

TO THE COUNCIL OF THE  
CITY OF LOS ANGELES

Your **BUDGET AND FINANCE** Committee

reports as follows:

BUDGET AND FINANCE COMMITTEE MAJORITY REPORT relative to the Mid-Year Financial Status Report and Three-Year Plan to Fiscal Sustainability.

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

1. APPROVE the recommendations contained in the City Administrative Officer's (CAO) Mid-Year Financial Status Report with the following changes and amendments:
  - a. DELETE Recommendation No. 45 relative to the elimination of 1,000 General Funded positions. **(Huizar-Koretz-Rosendahl)**
  - b. DELETE Recommendation No. 47 relative to the elimination of the Department on Disability. **(Huizar-Koretz-Rosendahl)**
  - c. DELETE Recommendation No. 50 relative to modifying the funding of the Neighborhood Empowerment Program.
  - d. DELETE Recommendation No. 52 relative to instructing the Bureau of Engineering to reassign one CD 14 Neighborhood City Hall Renovation position to a special-funded assignment and transfer savings of \$14,701 from the Bureau of Engineering Fund No. 100/78, Account No. 1010, Salaries, General Account to the UB 100/58, Account No. 0037, Reserve for Economic Uncertainty.
  - e. DELETE Recommendation No. 59 relative to the transfer of \$10,000,000 from the Unappropriated Balance (UB) Fund 100/58 from AB1290 Account 0242 to the Reserve for Economic Uncertainty Account 0037.
  - f. AMEND Recommendation No. 62 relative to directing all General Managers to negotiate with existing personal services contractors to seek a 10 percent reduction in contract rates, including consideration of exercising termination clauses for contracts where rate reductions are not granted, to include that the City Attorney be included, for consistency, in the discussions with contractors.
  - g. DELETE Recommendation No. 68 relative to a transfer of appropriations of \$200,000 from the UB, Fund No. 100/58, Account No. 0250, Public-Private Partnership Parking (Special Parking Revenue Fund Source) to the Capital Finance Administration Fund No. 100/53, General Administration Account No. 0170, for expenditures related to the engagement of consultants to complete a study of the City's meter system.

- h. REPLACE Recommendation No. 69 as follows:
  - i. ADOPT a 30 percent subsidy for the Solid Resources Lifeline Rate Program, in line with the subsidy program provided by the Department of Water and Power. Participants must prove eligibility every two years and the subsidy amount would be reviewed every five years; and,
  - ii. REQUEST the City Attorney to prepare and present the necessary ordinance requirements to effectuate this change.
- 2. SUBMITS WITHOUT RECOMMENDATION the following recommendation of the CAO:

Eliminate the Human Services Department as follows:

  - a. AUTHORIZE the CAO, with the assistance of other departments, to eliminate the Human Services Department by June 30, 2010;
  - b. REQUEST the City Attorney to update the Ordinances related to the Commission for Children, Youth and Their Families, the Commission on the Status of Women and the Human Relations Commission to eliminate the three departments and to place the volunteer Commissions in abeyance by June 30, 2010; and,
  - c. AUTHORIZE the CAO, with the assistance of other departments, to transfer the KidWatch, YWAR and Joy Picus Child Care Center functions to other departments.
- 3. INSTRUCT the CAO to provide a more comprehensive report which provides budget balancing options which do not exempt any department, including elected offices
- 4. INSTRUCT the Department of Animal Services to report back to the Council relative to efforts to increase animal registration.
- 5. INSTRUCT the CAO to:
  - a. Report back to the Council relative to ensuring that staffing is available in the Los Angeles Fire Department (LAFD) to maintain the LAFD fleet if Municipal Improvement Corporation of Los Angeles (MICLA) funding is not provided to purchase new vehicles/equipment;
  - b. Monitor the status of LAFD's submission of information necessary for preparation of an Ordinance by the City Attorney relative to the Industrial Inspection Fee.
- 6. INSTRUCT the CAO, with the Los Angeles World Airports and the Harbor Departments, to report back to the Council relative to reassigning General Funded employees to the Proprietary Departments. The report should provide detail on all contracts with positions such as engineering, clerical and administrative support which may be appropriate for displaced City staff.
- 7. REQUEST the Office of the Mayor to assist in obtaining compliance with the Fleet Reduction Program in order to address a \$5.5 million shortfall in the Department of General Services'

Fleet Reduction Program.

8. REQUEST the General Manager of the Los Angeles City Employees' Retirement System to report to the Council relative to whether additional staffing could be utilized to expedite processing of ERIP participants.
9. APPROVE the recommendations contained in the CAO's Three-Year Plan to Fiscal Sustainability with the following changes and amendments:
  - a. DELETE Recommendation No. 14 relative to the Solid Resources Lifeline Rate Program.
  - b. AMEND Recommendation No. 15a to delete the words "Reserve for Economic Uncertainties Account."
  - c. DELETE Recommendation No. 20a, b, and c; RETAIN Recommendation No. 20d.
  - e. RECEIVE and FILE Recommendation No. 24 relative to a transfer of \$200,000 from the UB, Fund No. 100/58, Account No. 0250, Public-Private Partnership Parking, to the Capital Finance Administration Fund No. 100/53, General Administration Account NO. 0170, for expenditures related to the engagement of consultants to complete a study of the City's parking meter system.
  - f. RECEIVE and FILE Recommendation No. 25 relative to the Parking Structure Proposal inasmuch as this matter has been addressed by the Council under Council file 10-0139-S1.
  - g. AMEND Recommendation 27b as follows:

Request the Los Angeles Convention Center (LACC) and Los Angeles Convention and Visitors Bureau (LA, Inc.) to collaborate to better align the sale and marketing of the LACC and propose options to maximize returns.
10. INSTRUCT the Cultural Affairs Department to issue a Request for Proposals (RFP) within 90 days for partnership agreements to operate the Barnsdall, Madrid and Warner Grand theater facilities to begin no later than July 1, 2010 and to operate the Vision Theater upon completion of its renovation.
11. INSTRUCT the Cultural Affairs Department to issue an RFP within 90 days for partnership agreements to operate the Barnsdall Art Center, Barnsdall Junior Art Center and William Grant Still Arts Center to begin no later than July 1, 2010.
12. INSTRUCT the CAO to research and identify four City departments each year beginning Fiscal Year 2012-13 for true zero-based budgeting.

Fiscal Impact Statement: The CAO reports that the 2009-10 Budget deficit is now estimated at \$218.5 million, which reflects an additional \$110.6 million decline in revenue from the reported shortfall in the Second Financial Status Report, as well as an additional reduction of \$10 million in revenue from AB1290 funds. The new projected revenue shortfall is now \$195.9 million. The

current Reserve Fund balance is estimated at \$170.9 million (consisting of \$121 million in the Emergency Reserve Account and \$49.9 million in the Contingency Reserve Account), which includes proposed Reserve Fund loans and transfers. Transfers, appropriations and other adjustments totaling approximately \$112.5 million are recommended in Sections 1 and 2 of the CAO report, which includes a total of \$30.8 million in proposed transfers from departmental surpluses to the Reserve for Economic Uncertainty.

Additional budgetary adjustments totaling approximately \$5 million are recommended in Section 3 of the CAO's report. Recommendations include \$3.9 million in additional transfers to the Reserve for Economic Uncertainty, which would reduce the Budget deficit to \$214.6 million. Budgetary transactions for other proposed recommendations in Section 3 of the CAO's report will be contained within future reports. The total of all recommended budgetary adjustments in this report is \$117.5 million.

At this time, the Reserve Fund Balance is estimated to be \$17.5 million at year-end, which assumes approval of all recommended actions in this report and the anticipated increases to the Reserve Fund.

Community Impact Statement: Yes: Eagle Rock Neighborhood Council

## SUMMARY

At its meeting of February 1, 2010, the Budget and Finance Committee considered the CAO's reports relative to the Mid-Year Financial Status Report (FSR) and the Three-Year Plan to Fiscal Sustainability. The CAO's reports recommend actions to address a budget crisis unlike any crisis the City has ever experienced. Accounting for a revenue shortfall now projected to be \$110.6 million below the prior estimate, for a revised total revenue shortfall of \$185.6 million, the overall projected deficit is now \$208.5 million. The FSR recommends mitigating measures such as position reductions, contract reductions of 10 percent, sweeping all available funds and other measures to reduce the deficit. The CAO reports that even with adoption of these mitigation efforts, the City will have to dip into the Reserve Fund to offset the remainder of the deficit.

The FSR and Three-Year Plan to Fiscal Sustainability provide an update of the City's current financial position, steps needed to address the budget deficit, balance the budget in the current Fiscal Year, strengthen the City's credit rating, and restore the City's long-term fiscal health and sustainability.

During the Committee discussion, the CAO was instructed to provide for the Council discussion of this matter options which do not exempt any department, including elected offices. The Committee expressed concern that balancing the City's budget while only looking at approximately 30 percent of the total City Budget is not practical. The CAO was additionally instructed to provide additional information for the Council discussion relative to the Neighborhood Council election funding, updated information relative to the budget of the Office of the City Attorney, clarification on the elimination of the Environmental Affairs Department (EAD) and transfer of EAD positions into other City departments and how accountability for the functions performed by EAD would be maintained. Committee members Koretz, Huizar and Rosendahl expressed concerns relative to the recommendations to eliminate the Human Services Department, the Department on Disability and the elimination of 1,000 positions, which resulted in Minority and Majority Committee Reports. Additionally, the Committee submitted without recommendation the CAO recommendation relative

to the elimination of the Human Services Department.

Following a lengthy public comment period and Committee discussion, the recommendations contained in this Majority report reflect the actions taken by the Committee following votes taken on several issues. 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

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**-NOT OFFICIAL UNTIL COUNCIL ACTS-**