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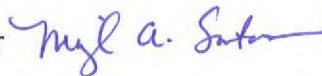
OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: November 13, 2009

CAO File No. 0116-00001-0000
Council File No. 09-0600 -5157
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



Reference: 2009-10 Budget

Subject: **SECOND FINANCIAL STATUS REPORT**

SUMMARY

The Office of the City Administrative Officer (CAO) monitors the budget and transmits periodic reports to the Mayor and Council detailing the City's current financial condition. As instructed in the 2009-10 Budget, this Office is transmitting the Second Financial Status Report (FSR) for this fiscal year. This report provides an update on current year revenues and expenditures reported in the First FSR and provides a forecast on future General Fund revenue and expenditures. In addition, the report summarizes key issues affecting the City's budget and provides recommendations totaling \$90.8 million for appropriations, transfers and other budgetary adjustments for departments, as well as a recommendation to freeze spending in departmental overtime accounts.

Since details concerning the implementation of departmental operational plans and departmental savings resulting from recent of union agreements were not yet finalized at the time this report was produced now was an updated estimate of the ERIP savings available, we were unable to accurately quantify departmental surpluses or deficits and the resulting impact to the City budget. For this reason, an update on the status of the budget reflecting expenditures-to-date is not provided in this report. Once the final form of departmental operational plans is determined, we will be able to better assess the state of the City budget and provide a report in the next Financial Status Report.

The Four-Year Outlook included in this report reflects a remaining overall City Budget Shortfall of \$98.1 million in the current year and outstanding \$ 408 million deficit for next fiscal year. Therefore in the coming months, this Office will continue to submit budget balancing options for your consideration.

2009-10 Budget Deficit

As reported in the 2009-10 Budget Balancing Operational Plan report released by the Offices of the CAO and Chief Legislative Analyst (CLA) on September 11, 2009, the projected budgetary shortfall for 2009-10 was \$405 million (C.F. No. 09-0600-S142). The shortfall consisted of: 1) the \$320 million Shared Responsibility and Sacrifice (SRS) savings, as specified in the 2009-10 Budget; 2) an increase of \$10 million due to the delay in implementing measures to reduce salary expenditures; and 3) a \$75 million shortfall in revenue receipts.

Measures taken by the City to reduce the deficit include mandatory furloughs of employees represented by the Engineers and Architects Association (EAA) and the implementation of the Modified Deployment Plan (MDP) in the Fire Department, which together are estimated to produce approximately \$73.0 million in savings. Additional savings of approximately \$187.6 million are estimated with the implementation of the Early Retirement Incentive Program (ERIP) and the agreements with the Coalition of the City Unions (Coalition) and the Los Angeles Police Protective League (LAPPL), as approved by Council on October 30, 2009 (C.F. Nos. 09-1320, 09-2624, and 09-2629). These savings reduce the estimated deficit to \$144.6 million.

The City is currently pursuing negotiations with other City unions to identify further savings. Combined with new and previously identified solutions, additional savings are estimated at \$46.5 million, reducing the estimated budget shortfall to approximately \$98.1 million. (See Table 1.) This Office will work in collaboration with departments to review the operational plans and make necessary adjustments to produce targeted savings.

Table 1. 2009-10 Budget Status *

(\$ millions)	
2009-10 Beginning Budget Shortfall	\$ 405.2
Early Retirement Incentive Program	(47.2)
Coalition of City Unions Agreement	(77.5)
Los Angeles Police Protective League Agreement	(62.9)
Fire Modified Deployment Plan and Other Savings	(39.0)
Engineers and Architects Association Furloughs	(34.0)
Health Benefits Fund Savings	(8.0)
Police Department Savings	(14.5)
Other Potential Budget Balancing Solutions	(24.0)
2009-10 Budget Shortfall, Less Budget Balancing Solutions	\$ 98.1

* All figures are estimates

Revenue

In the First FSR, it was estimated that General Fund revenue would fall \$75 million below budget. A large part of this projected shortfall is from a reduced transfer from the Special Parking Revenue Fund. A majority of the transfer was to be financed with the sale of property; however, that sale is no longer anticipated to occur this fiscal year. In addition, two economy sensitive revenues, the sales and hotel taxes, were revised downwards. The budget anticipated the sales tax would decline by 2.5

percent, but recent results suggest that a decline of 7.0 percent is more likely. The budget anticipated a 4.5 percent decline in hotel taxes, but this account appears to be heading for a 7.0 percent decline as well. The utility users' taxes were budgeted to increase by 3.1 percent based upon rate increases and the broadening of the telephone tax base, but the recent pattern of receipts suggests slower growth of 1.7 percent.

These revisions were made based upon updated economic and industry statistics and with preliminary September City receipts. With final September receipts now available, there is no compelling reason to further adjust General Fund revenue estimates at this time. Reports that economic growth is returning are tempered by reports that the unemployment rate has not yet peaked, and will not until February 2010. A recent article in the Wall Street Journal reported that it only took 14 months for the national unemployment rate to rise from 5.8 percent to its current level of nearly 10 percent, but the consensus of economists is that it will take four years to return to its former level of less than 6 percent. Employment is one of the most important factors affecting the City's tax base. Because of continuing job losses, return of the City's economy-sensitive revenues to their 2007-08 level can be expected to take several more years.

Additional information concerning General Fund receipts through September and trends for the sales, documentary transfer, and utility taxes is provided on the attached table and charts (Attachments 1-a through 1-f).

Budget-Balancing Efforts

The 2009-10 Budget contains a \$320 million reduction in General Fund appropriations to be addressed through SRS savings. As reported in the Operational Plan report, this deficit grew by \$10 million to \$330 million due to the delay in implementing measures to reduce salary expenditures. To date, the City has implemented twenty-six mandatory furlough days for over 7,500 civilian employees, estimated to save \$34 million, and the MDP for the Fire Department, estimated to save \$39 million. The combined savings from these previous actions total \$73 million. It should be noted that the Fire Department reports that approximately \$3.7 million in MDP savings may not be realized due to the delay in its implementation, as well as the increased expenditures in response to recent major emergencies.

Since the First FSR, \$187.6 million in additional savings have been identified. On October 30, 2009, Council approved the ERIP and new agreements with the Coalition and LAPPL, which are estimated to provide \$47.2 million, \$77.6 million and \$62.9 million in savings, respectively. Together with previously implemented measures, total savings are estimated at \$257 million. The City, other non-Coalition unions, and departments continue to work to identify additional savings.

Voluntary Furloughs

As of October 31, 2009, approximately \$904,000 in savings has been achieved across City departments through voluntary furloughs. However, it is estimated that only 53 percent of this amount, approximately \$490,000, represents General Fund savings. We will report back on the progress of the voluntary furlough program in subsequent FSRs.

Reserve Fund

In the First FSR, the Reserve Fund balance was reported at \$133 million. After accounting for approximately \$8 million in new receipts and other adjustments and \$19 million in new and proposed loans and transfers, the Reserve Fund balance is estimated to be \$122 million, consisting of \$121 million in the Emergency Reserve account and \$1 million in the Contingency Reserve account (Attachment 2). The greatest impact on the Contingency Reserve is the proposed \$18.5 million loan for liability claims settlements, which would be repaid upon the issuance of Judgment Obligation Bonds. A motion for an additional \$13 million transfer to cover a portion of the Fire Department's Shared Responsibility and Sacrifice reduction has been proposed (C.F. No. 09-1861); however, due to the status of the Reserve Fund, the transfer is not recommended (Recommendation No. 37).

This Office continues to review prior-year encumbrances and loans to identify General Funds for reversion to the Reserve Fund. Additionally, this Office through a separate report is recommending a transfer from the Special Parking Revenue Fund of \$39 million to the Reserve Fund. The Treasurer is also in the process of escheating over \$28 million from the Fire Hydrant Installation and Main Replacement Fund to help increase the Reserve Fund further. Efforts to increase the Reserve Fund balance will be critical, as it is likely that transfers will be required at year-end to offset any remaining budget shortfalls.

Four-Year Outlook

Attachment 3 provides a summary of the current Four-Year Budget Outlook, reflecting incremental changes to General Fund revenue and expenditures from the 2008-09 base year, along with their cumulative effect on the budget deficit. The Outlook provided in the 2009-10 Budget Balancing Operation Plan report reflected a \$405 million shortfall in the current year and \$821 million in 2010-11. The remaining 2009-10 budget gap is now estimated at \$98 million, a reduction of approximately \$307 million after accounting for the Coalition and LAPPL Agreements; non-represented employee salary reductions; Los Angeles City Employee's Retirement System (LACERS) market corridor expansion; civilian salary and benefit savings due to ERIP; and other anticipated actions as delineated in the Outlook's footnotes. The 2010-11 budget deficit is estimated at \$408 million, reduced by \$413 million from \$821 million deficit reported in the Operational Plan report, primarily due to ongoing savings from the LACERS market corridor expansion and 2009-10 budget-balancing measures. **Even with the reduction of the projected deficit, \$408 million remains a significant challenge for the City to mitigate in 2010-11.**

Issues of Concern

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

Liability Claims: The First FSR for 2009-10 previously reported that only \$7.5 million remains in the City Attorney's liability claims account for claims over \$100,000. At that time, the potential year-end

shortfall was estimated at \$88.9 million, which would be reduced to \$5.1 million with the issuance of Judgment Obligation Bonds (JOBs). The revised estimated shortfall is \$84.6 million (\$5.0 million for claims between \$100,000 but less than \$1 million and \$79.6 for claims over \$1 million), which reflects potential new settlements identified in August, September and October. Assuming all claims over \$1 million would be paid through a future JOB issuance, the resulting shortfall is \$5.0 million. As Council has provided authority for a JOB issuance up to \$50 million, additional authority will be requested later in the year.

Solid Waste Fee Lifeline Program: As reported in the First FSR, with 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. Updates on Lifeline exemptions and any necessary transactions and recommendations will be provided in a future report.

Department Salary Accounts: Budget reductions from SRS will be absorbed through budget-balancing items discussed in this report. This Office will work with departments to determine any remaining budget gaps and report back in subsequent FSRs with additional budget-balancing options.

Animal Services and Fire Department Salary Liability: A pending lawsuit settlement may require that the Fire Department pay up to \$5 million in back pay for sworn personnel. The Animal Services Department is facing a much smaller liability of \$37,000 due to a disparity in class, in salary dispute.

State Budget Update

We have previously reported on the impact of the State Budget on the City's property tax and highway users tax revenues, as well as on redevelopment funding administered by the Los Angeles Community Redevelopment Agency. Below is a brief summary and update on recent State actions.

Proposition 1A Securitization: The State Budget authorizes the State to borrow eight percent of the property tax due to cities, counties and special districts in 2009-10, pursuant to the passage of Proposition 1A in November 2004. The City's share of property tax is \$119.9 million, which is based on its 2008-09 allocation. Local agencies were given the option to either hold the Proposition 1A loan or to sell the loan for an upfront payment from the California Statewide Communities Development Authority (CSCDA), a joint powers authority (JPA) offering a Statewide Proposition 1A securitization program. Council approved the City's participation in the securitization program on October 30, 2009 (C.F. No. 09-0600-S147).

Senate Bill 67, signed on October 19, 2009, provided for an accelerated securitization schedule to avoid delays in payments. The CSCDA sold bonds to investors on November 10, 2009 at a yield of four percent. Bond closing will be November 19, 2009. Bonds are secured by the State's repayment of the Proposition 1A loans, and proceeds from the bond sale will be used to pay each local agency's share of the allocation, including all costs of issuance. Fifty percent of the proceeds will be distributed to local agencies on January 15, 2010, and the remaining fifty percent on May 3, 2010.

For local governments that opt to hold the loan, the State Department of Finance set the interest rate at two percent for the repayment of Proposition 1A, with both the loan and interest to be repaid by June 30, 2013.

Gas Tax and Proposition 42 (transportation): Cashflow has been adversely affected by the State Budget's postponement of Highway Users (Gas) Tax monthly transfers and Proposition 42 quarterly transfers, totaling \$31.4 million and \$16.6 million, respectively. To address this issue, the State approved the use of Proposition 1B infrastructure bond funds from prior and current State budgets to backfill deferred Proposition 42 payments, which are delayed until May.

On October 19, 2009, the Governor signed Senate Bill 65, which extended the use of Proposition 1B funds for Gas Tax payments and revised the Gas Tax transfer schedule to improve cash flow. The City has received transfers totaling approximately \$22.0 million for the period of July through October. Under the revised schedule, transfers for November through March will be delayed until April.

Redevelopment Funding Shift: To offset State General Fund spending on education and other programs, the State Budget requires all redevelopment agencies to make payments totaling \$2.05 billion over a two-year period to the Supplemental Education Revenue Augmentation Fund (SERAF), consisting of \$1.7 billion in 2009-10 and \$350 million in 2010-11. The impact of the SERAF 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: \$70.8 million in 2009-10 and \$14.6 million in 2010-11.

The State passed a similar provision to seize \$350 million in redevelopment funding in order to fund State obligations in 2008-09. In response, the California Redevelopment Association filed a lawsuit challenging the provision (*CRA v. Genest*). In April 2009, a Sacramento Superior Court ruling found the 2008-09 provision to be in violation of the State Constitution, which states that redevelopment tax increment funds can only be used for specified redevelopment activities. The State has only recently abandoned its appeal.

While wording in the 2009-10 budget provision has been altered, the California Redevelopment Association filed a lawsuit on October 20, 2009, holding that the 2009-10 provision is also unconstitutional. A ruling will be sought before the first payment becomes due in May 2010. The CRA/LA has identified funding and projects that will be placed on hold to make the SERAF contribution and presented its recommendations to the CRA/LA Board on November 5, 2009, which will be forwarded to the Council for review and approval.

Budgetary Adjustments

Budgetary adjustments totaling approximately \$90.8 million are recommended in this report. Included in the recommendations is a transfer of \$45 million to offset the deficit in the Police Department's Sworn Salaries account, using sworn overtime savings resulting from the new LAPPL agreement. Three reappropriations from the Reserve Fund totaling approximately \$911,000 are recommended to restore matching funds to the Cultural Affairs Department, to complete purchases for new Police

Department facilities, and to pay for audit services rendered for the Controller's Office in 2008-09. This report also recommends that Council approve the use of \$8.86 million in Municipal Investment Corporation of Los Angeles (MICLA) funds provided in the 2009-10 Budget for Information Technology Agency projects as no other special funding sources are available. Additional transactions include:

- \$1.20 million in new appropriations;
- \$4.51 million for additional transfers between accounts within various departments and funds;
- \$26.3 million for additional transfers between departments and funds, including:
 - \$15.3 million in MICLA front-funding for the American Recovery and Reinvestment Act transferred to the Bureau of Street Services;
 - \$584,000 transferred to the General Service Department and the Information Technology Agency from prior-year MICLA funds;
 - \$280,000 transferred from the Unappropriated Balance (see Attachments 4-a and 4-b for the status of the Unappropriated Balance);
 - \$10.2 million in other transfers;
- \$1.32 million in special fund reappropriations; and
- \$2.69 million in miscellaneous transactions.

In conjunction with the recently approved Coalition agreement, it is recommended that departments be directed to cease spending approximately \$28.6 million in uncommitted funds in department overtime accounts, with the exception of cash pay outs mandated by Memoranda of Understanding between the City and labor organizations or the Administrative Code. Other use of overtime by departments should be authorized by Council on a case-by-case basis. Recommendations to transfer overtime balances will be contained within a subsequent report.

Additional Details

- 1-a Fiscal Year 2009-10 General Fund Receipts
- 1-b Change in City Sales Tax Allocation by Quarter
- 1-c Documentary Transfer Tax, 12-month Moving Sum
- 1-d Electric Users' Tax, 12-month Moving Sum
- 1-e Gas Users' Tax, 12-month Moving Sum
- 1-f Telephone Users' Tax, 12-month Moving Sum
- 2 Current Status of the Reserve Fund
- 3 Four-Year Outlook
- 4-a Status of the Unappropriated Balance-General Account
- 4-b Status of the Unappropriated Balance-non General Accounts
- 5 New Appropriations
- 6 Transfers between Accounts within Departments and Funds
- 7 Transfers between Departments and Funds
- 8 Appropriations from the Unappropriated Balance
- 9 Status of Departmental Overtime Accounts
- 10 Employment Level Report
- 11 Status of Fee Increases in the 2009-10 Budget

RECOMMENDATIONS

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

1. Appropriate \$841,366.28 to accounts as specified in Attachment 5;
2. Transfer \$4,508,781.35 between accounts within various departments and funds as specified in Attachment 6;
3. Transfer \$23,422,209.81 between various departments and funds as specified in Attachment 7;
4. Appropriate \$280,000 to the Fire Department from the Unappropriated Balance as specified in Attachment 8;
5. Direct departments to cease all expenditures in Salaries, Overtime (refer to Attachment 9) except for cash payouts mandated by Memoranda of Understanding with labor organizations or the Administrative Code, unless otherwise authorized by Council;

Community Development

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

- a. Establish new accounts and appropriate \$429,087 within the Enterprise Zone Tax Credit Fund No. 48L/22 from the available cash balance as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
F122	Community Development	\$282,434
F299	Related Costs	<u>146,653</u>
	Total	\$429,087

- b. In accordance with the above recommendation, appropriate \$282,434 from the Enterprise Zone Tax Credit Fund No. 48L/22, Account F122, Community Development, to various accounts within CDD Fund No. 100/22 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries, General	\$250,736
6010	Office and Administrative	1,000
6030	Rent and Parking	<u>30,698</u>
	Total	\$282,434

7. Approve the following actions to allow the CDD to reimburse the General Fund for administrative expenses related to Workforce Investment Act (WIA) - American Reinvestment and Recovery Act (ARRA) activities:

- a. Transfer \$533,825 within WIA - ARRA Fund No. 51G/22, from Account No. F279, WIA-Rapid Response – ARRA, to the following accounts:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
F122	Community Development	\$484,842
F299	Related Costs	<u>48,983</u>
	Total	\$533,825

- b. In accordance with the above recommendation, appropriate \$484,825 from CDD WIA - ARRA Fund No. 51G/22, Account F122, Community Development, to various accounts within CDD Fund No. 100/22 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries, General	\$ 83,746
3040	Contractual Services	200,000
6010	Office and Administrative	30,000
6020	Operating Supplies	167,292
6300	Rent and Parking	<u>3,804</u>
	Total	\$484,842

8. Transfer expenditures from WIA Fund No. 44A/22 to WIA-ARRA Fund No. 51G/22 in an amount not-to-exceed \$2,500,000 upon proper demand of the General Manager CDD, or designee, to move expenditures into the correct fund;

9. Transfer expenditures from L.A. Hope Fund No. 48D/22 to WIA Fund No. F44A/22 in an amount not-to-exceed \$7189.98 upon proper demand of the General Manager CDD, or designee, to reimburse expenditures previously paid by WIA;
10. Authorize CDD and the Controller to change the title of Fund No. 51J from "Department of Education – Youth Program" to "Department of Education – Improvement of Education Program" to appropriately describe the receipts and disbursements to be tracked in this fund;

Controller

11. Transfer \$774,000 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to Fund No. 100/56, Account 0506, Annual City Audit/Single Audit to complete payment for audit services performed in 2008-09;

Council

12. Appropriate \$150,000 within the Central Los Angeles Recycling and Transfer Station Fund No. 47S/14 to new Account No. F128, entitled "Council" from the available cash balance; and appropriate therefrom to Council Fund No. 100/28, Account No. 1070, Salaries As-Needed;

Cultural Affairs

13. Reappropriate funds totaling \$59,038 in Cultural Affairs Fund No. 100/30 from the unencumbered 2008-09 balance of Account 9832, entitled "Matching Grant Program" into the same account for the Cultural Exchange International Program;

El Pueblo

14. Instruct El Pueblo to prepare the necessary documents to repay \$103,000 of its outstanding \$418,465 Reserve Fund Loan from available cash within the El Pueblo Historical Monument Fund No. 737/33;

Fire

15. Direct the Fire Department to identify alternate savings to offset unrealized savings originally expected from the Modified Deployment Plan and report back with recommendations;

Housing

16. Authorize the Controller to decrease appropriations by \$365 within Federal Emergency Shelter Grant Fund No. 517/43, Account No. F299, Related Costs to reflect the final entitlement award from the U.S. Department of Housing and Urban Development for the Emergency Shelter Grant (ESG);
17. Authorize the Controller to increase appropriations in the amount of \$27,462 within Housing Opportunities for Persons with AIDS (HOPWA) Fund No. 569/43, Account F143, Housing, and correspondingly increase appropriations by a like amount in Housing Department Fund 100/43, Account 1010, Salaries General to reflect the final entitlement award from the U.S. Department of Housing and Urban Development;

18. In accordance with Recommendation Nos. 2 and 17, authorize the Controller to expend funds not to exceed the noted amounts from Fund Nos. 569, 440, and 41M upon proper written demand of the General Manager, LAHD, or designee;

Information Technology Agency

19. Approve the use of \$8,862,000 in Municipal Investment Corporation of Los Angeles (MICLA) financing included in the 2009-10 Budget for the following seven projects in the amounts identified below:

1. 18 GHz Microwave Replacement	\$ 900,000
2. Police Department Fiber Upgrade	3,600,000
3. Mount Lee Electrical Upgrade	1,280,000
4. Network Infrastructure	2,200,000
5. Consolidated Server Infrastructure	232,000
6. Fire Department Antenna System Upgrade	250,000
7. 800 MHz Radio System Upgrade	<u>400,000</u>
Total	\$8,862,000

Mayor

20. a. Transfer \$629,568 previously reappropriated under Budget authority from Mayor Fund No. 100/46, Account No. 3040, Contractual Services to City Attorney Fund No. 100/12 Account No. 1010, Salaries General, for services performed in support of the CLEAR program; and
- b. To recognize related costs associated with services performed by the City Attorney's Office for the CLEAR program, reduce appropriations previously reappropriated under Budget authority by \$376,472 in the Mayor's Office Fund No. 100/46, Contractual Services Account No. 3040;
21. Authorize the Controller to increase appropriations by \$224,172.81 from grant reimbursement funds in the Office of Traffic Safety Fund No. 48F/46, Account No. C202, Contractual Services, to Mayor Fund No. 100/46, Account No. 3040, Contractual Services for Safe Moves DUI-Prevention expenditures;
22. Authorize the Mayor's Office to accept a reimbursement in the amount of \$133,979.04 from Community Partners and deposit as a General Fund receipt; and thereafter authorize the Controller to increase appropriations to Mayor Fund No. 100/46, Account No. 1070, Salaries As-Needed for salary costs associated with the Million Trees LA;

Police

23. Transfer \$45 million in appropriations within Police Department Fund 100/70 from Account No. 1092, Sworn Overtime, to Account No. 1012, Sworn Salaries, to offset the deficit using savings from the recently approved agreement with the Los Angeles Police Protective League;

24. Reappropriate \$77,626 in the Police Department Fund No. 100/70, from the unencumbered 2008-09 account balances as detailed below, into the same accounts for purchases for new facilities:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
6010	Office and Admin Expense	\$42,435
7300	Furniture, Office and Tech Equipment	35,191
	Total	\$77,626

25. In accordance with Recommendation No. 2 concerning transfers within the Forfeited Assets Trust Fund corresponding with the revised Forfeited Assets Trust Fund Schedule 3, rescind Recommendation No. 13 in the First Financial Status Report (CF No. 09-0600-S141);

Public Works, Board

26. Transfer \$150,000 in appropriations within the Community Development Trust Fund No. 424/22 from Account No. F431, River Rangers, to Account No F174, Public Works Board; and appropriate therefrom to Public Works Board Fund No. 100/78, Account No. 3040, Contractual Services;

Public Works, Sanitation

27. Direct the Bureau of Sanitation and the Office of the City Administrative Officer to report back within 60 days on the fiscal impact of modifying the current Solid Waste Fee Lifeline Program to be consistent with other existing City Lifeline Programs (e.g., Sewer Service Charge, Department of Water and Power fees);

Public Works, Street Lighting

28. Reappropriate \$929,229.96 from the Community Development Trust Fund No. 424/22 as follows to enable the PW-Bureau of Street Lighting to complete various lighting improvement projects initiated in 2008-09:

a. Transfer appropriations totaling \$929,229.96 within the Community Development Trust Fund No. 424/22, into new Account No F184, entitled "Public Works Street Lighting" from the accounts as specified below:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
E421	Sun Valley Lighting Imprv	\$ 7,321.67
E184	Public Works Street Lighting	921,908.29
	Total	\$ 929,229.96

b. In accordance with the above recommendation, appropriate \$929,229.96 from the Community Development Trust Fund No. 424/22, Account No. F184, Public Works-Street Lighting to accounts within the PW-Bureau of Street Lighting Fund No. 100/84 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries General	\$ 36,721.96
1090	Salaries, Overtime	88,300.00
3040	Contractual Services	734,208.00
8780	St. Lighting Improvement Supplies	<u>70,000.00</u>
		Total \$ 929,229.96

Public Works, Street Services

29. a. Appropriate \$307,799 within the Subventions and Grants Fund No. 305/50 to new Account No. F186, entitled "PW – St. Services" from receipts in Revenue Source Code No. 3741, Revenue from Community Redevelopment Agency, for the Bonnie Brae/Pico Blvd, Case Street and 6th Street projects;
- b. In accordance with the above recommendation, appropriate \$307,799 from Subventions and Grants Fund No. 305/50, Account No. F186, PW – St. Services, to various accounts within Street Services Fund No. 100/86 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries, General	\$172,368
1090	Salaries, Overtime	43,092
3030	Construction Expense	61,559
3040	Contractual Services	3,078
6010	Office and Administrative	9,234
6020	Operating Supplies	<u>18,468</u>
		Total \$307,799

30. a. Appropriate \$13,225 within the Subventions and Grants Fund No. 305/50 to Account No. F186, PW – St. Services from receipts in Revenue Source Code No. 3734, Reimbursement from Other Funds/Departments, for street print repairs;
- b. In accordance with the above recommendation, appropriate \$13,225 from Subventions and Grants Fund No. 305/50, Account No. F186, PW – St. Services, to various accounts within Street Services Fund No. 100/86 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries, General	\$ 7,405
1090	Salaries, Overtime	1,852
3030	Construction Expense	2,645
3040	Contractual Services	133
6010	Office and Administrative	397
6020	Operating Supplies	<u>793</u>
		Total \$13,225

31. Reappropriate \$393,472 from the Public Works Trust Fund No. 834/50, Account 186E, Bureau of Street Services and transfer to accounts within the Bureau of Street Services Fund No. 100/86, as detailed below;

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries, General	\$49,472
1090	Salaries, Overtime	24,000
1100	Hiring Hall, Salaries	24,000
1120	Hiring Hall, Benefits	8,000
1190	Hiring Hall, Overtime	4,000
3030	Construction Expense	224,000
3040	Contractual Services	4,000
3330	Utilities Expense	4,000
6010	Office & Administrative	8,000
6020	Operating Supplies	44,000
	Total	\$393,472

32. Rescind Recommendation No. 2 in the Personnel Committee Report relative to funding for the One Stop Special Events Permit Procedure and Fee Subsidy Program (CF No. 09-0600-S135) as the funding is already provided for this purpose within the Street Services Fund;

General City Purposes

- 33. a. Instruct the City Clerk to unencumber \$90,059.98 in the 2008-09 General City Purposes Fund 100/56, Account No. 0306, Official Visits of Dignitaries; and
- b. In accordance with the above recommendation, authorize the Controller to process an early reversion in the amount of \$90,059.98 from the Uncommitted Balance in the 2008-09 General City Purposes Fund 100/56, Account 0306, Official Visits of Dignitaries to the Reserve Fund; and, appropriate therefrom to the 2009-10 General City Purposes Fund 100/56, Account No. 0306, Official Visits of Dignitaries;

Technical

- 34. In accordance with Recommendation No. 3 concerning MICLA appropriations to the Department of General Services (GSD), Information Technology Agency (ITA) and Bureau of Street Services (BSS), authorize the Controller to transfer cash from the appropriate MICLA account to reimburse the General Fund on an as needed basis upon proper documentation from GSD, ITA or BSS, and approval of the requesting departments and the City Administrative Officer;
- 35. Authorize the City Administrative Officer to make technical corrections as necessary to those transactions included in this report to implement Mayor and Council intentions;

Non Financial

36. Direct Departments to immediately return vehicles flagged for inventory reduction to the General Services Department; and
37. Find that the current status of the Reserve Fund indicates that a transfer of \$13 million from the fund to cover the remaining Shared Responsibility and Sacrifice for the Fire Department is not feasible (C.F. No. 09-1861).

FISCAL IMPACT STATEMENT

The remaining 2009-10 Budget deficit is estimated at \$98.1 million, which reflects projected savings from the implementation of new agreements with the Coalition of City Unions and the Los Angeles Police Protective League, the Early Retirement Incentive Program, and other proposed budget-balancing measures. The projected shortfall in revenue is estimated at \$75 million. Other impacts from pending lawsuits and shortfalls in department accounts cannot be accurately quantified at present, but will be addressed in future reports. Accounting for proposed Reserve Fund loans and transfers, including reappropriations recommended in this report, the current Reserve Fund balance is estimated at \$122 million (consisting of \$121 million in the Emergency Reserve Account and \$1 million in the Contingency Reserve Account).

Transfers, appropriations and other adjustments totaling approximately \$90.8 million are recommended in this report. It is also recommended that departments be directed to cease spending approximately \$28.6 million in uncommitted funds in department overtime accounts—with the exception of cash pay outs mandated by Memoranda of Understanding between the City and labor organizations or the Administrative Code—unless otherwise authorized by Council.

DISCUSSION

The Office of the City Administrative Officer (CAO) monitors the budget and transmits reports to the Mayor and Council detailing the City's current financial condition. This report 1) provides an estimate of the remaining 2009-10 deficit and a summary of identified savings; 2) reviews the status of City receipts; 3) provides a four-year outlook on revenue and expenditures; 5) advises of issues that may affect the current year budget; and 6) provides recommendations for budget adjustments totaling \$90.8 million.

At this time, the projected 2009-10 Budget deficit is estimated to be \$98.1 million, which includes both implemented and pending budget-balancing measures. The projected revenue shortfall remains at \$75 million. The budget, revenue, forecast and current issues of concern were presented in the report summary.

Below is an explanation, by department, of budgetary adjustments recommended in this report, along with any issues of concern. Information concerning other budget issues, employment levels, fee increases and the MICLA Commercial Paper program follow.

1. REAPPROPRIATIONS, BUDGETARY ADJUSTMENTS AND DEPARTMENTAL ISSUES

At the time this report was produced, details concerning the implementation of departmental operational plans and savings resulting from recent of union agreements were not finalized, and as such, potential surpluses and deficits in departmental Salaries General accounts could not be accurately quantified. Police Department and Fire Department deficits are noted because of their size, but as with all specifics concerning department surpluses or deficits, projections are subject to change with the implementation of the revised operational plans and new labor agreements.

To generalize findings, some departments are reporting salary deficits attributed to undefined shared responsibility and sacrifice savings. Conversely, other departments, notably those primarily staffed with employees represented by the Engineers and Architects Association (EAA), are reporting surpluses in salary accounts for both the General Fund and special fund, due to furloughs and/or vacancies. With the implementation of revised operational plans, the General Fund surpluses reported in the salary accounts would be eliminated as funds are used to address deficits elsewhere. Additionally, any special fund surpluses would remain within the respective special funds.

In order to address projected salary deficits, departments are maintaining position vacancies. Departments have reported that vacancies and EAA furloughs have impacted their operations, with potential loss of revenue. However, the loss of productivity and revenue has not been quantified.

A. Anticipated Overtime Savings from Labor Agreements Attachment 9 - Status of Departmental Overtime Accounts Recommendation No. 5

On October 30, 2009, Council approved agreements between the City and the Coalition of City Unions and the Los Angeles Police Protective League (LAPPL). Both agreements increase the number of banked overtime hours in order to minimize cash payouts and save approximately \$22 million and \$45 million in civilian and sworn overtime, respectively. These agreements, in conjunction with the mandatory furloughs (72-hour work week) for employees represented by EAA, should result in a significant reduction in overtime.

A planned recommendation to transfer overtime funding to the Reserve for Economic Uncertainties in the Unappropriated Balance (UB) for use in offsetting other departmental deficits has been postponed, due to concerns expressed by Departments over the loss of overtime. In the interim, it is recommended that Departments cease all overtime expenditures, unless cash payouts are mandated by Memoranda of Understanding with labor organizations or the Administrative Code. Departments should seek Council approval to expend funds (including special funds) for other purposes.

As of pay period 9, the uncommitted balance in civilian overtime accounts is approximately \$28.6 million. The recommendation to transfer funding from overtime accounts will be contained within a future FSR. The recommendation concerning sworn overtime in the Police Department is discussed in Section 1.AA.

B. Aging

Attachment 9 - Status of Departmental Overtime Accounts Recommendation No. 5

The Department is currently projecting a special funds surplus in its Salaries General account, due to savings accumulated from multiple vacancies within in the Department. However, if positions remain vacant, grant funds may need to be returned to the grantor in the following fiscal year. Aging is requesting approval to fill a number of grant-funded positions through the managed hiring process.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

C. Animal Services

Attachment 9 - Status of Departmental Overtime Accounts Recommendation No. 5

The Department is reporting a salary deficit. In addition, savings attributed to the furloughing of Veterinary Technicians may be offset by an increase in expenditures in the Department's Private Veterinary Care account.

Year-to-date General Fund receipts are \$828,197 which is 54 percent higher than the Department's projected estimate of \$535,000 for the two-month reporting period. This increase is attributable to the Department's Fee Study that has been adopted by the City Council.

A disparity in salaries paid has been identified for the Veterinary Technician class, which involves a euthanasia bonus included in the Memorandum of Understanding (MOU) that new hires after 2002 did not receive. Resolution of this issue and clarification in the MOU is in the negotiation process. It is estimated that a liability of \$37,000 results from this issue.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

D. Building and Safety

Attachment 9 - Status of Departmental Overtime Accounts Recommendation No. 5

The Department is reporting a salary deficit, which would be resolved with the implementation of the September 11, 2009 Operational Plan, assuming Enterprise Fund revenue projections are met. Based on twelve months of revenue receipts, revenue for the Building and Safety Enterprise Fund is currently 16 percent below budget projections. Budgeted fee increases have been approved and are expected to be implemented in mid-October. For the remainder of 2009-10, fee increases are expected to generate about \$7.1 million. Assuming the current 12-month rate of revenue collection

continues, Enterprise Fund revenue will meet the 2009-10 budgeted revenue goal; however, this will not eliminate the Building and Safety special fund deficit.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

E. City Administrative Officer

Attachment 7 - Transfers within Departments and Funds

Attachment 9 - Status of Departmental Overtime Accounts

Recommendation Nos. 3 and 5

The Department is projecting a deficit in its Salaries General account to be off-set by mandatory furloughs, attrition, savings generated in non-salary accounts, and funding transfers from other funds and accounts. At this time, a transfer of \$250,000 to the Salaries, General is recommended: \$150,000 from the Insurance and Bond Premium Fund to cover risk management costs, and \$100,000 from the Capital Finance Fund to cover a portion of debt management costs.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

F. City Attorney

Attachment 9 - Status of Departmental Overtime Accounts

Recommendation No. 5

It is projected that the Department will have a shortfall in its Salaries General account by year-end, even with the implementation of the ERIP. Approximately 70 percent of funds within the Litigation Expenses account have been expended, which will necessitate a transfer from the Unappropriated Balance (UB) where \$750,000 has been set aside for this purpose in a future FSR.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

G. City Clerk

Attachment 9 - Status of Departmental Overtime Accounts

Recommendation No. 5

The Department is facing a potential deficit in their Salaries General account with the implementation of the operational plan. The deficit may be absorbed by year-end, either through savings generated through attrition or internal transfer of funds from other accounts.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

**H. Community Development Department
Attachment 9 - Status of Departmental Overtime Accounts
Recommendation Nos. 5 and 6 through 10**

No surplus or deficit is projected for the Department at this time. The 2009-10 Budget revenue for the Department is \$11.7 million, and the Department anticipates receiving the entire amount. The transfer of the actual cash to the General Fund is anticipated by the end of the fiscal year and will occur as the actual salary expenditures are incurred. To date, the Department has transferred \$1.4 million in General Fund reimbursements or 12 percent of the 2009-10 Budget revenue.

To reimburse direct and indirect salary costs and expenses associated with grant and fee activities, it is recommended that \$970,102 in approved grant funds, including Enterprise Zone Tax Credit Fund (\$429,087), LA Hope Fund (\$7,190), and Workforce Investment Act Fund – American Reinvestment and Recovery Act (\$533,825) be transferred within the special funds and then to the Department's operating budget. Additionally, it is recommended that \$2,500,000 in expenditures paid by Workforce Investment Act (WIA) Fund be transferred to the correct WIA - American Reinvestment and Recovery Act Fund. The final recommendation renames the Department of Education – Youth Program fund to reflect its current use.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

**I. Controller
Attachment 9 - Status of Departmental Overtime Accounts
Recommendation Nos. 5 and 11**

The Department projects a deficit in the Salaries General account that it plans to off-set by managed hiring, mandatory furloughs and attrition. An appropriation of Municipal Investment Corporation of Los Angeles (MICLA) funding will be required for the Financial Management System (FMS) project positions to remain within budget. This will be addressed through a separate report on the FMS project.

The Controller requests to reappropriate \$774,000 from General City Purposes prior year funds for the Annual City Audit/Single Audit, which were inadvertently reverted at the end of Fiscal Year 2008-09 to pay for audit services performed in that year.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

**J. Convention Center
Attachment 9 - Status of Departmental Overtime Accounts
Recommendation No. 5**

The Department has reported that estimated revenue projections will likely decrease from \$24.5 million to \$17.9 million due to canceled events. The drop in revenue has been common to convention

centers across the country, and the Department has been competing against the local venues to replace lost revenue. Expenditures have been reduced to the greatest extent without reducing services to clients; however, it is uncertain whether there will be sufficient revenue to meet necessary expenses.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

K. Council

Attachment 9 - Status of Departmental Overtime Accounts Recommendation Nos. 5 and 12

Council has requested that \$150,000 be transferred from the Central Los Angeles Recycling and Transfer Station (CLARTS) Fund to the Department's Salaries, As-Needed Account.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

L. Cultural Affairs

Recommendation No. 13

The Department is reporting a potential year-end special fund surplus largely due to an increase in the receipt of grant funds to offset administrative support salary costs. Grant funds that are not utilized will be returned to the special fund.

For the 2008-09 fiscal year, the Department received \$75,000 in grant funds from the Durfee Foundation for the Cultural Exchange International Program and provided a similar amount in match dollars, as required by the Grant and previously authorized by Council (C.F. 08-1978). The Department issued awards and ten contracts, but while the funds were earmarked, the monies were not encumbered or spent prior to the close of fiscal year 2008-09. It is recommended that the remaining \$59,038 in City matching funds for 2008-09 that reverted be re-appropriated to satisfy the City's obligation and requirements of the grant.

M. El Pueblo

Attachment 9 - Status of Departmental Overtime Accounts Recommendation Nos. 5 and 14

In 2008-09 the Department realized an additional \$103,000 in revenue that was not accounted for in the 2009-10 Budget. The increased revenue is attributed to higher than projected parking and filming receipts. The Department reports that the revenue has been deposited into the El Pueblo Historical Monument Revenue Fund and is available to repay a portion of the Department's \$418,465 Reserve Fund Loan.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

N. Emergency Management

Attachment 9 - Status of Departmental Overtime Accounts

Recommendation No. 5

The Emergency Management Department (EMD) is working with the County of Los Angeles, as well as various other City Departments, to assist in the implementation of approximately 100 H1N1 Influenza Virus Vaccination Clinics to be held within the City at Recreation and Parks and Community Development Department FamilySource Center facilities during the months of October through December 2009. The County has agreed to reimburse the City for actual expenditures associated with the City's participation in these events in an amount not to exceed \$594,000. Participating departments who will receive reimbursement for actual costs incurred may include EMD, Recreation and Parks, Police, Fire, Transportation, and General Services. Actual reimbursements will be documented in future FSRs as necessary in order to appropriate funds to the various Department's salary accounts and special funds as applicable.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

O. Environmental Affairs

Attachment 9 - Status of Departmental Overtime Accounts

Recommendation No. 5

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

P. Ethics Commission

Attachment 9 - Status of Departmental Overtime Accounts

Recommendation No. 5

The Commission is projecting a deficit in the Salaries General account. The Commission is maintaining one position vacant to prevent further deficits to this account; however, additional savings to offset the remaining deficit are not anticipated. The current budget allocates \$250,000 for the hiring a special prosecutor pursuant to Charter Section 710. In recent years, these funds have remained unspent as there has not been a need for a special prosecutor, and as such, a portion of these funds may be available to offset the deficit in the salaries account.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

Q. Finance

**Attachment 9 - Status of Departmental Overtime Accounts
Recommendation No. 5**

The Department is projecting a shortfall in the Salaries General account, which has been partially mitigated by delayed hiring under the managed hiring process. The Department has stated, however, that holding positions vacant may potentially impact revenue collections and services to taxpayers.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

R. Fire

**Attachment 7 - Transfers between Departments and Funds
Attachment 8 - Appropriations from the Unappropriated Balance
Attachment 9 - Status of Departmental Overtime Accounts
Recommendation Nos. 3, 4, 5, 15 and 34**

The Department is projecting a \$24 million deficit by year-end. The deficit is the result of the \$55.5 million budget reductions from Shared Responsibility and Sacrifice (\$52 million sworn and \$2.6 million civilian) and the Removal of Uncertain Revenue (\$900,000), the potential \$5 million settlement for sworn back pay, and other salary and expense account deficits, offset by the sworn Modified Deployment Plan (\$35.3 million) and other savings measures.

The Department has cited that it lacks available administrative staff to implement ordinances and administer collection of new inspection fees. The Department is projecting a \$1 million shortfall in revenue due to the inability to implement the industrial building inspection fee by the close of the fiscal year. The Department expects that the building inspection fee will be able to generate \$2 million in 2010-11. The new brush clearance initial inspection and reinspection fees may potentially generate \$2 million this fiscal year upon filling four vacant positions. Our Office supports the Department's forthcoming request to fill the positions via the managed hiring process.

The Department was reappropriated \$540,000 in the UB for new facilities. At this time it is recommended that \$280,000 from the UB be appropriated to their Office and Administrative Expense account for purchases for the new Dispatch Center. Additionally, an appropriation of \$379,466 in 2008-09 MICLA is recommended for the Information Technology Agency's Hiring Hall account for the installation of communications equipment in Fire Department vehicles.

The Department is reporting a \$3.7 million reduction in savings from the MDP, citing the delayed implementation of the MDP and sworn overtime expenditures for major emergencies. As such, it is recommended that the Department be directed to identify additional savings within the Department to achieve targeted savings. It should be noted, that the Station Fire represents \$512,000 in emergency overtime expenditures, for which reimbursement is expected in 2010-11.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

S. General Services

Attachment 9 - Status of Departmental Overtime Accounts Recommendation Nos. 5 and 35

It is projected that the Department will have a significant budget shortfall by year-end with the implementation of the Operational Plan.

The 2009-10 Budget includes \$10.34 million in the Unappropriated Balance (UB) for the Department to pay for the general maintenance and operations of new facilities as well as the expansion in general maintenance and operational services for existing facilities. Funds will pay for 63 position authorities and equipment costs. New facilities include the Police Administration Building, which opened in September 2009 and is expected to be fully operational by end of the calendar year. Given the current rate of attrition and the managed hiring process, the Department continues to reprogram existing resources and develop deployment schedules to meet urgent facility needs. However, existing resources are not sufficient to pay for a level of service that is recommended as ongoing and routine. The Department has had to delay maintenance schedules and make significant reductions in service to balance the lack of funds and growing citywide demands. No transfers are recommended at this time; this Office will continue to work with the Department and will report in future FSRs with recommendations to transfer needed funds from the UB to pay for these costs.

The 2009-10 Budget includes an instruction to reduce the City's fleet inventory by 1,000 vehicles, which was to be implemented on July 1, 2009. Accordingly, funds and position authorities for maintaining 1,000 vehicles were deleted in the Department's budget. In continuing efforts to comply with the instruction to reduce the City's inventory by 1,000 vehicles, this Office recommends that departments be instructed to return the targeted reduction vehicles to the General Services Department immediately.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

T. Housing

Attachment 6 – Transfers between Accounts within Departments and Funds Attachment 9 - Status of Departmental Overtime Accounts Recommendation Nos. 2, 5 and 16 through 18.

The Department is projecting a special fund surplus in Salaries General from savings that would be realized if all current vacancies remain unfilled.

In past fiscal years, the Department utilized contracted temporary staffing services to provide short-term coverage for high-workload vacancies and to meet peak workload situations. In an effort to eliminate this reliance on contracted services, additional as-needed classifications were added in the

Department's 2009-10 Departmental Personnel Ordinance. Transfers totaling \$120,000 are now recommended from the Contractual Services account to the As-Needed account to pay for Clerk Typists and Accounting Clerk I positions. There is \$120,000 in the Contractual Services account designated for temporary personnel services available for this purpose.

Technical adjustments are also recommended to reflect the difference between the budgeted amount and the final entitlement awards from the U.S. Department of Housing and Urban Development for the Housing Opportunities for Persons With AIDS (HOPWA) Grant and the Emergency Shelter Grant (ESG) approved through the 35th Program Year (2009-10) Housing and Community Development Consolidated Plan (C.F. No. 09-0372). The appropriation amount for HOPWA will increase the Salaries General account by \$27,462 to pay for administrative costs, and the recommendation for ESG will decrease the related cost reimbursement to the General Fund by \$365. Due to current furloughs, the Department anticipates surpluses in these grant funds for the fiscal year.

Additionally, a transfer of \$343,341 is recommended from prior year Rent Stabilization Trust Funds (\$258,523) and Code Enforcement Trust Funds (\$84,818) to reimburse the General Fund for related costs obligations incurred by the department during 2008-09. Since any anticipated surplus funds consist of restricted federal grant and fee sources, surpluses cannot be used to offset deficits in other City Departments. However, funds may be used within the Department to fill vacancies with employees displaced from other departments.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

U. Human Services Department No Recommendations

The Department is projecting a deficit in the Salaries General account. Since the Department does not have enough vacancies to offset the deficit, it has been working with this Office to identify savings in other areas, such as a reduction in the As-Needed Salaries account and funding a General Funded position through an eligible special fund.

The Young Women from Adversity to Resiliency (YWAR) program serves at-risk young women in high school. As reported in the First FSR, the Department had to return \$78,000 in YWAR grant funds to the County, due to the inability to fill certain positions in 2008-09 under the managed hiring process. The Department anticipates that \$48,000 of current year funds will revert to Los Angeles County unless they are able to hire part-time as-needed employees. The Department states that it will be making a request to the Managed Hiring Committee for these positions in the next few weeks.

The HSD has been awarded a \$250,000 KidWatch grant from CalTrans and a \$285,000 Federal Earmark for YWAR. The Department says that unless they are able to hire part-time staff to perform the work, they will not be able to accept the grants. Due to the reduction in funding and the vacancies in the Department, KidWatch programs will be reduced from 150 schools to 100 schools during 2009-10.

**V. Information Technology Agency
Attachment 4 - New Appropriations
Attachment 9 - Status of Departmental Overtime Accounts
Recommendation Nos. 1, 5 and 19**

The Information Technology Agency (ITA) is projected to have a significant deficit, primarily attributed to a shortfall in its Salaries, General account. A smaller deficit exists in its Salaries, Overtime account; however it is less than prior years thanks to measures taken to reduce overtime use. Transfers of \$2,745 are recommended from revenue accounts as reimbursement for communication services performed for Recreation and Parks and the City Attorney.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

Reapproval of MICLA Projects

In adopting the 2009-10 Budget, the Mayor and Council acted to require that new MICLA financing authorized in 2009-10 be approved by the Council before expending commercial paper or long-term MICLA bond proceeds. In addition, Council instructed this Office to determine whether there were special funding sources available to offset the costs of these projects. There are seven ITA projects identified in the 2009-10 Budget that were designated for MICLA funding with a total value of \$8,862,000. Of this amount, ITA anticipates using \$5,731,851 in 2009-10 and \$3,130,149 in 2010-11 for these projects. None are eligible to be paid by a special funding source. Each project is critical to the ongoing operation of the City's public safety communications systems or information technology infrastructure, and therefore it is recommended that the Council authorize the use of MICLA financing included in the 2009-10 Budget. Each project is listed below:

1. *18 GHz Microwave System Replacement.* This is the second phase of a project to replace seven of the City's microwave links on the City's microwave network, a central element to the police and fire radio systems. MICLA funding of \$900,000 is recommended for the replacement of the final three links. Replacement of these links is required to comply with a Federal Communications Commission mandate. If the links are not replaced, the City's public safety radio infrastructure could be seriously compromised. The project is anticipated to be complete by the end of the fiscal year.
2. *Police Department Fiber Upgrade.* The fiber on the Police Department's north and south rings are fully saturated and must be upgraded to handle new bandwidth-intensive applications such as the Digital In-Car Video System, and the Regional Video Command Center. MICLA funding of \$3,600,000 is recommended. Of this, \$949,851 will be spent in 2009-10 and the remaining \$2,630,149 will be spent in 2010-11 when the project concludes.
3. *Mount Lee Electrical Upgrade.* The Mount Lee communications is the central hub to the City's radio system, and is essential to all voice and data communications. The electrical system on part of the facility is obsolete, posing safety hazards and operational risks. \$1,280,000 is recommended to address single points of failure, grounding, safety, and backup power

problems, and for a full redesign of the electrical system. The proposed funding is for work that can be accomplished during 2009-10.

4. *Network Infrastructure.* The components on the City's data network are obsolete making the system increasingly unreliable, slow, and unable to handle the data traffic, which is essential for all departments' operations. MICLA funding was provided and used for this purpose in 2008-09 to begin an ongoing replacement cycle for this equipment. Funding of \$2,200,000 is recommended to continue to replace this obsolete equipment. ITA intends to use \$1,700,000 of these funds during 2009-10 and the remaining \$500,000 during 2010-11.
5. *Consolidated Server Infrastructure.* ITA manages many servers that house data and applications that are used Citywide. MICLA funding of \$232,000 is recommended to establish a framework for server virtualization and purchase five virtualized servers. These servers will have the capacity of 150 regular servers but cost much less and are projected to save enough energy to offset their full cost. ITA intends to fully purchase and install these servers during 2009-10.
6. *Fire Department Antenna System Upgrade.* This antenna subsystem is an essential component of the Fire Department's voice and data communications system, including the dispatch system. Although the components are still functioning, they are well past their useful life reducing the quality of the entire system. Funding of \$250,000 is recommended to upgrade this system. ITA intends to complete the upgrade during 2009-10.
7. *800 MHz Radio System Upgrade.* This system carries all City radio traffic other than that of Fire and Police. Public Safety users include the Office of Public Safety and the Emergency Operations Center. Other significant users include the Department of Transportation and Bureau of Sanitation. MICLA Funding of \$400,000 is recommended to begin a multi-year upgrade of this system with the upgrade of the radio switch. ITA intends to complete this portion of the project in 2009-10.

W. Mayor

Recommendation Nos. 20 through 22

In fiscal year 2007-08, Council approved the transfer of \$2.7 million from the Unappropriated Balance to the Department's contractual services account to support the City's gang reduction efforts in 2008-09. Of this amount, \$2.1 million was allocated for the establishment of Community Law Enforcement and Recover (CLEAR) Program sites. Due to the limited staffing resources available within the Police Department and the need to fund existing CLEAR sites, the expansion to new sites did not occur and the funding remained unexpended. At this time, the Mayor's Office requests authority to use the \$2.1 million to support existing CLEAR Program sites, beginning with a transfer of \$1,006,040 of this amount to fund the associated City Attorney salaries and fringe benefits costs. Allocation of the remaining funds will be requested at a later date.

The City received \$224,173 from 2007 California Office of Traffic Safety (OTS) – DUI Prevention Grant to reimburse expenditures for Safe Moves, a DUI prevention services provider. The Mayor's Office requests authority to appropriate the funds to their 2009-10 Contractual Services account.

The Mayor's Office received a reimbursement of \$133,979 for salary costs associated with the Million Trees LA Initiative from Community Partners and is now requesting authority to accept the funds for appropriation to their 2009-10 Salaries As Needed account.

X. Neighborhood Empowerment

Attachment 9 - Status of Departmental Overtime Accounts

Recommendation No. 5

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

Y. Personnel

Attachment 9 - Status of Departmental Overtime Accounts

Recommendation No. 5

It is projected that the Department will have a significant budget shortfall by year-end with the implementation of the Operational Plan. It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

Z. Planning

Attachment 5 - New Appropriations

Attachment 6 - Transfers between Accounts within Departments and Funds

Attachment 7 - Transfers within Departments and Funds

Attachment 9 - Status of Departmental Overtime Accounts

Recommendation Nos. 1, 2, 3 and 5

The Department is projecting a General Fund surplus in its Salaries, General account from the furloughing of EAA represented employees. However, a net deficit exists in the account, as the Department of Building and Safety (DBS) has indicated that it will not be able to provide \$428,740 in source of funds from the Building and Safety Enterprise Fund to pay for the cost of Planning Systems and Geographical Information Systems staff who provide services to DBS.

The Council approved new Planning fees on August 5, 2009 (C.F. 09-0969), and according to the City Attorney, the ordinance became effective on October 26, 2009. Though the new fees are more comprehensive and were designed to achieve full cost recovery, the related costs for the fees will be phased in over three years. No related costs will be collected in 2009-10. In the following two fiscal years, 50 percent of the related costs will added each year so that all of the related costs will be captured in the fees by 2011-12. The Council also directed the Controller to establish a Special Revenue Fund to collect the Planning fees.

The 2009-10 Budget includes \$15.6 million to be collected in Planning and Land Use fees, which is \$7.7 million more than the actual fees received in 2008-09. After the budget was adopted, the Department revised the estimated receipts from these fees to \$14.2 million. Due to the slow economic recovery and the delay in implementing fee increases, revenue is now estimated to be \$12 million.

Application fees for the Mills Act Program are designated for the use of the inspection process for each application. A total of \$30,000 has been collected this year, and an appropriation of this amount to the Contractual Services and the Overtime accounts is recommended to perform the required inspection work. Additionally, a reimbursement of \$23,053 from the Mills Act application fees received in the City Planning Grant Trust Fund to the General Fund is recommended for the inspection work performed in prior years. Additional General Fund reimbursements are recommended for the costs incurred by Department and the Department of Transportation for the Expedited Permit Services (\$635,568), the Universal Vision Project (\$635,238) and the Metro Universal Project (\$431,650) in compliance with the ordinances for the Expedited Permit Services and the Supplemental Fee Agreements.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

AA. Police

Attachment 6 - Transfers between Accounts within Departments and Funds

Attachment 7 - Transfers within Departments and Funds

Attachment 9 - Status of Departmental Overtime Accounts

Recommendation Nos. 2, 3, 5, 23 through 25, and 34

The Police Department is projecting a total budget deficit of \$137 million. Of this amount, \$133 million is in Sworn Salaries, which reflects an increase from the \$129 million Shared Responsibility and Sacrifice (SRS) reduction due to lower than anticipated attrition, and \$2.1 million is in Salaries General, which reflects a decrease from the \$31.7 million SRS reduction and removal of uncertain revenues, due to managed hiring, furloughs and projected savings from the Coalition agreement. Additional deficits include \$1 million in Contractual Services, and \$1 million in Field Equipment Expense. For July and August, there were 199 new sworn hires; however due to lower than anticipated attrition of 144 positions during that same period, the net increase in sworn staffing is 55. This puts the Department 35 positions ahead of plan, which already accounts for the cancellation of the November and December Academy classes.

To address a portion of the deficit in sworn salaries, it is recommended that \$45 million in the sworn overtime account be transferred to the salaries account. This amount corresponds to the estimated overtime savings that will be realized through the new agreement between the City and the Los Angeles Police Protective League.

Two reappropriations totaling \$77,626 from the Reserve Fund are recommended to complete Supply Management System (SMS) purchases for the Police Administration Building (\$42,435) and the

Metro Detention Center (\$35,191). Purchases were initiated in 2008-09, but were subsequently modified after the fiscal year to reflect the change in the sales tax rate. As a result, the purchases were rejected and canceled in SMS. The reappropriation is necessary to complete payment.

In September, Council approved the amended Forfeited Assets Trust Fund Schedule as presented in the First FSR in response to State regulation of the use of Forfeited Assets receipts (C.F. No. 09-0600-S141). While funds will continue to be used for their original purpose, transfers totaling \$847,307 between new and existing accounts within the trust fund are recommended in accordance with the amended schedule. In the First FSR, it was reported that approximately \$300,000 in State Set-Aside Funds would be moved to the State of California Fund; however, the actual amount to be moved is \$278,765. Additionally, \$568,542 of State Set-Aside funds will be moved within the fund to a new account. Also recommended is a transfer from the trust fund in the amount of \$47,710 to ITA's communication services account for the installation of communication lines at the new Metro Detention Center. Finally, a transfer totaling \$204,300 from 2007-08 and 2008-09 MICLA appropriations to GSD is recommended for the installation of equipment in two of the Department's replacement helicopters.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

BB. Public Works/Board

**Attachment 9 - Status of Departmental Overtime Accounts
Recommendation Nos. 5 and 26**

It is recommended that \$150,000 be transferred from the Community Development Trust Fund to the Department's contractual services account in support the River Rangers Project. The River Rangers Project contracts with the Los Angeles Conservation Corps to hire and train youth to provide clean-up services at various sites along the Glendale Narrows stretch of the Los Angeles River. Funding for this program was inadvertently omitted from the 35th Year Consolidated Plan. This will be the second year the program has received this Community Development Block Grant funding.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

CC. Public Works/Bureau of Contract Administration

**Attachment 6 - Transfers between Accounts within Departments and Funds
Attachment 9 - Status of Departmental Overtime Accounts
Recommendation Nos. 2 and 5**

The Department is projecting a \$665,000 deficit in their Transportation Expense account. The deficit is partially attributed to the increased mileage bonus rates provided under Memorandum of Understanding No. 5 with the Inspectors Unit and the increased mileage reimbursement rate as established by the Internal Revenue Service. In prior years, the Department has covered deficits in their Transportation account through transferred salary savings. As the Department does not

anticipate salary savings this year, it has restructured its divisional overtime budgets to make funds available to cover this deficit. At this time, it is recommended that \$255,245 in the overtime account be transferred to the Transportation account. As the Department depends on the special fund payments to meet its payroll (salaries, overtime and transportation) needs, reimbursements must occur in a timely manner to make payroll.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

DD. Public Works/Bureau of Engineering
Attachment 9 - Status of Departmental Overtime Accounts
Recommendation No. 5

A General Fund surplus is projected for the Department, largely due to furloughs of EAA represented employees. It is anticipated that the General Fund will owe the Sewer Construction and Maintenance Fund for over-reimbursement of 2008-09 related costs due to vacancies. An adjustment will need to be made in the current year once the exact amount of this overpayment is known after completion of the 2008-09 year-end reconciliation.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

EE. Public Works/Bureau of Sanitation
Attachment 9 - Status of Departmental Overtime Accounts
Recommendation Nos. 5 and 27

The Department is projecting a surplus of special funds, primarily attributed to savings in its Salaries General account from furloughs and vacancies. The Department has reported recent reductions in Sewer Service Charge (SCC) receipts—the core revenue component to the Sewer Construction and Maintenance (SCM) Fund. The decrease is due to a reduction in accounts, an increase in residential customers subscribing for low-income exemptions through LADWP, and a reduction in water consumption due to increased conservation efforts (SSC receipts are derived as a percentage of consumer water use). Overall, SCM is trending toward an \$18 million, or 3 percent, shortfall from budgeted receipts of \$619 million. While the Department has the ability to meet wastewater revenue deficits with additional debt, we will monitor accounts and managed hiring closely to proceed with only the most critical expenses. The last fee increase for the residential Sewer Service Charge took effect in July 2008 and, to our knowledge, there are no active plans for fee increases in the current fiscal year.

As reported in the First FSR, an increasing number of DWP customers are signing on for Lifeline exemptions. As a result, the General Fund subsidy of the Solid Waste Fee Lifeline Rate Program is expected to increase by an estimated \$5.8 million. Currently, DWP customers who qualify for the DWP Lifeline Discount Rate Program are automatically exempted from paying the Sanitation Equipment Charge. At this time, it is recommended that the Department and the CAO examine other

City Lifeline Programs and report on the fiscal impact of modifying the Solid Waste Fee Lifeline Program so that it is consistent with other programs.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

FF. Public Works/Bureau of Street Lighting

Attachment 6 – Transfers between Accounts within Departments and Funds

Attachment 7 – Transfers between Departments and Funds

Attachment 9 - Status of Departmental Overtime Accounts

Recommendation Nos. 2, 3, 5 and 28

No deficit is projected for the Department, assuming completion of pending special fund transfers, expected year-end reimbursements, and a future transfer of \$493,000 from the Street Lighting Maintenance Fund, Unappropriated Balance for copper wire replacement, as provided in the 2009-10 Budget.

Due to increasing vacancies and delays in hiring, the Department has had to depend on Hiring Hall employees to keep field operations positions filled in order to maintain a timely schedule on the Light Emitting Diode (LED) conversion program. As such, a transfer of \$50,000 from the Salaries General account to the Salaries Hiring Hall account is recommended. A transfer of \$1,500,000 within the Street Lighting Maintenance Assessment Fund is recommended to repay a loan from the Available-Series to Multiple Projects account, which was used to purchase LED fixtures for the program in 2008-09.

A \$250,000 transfer from the Street Lighting Maintenance Assessment Fund to the Department's Contractual Services account is recommended for funds that were originally allocated for pole painting services in 2008-09, but were unspent due to the lack of a contract. A transfer of \$929,230 from the Community Development Block Grant Trust Fund (CDBG) to Department accounts is required to complete various street lighting improvement projects initiated in 2008-09 including the Delano and Beck Phase 2 Project (\$2,300), the Delano and Beck Phase 3 Project (\$472,000), the Sun Valley Lighting Improvement Project (\$162,900), the Cypress Park Phase 2 Project (\$7,821.96), and the Cypress Park Phase 3 Project (\$284,208).

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

GG.Public Works/Bureau of Street Services
Attachment 7 - Transfers between Departments and Funds
Attachment 9 - Status of Departmental Overtime Accounts
Recommendation Nos. 3, 5, 29 through 32, and 34

In July, Council approved MICLA front funding for construction materials and supplies in support of the street resurfacing and pedestrian improvement projects funded through the ARRA (C.F. 09-0648-S12). A \$15,300,000 transfer from MICLA is now recommended.

Appropriations totaling \$307,799 from the Community Redevelopment Agency (CRA) are recommended for the Bonnie Brae and Pico Boulevard Streetscape project (\$27,736), tree planting, trimming and removal on Case Street in the North Hollywood Redevelopment Project Area (\$35,063), and pedestrian improvements on 6th Street between Harbor Boulevard and Palos Verdes Street (\$245,000). Appropriations totaling \$13,225 are recommended for street print repairs at N. Broadway and Daly Street (\$7,154), 6th Street and Main Street, and 9th Street and Los Angeles Street (\$6,071). Gas Tax appropriations totaling \$600,000 are recommended for bridge and tunnel maintenance (\$150,000), guardrail construction (\$150,000) and drainage projects (\$300,000) approved in the 2009-10 Capital Improvement Expenditure Program. Finally, it is recommended that \$394,472 in unspent funds from the Public Works Trust Fund be reappropriated to continue work on the Temple Street project (C.F. 07-3275).

It is recommended that recent Council action to transfer five position authorities and \$325,421 in associated funding from Unappropriated Balance (UB) to the Department for the One Stop Special Event Permitting Office be rescinded (C.F. No. 09-0600-S135). On May 18, 2009, the Council instructed, as part of the 2009-10 Budget, that all new position authorities and related funding be transferred to the UB for further review at Mid-Year (C.F. 09-0600, Recommendation 8). The Council subsequently approved funding and five resolution position authorities for the Permitting Office in the Bureau of Street Services (C.F. 09-0600, Recommendation 48). Therefore, these position authorities and related funding were not included as part of the prior Council action. On August 5, 2009, the Council adopted a motion to authorize the transfer the program funding and position authorities from the UB. However, since funding and position authorities were included in the Department's budget, the action was not required.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

HH. Recreation and Parks

No Recommendations

The Department projects a \$2.7 million shortfall in revenues. According to the Department, golf revenues will be short due to the decline in golf attendance attributed to the unusually hot weather in July and August. The Department expects golf attendance to increase when temperatures drop and reports that it is launching advertising campaigns to attract both local and foreign players to raise revenues. The Department also anticipates revenue shortfalls in the Griffith Observatory, camps, tennis and parks revenue line items.

II. Transportation

Attachment 5 - New Appropriations

Attachment 6 - Transfers between Accounts within Departments and Funds

Attachment 7 - Transfers between Departments and Funds

Attachment 9 - Status of Departmental Overtime Accounts

Recommendation Nos. 1, 2, 3 and 5

In the First FSR, the Department of Transportation (DOT) reported that its Salaries, Overtime account would be depleted by October as a result of providing traffic management and control services for special events. With the expectation that such services would be reimbursed, \$4 million for special event services was eliminated from DOT's 2009-10 Budget. The Department has continued to provide these services, responding to 214 special events in July and August for which fees for 176 were waived. Several of these events receiving waivers preceded the adoption of the Special Events Fee Subsidy Policy Ordinance which sets aside funding to subsidize the costs for Citywide special events (C.F. No. 09-0600-S46). On October 13, 2009, Council approved the transfer \$410,000 from the Citywide Special Events Fee Subsidy account to the Department's overtime account as cashflow to be repaid as payments are received from special event sponsors (C.F. No. 09-2542).

A transfer of \$4,486,225 from the Special Parking Revenue Fund, Parking Meter and Off-Street Parking Administration account to the Department's Salaries, General account and the Salaries, Overtime account is recommended to provide funding for the operation of the Department's parking operations functions, including meter repairs, installations and administration. A transfer of \$150,000 from the Transportation Regulation and Enforcement Trust Fund to the Department's Salaries, Overtime account is recommended to fund estimated overtime costs for Taxicab Regulations and Enforcement staff.

A transfer of \$3,000 from the Proposition A - Local Transit Assistance Fund to the Special Parking Revenue Fund is recommended to partially offset the cost of a transit study involving a trolley line down Broadway for the Bringing Back Broadway project. The total cost of this study is \$33,000 and funding in the amount of \$30,000 has already been appropriated from other sources.

A transfer of \$26,000 within the Transportation Regulation and Enforcement Trust Fund to provide for overtime costs for the Los Angeles Police Department related to the Bandit Taxicab Enforcement Program. In July, Council appropriated \$2.5 million in MICLA front-funding to the Department's salary account for American Recovery and Reinvestment Act (ARRA) transportation related projects (CF No. 09-0648-S12); a transfer of \$300,000 of this funding is recommended to cover overtime costs for the ARRA-funded resurfacing projects.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

JJ. Treasurer

Attachment 9 - Status of Departmental Overtime Accounts Recommendation No. 5

In the First FSR, it was recommended that \$2.5 million be transferred from the Unappropriated Balance (UB) to fund bank fees. An additional \$4.5 million remains in the UB. It is anticipated that the credit card convenience fee program will offset charges currently paid by the City. However, as the program has not been implemented and the potential savings is unknown, there is no recommendation to reduce the UB amount. Once savings can be estimated, this Office will report on whether the funding of bank fees should be reduced.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

KK. Zoo

Attachment 9 - Status of Departmental Overtime Accounts Recommendation No. 5

The Zoo is projecting a \$1.2 million revenue shortfall. The shortfall is due to a Proposition O project to renovate 600 parking spaces in front of the Zoo's entrance. Construction was originally scheduled to begin in 2010-11, but the project is ahead of schedule and construction will begin in February 2010. The revenue impact of the project was not accounted for in the 2009-10 Budget.

It is recommended that the Department cease all expenditures in the Salaries, Overtime account, as discussed in Section 1.A.

2. NONDEPARTMENTAL ISSUES

A. General City Purposes Recommendation No. 33

A net year-end surplus is projected in General City Purposes (GCP) attributable to a decrease in employment levels and the modification to civilian defrayal payments. At this time, adjustments are not recommended.

Funding is provided in the General City Purposes Fund for Official Visits of Dignitaries. The balance in this account is reappropriated annually (C.F. No. 09-0600). Currently there is \$90,059.98 encumbered in this account for Fiscal Year 2008-09. The Authority for Expenditure for this encumbrance expired on June 30, 2009. As such, outstanding expenditures cannot be made against this encumbrance. Therefore, it is recommended to reappropriate the 2008-09 year-end encumbered balance amount to 2009-10.

B. Human Resources Benefits

At this time, information on enrollment data and rate increases for health care plans is insufficient to estimate year-end expenditures. Savings from lower than anticipated enrollment counts will be offset by rate increases for Civilian Flex Benefits that will take effect on January 1, 2010. This fiscal year, two separate actions by the Joint Labor Management Committee are expected to result in an \$8 million surplus. This amount is included as a budget-balancing line item in Table 1 of this report.

C. Liability Claims Account

The potential year-end shortfall for Liability Claims over \$100,000 is currently estimated at \$84.6 million (\$5 million for claims over \$100,000 but less than \$1 million and \$79.6 million for claims over \$1 million). This represents a drop of \$4.3 million from the potential \$88.9 million shortfall reported in the First FSR. The new figure reflects potential new payouts identified in August, September and October, as well as estimated payouts that have been reduced or eliminated because of reduced exposure, dismissed or delayed lawsuits, verdicts favoring the City, or smaller (less than \$100,000) settlements.

The Office of the City Attorney is currently reviewing all cases and will report any significant changes to Council as necessary. At present, the Contingency Reserve reflects a proposed \$18.5 million Reserve Fund loan to settle some of these claims, to be subsequently repaid with issuance of Judgment Obligation Bonds (JOBs). Presuming the use of JOBs funding for all settlements exceeding \$1 million, the liability claims deficit would be reduced to \$5.0 million. It should be noted that Council provided authority for JOB issuances up to \$50 million. Additional authority will be requested later in the year.

FEE WAIVERS AND SUBSIDIES

A. Special Event Fee Waivers

The Budget and Finance Committee instructed this Office to periodically report on the number and amount of Council-approved fee waivers (subsidies) associated with special events and with Convention Center meetings and events. For the periods of July and August 2009, the 97 total fee waivers were approved (46 and 51, respectively) for a total of \$272,793 (\$91,978 and \$180,815, respectively).

B. Development Fee and Permit Subsidies

In accordance with the City's Development Fee Subsidy Policy, this Office is required to report on the number and amount of Council-approved development fee subsidies. For the current year, \$11,000 in subsidy funds has been provided to the Bureau of Engineering with regards to a motion approved in 2008-09. No new subsidies have been approved by Council in 2009-10.

3. EMPLOYMENT LEVEL REPORT

Attachment 10 – Employment Level Report

Citywide employment authority from all funding sources totaled 38,097 at the end of August 2009 for both civilian and sworn classes. Filled positions decreased by 138 from 35,371 at the end of July 2009 to 35,233 at the end of August. Departments reported a total of 2,864 vacant positions, 1,708 General Fund and 1,156 special funded.

The Employment Level Report reflects the continuing impact of the managed hiring process. Based on departments' monthly reporting, the number of filled civilian positions decreased by 116, from 21,702 at the end of July 2009 to 21,586 at the end of August 2009. Furthermore, the number of filled civilian positions decreased by 523 from 22,109 the year before (August 2008).

4. STATUS OF FEE INCREASES

Attachment 11 - Status of Fee Increases in the 2009-10 Budget

Attachment 11 provides a status of both General Fund and special fund-related fee increases assumed in the 2009-10 Budget. Fee increases for the Building and Safety Department, the Bureau of Engineering, the Planning Department and the Treasurer's Office have been implemented.

The Fire Department has stated that due to lack of available staffing, the implementation of the industrial building inspection fee increase will not be completed this fiscal year in sufficient time to collect the \$1 million in projected revenue. While brush clearance fees are also impacted by staffing, the Department reports that the projected \$2 million in revenue can still be achieved upon filling four vacant positions through the managed hiring process. The increase in the Fire Department's film spot check fee has been waived to support new film production. Our Office and the Fire Department will report back on film permits, recommendations for cost recovery, and the impact of filming activity. Fee revenues will continue to be closely monitored and reported in subsequent FSRs.


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

The City's Financial Policies instruct the City Administrative Officer (CAO) to periodically report on the status of the MICLA Commercial Paper (CP) Program. In June 2004, the Mayor and Council approved a \$200 million 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 Motor Transport Division, Neighborhood City Halls, Alternative Fuel Infrastructure Facilities, Asphalt Plant Retrofit 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 October 31, 2009:

Reporting Period	Amount Outstanding	Range of Interest Rates
8/1/09 – 10/31/09	\$157,935,000	0.30 percent to 0.40 percent (tax-exempt)



Melissa Krance, Senior Administrative Analyst

APPROVED:

Raymond P. Ciranna, Assistant City Administrative Officer

MAS:RPC:MF/MCK:01100016

Attachments

Attachment 1-a
Fiscal Year 2009-10 General Fund Receipts
At September 30, 2009
\$ Thousands

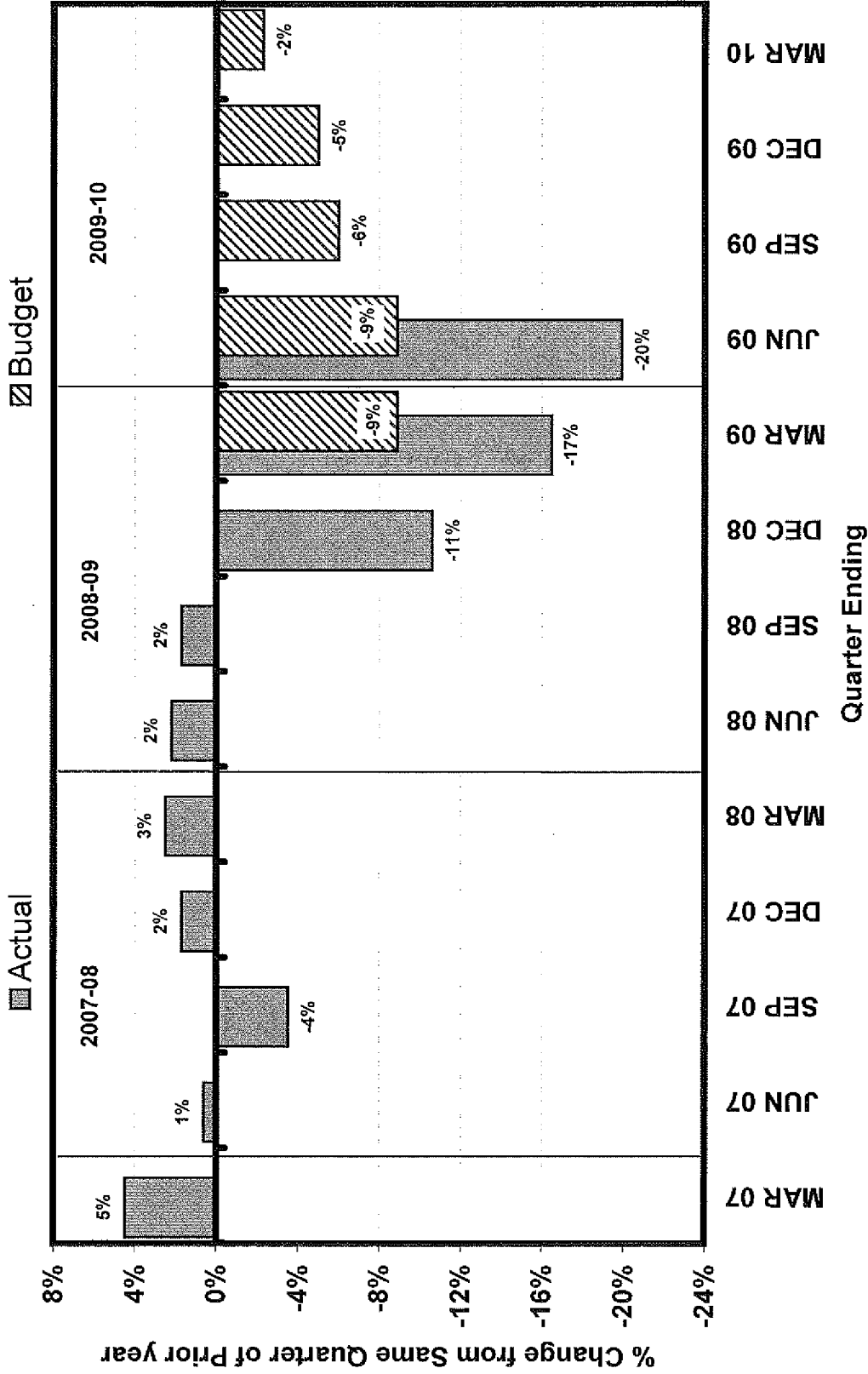
	Budget	Plan	Receipts	Variance (Receipts Less Plan)	
Property Tax	\$1,418,870	\$67,076	\$84,205	\$17,129	Higher collection rate in 2008-09 and redemption activity have been supporting the property tax. But falling assessed values beginning in 2010-11 will result in declining revenue for several years.
Utility Users' Tax	667,875	163,961	154,591	(9,370)	The electric, telephone and gas users' taxes reflect a deeper recession than anticipated at budget time.
Licenses, Permits, Fees and Fines	723,126	116,515	91,284	(25,231)	Revenues will likely finish below budget. This account experienced double-digit increases between 2005-06 and 2008-09, but any growth in 2009-10 would be very small. Receipts trail economic activity and this account shows continuing declines in planning and fire inspection fees, ambulance revenues, the Staples signage sale, state-mandated and special fund reimbursements and various public works revenues.
Business Tax	426,157	13,219	25,231	12,012	Early receipts include amnesty program, but will not offset economy-related declines. See note on sales tax below.
Sales Tax	304,243	77,710	70,693	(7,017)	Allocations for the last two calendar quarters average 18% below the prior year, showing the severe impact of the recession.
Documentary Transfer Tax	100,000	27,684	22,637	(5,047)	Receipts continued falling through September, but indications are that sales activity and prices may be stabilizing. Too early to suggest change.
Power Revenue Transfer	232,000				
Transient Occupancy Tax	130,200	34,350	31,144	(3,206)	Revenue continues to fall. Local hotel sales are down more than 20% for the first seven months of 2009.
Parking Fines	134,000	33,498	34,420	922	Close to plan; too early to suggest change.
Parking Users' Tax	82,300	21,600	22,267	667	Budgeted parking tax receipts are 3% below prior year; it is too early to recommend a change.
Franchise Income	49,479	11,702	9,051	(2,651)	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	3,000	5,402	2,402	Early receipts are not as meaningful as long term trend. Although this account is ahead of plan, it is below last year's level at this time. There is no basis to anticipate increased revenue.

Attachment 1-a
Fiscal Year 2009-10 General Fund Receipts
At September 30, 2009
\$ Thousands

	<u>Budget</u>	<u>Plan</u>	<u>Receipts</u>	<u>Variance (Receipts Less Plan)</u>	
Grant Receipts	16,000	3,999	2,015	(1,984)	Too early to recommend adjustment.
Tobacco Settlement	12,166				
Transfer from Telecommunications Fund	6,223				
Residential Development Tax	1,700	423	314	(109)	
Special Parking Revenue Transfer	61,371				A portion of this transfer relating to a sale of property is now unlikely. In FY08-09, the transfer from this source was below budget.
Subtotal General Fund Less Interest Income	<u>\$4,377,710</u>	<u>\$574,737</u>	<u>\$553,254</u>	<u>(\$21,483)</u>	This variance from plan would be worse, except for early receipts from tax amnesty program and carry-over property tax revenue from FY08-09. Variance is now estimated to be \$75 million below budget by June 2010.
Interest Income	22,080	4,980	35,226	30,246	Variance from budget for interest income is not meaningful pending inter fund adjustments.
Total General Fund	<u><u>\$4,399,790</u></u>	<u><u>\$579,717</u></u>	<u><u>\$588,480</u></u>	<u><u>\$8,763</u></u>	

Attachment 1-b

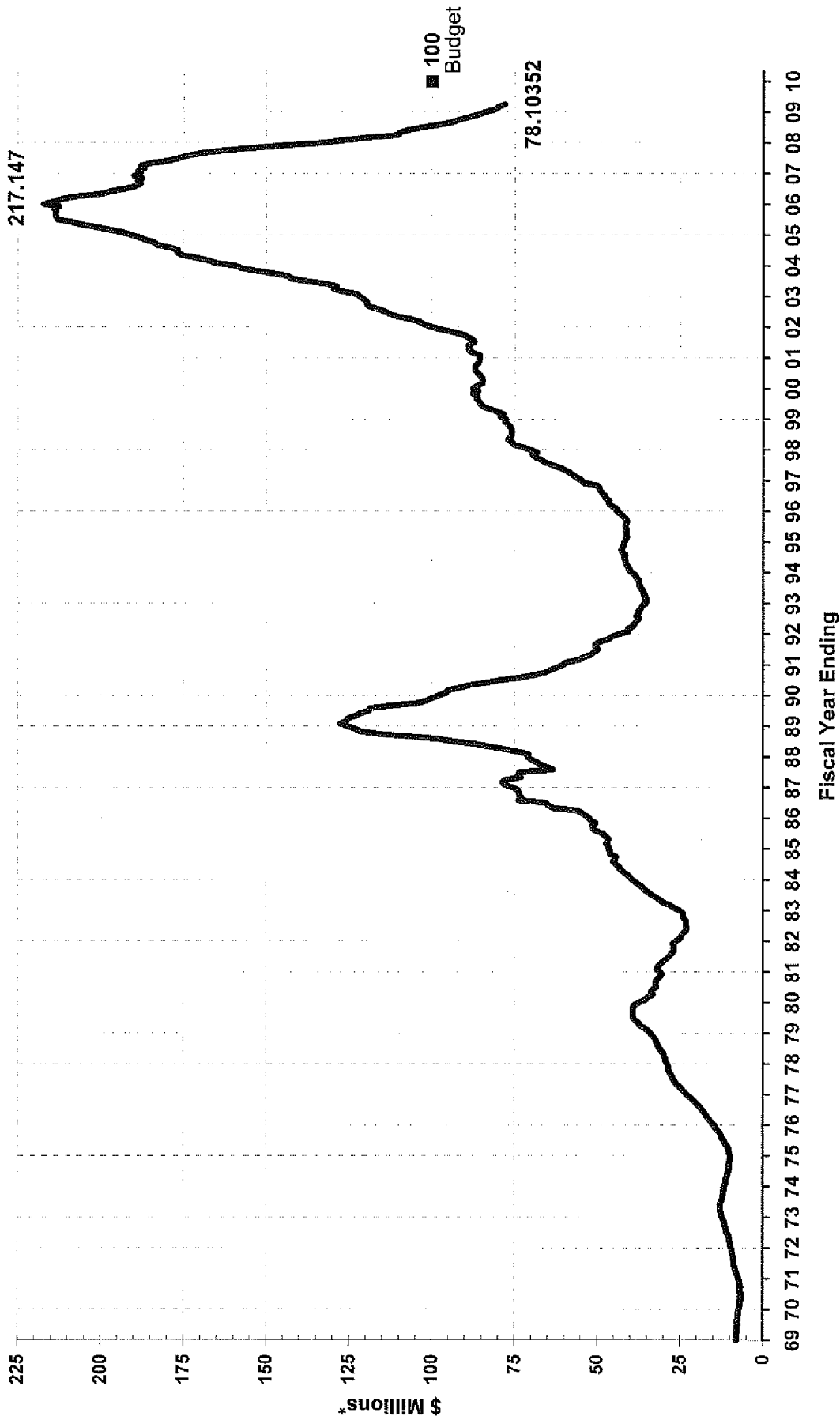
Change in City Sales Tax Allocation by Quarter



The City's fiscal year sales tax revenue is based on taxable sales between April and March. We now have taxable sales results through June 2009 -- which includes the first quarter of the current fiscal year. We receive the results of July-September taxable sales in December. April - June taxable sales were budgeted to be down 9% (stripe bar). Actual results are down 20% (solid bar). The Board of Equalization now anticipates that quarters ending in September and December will be below City budget.

Attachment 1-c Documentary Transfer Tax

12-Month Moving Sum

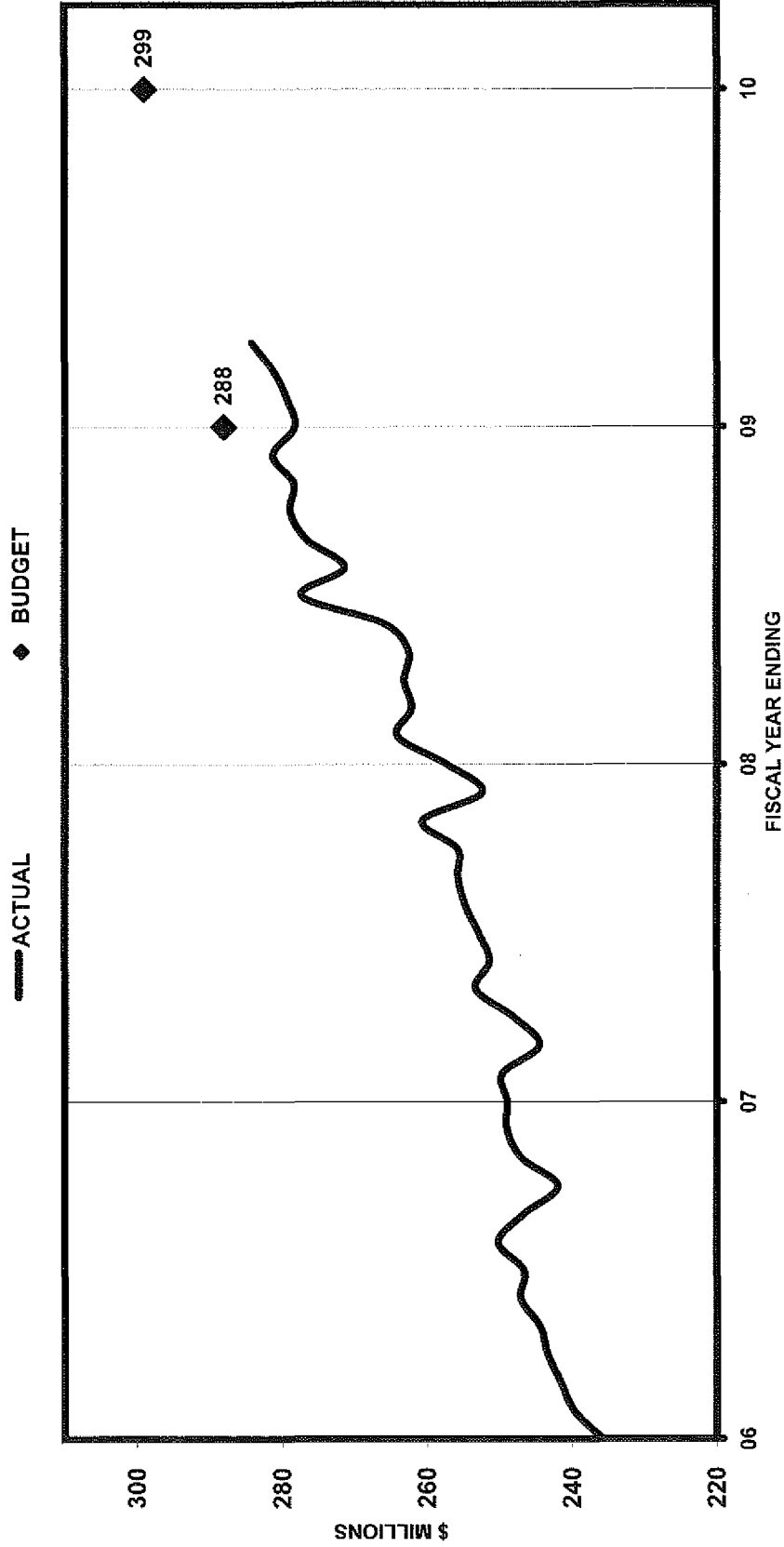


Despite reports of increasing activity and price stabilization, this account is still in freefall. Receipts for the 12 months ending in September 2009 are 22% below the budgeted level.

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

Attachment 1-d

ELECTRIC USERS' TAX 12-MONTH MOVING SUM

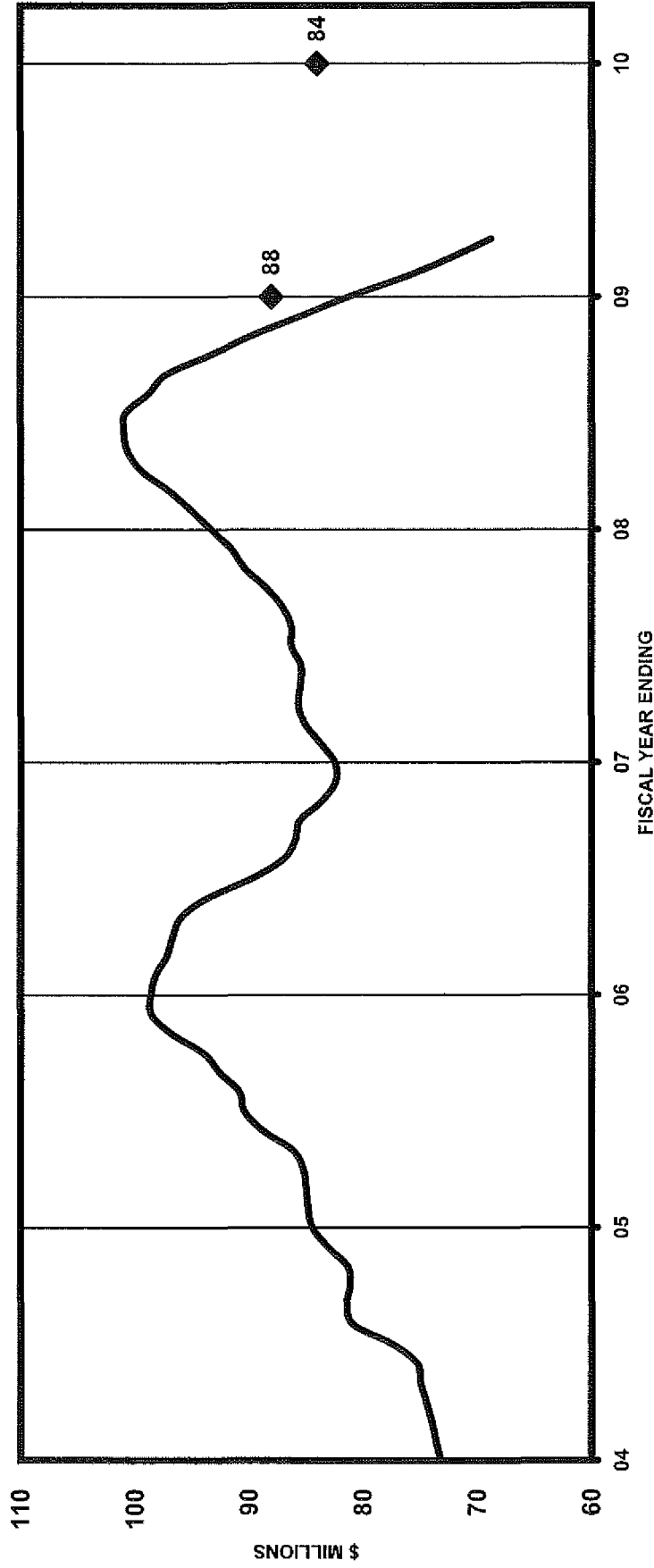


Despite rate increases, the recession is affecting this revenue.

Attachment 1-e

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

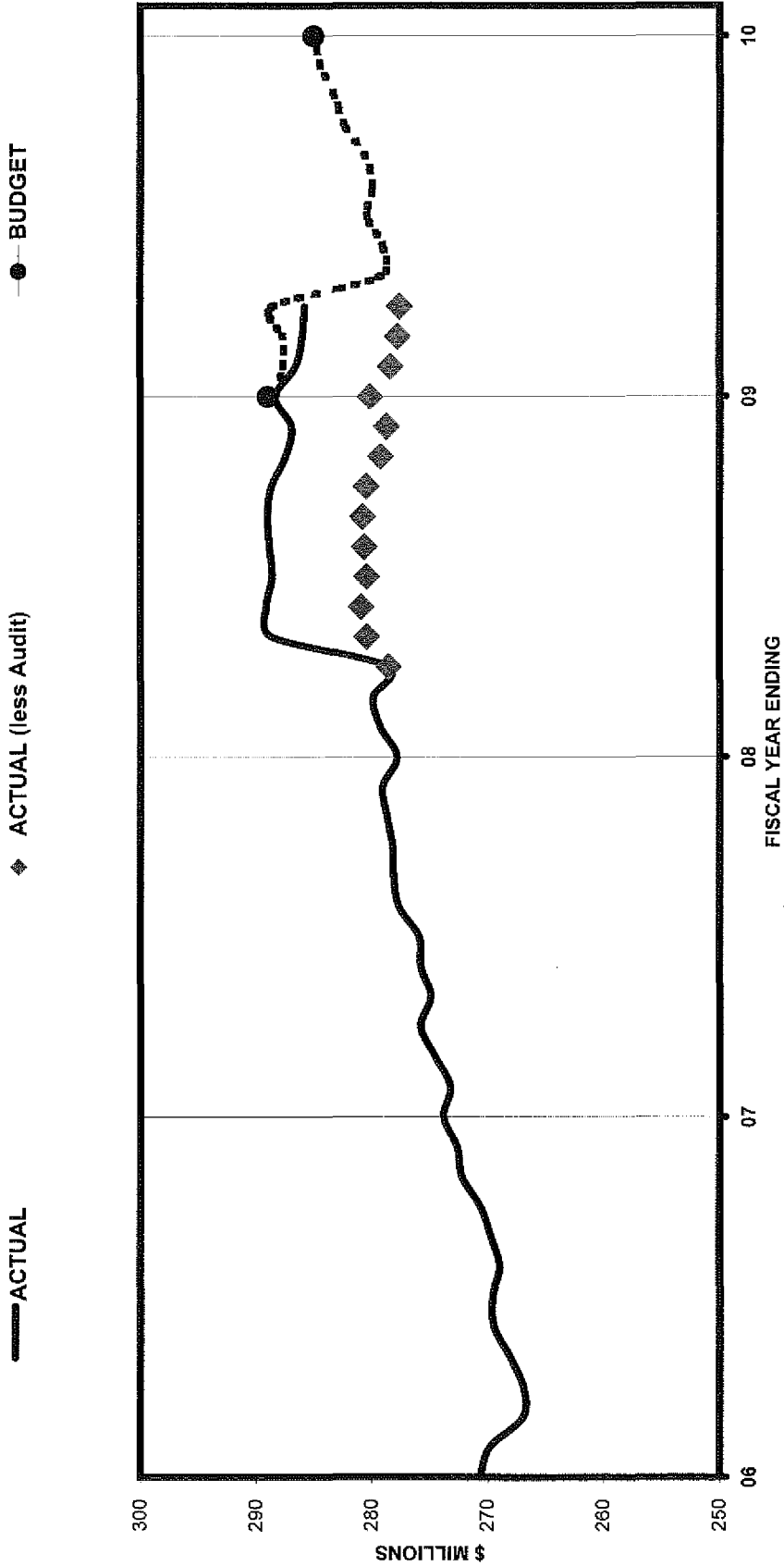
— ACTUAL ◆ BUDGET



This account is affected by declining commodity prices and the recession.

Attachment 1-f

TELEPHONE USERS' TAX 12-MONTH MOVING SUM



The spike in October 2008 is from an \$8.2 million audit recovery. The triangle pattern represents receipts less the audit payment. This tax is affected by a 10% tax rate cut, partially offset with a broadened tax base.

Attachment 2
STATUS OF RESERVE FUND AS OF 09/30/2009

Council File No. Item Description	Amount
Balance Available, 7/1/09	\$ 152,864,585
Less: Emergency Reserve Account	120,994,000
Contingency Reserve Account 7/1/09	\$ 31,870,585
General Fund Appropriation to the Reserve Fund \$46,798,058	-
Loan Repayment and Other Receipts	7,452,296
Contingency Reserve Account	\$ 39,322,881
Loans and Transfers Approved to Date	
08-0600-S70 ITA Expense to Salary Account (YE Reappropriation)	\$ (2,200,000)
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 Staion (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)
09-2181 Metropolitan LA Branch of the American Society of Civil Engineers	(497)
Loans and Transfers Approved to Date Subtotal	\$ (5,753,663)
Recommended Loans and Transfers	
Various Liability Claims (May be repaid with Judgment Obligation Bonds)	(18,515,000)
09-0600 (2nd FSR) Cultural Affairs Matching Grant Program (Reappropriation)	(59,038)
09-0600 (2nd FSR) New Police Facilities Expenses (Reappropriation)	(77,626)
09-0600 (2nd FSR) Controller - Annual City Audit/Single Audit (Reappropriation)	(774,000)
Other Proposed Loans and Transfers (Not Recommended)	
09-1861 Fire Modified Deployment Plan	(13,000,000)
Proposed Loans and Transfers Subtotal	\$ (32,425,664)
Contingency Reserve Available Balance as of 9/30/2009	\$ 1,143,554
Total Emergency and Contingency Reserve Fund	\$ 122,137,554

**Attachment 3
Four-Year Budget Outlook (\$ millions)**

ATTACHMENT 3

	2009-10 Adopted	2009-10 Revised	2010-11	2011-12	2012-13	2013-14
ESTIMATED GENERAL FUND REVENUE						
General Fund Base (1)	\$ 4,553.7	\$ 4,553.7	\$ 4,324.5	\$ 4,210.8	\$ 4,221.7	\$ 4,331.6
Revenue Growth (2)						
Property Related Taxes	(62.8)	(62.8)	(60.5)	2.9	30.7	53.5
Sales and Business Taxes	(78.1)	(92.3)	(35.8)	6.8	20.6	35.4
Utility Users' Tax	30.3	21.5	(5.9)	19.6	36.7	38.7
License, Permits and Fees	(81.1)	(94.1)	(7.1)	(7.0)	-	7.0
Other Fees, Taxes and Transfers	(23.6)	(27.0)	(15.0)	24.6	21.9	26.7
SPRF Transfer	61.3	25.3	10.6	(36.0)	-	
Total Revenue	\$ 4,399.8	\$ 4,324.5	\$ 4,210.8	\$ 4,221.7	\$ 4,331.6	\$ 4,492.9
<i>General Fund Revenue Increase %</i>	<i>-3.4%</i>	<i>-5.0%</i>	<i>-2.6%</i>	<i>0.3%</i>	<i>2.6%</i>	<i>3.7%</i>
<i>General Fund Revenue Increase \$</i>	<i>(154.0)</i>	<i>(229.3)</i>	<i>(113.6)</i>	<i>10.9</i>	<i>109.9</i>	<i>161.2</i>
ESTIMATED GENERAL FUND EXPENDITURES						
General Fund Base (3)	\$ 4,553.7	\$ 4,553.7	\$ 4,422.5	\$ 4,619.3	\$ 4,946.5	\$ 5,210.0
Incremental Changes to Base: (4)						
Employee Compensation Adjustments (5a)	75.0	75.0	18.5	12.0	2.3	21.8
Shared Responsibility and Sacrifice (5b)	(319.9)	(319.9)	-	-	-	-
City Employees Retirement System (6)	(14.4)	(14.4)	6.2	65.2	78.4	99.5
Fire and Police Pensions (6)	29.7	29.7	53.6	90.6	98.1	114.5
Workers Compensation Benefits (7)	1.4	1.4	10.9	11.8	12.7	13.7
Health and Dental Benefits (8)	8.9	8.9	31.1	33.7	35.3	36.9
Debt Service (9)	40.8	40.8	0.7	(12.4)	(7.3)	(0.0)
Expense CPI Increases (10)	-	-	6.7	6.9	7.0	7.2
Delete Reso. Authorities/One-Time Costs (11)	(105.7)	(105.7)	-	-	-	-
Unappropriated Balance (12)	60.5	60.5	-	-	-	-
New Facilities (13)	3.1	3.1	5.5	6.0	9.3	9.0
City Elections (14)	(16.9)	(16.9)	17.4	(17.4)	17.9	(17.9)
Police 1,000 Officers Hiring Plan (15)	6.1	6.1	-	-	-	-
CIEP (16)	7.5	7.5	37.8	2.9	3.8	2.9
Appropriation to the Reserve Fund	46.7	46.7	(46.7)	-	-	-
Net - Other Additions and Deletions	23.3	23.3	-	-	-	-
2009-10 Estimated Shortfall		329.9	-	-	-	-
Potential Savings (17)						
ERIP		(47.2)	(14.8)	6.3	(18.3)	6.7
Coalition		(77.6)	43.5	35.8	24.2	24.9
Police		(77.4)	(26.8)	86.0	-	-
Fire		(52.0)	9.2	-	-	-
Other Actions		(53.0)	44.0	-	-	-
Subtotal Expenditures	\$ 4,399.8	\$ 4,422.5	\$ 4,619.3	\$ 4,946.5	\$ 5,210.0	\$ 5,529.2
<i>Expenditure Growth %</i>	<i>-3.4%</i>	<i>-2.9%</i>	<i>5.0%</i>	<i>7.1%</i>	<i>5.3%</i>	<i>6.1%</i>
<i>Expenditure Growth \$</i>	<i>(153.9)</i>	<i>(131.2)</i>	<i>219.5</i>	<i>327.2</i>	<i>263.5</i>	<i>319.2</i>
TOTAL BUDGET GAP						
	\$ -	\$ (98.1)	\$ (408.4)	\$ (724.8)	\$ (878.4)	\$ (1,036.3)
<i>Incremental Increase %</i>				<i>77.5%</i>	<i>21.2%</i>	<i>18.0%</i>
<i>Incremental Increase \$</i>				<i>(316.4)</i>	<i>(153.6)</i>	<i>(157.9)</i>

Attachment 3

FOUR-YEAR GENERAL FUND BUDGET OUTLOOK FOOTNOTES

REVENUE:

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

(2) Revenue Growth: Future year revenue projections have been revised to reflect the growing consensus among economists that the economy is in a long-term recession. Additionally, downward adjustments are likely depending on the length and severity of this recession. Amounts represent projected incremental change to the base. Refer to the Revenue Outlook for detail of each revenue category.

ESTIMATED GENERAL FUND EXPENDITURES:

(3) Estimated Expenditure General Fund Base: Using the 2008-09 General Fund budget as the baseline year, the General Fund base is the "Total Obligatory and Potential Expenditures" carried over to the following fiscal year.

(4) The 2009-10 incremental changes reflect funding adjustments to the 2008-09 General Fund budget. The 4-Year Outlook expenditures included for subsequent years are limited to those obligatory and major expenses known at this time and are subject to change. Amounts represent projected incremental change to the base.

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

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

Sworn labor contracts expired on 6/30/2009 and include the last COLA of 3.75% on 7/1/2008. On October 21, 2009, members of the Los Angeles Police Protective League (LAPPL) ratified a two-year contract for 2009-10 to 2010-11. The new MOU COLA's are also reflected in the chart below. Engineers and Architects Association (EAA) contract expire on 6/30/2010 and no EAA COLA's are assumed in 2010-11 and future years.

On September 30, 2009, the Mayor and Council initially approved the Early Retirement Incentive Program (ERIP) ordinance that allows for voluntary civilian employee separations. As part of ERIP, the Coalition revised its existing MOU to extend the term to 2013-14. On October 23, 2009, Coalition ratified its five-year agreement with the City. Coalition salary adjustments are reflected in the Coalition line item below Potential Savings (17).

COLA	2009-10	2010-11	2011-12	2012-13	2013-14
Coalition					
COLA - July 1st	0%	0%	3%	2.25%	2.25%
Step/increase - Jan. 1st	0%	0%	2.75%	2.75%	2.75%
Deferral Recovery – July 1st	0%	0%	0%	0%	1.75%
Cash Payment - Nov. 1st	n/a	n/a	1.75%	1.75%	0%
Police	0%	0%	n/a	n/a	n/a
EAA	3%	n/a	n/a	n/a	n/a

Attachment 3

(5b) The 2009-10 Adopted Budget includes a \$326.6 million reduction entitled "Shared Responsibility and Sacrifice". Of the total, \$319.9 million is for salaries and \$6.7 million is for civilian retirement contribution and health benefits adjustments.

(6) City Employment Retirement System (LACERS) and Fire & Police Pensions (Pensions): The LACERS and Pensions contribution are estimated based on information from the departments' actuaries and include COLA assumptions. The estimates are mostly driven by changes in assumptions and investment returns. Market corridor changes were approved by the LACERS and Pensions Board in September 2009. The forecast assumptions are summarized in the chart below:

Assumptions	Market Corridor	Smoothing	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Investment Returns			(20)%	0%	8%	8%	8%	8%
LACERS Rate	50:150	5 year	20.17%	19.46%	21.99%	25.6%	29.8%	34.4%
Pensions Rate	60:140	7 year	26.23%	28.24%	32.50%	39.70%	47.50%	56.6%

(7) Workers Compensation Benefits (WC): The WC budget increase of 8% is applied through 2011-12.

(8) Health and Dental Benefits: Mercer Consulting provides the civilian plan forecast. Projected civilian employee FLEX benefits reflect medical premium increases of 8.11% for 2009; 11.85% for 2010; 8.04% for 2011; and 7.75% for 2012, with 2,400 fewer enrollees due to ERIP at the latter half of 2009-10. Police and Fire health medical subsidy rates are historically higher and assumed to be 2% more than the civilian rates due to the type of coverage and lower deductible health plans. Police enrollment projections are consistent with the current year hiring plan.

(9) Debt Service: The debt service amounts include Capital Finance and Judgement Obligation Bond budgets. The Motorola lease payments for the Public Safety Radio Replacement and Police headquarters facilities debt service starts in 2009-10.

(10) Expense CPI Increases: The CPI increases in future years are anticipated at 2% per annum.

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

(12) Unappropriated Balance (UB): The total 2009-10 UB budget is not eliminated the following year to provide a placeholder for various ongoing and/or contingency requirements in the following years.

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

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

(15) The original Police Hiring Plan called for the recruitment of 1,000 net new officers during 2005-06 to 2009-10. Due to the economic recession, funding for Police recruitment covers attrition only in 2009-10 and subsequent years. Costs include salaries and expense.

(16) Capital Improvement Expenditure Program (CIEP): The 2009-10 budget includes \$7.5 million for various capital projects. For future years, the CIEP amounts assume compliance with the policy of budgeting 1% of the General Fund for capital improvement projects.

(17) Potential Savings include estimated costs and savings associated with the following:

Attachment 3

ERIP: reflects civilian payroll savings from 2,400 separations, of which 53% would be General Fund; seven percent backfill limit; ERIP related separation pay divided into two equal payments commencing 2010-11 and 2011-12; elimination of defrayal for employees hired prior to January 1, 1983; and increase of employee retirement contribution rate by 1% in 2011-12.

Coalition Agreement: reflects MOU from 2009-10 to 2013-14 that defers COLA in 2009-10 and 2010-11 and extends the term of agreement to 2013-14; savings generated from special funds and proprietary departments; reduced work schedules; increase in alternative 72-Hour work schedules; elimination of bonus compounding; deferral of sick leave payout and attorney bar dues; and increase in compensatory time off (CTO) bank from 80 hours to 240 hours.

Police and Fire: reflects LAPPL ratified labor agreement; proposed Fire labor concessions; Fire Modified Deployment Plan; use of grant funds and other efficiencies.

Other Actions: EAA employee furloughs; one-time health benefits trust fund transfer; and other potential non-Coalition labor savings.

The Outlook adds back any 2009-10 one-time savings to 2010-11 expenditures.

Attachment 4-a
STATUS OF UNAPPROPRIATED BALANCE
GENERAL ACCOUNT as of 09/30/2009

C.F.	Appropriations	Date	Amount
	Beginning Balance		\$ 25,000
	Approved Transfer		
09-1681	Trutanich Transition Team	7/14/2009	(473)
09-2244	Hispanic College Fund Youth Symposium	9/11/2009	(426)
09-2388	Tunson Leadership Foundation	10/2/2009	(531)
09-2432	Harbor Department Port Police Officers Association	10/7/2009	(588)
09-2178-S2	Comite de Festejos Centroamericanos (COFECA)	10/14/2009	(852)
	Balance Available		<u><u>22,130</u></u>

Attachment 4-b
STATUS OF UNAPPROPRIATED BALANCE NON-GENERAL ACCOUNT as of 9/30/2009

Council File No.	UB Non-General Accounts	Primary Department	Adopted Budget	Transfer In/ Reapprop.	Amount Appropriated during year	Available Balance
	General Fund					
	General (see Attachment 4A)		\$ 25,000	\$ -	(2,870)	\$ 22,130
	AB 1290		10,000,000			10,000,000
09-0600-S141 (1st 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		(500,000)	1,500,000
	GSD - Petroleum Products	GSD	4,000,000			4,000,000
09-0600 (Budget Reso)	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-S141 (1st FSR)	Neighborhood Council Elections	City Clerk	1,905,000		(1,905,000)	0
09-0600-S135 (St. Svcs)	New Positions	Various	13,905,625		(1,544,276)	12,361,349
09-0358-S1 (St. Lighting)	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-S141 (1st 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		(200,000)	340,000
09-0600 (2nd FSR)	Tax Amnesty/Audit Penetration (reapprop)	Finance	150,069			150,069
08-0600-S70 YE	Gang Prevention/Intervention/Reduction (Budget Reso reappropriation)		40,000			40,000
			\$ 52,766,525	\$ 843,211	(8,602,146)	\$ 45,007,590
						0
	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
	New Positions - Code Enforcement (Fund No. 41M)	Housing	27,905			27,905
0220-04501-0000(LED)	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		(130,000)	2,870,000
			\$ 7,700,513	\$ -	(1,348,855)	\$ 6,351,658
	Grand Total		\$ 60,467,038	\$ 843,211	(9,951,001)	\$ 51,359,248

Attachment 5
FY 2009-10 BUDGET ADJUSTMENTS
NEW APPROPRIATIONS

REQUESTING DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Information Technology Agency Rec and Parks and City Attorney	Fund 100/32, Information Technology Agency		Fund 100/32, Information Technology Agency	
	RSC 4610, Reimbursements from Depis/Funds	\$ 2,745.45	1090, Salaries General	\$ 2,458.00
			9390, Communication Services	\$ 287.45
			Subtotal	\$ 2,745.45
Planning Mills Act Program	Fund 100/68, Planning		Fund 100/68, Planning	
	RSC 3828, Planning and Land Use Fees	\$ 30,000.00	3040, Contractual Services	\$ 26,580.00
			1090, Salaries Overtime	\$ 3,420.00
			Subtotal	\$ 30,000.00
Expedited Projects	Fund 46Y/68, City Planning Grant Trust Fund		Fund 46Y/68, City Planning Grant Trust Fund	
	RSC 3828, Planning and Land Use Fees	\$ 23,052.49	F204, Mills Act Program	\$ 23,052.49
	Fund 47E/68, Planning Department Expedited Permit Trust Fund		F368, Planning	\$ 293,953.03
	Cash Balance	\$ 635,568.34	F338, Fire Department	\$ 2,032.00
			F399, Related Costs	\$ 339,583.31
			Subtotal	\$ 635,568.34
Transportation Taxicab Regulation and Enforcement	Fund 596/94, Transportation Regulation & Enforcement		Fund 596/94, Transportation Regulation & Enforcement	
	RSC 3294, Taxicab Vehicle Bandit Fee	\$ 150,000.00	F194, LA Department of Transportation	\$ 150,000.00
TOTAL ALL DEPARTMENTS AND FUNDS		\$ 841,366.28		\$ 841,366.28

Attachment 6
FY 2009-10 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN ACCOUNTS WITHIN DEPARTMENTS AND FUNDS

REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT	TRANSFER TO
Housing	Fund 100/43, Housing		Fund 100/43, Housing		
Temporary Staffing	3040, Contractual Services	\$ 120,000.00	1070, Salaries, As Needed	\$ 120,000.00	
2008-09 Reimbursement	Fund 440/43, Rent Stabilization Trust Fund		Fund 440/43, Rent Stabilization Trust Fund		
	T299, Overhead Costs - City Departments	\$ 34,460.77	F299, Related Costs	\$ 258,523.26	
	W299, Overhead Costs - City Departments	\$ 224,062.49			
	Subtotal	\$ 258,523.26			
2008-09 Reimbursement	Fund 41M/43, Systematic Code Enforcement Trust Fund		Fund 41M/43, Systematic Code Enforcement Trust Fund		
	V143, Housing	\$ 84,818.11	F299, Related Costs	\$ 84,818.11	
Planning	Fund 524/68, Major Projects Review Trust Fund		Fund 524/68, Major Projects Review Trust Fund		
Universal Vision	005E, Universal Vision Collection	\$ 635,238.15	209F, Universal Vision	\$ 320,018.29	
			299F, Related Costs	\$ 315,219.86	
			Subtotal	\$ 635,238.15	
Metro Universal	006E, Metro Universal Collection	\$ 431,649.83	209F, Metro Universal	\$ 225,235.00	
			299F, Related Costs	\$ 206,414.83	
			Subtotal	\$ 431,649.83	
Police	Fund 44F70, Forfeited Assets Trust Fund		Fund 44F70, Forfeited Assets Trust Fund		
State of California	F526, Equipment for New and Replacement Facilities	\$ 847,307.00	F514, Replacement Technology	\$ 105,000.00	
			New, Hydra Minerva Suite Buildout	\$ 88,000.00	
			New, Gang Intervention Programs - State of California Funds	\$ 105,765.00	
			New, Gang Intervention Programs - State Set-Aside Funds	\$ 568,542.00	
			Subtotal	\$ 847,307.00	
Public Works-Contract Administration	Fund 100/76, Bureau of Contract Administration		Fund 100/76, Bureau of Contract Administration		
MOU Mileage Payout	1090, Overtime, General	\$ 255,245	3310, Transportation	\$ 255,245	
Public Works-Street Lighting	Fund 100/84, Street Lighting		Fund 100/84, Street Lighting		
LED Conversion Program	1010, Salaries General	\$ 50,000	1100, Hiring Hall Salaries	\$ 50,000	
	Fund 347/50, Street Lighting Maintenance Assessment		Fund 347/50, Street Lighting Maintenance Assessment		
	E500, LED Fixtures	\$ 1,500,000	Account E600, Available Series to Multiple Projects	\$ 1,500,000	
Transportation	Fund 596/94, Transportation Regulation & Enforcement		Fund 596/94, Transportation Regulation & Enforcement		
Bandit Taxicab Enforcement	A170, LA Police Department	\$ 26,000.00	F170, LA Police Department	\$ 26,000.00	
American Recovery and Reinvestment Act	Fund 100/94, Transportation		Fund 100/94, Transportation		
	1010, Salaries General	\$ 300,000.00	1090, Salaries Overtime	\$ 300,000.00	
		\$ 4,508,781.35		\$ 4,508,781.35	
TOTAL ALL DEPARTMENTS AND FUNDS					

Attachment 7
FY 2009-10 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS

REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
			TRANSFER TO	
City Administrative Officer Risk management	Fund 46S/10 Insurance Premiums Special Fund		Fund 100/10 City Administrative Officer	
	0230, Insurance Premiums	\$ 150,000	1010, Salaries General	\$ 150,000
Debt management	Fund 100/53 Capital Finance Administration Fund		Fund 100/10 City Administrative Officer	
	0170, General Administration	\$ 100,000	1010, Salaries General	\$ 100,000
Fire Vehicle Equipment Installation	Fund 298/38, MiCLA		Fund 100/32, Information Technology Agency	
	E206, Communication Equipment	\$ 379,466.00	1100, Salaries Hiring Hall	\$ 379,466.00
Planning Mills Act Program	Fund 46Y/68, City Planning Grant Trust Fund		Fund 100/68, Planning	
	F204, Mills Act Program	\$ 23,052.49	RSC 4610, Reimbursements from Other Funds/Depts	\$ 23,052.49
Universal Vision Project direct costs, 2007-08 direct costs, 2008-09	Fund 524/68, Major Projects Review Trust Fund		Fund 100/68, Planning	
	205F, Universal Vision	\$ 165,082.43	RSC 4610, Reimbursements from Other Funds	\$ 240,413.45
	205F, Universal Vision	\$ 154,935.86	RSC 4640, Reimbursement for Related Costs	\$ 241,120.88
	299F, Related Costs	\$ 315,219.86		
	Subtotal	\$ 635,238.15	Subtotal	\$ 635,238.15
Metro Universal Project direct costs, 2007-08 direct costs, 2008-09	Fund 524/68, Major Projects Review Trust Fund		Fund 100/68, Planning	
	206F, Metro Universal	\$ 138,087.09	RSC 4610, Reimbursements from Other Funds	\$ 184,226.46
	206F, Metro Universal	\$ 87,147.91	RSC 4640, Reimbursement for Related Costs	\$ 168,242.62
	299F, Related Costs	\$ 206,414.83		
	Subtotal	\$ 431,649.83	Subtotal	\$ 431,649.83
Expedited Projects	Fund 47E/68, Planning Department Expedited Permit Trust Fund		Fund 100/68, Planning	
	F368, Planning	\$ 293,953.03	RSC 4610, Reimbursements from Other Funds/Dept	\$ 293,953.03
	F399, Related Costs	\$ 339,583.31	RSC 4640, Reimbursements of Related Costs	\$ 339,583.31
	F338, Fire Department	\$ 2,032.00	Fund 100/38, Fire	
	Subtotal	\$ 635,568.34	Subtotal	\$ 635,568.34

Attachment 7
FY 2009-10 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS

REQUESTING DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Police Metro Detention Center	Fund 44D/70, Forfeited Assets Trust		Fund 100/32, Information Technology Agency	
	E525, Equipment for New and Replacement	\$ 47,710.00	9350, Communication Services	\$ 47,710.00
	Fund 298/70, MICLA		Fund 100/40, General Services Department	
	C735, Police Helicopters-MICLA CP08	\$ 102,720.00	1010, Salaries General	\$ 204,300.00
Equipment Installation	E735, Police Helicopters-MICLA CP09	\$ 101,580.00		
	Subtotal	\$ 204,300.00		
Public Works-Street Lighting Pole Painting Services	Fund 347/50, St Lighting Maintenance Assessment Fund	\$ 250,000.00	Fund 100/84, Street Lighting	\$ 250,000.00
	E184, Street Lighting		3040, Contractual Services	
Public Works-Street Services American Recovery and Reinvestment Act	Fund 298/50, MICLA		Fund 100/86, Street Services	
	F286, ARRA - Public Works-Street Services	\$ 15,300,000.00	3030, Construction Expense	\$ 14,000,000.00
			3040, Contractual Services	\$ 290,000.00
			3090, Field Equipment Expense	\$ 10,000.00
			6020, Operating Supplies	\$ 1,000,000.00
	Subtotal	\$ 15,300,000.00	Subtotal	\$ 15,300,000.00
Bridge and Tunnel Maintenance	Fund 206/50, Special Gas Tax Street Improvement Fund	\$ 150,000.00	Fund 100/86, Street Services	
	F365, Bridge and Tunnel Maintenance		1010, Salaries, General	\$ 90,000.00
			1090, Salaries, Overtime	\$ 10,000.00
			1100, Hiring Hall Salaries	\$ 7,000.00
			1120, Hiring Hall Benefits	\$ 8,000.00
			1190, Hiring Hall Overtime	\$ 3,000.00
			3030, Construction Expense	\$ 20,000.00
			6010, Office and Administrative	\$ 2,000.00
			6020, Operating Supplies	\$ 10,000.00
		Subtotal	\$ 150,000.00	Subtotal
Guardrail Construction	Fund 206/50, Special Gas Tax Street Improvement Fund	\$ 150,000.00	Fund 100/86, Street Services	
	F601, Guardrail Construction		1010, Salaries, General	\$ 90,000.00
			1090, Salaries, Overtime	\$ 10,000.00
			1100, Hiring Hall Salaries	\$ 7,000.00
			1120, Hiring Hall Benefits	\$ 8,000.00
			1190, Hiring Hall Overtime	\$ 3,000.00
			3030, Construction Expense	\$ 20,000.00
			6010, Office and Administrative	\$ 2,000.00
		6020, Operating Supplies	\$ 10,000.00	
	Subtotal	\$ 150,000.00	Subtotal	\$ 150,000.00

Attachment 8

FY 2009-10 BUDGET ADJUSTMENTS
APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE

<u>APPROPRIATE FROM:</u>	<u>APPROPRIATE TO:</u>	<u>AMOUNT</u>
Fund, 100/58, Unappropriated Balance 0195, New Fire Stations	Fund 100/38, Fire Department 6010, Office and Administrative	280,000
<u>TOTAL APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE</u>		<u>\$ 280,000</u>

Attachment 9

Status of Departmental Salaries, Overtime Accounts as of Pay Period 9

Department	Fund	Account	Account Name	Total Available	Expended To Date	Uncommitted
Aging	100/02	1090	Overtime, General	3,900.00	0.00	3,900.00
Animal Services	100/06	1090	Overtime, General	81,000.00	2.32	80,997.68
Building and Safety	100/08	1090	Overtime, General	1,084,203.00	321,437.73	762,765.27
City Administrative Officer	100/10	1090	Overtime, General	3,000.00	1,248.77	1,751.23
City Attorney	100/12	1090	Overtime, General	5,408.00	2,604.37	2,803.63
City Clerk	100/14	1090	Overtime, General	812,437.00	32,819.96	779,617.04
City Ethics Commission	100/17	1090	Overtime, General	15.63	0.00	15.63
Community Development Department	100/22	1090	Overtime, General	241,520.00	17,388.24	224,131.76
Controller	100/26	1090	Overtime, General	87,071.00	21,289.50	65,781.50
Convention Center	100/48	1090	Overtime, General	1,357,726.00	212,215.19	1,145,510.81
Council	100/28	1090	Overtime, General	1,392.52	0.00	1,392.52
EI Pueblo	100/33	1090	Overtime, General	34,500.00	5,343.95	29,156.05
Emergency Management	100/35	1090	Overtime, General	18,000.00	8,239.02	9,760.98
Environmental Affairs	100/37	1090	Overtime, General	500.00	0.00	500.00
Finance	100/39	1090	Overtime, General	116,350.00	3,467.88	112,882.12
Fire	100/38	1090	Overtime, General	1,230,910.00	424,395.80	806,514.20
General Services	100/40	1090	Overtime, General	6,248,081.60	1,752,213.99	4,495,867.61
Housing	100/43	1090	Overtime, General	99,845.00	4,617.45	95,227.55
Information Technology Agency	100/32	1090	Overtime, General	969,951.50	425,041.82	544,909.68
Neighborhood Empowerment	100/47	1090	Overtime, General	12,000.00	61.79	11,938.21
Personnel	100/66	1090	Overtime, General	269,377.00	48,490.50	220,886.50
Planning	100/68	1090	Overtime, General	273,500.00	55,576.06	217,923.94
Police	100/70	1090	Overtime, General	6,202,802.01	1,710,393.29	4,492,408.72
Public Works - Board	100/74	1090	Overtime, General	58,347.00	3,192.28	55,154.72
Public Works - Contract Administration	100/76	1090	Overtime, General	1,113,655.00	19,804.31	1,093,850.69
Public Works - Engineering	100/78	1090	Overtime, General	1,379,513.00	7,630.77	1,371,882.23
Public Works - Sanitation	100/82	1090	Overtime, General	7,651,404.00	1,600,440.52	6,050,963.48
Public Works - Street Lighting	100/84	1090	Overtime, General	346,000.00	197,498.99	148,501.01
Public Works - Street Services	100/86	1090	Overtime, General	5,361,391.00	1,967,275.53	3,394,115.47
Transportation	100/94	1090	Overtime, General	5,404,748.00	3,053,397.72	2,351,350.28
Treasurer	100/96	1090	Overtime, General	5,813.00	0.00	5,813.00
Zoo	100/87	1090	Overtime, General	51,164.00	28,282.13	22,881.87
Totals				40,525,525.26	11,924,369.88	28,601,155.38

**Attachment 10
EMPLOYMENT LEVEL REPORT
FY 2009-10**

Department	Adopted Budget	Position Authorities			Filled Positions			Vacancies	Activated Sub. Auth.
		Start of August	Changes	End of August	Start of August	Changes	End of August		
Aging	41	56	-	56	47	-	47	9	-
Animal Services	357	412	-	412	371	(1)	370	42	-
Building and Safety	806	901	-	901	841	(3)	838	63	205
City Administrative Officer	125	129	-	129	128	-	128	1	1
City Attorney	835	1,057	-	1,057	1,014	(1)	1,013	44	14
City Clerk	134	147	(2)	145	138	(3)	135	10	3
Community Development	198	300	-	300	272	(2)	270	30	4
Controller	188	230	-	230	189	(3)	186	44	5
Cultural Affairs	68	80	-	80	68	-	68	13	3
Disability	13	19	-	19	18	-	18	1	-
El Pueblo	17	21	-	21	18	-	18	3	4
Emergency Management	19	30	-	30	27	-	27	3	-
Employee Relations Board	3	3	-	3	3	-	3	-	-
Environmental Affairs	28	28	-	28	28	-	28	-	-
Ethics Commission	24	24	-	24	24	-	24	-	-
Finance	362	402	-	402	375	(5)	370	32	21
Fire - Civilian	353	439	-	439	367	(3)	364	75	35
Fire - Sworn	3,588	3,648	-	3,648	3,665	(8)	3,657	(9)	6
General Services	2,042	2,090	-	2,090	1,988	(15)	1,973	117	16
Housing	535	599	-	599	524	(3)	521	78	11
Human Services	20	36	-	36	27	-	27	9	1
Information Technology Agency	637	717	-	717	713	(9)	704	13	5
L.A. Convention Center	165	183	-	183	142	(1)	141	42	12
Neighborhood Empowerment	43	43	-	43	40	-	40	3	-
Personnel	441	516	-	516	490	(4)	486	30	10
Planning	270	365	-	365	297	(2)	295	70	-
Police - Civilian	3,545	3,587	-	3,587	3,275	(13)	3,262	325	6
Police - Sworn	10,467	10,493	-	10,493	10,004	(14)	9,990	503	-
PW/Board of Public Works	130	142	-	142	130	(1)	129	13	-
PW/Bureau of Contract Admin	281	403	-	403	357	-	357	46	-
PW/Bureau of Engineering	894	1,030	11	1,041	925	(8)	917	124	18
PW/Bureau of Sanitation	2,845	2,924	-	2,924	2,645	(5)	2,640	284	10
PW/Bureau of Street Lighting	230	261	-	261	214	(3)	211	50	2
PW/Bureau of Street Services	1,157	1,468	129	1,597	1,311	(10)	1,301	296	76
Transportation	1,425	1,617	-	1,617	1,516	1	1,517	100	16
Treasurer	39	42	-	42	39	-	39	3	2
Zoo	245	250	-	250	217	(1)	216	34	4
Subtotal	32,570	34,692	138	34,830	32,447	(117)	32,330	2,500	490
Library	1,132	1,156	-	1,156	1,063	(4)	1,059	97	-
Recreation and Parks	1,961	2,111	-	2,111	1,861	(17)	1,844	267	119
Subtotal	3,093	3,267	-	3,267	2,924	(21)	2,903	364	119
Total	35,663	37,959	138	38,097	35,371	(138)	35,233	2,864	609

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

Monthly Summary	Adopted Budget	Position Authorities			Filled Positions			Vacancies	Activated Sub. Auth.
		Start of Month	Changes	End of Month	Start of Month	Changes	End of Month		
July	35,663	37,846	113	37,959	35,535	(164)	35,371	2,879	610
August	35,663	37,959	138	38,097	35,371	(138)	35,233	2,864	609
September			-			-		-	
October			-			-		-	
November			-			-		-	
December			-			-		-	
January			-			-		-	
February			-			-		-	
March			-			-		-	
April			-			-		-	
May			-			-		-	
June			-			-		-	

Attachment 11

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	10/26/2009	Based on comprehensive fee study. Fee ordinance approved August 14, 2009 with an expected implementation date of October 26, 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