

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0590-00098-4200

Date: February 13, 2012

To: Budget and Finance Committee
Attn: Erika Pulst, Office of the City Clerk

From: Miguel A. Santana, City Administrative Officer

Subject: **ADDENDUM TO THE 2011-12 MID-YEAR (THIRD) FINANCIAL STATUS REPORT**

The City Administrative Officer issued the Mid-Year Financial Status Report (FSR) on February 9, 2012. This addendum to the Mid-Year FSR includes recommendations for technical corrections and modifications to transfers recommended in the Mid-Year report, as well as new recommendations for requests received after the release of the report. These recommendations include:

- A \$240,000 reduction to the transfer to the Planning Department's Salaries General account from the Department's Contractual Services account given reduced savings anticipated in this account. (Attachment 4 revised)
- A \$10,000 reduction to the transfer to the Planning Department's Salaries General account from the Department's Office and Administrative account given reduced savings anticipated in this account. (Attachment 4 revised)
- A technical correction to increase the transfer to the Planning Department's Salaries General account by \$769 from the Department's Operation Supplies account. (Attachment 4 revised)
- A \$400,231 reduction to the transfer to the Unappropriated Balance, Reserve for Economic Uncertainty account from the Planning Department's Early Retirement Incentive Program Payout account to ensure the continuation of General Fund programs and assignment for the remainder of the fiscal year. (Attachments 6 and 9-b revised)
- A new recommendation to transfer \$400,231 from the Planning Department's Early Retirement Incentive Program Payout account to the Department's Salaries General account to ensure the continuation of General Fund programs and assignment for the remainder of the fiscal year. (Attachment 4 revised)
- A new recommendation to transfer \$900,000 from the Unappropriated Balance, Reserve for Economic Uncertainty account to a new account entitled

“Mount Lee Washout Reconstruction” within the Bureau of Engineering’s Engineering Special Services Fund. This action will address the recent washout of the access road to Mount Lee which has made it impassable to vehicular traffic and unsafe for pedestrians. (Attachments 7 and 9-b revised)

Additionally, replacement pages for the Mid-Year FSR, provided for informational purposes, are attached to reflect technical corrections and other changes recommended in this addendum.

Revised Attachments for the Year-End FSR

- 4 page 3 revised Recommendations: Transfers between Accounts within Departments and Funds
- 6 revised Recommendations: Transfers to the UB, Reserve for Economic Uncertainty
- 7 revised Recommendations: Appropriations from the Unappropriated Balance
- 9-B revised Status of the Unappropriated Balance - non-General Accounts
- 1.Z revised Discussion Section: Planning

RECOMMENDATIONS

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

1. Reduce the amount to be transferred within the Planning Department’s Fund, as specified in Recommendation No.2 (Attachment 4, page 3), by \$249,231 to \$70,000 as follows:

<u>Fund 100/68, Planning</u>		<u>Fund 100/68, Planning</u>	
003040, Contractual Services	\$60,000.00	001010, Salaries General	\$70,000.00
006010, Office and Administrative	\$0.00		
006020, Operating Supplies	\$10,000.00		
Subtotal	<u>\$70,000.00</u>	Subtotal	<u>\$70,000.00</u>

2. Reduce the amount to be transferred to the Unappropriated Balance, Fund 100/58 Account No. 000037, Reserve for Economic Uncertainty account, from the Planning Department’s Fund 100/68, Account No. 008140 Early Retirement Incentive Program Payout account as specified in Recommendation No. 4 (Attachment 6), by \$400,231 to \$419,000 as follows:

<u>APPROPRIATE FROM:</u>	<u>APPROPRIATE TO:</u>	<u>AMOUNT</u>
<u>Fund 100/68, Planning</u>	<u>Fund 100/58, Unappropriated Balance</u>	
008140, Early Retirement Incentive Program Payout	000037, Reserve for Economic Uncertainty	\$419,000.00

3. Transfer \$400,231 in funds from the Planning Department's, Fund 100/68, Account No. 008140 Early Retirement Incentive Program Payout account to the Department's Fund 100/68, Account No. 001010, Salaries General account.
4. Establish a new account within fund 682/50 entitled "Mount Lee Washout Reconstruction"
5. Transfer \$900,000 in funds from Unappropriated Balance, Fund 100/58 Account No. 000037, Reserve for Economic Uncertainty account, to the Mount Lee Washout Reconstruction account within fund 682/50.
6. Authorize the General Manager, Bureau of Engineering, or designee, subject to the approval of the City Administrative Officer (CAO), to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and Council actions for the matters related to the Mount Lee Washout Reconstruction project.
7. Authorize the City Administrative Officer to make technical corrections as necessary to those transactions included in this report to implement the Mayor and Council intentions.

FISCAL IMPACT STATEMENT

Approval of these actions will reduce the available balance within the UB, Reserve for Economic Uncertainty by \$1.3 million to \$9.2 million. Additionally, these actions will reduce the remaining surplus identified to address potential revenue declines by \$1.3 million to \$2.9 million.

MAS:RPC:BC:01120042

Attachments

Attachment 4

TRANSFERS BETWEEN ACCOUNTS WITHIN DEPARTMENTS AND FUNDS

REQUESTING DEPARTMENT	FUND/ACCOUNT	TRANSFER FROM	AMOUNT	TRANSFER TO	AMOUNT
Housing	<u>Fund 100/43, Housing</u>			<u>Fund 100/43, Housing</u>	
Special Fund ERIP Payout - CDBG	008140, Early Retirement Incentive Program Payouts		\$ 375,135.00	001010, Salaries General	\$ 900,182.00
HOME			\$ 75,202.00		
MHFF			\$ 34,047.00		
AHTF			\$ 38,027.00		
RENT			\$ 94,123.00		
CODE			\$ 283,648.00		
		Subtotal	\$ 900,182.00	Subtotal	\$ 900,182.00
Housing	<u>Fund 100/43, Housing</u>			<u>Fund 100/43, Housing</u>	
Short-term Peak Staffing	003040, Contractual Services		\$ 250,000.00	001070, Salaries As-Needed	\$ 250,000.00
CODE Related Cost Reimbursement	<u>Fund 41M/43, Code Enforcement Trust Fund</u>			<u>Fund 41M/43, Code Enforcement Trust Fund</u>	
	43F143, Housing		\$ 218,051.00	43G299, Related Costs	\$ 218,051.00
Rent Escrow Account Program	<u>Fund 41M/43, Code Enforcement Trust Fund</u>			<u>Fund 41M/43, Code Enforcement Trust Fund</u>	
	43H411, Unallocated		\$ 180,000.00	43H410, Miscellaneous	\$ 180,000.00
Information Technology Agency	<u>Fund 100/32, Information Technology Agency</u>			<u>Fund 100/32, Information Technology Agency</u>	
Operational Plan	009350, Communication Services		\$1,200,000.00	001010, Salaries General	\$1,200,000.00
Special Fund ERIP Payouts (F342, 760, 761)	008140, Early Retirement Incentive Program		\$ 28,698.00	001010, Salaries General	\$ 28,698.00
Library	<u>Fund 300/44, Library</u>			<u>Fund 300/44, Library</u>	
Library Fund ERIP Payouts (F300)	008140, Early Retirement Incentive Program Payout		\$1,943,209.00	001010, Salaries, General	\$1,943,209.00
Personnel	<u>Fund 100/66, Personnel Department</u>			<u>Fund 100/66, Personnel Department</u>	
Special Fund ERIP Payouts (F760)	008140, Early Retirement Incentive Program Payout		\$ 63,500.00	1010, Salaries General	\$ 63,500.00
Planning	<u>Fund 100/68, Planning</u>			<u>Fund 100/68, Planning</u>	
Operational Plan Savings	003040, Contractual Services		\$ 60,000.00	001010, Salaries General	\$ 70,000.00
	006010, Office and Administrative		\$ -		
	006020, Operating Supplies		\$ 10,000.00		
		Subtotal	\$ 70,000.00		
General Fund ERIP Payouts	008140, Early Retirement Incentive Program		\$ 400,231.00	001010, Salaries General	\$ 400,231.00
Public Works - Board	<u>Fund 100/74, Board</u>			<u>Fund 100/74, Board</u>	
General Fund ERIP Payouts	008140, Early Retirement Incentive Program Payout		\$ 209,278.00	001010, Salaries, General	\$ 209,278.00

Attachment 6
FY 2011-12 BUDGET ADJUSTMENTS
TRANSFERS TO THE UNAPPROPRIATED BALANCE, RESERVE FOR ECONOMIC UNCERTAINTY

DEPT	APPROPRIATE FROM:	APPROPRIATE TO:	AMOUNT
Aging <i>Operational Plan</i>	<u>Fund 100/02, Aging</u> 008140, Early Retirement Incentive Program Payout	<u>Fund 100/58, Unappropriated Balance</u> 000037, Reserve for Economic Uncertainty	\$ 65,106.00
Animal Services <i>Operational Plan</i>	<u>Fund 100/06, Animal Services</u> 008140, Early Retirement Incentive Program Payout		\$ 236,288.00
Building And Safety <i>Operational Plan</i>	<u>Fund 100/08, Building and Safety</u> 008140, Early Retirement Incentive Program Payout		\$ 338,255.00
City Administrative Officer <i>Operational Plan</i>	<u>Fund 100/10, City Administrative Officer</u> 008140, Early Retirement Incentive Program Payout		\$ 227,144.00
City Attorney <i>Operational Plan</i>	<u>Fund 100/12, City Attorney</u> 008140, Early Retirement Incentive Program Payout		\$ 1,711,789.00
City Clerk <i>Operational Plan</i>	<u>Fund 10/14, Clerk</u> 008140, Early Retirement Incentive Program Payout		\$ 519,077.00
Controller <i>Operational Plan</i>	<u>Fund 100/26, Controller</u> 008140, Early Retirement Incentive Program Payout		\$ 554,319.00
Disability <i>Operational Plan</i>	<u>Fund 100/65, Disability</u> 008140, Early Retirement Incentive Program Payout		\$ 38,069.00
Emergency Management <i>Operational Plan</i>	<u>Fund 100/35, Emergency Management</u> 008140, Early Retirement Incentive Program Payout		\$ 12,324.00
Employee Relations <i>Operational Plan</i>	<u>Fund 100/36, Employee Relations</u> 008140, Early Retirement Incentive Program Payout		\$ 52,963.00
Finance <i>Operational Plan</i>	<u>Fund 100/39, Finance</u> 008140, Early Retirement Incentive Program Payout		\$ 419,468.00
Fire <i>Operational Plan</i>	<u>Fund 100/38, Fire</u> 008140, Early Retirement Incentive Program Payout		\$ 830,313.00
General Services <i>Operational Plan</i>	<u>Fund 100/40, General Services</u> 008140, Early Retirement Incentive Program Payout		\$ 1,714,330.00
	<u>Fund 100/58, Unappropriated Balance</u> 000200, Water and Electricity		\$ 500,000.00
Information Technology <i>Operational Plan</i>	<u>Fund 100/32, Information Technology</u> 008140, Early Retirement Incentive Program Payout		\$ 1,507,078.00
Personnel <i>Operational Plan</i>	<u>Fund 100/66, Personnel</u> 008140, Early Retirement Incentive Program Payout		\$ 816,342.00
Planning <i>Operational Plan</i>	<u>Fund 100/68, Planning</u> 008140, Early Retirement Incentive Program Payout		\$ 419,000.00
Police <i>Operational Plan</i>	<u>Fund 100/70, Police</u> 008140, Early Retirement Incentive Program Payout		\$ 4,045,940.00
Public Works-Board <i>Operational Plan</i>	<u>Fund 100/74, Public Works Board</u> 008140, Early Retirement Incentive Program Payout		\$ 113,278.00
Public Works-Contract Administration <i>Operational Plan</i>	<u>Fund 100/76, Contract Administration</u> 008140, Early Retirement Incentive Program Payout		\$ 684,216.00
Public Works-Engineering <i>Operational Plan</i>	<u>Fund 100/78, Engineering</u> 008140, Early Retirement Incentive Program Payout		\$ 1,295,884.00
Public Works- Sanitation <i>General Fund Savings</i>	<u>Fund 100/82, Bureau of Sanitation</u> 001010, Salaries General		\$ 284,457.00
	<u>Fund 100/56, General City Purposes</u> 000855, Solid Waste Fee Lifeline Rate Program		\$ 2,200,000.00
Public Works-Street Services <i>Operational Plan</i>	<u>Fund 100/86, Street Services</u> 008140, Early Retirement Incentive Program Payout		\$ 1,293,102.00
Transportation <i>Operational Plan</i>	<u>Fund 100/94, Transportation</u> 008140, Early Retirement Incentive Program Payout		\$ 1,805,511.00
Attorney Conflict Panel	<u>Fund 46T/10, Attorney Conflict Panel</u> 000594, Attorney Conflict Panel		\$ 450,000.00
TOTAL APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE			\$ 22,134,253.00

Attachment 7

**FY 2011-12 BUDGET ADJUSTMENTS
APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE**

DEPT	APPROPRIATE FROM:	APPROPRIATE TO:	AMOUNT
Council <i>Current Expenditure Program</i>	<u>Fund 100/58, Unappropriated Balance</u>	<u>Fund 100/28, Council</u>	
	000132, Equipment, Expenses and A&Is	001070, Salaries, As-Needed	\$ 2,729,000.00
		006010, Office and Administrative	\$ 100,000.00
		Subtotal	<u>\$ 2,829,000.00</u>
Finance <i>Bank Fee Deficit</i>	<u>Fund 100/58, Unappropriated Balance</u>	<u>Fund 100/39, Finance</u>	
	000037, Reserve for Economic Uncertainty	004040, Bank Service Fees	\$ 2,500,000.00
Fire <i>Labor Concession Offset</i>	<u>Fund 100/58, Unappropriated Balance</u>	<u>Fund 100/38, Fire</u>	
	000165, Restoration of Neighborhood Fire Services	001093, Overtime Constant Staffing Overtime	\$ 6,971,000.00
General Services <i>Petroleum Deficit</i>	<u>Fund 100/58, Unappropriated Balance</u>	<u>Fund 100/40, General Services</u>	
	000037, Reserve for Economic Uncertainty	003230, Petroleum Products	\$ 6,000,000.00
Mayor <i>Current Expenditure Program</i>	<u>Fund 100/58, Unappropriated Balance</u>	<u>Fund 100/46, Mayor</u>	
	000132, Equipment, Expenses and A&Is	001070, Salaries As Needed	\$ 753,000.00
Police <i>Occupy LA</i>	<u>Fund 100/58, Unappropriated Balance</u>	<u>Fund 100/70, Police</u>	
	000037, Reserve for Economic Uncertainty	001090, Overtime General	\$ 21,698.00
		001092, Sworn Overtime	\$ 1,225,546.00
		003090, Field Equipment Expense	\$ 28,992.00
		Subtotal	<u>\$ 1,254,538.00</u>
Public Works - Engineering <i>Mount Lee Washout Reconstruction</i>	<u>Fund 100/58, Unappropriated Balance</u>	<u>Fund 682/50, Engineering Special Services Fund</u>	
	000037, Reserve for Economic Uncertainty	Mount Lee Washout Reconstruction Account	\$ 900,000.00
Human Resources Benefits <i>Account Deficits</i>	<u>Fund 100/58, Unappropriated Balance</u>	<u>Fund 100/61, Human Resource Benefits</u>	
	000037, Reserve for Economic Uncertainty	009220, Police Health and Welfare	\$ 140,700.00
		009910, Workers' Compensation	\$ 2,098,300.00
		Subtotal	<u>\$ 2,239,000.00</u>
TOTAL APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE			\$ 23,446,538.00

**Attachment 9-b
STATUS OF UNAPPROPRIATED BALANCE NON-GENERAL ACCOUNT as of 1/25/2012**

Council File No.	UB Non-General Accounts	Primary Department	Adopted Budget	Transfer In/ Reapprop.	Amount Appropriated during year	Mid-Year Request	Transfer to Reserve for Economic Uncertainties	Available Balance
	General Fund							
	General (see Attachment 4A)		\$ 25,000		\$ (7,284)		\$ -	\$ 17,716
	City Disaster Planning Study	EMD	500,000					500,000
	Deferred Entry of Judgement Program	City Atty	520,000					520,000
Mid-Year	Equipment, Expenses & Alterations & Improvement	all	3,582,000			(3,582,000)		0
11-0600-s146	GSD- Petroleum Products	GSD	4,000,000		(4,000,000)			0
	IT Infrastructure Outsourcing	ITA	250,000					250,000
	Merchant Card Convenience Fee Program	Finance	500,000					500,000
11-0600-s146	Neighborhood Council Funding	DONE	81,000		(81,000)			0
11-1328; 11-1329; 11-1380; 11-1834; 11-0828;12-0105	Outside Counsel inc. Workers' Comp	City Atty	2,250,000		(1,811,000)			439,000
11-1530; 11-1933	Redistricting Costs for Council and LAUSD	City Clerk	1,500,000		(1,500,000)			0
	Software License Claim	ITA	1,000,000					1,000,000
Mid-Year	Water and Electricity	GSD	500,000				(500,000)	0
Mid-Year	Restoration of Neighborhood Fire Services	Fire	6,971,000			(6,971,000)		0
10-0600-S72	LINX Replacement (reappropriation)			3,500,400				3,500,400
	Gang Prevention/Intervention (reappropriation)			40,000				40,000
11-0600-S104; CAO memo	Budgetary Adjustments for Departments			107,393,836	(89,809,024)			17,584,812
	Reserve for Economic Uncertainty					9,240,715		9,240,715
								0
	Grand Total		\$ 21,679,000	\$110,934,236	\$ (97,208,308)	\$ (1,312,285)	\$ (500,000)	\$ 33,592,643

	Reserve for Economic Uncertainty (Detail)							
Mid-Year	Operational Plan						19,199,796	\$ 19,199,796
Mid-Year	Additional General Fund Savings (BOS)						284,457	284,457
Mid-Year	Lifeline Savings						2,200,000	2,200,000
Mid-Year	Attorney Conflict Panel						450,000	450,000
Mid-Year	Bank Fees						(2,500,000)	(2,500,000)
Mid-Year	Petroleum Expenses						(6,000,000)	(6,000,000)
Mid-Year	Occupy LA						(1,254,538)	(1,254,538)
Mid-Year	Human Resources Benefits						(2,239,000)	(2,239,000)
Mid-Year	Mount Lee Washout Reconstruction						(900,000)	(900,000)
								-
								-
								-
								-
	Reserve for Economic Uncertainties		\$ -	\$ -	\$ -	\$ -	\$ 9,240,715	\$ 9,240,715

Z. Planning

Attachment 4 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfer to the Unappropriated Balance

Recommendation Nos. 2, 4 and 11

In the Second FSR, a surplus of \$1.3 million was projected for the year-end. However, this surplus may not be used to absorb the Department's \$819,231 in retiree payouts as instructed by the Second FSR. Current savings are being generated through furloughs of staff funded by fees and special funds, while retired employee positions had been funded entirely by the General Fund. Per the City Attorney, all Early Retirement Incentive Program (ERIP) obligations must therefore be paid by the General Fund.

The Department did not submit an Operational Plan to fully address the absorption of General Fund retiree payouts. The following measures will generate \$419,000 in General Fund savings which will allow the Department to retain \$400,231 for salaries. The proposed reductions will result in no layoffs. However, there may be a temporary impact to services with the approval to move General Fund employees temporarily into vacant special fund positions to generate up to \$193,000 in General Fund salaries for four months. In addition, the Department would freeze hiring of four General Fund vacant positions for four months to save up to \$156,000. As of January 5, 2012, the Department had 17 vacant special funded positions and 7 vacant General Funded positions. If this recommendation is implemented, the Department would not be able to take on new programs or assignments and some current services may be temporarily reduced or put on hold.

Additional General Fund savings of \$60,000 may be found in the Department's Contractual Services account. The \$10,000 remaining balance could be achieved through savings from the Operating Supplies account.

If this Operational Plan is approved, the transfer of General Funded positions to special funded positions would be temporary and would not eliminate General Fund authorities for 2011-12. The Department's position authorities and funding sources for 2012-13 will be considered during the upcoming budget deliberations.

The following transactions are recommended:

- Transfer \$70,000 from the Department's Contractual Services and Operation Supplies accounts (\$60,000 and \$10,000, respectively) to the Salaries General account to offset ERIP retiree payouts.
- Direct the Department to temporarily reassign employees within General Fund positions to special fund positions to generate \$193,000 in General Fund savings to offset retiree payouts.
- Transfer \$419,000 from the Department's Early Retirement Incentive Program Payout account to the Unappropriated Balance, Reserve for Economic Uncertainty account to be used to offset the Citywide deficit.
- Transfer \$400,231 from the Department's Early Retirement Incentive Program Payout account to the Salaries General account to pay for salaries.