


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: *January 29, 2010*

To: The Honorable Mayor Antonio Villaraigosa
The Honorable Members of the City Council

From: Miguel Santana, City Administrative Officer 

Subject: **MID-YEAR FINANCIAL STATUS REPORT AND THREE-YEAR PLAN TO FISCAL SUSTAINABILITY**

The City is facing a budget crisis unlike any crisis that it has ever experienced. The recession which began in 2008 caused deeper revenue declines than any post-World War II recession. The recession was much deeper than anticipated in the budget and has greatly affected the majority of the City's revenue categories. Receipts are now projected to be \$110.6 million below the prior estimate for a total of \$185.6 million. We are seeing distress in almost every revenue category including property, sales, utility, business, and hotel taxes. In the recession of the early 1990s, it took five years for the major taxes to return to the pre-recession level and it took nine years for the City's most economy-sensitive revenue, the sales tax, to fully recover. This lag is because rising employment and higher consumer spending trail economic recovery and actual City receipt of tax revenue lags consumer spending. Simply stated, local government revenue cannot recover from a severe recession until well after the recession ends.

Accounting for the revenue shortfall, the overall projected deficit is now \$208.5 million. Mitigating measures such as position reductions, contract reductions of 10%, sweeping all available funds and other measures are proposed to reduce the deficit. However even with adoption of these mitigation efforts, the City will have to dip into the Reserve Fund to offset the remainder of the deficit. We anticipate that the Reserve Fund balance will grow to \$232 million although after offsetting the deficit, the balance at year-end would only be approximately \$24 million; far short of the City's goal of maintaining a five percent Reserve Fund balance.

The enormity of our current fiscal crisis forces the City to take swift action now and lay out a financial plan for the future. The January 20, 2010 letter from the Mayor and Council leadership instructed my Office to take appropriate steps in confronting the crisis and laid out three major goals:

- Balancing the budget in the current Fiscal Year;
- Strengthening the City's credit rating; and
- Restoring the City's long-term fiscal health and sustainability.

Immediate steps must be taken to achieve these goals in a meaningful way. Attached to this cover memorandum, are the Mid-Year Financial Status Report and the Three-Year Plan to Fiscal Sustainability. These documents provide an update of the City's current

financial position, steps needed to address the budget deficit and the goals outlined above, and provide a financial and policy roadmap for the next three years. Recommendations are provided that will be difficult to consider, much less approve. However, postponing approval of these recommendations or alternative solutions with tangible savings will continue to negatively impact the City's financial position and increasingly jeopardize its long-term fiscal health and sustainability.

It should be noted that that my Office has reopened dialogue with the City's labor partners and have communicated with them that the revenue threshold in the agreements has been triggered along with the City's election to maintain budget flexibility by effectuating the furlough and layoffs provision(s) of the labor agreements for this fiscal year. The Financial Status Report triggers the re-opener language for 2010-11.

Contained within the Financial Status Report are recommendations to eliminate 1,000 General Fund positions within the next three to six months. Although it should be noted that Executive Employee Relations Committee has directed my Office to identify an additional 500 position reductions. Five basic criteria were used to determine the layoff target for each department. These criteria excluded positions based on core functions and services:

- 100% Revenue generating positions
- 100% Non-General Fund positions
- Legally mandated functions
- Positions needed to protect the public's health and safety
- Positions needed to keep critical City operations intact

In order to achieve this target, the Personnel Department and all affected departments must begin the layoff process immediately. To the extent possible, employees facing immediate displacement will be placed into vacant special-funded position authorities to minimize the number of resulting job loses from the layoff process. It is estimated that the annual direct salary savings from the 1,000 position reduction would be approximately \$65 million. There is a financial and human cost for each day of delay. The daily cost of postponing 1,000 layoffs is approximately \$338,000, which equals four more positions that need to be eliminated to generate the targeted savings. Any position removed from the 1,000 list must be replaced with an equal number in another department.

The Three-Year Plan to Fiscal Sustainability addresses the immediate and long-term outlook of the City's fiscal situation. Four strategies have been developed that encompass various strategies in restoring the City's fiscal health. These strategies include workforce modernization, public-private partnerships, focus on core mission and responsible financial management. These strategies and the initiatives behind them are explained in the Plan. Without adoption of the strategies and related solutions, the City risks further deterioration of its financial situation and the services that are provide to its constituents.

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 29, 2010

CAO File No. 0116-00001-0000

Council File No. 09-0600

Council District: All

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

From: Miguel A. Santana, City Administrative Officer 

Reference: 2009-10 Budget

Subject: **MID-YEAR (THIRD) 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 Mid-Year (Third) Financial Status Report (FSR) for this fiscal year. This report provides an update on current year General Fund revenues and expenditures reported in the Second FSR, a forecast on future revenue and expenditures, and several options to help close the budget gap for the current year while putting the City on the path to better fiscal health and sustainability.

This report includes substantial information regarding recommended actions to address the January 20, 2010 letter from the Mayor and Council leadership, which stated goals developed in conjunction with this Office. These recommendations will be difficult to consider, much less approve. However, postponement in approving these recommendations or alternative solutions with tangible savings will continue to negatively impact the City's financial position and increasingly jeopardize its long-term fiscal health and sustainability.

This report summarizes key issues affecting the City's budget, including greater detail concerning the now anticipated revenue shortfall of \$185.9 million, recently addressed by this Office in its letter to Mayor and Council, dated January 21, 2010, and its impact on the Citywide Budget deficit, now estimated at \$208.5 million. Also, recommendations totaling \$112.5 million are provided for appropriations, transfers and other budgetary adjustments for departments. These recommendations include customary measures to boost reserves and reduce spending, including transfers to the Reserve for Economic Uncertainty.

Finally, recommended actions are provided to begin implementing the following goals that have been developed by the Mayor and Council leadership in conjunction with this Office:

- Balancing the budget in the current Fiscal Year;
- Strengthening the City's credit rating; and
- Restoring the City's long-term fiscal health and sustainability.

Appropriate steps must be taken within a short time-frame to achieve these goals in a meaningful way. These steps are recommended and discussed within this report. They fall within the following categories:

- Reopen dialogue with our labor partners;
- Maximize the benefit of early retirements;
- Downsize government and continue with highest priority services in the best manner possible;
- Identify encumbered and unencumbered funds;
- Pursue public-private partnerships; and,
- Enhance revenues.

These recommendations include an additional \$15 million in budgetary adjustments, for a total of \$127.5 million in adjustments. (Refer to Section 3 – Budget Balancing Measures.)

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 anticipated shortfall in current-year General Fund revenue.

As reported in the Second FSR, the budget shortfall was reduced to \$98.1 million through various savings measures taken by the City (C.F. No. 09-0600-S151). These included: mandatory furloughs of employees represented by the Engineers and Architects Association (EAA); the implementation of the Modified Deployment Plan (MDP) in the Fire Department; the implementation of the Early Retirement Incentive Program (ERIP); revised agreements with the Coalition of the City Unions (Coalition) and the Los Angeles Police Protective League (LAPPL); and additional savings. (See Table 1.) The remaining deficit (\$98.1 million) consisted of the \$75.3 million revenue shortfall and in projected expenditures anticipated to exceed appropriated amounts by \$22.8 million, largely attributable to the Fire and Police Departments sworn salary costs.

Table 1. 2009-10 Budget Status as Reported in the Second FSR
(\$ millions)

2009-10 Beginning Budget Shortfall	\$ 405.2
Early Retirement Incentive Program	(47.2)
Coalition of City Unions Savings	(77.5)
Los Angeles Police Protective League Savings	(62.9)
Fire Modified Deployment Plan and Other Savings	(39.0)
Engineers and Architects Association Furloughs	(34.0)
Human Resources Benefits 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

Since the last FSR, the revenue shortfall has increased by \$110.6 million, resulting in the now anticipated revenue shortfall of \$185.9 million (discussed below). Although additional unplanned expenditures have surfaced as issues of concern (see page 8), recommendations included in this report should mitigate their impact on the overall projected expenditure deficit of \$22.8 million. Therefore, the anticipated deficit is now \$208.5 million. (See Attachment 1.)

Budget balancing measures proposed in Section 3 of this report include recommendations to transfer \$3.9 million in new identified savings to the Unappropriated Balance, Reserve for Economic Uncertainty. If approved, the deficit would be reduced to \$204.6 million.

Revenue

General Fund revenue is projected to be \$185.9 million below the adopted budget and \$110.6 million below the September and November 2009 revisions reported in previous FSRs. Attachment 2-a summarizes the changes to budgeted City revenue and Attachment 2-b provides detail by each General Fund revenue account.

The severe recession has reduced expected revenue, particularly from the economy-sensitive taxes such as the sales, business and hotel taxes; the communications users' tax; the gas users' tax and related franchise income; and the documentary transfer tax. Other local agencies, most notably the County of Los Angeles, report similar declines in projected revenue.

As reported earlier, the current consensus of economists and industry experts is that the severe recession which began in 2008 has ended, and recent data show that recession to have been much more severe than forecast at the time the City's 2009-10 budget was adopted. Because employment and consumer spending trail economic recovery and receipt of tax revenue lags consumer spending, local government is typically the last sector of the economy to experience an economic upturn. Southern California has been especially vulnerable due to the collapse of the local real estate market and much higher unemployment than experienced by the nation; the effects of the recession will continue to be felt well into the City's next fiscal year.

This recession has affected City revenue more severely than earlier post-World War II recessions. In earlier recessions, declines in some major taxes were partially mitigated by some growth in other accounts. For example, in the most recent recession in 2001-02, the total decline in tax revenue was one percent and tax revenue had exceeded its pre-recession level by 2002-03. But that is not always the case. In the recession of the early 1990s, it took five years for tax revenue to return to the pre-recession level and some accounts took even longer. Attachment 2-c presents a 20-year history of the seven major General Fund taxes.

The recession that began in 2008, coupled with continuing high unemployment, appears to be more severe than the recession of the early 1990s. For example, City sales tax is expected to decline by nearly 11 percent in the current fiscal year after dropping by 7 percent in 2008-09 – a two-year drop of 18 percent. Attachment 2-d shows the affects of recessions on City sales tax during the 54-year history of the state-administered sales tax. In the recession of the early 1990s, it took 9 years for the sales tax to return to its pre-recession level.

The local unemployment rate is linked directly to the City's economy-sensitive revenues. The most recent countywide unemployment rate is more than 12 percent; this is the highest level in the last quarter-century; the City sales tax declines as the unemployment rate increases. Attachment 2-f shows the relationship between unemployment and the City sales tax. Based on the current unemployment rate and long-term experience that the unemployment rate takes several years to return to pre-recession levels, the sales and other economy-sensitive taxes will not return to pre-recession levels during this year of 2010-11.

More specifically, the City budget anticipated a 6 percent decrease in local taxable sales in the Summer Quarter; but the actual decrease was 16 percent (Attachment 2-g). Results for the 2009 Christmas Quarter will be available in March, but based on the pattern of recent receipts and available retail sales data, that quarter will be below the budget forecast. The budget projected a 5 percent decline in the fourth quarter of 2009. When this is combined with the 11 percent decline experienced in the fourth quarter of 2008, the budgeted two-year decline was 16 percent. But even that decline understated the severity of the recession. It now appears the fourth quarter of 2009 will be 18 percent below the fourth quarter of 2007. The City economy is also linked to the statewide economy. Attachment 2-h strongly suggests there can be no local recovery that is not led by the statewide recovery.

The hotel tax is another economy-sensitive City revenue and the pattern of receipts is similar to the sales tax (Attachment 2-j). Also, the portion of the property tax linked to taxable sales is declining (Attachment 2-t). Although the business tax is currently ahead of plan due to the tax-amnesty program, it is affected by the same economic factors as the sales tax. Almost all of the economy-sensitive revenues are revised downwards.

Downward revisions are also made in the communications and gas users' taxes based primarily on analysis of receipts during the first half of the fiscal year (Attachments 2-aa and 2-ab). The gas users' tax is affected by the energy market, which saw the price of natural gas decline by 75 percent

between August 2008 and May 2009 (Attachment 2-ac). Although the commodity price is now rising, it is still below the budgeted level. Lower natural gas prices also affect franchise income receipts.

Voter approval of Measure S in 2008 broadened the communications users' tax base while reducing the tax rate by 10 percent. City tax receipts increased by one percent in 2008-09, but have been declining in recent months. It is now apparent that a \$15 million reduction in this account is required.

Significant adjustments are also made in the documentary transfer tax reflecting a slower real estate recovery (Attachment 2-v to 2-x); the power revenue transfer due to lower 2008-09 power system income; interest income; departmental receipts; and other General Fund revenues.

The property tax was budgeted to reflect lower assessed values and lower supplemental receipts. Some categories of property tax will fall below budget such as sales tax replacement monies and supplemental receipts. But secured receipts are currently tracking above budget, although still below last year's level. Attachments 2-k to 2-u provide detail on property tax accounts.

The licenses permits, fees and fines account is reduced by \$32 million to reflect lower available reimbursements for related costs for services provided to proprietary departments and special funds. The reduction also recognizes reduced reimbursements resulting from less police overtime at the airport, and lower fee revenue for fire ambulance services. Finally the revised estimate is consistent with the budget direction that \$10 million in AB 1290 taxes be credited as unrestricted General Fund revenue (Attachment 2-ae).

These revisions attempt to capture all likely changes to General Fund revenue for the balance of the fiscal year. Although the assumptions for the revenue revisions are neither optimistic nor pessimistic, and care was taken to be realistic in assessing likely changes for the balance of the fiscal year, no revenue estimates can be risk free. If any future changes are warranted, there is no basis to expect significant good news, which would fundamentally alter the current budget situation.

Reserve Fund

In the Second FSR, the Reserve Fund balance was reported at \$122.1 million. After accounting for approximately \$52.2 million in new receipts and other adjustments and \$3.4 million in new and proposed loans and transfers, the Reserve Fund balance is estimated to be \$170.9 million, consisting of \$121.0 million in the Emergency Reserve account and \$49.9 million in the Contingency Reserve account. Attachment 3 provides detail on all pending and approved Reserve Fund transactions.

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. It is hoped that the Reserve Fund balance will soon be augmented with transfers from other funds, including a \$28.8 million escheatment from the Fire Hydrant and Main Installation Fund and the repayment of \$32.3 million in loans for liability claim settlements over \$1 million through the issuance of Judgment Obligation Bonds. Realization of these two items would increase the Reserve Fund balance to \$232 million. (See Table 2.)

Table 2. 2009-10 Status of the Reserve Fund
(\$ millions)

Status of Reserve Fund – As of January 15, 2010	\$ 170.9
Transfer from the Fire Hydrant and Main Installation Fund	28.8
Repayment of Loans from JOB Proceeds	<u>32.3</u>
Adjusted Status of Reserve Fund	\$ 232.0

Efforts to increase the Reserve Fund balance will be critical, as transfers will be required at year-end to offset any remaining budget shortfalls. Unless additional savings are identified, approximately \$200 million from the Reserve Fund will be needed by year-end. In addition, this Office continues to review prior-year encumbrances and loans to identify General Funds for reversion to the Reserve Fund. In conjunction with these efforts, our Office released a letter, dated January 21, 2010, directing Departments to review prior-year encumbrances and purchase orders for immediate reversion.

Four-Year Outlook

This Office publishes a multi-year Budget Outlook in Financial Status Reports to the Mayor and Council, periodically revises the Outlook based upon potential and existing factors that impact the City's future revenue, obligatory and other major expenditures, and provides a preliminary projection of the current and future years' budget status. Attachment 4 presents the Four-Year Outlook (Outlook) from 2009-10 to 2013-14.

The Outlook reflects the additional erosion of 2009-10 revenue by \$110.6 million resulting in a revised 2009-10 budget deficit from \$98.1 million reported in the Second FSR to the now reported \$208.5 million deficit. The 2010-11 budget gap remains a tremendous problem. It has expanded from \$408 million to approximately \$484 million due to the further deterioration in revenue and other significant factors and changes to expenditure categories as follows:

- Layoffs – In light of the January 20, 2010, instructions issued by the Mayor and Council leadership, the Outlook assumes that the City will implement layoffs for budget balancing in 2010-11, and these layoffs will likely include Coalition represented employees. Therefore, in accordance with the Amended agreement with the Coalition, Coalition MOUs will be advanced by one year. The Coalition salary adjustments would be as follows: \$23.9 million Cost of Living Adjustments (COLAs) in 2010-11; \$23.9 million COLA and a \$12.2 million one-time cash payment in 2011-12; \$37.1 million COLA in 2012-13 with a carryover of \$4.5 million in 2013-14. These costs are shown in the Coalition line item below the Potential Solutions Section of the Outlook.
- Employee Compensation Adjustments – The estimated expenses reflect standard wage adjustments such as step plan and working days. Due to strict limitations on hiring, the Outlook assumes that new General Funded positions approved in the 2009-10 Budget will not be filled.
- Los Angeles City Employee Retirement System (LACERS) and Fire and Police Pensions (Pensions) – Coalition wage advancement results in an increase of \$11 million to the City's 2010-11 CERS contribution. Pensions Board recently approved a contribution rate of 30.12

percent for 2010-11, a decrease of 2.38 percent from the previous Outlook, which lowers the contribution by \$30 million.

- **Health and Dental Benefits** – Based on a recent consultant study, the 2010-11 medical cost increase will be 3.3 percent or nearly 9 percent lower than previously anticipated. In addition, the proprietary departments' reimbursement rate is raised by 1 percent, from 16 percent to 17 percent, due to expected employee shifts or transfers to those departments. These factors result in a \$15 million reduction in estimated costs from the previous Outlook.
- **Debt Service** – Issuance of Municipal Improvement Corporation of Los Angeles (MICLA) debt and Judgment Obligation Bonds in 2009-10 will increase debt service by \$10 million and \$4.2 million, respectively, for a total higher payment of \$14.2 million in 2010-11 from the previous Outlook.

State Budget Update

On January 8, 2010, the Governor released his Proposed 2010-11 Budget for the State of California, which includes solutions to address the State's \$19.9 billion budget shortfall with significant spending reductions, additional federal funds, and alternative funding and revenue sources. Proposed measures are not expected to have the same impact to the City's budget as they have in past years. Our Office will monitor State budget deliberations and report on items of concern. Below is a summary of proposed 2010-11 solutions and an update on 2009-10 actions that concern the City.

Transportation Funding Shift, 2010-11 Budget: The Governor has proposed replacing General Fund revenue from the six percent sales tax on fuel with an increase to the excise tax. Funding within the Budget for local streets and roads, state highways and Proposition 42-funded highways remain the same. However, funding for the Public Transit Account, which funds transit operations, is eliminated from the State Budget. While this does not impact the City directly, it does impact the Metropolitan Transit Authority which provide funding to the Department of Transportation (DOT). DOT estimates that it could lose approximately \$3 million annually if the proposal is adopted. It should also be noted that the elimination of the sales tax also eliminates the constitutional protection that restricts the use of fuel sales tax to transportation funding. As such, there is no guarantee that equivalent transportation funding will be included in future State budgets.

Redevelopment Funding Shift, 2009-10 and 2010-11 Budgets: The 2009-10 State Budget required all redevelopment agencies to make \$2.05 million in payments in 2009-10 and 2010-11 to the Supplemental Education Revenue Augmentation Fund (SERAF) to offset State General Fund spending on education and other programs. The Governor's Proposed Budget has reprogrammed the \$350 million in 2010-11 SERAF funds for trial court costs. The California Redevelopment Association filed a lawsuit challenging the provision. A ruling will be sought before the first payment becomes due in May 2010.

Gas Tax and Proposition 42 (transportation), 2009-10 Budget: 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. Proposition

42 payments are delayed until May. Gas Tax transfers for November through March will be delayed until April. The State has approved the use of Proposition 1B Infrastructure Bonds to backfill deferred payments.

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 estimated shortfall for the accounts is \$73.8 million (\$66.9 million for claims \$1 million and above and \$6.9 million for claims between \$100,000 and \$1 million) which reflects potential new settlements and revised exposure estimates. An estimated year-end appropriation of \$6.9 million for Account 9770 (Liability Claims over \$100,000) may be needed for potential payouts between \$100,000 and \$1 million. The amount needed for potential payouts above \$1 million will be dependent on the timing of an upcoming Judgment Obligation Bond Issuance.

Solid Waste Fee Lifeline Program: As reported in the First and Second FSRs, 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. With the adoption of the Second FSR, Sanitation and this Office were directed to investigate the Lifeline program and report with options to address the growing costs. (See Section 3.W.)

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

Fire Department Salary Liability: As previously mentioned in the Second FSR, a pending lawsuit settlement may require that the Fire Department pay up to \$5 million in back pay for sworn personnel. The payout for the settlement is expected the following fiscal year.

Budgetary Adjustments

Budgetary adjustments totaling approximately \$112.5 million are recommended in Sections 1 and 2 of this report. Included in the recommendations is \$30.8 million in transfers to the Reserve for Economic Uncertainty, available to address shortfalls within City Departments. Additional transactions include:

- \$1.7 million in new appropriations, including receipts from the Microsoft settlement;
- \$40.4 million for transfers between accounts within various departments and funds, including a \$25 million transfer within the Fire Department to address the sworn salary account deficit;
- \$26.1 million for transfers between departments and funds, including:
 - \$13.6 million transferred from the General Fund Unappropriated Balance

- \$810,000 transferred from Special Funds Unappropriated Balance (see Attachments 5-a and 5-b for the status of the Unappropriated Balance);
- \$8.3 million in current-year and prior-year reimbursements; and
- \$5.3 million in other transfers;
- \$4.7 million in special fund reappropriations;
- \$6.2 million in reduced appropriations; and
- \$2.7 million in miscellaneous transactions.

Because of the current status of the City Budget and the Municipal Improvement Corporation of Los Angeles (MICLA) Program, this Office is recommending that all 2009-10 MICLA funding for fleet equipment be placed on hold and reevaluated at a later date. This hold would affect replacement vehicles for the Fire Department and replacement vehicles purchased by General Services for other departments. As such, the Fire Department's current request to use \$18.4 million in MICLA funds is not recommended at this time.

Additional budgetary adjustments totaling approximately \$15 million are recommended in Section 3 of this report to include: approximately \$13.9 million in additional transfers to the Reserve for Economic Uncertainty; \$870,000 transferred to the Reserve Fund; and \$200,000 transferred from the Unappropriated Balance to complete a parking meter operations study. Budgetary transactions for other proposed budget balancing recommendations in this section will be contained in future reports.

Budget Balancing Measures

Proposed budget balancing measures are recommended in Section 3 of this report, to include:

- The elimination of 1,000 General Funded positions;
- The elimination of the Disability, Environmental Affairs and Human Services Departments;
- The suspension of the Cultural Affairs and the Community Beautification Grant Programs
- Modification of funding policies for the Neighborhood Empowerment Program;
- The deferral of capital projects;
- The cancellation of the Fire Department's next Recruit class;
- Transfers of newly identified funds to the Reserve Fund and the Unappropriated Balance Reserve for Economic Uncertainty;
- Renegotiation of existing City contracts;
- Holds on contract spending, General Fund equipment and expense spending and MICLA fleet vehicle spending;
- A study of privatizing parking meter operations; and,
- Changes to the Solid Waste Fee Lifeline Program.

Additional Details

Attachments

- 1 Status of the City Budget
- 2-a 2009-10 General Fund Revenue
- 2-b General Fund Revenue Outlook
- 2-c Seven General Fund Taxes
- 2-d Recessions and Sales Tax
- 2-e Revenue Monthly Status Report – Sales Tax
- 2-f City One Percent Sales Tax and Local Employment Rate
- 2-g Change in City's Sales Tax Allocation by Quarter
- 2-h Comparison of State and City Sales Tax
- 2-i Revenue Monthly Status Report – Transient Occupancy Tax
- 2-j City Hotel Tax Receipts – 12 Month Rolling Sum
- 2-k Revenue Monthly Status Report – Property Tax, All Sources
- 2-l Revenue Monthly Status Report – Property Tax
(excludes Vehicle License Fee and Sales Tax Replacement)
- 2-m Change in Assessed Value – City of Los Angeles
- 2-n Proposition 8 Changes in the Countywide Assessment Roll
- 2-o Inflation Adjustment
- 2-p Property Tax Base – Excludes Triple Flip and VLF Swap
- 2-q Secured Property Tax - 12 Month Moving Sum
- 2-r Property Tax Supplemental – 12 Month Moving Sum
- 2-s Revenue Monthly Status Report – VLF Replacement
- 2-t Revenue Monthly Status Report – Sales Tax Replacement
- 2-u Revenue Monthly Status Report – Proposition 1A and Securitization
- 2-v Revenue Monthly Status Report – Documentary Transfer Tax
- 2-w Documentary Transfer Tax – 12 Month Moving Sum
- 2-x Deeds Recorded in City – 12 Month Moving Sum
- 2-y Revenue Monthly Status Report – Utility Users' Tax
- 2-z Revenue Monthly Status Report – Electric Users' Tax
- 2-aa Revenue Monthly Status Report – Telephone Users' Tax
- 2-ab Revenue Monthly Status Report – Gas Users' Tax
- 2-ac Cost of Natural Gas
- 2-ad Revenue Monthly Status Report – Franchise Income - Gas
- 2-ae Licenses, Permits, Fees and Fines
- 3 Current Status of the Reserve Fund
- 4 Four-Year Outlook
- 5-a Status of the Unappropriated Balance-General Account
- 5-b Status of the Unappropriated Balance-non General Accounts
- 6 New Appropriations
- 7 Transfers between Accounts within Departments and Funds
- 8 Transfers between Departments and Funds
- 9 Transfers from the Unappropriated Balance
- 10 Transfers to the Reserve for Economic Uncertainty

Attachments

- 11 Proposition K – Prior Year Staff Cost Reimbursements
- 12 General Fund Filled Positions, Anticipated Retirements and 1,000 Layoffs
- 13 Concept Papers
- 14 Employment Level Report
- 15 Status of Voluntary Furlough Program
- 16 Status of Fee Increases in the 2009-10 Budget

FINANCIAL STATUS REPORT RECOMMENDATIONS

(Refer to Discussion Sections 1 and 2)

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

- 1. Appropriate \$1,749,788.72 to Department accounts as specified in Attachment 6;
- 2. Transfer \$40,379,564.00 between accounts within various departments and funds as specified in Attachment 7;
- 3. Transfer \$4,515,947.17 between various departments and funds as specified in Attachment 8;
- 4. Appropriate \$12,294,835.37 to Department accounts from the Unappropriated Balance as specified in Attachment 9;
- 5. Authorize the Controller to establish a new Account No. 0037, entitled “Reserve for Economic Uncertainty” within the Unappropriated Balance Fund No. 100/58; and thereafter transfer \$28,984,505.63 from various Department and Fund accounts to the account, as specified in Attachment 10;

Community Development

- 6. Approve the following actions to allow the Community Development Department (CDD) to pay a total amount of \$269,773 (\$173,362 in direct salary costs and \$96,411 in indirect salary costs) incurred by Information Technology Agency (ITA) staff assigned to provide grant-eligible programming and related computer systems services to CDD. CDD will reimburse the General Fund for indirect costs as salary costs are incurred and the special funds are billed by ITA:
 - a) Decrease appropriations in Community Development Block Grant (CDBG) Fund No. 424/22, Account No. F122, CDD in the amount of \$234,268;
 - b) Decrease appropriations in the amount of \$234,268 in CDD Fund No. 100/22, Account 1010, Salaries General;
 - c) Establish new accounts and appropriate within CDBG Fund No. 424/22 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
F132	ITA	\$151,160
F291	ITA-Related Costs	<u>83,108</u>
	Total	\$234,268

- d) Establish new accounts and appropriate within the Community Services Block Grant (CSBG) Fund No. 428/22 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
F132	ITA	\$5,232
F299	Related Costs	<u>2,877</u>
	Total	\$8,109

- e) Increase appropriations in the amount of \$4,745 within the CSBG-American Recovery and Reinvestment Act (ARRA) of 2009 Fund No. 51H/22, Account No. F299, Related Costs;

- f) Increase appropriations within Workforce Investment Act (WIA) Fund No. 44A/22 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
F132	ITA	\$16,970
F299	Related Costs	<u>5,681</u>
	Total	\$22,651

- g) Increase appropriations in the amount of \$173,362 within ITA Fund No. 100/32, Account No. 1010, Salaries General;

7. a) Decrease appropriations in account F122, CDD in the total amount of \$946,385 in various funds, as detailed below, to reduce excess appropriations that are no longer required for salary costs due to savings generated by Work Furloughs and Reduced Work Schedules:

<u>Fund No./ Name</u>	<u>Account No./Name</u>	<u>Amount</u>
424/22, CDBG	F122, CDD	\$594,137
428/22, CSBG	F122, CDD	158,827
44A/22, WIA	F122, CDD	<u>193,421</u>
	Total	\$946,385

- b) Decrease appropriations in the amount of \$946,385 within CDD Fund No. 100/22, Account No. 1010, Salaries General;

8. Approve the following actions to decrease appropriations that are no longer required by the Department of General Services (GSD) and expend funds to reimburse Public Works, Bureau of Engineering (BOE) for architectural and construction costs in connection with the Bradley Milken Youth and Family Center Project:

- a) Transfer \$162,150.27 in appropriations within Proposition 40 Roberti-Z'Berg-Harris Fund No. 47W/22 from Account No. F140, GSD, to Account No. Y901, Prop 40 MH Bradley Milken;
- b) Decrease appropriations within GSD Fund No. 100/40, as follows:

<u>Account No</u>	<u>Account Name</u>	<u>Amount</u>
1014	Construction Salaries	\$30,000.00
1101	Hiring Hall Construction	45,000.00
1121	Hiring Hall Fringe Benefits	826.67
3180	Construction Materials and Supplies	<u>86,323.60</u>
	Total	\$162,150.27

- c) Expend funds from Fund 47W, Account No. Y901 Prop 40 MH Bradley Milken to reimburse BOE for labor costs in an amount not to exceed \$126,265.87 upon presentation of documentation from BOE and proper demand of the General Manager, CDD;

Cultural Affairs

- 9. Approve the following actions to decrease salary appropriations in the Cultural Affairs Department and use the savings to reimburse the General Fund for related costs:
 - a) Transfer \$694,600 in appropriations within the Arts and Cultural Facilities and Services Fund No. 480/30 from Account No. F130, Cultural Affairs, into a new Account No. F299, entitled "Related Costs";
 - b) Decrease appropriations by \$694,600 in Cultural Affairs Fund No. 100/30, Account No. 1010, Salaries General;
 - c) Instruct the Department to reimburse a total of \$694,600 from Fund No.480/30, Account No.F299, Related Costs, to the General Fund No. 100/46, Revenue Source Code No. 4641, Arts and Cultural Facilities Related Costs;

El Pueblo

- 10. Instruct El Pueblo to prepare the necessary documents to repay \$133,000 of its outstanding \$315,465 Reserve Fund Loan from available cash within the El Pueblo Historical Monument Fund No. 737/33;

Housing

- 11. Approve the following actions to transfer \$159,765 in Community Development Block Grant (CDBG) salary savings to pay for salary costs of the Office of the City Attorney for services provided in support of the Housing Department and the CDBG program:

- a) Authorize the Controller to transfer \$159,765 in appropriations within the Community Development Trust Fund No. 424/22, from Account No. F143, LAHD to a new Account No. F229, entitled "City Attorney-LAHD";
- b) Decrease appropriation within the Los Angeles Housing Department Fund No. 100/43, Account No. 1010, Salaries General, in the amount of in the amount of \$159,765;
- c) Increase appropriation in City Attorney Fund No. 100/12, Account No. 1020, Salaries Grant Funded, in the amount of \$159,765; and
- d) Expend funds on an as needed basis upon proper demand from the General Manager, LAHD, or designee;

Planning

- 12. In accordance with Recommendation 3 (Attachment 8), for reimbursements from the Planning Expedited Permit Trust Fund listed on Attachment 8, authorize the Controller to reimburse the General Fund upon receipt of funds;

Police

- 13. Authorize the Controller to process payment vouchers up to a total of \$2,050 from Police Department Grant Fund No. 339, Account No. E415, 2008 ICAC, to draw down funds and prepare a check payable to Juvenile Division's Commanding Officer, or their designee, on an as needed basis for confidential activities for 2008 Internet Crimes Against Children Task Force Continuation Program;
- 14. Authorize the Controller to process payment vouchers up to a total of \$5,000 from Police Department Grant Fund No. Fund 339, Account No. E416, 2008-09 ICAC, to draw down funds and prepare a check payable to Juvenile Division's Commanding Officer, or their designee, on an as needed basis for confidential activities for 2008 Internet Crimes Against Children Task Force Continuation Program.

Public Works, Engineering

- 15. Reduce appropriations in the amount of \$1,000,000 in the Bureau of Engineering Fund No. 100/78, in various accounts detailed below; and thereafter reduce appropriations by \$1,000,000 in Sewer Capital Fund No. 761/50, Account No. F178, PW-Engineering, to reflect savings in the fund by the Bureau:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries General	\$ 750,000
1090	Salaries Overtime	<u>250,000</u>
	Total	\$1,000,000

Public Works, Sanitation

16. Authorize the Controller to decrease appropriations within the Sewer Capital Fund No. 761, Account No. E299, Related Costs, by \$1,290,080 for 2009-10 related cost reimbursements to the General Fund for the Bureaus of Contract Administration, Engineering and Sanitation in the amounts of \$156,784, \$1,080,330, and \$52,966, respectively, to repay the fund for prior year over-reimbursement;
17. Authorize the Controller to decrease appropriations within the Sewer Operations and Maintenance Fund No. 760, Account No. E299, Related Costs, by \$1,847,828 for the Bureau of Sanitation to repay the fund for prior year over-reimbursement;
18. Approve the following actions to allow for the direct payment of liability claims by the Solid Waste Revenue Resources (SWRRF) Fund in lieu of indirect payments via the General Fund:
 - a) Authorize the Controller to decrease the appropriation in SWRRF Fund 508/50, Account No. F299, Related Costs, by \$3,128,765 and transfer funds to Available Cash; and,
 - b) Increase appropriations in SWRRF Fund 508/50, Account F282, Sanitation Expense and Equipment, by \$1,228,765 from Available Cash.

Public Works, Street Lighting

19. Approve the following actions to transfer \$173,000 to General Services Department for the replacement of five vehicles for the Bureau of Street Lighting, as approved in 2008-09:
 - a) Reappropriate \$135,000 within the Street Lighting Maintenance Assessment Fund No. 347/50, Account No. E140, General Services and transfer to Account No. F140, General Services; and transfer therefrom to General Services Fund No. 100/40, Account No. 7340, Transportation Equipment;
 - b) Transfer \$38,000 from PW-Street Lighting Fund No. 100/84, Account No. 1010, Salaries General, to General Services Fund No. 100/40, Account No. 7340, Transportation Equipment.

Public Works, Street Services

20. a) Authorize the Controller to reduce appropriations in the amount of \$264,260 in Bureau of Street Services Fund 100/86, Account 1010 (Salaries, General) to eliminate funding for one Clerk Typist, one Senior Clerk Typist, one Systems Analyst, and one Management Analyst inadvertently budgeted in the American Recovery and Reinvestment Act (ARRA) funded street resurfacing and pedestrian improvement programs;
- b) In conjunction with the previous recommendation, place a hiring freeze on the ARRA Program positions listed above;

21. a) Authorize the Controller to reduce appropriations in the amount of \$820,480 in Department of General Services Fund No. 100/40, Account No. 1010 Salaries General to eliminate funding for seven Heavy Duty Equipment Mechanics, two Equipment Mechanics, one Construction Equipment Services Worker, and one Welder inadvertently budgeted in the ARRA funded street resurfacing program;
- b) In conjunction with the previous recommendation, place a hiring freeze on the ARRA Program positions listed above;
22. Authorize the Controller to transfer and reappropriate unspent funds totaling \$2,051,684.63 from Subventions and Grants 305/50, Account E186 to the following accounts within Bureau of Street Services Fund 100/86 for the Elmer Street Greenscape project (\$1,250,000), Pico-Union Boulevard Streetscape project (\$528,155.41), and Huntington Drive Public Improvement project (\$273,529.22):

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries, General	\$623,943.39
1090	Salaries, Overtime	148,941.76
1100	Hiring Hall, Salaries	75,000.00
1120	Hiring Hall, Benefits	25,000.00
1190	Hiring Hall, Overtime	12,500.00
3030	Construction Expense	898,631.02
3040	Contractual Services	20,516.85
3330	Utilities Expense	12,500.00
6010	Office & Administrative	49,050.54
6020	Operating Supplies	185,601.07
Total		\$2,051,684.63

23. Authorize the Controller to transfer and reappropriate unspent funds in the amount of \$508,154.10 from the Community Development Trust Fund 424/22, Account E186 to the following accounts within Bureau of Street Services Fund 100/86 for the Pico Boulevard and Washington Boulevard Streetscape project:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries, General	\$127,038.53
3030	Construction Expense	315,055.54
6020	Operating Supplies	66,060.03
Total		\$508,154.10

24. Authorize the Controller to transfer and reappropriate unspent funds totaling \$57,476.93 from the Street Furniture Revenue Fund 43D/50, Account E186 to the following accounts within Bureau of Street Services Fund 100/86 for the Washington Avenue Beautification project (\$49,268.45) and for tree stump removal in Council District 12 (\$8,\$208.58):

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries, General	\$20,692.75
1090	Salaries, Overtime	18,554.85
3040	Contractual Services	985.37
6010	Office & Administrative	1,970.74
6020	Operating Supplies	<u>15,273.22</u>
Total		\$57,476.93

25. Authorize the Controller to transfer and reappropriate unspent funds in the amount of \$35,791.52 from the Neighborhood Traffic Management Fund 47H/94, Account E186 to the following accounts within Bureau of Street Services Fund 100/86 for the Grove Neighborhood Traffic Management Plan:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries, General	\$19,327.42
3030	Construction Expense	9,663.71
3040	Contractual Services	1,789.58
6020	Operating Supplies	<u>5,010.81</u>
Total		\$35,791.52

26. Authorize the Controller to transfer and reappropriate unspent funds in the amount of \$187,490.64 from the Real Property Trust Fund 684/14, Account E186 to the following accounts within Bureau of Street Services Fund 100/86 for sidewalk restoration on Commerce Avenue in Council District 2:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries, General	\$93,745.32
3030	Construction Expense	28,123.60
3040	Contractual Services	28,123.60
6020	Operating Supplies	<u>37,498.12</u>
Total		\$187,490.64

27. Authorize the Controller to transfer and reappropriate unspent funds in the amount of \$214,205.52 from the Real Property Trust Fund 687/14, Account E186 to the following accounts within Bureau of Street Services Fund 100/86 for the Studio Oaks Park project in Council District 5:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries, General	\$113,528.93
1090	Salaries, Overtime	57,835.49
3030	Construction Expense	32,130.83
6010	Office & Administrative	2,142.06
6020	Operating Supplies	<u>8,568.21</u>
Total		\$214,205.52

28. Authorize the Controller to transfer and reappropriate unspent funds in the amount of \$80,744.00 from the Real Property Trust Fund 690/14, Account E186 to the following accounts within Bureau of Street Services Fund 100/86 for street and sidewalk infrastructure improvements in Council District 8:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
3030	Construction Expense	\$50,061.28
6020	Operating Supplies	<u>30,682.72</u>
Total		\$80,744.00

29. Authorize the Controller to transfer and reappropriate unspent funds in the amount of \$1,527,783.55 from the Special Gas Tax Street Improvement Fund 206/50, Account E186 to the following accounts within Bureau of Street Services Fund 100/86 for various SAFETEA-LU transportation projects:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries, General	\$901,392.29
1090	Salaries, Overtime	244,445.37
1100	Hiring Hall, Salaries	15,277.84
1120	Hiring Hall, Benefits	4,583.35
1190	Hiring Hall, Overtime	4,583.35
3030	Construction Expense	305,556.71
3330	Utilities Expense	4,583.35
6010	Office & Administrative	1,527.78
6020	Operating Supplies	<u>45,833.51</u>
Total		\$1,527,783.55

30. Authorize the Controller to transfer and reappropriate unspent funds in the amount of \$3,388.50 from Recreation and Parks Fund 302/89, Account 186E to Bureau of Street Services Fund 100/86, Account 3030 (Construction Expense) to provide asphalt for the Department of Recreation and Parks.

31. Authorize the Controller to transfer receipts totaling \$600,000 from Subventions and Grants Fund 305/50, Revenue Source Code 4194, to the Bureau of Street Services Fund 100/86, Revenue Source Code 4194, as reimbursement from Los Angeles World Airports for asphalt purchased in Fiscal Year 2008-09;

32. Authorize the Controller to transfer receipts totaling \$3,703.85 from Subventions and Grants Fund 305/50, Revenue Source Code 4195, to the Bureau of Street Services Fund 100/86, Revenue Source Code 4195, as reimbursement from Department of Water and Power for asphalt purchased in Fiscal Year 2008-09;

33. Authorize the Controller to transfer receipts totaling \$18,100 from Subventions and Grants Fund 305/50, Revenue Source Code 4228, to the Bureau of Street Services Fund 100/86,

Revenue Source Code 4610, as reimbursement for providing additional services for special events in November 2009;

34. Authorize the Controller to transfer receipts totaling \$59,822.27 from Subventions and Grants Fund 305/50, Revenue Source Code 3734, to the Bureau of Street Services Fund 100/86, Revenue Source Code 3734, as reimbursement from the State of California Integrated Waste Management Board for waste tire recycling and enforcement;
35. Authorize the Bureau of Street Services to revise its Fiscal Year 2008-09 year-end distribution of expenditure(s)/encumbrance(s) in the General Fund to various sources of funds in the amount of approximately \$1M; and authorize the Controller to conduct the necessary accounting transactions to implement the changes.

Zoo

- 36.a) Transfer \$2,000,000 from Non-Departmental Fund No. 100/62, Account No. 040E, Los Angeles Zoo Enterprise Trust Fund to the Unappropriated Balance Fund No. 100/58, Account No 0037, Reserve for Economic Uncertainty;
- b) Reduce appropriations by \$2,000,000 in Zoo Enterprise Trust Fund No. 40E/87, Account No. F187, Zoo; and thereafter reduce appropriations by \$2,000,000 in Zoo Fund No. 100/87, Account No.1010, Salaries General;

All City Departments

37. Instruct all City Departments to remit payments for all billings from the General Services Department;

General City Purposes

38. Authorize the Controller to transfer \$17,542.53 in funds from the Unappropriated Balance Fund No. 100/58, Account No. 0037, Reserve for Economic Uncertainty, to a new appropriation account within the General City Purposes Fund No. 100/56 entitled Fire/Police Pensions Defrayal; and authorize the Controller to transfer \$17,542.53 therefrom to the Fire and Police Pensions Fund No. 916/64, Revenue Source 4712;

Park and Recreational Sites and Facilities Fund

39. Authorize the Controller to reduce the 2008-09 Park and Recreational Sites and Facilities Fund 209 Adopted Budget from \$900,000 to \$765,400, by reducing appropriations in Account E202, Various Facilities, by \$134,600, from \$626,000 to \$491,400 to reflect reduced receipts;
40. Authorize the Controller to reduce the 2009-10 Park and Recreational Sites and Facilities Fund 209 Adopted Budget from \$800,000 to \$500,000 by reducing appropriations in Account F202, Various Facilities, by \$300,000 to reflect reduced receipts;

Proposition K – L.A. For Kids Program

41. Authorize the Controller to recognize \$6,973,710.93 as General Fund receipts in 2009-10 to reimburse City staff costs for 61 completed Proposition K projects as shown in Attachment 10;
42. Authorize the City Administrative Officer and the Board of Public Works to prepare the necessary accounting transactions to effectuate the reimbursement of \$6,973,710.93 from Proposition K accounts to the General Fund, Revenue Source No. 4640, Reimbursement of Related Costs, Prior Year, as detailed on Attachment 10.

Technical

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

BUDGET BALANCING RECOMMENDATIONS

(Refer to Discussion Section 3)

Reopen Dialogue with Our Labor Partners

44. Instruct the City Administrative Officer (CAO) to notify the Coalition of Los Angeles City Unions (Coalition) that the 2010-11 Budget will likely propose layoffs of Coalition employees, and as indicated by the City's Agreement with the Coalition, instruct the CAO to meet with the Coalition within 48 hours of adoption of this report to discuss other options, including furloughs;

Downsize Government

45. Eliminate 1,000 General Funded Positions as follows:
 - a) Instruct General Managers to identify the number and classification of employees required to be laid off to achieve the total number listed on Attachment 12 under the heading, "Layoff Target Count", for each corresponding department, and submit the list to the Personnel Department (Personnel) and the City Administrative Officer (CAO) within 48 hours of the adoption of this report;
 - b) Instruct Personnel to calculate all necessary layoffs through January 15, 2010 for all positions identified for layoff by the General Managers;
 - c) Authorize the CAO and Controller to freeze in PaySR, all positions identified for layoff by the General Managers;
 - d) Request the Mayor, as part of the proposed Fiscal Year 2010-11 budget to eliminate all positions frozen by the CAO and Controller;

- e) Instruct the CAO to convene a working group comprised of the CAO, Chief Legislative Analyst, Personnel, and Controller to monitor the progress and cooperation of the departments implementation of the layoff process and report to the Budget and Finance Committee monthly;
- f) Instruct General Managers to work with Personnel and CAO to identify placement opportunities for employees at risk of layoff; and,
- g) Instruct Personnel to work with the City's Employee Assistance Program provider to develop programs to assist employees at risk of layoff;

Cultural Affairs

46. Suspend the Cultural Affairs Grant Program as follows:

- a) Instruct the Cultural Affairs Department to immediately notify Contractors that 2009-10 grant funding is no longer available and to work with the City Attorney's Office to begin termination of existing contracts where services have not yet been provided;
- b) Instruct the Cultural Affairs Department to identify at least \$500,000 in savings from cancelled 2009-10 grants for events or services that have not been provided or committed; and
- c) Instruct the Cultural Affairs Department to suspend the grant program for 2010-11 and to notify potential grantees that funding will not be available in 2010-11;

Disability

47. Eliminate the Department on Disability as follows:

- a) Request the City Attorney to prepare and present ordinances required to complete the following within 30 days:
 - i. Dissolve the Department on Disability;
 - ii. Transfer responsibility for the Commission on Disability and the ADA Compliance Program to the Personnel Department within 30 days;
 - iii. Transfer the AIDS Coordination and Computerized Information Center Programs to the Community Development Department effective March 1, 2010;
 - iv. Transfer the ADA Compliance Program to the Equal Employment Opportunity Office of the Personnel Department effective March 1, 2010;
- b) Eliminate eight position authorities and transfer the remaining available salary and expense funds to the Unappropriated Balance, Reserve for Economic Uncertainty effective March 1, 2010; and

- c) Instruct the City Administrative Officer to prepare and present necessary actions to transfer personnel and resources to the receiving departments;

Environmental Affairs

48. Eliminate the Department of Environmental Affairs as follows:

- a) Request the City Attorney to prepare and present ordinances required to complete the following within 30 days:
 - i. Dissolve the Department of Environmental Affairs;
 - ii. Transfer administration of the Environmental Affairs Trust Fund to the General Manager of the Planning Department;
 - iii. Transfer administration of the Local Enforcement Agency (LEA) Trust Fund to the General Manager of the Department of Building and Safety;
 - iv. Transfer administration of the Mobile Source Air Pollution Reduction Trust Fund to the General Manager of the Department of Transportation; and
 - v. Transfer responsibility for the administration of the \$37 million ARRA-Energy Efficiency Block Grant to the Community Development Department;
- b) In accordance with the above recommendation, eliminate 11 position authorities and transfer the remaining available salary and expense funds to the Unappropriated Balance, Reserve for Economic Uncertainties effective March 1, 2010; and
- c) Instruct the City Administrative Officer to prepare and present necessary actions to transfer personnel and resources to the receiving departments;

Human Services

49. Eliminate the Human Services Department as follows:

- a) Authorize the City Administrative Officer, with the assistance of other departments, to eliminate the Human Services Department by June 30, 2010;
- b) Request the City Attorney to update the Ordinances related to the Commission for Children, Youth and Their Families, the Commission on the Status of Women and the Human Relations Commission to eliminate the three departments and to place the volunteer Commissions in abeyance by June 30, 2010; and,
- c) Authorize the City Administrative Officer, with the assistance of other departments, to transfer the KidWatch, YWAR and Joy Picus Child Care Center Functions to other departments;

Neighborhood Empowerment

50. Modify the funding of the Neighborhood Empowerment Program as follows:

- a) Eliminate the rollover policy that allows Neighborhood Councils to accumulate up to \$145,000 of prior year unspent allocation;
- b) Eliminate the bank card petty cash system and redefine and restrict Neighborhood Council expenditure categories; and
- c) Instruct the City Administrative Officer to prepare the necessary actions to reprogram Neighborhood Empowerment Funds to offset the City's budget gap;

Public Works, Board

51. Instruct the Board of Public Works to suspend the Community Beautification Grants Program and transfer \$525,000 from the Board of Public Works Fund No. 100/74, Account No. 3040, Contractual Services, to the Unappropriated Balance Fund No. 100/58, Account No. 0037, Reserve for Economic Uncertainty;

Public Works, Engineering

52. Instruct the Board of Engineering to reassign one CD 14 Neighborhood City Hall Renovation position to a special-funded assignment and transfer savings of \$14,701 from the Bureau of Engineering Fund No. 100/78, Account No. 1010, Salaries, General Account to the Unappropriated Balance 100/58, Account No. 0037, Reserve of Economic Uncertainty;

53. Defer the 109 Street (CD 15), Costello (CD 14) and Lincoln (CD 1) pool projects and instruct the Bureau of Engineering to reassign two project positions to special-funded assignments, and transfer savings of \$41,505 from the Bureau of Engineering Fund No. 100/78, Account No. 1010, Salaries, General Account to the Unappropriated Balance 100/58, Account No. 0037, Reserve of Economic Uncertainty;

Identify Encumbered and Unencumbered Funds

Fire Sworn Salary

54. Direct the Fire Department to cancel the remaining Recruit class for the Fiscal Year and use resulting savings to address the Department's deficit;

General City Purposes

55. Transfer \$1,650,000 from the General City Purposes Fund 100/56, LAPD Consent Decree Program Account 0854, to the Unappropriated Balance Fund 100/58, Reserve for Economic Uncertainty Account 0037;

Unappropriated Balance

- 56. Transfer \$441,142 within the Unappropriated Balance Fund 100/58 from LAPD Consent Decree Program Account 0078 to the Reserve for Economic Uncertainty Account 0037;
- 57. Transfer \$260,000 within the Unappropriated Balance Fund 100/58 from New Fire Stations Account 0195 to the Reserve for Economic Uncertainty Account 0037;
- 58. Transfer \$1,000,000 within the Unappropriated Balance Fund 100/58 from New Police Facilities Account 0196 to the Reserve for Economic Uncertainty Account 0037;
- 59. Transfer \$10,000,000 within the Unappropriated Balance Fund 100/58 from AB1290 Account 0242 to the Reserve for Economic Uncertainty Account 0037;

Business Improvement Trust Fund

- 60. Declare a surplus and transfer \$400,000 from the available cash balance of the Business Improvement Trust Fund 659 to the Reserve Fund;

Emergency Operations Fund

- 61. a) Instruct the Emergency Management Department to reduce appropriations as follows within the Emergency Operations Fund No. 392/34:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
2130	Travel	\$ 22,106.92
3040	Contractual Services	214,968.74
6010	Office & Administrative	232,624.34
Total		<u>\$ 469,700.00</u>

- b) Declare a surplus and transfer \$469,700 from the available cash balance of the Emergency Operations Fund No. 392 to the Reserve Fund;

Ten Percent Contract Reduction

- 62. Direct all General Managers to negotiate with existing personal services contractors to seek a 10 percent reduction in contract rates, including consideration of exercising termination clauses for contracts where rate reductions are not granted, and provide to the City Administrative Officer within 45 days a summary of the results of those negotiations to include:
 - a) Contractor Name;
 - b) Contract Number;
 - c) Term;
 - d) Source of Funding;
 - e) 2009-10 Appropriation and remaining unspent balance;

- f) Services Provided;
- g) Statement as to discretionary or non-discretionary contract;
- h) Verification that the contract has termination clause;
- i) Results of the negotiation including whether a reduction was secured, what percentage and estimated savings; and,
- j) If reduction was not granted, evaluation of possible termination and explanation of final decision to terminate or not terminate.

63. Direct the General Manager of General Services Department to contact all vendors for procurement contracts to negotiate 10 percent price reductions and report within 45 days to the Budget and Finance Committee;

64. Direct General Managers to halt the execution of any discretionary contract or contract extension until such time as the City Administrative Officer has implemented a process to review the priority and need to commit additional funds;

Budgeted General Funded Equipment and Expense and MICLA Financed Fleet Equipment

65. Instruct departments to work with the City Administrative Officer to identify not yet committed budgeted General Fund expense and equipment appropriations for reprogramming to cover the remaining citywide budget gap;

66. Direct departments to cease all MICLA expenditures for fleet equipment allocated in the 2009-10 Adopted Budget;

MICLA Capital Projects Deferrals

67. Defer six MICLA-funded capital projects that are not in construction totaling \$165.9 million in related financing: Neighborhood City Hall CD10, Street Services Urban Forestry Division Relocation, Bringing Back Broadway Project, 109th Street Pool, Costello Pool, and Lincoln Pool;

Pursue Public-Private Partnerships

Parking Meter Operations

68. Transfer appropriations of \$200,000 from the Unappropriated Balance, Fund No. 100/58, Account No. 0250, Public-Private Partnership Parking (Special Parking Revenue Fund Source), to the Capital Finance Administration Fund No. 100/53, General Administration Account No. 0170, for expenditures related to the engagement of consultants to complete a study of the City's meter system;

Enhance Revenues

Solid Waste Lifeline Program

69. Adopt a rate structure for Lifeline customers on the Solid Waste fee based on scenarios presented on Attachment 13-f with some flexibility to adjust for growth in the number of subscribers to the Lifeline program to minimize impacts on the General Fund, preferably as illustrated in the base and variable “hybrid” fee structure (Attachment iii) and, accordingly:
- a) Instruct affected departments to develop the necessary procedures to implement these changes;
 - b) Request the City Attorney to prepare and present the necessary ordinance requirements to effectuate these changes;
70. Instruct the City Administrative Officer and Bureau of Sanitation to work with the Office of Finance in assessing the current trash fee exemption process for Lifeline customers and provide recommendations within 60 days on:
- a) Resources for the verification and recertification of Lifeline customers;
 - b) Identification of other programs or resources with a low income eligibility screening component that could be utilized toward Lifeline eligibility and monitoring (for example, human services programs).

FISCAL IMPACT STATEMENT

The 2009-10 Budget deficit is now estimated at \$208.5 million, which reflects an additional \$110.6 million decline in revenue from the reported shortfall in the Second Financial Status Report. The new projected revenue shortfall is now \$185.9 million. The current Reserve Fund balance is estimated at \$170.9 million (consisting of \$121 million in the Emergency Reserve Account and \$49.9 million in the Contingency Reserve Account), which includes proposed Reserve Fund loans and transfers. Transfers, appropriations and other adjustments totaling approximately \$112.5 million are recommended in Sections 1 and 2 of this report, which includes a total of \$30.8 million in proposed transfers from departmental surpluses to the Reserve for Economic Uncertainty.

Additional budgetary adjustments totaling approximately \$15 million are recommended in Section 3 of this report. Recommendations include \$13.9 million in additional transfers to the Reserve for Economic Uncertainty, of which \$3.9 million would reduce the Budget deficit to \$204.6 million. Budgetary transactions for other proposed recommendations in Section 3 will be contained within future reports. The total of all recommended budgetary adjustments in this report is \$127.5 million.

At this time, the Reserve Fund Balance is estimated to be \$27.5 million at year-end, which assumes approval of all recommended actions in this report and the anticipated increases to the Reserve Fund.

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; 6) provides recommendations for budget adjustments for departments and non-departmental funds totaling \$112.5 million; and 7) presents solutions to improve the City's financial stability to include additional budgetary adjustments of \$15 million.

At this time, the projected 2009-10 Budget deficit is estimated to be \$208.5 million, and the projected revenue shortfall has increased by \$110.6 since the Second Financial Status Report to \$185.9 million. Discussion concerning the budget deficit, revenue shortfall, four-year outlook and current issues was provided in the FSR Summary.

The following is a discussion regarding the recommendations included in the report and other budget related items. The discussion is presented in ten sections as follows:

Section 1.	Status of Departmental Budgets	Page 27
Section 2.	Status of Non-Departmental Funds and Special Accounts	Page 51
Section 3.	Budget Balancing Measures	Page 55
Section 4.	Status of Employment and Labor Cost Savings Efforts	Page 65
Section 5.	Status of Fee Waivers and Subsidies	Page 65
Section 6.	Status of Gang Reduction Project Funding	Page 65
Section 7.	Status of Fee Increases	Page 67
Section 8.	Status of the City's Reserve Fund.....	Page 67
Section 9.	Status of the City's MICLA Commercial Paper Program	Page 68
Section 10.	Update on the State Budget.....	Page 69

1. STATUS OF DEPARTMENTAL BUDGETS

This section addresses the status of department expenditures and revenues, provides projections for year-end deficits and surplus, and highlights issues of concern. Recommendations include budgetary adjustments to address departmental account deficits, new appropriations and reimbursements to the General Fund from special funds, transfers from the Unappropriated Balance to departments for operational needs, transfers of departmental surplus funds to the Reserve for Economic Uncertainty and appropriation reductions.

A. Aging

Attachment 10 – Transfers to the Reserve for Economic Uncertainty

Recommendation No. 5

It is projected that the Department will have a total surplus of \$704,000. The surplus is a combination of General Fund (\$212,000) and Older Americans Act (\$492,000) grant funds in the Salaries, General account and includes savings from employee furloughs and reduced work schedules. Due to the City's current financial status, the Department should continue to closely monitor all expense accounts.

It is recommended that \$150,000 be transferred from the Department's Salaries, General account to the Unappropriated Balance for the Reserve for Economic Uncertainty.

B. Animal Services

No Recommendation

The Department is projecting a General Fund deficit of \$1.2 million attributed to a deficit in its Salaries, General account. The salary deficit reflects projected savings from ERIP retirements, employee furloughs and reduced work schedules. Year-to-date General Fund receipts are \$1.6 million which is 30 percent higher than the Department's projected estimate of \$1,224,000 for the five-month reporting period. This increase is attributable to the Department's Fee Study that has been adopted by the City Council

C. Building and Safety

Attachment 7 – Transfers between Accounts with Departments and Funds

Attachment 8 - Transfers between Departments and Funds

Recommendation No. 2 and 3

It is projected that the Department will have a surplus of \$515,000, consisting of a \$177,000 deficit in the General Fund and \$692,000 surplus in special funds. The General Fund deficit is attributed to the Department's Salaries, General account, which reflects savings from ERIP retirements, employee furloughs, and reduced work schedules. Additionally, salary expenditures also reflect the retroactive payment of the 3 percent cost of living (COLA) and other adjustments for employees of the Municipal Construction Inspectors Association (MCIA) and, 22 furlough days. The Department plans to address

the General Fund deficit through furloughs of MCIA employees, layoffs, and increased funding from their Enterprise Fund for Code Enforcement positions performing work related to new construction.

The Department is expected to meet General Fund budgeted revenue amounts. The Department remains cautiously optimistic that it will meet its budgeted revenue for the Enterprise Fund. However, on a twelve-month rolling basis, Enterprise Fund revenue is currently 14 percent (\$11.7 million) below budgeted revenue of \$86.1 million. Budgeted fee increases implemented in mid-October 2009 and increased work from proprietary departments have improved revenues since October. If the rising revenue trend continues, an alternative revenue projection allows for ending the year about 3 percent (\$2.3 million) below budget.

Two transfers from Department accounts totaling \$26,083 are recommended to reduce the Department's General Fund and Enterprise Fund salary account deficits, and two transfers totaling \$612,033 from special funds are recommended to reimburse salary expenses incurred in the course of providing Code Enforcement services. Additionally, the Department anticipates an appropriation of \$361,000 in Community Development Block Grant funds to support the Proactive Code Enforcement Program during the April to June 2010 period.

D. City Administrative Officer

Attachment 7 - Transfers between Accounts within Departments and Funds Recommendation No. 2

The Office is reporting a deficit of \$683,000 in its Salaries General account, which reflects estimated savings from ERIP retirements, employee furloughs and reduced work schedules. Approximately \$200,000 has been identified from the Contractual Services Account that will be transferred to salaries to cover a portion of debt management salaries and \$50,000 from the Mayor's budget to cover a portion of the salary of an employee on loan to the Mayor's office. The Office expects the remaining salary deficit to be addressed by reimbursement from American Recovery and Reinvestment Act of 2009 (ARRA) funding for eligible administrative staff costs and additional reductions in salaries and expenses.

E. City Attorney

Attachment 9 – Transfers from the Unappropriated Balance Recommendation No. 4

The Department is projected to have a General Fund deficit of \$8.6 million largely attributed to a \$6.4 million deficit in its Salaries, General account and \$2.7 million deficit in Litigation Expense account, to be partially offset by surpluses in grant-reimbursed and proprietary salaries accounts and the outside counsel account.

The salary deficit reflects projected savings from ERIP retirements, employee furloughs and reduced work schedules. To address the deficit the Department will make recommendations to transfer account surpluses to the Salaries, General account, along with other adjustments reported in the revised Operational Plan to the greatest extent possible, in the final FSR. Additionally, the

Department will attempt to reassign employees in General Funded positions to Proprietary related matters where possible and will pursue alternative revenue sources to offset the shortfall. Despite these efforts, the Department may not be able to eliminate the entire projected deficit.

The following transactions are recommended:

- Transfer \$750,000 in funds from the Unappropriated Balance, Litigation Expense account to address the deficit in the Department's account. The deficit is due to the volume and complexity of cases being filed against the City, specifically in land use, police litigation and employment litigation, which require extensive litigation support. To date the Department has expended 82 percent of their appropriation.
- Transfer \$100,000 in funds from the Unappropriated Balance set aside for outside Counsel expenditures to cover flat fee contracts for pending and anticipated worker's compensation invoices. No new worker's compensation cases are being referred to outside counsel at this time.

F. City Clerk

Attachment 10 – Transfers to the Reserve for Economic Uncertainty Recommendation No. 5

It is projected that the Department will have a General Fun surplus of \$322,500, attributed to its Salaries General account. The projected surplus includes savings from ERIP retirements, employee furloughs and reduced work schedules.

It is recommended that \$322,500 be transferred from the Department's Salaries, General account to the Unappropriated Balance for the Reserve for Economic Uncertainty.

G. Community Development Department Recommendation Nos. 6 through 8

It is projected that the Department will have a \$2.2 million surplus in special funds, including Community Development Block Grant (CDBG), Community Services Block Grant (CSBG), Workforce Investment Act (WIA) and American Recovery and Reinvestment Act (ARRA), which reflects savings from ERIP retirements, employee furloughs and reduced work schedules. The Department indicates that these funds will be reprogrammed or expended in Fiscal 2010-11.

The 2009-10 Adopted Revenue for the Department's indirect costs obligation is \$11 million. To date, \$4.2 million (39 percent) of this revenue has been transferred.

The following transactions are recommended:

- Transfer a total of \$269,773, from approved grant funds including CDBG (\$234,268), CSBG (\$8,109), CSBG-ARRA (\$4,745) and WIA (\$22,651) within the special funds, to the Department's

operating budget and to the Information Technology Agency's operating budget for direct and indirect salary costs associated with grant activities.

- Approve recommendations concerning the Proposition 40 Roberti-Z'Berg-Harris (Prop 40) Fund reimbursement for work performed by the Department of General Services (GSD) and the Bureau of Engineering (BOE) in connection with the Bradley Milken Youth and Family Center Project. GSD has completed the project and no longer requires the remaining appropriation amount of approximately \$162,000. The BOE has incurred approximately \$126,000 in staff costs for the project. These transactions are required to allow the Department to comply with the deadline to submit project completion documents for grant reimbursement to the State of California, Department of Parks and Recreation by March 31, 2010. The reimbursements will allow the Department to repay a loan that was obtained from the Public Works Trust Fund for the Prop 40 grant.

H. Controller

No Recommendation

No deficit is projected for the Department due to savings from ERIP retirements, employee furloughs, and reduced work schedules, as well as potential attrition.

I. Convention Center

No Recommendation

No deficit is projected for the Department at this time. The Department is estimating that revenue projections will amount to approximately \$20 million, which is slightly higher than revenue projections reported during the Second Financial Status Report (\$17.9 million), and less than the 2009-10 Budget (\$24.5 million). 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. To address the shortfall, the Department has begun reducing expenditures to the greatest extent without reducing service to clients. The Department expects that its expenditures will not exceed available receipts.

J. Council

Attachment 6 – New Appropriations

Attachment 8 – Transfers Between Departments and Funds

Attachment 9 – Transfers from the Unappropriated Balance

Recommendation Nos. 1, 3 and 4

Council District No 14 has requested new appropriations of \$205,000 from the Central Los Angeles Recycling and Transfer Station (CLARTS) and Street Furniture Revenue Funds (\$200,000 and \$5,000, respectively) and a transfer of \$70,000 from the Council District 14 Real Property Trust Fund to the Department's Salaries, As-Needed Account for Council District 14 salaries.

Council has requested the transfer \$2,829,000 in funds from the Unappropriated Balance to the Salaries, As-Needed account to cover account deficits and staff costs.

K. Cultural Affairs

Recommendation No. 9

It is projected that the Department will have a General Fund surplus of \$694,600, attributed to the surplus in the Salaries, General account. The surplus reflects savings from ERIP retirements, employee furloughs, and reduced work schedules. In addition, there have been increased appropriations to the Department for administrative support from various grant reimbursements and funds for the Summer Night Lights Program from the Mayor's Office.

It is recommended that the \$694,600 in surplus funds be used for reimbursements to the General Fund for related costs.

L. Disability

No Recommendation

It is projected that the Department will have a General Fund surplus of \$72,000, attributed to a surplus in the Salaries, General account offset by a shortfall in the contractual services account for sign language services. Salary savings reflect ERIP retirements, employee furloughs and reduced work schedules.

M. El Pueblo

Recommendation No. 10

This Office projects a year-end surplus of \$133,000 in salaries accounts, reflecting savings primarily from managed hiring, as well as ERIP retirements, employee furloughs and reduced work schedules. The Department will use the surplus to repay a portion of the Department's \$315,465 Reserve Fund Loan. The Department reports that revenue is on target.

N. Emergency Management

Attachment 10 – Transfers to the Reserve for Economic Uncertainty Recommendation No. 5

It is projected that the Department will have a \$15,000 General Fund surplus as a result of savings realized through managed hiring, ERIP retirements, employee furloughs and reduced work schedules, as well as the anticipated receipt of approximately \$400,000 in Homeland Security Grant reimbursements. Reimbursements from the County of Los Angeles for services performed by City departments in conjunction with H1N1 virus vaccination clinics are pending.

Transfer \$15,000 from the Emergency Management Department's Salaries, General account to the Unappropriated Balance for the Reserve for Economic Uncertainty.

O. Employee Relations Board No Recommendation

It is projected that the Department will not have a deficit.

P. Environmental Affairs No Recommendation

It is projected that the Department will have a total surplus of \$254,000 in their Salaries, General account, consisting of \$45,000 in the General Fund and \$209,000 in special funds. The surplus is primarily due to the anticipated receipt of \$250,000 in Department of Energy, ARRA formula grant funding this Fiscal Year; \$94,000 of which is designated for employee salaries (C.F. No. 09-0648-S15), as well as savings from managed hiring, employee furloughs and reduced work schedules. Any special fund surpluses remaining at the end of the year may be reprogrammed. It should be noted that if the ARRA grant funding is not received during this Fiscal Year, the department's net surplus will be approximately \$160,000 (\$9,000 General Fund and \$151,000 special funds).

Q. Ethics Commission Attachment 7 - Transfers between Accounts within Departments and Funds Recommendation No. 2

A surplus in the Contractual Services account will offset a shortfall in the Department's Salaries General account. As such, it is recommended that \$161,224 be transferred from the Contractual Services account's Special Prosecutor allocation to the Salaries General account.

R. Finance No Recommendation

It is projected that the Department will have a surplus of \$11,600, which reflects projected savings from ERIP, employee furloughs, and reduced work schedules. Though Council recently approved a

freeze on overtime spending (C.F. No. 09-0600-S151), it is anticipated that the Department will require the use of overtime funds during the tax renewal season.

The Office of Finance recently implemented a convenience fee to taxpayers that pay via credit card in order to generate savings in bank fees. Any savings in this account resulting from the credit card convenience fee will be determined following the close of the tax renewal season. Our office will continue to monitor the Department's remaining surplus and the savings resulting from the credit card convenience fee and report on this matter in the next FSR.

S. Fire

Attachment 7 - Transfers between Accounts within Departments and Funds Recommendation No. 2

The Department is projecting a General Fund deficit of \$8 million. The deficit is attributed to \$8.3 million deficits for sworn salary accounts and \$300,000 deficits for expense accounts (\$8.6 million total), to be offset by \$600,000 surpluses in civilian salary accounts. The deficit, reported at \$24 million in the Second FSR, reflects realized and expected savings from the sworn Modified Deployment Plan, civilian managed hiring, ERIP retirements, and cancellation of the two of the three budgeted Recruit Training classes, and well as increased grant funding receipts and the federal and state reimbursements. The previously reported \$5 million salary settlement is no longer expected to be paid out this year.

The revenue for fiscal year 2009-10 is anticipated to be \$136.7 million, an increase of \$1.7 million from the adopted budget. The increase is due to the increase in revenue from the proprietary departments and offset by Industrial Building Inspection Fee ordinance that will not be completed in time to implement this fiscal year.

The following transactions are recommended:

- Transfer a total of \$27,893,000 between Department accounts to address deficits in the Department's sworn salaries and overtime accounts, field equipment expense accounts, and rescue supplies and equipment account. The total includes a \$25 million transfer to the sworn salaries account using savings realized with the implementation of the Modified Deployment Plan to fund payroll costs for pay periods 24 and 25.
- Transfer \$217,000 from the Contractual Services account to the Office and Administrative Expense account to pay for the resource deployment software and maintenance. The Department received \$316,828 in the Budget to purchase the software: \$216,915 in the contractual services account and \$99,883 in the office and administrative expense account. However, the entire purchase should be made from the expense account.

The following request to approve the use of the \$18.4 million Municipal Improvement Corporation of Los Angeles (MICLA) funding provided in the 2009-10 budget is not recommended at this time due to the current status of the City Budget and the MICLA Program.

Pursuant to Mayor and Council direction in the adoption of the 2009-10 Budget, the Department has requested authorization to spend the \$18.4 million in MICLA authority provided in the Budget for the purchase of vehicles for the Department. The Department intends to expend \$356,700 in 2009-10, \$15,000,000 in 2010-11 and 3,000,000 in 2011-12 for the vehicles detailed below. None are eligible to be paid by a special funding source. All apparatus proposed for replacement exceed the replacement cycle or have extremely high mileage. Repairs for high mileage vehicles also impact the Field Equipment Expense Account 3090 in which the Department is projecting a deficit.

<u>Type of vehicle and number to purchase</u>	<u>Cost</u>
Apparatus, Triple Combination (Pumper) (15)	\$8,664,720
Ambulance (24)	\$3,492,480
Apparatus, Aerial Ladder Truck (3)	\$2,667,732
Suburban (Command) (9)	\$1,384,578
Airport Crash Truck (1)	\$1,373,888
Sedan (Emergency) (9)	\$ 272,952
Sedan Non-emergency, alternate vehicles (16)	<u>\$ 499,350</u>
	\$18,355,700

The Department reports that deferring purchases will impact Emergency Medical Service (EMS), as EMS incidents make up over 80 percent of all Departmental responses. Regular ambulance replacement is most critical for EMS response. Additionally, the warranties for all the vehicles to be replaced have expired and will require significant maintenance expense if replacement is delayed.

T. General Services

Attachment 9 – Appropriations from the Unappropriated Balance

Attachment 10 – Transfers to the Reserve for Economic Uncertainty

Recommendation Nos. 2, 4, 5 and 37

It is projected that the Department will have an estimated shortfall of \$11.2 million mainly due to the Salaries General Account, and will decrease to \$7 million with the transfer from proposed transfer from the Unappropriated Balance and the reduction of American Recovery and Reinvestment Act (ARRA) Program-related appropriations. The shortfall reflects savings from ERIP retirements and employee furloughs.

The Department General Fund receipts shortfall of approximately \$5.5 million is mainly due to a low vehicle return rate of the City's Fleet Reduction Program.

The following transactions are recommended:

- Transfer of funding from the UB of approximately \$5 million to pay for salaries and expenses (\$2.4 million and \$2.6 million, respectively) for general maintenance and operations of new and existing facilities through the close of the fiscal year. The Budget includes \$10.3 million in the Unappropriated Balance (UB) for the Department for this purpose. New facilities include the

Police Administration Building. The Department has reprogrammed existing resources and developed deployment schedules to meet urgent facility needs, and have provided reduced levels of maintenance service through January. The remaining \$5.3 will remain in the UB to transfer to the Department in a later FSR.

- Transfer a total of \$120,000 from the Field Equipment Expense Account to the Contractual Services Account to align all contracted expenditures through the 3040 Account. The expenditure purpose will remain the same, which is to contract for hazardous waste disposal services.
- Transfer \$3 million in UB funds to the Reserve for Economic Contingency account to offset the City's General Fund shortfall. An amount of \$4 million is appropriated in the UB to address volatility of fuel prices. Based on current volume and price levels, the Department anticipates to fully expend its Petroleum budget, and it is recommended that \$1 million remain in the UB to address potential volatility in fuel costs.
- Direct Departments to remit payment for invoices from the Department of General Services.

The recommendation to reduce previously-approved salary appropriations for fleet maintenance positions for the ARRA Program by \$820,480 is included in the discussion section for the Bureau of Street Services. (Section II.)

U. Housing

Attachment 7 – Transfers between Accounts within Departments and Funds Recommendation Nos. 2 and 11

It is projected that the Department will have a special fund surplus of \$6.4 million primarily, which includes a \$5.9 million surplus in the Salaries, General account derived from savings that will be realized from ERIP retirements, employee furloughs and reduced work schedules. Since 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.

The following transactions are recommended:

- Transfer of \$159,765 in CDBG salary savings to the City Attorney to cover the salary of one Deputy City Attorney IV. This transfer will pay for the costs associated with one position that is assigned to advise the Department on housing matters funded with Community Development Block Grant (CDBG) funds. Although insufficient administrative funding was available to cover this cost at the time that the 35th Program Year (2009-10) Consolidated Plan was approved, there is now sufficient CDBG salary savings to cover this request. Since these funds were budgeted to cover LAHD administrative costs, this expense is consistent with the intent of the allocation,
- Transfer of \$300,000 in salary appropriations funded by the Rent Stabilization (Rent) and Code Enforcement (Code) Trust Funds to the Contractual Services Account to cover additional

contracted technical consultants (Contract Programmers) costs. This transfer is requested to provide additional budget authority for existing Contract Programmers in an effort to prevent the interruption of critical Systems Division services, including the maintenance of the Code, Compliance and Rent Information System (CCRIS).

V. Human Services Department

Attachment 10 – Transfer to the Reserve for Economic Uncertainty

Recommendation No. 5

The total General Fund surplus for the Department is projected to be \$231,000, consisting of a surplus of \$256,000 from savings in the Salaries, General account from ERIP retirements, employee furloughs and reduced work schedules, offset by a deficit of \$25,000 in the Salaries, As-Needed account.

The HSD will receive \$617,500 in funding from the following grants during 2009-10:

- \$200,000 from the County for YWAR, part of the Schiff-Cardenas Act (ongoing)
- \$125,000 from DOT/CalTrans for KidWatch (\$250,000 over two years)
- \$142,500 from HHS for YWAR expansion, Federal earmark (\$285,000 over two years)
- \$150,000 from DWP for Girls in Non-Traditional Careers program (annual)

Due to the timing of the grants, the funding will overlap into 2010-11. The CAO will work with the Department or other appropriate entity to manage these funds and to ensure that the General Fund is reimbursed as quickly as possible.

The Department has two major areas of concern at this time. First, due to attrition in the KidWatch program, support for the program has been scaled back from 150 schools to 100 schools. Second, the tuition subsidy program at the Joy Picus Child Care Center is being funded this year through a reversion from a prior-year contract. In the future, the City will need to determine whether or not to fund the subsidy.

It is recommended that \$231,000 from the Human Services Department, Salaries, General account be transferred to the Unappropriated Balance for the Reserve for Economic Uncertainty.

W. Information Technology Agency

Attachment 5 - New Appropriations

Recommendation No. 1

It is projected that the Department will have a General Fund Deficit of \$373,000, comprised of deficits in its Salaries General and Contractual Services accounts (\$760,000 and \$108,000, respectively), offset by surpluses in its Printing and Binding and Communication Services accounts (\$15,000 and \$480,000, respectively). The salary deficit has been reduced significantly from earlier projections through managed hiring, ERIP retirements, and strict limitations on overtime spending. The

contractual services account deficit is new due to the inadvertent sweep of prior year funds. The shortfall will be addressed in a future financial status report.

General Fund revenues are reported well below plan. However, as this revenue is primarily cost reimbursements that are received late in the fiscal year, it is too early to determine whether year-end projections will be met. Special fund revenue from the Telecommunications Development Account is \$337,000 above plan to date. These receipts are a portion of the gross receipts received by cable companies. At the current pace total receipts could exceed the plan by approximately \$675,000, of which, \$300,000 has been appropriated for Channel 35 expenses. Our Office will continue to monitor General Fund and Special Fund revenues and report back on the status of receipts.

The following transactions are recommended:

- Appropriate a total of \$37,580 from ITA revenue communication services and overtime accounts for Communication Service Requests performed for LACERS and the Department of Recreation and Parks and other agencies.
- Appropriate \$1,507,209 in funds received by the City through a settlement with Microsoft to fund 2009-10 project costs to implement Google's e-mail system for City users pursuant to Council's instruction on October 27, 2009 (C.F. No. 09-1714).

X. Library

Attachment 8 – Transfers between Funds and Departments

Recommendation No. 3

It is projected that the Department will have a \$2.5 million surplus in its salary accounts attributed to savings from ERIP retirements, employee furloughs, and reduced work schedules. However, the Department is projecting a shortfall of \$725,000 in departmental receipts and revenues, likely a result of the economic downturn. As a result, the net department surplus is \$1.8 million. Because of the need to maintain the minimum Charter Mandated Appropriation to the Library, it is recommended that the surplus funds remain within the Library Department Trust Fund for possible use in addressing the Department's 2009-10 related costs. The surplus will be monitored and any recommendations will be made by the Year-End Financial Status Report.

The Cultural Affairs Department recently installed an exhibit at the City Hall Bridge Gallery in celebration of the completion of the Branch Library Construction Program. A transfer in the amount of \$1,000 from the Department's contractual services account to the Cultural Affairs Department is recommended to reimburse the exhibit's costs.

Y. Mayor

Attachment 7 - Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Funds and Departments

Attachment 9 – Transfers from the Unappropriated Balance

Recommendation Nos. 2, 3 and 4

The Mayor requests the following transactions:

- Transfer \$1,800,000 from the Department's Salaries, General and Overtime accounts to the Salaries, As-Needed account to cover the account deficit.
- Transfer \$50,000 from the Department's Salaries, General account to the City Administrative Officer to reimburse staff costs.
- Transfer \$753,000 in funds from the Unappropriated Balance to the Salaries, As-Needed account to cover account deficits and staff costs..

Z. Neighborhood Empowerment

Attachment 10 – Transfers to the Reserve for Economic Uncertainty

Recommendation No. 5

It is projected that the Department will have a \$151,000 year-end surplus attributed to savings in its salary account from ERIP retirements, employee furloughs, and reduced work schedules. This Office will monitor and report back on the status of these accounts through the Financial Status Reports.

It is recommended that \$151,000 be transferred from the Department's salaries and overtime accounts to the Unappropriated Balance, Reserve for Economic Uncertainty.

AA. Personnel

Attachment 10 – Transfers to the Reserve for Economic Uncertainty

Recommendation No. 5

It is projected that the Department will have a total \$700,000 year-end surplus in its salary accounts as a result of managed hiring, ERIP retirements, employee furloughs, reduced work schedules, and modifications to the sworn hiring plans, which have reduced the use of as-needed Background Investigators.

It is recommended that \$600,000 be transferred from the Department's Salaries, As-needed account to the Unappropriated Balance, Reserve for Economic Uncertainty.

BB. Planning

Attachment 7 - Transfers between Accounts within Departments and Funds

Attachment 10 – Transfers to the Reserve for Economic Uncertainty

Recommendation Nos. 3, 5 and 12

It is projected that the Department will have a General Fund surplus of \$1.7 million, attributed to its Salaries, General account. The surplus reflects savings from ERIP retirements, employee furloughs and reduced work schedules. Total revenue from Planning and Land Use fees in 2009-10 was estimated at \$14 million, to include new filing fees that went into effect on October 26, 2009. However, the economic downturn continues to slow down the development market, and the Department has revised projected revenue down to \$10.6 million. The Budget included \$4,726,000 from special funding sources. However, the Operational Plan report eliminated the transfer of \$136,149 from the Building and Safety Enterprise Fund, 48R, to the Planning Department. The revised special fund revenue is anticipated to be \$4,590,000.

The following transactions are recommended:

- To comply with the Expedited Permit Services and the Supplemental Fee Agreements Ordinances, reimburse the General Fund for costs incurred for the Expedited Permit Services, the USC Project, the Westfield Project, the Universal Vision Project and the Metro Universal Project as follows:
 - Transfer \$38,855.72 from Major Projects Review Trust Fund to the General Fund to reimburse Related Costs for the Planning and Transportation Departments for the USC Project.
 - Transfer \$487,981.03 from Major Projects Review Trust Fund to the General Fund to reimburse Related Costs for the Office of the City Attorney, the Planning Department, the Transportation Department, and the Bureau of Engineering for the Westfield Project.
 - Transfer \$86,834.74 from Major Projects Review Trust Fund to the General Fund to reimburse Related Costs for the Planning and Transportation Departments for the Universal Vision Project.
 - Transfer \$32,728.42 from Major Projects Review Trust Fund to the General Fund to reimburse Related Costs for the Planning Department, the Transportation Department, and the Bureau of Engineering for the Metro Universal Project.
 - Transfer \$429,817.23 from Planning Expedited Permit Trust Fund to the General Fund to reimburse Related Costs for the Fire and Planning Departments for the Expedited Permit Program
- Transfer \$1,700,000 from the Planning Department's Salaries, General account to the Unappropriated Balance, Reserve for Economic Uncertainty.

CC. Police

Attachment 7 - Transfers between Accounts within Departments and Funds Recommendation Nos. 2, 13 and 14

In the Second FSR, it was reported that the Department would have a total budget deficit of \$137 million: \$133 million from Sworn Salaries, \$1 million in Salaries General, and \$2 million in expense accounts. It is now projected that the Department will have a General Fund deficit of \$78.2 million, largely attributed to the \$79 million deficit in its Sworn Salaries account. The Salaries General account has a surplus of \$3 million, reflecting savings from managed hiring, ERIP retirements, employee furloughs, a complete hiring freeze through the rest of the year, and reduced overtime usage and an increase to the overtime bank. The surplus will be used to address deficits in the contractual services and field equipment expense accounts.

The Sworn portion of the Department's shared sacrifice was \$129 million. The revised projected deficit takes into account net hiring above plan, savings due to conversion of the excess sick payment to time, the \$45 million transfer from the Sworn Overtime Account approved in the Second FSR, the recommended \$750,000 transfer from the Transportation Regulation and Enforcement Fund in this report, and the December 9, 2009 Council action regarding Police Hiring (C.F. No. 09-0600-S142). Net hiring through December is currently at -3, which is 48 over plan due to lower than anticipated attrition. Council action has adjusted future classes to ensure that the Department ends the year very close to the 9,963 contemplated in the Adopted Budget. However, any classes that are hired (include those hired within the revised hiring instructions) will only increase the deficit in sworn salary accounts.

2009-10 Year-to-Date Police Hires							
	July	August	September	October	November	December	YTD*
Actual Hires	39	80	40	40	0	0	199
09-10 Budget	40	80	40	40	40	0	240
Actual Attrition	25	62	30	27	31	27	202
09-10 Budget	44	94	41	41	48	23	291
Actual Net	+14	+18	+10	+13	-31	-27	-3
09-10 Budget Net	-4	-14	-1	-1	-8	-23	-51

*Year-to-Date, through pay period ending December 19.

The following transactions are recommended:

- Transfer \$1,000,000 from Salaries General account to the Contractual Services account to address the \$1.2 million account deficit. Underfunded items in this account include lead removal, arrestee transportation, care and custody, and transcription services.
- Transfer \$1,000,000 from Salaries General account to the Field Equipment Expense account to address the \$1.0 million account deficit. This deficit is due largely to increased demand for and cost of vehicle maintenance parts and supplies arising from the deferral of vehicle replacement over a period of 2-3 years.

The recommendation to transfer \$750,000 for staff cost associated with taxicab enforcement and regulation is included in the discussion section for the Department of Transportation (Section 1.KK).

**DD. Public Works/Board
No Recommendation**

It is projected that the Department will have a total surplus of \$391,000, consisting of \$380,000 in special funds and \$11,000 in General Funds. The surplus is attributed to savings from managed hiring, ERIP retirements, employee furloughs and reduced work schedules. Additionally, it is assumed that anticipated bond reimbursements are received in a timely manner.

Sixteen remaining employees are expected to retire through ERIP. As these separations could significantly impact the Office of Accounting's operations, the Department is undergoing major restructuring to maximize resources.

**EE. Public Works/Bureau of Contract Administration
Attachment 7 - Transfers between Accounts within Departments and Funds
Recommendation No. 2**

It is projected that the Department will not have a General Fund deficit. A surplus in the Salaries, General account, reflecting savings from ERIP retirements, employee furloughs, and reduced work schedules, will be offset by the increased salaries and the retroactive \$454,000 payout of Cost of Living Adjustment (COLAs) for the Municipal Construction Inspectors Association (MCIA) as well as the remaining Transportation Expense account deficit of \$378,000. The account deficit is attributed to the increase in the mileage bonus rates provided under the MCIA MOU and the increased mileage reimbursement rate as established by the Internal Revenue Service. In the second FSR, \$255,000 was transferred from their Overtime account to address a portion of the deficit.

Currently, the Department is projecting \$71,000 in additional General Fund revenue, above the budgeted \$11.5 million, primarily due to increased permit activity. Additionally, with the exception of the Sewer Capital Fund, the Department expects to fully expend budgeted special fund reimbursements. For the Sewer Capital Fund, the Department reports a 19 percent reduction in activity and expects to revert approximately \$1.8 million to the fund.

It is recommended that \$320,000 be transferred from the Salaries General account to the Transportation account to eliminate the anticipated deficit.

FF. Public Works/Bureau of Engineering

Attachment 7 - Transfers between Accounts within Departments and Funds

Attachment 10 – Transfers to the Reserve for Economic Uncertainty

Recommendation Nos. 2, 5 and 15

It is projected that the Department will have a total surplus of \$10.9 million, consisting of \$2.1 million in General Fund and \$8.8 million in Special Funds. The surplus reflects savings of \$10 million in the salary account and \$900,000 in the overtime account from managed hiring, ERIP retirements, employee furloughs, reduced work schedules and reduced overtime usage. In addition, it is assumed that the Department receives all of its off-budget appropriations. The remaining projected surplus is not recommended to be transferred from the Bureau's budget at this time since the Bureau is using these appropriations to cash flow about \$3.5 million in salaries that it has not received yet from off-budget programs. In addition, information on actual and projected expenditures by funding source is needed from the Bureau to assess whether the remaining surplus represents savings or over-appropriations of off-budget funds that would need to be reverted.

Revenue receipts at 27 percent of budget are consistent with the same period last fiscal year. The Bureau will continue to monitor but expects revenues to remain flat for the fiscal year.

The following transactions are recommended:

- Transfer \$1,000,000 in General Fund monies from salary accounts to the Unappropriated Balance, Reserve for Economic Uncertainty, and reduce \$1 million in SCMC funded appropriations reflecting salary savings. The remaining projected surplus is not recommended to be transferred from the Bureau's budget at this time since the Bureau is using these appropriations to cash flow about \$3.5 million in salaries that it has not received yet from off-budget programs. In addition, information on actual and projected expenditures by funding source is needed from the Bureau to assess whether the remaining surplus represents savings or over-appropriations of off-budget funds that would need to be reverted.
- Transfer \$250,000 from the Contractual Services account to the Office and Administrative account to cover software license renewals and maintenance. The cost is apportioned between the General Fund (\$100,000) and SCMC Fund (\$150,000).

GG. Public Works/Bureau of Sanitation

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

Recommendation Nos. 2, 3, 16 through 18

It is projected that the Department will have a special fund surplus of \$10.2 million, as a result of vacancies, furloughs, early retirement and expense savings. Not included in the surplus is the additional funding of \$1.3 million to be provided by the Storm Water Cleanup General Obligation Bond (Proposition O) Program.

The Solid Waste Lifeline Rate Program for the trash fee was budgeted in 2009-10 for \$16.6 million in the General City Purposes (GCP) Fund. However, more residents continue to apply for Lifeline exemptions. The Bureau reports that \$58,395 customers were subscribed to the program as of November 2009, which results in a General Fund deficit of \$6.7 million for the current year. This deficit will continue to grow unless Lifeline subscriptions halt or a policy change is made relative to the current ordinance requirement granting full exemptions. This matter is addressed in Section 3.W.

The Sewer Maintenance and Construction Fund has continued to experience a decline in Sewer Service Charge receipts due to a decrease in the number of accounts, delinquencies in payments, reduced usage from water conservation and increased low-income subscribers. Based on Bureau projections, this downward trend is anticipated to level off through the balance of the year. The Bureau is expected to meet its budget obligations through deferred capital expenditures and operational savings. While the Bureau has the ability to use debt to address wastewater revenue deficits with the issuance of additional debt, hiring and expenditures will be closely monitored to help minimize its use. There are no active plans for fee increases in the current year.

On July 7, 2009, the Council approved the transfer of \$1.9 million from the Solid Waste Resources Revenue Fund (SWRRF) to the City's Liability Claims Fund to pay a settlement involving the solid resources collection program in the case Sandoval vs. City of Los Angeles (C.F. No. 09-0919). Since liability claims for the solid resources program are normally paid as an indirect cost reimbursement to the General Fund via the Cost Allocation Plan (CAP) rate, the amount of this claim should be reduced from the Bureau's Related Cost reimbursement to the General Fund to preclude overpayment from SWRRF. Additionally, it is recommended that the balance of \$1,228,765 programmed in the solid resources CAP rate for liability claims be reduced for a total adjustment of \$3,128,765 since SWRRF will fund directly all other applicable solid resources liability claims expenses this year. There is no net impact to the General Fund. Beginning in 2010-11, it is anticipated that the SWRRF will include special fund appropriations for liability claims through the budget process and be dropped altogether from the CAP rate to help expedite payments attributable to the solid resources program, as is currently done with the Sewer Construction and Maintenance Fund.

The following transactions are recommended:

Clean Water Program

- Transfer \$714,495 in Sewer Construction and Maintenance (SCM) funds from salary savings to overtime and transportation accounts to cover deficits in wastewater treatment and collection, industrial waste management, and safety training operations as a result of vacancies.
- Reduce the SCM Fund's budgeted related cost obligation by \$3.1 million to repay the SCM for prior year over-reimbursement of related costs due to higher than anticipated vacancies. Of this amount, \$156,784 corresponds to the Bureau of Contract Administration, \$1,080,330 to the Bureau of Engineering and \$1,900,794 to the Bureau of Sanitation.

Watershed Protection Program

- Transfer \$27,000 in Stormwater Pollution Abatement funds from various expense accounts to cover a mileage deficit in watershed protection enforcement operations, which respond to hazardous waste emergencies affecting the City's storm drain system.
- Transfer the remaining cash balance of \$4,236 in the Sunland/Appears Drainage Fund to the Bureau of Street Services for construction of a 140-foot asphalt-concrete berm along Wayside Drive in the East Valley for stormwater diversion/drainage.

Solid Resources Program

- Reduce appropriations in the Solid Waste Resources Revenue Fund (SWRRF) Related Costs account by \$3,128,765 and increase appropriations in SWRRF Sanitation Expense and Equipment by \$1,228,675 to allow direct payment of liability claims.
- Transfer \$910,762 in SWRRF funds from salary, overtime and expense savings to cover a deficit in as-needed salaries for refuse collection and support activities. Due to managed hiring, the Bureau has relied on as-needed support to service collection routes and keep overtime costs down.
- Transfer \$198,625 from the SWRRF and CLARTS funds to the City Clerk to pay Community Amenities Fees associated with solid waste tonnages received from collection operations at CLARTS, as required by ordinance, for the period July through November 2009.
- Transfer \$150,000 in Household Hazardous Waste funds to the Bureau of Sanitation to support the Residential Special Materials Collection Program, which has experienced higher demand due to regulatory changes restricting hazardous waste streams and public outreach efforts.
- Transfer \$255,000 Integrated Solid Waste Management funds to the Board of Public Works, Office of Community Beautification for the Los Angeles River Rangers Project. This is a young adult training program administered by the LA Conservation Corps (LACC) that provides litter reduction coverage on over 10 miles of river channel in the Glendale Narrows. LACC is contracted via the Board of Public Works.
- Transfer a total of \$194,737 (\$10,000 between Department accounts, \$184,737 between departments and funds) for various solid resources operational requirements, including recycling advertising on refuse trucks, reimbursements to other departments, and refuse collection and recycling support services.

HH. Public Works/Bureau of Street Lighting

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

Recommendation Nos. 3, 4 and 19

No deficit is projected for the Bureau, assuming completion of recommended special fund transfers, expected year-end reimbursements, and timely allocation of Transportation Grant funding. The Department reports that revenue is meeting projections.

The following transactions are recommended:

- Transfer \$544,876 from the Unappropriated Balance (Fund 347) and \$265,304 from the Unappropriated Balance (Fund 540) to the Bureau's Salaries General (\$317,180), Overtime (\$75,000), Contractual Services (\$108,000), and Street Lighting Supplies (\$310,000). The Adopted 2009-10 Budget placed all new positions and attached expense funding into the Unappropriated Balance for further review, including \$544,876 from the Street Lighting Maintenance Assessment Fund for copper wire theft abatement and \$265,304 from Prop C for Signal Synchronization Support for the Bureau. These two programs are critical in City operations to maintain functioning street lights and to alleviate heavily congested traffic in the City's busiest intersections.
- Transfer \$50,000 from the Special Gas Tax Fund to the Department's Salaries General (\$15,000) and Street Lighting Supplies (\$35,000) accounts to complete street lighting improvements and installations on eight new and 14 left turn LADOT signals. Funds are reserved in the Gas Tax CIEP Budget for street lighting improvements and construction on LADOT's new signals and signal modification.
- Transfer \$55,000 from the Street Lighting Maintenance Assessment Fund to the Liability Claims Fund to allow the City to pay a settlement of \$99,999 to Pacific Bell for the Bureau's damage to the company's communication lines. \$90,000 is allocated annually for street lighting claims, which is insufficient to pay the current settlement. The additional transfer of \$45,000 will cover any additional payouts that may be required during the fiscal year.
- The reappropriation and transfer \$135,000 allocated in the Street Lighting Maintenance Assessment Fund to General Services for vehicle purchases is recommended to complete the replacement of five vehicles budgeted in 2008-09. Two additional vehicles purchased in 2008-09 exceeded their budgeted amounts by \$38,000 due to revised cost estimates and needs. As such, a transfer of \$38,000 from available funds in the Bureau's Salaries General account to General Services is also recommended, for a total transfer of \$173,000 to complete the vehicle purchase.

II. Public Works/Bureau of Street Services

Attachment 8 - Transfers between Departments and Funds

Attachment 10 – Transfer to the Reserve for Economic Uncertainty

Recommendation Nos. 3, 5, 20 through 35

It is projected that the Department will have a surplus of \$13.2 million, consisting of \$1 million in the General fund and \$12.2 million in various special funds. The surpluses are attributed to the Salaries, General account, which reflects savings through managed hiring, ERIP retirements, employee furloughs and reduced work schedules. Approximately \$4 million of the Special Fund surplus consists of American Recovery and Reinvestment Act (ARRA) front-funding for street resurfacing and pedestrian improvement projects. The Bureau was given authority to fill 76 ARRA funded positions. However, due to the lengthy process of recruiting, interviewing and implementing employee background checks, the Bureau does not anticipate expending the full ARRA appropriation in Fiscal Year 2009-10. Unspent funds will be reappropriated in Fiscal Year 2010-11.

The Department is reporting that General Fund revenue from Newsrack Permit Fees, Filming Permit Fees, and Fines for Illegal Signs are below budget. Newsrack Permit Fees year-to-date receipts are \$341,952, which is trending below the \$943,000 budget. Revenue estimates had assumed an annual permit fee increase from \$22 to \$40 per newsrack; however, increase of the fee is pending the Council's final determination on the matter (C.F. No. 09-0533). The Department's revenue projection for film permits is \$400,000. To date, no revenue has been received; however, a portion of these funds were redirected from Street Services to the Department of Transportation and the Board of Public Works. Year-to-date receipts for fines from illegal sign postings are \$92,219, which is far below the \$500,000 revenue projected for the year. According to the Department, the loss in revenue is the result of not continuing \$866,000 in dedicated funding for proactive illegal sign enforcement. This General Funded program was not continued in 2009-10, as it was not fully fee supported. This service is currently performed with existing staff on an as-needed basis. In addition, the bureau continues to experience problems with the collection of fines.

Special Fund revenue from the Traffic Safety Fund (TSF) from municipal court fines are trending 20 percent (\$3 million) below the \$15.7 million 2009-10 budget projection. As TSF revenues continue to decline, our office is currently pursuing traffic citation statistics and will report to the Council and Mayor in a future report with recommendations.

Gas Tax payments to the City are being deferred due to the State's budget crisis, and are scheduled to be paid in late April and May 2010. Any loss of Gas Tax funds will severely impact the Bureau's ability to maintain the Pavement Preservation Program, as well as street sweeping and tree trimming services. The Bureau has applied for and received the balance of the first allocation of State Prop 1B funds in the amount of \$49.1 million for street resurfacing projects. These funds can be utilized to offset a loss in Gas Tax receipts. The Bureau will be requesting approval to apply for the City's share of the second allocation of Prop 1B funds for street resurfacing and slurry seal projects.

The following actions are recommended:

- Reduce previously-approved salary appropriations (C.F. No. 09-0648-S12, recommendations 9 and 10) for administrative and fleet maintenance positions for the American Recovery and Reinvestment Act Program by \$1,084,740 for the Bureau of Street Services (\$264,260) and the Department of General Services (\$820,480). In accordance with Federal guidelines, only staff charges directly attributed to project delivery are eligible for reimbursement from ARRA funds; administrative and support positions are not eligible. In conjunction with this action, it is recommended that a hiring freeze be placed on the ARRA program positions in Street Services and General Services (four positions and eleven positions, respectively).
- Reappropriate funds totaling \$4,728,023.39 from various special funds to complete work previously authorized through various Council actions in prior fiscal years. The Bureau will make every effort to complete these projects by June 30, 2010.
- Transfer revenue totaling \$681,626.12 for reimbursements from Los Angeles World Airports, the Department of Water and Power, State of California Integrated Waste Management Board, and special events.
- As requested by the Controller, authorize the Department to revise its 2008-09 reversion worksheet to decrease expenditures and encumbrances to the General Fund and increase special funded expenditures and encumbrances for various funds by approximately \$1 million.
- Transfer \$1,000,000 from the Department of Public Works, Bureau of Street Services Fund 100/86, Account 1010 (Salaries, General) to the Unappropriated Balance for the Reserve for Economic Uncertainty.
- Finally, transfer a total of \$1,059,099.03 from special funds to the Department to include:
 - Two Community Redevelopment Agency (CRA) appropriations totaling \$746,000 for the Wilton Place Landscaping project (\$389,000) and Olympic Boulevard Streetscape project (\$357,000),
 - The Lake Hollywood Reservoir road paving project (\$151,499) funded by the Department of Water and Power,
 - Street repairs funded by 20th Century Fox (\$2,954),
 - Curb repairs on La Cienega Boulevard funded by XO Communications (\$74,149),
 - Waste tire enforcement funded by the California Integrated Waste Management Board (\$75,100),
 - Tree removal at the corner of Cornwell and Marengo to allow the Department of Transportation to proceed with an ARRA funded installation of a new traffic signal (\$5,161), and
 - Construction of a concrete berm along 9436 Wayside Drive funded by the Sunland/Apeearson District Drainage Fund (\$4,236).

JJ. Recreation and Parks

No Recommendation

It is projected that the Department will have a \$4.3 million General Fund deficit due to a corresponding shortfall in its Salaries General Account. The deficit has been reduced from its early projected deficit of \$16.7 million, reflecting reductions from Shared Responsibility and Sacrifice and Removal of Uncertain Revenues, as a result of savings from managed hiring, regular and ERIP retirements, and reimbursements. Additionally, \$2.5 million in transfers from grants and special accounts is assumed.

The Department's total budgeted revenue is \$36.9 million. The revenue shortfall reported in the Second FSR, has decreased by \$400,000 to \$2.3 million. The shortfall is primarily due to a decline in golf attendance, but is also attributed to revenue shortfalls in the Griffith Observatory, camps, tennis, and parks. This Office will continue to monitor the Department's Salaries General account and revenues and make recommendations in future reports.

KK. Transportation

Attachment 7 - Transfers between Accounts within Departments and Funds

Attachment 9 - Transfers between Departments and Funds

Recommendation Nos. 2 and 3

A General Fund deficit is no longer projected for the Department due to savings measures implemented by the City and the Department. A \$1.8 million General Fund deficit in the Salaries, General account was projected for the Department, which included the estimated savings from ERIP retirements and reduced work schedules. The Department has since renegotiated some contracts, and ceased purchase of nonessential supplies in order to identify funding within its budget to offset the shortfall. No additional shortfalls are anticipated for the Department.

It should also be noted that on November 25, 2009, the City Council approved a surplus transfer of \$39.3 million from the Special Parking Revenue Fund (SPRF) to the Reserve Fund (C.F. No. 09-2815). This surplus transfer was originally budgeted in 2008-09. The Second FSR reported that \$36 million anticipated from the sale of the Mangrove property was not expected to be received this fiscal year, thus bringing the anticipated 2009-10 SPRF surplus transfer from \$61.37 million down to \$25.37 million. SPRF revenue in 2009-10 is currently on budget to provide this anticipated surplus amount.

The following actions are recommended:

- Transfer a total of \$1.8 million of savings from Department accounts to the Salaries General account to reduce the account deficit to zero.
- Transfer \$750,000 from the Transportation Regulation and Enforcement Trust Fund to the Los Angeles Police Department's Sworn Salaries account to fund costs for Taxicab Regulations and Enforcement staff projected this fiscal year.

- Transfer \$2,880,000 from the Special Parking Revenue Fund to the Transportation Grant Fund to provide matching funds for an Intelligent Parking Management Project study approved by the Council on April 14, 2009 (C.F. No. 07-3754). The Department of Transportation is receiving \$15 million from Metro to perform the study, under agreement that up to \$3.5 million in match funding from the City is provided. Match funding was requested in the 2009-10 Budget, but only \$500,000 was identified at the time and placed into an account titled Contingency, pending Council approval of the project. Additional funding of \$2.38 million has been identified in prior year accounts. Additional funding of up to \$620,000 will be identified at a later date.

LL. Treasurer

Attachment 9 - Transfers from the Unappropriated Balance Recommendation No. 4

Excluding Bank Fees, an overall surplus of \$26,600 is projected for the Department. These savings are a result of the implementation of ERIP, furloughs, and reduced work schedules.

The 2009-10 Adopted Budget included funding in the Unappropriated Balance (UB) for Bank Service Fees in the amount of \$7 million. Of this amount, \$2.5 million was transferred in the First Financial Status Report (C.F. No. 09-0600-S141). The Treasurer reports that the City has already incurred \$2.3 million in bank charges and will not have sufficient funding to cover upcoming bank invoices through the end of the fiscal year. The Office of Finance recently implemented a convenience fee to taxpayers that pay via credit card in order to generate savings in bank fees. Any savings in this account resulting from the credit card convenience fee to offset the UB appropriation will be determined following the close of the tax renewal season.

It is recommended to transfer \$2.0 million of the \$4.5 million in the Unappropriated Balance, Bank Fees to the Treasurer's Bank Services Fees account. Our office will continue to monitor the department's salaries surplus and report back in the next Financial Status Report.

MM. Zoo

Recommendation No. 36

It is projected that the Department will have \$2 million surplus, attributed to savings in its Salaries General Account from managed hiring, ERIP retirements, employee furloughs and reduced work schedules. However, cumulative revenue is five percent below and attendance is four percent below projections, which may be due to the continuing effects of the poor economy. The Department is also projecting a \$1.2 million revenue shortfall 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. This Office will work with the Zoo to monitor revenues and identify offsets.

It is recommended that \$2,000,000 from the Zoo Department's Salaries, General account be transferred to the Unappropriated Balance for the Reserve for Economic Uncertainty.

2. STATUS OF NON-DEPARTMENTAL FUNDS AND SPECIAL ACCOUNTS

This section addresses the status of department non-departmental funds, special accounts and programs. Recommendations include budgetary adjustments to address departmental account deficits, new appropriations and reimbursements to the General Fund from special funds, transfers from the Unappropriated Balance to departments for operational needs, transfers of departmental surplus funds to the Reserve for Economic Uncertainty and appropriation reductions.

A. Attorney Conflict Panel Special Fund

Attachment 10 - Transfers to the Reserve for Economic Uncertainty Recommendation No. 5

Based on projected savings due to less than anticipated case referrals and amendments, it is recommended that \$300,000 in the Attorney Conflicts Panel Special Fund be transferred to the Unappropriated Balance, Reserve for Economic Uncertainty.

B. Capital Finance Administration Fund

Attachment 10 - Transfers to the Reserve for Economic Uncertainty Recommendation No. 5

Two transfers totaling \$5,031,000 from the Capital Finance Administration Fund to the Unappropriated Balance, Reserve for Economic The \$2,486,000 in Account No. 0321, MICLA Refunding of Commercial Paper, is not needed as the debt service amount to be paid this fiscal year on the recently completed MICLA bond issuance was lower than projected.

The \$2,545,000 in Debt Service Account No. 0329, In-Car Video (Police), is not needed as this project is not anticipated to be implemented during the current fiscal year.

C. Capital Improvement Expenditure Fund

No Recommendation

There is a total of \$4,255,498 in General Fund monies within the Capital Improvement Expenditure Program Fund (\$3,826,683) and the Capital Projects Bond Reserve Fund (\$428,815) that will be used to meet the General Fund shortfall. Funds consist of unspent monies from prior years for standard city-wide, ongoing programs and completed projects.

D. General City Purposes Fund
Attachment 10 - Transfers to the Reserve for Economic Uncertainty
Recommendation Nos. 5 and 38

A year-end surplus of \$4.6 million is projected in the General City Purposes Medicare Contributions and Retirement Contributions accounts. Since the last Financial Status Report, the projected deficit in the Solid Waste Fee Lifeline account has increased from \$5.8 million to \$6.7 million due to the increase in lifeline applications. The Bureau of Sanitation reports that there were 58,395 lifeline customers as of November 2009. This was previously estimated to be 55,597 customers in August. It is anticipated that the number of lifeline applications will continue to increase. We will continue to monitor this account and report back in the next Financial Status Report.

The following transactions are recommended:

Transfer a total of \$4,600,000 from the Medicare Contributions and Retirement Contributions accounts to the Unappropriated Balance, Reserve for Economic Uncertainty.

Appropriate \$17,542.53 from the Unappropriated Balance, Reserve for Economic Uncertainty to the General City Purposes, Fire and Police Pension Defrayal account and transfer to the Fire and Police Pensions Fund to pay for the City's one percent Fire/Police Pension - Tier 5 contribution defrayal costs. The billing from Police and Fire Pensions is for member service buybacks for fiscal years ending 2007-08 (\$7,595.98) and 2008-09 (\$8,898.41), missed pension contributions (\$588.39), and retroactive pay settlement agreements (\$459.75). The Tier 5 Fire and Police Pension plan includes an employee contribution rate of nine percent of pay; however, the City pays one percent of the participating employees' contribution rate contingent on the pension system remaining at least 100 percent actuarially funded for pension benefits.

E. Human Resources Benefits Fund
Attachment 10 – Transfers to the Reserve for Economic Uncertainty
Recommendation No. 5

The Human Resources Benefits (HRB) Fund is projecting a \$13.0 million year-end surplus as a result of reduced enrollment in the civilian and sworn health care plans. Health care rate increases were higher than anticipated for the civilian plans, but lower than anticipated for the sworn plans. The Civilian FLEX account is projecting a \$4.1 million year-end surplus and includes 425 separations during the first five months of the year and assumes 1,821 additional ERIP separations for the remaining seven months of the year. The projected surplus also includes a \$3.4 million refund from Blue Cross, which was approved by the Joint Labor Management Benefits Committee. An additional refund in the amount of \$4.8 million is anticipated in April 2010 and this refund is not included in the projected surplus. The Fire and Police Health and Welfare Programs are projecting a \$3.3 million year-end surplus and the Workers' Compensation account is projecting a \$5.0 million year-end surplus as a result of caseload reduction efforts and Utilization Review programs.

Although all three health care accounts are projecting year-end surpluses, it is recommended that one percent of the account's total budget be retained in the account to address any unanticipated shortfalls. It is recommended that \$10,779,941 surplus be transferred to the Reserve for Economic Uncertainty to address various deficits in other City Department accounts. This Office will continue to monitor and report on the status of the Fund in future reports.

F. Liability Claims Account **No Recommendation**

The Second FSR reported an estimated shortfall of \$84.6 million for year-end liability claims payouts. The new estimated shortfall is \$73,872,219 (\$66.9 million for claims \$1 million and above and \$6.9 million for claims between \$100,000 and \$1 million) which reflects potential new settlements and revised exposure estimates. An estimated year-end appropriation of \$6.9 million for Account 9770 may be needed for potential payouts identified. This assumption has increased due to payouts from Account 9770 which occurred at the beginning of the fiscal year in which reimbursement from a Judgment Obligation Bond (JOB) issuance to Account 9770 was anticipated but not likely to occur due to expected timing issues.

To date the Reserve Fund has provided interim funding for approximately \$32.3 million in liability payouts of which \$17.4 million are pending Council approval. These funds along with potential future borrowing will be reimbursed through a JOB issuance by the end of the fiscal year. Assuming all claims over \$1 million would be paid through a JOB the resulting shortfall will be \$6.9 million as indicated. As the current Reimbursement Resolution provides authority for a JOB issuance up to \$50 million, additional authority may be requested later in the year to meet payout obligations.

G. Park and Recreational Sites and Facilities Fund **Recommendation No. 39 and 40**

The 2008-09 Adopted Budget shows projected revenues of \$900,000 for the Park and Recreational Sites and Facilities Fund. These funds were not appropriated to any individual project, but were instead set aside to address construction shortfalls for Recreation and Parks projects. As a result of weakness in the real estate market, the actual receipts for 2008-09 were \$765,400. The 2008-09 Adopted Budget amount should be reduced by \$134,600 to reflect the actual receipts in the fund.

The fund's projected revenues for 2009-10 are also \$800,000. As of December 2010, only \$301,705 has been received in this fund. To reflect this reduction, it is recommended that the Budget amount be reduced by \$300,000 to a new appropriation level of \$500,000.

H. Proposition K – L.A. For Kids Program **Attachment 10 – Proposition K Prior Year Staff Cost Reimbursement** **Recommendation No. 41 and 42**

The sum of \$6,973,710.93 is recommended to be recognized as General Fund receipts in 2009-10 to cover staff costs for the Bureaus of Engineering (BOE) and Contract Administration (BCA) for project

management, bid and award and contract inspection staff costs for 61 completed Proposition K projects as shown in Attachment 10. The recommended amount consists of partial reimbursement of costs incurred by City staff in the delivery of Proposition K projects. At this time, the recommended amount is based on available funding for completed projects. This proposed reimbursement is an eligible use of Proposition K funds and has been reviewed by the City Attorney's office.

Since the program's inception, only a small portion of project delivery costs incurred by both BOE and BCA have been reimbursed by Proposition K. This practice was based on an informal policy to use available funds on hard construction costs as a first priority, with the intention of using any remaining funds to reimburse for City project delivery costs. In 2003-04, the Proposition K program reimbursed the City \$2,861,066 (C.F. No. 03-0600-S60). It is anticipated that as additional projects are completed, further reimbursements will be made to the General Fund to recoup City staff costs.

I. Tax Amnesty Program

Attachment 9 - Transfers from the Unappropriated Balance

Attachment 10 - Transfers to the Reserve for Economic Uncertainty

Recommendation Nos. 4 and 5

As part of the approved Tax Amnesty Program and the increase to the Audit Penetration Rate, a total of 12 staff were loaned to Finance from other City departments to support these two programs and maximize revenue collection (C.F. No. 08-0600-S34). This Office recommended that departments be reimbursed for the loaned personnel based on source of funding and whether the affected departments anticipated a year-end salary shortfall. Actual billing received totaled \$246,711.43 (\$200,707.06 for Fiscal Year 2008-09 and \$46,004.37 for 2009-10). The billings for actual costs incurred for 2009-10 are as follows:

CAO	\$5,640.88
Convention Center	\$8,359.29
Housing Department	\$3,870.13
Fire	\$10,789.59
Library	\$8,196.26
Personnel	9,148.22
Total	\$46,004.37

Funding in the amount of \$150,069 was reappropriated within the Unappropriated Balance to cover expenses related to the Tax Amnesty Program in 2009-10. It is recommended that \$46,004.37 be transferred from the Unappropriated Balance, Tax Amnesty/Audit Penetration to the CAO, Convention Center, Housing Department, Fire Department, Library, and Personnel Department for salary reimbursements. It is also recommended to transfer the remaining balance in the Tax Amnesty/Audit Penetration to the Unappropriated Balance, Reserve for Economic Uncertainty.

J. Tax and Revenue Anticipation Notes Fund – 2009
Attachment 10 - Transfers to the Reserve for Economic Uncertainty
Recommendation No. 9

The 2009 Tax and Revenue Anticipation Notes (TRANS) Fund budgets the debt service for tax and revenue anticipation notes issued to pay for the annual contribution to both the Fire and Police Pension Fund and the Los Angeles City Employees' Retirement System at the beginning of the fiscal year. Additionally, it funds the interest portion of the debt service on notes issued to alleviate the cash flow deficits that occur early in the fiscal year when taxes and revenues have not yet been received. Savings in the amount of \$1.78 million have been identified as a result of the difference between the amount budgeted for debt service in May and the actual debt service determined when the notes were sold in July, \$665.52 million and \$663.74 million, respectively. It is recommended that the \$1.78 million savings in the TRANS Fund be transferred to the Unappropriated Balance, Reserve for Economic Uncertainty to partially offset the City's deficit.

3. BUDGET BALANCING MEASURES

Recommendations in this section are provided to begin implementing the goals that have been developed by this Office in conjunction with the Mayor and Council leadership, particularly the goal to balance the budget in the current Fiscal Year. Additional recommended actions to strengthen the City's credit rating and to restore the City's long-term fiscal health and sustainability are addressed in accompanying Financial Management Outlook; released under separate cover.

Reopen Dialogue with Our Labor Partners

Pursuant to agreements with the Coalition of Los Angeles City Unions and the Los Angeles Police Protective League, this Office has entered into discussions regarding the City's fiscal situation and the need to reduce compensation and/or staff. For other bargaining units, that do not have a re-opener provision in their MOUs, we have sent letters requesting to meet and confer immediately. These units, however, are not obligated to reopen. Absent reopened contracts and agreed upon reductions to the compensation structure, layoffs may be the only viable solution for cost reduction.

A. Opportunities to Reduce the Cost of Salaries and Benefits
Recommendation No. 44.

This Office recommends that in 2010-11, the City elect to implement layoffs including employees represented by the Coalition of Los Angeles City Unions (Coalition), and as indicated by the City's Agreement with the Coalition, instruct this Office to meet with the Coalition to discuss other options, including furloughs.

The City has undertaken several mitigation measures as listed per the Coalition labor agreement. These measures include utilizing all available State and Federal resources, maximizing cost recovery to the General Fund from special funds, reviewing all uncommitted General Fund balances, pursuing

public-private partnerships where practical, bonding against revenue losses, and issuing judgment obligation bonds to cover large settlements and judgments.

This Office has briefed the Executive Employee Relations Committee (EERC) and the Council in executive session regarding potential opportunities for salary and benefit reductions, including pension reform issues and health benefits. Because salaries and benefits, as well as certain pension issues, are subject to negotiations with the City's unions, these issues will continue to be submitted to and reviewed by the EERC for appropriate bargaining instructions.

B. Reduce Cost of Pension and Health Benefits for Existing Employees

This Office has briefed the Executive Employee Relations Committee (EERC) and the Council in executive session regarding potential opportunities for salary and benefit reductions, including pension reform issues and health benefits. Because salaries and benefits, as well as certain pension issues, are subject to negotiations with the City's unions, these issues will continue to be submitted to and reviewed by the EERC for appropriate bargaining instructions.

Maximize the Benefit of Early Retirements

Since the implementation of the Early Retirement Incentive Program (ERIP), 414 employees have retired. With the inclusion of estimated grandfathered participants (418), a total of 832 employees have retired; 363 are scheduled to retire on February 13, 2009, and the remaining 1,205 are scheduled to retire before June 5, 2009. To date, 286 employees have rescinded, while 358 remain on the wait list.

C. Process of Authorizing and Additional 363 Retirements

On January 20, 2010, this Office was instructed to report on the process of authorizing an additional 363 retirement packages, up to a total of 2,763, as part of the Early Retirement Incentive Program (ERIP). The current maximum allowable number of ERIP packages that was negotiated with labor organizations and ultimately approved by Council and the Mayor (Ordinance No. 180926) is 2,400. With over 3,100 ERIP applicants, including approximately 418 retirees that could be considered as a "grandfathered participant," it is likely that the total number of eligible applicants will exceed 2,400 packages.

The ERIP cost study presented by the City's actuary at the time ERIP was considered and approved by Council included the estimated cost data for up to 2,763 LACERS members retiring under the program. Prior to the adoption of the ERIP ordinance, the LACERS Board of Administration set a 15-year amortization period for the Unfunded Actuarial Accrued Liability (UAAL) that took into consideration the estimated ERIP cost if 2,763 LACERS members retire. Therefore, the process of approving up to 2,763 ERIP packages would require bargaining with labor organizations and the adoption of a new ordinance subject to the provisions of Charter Section 1168. If the intent is to approve more than 2,763 packages, then the LACERS Board of Administration will also need to consider setting the amortization period.

On January 26, 2010, the EERC issued bargaining instructions to the CAO in regards to this matter.

Downsize Government

The discussion below includes proposals to eliminate discretionary municipal programs and services, elimination of 1,000 or more general-funded positions within three to six months, and fill special-funded vacant positions with general-funded workforce. It should be noted that the EERC directed this Office to identify an additional 500 positions over-and-above the 1,000 positions for a total 1,500 positions.

D. Plan to Eliminate 1,000 or More General Funded Positions Attachment 12 – Projected General Fund Filled Positions Recommendation No. 45

This Office has worked with departments to identify the elimination of 1,000 General Funded positions within three to six months. In order to achieve this target, this Office recommends that the City's layoff process be implemented on the position counts identified on Attachment 12. This Office will work with the Personnel Department to minimize the number of resulting job losses from the layoff process. To the extent possible, displaced employees will be placed into vacant special-funded position authorities.

Five basic criteria were used to determine the layoff target for each department. The criteria listed below essentially excluded positions based on core functions and services provided.

- 100 percent revenue generating positions
- 100 percent non-General Fund positions
- Legally mandated functions
- Positions required to protect the public's health and safety
- Positions needed to keep critical City operations intact.

Positions that did not fall under one of these categories were subject to placement and potential elimination in departments. Other factors included a review of departments' current General Fund employment levels in context of anticipated Early Retirement Incentive Program participants' impact on those levels, identification of discretionary municipal programs and services that should be eliminated, consolidated with other departments, or otherwise restructured to operate more efficiently and whether the identification of filled General Funded positions would result in a streamlined layoff process. By choosing to protect sworn positions in the Police Department, other departments will experience greater position eliminations, and service levels to the public will be diminished.

E. Fill Vacant Special-Funded Positions with General-Funded Workforce

Departments with both general funded and special funded positions have already been instructed to transfer as many employees into special funded positions as is feasible. Proprietary departments have also been instructed to attempt to fill vacancies through transfer of non-proprietary department

personnel first. Because of the City's Civil Service System, however, employees must transfer to positions within their current classification structure and continue to perform work that is appropriate to that class. There are some opportunities to use Charter Section 1014 transfers to allow employees to change classifications if they meet the qualifications of the new class. However, under the Civil Service Rules, for any type of transfer, the General Manager of the receiving department must agree to the transfer along with the employee. Efforts will be made to maximize the transfer of employees to special funded vacancies in departments per the existing labor agreements.

This Office is in the process of compiling a citywide list that identifies filled positions, projected vacancies that will arise from ERIP and normal attrition, and the sources of funds for these vacant positions in each department. This list will serve as a guide and tool to place general-funded employees in special-funded positions, if applicable, for layoff avoidance.

F. Cultural Affairs Department

Attachment 13-a – Concept Paper on Elimination of the Cultural Affairs Grants Program Recommendation No. 46

The 2009-10 Budget provides approximately \$3.97 million for the Cultural Affairs Grant Program. These grants are awarded to various public, private and non-profit organizations for free or low-cost events such as dance and music concerts and classes, film festivals, museum programs, and theatrical plays. As of January 22, 2010, approximately \$2.2 million have not been encumbered. This Office recommends elimination of this Program in 2009-10 and funding for three support positions; and, that the Department, in consultation with the City Attorney, immediately notifies its grantees to suspend grantee contracts this fiscal year and 2010-11.

G. Disability

Attachment 13-b – Concept Paper on Elimination and Transfer of the Department on Disability Recommendation No. 47

The Department on Disability provides legally mandated Americans with Disabilities Act (ADA) Compliance, and other services such as close-captioning, equipment, and sign language interpretation. In addition, it administers the Community Development Block Grant (CDBG) funded AIDS Coordination Program. Assuming no growth over the 2009-10 Budget, there would be insufficient funding for the Department's salary and expense costs. This Office recommends the elimination and return of primary functions to departments that originally administered them. This would involve the transfer of the ADA Program and Computerized Information Center function to Personnel Department and the AIDS Coordination Program to the Community Development Department. Five General-Funded and one CDBG funded position associated with the Department's Community Affairs Group and General Administration and Support would be eliminated in accordance with this proposal.

H. Environmental Affairs Department

Attachment 13-c – Concept Paper on Transfer and Elimination of Environmental Affairs Recommendation No. 48

The Environmental Affairs Department is responsible for recommending and implementing adopted City-wide environmental policies and programs; coordinating the review of environmental documents affecting more than one City department or agency; and establishing an information clearinghouse to which environmental inquiries from City officials, other public entities, and citizens can be directed. This Office recommends the elimination of the Department and the transfer of the administration of its funds to the Building and Safety, Planning and Transportation Departments.

I. Human Services Department

Attachment 13-d – Concept Paper on the Elimination of Human Services Department Recommendation No. 49

As part of the 2009-10 Budget, the Commission for Children, Youth and their Families (CCYF), Commission on Status of Women (CSW) and the Human Relations Commission (HRC) were merged into the new Human Services Department (HSD) with a General Fund budget of \$2.1 million, 20 regular positions, and 15 resolution positions (funded mainly from off-budget grant reimbursements), and estimated related costs of \$843,000 for a total cost of \$3.1 million. This Office recommends elimination of the Department and transfer of grant funded KidWatch and Young Women from Adversity to Resiliency programs to Department of Transportation and Community Development Department, respectively, and the administration of the Joy Picus Child Care Center contract to a yet to be determined department. Further study of the tuition subsidy program is needed.

J. Neighborhood Empowerment

Attachment 13-e – Concept Paper on Neighborhood Council Funding Program Recommendation No. 50

The 2009-10 Budget provides \$45,000 to each certified Neighborhood Council (NC) for operating expenses and neighborhood improvement projects. Six positions administer the program at a total salary cost of \$431,000. The City's rollover policy allows NCs to accumulate up to \$145,000 of prior year unspent allocation. Total NC funding for 89 NCs in 2009-10 is \$5.61 million, \$1.61 million for the rollover amount and \$4 million in new allocation. Based on December 2009 expenditure data, elimination or suspension of the program may result in projected savings of \$4.04 million this fiscal year. However, current year savings may not be predictable, as funds have already been allocated and the rate of expenditure vary among NCs. This Office recommends elimination of the rollover policy, and suspension and/or elimination of the NC Funding Program.

K. Public Works/Board of Public Works

Recommendation No. 51

The 2009-10 Budget provides \$525,000 in General Funds for the Community Beautification Program. The Department has not awarded any grants to community groups to date. The Mayor and Council

approved this transfer in accordance with the September 2009 Budget Balancing Operational Plan Report (C.F. 09-0600-S142). This Office recommends that the grants program be suspended this fiscal year and that funds be transferred to the Unappropriated Balance, Reserve for Economic Uncertainty.

L. Public Works/Engineering
Recommendation Nos. 52 and 53

The following actions to transfer General-Funded positions to special funded positions are proposed to generate \$55,576 in General Fund salary savings this fiscal year and \$292,000 next year. If approved, General Fund salary savings would be transferred to the UB, Reserve for Economic Uncertainty.

- *CD 14 Neighborhood City Hall Renovation- \$14,071*: Reassignment of one of the two Engineering Associate positions to a special-funded vacant position after completion of Phase I work (seismic and roughing) in March 2010 would generate \$14,071 in General Fund savings this year. One position would remain for Phase II work, which is estimated to be completed in December 2010, at which time the staff would be reassigned to a special-funded program. The General Fund salary savings for next year is approximately \$126,000.
- *Deferral of Swimming Pools Renovations - \$41,505*: Deferred construction of the 109th Street (CD 15), Costello (CD 14) and Lincoln (CD 1), pool projects that are MICLA-funded would result in \$41,505 in General Fund salary savings with the reassignment of two Engineering Associate positions to special-funded vacant positions. The General Fund salary savings for next year is approximately \$166,000.

Identify Encumbered and Unencumbered Funds

This Office will report back on the results of departmental review of prior-year encumbrances for immediate reversion to the Reserve Fund.

M. Fire
Recommendation No. 54

It is recommended that the remaining Recruit class for the fiscal year be cancelled to partially offset the deficit in the Sworn Salaries account, for an estimated savings of \$2,000,000.

N. General City Purposes
Recommendation No. 55

There is currently \$2.9 million in discretionary accounts in the General City Purposes Budget that has not been committed to date. These funds may be used to help the current year deficit.

It is anticipated that consent decree monitor funding of \$1.65 million for the Police Department Consent Decree Program will not be required and this one-time savings may be transferred to the Unappropriated Balance, Reserve for Economic Uncertainty account.

O. Unappropriated Balance
Recommendation Nos. 56 through 59

It is projected that funding set aside for the following accounts will no longer be required and may be transferred to the Unappropriated Balance, Reserve for Economic Uncertainty Account:

LAPD Consent Decree Program – \$441,142 set aside for the LAPD Consent Decree Program contingencies will not be needed;

New Fire Stations – A transfer of \$280,000 from \$540,000 set aside for new Fire Stations equipment and furniture was made during the fiscal year and \$260,000 has been identified as one-time savings;

New Police Facilities - \$1 million for the Police Department Scientific Investigation Division (SID) as SID will not be moving to a new facility as anticipated in the current year;

AB1290 – The appropriation in the UB of \$10,000,000 was created due to the uncertainty of programming these funds in the 2009-10 Budget.

P. Business Improvement Trust Fund
Recommendation No. 60

It is projected that the Business Improvement Trust Fund (BID) will have a one-time surplus of \$400,000. The source of funds for the BID Trust Fund is the General Fund. The Mayor and Council approved this transfer in accordance with the September 2009 Budget Balancing Operational Plan Report (C.F. 09-0600-S142). This Office recommends a transfer of this one-time savings to the Reserve Fund.

Q. Emergency Operations Fund
Recommendation No. 61

The Emergency Operations Fund received an interim 2008-09 appropriation of \$469,700 for a City-Wide Emergency Management Strategic Plan and Gap Analysis (\$300,000) and Disaster Response and Recovery Worker Program (\$169,700). The Department is preparing the Requests for Proposals and no awards have been made. This Office recommends a transfer of \$469,700 from the Emergency Operations Fund to the Reserve Fund.

R. City Controller Audit Recommendations

The City Controller conducts financial and performance audits of all City departments, offices and programs and issues recommendations to increase efficiency and reduce costs. Departments must immediately implement these improvements and recommendations.

**S. Ten Percent Contract Reduction
Recommendation Nos. 62 through 64**

On January 13, 2010, a Motion was introduced directing all departments to negotiate with existing contractors to seek a ten percent reduction in contract rates and report to the Budget and Finance Committee within 45 days with the results of those efforts (C.F. No. 09-0600-S156). As part of this effort, it is recommended that this Office be directed to coordinate the response. Additionally, the following actions are recommended:

- Direct General Managers to halt the execution of all discretionary contracts or contract extensions while the CAO implements a process to review the priority and need to commit additional resources.
- Direct General Managers to negotiate with existing personal services contractors to seek a ten percent reduction in contract rates and provide to the CAO within 45 days a summary of the results of those negotiations to include.
- Direct the General Services Department to contact vendors for all procurement contracts to negotiate ten percent price reductions and report the results directly to Budget and Finance.

**T. Budgeted General Fund Expense and Equipment and MICLA Finance Fleet Equipment
Recommendation Nos. 65 and 66**

This Office has worked with departments to identify General Fund expense and equipment funds that have been budgeted but not yet committed for potential reprogramming to cover the City's budget gap. Although this report contains various recommended actions that fall within this category, this Office recommends that departments be instructed to work with the CAO to identify additional not yet committed funds for reprogramming.

Because of the current status of the Municipal Improvement Corporation of Los Angeles (MICLA) Program, this Office is recommending that all 2009-10 MICLA funding for fleet equipment be placed on hold and reevaluated at a later date. This hold would affect replacement vehicles for the Fire Department and replacement vehicles purchased by General Services for other departments.

**U. MICLA Capital Project Deferrals
Recommendation Nos. 67**

In light of the City's severe budget constraints, it is recommended that MICLA funding for capital projects not yet in construction, be immediately deferred: Neighborhood City Hall CD10; Street Services Urban Forestry Division Relocation; Bringing Back Broadway Project; 109th Street Pool; Costello Pool; and Lincoln Pool. If this recommendation is adopted, six projects will be added to the

list of six projects that have now been deferred for two consecutive fiscal years for a total of thirteen deferred projects. A total of \$165.9 million in MICLA financing would be deferred by the proposed action.

Further, the City's current non-voter approved direct debt ratio is at 4.93 percent. The City's Debt Management Policy establishes that the non-voter approved direct debt ratio be no more than a maximum of six percent debt service to General Fund revenues. With declining revenues and limited financial resources, it is crucial and financially responsible to defer MICLA-funded capital projects in order to maintain a one percent cushion on our debt capacity so that the City has the ability to issue future debt for fiscal emergencies.

Pursue Public-Private Partnerships

V. Parking Meter Operations Recommendation No. 68

Recent direction received by this Office from the Mayor and several elected officials have indicated a renewed interest in exploring the option of monetizing the City's parking meter system. Through our financial advisor, Scott Balice Strategies, Desman Associates (Desman) was previously engaged to conduct a study of the City's parking meter system and ten parking structures as part of an analysis investigating public-private partnership opportunities (C.F. No. 09-0728). Desman had completed much of the field work related to the parking meters when the CAO received instructions from Budget and Finance Committee last fiscal year to discontinue work related to the meter analysis. Desman indicates they can complete the meter study within six weeks of authorization. The CAO recommends additional funding of \$200,000 to complete the meter system analysis, with \$150,000 to re-engage Desman Associates and \$50,000 for Scott Balice Strategies for additional meter-related services as Financial Advisor.

Enhance Revenues

W. Revise Solid Waste Fee Lifeline Program Attachment 13-f, 13-f(i) to (iii) – Concept Paper on Solid Resources Lifeline Rate Program Recommendation Nos. 69 and 70

The Lifeline program is available to residents 62 years of age or older or the disabled, and who meet very low income limit thresholds. Residents that have been approved for the Utility Users Tax Exemption are placed on LADWP's Lifeline billing rate for water and electric service. By ordinance, these persons are automatically exempt from the Solid Waste Resources Revenue (SWRR) fee.

A General City Purposes appropriation reimburses the SWRR Fund for the fee equivalent of customers that receive exemptions under the Lifeline program, in recognition of Proposition 218. This legislation prohibits jurisdictions from assigning the cost of a program associated with certain property related fees, such as trash fees, from one set of customers to another, inclusive of income-based rate

relief. In 2009-10, \$16.6 million was budgeted for this purpose although as more customers subscribe for exemptions, the cost of the program increases.

Proposals under review to maintain or reduce General Fund obligations include charging Lifeline customers some portion of the Solid Waste fee with flexibility to address incremental costs given the growing Lifeline pool. Assuming required ordinance changes and other implementation aspects, this would be slated for 2010-11 implementation.

4. STATUS OF EMPLOYMENT AND LABOR COST SAVINGS EFFORTS

A. Employment Level Report

Attachment 14 – Employment Level Report

Citywide employment authority from all funding sources totaled 38,233 at the end of November 2009 for both civilian and sworn classes. Filled positions decreased by 340 from 35,397 at the end of August 2009 to 35,057 at the end of November. Departments reported a total of 3,177 vacant positions, 2,138 General Fund and 1,039 special funded.

B. Voluntary Furloughs

Attachment 15 – Status of Voluntary Furlough Program

As of January 25, 2010, (Pay Period 15) approximately \$1,305,000 in savings has been achieved across City departments through voluntary furloughs. However, it is estimated that only 53 percent of this amount, approximately \$692,000, represents General Fund savings. We will report back on the progress of the voluntary furlough program in subsequent FSRs.

C. Early Retirement Incentive Program

To date, approximately \$29 million in payroll savings out of a projected \$38 million in payroll savings has been achieved for the current fiscal year as follows: 1) \$17 million from 414 retirements in December 2009 and January 2010, and an additional 363 pending retirements on February 13th; and, 2) \$12 million from employees that retired prior to the opening of the ERIP enrollment period that will be considered as grandfathered participants. It is anticipated that additional payroll savings will be achieved with the next group of retirements scheduled for March 13th.

D. Overtime Expenses

In conjunction with the recently approved Coalition agreement, departments were directed to curtail their overtime expenditures, as recommended with the adoption of the Second FSR (C.F. No. 09-0600-S151). At that time \$28.6 million in uncommitted funds remained within department overtime accounts. Only cash payouts mandated by Memoranda of Understanding between the City and labor organizations or the Administrative Code were exempted, while other use of overtime by departments was to be permitted only with concurrence from our Office.

As this time, \$23.8 million remains in overtime accounts, reflecting additional appropriations of \$1.7 million from (special funds) and expenditures totaling \$6.5 million.

5. STATUS OF FEE WAIVERS AND SUBSIDIES

A. Special Event and Convention Center 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 from July through October 26, 2009, 352 special event fee waivers have been approved for a total of \$793,994. On October 26, 2009, Council amended the Special Event Subsidy Policy to transfer responsibility for administration of fee waivers to the Office of the City Clerk (C.F. No. 09-0600-S46). No new waivers have been approved since the implementation of new procedures for approval and tracking; however, several are pending.

To date, one Convention Center fee waiver has been approved at a cost of \$3,683. The Motion for this event was adopted on January 12, 2010 (C.F. No. 07-0096-S1).

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; however two are pending.

6. STATUS OF GANG REDUCTION PROGRAM FUNDING

At the request of the Budget and Finance Committee, this Office was instructed to include in the FSR an accounting of all funds spent from the 2009-10 Gang Reduction Program Budget. Funding for the 2009-10 Gang Reduction Program in the Mayor's Gang Reduction and Youth Development (GRYD) Office is estimated at \$34.9 million from the following sources: \$25.1 million from the General Fund and \$9.8 million from federal and state grants. Below is a summary of the status of allocated fund as reported by the Mayor's Office:

Summary of Appropriations	Appropriations Amount	Encumbrances	Expenditures	Balance of Encumbrances
2009-10 Adopted Budget				
Salaries General	\$1,235,789	\$1,235,789	\$508,210	\$536,187
Salaries As Needed			\$134,138	
Salaries Grant Reimbursed			\$57,254	
Travel	\$27,704	\$27,704	\$0	\$27,704
Contractual Services**	\$23,766,028	\$19,408,667	\$3,383,687	\$16,024,980
Transportation	\$5,400	\$5,400	\$0	\$5,400
Office and Administration	\$129,852	\$72,584	\$9,029	\$63,555
Total:	\$25,164,773	\$20,750,144	\$4,092,318	\$16,657,826

2009-10 CDBG LA Bridges I & II***				\$89,069
Grants (Pro-rated for 2009-10)				
OJJDP, FY03 Gang Reduction Program, Gang Reduction Program: 2003-MU-FX-K001	2,600,000	2,600,000	2,014,743	585,257
BJA, FY06 Congressionally Mandated Award, Baldwin Village Safer Cities Initiative: 2006-DD-BX-0352	579,960	579,960	460,683	119,277
OJJDP, Earmarks - Demonstration Programs Division, City of Los Angeles Ramona Gardens Safer Cities Initiative: 2006-JL-FX-0198	98,723	98,723	-	98,723
BJA, FY 2006 Edward Byrne Memorial Justice Assistance Grant (JAG) Program, Los Angeles City & County Justice Assistance Grant: 2006-DJ-BX-0933	400,044	400,044	293,654	106,390
BJA, FY07 Targeting Violent Crime Initiative, 77th Street Gang Reduction Zone: 2006-DJ-BX-0933	1,228,500	1,228,500	788,126	440,374
OJJDP, FY07 Gang Prevention Coordination Assistance Grant, Gang Reduction Strategy: Expansion of the Gang Reduction Program: 2007-JV-FX-0329	200,000	200,000	2,936	197,064
State of California, Office of Emergency Services, CalGRIP Grant (2008): GR-0701-7250	636,434	636,434	268,631	367,803
OJJDP, FY08 Earmark Programs, Pacoima/Foothill Gang Reduction & Youth Development Zone: GR-0701-7250	339,852	339,852	233,876	105,976
BJA, FY08 Congressionally Mandated, Byrne Discretionary Grants, Boyle Heights Gang Reduction & Youth Development Zone Project: 2008-JL-FX-0200	894,348	894,348	266,218	628,130
State of California, Office of Emergency Services, CalGRIP Grant (2009): GR-0802-7250	962,000	962,000	-	962,000
State of California, Department of Corrections & Rehabilitation, Juvenile Accountability Block Grant	184,649	184,649	-	184,649
BJA, FY09 Congressionally Selected, Boyle Heights Gang Reduction & Youth Development Zone: 2009-D1-BX-0064	550,000	550,000	-	550,000
OJJDP, FY09 Earmarks Programs, Summer Night Lights Gang Reduction & Youth Development Glass Park Recreation Center: 2009-JL-FX-0053	50,000	50,000	-	50,000
HUD, Community Development Block Grant - Recovery, Summer Night Lights 2009:	\$540,000	\$540,000	-	540,000
BJA, Recovery Act Edward Byrne Justice Assistance Grant Program FY 09, GRYD Re-Entry: 2009-SB-B9-2024	500,000	500,000	-	500,000
TOTAL	9,764,510	9,764,510	4,328,867	5,435,643

- ** Appropriation amount includes the balance of \$4,357,361 carried over from 2008-2009. The actual Appropriation/encumbrances amount for 2009-10 is \$19,408,667
- *** \$89,069 represents the unspent encumbered balance carried over from 2007-2009

7. STATUS OF FEE INCREASES

Attachment 13 - Status of Fee Increases in the 2009-10 Budget

Attachment 13 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. A request to fill three accounting vacancies has been placed on hold by the Managed Hiring Committee. 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 in two months 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.

8. STATUS OF THE CITY'S RESERVE FUND

As a result, of Budget and Finance Committee consideration of the Controller's September 30, 2009 Reserve Fund Statement of Condition and Status of all Reserve Fund loans (C.F. No. 08-1292-S2), Council instructed the CAO to review the following:

- Mediation efforts between departments attempting to resolve unpaid invoices; and,
- Whether unpaid loans that will impact the General Fund or Reserve Fund can instead be charged to the subsequent department budget.

The CAO conducts an annual review of unpaid Reserve Fund loan wherein departments report on status, estimated date of repayment, loans that cannot be repaid, and justification for non-repayment. Our Office works with departments to determine issues that preclude repayment such as costs eligibility, submission of billing and required documentation or inadvertent accounting omission. Given the variety of loans, reasons and issues for non-repayment, we will report back on the results of our efforts to the Budget and Finance Committee in the next Reserve Fund Loan Review Report.

It would not be feasible to charge unpaid loans to the subsequent department budget due to the following reasons:

- The Mayor and Council grant appropriations, the legal authority to incur obligations and spend an amount of funds, for specific programs each fiscal year. The City's budgetary policy

requires that current year appropriations pay for current year expenditures. In the event work or services cannot be completed such as capital projects and information technology implementation projects, or goods cannot be delivered and paid in the same fiscal year, funds may be encumbered and used in following fiscal years. Without this policy, expenditures that exceed or lack appropriation authority may be incurred in one fiscal year and charged to another. Charging unpaid loans to a department's subsequent budget is equivalent to carrying over unfunded prior-year expenditure to the next fiscal year. This would require Mayor and Council action to approve additional General Fund appropriation and to identify revenue to support such expenditure and would negatively impact the General Fund; and,

- Special or grant funds cannot be used to subsidize other funds, except as required or permitted by program regulations. In addition, the use of grant funds must go through the appropriate approval process by the grantor, sometimes a public participation and environmental clearance process, prior to incurring expenses for a program or project. Expenditures may also be subject to time limit restrictions and an audit. Costs incurred for one grant year may not be charged to another grant year. In either case, the General Fund or Reserve Fund would be adversely impacted.

9. 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.

In early December 2009, \$89.9 million of CP notes were refinanced into long-term MICLA debt. Subsequently, in mid-December 2009, the Mayor and Council approved an increase of \$100 million to expand the MICLA CP program from \$200 million to \$300 million.

During the reporting period, MICLA CP was used towards the construction and improvements of the Figueroa Plaza Building, Neighborhood City Halls, Alternative Fuel Infrastructure Facilities, 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 December 31, 2009:

<i>Reporting Period</i>	<i>Amount Outstanding</i>	<i>Range of Interest Rates</i>
11/01/09 – 12/31/09	\$95,130,000	0.20% to 0.40% (tax-exempt)

10. STATE BUDGET UPDATE

On January 8, 2010, the Governor released his Proposed 2010-11 Budget for the State of California, which includes solutions to address the State's \$19.9 billion budget shortfall (\$6.6 billion for 2009-10

and \$13.4 billion for 2010-11). In addition to significant spending reductions (\$8.5 billion), the State will seek additional federal funds (\$6.9 billion) and utilize alternative funding and revenue sources (\$4.5 billion) to address the deficit. Included in the spending reductions is \$1.6 billion in employee compensation spending cuts to include: five percent salary savings for State Departments, five percent salary cuts for employees, the transfer of five percent of State retirement contributions to employees, and reduced health care spending. The Governor also has proposed trigger solutions if federal funding is not received, to include the elimination of CalWorks, Healthy Families, and In-Home Support Services and additional five percent cut to state salaries.

As several of the proposals have already been rejected by the Legislature, it is likely that the State is in for another long session of budget deliberations. To date, the Governor has declared a fiscal emergency to call for a special session to immediately close \$8.9 billion of the budget gap. Any delay in approval will prevent the implementation of \$2.4 billion in solutions. An additional Special Session is foreseen to address cash flow challenges expected in July 2010, which will require external financing early in the fiscal year and payment deferrals to reduce the need for external borrowing. In addition, the Governor has proposed placing measures on June ballot to redirect Proposition 10 (children's services) and Proposition 63 (mental health) funds to the General Fund. (Similar measures were previously rejected by voters in May 2009.)

Proposed measures are not expected to have the same impact to the City's budget as they have in past years. However, as the State's Legislative Analyst's Office has reported that it does not believe that the assumption of \$6.9 billion in additional federal funds is realistic, it is likely that the State Legislature may propose new measures that impact the City. Our Office will continue to monitor State budget deliberations and report on items of concern. Below is a discussion of proposed 2010-11 solutions and an update on previous 2009-10 actions.

Transportation Funding Shift, 2010-11 Budget: The Governor has proposed replacing General Fund revenue from the six percent sales tax on fuel with an increase to the excise tax. Funding within the Budget for local streets and roads, state highways and Proposition 42-funded highways remain the same. However, funding for the Public Transit Account is eliminated (dedicated instead to debt service on Proposition 1B bonds). Eliminating the sales tax effectively lowers General Fund revenue and, by extension, the State's commitment to Proposition 98 funding.

Transportation Funding Proposal (Proposed 2010-11 State Budget)

	Current		Proposed	
Excise Tax	18¢/gal	\$3.1 billion	28.8¢/gal	\$6 billion
Sales Tax	6% (16¢/gal)	\$2.9 billion		

Current use of Excise and Sales Tax		Proposed use of Excise Tax	
Local Streets and Roads	\$1.09 billion	Local Streets and Roads	\$1.09 billion
State Highway Account	\$2.02 billion	State Highway Account	\$2.02 billion
Prop 42 Highways	\$1.26 billion	Prop 42 Highways	\$1.26 billion
Public Transit Account	\$1.65 billion	GF Debt Service	\$67 million
		Tax Cut	\$98 million
Total	\$6.02 billion	Total	\$6.02 billion

There are two potential impacts to the City from this proposal. First, eliminating the sales tax also eliminates the constitutional protection that restricts the use of sales tax on fuel to transportation funding. So while the proposed budget allocates a portion of the tax to local streets and roads, there is no guarantee that this funding will be included in future budgets. Second, with the elimination of the Public Transit Account, there is no funding provided in the State Budget for transit operations. While this does not impact the City directly, it does impact the Metropolitan Transit Authority (Metro) Formula Allocation Procedure (FAP) funding that the City receives in Proposition A revenue. The Department of Transportation (DOT) estimates that the City could lose approximately \$3 million in Proposition A revenue, if the proposal is adopted. The City's Proposition A funding is used primarily for the City's transit operations, including DASH, Commuter Express and CityRide services.

Redevelopment Funding Shift, 2009-10 and 2010-11 Budgets: The Governor's Proposed Budget has reprogrammed the \$350 million in 2010-11 Supplemental Education Revenue Augmentation Fund (SERAF) funds for trial court costs. The 2009-10 State Budget required all redevelopment agencies to make payments totaling \$2.05 billion over a two-year period to SERAF to offset State General Fund spending on education and other programs, consisting of \$1.7 billion in 2009-10 and \$350 million in 2010-11. The California Redevelopment Association filed a lawsuit on October 20, 2009, holding that the 2009-10 provision is unconstitutional. There will be a court hearing to determine the merits of the case on February 9, 2010. A ruling will be sought before the first payment becomes due in May 2010. 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.

Gas Tax and Proposition 42 (transportation), 2009-10 Budget: 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. The suspended November and December Gas Tax transfers are \$5.6 million and \$5.4 million, respectively.


Melissa Krance, Senior Administrative Analyst

APPROVED:

Raymond P. Ciranna, Assistant City Administrative Officer

MAS:RPC:MF/MCK:01100026

Attachments

Status of the City Budget

		September Operational Plan Report	Second Financial Status Report		Mid-Year Financial Status Report	
Depts.	Account No., Description	Amounts	Changes	Updated Amounts	Changes	Updated Amounts
DEPARTMENTAL						
Aging						
	1010, Salaries General	\$ (132,900)	\$ 116,400	\$ (16,500)	\$ 228,500	\$ 212,000
	1090, Salaries Overtime	-	3,600	3,600	(3,600)	-
	Subtotal	(132,900)	120,000	(12,900)	224,900	212,000
Animal Services						
	1010, Salaries General	(2,711,800)	1,964,000	(747,800)	(477,300)	(1,225,100)
	1090, Salaries Overtime	-	75,600	75,600	(14,600)	61,000
	Subtotal	(2,711,800)	2,039,600	(672,200)	(491,900)	(1,164,100)
Building and Safety						
	1010, Salaries General	(1,570,600)	768,000	(802,600)	625,600	(177,000)
	1090, Salaries Overtime	-	78,600	78,600	(78,600)	-
	Subtotal	(1,570,600)	846,600	(724,000)	547,000	(177,000)
City Administrative Officer						
	1010, Salaries General	(1,616,000)	593,900	(1,022,100)	339,100	(683,000)
	3040, Contractual Services	-	-	-	200,000	200,000
	Subtotal	(1,616,000)	593,900	(1,022,100)	539,100	(483,000)
City Attorney						
	1010, Salaries General	(11,415,700)	9,875,400	(1,540,300)	(4,882,700)	(6,423,000)
	1020, Salaries Grant Reimbursed	(248,700)	342,200	93,500	172,000	265,500
	1080, Salaries, Proprietary	(2,036,900)	1,726,700	(310,200)	718,400	408,200
	4200, Litigation Expense				(2,750,000)	(2,750,000)
	9302, Outside Counsel				(100,000)	(100,000)
	Subtotal	(13,701,300)	11,949,400	(1,751,900)	(6,847,400)	(8,599,300)
City Clerk						
	1010, Salaries General	(1,663,900)	1,514,100	(149,800)	472,300	322,500
	1090, Salaries Overtime	-	86,300	86,300	(86,300)	-
	Subtotal	(1,663,900)	1,600,400	(63,500)	386,000	322,500

Status of the City Budget

		September Operational Plan Report	Second Financial Status Report		Mid-Year Financial Status Report	
Depts.	Account No., Description	Amounts	Changes	Updated Amounts	Changes	Updated Amounts
Controller						
	1010, Salaries General	(2,104,700)	2,325,500	220,800	(220,800)	-
	1090, Salaries Overtime	-	81,300	81,300	(81,300)	-
	Subtotal	(2,104,700)	2,406,800	302,100	(302,100)	-
Convention Center						
	1010, Salaries General	-	1,298,400	1,298,400	(1,298,400)	-
	1090, Salaries Overtime	-	1,267,900	1,267,900	(1,267,900)	-
	Subtotal	-	2,566,300	2,566,300	(2,566,300)	-
Council						
	1010, Salaries General	(1,470,226)	226,400	(1,243,826)	1,243,826	-
	1090, Salaries Overtime	-	900	900	(900)	-
	Subtotal	(1,470,226)	227,300	(1,242,926)	1,242,926	-
Cultural Affairs						
	1010, Salaries General	(54,000)	645,400	591,400	103,200	694,600
	Subtotal	(54,000)	645,400	591,400	103,200	694,600
Department on Disability						
	1010, Salaries General	(130,500)	107,500	(23,000)	95,000	72,000
	Subtotal	(130,500)	107,500	(23,000)	95,000	72,000
El Pueblo						
	1010, Salaries General	(116,000)	104,200	(11,800)	124,800	113,000
	1070, Salaries As-Neded	-	-	-	20,000	20,000
	1090, Salaries Overtime	-	32,200	32,200	(32,200)	-
	Subtotal	(116,000)	136,400	20,400	112,600	133,000
Emergency Management						
	1010, Salaries General	(305,600)	265,200	(40,400)	55,400	15,000
	1090, Salaries Overtime	-	16,800	16,800	(16,800)	-
	Subtotal	(305,600)	282,000	(23,600)	38,600	15,000

Status of the City Budget

		September Operational Plan Report	Second Financial Status Report		Mid-Year Financial Status Report	
Depts.	Account No., Description	Amounts	Changes	Updated Amounts	Changes	Updated Amounts
Employee Relations Board						
	1010, Salaries General	(32,800)	47,800	15,000	(15,000)	-
	Subtotal	(32,800)	47,800	15,000	(15,000)	-
Environmental Affairs						
	1010, Salaries General	(291,900)	136,700	(155,200)	200,000	44,800
	1090, Salaries Overtime	-	500	500	(500)	-
	Subtotal	(291,900)	137,200	(154,700)	199,500	44,800
Ethics Commission						
	1010, Salaries General	(70,000)	142,400	72,400	(233,600)	(161,200)
	1090, Salaries Overtime	-	-	-	-	-
	3040, Contractual Services	-	-	-	161,200	161,200
	Subtotal	(70,000)	142,400	72,400	(72,400)	-
Finance						
	1010, Salaries General	(3,920,200)	3,515,400	(404,800)	416,400	11,600
	1090, Overtime General	-	108,700	108,700	(108,700)	-
	Subtotal	(3,920,200)	3,624,100	(296,100)	307,700	11,600
Fire						
	1010, Salaries General	(3,575,600)	3,255,800	(319,800)	919,800	600,000
	1012, Salaries Sworn	(52,075,900)	39,000,000	(13,075,900)	(25,324,100)	(38,400,000)
	1030, Sworn Bonuses	-	-	-	-	-
	1050, Unused Sick Time	-	-	-	1,312,000	1,312,000
	1070, Salaries As-Needed	-	-	-	36,000	36,000
	1090, Overtime General	-	1,149,500	1,149,500	(1,149,500)	-
	1092, Overtime Sworn	-	-	-	(2,336,400)	(2,336,400)
	1093, Overtime Constant Staffing	-	-	-	25,883,800	25,883,800
	1098, Overtime Variable Staffing	-	-	-	5,220,700	5,220,700
	3090, Field Equipment Expense	-	-	-	(1,000,000)	(1,000,000)
	3260, Rescue Supplies & Expense	-	-	-	(500,000)	(500,000)
	4430, Uniforms	-	-	-	1,143,000	1,143,000
	TBD, Other Fire Savings	-	13,100,000	13,100,000	(13,100,000)	-
	Subtotal	(55,651,500)	56,505,300	853,800	(8,894,700)	(8,040,900)

Status of the City Budget

		September Operational Plan Report	Second Financial Status Report		Mid-Year Financial Status Report	
Depts.	Account No., Description	Amounts	Changes	Updated Amounts	Changes	Updated Amounts
General Services						
	1010, Salaries General	(17,765,200)	12,114,100	(5,651,100)	(958,300)	(6,609,400)
	1090, Salaries Overtime	-	4,488,400	4,488,400	(4,593,600)	(105,200)
	1100, Hiring Hall	-	-	-	(1,350,000)	(1,350,000)
	1120, Fringe Benefits Hiring Hall	-	-	-	(540,000)	(540,000)
	3040, Contractual Services	-	-	-	(873,500)	(873,500)
	3160, Maint. Materials, Supplies	-	-	-	(898,000)	(898,000)
	3170, Custodial Supplies	-	-	-	(375,600)	(375,600)
	6010, Office and Administrative Exp	-	-	-	(113,000)	(113,000)
	6020, Operating Expenses	-	-	-	(43,000)	(43,000)
	7340, Transportation Equipment	-	-	-	(303,000)	(303,000)
	Subtotal	(17,765,200)	16,602,500	(1,162,700)	(10,048,000)	(11,210,700)
Human Services Department						
	1010, Salaries General	(292,600)	33,200	(259,400)	515,400	256,000
	1070, Salaries As-Needed	-	-	-	(25,000)	(25,000)
	1090, Salaries Overtime	-	-	-	-	-
	Subtotal	(292,600)	33,200	(259,400)	490,400	231,000
Information Technology						
	1010, Salaries General	(9,814,548)	7,807,200	(2,007,348)	1,247,348	(760,000)
	1090, Overtime General	-	855,700	855,700	(855,700)	-
	2120, Printing & Binding	-	-	-	15,000	15,000
	3040, Contractual Services	-	-	-	(108,000)	(108,000)
	9350, Communication Services	-	-	-	480,000	480,000
	Subtotal	(9,814,548)	8,662,900	(1,151,648)	778,648	(373,000)
Mayor						
	1010, Salaries General	(880,500)	-	(880,500)	880,500	-
	Subtotal	(880,500)	-	(880,500)	880,500	-
Neighborhood Empowerment						
	1010, Salaries General	(330,000)	412,900	82,900	57,100	140,000
	1070, Salaries As-Needed	-	-	-	11,000	11,000
	1090, Salaries Overtime	-	11,200	11,200	(11,200)	-
	Subtotal	(330,000)	424,100	94,100	56,900	151,000

Status of the City Budget

		September Operational Plan Report	Second Financial Status Report		Mid-Year Financial Status Report	
Depts.	Account No., Description	Amounts	Changes	Updated Amounts	Changes	Updated Amounts
Personnel						
	1010, Salaries General	(4,881,500)	4,104,400	(777,100)	777,100	-
	1070, Salaries As Needed	-	-	-	500,000	500,000
	1090, Salaries Overtime	-	251,600	251,600	(51,600)	200,000
	Subtotal	(4,881,500)	4,356,000	(525,500)	1,225,500	700,000
Planning						
	1010, Salaries General	(3,241,900)	3,440,300	198,400	1,576,600	1,775,000
	1090, Salaries Overtime	-	255,400	255,400	(255,400)	-
	Subtotal	(3,241,900)	3,695,700	453,800	1,321,200	1,775,000
Police						
	1010, Salaries General	(31,822,900)	28,042,900	(3,780,000)	6,780,000	3,000,000
	1012, Salaries Sworn	(129,234,200)	7,100,000	(122,134,200)	43,134,200	(79,000,000)
	1030, Sworn Bonuses	-	2,500,000	2,500,000	(2,500,000)	-
	1090, Overtime General	-	5,807,300	5,807,300	(5,807,300)	-
	1092, Overtime Sworn	-	48,300,000	48,300,000	(48,300,000)	-
	3040, Contractual Services	-	-	-	(1,200,000)	(1,200,000)
	3090, Field Equipment Expense	-	-	-	(1,000,000)	(1,000,000)
	TBD, Police Efficiencies (LAPPL Agreement)	-	5,000,000	5,000,000	(5,000,000)	-
	TBD, Other Police Savings	-	5,000,000	5,000,000	(5,000,000)	-
	TBD, Special Funds	-	8,000,000	8,000,000	(8,000,000)	-
	Subtotal	(161,057,100)	109,750,200	(51,306,900)	(26,893,100)	(78,200,000)
Board Of Public Works						
	1010, Salaries General	(711,800)	818,300	106,500	(96,100)	10,400
	1090, Salaries Overtime	-	52,600	52,600	(52,600)	-
	Subtotal	(711,800)	870,900	159,100	(148,700)	10,400

Status of the City Budget

		September Operational Plan Report	Second Financial Status Report		Mid-Year Financial Status Report	
Depts.	Account No., Description	Amounts	Changes	Updated Amounts	Changes	Updated Amounts
PW/Contract Administration						
	1010, Salaries General	(3,141,200)	1,157,500	(1,983,700)	2,331,300	347,600
	1090, Salaries Overtime	-	576,800	576,800	(576,800)	
	2120, Printing & Binding	-	-	-	10,000	10,000
	3040, Contractual Services	-	-	-	10,000	10,000
	3310, Transportation	-	-	-	(377,600)	(377,600)
	6010, Office & Administrative	-	-	-	10,000	10,000
	Subtotal	(3,141,200)	1,734,300	(1,406,900)	1,406,900	-
PW/Engineering						
	1010, Salaries General	(4,234,400)	4,863,400	629,000	1,152,000	1,781,000
	1090, Salaries Overtime	-	395,900	395,900	(95,900)	300,000
	Subtotal	(4,234,400)	5,259,300	1,024,900	1,056,100	2,081,000
PW/Street Services						
	1010, Salaries General	(4,480,500)	3,649,800	(830,700)	1,830,700	1,000,000
	1090, Salaries Overtime	-	1,896,000	1,896,000	(1,896,000)	-
	Subtotal	(4,480,500)	5,545,800	1,065,300	(65,300)	1,000,000
Transportation						
	1010, Salaries General	(11,265,525)	9,768,100	(1,497,425)	(302,575)	(1,800,000)
	1090, Salaries Overtime	-	3,199,800	3,199,800	(3,199,800)	-
	2120, Printing and Binding	-	-	-	49,000	49,000
	3030, Construction Expense	-	-	-	50,000	50,000
	3040, Contractual Services	-	-	-	880,000	880,000
	3090, Field Equipment Expense	-	-	-	25,000	25,000
	3360, Signal Supplies and Repairs	-	-	-	300,000	300,000
	4430, Uniforms	-	-	-	50,000	50,000
	6010, Office and Administrative Expense	-	-	-	400,000	400,000
	7300, Equipment	-	-	-	46,000	46,000
	Subtotal	(11,265,525)	12,967,900	1,702,375	(1,702,375)	-

Status of the City Budget

		September Operational Plan Report	Second Financial Status Report		Mid-Year Financial Status Report	
Depts.	Account No., Description	Amounts	Changes	Updated Amounts	Changes	Updated Amounts
Treasurer						
	1010, Salaries General	(378,000)	244,100	(133,900)	160,500	26,600
	1090, Salaries Overtime	-	5,100	5,100	(5,100)	-
	4040, Bank Service Fees	-	-	-	(2,000,000)	(2,000,000)
	Subtotal	(378,000)	249,200	(128,800)	(1,844,600)	(1,973,400)
Zoo						
	1010, Salaries General	-	1,425,600	1,425,600	574,400	2,000,000
	1090, Salaries Overtime	-	47,800	47,800	(47,800)	-
	Subtotal	-	1,473,400	1,473,400	526,600	2,000,000
Total-Budgetary Departments		\$ (308,018,699)	\$ 255,603,800	\$ (52,414,899)	\$ (41,546,327)	\$ (91,838,000)
Library						
	1010, Salaries General	\$ (6,862,900)	\$ 8,332,600	\$ 1,469,700	1,030,300	\$ 2,500,000
	1090, Salaries Overtime	-	33,100	33,100	(33,100)	-
	Subtotal	(6,862,900)	8,365,700	1,502,800	997,200	2,500,000
Recreation and Parks						
	1010, Salaries General	(15,019,000)	13,764,600	(1,254,400)	(3,011,100)	(4,265,500)
	1090, Salaries Overtime	-	1,316,300	1,316,300	(1,316,300)	-
	Subtotal	(15,019,000)	15,080,900	61,900	(4,327,400)	(4,265,500)
Total-Departmental		\$ (329,900,599)	279,050,400	(50,850,199)	(51,682,801)	(102,533,000)

Status of the City Budget

		September Operational Plan Report	Second Financial Status Report		Mid-Year Financial Status Report	
Depts.	Account No., Description	Amounts	Changes	Updated Amounts	Changes	Updated Amounts
NONDEPARTMENTAL						
General City Purposes						
	0501, Official Notices	-	-	-	-	-
	0823, Fire/Police Pension Defrayal	-	-	-	-	-
	0510, Medicare Contributions	-	-	-	2,000,000	2,000,000
	0505, Retirement Defrayal Contributions	-	2,600,000	2,600,000	-	2,600,000
	0577, Pensions Savings Plan	-	-	-	-	-
	0570, Social Security Contributions	-	-	-	-	-
	0855, Solid Waste Fee Lifeline Rate	-	-	-	(6,700,000)	(6,700,000)
	TBD, Solid Waste Fee Reimbursement	-	-	-	-	-
	Subtotal	-	2,600,000	2,600,000	(4,700,000)	(2,100,000)
Unappropriated Balance						
	0055, Litigation Expense				750,000	750,000
	0130, GSD Petroleum Products	-	-	-	3,000,000	3,000,000
	0242, AB1290	-	-	-	10,000,000	10,000,000
	0248, New Positions	-	-	-	13,345,557	13,345,557
	0037, Reserve for Economic Uncertainties	-	-	-	-	-
	0075, Neighborhood Council Elections	-	-	-	-	-
	0197, Outside Counsel				100,000	100,000
	0243, Bank Fees				2,000,000	2,000,000
	TBD, Other Items	-	10,900,000	10,900,000	(8,711,200)	2,188,800
	Subtotal	-	10,900,000	10,900,000	20,484,357	31,384,357
Human Resources Benefits						
	9100, Unemployment Insurance	-	-	-	-	-
	9110, Employee Assistance	-	-	-	-	-
	9200, Civilian FLEX Program	-	14,600,000	14,600,000	(10,513,800)	4,086,200
	9210, Fire Health & Welfare Program	-	-	-	903,500	903,500
	9220, Police Health & Welfare Program	-	-	-	2,390,200	2,390,200
	9330, Supplemental Union Benefits	-	-	-	-	-
	9910 Workers' Compensation	-	-	-	3,400,000	3,400,000
	Subtotal	-	14,600,000	14,600,000	(3,820,100)	10,779,900

Status of the City Budget

		September Operational Plan Report	Second Financial Status Report		Mid-Year Financial Status Report	
Depts.	Account No., Description	Amounts	Changes	Updated Amounts	Changes	Updated Amounts
Liability Claims						
	9770, Liability Claims Over \$100,000	-	-	-	(73,800,000)	(73,800,000)
	TBD, Judgement Obligation Bonds	-	-	-	66,900,000	66,900,000
	Subtotal	-	-	-	(6,900,000)	(6,900,000)
Non-Departmental General						
	0101, Reserve Fund	-	-	-	46,798,058	46,798,058
	Subtotal	-	-	-	46,798,058	46,798,058
Total - Nondepartmental		\$ -	\$ 28,100,000	\$ 28,100,000	\$ 51,862,315	\$ 79,962,315
GRAND TOTAL APPROPRIATIONS - Surplus/(Deficit)		\$ (329,900,599)	\$ 307,150,400	\$ (22,750,199)	\$ 179,514	\$ (22,570,685)
Note:		(329,900,599)	307,150,400	(22,750,199)	179,514	(22,570,685)
GENERAL FUND REVENUE - Surplus/(Shortfall)		\$ (75,302,000)	\$ -	\$ (75,302,000)	\$ (110,608,000)	\$ (185,910,000)
GRAND TOTAL - Surplus/(Deficit)		\$ (405,202,599)	\$ 307,150,400	\$ (98,052,199)	\$ (110,428,486)	\$ (208,480,685)

2009-10 GENERAL FUND REVENUE
Fiscal Year 2009-10 Revised at January 19, 2010
\$ Thousands

2009-10 Adopted Budget	\$4,399,790
Revision -- September 2009	(\$75,302)
Additional Revision -- January 2010	<u>(110,608)</u>
Total Revision	(185,910)
Revised Estimate	<u><u>\$4,213,880</u></u>

GENERAL FUND REVENUE OUTLOOK

Fiscal Year 2009-10 Revised

\$ Thousands

	September 2009 Revised			January 2010 Revised		
	Budget	Revised @ Sept. 2009	Change from Budget	Revised @ Jan 13, 2010	Change from Budget	
Property Tax (Base)	\$1,002,720	\$1,002,720		\$1,013,670	\$10,950	Secured, unsecured and redemptions are up; big risk in supplemental
Property Tax - VLF Replacement	307,678	307,678		320,224	12,546	
Property Tax -- Sales Tax Replacement	108,472	108,472		84,976	(23,496)	
Total Property Taxes	\$1,418,870	\$1,418,870		\$1,418,870		
Electric	\$299,000	\$293,000	(\$6,000)	\$299,000		Volatile pattern of receipts
Gas	84,000	81,258	(2,742)	69,000	(15,000)	Gas prices below forecast
Telephone	284,875	284,875		269,000	(15,875)	Revenue is falling, possibly due to recession and increased competition.
Utility Users' Tax	\$667,875	\$659,133	(\$8,742)	\$637,000	(\$30,875)	
Licenses, Permits and Fees	723,126	710,126	(13,000)	691,126	(32,000)	Many categories at risk; includes optimistic anticipation of ARRA; assumes full \$10 million in AB 1290 taxes will be credited as unrestricted General Fund Revenue.
Business Tax	426,157	426,157		416,157	(10,000)	Receipts are \$15 million above plan at December due in part to amnesty. Even so, Office of Finance believes there is downside risk related to the deeper recession. After adjusting for amnesty, this account is now projected to decline at a rate similar to that of the sales tax.
Sales Tax	304,243	290,102	(14,141)	278,274	(25,969)	Now anticipate 10.8% decline
Documentary Transfer Tax	100,000	100,000		92,000	(8,000)	
Power Revenue Transfer	232,000	232,000		220,000	(12,000)	The power system transfer is 8% of prior-year gross operating revenues.

GENERAL FUND REVENUE OUTLOOK

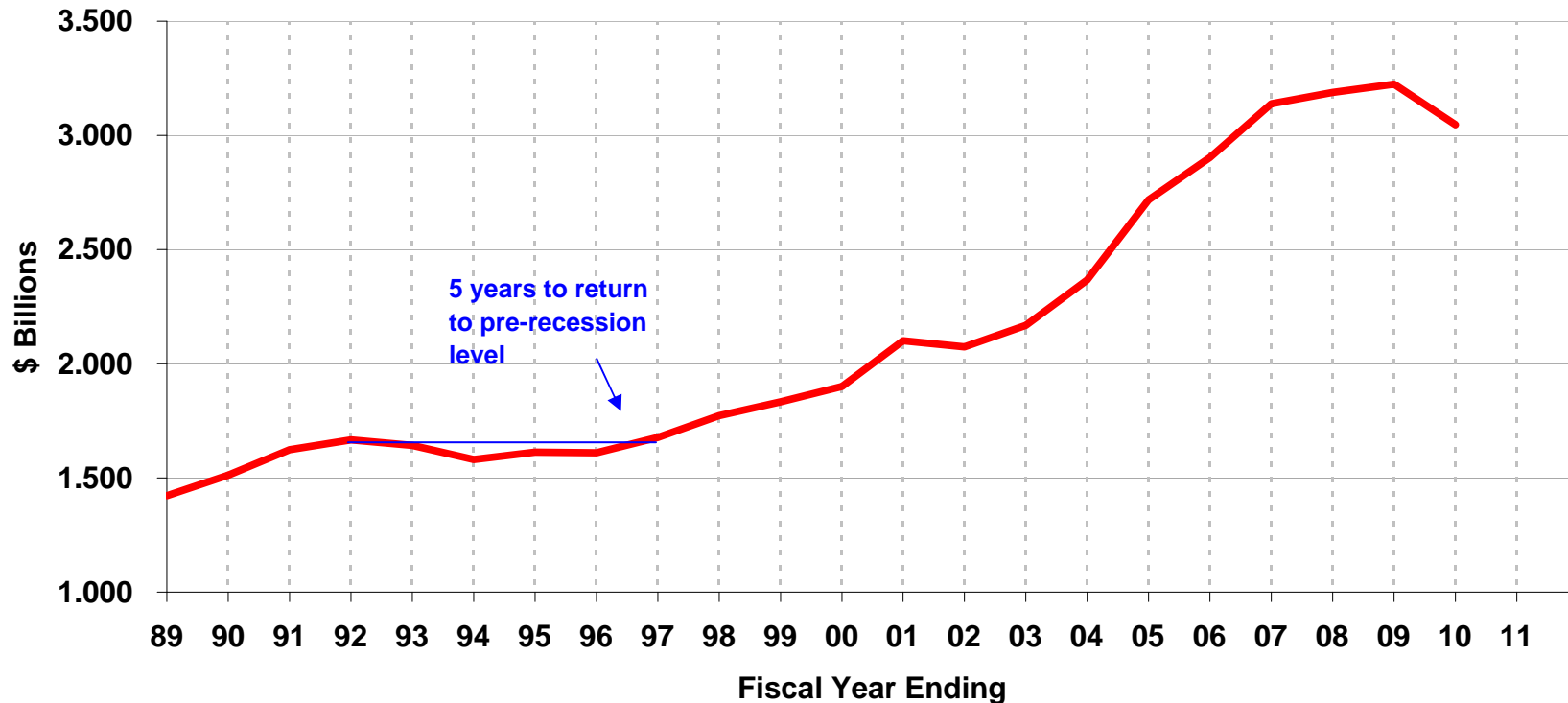
Fiscal Year 2009-10 Revised

\$ Thousands

	Budget	September 2009 Revised		January 2010 Revised		
		Revised @ Sept. 2009	Change from Budget	Revised @ Jan 13, 2010	Change from Budget	
Transient Occupancy Tax	130,200	126,780	(3,420)	122,700	(7,500)	December receipts were close to target; some upside potential.
Parking Fines	134,000	134,000		132,000	(2,000)	\$700k short at December.
Parking Users' Tax	82,300	82,300		82,300		Close to plan in December
Franchise Income	49,479	49,479		40,479	(9,000)	Variance in natural gas account
Interest	22,080	22,080		14,880	(7,200)	Revised per treasurer recommendation.
State Motor Vehicle License Fees	12,000	12,000		12,000		Close to plan at December.
Grants Receipts	16,000	16,000		12,000	(4,000)	\$5 million below forecast at December; cause for concern. Line-by-line review in progress.
Tobacco Settlement	12,166	12,166		11,300	(866)	Tied to tobacco sales.
Transfer from Telecomm. Dev. Account	6,223	6,223		6,223		Budgeted transfer is \$2 million more than prior years.
Residential Development Tax	1,700	1,700		1,200	(500)	Revised based on receipts to date.
Special Parking Revenue Transfer	61,371	25,371	(36,000)	25,371	(36,000)	Property sale unlikely
General Fund	\$4,399,790	\$4,324,488	(\$75,302)	\$4,213,880	(\$185,910)	

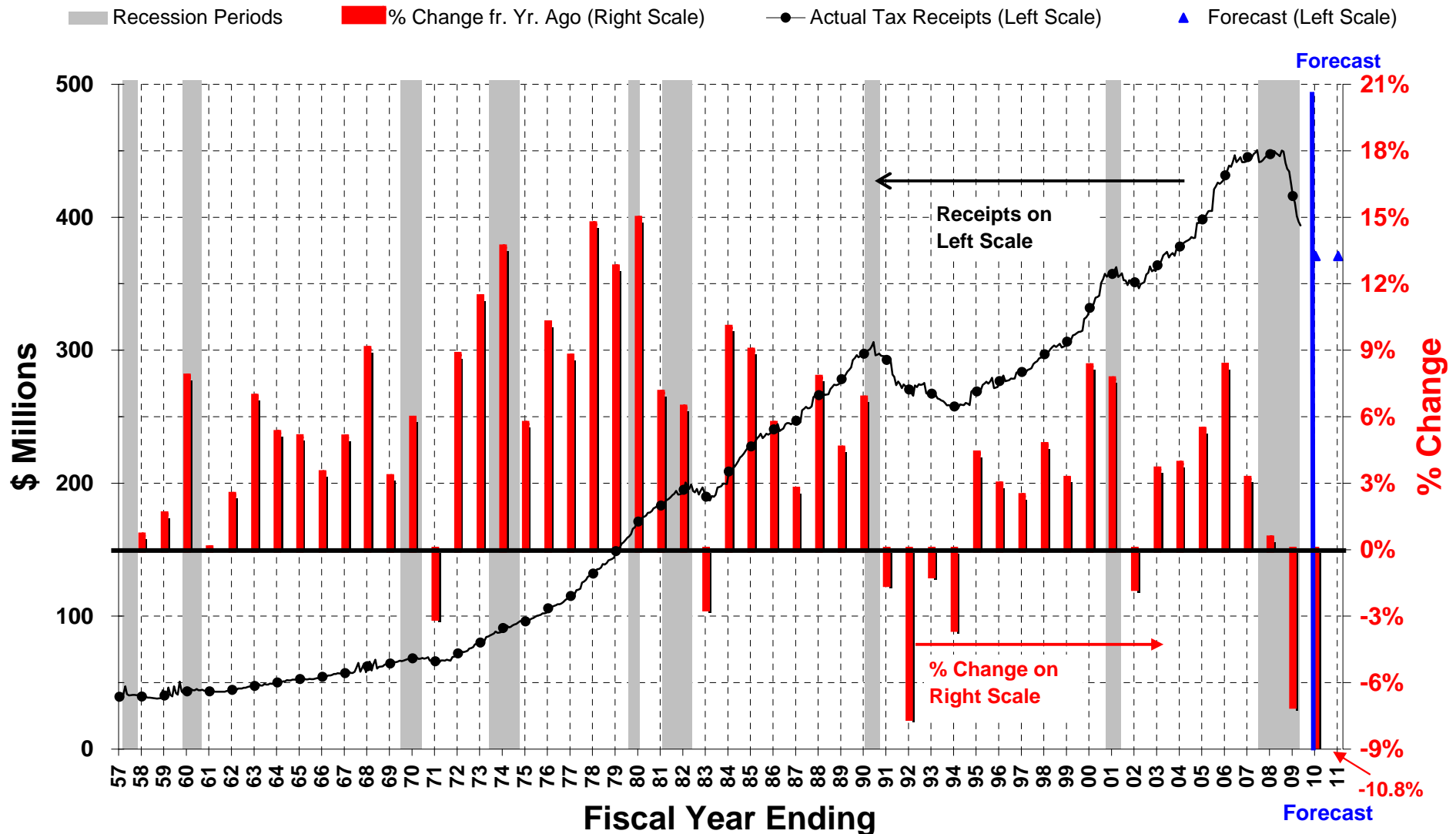
7 General Fund Taxes

Property, Utility, Business, Sales, Hotel, Documentary and Parking



General Fund Taxes currently account for about 72% of all General Fund revenue. The balance is fees, transfers from other funds, interest income etc. General taxes did not return to the 1991-92 level until 96-97; the effects of the severe Southern California recession lasted at least five years. It will likely take several years to recover from the current recession and return to the 2008-09 level.

Recessions and Sales Tax



Sales tax receipts are adjusted to reflect the full one-percent local sales tax. The National Bureau of Economic Research will not make a final determination for some time, but many economists believe the recession ended in September 2009. Employment continues to decline, the unemployment rate is still high, and taxable sales are substantially below their 2007-08 peak. Long-term City experience shows sales tax receipts continue to decline after a recession ends. In the 1990s, it took nine years for the City sales tax to return to the pre-recession level. And as measured by the year-over-year decline in the sales tax, the City's most economy-sensitive revenue, this recession is the worst in the 54-year history of the state-administered sales tax.

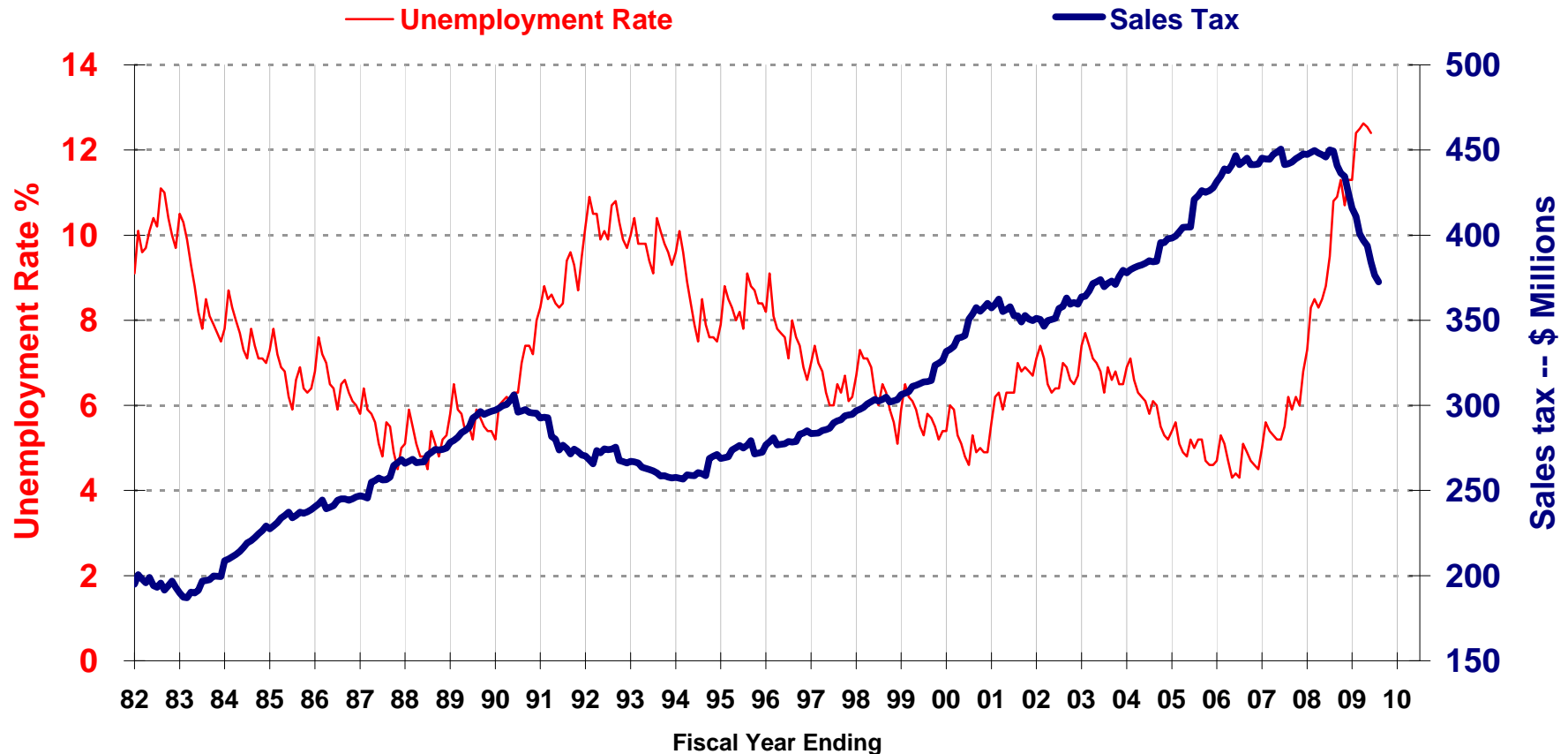
REVENUE MONTHLY STATUS REPORT

SALES TAX

(Thousand Dollars)

	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	Budget	September Revision	December Revision	Actual
MONTHLY							
JULY	\$23,111	\$22,761	\$23,582	\$21,964	\$19,976	\$19,976	\$19,976
AUGUST	30,601	30,492	31,421	28,687	23,675	23,675	23,675
SEPTEMBER	29,051	31,158	29,968	27,059	27,042	27,042	27,042
OCTOBER	22,476	23,497	22,829	21,665	21,000	20,495	20,495
NOVEMBER	30,147	31,504	30,440	28,888	28,000	23,228	23,228
DECEMBER	35,463	28,566	31,743	29,924	28,500	26,004	26,004
JANUARY	23,504	23,900	23,330	22,700	22,000	20,354	20,354
FEBRUARY	31,154	31,924	25,586	24,878	24,000	24,000	
MARCH	27,316	28,773	25,481	23,682	23,000	26,500	
APRIL	20,820	21,854	20,314	20,334	20,334	19,000	
MAY	27,944	29,021	21,817	27,112	25,225	23,000	
JUNE	32,298	32,113	25,428	27,350	27,350	25,000	
TOTAL	\$333,885	\$335,563	\$311,940	\$304,243	\$290,102	\$278,274	
% CHANGE	3.2%	0.5%	-7.0%	-2.5%	-7.0%	-10.8%	
TRADITIONAL 1%							
SALES TAX	\$445,179	\$447,417	\$415,920	\$405,657	\$386,803	\$371,032	
% CHANGE	3.2%	0.5%	-7.0%	-2.5%	-7.0%	-10.8%	
	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	Budget	September Revision	December Revision	Actual
CUMULATIVE							
JULY	\$23,111	\$22,761	\$23,582	\$21,964	\$19,976	\$19,976	\$19,976
AUGUST	53,712	53,253	55,003	50,651	43,651	43,651	43,651
SEPTEMBER	82,763	84,411	84,971	77,710	70,693	70,693	70,693
OCTOBER	105,239	107,908	107,800	99,375	91,693	91,188	91,188
NOVEMBER	135,386	139,412	138,240	128,263	119,693	114,416	114,416
DECEMBER	170,849	167,978	169,984	158,187	148,193	140,420	140,420
JANUARY	194,353	191,878	193,314	180,887	170,193	160,774	160,774
FEBRUARY	225,507	223,802	218,900	205,765	194,193	184,774	
MARCH	252,823	252,575	244,381	229,447	217,193	211,274	
APRIL	273,643	274,429	264,695	249,781	237,527	230,274	
MAY	301,587	303,450	286,512	276,893	262,752	253,274	
JUNE	333,885	335,563	311,940	304,243	290,102	278,274	

City 1% Sales Tax and Local Unemployment Rate



--City sales tax receipts declined in the early 1980s during the "double-dip" recession, while the unemployment rate exceeded 10%.

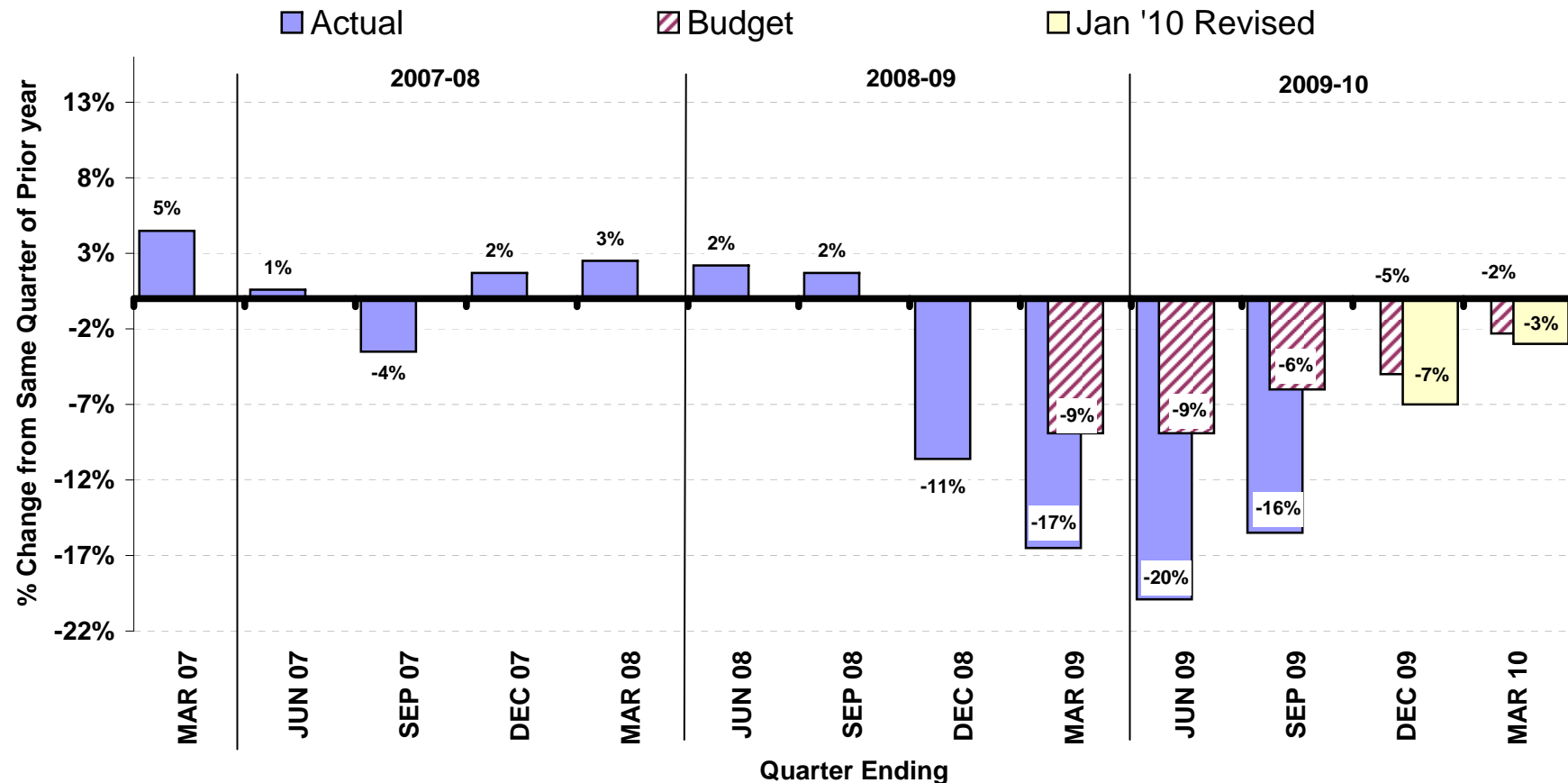
---Then, as the unemployment rate fell beginning in the mid-1980s, tax receipts increased.

--Again, as the unemployment rate exceeded 10% during the "Aerospace" recession of the early 1990s, City tax receipts fell and did not match the FY 1990 level until FY 1999.

--During the milder post 9-11/ "dot com" recession of FY 2002, the unemployment rate peaked at 7.7% and sales tax receipts declined for one year.

--While countywide unemployment was last reported at 12.4%, down slightly in the last month, City sales tax receipts are still in free fall.

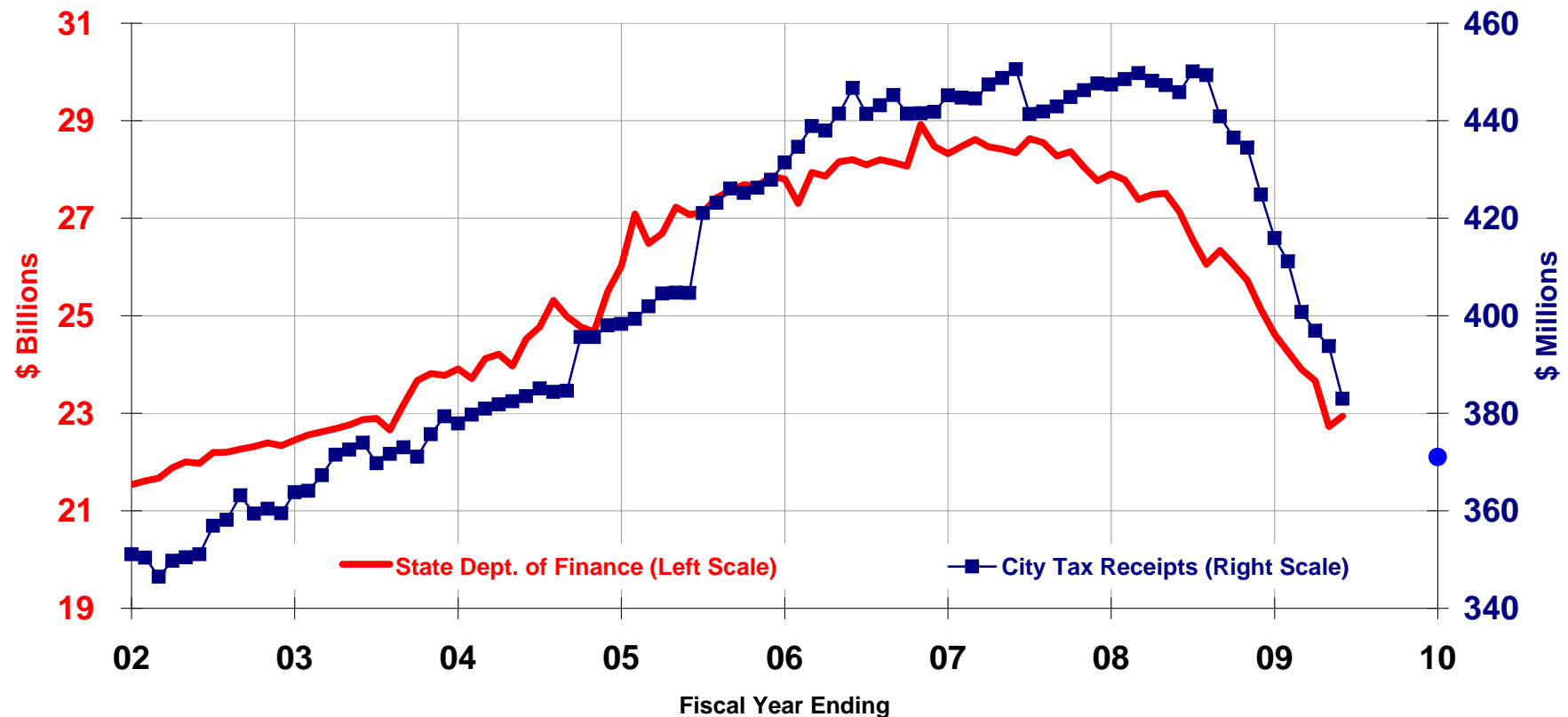
Change in City Sales Tax Allocation by Quarter



The City's fiscal year sales tax revenue (July-June) is based on taxable sales between April and March. The FY 2009-10 budget projected a 9% decline for the quarter ending in March 2009. Actual results were 17% below the prior year. We now have taxable sales results through September 2009 -- which includes the first two quarters of the current fiscal year. We anticipated minus 9% for the April-June quarter (City cash in July - September). But actual results were minus 20%. The quarter ending in September was down 16% instead of the 6% anticipated decline. Receipts for the first half of FY 2009-10 are 16% below the same period last year. We receive the results of October - December (Christmas Quarter) taxable sales in March.

Comparison State and City Sales Tax

12-Month Moving Sum



City receipts are several months behind state receipts. City sales tax receipts outperformed statewide sales tax collections during 2008, but City receipts have been chasing statewide taxable sales since March 2009. The significance of the uptick in recent state receipts remains to be seen.

REVENUE MONTHLY STATUS REPORT
Transient Occupancy Tax
(Thousand Dollars)

MONTHLY	2005-06	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE	REVISED
JULY	\$9,257	\$10,454	\$12,304	\$9,501	\$11,450	\$10,216	(\$1,234)	
AUGUST	12,072	11,748	13,406	17,789	11,450	10,358	(1,092)	
SEPTEMBER	10,187	10,918	13,048	12,924	11,450	10,569	(881)	
OCTOBER	10,319	9,656	11,227	13,038	10,550	9,220	(1,330)	
NOVEMBER	4,875	11,294	13,911	4,263	10,000	7,382	(2,618)	
DECEMBER	10,721	12,801	6,591	18,332	10,000	12,639	2,639	
JANUARY	13,955	9,710	12,730	10,503	10,000			
FEBRUARY	5,675	3,674	7,845	9,689	10,300			
MARCH	14,999	16,188	12,442	9,614	10,500			
APRIL	7,560	13,145	15,792	9,947	11,500			
MAY	13,561	13,666	13,958	9,348	11,500			
JUNE	13,810	11,303	15,271	11,375	11,500			
TOTAL	\$126,991	\$134,557	\$148,525	\$136,323	\$130,200			\$122,700
% CHANGE	-0.6%	6.0%	10.4%	-8.2%	-4.5%			-10.0%

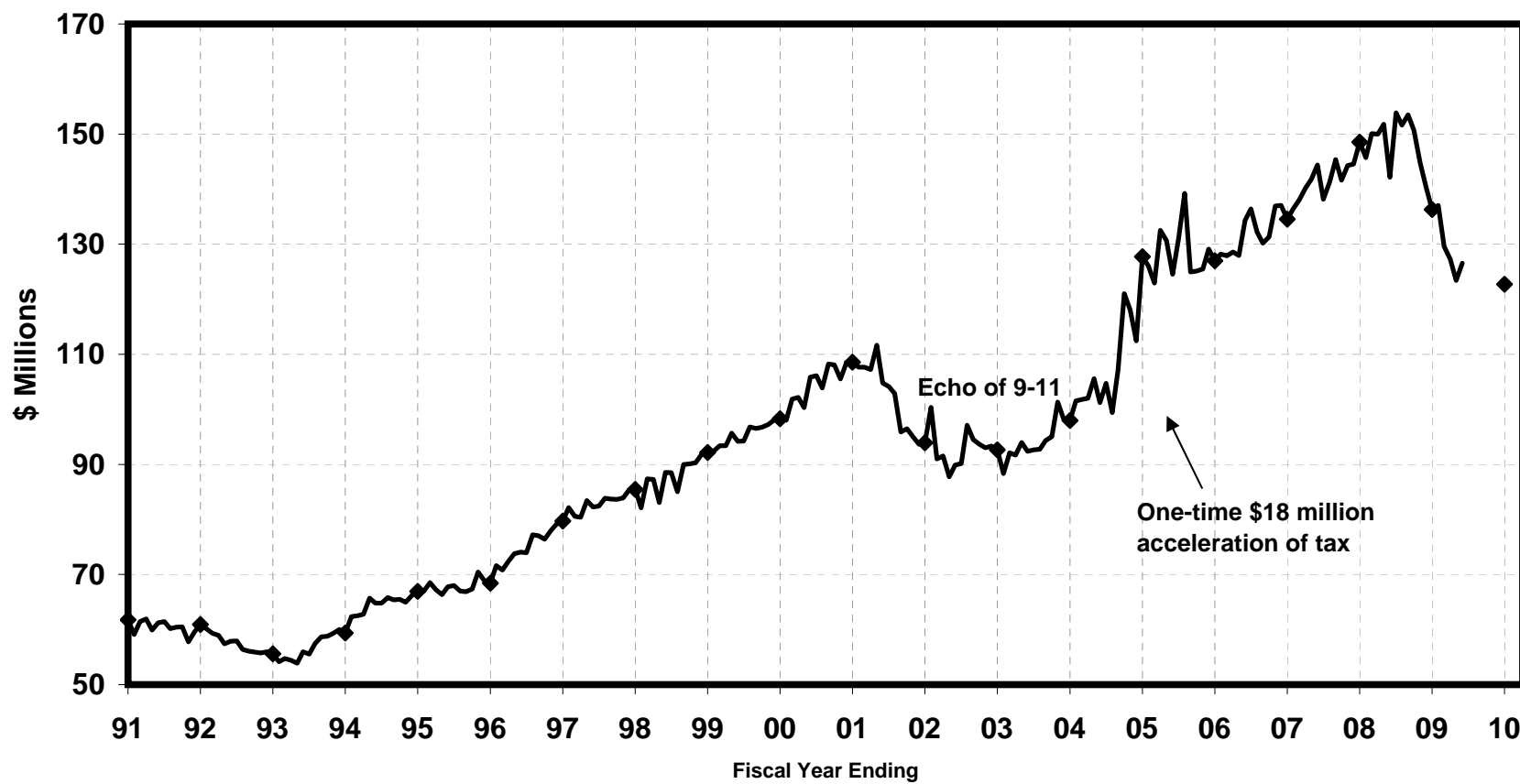
Taxable							
Hotel Sales	\$976,854	\$1,035,054	\$1,142,500	\$1,048,638	\$1,001,538		\$943,846
	16.1%	6.0%	10.4%	-8.2%	-4.5%		-10.0%
Each 1% tax rate*	\$9,769	\$10,351	\$11,425	\$10,486	\$10,015		\$9,438

CUMULATIVE	2005-06	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE	REVISED
JULY	\$9,257	\$10,454	\$12,304	\$9,501	\$11,450	\$10,216	(\$1,234)	
AUGUST	21,329	22,202	25,710	27,290	22,900	20,574	(2,326)	
SEPTEMBER	31,516	33,120	38,758	40,214	34,350	31,143	(3,207)	
OCTOBER	41,835	42,776	49,985	53,252	44,900	40,363	(4,537)	
NOVEMBER	46,710	54,070	63,896	57,515	54,900	47,745	(7,155)	
DECEMBER	57,431	66,871	70,487	75,847	64,900	60,384	(4,516)	
JANUARY	71,386	76,581	83,217	86,350	74,900			
FEBRUARY	77,061	80,255	91,062	96,039	85,200			
MARCH	92,060	96,443	103,504	105,653	95,700			
APRIL	99,620	109,588	119,296	115,600	107,200			
MAY	113,181	123,254	133,254	124,948	118,700			
JUNE	126,991	134,557	148,525	136,323	130,200			

The hotel tax has grown at an average annual rate of 10% between 2003-04 and 2007-08. But it is very sensitive to changing conditions which affect travel. Tax revenue declined 13.5% in 2001-02 following the shock of September 11. For the first eleven months of 2009, the industry analyst, PKF, reports revenue per available room -- the best measure of the local hotel market -- is down nearly 20%. But the last available month, November 2009, showed a decline in revenue per available room of "only" 9%.

City Hotel Tax Receipts

12-Month Moving Sum



Receipts are \$4.5 million behind plan at midyear; the local hotel market is still deteriorating, but the rate of decline appears to be slowing. December 2009 receipt may reflect the timing of accounting transactions and, by itself, does not suggest the beginning of a recovery. Projected receipts are 10% below receipts in 2008-09 and 17% below the 2007-08 level.

REVENUE MONTHLY STATUS REPORT
PROPERTY TAX -- ALL SOURCES
 (THOUSAND DOLLARS)

MONTHLY	2005-06	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE	REVISED
JULY	\$19,894	\$63,802	\$26,935	\$37,373	\$24,859	\$32,560	\$7,701	
AUGUST	39,179	39,328	42,536	65,238	42,307	51,648	9,341	
SEPTEMBER	(261)		(74)		(90)		90	
OCTOBER	3,095				(1,350)		1,350	
NOVEMBER	18,260	19,211	25,069	36,763	33,580	33,856	276	
DECEMBER	270,769	319,795	345,291	370,438	305,092	307,072	1,980	
JANUARY	260,244	288,591	310,265	321,518	370,482	363,881	(6,601)	
FEBRUARY	62,568	49,707	58,948	61,545	52,610			
MARCH	6,653	8,954	9,860	2,903	3,660			
APRIL	205,331	253,827	278,833	306,253	296,937			
MAY	222,439	287,497	287,279	305,057	287,061			
JUNE	13,677	3,462	4,313	1,986	3,723			
TOTAL	\$1,121,848	\$1,334,174	\$1,389,255	\$1,509,073	\$1,418,870			\$1,418,870
% CHANGE	9.0%	18.9%	4.1%	8.6%	-6.0%			-6.0%

CUMULATIVE	2005-06	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE	REVISED
JULY	\$19,894	\$63,802	\$26,935	\$37,373	\$24,859	\$32,560	\$7,701	
AUGUST	59,073	103,130	69,471	102,611	67,166	84,208	17,042	
SEPTEMBER	58,812	103,130	69,397	102,611	67,076	84,208	17,132	
OCTOBER	61,907	103,130	69,397	102,611	65,726	84,208	18,482	
NOVEMBER	80,167	122,341	94,465	139,374	99,306	118,064	18,758	
DECEMBER	350,936	442,136	439,757	509,812	404,398	425,136	20,738	
JANUARY	611,180	730,727	750,022	831,329	774,880	789,017	14,138	
FEBRUARY	673,748	780,435	808,970	892,874	827,490			
MARCH	680,401	789,388	818,830	895,777	831,150			
APRIL	885,732	1,043,215	1,097,663	1,202,030	1,128,086			
MAY	1,108,171	1,330,712	1,384,942	1,507,087	1,415,147			
JUNE	1,121,848	1,334,174	1,389,255	1,509,073	1,418,870			

This table displays City receipts by month and fiscal year for all property tax sources. Sales tax receipts remitted through the property tax are down and those declines will offset small gains in other categories. Additonal detail is displayed on the following pages.

REVENUE MONTHLY STATUS REPORT

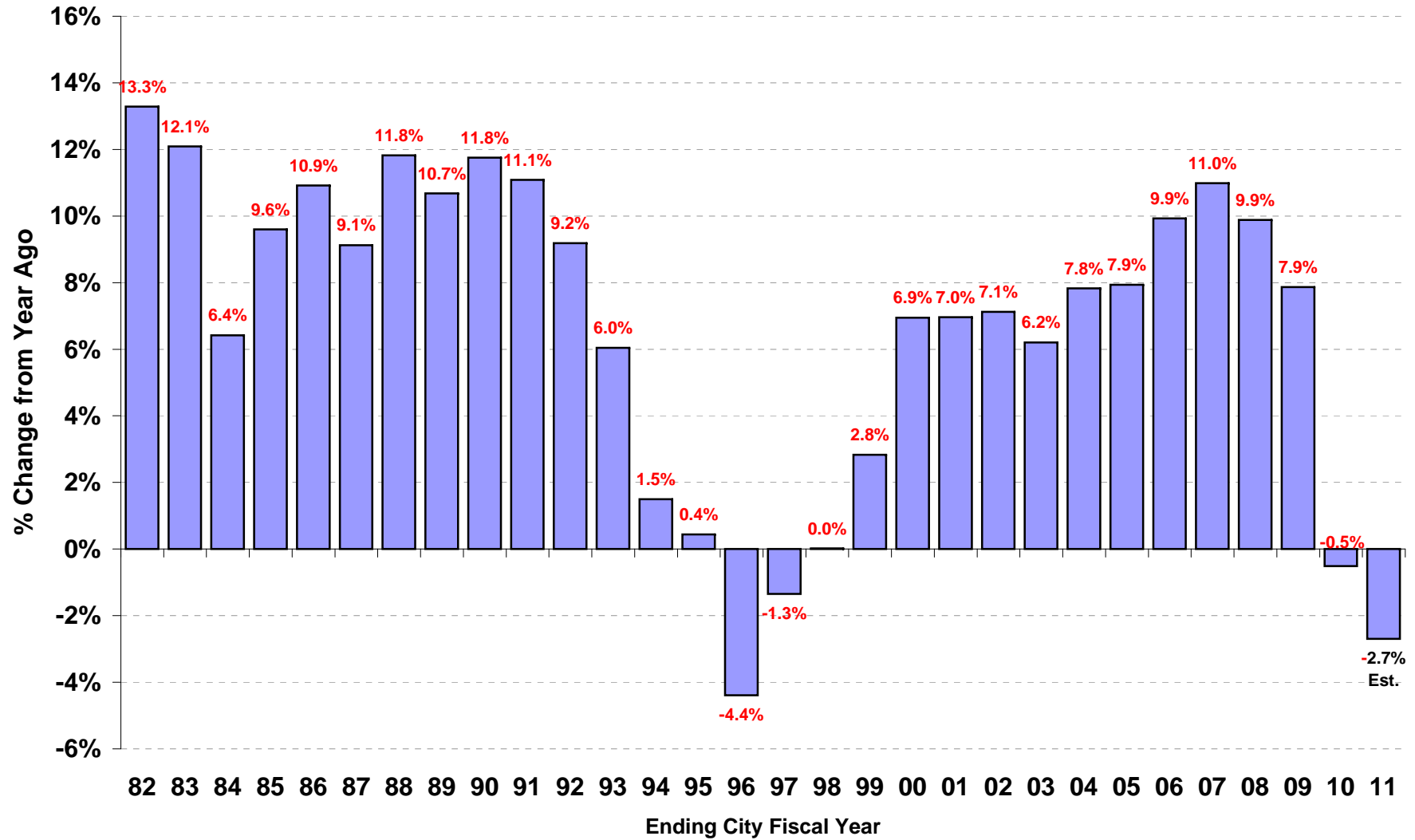
PROPERTY TAX -- 1% (Excludes Vehicle License Fee and Sales Tax Replacement)

(THOUSAND DOLLARS)

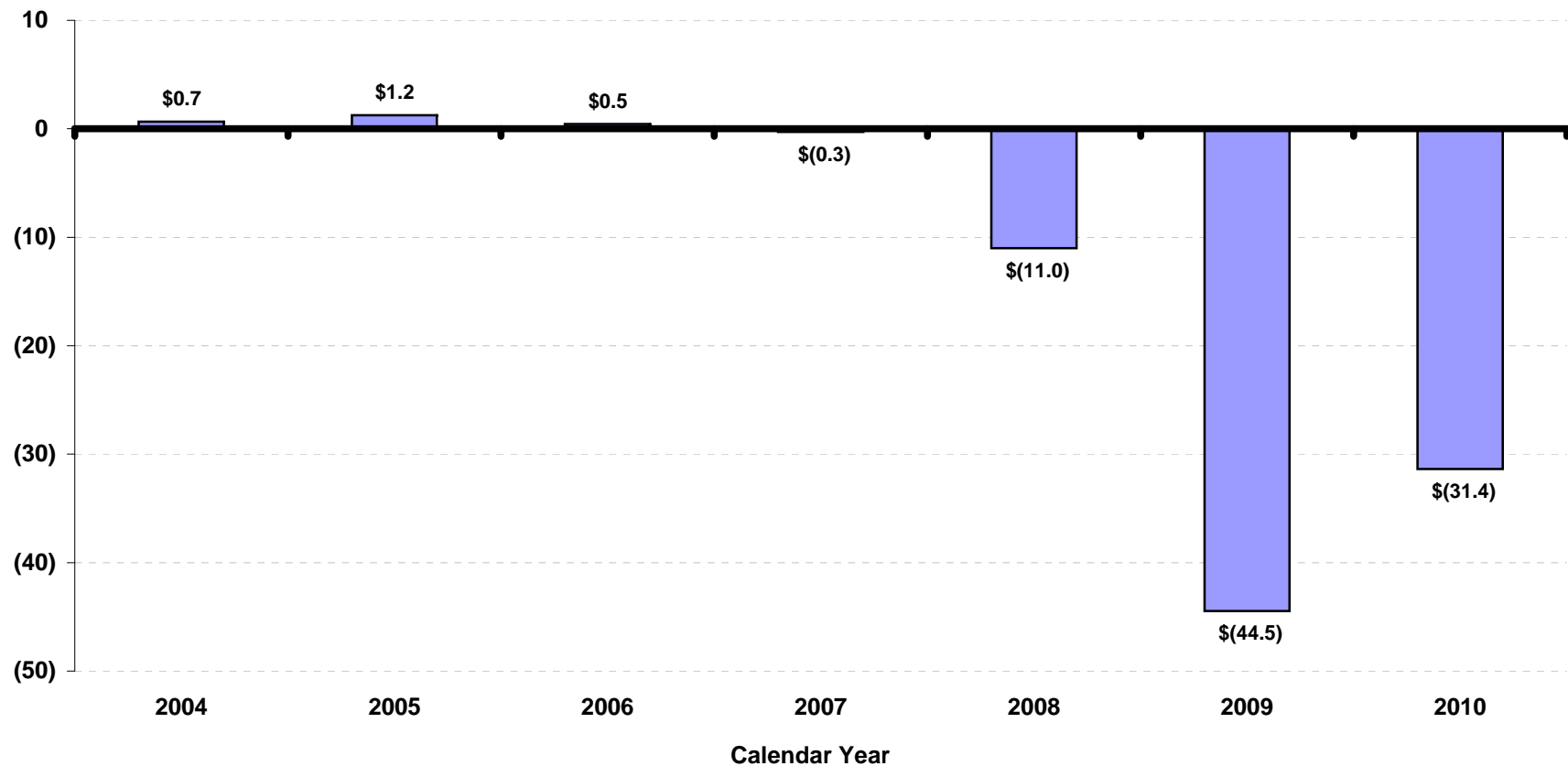
MONTHLY	2005-06	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE	REVISED
JULY	\$19,894	\$63,802	\$26,935	\$37,373	24,859	\$32,560	7,701	
AUGUST	39,179	39,328	42,536	65,238	42,307	51,648	9,341	
SEPTEMBER	(261)		(74)		(90)		90	
OCTOBER	3,095				(1,350)		1,350	
NOVEMBER	18,260	19,211	25,069	36,763	33,580	33,856	276	
DECEMBER	294,981	319,795	345,291	370,438	305,092	307,072	1,980	
JANUARY	87,077	97,200	101,968	105,427	162,407	161,281	(1,125)	
FEBRUARY	62,568	49,707	58,948	61,545	52,610			
MARCH	6,653	8,954	9,860	2,903	3,660			
APRIL	229,543	253,827	278,833	306,253	296,937			
MAY	49,272	96,106	78,982	88,967	78,986			
JUNE	13,677	3,462	4,313	1,986	3,723			
TOTAL	<u>\$823,938</u>	<u>\$951,392</u>	<u>\$972,662</u>	<u>\$1,076,892</u>	<u>\$1,002,720</u>			<u>\$1,013,670</u>
% CHANGE	5.9%	15.5%	2.2%	10.7%	-6.9%			-5.9%
					\$1,002,720			
CUMULATIVE	2005-06	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE	REVISED
JULY	\$19,894	\$63,802	\$26,935	\$37,373	\$24,859	\$32,560	\$7,701	
AUGUST	59,073	103,130	69,471	102,611	67,166	84,208	17,042	
SEPTEMBER	58,812	103,130	69,397	102,611	67,076	84,208	17,132	
OCTOBER	61,907	103,130	69,397	102,611	65,726	84,208	18,482	
NOVEMBER	80,167	122,341	94,465	139,374	99,306	118,064	18,758	
DECEMBER	375,148	442,136	439,757	509,812	404,398	425,136	20,738	
JANUARY	462,225	539,336	541,725	615,239	566,805	586,418	19,613	
FEBRUARY	524,793	589,043	600,674	676,784	619,415			
MARCH	531,446	597,997	610,534	679,687	623,075			
APRIL	760,989	851,824	889,366	985,940	920,011			
MAY	810,261	947,930	968,349	1,074,906	998,997			
JUNE	823,938	951,392	972,662	1,076,892	1,002,720			

FY 2006-07 revenue includes a \$44 million carryover from FY 2005-06. This distorts presentation of the rate of growth in FY 2005-06, FY 2006-07 and FY 2007-08. The estimates on this page represent the "base" for the property tax revenue. Adjustments to the property tax revenue due to VLF and sales tax replacement are shown separately but are not included in this table. FY 2008-09 contains a carryover of secured receipts that should have been received in FY 2007-08. The 2009-10 budget projected a 6.9% decline in base property tax revenues. This is caused by declining assessed values and a reduction in supplemental receipts due to downward reassessments. (Actual assessed values fell by a 1/2% instead of the projected 1% decline which accounts for most of change.)

Change in Assessed Value - City of Los Angeles

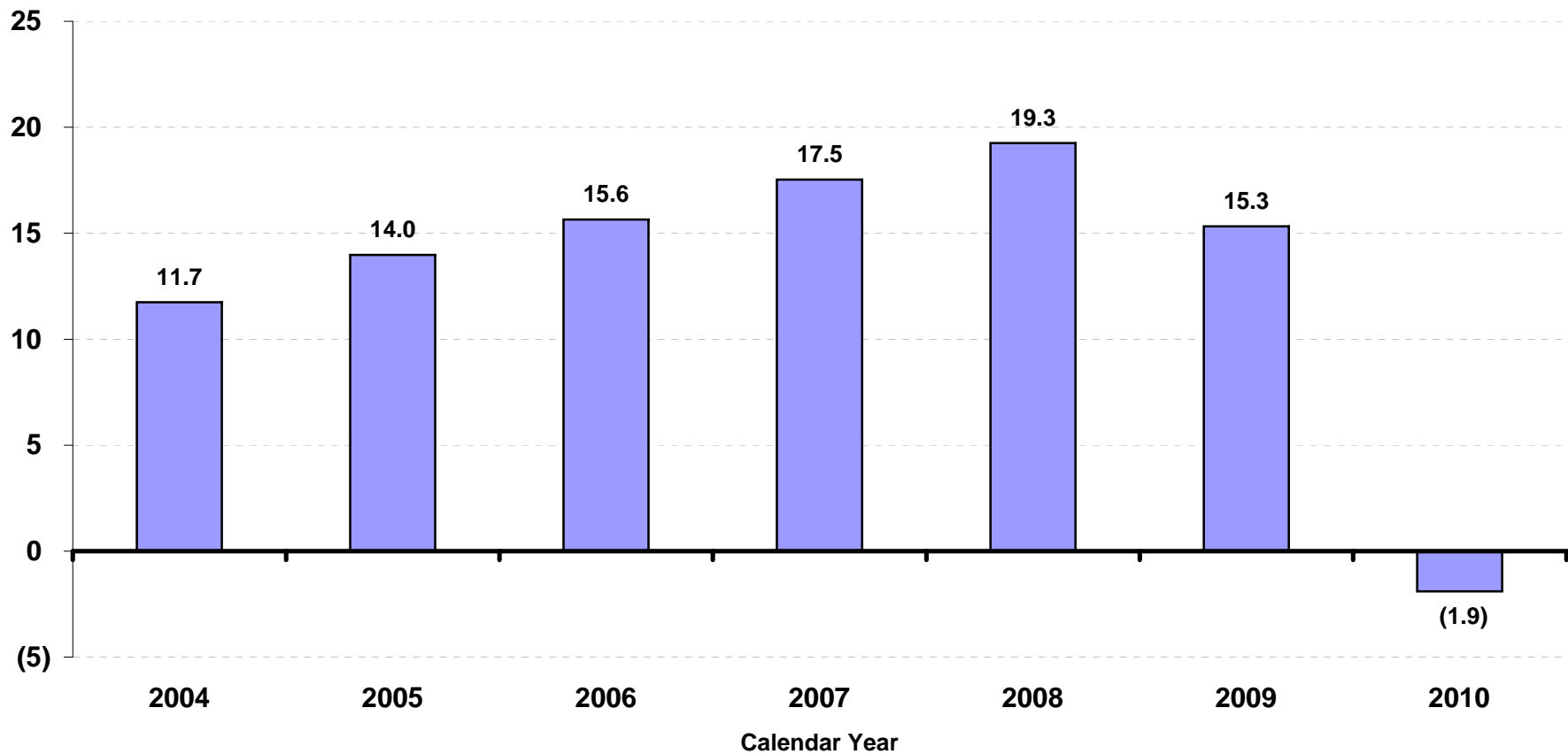


Proposition 8 (A 1978 Property Tax Measure) Changes in Countywide Assessment Roll in \$ Billions



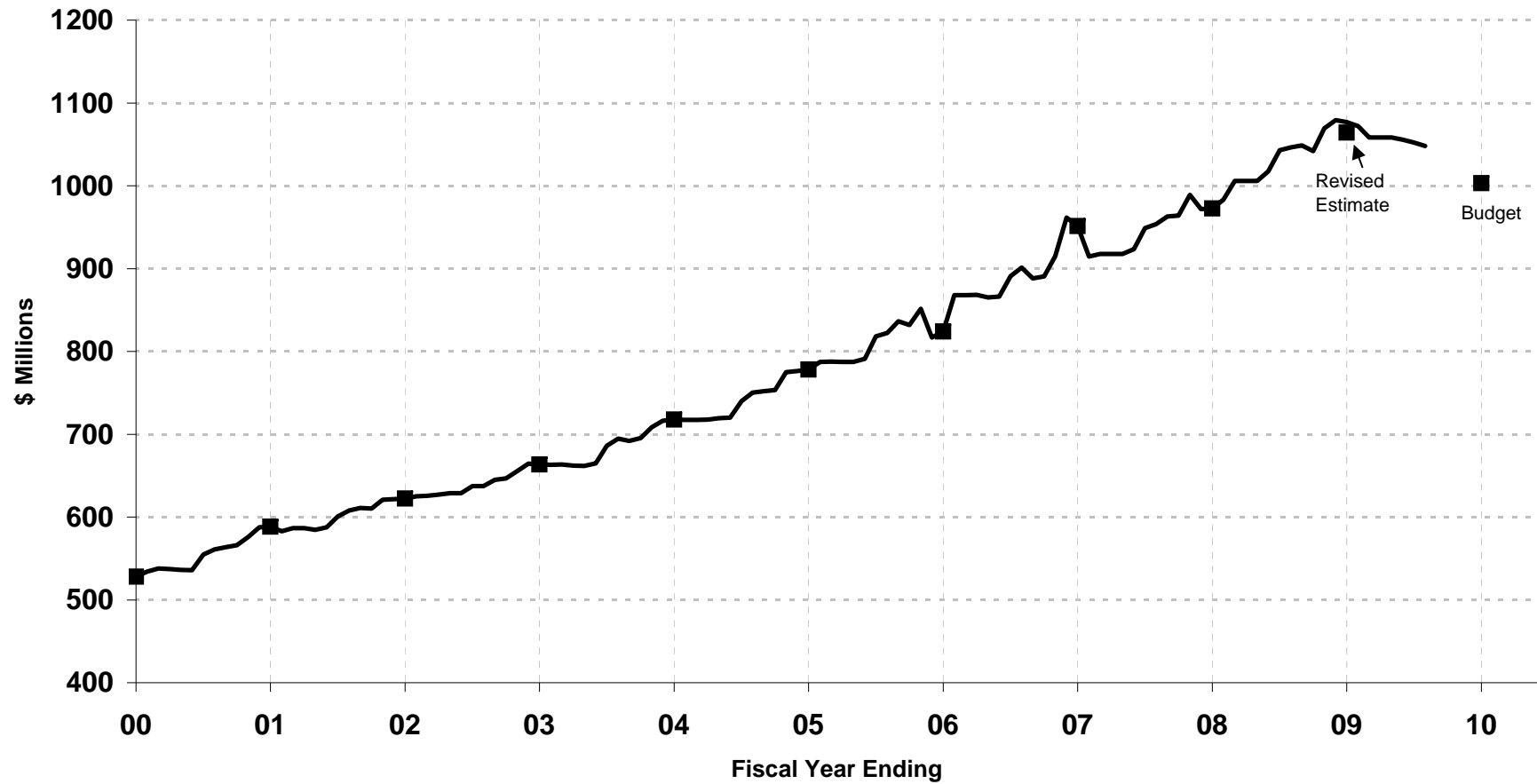
Proposition 8 (a 1978 property tax measure) changes include restorations in value after reductions in earlier years related to casualties or market conditions. Proposition 8 changes also include declines in value based on scheduled Assessment Appeals Board cases and cases decided in the current year. Between 2004 and 2007, restorations and declines in value offset each other. The value shown for 2010 is an early estimate by the Los Angeles County Assessor. If accurate, City receipts from such changes in 2010 would be \$31 million below the 2009 level.

Inflation Adjustment in Billions



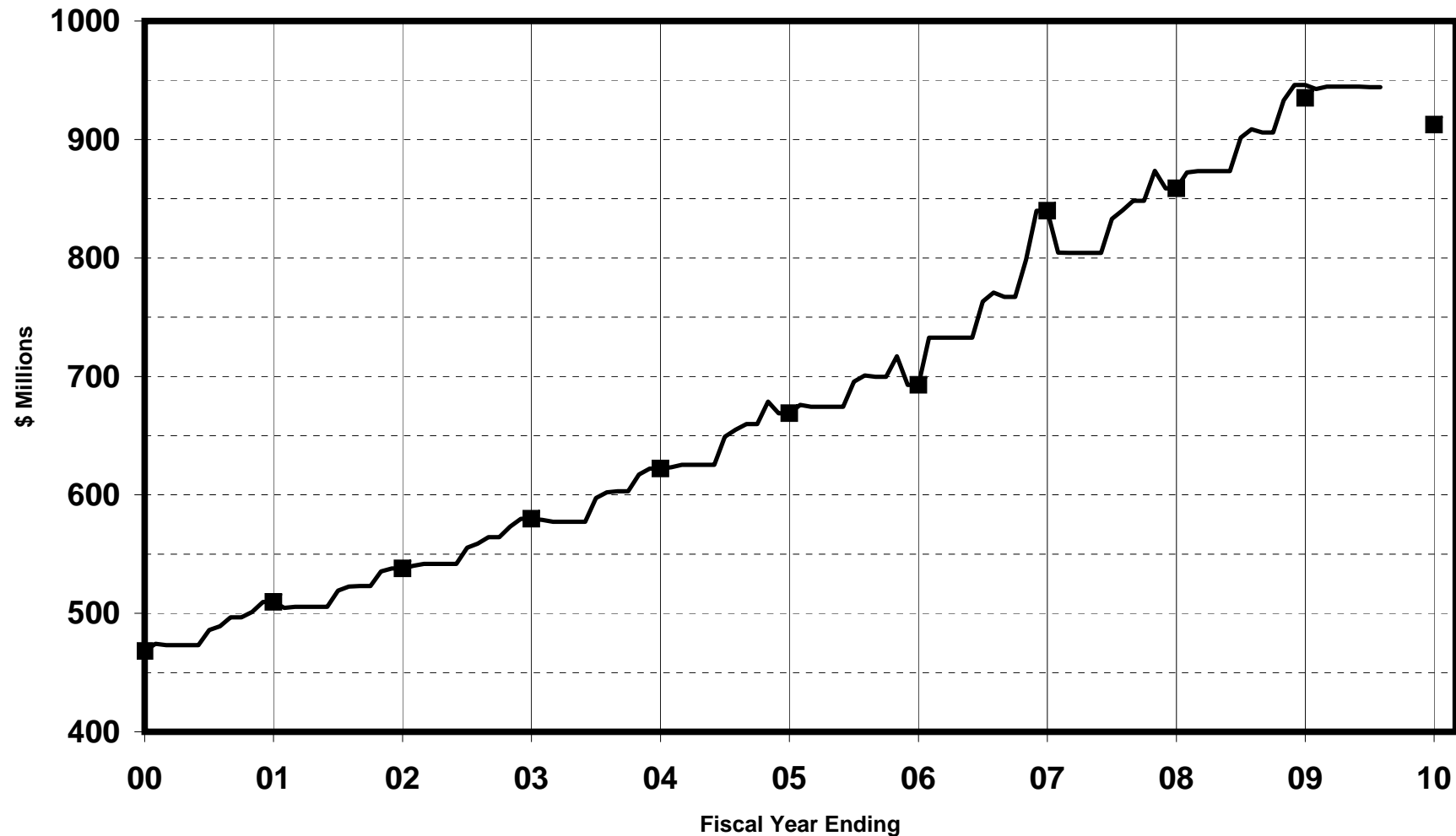
Each \$1 billion adjustment to the countywide roll changes City revenue by about \$1 million. City receipts from this category increased \$15 to 20 million in each of the last several years. This adjustment will reduce City receipts in 2010 by \$2 million from the 2009 level.

Property Tax Base -- Excludes Triple Flip and VLF Swap



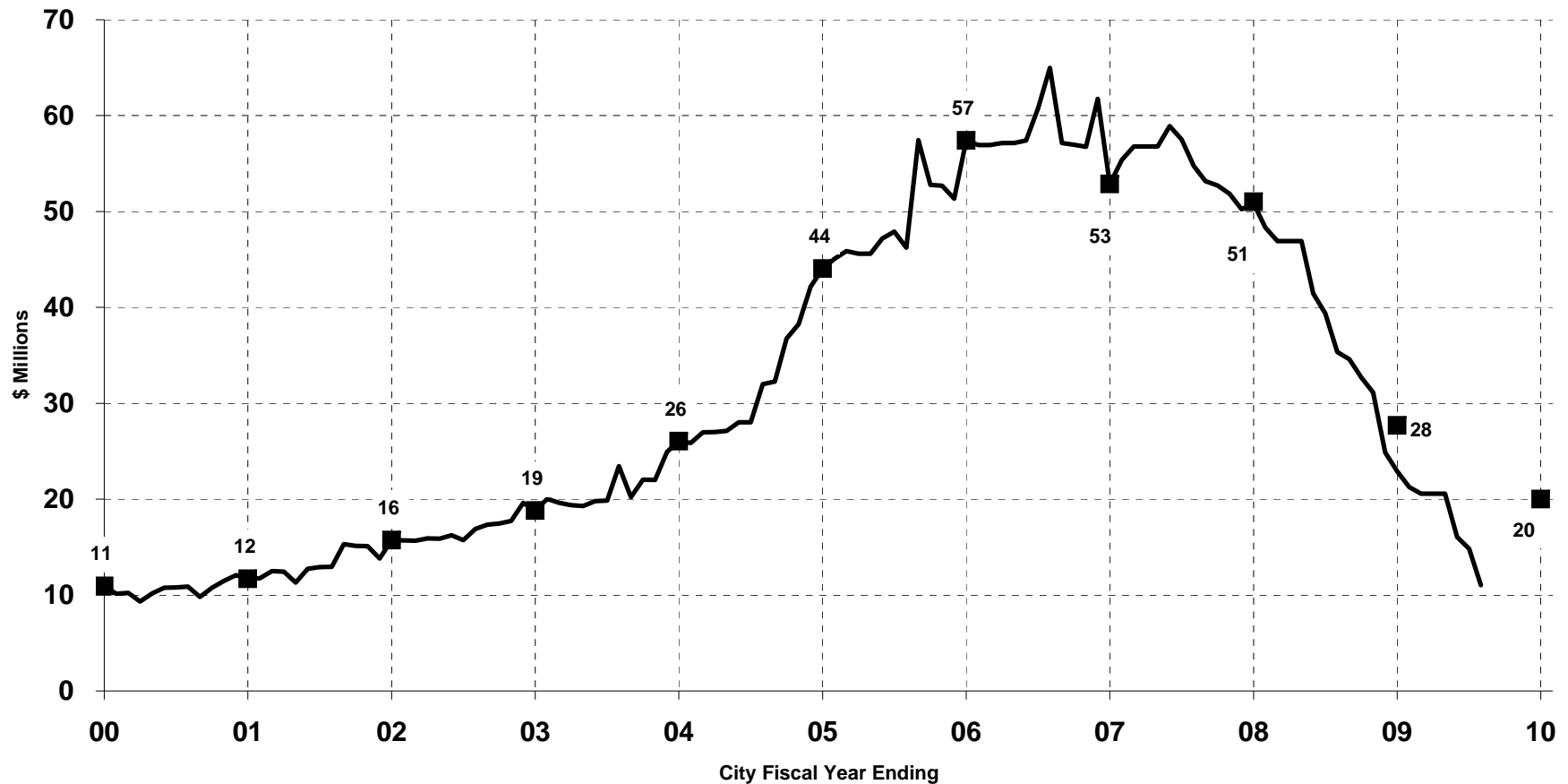
Post-Proposition 13 assessed values respond slowly to construction and real estate market changes and the rate of growth in assessed values between 2002-03 and 2005-06 did not fully capture increases in values. Assessed values continued to grow through 2008-09 despite a real estate downturn beginning in 2006. There are very mixed signals at this time, but even if the market decline slows or if there is an actual upturn, assessed values will still decline for several more years.

Secured Property Tax -- 12-Month Moving Sum



The dip for FY ending '06 and the spike for FY ending '07 reflect a delayed remittance from the county; receipts in the first half of FY ending '10 have leveled off and will decline for some time reflecting the recent downward experience of the local real estate market.

Property Tax Supplemental -- 12-Month Moving Sum



The account shows receipts from assessments made after the lien date. These supplemental assessments are typically caused by a change in ownership. Supplemental receipts are often on the order of \$10-15 million annually. But FYs ending between '04 and '08 averaged \$50 million reflecting accelerating real estate prices. This account will fall below the \$20 million budget in the current fiscal year and could possibly show a negative amount as real estate is reassessed to market.

REVENUE MONTHLY STATUS REPORT
VLF REPLACEMENT (and FY 2005-06 True-up)
 (THOUSAND DOLLARS)

MONTHLY	2005-06	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE	REVISED
JULY								
AUGUST								
SEPTEMBER								
OCTOBER								
NOVEMBER								
DECEMBER								
JANUARY	128,699	135,344	148,628	160,249	153,839	160,112	6,273	160,112
FEBRUARY								
MARCH								
APRIL								
MAY	128,699	135,344	148,628	160,249	153,839			160,112
JUNE								
TOTAL	<u>\$257,398</u>	<u>\$270,688</u>	<u>\$297,256</u>	<u>\$320,498</u>	<u>\$307,678</u>			<u>\$320,223</u>
% CHANGE	23.2%	5.2%	9.8%	7.8%	-4.0%			-0.1%

CUMULATIVE	2005-06	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE	REVISED
JULY								
AUGUST								
SEPTEMBER								
OCTOBER								
NOVEMBER								
DECEMBER								
JANUARY	128,699	135,344	148,628	160,249	153,839	160,112	6,273	160,112
FEBRUARY	128,699	135,344	148,628	160,249	153,839			160,112
MARCH	128,699	135,344	148,628	160,249	153,839			160,112
APRIL	128,699	135,344	148,628	160,249	153,839			160,112
MAY	257,398	270,688	297,256	320,498	307,678			320,223
JUNE	257,398	270,688	297,256	320,498	307,678			320,223

Vehicle license fees (VLF) are in-lieu of an "ad valorem" tax on the value of non-exempt registered vehicles in the State. The State collects this revenue and distributes receipts to local governments. This account receives the property taxes in-lieu of VLF receipts. 2009-10 receipts are consistent with the change in assessed value from 2008-09 -- no growth.

REVENUE MONTHLY STATUS REPORT
SALES TAX REPLACEMENT
 (THOUSAND DOLLARS)

MONTHLY	2005-06	2006-07	2007-08	2008-09	2009-10			
	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>REVISED</u>
JULY								
AUGUST								
SEPTEMBER								
OCTOBER								
NOVEMBER								
DECEMBER								
JANUARY	44,468	56,047	59,668	55,842	54,236	42,488	(11,748)	42,488
FEBRUARY								
MARCH								
APRIL								
MAY	44,468	56,047	59,668	55,842	54,236			42,488
JUNE								
TOTAL	<u>\$88,936</u>	<u>\$112,094</u>	<u>\$119,337</u>	<u>\$111,683</u>	<u>\$108,472</u>			<u>\$84,976</u>
% CHANGE	-1.9%	26.0%	6.5%	-6.4%	-2.9%			-23.9%

CUMULATIVE	2005-06	2006-07	2007-08	2008-09	2009-10			
	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>REVISED</u>
JULY								
AUGUST								
SEPTEMBER								
OCTOBER								
NOVEMBER								
DECEMBER								
JANUARY	44,468	56,047	59,668	55,842	54,236	42,488	(11,748)	42,488
FEBRUARY	44,468	56,047	59,668	55,842	54,236	42,488	(11,748)	42,488
MARCH	44,468	56,047	59,668	55,842	54,236	42,488	(11,748)	42,488
APRIL	44,468	56,047	59,668	55,842	54,236	42,488	(11,748)	42,488
MAY	88,936	112,094	119,337	111,683	108,472	42,488	(11,748)	84,976
JUNE	88,936	112,094	119,337	111,683	108,472	42,488	(11,748)	84,976

Beginning in FY 2004-05, one-quarter of City sales tax receipts was redirected to the state to pay for state economic recovery bonds. To offset the local revenue loss, state law was amended to increase City property tax receipts by an amount equal to the sales tax loss. This account includes property tax remittances directed to the City in-lieu of the lost sales taxes. Over time, any annual change in this account should be in proportion to the change in sales tax receipts. But, because the property tax collections and remittances to the City are on a different schedule than sales tax collections and remittances, matching of these revenues straddles fiscal years.

REVENUE MONTHLY STATUS REPORT
Proposition 1A and Securitization
 (THOUSAND DOLLARS)

MONTHLY

		2009-10			
		<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>REVISED</u>
JULY					
AUGUST					
SEPTEMBER					
OCTOBER					
NOVEMBER					
DECEMBER	1st Installment - Amount		(59,952)	(59,952)	(59,952)
JANUARY	Securitization		59,952	59,952	59,952
FEBRUARY					
MARCH					
APRIL	2nd Installment				(59,952)
MAY	Securitization				59,952
JUNE					
TOTAL		<u> </u>	<u> </u>		<u> </u>
% CHANGE		<u> </u>	<u> </u>		<u> </u>

CUMULATIVE

		2009-10			
		<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>REVISED</u>
JULY					
AUGUST					
SEPTEMBER					
OCTOBER					
NOVEMBER					
DECEMBER			(\$59,952)	(59,952)	(\$59,952)
JANUARY					
FEBRUARY					
MARCH					
APRIL					(\$59,952)
MAY					
JUNE					

The state budget provides for state borrowing of \$119.9 million of property taxes due the City; this borrowing is permitted by Proposition 1A, approved on the November 2004 statewide election ballot. The city is participating in a securitization program through a joint powers authority and the proceeds from that program will offset the city's revenue reductions from the state borrowing of local revenue. The net effect of this is that \$59.9 million in cash receipts are delayed by one month in December 2009 and again in April 2010.

REVENUE MONTHLY STATUS REPORT
DOCUMENTARY TRANSFER TAX
(Thousand Dollars)

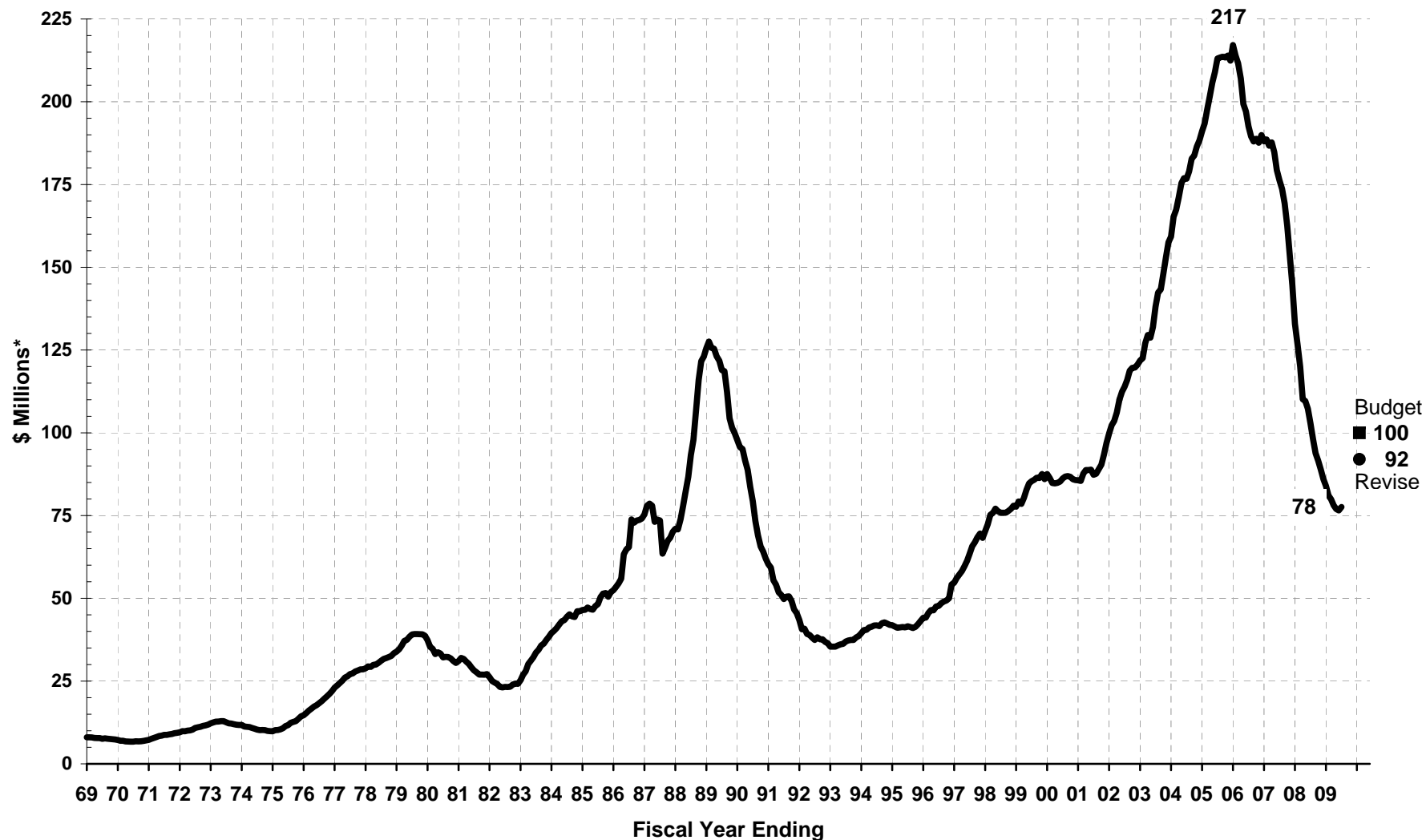
MONTHLY	2005-06	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE	REVISED
JULY	\$19,445	\$16,264	\$16,823	\$10,711	\$9,053	\$7,800	(\$1,253)	\$7,800
AUGUST	20,480	18,163	16,243	9,408	9,015	8,302	(713)	8,302
SEPTEMBER	21,890	17,300	18,289	8,437	9,616	6,610	(3,006)	6,610
OCTOBER	20,577	12,822	9,851	9,334	8,476	8,209	(267)	8,209
NOVEMBER	17,893	15,811	10,190	7,867	8,023	7,425	(598)	7,425
DECEMBER	17,171	12,698	9,710	5,327	7,261	6,382	(879)	6,382
JANUARY	17,402	14,326	11,635	6,874	8,858	9,050	192	7,573
FEBRUARY	14,594	13,047	8,692	4,392	6,787			6,787
MARCH	12,589	13,344	6,606	4,387	6,242			6,242
APRIL	18,477	17,276	8,237	5,487	8,784			8,784
MAY	15,523	17,828	8,840	5,966	8,763			8,763
JUNE	21,279	19,393	7,805	5,766	9,122			9,122
TOTAL	\$217,320	\$188,272	\$132,921	\$83,956	\$100,000			\$92,000
% CHANGE	13.7%	-13.4%	-29.4%	-36.8%	19.1%			9.6%

MONTHLY	2005-06	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE	REVISED
JULY	\$19,445	\$16,264	\$16,823	\$10,711	\$9,053	\$7,800	(\$1,253)	\$7,800
AUGUST	39,925	34,427	33,066	20,119	18,068	16,102	(1,966)	16,102
SEPTEMBER	61,815	51,727	51,355	28,556	27,684	22,713	(4,972)	22,713
OCTOBER	82,392	64,549	61,206	37,890	36,160	30,921	(5,239)	30,921
NOVEMBER	100,285	80,360	71,396	45,757	44,183	38,346	(5,836)	38,346
DECEMBER	117,456	93,058	81,106	51,084	51,444	44,728	(6,715)	44,728
JANUARY	134,858	107,384	92,741	57,958	60,302	53,778	(6,523)	52,301
FEBRUARY	149,452	120,431	101,433	62,350	67,089			59,089
MARCH	162,041	133,775	108,039	66,737	73,331			65,331
APRIL	180,518	151,051	116,276	72,224	82,115			74,114
MAY	196,041	168,879	125,116	78,190	90,878			82,877
JUNE	217,320	188,272	132,921	83,956	100,000			92,000

Receipts for the first six months of 2009-10 are 13% below the same period last year, but the December 2009 receipt is 20% more than the December 2008 receipt. January's receipt is encouraging.

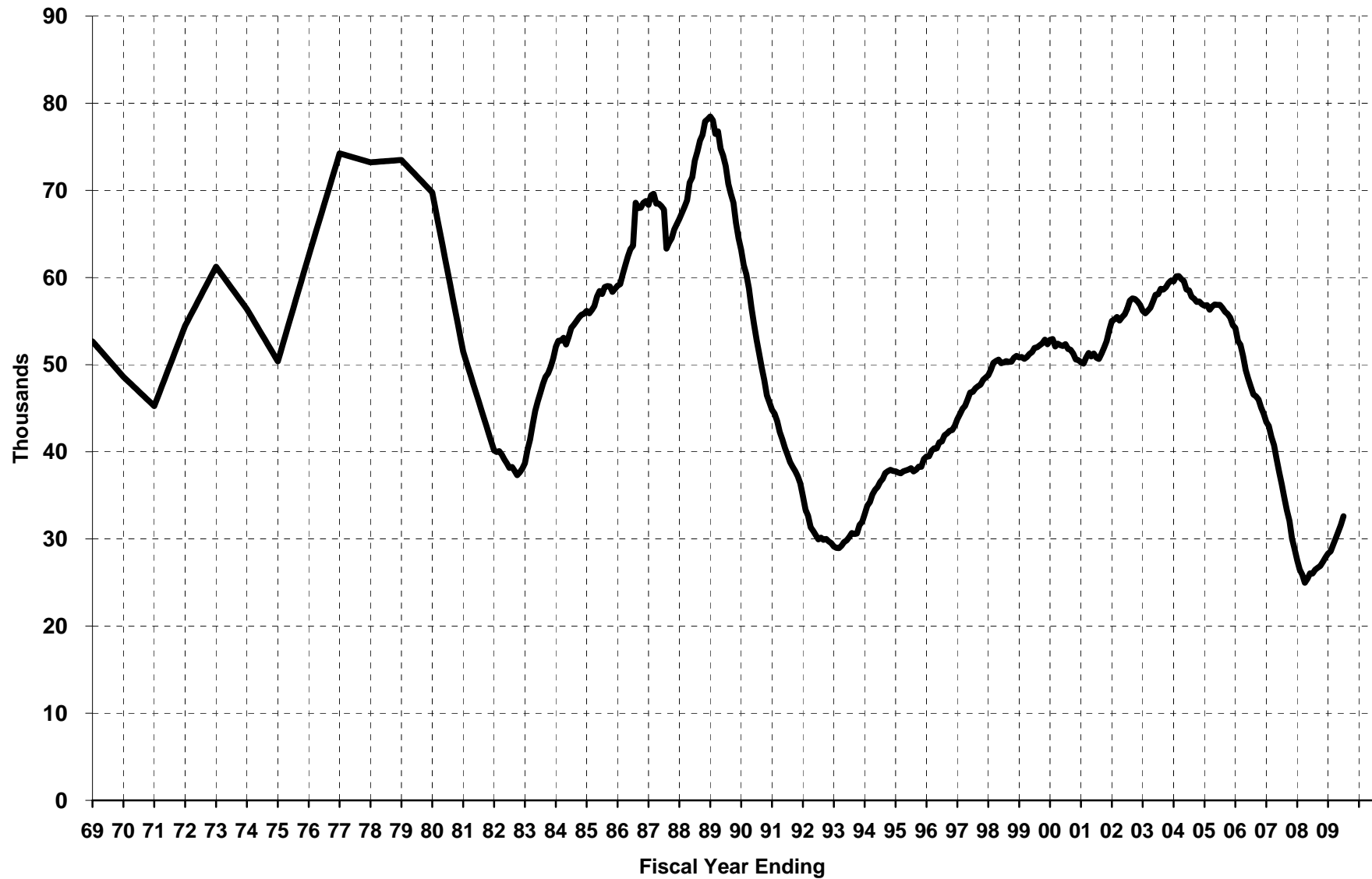
Documentary Transfer Tax

12-Month Moving Sum



Despite reports of increasing real estate activity and price stabilization, receipts for the 12-months ending in December 2009 are 25% below the same period last year and are 13% below the budgeted level. But we see a slight up tick in December. With an improving real estate market, this account is now expected to finish the year \$8 million below budget.

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

**Deeds Recorded in City
12-month Moving Sum**

Volume, as measured by recorded deeds, was at the historic low point in October 2008; it turned up slightly during the most recent 12-month period. Volume recently passed the prior low point in 1993. Industry statistics confirm real estate sales are rising.

REVENUE MONTHLY STATUS REPORT

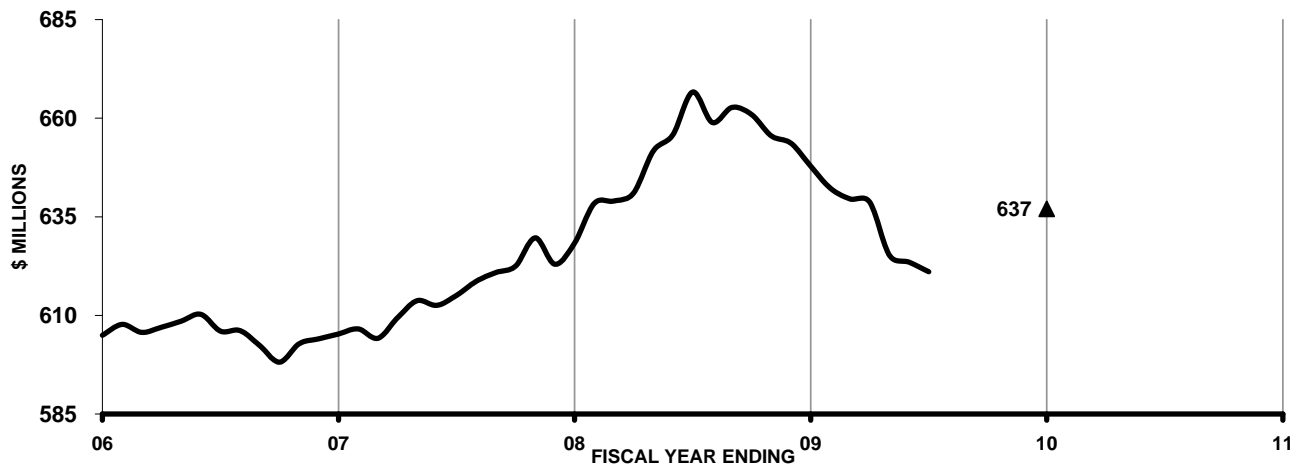
UTILITY USERS' TAX

(Thousand Dollars)

MONTHLY	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE	REVISED
JULY	\$47,907	\$49,242	\$59,303	\$54,206	\$53,724	(\$482)	
AUGUST	51,713	49,308	49,913	53,471	47,181	(6,290)	
SEPTEMBER	47,227	52,469	54,500	54,154	53,686	(468)	
OCTOBER	50,583	54,865	65,521	57,568	52,082	(5,486)	
NOVEMBER	56,620	55,458	59,629	61,906	57,871	(4,035)	
DECEMBER	42,426	44,923	55,711	51,832	53,270	1,438	
JANUARY	53,639	57,227	49,504	57,756			
FEBRUARY	48,993	51,222	55,059	54,495			
MARCH	52,999	54,602	52,745	57,853			
APRIL	52,514	59,689	54,302	59,393			
MAY	55,842	49,174	47,304	55,243			
JUNE	44,804	50,140	44,330	50,000			
TOTAL	\$605,265	\$628,319	\$647,822	\$667,875			\$637,000
% CHANGE	0.1%	3.8%	3.1%	3.1%			-1.7%

CUMULATIVE	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE	REVISED
JULY	\$47,907	\$49,242	\$59,303	\$54,206	\$53,724	(\$482)	
AUGUST	99,619	98,550	109,216	107,677	100,905	(6,772)	
SEPTEMBER	146,846	151,019	163,716	161,830	154,591	(7,239)	
OCTOBER	197,429	205,884	229,238	219,398	206,673	(12,726)	
NOVEMBER	254,049	261,343	288,867	281,304	264,543	(16,761)	
DECEMBER	296,475	306,266	344,578	333,136	317,813	(15,323)	
JANUARY	350,114	363,492	394,082	390,892			
FEBRUARY	399,106	414,714	449,141	445,387			
MARCH	452,105	469,317	501,886	503,240			
APRIL	504,619	529,005	556,188	562,633			
MAY	560,461	578,179	603,492	617,875			
JUNE	605,265	628,319	647,822	667,875			

UTILITY USERS' TAX 12-MONTH MOVING SUM



REVENUE MONTHLY STATUS REPORT

ELECTRIC USERS' TAX

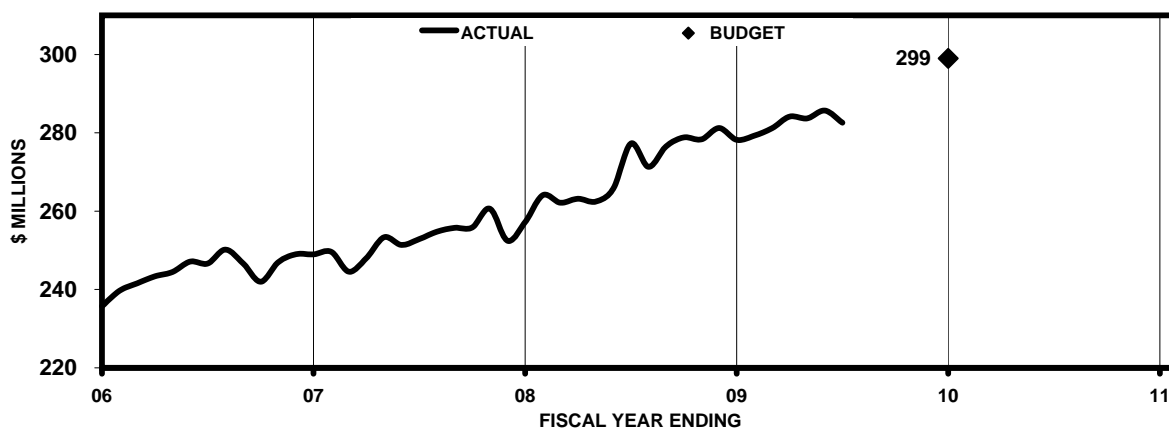
(Thousand Dollars)

MONTHLY	2006-07	2007-08	2008-09	2009-10			REVISED
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE	
JULY	\$18,992	\$19,648	\$26,491	\$24,706	\$27,546	\$2,840	
AUGUST	25,698	20,614	18,694	24,971	20,578	(4,393)	
SEPTEMBER	20,120	23,575	24,608	26,004	27,592	1,588	
OCTOBER	22,133	27,457	26,712	29,068	26,290	(2,778)	
NOVEMBER	29,112	27,170	30,497	33,106	32,491	(615)	
DECEMBER	14,737	16,248	27,739	22,132	24,628	2,496	
JANUARY	22,738	24,592	18,633	25,306			
FEBRUARY	15,244	16,244	21,490	20,095			
MARCH	19,879	19,949	22,237	23,653			
APRIL	20,483	25,303	24,814	26,893			
MAY	25,096	16,878	19,769	23,668			
JUNE	14,751	19,552	16,523	19,400			
TOTAL	\$248,983	\$257,228	\$278,208	\$299,000			\$299,000
% CHANGE	5.6%	3.3%	8.2%	7.5%			7.5%

CUMULATIVE	2006-07	2007-08	2008-09	2009-10			REVISED
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE	
JULY	\$18,992	\$19,648	\$26,491	\$24,706	\$27,546	\$2,840	
AUGUST	44,690	40,262	45,186	49,677	48,124	(1,553)	
SEPTEMBER	64,810	63,836	69,793	75,680	75,716	36	
OCTOBER	86,943	91,293	96,506	104,748	102,006	(2,742)	
NOVEMBER	116,055	118,463	127,002	137,854	134,497	(3,357)	
DECEMBER	130,792	134,711	154,741	159,986	159,125	(861)	
JANUARY	153,530	159,303	173,374	185,292			
FEBRUARY	168,773	175,547	194,865	205,387			
MARCH	188,652	195,496	217,101	229,040			
APRIL	209,135	220,798	241,916	255,933			
MAY	234,232	237,676	261,685	279,600			
JUNE	248,983	257,228	278,208	299,000			
6-month avg.	52.5%	52.4%	55.6%	53.5%	53.2%		

ELECTRIC USERS' TAX

12-MONTH MOVING SUM



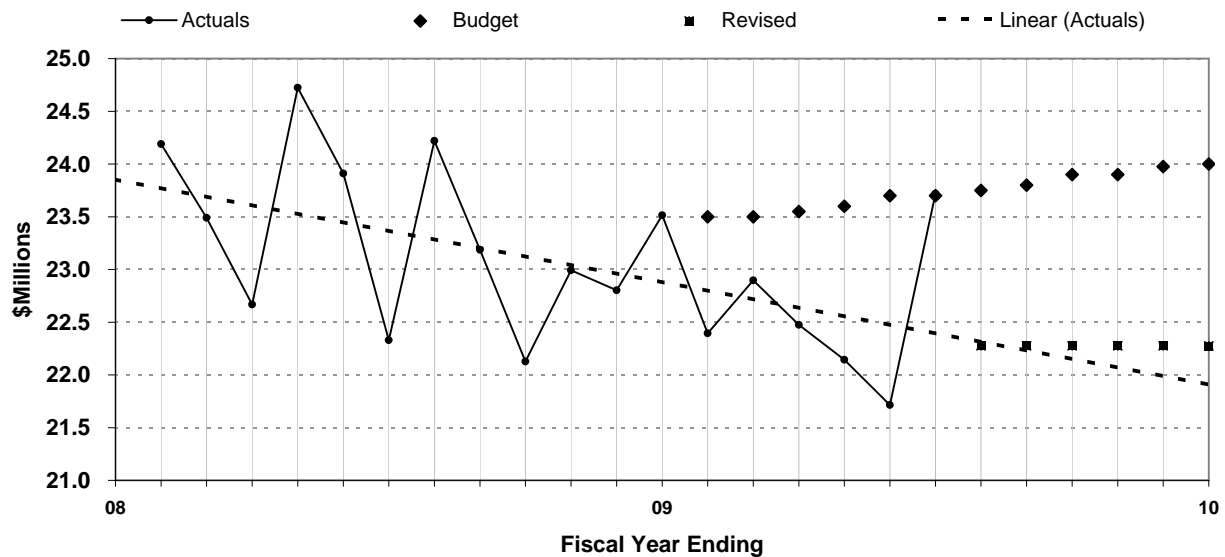
The swings in monthly receipts from DWP reflect the timing of accounting transactions, but cumulative receipts at mid-year are close to plan.

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

MONTHLY	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE	REVISED
JULY	\$23,323	\$22,734	\$24,190	\$23,500	\$22,395	(\$1,105)	\$22,395
AUGUST	21,582	22,892	23,491	23,500	22,896	(604)	22,896
SEPTEMBER	22,778	24,044	22,667	23,550	22,475	(1,075)	22,475
OCTOBER	23,633	22,785	32,924	23,600	22,145	(1,455)	22,145
NOVEMBER	22,627	23,440	23,910	23,700	21,715	(1,985)	21,715
DECEMBER	22,671	22,827	22,330	23,700	23,719	19	23,719
JANUARY	22,261	23,976	24,220	23,750			22,276
FEBRUARY	22,566	23,028	23,186	23,800			22,276
MARCH	22,370	22,457	22,128	23,900			22,276
APRIL	23,747	24,231	22,993	23,900			22,276
MAY	22,939	23,314	22,803	23,975			22,276
JUNE	23,319	22,092	23,514	24,000			22,275
TOTAL	\$273,817	\$277,819	\$288,356	\$284,875			\$269,000
% CHANGE	1.2%	1.5%	3.8%	-1.2%			-6.7%

CUMULATIVE	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE	REVISED
JULY	\$23,323	\$22,734	\$24,190	\$23,500	\$22,395	(\$1,105)	\$22,395
AUGUST	44,905	45,625	47,681	47,000	45,291	(1,709)	45,291
SEPTEMBER	67,683	69,669	70,348	70,550	67,767	(2,783)	67,767
OCTOBER	91,316	92,454	103,272	94,150	89,911	(4,239)	89,911
NOVEMBER	113,943	115,894	127,182	117,850	111,626	(6,224)	111,626
DECEMBER	136,614	138,721	149,512	141,550	135,345	(6,205)	135,345
JANUARY	158,876	162,696	173,732	165,300			157,621
FEBRUARY	181,442	185,725	196,918	189,100			179,897
MARCH	203,812	208,182	219,046	213,000			202,173
APRIL	227,559	232,414	242,039	236,900			224,449
MAY	250,499	255,728	264,842	260,875			246,725
JUNE	273,817	277,819	288,356	284,875			269,000

Telephone Collections



The downward drift is possibly related to the continuing effects of the recession combined with falling usage charges related to increased competition among providers. The December 2009 receipt includes a \$1.9 million one-time audit receipt; December receipts would otherwise have been \$21.8 million.

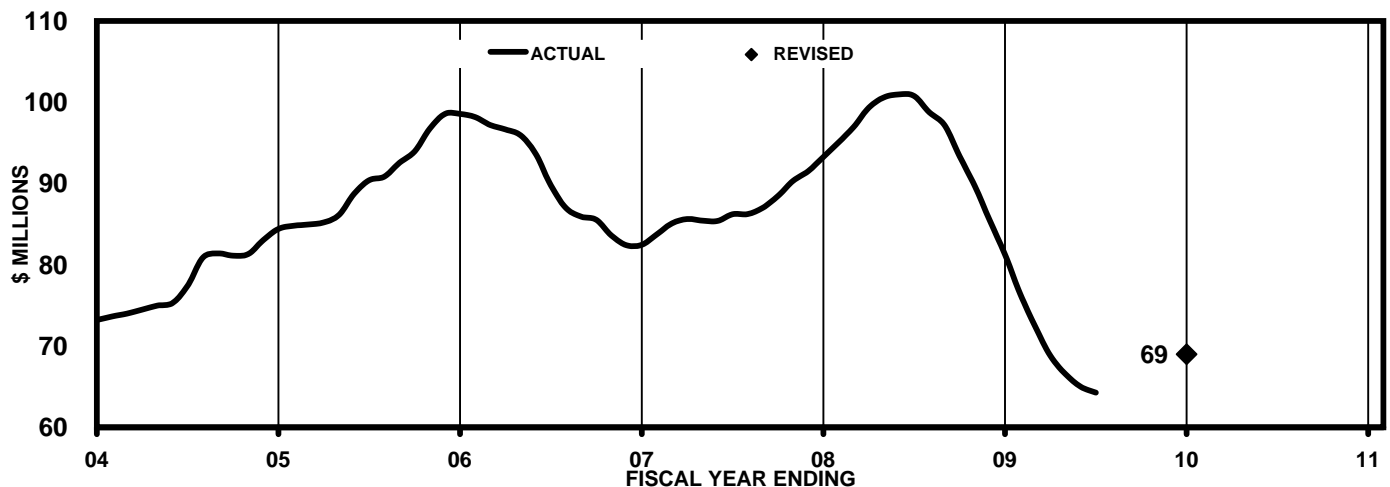
REVENUE MONTHLY STATUS REPORT GAS USERS' TAX

(Thousand Dollars)

MONTHLY	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE	REVISED
JULY	\$5,592	\$6,860	\$8,621	\$6,000	\$3,783	(\$2,217)	\$3,783
AUGUST	4,432	5,803	7,728	5,000	3,707	(1,293)	3,707
SEPTEMBER	4,329	4,851	7,225	4,600	3,619	(981)	3,619
OCTOBER	4,817	4,624	5,885	4,900	3,647	(1,253)	3,647
NOVEMBER	4,881	4,849	5,222	5,100	3,666	(1,434)	3,666
DECEMBER	5,017	5,848	5,642	6,000	4,922	(1,078)	4,922
JANUARY	8,639	8,659	6,651	8,700			8,000
FEBRUARY	11,183	11,949	10,383	10,600			9,500
MARCH	10,750	12,196	8,381	10,300			10,000
APRIL	8,283	10,155	6,495	8,600			7,500
MAY	7,806	8,982	4,732	7,600			6,000
JUNE	6,735	8,496	4,292	6,600			4,657
TOTAL	\$82,465	\$93,271	\$81,258	\$84,000			\$69,000
% CHANGE	-16.3%	13.1%	-12.9%	3.4%			-15.1%

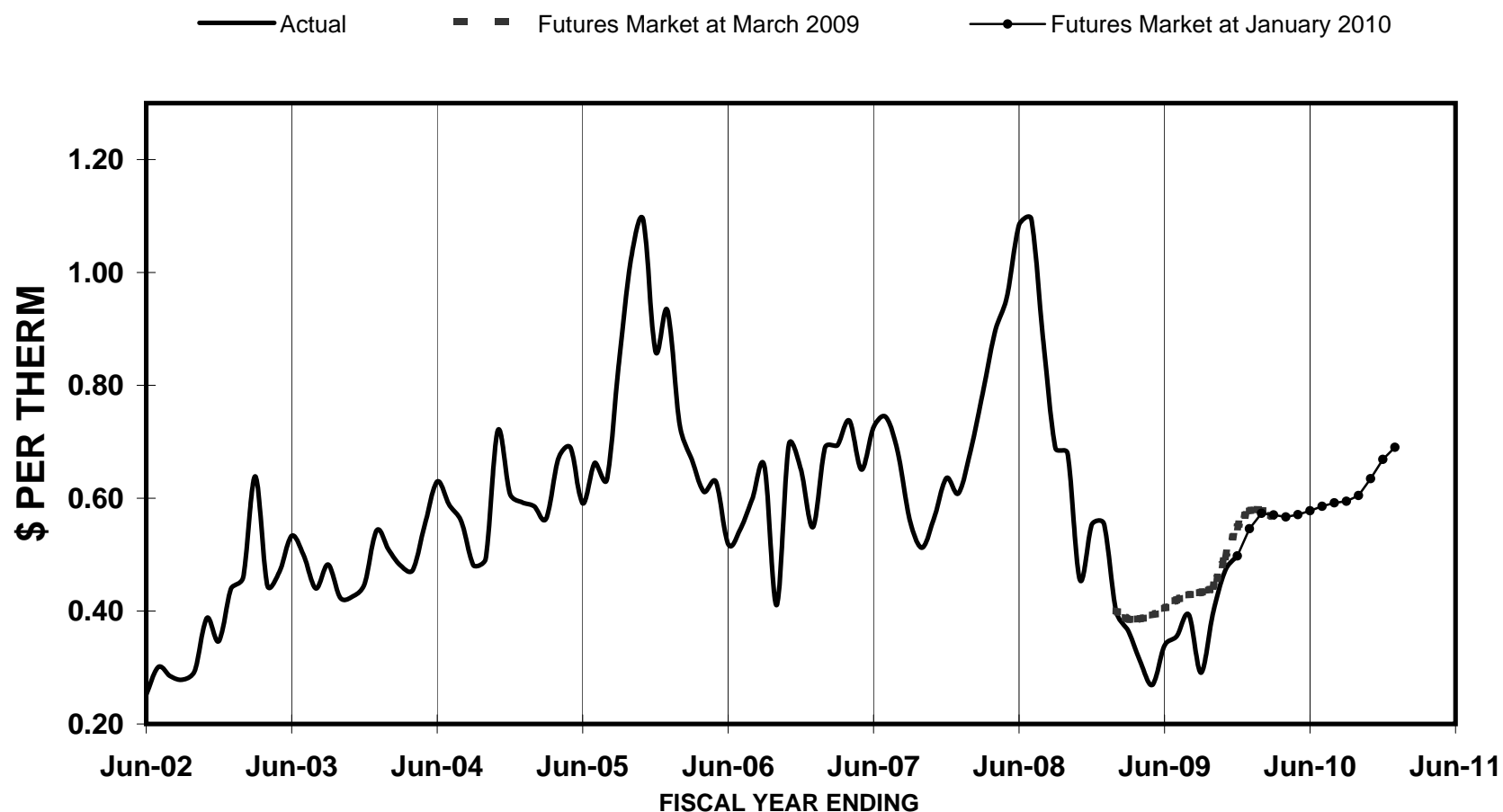
CUMULATIVE	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE	REVISED
JULY	\$5,592	\$6,860	\$8,621	\$6,000	\$3,783	(\$2,217)	\$3,783
AUGUST	10,024	12,663	16,350	11,000	7,490	(3,510)	7,490
SEPTEMBER	14,353	17,513	23,575	15,600	11,108	(4,492)	11,108
OCTOBER	19,170	22,137	29,460	20,500	14,755	(5,745)	14,755
NOVEMBER	24,051	26,986	34,682	25,600	18,421	(7,179)	18,421
DECEMBER	29,069	32,834	40,324	31,600	23,343	(8,257)	23,343
JANUARY	37,708	41,493	46,975	40,300			31,343
FEBRUARY	48,891	53,443	57,358	50,900			40,843
MARCH	59,641	65,639	65,739	61,200			50,843
APRIL	67,924	75,793	72,233	69,800			58,343
MAY	75,730	84,775	76,966	77,400			64,343
JUNE	82,465	93,271	81,258	84,000			69,000

GAS USERS' TAX 12-MONTH MOVING SUM



Natural gas prices are rising from recent cyclical low. See next page.

COST OF NATURAL GAS



The market anticipates the cost of gas to rise to the \$0.60 per therm price level for 2009-10, this will slow the decline in natural gas-related revenues..

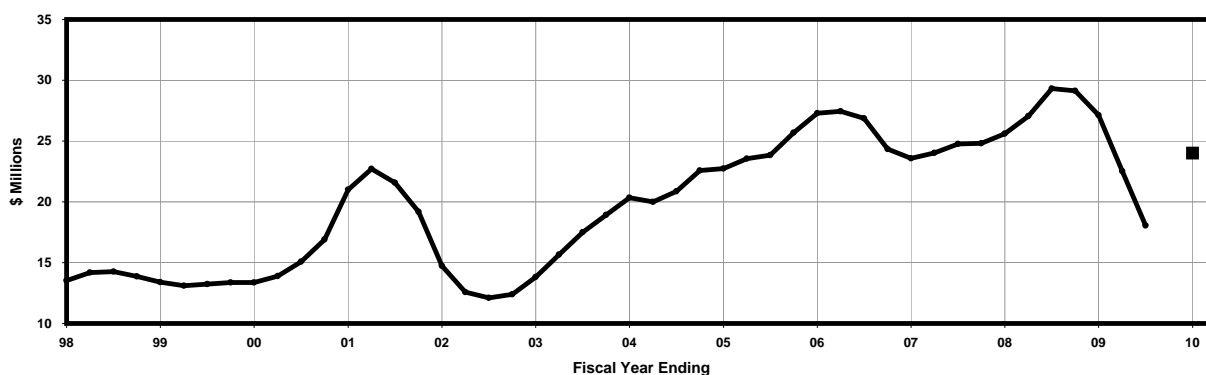
REVENUE MONTHLY STATUS REPORT BY ACCOUNT

FRANCHISE INCOME -- GAS

(Thousand Dollars)

MONTHLY	2005-06	2006-07	2007-08	2008-09	2009-10			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE	REVISED
JULY								
AUGUST	\$5,397	\$5,554	\$6,002	\$7,430	\$5,954	\$3,139	(\$2,815)	\$3,139
SEPTEMBER								
OCTOBER								
NOVEMBER	5,240	4,660	5,391	7,669	6,073	3,209	(2,864)	3,209
DECEMBER								
JANUARY								
FEBRUARY	8,134		5,665	5,486	5,744			4,147
MARCH		5,603						
APRIL								
MAY	8,519	7,769	8,555	6,166	6,224			4,500
JUNE								
TOTAL	\$27,290	\$23,586	\$25,613	\$26,752	\$23,995			\$14,995
% CHANGE	20.0%	-13.6%	8.6%	4.4%	-11.6%			-43.9%

CUMULATIVE	2005-06	2006-07	2007-08	2009-10				
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	PLAN	ACTUAL	VARIANCE	REVISED
JULY								
AUGUST	\$5,397	\$5,554	\$6,002	\$7,430	\$5,954	\$3,139	(\$2,815)	\$3,139
SEPTEMBER	5,397	5,554	6,002	7,430	5,954	3,139	(2,815)	3,139
OCTOBER	5,397	5,554	6,002	7,430	5,954	3,139	(2,815)	3,139
NOVEMBER	10,637	10,214	11,393	15,100	12,026	6,348	(5,678)	6,348
DECEMBER	10,637	10,214	11,393	15,100	12,026	6,348	(5,678)	6,348
JANUARY	10,637	10,214	11,393	15,100	12,026			6,348
FEBRUARY	18,771	10,214	17,058	20,586	17,771			10,495
MARCH	18,771	15,817	17,058	20,586	17,771			10,495
APRIL	18,771	15,817	17,058	20,586	17,771			10,495
MAY	27,290	23,586	25,613	26,752	23,995			14,995
JUNE	27,290	23,586	25,613	26,752	23,995			14,995

Franchise Income - Gas
4-Quarter Moving Sum

This revenue is linked to the price of natural gas; see chart on previous page.

Licenses, Permits, Fees and Fines
2009-10 Revenue Changes
\$ Thousands

Department	Budget	Revised	Variance	Notes
Planning	20,377	13,877	(6,500)	Planning revenue will likely finish \$6.5 million short, despite recent fee increases.
General Services	42,906	37,406	(5,500)	Surplus property sales are less than budget and fleet reimbursement from Recreation and Parks is reduced.
Sanitation	122,036	117,636	(4,400)	Various overhead revenues are now projected to finish short of budget.
Housing	21,489	18,489	(3,000)	Overhead revenue estimates are too high due to vacancies.
Building and Safety	31,619	29,619	(2,000)	Overhead and non-compliance revenues will likely fall below budget.
Police Airport reimbursements	68,056	61,056	(7,000)	Budget estimate for reimbursement for police department related costs now appears to be high; detail on overtime is not presently available.
Staples Signage sale	2,000	-	(2,000)	This is no longer expected to happen in 2009-10.
Treasurer	3,563	2,063	(1,500)	Treasurer expects lower reimbursements from proprietary departments and sewer service related costs.
City Clerk	3,501	2,001	(1,500)	The Clerk will not receive any state mandated reimbursements; this is partially offset by increased election reimbursements.
CDD	11,779	10,679	(1,100)	CDD expects lower related cost reimbursements.
PW Engineering	26,766	25,696	(1,070)	Engineering revenues are down.
PW Con Ad	21,056	20,056	(1,000)	Various revenues will likely fall short by \$1 million.
Transportation	35,475	36,875	1,400	Department's revised estimate exceeds budget.
Fire	134,854	136,754	1,900	Additional reimbursements from Airports and Harbor for Fire services of \$6.2 million. This is offset by a loss of \$4 million in lower ambulance revenues .
All Other LPFF Revenues	177,649	178,919	1,270	All other LPFF revenues
Totals	<u>\$ 723,126</u>	<u>\$ 691,126</u>	<u>\$ (32,000)</u>	

STATUS OF RESERVE FUND AS OF 1/15/2010

Council File No.	Item Description	Amount
	Balance Available, 7/1/09	\$ 152,864,585
	Less: Emergency Reserve Account	<u>120,994,000</u>
	Contingency Reserve Account 7/1/09	\$ 31,870,585
	General Fund Appropriation to the Reserve Fund \$46,798,058	-
	Loan Repayment and Other Receipts	<u>59,622,414</u>
	Contingency Reserve Account	\$ 91,492,999
	Loans and Transfers Approved to Date	
08-2793	Liability Claims (May Day Litigation)	\$ (12,750,000)
09-2632	Liability Claims (Niles Rose) 2nd payment 7/1/10	(1,150,000)
CAO memo	LACVB	(1,148,184)
CAO memo	LACVB	(1,060,637)
09-2627	Liability Claims (Stein)	(1,000,000)
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)
09-0600 (2nd FSR	Annual Audit (reappropriation)	(774,000)
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)
09-0600 (2nd FSR	Cultural Affairs Matching Grant Program (Reappropriation)	(59,038)
09-2181	Metropolitan LA Branch of the American Society of Civil Engineers	(497)
	Loans and Transfers Approved to Date Subtotal	\$ (23,695,522)
	Proposed Loans and Transfers	
Various	Liability Claims	(17,940,000)
	Proposed Loans and Transfers Subtotal	\$ (17,940,000)
	Contingency Reserve Available Balance as of 1/15/2010	<u><u>\$ 49,857,477</u></u>
	Total Emergency and Contingency Reserve Fund	<u><u>\$ 170,851,477</u></u>

Four-Year Budget Outlook (\$ millions)

	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	\$ 4,213.9	\$ 4,132.3	\$ 4,176.8	\$ 4,284.5
Revenue Growth (2)						
Property Related Taxes	(62.8)	(71.3)	(34.7)	2.4	30.8	53.7
Sales and Business Taxes	(78.1)	(114.1)	-	6.9	21.0	36.1
Utility Users' Tax	30.3	(0.6)	(19.8)	18.2	34.5	36.4
License, Permits and Fees	(81.1)	(113.1)	(6.9)	(6.8)	-	6.8
Other Fees, Taxes and Transfers	(23.6)	(66.1)	5.2	23.8	21.4	26.0
SPRF Transfer	61.3	25.3	(25.3)	-	-	-
Total Revenue	\$ 4,399.8	\$ 4,213.9	\$ 4,132.3	\$ 4,176.8	\$ 4,284.5	\$ 4,443.5
<i>General Fund Revenue Increase %</i>	<i>-3.4%</i>	<i>-7.5%</i>	<i>-1.9%</i>	<i>1.1%</i>	<i>2.6%</i>	<i>3.7%</i>
<i>General Fund Revenue Increase \$</i>	<i>(154.0)</i>	<i>(339.9)</i>	<i>(81.6)</i>	<i>44.5</i>	<i>107.7</i>	<i>159.0</i>
ESTIMATED GENERAL FUND EXPENDITURES						
General Fund Base (3)	\$ 4,553.7	\$ 4,553.7	\$ 4,422.3	\$ 4,616.1	\$ 4,962.1	\$ 5,236.5
Incremental Changes to Base: (4)						
Employee Compensation Adjustments (5a)	75.0	75.0	12.0	12.0	2.2	21.8
Shared Responsibility and Sacrifice (5b)	(319.9)	(319.9)	-	-	-	-
City Employees Retirement System (6)	(14.4)	(14.4)	17.2	66.9	88.8	79.3
Fire and Police Pensions (6)	29.7	29.7	23.6	120.5	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	15.5	34.2	35.8	36.7
Debt Service (9)	40.8	40.8	14.9	(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 Officers Hiring Plan (15)	6.1	6.1	-	-	-	-
CIEP (16)	7.5	7.5	37.5	3.5	3.8	2.7
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 Solutions (17)						
ERIP		(47.2)	(14.8)	(8.0)	(18.9)	6.0
Coalition		(77.6)	67.4	36.1	24.9	4.5
Police		(77.4)	(26.8)	86.0	-	-
Fire		(52.0)	9.2	-	-	-
Other Actions		(53.2)	44.2	-	-	-
Subtotal Expenditures	\$ 4,399.8	\$ 4,422.3	\$ 4,616.1	\$ 4,962.1	\$ 5,236.5	\$ 5,514.0
<i>Expenditure Growth %</i>	<i>-3.4%</i>	<i>-2.9%</i>	<i>4.9%</i>	<i>7.5%</i>	<i>5.5%</i>	<i>5.3%</i>
<i>Expenditure Growth \$</i>	<i>(153.9)</i>	<i>(131.4)</i>	<i>216.3</i>	<i>346.0</i>	<i>274.5</i>	<i>277.4</i>
TOTAL BUDGET GAP						
	\$ -	\$ (208.5)	\$ (483.8)	\$ (785.3)	\$ (952.1)	\$ (1,070.5)
<i>Incremental Increase %</i>				<i>62.3%</i>	<i>21.2%</i>	<i>12.4%</i>
<i>Incremental Increase \$</i>				<i>(301.5)</i>	<i>(166.8)</i>	<i>(118.4)</i>

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 Section of the Financial Status Report for more details.

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.

Coalition: 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.

Original Coalition 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%

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 ratified a revised five-year agreement with the City on October 23, 2009, and extended the term to 2013-14.

Oct. 2009 Revised Coalition MOUs	2009-10	2010-11	2011-12	2012-13	2013-14
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%

This Outlook assumes that in 2010-11, the City will elect to implement layoffs. Its agreement with the Coalition requires that all wage movement outlined in the MOU extension will be advanced by one year.

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

Coalition salary adjustments are reflected in the Coalition line item below Potential Solutions (17).

Sworn: On October 21, 2009, members of the Los Angeles Police Protective League (LAPPL) ratified a two-year contract for 2009-10 to 2010-11. Negotiation with the United Firefighters of Los Angeles (UFLAC) is currently at an impasse. The new MOU COLA's are also reflected in the chart below.

Sworn MOUs	2009-10	2010-11	2011-12	2012-13	2013-14
LAPPL	0%	0%	n/a	n/a	n/a
UFLAC (Impasse)	n/a	n/a	n/a	n/a	n/a

Engineers and Architects Association (EAA): contract expired on 6/30/2010 and no EAA COLA's are assumed in 2010-11 and future years.

(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. Possible rate adjustments may be made to the estimated 2011-12 contribution based on changes to the 2009-10 investment return and the impact of ERIP.

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%	30.12%	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 3.3% for 2010; 9.4% for 2011; 8.4% for 2012, and 7.5% for 2013, with 2,400 fewer enrollees due to ERIP. Police and Fire health medical subsidy rates are historically higher due to the type of coverage and lower deductible health plans. Police and Fire 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.

stating 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 Solutions include estimated costs and savings associated with the following:

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; modification of deferral for employees hired prior to January 1, 1983. The increase of employee retirement contribution rate by 1% in 2011-12 is remitted directly to LACERS and does not offset the City's contribution.

Coalition Agreement: defers COLA in 2009-10; assumes MOUs will be advanced one year (see Coalition MOUs (Advanced) chart); 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.

**STATUS OF UNAPPROPRIATED BALANCE
GENERAL ACCOUNT as of 1/15/2010**

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)
09-2580	Lights On Gala	10/27/2009	(682)
09-2409	Child Health and Safety Fair/California Community Foundation	11/24/2009	(555)
09-2982	Reception of Los Angeles Conservancy	12/8/2009	(268)
	Balance Available		<u><u>20,625</u></u>

STATUS OF UNAPPROPRIATED BALANCE NON-GENERAL ACCOUNT as of 1/15/2010

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	\$ -	\$ (4,375)	\$ 20,625
09-0600 (Mid Year)	AB 1290		10,000,000		(10,000,000)	-
09-0600 (1st FSR, Md Yr)	Bank Fees	Treasurer	7,000,000		(4,500,000)	2,500,000
09-0753	Council District Two Special Election	City Clerk	1,800,000		(1,800,000)	0
09-0600 (Mid Year)	Equipment, Expenses & Alterations & Improvement	n/a	3,582,900		(3,582,900)	0
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)						
09-0600 (Mid Year)	LAPD Consent Decree Program	CLA	328,000	113,142	(441,142)	0
	LAPD Settlement Compliance Monitoring	CLA	120,000			120,000
	LINX Repalcement (Risk Management System)	Personnel	2,000,000			2,000,000
09-0600 (Mid Year)	Litigation Expense Account	City Attorney	750,000		(750,000)	0
09-0600 (1st FSR)	Neighborhood Council Elections	City Clerk	1,905,000		(1,905,000)	0
09-0600-S135 (St. Svcs NOTE & FILE); 09-0358-S1 (St. Lighting)	New Positions	Various	13,905,625		(5,005,751)	8,899,874
09-0600 (Mid Year)	New Police Facilities	Police	1,000,000		(1,000,000)	0
09-2766, 09-0600 (Mid Yr)	Outside Counsel inc. Workers' Compensation	City Attorney	3,750,000		(2,113,545)	1,636,455
09-0600 (1st FSR)	Workplace Violence Prevention Training	Personnel	300,000		(150,000)	150,000
	Zero-Base Budget Consultant	CAO	300,000			300,000
Reapp per 08-0600-S70 YE; 09-0600 (2nd FSR, Mid Yr)	New Fire Station (reappropriation)	Fire		540,000	(540,000)	0
08-0600-S70 YE 09-0600 (Mid Year)	Tax Amnesty/Audit Penetration (reapprop)	Finance		150,069	(150,069)	0
09-0600 (Budget Reso)	Gang Prevention/Intervention/Reduction (Budget Reso reappropriation)			40,000		40,000
						0
			\$ 52,766,525	\$ 843,211	\$ (32,442,782)	\$ 21,166,954

STATUS OF UNAPPROPRIATED BALANCE NON-GENERAL ACCOUNT as of 1/15/2010

Council File No.	UB Non-General Accounts	Primary Department	Adopted Budget	Transfer In/ Reapprop.	Amount Appropriated during year	Available Balance
	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)						
09-0600 (Mid Year)	New Positions - St. Lighting Maint. (Fund No. 347)	St. Lighting	1,763,731		(1,763,731)	0
09-0600 (Mid Year)	New Positions - Prop. C (Fund No. 540)	St. Lighting	265,304		(265,304)	0
	New Public Access Studio	TDA	2,500,000			2,500,000
09-0600-S120						
09-600 (Mid Year)	<i>Public Private Partnership (P3) Study</i>	<i>SPRF</i>	<i>3,000,000</i>		<i>(330,000)</i>	<i>2,670,000</i>
			\$ 7,700,513	\$ -	\$ (2,359,035)	\$ 5,341,478
	Grand Total		\$ 60,467,038	\$ 843,211	\$ (34,801,817)	\$ 26,508,432

	Reserve for Economic Uncertainties				-	
09-0600 (Mid Yr Secs 1 & 2)	Surpluses from Multiple Departments and Funds			\$ 30,834,506		30,834,506
09-0600 (Mid Yr Sec 3)	<i>PW Board, Community Beautification Grants</i>			<i>525,000</i>		<i>525,000</i>
09-0600 (Mid Yr Sec 3)	<i>PW Engineering, CD 14 and Pools</i>			<i>56,206</i>		<i>56,206</i>
09-0600 (Mid Yr Sec 3)	<i>GCP, LAPD Consent Decree Program Account</i>			<i>1,650,000</i>		<i>1,650,000</i>
09-0600 (Mid Yr Sec 3)	<i>UB, LAPD Consent Decree Program</i>			<i>441,142</i>		<i>441,142</i>
09-0600 (Mid Yr Sec 3)	<i>UB, New Fire Stations</i>			<i>260,000</i>		<i>260,000</i>
09-0600 (Mid Yr Sec 3)	<i>UB, New Police Facilities</i>			<i>1,000,000</i>		<i>1,000,000</i>
09-0600 (Mid Yr Sec 3)	<i>UB, AB1290</i>			<i>10,000,000</i>		<i>10,000,000</i>
	<i>Subtotal Section 3: \$13,932,348</i>					<i>0</i>
						<i>0</i>
						<i>0</i>
						<i>0</i>
						<i>0</i>
	Reserve for Economic Uncertainties Balance			\$ 44,766,854	\$ -	\$ 44,766,854

**FY 2009-10 BUDGET ADJUSTMENTS
NEW APPROPRIATIONS**

TRANSFER FROM			TRANSFER TO	
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Council CD 14 Salaries	<u>Fund 47S/14 CLARTS</u> Available Cash Balance	\$200,000.00	<u>Fund 100/28, Council</u> 1070, Salaries As-Needed	\$205,000.00
	<u>Fund 696/14 Council District 14 Real Property Trust Fund</u> Available Cash Balance	\$5,000.00		
	Subtotal	<u>\$205,000.00</u>		
Information Technology Agency CSRs - LACERS	<u>Fund 100/32, Information Technology Agency</u> RSC 4210, Services to Proprietary Departments, CERS	\$ 17,018	<u>Fund 100/32, Information Technology Agency</u> 9350, Communication Services	\$ 17,018
- Recreation and Parks, and Other Depts.	RSC 4610, Reimbursements from Depts./Funds	\$ 20,562	1090, Salaries Overtime	\$ 7,946
			9350, Communication Services	\$ 12,616
Google Contract	RSC 4551, Miscellaneous Revenues	\$ 1,507,209	3040, Contractual Services	\$ 1,507,209
TOTAL ALL DEPARTMENTS AND FUNDS		\$1,749,788.72		\$1,749,788.72

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

TRANSFER FROM			TRANSFER TO	
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Building and Safety Code Enforcement Services	<u>Fund 100/08, Building and Safety</u> 3040, Contractual Services 3310, Transportation	\$ 21,083.00 \$ 5,000.00 Subtotal \$ 26,083.00	<u>Fund 100/08, Building and Safety</u> 1010, Salaries, General	\$ 26,083.00
City Administrative Officer Salary Deficit	<u>Fund 100/10, City Administrative Officer</u> 3040, Contractual Services	\$ 200,000.00	<u>Fund 100/10, City Administrative Officer</u> 1010, Salaries, General	\$ 200,000.00
Ethics Salary Deficit	<u>Fund 100/17, Ethics</u> 3040, Contractual Services	\$ 161,224.00	<u>Fund 100/17, Ethics</u> 1010, Salaries, General	\$ 161,224.00
Fire Sworn Salary Deficit, Vehicle Maintenance, Equipment Deficit	<u>Fund 100/38, Fire</u> 1093, Constant Staffing Overtime 1098, Overtime Variable Staffing 4430, Uniform Account	\$ 25,000,000.00 \$ 2,000,000.00 \$ 893,000.00 Subtotal \$ 27,893,000.00	<u>Fund 100/38, Fire</u> 1012, Salaries, Sworn 1092, Overtime, Sworn 3090, Field Equipment Expense 3260, Rescue Supplies and Equipment	\$ 25,000,000.00 \$ 2,000,000.00 \$ 643,000.00 \$ 250,000.00 Subtotal \$ 27,893,000.00
Resource Deployment Software and Maintenance	<u>Fund 100/38, Fire</u> 3040, Contractual Services	\$ 217,000.00	<u>Fund 100/38, Fire</u> 6010, Office and Administrative Expense	\$ 217,000.00
General Services Routine and 24 Hour Emergency Hazardous Waste Disposal	<u>Fund 100/40, General Services</u> 3090, Field Equipment Expense	\$ 60,000.00	<u>Fund 100/40, General Services</u> 3040, Contractual Services	\$ 60,000.00
Disposal of Contained Waste	3090, Field Equipment Expense	\$ 60,000.00	3040, Contractual Services	\$ 60,000.00
Housing Contracted Programmers	<u>Fund 100/43, Housing</u> 1010, Salaries, General	\$ 300,000.00	<u>Fund 100/43, Housing</u> 3040, Contractual Services	\$ 300,000.00
Mayor Temporary Staffing	<u>Fund 100/46, Mayor</u> 1010, Salaries General	\$ 1,800,000.00	<u>Fund 100/46, Mayor</u> 1070, Salaries, As Needed	\$ 1,800,000.00
Police Lead removal, arrestee care/ transport, transcription and vehicle maintenance	<u>Fund 100/70, Police</u> 1010, Salaries General	\$ 2,000,000.00	<u>Fund 100/70, Police</u> 3040, Contractual Services 3090, Field Equipment Expense	\$ 1,000,000.00 \$ 1,000,000.00 Subtotal \$ 2,000,000.00

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

TRANSFER FROM		TRANSFER TO		
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
PW / Engineering <i>Software License Renewal, Maintenance</i>	<u>Fund 100/78, Engineering</u> 3040, Contractual Services	\$ 250,000.00	<u>Fund 100/78, Engineering</u> 6010, Office and Administrative	\$ 250,000.00
PW / Contract Administration <i>Mileage Reimbursement</i>	<u>Fund 100/76, Bureau of Contract Administration</u> 1010, Salaries, General	\$ 320,000.00	<u>Fund 100/76, Bureau of Contract Administration</u> 3310, Transportation	\$ 320,000.00
PW / Sanitation <i>Clean Water, Watershed Protection and Solid Resources Programs</i>	<u>Fund 100/82, Bureau of Sanitation</u> 1010, Salaries General 1090, Salaries Overtime 2120, Printing & Binding 6010, Office and Administrative 6020, Operating Supplies & Expenses	\$ 999,495.00 \$ 630,762.00 \$ 10,000.00 \$ 11,000.00 \$ 11,000.00	<u>Fund 100/82, Bureau of Sanitation</u> 1010, Salaries General 1070, Salaries As-Needed 1090, Salaries Overtime 3310, Transportation 6010, Office and Administrative	\$ 10,000.00 \$ 905,762.00 \$ 696,195.00 \$ 45,300.00 \$ 5,000.00
	Subtotal	\$ 1,662,257.00	Subtotal	\$ 1,662,257.00
Transportation <i>Salary Deficit</i>	<u>Fund 100/94 Department of Transportation</u> 2120, Printing and Binding 3030, Construction Expense 3040, Contractual Services 3090, Field Equipment Expense 3360, Signal Supplies and Repairs 4430, Uniforms 6010, Office and Administrative Expense 7300, Equipment	\$ 49,000.00 \$ 50,000.00 \$ 880,000.00 \$ 25,000.00 \$ 300,000.00 \$ 50,000.00 \$ 400,000.00 \$ 46,000.00	<u>Fund 100/94 Department of Transportation</u> 1010, Salaries, General	\$ 1,800,000.00
	Subtotal	\$ 1,800,000.00		
<i>Taxicab Regulation and Enforcement</i>	<u>Fund 596/94 Transportation Regulation & Enforcement</u> RSC 3294, Taxicab Vehicle Bandit Fee	\$ 750,000.00	<u>Fund 596/94 Transportation Regulation & Enforcement</u> F170, Los Angeles Police Department	\$ 750,000.00
			Subtotal	\$ 750,000.00
<i>Intelligent Parking Mgmt Project</i>	<u>Fund 363/94 Special Parking Revenue Fund</u> E201, Projects to be Designated F903, Contingency	\$ 2,380,000.00 \$ 500,000.00	<u>Fund 363/94 Special Parking Revenue Fund</u> (NEW), Intelligent Parking Mgmt Match	\$ 2,880,000.00
	Subtotal	\$ 2,880,000.00		
TOTAL ALL DEPARTMENTS AND FUNDS		\$ 40,379,564.00		\$ 40,379,564.00

**FY 2009-10 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS**

TRANSFER FROM			TRANSFER TO	
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Building and Safety Code Enforcement Services	<u>Fund 346/08, Repair and Demo Fund</u> 000A, Expenditure	\$ 600,000.00	<u>Fund 100/08, Building and Safety</u> 1010, Salaries, General	\$ 612,033.00
	<u>Fund 46F/08, Off Site Sign Periodic Inspection Fund</u> F108, Building and Safety	\$ 12,033.00		
	Subtotal	\$ 612,033.00		
Council	<u>Fund 43D/50 Street Furniture Revenue Fund</u> F14D, Council District 14	\$ 70,000.00	<u>Fund 100/28, Council</u> 1070, Salaries As-Needed	\$ 70,000.00
Library Branch Library Exhibit Costs	<u>Fund 300/44, Library</u> 3040, Contractual Services	\$ 1,000.00	<u>Fund 100/30, Cultural Affairs</u> 1070, Salaries, As-Needed	\$ 1,000.00
Mayor Staff Reimbursement	<u>Fund 100/46, Mayor</u> 1010, Salaries General	\$ 50,000.00	<u>Fund 100/10, City Administrative Officer</u> 1010, Salaries General	\$ 50,000.00
Planning USC Project	<u>Fund 524/68, Major Projects Review Trust Fund</u>		<u>Fund 100/68, Planning</u>	
direct costs, 2008-09	203F, USC	\$ 9,334.36	RSC 4610, Reimbursement from Other Funds/Depts	\$ 14,251.22
direct costs, 2009-10	203F, USC	\$ 5,173.62	RSC 4640, Reimbursement for Prior Year Related Costs	\$ 19,867.57
	299F, Related Costs	\$ 24,347.74	RSC 4694, Major Projects Review Related Costs	\$ 4,198.39
			<u>Fund 100/94, Transportation</u>	
			RSC 4610, Reimbursement from Other Funds/Depts	\$ 256.76
			RSC 4640, Reimbursement for Prior Year Related Costs	\$ 140.89
			RSC 4694, Major Projects Review Related Costs	\$ 140.89
	Subtotal	\$ 38,855.72	Subtotal	\$ 38,855.72

**FY 2009-10 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS**

TRANSFER FROM			TRANSFER TO	
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
<i>Westfield Project</i>	<u>Fund 524/68, Major Projects Review Trust Fund</u>		<u>Fund 100/68, Planning</u>	
<i>direct costs, 2008-09</i>	204F, Westfield	\$ 176,814.66	RSC 4610, Reimbursement from Other Funds/Depts	\$ 87,191.51
<i>direct costs, 2009-10</i>	204F, Westfield	\$ 64,602.20	RSC 4640, Reimbursement for Prior Year Related Costs	\$ 47,156.41
	299F, Related Costs	\$ 246,564.17	RSC 4694, Major Projects Review Related Costs	\$ 47,146.40
			<u>Fund 100/94, Transportation</u>	
			RSC 4610, Reimbursement from Other Funds/Depts	\$ 15,187.72
			RSC 4640, Reimbursement for Prior Year Related Costs	\$ 6,515.64
			<u>Fund 100/12, City Attorney</u>	
			RSC 4610, Reimbursement from Other Funds/Depts	\$ 5,639.50
			RSC 4640, Reimbursement for Prior Year Related Costs	\$ 2,968.05
			<u>Fund 100/78, Engineering</u>	
			RSC 4610, Reimbursement from Other Funds/Depts	\$ 133,398.13
			RSC 4640, Reimbursement for Prior Year Related Costs	\$ 123,275.42
			RSC 4694, Major Projects Review Related Costs	\$ 19,502.25
	Subtotal	<u>\$ 487,981.03</u>	Subtotal	<u>\$ 487,981.03</u>
<i>Planning (continued)</i>	<u>Fund 524/68, Major Projects Review Trust Fund</u>		<u>Fund 100/68, Planning</u>	
<i>Universal Vision Project</i>	205F, Universal Vision	\$ 42,690.71	RSC 4610, Reimbursement from Other Funds/Depts	\$ 33,433.23
<i>direct costs, 2009-10</i>	299F, Related Costs	\$ 44,144.03	RSC 4694, Major Projects Review Related Costs	\$ 33,984.88
			<u>Fund 100/94, Transportation</u>	
			RSC 4610, Reimbursement from Other Funds/Depts	\$ 9,257.48
			RSC 4694, Major Projects Review Related Costs	\$ 10,159.15
	Subtotal	<u>\$ 86,834.74</u>	Subtotal	<u>\$ 86,834.74</u>
<i>Metro Universal Project</i>	<u>Fund 524/68, Major Projects Review Trust Fund</u>		<u>Fund 100/68, Planning</u>	
<i>direct costs, 2009-10</i>	206F, Metro Universal	\$ 16,011.40	RSC 4610, Reimbursement from Other Funds/Depts	\$ 10,208.85
	299F, Related Costs	\$ 16,717.02	RSC 4694, Major Projects Review Related Costs	\$ 10,377.30
			<u>Fund 100/94, Transportation</u>	
			RSC 4610, Reimbursement from Other Funds/Depts	\$ 4,769.01
			RSC 4694, Major Projects Review Related Costs	\$ 5,233.51
			<u>Fund 100/78, Engineering</u>	
			RSC 4610, Reimbursement from Other Funds/Depts	\$ 1,033.54
			RSC 4694, Major Projects Review Related Costs	\$ 1,106.21
	Subtotal	<u>\$ 32,728.42</u>	Subtotal	<u>\$ 32,728.42</u>

**FY 2009-10 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS**

TRANSFER FROM			TRANSFER TO	
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
<i>Expedited Projects*</i> <i>direct costs, 2009-10</i>	<u>Fund 47E/68, Planning Expedited Permit Trust Fund</u>		<u>Fund 100/68, Planning</u>	
	F268, Planning	\$ 202,914.72	RSC 4610, Reimbursement from Other Funds/Depts	\$ 202,914.72
	F299, Related Costs	\$ 225,378.51	RSC 461H, Planning Expedited Related Costs	\$ 225,378.51
	F138, Fire Department	\$ 1,524.00	<u>Fund 100/38, Fire</u>	
	Subtotal	<u>\$ 429,817.23</u>	RSC 4852, Additional Interfund Operating Transfer Other	\$ 1,524.00
			Subtotal	<u>\$ 429,817.23</u>
PW / Sanitation <i>Wayside Drive Berm</i>	<u>Fund 629/50, Sunland/Appearsen Drainage Fund</u>		<u>Fund 100/86, Bureau of Street Services</u>	
	1010/Cash Balance	\$ 4,236.00	1010, Salaries General	\$ 2,000.00
			3030, Construction Materials	\$ 1,000.00
			3040, Contractual Services	\$ 536.00
			6020, Office & Administration	\$ 700.00
			Subtotal	<u>\$ 4,236.00</u>
<i>LA River Rangers Project</i>	<u>Fund 556/50, Integrated Solid Waste Management Fund</u>		<u>Fund 100/74, Board of Public Works</u>	
	1010, Cash Balance	\$ 255,000.00	3040, Contractual Services	\$ 255,000.00
<i>Community Amenity Fees - CLARTS</i> <i>- SWRRF</i>	<u>Fund 47R/50, CLARTS Trust Fund</u>		<u>Fund 47S/50, CLARTS Community Amenities Trust Fund</u>	
	E330, Community Amenities Fee	\$ 19,617.00	3040, Contractual Services	\$ 198,625.00
	<u>Fund 508, Solid Waste Resources Revenue Fund</u>			
	3040, Contractual Services	\$ 179,008.00		
	Subtotal	<u>\$ 198,625.00</u>	Subtotal	<u>\$ 198,625.00</u>
<i>Solid Resources Operations Support</i>	<u>Fund 100/82, Bureau of Sanitation</u>		<u>Fund 100/84, Bureau of Street Lighting</u>	
	1010, Salaries General (SWRRF)	\$ 3,737.00	1010, Salaries General (SWRRF)	\$ 3,737.00
	<u>Fund 46D/50, Citywide Recycling Trust Fund</u>		<u>Fund 508/50, Solid Waste Resources Revenue Fund</u>	
	F350, Community Recycling Dev and Capital Cost	\$ 181,000.00	Revenue Source Code 4428, Reimb of Expenditures	\$ 85,000.00
	Subtotal	<u>\$ 184,737.00</u>	1010, Available Cash Balance	\$ 96,000.00
			Subtotal	<u>\$ 184,737.00</u>
<i>Residential Special Materials</i> <i>Collection Fund</i>	<u>Fund 567/50, Household Hazardous Waste Trust Fund</u>		<u>Fund 100/82, Bureau of Sanitation</u>	
	1010, Cash Balance	\$ 150,000.00	3040, Contractual Services	\$ 150,000.00
PW / Street Lighting <i>DOT New Signals/Modification</i>	<u>Fund 206/50 Gas Tax</u>		<u>Fund 100/84, Street Lighting</u>	
	E287, St Ltg Imprvmts on DOT New Signals/Mod	\$ 50,000.00	1010, Salaries General	\$ 15,000.00
			8780, St Lighting Improvements and Supplies	\$ 35,000.00
			Subtotal	<u>\$ 50,000.00</u>

FY 2009-10 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS

TRANSFER FROM			TRANSFER TO	
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
<i>Liability Claims</i>	<u>Fund 347/50 Street Lighting Maintenance Assessment</u>		<u>Fund 100/59, Liability Claims</u>	
	E159, Liability Claims	\$ 55,000.00	9760, Liability Claims \$100K and Under	\$ 55,000.00
PW / Street Services <i>Wilton Place Landscaping</i>	<u>Fund 305/50, Subventions & Grants Fund</u>		<u>Fund 100/86, Bureau of Street Services</u>	
	3734, Reimbursement from Other Funds/Department: \$	389,000.00	1010, Salaries, General	\$ 213,950.00
			1090, Salaries, Overtime	\$ 54,460.00
			3030, Construction Expense	\$ 85,580.00
			3040, Contractual Services	\$ 3,890.00
			6010, Office and Administrative	\$ 11,670.00
			6020, Operating Supplies	\$ 19,450.00
			Subtotal	\$ 389,000.00
<i>Olympic Boulevard Streetscape</i>	<u>Fund 305/50, Subventions & Grants Fund</u>		<u>Fund 100/86, Bureau of Street Services</u>	
	3734, Reimbursement from Other Funds/Department: \$	357,000.00	1010, Salaries, General	\$ 196,350.00
			1090, Salaries, Overtime	\$ 49,980.00
			3030, Construction Expense	\$ 78,540.00
			3040, Contractual Services	\$ 3,570.00
			6010, Office and Administrative	\$ 10,710.00
			6020, Operating Supplies	\$ 17,850.00
			Subtotal	\$ 357,000.00
<i>Lake Hollywood Reservoir</i>	<u>Fund 305/50, Subventions & Grants Fund</u>		<u>Fund 100/86, Bureau of Street Services</u>	
	4195, Services to Proprietary Depts/Water & Power \$	151,499.00	1090, Salaries, Overtime	\$ 104,534.00
			3030, Construction Expense	\$ 33,330.00
			3040, Contractual Services	\$ 1,515.00
			6010, Office and Administrative	\$ 4,545.00
			6020, Operating Supplies	\$ 7,575.00
			Subtotal	\$ 151,499.00
PW / Street Services (continued) <i>Waste Tire Enforcement</i>	<u>Fund 305/50, Subventions & Grants Fund</u>		<u>Fund 100/86, Bureau of Street Services</u>	
	3734, Reimbursement from Other Funds/Department: \$	75,100.03	1010, Salaries, General	\$ 47,313.02
			6010, Office and Administrative	\$ 11,265.00
			6020, Operating Supplies	\$ 16,522.01
			Subtotal	\$ 75,100.03

FY 2009-10 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS

TRANSFER FROM			TRANSFER TO	
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Curb Repairs (La Cienga)	Fund 305/50, Subventions & Grants Fund		Fund 100/86, Bureau of Street Services	
	3734, Reimbursement from Other Funds/Department:	\$ 74,149.00	1090, Salaries, Overtime	\$ 51,164.00
			3030, Construction Expense	\$ 16,313.00
			3040, Contractual Services	\$ 741.00
			6010, Office and Administrative	\$ 2,224.00
			6020, Operating Supplies	\$ 3,707.00
			Subtotal	\$ 74,149.00
Tree Removal (Cornwall/Marengo)	Fund 298/50, Municipal Improvement Corp. of Los Angeles		Fund 100/86, Bureau of Street Services	
	F316, Tree Removal at Cornwell & Marengo	\$ 5,161.00	1010, Salaries, General	\$ 3,613.00
			3040, Contractual Services	\$ 1,032.00
			6020, Operating Supplies	\$ 516.00
			Subtotal	\$ 5,161.00
Concrete Berm (Wayside Drive)	Fund 629/50, Subventions & Grants Fund		Fund 100/86, Bureau of Street Services	
	F186, 9436 Wayside Drive Project	\$ 4,236.00	1010, Salaries, General	\$ 2,000.00
			3030, Construction Expense	\$ 1,000.00
			3040, Contractual Services	\$ 536.00
			6020, Operating Supplies	\$ 700.00
			Subtotal	\$ 4,236.00
Street Repairs	Fund 305/50, Subventions & Grants Fund		Fund 100/86, Bureau of Street Services	
	3734, Reimbursement from Other Funds/Department:	\$ 2,954.00	1010, Salaries, General	\$ 1,624.00
			1090, Salaries, Overtime	\$ 413.00
			3030, Construction Expense	\$ 650.00
			3040, Contractual Services	\$ 30.00
			6010, Office and Administrative	\$ 89.00
			6020, Operating Supplies	\$ 148.00
			Subtotal	\$ 2,954.00
Transportation	Fund 596/94 Transportation Regulation & Enforcement		Fund 100/70, Los Angeles Police Department	
Taxicab Regulation and Enforcement	F170, Los Angeles Police Department	\$ 750,000.00	1092, Salaries Overtime	\$ 750,000.00
TOTAL ALL DEPARTMENTS AND FUNDS		\$ 4,515,947.17		\$ 4,515,947.17

* Reimbursement to occur upon receipt of funds.

FY 2009-10 BUDGET ADJUSTMENTS
TRANSFERS FROM THE UNAPPROPRIATED BALANCE

DEPARTMENT	APPROPRIATE FROM:	APPROPRIATE TO:	AMOUNT
General Fund			
City Attorney	<u>Fund 100/58, Unappropriated Balance</u>	<u>Fund 100/12, City Attorney</u>	
	0055, Litigation Expenses	4200, Litigation Expenses	\$ 750,000.00
	0197, Outside Counsel, Incl Worker's Compensation	9302, Outside Counsel, Workers Comp	\$ 100,000.00
		Subtotal	<u>\$ 850,000.00</u>
Council	<u>Fund 100/58, Unappropriated Balance</u>	<u>Fund 100/28, Council</u>	
	0245, Equipment, Expenses, A&Is	1070, Salaries As Needed	\$ 2,829,900.00
General Services	<u>Fund 100/58, Unappropriated Balance</u>	<u>Fund 100/40, General Services Department</u>	
	0248, New Positions	1010, Salaries, General	\$ 404,493.00
		1090, Overtime	\$ 105,176.00
		1100, Hiring Hall	\$ 1,350,000.00
		1120, Fringe Benefits, Hiring Hall	\$ 540,000.00
		3040, Contractual Services	\$ 873,483.00
		3160, Maint Matls, Supplies	\$ 898,000.00
		3170, Custodial Supplies	\$ 375,599.00
		6010, Office and Administrative	\$ 113,000.00
		6020, Operating Expenses	\$ 43,000.00
		7340, Transportation Equipment	\$ 303,000.00
		Subtotal	<u>\$ 5,005,751.00</u>
Mayor	<u>Fund 100/58, Unappropriated Balance</u>	<u>Fund 100/46, Mayor</u>	
	0245, Equipment, Expenses, A&Is	1070, Salaries As Needed	\$ 753,000.00
Treasurer	<u>Fund 100/58, Unappropriated Balance</u>	<u>Fund 100/96, Treasurer</u>	
	0243, Bank Fees	4040, Bank Services Fees	\$ 2,000,000.00

**FY 2009-10 BUDGET ADJUSTMENTS
TRANSFERS FROM THE UNAPPROPRIATED BALANCE**

DEPARTMENT	APPROPRIATE FROM:	APPROPRIATE TO:	AMOUNT
Tax Amnesty Program	<u>Fund 100/58, Unappropriated Balance</u> 0241, Tax Amnesty/Audit Penetration	<u>Fund 100/10, CAO</u> 1010, Salaries General	\$ 5,640.88
		<u>Fund 100/38, Fire</u> 1010, Salaries General	\$ 10,789.59
		<u>Fund 100/43, Housing</u> 1010, Salaries General	\$ 3,870.13
		<u>Fund 300/44, Library</u> 1010, Salaries General	\$ 8,196.26
		<u>Fund 100/48, Convention Center</u> 1010, Salaries General	\$ 8,359.29
		<u>Fund 100/66, Personnel</u> 1010, Salaries General	\$ 9,148.22
		Subtotal	\$ 46,004.37
		General Fund Subtotal	\$ 7,901,755.37
Special Funds			
Street Lighting Fund 347/50, St. Light. Mtn.	<u>Fund 100/58, Unappropriated Balance</u> 0248, New Positions	<u>Fund 100/84, Street Lighting</u> 1010, Salaries General	\$ 51,876.00
		1090, Salaries Overtime	\$ 75,000.00
		3040, Contractual Services	\$ 108,000.00
		8780, Street Lighting Imprvmts & Supplies	\$ 310,000.00
		Subtotal	\$ 544,876.00
Fund 540/94, Prop C	<u>Fund 100/58, Unappropriated Balance</u> 0248, New Positions	<u>Fund 100/84, Street Lighting</u> 1010, Salaries General	\$ 265,304.00
		Special Funds Subtotal	\$ 810,180.00
TOTAL TRANSFERS FROM THE UNAPPROPRIATED BALANCE			\$ 12,294,835.37

FY 2009-10 BUDGET ADJUSTMENTS
Transfers to the Reserve for Economic Uncertainties

DEPARTMENT	APPROPRIATE FROM:	AMOUNT	APPROPRIATE TO:	AMOUNT
Aging	<u>Fund, 100/02, Aging</u> 1010, Salaries, General	150,000.00	<u>Fund 100/58, Unappropriated Balance</u> 0037, Reserve for Economic Uncertainties	\$ 28,984,505.63
City Clerk	<u>Fund, 100/14, City Clerk</u> 1010, Salaries, General	322,500.00		
Emergency Management	<u>Fund, 100/35, Emergency Management</u> 1010, Salaries, General	15,000.00		
General Services	<u>Fund 100/58, Unappropriated Balance</u> 0130, GSD - Petroleum Products	3,000,000.00		
Human Services	<u>Fund, 100/41, Human Services</u> 1010, Salaries, General	231,000.00		
Neighborhood Empowerment	<u>Fund, 100/47, Neighborhood Empowerment</u> 1010, Salaries, General 1090, Salaries, Overtime	140,000.00 11,000.00		
	Subtotal	<u>151,000.00</u>		
Personnel	<u>Fund 100/66 Personnel Department</u> 1070, Salaries As-Needed	600,000.00		
Planning	<u>Fund, 100/68, Planning</u> 1010, Salaries, General	1,700,000.00		
PW/Engineering	<u>Fund, 100/78, PW / Engineering</u> 1010, Salaries, General 1090, Salaries, Overtime	800,000.00 200,000.00		
	Subtotal	<u>1,000,000.00</u>		
PW/Street Services	<u>Fund, 100/86, PW / Street Services</u> 1010, Salaries, General	1,000,000.00		

FY 2009-10 BUDGET ADJUSTMENTS
Transfers to the Reserve for Economic Uncertainties

DEPARTMENT	APPROPRIATE FROM:	AMOUNT	APPROPRIATE TO:	AMOUNT
Attorney Conflicts Panel	<u>Fund 46T/10, Atty Conflicts Panel Fund</u> 0594, Attorney Conflicts Panel	300,000.00		
Capital Finance	<u>Fund 100/53, Capital Finance Administration Fund</u> 0321, MICLA Refunding of Commercial Paper 0329, In-Car Video (Police) Subtotal	2,486,000.00 2,545,000.00 <u>5,031,000.00</u>		
General City Purposes	<u>Fund 100/56, General City Purposes</u> 0505, Retirement Contributions 0510, Medicare Contributions Subtotal	2,600,000.00 2,000,000.00 <u>4,600,000.00</u>		
Human Resources Benefits	<u>Fund 100/61 Human Resource Benefits Fund</u> 9200, Civilian FLEX Program 9210, Fire Health & Welfare 9220, Police Health & Welfare 9910, Workers' Compensation Subtotal	4,086,230.00 903,483.00 2,390,228.00 3,400,000.00 <u>10,779,941.00</u>		
Tax Amnesty Program	<u>Fund 100/58, Unappropriated Balance</u> 0241, Tax Amnesty/Audit Penetration	104,064.63		
TOTAL APPROPRIATIONS TO THE UNAPPROPRIATED BALANCE		28,984,505.63		\$ 28,984,505.63

Proposition K - Staff Costs Reimbursement

Fund	Account	CAO ID	Account Title	Amount
43K	Y465	S87	ARDMORE REC CTR	\$ 134,488.86
43K	T220	S89	BALDWIN HILLS REC CENTER	9,346.57
43K	V220	S89	BALDWIN HILLS REC CENTER	35,080.44
43K	V803	S89	BALDWIN HILLS REC CENTER	39,271.00
43K	W435	S115	BELLEVUE RECREATION CENTER	132,899.90
43K	T463	S115	BELLEVUE RECREATION CENTER	375.00
43K	V435	S115	BELLEVUE RECREATION CENTER	8,621.95
43K	T435	S115	BELLEVUE RECREATION CENTER	0.80
43K	V282	S47	BLYTHE ST. RECREATION CTR	61.01
43K	Y282	S48	BLYTHE ST. RECREATION CTR	429,770.93
43K	A282	S48	BLYTHE ST. RECREATION CTR	12,950.76
43K	V802	S48	BLYTHE ST. RECREATION CTR	62,787.00
43K	A598	C149-5	BRAND PARK	84,242.00
43K	P305	S50	BRANFORD CHILDCARE CTR	2,599.95
43K	R246	S50	BRANFORD CHILDCARE CTR	28,857.11
43K	T426	C117-3	CABRILLO MARINE AQUARIUM	17,545.00
43K	T432	S66	CHESTERFIELD SQUARE PARK	13,444.39
43K	R364	R8	DEBS PARK	56,253.17
43K	P239	S67	DENKER PARK RECREATION FACILIT	39,900.33
43K	R239	S67	DENKER PARK RECREATION FACILIT	0.48
43K	N234	S3	DOWNEY CHILDCARE CENTER	3,172.20
43K	Y234	S3	DOWNEY CHILDCARE CENTER	224,932.00
43K	T428	R10	DRUM BARRACKS	20,863.84
43K	V244	S129	EAGLE ROCK CHILDCARE CENTER	20,352.43
43K	P312	S141	EAST WILMINGTON REC CENTER	287.29
43K	R379	S141	EAST WILMINGTON REC CENTER	113,994.62
43K	P304	S118	ECHO PARK AREA CHILDCARE CTR	5,729.39
43K	W421	C94-3	ECHO PARK POOL	1,931.64
43K	V421	C94-3	ECHO PARK POOL	4.94
43K	Y557	S43	ENCINO PARK	34,718.96
43K	K027	S130	EVERGREEN CHILDCARE CENTER	13,150.42
43K	T027	S130	EVERGREEN CHILDCARE CENTER	164,023.00
43K	T437	S134	HOLLENBECK PARK	15,092.89
43K	Y457	S57	HUBERT HUMPHREY REC CTR	509,983.40
43K	S243	C79-2	JUNTOS PARK	51,616.85
43K	T429	S19	KNAPP RANCH	2,874.11
43K	Y566	C124-4	LANARK PARK	146,623.45
43K	N262	S8	LINCOLN PARK LAKE	1,842.06
43K	V454	S10	LITTLE LANDERS/BOLTON HALL	59,970.76
43K	W454	S10	LITTLE LANDERS/BOLTON HALL	74,035.67
43K	W459	S69	LOREN MILLER REC CTR	50,918.31
43K	V459	S69	LOREN MILLER REC CTR	27,723.17
43K	T459	S69	LOREN MILLER REC CTR	375.00
43K	V355	S98	MAR VISTA REC CENTER	146,252.38
43K	S302	R20	MCARTHUR PARK REC CTR REFURB	49,224.07
43K	T374	S32	N HOLLYWOOD PARK-GYM	19,589.53
43K	Y564	S112	NORTHRIDGE RECREATION CTR	21,810.45
43K	S237	S100	OAKWOOD RECREATION CENTER	21,475.21
43K	Y469	R23	ORCUTT RANCH	554,151.00
43K	V469	R23	ORCUTT RANCH	8,688.97
43K	T420	C95-3	ORO VISTA ACQUISITION	11,245.57

Proposition K - Staff Costs Reimbursement

Fund	Account	CAO ID	Account Title	Amount
43K	R368	S44	PALMS RECREATION CENTER	11,784.96
43K	T434	S113	PARTHENIA PARK	16,325.46
43K	S401	S135	PECAN PARK	716.03
43K	V401	S135	PECAN PARK	109,027.63
43K	T248	C108-3	PEDLOW SKATE PARK	130,835.39
43K	V248	C108-3	PEDLOW SKATE PARK	59.00
43K	S309	S92	QUEEN ANNE REC CENTER	54,948.29
43K	Y585	C129-4	RAP:ROSS SNYDER REC CTR	51,151.00
43K	V431	S22	RESEDA RECREATION CENTER	78,784.61
43K	W458	S59	RITCHIE VALENS REC CTR	75,422.55
43K	S402	S137	SAN PASQUAL	1,208.20
43K	P303	R32	SEPULVEDA GARDEN CENTER	3,818.26
43K	T404	R32	SEPULVEDA GARDEN CENTER	3,560.21
43K	S238	S62	SEPULVEDA PARK WEST	20,900.66
43K	W461	S85	SOUTH PARK	321,095.18
43K	W456	S37	SOUTH WEDDINGTON PARK	45,262.50
43K	R310	S104	STONER REC OUTDOOR DEVELOPMENT	15,803.03
43K	S330	S52	SUN VALLEY PROPERTY	220,939.50
43K	Y251	C126-4	SYLMAR REC CTR	115,609.00
43K	W567	C121-4	TAYLOR YARDS	76,351.51
43K	S281	S73	VAN NESS REC CENTER	6,549.89
43K	V281	S73	VAN NESS REC CENTER	22,681.12
43K	S346	S14	VAN NUYS/SHERMAN OAKS PARK	4,051.15
43K	T465	S14	VAN NUYS/SHERMAN OAKS PARK	62,644.00
43K	W410	S146	WATTS JR ARTS CENTER	440,826.00
43K	T437	S147	WILMINGTON REC CENTER	112,519.29
43K	T369	S114	WINNETKA RECREATION CENTER	11,969.00
43K	W455	S16	WOODBIDGE PARK	43,450.40
43K	P311	S138	YOSEMITE REC CENTER	1,963.25
43K	R311	S138	YOSEMITE REC CENTER	108,385.55
43K	V311	S138	YOSEMITE REC CENTER	200.00
43K	W487	C133-4	YUCCA PARK	677.93
43K	Y487	C133-4	YUCCA PARK	120,281.92
43K	R224	S40	YUCCA PARK YOUTH REC CENTER	61,286.63
43K	P224	S40	YUCCA PARK YOUTH REC CENTER	26,015.05
43K	K024	S40	YUCCA PARK YOUTH REC CENTER	1,945.09
			Subtotal Fund 43K	\$ 5,864,199.47
43L	R379	S141	EAST WILMINGTON REC CENTER	\$ 6,522.85
43L	P221	S120	GLASSELL REC CENTER	1,050.44
43L	V248	C108-3	PEDLOW SKATE PARK	25,037.00
43L	Y548	C128-4	RAP:HARVARD PARK POOL	117,446.71
43L	T404	R32	SEPULVEDA GARDEN CENTER	34,564.00
43L	P330	S52	SUN VALLEY PROPERTY	39,775.12
43L	T405	S13	SUNLAND REC CENTER	151,727.90
43L	W410	S146	WATTS JR ARTS CENTER	731,134.00
43L	R311	S138	YOSEMITE REC CENTER	2,253.44
			Subtotal Fund 43L	\$ 1,109,511.46
				\$6,973,710.93

General Fund Filled Positions, Anticipated Retirements and 1,000 Layoffs

Department	Filled Positions As of Dec. 1, 2009	Not Yet Processed ERIP Participants	Layoff Target Count	Projected Filled on June 30, 2010
Aging	12	(1)	0	11
Animal Services	370	(12)	(14)	344
Building and Safety	102	(10)	(20)	72
City Administrative Officer	115	(4)	(5)	106
City Attorney	897	(47)	(100)	750
City Clerk	120	(19)	(10)	91
Community Development	0	0	0	0
Controller	140	(23)	(5)	112
Cultural Affairs	63	(11)	(16)	36
Disability	12	(1)	(6)	5
El Pueblo	16	0	(10)	6
Emergency Management	19	(1)	(3)	15
Employee Relations Board	3	(1)	0	2
Environmental Affairs	8	0	(5)	3
Ethics Commission	24	(1)	(1)	22
Finance	367	(25)	(9)	333
Fire - Civilian	357	0	(22)	335
General Services	1,612	(127)	(50)	1,435
Housing	0	0	0	0
Human Services	27	(3)	(24)	0
Information Technology Agency	614	(59)	(50)	505
L.A. Convention Center	135	(22)	(2)	111
Neighborhood Empowerment	38	(2)	(19)	17
Personnel	470	(45)	(100)	325
Planning	293	(31)	(20)	242
Police - Civilian	3,212	(201)	(50)	2,961
PW/Board of Public Works	64	(11)	(7)	46
PW/Bureau of Contract Admin	14	0	(14)	0
PW/Bureau of Engineering	310	(43)	(20)	247
PW/Bureau of Sanitation *	7	0	(7)	0
PW/Bureau of Street Lighting	0	0	0	0
PW/Bureau of Street Services	221	(36)	(100)	85
Transportation	1,203	(92)	(19)	1,092
Treasurer	39	(2)	(1)	36
Zoo	213	0	(6)	207
Subtotal	11,097	(831)	(715)	9,551
Library	1,044	(119)	(100)	825
Recreation and Parks	1,819	(172)	(125)	1,522
Subtotal	2,863	(291)	(225)	2,347
			0	
Fire - Sworn **	3,650	0	(60)	3,590
Police - Sworn	9,982	0	0	9,982
Subtotal	13,632	0	(60)	13,572
Total	27,592	(1,122)	(1,000)	25,470
Total Estimated Filled Positions Reduced:		(2,122)		

* Direct costs for positions in Sanitation are 100% Special Funds, but savings from Target Layoff Count will be used toward paying for Related Costs being subsidized by the General Fund.

** 60 Fire sworn positions eliminated will be absorbed by sending displaced staff to fill vacant field positions and reduce overtime.

**CITY RESTRUCTURING PROPOSALS
REDUCTION/ELIMINATION OF CULTURAL AFFAIRS GRANT PROGRAM**

OBJECTIVE:

Achieve General Fund savings by reducing the Cultural Affairs Grant Program for 2009-10 and eliminating the program in 2010-11.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

1. Instruct the Cultural Affairs Department to immediately notify Contractors that 2009-10 grant funding is no longer available and to work with the City Attorney's Office to begin termination of existing contracts where services have not yet been provided;
2. Instruct the Cultural Affairs Department to identify at least \$500,000 in savings from cancelled 2009-10 grants for events or services that have not been provided.
3. Instruct the Cultural Affairs Department to suspend the grant program for 2010-11 and to notify potential grantees that funding will not be available in 2010-11.

DISCUSSION:

A. Findings

The 2009-10 Adopted Budget included \$3,966,434 in appropriations to the Cultural Affairs Department (Cultural Affairs) Grant Program to fund special events throughout the City. Over the years, these funds have been made available to various public, private and non-profit organizations through grant awards to fund free or low-cost local events such as dance and music concerts and classes, film festivals, museum programs and theatrical plays and workshop events for youths and adults.

It is recommended that the Cultural Affairs Grants Program be immediately suspended for 2009-10 and eliminated for the 2010-11 fiscal year. All contracts contain a funding clause that provides the City with maximum flexibility in discontinuing the contracts based on the availability of City funding.

As of January 22, 2010, there is \$2,199,813 in uncommitted funds (see Attachment). To the extent that the funds remain unexpended and uncommitted, these monies could be used to increase reimbursement to the General Fund for related costs for Cultural Affairs employees. However, it is also important to note that there while there are uncommitted funds that have not been encumbered that there are outstanding commitments and expectations from service providers for 2009-10. Consequently, it is recommended that Cultural Affairs be instructed to immediately review its list of

scheduled events and programs, identify and immediately report back on the total remaining uncommitted funds it projects will be available for reimbursement to the General Fund to offset departmental related costs.

It is also recommended that Cultural Affairs immediately contact its grantees and work with the City Attorney's Office to suspend grantee contracts and finalize payments where services have already been provided. Cultural Affairs should also be instructed to notify all present and potential grant recipients of the 2009 suspension and planned elimination/suspension of the Cultural Affairs Grants Program to be effective July 1, 2010.

B. Service Level Impact:

Fewer local events that are funded by Cultural Affairs grants.

C. Cost Savings

Implementation of the recommendations should result in a minimum of \$500,000 in savings this fiscal year and approximately \$4 million in reduced expenditures for Cultural Affairs grants in 2010-11.

Attachment

CITY RESTRUCTURING PROPOSALS
DEPARTMENT ON DISABILITY
Elimination of the Department on Disability,
Continuation and Transfer of Legally-Mandated and
Community Development Block Grant Funded Services

OBJECTIVES:

Eliminate the Department on Disability and transfer responsibility for legally mandated services and AIDS Coordination to the Personnel Department and Community Development Department.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

- 1) Eliminate the Department on Disability as follows:
 - a) Request the City Attorney's Office to prepare and present an ordinance to complete the following within 30 days:
 - i Dissolve the Department on Disability;
 - ii. Transfer responsibility for the Commission on Disability and the ADA Compliance Program to the Personnel Department within 30 days;
 - iii. Transfer the AIDS Coordination and Computerized Information Center Program to the Community Development Department effective March 1, 2010;
 - iv. Transfer the ADA Compliance Program to the Equal Employment Opportunity Office of the Personnel Department effective March 1, 2010;
 - b) Eliminate eight position authorities and transfer the remaining available salary and expense funds to the Unappropriated Balance for Economic Uncertainties effective March 1, 2010 ; and,
 - c) Instruct the CAO to prepare and present necessary actions to transfer personnel and resources to the receiving departments.

BACKGROUND/DISCUSSION:

The 2009-10 Adopted Budget provided instructions for this Office to assess the feasibility of consolidating DOD into the newly formed Human Services Department (HSD) and to report back by January 2010 to the Budget and Finance Committee. It is recommended that the following positions, functions and four months of direct salary funding be transferred to the Personnel Department and Community Development Department respectively:

DOD Programs, Positions, Funding and Target Departments for Transfer					
No.	Code	Class Title	DOD Program	Transfer to	Funding
1	1358	Clerk Typist	AIDS Coordination	CDD	\$14,891
1	1538	Senior Project Coordinator	AIDS Coordination	CDD	\$25,942
3	9184-1	Management Analyst I	AIDS Coordination/CIC	CDD	\$69,298
2	9184-2	Management Analyst II	AIDS Coordination/CIC	CDD	\$56,342
7	Totals				\$166,473
1	1223-1	Accounting Clerk I	ADA Compliance	Personnel	\$18,943
1	9167-1	Senior Personnel Analyst I	ADA Compliance	Personnel	\$32,364
1	9171-2	Senior Management Analyst II	ADA Compliance	Personnel	\$40,833
1	1537	Project Coordinator	ADA Compliance	Personnel	\$26,750
4	Totals				\$118,890

American's with Disabilities Act (ADA) - Legally-mandated Services

These services include the City's ADA Compliance function, ADA 504 Accommodation Services, close-captioning and equipment services, and sign language interpretation services and support. Prior to the creation of DOD, legally-mandated services were administered by the Personnel Department..

Community Development Block Grant (CDBG) funded services

It is recommended that the AIDS Coordination function, Computerized Information Center (CIC) and administrative support positions that are also funded by CDBG be transferred to CDD. The AIDS related functions and services were transferred from CDD to DOD in 2000-01. Additionally, moving the services back to CDD would streamline the billing process, create less need for duplicative accounting and personnel support staff and reduce the CDBG indirect costs rates from 221.46 percent to 56.16 percent based on CAP 31 rates. The AIDS Policy Development and Prevention services and \$855,355 in funding currently provided outside of DOD's operating budget are also recommended for transfer back to CDD.

Commission on Disability

The Commission on Disability was established in 1989, in recognition of the City's commitment to expand equal opportunities and to provide oversight responsibilities for DOD.

A. Findings/Issues

Insufficient Funding - Assuming no growth over 2009-10 Adopted Budget amounts, the appropriation of \$1,728,131 will be insufficient to offset 2010-11 department salary costs of \$1,520,219, operational costs and still provide for on-going and legally required services such as the ADA 504 accommodation services (\$60,000), close-captioning and ADA equipment expenses (\$30,000), and increased sign language interpretation service costs (\$180,000).

Lawsuits - The City Attorney's Office has indicated that there is potential for an increased number of lawsuits based on the perception of reduced services and discontinuation of programs. Continuing legally-mandated services, the Disability Commission and ensuring that the City has an ADA Compliance Officer will help in addressing these concerns.

B. Service Impacts

- *Perception of reduced services for disabled constituents.*
- *Legally mandated services will be continued in a formerly familiar setting (Personnel).*
- *General Fund salary Savings of \$638,185 in 2010-11 plus pension and benefits costs for eight positions..*
- *Reduces CAP Rates from 221.46 percent to 56.16 percent for CDBG positions transferred to CDD.*
- *Increases chances for full cost recovery for indirect costs.*
- *Adherence to City policies and procedures under a larger organization should be more uniform.*

C. Program(s)/Positions to be Eliminated

Community Affairs Group and General Administration and Support

Five General-Funded positions and one CDBG funded position are recommended for elimination as a result of the proposed transfer. Two positions will be eliminated through ERIP. This will result in annual General Fund savings of \$473,559 based on 2009-10 funding levels.

D. Implementation Plan

In order to achieve the General Fund savings identified in this report, it is assumed that the dissolution of the Department and transfer of continued services will be effective March 1, 2010. Assuming this date, the following are the necessary actions and timeline for implementation of the stated effective date.

Date	Implementation Action
January 14, 2010	CAO met with General Manager to inform of plans for dissolution
January 27, 2010	Personnel to meet with CAO and DOD General Manager to review and address anticipated employee impact of transfer and layoffs.
February 1, 2010	Committee and Council review of recommendations and approval.
Mid-February 2010	Personnel to begin layoff notifications.
March 1, 2010	Transfer of funds, layoff and continued services take effect.

REORGANIZATION OF ENVIRONMENTAL STAFF RESOURCES

Through Elimination of the Department of Environmental Affairs

Purpose

- To adapt to drastically reduced revenues.
- To provide environmental services from within organizations that are can provide more effective critical administrative support.

Historical Background

- EAD was created by Ordinance approved on June 29, 1989. The Environmental Quality Board and its secretary were transferred from the City Planning Department to EAD and became the Environmental Affairs Commission. EAD began operations in May 1990.
- EAD was created to:
 - Put an end to the “piecemeal” or fragment approach to environmental problem solving in the City;
 - Develop and maintain expertise in a wide variety of environmental matters affecting City operations and residents;
 - Provide advice, guidance and information to the Council, Mayor, City departments and City residents and businesses;
 - Act as clearinghouse for environmental information and issues;
 - Recommend Citywide environmental policies and implementation of programs;
 - Represent the City on environmental issues;
 - Coordinate the review of environmental documents affecting more than one City department or agency; and,
 - Receive and review complaints of the public concerned with the environmental affairs of the City.
- The efforts of EAD staff have resulted in significant, long-term success. When EAD was created, the City was only beginning to develop an environmental conscience. Since its creation, the City has established a culture of environmental awareness that is pervasive throughout the entire City structure. Every City employee and manager clearly understands that consideration for the environment is part of their responsibility.

Reason(s) for Considering Reorganization

- The impact of the Early Retirement Incentive Program and necessary reductions in Citywide administrative support and accounting staff have left the Department at such a critically low level of support that their ability to survive independently is jeopardized.
- Consider the most effective approach to achievement of the City’s environmental goals.
- Potential Budgetary Savings of \$500,000 annually.
- Due to the success of EAD in helping to establish a culture of environmental awareness, the maintenance of a stand alone department has evolved from a necessity to a luxury. The City may be equally able to achieve environmental goals by refocusing environmental expertise and resources to areas of critical need.

Organizational Options

Each of these organizational options must be evaluated based upon a need to continue to be effective in implementing a set of aggressive environmental goals.

- Maintain EAD as it exists today.
- Expand EAD by consolidating environmental staff from other City departments and expanding the authority of EAD such that they become the “City EPA”
- Restructure EAD
 - The need for additional restructuring of EAD and adjustment of its mission may not exist as EAD has made its own adjustments:

Prior Area of Focus

Air Quality
Water Quality
Land and Materials Management
Information Center

New Area of Focus

Climate and Air
Adaptation and Vulnerability
Compliance and Enforcement
Sustainability and Green Business

- Eliminate EAD as a stand-alone department. Due to the wide variety of environmental activities performed by the City, there are several options for decentralization of environmental policy and subsequent elimination of a stand-alone department.

It is recommended that a reorganization of environmental staff resources be implemented as follows:

- Move 10 positions and \$1 million to the City Planning Department and create an Office of Environmental Services;
 - This will allow for the Planning Department to better focus on environmental review of community plans, the environmental impact of development proposals and the transportation element of the General Plan. Climate change and sustainability policies could also be integrated more fully into the overall planning process.
 - Additional discussions with Planning and the CAO would be required to ensure that the ensuing workload does not result in an increased General Fund burden and to determine the appropriate level of staffing commensurate with available funding.
- Move 2 positions and \$160,000 to the Department of Transportation for the administration of the Mobile Source Air Pollution Reduction Trust Fund (Schedule 10);
 - This will allow the City to more comprehensively plan for the movement of people and vehicles by providing a centralized place for the development and oversight of programs funded from Prop A, Prop C, Measure R and Mobile Source.
 - One position is environmental and very familiar with Mobile Source. One position is in the Accounting series since DOT accounting has been hit hard by ERIP.
- Move 8 positions and \$700,000 to the Department of Building and Safety to act as the Local Enforcement Agency (LEA);
 - These positions could go to either Planning or Building and Safety. However Building and Safety is focused on enforcement and the LEA may be a better fit culturally.
 - The LEA is supported by fees and Building and Safety has a deeper pool of accounting staff that can better absorb this function.
 - Building and Safety has a lower CAP rate (74.88 percent) than Planning (101.65 percent). This would allow the fees to be minimized. The cost for inspection of City facilities is approximately \$400,000 annually.
- Move 2 positions and \$234,000 to the Community Development Department (CDD) and transfer responsibility for the administration of the \$37 million ARRA - Energy Efficiency Block Grant from the US Department of Energy.
 - General Services, Water and Power and CDD are logical recipient departments.
 - Moving these staff to Water and Power will dilute the influence of the Mayor and Council over this Program.
 - General Services has more knowledge of energy efficiency measures than CDD. However, CDD has a culture conducive to and supportive of the successful administration of grants, especially federal grants.
 - Moving 2 positions from EAD will preserve the continuity of relationship with the Department of Energy and the oversight of the Grant Program while supplementing them with knowledge and ability on successful federal grant administration, including ARRA grants.
 - Additional discussions between the CAO and CDD would be required to establish the total level of funding required to manage and implement the program and any additional resources that CDD may need.
- Eliminate 6 staff positions, 5 commissioners and \$632,000 (\$447,000 – General Fund).
 - When combined with fringe costs, a total of \$864,000 would be saved (\$640,000 – General Fund).
 - The Commission could be retained if necessary. The Commissioners receive no compensation. The Commission would have to be assigned to a department with the capacity to absorb support for the Commission.

**CITY RESTRUCTURING PROPOSALS
HUMAN SERVICES DEPARTMENT****OBJECTIVE:**

To reduce the City's General Fund costs. The elimination of the Human Services Department will save \$2,224,505 in direct costs and \$842,700 in indirect costs for a total of \$3,067,205 annually.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

Eliminate the Human Services Department

1. Authorize the City Administrative Officer, with the assistance of other departments, to eliminate the Human Services Department by June 30, 2010;
2. Request the City Attorney to update the Ordinances related to the Commission for Children, Youth and Their Families, the Commission on the Status of Women and the Human Relations Commission to eliminate the three departments and to place the volunteer Commissions in abeyance by June 30, 2010;
3. Authorize the City Administrative Officer, with the assistance of other departments, to transfer the KidWatch, YWAR and Joy Picus Child Care Center functions to other departments.

BACKGROUND:

The Commission for Children, Youth and Their Families (CCYF), the Commission on the Status of Women (CSW) and the Human Relations Commission (HRC) were merged into the new Human Services Department at the beginning of 2009-10 as part of the Adopted Budget. While the consolidation is complete, the Los Angeles Municipal Code has not been updated to create the HSD and to eliminate the three former departments.

PROPOSAL:

To eliminate the Human Services Department.

DISCUSSION:**A. Findings/Issues**

The HSD is funded by the General Fund. Over the last few years, HSD has received grants from federal, state and local government agencies. The Department estimates that it will receive \$617,500 in grants over the next year from the Schiff-Cardenas Act, DOT/CalTrans, Health and Human Services and the Department of Water and Power (DWP). The grants reimburse the General Fund for salaries and expenses. As a result of the elimination, the City could lose part or all of the HSD grant funding.

The HSD has 20 regular and 15 resolution authorities for a total of 35 authorized positions. Of the 20 regular positions, 15 are filled, and of the 15 resolution positions, eight are filled. The HSD currently has eight as-needed employees and one person on a 90-day contract. At this time, the HSD has a total of 31 employees, including the part time staff. Of these, there are seven exempt employees. The Department has two unique classifications—Human Relations Advocate (seven employed) and Administrative Assistant for HSD (one employed).

B. Service Impacts

The service impacts are described below in sections C and D.

C. Program(s)/Positions to be Transferred

- KidWatch – KidWatch is a set of child safety programs designed to address traffic safety, neighborhood safety and child pedestrian safety. The HSD staff trains parents, guardians and volunteers at schools to provide these safety services and the City provides a kit that includes the supplies for the program. Approximately 110 schools and 1,100 volunteers are taking part in KidWatch. Recommendation: transfer the KidWatch programs and any related grants to the Department of Transportation (DOT) with \$100,000 in funding for expenses.
- YWAR (Young Women from Adversity to Resiliency) – The YWAR program trains young women of high school age with serious social, behavioral and/or emotional problems in leadership, occupation and conflict resolution skills. The program is funded by a grant from the Schiff-Cardenas Act and has produced 115 graduates. The grant pays for direct costs only; therefore, HSD has hired As-Needed staff to implement YWAR. Recommendation: transfer the program and the related grant to CDD.
- Joy Picus Child Care Center (JPCCC) – The HSD administers the contract for the JPCCC. Historically the Department also oversaw the tuition subsidy program for income-qualified City employees, which was funded by the First and Broadway Trust Fund. Since this fund has been terminated, tuition assistance was provided in 2009-10 by reappropriating funds from an expired child care contract for this purpose. The General Services Department (GSD) provides the space and maintains the JPCCC. Recommendations: transfer the management of the JPCCC contract either to the Personnel Department or the Department of Recreation and Parks; and determine whether or not to continue the tuition subsidy program.

D. Program(s)/Positions to be Eliminated

- Public Safety Community Relations – The HSD has developed task forces in Watts, Wilmington, Harbor-Gateway, Newton, Northeast, Oakwood and Venice/Oakwood. These task forces facilitate police and community relations and they train the community and City departments to manage conflicts. The HSD indicates that four Fulltime Equivalents (FTEs) are assigned to the public safety task forces.
- Special Population Task Forces – The HSD developed a program that focuses on leadership training and civic engagement in underserved communities. The special population task forces include the Middle-East Task Force, the Mayor's Office of Immigrant Affairs, the LGBT (lesbian, gay, bisexual, transgender) Task Force, the Transgender Working Group and the Family Ambassador Network. This program has been used for mediations at schools and other difficult public situations. The HSD indicates that two FTEs are assigned to these task forces.
- Los Angeles Youth Council (LAYC) – The LAYC program provides leadership and development opportunities for the youth of Los Angeles by involving them in the community and in City government.
- Training for the Los Angeles Fire Department (LAFD) – The LAFD funds HSD to develop and deliver human relations and leadership training and to assist with documenting and tracking compliance requirements with respect to Federal, State and City training mandates, as well as compliance with audit requirements. As-needed staff from HSD provides the training.
- Women's Programming – In addition to YWAR, the HSD has developed programs and support systems for women in Los Angeles, including domestic violence training for City employees, job fairs focusing on women and the Young Women of DWP, which addresses the low number of women entering the utilities sector.
- Commissions – The three volunteer Commissions offer direction to the HSD General Manager and staff regarding Department priorities, funding and services. The Commissions also oversee various trust funds. The CCYF has 15 Commissioners. The CSW has nine Commissioners. The HRC has 11

Commissioners.

E. Implementation Plan

- Personnel Department prepares for HSD layoffs – 30 to 60 days.
- CAO works with various departments to eliminate HSD and to transfer the KidWatch, YWAR and Joy Picus Child Care Center functions – up to 180 days.
- City Attorney prepares ordinances to eliminate CCYF, CSW and HRC – 30 to 90 days.

F. Options/Alternatives (if any)

There are no additional options.

Concept Paper
Curtailments to the Neighborhood Council Funding Program

Objective:

To examine the feasibility of implementing the following curtailments to the Neighborhood Council (NC) Funding Program:

- Reducing, deferring, or suspending the annual allocation to NCs;
- Eliminating the “rollover” policy;
- Eliminating the bank card system and petty cash; and
- Redefining and restricting allowable expenditure categories for NCs.

Background:

The Funding Program:

- Created by Council on November 1, 2002 (C.F. 02-0699).
- Provides \$45,000 (previously \$50,000) annual allocation to each certified NC for operating expenses and neighborhood improvement projects.
- The original “rollover” policy allowed NCs to “rollover” unspent balances for a period of three years. This policy was modified by Council on December 18, 2007 (C.F. 05-0894-S5) so that any NC shall not have more than \$145,000 in available funds at any given time.
- The 2009-10 Adopted Budget provides \$5.61 million (\$1.61 million for the “rollover” amount and \$4.00 million in new allocation) for 89 NCs.
- Currently, the following six positions administer the Program:

Position	2010-11 Salary
Senior Management Analyst I	\$98,909
Management Analyst II	79,323
Senior Accountant I	76,316
Accountant II	65,709
Senior Clerk Typist	56,142
Accounting Clerk II	54,583
Total Salaries	\$430,982

Findings:**Cost Savings**

As of December 31, 2009, the 89 NCs have spent a total of \$1.57 million of the \$5.61 million allocated in the 2009-10 Adopted Budget. Therefore, the elimination or suspension of the Funding Program would result in savings of \$4.04 million for this

fiscal year. However, any discussion of eliminating or reducing NC funding could increase the NC rate of spending and reduce this estimated savings amount. Additional savings would also result from the elimination of the six positions that currently administer the Program. These positions are currently filled and have a direct cost of \$431,000.

As the following table illustrates, the reduction, deferral, or suspension of NC funds would achieve savings in the range of \$445,000 to \$2.67 million.

% Decrease	Decrease	Adjusted Allocation	General Fund Savings
20%	\$ (5,000)	\$ 40,000	\$ 445,000
30%	(10,000)	35,000	890,000
40%	(15,000)	30,000	1,335,000
50%	(20,000)	25,000	1,780,000
60%	(25,000)	20,000	2,225,000
70%	(30,000)	15,000	2,670,000

However, this curtailment would be difficult to evenly implement since these funds have already been allocated and some NCs have spent more than other NCs. For example, as of December 31, 2009, the Winnetka NC has expended \$41,293 (or 92 percent) of its \$45,000 annual allocation and a \$5,000 reduction could not be implemented. On the other hand, the North Hollywood East NC has expended \$587 (or one percent) of its \$45,000 annual allocation and a \$30,000 reduction could be implemented.

The elimination of the “rollover” policy would result in savings of \$1.61 million. The elimination of the bank card system and restriction of allowable expenditure categories would not result in any cost savings, but introduce tighter controls on NC spending.

Implementation Timeline

These curtailments can be implemented immediately.

- Half of the NC funds are allocated to the Bank Cards and DONE has the authority to suspend all the Bank Cards immediately.
- The other half of the NC funds are allocated to demand warrants. This process requires NCs to submit a request to DONE to produce a City check to pay an invoice or reimburse a NC for goods/services rendered. Through its email notification system, DONE can immediately alert all NCs that it is suspending the processing of all demand warrants.

Political Challenges

These curtailments are all politically unpopular and gaining Council support will be difficult. The NCs have the ability to mobilize and rally Council support in a short timeframe. Achieving any level of savings this year will be difficult because reductions

cannot be evenly implemented. Reductions will need to be based on an “all or nothing” approach. The NCs are part of the City family and they will request the same level of curtailments imposed on any other City department. Since NCs demand equal treatment, they should not be exempt from the City’s reversion policy. Therefore, eliminating the “rollover” policy may be the most politically feasible curtailment to implement. Less than half of the NCs have significant “rollover” balances. This curtailment will eliminate a NC’s ability to accumulate funds for large scale community improvement projects. Although eliminating the bank card system and redefining expenditure categories will not result in any cost savings, these actions will be met with resistance since they will restrict NC spending. It is important to recognize the contributions of the 1,600 members of the NC system, but given the City’s fiscal crisis, the City can no longer sustain these costs.

Service Impacts

The Controller’s recent audit found that NCs spend a large percentage of their funding on operating costs (office space, equipment, temporary staffing), food, and donations. The NC funds support the operation of the NCs and it will be difficult for NCs to continue without funding. However, the elimination of these funds may force the NCs to be more resourceful and seek out other sources of funding. The following services will be significantly reduced:

- Participation levels in the NC system.
- Community outreach events and townhall meetings.
- Donations to school improvement projects, non-profit organizations, LAPD, Libraries, etc.
- Graffiti removal.
- Arts/music festivals, farmer’s market.
- Volunteer services.

Recommendation:

That the Mayor and Council suspend or eliminate the Neighborhood Council Funding Program. If the Funding Program is not eliminated, it is recommended that the “rollover” policy be eliminated and Neighborhood Council allocations be reduced or deferred. Lastly, it is recommended that the Mayor and Council eliminate the bank card system and redefine and restrict NC expenditure categories.

SOLID RESOURCES LIFELINE RATE PROGRAM

Problem:

The Solid Waste Lifeline Rate Program for the trash fee was budgeted in 2009-10 for \$16.6 million in the General City Purposes (GCP) Fund. The \$16.6 million was based on approximately 50,000 eligible customers; however, more residents continue to apply for Lifeline exemptions. The Bureau of Sanitation reports that 58,395 customers were subscribed to the program as of November 2009, which results in a General Fund deficit of \$6.7 million for the current year. This deficit will continue to grow unless Lifeline subscriptions halt or a policy change is made relative to the current ordinance requirement granting full exemptions.

Background:

The Lifeline program is available to residents 62 years of age or older or the disabled, and who meet income requirements for very low income households per HUD Section 8 guidelines, currently \$31,700. The LADWP receives a weekly listing from the Office of Finance for residents that have been approved for the Utility Users Tax Exemption. These residents are then placed on the Department's Lifeline billing rate. By ordinance, persons who qualify for the DWP portion¹ are automatically exempt from the Solid Waste fee. The Lifeline exemptions are renewed automatically by the Office of Finance unless any prerequisite facts supporting the initial qualification change, such as service address or income status. It is incumbent on Lifeline customers to come forward with this information.

The General City Purposes (GCP) fund reimburses the Solid Waste Resources Revenue Fund for the fee equivalent of customers that receive exemptions under the Lifeline program, in recognition of Proposition 218. This legislation prohibits jurisdictions from assigning the cost of a program associated with certain property related fees, such as trash fees, from one set of customers to another, inclusive of rate relief.

Potential Solutions:

The following are options to supplant the current full exemption, including:

- Charge Lifeline customers the Solid Waste fee but with a flat discount, such as 30 percent, phased in over two years (Attachment 13-f (i));
- Impose a cap on the General Fund subsidy for the Lifeline program and spread the balance of funding requirements across all subscribed customers, which also results in a partial Solid Waste fee (Attachment 13-f (ii));
- Implement a hybrid structure that involves a flat discount and includes a shared cost provision when the cost of the Lifeline program reaches a certain threshold (Attachment 13-f (iii)); or
- Eliminate rate relief on the trash fee altogether.

¹ Lifeline customers are not fully exempted from DWP electric and water rates but receive fixed discounts which can result in a significant reduction of the monthly rate, ranging from 45% to 70%, depending on a person's utility usage, household size and whether a person is subscribed to one or both utilities.

Flat Discount Structure (Attachment 13-f (i))

This approach requires a policy decision on the amount of a discount for the Solid Waste fee for Lifeline customers, although we recommend 30%. This is generally comparable to other cities' rate assistance for trash programs, including Los Angeles County which requires a 25% discount through its franchised haulers, and the Bureau's Sewer Service Charge which provides a 31% low income discount for a specific usage threshold.

- Ramped up over two years, customers could be charged 35% of the Solid Waste fee in the first year and 70% in the following year, with General Fund impacts as follows:

	Full Exemption	Year One - 35% Fee	Year Two - 70% Fee
Single-Family Fee	0	12.71	25.42
Multifamily Fee	0	8.52	17.03
General Fund Requirement (Mil) (Stabilized Lifeline Pool)	\$23.4	\$15.2	\$7.0
General Fund Requirement (Mil) (5% Growth on Lifeline Pool)	\$24.5	\$15.9	\$7.7

- One would assume the Lifeline pool would stabilize at some point, but absent that, the General Fund obligation would resume increases again.

Cap on General Fund Subsidy (Attachment 13-f (ii))

- This proposal involves a floating rate structure driven by changes in the Lifeline pool and the amount of General Fund that is budgeted for the program.
- It provides for budgetary stability by placing the burden for additional Lifeline costs to those customers in an equitable manner.
- For illustration purposes, the attachment provides fee scenarios based on the current year General Fund subsidy of \$16.6 million as a baseline.
- This threshold could be set at any level, effectively increasing or decreasing the fee requirement for Lifeline customers. Also assuming a growing Lifeline pool, rates could start at \$5.76 for single-family and \$3.86 for multifamily customers if implemented in the current year.
- A three-month implementation could realize approximately \$1.7 million in receipts if fees are in effect by April 2010, to offset the \$6.7 million current year obligation. Delays and collection ramp up would diminish this amount.
- Full recovery of the incremental cost could be realized by 2010-11.
- Additional analysis is required on how often to reset the fees and the resources required for that, in addition to properly conveying this in an ordinance. Resetting the fees on a quarterly basis, for example, requires a larger administrative effort but reduces Prop 218 exposure. Resetting on an annual basis is also an option but may result in higher fee variances due to true up adjustments.
- Capping the number of customers was also considered although this raises legal issues on equity when not all qualifying customers have access for exemptions.

Hybrid Structure (Attachment 13-f (iii))

- This involves charging a fixed fee as proposed in the first option but with a provision to spread any incremental costs to Lifeline customers when the cost of the Lifeline program passes a certain threshold (due to increasing customers).
- The scenario in the attachment assumes, as an example, a policy wherein the total cost of the Lifeline program shall not exceed 10% of budgeted Solid Waste receipts, which for 2009-10 amounts to \$26.4 million.
- The example illustrates a trigger point of a 13% increase in the Lifeline pool (roughly three years at the current rate of growth), or 66,021 customers, upon which shared billing of incremental cost increases to these customers can be implemented.
- Variants in this proposal include changes in the Solid Waste fee and/or changes in the Adopted Budget Solid Waste fee receipts for other reasons. Additionally, the threshold point could be established under any other criteria, such as current level GCP funding (\$16.6 million) or whatever each budget process dictates.
- This proposal also aims to minimize impact on the General Fund although it will also create additional administrative burden and ordinance changes.

Recommendations:

1. Adopt a rate structure for Lifeline customers on the Solid Waste fee based on scenarios presented herein with some flexibility to adjust for growth in the number of subscribers to the Lifeline program to minimize impacts on the General Fund, preferably as illustrated in the base and variable “hybrid” fee structure (Attachment 13-f (iii)) and, accordingly:
 - a. Instruct affected departments to develop the necessary procedures to implement these changes;
 - b. Request the City Attorney to prepare and present the necessary ordinance requirements to effectuate these changes;
2. Instruct the City Administrative Officer and Bureau of Sanitation to work with the Office of Finance in assessing the current trash fee exemption process for Lifeline customers and provide recommendations within 60 days on:
 - a. Resources for the verification and recertification of Lifeline customers;
 - b. Identification of other programs or resources with a low income eligibility screening component that could be utilized toward Lifeline eligibility and monitoring (for example, human services programs).

Attachments

Solid Waste Lifeline Rate Program - Fixed Discount Proposal					
Current Fee with Full Exemption					
Lifeline					
Customers (11/09)	SF/MF Ratio	Customers	Rate	Months	Total
58,395	75%	43,796	36.32	12	19,088,158
	25%	14,599	24.33	12	4,262,251
Total Cost of Lifeline		58,395			23,350,409
Budgeted 2009-10					16,608,527
Current Year Shortfall					(6,741,882)
Lifeline Customers 2010-11					
(assumes 5% growth)	SF/MF Ratio	Customers	Rate	Months	Total
61,315	75%	45,986	36.32	12	20,042,565
	25%	15,329	24.33	12	4,475,364
Total Cost of Lifeline		61,315			24,517,929
Base Level Funding					16,608,527
Projected Shortfall					(7,909,402)
Two Year Phase-in of Solid Waste Fee with 30% Discount					
Year One - 35% Fee Implementation					
Lifeline					
Customers (assumes no growth)	SF/MF Ratio	Customers	Rate	Months	Total
58,395	75%	43,796	12.71	12	6,680,855
	25%	14,599	8.52	12	1,491,788
Totals		58,395			8,172,643
General Fund Requirement					15,177,766
Total Cost of Lifeline					23,350,409
Lifeline					
Customers (assumes 5% growth)	SF/MF Ratio	Customers	Rate	Months	Total
61,315	75%	45,986	12.71	12	7,014,898
	25%	15,329	8.52	12	1,566,377
Totals		61,315			8,581,275
General Fund Requirement					15,936,654
Total Cost of Lifeline					24,517,929
Year Two - 70% Fee Implementation					
Lifeline					
Customers (assumes no growth)	SF/MF Ratio	Customers	Rate	Months	Total
58,395	75%	43,796	25.42	12	13,361,710
	25%	14,599	17.03	12	2,983,576
Totals		58,395			16,345,286
General Fund Requirement					7,005,123
Total Cost of Lifeline					23,350,409
Lifeline					
Customers (assumes 5% growth)	SF/MF Ratio	Customers	Rate	Months	Total
64,380	75%	48,285	25.42	12	14,731,286
	25%	16,095	17.03	12	3,289,392
Totals		64,380			18,020,678
General Fund Requirement					7,723,148
Total Cost of Lifeline					25,743,826

Solid Waste Fee Lifeline Rate Program - Fixed General Fund Subsidy Proposal						
Lifeline						
Customers (11/09)	SF/MF Ratio	Customers	Rate	Months	Total	
58,395	75%	43,796	36.32	12	19,088,158	
	25%	14,599	24.33	12	4,262,251	
Totals		58,395			23,350,409	
Budgeted 2009-10					16,608,527	
Shortfall					(6,741,882)	
Rate Distribution Needed to Meet Shortfall			Rate	Months	Total	3 Months
	Single-family		5.76	12	4,037,348	1,009,337
	Multifamily		3.86	12	2,704,534	676,133
	Total				6,741,882	1,685,470
Lifeline						
Customers (5% growth)	SF/MF Ratio	Customers	Rate	Months	Total	
61,315	75%	45,986	36.32	12	20,042,565	
	25%	15,329	24.33	12	4,475,364	
Totals		61,315			24,517,929	
Budgeted 2009-10					16,608,527	
Shortfall					(7,909,402)	
Rate Distribution Needed to Meet Shortfall			Rate	Months	Total	
	Single-family		6.44	12	4,736,513	
	Multifamily		4.31	12	3,172,890	
	Total				7,909,402	
Lifeline						
Customers (5% growth)	SF/MF Ratio	Customers	Rate	Months	Total	
64,380	75%	48,285	36.32	12	21,044,694	
	25%	16,095	24.33	12	4,699,132	
Totals		64,380			25,743,826	
Budgeted 2009-10					16,608,527	
Shortfall					(9,135,299)	
Rate Distribution Needed to Meet Shortfall			Rate	Months	Total	
	Single-family		7.08	12	5,470,635	
	Multifamily		4.74	12	3,664,663	
	Total				9,135,299	
Lifeline						
Customers (5% growth)	SF/MF Ratio	Customers	Rate	Months	Total	
67,600	75%	50,700	36.32	12	22,096,928	
	25%	16,900	24.33	12	4,934,088	
Totals		67,600			27,031,017	
Budgeted 2009-10					16,608,527	
Shortfall					(10,422,490)	
Rate Distribution Needed to Meet Shortfall			Rate	Months	Total	
	Single-family		7.69	12	6,241,465	
	Multifamily		5.15	12	4,181,025	
	Total				10,422,490	

Solid Waste Fee Lifeline Rate Program - Hybrid Proposal					
Lifeline					
Customers (as of 11/09))	SF/MF Ratio	Customers	Rate	Months	Total
58,395	75%	43,796	25.42	12	13,361,710
	25%	14,599	17.03	12	2,983,576
Totals		58,395			16,345,286
Total Cost of Lifeline					23,350,409
General Fund Requirement					7,005,123
10% of Solid Waste Fee Adopted Budget Receipts					26,400,000
Margin					3,049,591
Lifeline					
Customers (assumes 13% growth)	SF/MF Ratio	Customers	Rate	Months	Total
66,021	75%	49,516	25.42	12	15,106,765
	25%	16,505	17.03	12	3,373,234
Totals		66,021			18,480,000
Total Cost of Lifeline					26,400,000
General Fund Requirement					7,920,000
10% of SWRRF Adopted Budget Receipts					26,400,000
Margin					0

**EMPLOYMENT LEVEL REPORT
FY 2009-10**

Attachment 14

Department	Adopted Budget	Position Authorities			Filled Positions			Vacancies	Activated Sub. Auth.
		Start of November	Changes	End of November	Start of November	Changes	End of November		
Aging	41	56	-	56	46	-	46	10	-
Animal Services	357	412	-	412	371	(1)	370	42	-
Building and Safety	806	1,023	-	1,023	941	(8)	933	90	11
City Administrative Officer	125	129	-	129	124	-	124	5	1
City Attorney	835	1,055	-	1,055	1,006	(1)	1,005	50	12
City Clerk	134	145	-	145	131	-	131	14	3
Community Development	198	301	-	301	270	-	270	31	5
Controller	188	230	-	230	182	(2)	180	50	5
Cultural Affairs	68	70	-	70	62	1	63	7	2
Disability	13	19	-	19	18	-	18	1	-
El Pueblo	17	21	-	21	16	-	16	5	4
Emergency Management	19	30	-	30	27	(1)	26	4	-
Employee Relations Board	3	3	-	3	3	-	3	-	-
Environmental Affairs	28	28	-	28	28	-	28	-	-
Ethics Commission	24	24	-	24	24	-	24	-	-
Finance	362	401	-	401	367	-	367	34	20
Fire - Civilian	353	439	-	439	358	(1)	357	82	35
Fire - Sworn	3,588	3,647	-	3,647	3,650	-	3,650	(3)	5
General Services	2,042	2,090	-	2,090	1,960	(2)	1,958	132	16
Housing	535	602	-	602	516	7	523	79	11
Human Services	20	36	-	36	26	-	26	10	1
Information Technology Agency	637	717	-	717	693	(2)	691	27	5
L.A. Convention Center	165	183	-	183	135	-	135	48	12
Neighborhood Empowerment	43	43	-	43	38	-	38	5	-
Personnel	441	516	-	516	483	(1)	482	34	10
Planning	270	365	-	365	294	(1)	293	72	-
Police - Civilian	3,545	3,587	-	3,587	3,217	(5)	3,212	375	6
Police - Sworn	10,467	10,493	-	10,493	10,018	(36)	9,982	511	-
PW/Board of Public Works	130	142	-	142	123	-	123	19	-
PW/Bureau of Contract Admin	281	403	-	403	353	(1)	352	51	-
PW/Bureau of Engineering	894	1,044	-	1,044	895	(1)	894	150	17
PW/Bureau of Sanitation	2,845	2,925	-	2,925	2,614	(15)	2,599	326	11
PW/Bureau of Street Lighting	230	261	-	261	208	(4)	204	57	2
PW/Bureau of Street Services	1,157	1,592	-	1,592	1,276	(8)	1,268	324	71
Transportation	1,425	1,645	-	1,645	1,554	(3)	1,551	94	13
Treasurer	39	42	-	42	39	-	39	3	2
Zoo	245	247	-	247	213	-	213	34	1
Subtotal	32,570	34,966	-	34,966	32,279	(85)	32,194	2,773	281
Library	1,132	1,156	-	1,156	1,045	(1)	1,044	112	-
Recreation and Parks	1,961	2,111	-	2,111	1,824	(5)	1,819	292	119
Subtotal	3,093	3,267	-	3,267	2,869	(6)	2,863	404	119
Total	35,663	38,233	-	38,233	35,148	(91)	35,057	3,177	400

"Position Authorities-Start of November" 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	37,985	112	38,097	35,729	(188)	35,541	2,556	410
August	35,663	38,097	137	38,234	35,541	(144)	35,397	2,837	408
September	35,663	38,234	(1)	38,233	35,397	(140)	35,257	2,976	401
October	35,663	38,233	-	38,233	35,257	(109)	35,148	3,085	400
November	35,663	38,233	-	38,233	35,148	(91)	35,057	3,177	400
December			-			-		-	-
January			-			-		-	-
February			-			-		-	-
March			-			-		-	-
April			-			-		-	-
May			-			-		-	-
June			-			-		-	-

VOLUNTARY FURLOUGH FY 2009/10 - RECAP BY DEPARTMENT - 1/25/10

Attachment 15

Department	PP 1 - 11 (6/21-11/21)		PP 12 (11/22-12/5)		PP 13 (12/6-12/19)		PP 14 (12/20-1/2)		PP 15 (1/3-1/16)		TOTAL	
	Hours	Dollars	Hours	Dollars	Hours	Dollars	Hours	Dollars	Hours	Dollars	Hours	Dollars
Aging	182	\$ 6,686.71	2	\$ 94.74	3	\$ 142.11	3	\$ 114.74	9	\$ 183.69	199	\$ 7,221.99
Animal Services	885	\$ 21,627.69	29	\$ 825.53	-4	\$ (123.84)	12	\$ 262.21	-10	\$ (206.70)	912	\$ 22,384.89
Building & Safety	1,253	\$ 44,743.88	121	\$ 3,614.96	113	\$ 3,933.66	200	\$ 6,723.48	32	\$ 1,091.54	1,719	\$ 60,107.52
CAO	312	\$ 13,669.54					2	\$ 94.74	4	\$ 243.08	318	\$ 14,007.36
CDD	198	\$ 5,791.02			5	\$ 95.04					203	\$ 5,886.06
City Attorney	535	\$ 26,540.79	23	\$ 1,657.76	23	\$ 1,405.15	14	\$ 1,052.82	19	\$ 1,341.62	614	\$ 31,998.14
City Clerk	109	\$ 4,437.87							16	\$ 938.88	125	\$ 5,376.75
Controller	64	\$ 2,014.08	1	\$ 31.47	8	\$ 251.76	7	\$ 220.29	16	\$ 503.52	96	\$ 3,021.12
Convention Center	14	\$ 272.36									14	\$ 272.36
Council	881	\$ 32,632.14	276	\$ 11,698.96	230	\$ 9,796.16	534	\$ 19,400.28	528	\$ 18,806.00	2,449	\$ 92,333.54
Cultural Affairs	166	\$ 4,980.27	8	\$ 273.60			5	\$ 171.00	20	\$ 654.71	199	\$ 6,079.58
Disability	0	\$ -									0	\$ -
DONE	492	\$ 21,070.12	25	\$ 943.07	12	\$ 450.36					529	\$ 22,463.55
El Pueblo	22	\$ 655.75									22	\$ 655.75
Emergency Mgmt	40	\$ 3,277.60									40	\$ 3,277.60
ERB	222	\$ 12,645.12	8	\$ 455.68	8	\$ 455.68	8	\$ 455.68	8	\$ 455.68	254	\$ 14,467.84
Environmental Affairs	50	\$ 2,005.50									50	\$ 2,005.50
Ethics	336	\$ 12,321.04	27	\$ 1,025.73			24	\$ 911.76	32	\$ 1,215.68	419	\$ 15,474.21
Finance	335	\$ 9,510.98	13	\$ 422.00	33	\$ 876.08	45	\$ 1,130.80	8	\$ 319.76	434	\$ 12,259.62
Fire	553	\$ 13,939.91	37	\$ 1,409.34	32	\$ 1,261.43	39	\$ 1,371.34	44	\$ 1,860.29	705	\$ 19,842.31
General Services	1,959	\$ 58,252.92	105	\$ 2,428.43	113	\$ 2,709.94	60	\$ 1,425.87	89	\$ 2,304.42	2,326	\$ 67,121.58
Harbor	27	\$ 1,356.29									27	\$ 1,356.29
Housing	1,161	\$ 33,180.60	138	\$ 4,326.64	129	\$ 3,498.21	112	\$ 3,255.03	94	\$ 2,429.99	1,634	\$ 46,690.47
Human Services	72	\$ 3,156.80									72	\$ 3,156.80
ITA	758	\$ 28,959.13	33	\$ 1,199.48	24	\$ 884.16	40	\$ 1,931.36	8	\$ 320.88	863	\$ 33,295.01
LACERS	1,188	\$ 37,909.65	130	\$ 4,126.84	73	\$ 1,722.44	54	\$ 1,246.91	73	\$ 1,722.44	1,518	\$ 46,728.28
Library	2,657	\$ 78,939.01	143	\$ 3,682.42	131	\$ 4,157.14	192	\$ 6,572.41	147	\$ 4,894.26	3,270	\$ 98,245.24
Mayor	375	\$ 12,869.32									375	\$ 12,869.32
Pensions	0	\$ -									0	\$ -
Personnel	1,280	\$ 41,732.16	25	\$ 793.18	49	\$ 1,916.67	65	\$ 1,870.08	13	\$ 627.36	1,432	\$ 46,939.45
Planning	31	\$ 1,082.00					8	\$ 338.72			39	\$ 1,420.72
Police	5,939	\$ 185,694.02	41	\$ 1,447.20	110	\$ 3,660.01	83	\$ 2,820.67	108	\$ 3,091.99	6,281	\$ 196,713.89
PW Board	246	\$ 7,337.48					9	\$ 283.23	9	\$ 195.30	264	\$ 7,816.01
PW Con Admin	446	\$ 16,210.48	29	\$ 989.79	22	\$ 625.57	35	\$ 1,335.73	26	\$ 690.85	558	\$ 19,852.42
PW Engineering	3,877	\$ 164,839.99	349	\$ 15,194.91	405	\$ 18,110.17	316	\$ 14,074.22	237	\$ 10,670.54	5,184	\$ 222,889.83
PW Sanitation	1,338	\$ 41,500.48	74	\$ 2,297.34	37	\$ 1,266.04	87	\$ 2,710.78	28	\$ 996.61	1,564	\$ 48,771.25
PW Street Lighting	42	\$ 1,161.48									42	\$ 1,161.48
PW Street Services	603	\$ 16,625.93	65	\$ 1,670.45	110	\$ 3,264.29	63	\$ 1,661.75	47	\$ 1,381.09	888	\$ 24,603.51
Rec & Parks	1,622	\$ 44,495.20	93	\$ 2,914.86	76	\$ 2,175.11	58	\$ 1,659.54	22	\$ 632.62	1,871	\$ 51,877.33
Transportation	572	\$ 17,199.56	57	\$ 1,546.65	6	\$ (8.94)	26	\$ 776.14	21	\$ 561.09	682	\$ 20,074.50
Treasurer	40	\$ 1,141.77	1	\$ 26.07			23	\$ 873.40	17	\$ 443.19	81	\$ 2,484.43
Zoo	393	\$ 9,888.07	15	\$ 448.18	28	\$ 842.44	14	\$ 467.31	16	\$ 434.72	466	\$ 12,080.72
TOTAL	31,275	\$ 1,042,354.71	1,868	\$ 65,545.28	1,776	\$ 63,366.84	2,138	\$ 75,212.29	1,681	\$ 58,805.10	38,738	\$ 1,305,284.22

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	10/21/2009	Increased non-compliance fee for failure to comply with Orders to Comply. The Ordinance passed and new fees became effective October 21, 2009. The Department expects to meet the increased revenue target.
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 schedule for last quarter of Fiscal Year. Revenue of \$1.4 million projected.
Fire	Brush Clearance Re-inspection	Increase fee, net revenue change is \$650,000.	10/01/2009		Fee increase on schedule for last quarter of Fiscal Year. Revenue of \$650,000 projected.
Fire	Industrial Building Inspection	Increase fee, net revenue change is \$1 million.	10/01/2009		Fee increase on schedule to start next Fiscal Year. Projected start date between January and March 2011.
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

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 29, 2010

CAO File No. 0590-00098-3842

Council File No. 09-0600

Council District: All

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

From: Miguel A. Santana, City Administrative Officer 

Reference: Joint Letter dated January 20, 2010 from Mayor and Council Representatives Instructing the City Administrative Officer to Take Immediate Steps to Implement Goals Ensuring the City's Long-Term Financial Health

Subject: **THREE-YEAR PLAN TO FISCAL SUSTAINABILITY**

SUMMARY

On January 20, 2010, Mayor Antonio R. Villaraigosa, Council President Eric Garcetti, President Pro Tempore Jan Perry, Assistant President Pro Tempore Dennis Zine, Budget & Finance Committee Chair Bernard C. Parks, and Budget & Finance Committee Vice Chair Greig Smith took an unprecedented action in releasing a Joint Financial Strategy Letter (Joint Letter) directing the City Administrative Officer (CAO) to implement a multi-year plan to balance the current fiscal year budget, strengthen and restore the City's long-term fiscal health and sustainability through a series of goals and directives.

Goals

- Balancing the budget in the current fiscal year
- Strengthening the City's credit rating
- Restoring the City's long-term fiscal health and sustainability

Directives

- Reopening dialogue with our labor partners
- Maximizing benefit of early retirements
- Downsizing government and continue the highest priority services in the best manner possible
- Identifying encumbered and unencumbered funds for potential reprogramming
- Pursuing Public-Private Partnerships
- Enhancing Revenues

This *Three-Year Plan to Fiscal Sustainability* along with the *Mid-Year Financial Status Report* (Mid-Year) begins the long, arduous path to the City's financial sustainability. While the Mid-Year contains measures primarily aimed at financial adjustments for the current fiscal year, this report is intended as a first in a series of evolving rolling forecasts centered around the City's long term financial goals and the actions necessary to achieve them. There is certainly overlap between the two documents which is why immediate direct financial transactions are addressed in the Mid-Year. The actions contained herein are a precursor to additional financial adjustments that will be detailed in a subsequent report (after reconciliation of the Mid-Year adjustments).

The 2010-11 Proposed Budget will provide additional opportunity to further refine many of the proposals and concepts outlined in this report.

RECOMMENDATIONS

- I. In the area of Responsible Financial Management, it is recommended that the City Council:
 - 1) Direct the City Administrative Officer (CAO), with the assistance of the Chief Legislative Analyst (CLA), to draft a Resolution for Council consideration that the City commit to achieving a minimum five percent General Fund reserve and adopt a budget wherein one-time revenues do not exceed one-time expenditures by the 2011-12 Budget.
 - 2) Direct the CAO to continue to produce a "Three-Year Plan" rolling financial report benchmarking the City's process in achieving fiscal sustainability and provide recommendations and policies to eliminate the City's structural deficit.
 - 3) Direct the CAO to develop within 180 days, recommended multi-year and outcome-based budgeting approaches for use in developing future City budgets.
 - 4) Direct the CAO to update and disseminate existing City Financial Policies as have been adopted by Council and disseminate to all City departments within 60 days.
 - 5) Direct the CAO to draft and submit for Council consideration in conjunction with the 2010-11 Proposed Budget, a Risk Management Policy to reduce costs and liability and require corrective action plans on all settlements.
 - 6) Direct the CAO to submit for Council consideration, previously requested financial policies in the areas of Capital, Non-Profit Leases, and Budget Stabilization Fund within 60 days.
 - 7) Direct the CAO to propose specific existing and requested City Financial Policies for Council consideration of adoption by Ordinance.
 - 8) Direct the CAO to begin measuring actual versus adopted budget Financial Policy compliance reporting in the Supplemental Proposed Budget report to Budget & Finance Committee on an ongoing basis.
 - 9) Instruct the CAO to draft letters to the Boards of the Community Redevelopment Agency, Los Angeles World Airports, Los Angeles Harbor Department, and the Department of Water and Power asking that each Board adopt a policy of providing annual updates of their financial policies, highlighting any changes therein, to the Budget & Finance Committee annually by April 1st.

- II. In the area of Focus on Core Mission (Attachment 2), it is recommended that the City Council:
- 10) Direct the CAO to study, with the appropriate stakeholders, and report back to Council within 30 days on the following restructuring proposals (Attachment 2):
 - a. Accounting Consolidation;
 - b. Asset Management;
 - c. Consolidate Design and Delivery of Capital Projects;
 - d. Consolidation of Fire Inspection Functions with the Department of Building and Safety;
 - e. Consolidation of Public Works Financial Management Functions;
 - f. IT Restructuring: Infrastructure Efficiencies;
 - g. Transfer the Department of Neighborhood Empowerment or the Neighborhood Council Funding Program;
 - h. Department of Public Works Reorganization;
 - i. Public Works Bureau of Transportation/Streets; and,
 - j. Parking Management.
 - 11) For the Billing and Collections proposal:
 - a. Instruct the Office of Finance to implement Phase I to centralize collections as recommended by the Macias Consulting Group (Macias) Centralized Billing Feasibility Report, dated December 21, 2009;
 - b. In regards to Phase II of the Macias Centralized Billing Feasibility Report, instruct the Fire Department (LAFD) to expedite the referral of delinquent EMS billings to outside collections; and,
 - c. In regards to Phase II of the Macias Centralized Billing Feasibility Report, instruct the Transportation Department (DOT) to work with the Office of Finance on preparing a Request for Proposals for a new vendor for parking citations collections.
 - 12) For the Library Department Reimbursement of General Fund Costs proposal:
 - a. Instruct the Library Department to submit, within 60 days, a reorganization plan for 2010-11, assuming that it will be required to reimburse ten percent of the retirement costs, Medicare and the Civilian Flex Program; and,
 - b. Instruct the Library Department to submit a 5-year reorganization plan from 2010-11 through 2014-15 with its 2011-12 budget submittal to the Mayor, assuming that it will be required to reimburse the General Fund for retirement costs, Medicare and the Civilian Flex Program. The reimbursement will be 10 percent for the first year and increase by 10 percent for each of the succeeding years with a cap of 50 percent on the fifth year.
 - 13) For the Department of Recreation and Parks Reimbursement of General Fund Costs proposal:
 - a. Instruct the Department of Recreation and Parks to submit, within 60 days, a reorganization plan for 2010-11, assuming that it will be required to reimburse ten percent of the retirement costs, Medicare and the Civilian Flex Program; and,
 - b. Instruct the Department of Recreation and Parks to submit a five-year reorganization plan from 2010-11 through 2014-15 with its 2011-12 budget submittal to the Mayor, assuming that it will be required to reimburse the General Fund for retirement costs, Medicare and the Civilian Flex Program. The reimbursement will be 10 percent for the

first year and increase by 10 percent for each of the succeeding years with a cap of 50 percent on the fifth year.

- 14) For the Solid Resources Lifeline Rate Program proposal:
 - a. Adopt a rate structure for Lifeline customers on the Solid Waste fee based on scenarios presented herein with some flexibility to adjust for growth in the number of subscribers to the Lifeline program to minimize impacts on the General Fund, preferably as illustrated in the base and variable "hybrid" fee structure and, accordingly:
 - i. Instruct affected departments to develop the necessary procedures to implement these changes; and,
 - ii. Request the City Attorney to prepare and present the necessary ordinance requirements to effectuate these changes.
 - b. Instruct the City Administrative Officer and Bureau of Sanitation to work with the Office of Finance in assessing the current trash fee exemption process for Lifeline customers and provide recommendations within 60 days on:
 - i. Resources for the verification and recertification of Lifeline customers; and,
 - ii. Identification of other programs or resources with a low income eligibility screening component that could be utilized toward Lifeline eligibility and monitoring (for example, human services programs).
- 15) For the Curtailments to the Neighborhood Council Funding Program:
 - a. Eliminate the "rollover" policy and transfer all suspended "rollover" funds, totaling \$1.61 million, to the Reserve Fund, Reserve for Economic Uncertainties Account;
 - b. Eliminate the bank card system and convert to a demand warrant system;
 - c. Instruct the Department of Neighborhood Empowerment, City Attorney, and City Administrative Officer to evaluate and redefine allowable expenditure categories for Neighborhood Council funds; and,
 - d. Instruct the General Manager of the Department of Neighborhood Empowerment to issue a memo to the Neighborhood Councils regarding a proposed 50 percent reduction to the annual allocation amount for 2010-11.
- 16) For the Senior Services proposal:
 - a. Instruct the Department of Aging (Aging), the Department of Recreation and Parks (RAP), and the Office of the City Administrative Officer (CAO) to develop and implement a plan to best service the senior constituents while identifying efficiencies and savings. As an example, consolidate the Senior Social Services program into one department.
- 17) For the Reduction/Elimination of Cultural Affairs Grant Program:
 - a. Instruct the Cultural Affairs Department to immediately notify Contractors that 2009-10 grant funding is no longer available and to work with the City Attorney's Office to begin termination of existing contracts where services have not yet been provided;
 - b. Instruct the Cultural Affairs Department to identify at least \$500,000 in savings from cancelled 2009-10 grants for events or services that have not been provided; and,
 - c. Instruct the Cultural Affairs Department to suspend the grant program for 2010-11 and to notify potential grantees that funding will not be available in 2010-11.
- 18) For the General Services Department Fleet proposal:
 - a. Direct GSD to identify cost savings for fleet maintenance work that could be outsourced quickly to address gaps and submit amendments to current service/parts contracts to provide the additional maintenance services within 60 days; and,

- b. Direct GSD to develop fleet maintenance service RFP for all services with gaps currently provided by GSD fleet within 90 days. The RFP must include options for other City departments to utilize the maintenance services directly.

III. In the area of Public-Private Partnership (Attachment 3), it is recommended that the City Council:

- 19) Direct the CAO to study, with the appropriate stakeholders, and report back to Council within 30 days on the following public-private partnership proposals (Attachment 3):
 - a. Contracting Street Improvement Reconstruction;
 - b. Contracting Street Sweeping;
 - c. Contracting Street Tree Maintenance;
 - d. General Service Publishing;
 - e. Median Island Landscape Maintenance;
 - f. Creation of the Bureau of Transportation/Streets;
 - g. Options To Make El Pueblo independent and self-sustaining;
 - h. Landscaping and Maintenance Functions;
 - i. Franchising of Multi-Family Refuse Collection; and,
 - j. Privatizing the Zoo.
- 20) For the General Services Department Fleet Proposal:
 - a. Direct GSD to identify cost savings for fleet maintenance work that could be outsourced quickly and submit amendments to current service/part contracts to provide the additional maintenance services within 60 days;
 - b. Direct GSD to develop fleet maintenance service RFP for all services currently provided by GSD fleet within 90 days, to include options for other City departments to directly utilize the maintenance services;
 - c. Direct GSD to develop fleet maintenance service RFP for all services currently provided by GSD fleet within 120 days. The RFP needs to include options for other City departments to utilize the maintenance services directly; and,
 - d. Direct GSD to review and submit an action plan to implement fleet cost reduction options.
- 21) For the Golf Operations Proposal:
 - a. Request the Board of Recreation and Park Commissioners (Board) to institute a three-month moratorium on all new golf concession contracts; and,
 - b. Instruct the Department of Recreation and Parks to form a working group to develop a request for information or a request for proposal, subject to Board review and approval, to determine the feasibility of privatizing the entire golf operations.
- 22) For the Landscape Services Proposal:
 - a. Instruct the Department of Recreation and Parks to develop a pilot program for contracting out 20 percent of landscape services.
- 23) For the License Canvassing and Care Center Operations Proposal:
 - a. Instruct the Animal Services Department to report back on the feasibility of partnering with the County of Los Angeles for license canvassing services within 60 days; and,
 - b. Instruct the City Administrative Officer and the Animal Services Department to develop and issue a Request For Information for the operation of one or more animal care centers by an established animal care and control organization by March 1, 2010.

- 24) For the Parking Meter System Proposal:
- a. Transfer appropriations of \$200,000 from the Unappropriated Balance, Fund No. 100/58, Account No. 0250, Public-Private Partnership Parking, to the Capital Finance Administration Fund No. 100/53, General Administration Account No. 0170, for expenditures related to the engagement of consultants to complete a study of the City's parking meter system.
- 25) For the Parking Structures Proposal:
- a. Authorize the City Administrative Officer to issue a Request for Qualifications to qualify bidders for a proposed public-private partnership with respect to the City's parking structures;
 - b. Authorize the City Attorney to negotiate and execute an Agreement with Katten Muchin Rosenman, LLP, for a term of two years in an amount not to exceed \$150,000, for legal services needed to execute and implement the public-private partnership transaction; and,
 - c. Approve additional funding of \$500,000 from the Unappropriated Balance to fund ongoing expenditures for the transaction team.
- 26) For the Public Works Reorganization Proposal:
- a. Review potential options for creating a consolidated, more closely integrated Department of Public Works and report back on the potential strengths and weaknesses of those options. In addition, the City Administrative Officer should survey other jurisdictions and identify best practices;
 - b. Work with appropriate stakeholders to:
 - i. Review the functions of the Department of Transportation and the Department of Public Works (Bureau of Street Services and Bureau of Street Lighting) and report back on reorganization and consolidation opportunities;
 - ii. Consider alternatives to the existing dispersion of financial management and accounting functions within the Department of Public Works (including the Department of Transportation);
 - iii. Re-evaluate the strategic approach to the current design and delivery of capital projects; and,
 - iv. Re-evaluate the strategic approach to management of the City parking facilities (mainly surface parking lots) after the implementation of a concession arrangement for City parking structures and, potentially for parking meters.
 - c. Work with the Bureau of Street Services to:
 - i. Return responsibility for street tree maintenance to the abutting property owner;
 - ii. Reduce the cost of the street tree trimming program to the bare minimum;
 - iii. Provide a strategic approach to the management of risk resulting from street trees; and,
 - iv. Develop a system that allows for efficient contracting of:
 1. Large street improvement, streetscape, major roadway rehabilitation and grant-funded or special funded projects;
 2. Street tree trimming and maintenance services; and,
 3. Median Island maintenance.
- 27) For the Convention Center proposal:
- a. Authorize the development and release of a Request for Proposal (RFP) for the management and operations of the Convention Center facility;

- b. Request the Los Angeles Convention and Visitors Bureau (LA Inc.) to develop and submit a proposal to provide all Convention Center marketing and sales functions; and,
- c. Instruct the CAO to report back on a proposed budget for Bond Counsel services to assist on private use matters.

IV. In the area of Workforce Modernization, it is recommended that the City Council:

- 1. Instruct the Personnel Department and the CAO to conduct a comprehensive review of the Civil Service provisions of the Los Angeles City Charter, and report back to the EERC with recommendations to eliminate non-merit based provisions; and eliminate or modify existing provisions to increase the efficiency, cost effectiveness and flexibility of the human resource program, while retaining the fundamental concept of merit-based employment.

FISCAL IMPACT STATEMENT

The City of Los Angeles faces a projected \$208.5 million budget shortfall in Fiscal Year 2009-10 and a \$484 million projected shortfall for Fiscal Year 2010-11.

DISCUSSION

From the State of the Union to the state of the City's finances, the focus is on the economy. Our Nation faces its greatest economic crisis since the Great Depression. While there is some disagreement as to whether this national crisis is slowing or perhaps even turning around, it would seem to be the consensus that this crisis will not be coming to an end quickly.

A *National League of Cities* Research Brief (December 2009) projects that all U.S. cities combined will face an estimated budget shortfall of between \$56 to \$83 billion through Fiscal Year 2011-12. Some of the key findings are a checklist for the City's own situation:

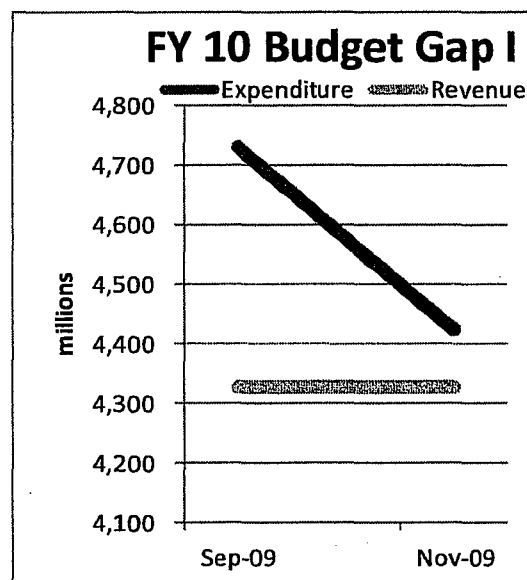
- ✓ Shortfalls driven by declining tax revenues, ongoing service demands and cuts in state revenues
- ✓ The low point for City fiscal conditions typically lags the bottom of an economic downturn by at least two years
- ✓ Cities are responding with layoffs, furloughs and payroll reductions; delaying and cancelling capital infrastructure projects; and cutting city services

Locally, unemployment in excess of 13 percent and declining home values are among the many problems the City faces. The last time the City experienced a recessionary period was in the early 1990's; it took five years (1992-93 through 1996-97) to restore the City's seven major General Fund tax revenues to the pre-recessionary level of 1991-92. Arguably, this recession will result in a longer, less robust recovery.

Closing the Budget Gap, Part I

The City's Adopted 2009-10 budget anticipated a 3.4% drop in General Fund (GF) Revenue that required the City to take action on implementing Shared Responsibility and Sacrifice (SRS) wherein the City workforce was asked to accept wage reductions and early retirements as a way to balance the current year operating budget.

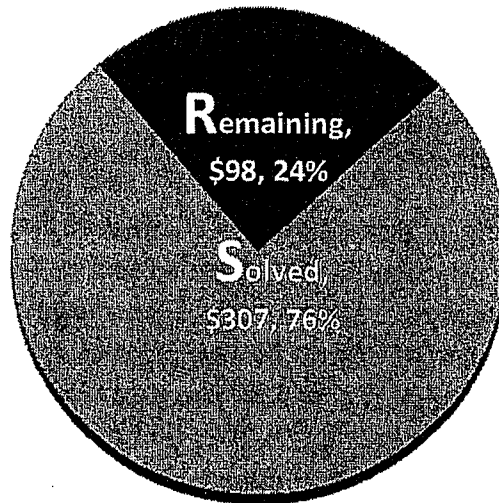
By September 2009, the City's financial position was forecasted to decline further and the City was confronted with a \$405 million shortfall for the current fiscal year. Shared Responsibility and Sacrifice (\$320 million), delayed implementation of solutions (\$10 million) and revenue decline (\$75 million) required multiple actions to establish a manageable operating deficit by the Mid-Year.



The Mayor and Council took a variety of actions to address this shortfall including:

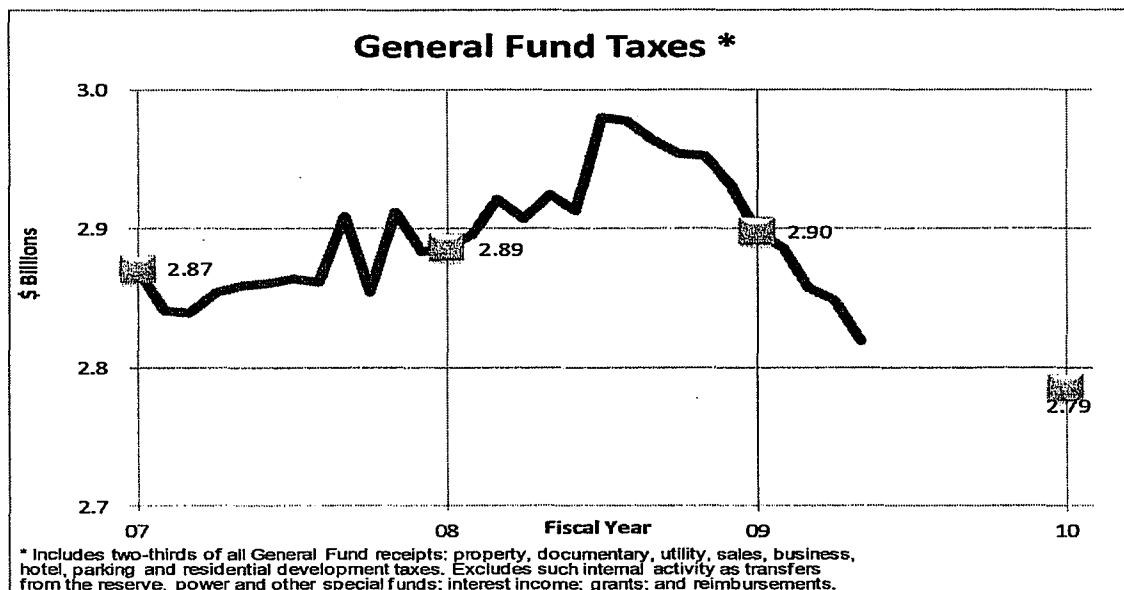
- (1) Mandatory furloughs;
- (2) Fire Modified Deployment Plan;
- (3) Early Retirement Incentive Program (ERIP); and,
- (4) Revised agreements with the Coalition of City Unions and the Los Angeles Police Protective League, and other actions.

Closing the GAP I \$405 Million



Through this combination of efforts by the Mayor, Council and Labor, the City reduced the forecasted operating deficit for 2009-10 by over \$300 million, with just \$98 million (\$75 million in revenue) remaining to solve for by the release of the 2nd Financial Status Report 2009-10.

City Revenues Deteriorate



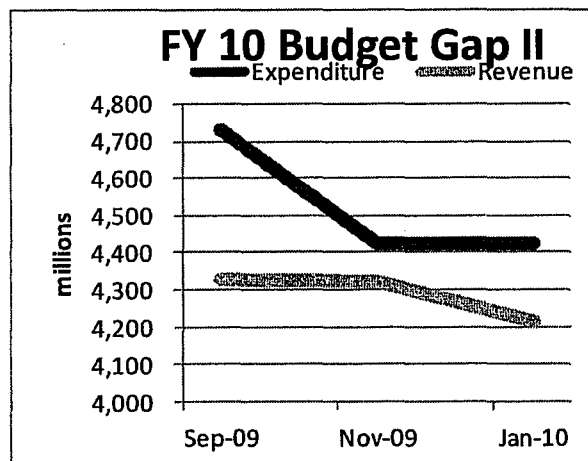
On January 21, 2010, the CAO released a downward revision to the 2nd Financial Status Report General Fund revenue estimate by an additional \$110.6 million. As current year revenue figures have begun to materialize, it is clear that the trends for economically sensitive revenues all point downward. For example, the City has experienced four straight quarters of double-digit declines in sales tax allocation. The City has not experienced a similar annual decline in the 54-year history of State administered sales tax.

After having solved for much of the City's General Fund expenditure deficit by November, the City is now faced with a projected \$208.5 million General Fund deficit for this fiscal year, driven primarily by \$186 million General Fund Revenue loss. Today's challenge is identifying, adopting and implementing solutions in a period of less than five months.

Closing the Budget Gap, Part II

Faced with a \$208.5 million General Fund budget deficit at Mid-Year, the City must undertake immediate action to remain solvent through Year-End. Several solutions (some with long-term impacts) were identified in the Joint Letter, including the following:

- 1) Elimination and/or restructuring of discretionary City departments and services;
- 2) Elimination of 1,000 or more General Fund positions within three to six months (EERC has since directed the CAO to identify an additional 500 positions);
- 3) Filling of all vacant special-funded positions with employees from the General Fund workforce;
- 4) Identification of unspent City funds for potential reprogramming;
- 5) Implementation of immediate savings identified in recent Controller audits; and,
- 6) Updates of fee schedules for rate increase consideration.

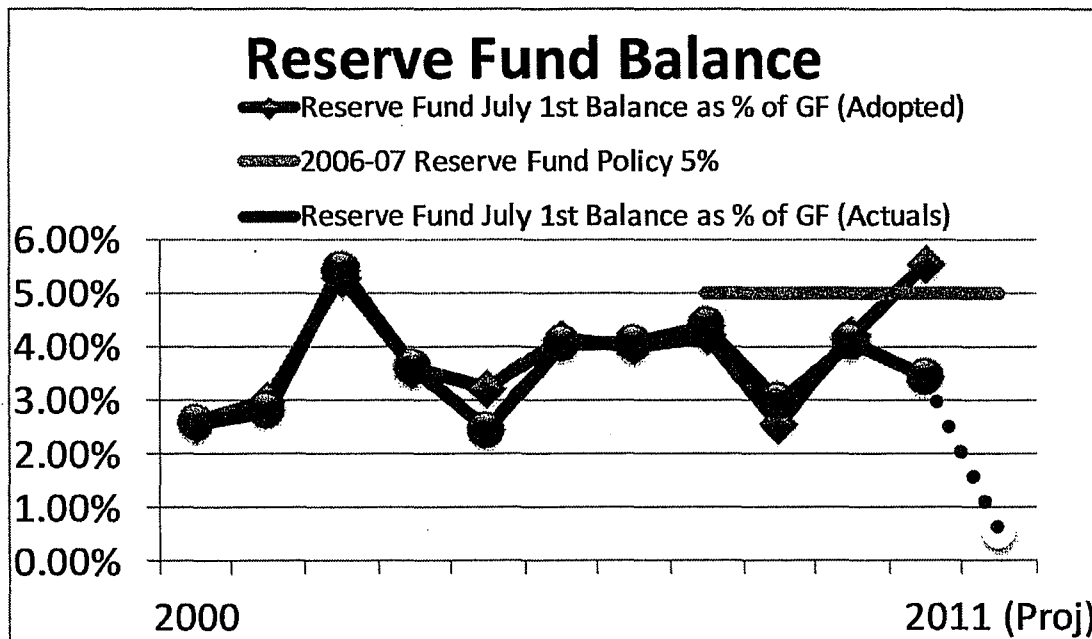


Additional solutions were identified in the Joint Letter and are discussed later in this report. The definitive financial impacts for most of the above actions are not known at this time. Some of the above solutions' savings will be identified in the Mid-Year including the reduction of contractual services by 10 percent. Sweeping of all available unencumbered funds, and position reductions. Most of this year's actual savings will be identified in the next Financial Status Report in March.

The gap remaining for the current fiscal year will be absorbed by the use of the Reserve Fund.

General Fund Reserve

In the 2nd Financial Status Report 2009-10, the City's General Fund Reserve balance was reported at \$122 million. In the Mid-Year, after accounting for adjustments and proposed loans and transfers, the Reserve Fund balance is estimated to be \$170.9 million, consisting of \$121.0 million in Emergency Reserve and \$49.9 million in Contingency Reserve. This amount does not include unrealized escheatment from the Fire Hydrant and Main Installation Fund (\$28.8 million) and repayment of loans through Judgment Obligation Bonds issuance (\$32.3 million). Once these are deposited as anticipated the Reserve Fund balance would be \$232 million, 5.5 percent of projected General Fund receipts.



Simple math demonstrates that with the use of the Reserve Fund to offset the remaining General Fund deficit without any immediate action, the Reserve Fund will be at a low point of \$23.5 million remaining for rollover into 2010-11. So while an operating deficit is within our means to resolve this fiscal year, the City would still be left with a major structural deficit and little to no reserves.

Failure to balance use of General Fund reserves with immediate expense reductions and revenue enhancements as discussed in the Mid-Year and this report leaves much to chance. Even with a balanced operating budget, the City's ability to obtain temporary cash flow, e.g. Tax Revenue Anticipation Notes (TRAN), going into 2010-11 cannot be compromised.¹ A low reserve also jeopardizes the City's credit rating, increasing the cost of borrowing.

Presently, this Office is conducting a citywide exercise to identify encumbered and unencumbered funds that can be swept to help bolster City reserves, but this will not be nearly enough.

¹ Los Angeles City Controller, *Budgetary Cash Flow*, January 26, 2010

Immediate action is required to replenish the City's Reserve Fund through the long-term lease of City Parking Garages as proposed in the joint City Legislative Analyst/City Administrative Officer report dated January 29, 2010 (C.F. 09-0728).

3-Year Financial Outlook

Projected General Fund Deficit	2010	2011	2012	2013
Estimated General Fund Revenue	\$ 4,213.9	\$ 4,132.3	\$ 4,176.8	\$ 4,284.5
Estimated General Fund Expenditures	\$ 4,422.3	\$ 4,616.1	\$ 4,962.1	\$ 5,236.5
Total General Fund Budget Gap	\$ (208.5)	\$ (483.8)	\$ (785.3)	\$ (952.1)

The ongoing structural deficit continues to grow as revenue is substantially outpaced by obligated ongoing expenditures. Clearly this is a problem that has been developing for some time and it will take at least the next three years to correct. One-time fixes will be necessary in the short-term coupled with immediate ongoing expenditure reductions, possible financing to bridge from short-term to long-term solutions, and finally long-term transformative actions to evolve the way the City operates in the 21st Century.

The City's structural budget gap can be mitigated by implementing four strategies:

- I. Responsible Financial Management
- II. Focus on Core Mission
- III. Public-Private Partnerships
- IV. Workforce Modernization

These concepts are further detailed in the remainder of this report along with recommended actions for implementation of the directives contained within the Joint Letter.

I. Responsible Financial Management

In recent discussions with Financial Rating Agencies regarding the City's current financial position it was abundantly clear that the City must have a plan and quickly demonstrate the actions necessary to carry out that plan in order to maintain optimal access to the financial markets.

The road to financial solvency and sustainability requires a map and strict adherence to it. Our current financial policies need to be updated, strengthened and followed. As a City we need to:

- (1) Restore our Reserve Fund to at least five percent of General Fund receipts by 2011-12;
- (2) Budget on a "Pay-As-You-Go Basis" (no one-time revenues for ongoing expenditures) by 2011-12;
- (3) Establish a goal for a Pension Stabilization Fund by 2014-15;

- (4) Put a hold on non-essential debt financing through the Municipal Improvement Corporation of Los Angeles (MICLA);
- (5) Develop long-term financial modeling and planning;
- (6) Adopt multi-year budgeting practices including for capital and equipment;
- (7) Develop a policy and tools for outcome-based budgeting; and,
- (8) Adopt a more effective risk management plan to reduce costs and liabilities.

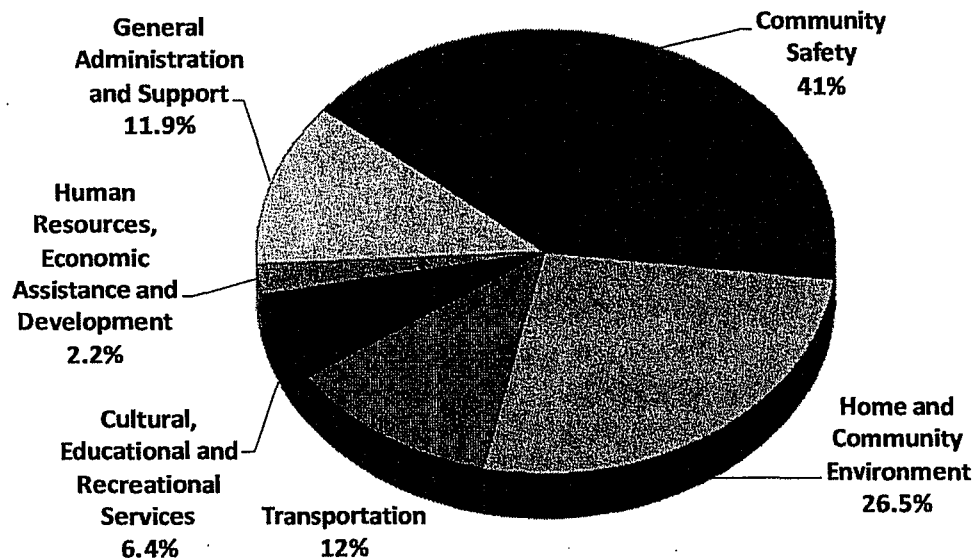
See Attachment 1 for a Responsible Financial Management policy implementation timeline.

This document is the CAO's first effort in the development of a long-term plan and this plan will continue to be refined and will be tracked by a rolling financial planning model with increasingly detailed breakdown and analysis of revenue and expenditure categories.

II. Focus on Core Mission

The City has six core functions and in terms of priority funding, Public Safety is clearly number one.

FY 10 Functional Distribution of All Funding



While the City operates within the domains of these six core functions, this is not to say that the City has the exclusive responsibility as governmental jurisdictions overlap. The City should focus its limited resources on the most essential and required functions rather than diverting resources to other non-essential programs that are likely compromised in service delivery due to the restriction of resources. The Early Retirement Incentive Program (ERIP) along with anticipated eliminations and reductions also creates a need for smaller government as these retirees cannot be replaced with new City hires and significant portions of citywide Information Technology, Accounting, Personnel and other City classifications are departing the City in a six month window of time.

The Focus on Core Mission strategy involves three primary strategies.

1) Centralize/Consolidate/Coordinate Core Administrative Support

Many administrative functions are duplicated and spread throughout City departments. In addition to the need to right size administrative support and pool resources for greater operational efficiency, the ERIP is resulting in a significant number of retirements in Information Technology, Accounting and Personnel services to name a few functions. The City must quickly reassemble and patch support service gaps to sustain core City services. Consolidation proposals and concepts include:

- Accounting Services
- Asset Management
- Billings & Collections
- Disability Department
- Environmental Affairs
- Fire Inspection to Building & Safety
- Design of Capital Projects
- Information Technology Services
- Neighborhood Council Funding Component
- Parking Management
- Department of Public Works
- Senior Services

2) Eliminate/Reduce Non-Essential Services

The City must reevaluate services in terms of mandate, responsibility and public good. Those services that are not required and are not vital to the City's Mission should be eliminated, reduced or outsourced, whether grants, programs or whole departments. Immediate elimination proposals and concepts are as follows:

- Human Services Department
- Neighborhood Council Department

3) Reduce Key General Fund Subsidies

In many instances, special or revenue funded departments are partially subsidized by the General Fund. The City must identify opportunities to make these operate within required allocations or otherwise reduce reliance on or subsidization by the General Fund, including in the following departments and programs:

- Library
- Recreation and Parks
- Solid Waste Lifeline Program
- Cultural Affairs

See Attachment 2 for proposed initiatives, potential General Fund savings, actions to be taken and implementation timelines.

III. Public-Private Partnership

The Public Private Partnership (P3) strategy is a critical element of the City's financial solvency and sustainability. Each of the individual opportunities considered are identified in Attachment 3. First and foremost, in anticipation of depleted reserves the City must secure cash through privatization of a City asset such as parking facilities to replenish the Reserve Fund. This would likely be a necessary action with little to no reserves as it could make securing cash flow loans difficult going into the new fiscal year. As stated earlier, maintaining cash flow is of significant concern to the City with a Parking Management P3 being at the top of the agenda as it is well suited to the City's short-term objective of cash infusion.

In addition to necessity, there are other compelling reasons to pursue private partnerships for City enterprises.²

- 1) Cost containment
- 2) Service efficiencies
- 3) Market flexibility and innovation
- 4) Transfer of risk
- 5) Limit or reduce City financial leverage
- 6) Improved service delivery

Private Public Partnerships are not exclusive to private firms, but will also include non-profits who are close to the communities to be served. Future Public-Private Partnerships must also be inclusive of discussion with Labor to ensure seamless transitions. As Public-Private Partnerships move forward, the City must recognize its existing labor agreements.

Opportunities for Public Private Partnerships are as follows:

- Parking Garages
- Los Angeles Convention Center Operation
- Los Angeles Zoo
- Golf Courses
- El Pueblo de Los Angeles
- Ontario Airport
- Parking Meters

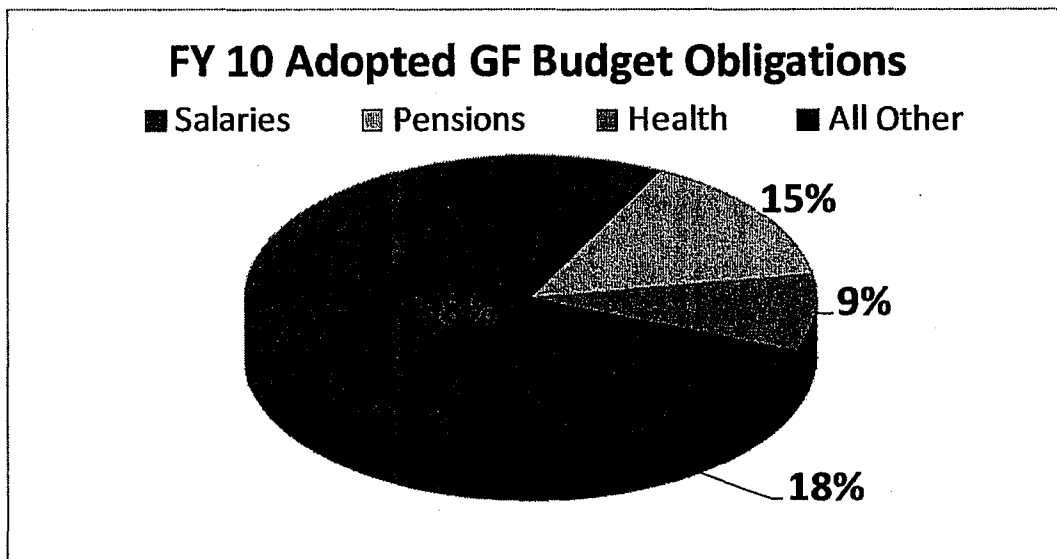
The flip side of this strategy is *Managed Competition*, rather than partnership. Competition drives improvement and efficiency. As a sole source service provider the City lacks adequate benchmarks, measures, and economic incentive to ensure performance at the highest standards. Contractors and businesses can be engaged as partners in optimizing City service delivery.

² Los Angeles City Controller release, *Special Study to Assess Opportunities to Develop Public-Private Partnerships*, December 22, 2008

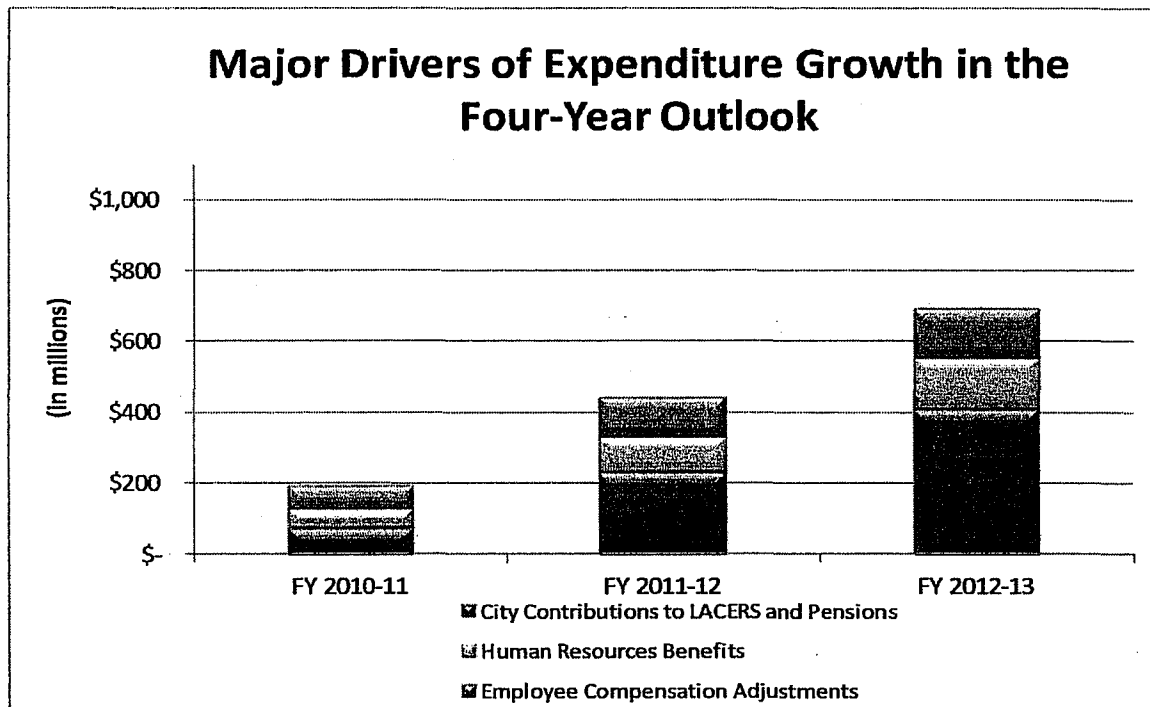
In order to maintain core City services, the City may need to contract to fill gaps and reduce City costs. Additionally, City service delivery would be improved if directly comparable to a private firm providing the same service. These initiatives should be pursued knowing the challenges tied to various labor agreements related to Public-Private Partnership. Proposals and concepts for Managed Competition include:

- Ambulance Billings
- Landscaping Services
- Publishing Services
- Street Services
- Multi-Family Trash Pick-Up
- Animal Services Canvassing
- Fleet Services
- Cultural Affairs Theaters and Centers

Workforce Modernization



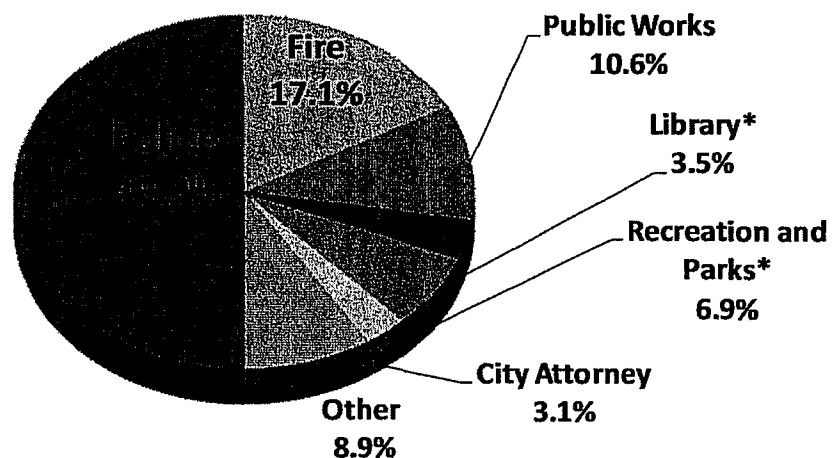
The City is a people driven enterprise constituting 82% of City expenses. Unfortunately, it is in the salaries and benefits of the workforce where the City must generate the necessary savings to maintain financial sustainability over this time period. The City's major cost drivers are salary, retirement contributions, and human resources benefits. These costs are driven by base employment and salary levels. The only way to reduce them is to reduce salaries and benefits to workers and/or reduce the number of workers.



To ensure the City of Los Angeles continues to be an employer of choice and maintains the ability to recruit and retain a highly qualified workforce, substantive changes must be made to the current compensation and human resource structure. Increasing employer flexibility and elimination of compensation that is not essential to the provision of services to residents is critical to securing the City's long term sustainability. Ensuring that the City meets its commitment to its retirees is a Charter mandate. Fulfilling this commitment long term will require higher levels of employee cost sharing. Generally, the City's efforts must be focused on (1) Cost-Based Labor Negotiations, (2) Workforce Flexibility, and (3) Employee Benefits Reform.

Setting Priorities

FY 10 DEPARTMENTAL SHARE OF \$3.66 BILLION IN UNRESTRICTED REVENUE



With everything laid out so far, one area that is not recommended for cuts is sworn police. Council has adopted a policy of hiring Police Officers to attrition (C.F. 09-0600-S142) and the Mayor has expressed a steadfast commitment to this objective. This is not without tradeoffs however as Police services comprise 50 percent of the City's Unrestricted Revenues.

The City should acknowledge cuts to other departments that can also impact public safety. Departments such as Recreation and Parks and Cultural Affairs provide youth programming; the City Attorney prosecutes misdemeanor crimes; elimination of Human Services results in reduced capacity to address interagency conflict; and reductions to support services have critical impacts on the ability of sworn personnel to fulfill their responsibilities.

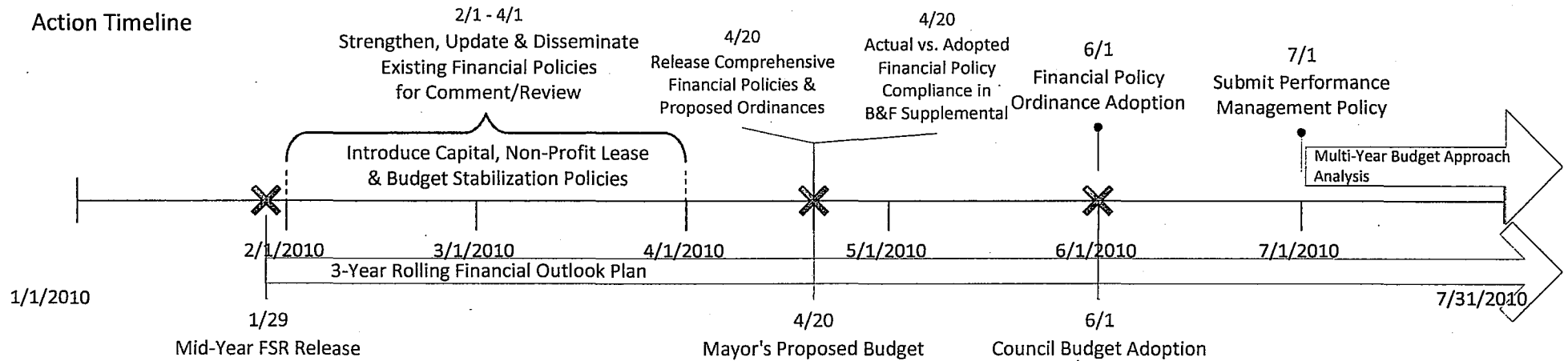
Closing

In summary, the City is best served to take quick and significant action to free up a large amount of cash so the City reduces its risk of depleting reserves in the next six months. Depleted reserves at Year-End will trigger the need for even more drastic measures than might otherwise be necessary if tangible actions are not taken immediately. Last, staying on plan is critical to navigating the financial challenges the City faces, both short and long-term.

There is no more time to avoid the difficult decisions ahead; revenues have dropped faster and farther than the City can recover from in its current form. Expenditure obligations have gone in the opposite direction, creating an unprecedented deficit for the City.

Some of the actions and recommendations contained herein are purely for short-term survival to enable the City to bridge the time it will take to realize financial sustainability. Timing and sequencing of the City's approach to this problem is vital and therefore it is imperative to take decisive and comprehensive action now and see the plan through to fruition. The City, under the leadership of Mayor and Council, with the assistance of City staff, and in partnership with Labor, can resolve this crisis.

I. Financial Management



CITY RESTRUCTURING PROPOSALS ACCOUNTING CONSOLIDATION

OBJECTIVE:

To minimize the impact of the Early Retirement Incentive Program (ERIP) on the City's accounting operations.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

Specific recommendations will be provided at the conclusion of the study.

BACKGROUND:

In December 2009, there were 633 filled accounting classification positions (excluding proprietary departments). Of these positions, 100 filed for ERIP and 19 were grandfathered into ERIP (18% of filled positions). It is difficult to capture the full impact of ERIP because many departments use other classifications, such as Clerk Typist or Management Analyst, to perform accounting-related tasks in addition to their other duties.

With ERIP, the Controller's Office total vacancy rate is about 35%. This may impact the Controller's ability to maintain core services.

PROPOSAL:

Study short-term solutions to mitigate ERIP departures and to maintain core services (e.g., establish a pool of retired accounting employees to be used on an as-needed basis). Study the viability of consolidating the accounting functions of some smaller departments to meet urgent accounting needs. On a longer-term basis, examine the need to backfill some vacant accounting positions and the potential consolidation of all small department accounting functions to provide structural solutions.

DISCUSSION:

A. Findings/Issues

Many large departments have already begun the process of restructuring to minimize the impacts of ERIP. Discussions with departments with large accounting operations indicated that they are reviewing options to increase the span of control, eliminate serial work and cross-train staff.

The impacts of ERIP will be more closely felt by departments with small accounting operations. For example, in two small departments, 100% of their filled accounting staff will participate in ERIP. Therefore, there is an immediate need to provide short-term solutions to address ERIP impacts in smaller departments.

A study regarding the potential consolidation of the accounts receivable function (Centralized Billing Study) into the Office of Finance is near completion. To avoid overlapping consolidation studies, it is recommended that: 1) Further study of

consolidating accounting operations be deferred pending the completion of the Centralized Billing Study (except in those few cases where consolidation is necessary to maintain core accounting services); and, 2) Short-term solutions be developed to address urgent accounting needs.

In 2005, the County of Los Angeles implemented a Shared Services Division, which consolidated the accounting functions of 19 departments. The primary reasons to consolidate accounting functions in the County and other jurisdictions that were studied were to improve the quality and uniformity of accounting operations, not to save funds.

B. Service Impacts

The Controller has submitted a proposal in the 2010-11 budget request identifying critical positions to backfill and positions to remain vacant to minimize ERIP impacts.

Many of the larger departments are restructuring staff and assignments to mitigate ERIP impacts. Smaller departments with minimal accounting staff will be impacted and may require backfill positions. Impacts can also be offset by the use of 90-day hires, temporary transfers, additional contracting resources, or through consolidation.

C. Program(s)/Positions to be Transferred

A transfer of accounting staff is not recommended at this time. However, in the near future, the study group may recommend the consolidation of accounting functions in some small departments to address urgent accounting needs.

D. Program(s)/Positions to be Eliminated

Due to high vacancy rates within the accounting series, it is not expected that consolidations will result in additional accounting staff reductions in the short-term.

E. Implementation Plan

The CAO will establish a study group consisting of representatives from the Mayor's Office, CLA, CAO, Controller and Personnel to develop a plan to address short-term ERIP impacts. In some cases, a consolidation of some accounting functions in smaller departments may be recommended to meet urgent accounting needs. The study group will look at options to provide short-term accounting relief including the expanded use of existing temporary accounting staff contracts, temporary transfers of personnel, and the use of retired accounting employees ("90-day hires"). On a longer-term basis, the study group will examine the need to backfill some vacant accounting positions and the potential consolidation of all small department accounting functions to provide structural solutions.

F. Cost Savings

No cost savings are projected in the short-term. Some long-term cost savings may be obtainable if a large consolidation of accounting functions is implemented.

CITY RESTRUCTURING PROPOSALS BILLING & COLLECTIONS

OBJECTIVE:

To centralize the City's billing and collections functions under the Office of Finance.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

1. Instruct the Office of Finance to implement Phase I to centralize collections as recommended by the Macias Consulting Group (Macias) Centralized Billing Feasibility Report, dated December 21, 2009;
2. In regards to Phase II of the Macias Centralized Billing Feasibility Report, instruct the Fire Department (LAFD) to expedite the referral of delinquent EMS billings to outside collections; and,
3. In regards to Phase II of the Macias Centralized Billing Feasibility Report, instruct the Transportation Department (DOT) to work with the Office of Finance on preparing a Request for Proposals for a new vendor for parking citations collections.

BACKGROUND:

Subsequent to the release of the Controller's Audit of the Citywide Billing and Collection Practices in June 2007, the City Council adopted a motion to report on centralization along with whether the collection of delinquent accounts should be performed by City staff or referred to an outside collection agency, and whether changes in the frequency of billing and collections could result in cost savings to the City (C.F.07-1886).

The City, under the oversight of Finance, executed a contract with Macias Consulting Group (Macias) to perform a feasibility study on the centralization of the City's Billing and Collection functions. The study examined billing and collection among 17 City departments/bureaus and was completed in December 2009.

PROPOSAL:

Improve collections on City revenues through a phased in approach toward centralization of collections within the Office of Finance. Macias proposes centralization to occur in three phases:

Phase I – Enhance financial reporting capability of the City to be managed and implemented by Finance. This phase would take 18 months to implement.

Phase II – Establish greater role by Finance in accounts receivable management for 11 bill types among three departments. This phase would be completed upon expiration of the contract under DOT and the implementation of the new Financial Management System.

This phase would take three to four years to implement at a cost of approximately \$12.4 million.

Phase III – Fully centralize billing and collection for an additional 20, non-specialized bill types. This phase would be put into action upon implementation of the new FMS and would take five years to complete at an estimated cost of \$12.7 million.

DISCUSSION:

A. Findings/Issues

Macias found that centralization in the City could be feasible, which would allow the opportunity to collect on receivables more timely and uniformly before they become delinquent or are recommended for write-off.

Phase I would enhance financial reporting capability of the City (to be managed and implemented by Finance). Expand billing and collection reporting and performance management through the development of a central portal for the City to monitor and report receivables to establish accountability. Estimated completion is 18 months. The net benefit of Phase I (increased revenue less costs) is estimated to be \$16.4 million.

Phase II provides a balance for the City's need for revenue enhancement with its desire for more focused accountability. Under this phase, Emergency Medical Services billing would increase the collection rate from 44 percent to 85 percent (or \$159 million per year), while the referral of delinquent citations to Finance's Citywide Collections Unit could yield \$2.4 million in revenues per year.

EMS and Parking Citations accounts make up about 95% of the uncollectible amounts in the City, with a combined total of approximately \$286 million.

EMS BILLING AND COLLECTION

EMS Billing and Collection is currently handled by LAFD. Approximately \$126 million is outstanding in delinquent ambulance billings, which are to be referred to collection agencies. The EMS Unit has 52 positions, of which 22 were deleted in the current year within LAFD. An additional 27 positions would be eliminated in 2010-11. Nine remaining positions will be required to administer the contracts and pursue legal claims once the program is fully implemented. The nine positions include:

1	Accounting Clerk I
1	Accounting Clerk II
1	Senior Accountant I
1	Senior Systems Analyst I
1	Senior Systems Analyst II
1	Senior Management Analyst I
3	Current Staff (process legal claims)

This process is currently being automated through two contracts:

- Sansio – for electronic field data capture
- Advanced Data Processing, Inc. (ADPI) – billing and collection vendor

The Fire Commission approved the contracts on 11/9/09 and is pending Mayor and Council approval. The LAFD anticipated to fully implement the new system by August 2010. However, this estimate was based on contract execution of January 2010. As of January 19, 2010, the LAFD reports that the contract will likely be heard by Council in early/mid-February.

Macias estimates the net increase in revenue is \$18 million over six years as a result of the following efficiencies:

- Reduced billing timeline (patients contacted on days 8-14)
- automated billing links to hospitals and insurers
- improved audit trail

As revenue collection is one of Finance's Charter Responsibilities, it is recommended that administration of the ADPI contract reside under the oversight of Finance to ensure accountability for collections. Finance states that the contract administration may be taken over in a phased in approach (prior to August 2010), however LAFD staff must be trained timely on the use of the new technology as well as having the new technology in place. The CAO will evaluate and report on the steps necessary to transition this function to the Office of Finance.

PARKING CITATIONS

DOT currently utilizes an outside vendor for processing and collecting parking citations and related programs including the Boot and Tow program, Preferential Parking and Abandoned Vehicles Program.

Delinquent collections for citations may be made when car owners re-register their vehicle with the DMV. However, this process can take up to two years to collect. The average of billings for citations is \$127 million per year and over \$160 million of the uncollected accounts have been past due for over six months. Ninety percent of the \$160 million in delinquent accounts are "special collection status". This status triggers extra payment to the vendor due to the increased effort in identifying and collecting from the owner of the citation.

Approximately 570,000 citations are left unpaid annually. Currently DOT does not write off uncollectible accounts until after five years, as the vendor maintains a 5-year statute on citations. The current contract with this vendor expires in March 2012. DOT advised that an RFP process would take 12 months to complete. Therefore, it would be advisable to begin the RFP process as soon as possible.

DOT should utilize the expertise from Finance in drafting the new RFP relative to billing

and collections on parking citations.

B. Service Impacts

This proposal would provide the opportunity to increase collections of revenue. The estimated revenue increase from Phase I would yield a net of \$16.4 million.

C. Program(s)/Positions to be Transferred

Phase I would require an additional five positions for the Office of Finance that may be new or transferred from other City departments.

D. Program(s)/Positions to be Eliminated

To be determined upon completion of centralization phases.

E. Implementation Plan

Phase I

Year 1

Determine reporting requirements
Develop reporting interfaces
Develop reports
Begin training and implementation

Year 2

Develop Emergency Medical Services System reporting interfaces
Complete training and implementation
System and reporting support

Year 3 and beyond

System and reporting support

Key Metrics:

- Aging receivables by month and department for major bill types
- Ratio of total receivables to total revenue
- Ratio of receivable past due to prior 12 month total of revenue charges
- Ratio of receivables 120 days due to 12 month total of revenue charges
- Ratio of receivables one year past due to 12 months total of revenue charges
- Turnaround time – number of days between the bill due date and referral to collections
- Payment Timeliness – average number of days from service date to receipt of payment

Phase II

Year 1

Finalize EMS Billing contract
Determine parking RFQ/RFP and contract modifications
Determine system interface requirements
Begin consolidation development

Year 2

Complete EMS outsourcing
Transition to new parking contract
Transition Tier 1 billing resources
Develop Envision and CryWolf interfaces

Year 3

System support
Transition Tier 2 billing resources

Year 4

System support
On-going receivables management

F. Cost Savings/Revenue Impact:

Cumulatively, the centralization plan as proposed by Macias is anticipated to yield a net revenue increase of \$274 million within six years. Phase I will realize a net revenue increase of \$16.39 million, while Phase II and III will result in approximately \$257.6 million by the end of Year 6. The following table details the cumulative net revenue increase for Phase I.

CUMULATIVE COSTS AND NET REVENUES

	Year 1		Year 2		Year 3		Year 4		Year 5		Year 6	
	FTE	Cost*	FTE	Cost*	FTE	Cost*	FTE	Cost*	FTE	Cost*	FTE	Cost*
Expenditure Change	1	\$0.46	2.5	\$1.26	3.1	\$1.43	3.7	\$1.60	4.3	\$1.77	4.9	\$1.94
Increased Revenues		\$0.45		\$1.83		\$5.04		\$9.16		\$13.75		\$18.33
Cumulative Net Cost/ Revenue		(\$0.006)		\$0.58		\$3.61		\$7.57		\$11.98		\$16.39

*\$ in millions

CITY RESTRUCTURING PROPOSALS CONSOLIDATE DESIGN AND DELIVERY OF CAPITAL PROJECTS

PROPOSAL

Consolidate project design, and project and construction management into the Bureau of Engineering (BOE).

OBJECTIVE

The objective of this proposed consolidation is to concentrate design and delivery of City capital projects into one department. The concentration of technical staff should improve on the delivery of projects given proper supervision and management. The consolidation would also result in one point of contact to obtain information on the City's capital projects and programs, except for building maintenance related projects that are managed by the Department of General Services. It should be noted that the BOE currently has several as-needed contracts that are utilized for design and project/construction management when it lacks the technical expertise or has insufficient staff.

The departments listed below currently have architectural and/or engineering positions, which were included in this preliminary review. The proposals would need to be discussed with the affected departments for a better understanding of their operations and workload, to solicit their concerns and issues, and to analyze feasibility. Therefore, the numbers in the summary table are preliminary estimates that would be further refined after meeting with the departments.

Bureau of Sanitation (BOS): Assess whether the BOS is designing stormwater projects since the BOE is currently designing stormwater projects.

Findings: The BOS does not have positions involved in the design and delivery of capital projects.

Bureau of Street Lighting (BSL): Review the assignment of work to engineering positions and the number of positions involved with project design and engineering, B-permit review work, assessment projects, etc. to determine the positions that could be transferred.

Findings: A total of 55 positions could be transferred to BOE. The positions are special funded and include regular and resolution authorities (on and off budget). The positions are responsible for design and construction of capital projects and private development plan check.

A total of 39 positions responsible for design and construction of ATSAC and LADOT projects, Assessment Projects, LED Conversion, and Community Services could remain at the BSL.

	Authorized Positions	Total Salary ¹	Vacancy	Vacancy Salary Savings ¹	Filled Positions	Filled Positions Salary ¹
Technical	52	\$4,307,414	17	\$1,307,327	35	\$3,000,087
Administrative Support	3	174,817	1	79,060	2	95,757
Total	55	\$4,482,231	18	\$1,386,387	37	\$3,095,844

¹ Include salaries for off-budget resolution authorities that receive interim salary appropriations. The positions are special funded by Gas Tax, SLMAF, Prop C and Seismic Bond.

Bureau of Contract Administration (BCA): Transfer the one remaining Civil Engineer position to BOE, if filled.

Findings: The Civil Engineer position serves as the Safety Officer for the BCA. The position should remain with BCA if liability is a problem.

Bureau of Street Services (BSS): Examine transferring engineering and landscape architectural positions to the BOE but keep engineers supporting the Pavement Preservation Program with the BSS.

Findings: A total of 60 positions could be transferred to BOE. These positions are special-funded and include regular and resolution authorities (on and off budget).

	Authorized Positions	Total Salary ²	Vacancy	Vacancy Salary Savings ²	Filled Positions	Filled Positions Salary ²
Technical	53	\$4,873,721	22	\$1,937,594	31	\$2,936,127
Administrative Support	7	600,413	1	94,656	6	505,757
Total	60	\$5,474,134	23	\$2,032,250	37	\$3,441,884

² Include salaries for off-budget resolution authorities that receive interim salary appropriations. The positions are special funded by Gas Tax, Prop C and off-budget special funds.

Department of Transportation (DOT): Assess transportation engineering positions to be transferred. Because many of DOT's projects are funded with competitive grants that require regular progress reporting and invoicing to the funding agencies, a review of supporting administrative and accounting staff should be included.

Findings: A total of 216 positions are involved in capital project design, engineering and delivery. The positions, regular and resolution authorities (on and off budget), are funded by the General Fund and various special funds. Of the 216 positions, 62 positions (\$5,238,375) are funded mainly by the General Fund.

A phased transfer approach is recommended because of the number of positions involved. It would be overwhelming for the BOE to reorganize and manage an additional 216 positions given its loss of experienced managers to ERIP and the physical location of DOT staff at another building. Therefore, Phase I review would consist of a smaller group of 46 positions assigned to Bikeways, Project Grants Coordination, Transit Priority Design and Systems, and MTA Call Projects for potential transfer in 2010-11. All the positions are funded by Proposition C.

This proposal would leave ATSAC, Signal Design and Systems, Parking and Planning, Parking Operations, Facilities and Maintenance, Permits, and Land Use positions (total of 170) with the DOT to be considered for phased in at a later time, if feasible. In addition, engineering and administrative positions (total of 133) involved with Field Operations (speed humps and traffic mitigation measures), Transit Operations (buses), Franchise (taxis), Parking Permit Programs, and Meter Operations are not recommended to be consolidated into the BOE.

Capital Project Design, Engineering and Delivery

	Authorized Positions	Total Salary ³	Vacancy	Vacancy Salary Savings ³	Filled Positions	Filled Positions Salary ³
Technical	211	\$18,883,609	20	\$1,721,299	191	\$17,162,310
Administrative Support	5	337,912	0	0	5	337,912
Total	216	\$19,221,521	20	\$1,721,299	196	\$17,500,222

³ Include salaries for off-budget resolution authorities that receive interim salary appropriations. The positions are funded by the General Fund, Prop C, Prop A, Mobile Source, SPRF, etc.

Phased in Scenario

	Authorized Positions	Total Salary ⁴	Vacancy	Vacancy Salary Savings ⁴	Filled Positions	Filled Positions Salary ⁴
Technical	44	\$4,149,208	9	\$806,374	35	\$3,342,834
Administrative Support	2	147,578	0	0	2	147,578
Total	46	\$4,296,786	9	\$806,374	37	\$3,490,412

⁴ Include salaries for off-budget resolution authorities that receive interim salary appropriations. The positions are all funded by Proposition C.

Department of Recreation and Parks (RAP): Project design and management were transferred to the BOE in 2004-05 but the department has recently started designing and managing projects. Assess whether RAP should be involved with project design and management.

Findings: There are 15 architectural and engineering positions assigned to Advanced Planning. Additional information would need to be obtained from the department on the number of positions assigned to conceptual/advanced planning, and to design and project management. The positions are all General Funded (Charter Appropriation). If these positions remain with RAP, there should be a clear distinction between the responsibilities of RAP Advanced Planning and the BOE. If the positions are to be transferred to the BOE, there would be an assessment of how many are necessary and whether the funding to the Bureau can be counted as part of the Charter Appropriation to RAP.

	Authorized Positions	Total Salary	Vacancy	Vacancy Salary Savings	Filled Positions	Filled Positions Salary
Technical	15	\$1,428,927	2	\$192,389	13	\$1,236,538
Administrative Support	0	0	0	0	0	0
Total	15	\$1,428,927	2	\$192,389	13	\$1,236,538

Los Angeles World Airports and Harbor: Hold on review.

**CITY RESTRUCTURING PROPOSALS
CONSOLIDATION OF FIRE INSPECTION FUNCTIONS WITH
THE DEPARTMENT OF BUILDING AND SAFETY**

OBJECTIVE:

Explore the feasibility of consolidating some Fire inspection functions with the Department of Building and Safety.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

Recommendations will be provided at the conclusion of the study.

BACKGROUND:

Currently, sworn Fire Inspectors perform various duties to enforce the Fire Code at a higher expense than civilian Inspectors enforcing the Building Code. The Fire Department has argued that it is a life safety requirement to have sworn personnel perform these functions due to their experience as firefighters and knowledge of the Fire Code.

Reallocating Fire Inspectors to platoon duty positions would reduce Department overtime currently used to fill vacant platoon duty positions and would reduce the need to hire new recruits; however, it may not be possible for Fire Inspectors to fill platoon duty positions due to extended absence from field positions, differences in pay scale, and requirements for light duty work.

DISCUSSION:

A. Findings/Issues

1. The Fire Prevention Bureau includes 20 units. Some of them appear to have potential for consolidation while others may not. Discussion with the Departments is needed to determine which Units to consider further.
2. No General Fund savings will result directly from transferring Fire functions to Building and Safety. The General Fund fee revenue that currently offsets the General Fund salary costs of Fire Department positions would mostly convert into Building and Safety Enterprise Fund fee revenue to continue support for the services.
3. General Fund savings could result from reduced sworn overtime and recruit hiring if it were possible to reassign Fire Inspectors to platoon duty positions. Currently, about 225 vacant platoon duty positions are filled on a daily basis using overtime to comply with constant staffing requirements. By redeploying sworn Inspectors to platoon duty positions, less overtime would be required to ensure constant staffing. Additional General Fund savings could result from reducing new recruit hiring by filling the vacant platoon duty positions full time.

B. Implementation Plan

The CAO will form a study group comprised of representatives from the offices of the CAO, CLA, Mayor, and Departments of Fire and Building and Safety to: 1) Evaluate the feasibility of consolidating Fire inspection services with Building and Safety; 2) Identify General Fund savings resulting from consolidation; 3) Identify the risks and opportunities of such consolidation for each Unit within the Fire Prevention Bureau of the Fire Department; and, 4) Report back to the Council and Mayor in 60 days with its findings and recommendations.

The Fire Department will be requested to detail the functions of each Unit in the Fire Prevention Bureau and whether or not it could be safely consolidated into Building and Safety, including why it should not be consolidated if consolidation is not recommended.

The Building and Safety Department will be requested to report on the resources it would need to perform any functions recommended for consolidation, including necessary training for civilian Inspectors, funding issues, programming of the Plan Check Information System, and any other relevant issues.

CITY RESTRUCTURING PROPOSALS

CONSOLIDATION OF PUBLIC WORKS FINANCIAL MANAGEMENT FUNCTIONS

Objective

This item focuses on consolidation of the Department of Public Works' financial management functions in view of the need and directive to downsize and/or restructure City functions to operate more efficiently. It is also a means of addressing Early Retirement Incentive Program (ERIP) and vacancy issues across the Department of Public Works.

Recommendation

Consider alternatives to the existing dispersion of financial management and accounting functions within the Department of Public Works (including the Department of Transportation).

Background

Currently, each bureau handles its own budget preparation, monitoring and control, and accounting functions overlap between the bureaus and the Board of Public Works (BPW). There is opportunity to consolidate financial management for all bureaus, whether inclusive of or in tandem with the Office of Accounting (OOA). A profile of the fiscal responsibilities and fund/fee oversight of each bureau/office, including Contract Administration, Engineering, Sanitation, Street Lighting, Street Services and Office of Accounting, is included in Attachments A-C. The Department of Transportation (DOT) is not included in this proposal at this time. It could be considered at a future point if that department is folded into the Department of Public Works.

Benefits

- A consolidation of financial management function enables bureaus to cope with vacancies and ERIP departures and streamline budget processes that are currently handled independently within each bureau.
- A preliminary scoping suggests General Fund savings of approximately \$1.1 million and special fund savings of \$1.8 million on current vacancies alone. ERIP savings will depend on backfill policies for special funded positions.
- Areas of expertise and assets are shared across all bureaus for their mutual benefit. For instance, Sanitation has strong rate setting and special fund administration expertise that could be applied across the board. Engineering has a strong fee administration background, as well.
- Provides for uniform policies and methods in budget preparation, monitoring and control, particularly with regard to fee and special fund administration and maintenance of overhead costs. Also enables the Bureaus to operate from common systems (other than FMIS and MERLIN) that would allow for better data sharing and reporting, particularly with regard to special funds that are utilized across the board, such as the Sewer Fund.

- Simplifies GASP administration which results in potentially lower overhead costs and less confusion over application of overhead rates.
- Consideration of a Public Works Bureau of Streets is being contemplated for the 2011-12 budget. Should this concept be pursued, DOT accounting and budget staff would be absorbed into this effort, as well. Currently, DOT has implemented internal strategies to minimize ERIP impacts.

Implementation

- The type of oversight for consolidated fiscal operations depends on the ultimate structure of financial management and accounting operations. Some scenarios, to remain within oversight of the Department of Public Works, include:
 - a. Operate financial management as a separate office or division alongside OOA, which is currently under the BPW. Chief level oversight or that comparable to OOA may suffice in this structure.
 - b. Consolidate financial management with OOA under oversight of a higher level CFO type position, subject to classification/employee relations review. As a larger single organization, this could warrant it to operate as a separate, more autonomous bureau or other higher level structure altogether, particularly if including DOT at a future point.
- A phased approach is recommended, perhaps focusing on consolidating the budget and finance functions of each bureau over the next fiscal year, and further exploring the feasibility of merging with Office of Accounting as a second phase.
- Additional analysis and input from departments is needed on the full range of departures and impact on financial management services and systems, redundancies that should be consolidated, and staffing needs in a reorganization structure.
- Efficiencies should take into account like functions and activities that are performed across the different bureaus but can be done with less staff, as well as broadened span of control through reduction or reconfiguration of management functions and reporting relationships.
- Operations should be kept in the most central location possible, ideally the Public Works Building, to maintain effective bureau operations.

Concerns

- This proposal addresses financial management functions only. Other administrative functions that are typically under general administration and support, including contracts and personnel management, may require organizational solutions, as well, as a result of extracting financial management from a bureau's operations (i.e., smaller operations like Contract Administration have all administrative functions under the same chief).
- Siting issues – there is available space in the 5th Floor of the Public Works Building although there are competing interests for that space. Ideally, budget and accounting should be in the same location. The OOA is located in City Hall. Siting may also be an

issue depending on who has oversight over these operations (Board, separate bureau/office structure, etc.). DOT would least benefit in either scenario since it is neither in City Hall nor Public Works Building.

Attachments

Bureau of Sanitation

- BOS Financial Management Division handles budget preparation, accounting and reporting for a \$265 million operating budget, special fund support for various fee funds, cost recovery through grants and billings, and administration for approximately \$650 million in capital improvement program resources.
- BOS/FMD has 71 position authorities for total salaries of \$5.4 million. All staffing is special funded. There are currently seven vacancies. The division has one planned non-managerial ERIP departure.
- The Bureau handles 12 on-budget special funds and is responsible for rate setting on various fees; inclusive of Sewer Service Charges, Industrial Waste Quality Surcharge, Sewerage Facilities Charge, Sewerage Disposal Contracts, Solid Waste Resources Fee and Multifamily Bulky Item Fee. The Bureau would also be involved in cost recovery and rate setting calculations for Stormwater Pollution Abatement Charges.

Public Works - Office of Accounting

- The Office processes business transactions, bills and collects revenue for City services, bills and collects revenue from grantors and bond funds that finance City capital projects; maintains expenditure control; processes payments to vendors, contractors and suppliers; prepares financial reports for special program and capital funds; and implements business and reporting systems.
- Office of Accounting has 82 position authorities for total estimate salaries of \$5.1 million. 40% of staffing is special funded. There are 10 vacancies and 20 planned ERIP departures, including two Departmental Chief Accountant II positions and various accountants.

Bureau of Engineering

- BOE Finance Group handles Budget, Cost, Revenue, Admin Support and Transaction Processing for an \$81 million operating budget. The Bureau's Privately Financed Program handles about 38 different public counter fees.
- BOE Finance has 17 position authorities for total estimated salaries of \$1.3 million. All staffing is special funded. There are currently six vacancies. The Bureau has about 150 planned ERIP departures although insufficient information is available on distribution by division.

Bureau of Contract Administration

- Con Ad's Budget, Finance and Administrative Support Section support a \$32 million operating budget.
- Con Ad has 3 position authorities for total estimated salaries of \$246,040, including one vacancy.
- No ERIP departures in this section (there are three planned departures in the payroll section which is part of personnel operations).

Bureau of Street Services

- BSS' Financial Management Division supports a \$139 million operating budget, inclusive of about one-fourth General Fund and the balance from Prop C, Prop A, Stormwater Pollution Abatement, Gas Tax and other special funds.

- Budget operations include 26 position authorities for total estimated salaries of \$2.1 million. There are currently three vacancies and eight planned ERIP departures, all non-managerial positions.
- The Division administers the Street Furniture Revenue and Special Gas Tax Street Improvement special funds and approximately 13 permit fees.

Bureau of Street Lighting

- BSL's Financial Management Section supports a \$21 million operating budget.
- BSL Finance has 7 position authorities for total estimated salaries of \$549,540, all special funded. There are no planned ERIP departures.
- BSL administers the Public Property Assessment Collection fee and Street Banner fee.

CITY RESTRUCTURING PROPOSALS CONSOLIDATION OF SENIOR SERVICES

OBJECTIVE:

To consolidate the Senior Social Services program into one department to centralize services, create efficiencies within the program and potentially realize savings through the possible deletion of clerical support staff.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

Instruct the Department of Aging (Aging), the Department of Recreation and Parks (RAP), and the Office of the City Administrative Officer (CAO) to develop and implement a plan to best service the senior constituents while identifying efficiencies and savings. As an example, consolidate the Senior Social Services program into one department.

PROPOSAL:

It is proposed to form a working group to develop a plan to consolidate the Senior Social Services program where it would best service the senior population through program efficiencies. This recommendation could include the transfer of the management of 15 Multipurpose Centers as well as positions which are responsible for administering, coordinating and monitoring federal funds for senior services.

BACKGROUND:

The Departments of Aging and RAP both provide Senior Social Services. However, the roles that these departments participate in providing Senior Social Services are different.

- **Senior Social Services program as it is currently administered by Aging:**
 - Aging staff does not provide direct services to the public. Aging secures, administers and monitors federal funds for senior services while contracting out direct services.
 - The Senior Social Services program currently has a total of 41 Full Time Equivalent (FTE) positions.
 - Aging currently runs 15 Multipurpose Centers. No General Fund money is put into Multipurpose Centers. As part of the Request for Proposals (RFP) process, contractors are required to provide their own facilities along with providing services within the proposed contract amount as defined in the RFP's Terms and Conditions.
 - The Program provides for the administration, program development and coordination of nutrition, social services and special programs for senior citizens funded through federal and state grants and designated local sales tax revenues.
 - The Program provides, through contracted service agencies, a comprehensive array of senior services such as nutrition, adult day, legal, emergency alert, transportation, and social services via a network of 15 Multipurpose Centers located throughout the City. This category includes both departmental Operations and Contracted Services funds.
 - Goals:
 - Strengthen and promote an interdependent, comprehensive, accessible, and culturally competent system of community-based older adult programs; promote elder rights by working with older adults on a strengths based model by providing information and program resources for older adults to defend their dignity, independence, and hard earned resources; and expand intergenerational programming with older adults actively sharing their life experience to assist building community capacity.

- Metrics:
 - Maintain number of meals served to seniors. Aging is currently averaging 135,000 meals per month. This total includes both congregate and home delivered meal programs.
 - Maintain continued quality transportation services.
 - Maintain daycare hours.
- **Senior Social Services program as it is currently provided by RAP:**
 - RAP staff directly provides senior services to the public.
 - The Senior Social Services program currently has a total of 158 FTE positions.
 - Recreational programs and services offered at the senior centers are designed for seniors who are active, mobile and have diverse interests, whereas a Multipurpose Center facility serves the frail and elderly.
 - RAP's social services program covers several areas, including information and assistance, follow up, comprehensive assessment, care planning, service authorization, case monitoring, money management, telephone reassurance, visiting, activity scheduling, personal care, housekeeping, consumer services and outreach.
 - RAP's Nutrition Program consists of congregate meals and homebound meals where seniors are offered healthy meals in congregate setting and for delivery.
 - RAP's Senior Ride Share Program provides transportation for the frail and elderly.

DISCUSSION:

A. Findings/Issues

1. **Potential impacts/issues of transferring the Senior Social Services function from Aging to RAP:**
 - a. Review of mandated Older Americans Act requirements is needed to determine whether the transfer of Senior Social Services from Aging to another department is feasible and will not jeopardize the grant.
 - b. Review of the definition of the City of Los Angeles' designated Area Agency on Aging is needed to determine whether the current designation can be changed and, if so, how and to what extent can the change be made. The Older Americans Act requires that the Area Agency on Aging administer the grant funds. If the Senior Social Services program is transferred to RAP, RAP would be the administrator of the grant, thus a potential violation of the Older Americans Act agreement.
 - c. Possibility of no new funding and programming for senior services managed by RAP. The majority of RAP senior centers are recreation focused and unable to provide a fuller range of senior programming.
 - d. The immediate impact of transferring senior services will depend on RAP's proposal. RAP could take over the administration of the contracts or could terminate the contracts and provide direct services with their own employees.
 - e. The transfer of Senior Social Services to RAP will only be appropriate if RAP continues to provide recreational services. RAP provides Senior Social Services as an additional service to their current recreational activity program.

2. **Potential impacts/issues of transferring the Senior Social Services function from RAP to Aging** - The working group will need to review funding issues associated with a transfer of RAP's current Senior Social Services program and related utility and maintenance costs.

B. Service Impacts

Immediate service impacts after the transfer of service can be minimal depending on the working group's plan on how services will be provided under new management.

C. Program(s)/Positions to be Transferred

Consider the transfer of the Senior Social Services programs currently provided by Aging and RAP into one department. This may include the following:

1. The responsibility of securing, administering and monitoring of federal funds for senior services.
2. The management of 15 Multipurpose Centers currently under Aging and 28 Senior Centers currently under RAP.
3. Analysis of the potential transfer of positions that are dedicated to the Senior Social Services program.

The Older Americans Act will need to be reviewed to determine whether the transfer of the Senior Social Services program is possible. The Senior Social Services Family Caregiver Support and the Older Workers Programs are all funded by the Older Americans Act grant. The grant may be jeopardized if any of the three programs are in violation of what the grant mandates.

E. Implementation Plan

1. Immediately
 - a. Form a working group comprised of Aging, RAP, and CAO to discuss and develop a plan for the potential consolidation the Senior Social Services program into one department.
 - i. Review Older Americans Act requirements.
 - ii. Review personnel to be transferred as well as existing personnel in both departments to determine whether salary savings can be realized through the elimination of excess staff.
 - iii. Review the definition of designated Area Agency on Aging and, if necessary, work towards changing the City's designated Area Agency on Aging so that Older Americans Act requirements are not violated.
2. Three Months
 - a. Working group concludes its analysis on the feasibility of consolidating the Senior Social Services program and presents its recommendations.
 - b. If transfer of the Senior Social Services program is feasible, departments and CAO should continue to work to make all necessary legal changes necessary to allow for the consolidation of the program and its grant funding (e.g. changing the designated Area Agency on Aging, transferring of other Older Americans Act funded programs, etc.)

3. Mid-year 2010-11

- a. If all proposed changes submitted to the California Department of Aging (for Area Agency on Aging designation change) and the Older Americans Act grantor are reviewed and approved, begin consolidation of personnel and the Senior Social Services program into the appropriate department.
- b. If justified, eliminate excess staff within Aging and/or RAP as recommended by the working group.

4. Fiscal Year 2011-12 and beyond

- a. Any potential long-term savings will be incorporated into Aging and/or RAP's future years' budget.

CITY RESTRUCTURING PROPOSALS CURTAILMENTS TO THE NEIGHBORHOOD COUNCIL FUNDING PROGRAM

OBJECTIVE:

To examine the feasibility of implementing the following curtailments to the Neighborhood Council (NC) Funding Program:

- Reducing, deferring, or suspending the annual NC Funding Program;
- Eliminating the "rollover" policy;
- Eliminating the bank card system; and
- Redefining the allowable expenditure categories for NCs.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

1. Eliminate the "rollover" policy and transfer all suspended "rollover" funds, totaling \$1.61 million, to the Reserve Fund, Reserve for Economic Uncertainties Account;
2. Eliminate the bank card system and convert to a demand warrant system;
3. Instruct the Department of Neighborhood Empowerment, City Attorney, and City Administrative Officer to evaluate and redefine allowable expenditure categories for Neighborhood Council funds; and
4. Instruct the General Manager of the Department of Neighborhood Empowerment to issue a memo to the Neighborhood Councils regarding a proposed 50 percent reduction to the annual allocation amount for 2010-11.

BACKGROUND:

- The Program was created by Council on November 1, 2002 (C.F. 02-0699).
- In 2009-10, provides an annual allocation of \$45,000 to each certified NC for operating expenses and neighborhood improvement projects.
- The original "rollover" policy allowed NCs to revert prior year unspent balances for a period of three years from the date of initial allocation. This policy was modified on December 18, 2007 (C.F. 05-0894-S5) so that any NC shall not have more than \$145,000 in available funds at any given time.
- The 2009-10 Adopted Budget provides \$5.61 million (\$1.61 million for "rollover" funds and \$4.00 million for new allocated funds) for 89 NCs.

DISCUSSION:

A. Findings/Issues

As of December 31, 2009, the 89 NCs have spent a total of \$1.57 million of the \$5.61 million allocated in the 2009-10 Adopted Budget. Therefore, the elimination or suspension of the Funding Program would result in savings of approximately \$4.04 million for this fiscal year. However, it is difficult to determine how much NCs

have spent to date and as a result the projected savings could be reduced. Additional savings would also result from the elimination of the six positions that currently administer the Program. These positions are currently filled and have a direct cost of \$431,000.

As the following table illustrates, the reduction, deferral, or suspension of NC funds would achieve savings in the range of \$445,000 to \$2.67 million.

% Reduction	Reduction Amount	Adjusted Allocation	General Fund Savings
20%	\$ (5,000)	\$ 40,000	\$ 445,000
30%	(10,000)	35,000	890,000
40%	(15,000)	30,000	1,335,000
50%	(20,000)	25,000	1,780,000
60%	(25,000)	20,000	2,225,000
70%	(30,000)	15,000	2,670,000

However, this curtailment would be difficult to evenly implement since these funds have already been allocated and some NCs have spent more than other NCs. For example, as of December 31, 2009, the Winnetka NC has expended \$41,293 (or 92 percent) of its \$45,000 annual allocation and a \$5,000 reduction could not be implemented. The North Hollywood East NC has expended \$587 (or one percent) of its \$45,000 annual allocation and a \$30,000 reduction could be implemented.

B. Service Impacts

Suspending the Funding Program may reduce participation levels in the NC system and hamper NCs' ability to fund operating expenses and provide the following services:

- Conduct community outreach events and town hall meetings;
- Graffiti removal;
- Provide donations to school improvement projects, non-profit organizations, LAPD, Libraries, etc.
- Support art/music festivals, farmer's market, etc.
- Provide various volunteer services.

C. Program(s)/Positions to be Eliminated

The following six positions administer the Funding Program:

- Senior Management Analyst I
- Management Analyst II
- Senior Accountant I
- Accountant II

- Senior Clerk Typist
- Accounting Clerk II
- Total Salaries - \$430,982

E. Implementation Plan

All curtailments can be implemented immediately as the Department has the ability to suspend all bank cards and processing of demand warrants immediately.

F. Cost Savings

The reduction, deferral, or suspension of NC funds would achieve savings in the range of \$445,000 to \$2.67 million this fiscal year. The elimination of the "rollover" policy would result in savings of \$1.61 million this fiscal year. Elimination of staff that administer the funding program would result in approximately \$430,000 in annual savings. The elimination of the bank card system and restriction of allowable expenditure categories would not result in any cost savings, but introduce tighter controls on NC spending.

CITY RESTRUCTURING PROPOSALS

DEPARTMENT OF PUBLIC WORKS REORGANIZATION

OBJECTIVE

To adapt to the losses created by the Early Retirement Incentive Program (ERIP). To explore synergies that could be created to maximize the effectiveness of service provision and reduce or contain costs.

RECOMMENDATIONS FOR COUNCIL APPROVAL

It is recommended that the City Administrative Officer be instructed to:

- Review potential options for creating a consolidated, more closely integrated Department of Public Works and report back on the potential strengths and weaknesses of those options. In addition, the City Administrative Officer should survey other jurisdictions and identify best practices;
- Work with appropriate stakeholders to:
 - Review the functions of the Department of Transportation and the Department of Public Works (Bureau of Street Services and Bureau of Street Lighting) and report back on reorganization and consolidation opportunities;
 - Consider alternatives to the existing dispersion of financial management and accounting functions within the Department of Public Works (including the Department of Transportation);
 - Re-evaluate the strategic approach to the current design and delivery of capital projects;
 - Develop alternative strategies in the provision of Multi-Family Residential Solid Waste collection services. Specifically:
 - Develop a franchise system for Multi-Family Residential Solid Waste beginning in July 2013, in cooperation with the Bureau of Sanitation; and,
 - Issue the appropriate five-year notice to private waste haulers for commercial refuse collection and recycling as required under the California Public Resources Code to enable the City to proceed with options other than the current open market structure; and,
 - Re-evaluate the strategic approach to management of the City parking facilities (mainly surface parking lots) after the implementation of a concession arrangement for City parking structures and, potentially for parking meters.

- Work with the Bureau of Street Services to:
 - Return responsibility for street tree maintenance to the abutting property owner;
 - Reduce the cost of the street tree trimming program to the bare minimum;
 - Provide a strategic approach to the management of risk resulting from street trees; and,
 - Develop a system that allows for efficient contracting of:
 - Large street improvement, streetscape, major roadway rehabilitation and grant-funded or special funded projects;
 - Street tree trimming and maintenance services; and,
 - Median Island maintenance.

DISCUSSION

Consolidation of Public Works Functions

In response to ERIP and declining revenues, there is a need to explore structural alternatives that allow the City to provide adequate administrative and managerial support for critical services using fewer staff. An alternative structure that could allow the City to operate public works functions more effectively and with fewer support staff would be to move away from a Department that is loosely contained under the umbrella of the Board of Public Works and towards an alternate structure that creates a more closely knit consolidated department headed by a Director of Public Works. Typical public works functions are currently handled primarily by the various semi-autonomous Public Works Bureaus and the Department of Transportation. Other departments, like Recreation and Parks have public works functions that are not core functions and may potentially benefit from consolidation.

In addition, to creation of a newly reorganized and consolidated Department of Public Works, consideration should be given to resolving other potential barriers to maximizing service delivery. Therefore, we have provided concept papers that contemplate other reorganization opportunities that we believe are worthy of consideration in either maximizing service delivery or reducing costs or both.

Reorganization Opportunities

- Re-evaluate the overall organizational structure of the Department of Public Works including the use of semi-autonomous Bureaus, the use of a Director of Public Works and the role of the Board of Public Works.
- Evaluate opportunities to consolidate similar functions and attain operational synergies between the Department of Transportation and the Department of Public Works (Bureau of Street Services and Bureau of Street Lighting)

- Consider alternatives to the existing dispersion of financial management and accounting functions in order to reduce the overall cost and increase the depth, consistency and effectiveness of services.
- Re-evaluate the strategic approach to the current design and delivery of capital projects to reduce the cost and time required to implement projects and maximize the creation of private sector jobs.
- Explore alternative strategies in the provision of Multi-Family Residential Solid Waste refuse collection services to identify methods of improving service delivery and reducing costs.
- Re-evaluate the strategic approach to management of the City parking facilities (mainly surface parking lots) after the implementation of a concession arrangement for City parking structures and, potentially for parking meters.
- Review and potentially adjust the combination of public and private elements of service delivery for street resurfacing, street tree maintenance and median island maintenance.

CITY RESTRUCTURING PROPOSALS

IT RESTRUCTURING: INFRASTRUCTURE EFFICIENCIES

OBJECTIVE:

Reduce the costs and complexity of the City's Information Technology (IT) infrastructure by: 1) Coordinating and managing the provision of the following universally required services; and/or, 2) Contracting the services out under ITA oversight:

- Data Storage
- Server Administration
- Network Support
- Helpdesk

Contracting will only be recommended if it will result in actual cost savings.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

Direct the CAO, CLA and ITA to identify cost savings and/or efficiencies in the areas of data storage, server administration, network support and helpdesk.

BACKGROUND:

Data storage, server administration, network support, and helpdesk support are universally required services that are well suited to being centrally managed and/or contracted out. Core Departmental IT applications, such as the Transportation Department's ATSAC, will not be included or impacted.

PROPOSAL:

Create a study group comprised of representatives from ITA, CLA, CAO, and other relevant departments to develop recommendations related to the centralization and/or contracting out of data storage, server administration, network support, and helpdesk for Mayor and Council consideration.

DISCUSSION:

A. Findings/Issues

Coordination of these functions could offer significant efficiencies and immediate cost savings. Generally, savings are achieved by improving the way that infrastructure is currently set up, thereby facilitating maintenance and reducing staffing needs. For example:

- Data Storage: The City currently has 34 large storage devices. Each requires separate maintenance payments and staff support, and many are not used to

their full capacity. Centralizing and thereby reducing the number of these devices would reduce the need for staff support and maintenance costs.

- Server Administration: Currently, many of the City's servers are housed in ITA's data center in City Hall East, but there are multiple small data centers across the City supported by departmental staff. Centralizing server administration would allow the same level of server capacity to be achieved with fewer servers and staff.
- Network Support: There is network support staff in many City departments, and multiple variations of the basic network infrastructure configuration. Centralizing this function would facilitate the uniform use of network infrastructure and thus ease maintenance and reduce the need for staffing.
- Helpdesk: The current ratio of helpdesk staff to users in the City exceed industry standard by 25 percent. Further, the City's cost for helpdesk support is nearly twice the market rate for the Los Angeles area.

The study group will evaluate the best method for achieving these efficiencies. It will then recommend whether centralization should be pursued, and if so, whether consolidation or contracting out is the preferred method.

B. Service Impacts

Departments will no longer be responsible for these functions, but the services will be maintained at the same level, if not improved.

C. Program(s)/Positions to be Eliminated and/or Transferred

In order to generate savings, positions in many departments who work on these areas must be eliminated. Data is available to initially identify these positions, but the study group must validate this data and generate recommendations of specific reductions.

D. Implementation Plan

1. Immediately: The study group begins to meet weekly.
2. April 30: Study group concludes its analysis and presents recommendations.
3. May 2010 through June 2011: Recommendations considered and adopted by the Mayor and Council; ITA leads effort to award and execute contracts; approved plan reflected in the 2011-12 Budget.

E. Cost Savings

ITA has estimated three year savings of up to \$20 million from centralizing and/or contracting out these four functions. The savings are largely generated by Citywide staff reductions and from economies of scale from hardware purchases. The Study group will evaluate whether these savings are realistic and achievable.

**CITY RESTRUCTURING PROPOSALS
PUBLIC PRIVATE PARTNERSHIP - GSD ASSET MANAGEMENT DIVISION**

OBJECTIVE:

Reorganize the Asset Management Division and utilize contractors when appropriate to improve service and reduce costs and offset the impacts of the Early Retirement Incentive Program (ERIP).

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

Recommendations will be provided at the conclusion of the study.

FINDINGS/ISSUES

- A study of Asset Management Division's core responsibilities and organizational structure needs to be conducted to ascertain which services should be performed by City staff and which services could be contracted out.
- Of the 25 staff assigned to the Division, three senior staff will leave by June 2010 under ERIP. These are lead staff currently assigned to oversee the implementation of space planning, sale of surplus properties, and payment and audit of the City's Water and Electricity Fund. The reorganization study will need to address what types of services can be provided by the remaining City staff.
- The Division currently does not have the capacity to provide complete information regarding the City's real estate inventory or provide complete and accurate information regarding City leases. Such a real estate database system, whether maintained by Division staff or a contractor, is essential to analyze asset utilization needs.
- Improving the City's Surplus Property Sales process and implementing a Non-Profit Lease Policy are a few of the Division's core responsibilities that the working group should review.
- The current City's Strategic Real Estate Plan provides a guide in recommending the City's real estate actions for the next ten years. Since ERIP will significantly reduce the City's personnel count and additional budget actions will most like further reduce staff count, the Plan should be reviewed by the working group for additional opportunities for real estate consolidation.

IMPLEMENTATION PLAN

Develop a list of current service contracts that can be expanded to meet current workload and to provide opportunities to improve service delivery and offset the impacts of ERIP.

The CAO will form a working group comprised of representatives from the offices of the Mayor, CLA, and GSD to review asset management operations and identify services that may be performed by City staff and which services are best suited for contracting.

**CITY RESTRUCTURING PROPOSALS
LIBRARY DEPARTMENT
REIMBURSEMENT OF GENERAL FUND COSTS**

OBJECTIVE:

Reduce the fiscal impact of the Library Department (Library) operations on the General Fund by requiring reimbursement of costs funded by the General Fund.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

Instruct the Library Department to submit, within 60 days, a reorganization plan for 2010-11, assuming that it will be required to reimburse ten percent of the retirement costs, Medicare and the Civilian Flex Program.

Instruct the Library Department to submit a 5-year reorganization plan from 2010-11 through 2014-15 with its 2011-12 budget submittal to the Mayor, assuming that it will be required to reimburse the General Fund for retirement costs, Medicare and the Civilian Flex Program. The reimbursement will be ten percent for the first year and increase by ten percent for each of the succeeding years with a cap of 50 percent on the fifth year. At such time, the City will evaluate the impact on the Library Department's operations of continuing to pursue full cost recovery of General Fund costs.

BACKGROUND:

Charter Section 531 requires an annual appropriation to the Library Fund of an amount not less than 0.0175 percent of the assessed value of all property as assessed for City taxes.

In addition to this Charter-mandated appropriation, the Mayor and Council may provide appropriations from the General Fund to the Library Fund.

The Charter-mandated appropriation and any additional appropriations provided from the General Fund are to be used for the financial support of the Library.

The City General Fund is not obligated to pay for Library's operating expenses, such as utilities. However, the Mayor and Council may choose to pay all or part of these expenses as they have done in previous years when resources are available. Conversely, during periods of reduced resources, it appears that the Charter does not prohibit the Mayor and Council from requiring Library to pay for costs funded by the General Fund that are associated with Library operations, provided the Board of Library Commissioners elects to incur those costs (Charter Section 532).

It should be noted that the General Fund has provided appropriations over and above the Charter-mandated amounts to the Library during years when General Fund monies are available, as follows:

LIBRARY DEPARTMENT

Adopted Budget Appropriations 2004-05 through 2009-10 and Projected 2010-11

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Projected 2010-11
Charter Mandated Appropriation	\$48,624,725	\$52,426,439	\$57,381,353	\$63,770,780	\$70,122,143	\$75,463,926	\$75,902,051
Additional GF Appropriation	\$12,149,046	\$ 8,997,234	\$ 8,351,205	\$ 1,754,932	\$ 1,450,000	\$ -	\$ -
Total Appropriation	\$60,773,771	\$61,423,673	\$65,732,558	\$65,525,712	\$71,572,143	\$75,463,926	\$75,902,051
Departmental Revenue	\$ 7,688,821	\$ 9,259,627	\$ 6,866,845	\$ 9,238,579	\$ 7,435,000	\$ 7,051,000	\$ 5,106,000
Total Department Budget	\$68,462,592	\$70,683,300	\$72,599,403	\$74,764,291	\$79,007,143	\$82,514,926	\$81,008,051
Charter Mandated Appropriation	\$48,624,725	\$52,426,439	\$57,381,353	\$63,770,780	\$70,122,143	\$75,463,926	\$75,902,051
Annual Percentage Increase		7.82%	9.45%	11.14%	9.96%	7.62%	0.58%
Annual Increase		\$ 3,801,714	\$ 4,954,914	\$ 6,389,427	\$ 6,351,363	\$ 5,341,783	\$ 438,125

Notes:

In 2008-09, the Total Mayor and Council appropriation included \$3,171,994 for Water and Electricity costs.

In 2009-10, the Total Mayor and Council appropriation includes \$11,712,623 for Water and Electricity, Building Maintenance, Custodial Services, Public Safety, Fuel and Fleet and Natural Gas costs.

DISCUSSION:

A. Findings/Issues

Since 2008-09, Library has partially financed a portion of the total related costs attributable to its operations, as follows:

FY 2008-09	\$ 3.17 million for water and electricity
FY 2009-10	\$11.71 million for water and electricity and other utilities

According to cost information provided by the General Services Department (GSD), there is approximately \$4.254 million in additional un-reimbursed expenses attributable to Library operations. GSD, with the assistance of the CAO, is currently working on a plan that will allow full cost recovery of utilities and other GSD services provided to Library.

To date, required reimbursements from Library have been based on auditable costs from GSD, in accordance with advice from the City Attorney. Library should be required to fully reimburse utility and other departmental related costs before other related costs as those costs are easily attributable to Library operations.

In addition to the above costs, the following costs are also easily verifiable:

- Retirement costs
- Medicare
- Civilian Flex Program

Using 2009-10 levels, Library's costs are as follows:

CERS	\$11.24 million (19.43 percent of \$57.86 million Salaries General)
Medicare	\$.87 million (1.5 percent of \$57.9 million Salaries General)
Flex	\$10.21 million (1,132 full-time positions at \$9,024/position)
TOTAL	\$22.32 million

The \$22.32 million represents approximately one-fifth of Library's 2009-10 total program budget (\$134 million less \$11.7 million indirect) but almost 40 percent of the Department's workforce (436 full-time positions with an average annual salary of \$51,110).

Potential benefit of General Fund costs reimbursements:

- Reduction of General Fund subsidy to the Library

Potential issues relative to General Fund cost reimbursements:

- Reduction of Library service hours and potential closure of some Libraries
- Legal issues

B. Implementation Plan

As determined by the Mayor, the CAO will include any potential 2010-11 savings in the Proposed Budget.

C. Cost Savings:

General Fund savings for 2010-11 would be approximately \$2 million. General Fund savings are expected to increase by \$2 million, annually, up to \$10 million on the fifth year.

**CITY RESTRUCTURING PROPOSALS
DEPARTMENT OF RECREATION AND PARKS
REIMBURSEMENT OF GENERAL FUND COSTS**

OBJECTIVE:

Reduce the fiscal impact of the Department of Recreation and Parks' (RAP) operations on the General Fund by requiring reimbursement of costs funded by the General Fund.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

Instruct the Department of Recreation and Parks to submit, within 60 days, a reorganization plan for 2010-11, assuming that it will be required to reimburse ten percent of the retirement costs, Medicare and the Civilian Flex Program.

Instruct the Department of Recreation and Parks to submit a 5-year reorganization plan from 2010-11 through 2014-15 with its 2011-12 budget submittal to the Mayor, assuming that it will be required to reimburse the General Fund for retirement costs, Medicare and the Civilian Flex Program. The reimbursement will be ten percent for the first year and increase by ten percent for each of the succeeding years with a cap of 50 percent on the fifth year. At such time, the City will evaluate the impact on RAP's operation of continuing to pursue full cost recovery of General Fund costs.

BACKGROUND:

Charter Section 593 requires an annual appropriation to the Recreation and Parks Fund of an amount not less than 0.0325 percent of the assessed value of all property as assessed for City taxes.

In addition to this Charter-mandated appropriation, the Mayor and Council may provide appropriations from the General Fund to the Recreation and Parks Fund.

The Charter-mandated appropriation and any additional appropriations provided from the General Fund are to be used only for the financial support of RAP.

The City General Fund is not obligated to pay for RAP's operating expenses, such as utilities. However, the Mayor and Council may choose to pay all or part of these expenses as they have done in previous years when resources are available. Conversely, during periods of reduced resources, it appears that the Charter does not prohibit the Mayor and Council from requiring RAP to pay for costs funded by the General Fund that are associated with RAP's operations, provided the Board of Recreation and Park Commissioners elects to incur those costs (Charter Section 591(b)).

It should be noted that the General Fund has provided appropriations over and above the Charter-mandated amounts to RAP during years when General Fund monies are available, as follows:

DEPARTMENT OF RECREATION AND PARKS
Charter Mandated Appropriations

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Charter Mandated Appropriation	90,303,060	97,363,386	106,565,370	118,431,449	130,226,837	140,147,292
Additional GF Appropriation	13,915,006	28,295,488	26,512,489	13,268,635	1,399,700	
Total Appropriation	104,218,066	125,658,874	133,077,859	131,700,084	131,626,537	140,147,292
Departmental Revenue	25,612,622	27,112,622	28,962,622	32,162,016	35,092,626	
Total Department Budget	129,830,688	152,771,496	162,040,481	163,862,100	166,719,163	140,147,292

Charter Mandated Appropriation	90,303,060	97,363,386	106,565,370	118,431,449	130,226,837	140,147,292
Annual Percentage Increase		7.82%	9.45%	11.14%	9.96%	7.62%
Annual Increase		7,060,326	9,201,984	11,866,079	11,795,388	9,920,455

NOTES:

1. In 2008-09, the Total Appropriation was reduced by a payment to the GF in the amount of \$3.144 million for Water and Electricity
2. In 2009-10, the Total Appropriation will be reduced by a payment to the GF in the amount of \$19.5 million for Water and Electricity and other utilities

DISCUSSION:

A. Findings/Issues

RAP has reimbursed (or is expected to reimburse) the General Fund for a portion of the total direct costs attributable to its operations, as follows:

FY 2008-09	\$ 3.14 million for water and electricity
FY 2009-10	\$19.50 million for water and electricity and other utilities

According to cost information provided by the General Services Department (GSD), there is approximately \$10.8 million in unreimbursed direct costs attributable to RAP's operations. GSD, with the assistance of the CAO, is currently working on a plan that will allow for direct billing of utilities to RAP.

To date, required reimbursements from RAP have been based on auditable costs from GSD, in accordance with advice from the City Attorney. RAP should be required to fully reimburse utility costs before other related costs as those costs are easily attributable to RAP's operations.

In addition to utility costs, the following costs are also easily verifiable:

- Retirement costs
- Medicare
- Civilian Flex Program

Using 2009-10 levels, RAP's costs are as follows:

CERS	\$18.1 million (19.43 percent of \$93.3 million Salaries General)
Medicare	\$ 1.4 million (1.5 percent of \$93.3 million Salaries General)
Flex	\$17.7 million (1,961 full-time positions times \$9,024/position)
TOTAL	\$37.2 million

The \$37.2 million represents approximately a quarter of RAP's total operating budget (\$177 million less \$19.5 million utilities).

Potential benefit of General Fund cost reimbursements:

- Reduction of General Fund subsidy to the RAP

Potential issues relative to General Fund cost reimbursements:

- Substantial reduction or potential elimination of the recreation function
- Legal issues

B. Implementation Plan

As determined by the Mayor, the CAO will include any potential 2010-11 savings in the Proposed Budget.

C. Cost Savings:

General Fund savings for 2010-11 would be approximately \$4 million. General Fund savings are expected to increase by \$4 million, annually, up to \$20 million on the fifth year.

CITY RESTRUCTURING PROPOSALS PUBLIC-PRIVATE PARTNERSHIP – GSD FLEET

OBJECTIVE:

Utilize fleet maintenance contractors when cost effective to reduce costs and to provide additional resources to address workload that exceeds current fleet staff capacity.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

1. Direct the General Services Department (GSD) to identify cost savings for fleet maintenance work that could be outsourced quickly to address gaps and submit amendments to current service/part contracts to provide the additional maintenance services within 60 days.
2. Direct GSD to develop a fleet maintenance service Request for Proposals (RFP) for all services with gaps currently provided by GSD fleet within 90 days. The RFP must include options for other City departments to utilize the maintenance services directly.

ISSUES

- GSD fleet is currently reducing shop hours and closing shops due to vacancies and will lose an additional 15% of it's mechanics due to the Early Retirement Incentive Program (ERIP) by the end of the fiscal year.
- A current inventory of vehicles and equipment cannot be safely maintained by the reduced fleet staff level. Additional maintenance resources need to be developed to address the workload.
- To augment the current staff level, GSD could utilize retired employees under 90-day contracts and outside contractors in the short-term.

OPTIONS

- Since additional fleet staff cannot be hired, utilizing retired employees under 90-day contracts could provide a short-term solution in providing essential services prior to implementing contracts for fleet maintenance.
- GSD could redeploy current fleet staff assigned to Recreation & Parks, Library, and Convention Center to critical areas, and the impacted departments can utilize contractors to obtain necessary services.
- Services that may be contracted out include: In-house towing, transmission overhauls on refuse collection trucks, vehicle collision and repair, and major repairs that are labor intensive such as fire damage repair, engine overhauls, etc.

- Fleet will need to adopt utilization standard for all categories of equipment, create a shared pool for specific under-utilized equipment and/or eliminate under-utilized equipment due to ERIP.
- Additional budget tools such as establishing an Internal Service Fund to track funding and usage, by department, will be studied to assure that motor pool usage is properly monitored.

IMPLEMENTATION PLAN

Immediately:	GSD prepares a 90-day contract staff volunteer list.
Within 30 days:	GSD submits amendments to current service/part contracts to provide additional maintenance services.
Within 90 days:	GSD finalizes a fleet maintenance service RFP for all services currently provided by GSD fleet.
July 2010:	Recreation & Parks, Library, and Convention Center utilize contractors in obtaining fleet maintenance services.

CITY RESTRUCTURING PROPOSALS

PUBLIC WORKS BUREAU OF TRANSPORTATION/STREETS

OBJECTIVE:

To minimize the impact of the Early Retirement Incentive Program (ERIP), synergistically combine functions and work programs to support existing essential services, and to achieve operational efficiencies to the City's transportation and street work programs.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

That the CAO working with the Mayor, Chief Legislative Analyst, the Department of Transportation (DOT), the Bureau of Street Services (BSS), the Bureau of Engineering (BOE) and the Bureau of Street Lighting (BSL) (and the Los Angeles Police Department (LAPD) to the extent that may be involved) study the proposed implementation of consolidated operational efficiencies across departments/bureaus, to improve existing essential services and, ultimately, to consider the creation of a Public Works Bureau of Transportation/Streets.

BACKGROUND:

Due to a large number of employee separations through the Employee Retirement Incentive Program, there may be significant delays in performing and administering various functions and work programs in the Department of Transportation (DOT), the Public Works Department Bureaus of Street Services (BSS) and Street Lighting (BSL).

PROPOSAL:

It is recommended that a working group be created to identify personnel, shared work programs, coordination efforts or focus areas, and design strategies to minimize vacancy impacts and overall costs, create synergies and improve services. Additionally, the working group should identify individual work programs or services, areas that can be improved through operational changes and assess the priority for each of the services.

It is recommended that the implementation of a consolidated Bureau of Transportation/Streets be accomplished in phases. Initial phases would include of consolidation of work functions and institution of operational efficiencies that address immediate critical needs, such as capital project delivery. The final phase of consolidation would be implementation of the Public Works Bureau of Transportation/Streets, such that there is one City entity that provides all services related to City transportation and street related services.

DISCUSSION:

Impacts of ERIP

It is anticipated that DOT, BSS and BSL will lose approximately ten percent of each of their workforces over the next few months due to vacancies through ERIP. The following chart shows the overall estimated percentages for each department/bureau.

	Department of Transportation	Bureau of Street Services	Bureau of Street Lighting
Filled Positions	1532	1351	221
Potential Number of ERIP Participants	140	154	24
Impact (%)	(9.14)%	(11.40)%	(10.86)%

The vacancies resulting from ERIP do not account for additional vacancies within the department/bureaus. All three entities also experience large numbers of vacancies due to field personnel transferring to proprietary City departments. A shared strategy to recruit and retain employees could minimize vacancy impacts.

While the specific positions that applied for ERIP were identified by specific work program, the full impact of the ERIP departures cannot be captured based on the changes in percentage of staff. Also, changes to procedures and operations within each department/bureau may be instituted to address ERIP impacts.

Implementation Plan

February 2010	Form a working group (CAO, Mayor, CLA, DOT, BOE, BSS, BSL (and LAPD as needed)) to meet weekly.
Spring 2010	Working group provides recommendations regarding consolidation of work programs/functions, and any other operational functions, that may include staff and work programs from BOE, DOT, BSS and BSL.
July 1, 2010	Implementation of the consolidation of the work programs/functions, and any other operational functions presented in Spring 2010, to be incorporated into the 2010-11 Adopted Budget.
Fall 2010	Working group provides recommendations, including implementation plan, regarding consolidation, restructuring of DOT, BSS and BSL into one Bureau of Transportation/Streets. This consolidation may include consolidation of financial and accounting services into the newly formed Financial Management Division in Public Works.

July 1, 2011

Implementation of the consolidation of DOT, BSS and BSL into one Bureau of Transportation/Streets. Also, the working group continues to provide support to ensure a smooth transition and further restructuring, as necessary.

CITY RESTRUCTURING PROPOSALS PARKING MANAGEMENT

OBJECTIVE:

Considering forthcoming proposals for the concession of City parking assets, evaluate the current management of parking facilities to remain under the responsibility of the Department of Transportation (DOT) and the General Services Department (GSD) and make recommendations in order to increase efficiency in operations, produce cost savings, facilitate alternative uses, and/or increase revenue to the City.

RECOMMENDATION(S) FOR COUNCIL ACTION:

Recommendations will be provided at the conclusion of the study.

PROPOSAL:

Consolidate/concession parking facilities management, onsite operations, and maintenance and landscaping functions between GSD and DOT. Evaluate development opportunities for underutilized parking facilities.

BACKGROUND:

The Department of Transportation (DOT) manages 115 public surface parking lots and structures and leases spaces for public parking in two additional privately owned parking structures. DOT utilizes contracts and MOU agreements to operate and maintain its parking facilities (see Attachment 1). Eight of these structures are under consideration for a long-term concession.

The General Services Department (GSD) manages and operates five public surface parking lots and structures and four additional employee-only parking structures. GSD also provides facility operating services for parking lots and structures managed by DOT (15), El Pueblo (5), Library (3), and Recreation and Parks (1). Seven of the structures GSD operates for these departments are under consideration for the long-term concession. See Attachment 2.

Other City departments that manage revenue generating public parking facilities as part of their operations include Airports (LAWA), Harbor, and LADWP. LAWA utilizes separate three- to five-year contracts to operate and maintain its parking facilities, but employs City forces to provide landscape maintenance.

DISCUSSION:

A. Findings/Issues

Consolidation of DOT and GSD Parking Facilities Management

- DOT employs 13 administrative positions for facilities management.

- GSD employs five administrative positions for facilities management.
- Consolidation could eliminate the need for some of these positions.
- Should Management services be consolidated under DOT, GSD would still have to retain staff to manage GSD lot operations for other departments.

Consolidation of DOT and GSD Onsite Operations

- DOT does not provide any personnel for onsite parking facility operations.
- DOT currently contracts with GSD to operate 15 of their facilities and with two private companies to operate seven of their facilities.
- Current DOT operations contracts have expired or will expire by October 2010 and are being extended on a month-to-month basis.
- GSD utilizes 60 City staff for onsite parking facility operations in their six lots.

Concession of DOT and GSD Onsite Operations

- DOT contracted operators are responsible for lot maintenance, landscaping, and marketing of the facilities.
- The table below shows the 2008-09 approximate post-tax revenues and expenditures of all attendant-operated DOT parking facilities:

Operator	2008-09 Revenue	2008-09 Expenditure	Profit Percentage
GSD	\$ 3,360,000	\$ 2,130,000	36%
Contractor	\$ 10,336,000	\$ 6,115,000	41%

- The parking structure concession study focuses on the long-term lease of ten of the largest and most highly utilized City parking facilities, including six structures operated by GSD and two structures operated by DOT contractors.
- Some GSD parking facilities need additional security measures because they are controlled access City employee lots and are adjacent to secure areas, such as the Automated Traffic Surveillance and Control (ATSAC) Center in City Hall East.
- Departments that currently utilize GSD lot operations (El Pueblo, Library, RAP) require that lot revenue is placed in their respective funds.
- DOT has 93 non-operated parking facilities that would remain with the department and will be the focus of development and alternative use opportunities.

Consolidation of DOT and GSD Landscaping and Maintenance

- DOT currently utilizes Memoranda of Understanding (MOUs) with the Bureau of Street Services and RAP to perform general landscaping and maintenance on its non-privately operated facilities, and utilizes Citywide contracts administered by GSD to request non-recurring maintenance.
- GSD employs seven Custodians to perform lot cleaning. GSD parking facilities do not require landscaping maintenance.

Concession of DOT and GSD Landscaping and Maintenance

- GSD administers contracts for Citywide services such as specialized landscaping and non-recurring maintenance needs.
- DOT issued a RFP for landscaping and maintenance in October 2008; CAO made a 1022 determination that the proposed contractor could provide service more economically than City forces: BOSS submitted a quote of \$1.7 million in direct costs; the lowest responsible bidder submitted a total cost under \$1.0 million.
- Concession of onsite parking facility operations could eliminate the need for the City to maintain separate landscaping and maintenance staff or contracts.

B. Service Impacts

To be determined.

C. Program(s)/Positions to be Transferred

To be determined.

D. Program(s)/Positions to be Eliminated

To be determined.

E. Implementation Plan

The CAO will establish a study group with DOT, GSD, the City Administrative Officer (CAO), Chief Legislative Analyst (CLA), and the Mayor's Office to evaluate the efficiencies and savings created by consolidation and/or concession; develop a plan to begin implementation of any proposed changes by July 1, 2010; and, will explore development opportunities for the remaining surface parking lots and structures owned by the City.

The study group will monitor the progression of the parking structure concession and use data from the forthcoming parking system consultant study to examine savings or revenue opportunities for consolidation or concession of DOT and GSD parking facility management, operations, and maintenance.

DEPARTMENT OF TRANSPORTATION Parking Facilities Summary

All DOT Managed Parking Facilities

	Total #	With Landscaping	Type of Facility			Number of Parking Spaces		
			Attendant Operated	Metered/ Paystation	Free	0-50	51-100	101+
Surface Lot	103	71	13	59	31	69	25	9
Structure*	12	5	9	3	0	2	1	9
Total	115	76	22	62	31	71	26	18

* does not include two privately owned parking facilities leased by the City

Non-Concession DOT Managed Parking Facilities

	Total #	With Landscaping	Type of Facility			Number of Parking Spaces		
			Attendant Operated	Metered/ Paystation	Free	0-50	51-100	101+
Surface Lot	103	71	13	59	31	69	25	9
Structure*	4	3	1	3	0	2	1	1
Total	107	74	14	62	31	71	26	10

* does not include two privately owned parking facilities leased by the City

Non-Concession Attendant Operated DOT Parking Facilities

	Total #	Facility Operator	
		GSD	PCI**
Surface Lot	13	8	5
Structure	1	1	0
Total	14	9	5

** Parking Concepts, Incorporated (private contractor)

General Services Department Parking Operations Summary

No.	Lots	Clients	Lot Type	Address	Spaces
		GSD			
1	Pico & Figueroa		Cashier-Flat Rate	1260 S. Figueroa St.	50
2	Lot 2		Fee Computer	300 E. Temple St.	197
3	Lot 7		Cashier-Flat Rate	140 N. Judge John Aiso St.	195
4	City Hall Garage		Employee Only	200 N. Spring St.	400
5	City Hall East/P2-P4			200 N. Main St.	2,100
6	Braude Center			6262 Van Nuys Rd.	183
7	Piper Tech			555 Ramirez St.	665
8	CHE Commercial Parking/LA Mall		Fee Computer	225 N. Los Angeles St.	250
9	Main St	Cashier-Flat Rate	260 S. Main St	44	
					4,084
11	Mangrove Lot 753	DOT	Cashier-Flat Rate	601 E. First Street	273
12	Broxton Garage Lot 680*		Fee Computer	1036 Broxton Ave.	366
13	Vermont Parking Lot 691		Cashier-Variable Rate	682 Vermont Ave.	65
14	Larchmont Parking Lot 732*		Fee Computer	218 N. Larchmont Blvd.	153
15	Cathedral Parking Lot 755		Cashier-Flat Rate	257 LA St.	93
16	San Fernando Valley Lot 752		Fee Computer	6265 Sylmar St.	302
17	Studio City Lot 690*			12223 Ventura Blvd.	397
18	Dickens St*		Cashier-Variable Rate	14591 Dickens St	198
19	Robertson Lot 601*		Fee Computer	14401 Friar St, Van Nuys	237
20	Robertson Lot 609		Cashier-Variable Rate	14521 Friar St, Van Nuys	76
21	Robertson Lot 610			14532 Gilmore St, Van Nuys	138
22	Robertson Lot 620			14607 Sylvan St, Van Nuys	53
23	Robertson Lot 630			14517 Erwin St, Van Nuys	75
24	Robertson Lot 631			14402 Gilmore St, Van Nuys	68
25	Robertson Lot 703*		Fee Computer	123 S. Robertson Blvd, LA	334
					2,828
26	Parking Lot 1	El Pueblo	Fee Computer	914 N. Main St.	80
27	Parking Lot 2			615 N. Main St.	250
28	Parking Lot 3		Cashier-Variable Rate	853 N. Alameda St.	20
29	Parking Lot 4		Cashier-Flat Rate	426 N. Los Angeles St.	50
30	Parking Lot 5			711 N. Alameda St.	50
30A	Office Sales/Validations		Monthly, Validations,etc.	914 N. Main St.	0
					450
31	Pio Pico Library	Library	Fee Computer	694 Oxford St.	60
32	Library Employee Garage		Employee Parking only	406 S. Olive St.	214
33	Westwood Library		Fee Computer	1246 Glendon Ave.	50
					324
34	Pershing Square Garage*	R&P	Fee Computer	530 Olive St.	1,750
33	Total				9,436

* These facilities are under consideration for a long-term concession

DEPARTMENT OF TRANSPORTATION

Parking Facilities Division

Summary of Scope of Work - City Forces vs. Proposed Outside Contractor

Work Description	City Forces	Outside Contractor	Remarks
1 Recurring Cleaning Services			
a. Lot Sweeping	√	√	Currently, infrequent.
b. Trash and Bulky Item Removal	√	√	Currently, only 88 cans could be provided by BOSS. LADOT requires 232 trash cans, which will be provided by the Contractor.
c. Light Fixture Cleaning	√	√	Currently, infrequent.
2 Recurring Landscape Maintenance			
a. General Cleaning (trash, sidewalks, drains, catch basins)	√	√	Currently, infrequent.
b. Shrub Pruning	√	√	Currently, infrequent.
c. General Tree Care	√	√	Currently, infrequent.
d. Weed Control	√	√	Currently, infrequent.
e. Shrubbery and Ground Cover Trimming	√	√	Currently, infrequent.
f. Tree Trimming and Care (shape, trim, prune)		√	
g. Pest Control		√	
h. Fertilization		√	
i. Irrigation		√	
j. Testing Backflow Devices		√	
3 Facility Management team Contractor will provide a facility management team dedicated to oversee the regular inspection and proper maintenance of all LADOT parking facilities listed in the RFP.		√	
4 As-Needed improvements			
a. Irrigation System Repair		√	As-needed
b. Shrub and Ground Cover Replacement		√	Within 2 weeks
c. Tree Replacement		√	Upon DOT Approval
d. Lighting System Improvement		√	As-needed
e. Graffiti Removal		√	Within 24 Hours
f. Other Improvements -as-needed & emergency repairs		√	

CITY RESTRUCTURING PROPOSALS
TRANSFER THE DEPARTMENT OF NEIGHBORHOOD EMPOWERMENT OR THE
NEIGHBORHOOD COUNCIL FUNDING PROGRAM

OBJECTIVE:

To examine the feasibility of transferring the Department of Neighborhood Empowerment or the administration of the Neighborhood Council (NC) Funding Program to the City Clerk or Community Development Department (CDD).

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

Specific recommendations will be provided at the conclusion of the study.

BACKGROUND:

- The Program was created by Council on November 1, 2002 (C.F. 02-0699).
- In 2009-10, the Program provides an annual allocation of \$45,000 to each certified NC for operating expenses and neighborhood improvement projects.
- Currently, the Department has 38 of its 43 authorized positions filled.
- Currently, the following six positions administer the Program:
 - Senior Management Analyst I
 - Management Analyst II
 - Senior Accountant I
 - Accountant II
 - Senior Clerk Typist
 - Accounting Clerk II
 - Total Salaries - \$430,982

PROPOSAL:

Transfer the Department of Neighborhood Empowerment or administration of the Funding Program to a larger City department with more accounting resources.

DISCUSSION:

A. Findings/Issues

There are benefits and disadvantages of transferring the Funding Program to a larger City department. The benefits include the following:

- Larger City departments offer more promotional and career advancement opportunities for employees, which would improve the Funding Program's ability to retain staff and expertise.

- Larger departments have greater staffing resources, which would provide management with greater flexibility to backfill vacancies through the reassignment of existing staff.
- Larger departments have more accounting resources, expertise, and experience, which could improve the administration of the Funding Program.

The disadvantages include the following:

- A significant amount of time and training would be required to effectively transition this function to another City department.

B. Service Impacts

The working group will identify significant service impacts.

C. Program(s)/Positions to be Transferred

The working group will determine the number of positions to be transferred.

D. Program(s)/Positions to be Eliminated

The working group will determine the number of positions to be eliminated.

E. Implementation Plan

The Department of Neighborhood Empowerment, City Administrative Officer, Mayor's Office, Chief Legislative Analyst, and any impacted City departments will form a working group to analyze and make recommendations on transferring the Department of Neighborhood Empowerment to a larger City department. This working group will present its findings and recommendations to the Council by June 30, 2010 and the transfer may be implemented in 2010-11.

F. Cost Savings

The working group will identify cost savings from this proposal.

CITY RESTRUCTURING PROPOSALS
REDUCTION/ELIMINATION OF CULTURAL AFFAIRS GRANT PROGRAM

OBJECTIVE:

Achieve General Fund savings by reducing the Cultural Affairs Grant Program for 2009-10 and eliminating the program in 2010-11.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

1. Instruct the Cultural Affairs Department to immediately notify Contractors that 2009-10 grant funding is no longer available and to work with the City Attorney's Office to begin termination of existing contracts where services have not yet been provided;
2. Instruct the Cultural Affairs Department to identify at least \$500,000 in savings from cancelled 2009-10 grants for events or services that have not been provided.
3. Instruct the Cultural Affairs Department to suspend the grant program for 2010-11 and to notify potential grantees that funding will not be available in 2010-11.

DISCUSSION:

A. Findings

The 2009-10 Adopted Budget included \$3,966,434 in appropriations to the Cultural Affairs Department (Cultural Affairs) Grant Program to fund special events throughout the City. Over the years, these funds have been made available to various public, private and non-profit organizations through grant awards to fund free or low-cost local events such as dance and music concerts and classes, film festivals, museum programs and theatrical plays and workshop events for youths and adults.

It is recommended that the Cultural Affairs Grants Program be immediately suspended for 2009-10 and eliminated for the 2010-11 fiscal year. All contracts contain a funding clause that provides the City with maximum flexibility in discontinuing the contracts based on the availability of City funding.

As of January 22, 2010, there is \$2,199,813 in uncommitted funds (see Attachment). To the extent that the funds remain unexpended and uncommitted, these monies could be used to increase reimbursement to the General Fund for related costs for Cultural Affairs employees. However, it is also important to note that there while there are uncommitted funds that have not been encumbered that there are outstanding commitments and expectations from service providers for 2009-10. Consequently, it is recommended that Cultural Affairs be instructed to immediately review its list of scheduled events and programs, identify and immediately report back on the total

remaining uncommitted funds it projects will be available for reimbursement to the General Fund to offset departmental related costs.

It is also recommended that Cultural Affairs immediately contact its grantees and work with the City Attorney's Office to suspend grantee contracts and finalize payments where services have already been provided. Cultural Affairs should also be instructed to notify all present and potential grant recipients of the 2009 suspension and planned elimination/suspension of the Cultural Affairs Grants Program to be effective July 1, 2010.

B. Service Level Impact:

Fewer local events that are funded by Cultural Affairs grants.

C. Cost Savings

Implementation of the recommendations should result in a minimum of \$500,000 in savings this fiscal year and approximately \$4 million in reduced expenditures for Cultural Affairs grants in 2010-11.

Attachment

CITY RESTRUCTURING PROPOSALS SOLID RESOURCES LIFELINE RATE PROGRAM

RECOMMENDATION(S) FOR COUNCIL ACTION:

1. Adopt a rate structure for Lifeline customers on the Solid Waste fee based on scenarios presented herein with some flexibility to adjust for growth in the number of subscribers to the Lifeline program to minimize impacts on the General Fund, preferably as illustrated in the base and variable "hybrid" fee structure (Attachment C) and, accordingly:
 - a. Instruct affected departments to develop the necessary procedures to implement these changes;
 - b. Request the City Attorney to prepare and present the necessary ordinance requirements to effectuate these changes;
2. Instruct the City Administrative Officer and Bureau of Sanitation to work with the Office of Finance in assessing the current trash fee exemption process for Lifeline customers and provide recommendations within 60 days on:
 - a. Resources for the verification and recertification of Lifeline customers;
 - b. Identification of other programs or resources with a low income eligibility screening component that could be utilized toward Lifeline eligibility and monitoring (for example, human services programs).

BACKGROUND:

The Lifeline program is available to residents 62 years of age or older or the disabled, and who meet income requirements for very low income households per HUD Section 8 guidelines, currently \$31,700. The LADWP receives a weekly listing from the Office of Finance for residents that have been approved for the Utility Users Tax Exemption. These residents are then placed on the Department's Lifeline billing rate. By ordinance, persons who qualify for the DWP portion¹ are automatically exempt from the Solid Waste fee. The Lifeline exemptions are renewed automatically by the Office of Finance unless any prerequisite facts supporting the initial qualification change, such as service address or income status. It is incumbent on Lifeline customers to come forward with this information.

The General City Purposes (GCP) fund reimburses the Solid Waste Resources Revenue Fund for the fee equivalent of customers that receive exemptions under the Lifeline program, in recognition of Proposition 218. This legislation prohibits jurisdictions from assigning the cost of a program associated with certain property related fees, such as trash fees, from one set of customers to another, inclusive of rate relief.

¹ Lifeline customers are not fully exempted from DWP electric and water rates but receive fixed discounts which can result in a significant reduction of the monthly rate, ranging from 45% to 70%, depending on a person's utility usage, household size and whether a person is subscribed to one or both utilities.

DISCUSSION/ISSUES:

The Solid Waste Lifeline Rate Program for the trash fee was budgeted in 2009-10 for \$16.6 million in the General City Purposes (GCP) Fund. The \$16.6 million was based on approximately 50,000 eligible customers; however, more residents continue to apply for Lifeline exemptions. The Bureau of Sanitation reports that 58,395 customers were subscribed to the program as of November 2009, which results in a General Fund deficit of \$6.7 million for the current year. This deficit will continue to grow unless Lifeline subscriptions halt or a policy change is made relative to the current ordinance requirement granting full exemptions.

Potential Solutions:

The following are options to supplant the current full exemption, including:

- Charge Lifeline customers the Solid Waste fee but with a flat discount, such as 30 percent, phased in over two years (Attachment A);
- Impose a cap on the General Fund subsidy for the Lifeline program and spread the balance of funding requirements across all subscribed customers, which also results in a partial Solid Waste fee (Attachment B);
- Implement a hybrid structure that involves a flat discount and includes a shared cost provision when the cost of the Lifeline program reaches a certain threshold (Attachment C); or
- Eliminate rate relief on the trash fee altogether.

Flat Discount Structure (Attachment A)

This approach requires a policy decision on the amount of a discount for the Solid Waste fee for Lifeline customers, although we recommend 30%. This is generally comparable to other cities' rate assistance for trash programs, including Los Angeles County which requires a 25% discount through its franchised haulers, and the Bureau's Sewer Service Charge which provides a 31% low income discount for a specific usage threshold.

- Ramped up over two years, customers could be charged 35% of the Solid Waste fee in the first year and 70% in the following year, with General Fund impacts as follows:

	Full Exemption	Year One - 35% Fee	Year Two - 70% Fee
Single-Family Fee	0	12.71	25.42
Multifamily Fee	0	8.52	17.03
General Fund Requirement (Mil) (Stabilized Lifeline Pool)	\$23.4	\$15.2	\$7.0
General Fund Requirement (Mil) (5% Growth on Lifeline Pool)	\$24.5	\$15.9	\$7.7

- One would assume the Lifeline pool would stabilize at some point, but absent that, the General Fund obligation would resume increases again.

Cap on General Fund Subsidy (Attachment B)

- This proposal involves a floating rate structure driven by changes in the Lifeline pool and the amount of General Fund that is budgeted for the program.
- It provides for budgetary stability by placing the burden for additional Lifeline costs to those customers in an equitable manner.
- For illustration purposes, the attachment provides fee scenarios based on the current year General Fund subsidy of \$16.6 million as a baseline.
- This threshold could be set at any level, effectively increasing or decreasing the fee requirement for Lifeline customers. Also assuming a growing Lifeline pool, rates could start at \$5.76 for single-family and \$3.86 for multifamily customers if implemented in the current year.
- A three-month implementation could realize approximately \$1.7 million in receipts if fees are in effect by April 2010, to offset the \$6.7 million current year obligation. Delays and collection ramp up would diminish this amount.
- Full recovery of the incremental cost could be realized by 2010-11.
- Additional analysis is required on how often to reset the fees and the resources required for that, in addition to properly conveying this in an ordinance. Resetting the fees on a quarterly basis, for example, requires a larger administrative effort but reduces Prop 218 exposure. Resetting on an annual basis is also an option but may result in higher fee variances due to true up adjustments.
- Capping the number of customers was also considered although this raises legal issues on equity when not all qualifying customers have access for exemptions.

Hybrid Structure (Attachment C)

- This involves charging a fixed fee as proposed in the first option but with a provision to spread any incremental costs to Lifeline customers when the cost of the Lifeline program passes a certain threshold (due to increasing customers).
- The scenario in the attachment assumes, as an example, a policy wherein the total cost of the Lifeline program shall not exceed 10% of budgeted Solid Waste receipts, which for 2009-10 amounts to \$26.4 million.
- The example illustrates a trigger point of a 13% increase in the Lifeline pool (roughly three years at the current rate of growth), or 66,021 customers, upon which shared billing of incremental cost increases to these customers can be implemented.
- Variants in this proposal include changes in the Solid Waste fee and/or changes in the Adopted Budget Solid Waste fee receipts for other reasons. Additionally, the threshold point could be established under any other criteria, such as current level GCP funding (\$16.6 million) or whatever each budget process dictates.
- This proposal also aims to minimize impact on the General Fund although it will also create additional administrative burden and ordinance changes.

Attachments

Solid Waste Lifeline Rate Program - Fixed Discount Proposal					
Current Fee with Full Exemption					
Lifeline					
Customers (11/09)	SF/MF Ratio	Customers	Rate	Months	Total
58,395	75%	43,796	36.32	12	19,088,158
	25%	14,599	24.33	12	4,262,251
Total Cost of Lifeline		58,395			23,350,409
Budgeted 2009-10					
Current Year Shortfall					16,608,527
					(6,741,882)
Lifeline Customers 2010-11					
(assumes 5% growth)	SF/MF Ratio	Customers	Rate	Months	Total
61,315	75%	45,986	36.32	12	20,042,565
	25%	15,329	24.33	12	4,475,364
Total Cost of Lifeline		61,315			24,517,929
Base Level Funding					
Projected Shortfall					16,608,527
					(7,909,402)
Two Year Phase-in of Solid Waste Fee with 30% Discount					
<u>Year One - 35% Fee Implementation</u>					
Lifeline					
Customers (assumes no growth)	SF/MF Ratio	Customers	Rate	Months	Total
58,395	75%	43,796	12.71	12	6,680,855
	25%	14,599	8.52	12	1,491,788
Totals		58,395			8,172,643
General Fund Requirement					
Total Cost of Lifeline					15,177,766
					23,350,409
Lifeline					
Customers (assumes 5% growth)	SF/MF Ratio	Customers	Rate	Months	Total
61,315	75%	45,986	12.71	12	7,014,898
	25%	15,329	8.52	12	1,566,377
Totals		61,315			8,581,275
General Fund Requirement					
Total Cost of Lifeline					15,936,654
					24,517,929
<u>Year Two - 70% Fee Implementation</u>					
Lifeline					
Customers (assumes no growth)	SF/MF Ratio	Customers	Rate	Months	Total
58,395	75%	43,796	25.42	12	13,361,710
	25%	14,599	17.03	12	2,983,576
Totals		58,395			16,345,286
General Fund Requirement					
Total Cost of Lifeline					7,005,123
					23,350,409
Lifeline					
Customers (assumes 5% growth)	SF/MF Ratio	Customers	Rate	Months	Total
64,380	75%	48,285	25.42	12	14,731,286
	25%	16,095	17.03	12	3,289,392
Totals		64,380			18,020,678
General Fund Requirement					
Total Cost of Lifeline					7,723,148
					25,743,826

Solid Waste Fee Lifeline Rate Program - Fixed General Fund Subsidy Proposal					
Lifeline					
Customers (11/09)	SF/MF Ratio	Customers	Rate	Months	Total
58,395	75%	43,796	36.32	12	19,088,158
	25%	14,599	24.33	12	4,262,251
Totals		58,395			23,350,409
Budgeted 2009-10					16,608,527
Shortfall					(6,741,882)
Rate Distribution Needed to Meet Shortfall			Rate	Months	Total
	Single-family		5.76	12	4,037,348
	Multifamily		3.86	12	2,704,534
	Total				6,741,882
					1,685,470
Lifeline					
Customers (5% growth)	SF/MF Ratio	Customers	Rate	Months	Total
61,315	75%	45,986	36.32	12	20,042,565
	25%	15,329	24.33	12	4,475,364
Totals		61,315			24,517,929
Budgeted 2009-10					16,608,527
Shortfall					(7,909,402)
Rate Distribution Needed to Meet Shortfall			Rate	Months	Total
	Single-family		6.44	12	4,736,513
	Multifamily		4.31	12	3,172,890
	Total				7,909,402
Lifeline					
Customers (5% growth)	SF/MF Ratio	Customers	Rate	Months	Total
64,380	75%	48,285	36.32	12	21,044,694
	25%	16,095	24.33	12	4,699,132
Totals		64,380			25,743,826
Budgeted 2009-10					16,608,527
Shortfall					(9,135,299)
Rate Distribution Needed to Meet Shortfall			Rate	Months	Total
	Single-family		7.08	12	5,470,635
	Multifamily		4.74	12	3,664,663
	Total				9,135,299
Lifeline					
Customers (5% growth)	SF/MF Ratio	Customers	Rate	Months	Total
67,600	75%	50,700	36.32	12	22,096,928
	25%	16,900	24.33	12	4,934,088
Totals		67,600			27,031,017
Budgeted 2009-10					16,608,527
Shortfall					(10,422,490)
Rate Distribution Needed to Meet Shortfall			Rate	Months	Total
	Single-family		7.69	12	6,241,465
	Multifamily		5.15	12	4,181,025
	Total				10,422,490

Solid Waste Fee Lifeline Rate Program - Hybrid Proposal					
Lifeline					
Customers (as of 11/09))	SF/MF Ratio	Customers	Rate	Months	Total
58,395	75%	43,796	25.42	12	13,361,710
	25%	14,599	17.03	12	2,983,576
Totals		58,395			16,345,286
Total Cost of Lifeline					23,350,409
General Fund Requirement					7,005,123
10% of Solid Waste Fee Adopted Budget Receipts					26,400,000
Margin					3,049,591
Lifeline					
Customers (assumes 13% growth)	SF/MF Ratio	Customers	Rate	Months	Total
66,021	75%	49,516	25.42	12	15,106,765
	25%	16,505	17.03	12	3,373,234
Totals		66,021			18,480,000
Total Cost of Lifeline					26,400,000
General Fund Requirement					7,920,000
10% of SWRRF Adopted Budget Receipts					26,400,000
Margin					0

CITY RESTRUCTURING PROPOSALS AMBULANCE BILLING

OBJECTIVE:

To contract out ambulance billing services

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

1. Authorize the Chief of the Los Angeles Fire Department or designee to execute a contract with Sansio, which will provide handheld computers and software to paramedics enabling electronic input of patient data while in the field and eliminating the need to manually fill-in the paper based Form 902M; and,
2. Authorize the Chief of the Los Angeles Fire Department or designee to execute a contract with Advanced Data Processing, Inc to administer the emergency medical services billing and collection system and to process billings and follow-up on delinquent accounts.

BACKGROUND:

Ambulance billings are processed by paramedics filling out a paper-based triplicate form and sending them downtown to be input into the computer system by clerical personnel. Forms were lost, interpreting hand written forms resulted in errors and the timing to get incident report into the system for billing took weeks. Fire Department ambulance billing services will generate close to \$60 million in revenue this year under the current system. By converting to held-held computers in the field, an incident report begins in the electronic system when the 9-1-1 emergency call arrives at the Fire Dispatch Center. This information will be retrieved by the paramedics who will add additional details as the incident unfolds. The incident report is forwarded to the hospital as the patient arrives for further medical attention. The billing process to the insurance company and patient is handled in a quick and efficient manner.

PROPOSAL:

Contract out ambulance billing services to two vendors who will streamline the process of data entry, reduce errors, process billing more timely, track insurance claims and disputes and follow-up with delinquent accounts. Contracting these services will eliminate 49 General Fund positions.

DISCUSSION:

A. Findings/Issues

Additional revenue with the contracts in place is conservatively projected to be \$10.8 million over a six year period compared to keeping the current process in place. The

billing contractor is paid a percentage of total collections which may increase revenue collection. Additional revenues in ambulance billing could be realized with implementation of Health Care Reform Bill.

B. Service Impacts

The streamlined electronic process should lead to additional collections with more timely billings and better data to bill from. The Legal Unit consisting of two Clerk Typists and one Senior Clerk Typist is recommended to remain with the Fire Department to coordinate claims with the City Attorneys Office.

C. Program(s)/Positions to be Transferred

The majority of the 49 positions eliminated are Clerk Typist or Senior Clerk Typist positions. Many of them have bumping rights to former positions. The Office of Finance has submitted a 2010-11 budget package requesting the transfer of the remaining ambulance billing duties, absorbing five of the six new positions.

D. Program(s)/Positions to be Eliminated

LAFD Ambulance Billing Unit Personnel:

Class Title	Class Code	# Staff	FY 09-10 # Deletions	FY 10-11 # Deletions	Remaining Staff
Current:					
Sr. Clerk	1143	1	0	1	0
Pr. Clerk	1201	2	0	2	0
Acct. Clerk I	1223-1	2	2	0	0
Ch. Clerk	1253	1	0	1	0
Clerk Typist	1358	25	10	13	2
Sr. Clerk Typist	1368	20	9	10	1
Mgmt Analyst	9184-2	1	1	0	0
Total:		52	22	27	3
Proposed:					
Acct. Clerk I	1223-1	1	0	0	1
Acct. Clerk II	1223-2	1	0	0	1
Sr. Acct. I	1523-1	1	0	0	1
Sr. Systems Analyst I	1597-1	1	0	0	1
Sr. Systems Analyst II	1597-2	1	0	0	1
Sr. Mgmt Analyst I	9171-1	1	0	0	1
Total:					6
Grand Total:					9

E. Implementation Plan

With contract approval by March, Sansio can begin to build the hand-held computers and commence training the sworn personnel. ADP will begin handling the new billings immediately, while the existing billing staff will process the backlog of billings.

Additionally, as noted in the above table, the Department is requesting six new positions in the 2010-11 budget to oversee and audit the contracts and provide tech support for the hand-held units.

F. Cost Savings

After implementation of the two contracts, it's projected that an additional \$10.8 million in revenue will be generated over a six year period when factoring in the cost savings of eliminating 49 General Fund positions offset by the contractor costs.

G. Options/Alternatives (if any)

There is an option of placing the new ambulance billing personnel, who will handle the contracts, in the Fire Department or transfer them to the Office of Finance.

CITY RESTRUCTURING PROPOSALS EL PUEBLO

OBJECTIVES:

Generate General Fund savings by making El Pueblo self-sustaining and eliminating the General Fund subsidy to El Pueblo.

Provide El Pueblo with the support and flexibility to optimize management of the monument and enhance the visitor experience.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

Recommendations will be provided at the completion of a study.

BACKGROUND:

El Pueblo was created as a department separate from Recreation and Parks in May 1992 (C.F. 90-0124). El Pueblo was intended to be financially self-sufficient, but in its history has not achieved this.

Projected revenues in 2009-10 are \$3.588 million. The largest source of revenue is from parking, which will generate approximately \$2.4 million this fiscal year. The second largest source is leases, which will generate approximately \$902,000.

The 2009-10 direct cost of City El Pueblo operations per the Adopted Budget is \$4.4 million and consists of \$2 million to fund the department itself, \$2.3 million to the Department of General Services (GSD) for parking, custodial, building maintenance, and security services. An additional \$100,000 is provided the Department of Recreation and Parks for landscaping services. The \$4.4 million cost of El Pueblo operations includes a General Fund appropriation of \$811,000.

Based on authorized positions, the General Fund cost for pension and medical benefits is estimated to be \$470,000 for staff at El Pueblo and \$546,000 for staff at GSD dedicated to supporting El Pueblo, for an estimated General Fund subsidy of about \$1.8 million in 2009-10 (consists of \$1.02 million for pension and medical benefits plus the \$811,000 direct General Fund appropriation to the El Pueblo Trust Fund). The total General Fund cost to finance El Pueblo operations in 2009-10 (not including debt service for the Capital Program) is therefore \$5.42 million.

PROPOSAL:

Form a study group to explore the City's options to make El Pueblo independent and self-sustaining.

DISCUSSION:

Leases and Property Issues

A recent Controller audit found that if market rate leases were adopted on a comprehensive basis, then lease revenue could increase by another \$1.1 million to \$1.5 million annually. Implementation of market-rate leases by themselves would reduce but not eliminate the General Fund subsidy. To balance the cost of El Pueblo operations without reducing resources, then additional revenues from other sources should be explored.

The main existing area with revenue potential at El Pueblo is the Pico-Garnier Block, which is the group of buildings on the southern side of the El Pueblo Monument. However, an outside entity known has a legal claim on the property and filed a lawsuit against the City regarding its use. A tentative settlement with the outside entity has been reached, but has not yet been submitted for Council approval. It is important that the City carefully review the terms of the settlement to ensure that El Pueblo receives the maximum revenue possible.

Capital Program

The El Pueblo capital program includes various projects such as La Placita de Dolores; Winery restroom; Alameda Street sidewalk; puesto repairs; utility upgrades; Italian Hall; and Siqueiros Mural restoration and Interpretive Center.

To date, all work has been completed except the utility upgrades, Siqueiros Mural and Interpretive Center, and Italian Hall.

The capital program is funded by both City and non-city sources. Total authorized funding for the capital program is \$30.75 million from a combination of City (\$23.38 million) and non-City (\$7.37 million) sources.

CITY RESTRUCTURING PROPOSALS BUREAU OF STREET SERVICES CONTRACTING

OVERVIEW

The Bureau of Street Services (Bureau) currently utilizes City of Los Angeles (City) forces for on-going street resurfacing and reconstruction, slurry seal, and pothole repair. The Bureau also designs and constructs street improvement projects that may include asphalt paving, sidewalks, gutters, curbs, and access ramps. City forces also perform all work related to street sweeping, alley and spot cleaning, trash collection for receptacles in the public right-of-way as well as tree trimming, root pruning and tree/stump removal services. A portion of median island landscape maintenance is performed by private contractors with the remaining work done by Bureau staff.

OBJECTIVE

Determining whether there will be a cost savings from the use of private contractors versus City forces is difficult due to a variety of factors including:

- Long term pension costs
- Quality control costs; contract compliance and inspection staff
- Cost of administrative staff required to manage contracts
- Request for Proposal (RFP)/Request for Qualification (RFQ), and contract bid and award process and timeline
- Contract cost fluctuations due to market and economic conditions

Therefore, this report focuses on the feasibility of contracting some of the above-mentioned services, and how other large California cities and counties deliver these services.

CITY RESTRUCTURING PROPOSALS LICENSE CANVASSING AND CARE CENTER OPERATIONS

OBJECTIVE:

To explore the feasibility of providing animal care and control services through a strategic partnership with a public, private or non-profit agency.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

1. Instruct the Animal Services Department to report back on the feasibility of partnering with the County of Los Angeles for license canvassing services within 60 days.
2. Instruct the City Administrative Officer and the Animal Services Department to develop and issue a Request For Information for the operation of one or more animal care centers by an established animal care and control organization by March 1, 2010.

BACKGROUND:

The Animal Services Department (ASD) conducted research into the viability of three separate partnering/contracting scenarios:

- Operation of a single Animal Care Center by an established animal care and control organization;
- License canvassing by officers with citation authority;
- Operation of several Animal Care Centers as adoption centers by a humane organization, while the Department would handle leash law enforcement and nuisance violations and warehouse animals in the remaining two centers until the pets were selected for the adoption centers by the contractor or euthanized.

ASD conducted detailed discussions and data review with several local humane groups. These groups include:

- Pasadena Humane Society (a non-profit corporation),
- Southeast Area Animal Control Authority (a joint powers agency); and
- County of Los Angeles Animal Care and Control

ASD also studied the practices of other jurisdictions and reviewed information from discussions with additional humane groups. ASD reports that some groups, such as Best Friends Animal Society, were contacted but neglected to communicate back.

PROPOSAL:

Explore the feasibility of partnering with the County to provide animal license canvassing services, and develop and issue an RFI for care center operation.

DISCUSSION:

A. Findings/Issues

Contracting for dog license canvassing appears to have potential merit. ASD reports that discussions with the County resulted in a mutual interest in further discussions. It is likely that licensing revenue would remain stable and payments to the County would simply be deducted from the revenue collected, thereby relieving the General Fund burden. Of particular note are the differences between County and City licensing practices, such as requiring proof of rabies vaccinations at the time of licensing.

B. Service Impacts

The service impacts of partnering with the County to provide license canvassing or partnering with a private entity for the operation of animal care are unknown at this time.

C. Program(s)/Positions to be Transferred

None recommended at this time.

D. Program(s)/Positions to be Eliminated

None recommended at this time.

E. Implementation Plan

It is anticipated that full implementation following the feasibility report and RFI will be achieved by January 2011.

F. Options/Alternatives (if any)

The alternatives to this plan would be to either continue the programs with existing staff or to eliminate programs.

CITY RESTRUCTURING PROPOSALS MEDIAN ISLAND LANDSCAPE MAINTENANCE

RECOMMENDATION

It is recommended that contracting for median island maintenance services be expanded to meet existing unmet needs. It is further recommended that groups, such as the Los Angeles Conservation Corps, be considered for contract work through the competitive bid process.

BACKGROUND

Median island landscape maintenance is currently performed by city forces (\$1.15 million) and by contract (\$0.85 million) and is primarily funded through Traffic Safety Fund revenues. The Bureau reports inadequate funding to maintain over 300 acres of median islands throughout the City. The medians include irrigation systems, landscaping and other improvements. The majority of the median islands were installed in the 1960's with irrigation systems that have since deteriorated. Many of these systems have either completely failed or require constant repair. Maintenance requirements are dependent upon the make up of the median island. Turf requires a two to three week maintenance cycle, whereas, islands with shrubs and trees may require maintenance only a few times per year. Median island work does not include the removal of trash and debris however staff does perform this function during scheduled maintenance.

The UFD has one 20-person crew responsible for median island landscape maintenance comprised of the following:

- (1) Park Maintenance Supervisor (position filled; no ERIP)
- (6) Senior Gardener (6 positions filled; 1 ERIP)
- (12) Gardener-Caretaker (12 positions filled; 1 ERIP-Limited)
- (1) Plumber (position filled; no ERIP)

The above crew is a broad configuration, and is deployed to large thoroughfares with miles of median islands. Subsets of this crew are deployed to maintain medians on smaller streets.

DISCUSSION

The Bureau receives an annual contractual services budget of \$0.85 million for median island landscape maintenance which is over 40% of the overall budget for this service. The County of Los Angeles contracts 100% of their median island maintenance work. Based on available information, it appears that the Cities of San Francisco, San Diego and Long Beach may be performing landscape maintenance with their own forces.

Median island landscaping, including irrigation work, can be performed by the Los Angeles Conservation Corps or other similar groups. The Los Angeles Conservation Corps (LACC) competitively bids for contracts. Since LACC is considered an apprenticeship program, they are exempt from the Prevailing Wage requirement. LACC's contracts with the Department of Public Works have included graffiti removal,

maintenance work, lot cleaning, tree planting and erosion control. The LACC has the capability of performing median island landscape maintenance and construction to include lane closures, grading, surveying, landscaping and irrigation work. Street Services does not currently have a contract with the LACC.

POTENTIAL ISSUES

- Staff to advertise and administer contracts
- RFP process and estimated three to six month timeline
- Contract costs vary according to market and economic conditions
- Quality control and inspection
- Union opposition to contracting work currently being performed by City forces
- Layoff or displacement of City workers

IMPLEMENTATION

The contracting of services for median island maintenance could begin as early as Fiscal Year 2010-11.

**A Proposal by the Bureau of Sanitation
Multifamily Residential Solid Waste Program
January 2010**

Background

The City considers the establishment of recycling programs for multifamily residential properties a high priority. Based on collection and disposal data, residents in multifamily residential units dispose of approximately 569,000 tons of waste every year. Recyclable materials such as beverage containers, paper, cardboard, and newspaper account for approximately 19% of the multifamily residential waste stream. The establishment of AB 939 compliance fees in 2002 under the permitted hauler system advanced the development of the existing Multifamily Residential Recycling Program that currently provides recycling services to over 400,000 residential units. Approximately \$6.3 million is collected in AB 939 fees from haulers servicing multifamily residential properties. The Program's operational and administrative costs are financially supported by a substantial portion of the AB 939 compliance fees.

On July 7, 2006, the Bureau released a seven year notice, approved by the Board of Public Works and authorized by the Mayor and City Council, (pursuant to California Public Resources Code) to private waste haulers. This notice specified the City's intent to consider an option for refuse and recycling collection for multifamily residential properties, such as implementation of a franchise or providing this service using City personnel and resources.

The City has the ability to exercise the change in the collection of multifamily refuse and recycling materials beginning in July 2013. Several options have been considered to improve recycling and waste reduction to these residents as well as provide sustainable funding for these programs. They include City forces providing this service and introducing a fee per unit full cost recovery charge, increasing the AB 939 fee beyond inflation to pay for the multifamily recycling program, or to create a franchise whereby private waste haulers would provide these services.

Proposal

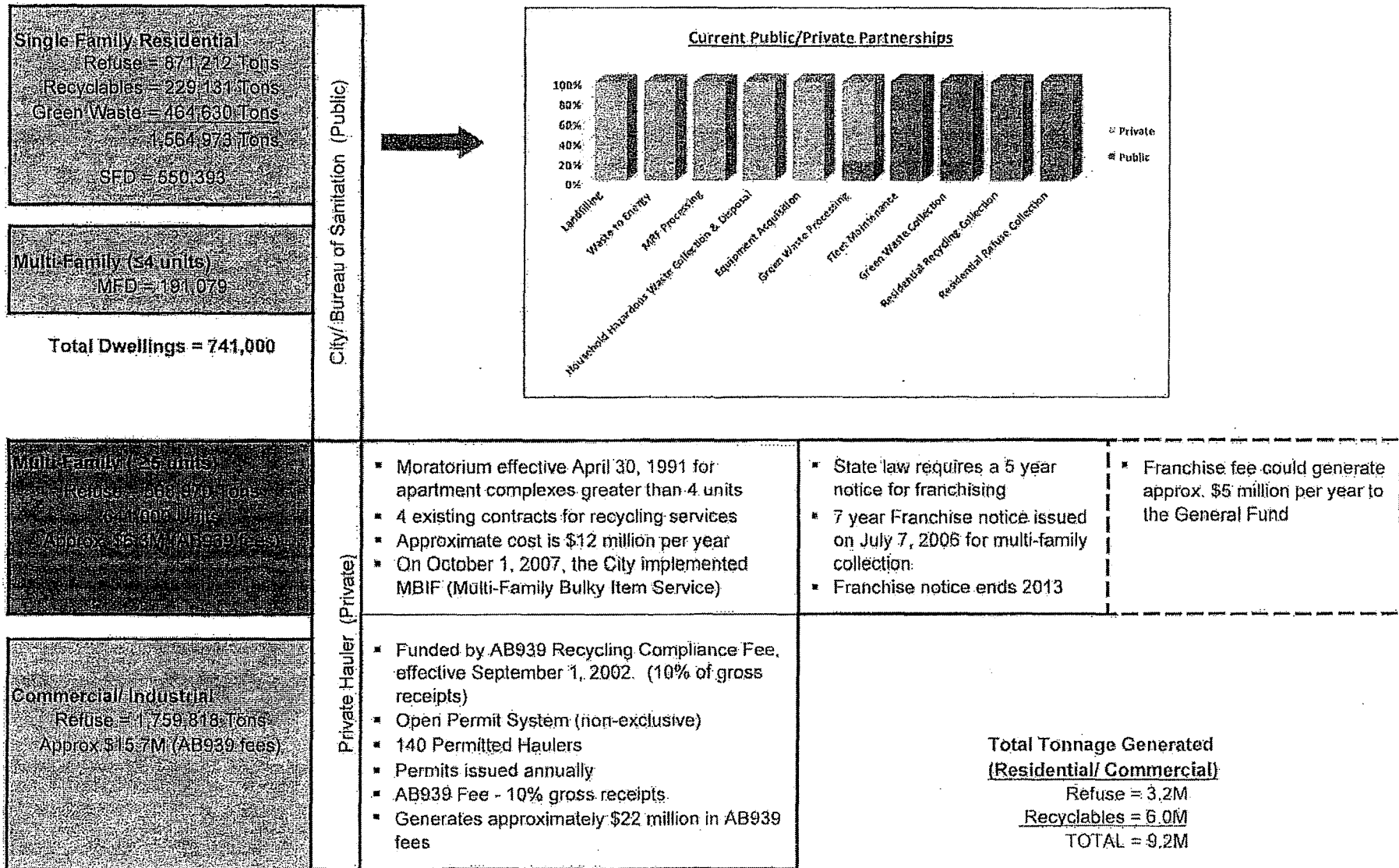
The Bureau recommends establishing a non-exclusive franchise agreement with multiple haulers for pre-determined geographical wastesheds. A non-exclusive franchise maintains a market competitiveness that benefits the customer while providing the City with the benefits of a more focused solid waste program. In return for semi-exclusive rights to service a designated wasteshed, the franchisee would be required to comply with the terms of the agreement, including diversion requirements and payment of a franchise fee and Solid Resources Program Fee. Owners and residents of multifamily residences would be receiving a higher level of service than that they currently receive since the agreement would include providing the following services:

1. Refuse collection
2. Recycling collection
3. Green waste collection

Implementation Timeline – Estimated 20 total contracts

Milestone Date	Tasks
February 2010	Stakeholder Meetings
March 2010	RFP release - Board of Public Works Approval
June 2010	RFP release - Mayor Approval/CAO Report
August 2010	RFP release - Council Committees
September 2010	RFP release – Council/Mayor concurrence
October 2010	Release RFP – hold Proposal Pre-meeting
January 2011	Proposals Due
July 2011	Good Faith Effort Review/Evaluation Panel Begins
December 2011	Authority to Negotiate – Board of Public Works
August 2012	Contract Approval – Board of Public Works
October 2012	Contract Approval – Mayor Approval/CAO Report
December 2012	Contract Approval – Council Committees
March 2013	Contract Approval – Council/Mayor concurrence
May 2013	Contract Execution /Notice to Proceed – Board of Public Works
July 2013	Franchise Begins

SOLID WASTE SERVICES IN THE CITY OF LOS ANGELES

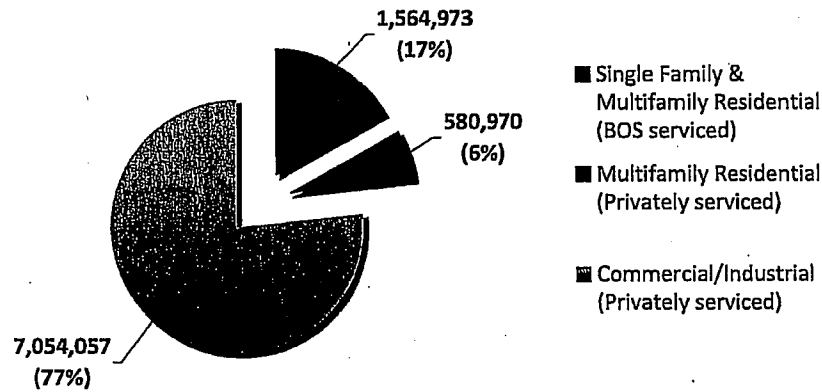


NOTE: 1) Per State Law, the ultimate responsibility to provide solid waste collection services rests with the municipality (California Public Resources Code, Division 30, Sections S40001, S40002, et al.)

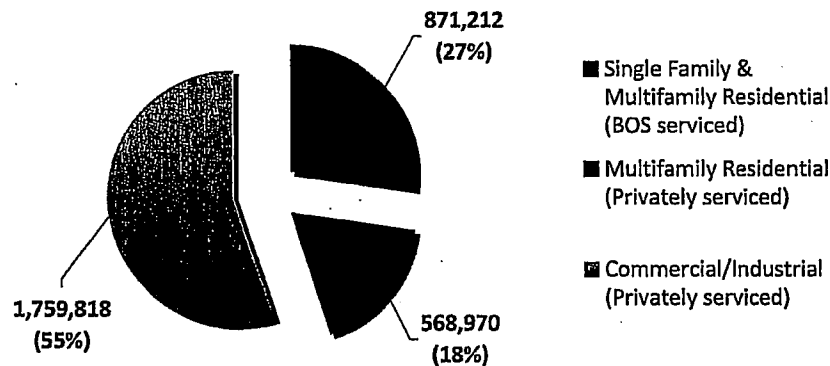
2) Data based on FY 2008-09.

Bureau of Sanitation
Solid Waste Services

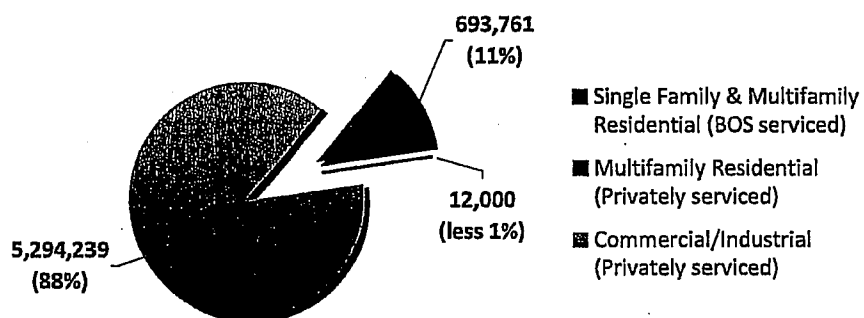
Generation by Property Type (in tons)



Disposal by Property Type (in tons)



Recycling by Property Type (in tons)



**CITY RESTRUCTURING PROPOSALS
PROPOSED PARTNERING OF CULTURAL AFFAIRS' FACILITIES**

OBJECTIVE:

To reduce and eventually eliminate the City's General Fund costs for operating Cultural Affairs' facilities.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

1. Instruct the Cultural Affairs Department to issue a Request for Proposals (RFP) within 90 days for partnership agreements to operate the Barnsdall, Madrid and Warner Grand theater facilities to begin no later than July 1, 2010 and to operate the Vision Theater upon completion of its renovation.
2. Instruct the Cultural Affairs Department to issue a Request for Proposal (RFP) within 90 days for partnership agreements to operate the Barnsdall Art Center, Barnsdall Junior Art Center and William Grant Still Arts Center to begin no later than July 1, 2010.

DISCUSSION:

A. Findings/Issues

For the 2010-11 Proposed Budget, Cultural Affairs submitted a proposal to contract the operations of five facilities (three centers and two theatres). This Office has reviewed the request and proposes the contracting of seven facilities (three centers and four theatres).

Cultural Affairs proposed to contract for management of two art centers and one junior art center is feasible and could be implemented by July 1, 2010 depending on completion of the RFP process. The three facilities recommended for partnering are: Barnsdall Art Center, Barnsdall Junior Art Center and William Grant Still Arts Center. The proposal would put agreements in place similar to those in place for six other facilities.

Cultural Affairs has six theater facilities. Five of the six are currently operational and two of the theatres are currently operated by private non-profits via partnership agreements. Annual theater revenues/receipts for the two theaters currently managed by Cultural Affairs have been insufficient to cover operating expenses and the as-needed staffing required for theater operations. The Vision Theater has no current allocation of staff or funding and is currently closed for renovation. However, the facility is expected to be open for operations during 2011-12 and could be included in the RFP with an effective date consistent with project completion. There is also a \$2.4 million California Cultural Historical Endowment grant award and a mandatory 20-year State service repayment which will have to be acknowledged and factored into any agreement.

Contracting the management of these facilities could be implemented for Cultural Affairs' open facilities effective July 1, 2010 depending on completion of the RFP process. As an incentive to prospective operators, Cultural Affairs recommends continuation of utility and other building and custodial services provided by General Services at no cost to the prospective Operator. That recommendation would reduce potential savings from the public-private partnership. Maintenance funds should be the responsibility of the prospective operator.

If the City is unsuccessful in securing a private or non-profit partner to operate its facilities through the RFP process, consideration should be given to closing or selling the assets. The City's Asset Management Division in the General Services Department would likely coordinate the sale of the facilities.

B. Program(s)/Positions to be Eliminated

Seven full-time positions are allocated to the Barnsdall, Madrid, Vision and Warner Grand Theater facilities. Seven full-time positions are allocated to the Barnsdall Art Center, Barnsdall Junior Art Center and the William Grant Still Arts Center.

C. Cost Savings

Cost savings cannot be estimated until proposals are received.

**CITY RESTRUCTURING PROPOSALS
PUBLIC PRIVATE PARTNERSHIP – CONVENTION CENTER**

OBJECTIVE:

To reduce and eventually eliminate the City's General Fund costs for operating the Convention Center facility.

To provide the Convention Center the flexibility to operate as a private entity for the purposes of maximizing its ability to generate revenues.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

1. Authorize the development and release of a Request for Proposal (RFP) for the management and operations of the Convention Center facility;
2. Request the Los Angeles Convention and Visitors Bureau (LA Inc.) to develop and submit a proposal to provide all Convention Center marketing and sales functions;
3. Instruct the CAO to report back on a proposed budget for Bond Counsel services to assist on private use matters.

BACKGROUND:

The total estimated cost for owning and operating the Los Angeles Convention Center facility for Fiscal Year 2009-10 is approximately \$51 million. This includes direct, related and debt service costs. The City will benefit by privatizing Convention Center operations if a contractor generates sufficient revenues to cover all direct costs and relieves the General Fund impact by contributing towards related, capital or debt service costs.

The City currently has the following outstanding debt on the facility as of 07/01/09:

Series 1993	\$51,180,000
Series 1998	\$35,400,000 (taxable)
Series 2003A	\$141,230,000
Series 2008	<u>\$253,060,000</u>
	\$480,870,000

The bonds are tax-exempt, and to maintain such status, the operation of the facility must comply with Federal tax laws. Safe harbor exceptions to tax laws allow for private use subject to a maximum of \$15M (in private security or payments) or 10% of the amount of bonds issued (with this calculation being based on cost and square footage). The Convention Center is near maximum assuming approval of a pending Signage Agreement with AEG. The analysis for privatization must address the implications associated with the outstanding debt. If the tax-exempt debt is not defeased as part of the transaction, private use restrictions will have an impact on the value of such a transaction.

PROPOSAL:

Privatize the operations of the Convention Center through a management fee agreement. Cost savings are available if related costs are eliminated and sufficient revenues are generated to pay for capital infrastructure improvements and to reduce debt service payments on the Convention Center facility.

DISCUSSION:

A. Findings/Issues:

Labor - There are currently 135 filled Convention Center positions. About 75% of Convention Center employees are Coalition members and are protected from lay offs.

Capital Infrastructure - The Convention Center facility is approximately 720,000 square feet and over 35 years old. Major improvements and maintenance continues to be delayed. If the Contractor does not pay for capital costs, it will impact the value of the agreement.

Marketing and Sales - Sales and booking services for the facility are provided by the Convention Center and LA Inc. Given LA Inc.'s large visitor and hotel based constituency the City would have to enter into negotiations to amend the existing agreement.

B. Program(s)/Positions to be Eliminated

Privatizing the Convention Center will impact 135 filled regular authority positions. Also impacted are those employees hired on an as-needed basis.

C. Implementation Plan

The CAO will form a study group consisting of representatives from the offices of the Mayor, CAO, CLA, City Attorney and Convention Center to oversee the RFP process. The tentative timeline would be to release an RFP by July 2010, receive bids by November 2010 with full implementation in July 2011.

D. Options/Alternatives

Contracting the entire marketing and sales function to LA Inc. may be the first step towards privatizing operations, since LA Inc. currently provides a portion of this service. The Convention Center has five filled positions assigned to the marketing and sales division and a Public Relations Specialist II position that performs a function separate from the marketing and sales division. If LA Inc. provides all marketing and sales services, these positions would be considered for deletion. True savings are uncertain at this point and may not be determined without review of a proposal.

E. Cost Savings

Cost savings cannot be estimated until proposals are received.

CITY RESTRUCTURING PROPOSALS PUBLIC PRIVATE PARTNERSHIP - GOLF OPERATIONS

OBJECTIVE:

Generate long-term savings by privatizing the entire golf operations through a concession agreement or a management contract.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

1. Request the Board of Recreation and Park Commissioners (Board) to institute a three-month moratorium on all new golf concession contracts; and,
2. Instruct the Department of Recreation and Parks to form a working group to develop a request for information or a request for proposal, subject to Board review and approval, to determine the feasibility of privatizing the entire golf operations.

BACKGROUND:

The City, through the Board of Recreation and Park Commissioners (Board) and the Department of Recreation and Parks (Department), owns and operates 13 golf courses as follows:

- 18-hole golf courses
 - Balboa
 - Encino
 - Wilson
 - Harding
 - Hansen Dam
 - Rancho Park
 - Woodley Lakes Golf Course
- 9-hole golf course
 - Harbor Park
 - Penmar
 - Roosevelt
- Special Course
 - Rancho Park 9-hole
 - Los Feliz 9-hole
 - Holmby pony course

Golf operations include golf course starter services and the operation of pro shops, driving ranges, food and beverage concessions, golf carts, as well as golf lessons.

The average Departmental revenue from golf operations, including concessions, is approximately \$21 million annually. The Department collects approximately \$18 million in green fees and \$3 million in concession revenues. Additionally, the Department sets aside

24 cents of every dollar in green fees (approximately \$4 million annually) for golf capital improvement.

For 2009-10, the Department has 177 full-time positions, of which 152 are regular authority positions (funded through the Department's budget) and 25 are resolution authority positions (funded through the Golf Capital Improvement Account, the Golf Concessions Account or the Municipal Recreation Program Account). Currently, the Department employs 239 part-time employees. The 2009-10 Adopted Budget includes approximately \$8.9 million in appropriations for the golf operations that is fully offset by the \$18 million in golf revenue deposited into the Department's operating fund. However, the related costs for the budgeted golf positions are paid by the General Fund.

PROPOSAL:

Transfer golf services to a selected contractor. The amount of General Fund savings depends on the results of the request for proposal process.

DISCUSSION:

A. Findings/Issues

The Department primarily self-operates golf services. The Department provides the following golf services through concession agreements or permit process:

- Electric golf carts at the 18-hole golf courses
- Pro shops
- Golf lessons
- Food and beverage concessions

Currently, there are 16 golf concessions, as follows:

1	Electric golf cart concession
5	Golf professional concession (includes tennis instruction)
1	Golf instruction
<u>9</u>	Food and beverage concession
<u>16</u>	Total

The average annual receipts from these concessions total \$3 million, approximately 50 percent of which is generated from the electric golf cart concession. The electric golf cart concession is currently on a month-to-month basis. The Department is currently in the process of selecting a contractor. With the exception of one golf professional concession expiring in 2017 and three food and beverage concessions expiring in 2012, all concessions are either on a month-to-month basis or in the award process.

It should be noted that four of the Department's seven 18-hole golf courses are located on US government property. Encino, Balboa and Woodley golf courses are located in the

Sepulveda Basin flood control area leased by the Department from the Army Corps of Engineers (COE). The Hansen Dam golf course is also located on US government property leased from the COE. The Department's lease agreements with the COE require the Department to reimburse the COE for any revenues in excess of expenses.

Potential benefits of contracting out golf operations:

- Reduction of need for additional General Fund monies to subsidize recreational programming
- Reduction of City workforce (smaller government)
- Related cost savings from reduction of City workforce

Potential issues relative to contracting out the entire golf operations:

- Four golf courses are located on property leased from the US government
- Two golf courses are located in Griffith Park, subject to the Griffith Trust Agreement

B. Service Impacts

Minimal impact is anticipated because golf services are expected to be provided by contractors at the current level.

C. Program(s)/Positions to be Transferred

To be determined.

D. Program(s)/Positions to be Eliminated

To be determined.

E. Implementation Plan

Immediately

The CAO will form a working group comprised of the Department, Mayor, CLA and CAO to develop a request for information or a request for proposal and will request the Board to institute a three-month moratorium on all new golf concession contracts.

Three Months

The working group will conclude its analysis and present to the Board its recommendations regarding request for information or request for proposal.

April 2010

As determined by the Mayor, the CAO will include any potential short-term savings in the 2010-11 Proposed Budget.

Fiscal Year 2011-12 and beyond

Any potential long-term savings from contracting out will be incorporated into future year budgets.

F. Cost Savings

The amount of General Fund savings depends on the results of the request for proposal process.

CITY RESTRUCTURING PROPOSALS PUBLIC-PRIVATE PARTNERSHIP – GSD PUBLISHING

OBJECTIVE:

Update the Publishing Price Sheet based on full-cost recovery and identify options to attain full cost recovery of GSD publishing services.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

Recommendations will be provided at the conclusion of the study.

ISSUES

- GSD Publishing currently does not pay all related costs to the General Fund for its operations.
- A full cost recovery rate for publishing needs to be developed so that options to attain full cost recovery can be analyzed.
- City Departments utilizing GSD Publishing pay for the services from their printing and binding accounts. An updated GSD Publishing pricing list that includes full cost recovery would increase the cost to City departments for printing/binding.
- Due to concerns regarding redundant resources that have been dedicated to maintaining copy and print centers at various City departments, the Mayor and Council consolidated staff and equipment from several City departments into GSD Publishing in 2007 to serve as the primary service agency for all City departmental print work and operations (C.F. 03-1675).

IMPLEMENTATION PLAN

The CAO will form a study group comprised of representatives from the offices of the Mayor, CLA and GSD to: 1) Develop an appropriate full cost rate for the Publishing Division; and, 2) Report back to the Mayor and Council in 30 days with recommendations to implement a full cost recovery model and the impact to departmental operating budgets.

CITY RESTRUCTURING PROPOSALS PUBLIC PRIVATE PARTNERSHIP OF LANDSCAPE SERVICES

OBJECTIVE:

Generate long-term savings by contracting out landscape services.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

Instruct the Department of Recreation and Parks (Department) to develop a pilot program for contracting out 20 percent of landscape services.

BACKGROUND:

The City, through the Board of Recreation and Park Commissioners (Board) and the Department, owns and operates almost 16,000 acres of parkland (including 4,200 acres in Griffith Park), over 400 parks, 183 recreation centers, 368 playgrounds, over 900 sports fields (baseball, soccer, basketball and tennis courts) and over 4,000 restroom facilities.

The 2009-10 Adopted Budget includes approximately \$53 million in appropriations for parkland maintenance, approximately one-third of the total Department budget. The Department has approximately 800 full-time positions (almost half of the Department's total position authority) that provide mandatory and remedial maintenance of parkland. The majority of these positions belong to three civil service classifications, as follows:

- Gardener-Caretaker
- Senior Gardeners
- Irrigation Specialists

It should be noted that Senior Gardeners and Irrigation Specialists are eligible job classes under the Early Retirement Incentive Program (ERIP). The Gardener-Caretaker job class, while also eligible, is subject to maximum cap of 59 positions.

PROPOSAL:

To develop a pilot program to contract out 20 percent of landscape services. Approximately ten percent of the Department's landscape personnel applied for retirement under ERIP. The other ten percent could be potentially transitioned to special-funded positions.

DISCUSSION:

A. Findings/Issues

The Department currently provides various types and levels of maintenance at its various locations. Typically, maintenance personnel are permanently assigned to regional parks and the larger parks. Medium-sized, smaller and pocket parks are

typically serviced by roving maintenance crews. The frequency of service depends on the type of landscaping installed at each park. Park usage also dictates the frequency and level of maintenance required. Remote parks and trails most likely require less frequent maintenance services while heavily-used parks may require more than once-a-day maintenance.

Potential benefits of contracting out landscape services:

- Reduction of City workforce (smaller government)
- Related cost savings from reduction of City workforce

Potential issues relative to contracting out landscape services:

- Delineation of duties and responsibilities for potential contractors may prove to be difficult because of various configurations at different Department facilities
- Cost savings cannot be estimated until proposals are received.

B. Service Impacts

Minimal impact is anticipated because landscape services are expected to be provided by contractors at the current level.

C. Program(s)/Positions to be Transferred

To be determined

D. Program(s)/Positions to be Eliminated

To be determined

E. Implementation Plan

Immediately

The CAO will form a working group comprised of the Department, Mayor, CLA and CAO to develop a pilot program to contract out landscape services that can no longer be provided due to ERIP.

Two Months

Working group develops a request for information or request for proposal based on the pilot program.

Three Months

Working group concludes its analysis and presents to the Board its

recommendations regarding request for information or request for proposal.

April 2010

As determined by the Mayor, the CAO will include any potential short-term savings in the 2010-11 Proposed Budget.

Fiscal Year 2011-12 and beyond

Any potential long-term savings from contracting out will be incorporated into future years' budget.

F. Cost Savings

Cost savings cannot be estimated until proposals are received.

**CITY RESTRUCTURING PROPOSALS
PRIVATE-PUBLIC PARTNERSHIP – PARKING STRUCTURES**

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

1. Authorize the City Administrative Officer to issue a Request for Qualifications to qualify bidders for a proposed public-private partnership with respect to the City's parking structures.
2. Authorize the City Attorney to negotiate and execute an Agreement with Katten Muchin Rosenman, LLP, for a term of two years and amount not to exceed \$150,000, for legal services needed to execute and implement the public-private partnership transaction.
3. Approve additional funding of \$500,000 from the Unappropriated Balance to fund ongoing expenditures for the transaction team.

DISCUSSION:

Ten parking structures have been identified for a long-term concession lease arrangement with the private sector. The following is a brief list of the major issues:

- Core functions – Regardless of its financial condition, the City should strive to focus its resources to the efficient and effective delivery of core services. Generating economic development is a core function of government, however operating garages is not. Parking is essential to the viability of the local economy and can be successfully managed by the private sector, as evidenced by their operation of parking facilities throughout the City, some of which directly compete with City facilities. The City needs to aggressively pursue alternative ways of doing business to remain a healthy, vital city. The City should explore the development of a creative, constructive partnership with the private sector.
- Asset value (City operates structures) – If the City continues to operate these structures, the financial value of these assets based on a present value calculation over 50 years is approximately \$198 million. This assumes certain rate adjustments, revenue growth and operational improvements, such as investments in technology, which if not met, significantly decreases the value of these assets.
- Asset value (Concession) – The value of a 50-year concession is approximately \$254 million, less possessory interest tax. After defeasing debt for Hollywood and Highland and Cinerama Dome, the adjusted value is

approximately \$158 million. This does not include other revenue impacts, such as potentially increased Parking Occupancy Tax receipts.

- Rates - Adoption of a five year schedule, adjusted by the Consumer Price Index (CPI) thereafter, is recommended. The City could retain the right to approve increases beyond this and engage the concessionaire in dialogue to maximize revenue growth. This also demonstrates that the City will remain a committed partner and share some level of long-term risk with the concessionaire.
- Labor - A successful transaction will require the cooperation of the City's labor partners to ensure interests are met, to the greatest extent possible, and a seamless transition is implemented.
- Maintenance – Concession would include Operations and Maintenance component that would specify the requirements for infrastructure investments to maintain the assets to an acceptable level.
- Commit resources if no concession –The working group analyzed how garage operations are currently handled and concluded that the City has not dedicated the resources necessary to improve operations and maximize revenue-generation. If the Mayor and Council decide against pursuing this concession, then a commitment should be made to dedicate the necessary resources on an on-going basis to successfully compete in the parking business, including funds for maintenance and investments in technology. The development and adoption of a long-term asset management plan, including a policy requiring the need for demand studies for future lots and structures, would be a critical component of this commitment.

CITY RESTRUCTURING PROPOSALS PUBLIC PRIVATE PARTNERSHIP – ZOO

OBJECTIVE:

Generate long-term General Fund savings by capping and eventually eliminating the General Fund subsidy to the Zoo. Provide the Zoo greater flexibility to enhance the visitor experience and maximize its ability to generate revenues.

RECOMMENDATION(S) FOR COUNCIL APPROVAL:

Instruct the CAO to take the steps necessary to transition the Zoo to private operations.

BACKGROUND:

The Zoo's 2009-10 Adopted Budget includes \$6.4 million from the General Fund and \$11,181,728 million in receipts. At the current staffing level, the indirect General Fund subsidy to the Zoo for pensions and health care benefits is estimated to be \$4.5 million, for a total General Fund appropriation of \$10.9 million. Additional General Funds are appropriated to the General Services Department, and other City departments, for services provided to the Zoo and are not included in the \$10.9 million.

PROPOSAL:

Transfer the services and functions currently performed by the Zoo Department to a selected contractor. Depending on the agreement, the contractor would receive General Fund subsidy or management fee from the City. There are several different models and operating agreements currently being used for other zoos, aquariums, museums, and other cultural institutions. Further research is required to determine the best model for the City.

DISCUSSION:

A. Findings/Issues

Griffith Trust – The Zoo is located in Griffith Park and is subject to the Griffith Trust Agreement.

Labor – The Zoo has 211 filled regular positions. Of those positions, 95 are in classifications exclusive to the Zoo. The remaining 116 are in classifications that could potentially be absorbed by other City departments.

Capital Projects and Private Use – Construction for the last three projects in the Zoo's Capital Improvement Program (Program) will be completed by June 2012. The bonds issued for the Program and a Proposition O project to renovate the Zoo's parking lot are tax-exempt. To maintain the tax-exempt status, the operation of the facility must comply with Federal tax laws.

B. Service Impacts

The service impacts of privatizing the Zoo are unknown at this time.

C. Program(s)/Positions to be Transferred

All programs currently provided by the Zoo would be transferred to the selected contractor.

D. Program(s)/Positions to be Eliminated

Transferring the operation and management of the Zoo to a private contractor will impact filled regular positions and employees hired on an as-needed basis.

E. Implementation Plan

The CAO will form a study group comprised of representatives from the Zoo, CLA, Mayor, City Attorney, and other City departments to analyze and present recommendations regarding a potential private management model and timeline for issuance of an RFP. This Office estimates that the entire process will take one year and that the transition will be completed by February 2011.

F. Options/Alternatives (if any)

The working group will research other options as-needed.

G. Cost Savings

Cost savings cannot be estimated until a final management model is selected and proposals are received.

CITY RESTRUCTURING PROPOSALS STREET CLEANING (STREET SWEEPING)

RECOMMENDATION

The City of Los Angeles has the largest street network in the United States consisting of approximately 13,000 curb miles. The contracting of street sweeping services appears to be more economical for small cities with populations under 100,000. In addition, there is a city-owned fleet of 135 motor sweepers. Private operators generally utilize their own motorized sweepers. The use of city forces will help ensure optimum communication between Street Services and the DOT regarding posted routes and the issuance of parking citations.

Therefore, contracting of on-going, routine street sweeping work is not recommended at this time. The Bureau has the trained staff and equipment in place to provide this work. Service level reductions caused by ERIP departures and potential layoffs are recommended over contracting. It is recommended that the Bureau prioritize sweeping routes to reduce the frequency in low trash areas to coincide with budgeted funds and positions.

An increase in parking citation fines may help offset General Funded street sweeping costs. In addition, an increase in the stormwater fee is being considered for 2010. If passed by the voters, the additional Stormwater Pollution Abatement Fund revenues may be available to offset the General Funded portion of the street sweeping program.

Consolidation of the DOT into the Department of Public Works and the further consolidation of street sweeping and parking enforcement into a new Bureau of Streets may enhance communication between the two operations.

BACKGROUND

The Bureau is responsible for providing motorized street sweeping services for 4,721 curb miles of posted routes (weekly frequency), 8,058 curb miles of non-posted routes (goal of once every four weeks), and 1,538 curb miles of a.m. (early morning) routes on select major streets, and industrial/commercial areas. In addition to sweeping, the Street Cleaning Program also includes alley cleaning, spot cleaning, collection of illegally dumped debris and the emptying of approximately 3,000 trash receptacles in the public right-of-way. Current year funding for these services is provided by the Special Gas Tax Street Improvement Fund (\$10.3 million), the Stormwater Pollution Abatement Fund (\$6.1 million), the Traffic Safety Fund (\$3.1 million) and the General Fund (\$3.7 million). Revenue from parking citations issued by Department of Transportation (DOT) Traffic Officers ranges between \$35 and \$40 million annually.

The Bureau has 135 motorized sweepers and 110 Motor Sweeper Operator (MSO) position authorities assigned to the street cleaning function. The current MSO employment level is 100 with 17 ERIP participants. MSOs have a citywide ERIP cap of 15 positions, potentially reducing the current MSO count by 15%. This reduction will affect the Bureau's ability to maintain the current service levels mentioned above.

DISCUSSION

All street cleaning services which include street sweeping (\$12 million) and illegal dumping (\$8 million) are currently performed by City staff. In the past, the Bureau budgeted \$0.5 million to contract with community based organizations to remove illegally dumped waste.

The County of Los Angeles contracts 50% of their street sweeping services. Research shows that large California cities use their own forces to provide street sweeping services. Small cities with populations under 100,000 such as Hermosa Beach, Rancho Palos Verdes, West Hollywood, Pico Rivera, Upland and Dana Point have citywide contracts which provide this service. The exception is the City of Redlands which canceled their street sweeping contract in October 1999 and now provides the service in-house. The City of Santa Clarita with a population of about 177,000 has a contract that includes both routine and special street sweeping projects.

The City of Long Beach provides street sweeping services to the City of Signal Hill. Signal Hill only requires 20 curb miles of sweeping per week, while Long Beach sweeps more than 4,000 curb miles per week. Long Beach was able to easily incorporate the additional work with their existing 20-sweeper fleet allowing them to outbid the local private companies.

The City of San Diego's General Services Department has 20 sweepers and operators with over 2,700 miles (5,400 curb miles) of improved streets with residential areas swept at least once per month and commercial areas swept once per week.

Proposals are being considered to include the consolidation of street sweeping, illegal dumping and trash receptacle programs within the Bureau of Sanitation.

POTENTIAL ISSUES

- Staff to advertise and administer a large volume of contracts
- RFP process and estimated three to six month timeline
- Contract costs vary according to market and economic conditions
- Size of the City's street network consisting of approximately 13,000 curb miles
- Contractor use of City-owned fleet of 135 motor sweepers
- Quality control and inspection
- Union opposition to contracting work currently being performed by City forces
- Layoff or displacement of City workers

**CITY RESTRUCTURING PROPOSALS
STREET RESURFACING AND RECONSTRUCTION
STREET IMPROVEMENT CONSTRUCTION**

RECOMMENDATION

Contracting routine maintenance of major highways and local streets is not recommended at this time. The City of Los Angeles has the largest street network in the United States and maintaining a flexible, responsive and trained staff is essential to a city that relies heavily on automobile as a main form of transportation. San Diego, the second largest city in California with a population of 1.35 million and 2,800 miles of streets and alleys, contracts most street work. However, Los Angeles, with 6,500 miles of roadways serving a population of 4.07 million, has a significantly larger street network which may pose contract management, oversight and logistical challenges. Therefore, if the contracting of on-going street resurfacing is to move forward, it is recommended that it be done as a pilot program.

However, the contracting of large street improvement, streetscape and major roadway rehabilitation projects is recommended. The majority of these projects receive Federal, State, or special funding. The Bureau currently has a backlog in excess of \$70 million, excluding ARRA projects and due to hiring restrictions, does not have the staff to deliver the projects in a timely manner. Design work is provided by the Bureau's Engineering Section.

BACKGROUND

The Bureau is responsible for the pavement preservation of 6,500 miles of roadways throughout the City which has the largest street network in the United States. The 2009-10 Budget provides for 235 miles of street resurfacing funded by the Special Gas Tax Street Improvement Fund (\$28.9 million), the Proposition C Anti-Gridlock Transit Improvement Fund (\$11.1 million), and up to \$43.5 million in Federal economic stimulus funding from the American Recovery and Reinvestment Act (ARRA). Certain funding sources are restricted to major streets/highways, while unrestricted funds are used for local (neighborhood) streets. The average cost per mile for street resurfacing is \$360,000 with approximately \$650,000 for street reconstruction (direct costs only).

The Street Resurfacing and Reconstruction Division lost 25 employees through attrition since July 1, 2009, and has a current staffing level of 206 employees with 18 (8.7% of the workforce) scheduled for departure under the Early Retirement Incentive Program (ERIP). The Bureau was given the authority to hire an additional 54 people on resolution authority for ARRA funded resurfacing projects.

DISCUSSION

All pavement preservation work is currently performed by City staff. The Bureau contracts trucking services for resurfacing and slurry seal to supplement City forces largely due to consistently high vacancy rates in the following job classifications:

- Truck Operator (31 vacancies, plus 13 ERIP-Limited)
- Heavy Duty Truck Operator (19 vacancies, plus 6 ERIP)

CITY RESTRUCTURING PROPOSALS STREET TREE MAINTENANCE

RECOMMENDATION

Recommend a reduction in the Urban Forestry budget over the next few years, allowing funding for emergency response crews. Consider a phased-in approach to contracting tree trimming services, and issue a Request for Proposals (RFP) immediately. Providing the necessary contractual services funding may require the elimination of vacant and ERIP positions.

BACKGROUND

The City has one of the largest urban forests in the Country. The Bureau is responsible for maintaining over 700,000 street trees located in the public right-of-way. The current annual tree trimming cycle is 12.7 years. The industry standard is approximately five years. City forces provide street tree maintenance which includes trimming, root pruning and tree/stump removal. The current year budget is approximately \$9.7 million funded by the Special Gas Tax Street Improvement Fund (\$7.4 million) and the General Fund (\$2.3 million). The Bureau receives an additional \$1 million in contractual services funding from the Street Lighting Maintenance Assessment Fund to trim trees around street lights.

The Urban Forestry Division (UFD) had approximately 25 vacant positions prior to Fiscal Year 2009-10 and has lost five employees through attrition since July 1, 2009. The current staffing level is 206 employees, of which 16, (7.7% of the workforce) are scheduled for departure under ERIP.

The UFD has three types of tree trimming crews identified as follows:

Program Crew (Planned trimming over a large grid/neighborhood – Proactive measure)

- (1) Tree Surgeon Supervisor I (no vacancies bureau-wide; 3 ERIP)
- (3) Tree Surgeon (10 vacancies bureau-wide; no ERIP)
- (3) Trees Surgeon Assistant (12 vacancies bureau-wide; 1 ERIP)
- (1) Equipment Operator (23 vacancies bureau-wide; 13 ERIP)
- (1) Heavy Duty Truck Operator (19 vacancies bureau-wide; 6 ERIP)

Demand Crew (Trimming outside planned cycle, includes responses to Council/Mayor requests)

- (1) Tree Surgeon Supervisor I (no vacancies bureau-wide; 3 ERIP)
- (2) Tree Surgeon (10 vacancies bureau-wide; no ERIP)
- (2) Trees Surgeon Assistant (12 vacancies bureau-wide; 1 ERIP)

Emergency Crew

- (1) Tree Surgeon (10 vacancies bureau-wide; no ERIP)
- (1) Trees Surgeon Assistant (12 vacancies bureau-wide; 1 ERIP)

All three crews perform emergency tree trimming services during wind and storm events.

DISCUSSION

The Bureau received \$2.2 million and \$2.7 million in funding for tree trimming contracts in Fiscal Years 2007-08 and 2008-09, respectively. These funds included the trimming of palm trees as well as broadhead trees located in the public right-of-way. The entire contractual services budget for tree trimming was eliminated in the current fiscal year to reduce the City's General Fund budget shortfall while preserving City jobs. As a result of the loss in contractual services funding virtually no palm trees are scheduled to be trimmed in Fiscal Year 2009-10.

The Journal of Arboriculture 16(11), dated November 1990, pages 300 to 304, included a history of street tree maintenance in the City of Los Angeles. Prior to 1931 and the establishment by ordinance of the City's Street Tree Division (formerly the Division of Forestry under the Department of Parks), all tree planting, pruning, and removal was done by the abutting property owner. Permits for this work were issued to citizens. As funds were made available limited tree pruning and removal work was performed on major streets and highways by City forces using gas tax funds. In 1955 the jurisdiction over street trees was transferred to the Board of Public Works, Bureau of Street Maintenance. Over the years, as funding increased tree maintenance services were contracted out to supplement the city workforce due to difficulties in hiring qualified tree trimmers. Another reason for utilizing private contractors was that it offered maximum flexibility. The City could maintain a core workforce to respond to emergencies and provide base level services, while contract services can be expanded or reduced depending on available funding.

The County of Los Angeles contracts tree trimming services, which are pruned to International Society of Arboriculture (ISA) standards with a certified arborist on site. The City of Sacramento established block pruning zones identifying contract and city force tree trimming areas. Based on available information, it appears that the Cities of San Francisco and Long Beach are performing tree maintenance with their own forces.

San Diego contracts the trimming of palm trees, which are trimmed on average, once every two years. Tree and stump removal and grinding are performed by city contractors.

POTENTIAL ISSUES

- Staff to advertise and administer contracts
- RFP process and estimated three to six month timeline
- Contract costs vary according to market and economic conditions
- Quality control and inspection
- Union opposition to contracting work currently being performed by City forces
- Layoff or displacement of City workers

IMPLEMENTATION

A phased-in approach to contractual services funding for tree trimming services could begin in Fiscal Year 2010-11. However, an RFP should be issued to determine whether it is cost effective.

Nearly all governmental agencies researched contract a portion of their street resurfacing and slurry seal work and most, if not all, contract major street rehabilitation projects. The County of Los Angeles (County) contracts large resurfacing and streetscape construction projects, and relies on its own forces to perform incidental, emergency repair work and to resurface roads in the outlying, northern regions of the County where it has been proven to be more economical. The County uses a combination of contracting and County forces for slurry seal. Quality control costs for the County range between 7% and 15% of contract value with change orders budgeted at 10%.

In the City of San Diego, contractors resurface most of the city's streets, with staff performing other street repairs as necessary. In November 2006, the residents of San Diego passed Proposition C which amended their City Charter to permit the contracting of services traditionally performed by civil service employees if determined to be more economical and efficient. Prior to the passage of Proposition C, the city was mostly prevented from entering into contracts with private companies even if it saved money, improved services or offered greater efficiency.

In addition to contracts for specific street rehabilitation projects, the City of Long Beach has an annual as-needed contract valued at \$8 million for street improvements throughout the city. The contract scope includes construction of portland cement concrete curbs, gutters and sidewalks; excavation, grading, bituminous surface removal and asphalt concrete pavement; erosion control; reconstruction of manhole frames, curb drains and storm drain connector pipes; traffic striping and marking, traffic signal conduit, landscaping and irrigation.

The City of San Francisco's Department of Public Works, Bureau of Street and Sewer Repair paves many of the local, neighborhood streets, with the remainder paved by private contractors, whose work is overseen by the department. Road re-striping is performed by the Department of Parking and Traffic. San Francisco contracted work for six ARRA funded street paving projects totaling \$13.2 million. Like the City of Long Beach and County of Los Angeles, San Francisco contracts large street rehabilitation projects. Bids were advertised for six projects in December 2009/January 2010 with costs ranging from \$0.8 million to \$3.4 million.

The City and County of San Francisco own and operate their own asphalt plant. However, since it was operating at a loss, San Francisco conducted an Asphalt Plant Study released in October 2006. The Study contemplated privatizing the asphalt plant. However, citing attempts made by Minneapolis and Pittsburgh, where plant size and production capacity were insufficient to generate private sector interest, a Joint Venture with another public agency was presented as a more viable option.

All jurisdictions inspect and evaluate contractors' work to assure compliance with codes and standards.

POTENTIAL ISSUES

- Staff and expertise to bid projects and administer contracts
- Bid process with an optimistic timeline of three to six months

- Contract costs vary according to market and economic conditions
- Contractor requirement to use City produced asphalt
- Quality control; contract compliance and inspection
- Union opposition to contracting work currently being performed by City forces
- Layoff or displacement of City workers

IMPLEMENTATION

The transition to contracting street rehabilitation projects may require resources the Bureau does not currently have, therefore, it is recommended that the Department of Public Works, Bureau of Engineering assist with this process. Crews currently assigned to off-budget street improvement projects may be reassigned to pavement preservation, urban forestry and sidewalk curb ramp construction.