

COMMUNICATION

TO: LOS ANGELES CITY COUNCIL

File No. 11-0600-S146

**FROM: COUNCILMEMBER BERNARD C. PARKS, CHAIR
COUNCILMEMBER BILL ROSENDAHL, MEMBER
BUDGET AND FINANCE COMMITTEE**

COMMUNICATION FROM CHAIR AND MEMBER, BUDGET AND FINANCE COMMITTEE relative to the Second Financial Status Report for Fiscal Year 2011-12.

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

1. APPROVE the recommendations of the City Administrative Officer (CAO) contained in the Second Financial Status Report (FSR) for Fiscal Year (FY) 2011-12, dated December 2, 2011, attached to the Council file.
2. INSTRUCT the CAO and Los Angeles Department of Transportation to report back with an evaluation and assessment of last FY's budget decision to approve the use of part time traffic officers.
3. TRANSFER \$40,000 from the Los Angeles Convention Center (LACC) Salaries General Account (Fund 100, Department 48, Account No. 001010) to the Salaries Hiring Hall Account (Fund 100, Department 48, Account No. 001100).
4. CREATE a LACC Hiring Hall – Benefits Account (Account No. 001120) and TRANSFER an appropriation of \$30,000 from the Salaries General Account (Fund 100, Department 48, Account No. 001010) to the Hiring Hall – Benefits Account (Fund 100, Department 48, Account No. 001120).
5. INSTRUCT the CAO to report back on the status of an audit of all revenue sources as requested during the Council's Revenue Day.
6. INSTRUCT the CAO to report back on the feasibility of using the Special Parking Revenue Fund as a funding source for the parking lot sweeping program being transferred from the Bureau of Street Services back to the Department of General Services (GSD).
7. INSTRUCT the CAO and GSD to continue efforts towards implementing a program to reduce the City's fleet inventory.
8. DELETE the CAO's recommendation numbers 15, 17, 21, 26 and 33 relative to the Department of Neighborhood Empowerment.
9. INSTRUCT the CAO to report back on the source of funds and whether Payment in Lieu of Taxes (PILOT) funds from the Housing Authority of the County of Los Angeles are available for recommendation numbers 39 and 40 relative to the Department of Recreation and Parks.
10. INSTRUCT the CAO, Personnel Department and City Attorney to report back to the Personnel and Budget and Finance Committees on the City's legal standing and options

relative to sworn health care plan liens that represent costs incurred by sworn personnel treated under their health care plan that eventually become industrial injuries.

Fiscal Impact Statement: The CAO reports that in the First FSR, a deficit of \$13.3 million was projected for departments. Based on expenditures through October, the Citywide budget deficit is estimated to be \$72.0 million, consisting of shortfalls for department accounts, non-departmental accounts, and pension benefit contributions. No adjustment to budgeted revenue is recommended at this time. Proposed solutions, including directing departments to absorb \$20.8 million in retiree payouts, would reduce the Citywide deficit to \$21.4 million. Transfers, appropriations and other adjustments totaling approximately \$16.8 million are recommended in Sections 1 and 2 of the CAO report.

Community Impact Statement: None submitted.

SUMMARY

At its meeting of December 5, 2011, the Budget and Finance Committee considered the CAO's Second FSR for FY 2011-12. The CAO reports that pursuant to the City Charter, its Office monitors the budget and transmits periodic reports to the Mayor and Council detailing the City's current financial condition. As such, the CAO is transmitting the Second FSR of this fiscal year. This report provides an update on the current-year budget, including the projected departmental deficits, trends in revenues, the Reserve Fund, and current issues of concern and their potential impact to the City. Recommendations totaling \$16.8 million for appropriations, transfers and other budgetary adjustments are included in this report. One of the CAO's recommendations in this report is that all Council-controlled departments with General Fund ERIP Account appropriations absorb retiree payouts using other available funds. These departments are then directed to report back to the CAO with an operational plan which details how the General Fund ERIP Account appropriation will be absorbed or mitigated. Additionally, the CAO intends to report back with solutions to address the Citywide budget deficit by the Mid-Year FSR in January 2012.

Representatives of the CAO presented an overview of the report and provided detailed recommendations for each department to the Budget and Finance Committee. During Committee discussion, CAO and department representatives responded to related questions from Committee members. After further consideration, the Committee Chair and Member recommended approval of the CAO recommendations contained in the Second FSR dated December 2, 2011 and recommended the additional instructions as reflected in recommendation numbers two through ten above. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

BERNARD C. PARKS, Chair
BILL ROSENDAHL, Member
BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
PARKS:	YES
CARDENAS:	ABSENT
ENGLANDER:	ABSENT
ROSENDAHL:	YES
KORETZ:	ABSENT

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-Not Official Until Council Acts-