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CALIFORNIA

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KAREN E. KALFAYAN
Executive Officer

HOLLY L. WOLCOTT
Executive Officer



ANTONIO R. VILLARAIGOSA
MAYOR

Office of the
CITY CLERK

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KONRAD CARTER
Acting Chief, Council and Public Services
Division

www.cityclerk.lacity.org

October 6, 2009

To All Interested Parties:

The City Council adopted the action(s), as attached, under Council file
No. 09-0600-S141, at its meeting held on September 29, 2009.

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jr

Mayor's Time Stamp
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SUBJECT TO THE MAYOR'S APPROVAL

COUNCIL FILE NO. 09-0600-S141

COUNCIL DISTRICT _____

COUNCIL APPROVAL DATE SEPTEMBER 29, 2009

RE THE FIRST FINANCIAL STATUS REPORT FOR FISCAL YEAR 2009-10

OCT 13 2009

LAST DAY FOR MAYOR TO ACT _____
(10 Day Charter requirement as per Charter Section 341)

DO NOT WRITE BELOW THIS LINE - FOR MAYOR USE ONLY

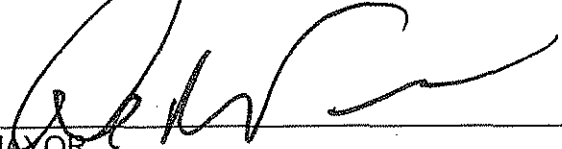
APPROVED
✓

*DISAPPROVED

*Transmit objections in writing
pursuant to Charter Section 341

OCT 05 2009

DATE OF MAYOR APPROVAL OR DISAPPROVAL _____



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TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your

BUDGET AND FINANCE Committee

reports as follows:

BUDGET AND FINANCE COMMITTEE REPORT relative to the First Financial Status Report for Fiscal Year (FY) 2009-10.

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

1. APPROVE the recommendations of the City Administrative Officer (CAO) contained in the First Financial Status Report, dated September 11, 2009, attached to the Committee report.
2. INSTRUCT the CAO to work with the Los Angeles Fire Department (LAFD) relative to administrative positions needed by the LAFD for implementation of new fee ordinances, collection of brush clearance fees, etc.

Fiscal Impact Statement: The CAO reports that General Fund receipts for FY 2008-09 revenue was \$35.8 million, or 0.8 percent below the revised estimate of April 2009. The shortfall was primarily due to declines in economy-sensitive revenues such as the sales, hotel and documentary transfer taxes. At this time, the CAO is projecting revenues to be short by \$75 million. Other impacts from State Budget actions, pending lawsuits and shortfalls in department accounts cannot be accurately quantified for the 2009-10 Fiscal Year, but will be addressed in future reports. Transfers, appropriations and other adjustments totaling approximately \$12.6 million are recommended in this report to meet current obligations.

Community Impact Statement: None submitted

SUMMARY

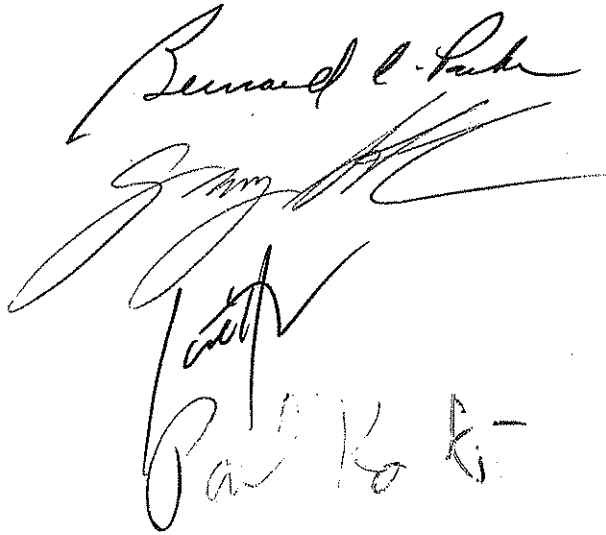
At its meeting of September 14, 2009, the Budget and Finance Committee considered the CAO's First Financial Status Report (FSR) for FY 2009-10. The First FSR provides the status of the Reserve Fund and an overview of 2008-09 actual receipts. Additionally, the Report highlights issues on the horizon that may affect the current year budget and provides recommendations regarding transfers, reappropriations, and other budgetary adjustments.

Following a brief discussion, the Committee recommended approval of the CAO recommendations contained in the First Financial Status Report for FY 2009-10. The Committee additionally recommended that the CAO work with the LAFD relative to administrative positions needed by the Department for implementation of new fee ordinances, collection of brush clearance fees, etc. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
PARKS:	YES
SMITH:	YES
ROSENDAHL:	YES
HUIZAR:	YES
KORETZ:	YES



LB
09-0600-S141_rpt_bfc_09-15-09

Attachment

-NOT OFFICIAL UNTIL COUNCIL ACTS-

SEP 22 2009 - CONTINUED TO Sept. 25, 2009

SEP 25 2009 - CONTINUED TO Sept. 29, 2009

ADOPTED

SEP 29 2009

LOS ANGELES CITY COUNCIL

MAYOR WITH FILE

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 11, 2009

CAO File No. 0116-00001-0000

Council File No. 09-0600

Council District: All

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

From: Miguel A. Santana, City Administrative Officer *Miguel A. Santana*

Reference: 2009-10 Budget

Subject: **FIRST FINANCIAL STATUS REPORT**

SUMMARY

The Office of the City Administrative Officer monitors the budget and transmits reports detailing the City's current financial condition to both the Mayor and Council. As instructed in the 2009-10 Budget, this Office is transmitting the First Financial Status Report (FSR) for this fiscal year. The First FSR provides the status of the Reserve Fund and an overview of 2008-09 actual receipts. In addition, the report highlights issues on the horizon that may affect the current year budget and provides recommendations regarding transfers, reappropriations, and other budgetary adjustments.

Based upon the Controller's Interim Year-End Closing Report released August 11, 2009, the July 1st Reserve Fund balance is \$151.8 million; \$91.7 million less than anticipated by the adopted budget. This shortfall is attributable to the unrealized transfer of funds from the Special Parking Revenue Fund, lower than anticipated prior-year General Fund receipts, and a yet to be processed transfer from General Fund current-year receipts. The \$35.8 million revenue shortfall, attributable to the deteriorating economy and the local real estate market, indicates the recession is more severe than was anticipated at the time the 2009-10 Budget was adopted.

For 2009-10, we expect the City to continue to be challenged by declining revenue. The State budget reduces the City's property tax revenue by an estimated \$113 million, but a State-sponsored securitization program may permit the City to recover the full property tax loss during 2009-10. Shortfalls seen in economy-sensitive 2008-09 revenues such as the sales, hotel and documentary transfer taxes can be expected to depress 2009-10 revenue below the budgeted level. Further, receipt of the budgeted transfer from the Special Parking Revenue Fund is now unlikely due to delays associated with legal requirements to complete a property sale. At this point, it is likely that General Fund revenue – including economy-sensitive revenues, the transfer from the parking fund and departmental receipts will be down \$75 million. Moreover, the State's efforts to balance its budget may result in additional reductions to the City's key revenue sources. Consequently, it will be necessary to implement budget reductions while working aggressively to build the Reserve Fund throughout the year. To that end, the City will need to follow through with 2009-10 budget-balancing

measures, including \$320 million in salary reductions to be achieved through Shared Responsibility and Sacrifice.

The Offices of the Chief Legislative Analyst and the City Administrative Officer will be submitting a report to Council on Departments' Budget Status and Operational Plans for addressing deficits, as directed by the Budget and Finance Committee on August 3, 2009. The forthcoming report will address two scenarios concerning the applicability of the Early Retirement Incentive Package and Coalition Agreement. All subsequent FSR's will provide updates on Operational Plans, and provide necessary recommendations to maintain a balanced budget.

Reserve Fund

The Controller reports that the preliminary Reserve Fund available balance as of July 1, 2009, is approximately \$151.8 million, 3.45 percent of the General Fund Budget and \$91.7 million less than the budgeted amount of \$243.5 million. The following table reflects the basis for the decrease.

Basis for Decrease in Reserve Fund (millions)	
	Difference
Unrealized SPRF Transfer	\$(42.0)
Unrealized General Fund Appropriation	(46.8)
Other*	(2.9)
Reserve Fund Deficit	\$(91.7)

*Includes reversions (Attachment 1) and other transactions.

The 2009-10 Budget anticipated a transfer of \$42.0 million from the Special Parking Revenue Fund (SPRF) before the 2008-09 year-end. However, this did not occur. The Budget and Finance Committee is scheduled to reconsider this surplus transfer in September 2009. The surplus amount being considered is \$38.7 million, and if approved, it would increase the Reserve Fund. The budget also assumed that \$46.8 million from General Fund current-year receipts would be transferred to the Reserve Fund during the fiscal year. When sufficient current-year budgeted revenues are realized, the Controller will process the transfer to the Reserve Fund; unless, the Mayor and Council reprogram the appropriation to cover other budgetary shortfalls. Potential increases are reflected in the table below.

Table 3 Proposed Increases in Reserve Fund (millions)	
	Difference
Reserve Fund Deficit	\$(91.7)
Proposed SPRF Surplus Transfer	46.8
General Fund Appropriation	(2.9)
Reserve Fund Deficit	\$(91.7)

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If both transfers are counted, the Available Reserve Fund Balance would be \$237.2 million, 5.39 percent of the 2009-10 General Fund budget and \$6.3 million less than budgeted. In comparison, the Available Reserve Fund balance on July 1, 2008, was \$165.7 million or 2.98 percent of the General Fund.

After accounting for executed and proposed loans and transfers, the Reserve Fund balance is estimated to be \$133 million, consisting of \$121 million in the Emergency Reserve Account and \$12 million in the Contingency Reserve Account (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.

Revenue

Revenue in 2009-10 will almost certainly fall short of budget projection. We recommend a reduction in planned receipts of \$75 million. The consensus of economists at the time the budget was prepared, as now, is that an economic recovery will begin in 2009. However, even with a hoped-for recovery, the recession is much deeper than previously anticipated. Projected revenue was reduced several times during 2008-09 in response to the deteriorating economy and the local real estate market. Revenue for 2008-09 was revised downward by \$102.7 million less than budget, but actual receipts were \$35.8 million below that revision. The \$35.8 million shortfall directly impacts the 2009-10 Reserve Fund beginning balance.

Major components of the unbudgeted shortfall are utility taxes, departmental receipts, documentary transfer tax and economy sensitive revenues including sales and hotel taxes. Only the property tax, interest income and grant receipts exceeded the revised budget estimate. A summary of all 2008-09 General Fund receipts is provided in Attachment 3-a.

A foundation assumption for 2009-10 General Fund revenue planning was that the revised 2008-09 revenue estimates would be achieved. The unaddressed 2008-09 shortfall occurred in the last three months of the fiscal year and mirrored continuing economic deterioration. A projected end to the recession in 2009 provides no basis for optimism for the current fiscal year or for 2010-11. City receipts lag economic activity and the pattern for post-World War II recessions is that the City's worst year in an economic cycle is the year following the end of the recession. The City projects revenue for each fiscal year with the hope that any shortfall in one account would be offset with additional growth in another, but such a cushion will not be available this year.

Attachment 3-b summarizes early 2009-10 General Fund receipts. Receipts to date are close to plan, but the economy-sensitive sales and hotel taxes reflect a deeper recession than anticipated just a few months ago.

The California budget provides that an estimated \$113 million in City property tax revenue will be redirected to the State in 2009-10 to be repaid in a later year. The State proposes a financing program to facilitate local borrowing with the State absorbing costs associated with debt issuance. If

the full replacement amount of the redirected property tax revenue is not received in 2009-10, funding for the 2009-10 City budget would be equivalently reduced.

Based on closing 2008-09 revenue results coupled with new information discussed below, it is likely 2009-10 revenue will fall short of budget by \$75 million. We will keep monitoring and recommend specific adjustments by account as new information becomes available. There is increasing downside risk to achieving of the 2009-10 revenue target; there is no upside potential.

A summary of selected City revenues follows:

- Property taxes: Receipts in 2008-09 finished \$12.9 million higher than the revised budget. Most of this variance was in secured receipts and is the result of a higher-than-anticipated collection rate. In the real estate downturn of the early 1990s, the City property tax collection rate declined to less than 94 percent. In 2008-09, it held at 97 percent. One difference is that foreclosures and other distressed sales were less common then, as many property owners deferred taxes but were able to avoid foreclosure. Now, foreclosures and other distressed sales have resulted in rapid collection of current taxes in connection with title transfers.

The fundamental issue is that more property is becoming eligible for downward reassessment as a result of market conditions. For the current fiscal year, statewide assessed value declined by 2.4 percent. While Los Angeles County declined by less than one percent and the City by less than 0.1 percent, the trend to lower assessed values will result in lower tax collections for several years to come. Attachment 3-c shows strong growth in City property tax revenue since 1999-2000, notwithstanding the recession of 2001 and the real estate downturn beginning in 2006. Assessed values respond slowly to market conditions, but market declines in recent years will eventually be reflected in assessed values and cause declines in City receipts.

- Documentary transfer tax: This tax works like a sales tax on the transfer of real property; the tax rate is 0.45 percent. Unlike the more stable property tax, documentary tax revenue is very volatile and cyclical (Attachment 3-d). Documentary tax revenue peaked at \$217 million in 2005-06 and declined to \$80 million in 2008-09. Based upon reports of increasing market activity and stabilization of prices, the 2009-10 budget projects revenue of \$100 million. However, like other economy-sensitive revenues, there is now additional downside risk to the 2009-10 estimate.
- Sales tax: During budget formulation, a 9 percent decline in sales tax allocations for the January-March 2009 quarter was anticipated. The actual decline was 17 percent. The revenue loss was \$8.4 million during the last three months of 2008-09. The budget anticipated another nine percent decline during the April-June 2009 quarter, which is counted as 2009-10 receipts. Based on State cash receipts, the Board of Equalization now projects a 19 percent decline for the April-June quarter. While the final number may differ after final reconciliation, the impact of the recession is greater than anticipated in the budget nonetheless. A reduction of \$14 million in this economy-sensitive revenue is warranted.

The consensus of economists is that the U.S. economy will begin recovery in 2009 as shown in Attachment 3-e. The extent and severity of the current recession is unknown. Attachment 3-f provides more clarity on the sales tax, the City's most economy-sensitive revenue. City experience is that the effects of a recession are felt in sales tax receipts for at least a year after the recession ends (Attachment 3-g). City sales tax receipts often closely track statewide sales tax collections, but because of the timing of cash remittances, City receipts lag State cash by about one calendar quarter (Attachment 3-h). State receipts are still falling and City receipts figure to decline for at least the next three months.

- Electric users' tax: City power sales, as measured in kilowatt-hours, can be used to corroborate sales tax data, as it is not affected by changes in electric rates and it reasonably reflects the economy over time. Power sales declined by three percent during the last 12 months; sales fell by eight percent during the last three months; and they declined by 16 percent during the last reported month. Recent data may be affected by weather variations, but enough information is now available to confirm a deeper recession. Power rates have increased approximately eight percent since May 2008 and energy-related adjustments have also risen. The rate increases were factored into the budget estimate, but the reduced demand will reduce the electric users' tax. See Attachment 3-i.
- Gas users' tax: Receipts in 2008-09 were \$7 million below the revised budget. The 2009-10 budget projected a \$4 million decline from the 2008-09 revised estimate. But this is \$3 million more than was actually received as shown in Attachment 3-j. Although natural gas commodity prices have risen since June 2009, prices declined by 72 percent between May 2008 and May 2009. The lower commodity cost coupled with decreased demand associated with the recession makes the outlook for achieving the budget target doubtful.
- Telephone users' tax: This account finished close to budget in 2008-09. As a result of Measure "S" on the February 2008 election ballot, a 10 percent tax rate reduction is at least partially offset with a broadened tax base. As shown in Attachment 3-k, receipts are tracking to plan.
- Licenses, permits, fees and fines: As shown in Attachment 3-l, 2008-09 receipts were \$15.8 million less than the revised budget, due to the unavailability of some special funds to pay for all overhead expense and less economy-related demand for services. This account is composed of fees collected by departments for animal registrations, ambulance and other services. Additionally more than one-half of this revenue is derived from reimbursements from special funds and proprietary departments for services provided by the General Fund, such as health insurance. A preliminary review shows there is the likelihood of similar shortfalls in many of the same accounts in 2009-10. Our very early review indicates that \$26 million may be at risk in 2009-10. Such at-risk revenue is sometimes offset by unanticipated receipts in other areas. At this point, we recommend a reduced revenue estimate recognizing one-half of the at-risk budgeted revenue, \$13 million. Some concerns are highlighted in Attachment 3-m.
- Transient occupancy tax: In addition to a \$14 million reduction in the sales tax, a \$3 million reduction in the transient occupancy tax is also appropriate. Both revised estimates now

project a seven percent decline from 2008-09 collection levels. This account fell \$3.7 million short of the 2008-09 revised estimate. In good economic times, the hotel tax typically shows stronger growth than the sales tax. In a declining economy, the hotel tax does worse. See Attachment 3-n.

- Parking users' tax: This account finished close to the revised budget in 2008-09 and the July 2009 receipt was a little above plan, but this account typically is related to the economy. See Attachment 3-o.
- The budget anticipates a transfer from the Special Parking Revenue Fund of \$61 million. One funding source for that transfer is the sale of a property belonging to the fund. Completion of the requirements of the sale and realization of \$36 million associated with the property sale before June 30, 2010 is doubtful and should no longer be included in 2009-10 revenue planning.

Adjustments are not recommended in the property, business and documentary transfer taxes.

- Although property tax receipts in 2008-09 exceeded the revised estimate by \$13 million, this account is vulnerable in a number of areas:
 - Assessed values for the 2009-10 were measured as of January 1, 2009, reflecting activity in calendar 2008. Appeals and Assessor initiated reassessments will drive down assessed values in 2010-11 and very likely several years thereafter.
 - The 2008-09 collection rate was about the same as it has been in recent years, 97 percent. This is very high for a down market; in the early 1990s the collection rate fell to 94 percent. The current higher rate is most likely being propped up by foreclosure and other distress-related sales activity, which results in collection of any back taxes owed at the time a property changes hands. The normal recession pattern may be reestablished this year. Each one percent drop in the collection rate below the budgeted level would reduce revenue by \$10 million.
 - As stated earlier, State action to "borrow" an estimated \$113 million in City property tax revenue and underwrite the cost of a debt financing plan is supposed to be revenue-neutral to the City. We have not seen the details of this mechanism, but do not recommend increasing the City property tax estimate in these circumstances.
- The business tax is influenced by many of the same economic factors driving the sales tax. We are not recommending a downward adjustment to the business tax because 2009-10 business tax receipts include revenues associated with the successful tax amnesty program. We will have a basis to evaluate the underlying business tax receipts when we see results of the annual renewal process in February-March 2010.
- Documentary transfer tax receipts in 2008-09 finished \$6 million below the revised budget estimate and early receipts in 2009-10 are below plan. This account is far below its recent level, and reports of increased volume of activity and price stabilization suggest waiting a few more months before recommending an adjustment.

Shared Responsibility and Sacrifice

The Adopted City Budget for Fiscal Year 2009-10 contained a \$320 million deficit in the General Fund to be addressed through shared responsibility and sacrifice (SRS). The City has implemented the following actions to help save approximately \$78 million to the General Fund:

- On July 5, 2009, implementation of a mandatory furlough program consisting of twenty-six furlough days during the current fiscal year for over 7,500 civilian employees. The General Fund savings is projected at \$39 million.
- On August 6, 2009, implementation of a Modified Staffing Plan in the Fire Department that is projected to generate \$39 million savings to the General Fund.

After adjusting for the above items, the deficit of \$320 million is reduced to \$242 million. In addition to implementing the above items, the following items are pending City Council approval:

- A tentative agreement with the Coalition of Los Angeles City Unions to defer cost-of-living-adjustments for over 16,000 civilian employees. The estimated savings to the General Fund is \$23 million.
- An early retirement incentive program that is projected to save the General Fund approximately \$12 million through the payroll reduction of 2,400 employees.

A forthcoming joint report from the Offices of the Chief Legislative Analyst and the City Administrative Officer regarding Department Operational Plans will provide a complete update regarding SRS.

Voluntary Furloughs

As of September 8, 2009, approximately \$537,000 in savings has been achieved across City departments through voluntary furloughs. However, it is estimated that only 53 percent of this amount, approximately \$284,000, represents General Fund savings. We will report back on the progress of the voluntary furlough program throughout the year.

Issues of Concern

The following are significant issues of potential impact to the 2009-10 City budget that this Office is closely tracking:

Liability Claims: The 2009-10 Adopted Budget set aside a total appropriation of \$41 million for Liability Claims, of which approximately \$31 million was allocated to an account for claims over \$100,000. Only \$7.5 million remains for these claims since several settlements that were approved in 2008-09 came due for payment at the beginning of this Fiscal Year and are above the payouts that have already been approved and paid out in 2009-10. Based on early projections submitted by the

Office of the City Attorney, the year-end potential shortfall could be as high as \$88.9 million. Payments of liability claims are discussed in further detail in Section 1A.

Solid Waste Fee Lifeline Program: As a result of an increasing number of DWP customers signing on for Lifeline exemptions, the General Fund subsidy of the Solid Waste Fee Lifeline Rate Program is expected to increase in order to remain within the intent of Proposition 218. Updates on Lifeline exemptions and any necessary transactions and recommendations will be provided in a future report. This issue is discussed in further detail in Section 1K.

Department Salary Accounts: It is acknowledged that the budget reductions from Shared Responsibility and Sacrifice have not been fully realized and as a result, several departments are reporting potential salary deficits. This issue will be addressed in the forthcoming Operational Plans report. Additionally, the Department of Transportation is reporting a deficit in its overtime salary account, attributable to the waiver of special event fees. This issue is discussed in further detail in Section 1L.

State Budget

On July 28, 2009, the Governor signed revisions to the 2009-10 State Budget and vetoed \$489 million in General Fund State appropriations in order to address a \$24 billion budget gap. We have previously reported on the impact of the State Budget on the City's property tax and gas tax revenues, as well as redevelopment funding administered by the Los Angeles Community Redevelopment Agency. This Office has reviewed the final State Budget language for City impact and identified the following areas of concern.

Proposition 1A Property Tax Securitization Program: The State Budget authorizes the State to "borrow" 8 percent of the property tax due to cities, counties and special districts (local agencies) in Fiscal Year 2009-10, pursuant to the passage of Proposition 1A in November 2004. A total of \$2.25 billion in State borrowing has been authorized, of which \$1.935 billion is the property tax allocation and the remainder is set aside for State cost of issuance and debt service. The City's share is currently estimated at about \$113 million, which is based on its' Fiscal Year 2008-09 property tax allocation.

Local agencies will have the option to either hold the Proposition 1A loan or to "sell" the loan for an upfront payment from the California Statewide Community Development Authority (CSCDA), a joint powers authority (JPA) offering a Statewide Proposition 1A securitization program. CSCDA will sell bonds to investors secured by the State's repayment of the Proposition 1A loans. Proceeds from the bond sale will be used to pay each local agency's share of the allocation, including all costs of issuance. Since the State is financing the cost of issuance and the debt service, there is no additional cost to the City. The timing of this sale is currently unknown. CSCDA was successful in administering a similar statewide Vehicle License Fee (VLF) sale program back in 2005.

This Office will report back on this matter as soon as more information is available on how interested agencies can participate in the securitization program. The following provides a comparison of the two options available:

Option 1 - Hold the Proposition 1A Loan

- Interest rate will be set by the State Department of Finance by no later than September 26, 2009
- Interest rates will range from the State's Pooled Money Investment Account rate (minimum) to 6.00 percent (maximum)
- The State will repay the loan amount with interest by June 30, 2013

Option 2 - Sell the Proposition 1A Loan

- Sell Proposition 1A loan to the JPA for an upfront payment
- Upfront payment amount is 100 percent of the City's property tax allocation as long as the bond interest rate is less than 8 percent
- Require local agencies to take official action to sell the Proposition 1A loan to the JPA
- City will not be responsible for any future payments to bondholders if the State does not repay the Proposition 1A loan
- Local agencies will receive their sale proceeds upon closing of the bond sale

Gas Tax and Prop 42 (transportation): The State Budget defers approximately \$31.1 million in Highway Users (Gas) Tax monthly transfers to the City until January 2010 and approximately \$16.6 million in Proposition 42 first and second quarter transfers until May 2010. While these deferrals do not create a budget problem for the City, they do create a cash flow issue, as approximately \$47.7 million revenue that would normally be received in the first six to seven months of the fiscal year will be delayed until later in the fiscal year.

The State approved use of Proposition 1B infrastructure bond funds from prior and current State budgets to backfill deferred Proposition 42 payments, if local agencies can meet certain stipulations. At this time, the backfill authority does not apply to Gas Tax deferred payments, but authority is contained within proposed legislation (Senate Bill 65). The bill also revises the Gas Tax transfer schedule so that July and August apportionments are transferred in September, apportionments from November 2009 through March 2010 are transferred by the end of April, and apportionments for other months are no longer deferred.

We are currently working with the Bureau of Street Services to prepare a plan for managing the cash flow issue. We will report back on the details of the plan and of any further developments, especially as the State is projected to restart budget discussions in the fall.

Redevelopment Funding Shift: To offset State General Fund spending on education and other programs, the State's Adopted Budget requires all redevelopment agencies to make payments totaling \$2.05 billion over a two-year period to the Education Revenue Augmentation Fund (ERAF), consisting of \$1.7 billion in 2009-10 and \$350 million in 2010-11. The impact of the ERAF contribution

on the Community Redevelopment Agency (CRA/LA) may result in a payment to the State estimated to total \$85.4 million over a two-year period: \$70,832,702 in 2009-10 and \$14,583,204 in 2010-11. A detailed description of the impact of the ERAF contribution on each project area is provided in Attachment 4.

The CRA/LA states that they will participate in the legal proceedings with the California Redevelopment Association to challenge the legality of the Statewide ERAF payments on a variety of constitutional grounds. If the California Redevelopment Association is not successful in litigation, the CRA/LA will be required to pay its ERAF contribution by May 10, 2010.

At this time, the CRA/LA states that Regional Administrators are consulting with their respective Councilmembers to review the budget for each project area and plan for the impact of the ERAF contribution on the existing work program and reserves. The CRA/LA will present its ERAF contribution plans to the CRA/LA Board and Council for review and approval in October 2009.

We will continue to report on the State Budget as more information is known and report on any further impact to the City. Additionally, we are closely monitoring deliberations of the State Legislature for any proposed items that may affect the City. The 2009 annual session will conclude September 11, and it is our understanding that there are numerous bills being considered which target political reform, including proposed ballot measures to launch a constitutional convention to overhaul state government and lower the threshold for approving state budgets from a two-thirds majority to a simple majority of each house. However, it is anticipated that many of the government-related bills may not be acted upon until next year.

Budgetary Adjustments

Budgetary adjustments totaling approximately \$12.6 million are recommended in this report. Recognizing the need to be cautious in recommending transfers from the Reserve Fund, only one reappropriation in the amount of \$2.2 million is included in this report. The reappropriation is necessary to address a significant deficit in the Information Technology Agency's salary accounts, pursuant to previous Council action in conjunction with its approval of the 2008-09 Year-End Financial Status Report (C.F. 08-0600-S70). Additional transactions include:

- \$351,000 for transfers between accounts within various departments and funds;
- \$8.27 million for transfers between departments and funds, including:
 - \$350,000 transferred from Municipal Improvement Corporation of Los Angeles (MICLA) funds, and
 - \$4.56 million transferred from the Unappropriated Balance; (See Attachments 5-a and 5-b for the status of the Unappropriated Balance);
- \$772,000 in new appropriations; and
- \$967,000 in miscellaneous transactions.

Additional Details

- 1 2008-09 Schedule of Reversion and Uncommitted Balances
- 2 Current Status of the Reserve Fund
- 3-a Fiscal Year 2008-09 General Fund Receipts
- 3-b Fiscal Year 2009-10 General Fund Receipts
- 3-c Property Tax Base – Excluding Triple Flip and VLF Swap
- 3-d Documentary Transfer Tax, 12-month Moving Sum
- 3-e Gross Domestic Product
- 3-f Change in City Sales Tax Allocation by Quarter
- 3-g Recessions and Sales Tax
- 3-h State and City Sales Tax Cash Receipts, 12-month Moving Sum
- 3-i Electric Users' Tax, 12-month Moving Sum
- 3-j Gas Users' Tax, 12-month Moving Sum
- 3-k Telephone Users' Tax, 12-month Moving Sum
- 3-l Licenses, Permits, Fees and Fines Variance, Fiscal Year 2008-09
- 3-m Licenses, Permits, Fees and Fines 2009-10 Potential Revenue Shortfalls
- 3-n City Hotel Tax Receipts, 12-month Moving Sum
- 3-o Parking Users' Tax, 12-month Moving Sum
- 4 Education Revenue Augmentation Fund Contribution by Project Area
- 5-a Status of the Unappropriated Balance-General Account
- 5-b Status of the Unappropriated Balance-non General Accounts
- 6 Transfers between Accounts within Departments and Funds
- 7 Transfers between Departments and Funds
- 8 Transfers from the Unappropriated Balance
- 9 Revised Forfeited Assets Trust Fund (Special Fund Schedule 3)
- 10 Status of Fee Increases in the 2009-10 Budget

RECOMMENDATIONS

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

1. Transfer \$50,000 within various departments and funds as specified in Attachment 6;
2. Transfer \$2,622,615 between various departments and funds as specified in Attachment 7;
3. Appropriate \$4,555,000 to various departments from the Unappropriated Balance as specified in Attachment 8;

Fire

4. Authorize the Controller to transfer appropriations within MICLA Fund No. 298/38 in the amount of \$350,691 from Account E206, Communications Equipment, to Account F132, Information Technology Agency and correspondingly increase appropriations by a like amount in Information Technology Agency Fund 100/32, Account 1100, Hiring Hall Salaries, for the installation of communications equipment in Fire Department vehicles in 2009-10;
5. In accordance with Recommendations 4 above, authorize the Controller to transfer cash from MICLA Fund No. 298/38 to reimburse the General Fund on an as-needed basis upon proper documentation from the Information Technology Agency and approval of the Fire Department and the City Administrative Officer;

General City Purposes

6. Transfer \$270,180.73 from the General City Purposes Fund 100/56, Account 0505, Retirement Contributions to LACERS Fund 800/16, Revenue Source Code 4714, Retirement Contribution – Defrayal for reimbursement of the City's retirement contribution subsidy.

Human Services

7. Authorize the Controller to unencumber \$30,883.41 from contract number CO8101724M (Mt. Washington), revert to the Reserve Fund, transfer to the Unappropriated Balance Fund 100/58, and reappropriate the funds to contract C-115491 (Mt. Washington) in Fund 100/49, Account 3040, Contractual Services, to subsidize tuition for qualifying parents with children enrolled in the Joy Picus Child Care Center;

Information Technology Agency

8. Reappropriate funds totaling \$2,200,000 from the unencumbered balances of the following 2008-09 accounts in Information Technology Agency (ITA) Fund 100/32, in amounts not to exceed those identified below, to the same department, Account 1010, Salaries General, to partially address the current year deficit in that account:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries General	\$ 847,316.67
1090	Salaries, Overtime	164,346.42
1100	Hiring Hall, Salaries	41,875.85

3040	Contractual Services	759,125.94
6010	Office and Administrative	248,033.12
9350	Communications Services	<u>139,302.00</u>
	Total	<u>\$2,200,000.00</u>

9. Increase appropriations by \$300,000 to the Telecommunications Development Account (TDA) Fund No. 342/32, Account 015F, L.A. CityView Channel 35 Operations, from Revenue Source Code 3098, Franchise Fees in anticipation of increased revenues now projected to be received by the TDA during 2009-10;

Mayor

10. Authorize the Controller to transfer funds totaling \$61,434 within the Family Violence Prevention Initiative Fund 44W/46 from various accounts as detailed below, to new appropriation account F270, entitled LAPD Reimbursement:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
V170	LAPD Salaries	\$ 8,925.00
V301	Fringe Benefits	16,247.32
W170	LAPD Salaries	<u>36,261.68</u>
	Total	<u>\$61,434.00</u>

11. Authorize the Controller to reimburse the General Fund 100/70, Revenue Source Code 4610, Reimbursement from Other Funds, in an amount not-to-exceed \$61,434 from the Family Violence Prevention Initiative Fund 44W/46, Account F270, on an as-needed basis, upon presentation of proper documentation from the Mayor's Office of Homeland Security and Public Safety.

Police

12. Adopt the amended Schedule 3: Forfeited Assets Trust Fund of the Police Department as presented in Attachment 9;
13. In accordance with Recommendation 12 above, establish a new appropriation account in the Forfeited Assets Trust Fund 44F/70, entitled Gang Prevention Program - State Set-Aside, in the amount of \$301,209 from the available balance; and transfer a like amount within Fund 44F/70 to the following accounts:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
TBD	Gang Prevention Programs – State of California (new)	\$ 116,604
F140	Hydra/Minerva Suite Build-Out	68,000
F514	Replacement Technology	<u>116,605</u>
	Total	<u>\$ 301,209</u>

PW/Sanitation

14. Approve the following instructions relative to transferring expenditures for DWP billings from the Solid Waste Resources Revenue Fund (SWRF) to the Multifamily Bulky Item (MFBI) Fund:
 - a. Increase the appropriation in MFBI 50D/50, Account E401, DWP Fees in the amount of \$450,000 from the available cash balance; and
 - b. Transfer the expenditure in the amount of \$450,000 from SWRF Fund 508/50, Account E210, Department of Water and Power Fees to MFBI Fund No 50D/50, Account E401, DWP Fees.

15. Establish a new appropriation in MFBI Fund 50D/50 in new Account E402, entitled Salvage Vehicles in the amount of \$110,000 from the available cash balance; and transfer therefrom to SWRF Fund 508/50, Revenue Source Code 4552, Reimbursements of Expenditures to reimburse SWRF for the use of Salvage Vehicles.

16. Establish a new appropriations in SWRF Fund 508/50 totaling \$471,833 in new accounts, as specified below, from the available cash balance:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
F605	Contamination Reduction (new)	\$ 451,833
F680	Other Sanitation Program Mgmt (new)	20,000
	Total	<u>\$ 471,833</u>

17. Reduce the Integrated Solid Waste Management Fund source of fund appropriation to the Bureau of Sanitation, Fund 556/50, Account F182, by \$386,539 and increase the Citywide Recycling Trust (CRTF) Fund source of fund appropriation to the Bureau of Sanitation, Fund 46D/50, Account F182 by \$386,539;

Treasurer

18. Approve the following instructions relative to the Treasurer's Bank Services Fee account:
 - a. Authorize the Controller to unencumber \$100,000 from Fund No. 100/96, Account 4040, Bank Services Fees from Fiscal Year 2008-09 and revert this amount to the Reserve Fund; and,
 - b. Transfer \$100,000 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to Treasurer Fund No. 100/96, Account 4040, Bank Services Fees;

Mangrove Property

19. Authorize the Controller to deposit \$300,000 into Special Parking Revenue Fund No. 363/94, RSC No. 4551 Miscellaneous, and appropriate the same amount into a new account F245 entitled "Mangrove Est Prkg Sale;"

20. Authorize the Controller to transfer \$300,000 from Special Parking Revenue Fund No. 363/94, Account No. F245 - Mangrove Est Prkg Sale to Planning Department Fund 100/68, Account No. 3040, Contractual Services and authorize the Planning Department to expend said funds for the Mangrove P-EIR; and,

Technical

21. 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

General Fund receipts for Fiscal Year 2008-09 revenue was \$35.8 million, or 0.8 percent, below the revised estimate of April 2009. The shortfall was primarily due to declines economy-sensitive revenues such as the sales, hotel and documentary transfer taxes. At this time, we are projecting revenues to be short by \$75 million. Other impacts from State Budget actions, pending lawsuits and shortfalls in department accounts cannot be accurately quantified for the 2009-10 Fiscal Year, but will be addressed in future reports.

Transfers, appropriations and other adjustments totaling approximately \$12.6 million are recommended in this report to meet current obligations.

DISCUSSION

1. REAPPROPRIATIONS, BUDGETARY ADJUSTMENTS AND DEPARTMENTAL ISSUES

The following are brief descriptions by department of reappropriations and budgetary adjustments recommended in this report, as well as potential shortfalls:

1A. City Attorney

No Recommendation

The 2009-10 Adopted Budget provided \$41 million in funding for Liability Claims, \$31 million for claims over \$100,000 (Account 9770) and \$10 million for claims under \$100,000 (Account 9760). Currently, only \$7.5 million remains in Account 9770. Based on early projections submitted by the Office of the City Attorney, the year-end potential shortfall is for all claims is \$89.9 million (\$5.1 million for claims between \$100,000 but less than \$1 million and \$83.8 million for claims over \$1 million) requiring appropriations from the Reserve Fund for future claims. On September 1, 2009, Council adopted an ordinance that modifies the procedures for issuing judgment obligation bonds to permit the City to finance stipulated settlements by advancing City funds and subsequently repaying such advances with the proceeds of judgment obligation bonds (JOB). The ordinance requires that the Council make certain findings in order to qualify such settlements for JOB financing. Conceptually, all claims over \$1 million may be paid through a potential future JOB issuance, if the Council and City Attorney determine that debt financing may be used. Additionally, financing would be used to reimburse the liability account for two previously approved settlements (Bressler and Lima). Assuming this use of financing, the remaining shortfall would be \$5.1 million, representing case settlements between \$100,000 and \$1 million.

**1B. City Clerk
Recommendations No. 3
Attachment 8 – Transfers from the Unappropriated Balance**

The 2009-10 Adopted Budget provides \$1,905,000 in funding in the Unappropriated Balance to the Office of the City Clerk (Clerk) to conduct the 2010 Neighborhood Council Elections. Transfer of the full amount to the Department's General Fund accounts is recommended to properly conduct these elections.

**1C. Fire
Recommendations No. 4 and 5**

A transfer of \$350,691 in MICLA funds to the Information Technology Agency Hiring Hall Salaries account is recommended for the installation of communications equipment in Fire Department vehicles for work to be completed in 2009-10.

**1D. General Services
Recommendation No. 2
Attachment 7 – Transfers between Departments and Funds**

A transfer of funds is recommended for the Department as part of the Memorandum of Understanding and Loan Agreement with the Department of Water and Power (DWP), in which the City will receive a series of loans from DWP to purchase and install energy efficiency measures for City buildings and facilities. General Services is authorized as the Project Manager to implement energy efficiency retrofit measures. It is recommended that \$1,809,459.44 be transferred from the Energy Conservation Loan Program Fund to various General Services operating accounts to pay for labor, materials, equipment and contractual services costs as part of the Lighting Retrofit Program. These funds will pay for retrofit measures performed on twenty-eight City facilities.

In addition, authority is recommended for the Department to transfer \$32,665.35 in reimbursable costs from the Motion Picture Coordination Fund to offset security and building maintenance expenses that were provided during film productions. The Fund is used to deposit payments from film production companies for GSD services.

**1E. General City Purposes
Recommendation No. 6**

On June 25, 2009, the Los Angeles City Employees' Retirement System (LACERS) informed the Controller's Office and this Office of its discovery that eleven City employees were inadvertently placed at a six percent retirement contribution rate upon their transfer from the Department of Water and Power. These employees were hired before 1983 and should have contributed between two percent to four percent, depending on age of entry to the City. The remaining contribution amount is subsidized by the City's General Fund. This subsidy (defrayal) was previously instituted in lieu of a salary increase for these employees. It is recommended that the defrayal amount of \$270,180.73 be transferred from the General City Purposes Retirement Defrayal account to LACERS.

**1F. Human Services
Recommendation No. 7**

Due to the number of vacancies in the Department, the Human Services Department (HSD) plans to use as-needed employees to support programs that are not fully staffed at this time. This includes positions funded by the Young Women from Adversity to Resiliency (YWAR) grant, which reimburses the City's direct salary costs. Due to the inability to fill certain positions in 2008-09, \$78,000 of the grant will revert to the County.

During 2009-10, the HSD plans to enter into a contract for strategic planning services. The consultant will work with the new General Manager and the three Commissions to develop a long-term plan for the Department. Funding for this project was not included in the Adopted Budget; however, the CAO will work with the Department to identify potential sources of funding if the project is approved by the Mayor and Council.

The HSD requests that \$30,883 in prior-year funds be reallocated to offset the cost of tuition subsidies for families enrolled in the Joy Picus Child Care Center (JPCCC). The former contract with Mt. Washington has been replaced by a new contract with Mt. Washington to manage the JPCCC.

**1G. Information Technology
Recommendation Nos. 8 and 9**

The Information Technology Agency (ITA) will experience a significant deficit in its Salaries, General account in 2009-10 that cannot be made up with transfers from other accounts. In anticipation of this deficit, the Council adopted a motion in conjunction with its approval of the 2008-09 Year-End Financial Status Report (C.F. 08-0600-S70) to reappropriate unspent 2008-09 balances in all of ITA's accounts to its 2009-10 Salaries, General account, up to a maximum amount of \$2.2 million. However, the official action to reappropriate the funds must take place in the current fiscal year. It should be noted that the deficit in ITA's Salaries, General will remain significant even if this reappropriation is approved.

During the 2009-10 Budget deliberations, the Budget and Finance Committee expressed support for recognizing additional revenues for the Telecommunications Development Account, and using those revenues to increase funding for contractors to be used to produce programming on LA CityView Channel 35 (Channel 35) by \$300,000. As this action was inadvertently omitted from the final Budget and Finance Committee report on the 2009-10 Budget adopted by Council, the revenue and appropriation were not increased. Although actual receipts reflecting the projected increase from cable subscribers and price increases have not yet been recorded, it is recommended that appropriations to Channel 35 operations be increased by \$300,000, consistent with the Council's intent.

ITA performs installations into Fire Department vehicles, and is reimbursed for that work through MICLA funds authorized for that purpose. Recommendations authorizing spending for these installations totaling \$350,691 are included in this report. (See Fire Department Section 1C.)

1H. Mayor

Recommendation Nos. 2, 10 and 11

Attachment 7 – Transfers between Departments and Funds

In March 2007, Council approved acceptance of a \$58.1 million Fiscal Year 2007 Urban Area Security Initiative (FY07 UASI) Grant (C.F. 07-0609). The City administers the UASI grants on behalf of 29 participating jurisdictions as part of the designated Los Angeles – Long Beach Urban Area (LA/LB UA) to address and improve their ability to prevent, protect against, respond to and recover from threats or acts of terrorism. The grant performance period is effective from January 4, 2007 through March 31, 2010. The Mayor's Office of Homeland Security and Public Safety requests authority to transfer appropriations in the amount of \$778,920 to support 2009-10 salary and fringe benefits costs associated with the management and administration of the FY07 UASI grant.

It is also recommended that the Mayor's Office be authorized to reimburse a total of \$61,434 to the General Fund from the Family Violence Prevention Initiative Fund for outstanding costs incurred by the Police Department in fiscal years 2004-05 and 2005-06 relative to the U.S. Department of Justice's Fiscal Year 2003 Grants to Encourage Arrest Policies and Enforcement Protection Orders Program (C.F. 03-2697).

1I. Personnel

Recommendation No. 3

Attachment 8 – Transfers from the Unappropriated Balance

The Personnel Department administers the Citywide workplace violence prevention training and intervention contract. Funding in the amount of \$300,000 is provided in the 2009-10 Unappropriated Balance for this purpose. According to the Department, monthly expenditures have historically ranged from \$15,000 to \$20,000; however, it has requested that the entire amount be appropriated to its Contractual Services account, as it anticipates an increase in intervention expenditures with the implementation of furloughs and layoffs. At this time, a transfer of \$150,000 is recommended from the Unappropriated Balance, Workplace Violence Prevention Training account to the Personnel Department's Contractual Services account to pay for monthly expenditures.

1J. Police

Recommendation Nos. 12 and 13

Attachment 9 – Revised Forfeited Assets Trust Fund (Special Fund Schedule 3)

The Police Department is projecting a total budget deficit of \$142 million by year-end. Of this amount, \$134 million is in Sworn Salaries and \$5 million is in Salaries General, which reflects savings from Engineers and Architects Association furloughs and the hiring freeze. An additional \$2 million is in Contractual Services, due to unfunded increased costs for Arrestee Transportation, Care and Custody of City Prisoners in County Jail, and lead removal at the firing ranges. Net sworn hiring is at seventy-nine, forty-one ahead of plan, due to lower than anticipated attrition through the first three pay periods.

Due to State regulation of the use of Forfeited Assets receipts, an amendment to the Special Fund Schedule is required. This action moves approximately \$300,000 in revenue from the State Set-Aside Fund to the State of California Fund. These funds will continue to be used for their original purpose. A revised Schedule 3: Forfeited Assets Trust Fund of the Police Department is included as Attachment 9.

1K. Public Works/Bureau of Sanitation
Recommendation Nos. 2 and 14 through 17
Attachment 6 – Transfers within Departments and Funds
Attachment 7 – Transfers between Departments and Funds

The General Fund subsidy of the Solid Waste Fee Lifeline Rate Program is expected to increase as a result of an increasing number of DWP customers signing on for Lifeline exemptions. The \$16.7 million budgeted in the 2009-10 General City Purposes fund was based on approximately 49,267 customers. However, recent customer data provided by DWP indicates that 56,260 customers are now receiving exemptions, increasing the Lifeline amount to approximately \$22.5 million. The amount also reflects an adjustment in the ratio of single- vs. multifamily-customers, which are at different rates. This is expected to create an additional General Fund obligation of \$5.8 million to remain within the intent of Proposition 218. Updates on the customer database will be provided on a quarterly basis commensurate with the Bureau's requests for reimbursement from the GCP. We will continue to monitor this item and include any necessary transactions and recommendations in a future report.

Various transfers between and within Departments and Funds are recommended to meet the Bureau's operational needs in the Solid Resources program through the current period, as follows:

- Transfer \$50,000 in funding from the salaries account to cover anticipated costs for overtime collection in the Multifamily Bulky Item Fund (MFBI). The overtime account was not funded in the 2009-10 Budget. However, the program accrues some level of overtime based on bulky item service provided on non-working holidays and for special events as noted in the Council approved Three-Year Budget Plan for the program (C.F. 04-0881-S1). The Bureau spent approximately \$49,000 for these purposes in 2008-09.
- Transfer \$1,570 in funding from the Integrated Solid Waste Management (ISWM) to Solid Waste Resources Revenue Fund (SWRRF) for the reimbursement of City Facilities Recycling Program blue bins containers purchased by the Bureau.
- Transfer \$110,000 in funding from the available cash balance in MFBI to pay SWRRF for the use of salvaged vehicles.
- Transfer \$450,000 in expenditures from SWRRF to MFBI for MFBI's share of payments to DWP for billing and collection services to reconcile expenditures and revenues between the MFBI Fund and the SWRRF Fund for 2008-09. Funding is provided by the MFBI available cash balance.

- Transfer funding in the amount of \$41,121 from SWRRF bond funds to the Department of General Services (GSD) for installation of stormwater clarifiers at solid resources collection yards pursuant to the Stormwater Mitigation Project. These devices treat run off from the yards before discharging to the storm drain.
- Appropriate funding in the amount \$471,833 within SWRRF to new appropriation accounts to track Material Recovery Facility contributions (CF 06-3210) and operational expenditures associated with the Contamination Reduction Program (aka, Ambassador Program). These items were previously included in the Curbside Recycling Trust Fund, which was consolidated with SWRRF in 2009-10.
- Replace \$386,539 in funding from the ISWM Fund with funding from the Citywide Recycling Trust Fund (CRTF) to support salary expenditures for the City Facilities Recycling Program as a result of State cuts in Bottle Bill Grant funding.

1L. Transportation

No Recommendation

The Department of Transportation (DOT) reports a General Fund deficit in the Salaries, Overtime account. In the 2009-10 Adopted Budget, General Funds totaling \$4 million that were previously provided for special events traffic management and control, were eliminated from DOT's budget under the assumption that traffic management and control services for events and venues would be reimbursed. However, special event fees for 80 percent of the special events occurring in July 2009 have been waived. Specifically, in July 2009, DOT provided services for 115 special events, for which it received reimbursement for 22, while fees for 93 were waived. Of those events receiving waivers, 17 would be considered "Citywide Special Events" for which overtime costs would be reimbursed under the Special Events Fee Subsidy Policy Ordinance recently approved by Council (C.F. 09-0600-S46). DOT has noted that some of the remaining 76 events that do not qualify for the subsidy may not receive reimbursements, and that the Department's General Fund overtime budget will be depleted as early as October 2009 if special event fees continued to be waived. Future Financial Status Reports will contain detailed, actual cost reporting of all services provided for special events.

1M. Treasurer

Recommendation No. 3 and 18

Attachment 8 – Transfers from the Unappropriated Balance

Various actions are recommended at this time to cover Bank Services Fees. Currently the Treasurer is utilizing four banks for general banking services, which includes Bank of America, Wells Fargo, Wachovia, and US Bank. At the close of 2008-09, the Treasurer encountered a shortfall of \$100,000 under the Wachovia Bank encumbrance and a surplus of \$253,825 in two encumbrances under Bank of America and Wells Fargo. It is recommended that \$100,000 of the surplus funds be reappropriated to pay for the bank service fee invoices for Wachovia Bank.

In addition, the 2009-10 Adopted Budget includes funding in the Unappropriated Balance for Bank Service Fees in the amount of \$7 million. It is recommended that \$2.5 million be transferred from the

Unappropriated Balance, Bank Fees account to the Treasurer's Bank Services Fees account to cover the first quarter of banking fees.

2. OTHER BUDGETARY ISSUES

2A. Development Fee and Permit, Convention Center and Special Event Fee Subsidies No Recommendation

This Office and the Chief Legislative Analyst are required to periodically report in the financial status reports on the number and amount of Council-approved fee waivers (subsidies) associated with special events, convention center meetings and events, and development fee and permits.

- **Special Events:** For the period July 2008 through June 2009, the total number of special event fee waivers approved was 1,296 at an estimated amount of \$6,032,676. This estimate excludes Council-approved room rental charge waivers for seven events at the Convention Center.
- **Convention Center Meetings and Events:** The total number of Convention Center fee waivers approved for the period July 2008 through June 2009 is twelve at an estimated amount of \$120,794. A total of about \$84,780 in reimbursements from the 2008-09 General City Purposes, Special Fund Fee Subsidy Reimbursement account were approved for the Convention Center for citywide related events.
- **Development Fee and Permits:** In Fiscal Year 2008-09 the Council approved one development fee subsidy in the amount of \$11,000 which was reimbursed from the GCP, Special Fund Fee Subsidy Reimbursement account. Various requests are pending.

2B. MANGROVE PROPERTY Recommendation Nos. 19 and 20

Prior Council action approved the sale of the four-acre "Mangrove" property in Little Tokyo (C.F. 07-0891). The City executed an Exclusive Negotiating Agreement with the purchaser for this property. One of the requirements of the sale is completion of a Program Environmental Impact Report (P-EIR) of the site, to be paid for by the purchaser. The City received a deposit of \$300,000 from the purchaser for this purpose. The Planning Department will expedite preparation of the P-EIR by February 2010 utilizing one of its on-call EIR consultants. Planning will assign a staff person to manage the contract and oversee the work. Council action is needed to appropriate the deposited funds to the Planning Department's budgetary accounts.

3. STATUS OF FEE INCREASES Attachment 10 – Status of Fee Increases Included in 2009-10 Budget

Attachment 10 provides a status of both General Fund and Special Fund-related fee increases assumed in the 2009-10 Budget. The effective dates for proposed fee increases for the Building and Safety Department, the Bureau of Engineering and the Treasurer's Office appear to be on or close to schedule. Increases in planning fees may be delayed one month, dependant on the City Attorney's

finding concerning the length of the waiting period after adoption of the ordinance. The Fire Department has stated efforts to implement brush clearance and industrial building inspection fee increases are not proceeding, due to lack of available staffing. The increase in the Fire Department's Film Spot Check Fee will be waived to support new film production. Our Office and the Fire Department will report back in six months on film permits, recommendations for cost recovery, and the impact of filming activity.

While the delayed implementation of fee increases will likely decrease the expected revenue, it is too early in the fiscal year to determine the amounts on an individual basis. We will monitor the revenues closely and report back in subsequent financial status reports.

4. STATUS OF THE CITY'S MUNICIPAL CORPORATION OF LOS ANGELES (MICLA) COMMERCIAL PAPER PROGRAM

The City's Financial Policies instruct the City Administrative Officer (CAO) to periodically report on the status of the MICLA Commercial Paper (CP) Program. In June 2004, the Mayor and Council approved a \$200 million MICLA CP program to be used as temporary financing for approved capital construction projects and capital equipment purchases. During the reporting period, MICLA CP was used towards the construction of the Police Administration Building, Motor Transport Division, Neighborhood City Halls, Alternative Fuel Infrastructure Facilities, Figueroa Plaza Tenant Improvements and for the Financial Management System project. Capital equipment and replacement vehicles were purchased for the departments of Fire, Police and General Services.

The City does not have any taxable notes outstanding at this time. Below is the status of the MICLA CP Program through July 31, 2009:

<i>Reporting Period</i>	<i>Amount Outstanding</i>	<i>Range of Interest Rates</i>
05/01/09 – 07/31/09	\$128,935,000	0.20% to 0.45% (tax-exempt)


Melissa Krance, Senior Administrative Analyst

APPROVED:


Assistant City Administrative Officer

MAS:RPC:MF:mdg/mck:01100010c

Attachments

Attachment 1

**CITY OF LOS ANGELES
SCHEDULE OF REVERSIONS
FYE June 30, 2009**

Dept No.	Department Name	Adjusted Uncommitted Balance	Reversion to Other Funds	Adjusted Uncommitted Balance
02	Aging	557,759.04	41,243.00	516,516.04
06	Animal Services	139,680.44	0.00	139,680.44
08	Building and Safety	2,909,284.91	2,715,093.67	194,191.24
10	CAO	205,999.25	0.00	205,999.25
12	City Attorney	86,680.14	26,664.16	60,015.98
14	City Clerk	2,716,178.45	0.00	2,716,178.45
17	City Ethics	47,440.88	47,440.88	0.00
20	Status of Women	21,754.16	0.00	21,754.16
22	CDD	21,018.14	382.16	20,635.98
26	Controller	434,117.49	0.00	434,117.49
27	Children, Youth & Family	186,655.99	0.00	186,655.99
28	Council	7,829,928.24	0.00	7,829,928.24
30	Cultural Affairs	524,560.09	524,558.08	2.01
32	ITA	3,769,017.65	36,853.03	3,732,164.62
33	El Pueblo	15,539.99	15,539.99	0.00
35	Emergency Preparedness	2,142.90	0.00	2,142.90
36	Employee Relations	32,639.43	0.00	32,639.43
37	Environmental Affairs	93,871.02	61,364.45	32,506.57
38	Fire	5,324,542.72	0.00	5,324,542.72
39	Finance	706,525.12	60,751.65	645,773.47
40	GSD	7,358,410.01	863,822.82	6,494,587.19
43	Housing	0.00	0.00	0.00
46	Mayor	5,111,517.00	3,330.72	5,108,186.28
47	Neighborhood Empowerm	168,211.69	168,211.69	0.00
48	Convention Center	352,872.16	352,872.16	0.00
49	Human Relations	26,719.98	0.00	26,719.98
53	Capital Finance	7,257.49	0.00	7,257.49
54	CIP	21,902,019.08	1,898,338.79	20,003,680.29
56	General City Purposes	3,288,121.29	3,750.00	3,284,371.29
58	Unappropriated Balance	109,485,979.08	0.00	109,485,979.08
59	Liability Claims	76,707.88	76,707.88	0.00
60	Water and Electricity	514,322.96	0.00	514,322.96
61	Human Resources	2,047,261.84	0.00	2,047,261.84
62	General	4,586,709.54	0.00	4,586,709.54
65	Disability	36,552.07	6,451.03	30,101.04
66	Personnel	521,233.24	0.00	521,233.24
68	Planning	2,514,770.57	1,076,295.03	1,438,475.54
70	Police	2,886,606.26	30,476.32	2,856,129.94
74	PW Board Office	257,360.58	79,407.00	177,953.58
76	PW Bu of Contract Adm	4,156,942.76	1,786,692.32	2,370,250.44
78	PW Bu of Engineering	7,795,128.54	5,039,656.00	2,755,472.54
82	PW Bu of Sanitation	13,033,226.47	11,043,767.58	1,989,458.89
84	PW Bu of St Lighting	1,411,595.08	1,411,595.08	0.00
86	PW Bu of St Services	9,885,363.66	6,569,368.28	3,315,995.38
87	Zoo	1,158,195.02	1,158,195.02	0.00
94	Transportation	1,312,809.90	222,399.97	1,090,409.93
96	Treasurer	4,041.50	0.00	4,041.50
Year-end Reversion		225,525,271.70	35,321,228.76	190,204,042.94

Uncommitted Balance at June 30, 2008	\$	190,204,043
Revenue Deficit		(138,472,748)
Technical Adjustments & Miscellaneous Items		(5,564,050)
Total Reversion	\$	46,167,245
Estimated YE Reversion 2008-09 Adopted Budget		65,958,000
	\$	(19,790,755)

Attachment 2
STATUS OF RESERVE FUND AS OF 8/21/2009

Council File No. Item Description	Amount
Balance Available, 7/1/09	\$ 151,696,332
Less: Emergency Reserve Account	120,994,000
Contingency Reserve Account 7/1/09	\$ 30,702,332
General Fund Appropriation to the Reserve Fund \$46,798,058	-
Loan Repayment and Other Receipts	458,123
Contingency Reserve Account	\$ 31,160,455
Loans and Transfers Approved to Date	
08-0600-S70 FMIS Replacement (YE reappropriation)	\$ (1,346,448)
08-0600-S70 Public Safety Systems Project (YE reappropriation)	(1,256,649)
08-0600-S70 New Fire Station (YE reappropriation)	(540,000)
08-0600-S70 Actuarial Studies (YE reappropriation)	(200,000)
08-0600-S70 Tax Amnesty/Audit Penetration (YE reappropriation)	(150,069)
08-0600-S70 Fuel Management and Purchasing study (YE reappropriation)	(60,000)
Loans and Transfers Approved to Date Subtotal	\$ (3,553,166)
Proposed Loans and Transfers	
09-1861 Fire Modified Coverage Plan	(13,000,000)
08-0600-S70 ITA Expense to Salary Account (YE Reappropriation)	(2,200,000)
Proposed Loans and Transfers Subtotal	\$ (15,200,000)
Contingency Reserve Available Balance as of 8/21/2009	\$ 12,407,289
Total Emergency and Contingency Reserve Fund	\$ 133,401,289

Attachment 3-a

FY 2008-09 General Fund Receipts
\$ Thousands

	Adopted Budget	Revised per 2009-10 Budget	Receipts @ June 30	Variance -- Receipts less Adopted Budget	Variance -- Receipts less Revised Budget
Property Taxes -- 1%	\$1,037,729	\$1,064,000	\$1,076,892	\$39,163	\$12,892
Property Tax -- Sales tax Replacement	111,546	111,683	111,683	137	0
Property tax -- VLF Replacement	312,119	320,498	320,498	8,379	(0)
Property Tax	\$1,461,394	\$1,496,181	\$1,509,073	\$47,679	\$12,892
Electric Users' Tax	\$275,100	\$287,573	\$278,208	\$3,108	(\$9,365)
Gas Users' Tax	96,000	88,083	81,258	(14,742)	(6,825)
Telephone Users' Tax	266,500	289,095	288,356	21,856	(739)
Utility Users' Tax	\$637,600	\$664,751	\$647,822	\$10,222	(\$16,929)
Licenses, Permits, Fees and Fines	804,178	705,411	689,633	(114,545)	(15,778)
Business Tax	472,395	452,940	451,495	(20,900)	(1,445)
Sales Tax	336,137	320,311	311,938	(24,199)	(8,373)
Power Revenue Transfer	197,400	222,693	222,506	25,106	(187)
Documentary Transfer Tax	120,024	90,000	83,946	(36,078)	(6,054)
Transient Occupancy Tax	155,914	140,039	136,323	(19,591)	(3,716)
Parking Fines	134,000	134,000	132,535	(1,465)	(1,465)
Parking Users' Tax	94,480	84,800	84,475	(10,005)	(325)
Franchise Income	53,341	53,274	53,056	(285)	(218)
Grant Receipts	17,116	21,116	24,018	6,902	2,902
State Motor Vehicle License Fees	19,700	12,411	11,627	(8,073)	(784)
Tobacco Settlement	12,028	12,028	11,429	(599)	(599)
Residential Development Tax	1,920	1,700	1,320	(600)	(380)
Transfer from Telecommunications Fund	3,871	3,871	3,871		
Subtotal General Fund less Interest Income	\$4,521,498	\$4,415,526	\$4,375,067	(\$146,431)	(\$40,459)
Interest Income	32,172	35,450	40,130	7,958	4,680
Total General Fund	\$4,553,670	\$4,450,976	\$4,415,197	(\$138,473)	(\$35,779)

Attachment 3--b

Fiscal Year 2009-10 General Fund Receipts

At August 31, 2009

\$ Thousands

	Budget	Plan @ July 31	Receipts @ July 31	Variance (Receipts Less Plan)	
Property Tax	\$1,418,870	\$67,166	\$84,209	\$17,043	Higher collection rate in 2008-09 and redemption activity have been supporting the property tax. But falling assessed values beginning in 2010-11 will result in declining revenue for several years.
Utility Users' Tax	667,875	108,300	100,905	(7,395)	The electric and gas users' taxes reflect a deeper recession than anticipated at budget time.
Licenses, Permits, Fees and Fines	723,126	72,521	63,361	(9,160)	Some accounts doubtful
Business Tax	426,157	9,046	21,679	12,633	Early receipts helped by amnesty program, but no basis to change estimate. See note on sales tax
Sales Tax	304,243	50,651	43,651	(7,000)	Preliminary information from Board of Equalization shows severe impact of recession. Allocations for the last two calendar quarters average 18% below the prior year.
Documentary Transfer Tax	100,000	18,068	16,032	(2,036)	Receipts continued falling through August, but there are indications that sales activity and prices may be stabilizing. Too early to suggest change.
Power Revenue Transfer	232,000				
Transient Occupancy Tax	130,200	22,900	20,574	(2,326)	Revenue continues to fall. Local hotel industry sales are down more than 20% for the first six months of 2009.
Parking Fines	134,000	22,332	23,160	828	Close to plan; too early to suggest change.
Parking Users' Tax	82,300	14,400	15,342	942	Parking tax receipts have not declined like the other economy-sensitive taxes have.
Franchise Income	49,479	11,500	8,794	(2,706)	The first quarter franchise payment received from natural gas suppliers is nearly \$3 million below plan and more than \$4 million below the prior year receipt. This revenue is affected by lower natural gas prices and the slow economy.
State Motor Vehicle License Fees	12,000	2,000	3,813	1,813	Early receipts are not as meaningful as long term trend. Revenue from this account is declining.
Grant Receipts	16,000	2,666	1,315	(1,351)	Too early to recommend adjustment.

Attachment 3-b

Fiscal Year 2009-10 General Fund Receipts

At August 31, 2009
\$ Thousands

	Budget	Plan @ July 31	Receipts @ July 31	Variance (Receipts Less Plan)
Transfer from Tax Reform Fund				
Tobacco Settlement	12,166			
Transfer from Telecommunications Fund	6,223			
Residential Development Tax	1,700	282	266	(16)
Special Parking Revenue Transfer	61,371			
Subtotal General Fund Less Interest Income	\$4,377,710	\$401,832	\$403,101	\$1,269
Interest Income	22,080	3,320	16,278	12,958
Total General Fund	\$4,399,790	\$405,152	\$419,379	\$14,227

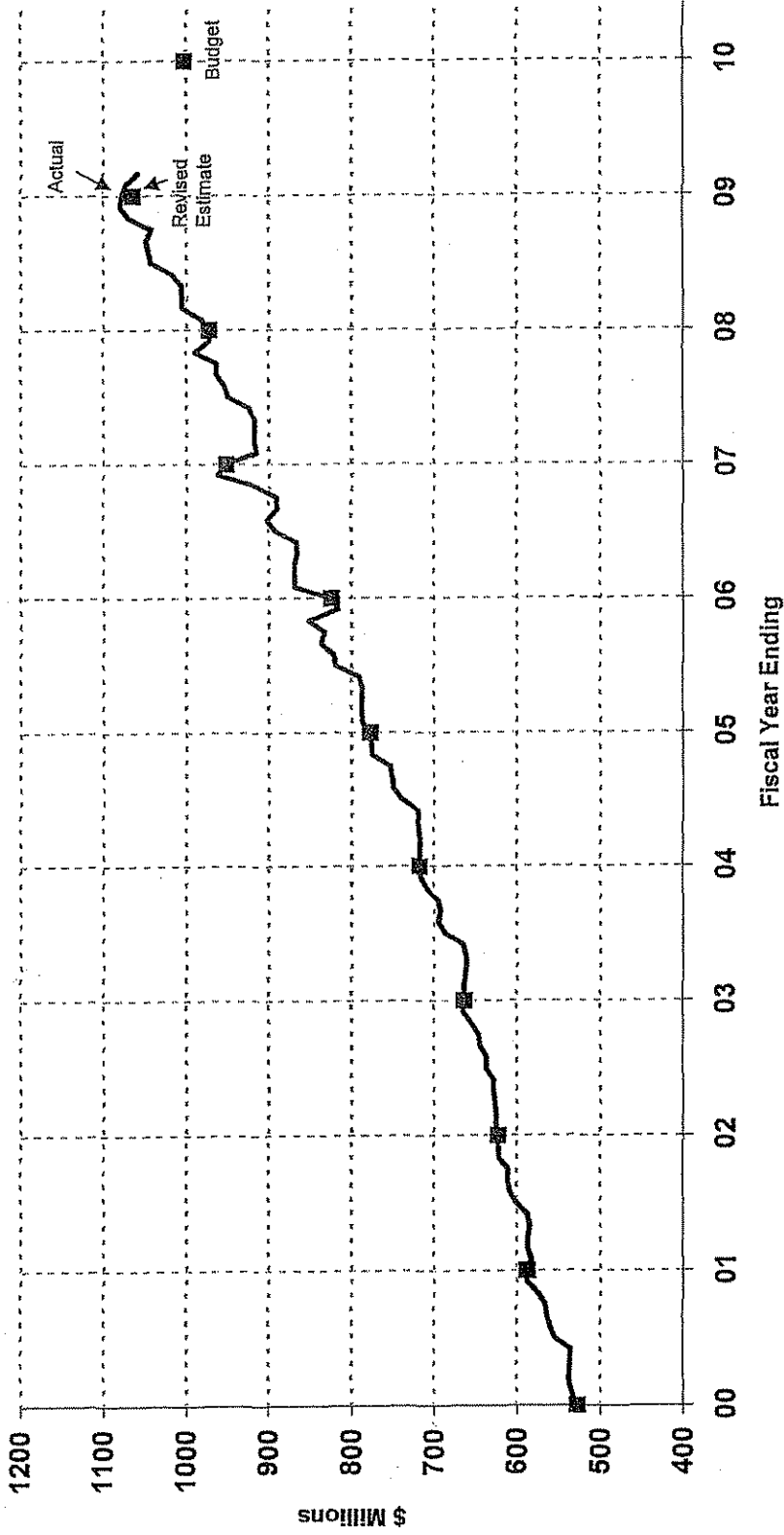
A portion of this transfer relating to a sale of property is now unlikely. In prior year, the transfer from this source was below budget.

Not meaningful pending inter fund adjustments.

Attachment 3-c

Property Tax Base -- Excludes Triple Flip and VLF Swap

The 2009-10 budget estimate is before state budget action which will reduce property tax revenue by an estimated \$113 million, to be offset by a state-facilitated replacement loan.

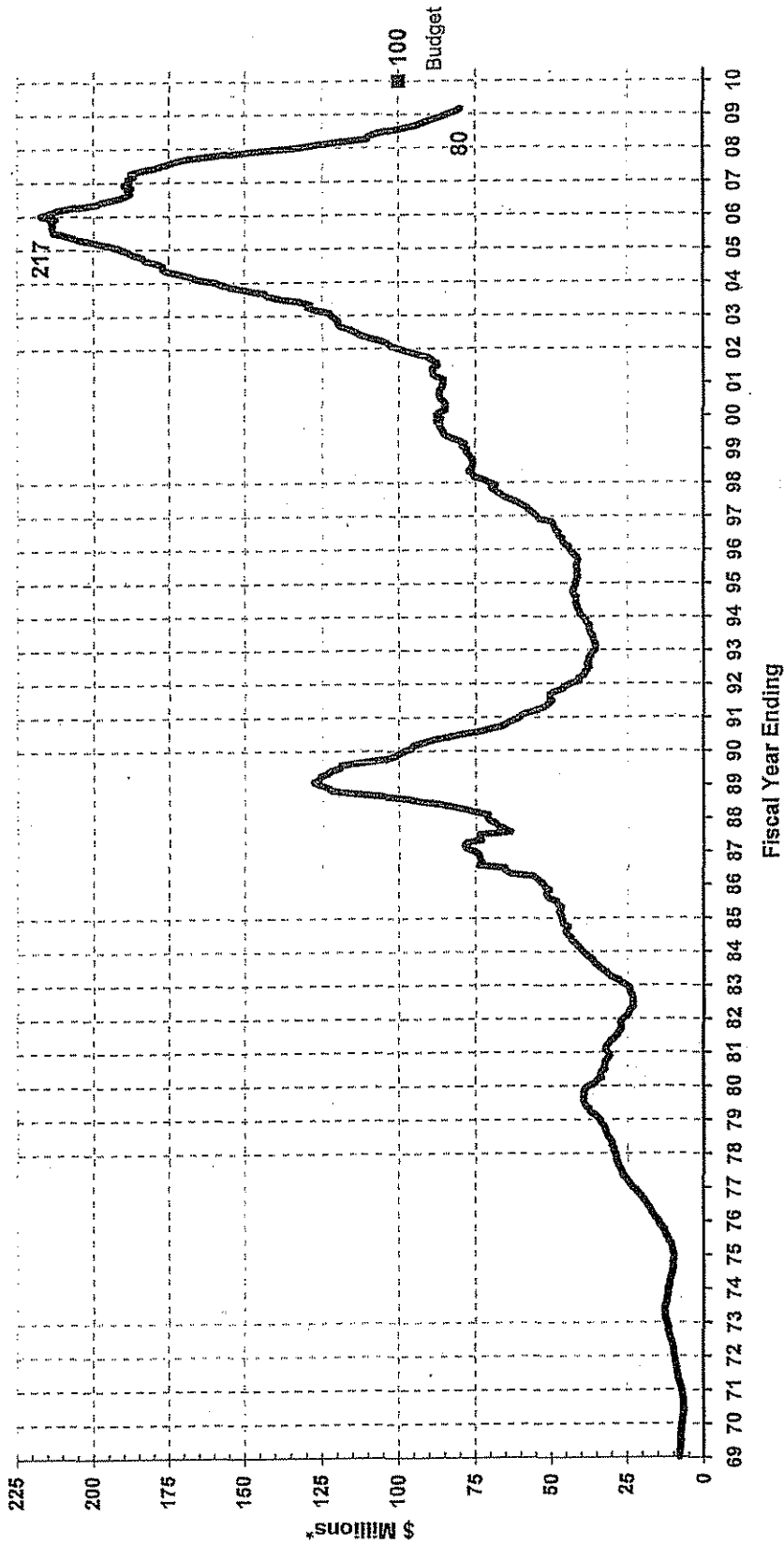


Post-Proposition 13 assessed values respond slowly to construction and real estate market changes. The rate of growth in assessed values between 2002-03 and 2005-06 did not fully capture actual increases in values. Assessed values continued to grow through 2008-09 despite a real estate downturn beginning in 2006. Assessed values for 2009-10 show little change from 2008-09, but will decline in 2010-11 and for several years thereafter. This is true if the market decline slows or even if there is an actual economic and real estate upturn.

Attachment 3-d

Documentary Transfer Tax

12-Month Moving Sum



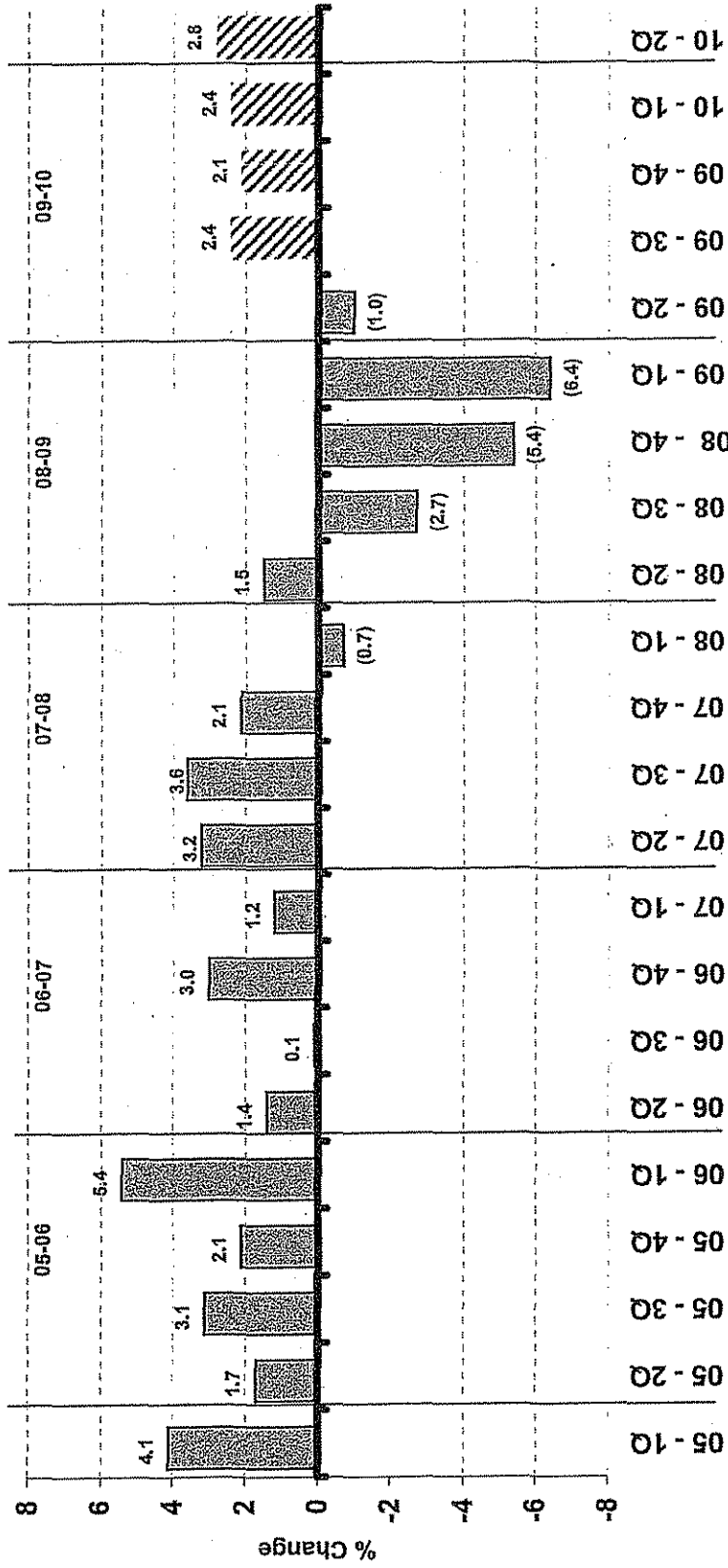
Receipts are now at the July 1999 level. And despite reports of increasing real estate sales activity and price stabilization, this account is still in freefall. Receipts for the 12 months ending in August 2009 are 20% below the 2009-10 budget target.

* Data prior to August 1991 adjusted for tax rate change.

Attachment 3-e

Gross Domestic Product

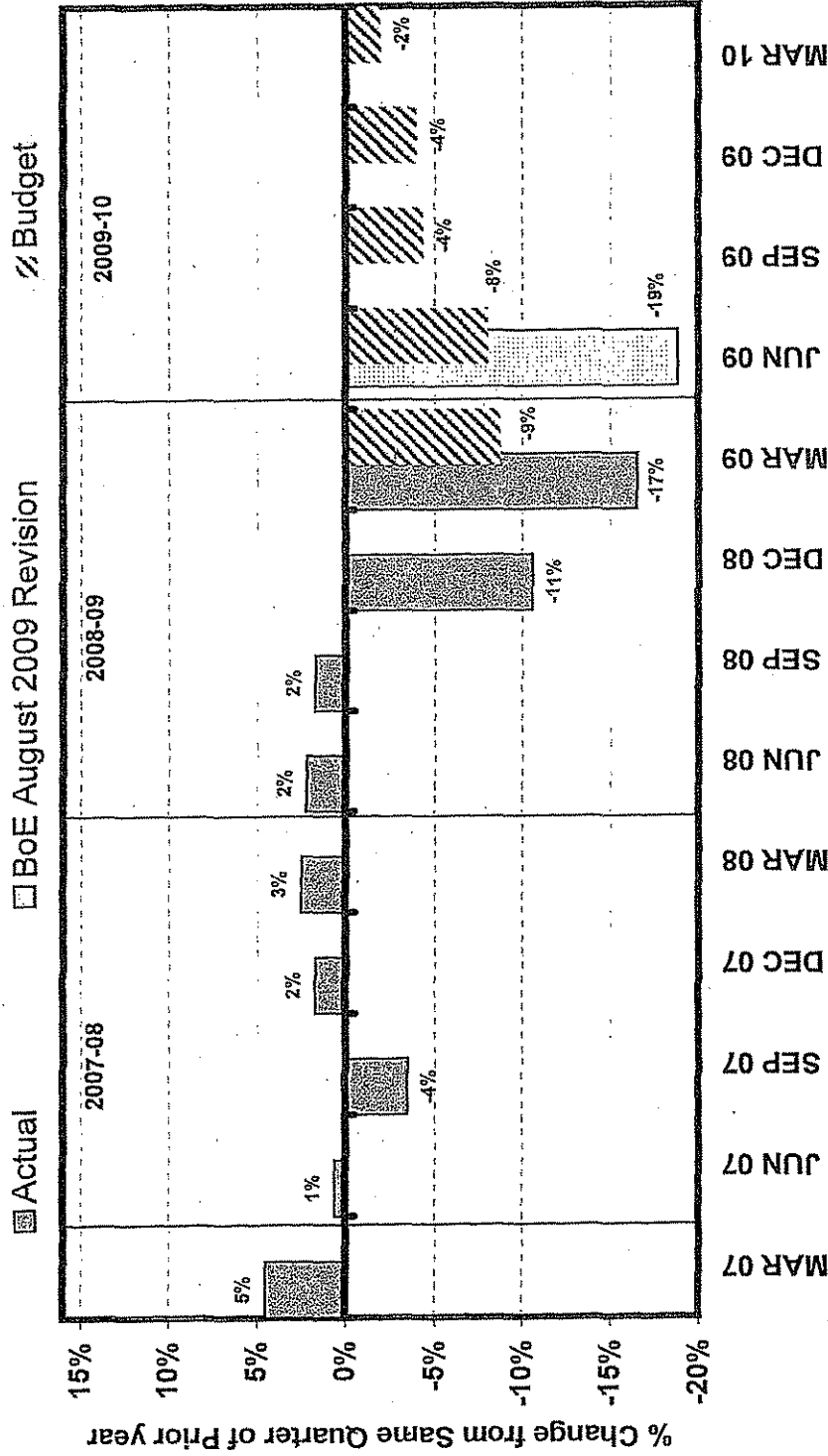
Survey Conducted by Wall Street Journal,
 Solid Bars are Official Data; Stripes are Consensus Forecast Made in August 2009



Gross Domestic Product is considered the most basic economic indicator. According to the Wall Street Journal, FY 08-09 experienced an average decline of 3.3%; this is 1% worse than anticipated in the 2009-10 budget. Early forecast for 09-10 anticipated growth of 0.7% for this index; current 09-10 forecast is average growth of 1.5%. Economy in FY 08-09 was worse than anticipated in budget; forecast for current year is a little better. But City receipts lag the economy. If economic recovery occurs late in 2009, it would mostly benefit the City's 2010-11 fiscal year.

Attachment 3-f

Change in City Sales Tax Allocation by Quarter

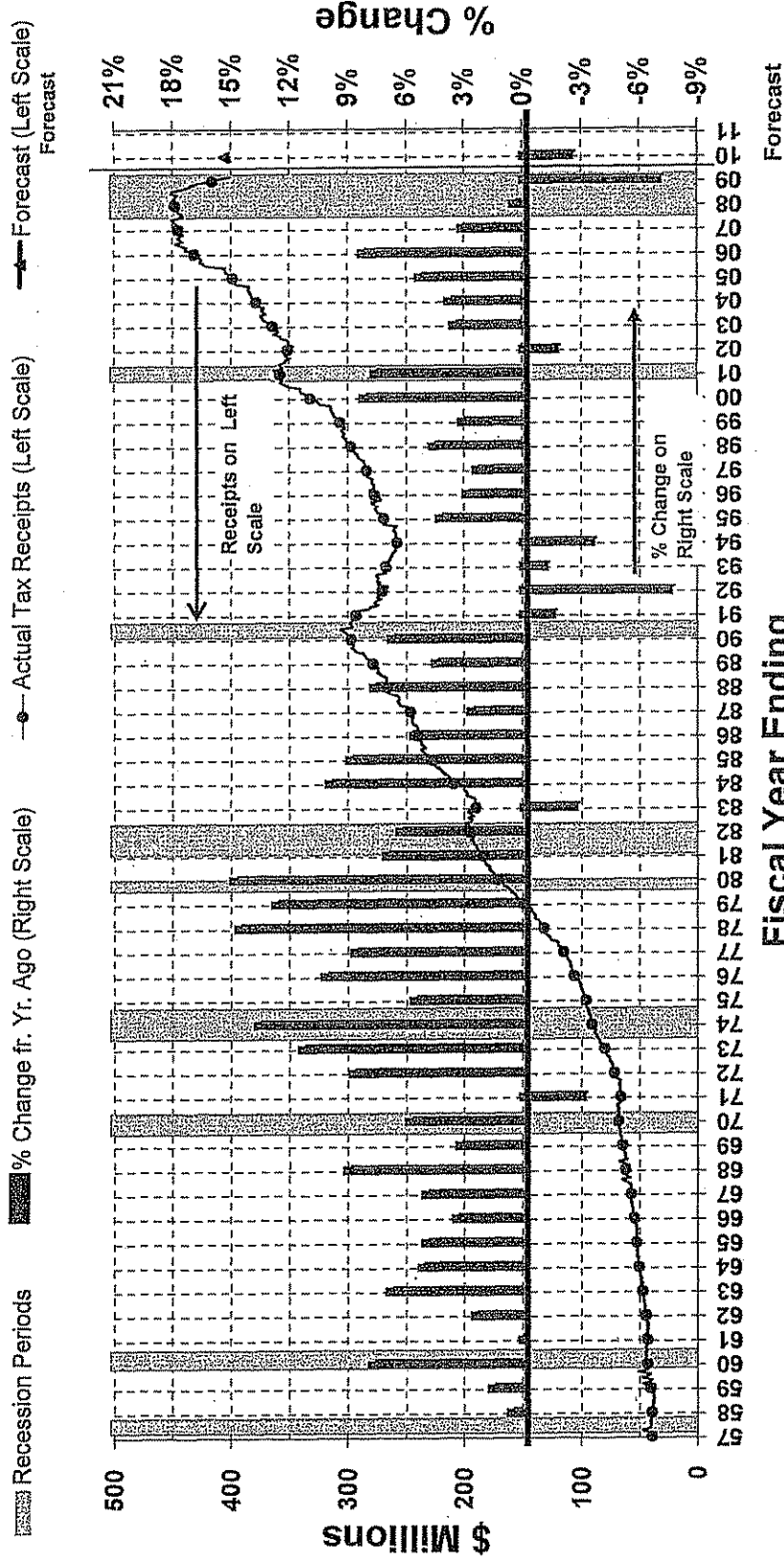


Quarter Ending

The City's fiscal year sales tax revenue is based on taxable sales between April and March. We now have taxable sales results through March 2009 -- last fiscal year. We will receive the results of April-June taxable sales in September. April through June taxable sales were budgeted to be down 9% (stripe bar). The State Board of Equalization now estimates April-June taxable sales will be down 19%. The BoE is also anticipating making downward adjustments for quarters ending in September and December.

Attachment 3-g

Recessions and Sales Tax



Fiscal Year Ending

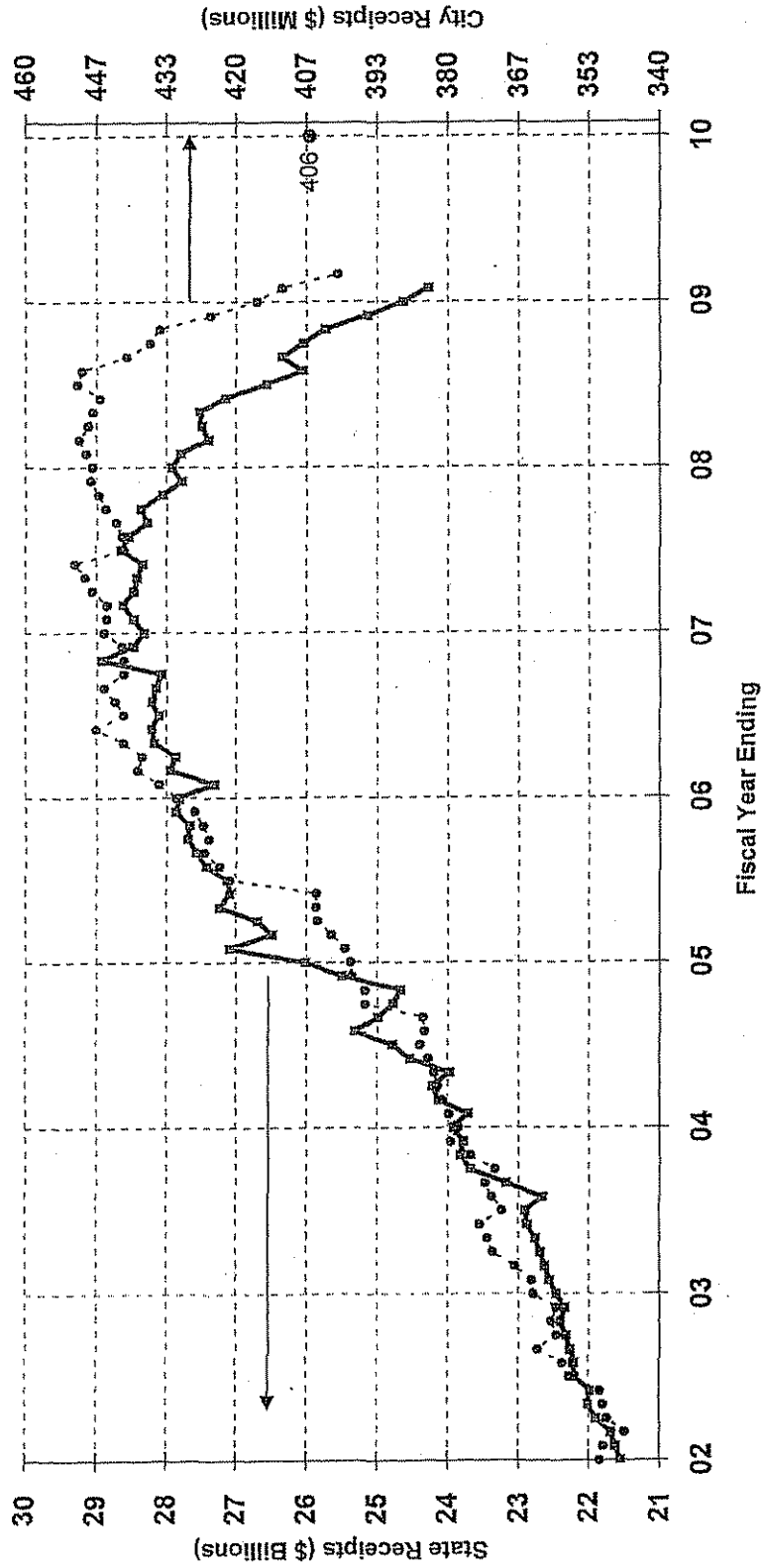
The current consensus of economists as reported by the Wall Street Journal projects the recession will hit bottom in September 2009. But long-term City experience shows sales tax receipts continue to decline after a recession ends. The 7% decline in FY 2008-09 was much worse than the 4.5% anticipated during budget preparation. For 09-10, the budget anticipated a further decline of 5%. Because of the low 2008-09 base, any decline of more than 2.5% would now result in a revenue shortfall. The next chart shows the recent pattern of receipts in more detail.

Attachment 3-h

State and City Sales Tax Cash Receipts

12-Month Moving Sum

— State Cash @ 5% Rate - - - - City Cash @ 1% Rate ● Budget

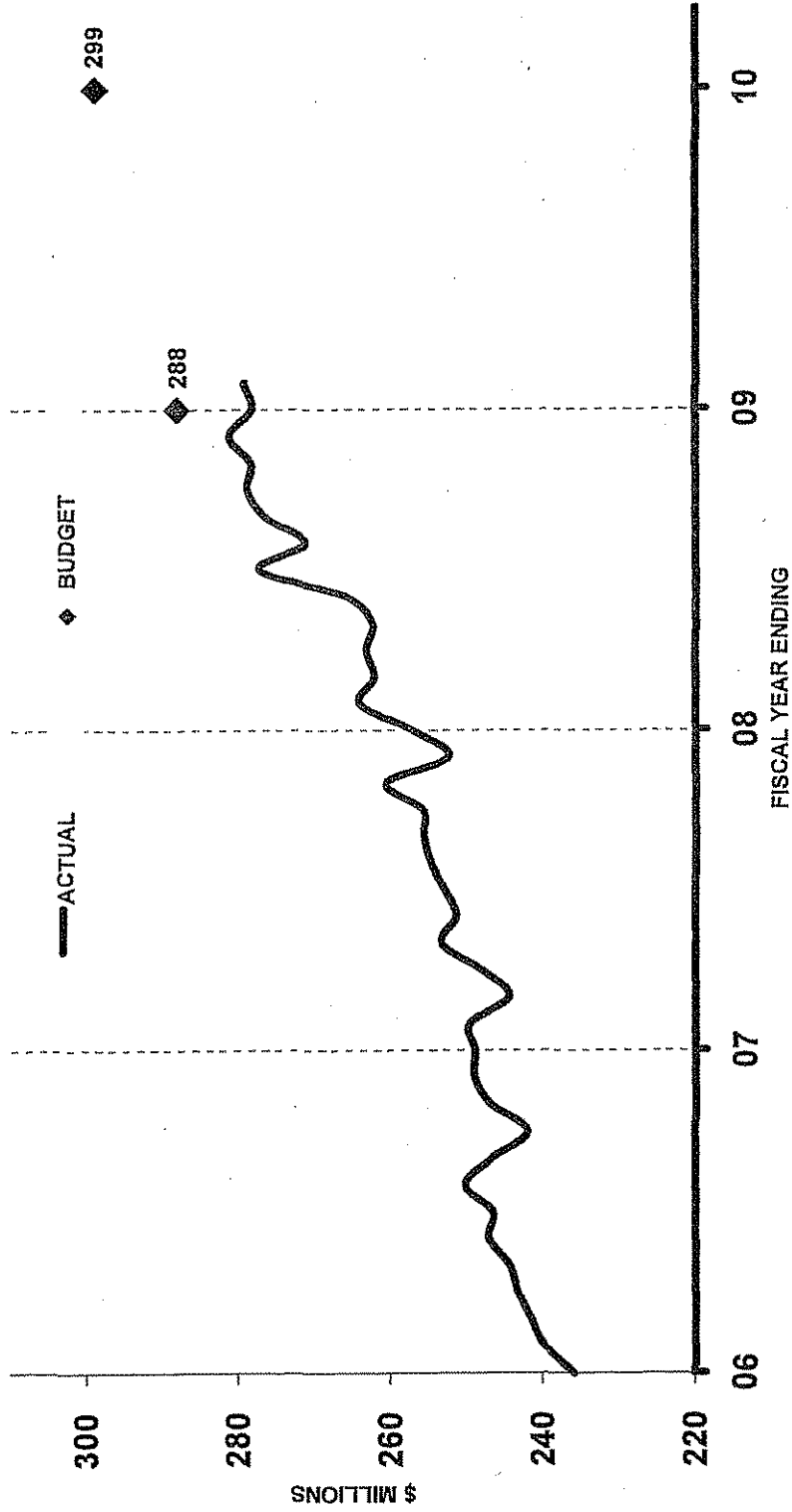


City sales tax receipts lag state receipts. The statewide series is adjusted to remove the effects of the recent state tax rate change. City receipts figure to decline further in the coming months as they follow the statewide taxable sales. City receipts for the 12-month period ending August 2009 are below the FY 2009-10 budgeted level and will continue to decline even after the state receipts begin to increase. Achievement of the budget estimate is doubtful.

Attachment 3-i

ELECTRIC USERS' TAX

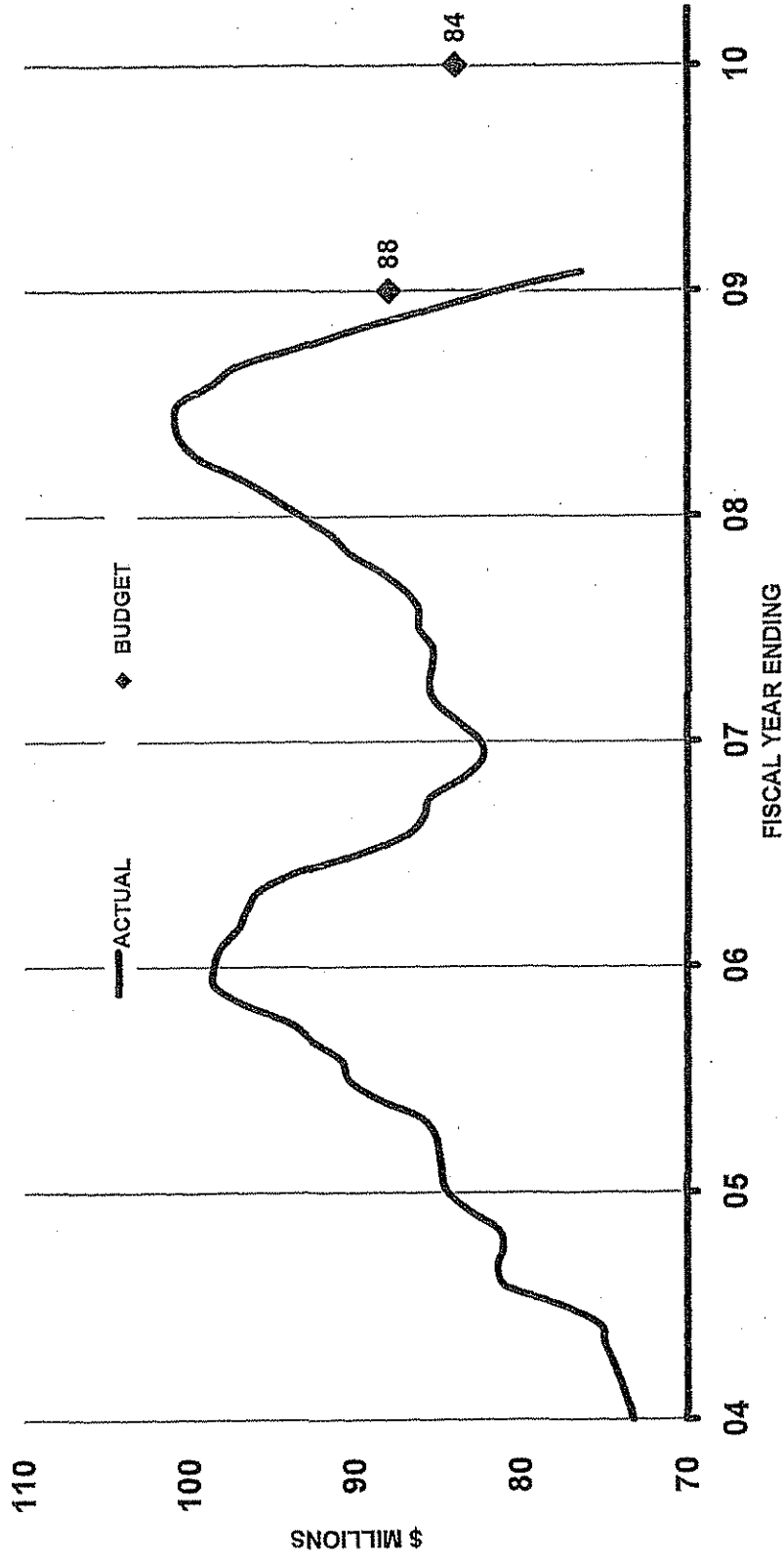
12-MONTH MOVING SUM



After rising by 9% between July 2008 and April 2009, receipts in 2008-09 finished \$9.3 million below the revised budget, but still 8% more than the prior year. The 2009-10 budget is 4% greater than receipts in 2007-08. This account is affected by three electric rate increases between May 2008 and July 2009 totaling 8.5% and a 25% increase in the energy cost adjustment factor during that time. The economy and local weather conditions also affect power sales.

Attachment 3-j

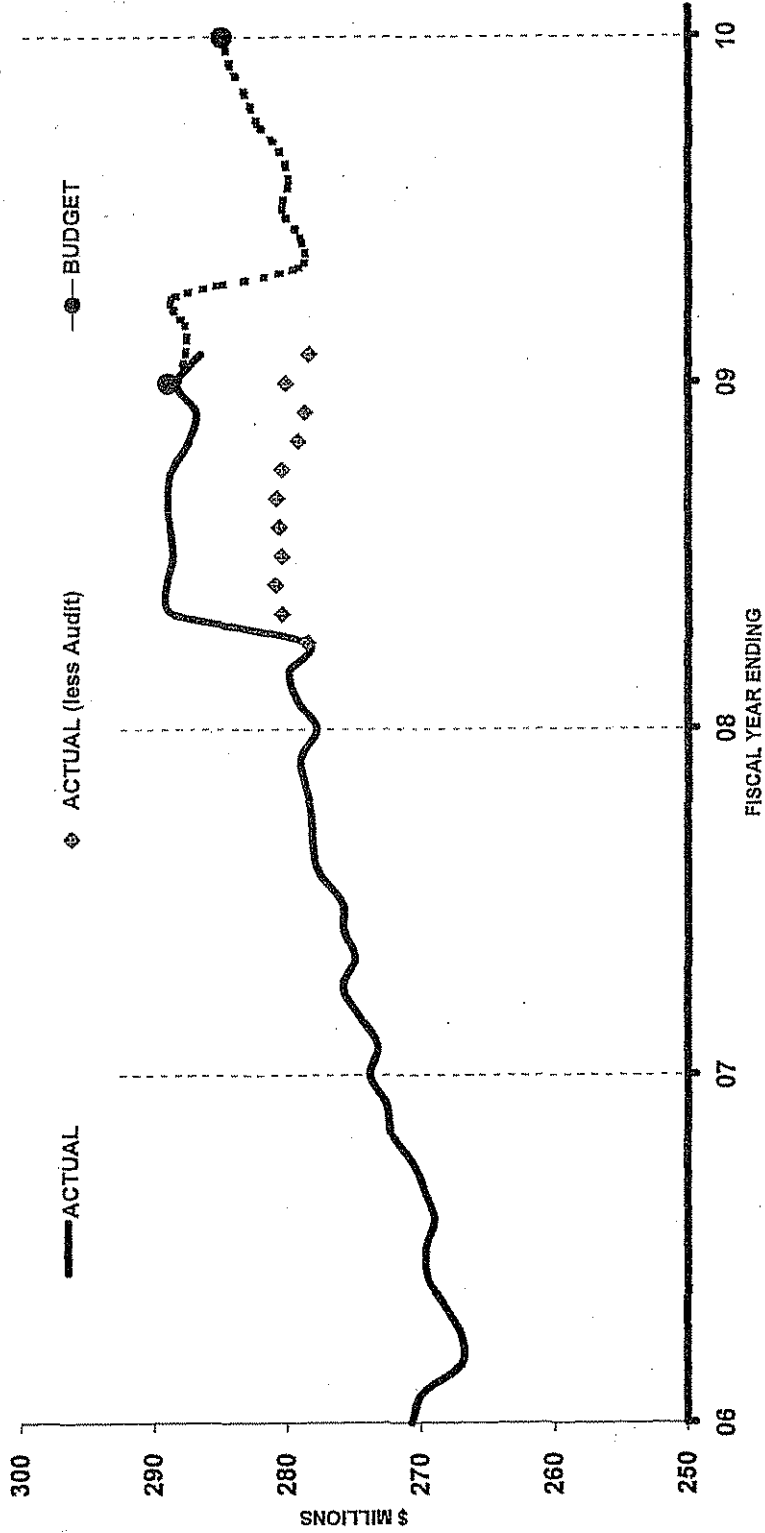
GAS USERS' TAX
12-MONTH MOVING SUM



The commodity price of natural gas declined by 72% between May 2008 and May 2009. Receipts were \$7 million below the revised budget in 2008-09. Commodity prices are rising again and the 2009-10 budget estimate is now at the high end of the reasonable range.

Attachment 3-k

TELEPHONE USERS' TAX
12-MONTH MOVING SUM



In 2008-09, telephone user tax receipts finished within \$1 million of budget plan. A major audit recovery in 2008-09 distorts underlying receipts and the effects of Measure "S" which reduced the tax rate and broadened the tax base are still being defined. Although July's receipts are disappointing, budgeted growth of 2% from adjusted 2008-09 receipts remains the most likely estimate.

Attachment 3-1

Licenses, Permits, Fees and Fines
 Variance -- Actual Receipts less Revised Budget
 Fiscal Year 2008-09
 (\$Thousands)

Revised Budget	\$ 705,411		
Receipts-to-Date	\$ 689,633		
Variance (as of 7/7/2009)	(15,778)		
Variance from Revised Budget	\$ (15,778)	Notes	
Housing	(3,761)	Overhead revenue estimate did not take into account vacancies.	
Transportation	(3,083)	Shortfall primarily due to overhead reimbursements from Prop C.	
PW Bureau of Contract Administration	(2,887)	Reimbursements from Airports fell short by \$1.5 million, the rest of the shortfall was in overhead.	
PW Bureau of Street Services	(2,786)	Overhead reimbursements fell short of budget.	
Fire	(2,777)	Reimbursements from Airports fell short of budget.	
Planning	(2,470)	Planning fees came in lower than the revised budget, likely due to the depressed housing market.	
Police	(2,036)	Similar to Fire situation, reimbursements from Airports came in lower than expected.	
City Attorney	(1,431)	Services to DWP and the Housing Authority were below budget.	
Animal Services	(1,036)	Animal Services' estimates were too high. This likely means 2009-10 is also too high.	
General Fund - Miscellaneous	1,161	Police overtime reimbursement from Airports was above budget.	
Liability Claims	1,584	The City received a \$1.6 million unexpected reimbursement.	
Personnel	4,689	Workers Compensation reimbursements from proprietaries finished well above budget.	
Other variances	(946)	All other departments and categories.	
	<u>\$ (15,778)</u>		

Attachment 3-m

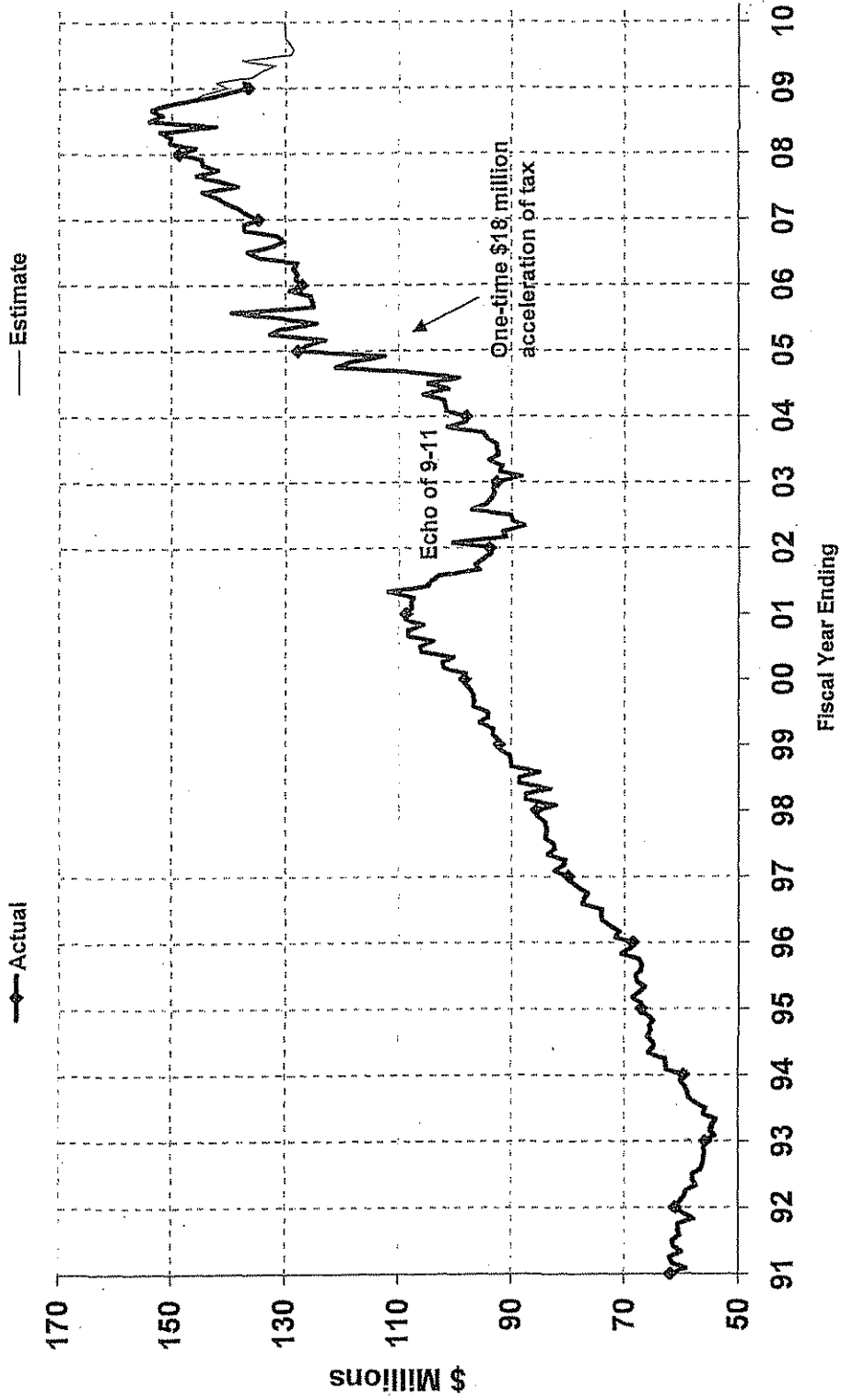
Licenses, Permits, Fees and Fines
2009-10 Potential Revenue Shortfalls
(\$Thousands)

Department	Budget	Shortfall	Notes
Animal Services	3,897,783	800,000	Budget is likely too high. Usual collections are in the \$3 million range.
Building and Safety	31,618,998	2,000,000	Overhead and non-compliance revenues will likely fall below budget.
City Clerk	3,500,592	2,200,000	The Clerk will not receive any state mandated reimbursements.
Fire	134,154,920	2,000,000	Ambulance revenue will need to be watched.
Housing	21,489,260	4,000,000	Overhead revenue estimates are too high; vacancies will reduce revenues
Planning	20,376,764	6,000,000	Planning revenue will likely finish near 2008-09 levels.
Airport reimbursements	68,055,591	2,000,000	Likely too high by around \$2 million.
PW Con Ad	21,056,027	1,000,000	Various revenues will likely fall short by \$1 million in total.
PW Street Maintenance	29,002,546	2,000,000	Various revenues will likely fall short by \$2 million in total.
Transportation	35,475,011	2,000,000	Various revenues will likely fall short by \$2 million in total.
Staples Signage sale	2,000,000	2,000,000	This is not expected to happen in 2009-10.
All Other LPFF Revenues	352,498,623		

Totals \$ 723,126,115 \$ 26,000,000

Attachment 3-n

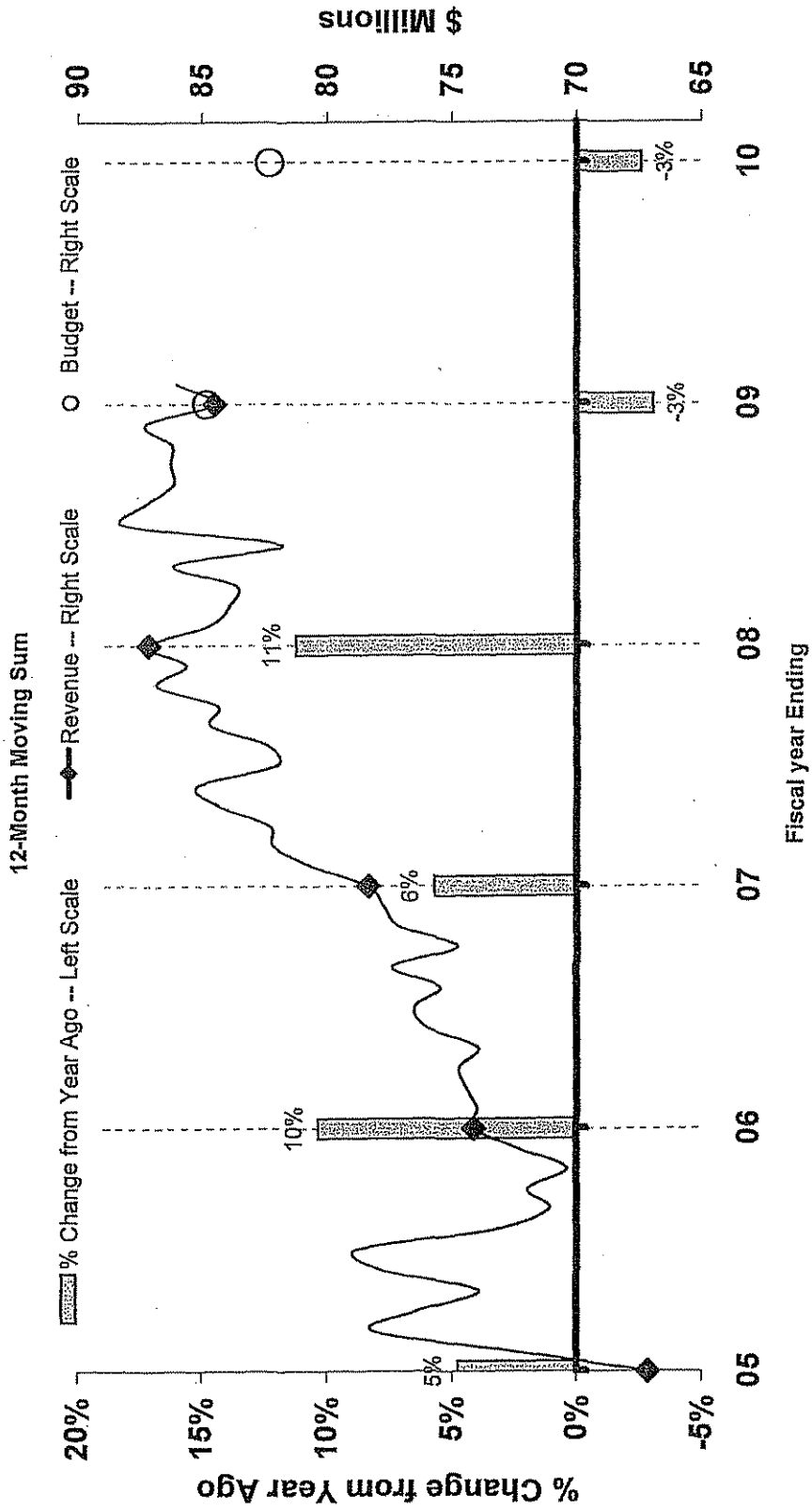
City Hotel Tax Receipts
12-Month Moving Sum



Hotel tax declined 8.2% in FY 08-09; budget anticipated a decline of 5.7%. We see a slight up tick in July 2009, but it is too early to draw any conclusion.

Attachment 3-o

Parking Users' Tax



Monthly pattern of receipts is erratic, but when viewed annually parking tax follows economy.

Attachment 4

ERAF contribution based on FY10 Projected Tax Incremental NET of Admin Fees, mandatory pass-throughs and Debt Service
 Proportional share by Project Area
 As of 7.27.09

Region	Project Area	Gross TI	Admin Fees and Pass-throughs	Debt Service	Cash Trap	Housing set aside	Net TI (but includes housing)	% contribution of total	FY10 \$1.7B take	FY11 \$350M take	TOTAL ERAF Contribution
Downtown	Bunker Hill	35,132,000	(3,042,000)	(32,090,000)	6,300,000	-	6,300,000	4.6%	3,240,924	667,249	3,908,173
Downtown	Central Industrial	3,488,000	(768,000)	-	-	(854,000)	2,720,000	2.0%	1,399,256	286,082	1,685,338
Downtown	Chinatown	6,224,000	(622,000)	-	-	(1,525,000)	5,602,000	4.1%	2,881,850	593,322	3,475,172
Downtown	City Center	4,541,000	(999,000)	-	-	(1,112,000)	3,542,000	2.6%	1,822,119	375,142	2,197,262
Downtown	Council District 9	13,678,000	(2,916,000)	(2,216,000)	-	(2,723,000)	8,546,000	6.2%	4,396,339	905,129	5,301,467
Downtown	Little Tokyo	4,119,000	(415,000)	(1,639,000)	-	(625,000)	2,065,000	1.5%	1,052,303	218,709	1,281,012
East Valley	Laurel Canyon	2,328,000	(671,000)	(460,000)	-	(439,000)	1,177,000	0.9%	605,487	124,659	730,146
East Valley	North Hollywood	16,834,000	(2,567,000)	(3,354,000)	-	(3,465,000)	10,713,000	7.8%	5,511,114	1,134,641	6,645,755
East Valley	Pacoima/Panorama City	22,053,000	(4,443,000)	(1,795,000)	-	(1,836,000)	16,814,000	11.5%	8,136,233	1,674,901	9,811,134
Eastside	Adelante Eastside	9,834,000	(2,186,000)	(1,764,000)	-	(1,896,000)	5,984,000	4.3%	3,078,363	633,781	3,712,144
Eastside	Monterey Hills	3,919,000	(363,000)	(1,658,000)	-	(826,000)	1,895,000	1.4%	976,393	201,022	1,177,415
Harbor	Beacon Street	1,526,000	(170,000)	(570,000)	-	(221,000)	785,000	0.6%	404,344	83,247	487,591
Harbor	LA Harbor	1,589,000	(119,000)	(505,000)	-	(286,000)	965,000	0.7%	486,427	102,206	598,633
Harbor	Pacific Corridor	3,859,000	(849,000)	(393,000)	-	(823,000)	2,617,000	1.9%	1,346,269	277,173	1,623,443
Hollywood	East Hollywood/Beverly	7,651,000	(1,693,000)	(963,000)	-	(1,595,000)	5,005,000	3.6%	2,574,734	530,982	3,104,886
Hollywood	Hollywood	35,081,000	(8,796,000)	(8,001,000)	-	(7,144,000)	18,284,000	13.3%	9,405,881	1,936,505	11,342,386
Hollywood	Mid City	4,702,000	(1,167,000)	(1,000,000)	-	(892,000)	2,535,000	1.8%	1,304,086	268,488	1,572,574
Hollywood	Pico Union 1	1,679,000	(163,000)	(726,000)	-	(50,000)	790,000	0.6%	406,402	83,671	490,072
Hollywood	Pico Union 2	3,284,000	(588,000)	(1,004,000)	-	(490,000)	1,692,000	1.2%	870,420	179,204	1,049,624
Hollywood	Westlake	7,102,000	(1,562,000)	(1,969,000)	-	(1,129,000)	3,571,000	2.6%	1,897,038	378,214	2,275,252
Hollywood	Wilshire Center/Koreatown	22,905,000	(5,039,000)	(5,001,000)	-	(4,104,000)	12,865,000	9.3%	6,616,172	1,362,565	7,980,737
South LA	Broadway/Manchester	690,000	(149,000)	(116,000)	-	(100,000)	399,000	0.3%	205,258	42,259	247,518
South LA	Crenshaw	1,468,000	(238,000)	(366,000)	-	(285,000)	873,000	0.6%	449,099	92,462	541,561
South LA	Crenshaw/Stauson	1,328,000	(360,000)	(408,000)	-	(175,000)	560,000	0.4%	288,082	59,311	347,393
South LA	Exposition/University Park	3,813,000	(512,000)	(1,152,000)	-	(696,000)	2,149,000	1.6%	1,105,515	227,606	1,333,121
South LA	Normandie 5	2,654,000	(356,000)	(994,000)	-	(525,000)	1,324,000	1.0%	681,108	140,228	821,337
South LA	Vermont/Manchester	903,000	(215,000)	(308,000)	-	(100,000)	380,000	0.3%	195,484	40,247	235,731
South LA	Watts	257,000	(11,000)	(164,000)	-	(22,000)	82,000	0.1%	42,183	8,665	50,868
South LA	Watts Corridors	863,000	(253,000)	(89,000)	-	(147,000)	521,000	0.4%	266,019	55,180	323,200
South LA	Western/Stauson	1,740,000	(363,000)	(239,000)	-	(366,000)	1,118,000	0.8%	575,135	118,410	693,546
West Valley	Reseda/Canoga Park	25,019,000	(5,745,000)	(2,460,000)	-	(5,409,000)	16,814,000	12.2%	8,649,665	1,780,814	10,430,479
	Total	250,133,000	(47,317,000)	(71,425,000)		(42,957,000)	137,691,000	100%	70,832,702	14,583,204	85,415,906

Region Totals	Value
Downtown	17,850,424
East Valley	17,186,034
Eastside	4,889,556
Harbor	2,709,666
Hollywood	27,755,470
South LA	4,594,274
West Valley	10,430,479

Notes:
 \$1.7 billion take is equal to 51% of net tax increment (only net of admin fees, pass throughs and debt service) in FY10.
 Estimated CRA/LA ERAF total share is based on FY07 actuals.

Attachment 5a
STATUS OF UNAPPROPRIATED BALANCE
GENERAL ACCOUNT as of 8/21/09

C.F.	Appropriations	Date	Amount
	Beginning Balance		\$ 25,000
Approved Transfer			
09-1681	Trutanich Transition Team		(473)
		Balance Available	<u>24,527</u>

Attachment 5b

**STATUS OF UNAPPROPRIATED BALANCE
GENERAL ACCOUNT as of 8/21/09**

Council File No.	UB Non-General Accounts	Primary Department	Adopted Budget	Transfer In/ Reappropri.	Amount Appropriated during year	Available Balance
	General Fund					
	General (see Attachment 3a)		\$ 25,000	\$ -	(473)	\$ 24,527
	AB 1290		10,000,000			10,000,000
09-0600 (First FSR)	Bank Fees	Treasurer	7,000,000		(2,500,000)	4,500,000
09-0753	Council District Two Special Election	City Clerk	1,800,000		(1,800,000)	0
	Equipment, Expenses & Alterations & Improvement	n/a	3,582,900			3,582,900
07-2186-S3	Financial Management System (FMS)	Controller	2,000,000	1,346,448	(500,000)	2,846,448
	GSD - Petroleum Products	GSD	4,000,000			4,000,000
09-0600 (Budget Res)	LAPD Consent Decree Program	CLA	328,000	113,142		441,142
	LAPD Settlement Compliance Monitoring	CLA	120,000			120,000
	LINX Replacement (Risk Management System)	Personnel	2,000,000			2,000,000
	Litigation Expense Account	City Attorney	750,000			750,000
09-0600 (First FSR)	Neighborhood Council Elections	City Clerk	1,905,000		(1,905,000)	0
09-0600-S135 (St. Svcs)	New Positions	Various	13,905,625		(325,421)	13,580,204
	New Police Facilities	Police	1,000,000			1,000,000
	Outside Counsel Inc. Workers' Compensation	City Attorney	3,750,000			3,750,000
09-0600 (First FSR)	Workplace Violence Prevention Training	Personnel	300,000		(150,000)	150,000
	Zero-Base Budget Consultant	CAO	300,000			300,000
08-0600-S70 YE	New Fire Station (reappropriation)	Fire		540,000		540,000
08-0600-S70 YE	Tax Amnesty/Audit Penetration (reappropriation)	Finance		150,069		150,069
09-0600 (Budget Reso)	Gang Prevention/Intervention/Reduction (Budget Reso reappropriation)			40,000		40,000
			\$ 52,766,525	\$ 2,189,659	\$ (7,180,894)	\$ 47,775,290
	Special Funds					
	New Positions - HOME (Fund No. 561)	Housing	59,859			59,859
	New Positions - Rent Stabilization (Fund No. 440)	Housing	83,714			83,714
0220-04501-0000(LED)	New Positions - Code Enforcement (Fund No. 41M)	Housing	27,906			27,906
	New Positions - St. Lighting Maint. (Fund No. 347)	St. Lighting	1,763,731		(1,218,855)	544,876
	New Positions - Prop. C (Fund No. 540)	St. Lighting	265,304			265,304
	New Public Access Studio	TDA	2,500,000			2,500,000
09-0600-S120	Public Private Partnership (P3) Study	SPRF	3,000,000		(65,000)	2,935,000
			\$ 7,700,513	\$ -	\$ (1,283,855)	\$ 6,416,658
	Grand Total		\$ 60,467,038	\$ 2,189,659	\$ (8,464,749)	\$ 54,191,948

Attachment 6

FY 2009-10 BUDGET ADJUSTMENTS

TRANSFERS BETWEEN ACCOUNTS WITHIN DEPARTMENTS AND FUNDS

DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Bureau of Sanitation	Fund 100/82, Bureau of Sanitation 1010, Salaries General	\$ 50,000	Fund 100/82, Bureau of Sanitation 1090, Salaries Overtime	\$ 50,000
TOTAL ALL DEPARTMENTS AND FUNDS		\$ 50,000		\$ 50,000

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

DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
General Services	Fund 503/46, 2007 UASI Homeland Security Grant		Fund 100/46, Mayor	\$ 599,292
	E708, UASI 07 Grant Mgmt and Administration	\$ 778,920	Account 1020, Salaries, Grant Reimbursement	\$ 179,658
			Account 4681, Related Costs Reimbursement	\$ 778,920
			Subtotal	\$ 1,808,469.44
General Services	Fund 45E/40, Energy Conservation Loan Fund		Fund 100/40, General Services	\$ 100,000
	RSC 4551, Miscellaneous Revenues	\$ 1,808,469.44	Account 1074, Construction Salaries	\$ 650,000
			Account 1101, Hiring Hall Salaries, Construction	\$ 292,500
			Account 1121, Hiring Hall, Construction Fringe Benefits	\$ 50,000
			Account 1191, Hiring Hall, Construction Overtime	\$ 716,959
		Account 3180, Construction Materials	Subtotal \$ 1,808,469.44	
Public Works/Bureau of Sanitation	Fund 417/49, Mellon Picture Coordination Fund		Fund 100/40, General Services	\$ 32,665
	2000, GSD - Security Services	\$ 32,665.35	1090, Salaries Overtime	\$ 32,665
Solid Resources Programs	Fund 559/50, Integrated Solid Waste Management Fund		Fund 508/50, Solid Waste Resources Revenue Fund	\$ 1,570
	E500, Beverage Container Recycling	\$ 1,570	RSC 4551, Miscellaneous Revenues	\$ 1,570
TOTAL ALL DEPARTMENTS AND FUNDS				\$2,622,614.79

Attachment 8

FY 2008-09 BUDGET ADJUSTMENTS
 APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE

APPROPRIATE FROM:	APPROPRIATE TO:	AMOUNT
100/58, Unappropriated Balance	100/14, City Clerk	
0075, Neighborhood Council Elections	1070, Salaries As-Needed	\$ 1,085,000
	1090, Salaries Overtime	450,000
	4170, Elections Expense	370,000
	Subtotal	\$ 1,905,000.00
0251, Workplace Violence Prevention Training	100/66, Personnel	
	3040, Contractual Services	\$ 150,000
0243, Bank Fees	100/96, Treasurer	
	4040, Bank Services Fees	\$ 2,500,000
TOTAL APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE		\$ 4,555,000

SPECIAL PURPOSE FUND SCHEDULES

SCHEDULE 3

**FORFEITED ASSETS TRUST FUND OF THE
POLICE DEPARTMENT**

Section 5.115 of the Los Angeles Administrative Code establishes the Forfeited Assets Trust Fund of the Police Department. This Fund receives monies forfeited in connection with various Federal and State violations and awarded to the City pursuant to Title 21 United States Code Section 881, California Health and Safety Code Section 11489, or any other Federal or State statute relating to forfeited assets. All monies received from the State and Federal Governments under those statutes are deposited in separate accounts within this Fund. A Supplemental Police Account is established within the Fund in the amount of \$1,500,000 to be administered by the Chief of Police in accordance with an expenditure plan approved by the Mayor and City Council. Both State and federal laws require that these forfeited assets be used to enhance law enforcement resources and not to supplant resources which would have been committed to this purpose in their absence.

Actual 2007-08	Estimated 2008-09	Budget 2009-10
UNITED STATES DEPARTMENT OF JUSTICE FUNDS		
44D		
\$ 8,395,511	\$ 12,661,283	
\$ 8,395,511	\$ 12,661,283	
5,227,993	2,497,710	
493,868	367,261	
\$ 14,117,372	\$ 15,526,254	
REVENUE		
		\$ 13,007,254
		9,441,934
		\$ 3,565,320
		--
		--
		\$ 3,565,320
EXPENDITURES		
\$ --	\$ --	
--	23,000	
--	395,000	
1,202	5,000	
--	--	
30,568	--	
647,514	--	
776,805	878,000	
--	1,218,000	
\$ 1,456,089	\$ 2,519,000	
APPROPRIATIONS		
Special Purpose Fund Appropriations:		
		\$ 481,318
		--
		24,470
		--
		--
		--
		1,500,000
		1,559,532
		\$ 3,565,320
UNITED STATES TREASURY DEPARTMENT FUNDS		
44E		
\$ 23,507	\$ 64,958	
\$ 23,507	\$ 64,958	
39,481	--	
1,970	1,516	
\$ 64,958	\$ 66,474	
REVENUE		
		\$ 28,474
Less:		
		28,474
		\$ --
		--
		--
		\$ --
EXPENDITURES		
\$ --	\$ 23,000	
--	15,000	
--	--	
\$ --	\$ 38,000	
APPROPRIATIONS		
Special Purpose Fund Appropriations:		
		\$ --
		--
		--
		\$ --

SPECIAL PURPOSE FUND SCHEDULES

SCHEDULE 3

FORFEITED ASSETS TRUST FUND OF THE POLICE DEPARTMENT (continued)

Actual 2007-08	Estimated 2008-09	Budget 2009-10
44F		
\$ 5,178,063	\$ 6,546,628	
\$ 5,178,063	\$ 6,546,628	
1,752,919	1,881,000	
291,349	187,000	
792	--	
\$ 7,223,123	\$ 8,614,628	
EXPENDITURES		
\$ 1,987	\$ --	
366,717	69,000	
6,118	812,000	
301,673	304,000	
--	--	
--	--	
--	458,000	
--	1,026,000	
\$ 676,495	\$ 2,669,000	
\$ 804,852	\$ 965,891	
308,300	--	
51,415	--	
\$ 1,164,567	\$ 965,891	
EXPENDITURES		
\$ 198,676	\$ --	
--	199,000	
--	--	
\$ 198,676	\$ 199,000	
\$ 20,238,760	\$ 19,748,247	
STATE OF CALIFORNIA FUNDS		
REVENUE		
Cash Balance, July 1.....		\$ 5,945,628
Less:		
Prior Year's Unexpended Appropriations.....		3,902,903
Balance Available, July 1.....		\$ 2,042,725
Receipts.....		--
Interest.....		--
Other.....		--
Total Revenue.....		\$ 2,042,725
APPROPRIATIONS		
General Services Department.....		\$ --
Special Purpose Fund Appropriations:		
Document Imaging System.....		--
Replacement Technology.....		457,957
Supplemental Police Account.....		--
Hydra/Minerva Suite Buildout.....		68,000
Gang Intervention Programs.....		105,765
Equipment for New and Replacement Facilities.....		171,375
Black and White Vehicles.....		1,239,628
Total Appropriations.....		\$ 2,042,725
STATE SET-ASIDE FUNDS		
REVENUE		
Cash Balance, July 1.....		\$ 766,891
Receipts.....		--
Interest.....		--
Total Revenue.....		\$ 766,891
APPROPRIATIONS		
Community Development Department.....		\$ --
Mayor.....		198,676
Special Purpose Fund Appropriations:		
Gang Intervention Programs.....		568,215
Total Appropriations.....		\$ 766,891
TOTAL FORFEITED ASSETS FUNDS		
Ending Balance.....		\$ --

Attachment 10

Status of Fee Increases Funding the 2009-10 Budget

General Fund

Department	Type of Fee	Proposed Change	Proposed Implementation Date	Effective Date	Notes
Building and Safety	Non-compliance fee	Increase the fee, net revenue change is \$880,000.	10/01/2009		Increase non-compliance fee for citations and other orders related to code violations. The first reading of the ordinance was on 9/1 and passed; the second reading is on 9/8 (there were not 12 members on 9/1). It will go into effect 30 days after the Mayor signs it, likely by mid Oct.
Fire	Film Spot Check Fee	Increase to \$126 per permit, net revenue change is (\$181,000) due to subsidy.	10/01/2009		Film Spot Check fee to be increased to \$126 per permit. The incremental difference above the current \$85 fee will be waived to support new film production in Los Angeles. Instruct LAFD and CAO to report back in 6 months on: number of permits granted for single site and multiple site inspections; recommended adjustments to the waiver for achieving cost recovery based on location data; and an analysis of the impact on overall filming activity.
Fire	Brush Clearance Initial Inspection	Increase fee, net revenue change is \$1,410,000.	10/01/2009		Fee increase on hold due to lack of staff. No projected start date at this time.
Fire	Brush Clearance Re-inspection	Increase fee, net revenue change is \$650,000.	10/01/2009		Fee increase on hold due to lack of staff. No projected start date at this time.
Fire	Industrial Building Inspection	Increase fee, net revenue change is \$1 million.	10/01/2009		Fee increase on hold due to lack of staff. No projected start date at this time.
Planning	Planning fees	Nine months revenue collections are \$6 million	10/1/2009		Based on comprehensive fee study. Fee ordinance approved August 14, 2009 with an expected implementation date of October 4, 2009. Planning's customer base has made an argument that the waiting period is 60 days, not 31 days. Department is waiting for ruling by the City Attorney. If the customer base is correct, the effective date will be November 3, 2009.
Engineering	Various fee increases	Net revenue change is \$100,000.	7/1/2009	7/11/2009	Board of PW to take necessary action to increase various Engineering fees.
Treasurer	Purchasing card	Net revenue change is \$121,000.	7/1/2009	7/1/2009	Recognize additional revenues from the Treasurer's Purchasing Card Rebate Program