

FY 2012-13 First Financial Status Report

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OFFICE OF THE
CITY ADMINISTRATIVE OFFICER



October 29, 2012

Moving Forward with Adopted Budget

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- Adopted Budget removed 209 regular positions. Only restored these positions with unfunded temporary positions (6 months).
- One position transferred as part of Human Resources Consolidation, leaving 208 on displacement list (see Addendum to FSR).
- Of 208, 185 filled. Based on discussions with departments this number may be further reduced due to attrition.
- Current deficit of \$16.6 million assumes these positions are no longer filled as of January 1, 2013.
- Keeping these positions filled will increase shortfalls and add to the uncertainties City already faces in 2012-13 with regard to budgeted revenues (CRA & Emergency Medical)
- Keeping these positions increases deficit for FY 2013-14 to \$232 million.

Summary of Four Year Budget Outlook

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Four Year Budget Outlook (July 2012)

		(\$Millions)		
Fiscal Year	2013-14	2014-15	2015-16	2016-17
Budget Gap	\$(216)	\$(327)	\$(297)	\$(265)

- 1) The current Four Year Budget Outlook assumes the 209 positions have been eliminated and vacated.
- 2) Four Year Budget Outlook currently does not include requested increased funding for Fire Services.
- 3) Four Year Budget Outlook currently does not include replacement funding for Street Services Pavement Preservation Program due to loss of Prop 1B and ARRA.

Summary of Four Year Budget Outlook



Four Year Budget Outlook

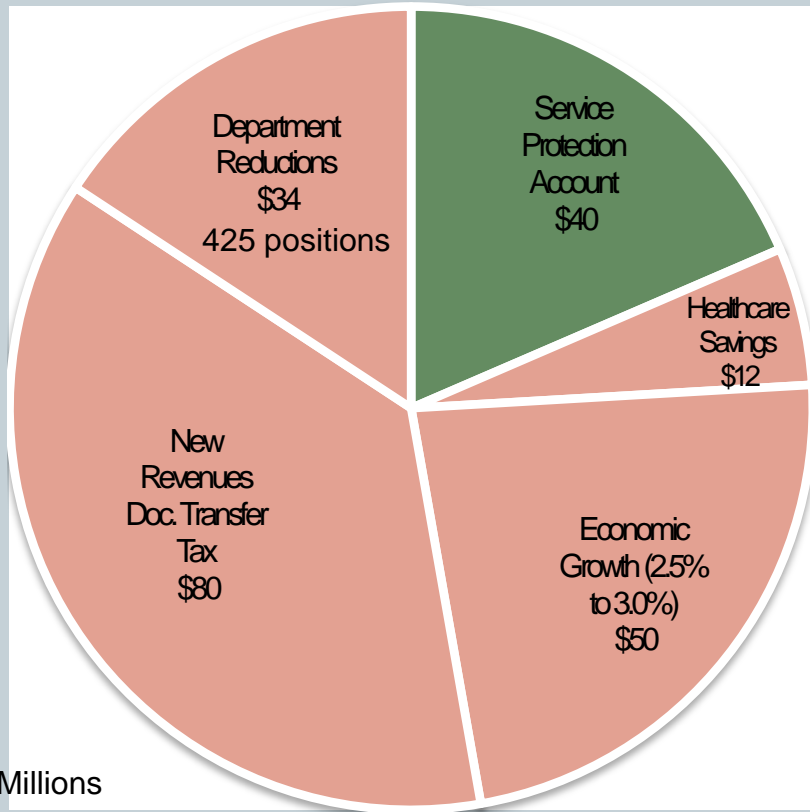
		(\$Millions)		
Fiscal Year	2013-14	2014-15	2015-16	2016-17
Budget Gap	\$(232)	\$(347)	\$(313)	\$(281)

- 1) Adding back the 209 positions will increase deficits for 2013-14 and beyond as shown since salaries and benefits are ongoing costs.
- 2) Four Year Budget Outlook currently does not include requested increased funding for Fire Services.
- 3) Four Year Budget Outlook currently does not include replacement funding for Street Services Pavement Preservation Program due to loss of Prop 1B and ARRA.

FY 2013-14

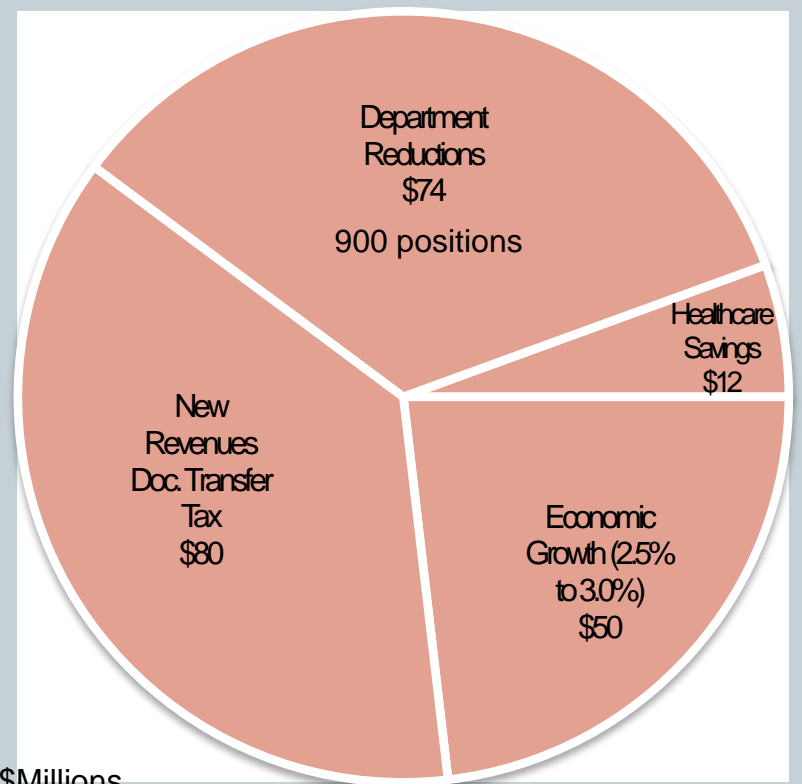
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Potential Solutions for 2013-14 Deficit \$216 Million With Service Protection Account



\$Millions

Potential Solutions for 2013-14 Deficit \$216 Million Without Service Protection Account



\$Millions

Comparison of FY 2012-13 MOU Terms for City Attorneys

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City Attorneys (MOU 29)

- Not paying additional 4% toward retiree healthcare
- 4.04% COLA in 2012-13
- 2.75% Salary Adjustment
- 1.75% Cash Payment
- No contribution towards healthcare premiums
- 34 Furloughs

Management Attorneys (MOU 32)

- Paying 4% toward retiree healthcare
- 0% COLA in 2012-13
- No Salary Adjustment*
- No Cash Payment
- 5% toward healthcare premiums
- 7 unpaid holidays

*2.75% deferred adjustment on 6/29/12.
Eliminated additional salary adjustments (5.5%) for new appointments and new members

Summary of Recommended Actions

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- Bring the Reserve Fund back in compliance with the 5 percent policy by mid-year. Currently at 4.94 percent.
- Halt furloughs on City Attorneys represented by MOU 29 **and** proceed with the elimination of the 50 positions identified to offset the lost furlough savings. This will also convert one-time savings to ongoing savings and **reduce the structural deficit by close to \$10 million** (direct/indirect costs).
- Instruct the Personnel Department to report back on the final results of the displacement process on the “209 positions.” **No action by Council required to initiate displacement procedures.**
- Create a Service Protection Account within the Budget Stabilization Fund and set as a goal increasing the account to **\$40 million** by year-end.

Urgent FSR Transactions Required

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- ***SPRF-Hollywood Highland:*** SPRF payment related to Hollywood & Highland needs to be made by October 31st. CAO negotiated the base amount plus interest totaling \$2,413,986.03 which assumes payment by October 31st. This amount increases by \$462.96 for every day thereafter that it remains unpaid.
- ***White Point Landslide :*** The \$1.4 million for White Point is an urgent transaction. The Bureau of engineering plans to award the contract on November 1 and have the contractors start working on stabilizing the landslide area/slope before the rainy season starts.
- ***Street Services:*** Street Services Transfer of \$662,500 from the Bureau's Salaries As-Needed account to the Bureau's Hiring Hall Salaries (\$500,000) and the Benefits Hiring Hall (\$162,500). BSS has advised that they will not have sufficient funds to cover Pay Period 8 payroll. Also, depending on when the FSR is actually approved, they may not have sufficient funds in the Hiring Hall accounts to cover Pay Period 9 payroll.
- ***Operation Healthy Streets:*** Reimbursement to special funds that incurred costs must be made to comply with legal requirements of special funds and to ensure that special funds can continued their budgeted work programs.