximately 58 percent of the current budget has been expended to date with the remaining allotment anticipated to be spent by December. At this time no additional appropriation is necessary.

The following issues are also of concern:

- The 2008-09 Budget provides \$4 million in the Unappropriated Balance (UB) for outside counsel expenditures. The Department is currently reviewing current year budget projections

submitted by outside counsel to assess future funding needs and provides no projections at this time. As comparison, total outside counsel expenditures for 2007-08 were \$6.2 million, approximately \$2.7 million more than budget. At this time, we recommend a \$240,000 transfer from the UB, Outside Counsel Including Workers Compensation line item to the City Attorney for outstanding invoices and projected future billings through October. A separate report will be submitted by the Department requesting additional appropriations from the UB.

- The 2008-09 Budget provides \$32 million to settle claims and pay judgments against the City. To date, the City has expended \$14.5 million for settlement of claims over and under \$100,000. In the First FSR, we projected a potential year-end deficit in the range of \$5 million to \$20 million based on earlier assumptions. However, based on the most recent information provided by the City Attorney relative to City Attorney-managed cases, and the latest developments from Attorney Conflict Panel (ACP) cases, a shortfall in the range of \$13.5 million to \$32.7 million is now projected. This estimate includes a recent ruling from the Ninth Circuit Court of Appeals. A potential \$1.5 million surplus in Account 9760 may be available at year-end to mitigate any shortfall. It is also important to note that this projection does not include possible May Day settlements. The Department and this Office are working together to monitor settlement activity and will continue to apprise Council of the most current status. The City Attorney is hopeful that not all potential settlements will be required to be paid out in the current fiscal year, thus reducing the impact on the Liability Claims accounts.

#### **E. City Clerk**

A year-end deficit of \$71,433 is projected due to a \$241,108 reduction to the Salaries General account for short-term layoffs. It is too early in the fiscal year to determine whether an additional appropriation will be required to this account. However, the Department advises that it will be holding positions vacant throughout the year to generate savings.

In addition, the Department has raised the following issues of concern:

- The City Clerk reports that additional funding 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.
- In 2007-08, the City Clerk reported that the Secretary of State had not approved the City's Vote Tally System due to system coding issues. The City Clerk has requested an extension for continued use of the existing system through calendar year 2009. In the interim, a draft Request for Proposals (RFP) for the procurement of an approved replacement Election Vote System is currently being finalized by the City Clerk. 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**

A year-end deficit is not projected at this time. Additionally, it is anticipated that the Commission will be able to absorb the short-term layoff budget reduction in the amount of \$29,935. However, the Commission has expressed concern over a potential deficit of \$40,000 in their Contractual Services account of which \$35,000 is attributed to the Joy Picus Childcare Center and \$5,000 is attributed to the No Secrets program. It is recommended that the Commission absorb this deficit by holding positions vacant and by reducing the number of as-needed employees. This Office will continue to monitor the Commission budget and will work closely with them to identify ways to eliminate the anticipated deficit.

## **G. Commission on the Status of Women**

A year-end deficit is not projected. In addition, it is anticipated that the Commission will be able to absorb the \$5,712 short-term layoff budget reduction. This Office will continue to closely monitor the Commission's budget to identify ways to eliminate any potential deficits that may materialize later in the fiscal year, including holding current vacancies for a longer period of time.

## **H. Community Development Department Recommendation Nos. 5 – 8**

Assuming the recommendations in this report are approved, a year-end deficit is not projected for this Department. This also assumes that the Department will maintain its current vacancy level throughout the fiscal year. The Department has taken steps to manage within its allocated funding, such as holding a number of vacancies to absorb budget shortfalls. The First FSR 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 meet CDD's unrecovered related cost obligations. The transfer of the actual cash to offset a portion of the unrecovered related costs will occur in future FSRs after CDD incurs the salary expenses.

The Department requests the transfer of a total of \$1.5 million from approved grants including the Enterprise Zone Tax Credit Fund, Traffic Safety Education Fund and Ending Chronic Homelessness Fund to its operating budget for direct and indirect salary costs and expenses associated with grant activities. The indirect salary costs are already included in CDD's 2008-09 Revenue Plan.

## **I. Controller**

The Controller is projecting a \$322,107 year-end shortfall due to a deficit in the Salaries General account. The deficit is attributable to a \$365,348 reduction for short-term layoffs and employee payouts. We will continue to work with the Controller to monitor the salary account and work towards reducing this potential deficit throughout the fiscal year.

## **J. Council**

### **Attachment 7 – Transfers between Departments and Funds**

### **Attachment 9 – Appropriations from the Unappropriated Balance**

A year-end deficit is not projected for Council. The following transfers are recommended:

- A \$2,318,000 transfer from the Unappropriated Balance, Benefits Contingency Account to the Salaries As-Needed account to cover employee cost of living increases; and
- A transfer of \$250,000 from the Central Los Angeles Transfer Station Fund.

## **K. Convention Center**

### **Recommendation No. 22**

A net year-end special fund shortfall of \$700,000 is projected due to deficits in the Salaries General account resulting from anticipated hiring (\$200,000) and a cash balance shortfall based on actual 2007-08 revenues (\$500,000). The shortfall also reflects a \$245,537 budget reduction for short-term layoffs. The shortfall is likely to be reduced if the Department experiences attrition throughout the year; however, potential savings are unknown at this time. This Office will continue to monitor the Department's activities of this account and recommend appropriate transfers in future FSRs as necessary.

Although we estimate the year-end expenditure deficit at \$200,000, the Department has expressed concern regarding other accounts, and requests additional appropriations for various accounts including Utilities Expense account (\$75,000) and the Water and Electricity account (\$300,000). Funds are also requested for a variety of purposes, including: to pay for increased services in elevator and escalator repairs; trimming services; and, improving the public address system in the West Hall. However, we do not recommend adjustments at this time as it is too early in the fiscal year to accurately determine whether these deficits will materialize.

Additional appropriations of \$413,000 are recommended from Convention Center Revenue Fund, Salaries and Expense Reimbursement account, to reimburse the Department for show-specific costs as follows: Salaries As-Needed (\$225,000), Contractual Services (\$143,000), Maintenance Materials and Supplies (\$15,000), Electrical Services (\$10,000), and Operating Supplies (\$20,000). This represents funding for the first four months of the fiscal year and allows the Department to utilize funds in accordance with the Controller's requirements. It is anticipated that additional adjustments will be required in subsequent FSRs.

The Convention Center is also requesting an \$800,000 appropriation from the Reserve Fund 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 will work with the Department to identify alternative matching funds and will report back in subsequent FSRs regarding this matter.

## **L. Cultural Affairs**

### **Attachment 6 – Transfers between Accounts within Departments and Fund Recommendation No. 9**

A year-end deficit is not projected for this Department at this time, and it is anticipated that the Department will be able to fully absorb a \$109,550 short-term layoff budget reduction. The Department anticipates receipt of grant reimbursements that will be used to offset department administrative costs. An \$8,100 transfer is recommended from the Operating Supplies account to the Transportation account in order to cover the annual car allowance for the General Manager and mileage reimbursement for eligible employees.

In addition, the Department reports a potential revenue shortfall for the Gallery Theater, which directly impacts funding in its Salaries As-Needed account. This Office will continue to monitor this issue and will recommend reducing the appropriation to the As-Needed account by the amount of the reduced revenue, if necessary. In the interim, it is recommended that the General Manager refrain from making additional hires that will result in a shortfall in the Salaries As-Needed account.

## **M. Disability**

A year-end deficit is not projected at this time and it is anticipated that the department will be able to absorb the \$34,064 short-term layoff budget reduction.

## **N. El Pueblo**

### **Recommendation No. 10**

An overall year-end surplus of \$10,746 is projected. This estimate assumes that the Department will be able to absorb the short-term layoff budget reduction of \$32,669 and retroactive payouts for non-represented employees. Although there is an overall surplus, the Department projects that the DWP rate increases approved in 2007-08 will result in a \$34,000 shortfall in their Water and Electricity Account. 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; \$77,000 less than the 2008-09 Budget revenue plan. This projection is based on the Department's analysis of prior year trends, and revenues collected in July and August. If the Department is unable to meet their budgeted revenue, the deficit can be offset by prior year surpluses within the El Pueblo De Los Angeles Historical Monument Revenue Fund (Fund).

As directed in the 2007-08 Year-End FSR, the Department has completed its review of the Fund and reports that it has a cash balance of \$52,000. Additionally, the Department reports that it is conducting a fee study of special event and filming fees to determine if rates can be increased. The Department will present its findings to the El Pueblo Commission in November. This Office will work closely with the Department to monitor revenue and to identify funds to offset the potential revenue shortfall.



The Department utilizes As-Needed Project Assistants and Regular Events and Marketing Division staff to monitor filming and special events. It is recommended that the Department be authorized to charge production and special event companies for all Overtime and As-Needed expenditures directly related to monitoring the use of the Monument.

#### **O. Emergency Management Department**

A year-end deficit of \$49,199 is projected for this Department largely due to the \$40,547 short-term layoff budget reduction and retroactive payments for non-represented employees. This deficit estimate assumes receipt of approximately \$458,486 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.

In response to a recent Controller's Performance Audit of the City's Emergency Planning Efforts and Citywide Disaster Preparedness, the Mayor's Office has requested Council consideration to provide \$600,000 in additional resources for the Emergency Management Department (EMD). A Council Motion (Smith-Parks) introduced on September 19, 2008, recommends \$1 million in additional resources. The intent of both initiatives is to enhance the Department's ability to coordinate training, preparedness, and response activities citywide. Based upon a subsequent departmental analysis, EMD determined that the following resources are required: three new positions (two Emergency Preparedness Coordinators and one Public Relations Specialist) and related expense, equipment and contractual services funding. Six months funding for the three positions is estimated at \$150,000 and includes direct salary, expense, equipment and related costs. Annual funding for the continuation of the three positions is estimated at \$300,000 for direct salaries and related costs. Proposed contractual services funding would provide for a Comprehensive Gap Analysis and City-Wide Strategic Plan (\$300,000) and would develop a City Employee Disaster Response Program (\$150,000). Both initiatives propose the use of the Human Resources Benefits, Unemployment Insurance Account as a source of funds for the additional EMD resources.

#### **P. Environmental Affairs**

A net year-end deficit of \$65,714 is anticipated for this Department due to a \$58,602 short-term layoff budget reduction and a delay in enforcing layoffs. Although the Department asserts that it will meet its budget during the fiscal year through managed hiring and transfers between accounts, it is possible that the Department will require additional funding at mid-year.

#### **Q. Ethics Commission**

A shortfall of \$186,282 is projected in the Salaries General account, due in part to an overall budget reduction of \$66,475, an additional reduction of \$51,142 for short-term layoffs, and retroactive payouts and cost of living adjustments for non-represented employees (\$68,665). The Commission is maintaining one Management Analyst position vacant to prevent further deficits to this account. It is not anticipated that additional savings will be realized to offset the remaining deficit by year-end.

It should be noted that \$250,000 was allocated in the current budget for the sole purpose of hiring a special prosecutor, pursuant to Charter Section 710. In recent years, these funds have remained unspent as there has not been a need for a special prosecutor. In light of the City's current fiscal constraints, it may be necessary to use a portion of these funds to offset the deficit in the Salaries General account should there be no need to hire a special prosecutor in the current year.

## **R. Finance**

The Office of Finance (Finance) has a projected year-end deficit of \$859,732 due to shortfalls in its Salaries General (\$670,732), Overtime (\$88,000), and Transportation (\$101,000) accounts. The salaries shortfall is mainly attributed to a \$568,348 short-term layoff budget reduction. Also, additional payouts are anticipated including retroactive payouts for non-represented employees. The projected shortfall in the Overtime account is a traditional shortfall. This is due to the overtime worked during the tax renewal season and during off-peak season to address critical backlogs prior to the generation of renewals and notice of hearing mailings. Additionally, Finance has experienced a shortfall in its Transportation account due to increasing audit staff and IRS standard mileage reimbursement rate increases. This Office will continue to work with the Department in monitoring these accounts and report back in the next FSR.

## **S. Fire**

### **Attachment 6 – Transfers between Accounts within Departments and Funds**

### **Attachment 7 – Transfers between Departments and Funds**

The Department is projecting an overall net year-end shortfall of approximately \$8.5 million. The shortfall is primarily attributable to 173 platoon-duty vacancies that must be backfilled (approximately \$10.3 million), field equipment expense (\$1.2 million), sworn and civilian overtime (\$1.02 million) and Salaries General (\$500,000). Surpluses in the Sworn Salaries and Overtime Variable Staffing accounts of approximately \$5.4 million (as well as other minor surpluses) are available to partially offset these deficits. The estimated year-end deficit also reflects a \$502,551 short-term layoff budget reduction and the impact of 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). The estimated shortfall also assumes receipt of reimbursements by year-end for the Department's response to major emergencies this fiscal year (e.g., major wildfires and hurricanes). However, if the recommendations in this report are approved, the estimated deficit will be reduced to approximately \$7.3 million. Also, it should also be noted that the Department has expressed concern regarding pending litigation that could further impact the reported deficit.

The following actions are recommended at this time:

- A transfer of \$1,179,360 from the Sworn Salaries account to the Sworn Unused Sick Time account to cover the yearly sworn sick time payout in January and due to the very high number of sworn who must exit the DROP program by the end of this fiscal year.

- A transfer of \$300,000 from the Sworn Overtime Variable staffing account to the Overtime General account. This transfer will ensure that sufficient funds are available to cover the projected deficit in this account through the year-end.
- A transfer of \$1.2 million from the Fire Department's Special Fund, State Educational account, to its Field Equipment Expense account to cover the projected year-end deficit in this account. Sufficient funds are available in the Special Fund in excess of the \$1.5 million required ceiling. If approved, this action will reduce the Department's projected \$8.5 million deficit to about \$7.3 million.

This Office will monitor the Department's salaries and expenses and will provide status updates in subsequent FSRs. In addition, the Fire Academy expects to graduate five classes (totaling up to 250 recruits) before the end of the fiscal year, which should reduce the number of platoon duty vacancies. The revenue for the fiscal year is anticipated to reach the projected \$126.7 million.

#### **T. General Services Recommendation Nos. 11 - 15**

Excluding petroleum expenditures, a year-end deficit of \$1.5 million is projected due to a shortfall in the Salaries General account. The salaries shortfall is attributed to a \$3 million reduction to the Department's budget for short-term layoffs. This Office will continue to monitor this account and will provide a status in the next FSR.

The following actions are recommended at this time:

- Increase appropriations to the Department's Salaries General account by \$159,360 from MICLA funding for the installation of additional airframe, avionics and mission equipment into Police Department Helicopters.
- Authority to transfer reimbursable costs to various Department accounts from the Motion Picture Coordination Fund to offset security and building maintenance expenses that were provided during film productions is recommended.

See Bureau of Sanitation discussion for additional transfers to the Department.

#### **U. General City Purposes**

A net year-end deficit of \$1,452,228 is projected in General City Purposes (GCP) due to deficits in the Medicare Contributions (\$1,360,496), Retirement Defrayal (\$121,484), and Pensions Savings Plan (\$160,560) accounts. These deficits, totaling \$1,642,540, are partially offset by a \$190,312 surplus in the Social Security account. The Medicare Contributions account was budgeted based on 36,250 employees per pay period. However, the actual number of employees has been higher than anticipated (37,183 employees as of August, 2008). The Pensions Savings Plan account normally starts high at the beginning of the fiscal year and trends downward as the year progresses. It has

already begun to show a decline. At this time, we do not recommend any adjustments for these accounts. Once we obtain more expenditure data, adjustments can be made in subsequent FSRs.

## **V. Housing**

### **Attachment 6 – Transfers between Accounts within Departments and Funds Recommendation No. 16**

The Housing Department (Housing) is projecting a year-end special fund surplus of \$407,440. A shortfall within the Lease account is anticipated (\$446,811) due to increases in lease costs at the Main Office and at one of the regional offices. These lease agreements require additional payments for operating costs that are not included in the base lease amounts. In addition, the lease costs at the Main Office will increase on March 1, 2009, when a new contract will become effective. Although most expense accounts have historically been under-funded, it is expected that special fund salary savings will be available to cover this shortfall, and not impact the General Fund.

Transfers totaling \$156,684 are recommended from the Salaries General account as follows:

- A \$90,861 appropriation from 2008-09 Community Development Block Grant (CDBG) funds to cover administrative costs associated with one City Planning Associate position assigned to the Housing Department's Major Projects Division.
- A \$65,823 transfer to the Contractual Services account to provide coverage of application development and maintenance for the Code, Compliance and Rent Information System (CCRIS) until three new positions approved in the 2008-09 Budget can be filled. The funding sources are Rent Stabilization Trust Funds (\$32,911) and Systematic Code Enforcement Trust (\$32,912) funds. The CCRIS system supports the entire line of Systematic Code Enforcement and Rent Stabilization Ordinance operations.

The following issues will be addressed in subsequent FSRs and may require Council and Mayor action:

- As part of the 2008-09 Budget, Housing received a General Fund appropriation to offset a reduction in Affordable Housing Trust Funds (AHTF) to pay for 18 existing positions that support the City's AHTF Program (C.F. 08-0600). However, the appropriation (\$1,173,115) is insufficient to fully fund all positions (\$1,405,677). To mitigate this shortfall, two positions will be held vacant if attrition occurs (C.F. 08-1768).
- Housing applied for continued funding through the federal Lead Hazard Reduction (Lead) Program, including an estimated \$336,285 to cover staff salaries. Employment authority and funding for 12 staff is authorized through the end of January 2009. Housing will report to the Council and Mayor with the award results (anticipated by late November 2008) and the impact on the continuation of the Lead Program.

This Office will continue to work closely with Housing to monitor these issues.

## **W. Human Relations Commission**

A \$68,275 deficit is projected for the Human Relations Commission due to a shortfall in the Salaries General account. Of this amount, only \$14,082 is attributed to the short-term layoff budget reduction. It is recommended that any vacancies that occur during the fiscal year be held vacant until this Office evaluates the projected salary deficit. We will continue to monitor this budget and work closely with the Commission to identify ways to eliminate the anticipated deficit.

## **X. Information Technology Agency**

### **Attachment 6 – Transfers between Accounts within Departments and Funds Recommendation Nos. 17 – 21**

The Information Technology Agency (ITA) is projected to have a net year-end deficit of about \$2.05 million. The deficit is mainly attributed to the short-term layoff budget reduction. Specifically, deficits are projected in the Salaries General (\$1,163,860), Salaries Overtime (\$1 million) and Salaries Hiring Hall (\$200,000) accounts. These, deficits are partially offset by expense account surpluses in the amount of \$313,755.

The following issues are raised by ITA:

- ITA is projecting a \$1,163,860 shortfall in its Salaries General account, due to the short-term layoff budget reduction of \$1,576,338. Were it not for this budget reduction, ITA would be generating a significant surplus in its salaries account due to high levels of attrition in early 2008-09. In order to stem this attrition, and to facilitate necessary hires, ITA has been granted a limited exemption from the managed hiring process. It is anticipated that ITA will require an appropriation from the UB, Short-Term Layoff Agreement account, and that the size of this transfer will increase as continued hiring reduces the salary savings generated by the high levels of attrition.
- Four positions were transferred from the Controller's Office to ITA as part of the transfer of project management of the Financial Management System (FMS) replacement project (C.F. 07-2186-S1 and S2). However, the corresponding staff funding (\$285,296) was not transferred as the FMS project team is in the process of identifying other potential sources of funds for FMS positions. The required funding will not be transferred until all options have been evaluated. While ITA does not have sufficient funds through year-end to cover the cost of these new positions, it does have adequate cash available to front-fund them at this time. This issue will be addressed in future FSRs to ensure that ITA has adequate resources to fully fund this project.
- ITA's projected \$1 million deficit in the Salaries Overtime account is consistent with past years. However, the department has taken proactive steps to limit overtime. It is possible that the year-end deficit in this account will be less than the amount currently projected. Nevertheless, based on current spending projections, ITA will not be able meet overtime obligations in early January. Therefore, a \$200,000 transfer is recommended from the

Communications Services account to ensure adequate cash flow until the end of January. This Office will continue to monitor both the Salaries Overtime and Communication Services accounts and will recommend adjustments as necessary in future FSRs. It is recommended that ITA offset this deficit by identifying savings in other accounts.

- ITA's projected Salaries Hiring Hall deficit of \$200,000 is consistent with prior year deficits. In addition, this account has a chronic cash flow problem because work is reimbursed by user departments following the payment of staff salaries. A \$200,000 transfer is recommended from the Operating Supplies account to offset the Hiring Hall deficit and anticipated cash flow issues.

The following actions are also recommended:

- A \$113,755 transfer from the Printing and Binding account to enable ITA to partially fund five 3-1-1 A.M. shift positions that were restored without funding during the 2008-09 Budget process. However, as a result of this reduction, ITA will no longer print 3-1-1 promotional materials.
- The 2008-09 Budget, authorized \$1.2 million for the replacement of four microwave links on the City's 18 GHz system. This system is essential for the operation of the public safety related voice and data communications system. However, although the ITA Budget stated that funding would be provided by the Municipal Improvement Corporation of Los Angeles (MICLA), the funds were inadvertently omitted from the MICLA Budget. A technical correction is recommended to authorize MICLA funding for this project.
- During 2007-08, Channel 35 created programming for several City proprietary departments based on the understanding that the costs of those programs would be reimbursed by the departments. Channel 35 front-funded the programs using its special fund and deferred other projects. Now that Channel 35 has received payments totaling \$111,874 from the proprietary departments, it is recommended that it be authorized to use those funds for the pending 2007-08 projects.
- Finally, that \$12,342 paid by various City departments into an ITA revenue account for communication services requests be appropriated to ITA's Communications Services account.

It is too early to determine whether ITA revenues will meet budget as related costs receipts are typically received later in the fiscal year. Cable company franchise fees deposited into the Telecommunications Development Account are approximately \$80,000 below budget projections through the first two months of the year. This Office will closely monitor these receipts and report back with revised budget projections as appropriate.

**Y. LA INC., The Convention and Visitors Bureau (LA INC.)  
Recommendation Nos. 23 – 25**

The City's contract with LA INC. provides annual funding in the amount equivalent to one percent of the Transient Occupancy Tax (TOT). Quarterly payments are made based on the estimated TOT and reconciled at the end of the fiscal year. In 2007-08, one percent of the actual TOT collected amounted to \$11,424,867.38. LA INC. has received \$10,423,150 (less City administrative costs), leaving a balance of \$911,717.38. It is recommended that funds be appropriated from unallocated and available balances in the Los Angeles Convention and Visitors Bureau Trust Fund No. 429 to permit the final payments for 2007-08.

**Z. Library**

The Library is projecting a year-end deficit of approximately \$921,261 mainly due to a shortfall in its salary accounts. The potential deficit assumes, rather conservatively, that there will be latter year attrition payouts of \$658,091, potential hires totaling \$2,166,934 and that as-needed salary obligations will exceed appropriations by \$350,000. A short-term layoff budget reduction of \$1,410,284 is also reflected in this estimate. However, this Office believes that the Library will be able to manage and control the deficit during the course of the fiscal year.

Both this Office and the Library Department will continue to monitor these accounts and report back in the Mid-Year if the deficit materializes and the Department is unable to offset this shortfall. If necessary, an appropriation may be required from the UB, Short-Term Layoff Agreement account in order to meet departmental payroll obligations.

**AA. Mayor  
Attachment 9 – Appropriations from the Unappropriated Balance  
Recommendation Nos. 26 – 27**

A year-end deficit is not projected for this Office. The following transfers are recommended:

- A \$753,000 transfer from the Unappropriated Balance, Benefits Contingency Account to the Salaries As-Needed account to cover employee cost of living increases.
- A \$284,369 transfer in Community Development Block Grant funding for the Census 2010 Project. This request is consistent with Council actions taken during budget deliberations for the 34<sup>th</sup> Program Year Consolidated Plan (C.F. 08-0097).
- A \$60,000 transfer from the Mayor's Balance Sheet account to the Contractual Services account to reflect a reimbursement from the Housing Authority of the City of Los Angeles for contract services involving the redevelopment of public housing.

At the request of the Budget and Finance Committee (C.F. 06-0285-S1), this Office was instructed to include in the FSR an accounting of all funds spent from the Gang Reduction for the 2008-09 Budget. We are currently working with the Mayor's Office to review allocations from all funding sources and will report the information in subsequent FSRs.

## **BB. Neighborhood Empowerment**

A year-end deficit of \$224,845 is projected for this department due to a shortfall in the Salaries General account. The shortfall is mainly attributable to a lower than anticipated vacancy rate, retirement and workers compensation payouts (\$52,029) and the short-term layoff budget reduction (\$80,522). The Department reports that retirement and workers compensation payouts anticipated in 2007-08 will instead occur in 2008-09. As a result, funds reverted last fiscal year to the Reserve Fund and the Department requests that the funds be reappropriated. However, due to the City's current economic constraints, it is recommended that the Department cover these costs with current year funds. This Office further recommends that the Department maintain two positions vacant to offset the projected deficit. We will closely monitor the Department's expenditures throughout the year and advise on any necessary adjustments in subsequent FSRs.

## **CC. Personnel**

The Personnel Department projects an overall year-end deficit of \$994,000 due to a \$944,000 deficit in its Salaries General account and a \$50,000 deficit in its Police Recruitment Incentive account. The deficit in the Salaries account is a result of the short-term layoff budget reduction (\$838,959) and retroactive payments to non-represented employees. Despite the projected year-end deficit, this Office has continued to support the Department's request to unfreeze and fill positions that directly support core programs since the potential liability and fines associated with these programs would far exceed the cost to fill these positions. At this time, the Department has sufficient salary funds to meet payroll demands, but the Department will require an additional General Fund appropriation in the later half of the year if this deficit is not resolved. The Department is also projecting a \$50,000 year-end deficit in the Police Recruitment Incentive account due to the expansion of the program. No action is recommended at this time as this Office will monitor these accounts throughout the year and report back on the status of these deficits in subsequent FSRs.

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 it has selected vendors and is in the process of drafting the required contracts.

## **DD. Planning**

### **Attachment 7 – Transfers between Departments and Funds**

The Planning Department projects a net year-end General Fund surplus of \$890,976. The majority of the surplus is due to salary savings generated through the Managed Hiring Process. This surplus assumes that the Department will absorb a \$658,161 short-term layoff budget reduction and that the Department will restrict hiring to approximately 42 employees during 2008-09.

A \$50,000 transfer is recommended from the City Planning Grant Trust Fund to the Department's Contractual Services account for the Transportation Improvement and Mitigation Project (TIMP) studies. The funds are available pursuant to a \$50,000 grant from the California Community



Foundation secured by Council District 5.

For 2008-09, Planning anticipates a total decrease in General Fund revenues of \$1.1 million from \$17.1 million to \$16 million due to the following:

- In July 2008, the Matrix Consulting Group launched a study and analysis of the Planning Department's fee schedule with the goal of implementing full cost recovery for entitlement case processing services. The Department anticipates that the study will be delivered to the City on schedule in December 2008. Since the recommendations in the fee study will not be evaluated and implemented until mid-2009, the Department requested a 20 percent increase to the Planning and Land Use fees for 2008-09, which the Department states is below full cost recovery. The Department originally calculated the revenues from the 20 percent increase starting July 1, 2008. However, the ordinance will not become effective until October 2008. Therefore, the Planning Department projects a decrease in the Planning and Land Use revenues of \$400,000, from \$10.8 million to \$10.4 million.
- The Department has indicated that there is a potential shortfall in the amount collected for the Systems Development Trust Fund No. 588, which may result in a decrease to budgeted overhead reimbursements to the General Fund. The CAO will continue to monitor Planning revenues and will work closely with the Planning Department to identify ways to increase receipts.

The remainder of special fund revenues are currently estimated to be on budget.

#### **EE. Police**

##### **Attachment 5 – Reappropriations from the Reserve Fund**

##### **Attachment 7 – Transfers between Departments and Funds**

##### **Attachment 9 – Appropriations from the Unappropriated Balance**

##### **Recommendation Nos. 28 – 30**

A net year-end deficit of approximately \$5.9 million is projected, due to shortfalls in various expense accounts and unbudgeted reimbursable sworn overtime. The year-end estimate also reflects the short-term layoff budget reduction in the amount of \$5,116,838.

A \$4.9 million surplus is currently projected in the Sworn Salaries account as net hiring is below budget plan, which is not factored into the projection above. However, it should be noted that the projected surplus in this account may change given that this account can easily fluctuate several million dollars from pay period to pay period depending on hiring and attrition. Net hiring for the year is currently at 45, which is 17 under plan. This is largely due to higher than anticipated attrition. Since the last two recruit classes for 2007-08 were smaller than anticipated, the starting point for 2008-09 was approximately 43 below the budgeted amount. Hiring of police officers is still the top priority of the Mayor and Council. City officials are committed to reaching 10,000 officers consistent with the Council's policy adopted in 2006.

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

<b>2008-09 Year-to-Date Police Hires</b>				
	<b>July</b>	<b>August</b>	<b>September</b>	<b>YTD*</b>
<b>Actual Hires</b>	<b>63</b>	<b>118</b>	<b>58</b>	<b>239</b>
<b>08-09 Budget</b>	60	120	60	240
<b>Actual Attrition</b>				
<b>Actual Attrition</b>	<b>50</b>	<b>105</b>	<b>39</b>	<b>194</b>
<b>08-09 Budget</b>	79	67	32	178
<b>Actual Net</b>				
<b>Actual Net</b>	<b>+13</b>	<b>+13</b>	<b>+19</b>	<b>+45</b>
<b>08-09 Budget</b>	-19	+53	+28	+62
*Year-to-Date				

Deficits are mainly projected in the following accounts:

- Salaries General – A deficit of \$2.5 million is projected in the Salaries General account due to the short-term layoff budget reduction. A transfer of \$2.25 million is recommended from the Unappropriated Balance, Short-Term Layoff Agreement account to the Department’s Salaries General account (\$2.25 million) to partially offset this deficit.
- Civilian Overtime – A \$561,294 shortfall is projected in the civilian overtime account. The Department did not receive a cost of living adjustment for this account. However, 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. However, given the current managed hiring plan and compensation adjustments, this limitation is unlikely to generate enough savings. Funds will need to be transferred from other accounts.
- Sworn Overtime – A Sworn Overtime deficit of \$5.3 million is projected 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 \$3.5 million of the unbudgeted reimbursable overtime deficit (estimated at \$9.2 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.

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

**Police Sworn Overtime Use-Hours Worked Through August 30, 2008.**

<b>Reimbursable Overtime Category:</b>		
	<b>Hours</b>	<b>Percent</b>
LAX	43,027	65%
Grants/Other	22,926	35%
<b>Total Reimbursable Hours Worked:</b>	<b>65,953</b>	
<b>Non-Reimbursable Overtime Category:</b>		
	<b>Hours</b>	<b>Percent</b>
Court	76,969	28%
Department Administration	8,870	3%
Detective Operations	27,674	10%
Gang Activities	8,933	3%
Homicide Investigations	20,512	7%
Narcotics Activities	13,727	5%
Patrol Operations	58,145	21%
Special Events/Staples	1,626	1%
Tactical Situation	10,001	4%
Traffic Enforcement	7,178	3%
Use of Force Investigations	10,280	4%
Other	32,814	12%
<b>Total Non-Reimbursable Hours Worked:</b>	<b>276,729</b>	
<b>Total Overtime Hours Worked:</b>	<b>342,682</b>	

- Contractual Services – A \$701,722 deficit is projected in the Contractual Services account. This account has been historically underfunded, resulting in projected deficits throughout the year. The account is used to pay for items such as DNA analysis and prisoner transport and release. The estimated deficit is based on prior-year usage, but may turn out to be much higher. The Department will continue to limit contractual services expenditures wherever possible. A transfer of \$250,000 is recommended from the Unappropriated Balance, Short-Term Layoff Agreement account to fund DNA analysis.
- Transportation Equipment – A \$200,000 surplus is anticipated in this account. Similar to prior years, it is likely that the Department will be eligible for discounts on the vehicles it purchases from bulk purchasing and timely payment discounts. However, until the invoices are paid, we cannot determine the amount of potential savings.

The following additional actions are recommended for this Department:

- A transfer in the amount of \$2.05 million from the Unappropriated Balance, New Police Facilities account for systems preparation and installation for the new Police Administration

Building to the Office and Administrative Expense account and the Overtime General account. This building is scheduled to be completed in May 2009, and significant systems work needs to be completed prior to completion. Funding was budgeted in the 2008-09 Unappropriated Balance for this purpose.

Reserve Fund reappropriations totaling \$369,058 are also recommended as follows:

- During 2007-08, the Department received \$25,000 from CD-7 for sworn overtime, of which \$11,000 was not expended. In addition, a \$40,000 donation was received from the Harbor Booster Association for overtime. The funds were transferred in May 2008 but were not fully expended by year-end. Therefore, a Reserve Fund reappropriation of \$51,000 is recommended to the Sworn Overtime account.
- In June 2008, an interface problem between SMS and FMIS caused the cancellation of a fire arms purchase order for the Metro Division. Since the funds were not encumbered by year-end, they reverted to the Reserve Fund. A Reserve Fund reappropriation of \$37,500 is recommended to the Firearms, Ammunition and Other Devices account to pay for these firearms.
- Funds were provided in 2007-08 for systems, furniture, and equipment for various new and replacement facilities. Since not all of the funds were expended, they must now be reappropriated to pay for the required equipment at these facilities. A Reserve Fund reappropriation of \$210,000 is recommended to the Contractual Services account and the Office and Administrative Expense account.
- In May 2008, the Council and Mayor authorized funding for the purchase of six T3 vehicles in the amount of \$70,558. However, the funds were never expended. A Reserve Fund reappropriation of \$70,558 is recommended to Transportation Equipment account.

Lastly, during the 2008-09 Budget deliberations, the Council added 16 positions for Phase II of LAPD's DNA Expansion Plan without funding. At this time, it is recommended that the Department be authorized to fill these positions in order to address the growing backlog in unanalyzed sexual assault kits. Subsequent phases must be addressed within the context of the 2009-10 Budget process.

In order to offset this additional ongoing cost, the LAPD will hold 24 additional civilian positions vacant. Based on current projections, LAPD anticipates year-end civilian staffing of 3,324. With the addition of 16 new DNA positions, and the 24 positions to be held vacant, the Department should now be projecting a year-end level of 3,316. LAPD and the CAO will continue to monitor hiring of these new positions, as well as overall civilian staffing levels, to ensure the Council's intent is followed.

In the context of this report, it is impossible to ignore the City's current budget restraints, and the possibility of future position reductions citywide. However, as these positions are generally considered to be "direct support of public safety", it is unlikely that reductions would come from these

classifications and functions. We will continue to monitor the status of all LAPD accounts and, if savings materialize, that these savings may be transferred in subsequent FSRs.

**FF. Public Works/Board of Public Works  
Recommendation No. 31**

A year-end deficit is not projected for the Board. The Board's 2008-09 Budget includes a six percent reduction totaling \$595,634. This reduction includes a salary savings rate of 3.2 percent (\$387,260) and a short-term layoff budget reduction of \$208,374. At this time it is anticipated that the Board will be able to absorb these reductions and will not require additional funding. However, this is contingent upon timely reimbursement from various bond funds.

It is recommended that Community Development Block Grant funds in the amount of \$350,000 be transferred and appropriated for the River Rangers Program and the Clean Streets, Clean Neighborhoods Program. This request is consistent with the Council actions taken during the 34<sup>th</sup> Program Year Consolidated Plan budget deliberations (C.F. 08-0097).

**GG. 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. Additionally, it is expected that the Bureau will be able to absorb a \$707,221 short-term layoff budget reduction as well as anticipated cost of living adjustments and retroactive payments of approximately \$2,283,000 for Municipal Construction Inspectors Association employees (MOU 05). However, if bond reimbursements are not received by year-end, a General Fund deficit of \$1,060,889 is anticipated as a result of these expenditures. This Office will track bond reimbursements closely to ensure that the required funding is received by year-end.

In addition, due to delays in the implementation of a proposed fee increase for A-Permits, the Bureau anticipates a \$75,000 decrease in the budgeted revenue. The Bureau has advised that a report relative to the fee increase is pending submission to the Board.

**HH. Public Works/Bureau of Engineering**

A year-end special fund surplus of \$5 million is projected for the Bureau of Engineering in the Salaries General account consisting of Sewer Capital Maintenance funds. Budget adjustments are not recommended at this time. If anticipated special fund reimbursements are received in a timely manner, the Bureau of Engineering is expected to absorb the short-term layoff budget reduction of \$1,844,453.

In addition, amending ordinances for two off-budget funds, Engineering Equipment and Training Trust Fund and Engineering Special Services Fund, have not been completed. 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. There is no fiscal impact in the delay of the Engineering Special Services Fund amending ordinance.

## **II. Public Works/Bureau of Sanitation**

### **Attachment 6 – Transfers between Accounts within Departments and Funds**

### **Attachment 7 – Transfers between Departments and Funds**

### **Recommendation Nos. 11 – 12**

The Bureau is currently projecting a year-end special fund surplus of \$1.9 million. The majority of these savings are within the salaries and overtime accounts. The Sewer Construction and Maintenance Fund is projected to have substantial savings due to high turnover and vacancies in Wastewater worker classes. Although vacancies are also an issue with the Solids Resources programs, the Solid Waste Fund is currently projected to have a salaries deficit. Much of this is due to payroll corrections necessary to reconcile across other solid resources special funds to reflect appropriate billing of work programs and other internal operating issues. We will monitor this through the next reporting period. Also, it is anticipated that sufficient savings from salary and operating accounts will be available to cover potential deficits in the Salaries As-Needed account. The shortfall in the Salaries As-Needed account is attributed to unfunded event staffing support and coverage for vacancies in-lieu of overtime use.

With the increase of the Solid Waste Fee in 2008-09, the Bureau is now entirely special funded with the exception of up to \$20 million in overhead costs that will be subsidized by the General Fund as a result of post-July 1<sup>st</sup> implementation of the revised fee. By next year, the Bureau is expected to achieve full cost recovery assuming trash revenues remain on target, cost increases can be substantially absorbed and/or other revenue options are available.

To date, Solid Waste Fee revenue has been trending short. Solid Waste Fee receipts were budgeted at \$269.4 million, however, as of September 2008, receipts were short \$7.6 million from plan (14 percent). Possible explanations include a larger than normal default rate on utility payments and/or anomalies within DWP's billing structure. Revenues typically reflect a non-payment rate of 1.8 percent (average over the past ten years) although given the current economic difficulties, late or non-payments could be a significant factor. Bureau staff is working closely with DWP in examining billing data and procedures to identify any anomalies and assess revenue patterns, particularly with the recent fee increase, which took effect on September 1, 2008. Current offsets to this shortfall include additional one-time credits to be received this year on bond debt service netting approximately \$11 million. All other solid waste revenues appear to be on target. We will continue to monitor this item.

The Bureau will proceed with filling positions critical to refuse collection and wastewater operations to offset turnovers and maintain minimum service levels, subject to Managed Hiring. Failure to do so, particularly given ongoing attrition patterns, could lead to reduced responsiveness to requests for Solid Resources, Wastewater and Stormwater services. In addition, adequate staffing of maintenance and collection functions is also necessary to minimize the risk of equipment failures and disruptions in collection and treatment services, as well as to ensure compliance with local, State and Federal environmental regulations.

To meet the Bureau's immediate operational needs over this period, the following transactions totaling \$792,785 are recommended:

- Transfer \$99,636 from the Salaries General account to cover demands in the Salaries As-Needed account. Funding is provided by the Sewer Construction and Maintenance Fund.
- Transfer \$51,363 from the Salaries General account to cover the cost of a Hiring Hall Painter to service the Dewatering Building and other facilities at the Terminal Island Water Reclamation Plant. Funding is provided by the Sewer Construction and Maintenance Fund.
- Transfer \$1,900 to cover mileage needs in the Solid Resources Citywide Recycling Division. Funding is provided by the Citywide Recycling Trust Fund.
- Transfer \$200,000 from Multi-Family Bulky Item printing and binding savings to cover media advertisement costs for this program. Funding is provided by the Multi-Family Bulky Item Fund.
- Transfer \$10,388 to the Information Technology Agency to perform communications service requirements for implementation of document management systems at the Hyperion Wastewater Treatment Plant. Funding is provided by the Sewer Construction and Maintenance Fund.
- Transfer \$8,000 to the Board of Public Works to support graffiti abatement at solid waste facilities. Funding is provided by the Landfill Maintenance Trust Fund.
- Transfer \$324,200 from the Operations and Maintenance component of the Sewer Construction and Maintenance fund to the Sewer Capital component for the following purposes: Information and Communications Services Division staff salaries who serve as project managers on the IT components of several capital projects (\$316,500) and overtime expenses and payouts (\$7,700) related to the Commercial Sewer Service Charge program.
- Transfer special funds in the amount of \$78,000 to cover the cost of labor for part-time Event Attendant II staff for the City Facilities Recycling Program. Funding is provided by the Integrated Solid Waste Management Fund.
- Increase appropriations to the General Services Department by \$19,298, for the installation of electrical power and conduit needed to provide power for projector equipment for the Multimedia Presentation System in the Bureau's Call Center Training Room. The appropriation will be supported with Solid Waste Resources bond funds.

## **JJ. Public Works/Bureau of Street Lighting**

### **Attachment 7 – Transfers between Departments and Funds**

### **Attachment 8 – Special Fund Reappropriations**

Assuming pending special fund transfers and reimbursements are received in the current year, a year-end deficit is not projected for this Bureau. Furthermore, it is anticipated that special fund sources will be available to fully offset a \$364,979 short-term layoff budget reduction. No General Fund impact is anticipated at this time.

The following actions are recommended in this report:

- Reappropriations totaling \$54,719 from prior-year special fund budgets (Proposition A Local Transit Assistance Fund and Street Furniture Revenue Fund) to complete various lighting projects.
- A reappropriation of \$472,400 in 2007-08 SLMAF funding to pay for security services and other expenses at the Bureau's Field Operations yard to address recent vandalism and theft of equipment and materials. Increased copper prices have made the yard and the Bureau's copper wiring materials targets of theft. There is a concern that additional funding will need to be identified this year to replace stolen wiring and introduce measures to protect the pull-boxes that house the wires.
- Transfers within the 2008-09 Street Lighting Maintenance Assessment Fund (SLMAF) budget in the amount of \$60,000 to fund an LED lighting pilot project and to prepare for work on a capital construction project.
- A transfer of \$50,000 from the Gas Tax Fund to reimburse the Street Lighting Maintenance Assessment Fund for work completed on the Pacoima Lighting Improvement-Phase I.

**KK. Public Works/Bureau of Street Services**  
**Attachment 7 – Transfers between Departments and Fund**  
**Attachment 8 – Special Fund Reappropriations**  
**Recommendation No. 32**

After accounting for anticipated reimbursements later in the year and transfers approved in the First FSR, a net year-end deficit is not projected for the Bureau of Street Services. Additionally, based on current and projected vacancy levels, the Bureau is expected to fully absorb the \$1,862,556 short-term layoff budget reduction. Timely receipt of anticipated reimbursements will be monitored to ensure a balanced budget at year-end.

However, it is important to note that the successful completion of 235 street resurfacing and reconstruction miles in 2008-09 is contingent upon the filling of 114 vacancies exempted from Managed Hiring. Salary accounts will be monitored throughout the hiring process to ensure the availability of funds. Proposition 1B may provide supplemental funding to achieve the 235-mile service level.

Various transfers and appropriations are recommended to the Bureau of Street Services as listed below:

- Appropriations totaling \$600,000 from the Special Gas Tax Street Improvement Fund for bridge and tunnel maintenance, guardrail construction and drainage projects at various locations.



- Additional appropriations as follows: \$61,304 for street, curb and gutter improvements at the intersection of Terra Bella Street and Fenton Avenue; and, \$1,891,673 from the Community Redevelopment Agency for Washington Boulevard and Pico Union Streetscape Improvements.

Reappropriations from the following funds are also recommended:

- Special fund reappropriations in the amount of \$644,785 to fund the Temple Street project (Public Works Trust Fund) and resurfacing work at the Topanga Canyon Yard (MICLA funding). This work was previously authorized in 2007-08.
- A Reserve Fund reappropriation in the amount of \$1,153,097 for the Wilmington Industrial Park resurfacing project. As reported in the First FSR, during the prior fiscal year, the Mayor and Council approved the transfer of approximately \$2.2 million from the Harbor Maintenance Improvement Program Budget to the Bureau for work on the Wilmington Industrial Park project. However, since the Harbor funds were inadvertently placed in an incorrect account in the prior year, the remaining funds in the amount of \$1,153,097 reverted to the Reserve Fund at year-end. These funds must now be reappropriated to complete the work in process.

Lastly, we are closely tracking General Fund receipts from the following categories:

- Newsrack Permit Fees – 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 \$22, as annual billings have been postponed pending Board of Public Works (Board) approval of the fee increase. Street Services staff has met with industry representatives and is preparing a report to the Board recommending the increase. Progress in implementing the permit fee increase will be monitored. Revenue shortfalls will be reported in subsequent FSRs.
- Fines for Illegal Signs – Fines collected for posting illegal signs in the public right-of-way totaled \$86,816 to date. At the current rate, collections will fall short of the \$700,000 revenue budget. The Bureau is experiencing poor collection rates for fines under \$1,000, which includes the majority of violators. The Bureau will continue to pursue collection improvement options to ensure the Illegal Sign Removal Program is fully fee supported. Revenue shortfalls will be monitored and reported in subsequent FSRs.

**LL. Recreation and Parks**  
**Attachment 9 – Appropriations from the Unappropriated Balance**

A \$5.7 million net-year-end deficit is projected for this department due to a \$2,401,009 shortfall in the Salaries General account and a \$3.3 million shortfall in the Salaries-As Needed account. A total transfer of \$2.5 million is recommended from the Unappropriated Balance (UB), Short-Term Layoff Agreement account to these accounts which will reduce the department's projected deficit to \$3.2 million. This Office will continue to monitor the Department's anticipated shortfalls in these accounts and make appropriate recommendations in future FSRs.

The expenditure deficits are detailed below:

- The shortfall in the Salaries General account is a result of a \$2,468,231 reduction in the Salaries General account for short-term layoffs. A transfer of \$1.2 million is recommended from the UB, Short-Term Layoffs Agreement account to partially address the potential deficit. If approved, this action will reduce the Department's projected deficit in Salaries General to \$1,201,009.
- In addition, the 2008-09 Budget did not include funding for cost of living adjustments in the Department's Salaries As-Needed account. The Department is currently investigating various options to address this issue. The Department is anticipating a \$3.3 million shortfall if it were to continue using 2007-08 as-needed service levels in the current fiscal year. A transfer of \$1.3 million is recommended from the UB, Short-term Layoffs Agreement account to the Department's Salaries As-Needed account to partially address this potential shortfall. This Office will continue to work with the Department to address the remaining \$2 million deficit in this account and make appropriate recommendations in future FSRs.

For 2008-09, the Department implemented various rate and fee increases in order to generate additional revenue of approximately \$4 million. However, at this time the Department is projecting a \$1.8 million shortfall in Departmental revenues as detailed below:

- The Department projects a \$1 million shortfall in golf revenues. According to the Department, the number of rounds played decreased by approximately eight percent in July and August. The Department indicates that the 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's Golf Division reports that the biggest drop is on Fridays (Friday rates are higher than weekday rates but lower than weekend rates). The Department is currently increasing promotions and advertisement of City golf courses to communities and visitors to raise more revenues and meet its budgeted revenue goal.
- The Department is also projecting a \$280,000 shortfall in swimming pool revenues. The Department reports that the pool attendance for July decreased by approximately 156,000 or 30 percent less compared to last year. The Department indicates that the potential revenue shortfall is due to pool closures and fee increases.

- The Department's initial analysis of the other revenue categories, such as camps, parks, recreation centers and tennis, shows a potential shortfall of up to \$500,000. However, the Department anticipates higher revenue for next summer when the new fees are fully implemented.

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

## **MM. Transportation**

### **Attachment 6 – Transfers between Accounts within Departments and Fund**

Preliminarily, an overall General Fund deficit of approximately \$1 million is anticipated in the Department's overall budget. The projected deficit is comprised of an estimated \$1 million General Fund salary shortfall due to the deletion of funds from the Department's 2008-09 budget for short-term layoffs (\$2,384,654). Many of the Department's core programs, including signal activities, LED conversions and parking enforcement are General Funded activities. Therefore, the Department is not able to maintain program and revenue schedules with high vacancies in these General Funded divisions and absorb the deletion of funds for short-term layoffs.

An overall special fund surplus of approximately \$1 million is also anticipated in the Department's budget. This surplus is attributed to an estimated surplus in the Salaries General account, primarily in Ventura/Cahuenga Corridor Plan, Playa Vista-Major Project Review and Proposition C funding. This anticipated surplus assumes continued vacancies in the Department and a controlled hiring plan.

A transfer of \$895,000 from the Department's Signal Supplies and Repairs account to the Contractual Services account is recommended at this time. The Department was provided \$895,000 in the 2008-09 Budget to cover the increased cost of conduit for signal installation and maintenance. This transfer will place the funds in the appropriate account for expenditure.

Finally, 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 the \$4 million revenue shortfall estimated by the Department. This issue will be addressed in the next FSR when more data is available to conduct a detailed analysis.

## **NN. Treasurer**

The Treasurer is projecting a year-end deficit of \$393,872 due to shortfalls in the Salaries General (\$262,504) and Contractual Services (\$131,368) accounts. The shortfall in the Salaries General account is due to a \$69,959 short-term layoff budget reduction and anticipated payouts including retroactive payouts for non-represented employees, sick leave payouts, and a litigation settlement. The Treasurer reports that unlike the previous fiscal year, there are insufficient funds in the Contractual Services account to offset the cost of the BondEdge Investment System contract.

Budget adjustments are not recommended at this time. This Office will continue to work with the Department in monitoring these accounts and report back in the next FSR if additional resources are required.

## **OO. Zoo**

This Office is projecting a year-end surplus of \$334,747 in the Salaries General account. This projection assumes that the Zoo will be able to absorb the \$325,321 short-term layoff budget reduction, retroactive payouts for non-represented employees, and boot and tool allowances. The Zoo reports that it plans to request unfreeze authority for Education Division positions that support fee based education programs and Animal Care Division positions directly responsible for the health and safety of the Zoo's animal collection. Filling these positions will decrease the projected surplus.

While the Zoo does not anticipate a shortfall, if sufficient savings are not generated by the voluntary furlough program, General Fund assistance may be needed at year-end. Should additional General Fund assistance be necessary, other sources of funds should be considered first. A shortfall could be offset by savings in other accounts and prior year cash balances. Last fiscal year, the Zoo reverted approximately \$380,000 in unspent salary and expense account funds to the Zoo Enterprise Trust Fund. This Office will work with the Department to monitor the savings generated from the voluntary furlough program.

## **4. OTHER BUDGETARY ISSUES**

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

At this time, sufficient funds are available to cover all current expenditures in Human Resources Benefits (HRB) and no additional General Fund appropriation is required. There is also insufficient enrollment data available to identify trends and patterns required to estimate year-end expenditures. This Office will continue to monitor the status of HRB throughout the year.

### **B. Gas Tax and Proposition 42 Recommendation No. 33**

The State recently transferred a total of \$33.73 million in Gas Tax funds as repayment of the monthly payments suspended from April to August, and for the September payment. The repayment for the last quarter of 2007-08 is \$700,000 less than projected. In addition, the monthly average of \$5.57 million for the 2008-09 first quarter receipts is \$350,000 less than the budgeted monthly average of \$5.92 million, which was based on prior years' receipts. Based on the latest receipts, the potential revenue shortfall for the year would be about \$4.9 million. The decrease in revenues is most likely due to the reported decline in gasoline usage and the downturn of the economy.

The revenue estimate of \$38.6 million from Traffic Congestion Relief Fund (commonly known as Proposition 42 fund) in the Budget was based on the revenue projection available at the time of budget preparation. The projection was subsequently revised by the State, and the City's allocation is

now estimated at \$36.85 million, a decrease of \$1.75 million.

At this time, the projected total shortfall is \$6.65 million. In order to offset the revenue shortfall projected, this Office is recommending deferral of capital projects instead of reducing funding to departments' operating budgets. Eleven capital projects with a combined total of \$5.4 million have been identified for deferment (see Attachment 10). The departments have reported that the projects listed will not need funds this year. In addition, \$1.2 million in savings have been identified from three completed projects.

### **C. 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.

### **D. 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 35,503 at the end of August 2008 for both civilian and sworn classes. Filled positions decreased by 48 from 35,551 at the end of July to 35,503 at the end of August. Departments reported a total of 4,068 vacant positions, 2,935 General Fund and 1,133 special funded (see Attachment 12).

The Employment Level Report appears to indicate that the Managed Hiring Process is having an effect on City hiring. Based on departments' monthly reporting, the number of filled civilian positions decreased by 42, from 22,151 at the end of July 2008 to 22,109 at the end of August 2008. Furthermore, the number of filled civilian positions decreased by 581 from July 2007 to August 2008. Since February of 2008 there has been a steady decrease in the number of reported filled civilian authorities.

## **6. STATUS OF FEE INCREASES**

### **Attachment 11 - Status of Fee Increases in the 2008-09 Budget**

As part of the 2008-09 Budget, the Council instructed departments with pending fee increases to report back by June 1, 2008 with required ordinances. Timely action is necessary to ensure that the estimated revenue included in the 2008-09 Budget is realized.

Attachment 11 provides a status of both General Fund and Special Fund-related fee increases assumed in the 2008-09 Budget. In the First FSR we reported delayed implementation dates for the following departments: Animal Services (various fees), Police (vehicle release fee and alarm permit), Public Works-Bureau of Contract Administration (A permit fee), Public Works-Bureau of Engineering (various fees), and Transportation (meter rates). However, the fee increases for Transportation and the Bureau of Engineering, while delayed, have already been approved.

Attachment 12 highlights the following departments with pending fee increases: Police, Public Works-Bureau of Contract Administration, and Public Works-Bureau of Street Services. We now report the latest updates as follows:

- Police (vehicle release fee and alarm permit): The City Attorney has transmitted the vehicle release fee ordinance to the Council (C.F. 08-2448). The matter is pending action by the Public Safety Committee. In addition, the Council has approved the alarm fee ordinance.
- Public Works-Bureau of Contract Administration (A permit fee): There continue to be delays in the implementation of a proposed fee increase for A Permits, the Bureau anticipates a decrease in the budgeted revenue of \$75,000. The Bureau has advised that a report relative to the fee increase is pending submission to the Board.
- Public Works-Street Services (Newsrack Enforcement): The Department is preparing a report to the Board of Public Works regarding the newsrack fee increase. Implementation is anticipated by January 1, 2009.

  
\_\_\_\_\_  
Maria D. Gutierrez, Finance Specialist

APPROVED:

  
\_\_\_\_\_  
Matias Farfan, Chief Administrative Analyst

RPC:MF:MDG:01090024c

Attachments

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

<b>Revenue</b>			
2008-09 Budget		\$	4,554
Issues/Changes:			
Economy Sensitive	\$	(15)	
Real Estate-Documentary Tax		(10)	
Departmental Receipts		(30)	(55)
<b>2008-09 Projected Revenue</b>		<b>\$</b>	<b>4,499</b>
<b>Expenditures</b>			
2008-09 Budget		\$	4,554
Issues/Changes:			
Departmental Deficits	\$	35	
Non-Departmental Deficits		47	
UB-Short-term layoff money		(20)	
UB-Petroleum		(4)	
UB-New PD Facilities		(2)	
Fire Special Training Fund No. 40J		(1)	55
<b>2008-09 Projected Expenditures</b>		<b>\$</b>	<b>4,609</b>
<b>Year-End Estimated Shortfall</b>		<b>\$</b>	<b>(110)</b>
<b>Reserve Fund</b>			
Balance as of October 14, 2008		\$	150
Increase from loan repayments & misc.			20
Transfer from 2008-09 GF receipts			15
<b>Projected Reserve Fund Balance, June 30, 2009</b>		<b>\$</b>	<b>185</b>

**ATTACHMENT 2  
STATUS OF RESERVE FUND AS OF 10/14/08**

Council File No. Item Description	Amount
<b>Balance Available, 7/1/08</b>	\$ 166,068,118
<b>Less: Emergency Reserve Account</b>	125,226,000
<b>Contingency Reserve Account 7/1/08</b>	\$ 40,842,118
<b>Add: \$14,858,525 General Fund Appropriation to the Reserve Fund (Pending)</b>	-
<b>Loan Repayment and Other Receipts</b>	3,529,969
<b>Contingency Reserve Account</b>	\$ 44,372,087
 <b>Loans and Transfers Approved to Date</b>	
07-2878 Forensic DNA Backlog Reduction Program	\$ (870,921)
08-1268-S1 Senior Community Service Employment Program Summar	(337,873)
08-0600 1st FSR LED Conversion Program	(9,100,000)
08-1800-S3 November 2008 Special Election Gang Prevention Tax	(3,600,000)
07-0121 Supply Management System	(2,500,000)
07-1959 Youth Development Strateg	(600,000)
08-1800-S2 November 2008 Special Election Update of Low Rent Housir	(200,000)
07-0591 Annual Audit Contract for Fiscal Years (FY) 2007-08 through 2009-1	(109,950)
08-0600 1st FSR Youth Development Strategy Assessment prior-year reversio	(99,999)
08-1733 Unclaimed Monies Seized Incidental to Arrest replacement syste	(75,000)
 <b>Loans and Transfers Approved to Date</b>	 \$ (17,493,743)
 <b>Proposed Loans and Transfers</b>	
04-0010-S55 Sherman Clark Case Rewarc	(50,000)
0100-00539-0002 Storm Damage Repair Program	(53,700)
2nd FSR Police Reappropriati	(369,058)
2nd FSR P/W Street Services Reappropriator	(1,153,097)
 <b>Proposed Loans and Transfers</b>	 \$ (1,625,855)
<b>Contingency Reserve Available Balance as of 10/14/2008</b>	<b>\$ 25,252,489</b>
 <b>Total Reserve Fund</b>	 <b>\$ 150,478,489</b>



**ATTACHMENT 3a**  
**STATUS OF UNAPPROPRIATED BALANCE**  
**GENERAL ACCOUNT as of 10/14/08**

<b>C.F.</b>	<b>Appropriations</b>	<b>Date</b>	<b>Amount</b>
	Beginning Balance		\$ 25,000
	<b>Approved Transfer</b>		
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)
	<b>Projected Balance Available</b>		<b><u>\$ 15,043</u></b>

**ATTACHMENT 3b**  
**STATUS OF UNAPPROPRIATED BALANCE NON-GENERAL ACCOUNT as of 10/14/08**

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 4A)		\$ 25,000		\$ (9,957)		\$ 15,043
2nd FSR	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
	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
	Litigation Expense Account	City Atty	750,000				750,000
First FSR	Neighborhood Council Elections	DONE	100,000		(46,011)		53,989
	Neighborhood Council Funding	DONE	149,500				149,500
	New Fire Stations	Fire	540,000				540,000
2nd FSR	New Police Facilities	Police	2,050,000		(2,050,000)		0
08-1957; 08-2368;							
2nd FSR	Outside Counsel including Workers' Comp.	City Atty	4,000,000		(526,000)		3,474,000
07-0600-S90 YE	Gang Prevention/Intervention/Reduction (reapprop)			40,000			40,000
							0
			\$ -	\$ -	\$ -	\$ -	\$ -
	<b>Grand Total</b>		<b>\$ 16,462,500</b>	<b>\$ 153,142</b>	<b>\$ (5,702,968)</b>	<b>\$ -</b>	<b>\$ 10,912,674</b>

**ATTACHMENT 4**  
**2008-09 PROJECTED (DEFICIT)/SURPLUS**

DEPARTMENT/FUND	2ND FSR			COMMENTS
	GF	SF	TOTAL	
<b>DEPARTMENTAL</b>				
Aging	\$ (145,901)		\$ (145,901)	Short-term layoff & employee payouts-retirement & non-rep.
Animal Services	(405,350)		(405,350)	Short-term layoff, Assumes \$1M transfer from UB-First FSR
Building And Safety	(532,370)	173,099	(359,271)	Retroactive payments for MOU 05 & 00 & Short Term Layoff
City Administrative Officer	-		-	
City Attorney	(3,431,579)		(3,431,579)	Short-term layoff & payouts
City Attorney-Proprietaries	(2,831,569)		(2,831,569)	Short-term layoff & unfunded resolution authorities
City Clerk	(71,433)		(71,433)	Short-term layoff
Commission /Children, Youth	-		-	
Commission/Status Of Women	-		-	Short-term layoff absorbed.
Community Development	-		-	
Controller	(322,107)		(322,107)	Short-term layoff
Convention Center		(700,000)	(700,000)	Expenditures eligible for reimbursement
Council	-		-	
Cultural Affairs	-		-	
Department on Disability	-		-	
El Pueblo		10,746	10,746	
Emergency Management	(49,199)		(49,199)	Short term layoff & non-rep retro
Employee Relations	-		-	
Environmental Affairs	(65,714)		(65,714)	Short-term layoff & layoff delay
Ethics Commission	(186,282)		(186,282)	Short-term layoff & employee payouts.
Finance	(859,732)		(859,732)	Short-term layoff & payouts-retirement, non rep, sick
Fire	(8,520,045)		(8,520,045)	Overtime Constant Staffing & Unused Sick Time, Haro/Ackley
General Services	(1,500,000)		(1,500,000)	Short term layoff
Housing Dept		407,440	407,440	Salary savings
Human Relations	(68,275)		(68,275)	Short-term layoff, no attrition & payouts
Information Technology	(2,050,105)		(2,050,105)	Short-term layoff & Overtime
Mayor	-		-	
Neighborhood Empowerment	(224,845)		(224,845)	Short-term layoff & retirement payout
Personnel	(994,000)		(994,000)	Mainly due to Short-term layoff
Planning	890,976		890,976	Salary savings-Managed Hiring
Police	(5,923,951)		(5,923,951)	Short-Term layoff & Sworn Overtime-reimbursed
Board Of Public Works	-		-	Assumes timely reimbursement from bond programs
PW/Contract Administration	-		-	Short-term layoff, MOU 05 COLAs & retros absorbed
PW/Engineering		5,000,000	5,000,000	Due to anticipated reimbursements from special funds-SCM.
PW/Sanitation		1,906,290	1,906,290	Salary surplus & Overtime surplus
PW/Street Lighting	-		-	
PW/Street Services	-		-	
Transportation	(1,000,000)	1,069,181	69,181	Short-term layoff & Signal Repair/Traffic Officer Staffing.
Treasurer	(393,872)		(393,872)	Short-term layoff, payouts-non rep retros, sick & litigation
Zoo	334,747		334,747	Salary Savings
<b>Total-Budgetary Depts.</b>	<b>\$ (28,350,606)</b>		<b>\$ (20,483,850)</b>	
Library	(921,261)		-	Short-term layoff
Rec. & Parks	(5,701,099)		-	Short-term layoff & Salaries As-Needed
<b>Total-Departmental</b>	<b>\$ (34,972,966)</b>		<b>\$ (20,483,850)</b>	
<b>NONDEPARTMENTAL</b>				
General City Purposes	(1,452,228)		-	Medicare Contributions
Liability Claims	(13,517,313)		-	Low-end estimate without Harper case
Liability Claims-Harper Case	(19,268,766)		-	Harper Case
Outside Counsel	-		-	Not available-City Attorney estimates pending.
Petroleum	(13,000,000)		-	Low-end estimate could be as high as \$20M.
<b>Total - Nondepartmental</b>	<b>\$ (47,238,307)</b>		<b>\$ -</b>	
<b>GRAND TOTAL</b>	<b>\$ (82,211,273)</b>		<b>\$ (20,483,850)</b>	

Less Short Term Layoff Acct	\$	19,870,000	
Fire SF 40J	\$	1,200,000	2nd FSR
Less UB-Petroleum	\$	4,000,000	
Less UB-New Police Facilities	\$	2,050,000	2nd FSR
<b>GRAND TOTAL REVISED</b>	<b>\$</b>	<b>(55,091,273)</b>	

ATTACHMENT 5  
 FY 2008-09 BUDGET ADJUSTMENTS  
 REAPPROPRIATIONS FROM THE RESERVE FUND

<u>DEPARTMENT</u>	<u>FUND/ACCOUNT</u>	<u>AMOUNT</u>
<b>TRANSFER FROM THE RESERVE FUND TO THE UNAPPROPRIATED BALANCE FUND 100/58:</b>		
<b>APPROPRIATE TO:</b>		
Police	<u>100/70, Police</u>	
	1092, Sworn Overtime	51,000
	3010, Firearm, Ammunition & Other Devices	37,500
	3040, Contractual Services	50,000
	6010, Office and Administrative Expense	160,000
	7340, Transportation Equipment	70,558
	<i>Subtotal</i>	<u>\$ 369,058</u>
Subventions and Grants Fund (PW/Bureau of Street Services)	<u>305/50, Subventions and Grant Fund</u>	
	See Recommendation No. 32	\$ 1,153,097
	<i>Subtotal</i>	<u>\$ 1,153,097</u>
	<b>TOTAL</b>	<u><u>\$ 1,522,155</u></u>

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

DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Cultural Affairs	<u>Fund 100/30, Cultural Affairs</u> 6020, Operating Supplies	\$ 8,100	<u>Fund 100/30, Cultural Affairs</u> 3310, Transportation	\$ 8,100
Fire	<u>Fund 100/38, Fire</u> 1012, Salaries Sworn 1098, Sworn Overtime Variable Staffing	\$ 1,179,360 \$ 300,000 <u>\$ 1,479,360</u>	<u>Fund 100/38, Fire</u> 1050, Unused Sick Time 1090, Overtime General	\$ 1,179,360 \$ 300,000 <u>\$ 1,479,360</u>
Housing	<u>Fund 100/43, Housing</u> 1010, Salaries General	\$ 65,823	<u>Fund 100/43, Housing</u> 3040, Contractual Services	\$ 65,823
Information Technology Agency	<u>Fund 100/32, Information Technology Agency</u> 2120, Printing and Binding 6020, Operating Supplies 9350, Communications Services	\$ 113,755 \$ 200,000 \$ 200,000 Subtotal <u>\$ 513,755</u>	<u>Fund 100/32, Information Technology Agency</u> 1010, Salaries General 1090, Salaries Overtime 1100, Salaries Hiring Hall	\$ 113,755 \$ 200,000 \$ 200,000 Subtotal <u>\$ 513,755</u>
PW/Bureau of Sanitation	<u>Fund 100/82, Bureau of Sanitation</u> 1010, Salaries General 2120, Printing and Binding 6020, Operating Supplies & Expenses	\$ 150,999 \$ 200,000 \$ 1,900 Subtotal <u>\$ 352,899</u>	<u>Fund 100/82, Bureau of Sanitation</u> 1070, Salaries As-Needed 1100, Salaries Hiring Hall 1120, Salaries Hiring Hall Benefits 3310, Transportation Expense 6010, Office and Administrative	\$ 99,636 \$ 40,075 \$ 11,288 \$ 1,900 \$ 200,000 Subtotal <u>\$ 352,899</u>
Transportation	<u>Fund 100/94, Transportation</u> 3360, Signal Supplies and Repairs	\$ 895,000	<u>Fund 100/94, Transportation</u> 3040, Contractual Services	\$ 895,000
<b>TOTAL ALL DEPARTMENTS AND FUNDS</b>		<b>\$ 3,314,937</b>		<b>\$ 3,314,937</b>

**ATTACHMENT 7  
FY 2008-09 BUDGET ADJUSTMENTS  
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS**

DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Council	<u>Fund 47S/14, CLARTS</u>		<u>Fund 100/28, Council</u>	
		\$ 250,000	1070, Salaries As Needed	\$ 250,000
Fire	<u>Fund 40J/38, Fire Special Fund</u>		<u>Fund 100/38, Fire</u>	
	002R, State Educational	\$ 1,200,000	3090, Field Equipment Expense	\$ 1,200,000
Planning	<u>Fund 46Y/68, City Planning Grant Trust Fund</u>		<u>Fund 100/68, Planning</u>	
	E168, Planning	\$ 50,000	3040, Contractual Services	\$ 50,000
PW/Bureau of Sanitation	<u>Fund 760/50, Sewer Construction Maintenance &amp; Ops</u>		<u>Fund 760/50, Sewer Construction Maintenance &amp; Ops</u>	
	E282/304, Expense & Equipment	\$ 10,388	E132, Information Technology Agency	\$ 10,388
	E132, Information Technology Agency	\$ 10,388		
	E182, PW - Sanitation	\$ 324,200	<u>Fund 100/32, Information Technology Agency</u>	
	Subtotal	\$ 344,976	9350, Communication Services	\$ 10,388
			<u>Fund 761/50, Sewer Capital Fund</u>	
			E182, PW - Sanitation	\$ 324,200
	<u>Fund 556/50, Integrated Solid Waste Mgmt Fund</u>		<u>Fund 556/50, Integrated Solid Waste Mgmt Fund</u>	
	Available Cash Balance	\$ 78,000	E182, Bureau of Sanitation	\$ 78,000
	E182, Bureau of Sanitation	\$ 78,000		
	Subtotal	\$ 156,000	<u>Fund 100/82, Bureau of Sanitation</u>	
			1070, Salaries As Needed	\$ 78,000
	<u>Fund 100/82, Bureau of Sanitation</u>		<u>Fund 588/50, Landfill Maintenance Special Fund</u>	
	3040, Contractual Services	\$ 8,000	E182, Bureau of Sanitation	\$ 8,000
	<u>Fund 588/50, Landfill Maintenance Special Fund</u>		<u>Fund 588/50, Landfill Maintenance Special Fund</u>	
	E182, Bureau of Sanitation	\$ 8,000	E174, PW-Board Office	\$ 8,000
	E174, PW-Board Office	\$ 8,000		
	Subtotal	\$ 16,000	<u>Fund 100/74, Board of Public Works</u>	
			6020, Operating Supplies & Expenses	\$ 8,000
PW-Bureau of Street Lighting	<u>Fund 206/50, Gas Tax</u>		<u>Fund 347/50, St Lighting Maint Assessment Fund</u>	
	W673, Pacoima Lgt Improv-Ph I	\$ 50,000	4610, Reimb from Other Funds/Depts	\$ 50,000

**ATTACHMENT 7  
FY 2008-09 BUDGET ADJUSTMENTS  
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS**

DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
	<u>Fund 347/50, St Lighting Maintenance Assessment Fund</u>		<u>Fund 100/84, Street Lighting</u>	
	E600, Available Series to Multiple	\$ 60,000	1090, Overtime General	\$ 6,500
			8780, Street Lighting Supplies	\$ 53,500
			Subtotal	\$ 60,000
PW Bureau of Street Services	<u>Fund 206/50, Special Gas Tax Street Improvement Fund</u>		<u>Fund 100/86, PW Bureau of Street Services</u>	
	E365, Bridge & Tunnel Maintenance	\$ 150,000	1010, Salaries General	\$ 90,000
			1090, Salaries Overtime	\$ 10,000
			1100, Hiring Hall Salaries	\$ 7,000
			1120, Hiring Hall Benefits	\$ 8,000
			1190, Hiring Hall Overtime	\$ 3,000
			3030, Construction Expense	\$ 20,000
			6010, Office & Administrative	\$ 2,000
			6020, Operating Supplies	\$ 10,000
			Subtotal	\$ 150,000
	<u>Fund 206/50, Special Gas Tax Street Improvement Fund</u>		<u>Fund 100/86, PW Bureau of Street Services</u>	
	E601, Guardrail Construction	\$ 150,000	1010, Salaries General	\$ 90,000
			1090, Salaries Overtime	\$ 10,000
			1100, Hiring Hall Salaries	\$ 7,000
			1120, Hiring Hall Benefits	\$ 8,000
			1190, Hiring Hall Overtime	\$ 3,000
			3030, Construction Expense	\$ 20,000
			6010, Office & Administrative	\$ 2,000
			6020, Operating Supplies	\$ 10,000
			Subtotal	\$ 150,000
	<u>Fund 206/50, Special Gas Tax Street Improvement Fund</u>		<u>Fund 100/86, PW Bureau of Street Services</u>	
	E702, Drainage Projects - Various Locations	\$ 300,000	1010, Salaries General	\$ 138,000
			1090, Salaries Overtime	\$ 20,000
			1100, Hiring Hall Salaries	\$ 20,000
			1120, Hiring Hall Benefits	\$ 10,000
			1190, Hiring Hall Overtime	\$ 6,000
			3030, Construction Expense	\$ 30,000
			6010, Office & Administrative	\$ 2,000
			6020, Operating Supplies	\$ 74,000
			Subtotal	\$ 300,000

**ATTACHMENT 7  
FY 2008-09 BUDGET ADJUSTMENTS  
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS**

DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
	<u>Fund 305/50, Subventions &amp; Grants</u>		<u>Fund 100/86, PW Bureau of Street Services</u>	
	3741, Washington Boulevard Streetscape	\$ 577,000	1010, Salaries General	\$ 325,070
			1090, Salaries Overtime	\$ 81,268
			3030, Construction Expense	\$ 113,774
			3040, Contractual Services	\$ 8,127
			6010, Office & Administrative	\$ 16,254
			6020, Operating Supplies	\$ 32,507
			Subtotal	\$ 577,000
	 <u>Fund 305/50, Subventions &amp; Grants</u>		 <u>Fund 100/86, PW Bureau of Street Services</u>	
	3741, Pico Union Streetscape	\$ 1,314,673	1010, Salaries General	\$ 740,661
			1090, Salaries Overtime	\$ 185,165
			3030, Construction Expense	\$ 259,231
			3040, Contractual Services	\$ 18,517
			6010, Office & Administrative	\$ 37,033
			6020, Operating Supplies	\$ 74,066
			Subtotal	\$ 1,314,673
	 <u>Fund 623/50, Terra Bella St. &amp; Fenton Ave. Drainage Fund</u>		 <u>Fund 100/86, PW Bureau of Street Services</u>	
	TBD, Street Curb & Gutter Improvements	\$ 61,304	1090, Salaries Overtime	\$ 35,000
			3030, Construction Expense	\$ 15,000
			6010, Office & Administrative	\$ 1,304
			6020, Operating Supplies	\$ 10,000
			Subtotal	\$ 61,304
<b>TOTAL ALL DEPARTMENTS AND FUNDS</b>		<b>\$4,687,953</b>		<b>\$4,687,953</b>



**ATTACHMENT 8  
FY 2008-09 BUDGET ADJUSTMENTS  
SPECIAL FUND REAPPROPRIATIONS**

DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
PW/Bureau of Street Lighting	<u>Fund 347/50, St Lighting Maintenance Assessment Fund</u>		<u>Fund 100/84, Street Lighting</u>	
	C184, Street Lighting	\$ 472,400	3040, Contractual Services	\$ 322,400
			8780, Street Lighting Supplies	\$ 150,000
			Subtotal	\$ 472,400
MICLA	<u>Fund 298/50 MICLA Fund</u>		<u>Fund 100/86, Street Services</u>	
	C186, Bureau of Street Services	\$ 244,785	1010, Salaries General	\$ 36,718
			1090, Salaries Overtime	\$ 14,687
			1100, Hiring Hall Salaries	\$ 14,687
			3030, Construction Expense	\$ 146,871
			6020, Operating Supplies	\$ 31,822
		Subtotal	\$ 244,785	
Public Works Trust Fund	<u>Fund 834/50, Public Works Trust Fund</u>		<u>Fund 100/86, Street Services</u>	
	C186, Bureau of Street Services	\$ 400,000	1010, Salaries General	\$ 56,000
			1090, Salaries Overtime	\$ 24,000
			1100, Hiring Hall Salaries	\$ 24,000
			1120, Hiring Hall Benefits	\$ 8,000
			1190, Hiring Hall Overtime	\$ 4,000
			3030, Construction Expense	\$ 224,000
			3040, Contractual Services	\$ 4,000
			3330, Utilities Expense	\$ 4,000
			6010, Office & Administrative	\$ 8,000
			6020, Operating Supplies	\$ 44,000
		Subtotal	\$ 400,000	
Transportation	<u>Fund 385/94, Proposition A Local Transit Assistance</u>		<u>Fund 100/84, Street Lighting</u>	
	C184, Street Lighting	\$ 11,639	1090, Salaries Overtime	\$ 19,719
	A184, Street Lighting	\$ 8,080		
	Subtotal	\$ 19,719		
	<u>Fund 43D/50, Street Furniture Revenue Fund</u>		<u>Fund 100/84, Street Lighting</u>	
	A184, Street Lighting	\$ 35,000	3040, Contractual Services	\$ 35,000
<b>TOTAL ALL DEPARTMENTS AND FUNDS</b>		<b>\$ 1,171,904</b>		<b>\$ 1,171,904</b>

**ATTACHMENT 9  
 FY 2008-09 BUDGET ADJUSTMENTS  
 APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE**

<u>APPROPRIATE FROM:</u>	<u>APPROPRIATE TO:</u>	<u>AMOUNT</u>
Benefits Contingency	<u>100/46, Mayor</u> 1070, Salaries As-Needed	\$ 753,000
	<u>100/28, Council</u> 1070, Salaries As-Needed	\$ 2,318,000
Short-Term Layoff Agreement	<u>302/88, Recreation and Parks</u> 1010, Salaries General	\$ 1,200,000
	1070, Salaries As-Needed	\$ 1,300,000
	<i>Subtotal</i>	<u>\$ 2,500,000</u>
	<u>100/70, Police</u> 1010, Salaries General	\$ 2,250,000
	3040, Contractual Services	\$ 250,000
	<i>Subtotal</i>	<u>\$ 2,500,000</u>
Outside Counsel Inc. Workers Comp.	<u>100/12, City Attorney</u> 9302, Workers Comp.-Outside Counsel	\$ 240,000
New Police Facilities	<u>100/70, Police</u> 1090, Overtime General	\$ 256,150
	6010, Office and Administrative Expense	\$ 1,793,850
	<i>Subtotal</i>	<u>\$ 2,050,000</u>
	<b>TOTAL APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE</b>	

**ATTACHMENT 10**  
**TRANSFERS WITHIN SPECIAL GAS TAX IMPROVEMENT FUND NO. 206/50**

<b>TRANSFER FROM</b>			<b>TRANSFER TO</b>		
<b>ACCOUNT</b>	<b>ACCOUNT NAME</b>	<b>AMOUNT</b>	<b>ACCOUNT</b>	<b>ACCOUNT NAME</b>	<b>AMOUNT</b>
A906	12710 Hacienda Dr	\$ 75,000	NEW	Deferred Projects	\$ 5,419,000
A907	3920-3940 Av Del Sol	50,000			
A908	3712-3760 Av Del Sol	50,000			
A909	3832-3840 Av Del Sol	50,000			
A916	Tareco Slope Stabilization	75,000			
E539	Normandie to Pico Intersection	1,539,000			
E945	Foothill Bl Rockfall Netting	700,000			
E946	Glendale Soil Nail Wall	1,000,000			
E947	Hacienda Bl Bulkhead	690,000			
E948	Harding St Bridge Rock Slope	640,000			
E963	Tujunga Av Bulkhead	550,000			
<b>TOTAL</b>		<b>\$ 5,419,000</b>			<b>\$ 5,419,000</b>

## Status of Fee Increases Funding the 2008-09 Budget

### General Fund

<u>Department</u>	<u>Type of Fee</u>	<u>Proposed Change</u>	<u>Proposed Implementation Date</u>	<u>Effective Date</u>	<u>Notes</u>
Animal Services	Various	See notes.	7/1/2008	9/1/2008	\$450,000 was added to ASD's budget in anticipation of increased fees. ASD finished almost \$700,000 below budget in 2007-08.
Building and Safety	Non Compliance fee	Fee increase.	7/1/2008	7/1/2008	\$320,000 was added to the 2008-09 budget. The department reports that these were not fee increases, the additional revenue represents increased billing and collection efforts.
	Investigation fee	Fee increase.	7/1/2008	7/1/2008	\$250,000 was added to the 2008-09 budget. The department reports that these were not fee increases, the additional revenue represents increased billing and collection efforts.
	Notice of Revocation penalty	New fee.	7/1/2008	7/1/2008	\$430,000 was added to the 2008-09 budget. The department reports that these were not fee increases, the additional revenue represents increased billing and collection efforts.
City Attorney	Tobacco Sellers Permit	See notes.	11/1/2008	Anticipated to be on schedule	Second reading in Council on October 1. Additional revenue is expected, to cover the costs of the program.
Fire	Unified Program and High Rise Inspection fees	\$1.3 million overall revenue increase.	7/1/2008	7/1/2008	\$1.3 million was added to the 2008-09 budget for increased fees, for increases to the Unified Program and High Rise Inspection fees. The detail on the following lines are revised amounts due to later information. The revised overall increase to Fire revenue is approximately \$2.5 million.
	Brush Collection	See notes.	7/1/2008	7/1/2008	Fee change based on current costs (including overhead). Revenue is estimated to increase by \$6,000.
	Continuing Permits	See notes.	7/1/2008	7/1/2008	Fee change based on current costs (including overhead). Revenue is estimated to decrease by \$117,000.
	Non-Continuing Permits	See notes.	7/1/2008	7/1/2008	Fee change based on current costs (including overhead). Revenue is estimated to decrease by \$66,000.
	Unified Program fee	See notes.	7/1/2008	7/1/2008	Fee change based on current costs (including overhead). Revenue is estimated to increase by \$196,000.
	High-Rise Inspection Fee	See notes.	11/1/2008	Anticipated to be on schedule	Fee change based on current costs (including overhead). Revenue is estimated to increase by \$1.1 million
	Emergency Ambulance Services	See notes.	12/1/2008	Anticipated to be on schedule	Fee change based on current costs (including overhead). Revenue is estimated to increase by \$914,000.
	Fire Plan Checking	See notes.	3/1/2009	Anticipated to be on schedule	Fee change based on current costs (including overhead). Revenue is estimated to increase by \$284,000.
	Film Permits (USFO)	See notes.	5/1/2009	Anticipated to be on schedule	Fee change based on current costs (including overhead). Revenue is estimated to increase by \$75,000.

### General Fund - Continued

### Status of Fee Increases Funding the 2008-09 Budget

Department	Type of Fee	Proposed Change	Proposed Implementation Date	Effective Date	Notes
	Spot Check Program	See notes.	5/1/2009	Anticipated to be on schedule	Fee change based on current costs (including overhead). Revenue is estimated to increase by \$126,000.
Planning	Planning fees	Increase fees by 20%, \$1 million net expected increase to overall revenue.	Oct-08	Anticipated to be on schedule	The 20% increase is expected to be offset by a slowing housing market, resulting in a net increase of \$1 million expected in 2008-09.
Police	Vehicle release fee	Increase to \$100, overall \$5.7 million in additional revenue.	7/1/2008	unknown	The City Attorney has prepared the ordinance and it will soon be schedule for Council. Revenue for this account was expected to double, but a late implementation date will likely reduce revenues.
	Alarm permit	See notes.	7/1/2008	11/1/2008	\$700,000 was added during the 2008-09 budget process for "Increase police fee receipts based on anticipated adjustments approved by the Police Commission." Council has approved the ordinance increasing the alarm fee.
PW Contract Admin	A Permit fee	See notes.	7/1/2008	10/1/2008	Additional revenue for this increase was budgeted at \$225,000. Due to the delayed implementation, the department expects revenues to increase by \$150,000.
PW Engineering	Survey Monument Fee	New fee	7/1/2008	08/09/2008	Engineering proposed six new fees for 2008-09 and the budget anticipated \$295,000 in additional revenue.
	Improvement Bond Processing fee	New fee	7/1/2008	08/15/2008	All of the new fees have been approved by Council and will become effective in August.
	Improvement Bond Extension Processing fee	New fee	7/1/2008	08/15/2008	
	Elevation Certification Processing fee	New fee	7/1/2008	08/15/2008	
	Flood proofing Certificate Processing fee	New fee	7/1/2008	08/15/2008	
	Expedited Permit surcharge	New fee	7/1/2008	08/15/2008	
	Various engineering fee increases.		7/1/2008	9/1/2008	
PW Street Services	Newsrack Enforcement fee	Increase fee from \$21.69 to \$40	1/1/2009	Anticipated to be on schedule	The department is preparing a report to the PW Board on the fee increase.
Transportation	Parking Fines	Increase all parking fines by \$5	7/1/2008	7/25/2008	Approved. Full collection at the new rate is expected by October 2008.

## Status of Fee Increases Funding the 2008-09 Budget

### Special Fund

Department	Type of Fee	Proposed Change	Proposed Implementation Date	Effective Date	Notes
PW Sanitation	Solid Waste Fee	increase both single and multi-family rates	9/1/2008	9/5/2008	The budget anticipated an additional \$7 million due to full collections in November. The account will likely not perform as expected.
Transportation	Meter rates	Various	7/1/2008	8/31/2008	Ordinance approved by City Council on 7/15/08. Transportation is reporting a possible shortfall of \$4 million, due to a delayed effective date of the ordinance. The 2008-09 Budget assumed that parking meter rates and hours would be adjusted beginning July 2008 and that the rates and hours adjustments would be effective in a majority of parking meter zones by September 2008. The ordinance became effective August 31, 2008 (C.F. 08-0600-S6), two months later than originally anticipated.
Recreation and Parks	Aquatic and other various use fees	Fee increase.	7/1/2008	7/1/2008	
	Golf fees	Fee increase.	7/1/2008	7/1/2008	All expected fee increases have been approved and were effective by July 1, 2008.
	Pershing Square parking fee	Fee increase.	7/1/2008	7/1/2008	

**ATTACHMENT 12  
EMPLOYMENT LEVEL REPORT  
FY 2008-09**

Department	Adopted Budget	Position Authorities			Filled Positions			Vacancies	Activated Sub. Auth.
		Start of August	Changes	End of August	Start of August	Changes	End of August		
Aging	44	61	-	61	49	-	49	12	1
Animal Services	357	412	-	412	379	(4)	375	37	32
Building and Safety	810	1082	30	1112	1002	(1)	1001	111	43
City Administrative Officer	130	135	-	135	128	(1)	127	8	-
City Attorney	831	1054	-	1054	1001	3	1004	50	12
City Clerk	150	157	-	157	147	-	147	10	3
Commission on C, Y and their F	16	30	-	30	19	-	19	11	-
Commission on the Status of Women	3	3	-	3	2	-	2	1	-
Community Development	210	316	-	316	288	(4)	284	32	5
Controller	189	243	-	243	185	(2)	183	60	10
Cultural Affairs	76	80	-	80	68	-	68	12	3
Disability	13	19	-	19	18	-	18	1	-
El Pueblo	21	22	-	22	17	-	17	5	1
Emergency Management	17	25	-	25	24	-	24	1	-
Employee Relations Board	3	3	-	3	3	-	3	-	-
Environmental Affairs	31	34	(1)	33	31	(1)	30	3	2
Ethics Commission	23	27	-	27	26	-	26	1	-
Finance	362	388	1	389	367	2	369	20	20
Fire - Civilian	353	438	-	438	383	(6)	377	61	34
Fire - Sworn	3,586	3649	-	3649	3686	(19)	3667	(18)	11
General Services	2,217	2292	-	2292	2039	-	2039	253	21
Housing	503	598	-	598	535	(1)	534	64	12
Human Relations Commission	6	10	-	10	10	-	10	-	-
Information Technology Agency	729	820	5	825	738	(13)	725	100	11
L.A. Convention Center	165	191	-	191	157	(3)	154	37	20
Neighborhood Empowerment	49	40	1	41	31	2	33	8	-
Personnel	464	551	1	552	499	(3)	496	56	21
Planning	270	401	-	401	299	(1)	298	103	-
Police - Civilian	3,786	3856	-	3856	3132	(19)	3113	743	-
Police - Sworn	10,467	10493	-	10493	9714	13	9727	766	-
PW/Board of Public Works	130	142	-	142	131	2	133	9	-
PW/Bureau of Contract Admin	290	454	-	454	369	(1)	368	86	-
PW/Bureau of Engineering	961	1153	1	1154	980	(3)	977	177	32
PW/Bureau of Sanitation	2,945	3027	(1)	3026	2694	13	2707	319	12
PW/Bureau of Street Lighting	230	247	-	247	210	(2)	208	39	2
PW/Bureau of Street Services	1,282	1614	-	1614	1341	(6)	1335	279	7
Transportation	1,584	1765	-	1765	1547	10	1557	208	16
Treasurer	38	43	-	43	36	-	36	7	3
Zoo	257	261	-	261	228	3	231	30	2
<b>Subtotal</b>	<b>33,598</b>	<b>36,136</b>	<b>37</b>	<b>36,173</b>	<b>32,513</b>	<b>(42)</b>	<b>32,471</b>	<b>3,702</b>	<b>336</b>
Library	1,136	1,181	-	1,181	1,110	(1)	1,109	72	-
Recreation and Parks	2,038	2,217	-	2,217	1,928	(5)	1,923	294	124
<b>Subtotal</b>	<b>3,174</b>	<b>3,398</b>	<b>-</b>	<b>3,398</b>	<b>3,038</b>	<b>(6)</b>	<b>3,032</b>	<b>366</b>	<b>124</b>
<b>Total</b>	<b>36,772</b>	<b>39,534</b>	<b>37</b>	<b>39,571</b>	<b>35,551</b>	<b>(48)</b>	<b>35,503</b>	<b>4,068</b>	<b>460</b>

"Position Authorities-Start of August" 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	36,772	39,518	16	39,534	35,586	(35)	35,551	3,983	430
August	36,772	39,534	37	39,571	35,551	(48)	35,503	4,068	460
September			-			-		-	-
October			-			-		-	-
November			-			-		-	-
December			-			-		-	-
January			-			-		-	-
February			-			-		-	-
March			-			-		-	-
April			-			-		-	-
May			-			-		-	-
June			-			-		-	-

**Attachment 13a**  
**Five-Year Budget Forecast (\$million)**

	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
<b>ESTIMATED GENERAL FUND REVENUE</b>					
General Fund Base (1)	\$ 4,351.9	\$ 4,497.7	\$ 4,512.3	\$ 4,616.9	\$ 4,771.2
Revenue Growth (2)					
Property Related Taxes	15.0	(3.8)	3.5	37.1	69.1
Sales and Business Taxes	(27.0)	26.2	24.7	34.0	44.2
Utility Users' Tax	10.4	22.3	23.1	27.3	28.4
License, Permits and Fees	155.5	(70.0)	21.2	21.8	22.5
Other Fees, Taxes and Transfers	(7.1)	40.0	32.1	34.0	36.0
<b>Total Revenue</b>	<b>\$ 4,498.7</b>	<b>\$ 4,512.3</b>	<b>\$ 4,616.9</b>	<b>\$ 4,771.2</b>	<b>\$ 4,971.3</b>
<i>General Fund Revenue Increase %</i>	<i>1.4%</i>	<i>0.3%</i>	<i>2.3%</i>	<i>3.3%</i>	<i>4.2%</i>
<i>General Fund Revenue Increase \$</i>	<i>61.0</i>	<i>13.6</i>	<i>104.6</i>	<i>154.2</i>	<i>200.1</i>
<b>ESTIMATED GENERAL FUND EXPENDITURES</b>					
General Fund Base (3)	\$ 4,437.7	\$ 4,553.7	\$ 4,795.7	\$ 4,973.1	\$ 5,089.0
Incremental Changes to Base: (4)					
Employee Compensation Adjustments (5)	120.5	123.8	94.3	97.3	71.8
City Employees Retirement System (6)	(26.2)	(13.7)	(11.2)	(8.0)	(3.6)
Fire and Police Pensions (6)	(2.1)	(10.3)	(20.5)	(16.3)	(8.9)
Workers Compensation Benefits (7)	7.5	10.8	11.6	12.6	13.6
Health and Dental Benefits (8)	29.7	44.4	42.3	44.5	46.6
Debt Service (9)	14.2	8.0	(7.1)	(12.3)	-
Expense CPI Increases (10)	-	6.6	6.7	6.9	7.0
Delete Reso. Authorities & One-Time Costs (11)	(103.2)	-	-	-	-
Unappropriated Balance (12)	16.5	-	-	-	-
New Facilities (13)	27.4	10.6	9.2	7.5	9.3
City Elections (14)	16.9	(16.9)	17.4	(17.4)	17.9
Police 1,000 Officers Hiring Plan (15a)	16.1	42.4	26.9	-	-
VLF Police Hires (15b)	19.1	-	-	-	-
Public Safety Systems Project (16)	3.2	-	-	-	-
CIEP (17)	11.2	36.4	2.1	1.2	1.6
Emergency Communications System (18)	3.5	-	-	-	-
Public Safety Radio Replacement (19)	-	-	5.7	-	-
Police In-Car Videos (20)	-	-	-	-	-
Appropriation to the Reserve Fund	14.8	-	-	-	-
Net - Other Additions and Deletions	(53.0)	-	-	-	-
2008-09 2nd FSR Expenditure Shortfall	55.0				
<b>Subtotal Expenditures</b>	<b>\$ 4,608.7</b>	<b>\$ 4,795.7</b>	<b>\$ 4,973.1</b>	<b>\$ 5,089.0</b>	<b>\$ 5,244.3</b>
<i>Expenditure Growth %</i>	<i>3.9%</i>	<i>4.1%</i>	<i>3.7%</i>	<i>2.3%</i>	<i>3.1%</i>
<i>Expenditure Growth \$</i>	<i>171.0</i>	<i>187.0</i>	<i>177.4</i>	<i>115.9</i>	<i>155.3</i>
<b>TOTAL BUDGET GAP</b>	<b>\$ (110.0)</b>	<b>\$ (283.4)</b>	<b>\$ (356.2)</b>	<b>\$ (317.8)</b>	<b>\$ (273.0)</b>



**ATTACHMENT 13b  
FIVE-YEAR GENERAL FUND BUDGET FORECAST FOOTNOTES**

**REVENUE:**

(1) General Fund (GF) Base: The General Fund revenue growth is separated from the revenue base. This base excludes the Reserve Fund transfer to the budget.

(2) Revenue Growth: The 2008-09 revenue is adjusted in light of current economic conditions and based upon preliminary forecast in October 2008. Future year revenue projections have not been revised at this time. It still assumes flat growth in 2009-10 and to moderately grow in 2010-11 through 2012-13. Amounts represent projected incremental change to the base. The reason for the decline in 2009-10 LPFF is primarily due to one-time revenues budgeted in 2008-09. Refer to the Revenue Outlook for detail of each revenue category.

**ESTIMATED GENERAL FUND EXPENDITURES:**

(3) Estimated Expenditure General Fund Base: Using the 2007-08 General Fund budget as the baseline year, the General Fund base is the "Total Obligatory and Potential Expenditures" carried over to the following fiscal year. The beginning 2009-10 base is assumed to be equivalent to the 2008-09 budget in anticipation that permanent ongoing reductions, rather than one-time solutions, are adopted.

(4) The 2008-09 incremental changes reflect funding adjustments to the 2007-08 General Fund budget. The 5-year forecast expenditures included for subsequent years are limited to those obligatory and major expenses known at this time and are subject to change. Amounts represent projected incremental change to the base.

(5) Employee Compensation Adjustments: This includes cost of living adjustment (COLA), change in number of working days, salary step and turnover effect, and full funding for partially financed positions. On Dec. 19, 2007, the Mayor and Council approved the 2007-2012 Memorandum of Understanding (MOU) for the Coalition of the Los Angeles City Union and Management Attorneys Unit. The approved COLAs are reflected in the chart below. Step increases that apply to all workers who have been on Step 5 for one year and to most flat-rated workers at the time of the increase will be effective January 1<sup>st</sup> of 2010, 2011, and 2012.

Civilian MOUs	2007-08	2008-09	2009-10	2010-11	2011-12
COLA	2% + 2%	3%	3%	2.25%	2.25%
Step/Increase			2.75%	2.75%	2.75%

Sworn labor contracts expire on 6/30/2009 and include the remaining COLA's of 3.75% on 7/1/2008. The forecast assumes a 2% salary growth each year for civilian and sworn employees beyond the current labor contracts.

(6) City Employment Retirement System (LACERS) and Fire & Police Pensions (Pensions): The LACERS and Pensions contribution are estimated based on information from the departments' actuaries and include COLA assumptions. The estimates are mostly driven by changes in assumptions and investment returns.

(7) Workers Compensation Benefits (WC): The WC budget increase of 8% is applied through 2012-13 based on 2007-08 experience.

(8) Health and Dental Benefits: Mercer Consulting provides the civilian plan forecast. Projected civilian employee FLEX benefits reflect medical subsidy increases of 9.19% for 2009; 8.71% for 2010; 8.23% for 2011; and 7.74% for 2012; as well as 1% annual increase for enrollment starting in 2010-11. Police and Fire health medical subsidy rates are historically higher and assumed to be 2% more than the civilian rates due to the type of coverage and lower deductible health plans. Police enrollment projections are consistent with the hiring plan. Fire enrollment is projected to rise 2% per annum.

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

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

(11) Delete One-time Resolution Authorities and Other Costs: Reflects City practice of deleting programs and costs that are limited-term and temporary in nature at the start of the budget process. Funding for these positions, programs, and expenses is reviewed on a case-by-case basis and dependent upon continuing need for the fiscal year. Continued or new items added are embedded in the "Net – Additions and Deletions" line item of the forecast. None are deleted in subsequent years to provide a placeholder for continuation of resolution authority positions for various programs, as well as equipment, and other one-time expenses incurred annually. As such, these costs are therefore incorporated into the beginning General Fund base of subsequent years.

(12) Unappropriated Balance (UB): The total 2008-09 UB budget is around \$16 million, including nearly \$3.5 million reflected in the New Facilities category. The balance is not eliminated to provide a placeholder for various ongoing and/or contingency requirements in the following years.

(13) New Facilities: Funding projections are based on preliminary departmental estimates for ongoing staffing and expenses that have not been prioritized.

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

(15a) The Police Hiring Plan is to recruit 1,000 net new officers during 2005-06 to 2009-10, with recruitment to cover attrition in 2010-11. Costs include salaries and expense.

(15b) By the end of 2007-08, the VLF backfills funds originally used to finance additional Police costs will be depleted, but costs continue to be incurred. General Fund monies reflect backfill of the direct costs for those hired in prior years.

(16) Public Safety Systems Project: The 2008-09 budget includes \$3.2 million in the Information and Technology Agency (ITA) for development of the systems component of the new Emergency Operations Center, Police Department Operations Center, and Fire Dispatch Center, including systems design, and design and engineering services related to the 911 phone system. The systems implementation is scheduled to be completed in 2010. The budget also includes nearly \$10 million in MICLA financing for the purchase and installation of the systems equipment.

(17) Capital Improvement Expenditure Program (CIEP): The 2008-09 budget includes \$11 million for various capital projects. For future years, the CIEP amounts assume compliance with the policy of budgeting 1% of the General Fund for capital improvement projects.

(18) Emergency Command Control Communications System (ECCCS): The 2008-09 budget provides \$3.6 million for the annual maintenance agreement and staffing of the Police 9-1-1 system. Funding is continued to provide a placeholder until future year projections are fully assessed and developed.

(19) Public Safety Radio Replacement: Purchase of 9,300 handheld police (excludes Fire and GSD) radios is planned through a seven-year "lease to own" agreement. The annual lease payments will be deferred for the first two years, and the City will be required to pay approximately \$5.7 million to the vendor for the next seven years.

(20) Police In-Car Videos: The estimated total project cost for In-Car Video is \$28 million. Of this, \$5.5 million for Phase I was funded in 2007-08: \$5 million from the Unappropriated Balance and \$500,000 from LAPD's operating budget. The remaining \$22.5 million for Phases II to IV is proposed to be funded through a direct funding agreement with IBM, the vendor providing the system. Until these future phases actually move forward and the capital lease amount is determined for each phase, an estimate of future year costs cannot be provided. However, given the current timing of Phase I, the earliest we anticipate incurring capital lease costs is 2009-10.

## Attachment 14a - 2008-09 Budget Outlook (Revenue)

\$ Millions

**Budget Revenue** **\$4,554**

Issues/Changes

Economy Sensitive

These accounts would be affected by a recession.

Sales Tax	(\$5)	
Business Tax	(5)	
Hotel Tax	(3)	
Parking Tax	<u>(2)</u>	(\$15)

Real Estate

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

Documentary Tax	<u>(10)</u>	
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Subtotal Economy-Sensitive & Property Related (25)

Departmental Receipts (30)

Likely shortfall is related to difficulty of completing property sales in current market and economy-related factors that may effect special fund receipts This could adversely affect the funds' ability to make the full amount of the budgeted transfer. In addition, this account includes an \$86 million transfer from the Special Parking Revenue Fund. Some of that funding is linked to the sale of real property and another portion is linked to higher parking meter revenue. Full realization of all of these fund revenues is not free from doubt.

**Recommended Adjustments**  
**Revised Revenue Estimate**

<u>(55)</u>
<u><u>\$4,499</u></u>

**Attachment 14b - Fiscal Year 2008-09 General Fund Receipts  
At September 30, 2008**

	\$ Thousands				
	Budget	Plan @ Sep 30	Receipts @ Sep 30	Variance (Receipts Less Plan)	
Property Tax	\$1,461,394	\$84,133	\$102,611	\$18,478	City secured receipts include what appears to be \$12 million in carryover revenue from FY 2007-08. Redemptions and supplemental receipts are each \$2.5 million ahead of the historical level. But in the uncertain current real estate market that may not be sustainable. No change to the property tax estimate is recommended.
Utility Users' Tax	637,600	151,003	162,957	11,954	Electric, gas and telephone are each a few \$ million ahead of plan.
Licenses, Permits, Fees and Fines	804,178	189,022	121,229	(67,793)	Overhead and proprietary billings are below plan but a portion of the large variance at September is related to delayed reimbursements.
Business Tax	472,395	14,591	16,101	1,510	Receipts to date provide no basis to make a change, but economy-sensitive revenues usually fall during a recession.
Sales Tax	336,137	84,284	84,969	685	City taxable sales are at the same level as prior year; county and state are below prior year. Current receipts reflect taxable sales through Spring '09. Summer quarter receipts will be known in December, but these still would not fully reflect Wall Street troubles. Fourth quarter (which includes Christmas) receipts will be available in April. One early warning sign is that state sales tax cash collections are dropping. Receipts to date provide no basis to make a change, but economy-sensitive revenues usually fall during a recession.
Documentary Transfer Tax	120,024	32,046	28,556	(3,490)	This will fall below budget.
Power Revenue Transfer	197,400				
Transient Occupancy Tax	155,914	40,537	40,214	(323)	Receipts to date do not provide a basis to make a change, but economy-sensitive revenues usually fall during a recession.
Parking Fines	134,000	31,800	30,259	(1,541)	Possibly affected by delay in the roll-out of the meter-hour expansion.

**Attachment 14b - Fiscal Year 2008-09 General Fund Receipts  
At September 30, 2008**

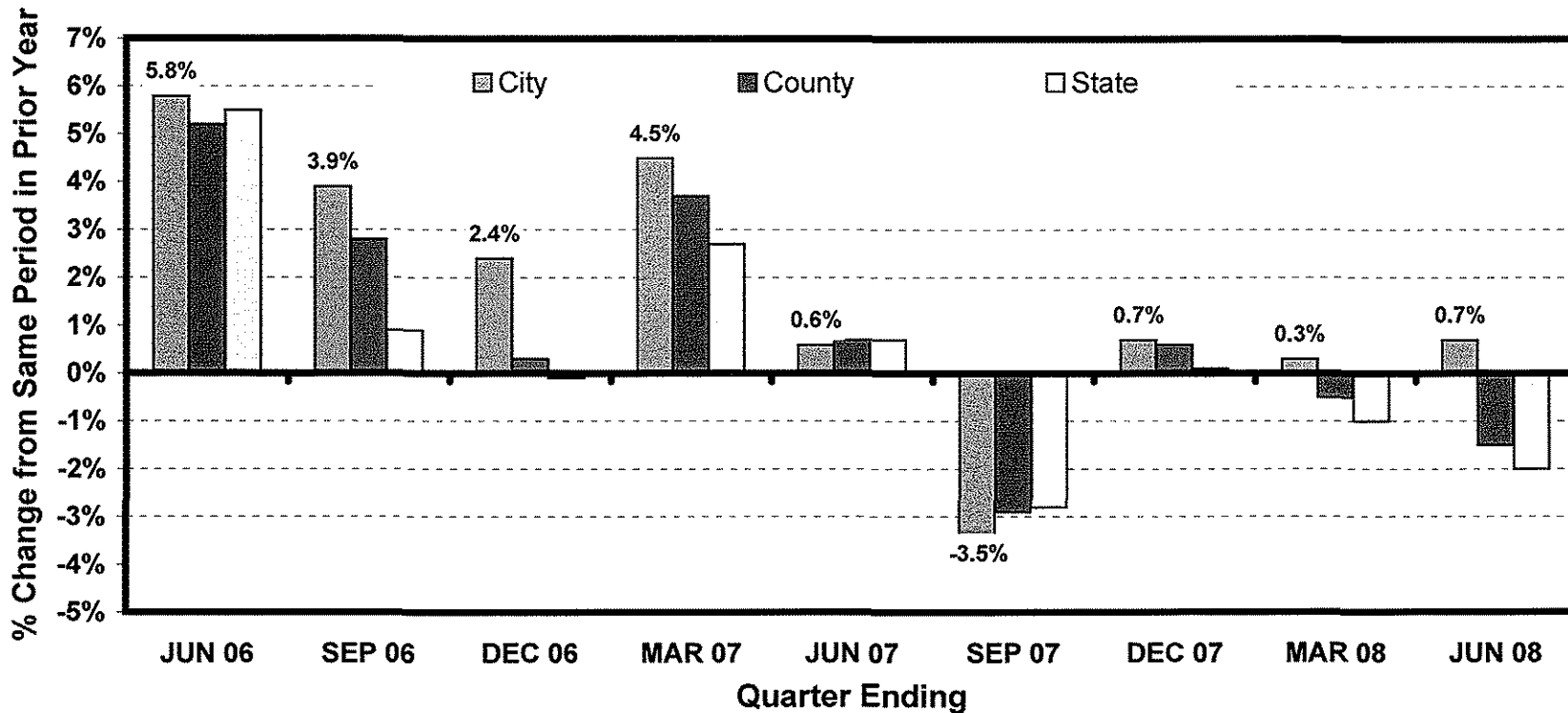
	\$ Thousands				
	Budget	Plan @ Sep 30	Receipts @ Sep 30	Variance (Receipts Less Plan)	
Parking Users' Tax	94,480	22,860	20,419	(2,441)	Receipts to date do not provide a basis to make a change, but economy-sensitive revenues usually fall during a recession.
Franchise Income	53,341	11,484	13,296	1,812	
Water Revenue Transfer					
State Motor Vehicle License Fees	19,700	4,924	5,713	789	
Grant Receipts	17,116	4,279	4,826	546	
Transfer from Tax Reform Fund					
Tobacco Settlement	12,028				
Transfer from Telecommunications Fund	3,871				
Residential Development Tax	1,920	480	512	32	
<b>Subtotal General Fund Less Interest Income</b>	<b>\$4,521,498</b>	<b>\$671,444</b>	<b>\$631,661</b>	<b>(\$39,783)</b>	<b>Department receipts are primary problem; but some of variance is only related to the timing of receipts. Current variance is less of a concern than reports of a serious recession.</b>
Interest Income	32,172	7,443	24,469	17,026	Variance probably not meaningful. Possibly affected timing of disbursements to proprietary departments and special funds
<b>Total General Fund</b>	<b>\$4,553,670</b>	<b>\$678,887</b>	<b>\$656,130</b>	<b>(\$22,756)</b>	

**Attachment 14c - Comparison: Change in City, County and State Sales Tax Allocations**

**City Taxable Sales Grew in the Last 3 Quarters; County and State Taxable Sales Declined.**

City taxable sales exceeded that of the state and county in 7 of the 9 most recent quarters and in each of the last 3 quarters.

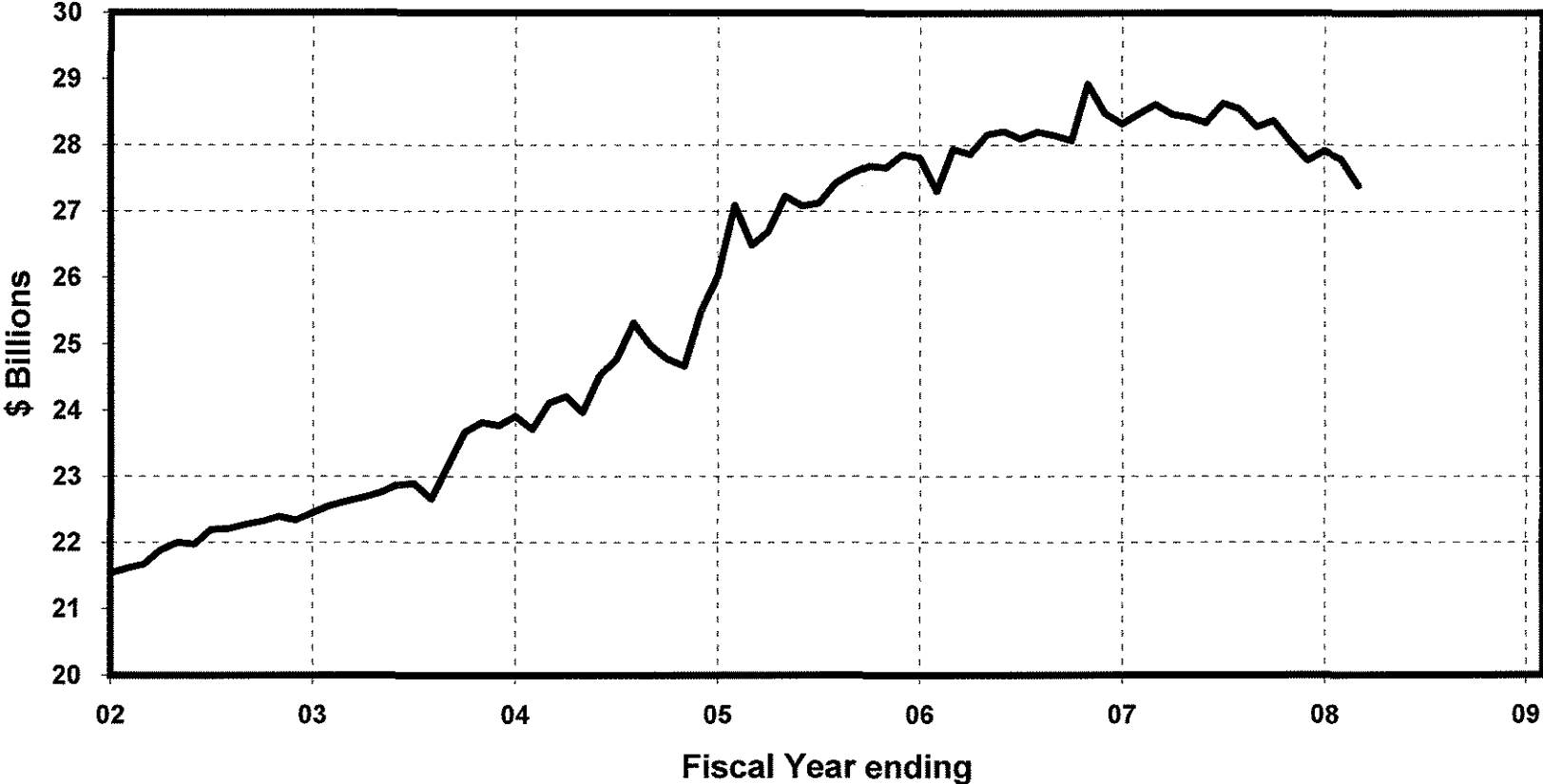
Although four of the last five quarters showed growth in City taxable sales, the average change in the last five quarters was negative.



Typically, the State and Los Angeles County do better than the City. The calendar quarters ending in the months displayed above correspond to the period of taxable sales transactions -- for example, "JUN 08" indicates taxable sales in April, May and June 2008. City cash receipts follow taxable sales by about one calendar quarter. So City taxable sales in the calendar quarter ending June '08 primarily affect City sales tax receipts in July, August and September of City FY 2008-09.

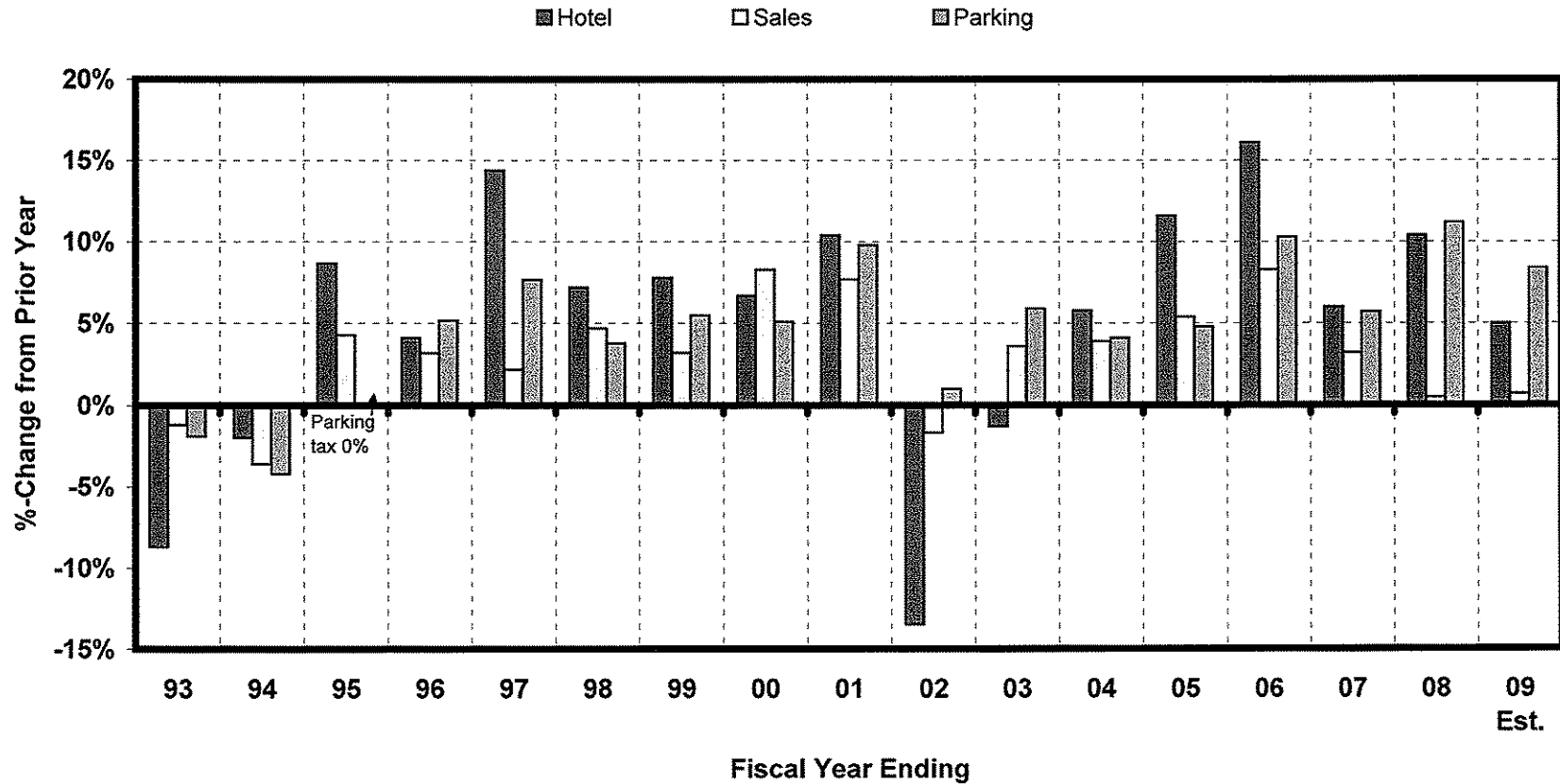
# Attachment 14d - Department of Finance Sales Tax Cash Receipts

12 Month Moving Sum



The State Department of Finance reports that statewide taxable sales for the 12-month period ending August 2008 are 4.3% below the 12-month period ending August 2007. This is before financial market collapse.

### Attachment 14e - Comparison of Annual Change: 3 Economy-Sensitive Revenues

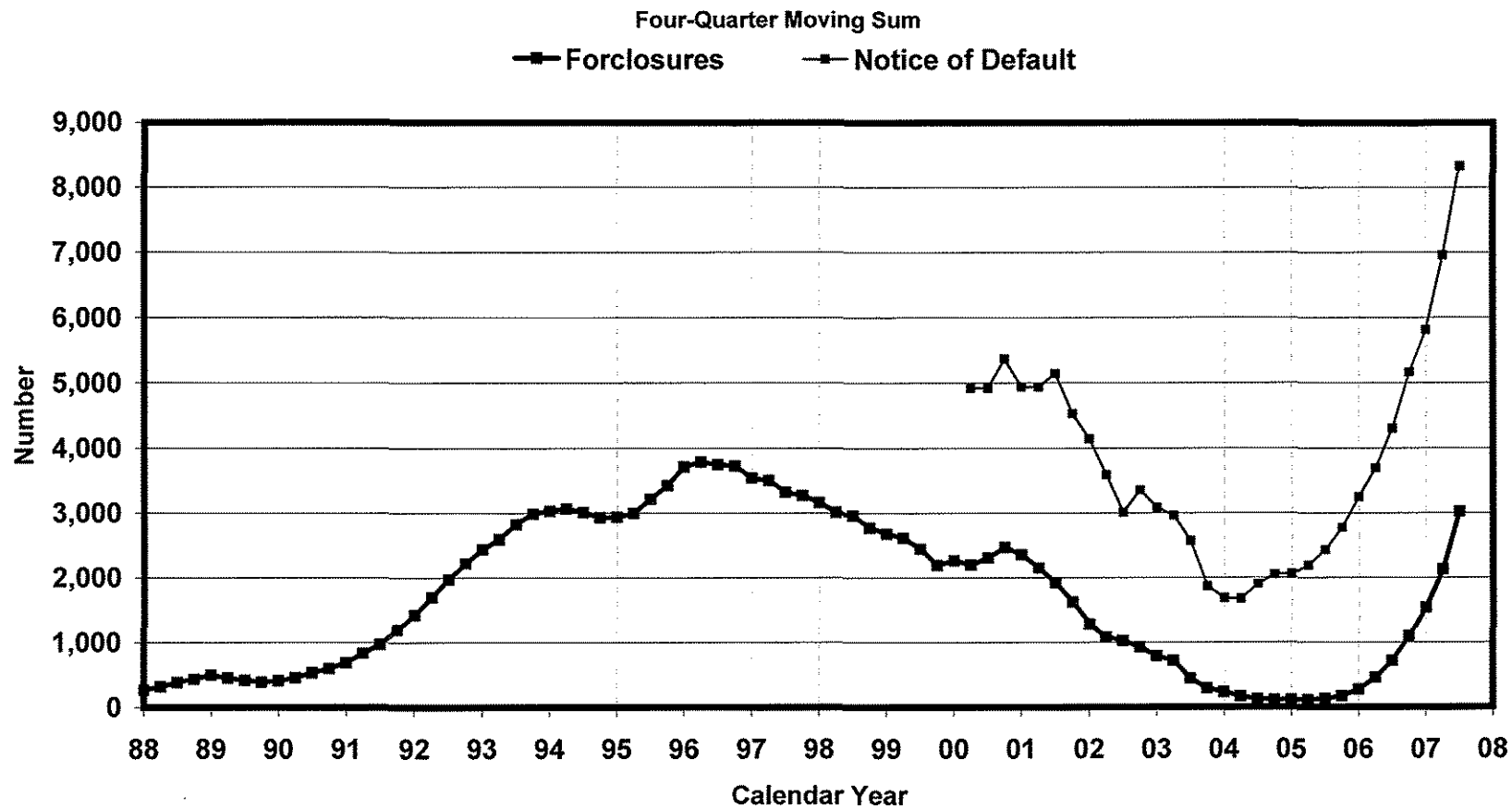


The rate of change in these revenues was adjusted to remove the effects of tax rate and collection timing changes.

The hotel tax appears to be both the most volatile and most affected by the global and national economy. Between FY 1992-93 and FY 2006-07 average growth in hotel tax was 4.9%; sales tax was 3.4%; and parking tax grew at 4.5%. The sales tax is linked to external economies but has a strong local component. The parking tax appears to be a hybrid. It is more volatile than the sales tax but less so than the hotel tax. The parking tax outperformed both the hotel and sales tax in the last recession year – FY 2001-02. The strong growth in recent years is partially related to an active compliance effort by Office of Finance.

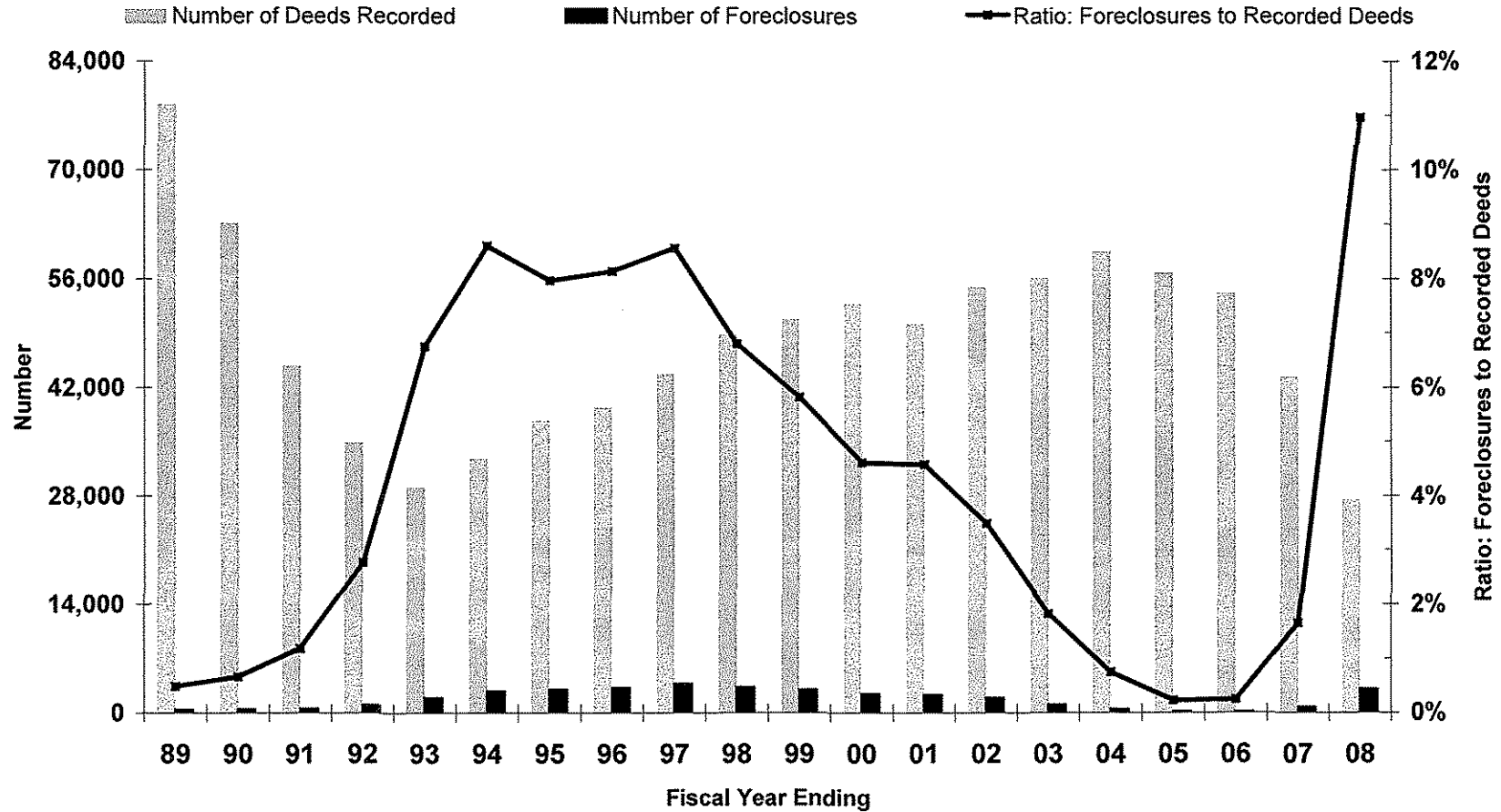


### Attachment 14f - Residential Foreclosures in City of Los Angeles



The number of foreclosures in the City is approaching the earlier peak of the mid 1990s. Data for the "Notice of Default" series are only available since 2000. Most notices of default are resolved before foreclosure, but such notices are a leading indicator of foreclosures. It is likely the number of foreclosures will continue to rise through 2008.

### Attachment 14g - Foreclosures and Recorded Deeds



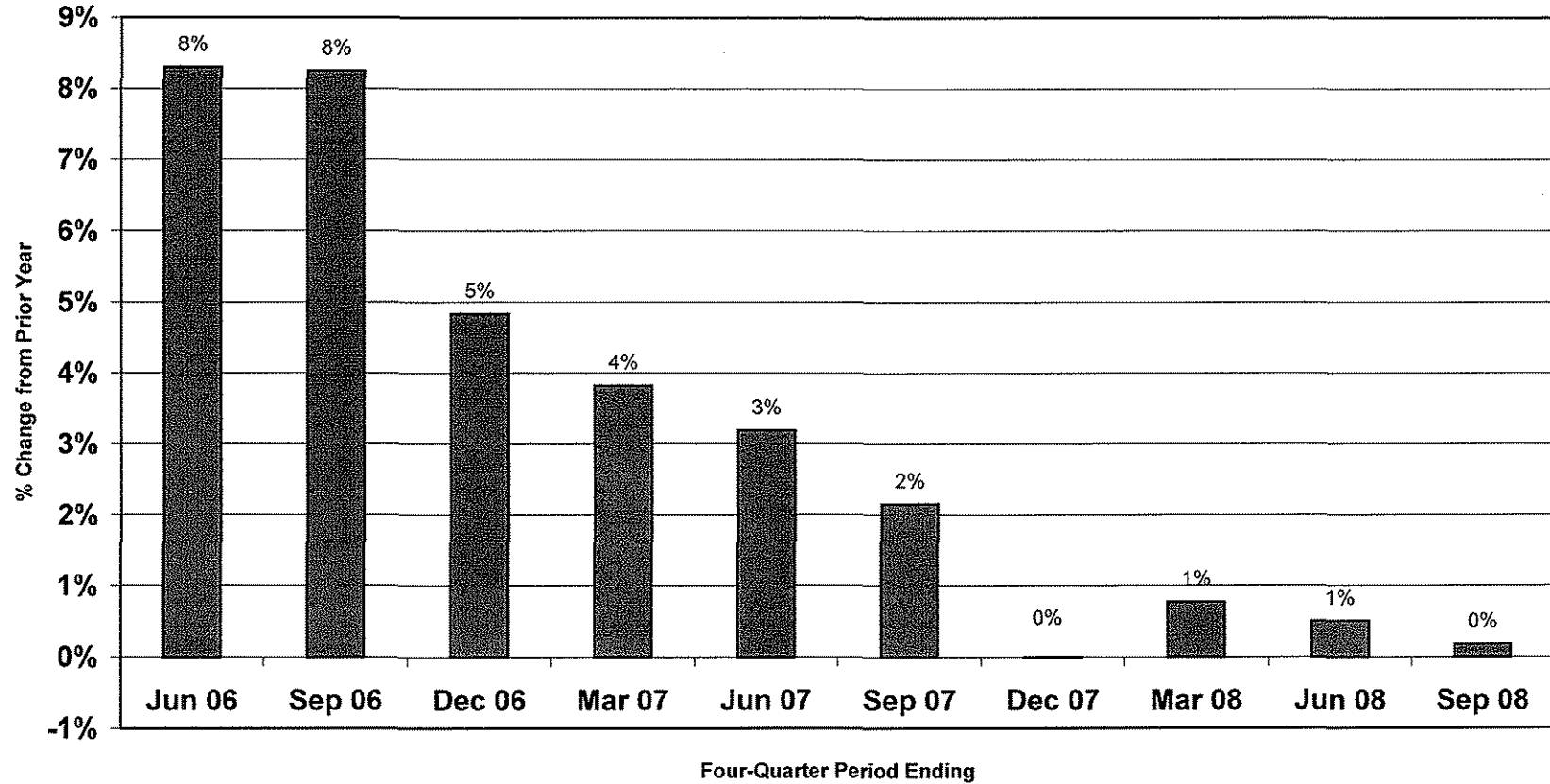
This chart shows deeds recorded (gray bars) and foreclosures (black bars) by fiscal year in the City of Los Angeles. Values for deeds and foreclosures are measured on the left axis. The line shows the ratio of foreclosures to recorded deeds and is measured on the right axis. In periods of high real estate activity, foreclosures make up only a small fraction of real estate activity. In periods of low real estate activity, foreclosures comprise a greater portion of sales volume. In City fiscal year 2007-08, real estate volume was at a low point and foreclosures were at a high point. In FY 2008-09 real estate volume can be expected to decline and the number of foreclosures can be expected to rise.

**Attachment 14h**  
**REVENUE MONTHLY STATUS REPORT**  
**SALES TAX**  
(Thousand Dollars)

MONTHLY	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
JULY	\$20,690	\$23,111	\$22,761	\$23,222	\$23,582	\$360
AUGUST	27,425	30,601	30,492	30,299	31,421	1,122
SEPTEMBER	29,739	29,051	31,158	30,763	29,968	(795)
OCTOBER	19,844	22,476	23,497	22,029		
NOVEMBER	26,234	30,147	31,504	29,351		
DECEMBER	39,408	35,463	28,566	34,202		
JANUARY	22,212	23,504	23,900	23,716		
FEBRUARY	29,587	31,154	31,924	30,897		
MARCH	30,155	27,316	28,773	30,230		
APRIL	20,787	20,820	21,854	21,455		
MAY	27,697	27,944	29,021	28,462		
JUNE	29,777	32,298	32,113	31,511		
<b>TOTAL</b>	<b>\$323,555</b>	<b>\$333,885</b>	<b>\$335,563</b>	<b>\$336,137</b>		
% CHANGE	2.2%	3.2%	0.5%	0.7%		
<b>TRADITIONAL 1%</b>						
<b>SALES TAX</b>	<b>\$431,407</b>	<b>\$445,179</b>	<b>\$447,417</b>	<b>\$448,183</b>		
% CHANGE	8.3%	3.2%	0.5%	0.2%		
CUMULATIVE	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
JULY	\$20,690	\$23,111	\$22,761	\$23,222	\$23,582	\$360
AUGUST	48,115	53,712	53,253	53,521	55,003	1,482
SEPTEMBER	77,854	82,763	84,411	84,284	84,971	687
OCTOBER	97,698	105,239	107,908	106,313		
NOVEMBER	123,932	135,386	139,412	135,664		
DECEMBER	163,340	170,849	167,978	169,866		
JANUARY	185,552	194,353	191,878	193,582		
FEBRUARY	215,139	225,507	223,802	224,479		
MARCH	245,294	252,823	252,575	254,709		
APRIL	266,081	273,643	274,429	276,164		
MAY	293,778	301,587	303,450	304,626		
JUNE	323,555	333,885	335,563	336,137		

City sales tax receipts in July, August and September are most affected by spring quarter taxable sales. Receipts are very close to plan. But this does not include recession.

**Attachment 14i - Rate of Change in City Sales Tax  
Four Quarter Moving Sum**



If the fiscal year ended in September 2008, sales tax receipts would be almost exactly at the prior year level. This is consistent with the FY 2008-09 budget and with UCLA's September 2008 forecast of California taxable sales. But recession will likely pull receipts below prior-year

Attachment 14j  
**REVENUE MONTHLY STATUS REPORT**  
**Transient Occupancy Tax**  
(Thousand Dollars)

MONTHLY	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$9,257	\$10,454	\$12,304	\$12,993	\$9,501	(\$3,492)
AUGUST	12,072	11,748	13,406	13,772	17,789	\$4,017
SEPTEMBER	10,187	10,918	13,048	13,772	12,924	(\$848)
OCTOBER	10,319	9,656	11,227	13,772		
NOVEMBER	4,875	11,294	13,911	12,213		
DECEMBER	10,721	12,801	6,591	12,213		
JANUARY	13,955	9,710	12,730	12,213		
FEBRUARY	5,675	3,674	7,845	12,993		
MARCH	14,999	16,188	12,442	12,993		
APRIL	7,560	13,145	15,792	12,993		
MAY	13,561	13,666	13,958	12,993		
JUNE	13,810	11,303	15,271	12,993		
<b>TOTAL</b>	<b>\$126,991</b>	<b>\$134,557</b>	<b>\$148,525</b>	<b>\$155,914</b>		
% CHANGE	-0.6%	6.0%	10.4%	5.0%		

These are actual tax receipts; the value for percentage change in FY 2005-06 is distorted by a acceleration of tax collections in FY 2004-05. The tables below normalize the percentage-change form the prior year.

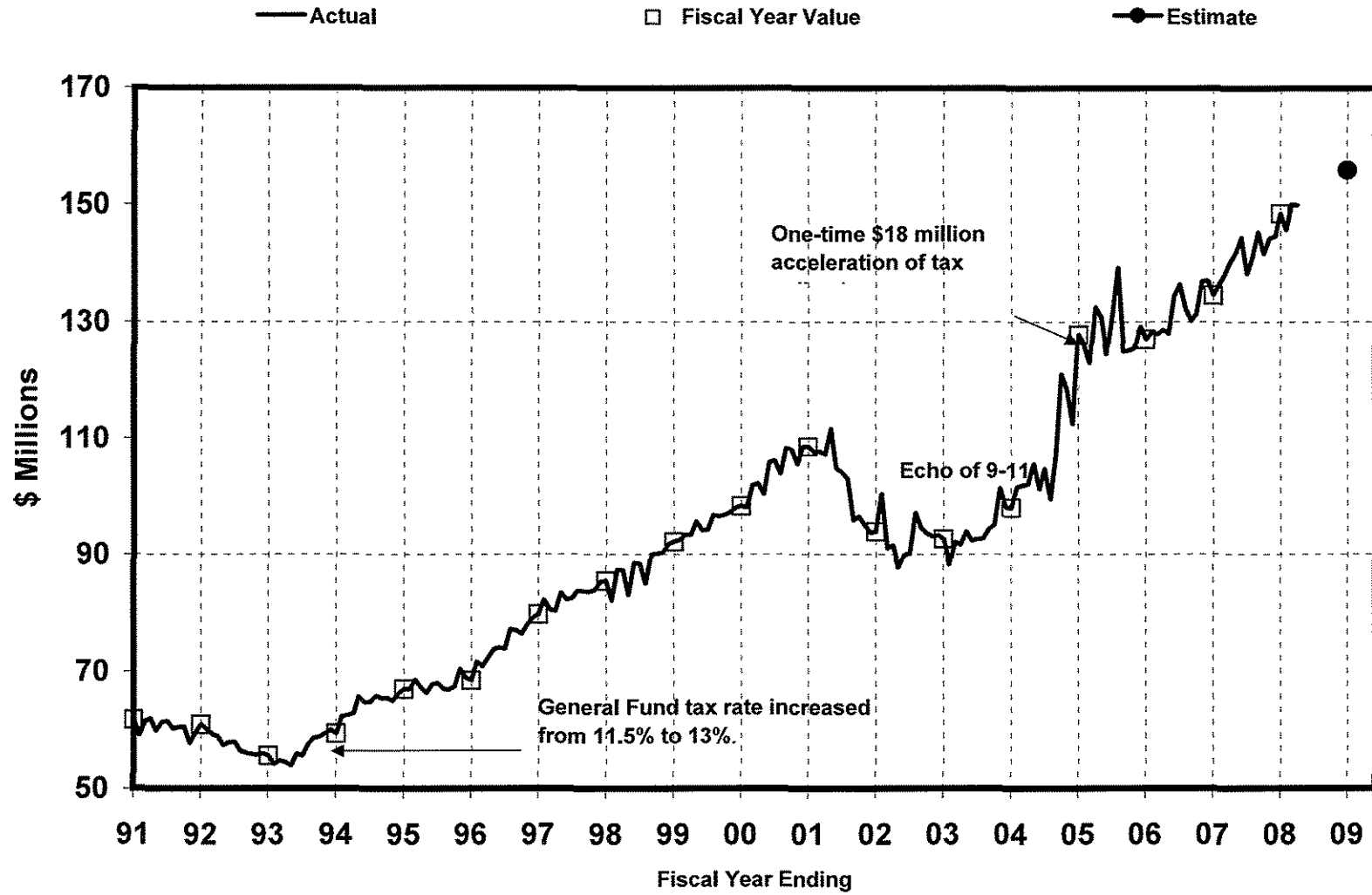
% CHANGE	16.1%	6.0%	10.4%	5.0%
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Taxable				
Hotel Sales	\$976,854	\$1,035,054	\$1,142,500	\$1,199,338
	16.1%	6.0%	10.4%	5.0%
Each 1% tax rate*	\$9,769	\$10,351	\$11,425	\$11,993
*Based on taxable hotel sales and excluding cash flow consequences of shift in remittance schedule from monthly to quarterly.				

CUMULATIVE	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$9,257	\$10,454	\$12,304	\$12,993	\$9,501	(\$3,492)
AUGUST	21,329	22,202	25,710	26,765	27,290	525
SEPTEMBER	31,516	33,120	38,758	40,538	40,214	(324)
OCTOBER	41,835	42,776	49,985	54,310		
NOVEMBER	46,710	54,070	63,896	66,523		
DECEMBER	57,431	66,871	70,487	78,737		
JANUARY	71,386	76,581	83,217	90,950		
FEBRUARY	77,061	80,255	91,062	103,943		
MARCH	92,060	96,443	103,504	116,936		
APRIL	99,620	109,588	119,296	129,928		
MAY	113,181	123,254	133,254	142,921		
JUNE	126,991	134,557	148,525	155,914		

# Attachment 14k - City Hotel Tax Receipts

12-Month Moving Sum



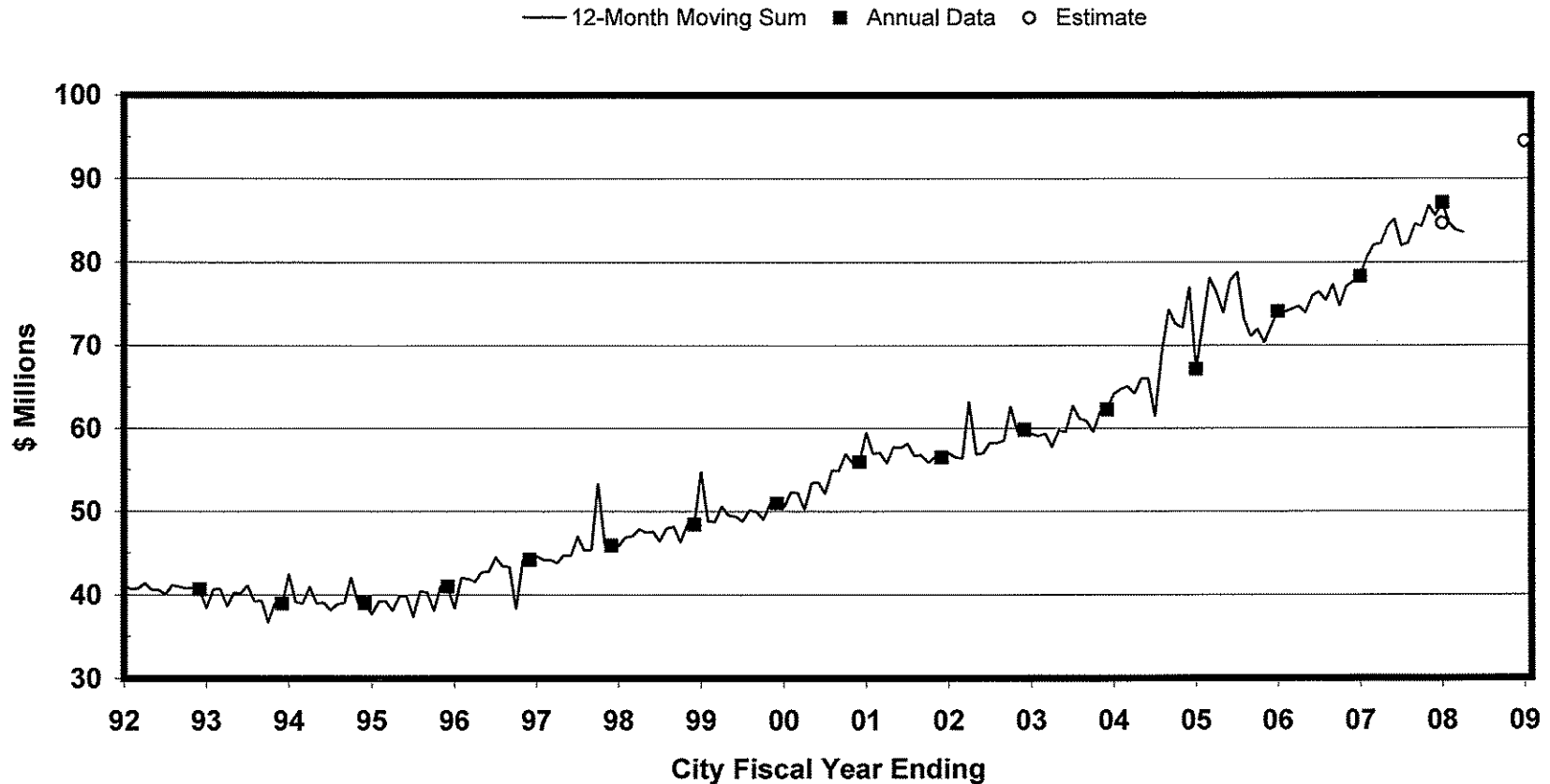
**Attachment 14I**  
**REVENUE MONTHLY STATUS REPORT**  
**Parking Users' Tax**  
(Thousand Dollars)

MONTHLY	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$6,641	\$6,573	\$8,869	\$7,620	\$6,401	(\$1,219)
AUGUST	6,185	6,580	8,076	7,620	7,277	(343)
SEPTEMBER	6,528	6,822	6,974	7,620	6,740	(880)
OCTOBER	5,836	5,078	7,116	7,620		
NOVEMBER	3,931	5,957	6,818	8,000		
DECEMBER	6,706	7,183	4,036	8,000		
JANUARY	7,725	6,735	7,032	8,000		
FEBRUARY	3,142	5,015	7,301	8,000		
MARCH	9,538	6,988	6,743	8,000		
APRIL	3,509	5,805	8,229	8,000		
MAY	7,263	7,898	6,711	8,000		
JUNE	7,095	7,689	9,226	8,000		
<b>TOTAL</b>	<b>\$74,099</b>	<b>\$78,323</b>	<b>\$87,131</b>	<b>\$94,480</b>		
% CHANGE	10.3%	5.7%	11.2%	8.4%		

CUMULATIVE	2005-06	2006-07		2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$6,641	\$6,573	\$8,869	\$7,620	\$6,401	(\$1,219)
AUGUST	12,826	13,153	16,945	15,240	13,678	(1,562)
SEPTEMBER	19,354	19,975	23,919	22,860	20,418	(2,442)
OCTOBER	25,190	25,053	31,035	30,480		
NOVEMBER	29,121	31,010	37,853	38,480		
DECEMBER	35,827	38,193	41,889	46,480		
JANUARY	43,552	44,928	48,921	54,480		
FEBRUARY	46,694	49,943	56,222	62,480		
MARCH	56,232	56,931	62,965	70,480		
APRIL	59,741	62,736	71,194	78,480		
MAY	67,004	70,634	77,905	86,480		
JUNE	74,099	78,323	87,131	94,480		

FY 2007-08 estimate includes recovery from outside auditor plus additional recovery from enhanced compliance efforts. Estimate for FY 2008-09 includes benefit from earlier compliance activity now in the base and the historical pattern of anticipated receipts in other economy-sensitive revenues. The FY 2008-09 estimate also includes \$4 million in additional revenue resulting from a change to the police permit ordinance providing for suspension or revocation of police permits for parking lot operators for failure to pay or underpayment of City taxes including the parking, business and transient occupancy taxes.

### Attachment 14m - City of Los Angeles Parking Users' Tax



The monthly volatility in FY 2004-05 and FY 2005-06 reflects a change in cash collection timing. Growth in FY 2007-08 reflects Office of Finance compliance activity and a more aggressive approach to enforcement. Projected growth in FY 2008-09 is linked to a new program connecting police permits for parking lot operators to prompt and full payment of City taxes and fees. Parking tax revenue was higher than budget in FY 2007-08. The slower growth in recent months is still within the band of normal monthly variation, but it could also reflect a slowing economy. Data does not include recession.



**Attachment 14n**  
**REVENUE MONTHLY STATUS REPORT**  
**PROPERTY TAX -- ALL SOURCES**  
(THOUSAND DOLLARS)

MONTHLY	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$19,894	\$63,802	\$26,935	\$24,552	\$37,373	\$12,821
AUGUST	39,179	39,328	42,536	59,651	65,238	5,586
SEPTEMBER	(261)		(74)	(70)		70
OCTOBER	3,095			(1,050)		
NOVEMBER	18,260	19,211	25,069	19,754		
DECEMBER	270,769	319,795	345,291	362,745		
JANUARY	260,244	288,591	310,265	320,199		
FEBRUARY	62,568	49,707	58,948	54,076		
MARCH	6,653	8,954	9,860	7,060		
APRIL	205,331	253,827	278,833	293,967		
MAY	222,439	287,497	287,279	315,451		
JUNE	13,677	3,462	4,313	5,058		
<b>TOTAL</b>	<b>\$1,121,848</b>	<b>\$1,334,174</b>	<b>\$1,389,255</b>	<b>\$1,461,394</b>		
<b>% CHANGE</b>	<b>9.0%</b>	<b>18.9%</b>	<b>4.1%</b>	<b>5.2%</b>		

MONTHLY	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$19,894	\$63,802	\$26,935	\$24,552	\$37,373	\$12,821
AUGUST	59,073	103,130	69,471	84,204	102,611	18,407
SEPTEMBER	58,812	103,130	69,397	84,134	102,611	18,477
OCTOBER	61,907	103,130	69,397	83,084		
NOVEMBER	80,167	122,341	94,465	102,838		
DECEMBER	350,936	442,136	439,757	465,582		
JANUARY	611,180	730,727	750,022	785,781		
FEBRUARY	673,748	780,435	808,970	839,858		
MARCH	680,401	789,388	818,830	846,918		
APRIL	885,732	1,043,215	1,097,663	1,140,884		
MAY	1,108,171	1,330,712	1,384,942	1,456,336		
JUNE	1,121,848	1,334,174	1,389,255	1,461,394		

At least portions of the \$18.5 million variance look real. City secured receipts include what appears to be \$12 million in carryover revenue from FY 2007-08. Redemptions and supplemental receipts are each \$2.5 million ahead of the historical level, but in the uncertain current real estate market that may not be sustained. No change to the property tax estimate is recommended.

**Attachment 14o**  
**REVENUE MONTHLY STATUS REPORT**  
**SECURED PROPERTY TAX RECEIPTS RECORDED BY CITY FISCAL YEAR**  
(THOUSAND DOLLARS)

MONTHLY	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$16,886	\$56,924	\$21,621	\$23,732	\$34,976	\$11,244
AUGUST	3,634	3,434	3,312	3,635	4,640	1,005
SEPTEMBER						
OCTOBER						
NOVEMBER						
DECEMBER	299,955	330,535	359,245	380,947		
JANUARY	74,989	82,634	89,811	95,237		
FEBRUARY	43,533	39,891	47,868	45,975		
MARCH						
APRIL	220,469	251,532	276,942	289,895		
MAY	33,306	74,739	59,931	86,138		
JUNE						
TOTAL	<u>\$692,772</u>	<u>\$839,689</u>	<u>\$858,730</u>	<u>\$925,559</u>		
% CHANGE	3.6%	21.2%	2.3%	7.8%		

MONTHLY	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$16,886	\$56,924	\$21,621	\$23,732	\$34,976	\$11,244
AUGUST	20,520	60,358	24,933	27,367	39,616	12,248
SEPTEMBER	20,520	60,358	24,933	27,367	39,616	12,248
OCTOBER	20,520	60,358	24,933	27,367		
NOVEMBER	20,520	60,358	24,933	27,367		
DECEMBER	320,475	390,893	384,178	408,314		
JANUARY	395,464	473,527	473,989	503,551		
FEBRUARY	438,997	513,418	521,857	549,526		
MARCH	438,997	513,418	521,857	549,526		
APRIL	659,466	764,950	798,799	839,421		
MAY	692,772	839,689	858,730	925,559		
JUNE	692,772	839,689	858,730	925,559		

The County tax year runs from December to August, overlapping two City fiscal years. Receipts in July and August belong to the County's prior tax year, but are recorded in the City's current fiscal year. When the County's payment pattern is normal, the City receives about 2 percent of secured receipts in July and August. The adjustment between fiscal years generally is \$5 million, but between FY 2005-06 and FY 2006-07 was about \$40 million due to a delayed receipt. The high July 2008 receipt is likely a carryover from FY 2007-08.

**Attachment 14p**  
**REVENUE MONTHLY STATUS REPORT**  
**REDEMPTIONS -- PROPERTY TAX RECEIPTS**  
(THOUSAND DOLLARS)

MONTHLY	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY						
AUGUST	2,097	1,867	2,369	2,463	5,059	2,596
SEPTEMBER						
OCTOBER						
NOVEMBER	11,948	13,483	12,422	12,744		
DECEMBER						
JANUARY						
FEBRUARY	6,275	6,520	9,312	6,221		
MARCH						
APRIL						
MAY	2,843	4,087	6,247	3,571		
JUNE						
TOTAL	<u>\$23,163</u>	<u>\$25,958</u>	<u>\$30,350</u>	<u>\$25,000</u>		
% CHANGE	13.1%	12.1%	16.9%	-17.6%		

CUMULATIVE	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY						
AUGUST	2,097	1,867	2,369	2,463	5,059	2,596
SEPTEMBER	2,097	1,867	2,369	2,463	5,059	2,596
OCTOBER	2,097	1,867	2,369	2,463		
NOVEMBER	14,045	15,350	14,791	15,207		
DECEMBER	14,045	15,350	14,791	15,207		
JANUARY	14,045	15,350	14,791	15,207		
FEBRUARY	20,320	21,871	24,103	21,429		
MARCH	20,320	21,871	24,103	21,429		
APRIL	20,320	21,871	24,103	21,429		
MAY	23,163	25,958	30,350	25,000		
JUNE	23,163	25,958	30,350	25,000		

Unpaid property taxes, both secured and unsecured, are known as delinquencies. Delinquent taxes accumulate interest and penalties. Properties with taxes unpaid for five years are sold through auction by the State to recover unpaid taxes. The taxpayer may settle the delinquency by redemption. The City's share of principal, penalties and interest is distributed by the County.

Redemptions and penalties in August 2008 were higher than in previous years.

**Attachment 14q**  
**REVENUE MONTHLY STATUS REPORT**  
**PROPERTY TAX -- CRA-RELATED LITIGATION SETTLEMENT**  
**(THOUSAND DOLLARS)**

MONTHLY	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>		
	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
JULY					(\$8)	(\$8)
AUGUST				\$18,500	18,487	(13)
SEPTEMBER						
OCTOBER						
NOVEMBER						
DECEMBER						
JANUARY				4,750		
FEBRUARY						
MARCH			\$1,217			
APRIL			129			
MAY			49	4,750		
JUNE			2			
TOTAL	<u>          </u>	<u>          </u>	<u>\$1,396</u>	<u>\$28,000</u>		
% CHANGE						

CUMULATIVE	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>		
	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
JULY					(\$8)	(\$8)
AUGUST				\$18,500	18,479	(21)
SEPTEMBER				18,500	18,479	(21)
OCTOBER				18,500		
NOVEMBER				18,500		
DECEMBER				18,500		
JANUARY				23,250		
FEBRUARY				23,250		
MARCH			1,217	23,250		
APRIL			1,346	23,250		
MAY			1,395	28,000		
JUNE			1,396	28,000		

This category was included in the FY 2008-09 budget to recognize impounded prior year property tax revenue (estimated to be \$11.3 million for FY 2003-04 to FY 2006-07; and \$7.2 million for FY 2007-08. Total prior year impounded receipts were estimated at \$18.5 million). Receipts to date are for the years prior to FY 2008-09. The balance of approximately \$9.5 million is anticipated following first and second property tax installments in December and April.

All receipts shown above are from the Central Industrial Litigation Settlement, except for \$18.5 million of the \$18.5 million August 2008 receipt. The \$18.5 million August 2008 receipt is for the City Center R.P Litigation Settlement.

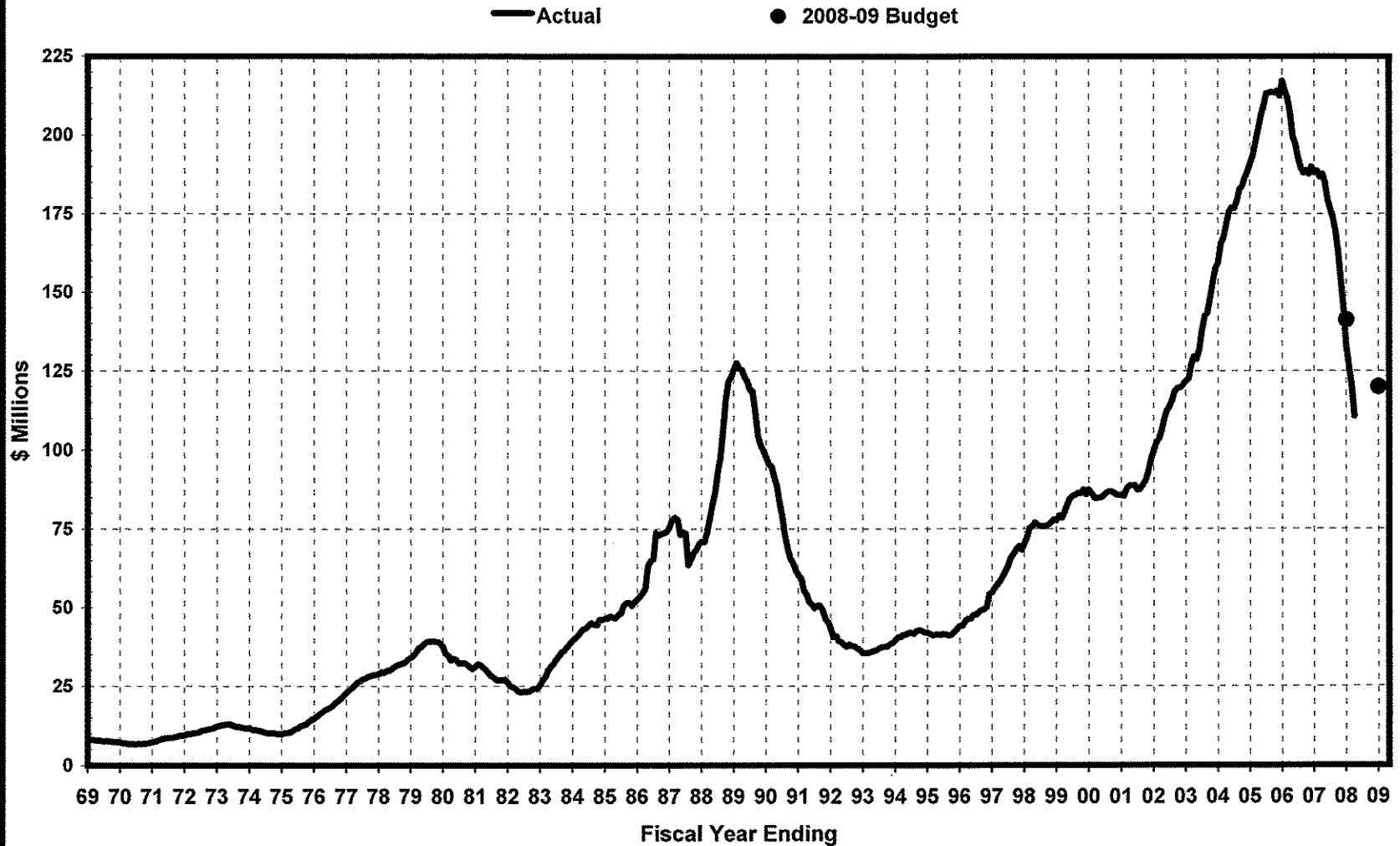
**Attachment 14r**  
**REVENUE MONTHLY STATUS REPORT**  
**DOCUMENTARY TRANSFER TAX**  
(Thousand Dollars)

MONTHLY	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
JULY	\$19,445	\$16,264	\$16,823	\$10,477	\$10,720	\$243
AUGUST	20,480	18,163	16,243	10,474	9,408	(1,066)
SEPTEMBER	21,890	17,300	18,289	11,095	8,922	(2,173)
OCTOBER	20,577	12,822	9,851	10,288		
NOVEMBER	17,893	15,811	10,190	9,668		
DECEMBER	17,171	12,698	9,710	8,710		
JANUARY	17,402	14,326	11,635	10,643		
FEBRUARY	14,594	13,047	8,692	8,173		
MARCH	12,589	13,344	6,606	7,629		
APRIL	18,477	17,276	8,237	10,822		
MAY	15,523	17,828	8,840	10,745		
JUNE	21,279	19,393	7,805	11,300		
<b>TOTAL</b>	<b>\$217,320</b>	<b>\$188,272</b>	<b>\$132,921</b>	<b>\$120,024</b>		
<b>% CHANGE</b>	13.7%	-13.4%	-29.4%	-9.7%		

CUMULATIVE	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
JULY	\$19,445	\$16,264	\$16,823	\$10,477	\$10,720	\$243
AUGUST	39,925	34,427	33,066	20,951	20,128	(823)
SEPTEMBER	61,815	51,727	51,355	32,046	29,050	(2,996)
OCTOBER	82,392	64,549	61,206	42,334		
NOVEMBER	100,285	80,360	71,396	52,002		
DECEMBER	117,456	93,058	81,106	60,712		
JANUARY	134,858	107,384	92,741	71,355		
FEBRUARY	149,452	120,431	101,433	79,528		
MARCH	162,041	133,775	108,039	87,157		
APRIL	180,518	151,051	116,276	97,979		
MAY	196,041	168,879	125,116	108,724		
JUNE	217,320	188,272	132,921	120,024		

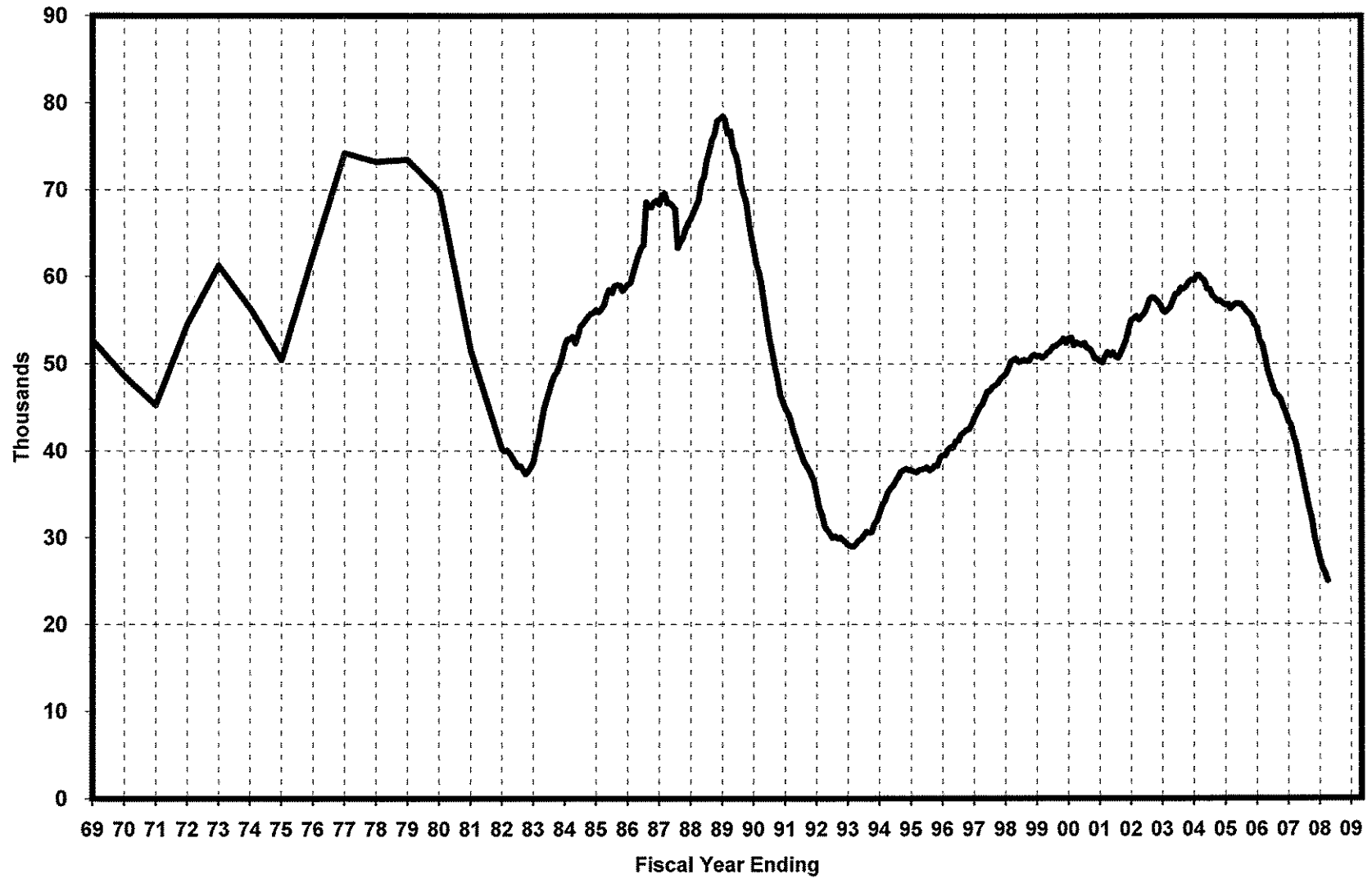


**Attachment 14t - Documentary Transfer Tax Receipts  
12-month Moving Sum  
(Data prior to 1991 is adjusted for change in tax rate)**



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 in September 2008 are below the budgeted level for FY 2008-09

Attachment 14u - Deeds Recorded in City  
12-month Moving Sum



Recorded deeds are in free fall; volume, as measured by recorded deeds, is at the historic low point.



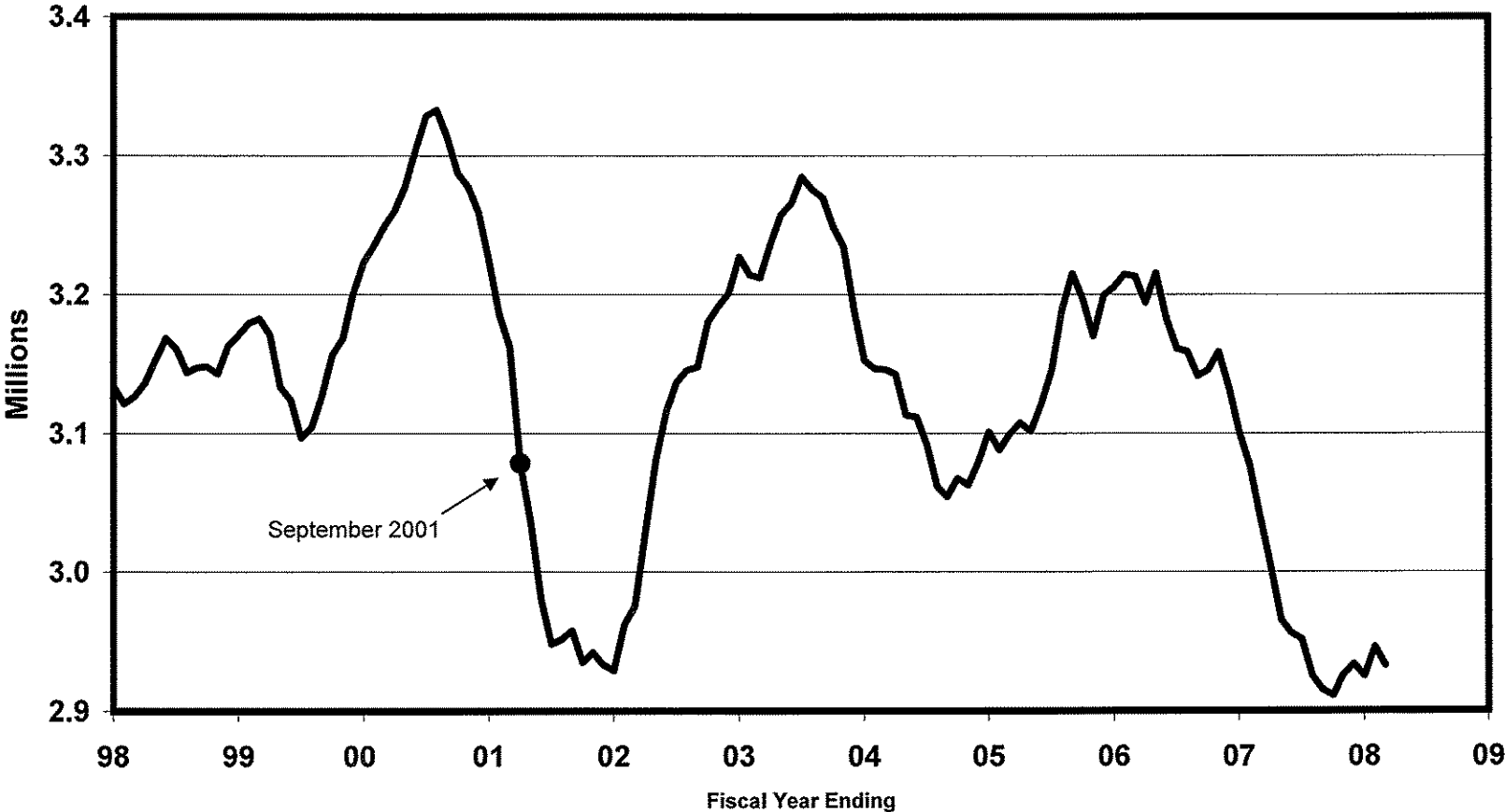
**Attachmen14v**  
**REVENUE MONTHLY STATUS REPORT**  
**PARKING FINES**  
(Thousand Dollars)

MONTHLY	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>		
	ACTUAL	ACTUAL	ACTUAL	BUDGET PLAN	ACTUAL	VARIANCE
JULY	\$5,030	\$5,035	\$10,556	\$10,900	\$10,517	(\$383)
AUGUST	8,681	9,595	10,751	10,993	10,894	(99)
SEPTEMBER	9,410	9,611	10,903	10,953	10,343	(610)
OCTOBER	9,325	9,281	9,297	11,239		
NOVEMBER	8,846	9,847	10,573	11,239		
DECEMBER	9,134	10,135	10,037	11,239		
JANUARY	9,071	9,759	9,565	11,239		
FEBRUARY	9,902	11,513	11,514	11,239		
MARCH	9,516	10,538	10,756	11,239		
APRIL	10,692	11,688	10,869	11,240		
MAY	9,273	11,469	11,496	11,240		
JUNE	14,181	11,031	10,944	11,240		
<b>TOTAL</b>	<b>\$113,060</b>	<b>\$119,502</b>	<b>\$127,261</b>	<b>\$134,000</b>		
% CHANGE	2.7%	5.7%	-5.0%	18.5%		
CUMULATIVE	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>		
	ACTUAL	ACTUAL	ACTUAL	BUDGET PLAN	ACTUAL	VARIANCE
JULY	\$5,030	\$5,035	\$10,556	\$10,900	\$10,517	(\$383)
AUGUST	13,711	14,630	21,307	21,893	21,411	(482)
SEPTEMBER	23,121	24,241	32,210	32,846	31,754	(1,092)
OCTOBER	32,446	33,522	41,507	44,085		
NOVEMBER	41,292	43,369	52,080	55,324		
DECEMBER	50,426	53,504	62,117	66,563		
JANUARY	59,496	63,263	71,682	77,802		
FEBRUARY	69,398	74,776	83,196	89,041		
MARCH	78,914	85,314	93,952	100,280		
APRIL	89,606	97,002	104,821	111,520		
MAY	98,879	108,471	116,317	122,760		
JUNE	113,060	119,502	127,261	134,000		

A fine increase of approximately \$5 on most citations was included in budget planning as was a return to citation issuance volume of 3.2 million annually. At the time of budget planning, the citation issuance level was \$2.9 million annually.

# Attachment 14w - Parking Citations Issued

12-Month Moving Sum

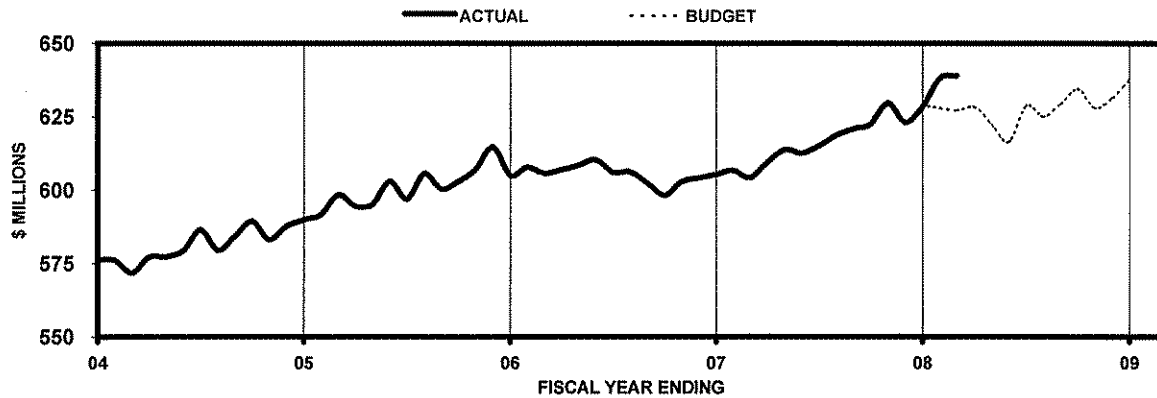


**Attachment 14x**  
**REVENUE MONTHLY STATUS REPORT**  
**UTILITY USERS' TAX**  
(Thousand Dollars)

MONTHLY	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$45,125	\$47,907	\$49,242	\$53,840	\$58,995	\$5,155
AUGUST	53,738	51,713	49,308	48,545	50,097	1,552
SEPTEMBER	45,956	47,227	52,469	48,618	53,866	5,248
OCTOBER	49,045	50,583	54,865	53,704		
NOVEMBER	54,872	56,620	55,458	49,815		
DECEMBER	46,680	42,426	44,923	52,194		
JANUARY	53,518	53,639	57,227	58,475		
FEBRUARY	52,808	48,993	51,222	55,586		
MARCH	57,177	52,999	54,602	54,621		
APRIL	47,845	52,514	59,689	58,297		
MAY	54,596	55,842	49,174	52,457		
JUNE	43,588	44,804	50,140	51,448		
<b>TOTAL</b>	<b>\$604,946</b>	<b>\$605,265</b>	<b>\$628,319</b>	<b>\$637,600</b>		
% CHANGE	2.4%	0.1%	3.8%	1.5%		

CUMULATIVE	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$45,125	\$47,907	\$49,242	\$53,840	\$58,995	\$5,155
AUGUST	98,862	99,619	98,550	102,385	109,092	6,706
SEPTEMBER	144,818	146,846	151,019	151,003	162,957	11,955
OCTOBER	193,863	197,429	205,884	204,707		
NOVEMBER	248,735	254,049	261,343	254,522		
DECEMBER	295,415	296,475	306,266	306,716		
JANUARY	348,933	350,114	363,492	365,192		
FEBRUARY	401,741	399,106	414,714	420,778		
MARCH	458,918	452,105	469,317	475,398		
APRIL	506,763	504,619	529,005	533,695		
MAY	561,359	560,461	578,179	586,153		
JUNE	604,946	605,265	628,319	637,600		

**ELECTRIC USERS' TAX**  
**12-MONTH MOVING SUM**



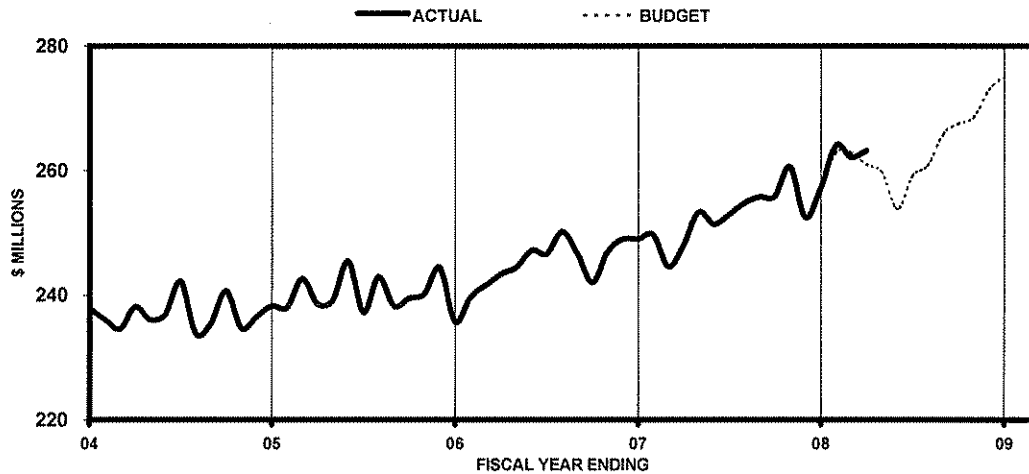
Strong revenues from all three users' tax accounts are driving this revenue category above plan.

**Attachment14y**  
**REVENUE MONTHLY STATUS REPORT**  
**ELECTRIC USERS' TAX**  
(Thousand Dollars)

MONTHLY	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$14,989	\$18,992	\$19,648	25,340	\$26,491	\$1,151
AUGUST	23,849	25,698	20,614	20,645	18,694	(1,951)
SEPTEMBER	18,308	20,120	23,575	21,568	24,608	3,040
OCTOBER	21,034	22,133	27,457	26,254		
NOVEMBER	26,445	29,112	27,170	21,265		
DECEMBER	15,238	14,737	16,248	21,594		
JANUARY	19,192	22,738	24,592	26,275		
FEBRUARY	18,750	15,244	16,244	21,286		
MARCH	24,577	19,879	19,949	21,621		
APRIL	15,492	20,483	25,303	26,297		
MAY	23,063	25,096	16,878	21,307		
JUNE	14,771	14,751	19,552	21,648		
<b>TOTAL</b>	<b>\$235,708</b>	<b>\$248,983</b>	<b>\$257,228</b>	<b>\$275,100</b>		
% CHANGE	-1.1%	5.6%	3.3%	6.9%		

CUMULATIVE	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$14,989	\$18,992	\$19,648	\$25,340	\$26,491	\$1,151
AUGUST	38,838	44,690	40,262	45,985	45,186	(799)
SEPTEMBER	57,146	64,810	63,836	67,553	69,793	2,240
OCTOBER	78,180	86,943	91,293	93,807		
NOVEMBER	104,625	116,055	118,463	115,072		
DECEMBER	119,863	130,792	134,711	136,666		
JANUARY	139,056	153,530	159,303	162,942		
FEBRUARY	157,805	168,773	175,547	184,228		
MARCH	182,382	188,652	195,496	205,848		
APRIL	197,874	209,135	220,798	232,145		
MAY	220,937	234,232	237,676	253,453		
JUNE	235,708	248,983	257,228	275,100		

**ELECTRIC USERS' TAX**  
**12-MONTH MOVING SUM**

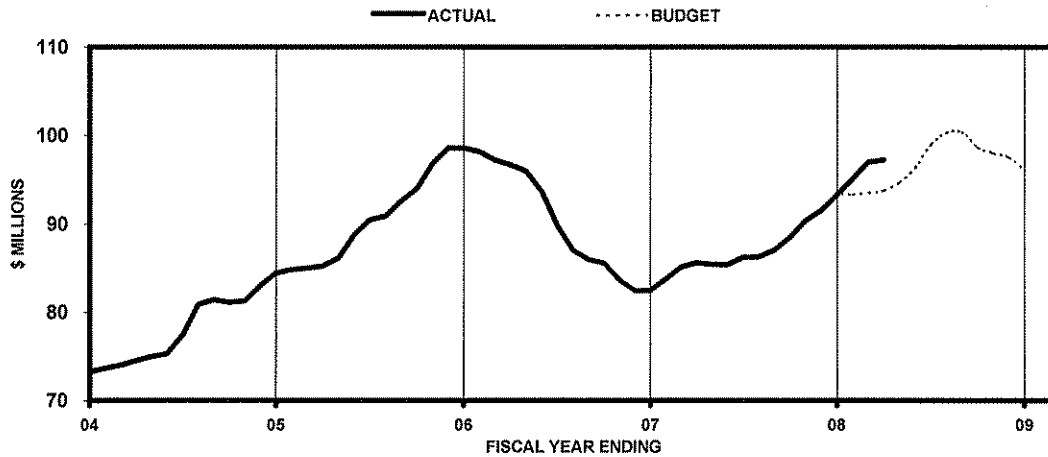


**Attachment14z**  
**REVENUE MONTHLY STATUS REPORT**  
**GAS USERS' TAX**  
(Thousand Dollars)

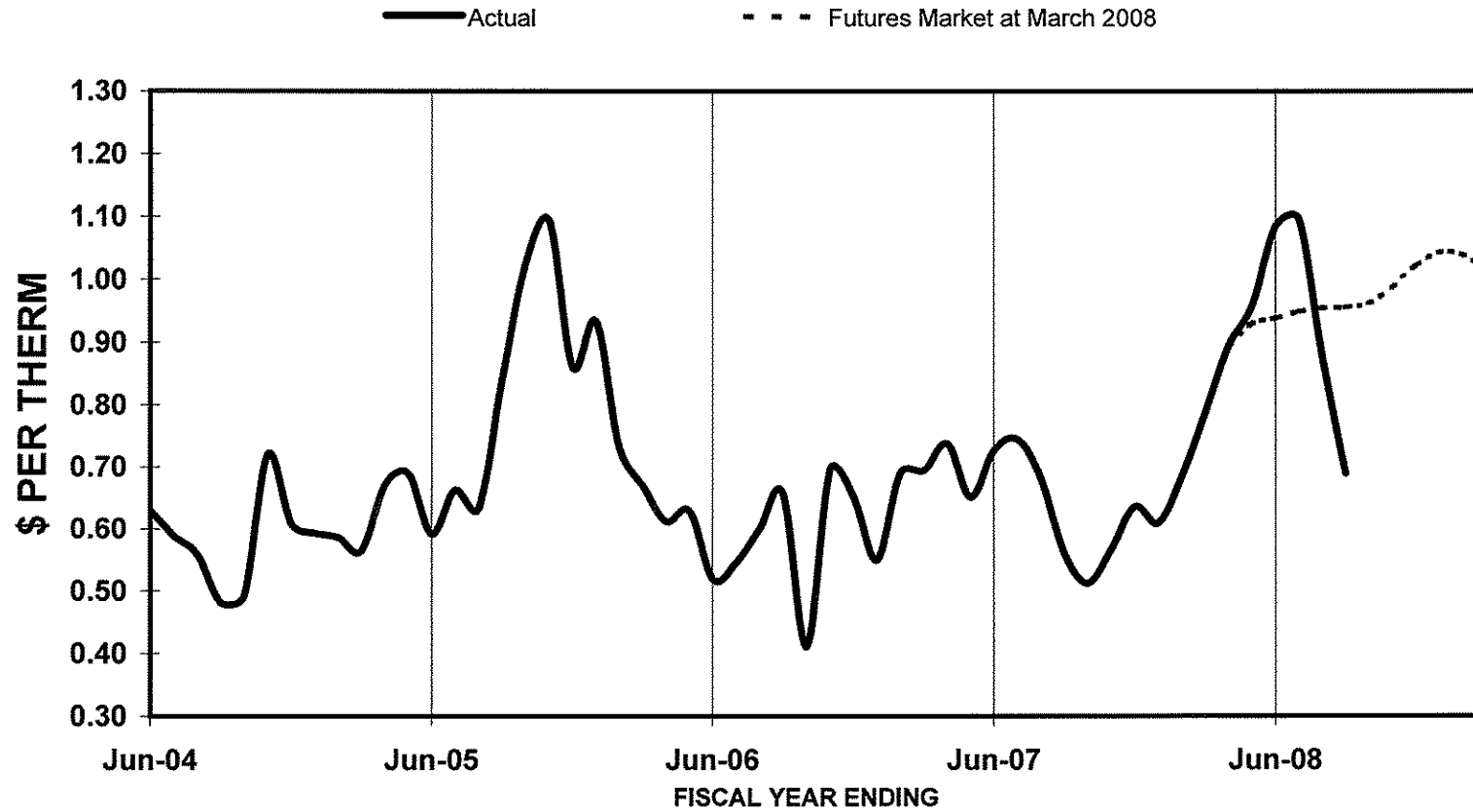
MONTHLY	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$5,990	\$5,592	\$6,860	6,900	\$8,621	\$1,721
AUGUST	5,417	4,432	5,803	6,000	7,728	1,728
SEPTEMBER	4,846	4,329	4,851	5,100	7,225	2,125
OCTOBER	5,547	4,817	4,624	5,500		
NOVEMBER	7,166	4,881	4,849	6,500		
DECEMBER	8,889	5,017	5,848	8,500		
JANUARY	11,446	8,639	8,659	10,000		
FEBRUARY	12,232	11,183	11,949	12,000		
MARCH	11,138	10,750	12,196	10,500		
APRIL	10,216	8,283	10,155	9,500		
MAY	9,000	7,806	8,982	8,500		
JUNE	6,670	6,735	8,496	7,000		
<b>TOTAL</b>	<b>\$98,558</b>	<b>\$82,465</b>	<b>\$93,271</b>	<b>\$96,000</b>		
% CHANGE	16.8%	-16.3%	13.1%	2.9%		

CUMULATIVE	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$5,990	\$5,592	\$6,860	\$6,900	\$8,621	\$1,721
AUGUST	11,407	10,024	12,663	12,900	16,350	3,450
SEPTEMBER	16,253	14,353	17,513	18,000	23,575	5,575
OCTOBER	21,800	19,170	22,137	23,500		
NOVEMBER	28,966	24,051	26,986	30,000		
DECEMBER	37,855	29,069	32,834	38,500		
JANUARY	49,301	37,708	41,493	48,500		
FEBRUARY	61,534	48,891	53,443	60,500		
MARCH	72,672	59,641	65,639	71,000		
APRIL	82,888	67,924	75,793	80,500		
MAY	91,888	75,730	84,775	89,000		
JUNE	98,558	82,465	93,271	96,000		

**GAS USERS' TAX**  
**12-MONTH MOVING SUM**



# Attachment 14aa - COST OF NATURAL GAS

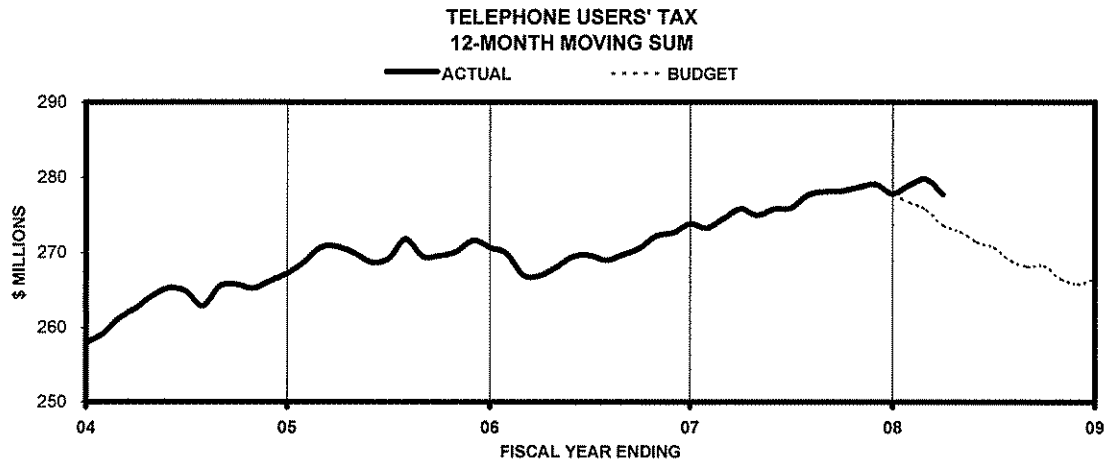


Natural gas prices have been declining.

**Attachmen14bb**  
**REVENUE MONTHLY STATUS REPORT**  
**TELEPHONE UTILITY USERS' TAX**  
(Thousand Dollars)

MONTHLY	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$24,146	\$23,323	\$22,734	\$21,600	\$23,882	\$2,282
AUGUST	24,472	21,582	22,892	21,900	23,674	1,774
SEPTEMBER	22,802	22,778	24,044	21,950	22,033	83
OCTOBER	22,465	23,633	22,785	21,950		
NOVEMBER	21,260	22,627	23,440	22,050		
DECEMBER	22,553	22,671	22,827	22,100		
JANUARY	22,879	22,261	23,976	22,200		
FEBRUARY	21,825	22,566	23,028	22,300		
MARCH	21,462	22,370	22,457	22,500		
APRIL	22,138	23,747	24,231	22,500		
MAY	22,533	22,939	23,314	22,650		
JUNE	22,147	23,319	22,092	22,800		
<b>TOTAL</b>	<b>\$270,681</b>	<b>\$273,817</b>	<b>\$277,819</b>	<b>\$266,500</b>		
% CHANGE	1.3%	1.2%	1.5%	-4.1%		

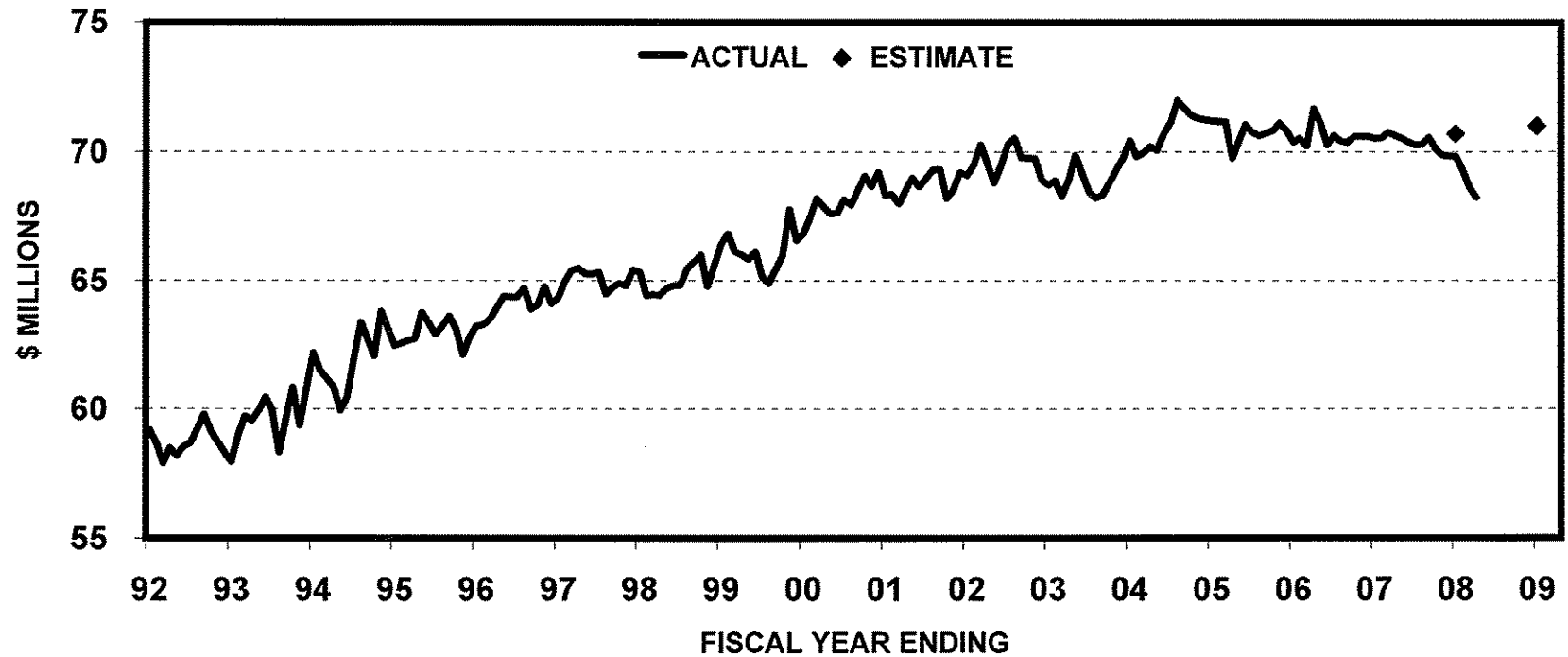
CUMULATIVE	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$24,146	\$23,323	\$22,734	\$21,600	\$23,882	\$2,282
AUGUST	48,618	44,905	45,625	43,500	47,556	4,056
SEPTEMBER	71,419	67,683	69,669	65,450	69,589	4,139
OCTOBER	93,884	91,316	92,454	87,400		
NOVEMBER	115,144	113,943	115,894	109,450		
DECEMBER	137,697	136,614	138,721	131,550		
JANUARY	160,576	158,876	162,696	153,750		
FEBRUARY	182,402	181,442	185,725	176,050		
MARCH	203,864	203,812	208,182	198,550		
APRIL	226,001	227,559	232,414	221,050		
MAY	248,534	250,499	255,728	243,700		
JUNE	270,681	273,817	277,819	266,500		



The 10% rate decrease tied to the successful passage of Proposition S was expected to be felt in July 2008 and was to be somewhat offset through revenues from phone technology that had previously escaped taxation. It appears that growth from usage is stronger than anticipated.

# Attachment 14cc - STATE GAS TAXES

SECTIONS 21105, 21106 AND 21107  
ADJUSTED 12-MONTH MOVING SUM



Measure of tax is gallons sold not dollar value of sales. Higher gasoline prices may be dampening demand. See "State Gas Taxes" table for revenue estimates by category.



**Attachmen14dd**  
**Revenue Monthly Status Report**  
**SOLID WASTE FEE**

Component of SOLID WASTE RESOURCES REVENUE FUND  
(Thousand Dollars)

MONTHLY	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE
JULY	\$5,682	\$7,331	\$8,000	\$17,875	\$17,286	(\$589)
AUGUST	6,706	8,451	17,012	17,875	15,755	(2,120)
SEPTEMBER	7,832	5,353	13,516	17,875	12,976	(4,899)
OCTOBER	6,948	7,353	8,689	17,875		
NOVEMBER	8,613	10,813	17,961	24,873		
DECEMBER	5,323	9,263	17,626	24,717		
JANUARY	7,026	12,487	18,446	24,717		
FEBRUARY	7,551	10,690	16,643	24,717		
MARCH	8,892	12,073	18,313	24,717		
APRIL	6,302	12,021	19,882	24,717		
MAY	8,570	11,853	15,008	24,717		
JUNE	7,195	11,430	19,944	24,717		
<b>TOTAL</b>	<b>\$86,638</b>	<b>\$119,118</b>	<b>\$191,040</b>	<b>\$269,392</b>		
	-0.9%	37.5%	60.4%	41.0%		

CUMULATIVE	2005-06	2006-07	2007-08	2008-09		
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	REVISED
JULY	\$5,682	\$7,331	\$8,000	\$17,875	\$17,286	(\$589)
AUGUST	12,388	15,782	25,012	35,750	33,041	(2,709)
SEPTEMBER	20,220	21,135	38,528	53,625	46,017	(7,608)
OCTOBER	27,167	28,488	47,218	71,500		
NOVEMBER	35,780	39,301	65,178	96,373		
DECEMBER	41,103	48,565	82,804	121,090		
JANUARY	48,129	61,052	101,250	145,807		
FEBRUARY	55,680	71,741	117,893	170,524		
MARCH	64,571	83,814	136,206	195,241		
APRIL	70,874	95,835	156,088	219,958		
MAY	79,444	107,687	171,096	244,675		
JUNE	86,638	119,118	191,040	269,392		

The Proposed Budget anticipated a fee increase effective September 2008 with increased collections starting in December 2008. The Adopted Budget anticipated an earlier effective date with increased collections starting in November 2008. The receipt of revenue from a fee increase typically lags the effective date of the fee ordinance by about three months. The actual ordinance was adopted August 5, 2008 and was effective September 8, which is consistent with the proposed budget.

DWP collects and remits this fee to the Solid Waste Fund. Revenue shown in this table is net of the multi-family bulky item pick-up program.