

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: ~~November~~ 19, 2008

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Council File No. 08-0600

Council District: All

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

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

Reference: 2008-09 Budget

Subject: **2008-09 Budget Balancing Measures**

SUMMARY

In its October 17, 2008, Second Financial Status Report (FSR) to the Mayor and Council, our Office identified an overall budget shortfall totaling \$110 million primarily due to weakening economy-sensitive and real estate related revenues and higher than anticipated expenditures such as fuel and liability claims. During the October 27, 2008, meeting of the Budget and Finance Committee, our Office stated that it would be necessary to take prompt and definitive action before the Mid-Year FSR to begin addressing the City's anticipated budget shortfall. This report includes recommended budgetary adjustments and other offsets totaling \$54 million to begin addressing the projected gap in the City's 2008-09 Budget.

We also stated that, to the extent possible, the City avoid or severely limit transferring monies from the Reserve Fund to mitigate the budget shortfall. Due to the uncertain economic outlook, it is crucial to preserve the Reserve Fund. Any additional appropriations from the Reserve Fund will reduce the amount available to balance the revenue shortfalls in the current year and the 2009-10 Budget. Our forecast for 2009-10 identifies that, at a minimum, a budget gap of approximately \$300 million. If the economic picture continues to deteriorate, the gap could grow further. Therefore, the City must work towards implementing permanent budget reductions in addition to one-time budget solutions.

Now is the time for the City to undertake various measures to address the City's budgetary gap. The Second FSR proposed that the City commit to: 1) a temporary moratorium on Special Event Fee Waivers; 2) adherence to Council's recently adopted policy on Convention Center waivers; 3) a review of special funds for potential General Fund savings; 4) implementation of a more stringent Managed Hiring Process; 5) a re-evaluation of new services included in the current year budget; and 6) assistance from departments in identifying current year budget cuts that can be implemented as soon as December 2008. Some of the recommended budget balancing measures in this report encompass the above criteria. However, our Office will conduct a separate special fund balance survey to analyze special fund ordinances and requirements to determine the possibility of reimbursing the General Fund for eligible prior-year or current year costs.

BUDGET & FINANCE

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The budget balancing measures proposed in this report comprise the first of several steps the City must take to maintain a balanced budget this year and next. It is highly likely the City's fiscal status will continue to be strained with the economic challenges ahead. As we continue to monitor the City's financial status in subsequent reports, we will make additional recommendations regarding financial and operational issues that we believe will strengthen the City's financial position. Should no improvements be realized, our Office will bring forward to the Mayor and Council staffing efficiency efforts that may include a labor component.

The Budgetary Shortfall

The Second FSR identified approximately \$82.2 million in expenditure deficits. Of the \$82.2 million, the Mayor and Council approved transfers of \$8.25 million mainly from the Unappropriated Balance to address the most critical items. Approximately \$14.87 million in the Unappropriated Balance Short Term Layoff and \$4 million in Petroleum accounts was counted upon to partially fund the remaining shortfall of nearly \$74 million. The Second FSR estimated a net balance of the expenditure deficit totaling approximately \$55 million.

Our Office also forecasted a revenue shortfall of \$55 million in the current year budget. This shortfall includes reductions in sales and business taxes, documentary transfer tax, parking tax, and transient occupancy tax. In the event that budgeted revenue is not met, budgeted appropriations must be reduced. Departments' appropriation authority must be realigned to match revised revenue estimates. Therefore, the first and foremost recommended action is to identify reductions and to transfer projected unfunded appropriations to the Unappropriated Balance, Reserve for Economic Uncertainties account. Appropriations transferred to this account should not be used to offset any expenditure deficits until such time the account's amount exceeds the total revenue shortfall.

Recommended Budget Adjustments

To address the City's budget gap, it was necessary to re-examine the deficits initially reported in the Second FSR. These deficits were primarily anticipated salary appropriation needs. Departmental salary projections generally assumed that hiring would be significantly greater than attrition. Our Office revised this underlying hiring assumption to decrease the impact on projected deficits. We have determined that, at a minimum, it would be fiscally prudent to maintain current staffing levels, as of October 25, 2008 or pay period 9, to minimize impacts on current service levels. Services as they are currently delivered would thus continue at the very same level. As such, salary deficits would be significantly lower than reported if hiring does not exceed attrition. This fundamental premise would be in basic agreement with the directions included in the Mayor's Belt Tightening Measures memo dated October 21, 2008. Based on this hiring assumption, the revised deficit would be \$45.5 million instead of \$55.1 million as shown in Attachment 1. Although the Managed Hiring Process would still be in effect, it would be constrained by this parameter relative to filling critical positions in the City.

Additional proposed budget balancing measures include:

- Identified savings within departments would be transferred within account appropriations to

- partially reduce deficits (Attachments 1 and 2);
- Instructions to some departments to stay within budgetary authority and restrain spending in order to absorb deficits identified in the Second FSR (Attachments 1 and 2);
- Budget reductions to recognize and transfer surpluses to the Unappropriated Balance, Reserve for Economic Uncertainties account (Attachment 3);
- Additional General Fund revenue

The following is a summary of the City's projected budgetary problem, identified savings, recommended budget reductions and additional revenue:

2008-09 PROJECTED BUDGET GAP SUMMARY		(in millions) Amount
2 nd FSR Revenue Shortfall	\$(55.00)	
2 nd FSR Expenditure Deficit	(55.09)	
Subtotal Deficit		\$(110.09)
Offsets:		
Budget Balancing Recommendations		
Savings/Reductions to Offset Internal Deficits:		
Partial Salary Savings (Maintain Hiring Level)	9.57	
Transfers within Departments (Attachment 2)	1.05	
Others	3.77	
Savings/Reductions Transferred to the UB (Attachment 3)	35.35	
Additional General Fund Revenue	4.41	
Subtotal Offsets		\$54.15
Total Budgetary Gap		\$(55.94)

RECOMMENDATIONS

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

1. Transfer \$1,055,238 between accounts within various departments and funds as specified in Attachment 2;
2. Transfer \$35,348,199 from the funds and accounts shown on Attachment 3 to a new account in the Unappropriated Balance, Fund No. 100/58, entitled "Reserve for Economic Uncertainties" as specified in Attachment 3;

City Attorney

3a. Authorize the Controller to transfer \$561,000 from Fund No. 550/12, Consumer Protection Prosecution Trust Fund to Fund 100/12, City Attorney, Revenue Source Code 4610, Reimbursement from Other Funds;

3b. In accordance with Recommendation 3a, appropriate \$561,000 to Fund No. 100/12, City Attorney, Account No. 1080, Salaries Proprietary;

4. Rescind the City Attorney's authority to hire personnel and require the City Attorney to request and obtain Council approval prior to any future hires. Future hires will be limited by the available amount for the payment of salaries in the appropriate departmental account;

Community Development Department

5a. Increase the General Fund related costs reimbursement by transferring \$300,000 within the Community Development Trust Fund No. 424 from Account No. E122, Community Development Department, to Account No. E299, Related Costs;

5b. In accordance with Recommendation 5a, decrease the appropriation to Fund No. 100/22, Community Development Department, Account No. 1010, Salaries General, by \$300,000.

Controller

6. Rescind the Controller's authority to hire personnel, except for the Financial Management System Project, and require the Controller to request and obtain Council approval prior to any future hires. Future hires will be limited by the available amount for the payment of salaries in the appropriate departmental account.

Fire

7a. Authorize the Controller to transfer \$500,000 from the Targeted Ambulance Destination Service Fund No. 44R to Fund No. 100/38, Fire Department, Revenue Source Code 4610, Reimbursement from Other Funds;

7b. In accordance with Recommendation 7a, appropriate \$500,000 to Fund No. 100/38, Fire Department, Account No. 1093, Overtime Constant Staffing;

Neighborhood Empowerment

8. Reduce the General Fund budget allocation to the Neighborhood Empowerment Fund No. 44B/47 by \$43,000;

Public Works, Bureau of Sanitation

9a. Increase the General Fund related costs reimbursement by transferring a total of \$1,000,000 in the Landfill Maintenance Trust Fund No. 558, Available Cash Balance, and \$350,000 from Account No. E182, Bureau of Sanitation, to Account No. E299, Related Costs;

9b. In accordance with Recommendation 9a, decrease the appropriation to Fund No. 100/82, Bureau of Sanitation, Account No. 1010, Salaries General, by \$300,000 and Account No. 1090, Overtime General, by \$50,000 for a total of \$350,000;

Public Works, Bureau of Street Services

10. Instruct the Bureau of Street Services to report back with an implementation plan that reduces tree trimming equitably throughout all Council districts relative to the recommended budget reduction of \$800,000 in the Contract Tree Trimming Program within 30 days;

Transportation

11. Instruct the Department of Transportation (DOT) to report back within 30 days relative to an implementation plan to provide locations and number of crossing guards impacted by the proposed reduction of \$1,000,000 to the Crossing Guard Program;

12. Instruct DOT to report back with the locations of left-turn arrow signals that would not be installed relative to the proposed reduction of \$650,000 in the program within 30 days;

Zoo

13. Reduce the General Fund budget allocation to the Zoo Enterprise Trust Fund No. 40E/87 by \$1,136,000 and offset the decrease with \$1,136,000 from the Fund's available cash balance;

Library

14a. Authorize the Controller to decrease the Appropriation to the Library Fund No. 300/44 by transferring \$1,450,000 from Fund No. 100/62, Nondepartment General, Account No. 0300, Library Fund, to the Unappropriated Balance, Reserve for Economic Uncertainties;

14b. In accordance with Recommendation 14a, instruct the Library Department to identify reductions, if necessary, in various accounts to reflect the decrease of \$1,450,000 in the Appropriation to the Library Fund;

Recreation and Parks

15. Instruct the Department of Recreation and Parks to report back within 30 days with a plan to phase hiring to avoid a projected \$1.2 million shortfall in its Salaries General account and to identify savings to offset a \$2.1 million projected shortfall in its Salaries As-Needed account;

Financial Management System (FMS) Project

16a. Increase and/or establish new accounts and appropriate \$2,558,444 within the MICLA Fund No. 298/32 as follows for the development of the FMS Project:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
E110	City Administrative Officer (CAO)	\$115,592
E126	Controller	1,059,190
E132	Information Technology Agency (ITA)	1,383,662
	Subtotal	<u>\$2,558,444</u>

16b. Appropriate \$2,558,444 to the following departments:

<u>Fund/ Dept No.</u>	<u>Department</u>	<u>Account Name</u>	<u>Amount</u>
100/10	City Administrative Officer	1010, Salaries General	\$115,592
100/26	Controller	1010, Salaries General	1,059,190
100/32	Information Technology Agency	1010, Salaries General	1,383,662
		Total	<u>\$2,558,444</u>

16c. In accordance with Recommendation No. 16a and 16b, instruct the Bond Fund Administrator to transfer cash from MICLA Fund No. 298 to reimburse the General Fund on an as-needed basis upon proper documentation from the above departments and approval of the FMS Project Manager and the City Administrative Officer;

Technical

17. Authorize the City Administrative Officer to make technical corrections as necessary to those transactions included in this report to implement Mayor and Council intentions.

FISCAL IMPACT STATEMENT

Adoption of the above recommendations will reduce appropriations by \$35.35 million to partially offset the potential \$55 million in revenue shortfall and \$55 million in expenditure deficit. The estimated year-end budget problem totaling \$110 million would be reduced to approximately \$55.9 million after counting identified savings and reductions, transfers to the Unappropriated Balance and additional revenue.

DISCUSSION

Departmental Savings and Budget Reductions

The following are brief descriptions by department of recommended savings and budgetary reductions. Attachments 2 and 3 include the instructions to transfer surpluses within departments and to the Unappropriated Balance, Reserve for Economic Uncertainties, respectively.

1. City Administrative Officer

Attachment 3

Recommendation Nos. 2 and 16

If the Department maintains current staffing levels for the remainder of the fiscal year by limiting hires to attrition, it is projected to result in a salaries surplus of \$47,561. We recommend that this amount be transferred to the Unappropriated Balance, Reserve for Economic Uncertainties account, at this time. Refer to MICLA section for an additional transfer of \$123,848 in FMS Project funding to the Unappropriated Balance, Reserve for Economic Uncertainties.

2. City Attorney

Recommendation Nos. 3 and 4

If the City Attorney maintains current staffing levels for the remainder of the fiscal year by limiting hires to attrition, it is projected to result in a Salaries General surplus of \$0.28 million rather than a \$2.4 million deficit, and a Salaries Proprietary projected deficit of \$1.42 million rather than \$2.83 million shortfall, as reported in the Second FSR. It is recommended that the Department be instructed to restrict hiring to stay within existing budgetary authority and mitigate those deficits identified in the Second FSR.

The City Attorney proposes one-time use of the \$561,000 from Consumer Protection Prosecution Trust Fund No. 550 to pay for attorney and staff salaries associated with the prosecution of consumer protection cases. The fund receives, upon favorable verdicts, civil penalties from the Health and Safety and Business and Professions code violations.

3. City Clerk

Attachment 3

Recommendation No. 2

If the Department maintains current staffing levels for the remainder of the fiscal year by limiting hires to attrition, it is projected to result in a salaries surplus of \$240,796. We recommend that this amount be transferred to the Unappropriated Balance, Reserve for Economic Uncertainties account, at this time.

4. Commission on Children, Youth and Families
Attachment 3
Recommendation No. 2

If the Department maintains current staffing levels for the remainder of the fiscal year by limiting hires to attrition, it is projected to result in a salaries surplus of \$36,871. We recommend that this amount be transferred to the Unappropriated Balance, Reserve for Economic Uncertainties account, at this time.

5. Commission on Status of Women
Attachment 3
Recommendation No. 2

If the Department maintains current staffing levels for the remainder of the fiscal year by limiting hires to attrition, it is projected to result in a salaries surplus of \$58,649. It is recommended that this amount be transferred to the Unappropriated Balance, Reserve for Economic Uncertainties account, at this time.

6. Community Development Department
Recommendation No. 5

Savings generated by holding two Chief Management Analyst and one Graphics Designer positions vacant through the end of the year would be transferred to the General Fund to offset the Department's shortfall in Related Costs reimbursement by \$300,000.

7. Controller
Attachment 3
Recommendation Nos. 2, 6 and 16

Our Office recommends reduction of the Controller's Office and Administrative (\$4,000) and Contingency Expense accounts (\$10,000) based on historical expenditures and prior year reversion amounts. Refer to MICLA section for transfer of \$2,393,126 in FMS Project funding to the Unappropriated Balance, Reserve for Economic Uncertainties.

8. Ethics
Attachment 1

If the Department maintains current staffing levels for the remainder of the fiscal year by limiting hires to attrition, it is projected to result in a salary deficit of approximately \$186,000. If necessary, we recommend a transferring anticipated savings in contractual services to offset the projected salary deficit later in the year.

9. Finance
Attachment 2
Recommendation No. 1

This Office recommends reduction totaling \$22,000 in various expense accounts to offset the Department's projected salary account shortfall.

10. Fire
Attachment 2
Recommendation Nos. 1 and 7

The Targeted Ambulance Destination Service Fund No. 44R receives compensation from Kaiser Permanente for transporting its members to the nearest Kaiser facility. The agreement with Kaiser states that the funds may be used to enhance Fire's Emergency Medical Services (EMS) program. Our Office recommends that \$500,000 be used to offset the Department's Overtime Constant Staffing projected deficit.

The Department reports that a \$500,000 surplus can be achieved in its Uniform account by deferring expenditures until next fiscal year. Our Office recommends transferring this surplus to the Department's Overtime Constant Staffing projected deficit.

11. Information Technology Agency
Recommendation No. 16

Refer to MICLA section for transfer of \$1,180,953 in FMS Project funding to the Unappropriated Balance, Reserve for Economic Uncertainties.

12. Neighborhood Empowerment
Attachment 3
Recommendation Nos. 2 and 8

If the Department maintains current staffing levels for the remainder of the fiscal year by limiting hires to attrition, it is projected to result in a salaries surplus of \$43,000. It is recommended that this amount be transferred to the Unappropriated Balance, Reserve for Economic Uncertainties account, at this time.

13. Planning
Attachment 3
Recommendation No. 2

The Department reports a surplus of \$890,976 in its Salaries General due to vacancies. It proposes to achieve savings of \$100,000 in its Overtime General by strictly limiting overtime. In addition, due to delays in hiring new staff, the Department can reduce its furniture and equipment purchases by \$50,000. It is recommended that these savings be transferred to the Unappropriated Balance, Reserve for Economic Uncertainties account.

14. Police
Attachment 3
Recommendation No. 2

It is anticipated that the Office of the Mayor will release a report shortly regarding final fiscal transfers of the Fiscal Year 2005 Urban Area Security Initiative (UASI) grant program close out, including \$1.7 million to reimburse prior year Police Department expenditures. The receipts would be deposited into the Department's General Fund receipts. As such, no further action is required.

The Budget provided \$4.3 million for the replacement of 118 black and white vehicles. According to the department, 65 vehicles will have to be replaced this year based on the estimated number of vehicles exceeding the maximum mileage threshold by October 2009. A savings of \$1.92 million would be realized if replacement of 53 vehicles is deferred.

15. Public Works, Board
Attachment 3
Recommendation No. 2

The Department proposes a reduction of \$20,000 in Overtime Salaries; \$230,000 of the \$500,000 provided for the Public Right-of-Way Program which contracts with community-based organizations for clean-up efforts; and \$50,000 for trash liners provided to Business Improvement Districts (BIDs) supporting clean-up efforts.

16. Public Works, Bureau of Sanitation
Recommendation No. 9

The Landfill Maintenance Trust Fund receives revenues from the sale of recyclable materials from curbside recycling for closure and post-closure activities on City landfills. Limited proceeds in prior years have precluded any reimbursement of Related Costs. Due to higher than anticipated receipts and interest revenue in 2007-08 of approximately \$1 million, and savings that would be generated by the Bureau by absorbing salaries (\$300,000) and other expense funding (\$50,000) totaling \$350,000, the Fund has the capacity to reimburse the General Fund for closer to full recovery of current year Related Costs. The total related costs reimbursement would be revised from approximately \$0.86 million to \$2.21 million.

17. Public Works, Bureau of Street Services
Attachment 3
Recommendations Nos. 2 and 10

Our Office recommends reducing the following programs: 1) 5.5 miles of 6 budgeted miles of the Paving of Dirt Streets and Alleys (\$1.78 million); 2) A total of \$800,000 in uncommitted funds for the Contract Tree Trimming budgeted at \$2.7 million. Street Services has scheduled to award \$1.9 million in contracts. Should this recommendation be approved, the department would need to be instructed to present an implementation plan that reduces tree trimming equitably throughout all

Council districts;

The Department proposes a \$1.9 million reduction to the second module of the 50/50 Sidewalk Program, equivalent to 450 sidewalk locations. Applications are accepted from participants during the first six months of the fiscal year, with work scheduled and performed by City forces during the latter six months. The cost is divided equally between the residents and the City. According to the Department, this amount is available due to a lower than anticipated number of applications.

Given the City's budget shortfall, the Department reports that it may be possible to swap \$2.4 million in General Funds for 100 miles of slurry seal with Proposition 1B funds. The Budget currently provides for a total of 400 miles of slurry seal, \$4.8 million from Gas Tax and \$2.4 million from the General Fund. Slurry seal work is eligible for Proposition 1B funds; however, a review must be conducted to determine the impact of this funding swap on the Proposition 42 Gas Tax Maintenance of Effort requirement. Our Office will monitor this issue and report back relative to the status of the proposed swapping of funds.

**18. Transportation
Attachments 2 and 3
Recommendations No. 1, 11 and 12**

The Department reports savings in equipment and supplies for LED conversion due to significantly lower price for materials (\$0.27 million). In addition, it was found that the video cameras for the pedestrian detection component of the Smart Crosswalk Program were not effective as planned and will not be installed in projects scheduled for the remainder of the year (\$0.24 million). Our Office recommends that these savings be transferred to offset the Department's Salaries General projected deficit of \$1 million.

This Office recommends the following reduction: 1) Reduction of the Crossing Guard Program (\$1 million) – The Budget provides Traffic Safety Funds for employment of approximately 500 crossing guards on an as-needed basis costing an average of \$10,000 annually per crossing guard. DOT would need to report back with an implementation plan to provide locations and number of crossing guards impacted by the proposed reduction; 2) Reduction of left-turn arrow signal construction – The 2008-09 budget provides for the construction of 45 left-turn arrow signals by DOT crews. DOT also plans to install 68 additional left-turn arrows through construction or capital projects paid by special funds. The total left-turn arrow program is 113 this year. DOT would need to report back with the locations of left-turn arrows that would not be installed (\$0.65 million); 3) Reduction of five new signal construction projects – Total budgeted for the fiscal year is 15 compared to prior years' level of ten traffic signals (\$0.46 million).

**19. Treasurer
Attachment 2
Recommendation No. 1**

Our Office recommends a reduction of \$13,238 in the Department's various expense accounts to partially offset a projected salary deficit of \$167,244.

20. Zoo
Attachment 3
Recommendation Nos. 2 and 13

The 2008-09 available cash balance in the Zoo Enterprise Trust Fund was \$0.38 million higher than anticipated due to 2007-08 year-end reversions. In addition, for the past four years, the Fund has accumulated funding provided for the golden monkey exhibit expenses from 2003-04 to 2007-08 totaling \$0.75 million. This amount has been unspent due to the delay in acquisition.

21. Library
Attachment 3
Recommendation Nos. 2 and 14

The Department states that its projected Second FSR salary deficit will be eliminated by adhering to the Mayor's belt tightening instructions. In addition, our Office recommends a reduction of \$1.45 million to the General Fund appropriation to the Library Fund. The Library states that it would have to limit expenditures in various accounts to generate the savings. It would have to identify reductions in various accounts to reflect the recommended reduction. It is noted that the Expo Branch Library, scheduled to be auctioned in mid-December, has been appraised by GSD at \$3.2 million, \$1.6 million higher than anticipated in the Budget. In the event the property is sold at the appraised value, the Department's budget reductions would be mitigated.

22. Recreation and Parks
Recommendation No. 15

It is recommended that the Department be instructed to report back with a plan to significantly phase hiring to avoid a potential \$1.2 million Salaries General shortfall. In addition, it is recommended that the Department be instructed to identify savings to offset a \$2.1 million projected deficit in its Salaries As-Needed account. This amount represents a total of 150,000 as-needed hours or 150 half-time employees.

23. MICLA
Recommendation No. 16

MICLA financing of \$15 million is available in the current year for the FMS project. Approximately \$7.3 million in prior-year General Fund was reappropriated to the General City Purposes (GCP) budget. The Mayor and Council approved the transfer of GCP funds to various departments (C.F. 07-2186-S1 and 07-2186-S2). A majority of those amounts are MICLA eligible as follows: Controller (\$2.39 million), CAO (\$0.12 million), Information Technology Agency (\$1.18 million). Salary appropriations would be provided in this report to these departments while expense account appropriations would be expended directly from MICLA Fund No. 298/32. MICLA salary appropriations reflect the transfer of four positions from the Controller to ITA (C.F. 07-2186-S2).

24. General City Purposes
Attachment 3
Recommendation No. 2

In accordance with the budgeted MICLA funds for the FMS Project, this Office recommends transferring \$2 million from the GCP FMS Project line item to the Unappropriated Balance, Reserve for Economic Uncertainties. In addition, our Office also recommends transfer of \$125,000 in Local Agency Formation Commission surplus to the same account.

25. Human Resources Benefits
Attachment 3
Recommendation No. 2

Our Office recommends transferring \$400,000 in Unemployment Insurance account surplus to the Unappropriated Balance, Reserve for Economic Uncertainties.

26. Unappropriated Balance
Attachment 3
Recommendation No. 2

GSD New Facilities line item – GSD would need to generate additional salary savings to support the remainder of new facilities opening this fiscal year. The Department may be coming forward later in the fiscal year with a request for unfunded resolution authorities associated with this item (\$0.95 million).

27. Other Special Purpose Funds
Attachment 3
Recommendation No. 2

General Fund appropriation to the following funds would be reduced as follows: 1) \$14.86 million to the Reserve Fund; 2) \$0.48 million to the Attorney Conflicts Panel Fund based on projected savings due to lower than anticipated number of case referrals and amendments.

FUTURE ACTIONS

The credit crisis, depressed real estate market, slumping auto and retail sales, increasing unemployment and other business news indicate that the City's revenue will face continuing and additional downward pressures. It is therefore imperative that the City quickly realign spending to reflect expected diminishing revenues. Any delay would further aggravate the shortfall and lead to larger and more severe reductions at a future date. Departments must be instructed to identify and pursue cost savings and efficiency ideas. In subsequent reports, we will propose additional budget balancing measures that would further enable the City to weather the growing fiscal challenges during this period of economic downturn.

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Attachments

**ATTACHMENT 1
2008-09 BUDGET
PROJECTED GENERAL FUND SURPLUS (DEFICIT)**

DEPARTMENTAL	Account No., Name	2nd FSR	Salary Savings	Transfers	Revised	
		Surplus (Deficit)	Maintain Level	bet. Accounts	Others	Surplus(Deficit)
Aging	1010, Salaries General	\$ (145,901)	\$ 145,901	\$ -	\$ -	\$ -
Animal Services	1010, Salaries General	(405,350)	405,350	-	-	-
Building And Safety	1010, Salaries General	(532,370)	532,370	-	-	-
City Administrative Officer		-	47,561	-	-	47,561
City Attorney	1010, Salaries General	(2,431,579)	2,718,714	-	-	287,135
	1080, Salaries, Proprietary	(2,831,569)	1,403,781	-	-	(1,427,788)
	4200, Litigation Expense	(1,000,000)	-	-	-	(1,000,000)
City Clerk	1010, Salaries General	(71,433)	312,229	-	-	240,796
Comm. Children, Youth		-	36,871	-	-	36,871
Comm. Status Of Women		-	58,649	-	-	58,649
Community Development		-	-	-	-	-
Controller	1010, Salaries General	(322,107)	322,107	-	-	-
Convention Center		-	-	-	-	-
Council		-	-	-	-	-
Cultural Affairs		-	-	-	-	-
Department on Disability		-	-	-	-	-
El Pueblo		-	-	-	-	-
Emergency Mgt.	1010, Salaries General	(49,199)	(29,545)	-	-	(78,744)
Employee Relations		-	-	-	-	-
Environmental Affairs	1010, Salaries General	(65,714)	76,461	-	-	10,747
Ethics Commission	1010, Salaries General	(186,282)	-	-	186,282	-
Finance	1010, Salaries General	(670,732)	-	-	-	(670,732)
	1070, Overtime General	(88,000)	-	-	-	(88,000)
	3310, Transportation	(101,000)	-	-	-	(101,000)
	2130, Travel	-	-	12,000	-	12,000
	6010, Office & Admin.	-	-	10,000	-	10,000
Fire	1010, Salaries General	(500,000)	-	-	-	(500,000)
	1012, Salaries Sworn	3,234,966	-	-	-	3,234,966
	1030, Sworn Bonuses	209,566	-	-	-	209,566
	1050, Unused Sick Time	(1,179,360)	-	-	-	(1,179,360)
	1070, Salaries As-Needed	82,236	-	-	-	82,236
	1070, Overtime General	(782,087)	-	-	-	(782,087)
	1092, Overtime Sworn	(235,095)	-	-	-	(235,095)
Fire	1093, Overtime Constant Staffing	(10,286,811)	-	-	-	(10,286,811)
	1098, Overtime Variable Staffing	2,136,540	-	-	-	2,136,540

**ATTACHMENT 1
2008-09 BUDGET
PROJECTED GENERAL FUND SURPLUS (DEFICIT)**

DEPARTMENTAL	Account No., Name	2nd FSR Surplus (Deficit)	Salary Savings Maintain Level	Transfers bet. Accounts	Others	Revised Surplus(Deficit)
	4430, Uniforms	-	-	500,000	-	500,000
General Services	1010, Salaries General	(1,500,000)	1,500,000	-	-	-
Housing Dept	-	-	-	-	-	-
Human Relations	1010, Salaries General	(68,275)	(429)	-	-	(68,704)
Information Technology	1010, Salaries General	(1,163,870)	810,929	-	-	(352,941)
	1070, Overtime General	(1,000,000)	-	-	-	(1,000,000)
	1100, Hiring Hall Salaries	(200,000)	-	-	-	(200,000)
	2120, Printing & Binding	113,755	-	-	-	113,755
	6020, Operating Supplies	200,000	-	-	-	200,000
Mayor	-	-	-	-	-	-
DONE	1010, Salaries General	(224,845)	267,845	-	-	43,000
Personnel	1010, Salaries General	(944,000)	657,591	-	-	(286,409)
	9590, Police Recruitment Incentives	(50,000)	-	-	-	(50,000)
Planning	1010, Salaries General	890,976	-	-	-	890,976
Police	1010, Salaries General	(262,116)	-	-	-	(262,116)
	1012, Salaries Sworn	4,969,137	-	-	-	4,969,137
	1030, Sworn Bonuses	99,827	-	-	-	99,827
	1070, Salaries As-Needed	421	-	-	-	421
	1090, Overtime General	(305,144)	-	-	-	(305,144)
	1092, Overtime Sworn	(5,308,000)	-	-	-	(5,308,000)
	2120, Printing & Binding	48,675	-	-	-	48,675
	2130, Travel	(51,260)	-	-	-	(51,260)
	3010, Firearms, Ammunition	(27,359)	-	-	-	(27,359)
	3040, Contractual Services	(451,722)	-	-	-	(451,722)
	3090, Field Equipment Expense	17,500	-	-	-	17,500
	3110, Institutional Supplies	(23,199)	-	-	-	(23,199)
	3290, Traffic and Signal Expense	1,008	-	-	-	1,008
	3310, Transportation	4,520	-	-	-	4,520
	4310, Secret Service	60	-	-	-	60
	4430, Uniforms	26,805	-	-	-	26,805
Police	4440, Reserve Officer Expense	790	-	-	-	790
	6010, Office & Administrative	(271,115)	-	-	-	(271,115)
	6020, Operating Supplies	477	-	-	-	477
	7300, Furn., Office & Tech.	23	-	-	-	23

**ATTACHMENT 1
2008-09 BUDGET
PROJECTED GENERAL FUND SURPLUS (DEFICIT)**

DEPARTMENTAL	Account No., Name	2nd FSR Surplus (Deficit)	Salary Savings Maintain Level	Transfers bet. Accounts	Others	Revised Surplus(Deficit)
	7340, Transportation Equipment	156,721	-	-	-	156,721
Board Of Public Works		-	-	-	-	-
PW/Contract Admin.		-	-	-	-	-
PW/Engineering		-	-	-	-	-
PW/Sanitation		-	-	-	-	-
PW/Street Lighting		-	-	-	-	-
PW/Street Services		-	-	-	-	-
Transportation	1010, Salaries General	(1,000,000)	-	-	-	(1,000,000)
	3040, Contractual Services		-	520,000	-	520,000
Treasurer	1010, Salaries General	(262,504)	95,260	-	-	(167,244)
	3040, Contractual Services	(131,368)	-	-	-	(131,368)
	2120, Printing & Binding	-	-	1,500	-	1,500
	2130, Travel	-	-	1,738	-	1,738
	6010, Office & Administrative	-	-	10,000	-	10,000
Zoo	1010, Salaries General	334,747	(334,747)	-	-	-
Total-Budgetary Depts.		\$ (22,600,616)	\$ 9,026,898	\$ 1,055,238	\$ 186,282	\$ (12,332,198)
Library	1010, Salaries General	\$ (543,261)	\$ 543,261	\$ -	\$ -	\$ -
	1070, Salaries As-Needed	(350,000)	-	-	350,000	-
	3310, Transportation	(28,000)	-	-	28,000	-
Rec. & Parks	1010, Salaries General	(1,201,089)	-	-	1,201,089	-
	1070, Salaries As-Needed	(2,000,000)	-	-	2,000,000	-
Total-Departmental		\$ (26,722,966)	\$ 9,570,159	\$ 1,055,238	\$ 3,765,371	\$ (12,332,199)
NONDEPARTMENTAL						
General City Purposes	0510, Medicare Contributions	(1,360,496)	-	-	-	(1,360,496)
	0505, Retirement Defrayal	(121,484)	-	-	-	(121,484)
	0577, Pensions Savings Plan	(160,560)	-	-	-	(160,560)
	0570, Social Security	190,312	-	-	-	190,312
Unappropriated Balance	0130, GSD - Petroleum Products	4,000,000	-	-	-	4,000,000
	0240, Short-Term Layoff Agreement	14,870,000	-	-	-	14,870,000
Liability Claims	9760, Liability Claims Under \$100K	1,500,000	-	-	-	1,500,000
	9770, Liability Claims Over \$100K	(15,017,313)	-	-	-	(15,017,313)

**ATTACHMENT 1
2008-09 BUDGET
PROJECTED GENERAL FUND SURPLUS (DEFICIT)**

DEPARTMENTAL	Account No., Name	2nd FSR Surplus (Deficit)	Salary Savings Maintain Level	Transfers bet. Accounts	Others	Revised Surplus(Deficit)
Liability Claims-(Harper)	9770, Liability Claims Over \$100K	(19,268,766)	-	-	-	(19,268,766)
Outside Counsel	Pending	-	-	-	-	-
Petroleum Expense	3230, Petroleum Products	(13,000,000)	-	-	-	(13,000,000)
Total - Nondepartmental		\$ (28,368,307)	\$ -	\$ -	\$ -	\$ (28,368,307)
GRAND TOTAL		\$ (55,091,273)	\$ 9,570,159	\$ 1,055,238	\$ 3,765,371	\$ (40,700,505)
SUMMARY		Amount				
2nd Financial Status Report (FSR):						
	Expenditure Deficit	\$ (55,091,273)				
	Revenue Shortfall	(55,000,000)				
	Subtotal 2nd FSR		\$ (110,091,273)			
Budget Balancing Recommendations:						
Savings/Reductions to Offset Internal Deficits:						
	Partial Salary Savings (Maintain Hiring Level)	\$ 9,570,159				
	Transfers within Departments (Att. 2)	1,055,238				
	Others	3,765,371				
	Savings/Reductions Transferred to the UB (Att. 3)	35,348,199				
	Additional Revenue	4,411,000				
	Subtotal Budget Balancing Recommendations		54,149,967			
	Total Budgetary Gap		\$ (55,941,306)			

**ATTACHMENT 2
TRANSFERS BETWEEN ACCOUNTS WITHIN DEPARTMENTS**

TRANSFER FROM:		TRANSFER TO:	
DEPARTMENT/FUND/ACCOUNT	AMOUNT	DEPARTMENT/FUND/ACCOUNT	AMOUNT
FIRE			
<u>100/38, Fire</u>		<u>100/38, Fire</u>	
4430, Uniforms	\$ 500,000	1093, Overtime Constant Staffing	\$ 500,000
FINANCE			
<u>100/39, Finance</u>		<u>100/39, Finance</u>	
2130, Travel	\$ 12,000	1010, Salaries General	\$ 22,000
6010, Office & Administrative	10,000		
	<u>\$ 22,000</u>		
TRANSPORTATION			
<u>100/94, Transportation</u>		<u>100/94, Transportation</u>	
3040, Contractual Services	\$ 245,000	1010, Salaries General	\$ 520,000
3360, Signal Supplies	275,000		
	<u>\$ 520,000</u>		
TREASURER			
<u>100/96, Treasurer</u>		<u>100/96, Treasurer</u>	
2120, Printing & Binding	\$ 1,500	1010, Salaries General	\$ 13,238
2130, Travel	1,738		
6010, Office & Administrative	5,000		
6020, Operating Supplies	5,000		
	<u>\$ 13,238</u>		
TOTAL ALL DEPARTMENTS	\$ 1,055,238		\$ 1,055,238

ATTACHMENT 3
2008-09 BUDGET ADJUSTMENTS
TRANSFERS TO UNAPPROPRIATED BALANCE, RESERVE FOR ECONOMIC UNCERTAINTIES

DEPARTMENT/FUND	FUND/ACCOUNT	AMOUNT
TRANSFER FROM:		
City Administrative Officer	<u>100/10</u>	
	1010, Salaries General	\$ 163,153
	2130, Travel	3,256
	6010, Office & Administrative Expense	5,000
		<u>\$ 171,409</u>
City Clerk	<u>100/14</u>	
	1010, Salaries General	\$ 240,796
Com. On Children Youth & Families	<u>100/27</u>	
	1010, Salaries General	\$ 36,871
Com. On Status of Women	<u>100/20</u>	
	1010, Salaries General	\$ 58,649
Controller	<u>100/26</u>	
	1010, Salaries General	\$ 1,492,954
	2130, Travel	61,864
	6010, Office & Administrative Expense	842,308
	4620, Contingency Expense	10,000
		<u>\$ 2,407,126</u>
Information Technology Agency	<u>100/32</u>	
	1010, Salaries General	\$ 1,098,393
	2130, Travel	32,560
	6010, Office & Administrative Expense	50,000
		<u>\$ 1,180,953</u>
Neighborhood Empowerment	<u>100/47</u>	
	1010, Salaries General	\$ 43,000
	See Recommendation No. 8	
Planning	<u>100/68</u>	
	1010, Salaries General	\$ 890,976
	1090, Overtime General	100,000
	7300, Furn., Office & Technical Equipment	50,000
		<u>\$ 1,040,976</u>
Police	<u>100/70</u>	
	7340, Transportation Equipment	\$ 1,918,600
Public Works, Board	<u>100/74</u>	
	1090, Overtime General	\$ 20,000
	3040, Contractual Services	\$ 230,000
	6020, Operating Supplies	50,000
		<u>\$ 300,000</u>

ATTACHMENT 3
2008-09 BUDGET ADJUSTMENTS
TRANSFERS TO UNAPPROPRIATED BALANCE, RESERVE FOR ECONOMIC UNCERTAINTIES

DEPARTMENT/FUND	FUND/ACCOUNT	AMOUNT
TRANSFER FROM:		
Public Works, Street Services	<u>100/86</u>	
	1010, Salaries General	\$ 2,018,320
	1090, Overtime General	202,440
	2120, Printing and Binding	4,800
	3030, Construction Expense	1,106,802
	3040, Contractual Services	800,000
	3090, Field Equipment Expense	22,000
	3310, Transportation	92,000
	4430, Uniforms	5,670
	6010, Office & Administrative	18,600
	6020, Operating Supplies	166,162
		<u>\$ 4,436,794</u>
Transportation	<u>100/94</u>	
	1070, Salaries As-Needed*	\$ 1,000,000
	3040, Contractual Services	462,500
	3310, Transportation	650,000
		<u>\$ 2,112,500</u>
*Traffic Safety Fund No. 306		
Zoo Enterprise Trust Fund	<u>40E/87</u>	
	General Fund contribution to Zoo Fund	\$ 1,136,000
	See Recommendation 13	
Appropriations to Library Fund	<u>300/44</u>	
	Assistance from General Fund	\$ 1,450,000
	See Recommendation 14	
General City Purposes	<u>100/56</u>	
	0120, FMS Replacement	\$ 2,000,000
	0509, LAFCO	125,000
		<u>\$ 2,125,000</u>
Unappropriated Balance	<u>100/58</u>	
	GSD - New Facilities	\$ 952,000
Human Resources Benefits	<u>100/61</u>	
	9100, Unemployment Compensation Insurance	\$ 400,000
Other Special Purpose Fund	<u>100/62</u>	
	General Fund Appropriation to:	
	0101, Reserve Fund	\$ 14,858,525
	046T, Attorney Conflicts Panel Fund	479,000
		<u>\$ 15,337,525</u>
TOTAL TRANSFERS FROM DEPARTMENTS AND FUNDS		\$ 35,348,199