

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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To: Eric Garcetti, Mayor
Herb J. Wesson, Council President
Paul Krekorian, Chair, Budget and Finance Committee

From: Miguel A. Santana, City Administrative Officer



Reference: 2013-14 Budget

Subject: **FIRST FINANCIAL STATUS REPORT**

INTRODUCTION: FY 2013-14 AN ECONOMIC AND FISCAL TURNINGPOINT

In contrast to the dysfunction of the federal government as demonstrated by the government shutdown, the City of Los Angeles and State of California have experienced a fiscal turning point, moving away from crisis management to proactive and strategic management of its finances. The City's improved economy and fiscal condition is consistent with that of many other cities as highlighted in the National League of Cities' 28th annual survey of city finance officers. In the survey over 72 percent of city finance officers reported that their city was better able to meet its financial needs in 2013 than in 2012 thanks to improving housing markets and increased consumer spending.

Here in Los Angeles, the City has leveraged the improved economic conditions in the region to strengthen its own financial position. Nowhere is this more evident than in the City's establishment and funding of a Budget Stabilization Fund (\$69.5 million), its funding of the Reserve Fund above the policy threshold (6.71 percent on July 1, 2013), its investment in infrastructure, its implementation of pension reform, and its ongoing efforts to contain compensation growth. Unlike the federal government which created potentially harmful economic conditions, or prior City experiences where expenditure growth was left largely unabated, the City's cautious yet strategic budget approach for 2013-14 has brought the City budget closer to fiscal sustainability.

The City's Four-Year Outlook reflects the City's measured approach towards greater fiscal stability, showing the structural deficit the City had previously projected for 2014-15 of \$327 million being reduced to approximately \$153 million to \$242 million based on varying scenarios. Furthermore, through continued discipline on expenditures, additional labor savings, and steady economic growth, the City anticipates managing the structural deficit downward over the next

three years and finally eliminating it by 2017-18. However, to achieve this outcome the City will need to build on the unprecedented efforts the City has made to address its rising pension costs and reduce its payroll including:

- Requiring employees to contribute 2 percent to 4 percent (from zero) of their pay for retiree health benefits, and freezing benefits for employees not contributing.
- Imposing a 20 percent salary reduction for new sworn police in addition to reducing retirement benefits.
- Eliminating non-essential functions and departments.
- Reducing staffing by 5,300 over the last three years.
- Partnering with a nonprofit provider to enhance animal services.
- Adopting a Management Agreement with a private operator for the operation of the Convention Center.
- Instituting pension reforms such as a new tier (Tier 6) for new sworn hires to the police and fire departments and a new tier (Tier 2) for new civilian employees.

There is no question that 2013-14 is a turning point in the City's financial standing. Our overall revenue growth included in the budget assumes growth consistent with the economic forecasts released by University of California Los Angeles, Los Angeles Economic Development Corporation, and Beacon Economics. Receipts began to show significant improvement in 2012-13 when revenues came in at \$116.7 million (or 2.6 percent) better than the Adopted Budget, largely due to the continuing recovery in the housing market. However, while we are only three months into the fiscal year, it is still too early to project whether 2013-14 year end revenue will be ahead of budget. Of course these forecasts and our revenue budget were prepared prior to the federal government shutdown and resulting deal, and could therefore be impacted by Congress' failure to reach a budget deal by January 15, 2014 and raise the debt ceiling by February 7, 2014.

The City's fiscal recovery to this point has been guided by a strategic plan focused on adhering to responsible management and fiscal practices. As the implementation of the 2013-14 budget continues, the City has already demonstrated its resolve to stay within plan through its adoption of the Convention Center Management Agreement. The next test for the City is addressing the current \$25.3 million in expenditure shortfalls and unbudgeted expenses identified for the Fire, Police, City Attorney, Transportation, and City Clerk (Public Health Initiative) combined. Resolving this deficit in its entirety without impacting the Reserve Fund is the focus of this Office and will be reported on in subsequent Financial Status Reports (FSRs). This Office is confident that it will be able to develop and identify solutions in partnership with departments to address the \$25.3 million deficit.

Nevertheless, the City is not without its share of uncertainty and risk that can make this positive outlook short lived. As a recent Moody's Investment Services (Moody's) publication highlighted ("Adjusted Pension Liability Measures for 50 Largest US Local Governments"), pensions continue to be at the forefront when discussing the fiscal sustainability and credit worthiness of local governments. In this report, Los Angeles was identified as having the fifth largest pension liability (inclusive of its three pension systems) among the 50 local governments with the largest debt nationwide. Moody's review was based on an adjusted calculation which utilized a lower discount rate which substantially increased the calculation of the City's unfunded liability, and was a significant factor in finding that Los Angeles Pension Liability represented 324.5 percent of revenue. Other methodology assumptions, including market value of assets and actuarial amortization period also increased the City's stated liability.

While we are disappointed that Moody's report leads with sensationalized, negative information and relegated or ignored all together the positive aspects of the City's fiscal disciplined approach to pension and Other Post-Employment Benefits (OPEB) funding, the spotlight placed on pension liabilities by this study and other reports is an indication that the ongoing debate over pensions will continue. The Moody's report does not disclose a new problem, but does place the pension funding problem in the context of the jurisdiction's ability to meet that obligation. This Office has prepared a separate transmittal in response to the Moody's report which will be transmitted under separate cover.

Adding to the uncertainty and risks the City faces are legal challenges to certain aspects of the City's reform efforts. Recently a superior court ruled in favor of Los Angeles City Attorneys in their case concerning the status of a vested right to retiree healthcare benefits (*Los Angeles City Attorneys Association v. City of Los Angeles*, Case No. BS 135294). This Office is in the process of assessing the potential financial impacts of this ruling which is anticipated to be limited given that the ruling has implications for 425 active employees and directly impacts an even smaller number of retirees. Moreover, at the direction of the Executive Employee Relations Committee, this Office has begun to meet with the City Attorneys Association to discuss this and other issues that could become the framework of a solution.

In light of the legal uncertainties involved with pension reform in general, it is critical that the City continue to focus on controlling pension expenditures by controlling increases in employee salaries. *Central to the plan to reach a zero deficit by 2017-18 (and a major 2013-14 budget assumption) is the elimination of the 5.5 percent pay increase to over 60 percent of the civilian workforce scheduled for January 1, 2014.* In addition, those who already received or negotiated this increase in the current year will be required to reduce their salaries as well. This zero deficit plan also assumes that City employees contribute 10 percent toward the cost of their health care benefits on an on-going basis. Lastly, the plan assumes no additional raises for three years beyond July 1, 2014 are provided to any labor group.

Given the expiration of multiple labor agreements on June 30, 2014, the City will commence new labor negotiations beginning in early 2014 thereby providing the City with additional opportunities to achieve a more sustainable workforce for subsequent years. Although the Four-Year Outlook

assumes that labor concessions will be made in the current fiscal year, absent any agreement with labor, the expenditure projections in this First FSR assume that the previously approved pay increases will be implemented and that most departments will absorb the costs this year. This Office recognizes that there may be departments unable to absorb these salary increases without a supplemental appropriation this fiscal year and will review these needs on a case by case basis and report any impacts to the budget in subsequent FSRs. However, in an effort to mitigate the impact on the budget, we will first work with the departments to identify internal solutions. While the City has budgeted funds for economic uncertainties that may be used in the event the assumed savings are not achieved, these funds would only provide a one-year fix and do not address the ongoing funding shortfall.

SUMMARY: FY 2013-14 SHORTFALL \$25.3 MILLION; BUDGET PLAN SHOULD BE IMPLEMENTED

Pursuant to the City Charter Section 291, 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 such, this Office is transmitting the First FSR for this fiscal year. This report summarizes the close-out of the 2012-13 budget and provides an update on the current-year budget—including the projected departmental deficits, early trends in revenues, the Reserve Fund, and current issues of concern and their potential impact to the City. Recommendations totaling approximately \$86.4 million for appropriations, transfers and other budgetary adjustments are included in this report.

As highlighted in this report, approximately \$25.3 million in departmental expenditure shortfalls and unbudgeted expenses are projected in the current fiscal year. It should be noted that absent any agreement with labor, this shortfall assumes implementation of salary increases on January 1, 2014. Additionally, Reserve Fund appropriations or reappropriations totaling \$2.46 million are recommended to comply with contractual obligations and address matters of public safety.

2012-13 Revised Revenue

The Adopted Budget for 2012-13 included \$4.55 billion in General Fund revenue. Receipts throughout the year performed better than plan largely due to growing recovery in the housing market. Accordingly, 2012-13 General Fund revenue was increased by \$89.2 million (2 percent) to \$4.64 billion with the adoption of the 2013-14 budget. Revisions included a \$60 million increase in property tax revenue and a \$38 million increase in documentary transfer tax revenue arising from the stabilization of home prices and the improving real estate market. An additional \$24.2 million was added to the revised revenue budget for other General Fund revenues that had been performing at or above budget. However, these increases were offset by a \$33 million decrease in budgeted departmental receipts largely attributed to reduced related cost reimbursements from lower cost allocation plan (CAP) rates, the delayed receipt of ambulance reimbursements, and adjustments for the reconciliation of 2011-12 payments from the sewer and the solid waste resources funds.

Actual receipts came in 0.6 percent above the revised budget (\$26.7 million) and 2.6 percent above the adopted budget (\$116.7 million). Some of this variance may be attributed to the early receipt of secured property tax revenue (\$33 million above revised) and higher than estimated tax increment monies from the former Community Redevelopment Agency Los Angeles (CRA/LA) (\$9 million above revised). Other revenue sources that came in above the revised revenue budget include the documentary transfer tax, transient occupancy tax, franchise income, parking fines and grants receipts (total \$8.4 million). The increased receipts offset shortfalls from other revenue sources from the utility users' tax (\$4.8 million), business tax (\$4.6 million), and parking users tax (\$2.3 million), as well as a significant shortfall of \$11.7 million in license, permits fees and fines. Approximately \$81 million of the \$116.7 million in additional revenue was deposited in the Reserve Fund.

The 2012-13 Adopted Budget, revised changes, and actual receipts are summarized in Table 1 and Attachment 1A).

Table 1. 2012-13 General Fund Adopted and Revised Budget (\$ millions)				
	Adopted	Revised	Actuals	% Variance from Revised
Property Tax	\$1,457.0	\$1,517.3	\$1,550.0	2.2%
Redirection of ex-CRA Tax Increment Monies	48.6	49.8	58.8	18.1%
Licenses, Permits, Fees and Fines	769.9	736.5	724.7	-1.6%
Utility Users' Tax	622.6	625.3	620.4	-0.8%
Business Tax	450.0	453.4	448.8	-1.0%
Sales Tax	332.9	339.2	339.0	-0.1%
Power Revenue Transfer	249.1	246.5	246.5	0.0%
Parking Fines	153.5	155.5	156.9	0.9%
Transient Occupancy Tax	157.8	164.9	167.8	1.7%
Documentary Transfer Tax	107.6	145.6	147.3	37.0%
Parking Users' Tax	91.7	91.7	89.4	-2.5%
Franchise Income	47.4	41.9	42.9	2.5%
Interest	10.5	15.3	16.0	4.6%
State Motor Vehicle License Fees	0	2.1	2.1	0.0%
Tobacco Settlement	8.7	13.9	13.9	0.0%
Grants Receipts	8.5	6.1	7.2	9.1%
Residential Development Tax	2.1	2.1	2.4	5.1%
Special Parking Revenue Transfer	32.6	32.6	32.6	0.0%
Total General Fund Receipts	\$4,550.5	\$4,639.7	\$4,666.7	0.6%
<i>Increase from Adopted Budget</i>		2.0%	2.6%	

2013-14 Projected Revenue

To date, total 2013-14 revenue through September is \$15.5 million above planned receipts, representing 14.1 percent of total General Fund revenue for the fiscal year. (See Attachment 1B.) Department receipts from licenses, permits, fees and fines are largely responsible for the variance, with the receipt of transportation grant money putting department revenue \$32 million ahead of plan. Parking users tax receipts, which had fallen short of budget the previous year, has shown improvement and is currently \$1.9 million above plan. Higher-than-projected growth continues to be seen in the sales tax (\$2.5 million) and the documentary transfer tax (\$7.8 million).

This variance is offset by several revenue sources that are below plan. The early receipt of secured property tax in 2012-13 is translating to a shortfall in 2013-14, with property tax revenue currently \$24.7 million behind plan (Attachment 1C). Additionally, estimated receipts from a due diligence review of former CRA/LA funds included in the Fiscal Year 2013-14 budget will fall short by \$11.5 million (Attachment 1D); although, this may be offset by additional tax increment that will be received later in the year. Finally, the business tax and utility users tax are currently \$2.5 million and \$2.7 million behind plan (Attachments 1E and 1F). These receipts ended 2012-13 with shortfalls and may be an early indication that estimated revenue growth for these sources may be too optimistic.

External conditions may adversely impact planned revenue growth. City unemployment has increased over the past two months (from 10.2 to 11.9 percent), which could adversely impact sales tax revenue. Additionally, the number of home sales has leveled off with the increase in home prices and mortgage rates, and revenue from the documentary transfer tax could drop should sales decline further. Finally, while the full impact of the federal shutdown (or proposed deal) is unknown, departmental receipts are also at risk from debt ceiling negotiations that might result in further cuts to federal programs.

Four Year Outlook

The 2013-14 Adopted Budget Four-Year Outlook (Outlook) is based on the existing budget, known major expenditure commitments, and projections of revenues and expenditures. Attachment 4 shows that the budget gap can be closed by 2017-18 if the City can overcome the challenge of a \$153 million deficit in 2013-14, a \$112 million deficit in 2014-15, and a \$96 million deficit in 2016-17.

The 2013-14 Adopted Budget Outlook does not reflect the salary adjustments scheduled for January 1, 2014 and assumes that civilian employees will contribute 10 percent towards the cost of the City-sponsored health plan. If these assumptions prove incorrect, the 2014-15 deficit increases by \$88.3 million to \$242 million and the possibility of a \$6 million surplus in 2017-18 is replaced with an \$83 million deficit.

Table 2. Summary of Four-Year Budget Outlook (Millions)				
Total Budget Gap	2014-15	2015-16	2016-17	2017-18
2013-14 Adopted Budget Scenario	\$(153)	\$(112)	\$(96)	\$6
Alternative Scenario	\$(242)	\$(201)	\$(184)	\$(83)

Under both scenarios, the Outlook assumes that there will be no additional cost of living adjustments from 2014-15 through 2017-18 for any bargaining unit. Any changes to employee compensation will also increase the City's pension obligation. This Office will make adjustments to the forecast in the ensuing months should the results of labor negotiations deviate from the assumptions in the Outlook.

Reserve Fund

According to the Office of the Controller the preliminary July 1, 2013, Reserve Fund cash balance was approximately \$352.3 million. After the return of short-term loans made by the Controller at year-end, and adjustments initiated in the prior year and those included in the 2013-14 Adopted Budget, the July 1, 2013, Available Balance is approximately \$326.7 million which represents 6.71 percent of the General Fund Budget. The Available Balance, as represented in the tables below, is \$65.5 million greater than the Adopted Budget. In comparison, the July 1, 2012, Available Balance was \$227 million, or 4.99 percent of the 2012-13 General Fund Budget.

Table 3 2013-14 Reserve Fund Available Balance (millions)			
	Budget	Actual	Difference
Cash Balance, June 30	\$283.9	\$352.3	\$68.4
Other Adjustments	(22.8)	(25.7)	(2.9)
July 1 Available Balance	\$261.1	\$326.6	\$65.5
Emergency Account	\$133.8	\$133.8	-
Contingency Account	127.3	192.8	\$65.5
Reserve Fund as Percent of General Fund	5.37%	6.71%	1.35%

Basis for Increase in Reserve Fund

The \$65.5 million increase in the July 1, 2013, Available Balance was greater than budgeted primarily due to higher than projected reversions and reduced year-end transfers.

Table 4 Basis for Increase in Reserve Fund (millions)	
	Difference
Revenue	\$(7.8)
Reversions (Attachment 2)	20.8
Reappropriations	7.3
Year-End Transfers to Reserve Fund	21.2
Others*	24.0
Total	\$65.5

*Note: Others includes a higher cash balance before year-end reversions and borrowing offset by a lower reversal of borrowing for unfunded encumbrances.

The Reserve Fund balance will be approximately \$321.4 million, after providing for proposed and approved loans, transfers and other transactions (including recommended transfers in this report), consisting of \$133.8 million in Emergency Reserve and \$187.6 million in Contingency Reserve. This balance represents 6.61 percent of the General Fund budget which is above the 5 percent policy goal. Please refer to Attachment 3 for greater detail on the Reserve Fund.

While the July 1, 2013, Reserve Fund balance is greater in comparison to prior fiscal years, this Office recommends that the City continue its cautious approach with the Reserve Fund despite this positive news. The City should refrain from using the Reserve Fund to offset current year deficits or funding program expansions and service restorations given the forecasted 2014-15 budget gap of \$153.4 million. Additionally, while the Reserve Fund could potentially be used for cash flow needs to address any short term reimbursement delays from the federal government shutdown, it should not be used to replace funds that may potentially be lost from a prolonged shutdown or reduced federal funding.

Budget Stabilization Fund

The Budget Stabilization Fund (BSF) was established as part of the 2008-09 Budget to supplement the Reserve Fund. The primary purpose of the BSF is to help stabilize revenue, supplement the Reserve Fund, prevent overspending during prosperous years and provide resources to maintain service levels during lean years.

The current BSF balance is approximately \$69.5 million, comprised of \$500,000 that was deposited in fiscal year 2009-10 and \$69 million in fiscal year 2012-13. On June 7, 2013, the Council adopted a Financial Policy for the BSF. The policy defined the following: 1) the purpose of establishing the BSF; 2) the legal basis of the BSF and its relationship to the Reserve Fund; 3) deposit rules to establish the amount of annual deposits to the BSF; and, 4) withdrawal rules to establish for when withdraws can be made from the BSF, the size of the withdraws and priority use of the BSF. The City Attorney is currently drafting the ordinance for the Financial Policy for

the BSF. The ordinance is expected to be released in November 2013.

2013-14 Projected Departmental Deficits

This FSR is based on department expenditure and revenue information through the end of August and includes the following assumptions: departments must absorb any unbudgeted cost of living adjustments and the Managed Hiring Process will continue. Any changes to these assumptions will impact the City's budget outlook. With only two months of data, it is still too early in the fiscal year to provide a detailed assessment of all potential surpluses and deficits. Nevertheless, approximately \$25.3 million in expenditure shortfalls and unbudgeted expenses are projected at this time as shown in Table 5:

Table 5 First FSR Projected Shortfalls/Unfunded Expenditures (millions)		
Department/Initiative	Amount	Reason for Deficit
Fire	\$ 14.00	Unfunded Ambulance Augmentation Plan and delayed implementation of the 40 hour work week for sworn personnel at the Fire Dispatch Center.
Public Health Initiative	4.60	Unfunded costs to the City Clerk for placing the initiative ordinance for the creation of a new City public health department on the June 3, 2014 ballot
Police	3.80	Unfunded compensation adjustments, an error in calculating the civilian salaries for 2013-14, and use of as-needed security officers.
City Attorney*	2.00	Unfunded compensation adjustments.
Transportation	0.88	Unfunded compensation adjustments.
Total	\$25.28	

*Note: This Office is currently in discussion with the City Attorney's Office on potential solutions to address the \$2 million shortfall and address other operational needs.

Issues of Concern

In addition to the aforementioned expenditure shortfalls, there are additional internal and external factors that may adversely impact the City; the size and/or timing of which cannot be accurately determined at this time:

Federal

Federal Shutdown and Debt Ceiling: Efforts to defund the Affordable Care Act (ACA) resulted in the shutdown of the federal government on October 1 after Congress failed to approve a spending bill funding the program. The shutdown lasted sixteen days while House Republicans, in an effort to extract concessions on the ACA, prolonged negotiations to increase the debt limit beyond October 17 when borrowing authority would be exceeded. On October 16, in face of looming default, Congress approved legislation to fund the government through January 15, 2014 and extend the debt ceiling through February 7, 2014. The impact of the shutdown has yet to be quantified, but economists have lowered their growth projections as a result. Standard and Poor's estimates that the shutdown cost the economy \$24 billion and reduced GDP growth by 0.6 percent. Moreover, as Congress continues to battle over the ACA, uncertainty concerning another shutdown and battle over the debt ceiling may further impact the economy.

CDBG and HOME: The House Appropriations Committee approved reductions this summer for the Department of Housing and Urban Development and the Transportation Department for the HOME Investment Partnerships Program (HOME) and the Community Development Block Grant program (CDBG), setting funding levels below the 2013 post-sequestration levels. Under the House bill, CDBG formula grants to localities would be approximately 45 percent below the 2013 post-sequestration level. This proposed House bill amount would be the lowest CDBG funding level since Congress created the program in the 1970s after adjusting for inflation. Cuts at this level would mean reduced resources to help low-income communities repair infrastructure, develop and preserve affordable housing and provide basic services to seniors and children. The House bill would also cut HOME funding by approximately 25 percent compared to the 2013 post-sequestration level. HOME provides grants that cities use, often in partnership with local nonprofit groups, to fund a wide range of activities that build, purchase, or rehabilitate affordable housing and provide direct rental assistance to low-income households.

Impact of Affordable Care Act: The Adopted Budget includes \$2 million in the Unappropriated Balance to cover estimated implementation and benefits costs to comply with the requirements of the new, federal Affordable Care Act (ACA).

On July 3, 2013, President Obama's administration announced a one-year delay in the enforcement of the ACA's employer shared responsibility mandate. This mandate requires employers, such as the City of Los Angeles, to offer full-time employees (and their dependents) "affordable" health care coverage with a "minimum value", or face penalties. In general, a full-time employee is defined as any employee working, on average, 30 hours per week.

The Personnel Department has been working with the Controller's Office and Mercer TPA to collect the necessary payroll data to determine which employees qualify for benefits under the ACA and develop a process to ensure that the City meets its ongoing ACA obligations. *Although the City is not required to provide ACA health care to these employees until 2015, the City may find that these employees are entitled to City benefits under current MOU provisions. This would create an additional liability during the current fiscal year.*

There are various ACA administrative requirements that must be implemented this year and next year (e.g., employee notice requirements, and reports on health coverage offered to full-time employees). The Personnel Department is working with the Controller's Office and Mercer TPA to develop the scope of work, project plan, budget and timeline to meet the ACA reporting obligations.

The Personnel Department will continue to report on the status of ACA implementation in each subsequent FSR.

Pensions

Accounting and Financial Reporting Standards: In 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68), which applies to governmental entities such as the City, and Statement No. 67, Financial Reporting for Pension Plans (GASB 67), which applies to the financial reports of most pension plans such as Los Angeles City Employees Retirement System (LACERS) and Los Angeles Fire and Police Pensions (LAFPP). GASB 67 and GASB 68 address the disclosure of pension liability only; they do not impose any additional funding requirements.

GASB 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits, including the City. GASB 68, among other things, requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and provides greater guidance on measuring the annual costs of pension benefits, including specific guidelines on projecting benefit payments, use of discount rates and use of the "entry age" actuarial cost method. GASB 68 also addresses accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014. The City anticipates complying with the provisions of GASB 68 by its effective date.

GASB 67 revises existing guidance for the financial reports of most pension plans, including LACERS and FPPP. GASB 67 generally expands the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position, and requires additional note disclosures and required supplementary information. The provisions in GASB 67 are effective for financial statements for fiscal years beginning after June 5, 2013. LACERS and FPPP are expected to comply with the provisions of GASB 67 by its effective date.

“True Up” of City Contribution to LACERS: The annual City contribution to LACERS is based on total budgeted payroll and the actuarially determined contribution rate. The payment is generally made on July 15. Beginning in Fiscal Year 2013-14, LACERS will conduct a true-up based on actual covered payroll for both Tier 1 and Tier 2 of LACERS benefits. The true-up process will determine if there has been an overpayment or underpayment to LACERS based on actual covered payroll. According to LACERS, the overpayment or underpayment amount will be reflected as an adjustment to the annual required City contribution for the following fiscal year (i.e., for 2014-15). To facilitate 2014-15 budget planning, LACERS staff has advised that covered payroll will be monitored on a biweekly basis and the estimated true up amount is expected to be available in April 2014. This Office will monitor the true-up projections and report in the FSR should any issues arise.

State

Enterprise Zones: As reported in the last year’s final FSR, the Governor’s May Revise proposed the elimination of the State’s localized Enterprise Zone Program in favor of tax credits available to all eligible businesses across the State. Jurisdictions with an Enterprise Zone designation would wind down activities as funding is repurposed, while tax credits issued to businesses would be allowed to continue for the full five years of eligibility.

The elimination of the Enterprise Zones has since been approved with the enactment of AB93 and SB90. The City has three Enterprise Zones currently managed by Economic and Workforce Development Department (EWDD) with approximately \$1.7 million in program funding for positions, rent and other expenditures. A motion (Huizar-Price-Wesson) has requested that EWDD and the Offices of the Chief Legislative Analyst and CAO report to the Economic Development Committee with recommendations to replace the lost Enterprise Zone and Community Redevelopment incentives (C.F.No. 13-0934).

Other

Public Health Department Initiative on June Ballot: The City Council approved placing the initiative ordinance for the creation of a new City public health department at a Special Election to be consolidated with the State Primary Election on June 3, 2014. The City Clerk estimates the cost of placing this measure on the ballot at \$4.6 million. The City is seeking court determination regarding the validity of the initiative ordinance prior to the June election. If the City is required to proceed with the election, there will be an immediate fiscal impact of \$4.6 million to the City Clerk in the current fiscal year. As previously noted by this Office, if the Initiative is approved by the voters, the creation of a new City Public Health Department is preliminarily expected to result in a significant but unknown obligation for planning and start-up costs along with ongoing costs of \$333 million per year, at a minimum. See City Clerk section for discussion of costs to the City Clerk.

Class action liability: *Ardon v. City of Los Angeles* is a lawsuit challenging the validity of the City’s telephone users’ tax that was previously based on a federal government interpretation of

the federal excise tax. As reported in previous FSRs, the California Supreme court ruled that taxpayers may file a class action claim against a municipal government entity for the refund of local telephone use taxes, overturning an earlier Court of Appeal ruling. The case is still in discovery phase, and the court has not yet heard the motion for class certification. If the plaintiffs prevail, the City's liability could potentially be several hundred millions dollars. It is not anticipated that the settlement will occur this year.

Labor-related litigation: In addition to the *Los Angeles City Attorneys Association v. City of Los Angeles* case mentioned earlier in this report, other labor-related litigation cases include but are not limited to: *Jack Fry, Gary Cline, Sandra Carlsen, Yvette Moreno, and Los Angeles Retired Fire & Police Association, Inc. v. City of Los Angeles*; *Engineers & Architects Association v. City of Los Angeles*; and *Los Angeles Police Protective League v. Board of Fire and Police Pension Commissioners v. City of Los Angeles*. The City continues to review the complaints and the potential financial impacts.

Budgetary Adjustments

Budgetary adjustments totaling approximately \$86.4 million are recommended in Sections 1 and 2 of this report which include:

- \$2.0 million in reappropriations from various special funds;
- \$1.3 million in new appropriations;
- \$14.1 million for transfers between accounts within various departments and funds;
- \$6.1 million for transfers between departments and funds;
- \$1.94 million appropriations from various line items in the Unappropriated Balance;
- \$2.46 million in Reserve Fund reappropriations and appropriations consisting of \$1.6 million in reappropriations from the Reserve Fund for the Police Department and the Animal Services Department; and, \$0.858 million in Reserve Fund appropriations to address a cash shortage in the Ethics Commission Fund and to reimburse the Section 108 program for debt service payments made for the Plaza Pacoima and Midtown Crossings projects;
- \$56.6 million re-authorization to spend Municipal Improvement Corporation of Los Angeles (MICLA) funds for the Fire Department, General Services and the Information Technology Agency (ITA) as per the 2013-14 Adopted Budget, as well as authorization to expend about \$0.395 million in prior year MICLA funding for the Fire Department;
- \$0.938 million in miscellaneous budget adjustments.

Attachments

- 1-A Fiscal Year 2012-13 General Fund Receipts
- 1-B Fiscal Year 2013-14 General Fund Receipts
- 1-C Revenue Monthly Status Report: Property Tax
- 1-D Revenue Monthly Status Report: Redirection of ex-CRA Tax Increment
- 1-E Revenue Monthly Status Report: Business Tax
- 1-F Revenue Monthly Status Report: Utility Users Tax
- 2 Schedule of Reversions to Reserve and Other Funds
- 3 Current Status of the Reserve Fund
- 4-A Four Year Budget Outlook for 2013-14 through 2017-18.
- 4-B Four Year Budget Outlook Footnotes
- 5 Special Fund Reappropriations
- 6 New Appropriations
- 7 Transfers between Accounts within Departments and Funds
- 8 Transfers between Departments and Funds
- 9 Appropriations from the Unappropriated Balance
- 10-A Status of the Unappropriated Balance – General Account
- 10-B Status of the Unappropriated Balance – non-General Accounts
- 11 Employment Level Report
- 12 Status of 120 Day Employees
- 13 Status of Fee Increases in the 2013-14 Budget
- 14 GRYD Program Contracts and Expenditures

RECOMMENDATIONS

(Refer to Discussion Sections 1, 2 and 3)

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

1. Reappropriate \$2,016,818.17 from various special funds as noted in Attachment 5;
2. Appropriate \$1,316,101.70 to the Department accounts as specified in Attachment 6;
3. Transfer \$14,127,384.60 between accounts within various departments and funds as specified in Attachment 7;
4. Transfer \$6,010,246.78 between various departments and funds as specified in Attachment 8;
5. Appropriate \$1,941,458 from the Unappropriated Balance to various departments and funds as specified in Attachment 9;

Ethics Commission

6. Transfer \$85,178 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58, to the City Ethics Commission Fund No. 534/17, to address the projected cash shortfall as a result of a reappropriation requirement in the 2013-14 Adopted Budget;

Housing and Community Investment

7. Decrease appropriations within the Community Development Trust Fund No. 424/43, Account No. 22J299, Related Costs, by \$454,065.68 to align appropriations to grant resources;
8. Relative to a contract with KNL (C-118778) for Housing Opportunities for Persons with AIDS (HOPWA) auditing services, transfer expenditures within HOPWA Fund No. 569/43, in the amount of \$14,900, from Account No. 43J414, HOPWA Technical Correction, to Account No. 43J644, Outside Auditor;

Library

9. Increase the appropriation to Library Fund No. 300/44, Account 003040, Contractual Services, by \$500,000, and decrease the same amount from the cash balance available in the Library Fund No. 300/44 for phase one of the Library's Integrated Telephone System as approved by the Board of Library Commissioners on July 25, 2013 (Board Resolution No. 2013-32 (C-25).

Police

10. Reappropriate \$5,879 from the CD 7 Real Property Trust Fund No. 689/14, Account No. 14J170, Police, to Police Fund No. 100/70, Account No. 001092, Overtime Sworn to support overtime costs for enhanced patrol and enforcement activities at the Foothill Area Police Station per C.F. 13-0792;
11. Reappropriate \$8,000 from the State AB1290 City Fund No. 53P/28, Account No. 28J170, Police, to Police Fund No. 100/70, Account No. 001092, Overtime Sworn, to support overtime costs for enhanced patrol and enforcement activities at the Foothill Area Police Station per C.F. 13-0792;
12. Reappropriate \$22,000 from the Forfeited Assets Trust Fund No. 44F/70, Account No. 70J170, Police, to Police Fund No. 100/70, Account No. 001090, Overtime General, to update the timesheet module of the Deployment Planning System;
13. Reappropriate \$34,065 from Fiscal Year 2012-13, Street Revenue Furniture Fund No. 43D/50, Account No. 50J170, Police, to Police Fund No. 100/70, Account No. 003040, Contractual Services, for the purchase and installation of security cameras at the Old Junipero Serra Library in Council District 9 per C.F. 13-0011-S23;

Transportation

14. Authorize the Controller to take the following actions to cancel and deobligate the Clybourne Ave Highway Rail Project, as recommended by the Street and Transportation Projects Oversight Committee:

- a) Transfer \$49,000 in matching funds from the Transportation Grant Fund No. 655/94, Account 94G376 HSIP Clybourn Ave, to Proposition C Fund No. 540/94, Revenue Source Code 5188;
- b) Decrease the appropriation balance of \$435,000 to zero in the Transportation Grant Fund No. 655/94, Account No. 94G376;

General City Purposes

15. Revert \$41,221.50 in the Fiscal Year 2012-2013 General City Purposes budget as follows, General City Purposes Fund No. 100/56, Account No. 000710 in the amount of \$17,785.50 and General City Purposes Fund No. 100/56, Account No. 000714 in the amount of \$23,436.00 to the Reserve Fund; and transfer therefrom to the Unappropriated Balance Fund No. 100/58, and appropriate therefrom to the Fiscal Year 2013-14 General City Purpose Fund in the same accounts;

16. Authorize the City Clerk to encumber the funds and make payments, as appropriate, relative to Council District 10 and Council District 14 Fiscal Year 2012-13 allocations;

MICLA

17. Relative to the Fire Department,

- a) Re-approve the use of \$20,766,055 in MICLA financing provided in the 2013-14 Budget for the Fire Department Fleet Replacement Program as follows: 20 ambulances, seven aerial ladder trucks, ten emergency command vehicles, five emergency sedans, and 15 triple combination pumpers;
- b) Authorize the Controller to transfer \$175,000 from MICLA Fund No. 298/38, Account 38J232, Communication Labor, and \$220,500 from MICLA AO Series 2002F Acquisition Fund No. 290/38, Account 38J232, Communication Labor, to Information Technology Agency Fund No. 100/32, Account 001100, Hiring Hall Salaries, for the installation of communications equipment in Fire Department vehicles; Fire Department will transfer cash to reimburse ITA upon presentation of approved invoices.

18. Relative to the General Services Department, re-approve the use of \$25,814,000 in MICLA financing provided in the 2013-14 Budget for the purchase of 259 vehicles and/or equipment as follows: 3 pavers, 3 mini profilers, 24 street sweepers, 50 sedan lightbars, 14 sedans (Executive), ten sedans (Elected), 34 light duty trucks, 90 medium duty trucks, 25 heavy duty trucks, 3 station wagons (Recreation and Parks), and 3 refuse collection vehicles (Recreation and Parks);
19. Relative to the Police Department, re-approve the use of \$10,004,000 in MICLA financing included in the 2013-14 Budget for the purchase of 276 non-patrol vehicles (71 undercover, 197 plain, and 8 specialized vehicles), for the Los Angeles Police Department;

Plaza Pacoima and Midtown Crossings Projects

20. Approve a total of \$773,484.11 in accumulated General Fund Site Specific Tax Revenue to reimburse the City's Section 108 program for debt service payments made for the following two projects administered by the EWDD: a) \$454,360 for the Plaza Pacoima project for Fiscal Years 2011-13; and, b) \$319,124.11 for the Midtown Crossings project for Fiscal Years 2008-13;

21. Authorize the Controller to:

- a) Transfer \$773,484.11 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58, and appropriate therefrom to the Capital Finance Administration Fund No. 100/53, Account No. 000317, Debt Service for CDD Project; and,
- b) Transfer \$773,484.11 from the Capital Finance Administration Fund No. 100/53, Account No. 000317, Debt Service for CDD Project, to the EWDD's Section 108 Union Bank Loan Servicing account upon presentation of proper documentation from the EWDD General Manager, or designee;

Reserve Fund Reappropriations

22. Reappropriate \$128,064 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to the following accounts within the Animal Services Department Fund No. 100/06 for the purchase of 74 replacement ballistic vests and 120 replacement computers and software:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
004430	Uniforms	\$49,735
006010	Office and Admin Expense	<u>79,329</u>
	Total	\$128,064

23. Reappropriate \$847,174 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to Police Fund No. 100/70, Account No. 001092, Overtime Sworn, to enforce operations for Post-Released Supervised Persons who reside in the City of Los Angeles as part of the State of California's Public Safety Realignment Act (Assembly Bill 109) per C.F. 12-0600-S177;
24. Reappropriate \$110,000 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to Police Fund No. 100/70, Account No. 003040, Contractual Services, for the Environmental Systems Research Institute (ESRI) enterprise license agreement for the COMPSTAT system per the 2012-13 Adopted Budget;
25. Reappropriate \$20,000 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to Police Fund No. 100/70, Account No. 003040, Contractual Services, for ESRI enterprise consultant support agreement for the COMPSTAT system per the 2012-13 Adopted Budget;
26. Reappropriate \$112,000 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to Police Fund No. 100/70, Account No. 003040, Contractual Services, to continue maintenance support with Key Information Systems for the digital in-car video system hardware and software per the 2012-13 Adopted Budget;
27. Reappropriate \$34,000 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to Police Fund No. 100/70, Account No. 003040, Contractual Services, for data source integration maintenance with IBM in support of the Coplink system per the 2012-13 Adopted Budget;
28. Reappropriate \$334,000 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to Police Fund No. 100/70, Account No. 003040, Contractual Services, for a contract with Lexis Nexis for computer-assisted legal research and access to public records per the 2012-13 Adopted Budget;
29. Reappropriate \$18,865 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to Police Fund No. 100/70, Account No. 001092, Overtime Sworn, to support overtime costs for enhanced patrol and enforcement activities at the Foothill Area Police Station per C.F. 13-0792;

Technical

30. Authorize the CAO to make technical corrections as necessary to those transactions included in this report to implement Mayor and Council intentions.

FISCAL IMPACT STATEMENT

Based on preliminary estimates, \$25.3 million in expenditure shortfalls and major unbudgeted expenses are identified in this report. Transfers, appropriations and other adjustments totaling approximately \$86.4 million are recommended in Sections 1 and 2. Included in these recommendations is re-authorization of \$56.6 million in MICLA financing in accordance with the 2013-14 Adopted Budget. Appropriations and reappropriations from the Reserve Fund totaling \$2.46 million are recommended for public safety-related items and to meet contractual obligations. Appropriations of approximately \$01.94 million are recommended from various line items in the Unappropriated Balance. No adjustment to budgeted revenue is recommended at this time.

DEBT IMPACT STATEMENT

The issuance of MICLA bonds is a General Fund obligation. The re-authorization to use MICLA financing provided for in the 2013-14 Adopted Budget will cause the City to borrow approximately \$62,808,000 (includes cost of equipment, costs of issuance, and debt service reserve fund) at a 5 percent interest rate. Actual interest rates may differ as rates are dependent on market conditions at the time of issuance. We cannot fully predict what interest rates will be in the future. The total estimated debt service is \$80,579,000 which includes the borrowing amount and interest (\$17,771,000). During the life of the bonds, the estimated average annual debt service is \$8,058,000 over 10 years.

DISCUSSION

The CAO monitors the budget and transmits reports to the Mayor and Council detailing the City's current financial condition. This report provides an update on the current-year budget deficit, revenue shortfall and reserve fund status, and it highlights current issues of concern and the potential impact to the City. In addition, it provides an update on department revenues and expenditures, which includes recommendations totaling approximately \$86.4 million for appropriations, transfers and other budgetary adjustments, and status reports on the City's spending and savings efforts.

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

Section 1. Status of Departmental Budgets.....	20
Section 2. Status of Non-Departmental Funds and Special Accounts.....	48
Section 3. Status of new development services department.....	50
Section 4. Status of Employment and Labor Cost Savings Efforts	51
Section 5. Status of Fee Increases.....	52
Section 6. Status of the City's MICLA Commercial Paper Program	52
Section 7. Status of Fee Waivers and Subsidies.....	53
Section 8. Status of Gang Reduction and Youth Development Program	54

1. STATUS OF DEPARTMENTAL BUDGETS

This section addresses the status of department expenditures and revenues, provides preliminary projections for year-end deficits, and highlights issues of concern. Recommendations include new appropriations, reappropriations and transfers for operational needs, as well as re-approval to expend MICLA funds as provided for in the 2013-14 Adopted Budget. Reappropriations totaling \$1.60 million are recommended from the Reserve Fund for the Police Department (\$1.48 million) and Animal Services (\$0.129 million). A Reserve Fund appropriation of \$0.085 million is recommended for the Ethics Commission Fund due to a cash shortage.

Department Expenditures: This analysis is based on department expenditure and revenue information through the end of August and includes the following assumptions: departments must absorb any unbudgeted salary adjustments and the Managed Hiring Process will continue. With only two months of data, it is still too early in the fiscal year to provide a detailed assessment of all potential surpluses and deficits. Departments projecting expenditure shortfalls of approximately \$25.3 million consist of Fire (\$14 million), Police (\$3.8 million), City Attorney (\$2.0 million) and Transportation (\$0.89 million). Unfunded expenditures of \$4.6 million are also projected for the City Clerk for the Public Health Initiative on the June 2014 ballot. Since these estimates are based on only two months of expenditure data, year-end projections are likely to change. As such, no budgetary adjustments to address departmental account deficits are recommended at this time.

Department Revenues: It is too early in the fiscal year to project year-end General Fund revenue. Departmental General Fund revenue estimates for this reporting period are based on only two months of receipts, July and August. No adjustments are recommended at this time.

A. Aging

No Recommendations

The Department of Aging is currently projecting a year-end special fund surplus of \$281,010 in their Salaries General account. The reported surplus is the result of current vacancies. Aging is in the process of filling four vacancies approved by the Managed Hiring Committee and may request to fill additional grant-funded positions through the fiscal year.

No issues are raised with the Department's budgeted revenue at this time.

B. Animal Services

Recommendation No. 22

The Animal Services Department is projecting a \$129,064 year-end General Fund deficit due to replacement equipment purchases that were not completed by the close of 2012-13. As part of the 2012-13 Year-End FSR, the Department was authorized to expend available savings to purchase replacement ballistic vests for its field officers, and computers and software to replace outdated and inadequate technology (C.F. 12-0600-S179). However, since a portion of the savings (estimated at \$129,064) was not spent prior to the close of the fiscal year, the funds reverted to the Reserve Fund. No savings are expected to be generated by the Department at the end of this fiscal year to absorb the cost of the equipment purchases. It should also be noted that the Department's expense budget was reduced by nearly \$130,000 as part of the 2013-14 Budget.

The Department believes that ballistic vests are critical in providing for the safety of its Animal Control Officers during the performance of field enforcement duties. Existing ballistic vests were purchased eight years ago and are now out of warranty.

In addition, approximately 120 of the Department's computers are beyond scheduled replacement dates, and are currently operating on Windows XP software, which Microsoft will no longer support by April 2014. The Department needs to upgrade its computers in order to be able to run a newer operating system.

The following transactions are recommended to address health and safety concerns and or create efficiencies within the department:

- Reappropriate \$49,735 from the Reserve Fund to pay for 74 replacement ballistic vests.
- Reappropriate \$79,329 from the Reserve Fund to pay for 120 replacement computers and software.

General Fund receipts through the end of August total \$850,000, which represents approximately 24 percent of the Department's total revenue budget. The Department anticipates meeting its General Fund revenue target through year-end.

C. Building and Safety

Attachment 8 – Transfers between Department and Funds

Based on the overtime usage for the first two months of FY 2013-14, a deficit of \$600,000 is projected in the Salaries Overtime account funded by the Enterprise Fund. This shortfall is due to the continuing increase in demand for new construction services.

The following is recommended to close the overtime deficit:

- Transfer \$600,000 from the Enterprise Fund (Fund 48R), Reserve for Unanticipated Costs, to the General Fund Salaries Overtime account.

Also see Section 3 for a discussion of the status of the new development services department.

D. City Administrative Officer

Attachment 7 – Transfers between Accounts within Departments and Funds

It is projected that the CAO will complete the year within budget across all accounts. A deficit of \$157,470 is currently projected within the Salaries As-Needed account associated with projected expenditures for the salaries of student workers (primarily Administrative Trainees and Administrative Interns). Student workers fill gaps caused by the loss of position authorities in recent years, retirements, and other staff attrition. This deficit is offset by a surplus in the Salaries General account, which can be transferred to fully offset the As-Needed deficit.

The following transaction is recommended:

- Transfer \$157,470 from the Salaries General account to the Salaries As-Needed account to support the salaries of student workers who perform a variety of critical department functions, including conducting research, preparing reports, and assisting senior analysts with special projects, which can range from performance budgeting implementation to establishment of a new economic development entity.

E. City Attorney

Attachment 9 – Appropriations from the Unappropriated Balance

It is projected that the City Attorney's Office will have a year-end deficit of \$2.0 million among the salary accounts, made up of a \$4.1 million deficit in the Salaries General account offset by a total of \$2.1 million in surpluses in the Salaries Grant Reimbursed and Salaries Proprietary accounts. The deficit in the Salaries General account is primarily due to unfunded salaries included as part of the 2013-14 Adopted Budget. It should also be noted that the City Attorney's Office is preparing a hiring plan to backfill critical positions. While our Office is working with the City Attorney's Office to identify solutions to address the deficit, as well as provide funding for backfilling critical positions, no transfers to salary accounts are recommended at this time. Our

Office will continue to work with the City Attorney's Office to monitor the salary accounts and will report back in a future FSR on the status of the deficit.

The 2013-14 Adopted Budget provides \$4 million in the Unappropriated Balance (UB) for outside counsel costs, including the Workers' Compensation line item. The amount reflects an increase of \$1 million from the prior fiscal year. To date, no funds have been transferred from the UB to the City Attorney for outside counsel expenditures. Further, the City Attorney is currently developing projections for 2013-14. It is too early to assess whether a deficit will be projected for outside counsel expenditures. The City Attorney will provide a separate report to the Council relative to the status of outside counsel expenditures.

The City Attorney's Office has determined that there is a critical need to update technology software and equipment in the Department. The City Attorney's Office anticipates additional Consumer Protection Trust Fund revenue this fiscal year beyond the revenue projected in the 2013-14 Adopted Budget. The additional Consumer Protection Trust Fund revenue can be used to offset General Fund expenditures, which then frees up General Fund appropriations that can be used to fund technology upgrades for the City Attorney's Office. It is recommended that \$1 million be transferred from the Unappropriated Balance, Reserve for Economic Uncertainties account to the City Attorney's Office, as a loan to front fund technology requests, to be repaid once the anticipated Consumer Protection Trust Fund receipts are realized.

The status of Liability Claims account is addressed in a separate section of this report.

F. City Clerk

No Recommendations

The Department is currently projected to be on budget. However, this outlook could change based on the outcome of pending voter initiatives which could result in up to \$4.6 million in unfunded expenditures. The Department's General Fund revenues are projected to be on budget at this time.

The Department reports that it has issued a voter initiative petition relative to overturning the City's Medical Marijuana Ordinance. If submitted by the proponents this year, an estimated \$90,000 will be necessary to review the signatures. Historically, the Department has been able to absorb some of the unfunded election costs. This Office will report back in subsequent FSRs should an additional appropriation be required.

The City Council approved placing the initiative ordinance for the creation of a new City public health department at a Special Election to be consolidated with the State Primary Election on June 3, 2014. The Department estimates the cost of placing this measure on the ballot at \$4.6 million (\$3.8 million for reimbursement to the County of Los Angeles for conducting the election and \$800,000 for the City Clerk to prepare and distribute a Voter Information Pamphlet). The City is seeking court determination regarding the validity of the initiative ordinance prior to the election. An additional appropriation may be requested pending the outcome of the court determination.

G. Controller
No Recommendations

The Controller's Office is projected to complete the year within budget. This projection includes absorbing the cost of unbudgeted salary adjustments within the current Salaries General appropriation. The Controller's Office reports that it will meet all adopted budget revenue projections. No transfers are recommended at this time.

H. Convention Center
No Recommendations

There are no anticipated changes to the Convention Center budget at this time. On October 9, 2013 the Council adopted this Office's recommendation to execute a Management Agreement between the City and Anschutz Entertainment Group (AEG) for management and operations services. Assuming this item is approved by the Mayor, AEG will immediately begin its assessment period, and fully implement the duties outlined in the Management Agreement of the Convention Center by January 2014. The Convention Center Department, with the assistance of this Office, will monitor AEG's performance on a regular basis. This Office will provide the Council and Mayor an update on the financial status of the AEG Management Agreement, and recommend any necessary changes, at mid-year.

I. Council
No. Recommendations

There are no issues raised at this time.

J. Cultural Affairs
Attachment 6 – New Appropriations
Attachment 7 – Transfers between Accounts within Departments and Funds
Attachment 8 – Transfers between Department and Funds

The Department of Cultural Affairs is projecting a year-end special fund surplus of \$278,638 resulting primarily from savings in the Salaries General account from seven current vacancies (\$170,370), as well as a carryover balance in the Council Civic Fund and miscellaneous changes in other expense accounts (\$110,209). The salary savings take into account managed hiring approvals granted for key staffing positions in community arts and public art programs that the Department is in the process of filling. Some of these positions will provide relief to the Department's As-Needed account and maintain continuity in the delivery of art instruction programs, exhibitions and performances. Any remaining Department surplus will revert to the Arts and Cultural Facilities Trust Fund. The Department anticipates meeting all General Fund revenue targets through year-end.

The following special fund transactions totaling \$132,832 are recommended at this time:

- Transfer \$47,832 from various special fund accounts to the Department's As-Needed account for salary reimbursements in the Public Art Program. This includes staff time spent on certain programs that are eligible for reimbursement to the Department's As-Needed account from other City departments and private development projects, including: 1) the Public Works Improvements Arts Program ("Percent for Arts") for Police, Fire, Animal Services and Harbor capital projects; 2) the Los Angeles World Airports art exhibitions program; 3) the Art Development Fee program; and, 4) the Music LA program.
- Transfer \$5,000 from salary savings for intermittent overtime costs (e.g., intermittent peak workload situations, special events planning and production, and meetings with neighborhood councils, community groups and (or) organizations). The Department is attempting to control overtime costs through more efficient deployment of staffing resources, however, some costs must be paid out each year in light of the Department's reduced staffing.
- Transfer \$80,000 from the Arts and Cultural Facilities Trust Fund (Fund 480) cash balance, to contractual services, for the Department's web development project. The funding is available from a larger than anticipated 2012-13 reversion to Fund 480.

K. Disability

No Recommendations

It is projected that the Department will complete the year within budget. There are no revenue issues for this Department as there are no budgeted General Fund revenues.

L. Economic and Workforce Development

Attachment 6 – New Appropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Department and Funds

The Economic and Workforce Development Department is projecting to complete the year within budgeted resources. The Department also anticipates that it will meet the Departmental Receipts for General Fund estimate of \$6.2 million. The Department is authorized 188 positions, of which 169 are filled, 11 positions from the Business Improvement District in the City Clerk's Office will be transferred in January 2014, and 8 positions are currently vacant.

The Department estimates a transfer of approximately \$162,000 for related costs from its various funding sources for the period of July 2013.

The following transactions are recommended at this time:

- Appropriate and transfer \$39,352 within the Industrial Development Authority Fund for related costs (\$11,476) and for adjustments to the Department's current operating budget (\$27,876).
- Appropriate and transfer \$847,815 within the Enterprise Zone Tax Credit Voucher Fund for related costs (\$434,263) and for adjustments to the Department's current operating budget (\$413,552).
- Appropriate and transfer \$98,114 within the Section 108 Fund.
- Increase the Department's operating budget by \$185,895 from General City Purposes funding provided in the 2013-14 Adopted Budget for the Office of Small Business.
- Establish a new account titled Reimbursement of Reserve Fund Loan and transfer \$746.52 in appropriations from within the ARRA-Energy Efficiency and Conservation Block Grant Fund to reimburse the Reserve Fund up to \$746.52 for 2012-13 expenses.
- Transfer \$15,000 in appropriations between accounts within the Department's operating budget for funding adjustments to the Department's CDBG-funded Youth Opportunity Movement (YOM).
- Transfer \$15,000 from the Department's operating budget and establish and appropriate a new YOM Stipends account within the CDBG Trust Fund to pay for participant support services pursuant to the Workforce Investment Board (WIB) Year 14 Annual Plan (C.F. 13-0728).
- Transfer \$8,700 in expenditures from the Miscellaneous Fund, Goldman Sachs Donations account, to the CDBG Trust Fund, YOM Stipends account, for participant stipends.
- Expend up to \$15,000 within the CDBG Trust Fund, Youth Opportunity Movement Stipends account for participant support services, incentives, and stipends.

M. El Pueblo

No Recommendations

The Department is projected to complete the year within budget. The Department is currently expected to meet 2013-14 Adopted Budget revenue.

N. Emergency Management

Attachment 9 – Appropriations from the Unappropriated Balance

The Emergency Management Department is projecting to complete the year within budget, subject to the receipt of Regional Catastrophic Preparedness Grant Program and Urban Areas

Security Initiative grant appropriations. General Fund receipts through the end of August total approximately \$35,000, which represents approximately four percent of the Department's total revenue budget. The Department anticipates meeting all General Fund revenue targets through year-end.

The following transaction is recommended:

- Transfer \$500,000 from the Unappropriated Balance to the Emergency Operations Fund. The funds will be used to support a contract with Baptist Child and Family Services (BCFS) Health, Human Services Emergency Services Division, which is required as part of the court order related to *Communities Actively Living Independent and Free v. City of Los Angeles*, USDC Case No. CV-09-0287.

O. Employee Relations Board No Recommendations

The Employee Relations Board is projected to complete the year within budget.

P. Ethics Commission Attachment 7 – Transfers between Accounts within Departments and Funds Recommendation No. 6

The Ethics Commission is projected to complete the year within budget, subject to the recommended transfers within the department. A \$144,000 shortfall is projected in the Salaries As-Needed account due to increased workload related to the 2013 elections. Sufficient funds are available within the Department to fully offset the deficit in this account. A projected \$34,000 surplus in the Salaries General account is recommended to be transferred to the Salaries As-Needed account. Additionally, an \$110,000 transfer is recommended from the Special Prosecutor allocation in the Contractual Services account to the Salaries As-Needed account. The \$144,000 will be used for as-needed staff to provide support for the audit and investigations workload that resulted from the 2013 elections.

At this time, it is too early to project year-end revenues since the primary sources of revenue for the Ethics Commission are lobbyist registration fees and administrative penalties, which can vary from year to year.

Recommendation No. 77 in the 2013-14 Budget Recap provided for the reappropriation of up to \$160,000 in 2012-13 funds to provide funding for two Auditor I positions to address audits for the 2013 elections (CF 13-0600). It should be noted that funding for the Ethics Commission flows through the City Ethics Commission Fund. However, when Recommendation No. 77 provided for the reappropriation, no additional General Fund money was added to the City Ethics Commission Fund revenue to back the reappropriation. As a result, it is anticipated that there will be a cash shortage of \$85,178 in the City Ethics Commission Fund. It is recommended that \$85,178 be

transferred from the Reserve Fund to the City Ethics Commission Fund to address the projected cash shortfall.

The following is recommended:

- Transfer a total of \$144,000 to the Salaries As-Needed Account from the Salaries General account (\$34,000) and the Contractual Services account (\$110,000) to fund as-needed staff to provide support for the audits and investigations workload that resulted from the 2013 elections.
- Appropriate \$85,178 in cash from the Reserve Fund to the City Ethics Commission Fund to address the projected cash shortfall as a result of a reappropriation in the 2013-14 Adopted Budget.

Q. Finance

No Recommendation

Based on current employment, the Department is projected to complete the year within budget. This includes absorbing the cost of salary adjustments within the current Salaries General appropriation. The Department reports that it will meet all 2013-14 Adopted Budget revenue projections.

R. Fire

Attachment 8 – Transfers between Department and Funds Recommendation No. 17

It is projected that the Department will have a \$14 million deficit by year-end primarily in its Sworn Constant Staffing Overtime, Sworn Salaries and Field Equipment Expense accounts. The Ambulance Augmentation Plan initiated in May 2013 and continued this fiscal year, enhances emergency medical services citywide by providing 11 additional Basic Life Support (BLS) rescue ambulances daily. This unfunded plan creates an \$833,000 monthly deficit (or approximately \$10 million annually) in additional Constant Staffing Overtime expense. Additionally, the 2013-14 Adopted Budget assumed that the Fire Dispatch Center staffing plan would have implemented the 40-hour work week for sworn personnel and saved \$4 million annually in Constant Staffing Overtime. However, this staffing plan is being addressed via the meet and confer process, as the work schedule change for dispatchers from Platoon Duty to Administrative Duty must be negotiated. Not implementing the Dispatch Center staffing plan as assumed in the budget creates a \$333,000 monthly shortfall in the Constant Staffing Overtime account.

The revenue budget for this fiscal year is \$181.5 million and the Department does not project to meet this goal. Areas of concern include: full reimbursement from the Harbor Department and the AB 678 funds (now referred to as the Ground Emergency Medical Transport (GEMT)) for ambulance transport reimbursements.

The U.S. Centers for Medicare and Medicaid Services (CMS) formally approved California's State Plan Amendment for the GEMT program. The State Plan Amendment was approved on September 4, 2013 with an effective date of January 30, 2010. It is anticipated that potential participants will start program enrollment in October 2013. The Department is working on preparing City cost estimates and gathering all required documentation to substantiate and submit the City's claims for reimbursement. The State of California, Department of Health Care Services (DHCS) has tentatively set December 2, 2013 as the due date to submit the first two year claims and then February 1, 2014 for the latter two years. This four year period covers potential reimbursements from January 30, 2010 through June 30, 2013. GEMT funds should be received within 8 weeks after claim submission. The City continues to work with DHCS to assess the approved cost methodology impact and potential reimbursement amounts.

The following transactions are recommended:

Re-approve the use of \$20,766,055 in MICLA financing included in the 2013-14 Budget for Fire Department fleet purchases as part of the Department Replacement Program. The vehicle types and quantities approved are listed below. The Department may need to make some minor changes to the vehicle list and will submit any changes for further approval in a subsequent FSR.

Equipment			
<u>Classification</u>	<u>Unit Cost</u>	<u>Number</u>	<u>Total Cost</u>
Ambulances	\$186,294	20	\$3,725,887
Aerial ladder trucks	870,038	7	6,090,268
Emergency Command Vehicles	160,613	10	1,606,131
Emergency Sedans	45,454	5	227,269
Triple Combination Pumpers	607,700	15	9,115,500
	Total	77	\$20,766,055

- Reimburse the Information Technology Agency the amount of \$395,500 from the MICLA 2012-13 Budget for planned MICLA-funded communication installations in Fire vehicles to be completed in 2013-14
- Transfer \$112,765 from the Fire Department Grants Fund, Measure B Trauma Program account, to the Targeted Destination Ambulance Services Fund 44R, Targeted Destination Ambulances account. This is a reimbursement to the Targeted Destination Ambulance Services Fund for a loan to front fund Measure B expenses. The Department's Measure B funding provides enhancements to the trauma air transport services. This program will provide the Department the necessary funding, tools, personnel and training to ensure

aircraft safety and the adequate capability of its aero medical transportation system for trauma patients (C.F. 10-0458).

S. General Services

Recommendation No. 18

A year-end expenditure deficit is not projected for this Department, however, this Office will be closely monitoring the status of the leasing account. The Department reports various unfunded liabilities such as ongoing legal dispute at the Garland Building, increase in month-to-month lease rates, delay in the scheduled move out dates, and prior year utilities cost owed to Caltrans. This Office will report back in subsequent FSRs should an additional appropriation be required.

General Fund revenue is preliminarily projected to be \$5 million below budget at year-end as \$5 million in revenue was inadvertently included in the 2013-14 Service to Airports Revenue Source account. The revenue should have been excluded as the account operates as a pass through account and the funds are appropriated to the Department's Construction Forces Division accounts to perform the requested construction-related services for the Airports. This will be corrected through subsequent revisions to revenue.

The following transaction is recommended at this time:

- Re-approve the use of \$25.8 million in MICLA financing included in the 2013-14 Budget for the purchase of replacement vehicles and equipment. As part of the 2013-14 Adopted Budget the Mayor and Council approved \$25.8 million in funding for the replacement of vehicles and equipment in order to comply with various vehicle emission mandates, reduce the cost of maintenance and parts on vehicles and equipment that have exceeded their life cycle, and replace revenue generating equipment.

<u>Equipment Classification</u>	<u>Unit Cost</u>	<u>Number</u>	<u>Total Cost</u>
Pavers	\$450,000	3	\$1,350,000
Profilers, Mini	180,000	3	540,000
Street Sweeper	350,000	24	8,400,000
Sedan Lightbar	35,000	50	1,750,000
Sedans (Executive)	30,000	14	420,000
Sedans (Elected)	45,000	10	450,000
Light Duty Trucks	37,000 - 50,000	34	1,329,000
Medium Duty Trucks	45,000 - 200,000	90	5,315,000
Heavy Duty Trucks	80,000 - 300,000	25	5,270,000
Station Wagon (R&P)	30,000	3	90,000
Refuse Collection Vehicles (R&P)	300,000	3	900,000
	TOTAL	259	\$25,814,000

T. Housing and Community Investment

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

Attachment 9 – Appropriations from the Unappropriated Balance

Recommendation Nos. 7– 8

The Housing and Community Investment Department (HCID) expects to remain within budget through year-end. The Department requests various actions that involve the transfer from special funds budgeted in Salaries General and Office and Administration accounts to support operating expenses at City-owned Family Source Centers and to provide incremental payment to the City Attorney to cover their services to the various HCID programs. In addition, HCID requests authority to transfer appropriations within various special funds to pay for costs associated with supporting three commissions, to facilitate payment of projects that were funded through the 39th Program Year of the Consolidated Plan, and also to provide payment for public benefit projects.

The following transactions are recommended at this time:

- Transfer a total of \$185,131 from the Salaries General (\$145,131) and Office and Administration (\$40,000) accounts to various expense accounts to meet the budget needs of the five City-managed Family Source Centers (FSCs). The FSCs were previously managed by the former Community Development Department (CDD). This transfer appropriates the funds to adequately cover non-labor annual costs. The funding source is Community Development Block Grant (CDBG).
- Reduce appropriations to the HCID Salaries General account by \$283,994 (CDBG-\$152,169, HOME-\$13,237, NSP2-\$37,470, RENT-\$40,559 and CODE-\$40,559) and increase appropriations to the City Attorney's Salaries General account by \$283,994 for six existing full time City Attorney positions for services provided to HCID. This is an incremental transfer of funds. The total HCID commitment from these sources is \$881,729 (plus related costs of \$680,342). An additional appropriation will be made in a future FSR to provide additional revenue to reflect services specific to the CRA assets.
- Reimburse the Information Technology Agency from the Community Development Trust Fund to pay for server upgrades for the Integrated Services Information System-ISIS and Consolidated Plan Application System-CPAS programs, pursuant to adoption of the 39th Program Year Consolidated Plan (C.F. 12-1607).
- Appropriate and transfer \$100,000 from the Community Development Trust Fund to the General Services Department to pay for renovations at a City-owned facility located at 501 Bixel Street pursuant to adoption of the 39th Program Year Consolidated Plan (C.F. 12-1607).

- Appropriate \$497,713 in CDBG Funds within the Community Development Trust Fund to align grant allocations to actual available appropriations to be used in covering HCIDLA costs.
- Decrease appropriations within the Community Development Trust Fund by \$454,065.68 to align appropriations to grant resources. This clean-up action is required because the Related Costs account includes funds appropriated to the former CDD for related cost reimbursement in the prior fiscal year utilizing current program year Human Services program allocations that were transferred to HCID. Since this is a clean-up action, there is no corresponding increase for this amount.
- Appropriate \$407,958 from the Unappropriated Balance, Operation Healthy Streets Program line item to the Affordable Housing Trust Fund to pay the Los Angeles Homeless Services Authority (LAHSA) for the continuation of the Operation Healthy Streets Program for a full year.
- Increase appropriations to various accounts within HCID by \$34,940 to cover eligible office and administration costs and contractual services to support the Human Relations Commission (\$18,432.50), Community and Family Commission (\$8,143.50) and the Commission on the Status of Women (\$8,364.00). The funding is derived from funds collected within each Commission's Trust Fund.
- Appropriate \$15,000 in HOPWA funds to pay for auditing services needed to comply with grantor requirements.
- Implement a technical correction in the amount of \$14,900 for KNL HOPWA auditing services.

U. Information Technology Agency

Attachment 6 – New Appropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 9 – Appropriations from the Unappropriated Balance

It is projected that the Information Technology Agency will complete the year within budget across all accounts. The Department is currently projecting a deficit of approximately \$1.2 million within the Salaries General account, which will be eliminated once the Department receives anticipated salary appropriations from various grant and special funds, including the Urban Areas Security Initiative (UASI) grants, the Proposition F Bond Fund, and the Proposition Q Bond Fund.

The Department anticipates achieving budgeted General Fund and Telecommunications Development Account revenue.

The following transactions are recommended:

- Appropriate \$54,642 in reimbursements from Recreation and Parks and the Library to the Department's Salaries, Overtime (\$2,090) and Communication Services (\$52,552) accounts for Communication Service Requests.
- Appropriate \$33,500 in reimbursements from the Los Angeles World Airports to the Council's Salaries, As-needed account to reimburse for staff support of the Business Assistance Virtual Network (BAVN) system.
- Transfer \$33,500 included in the Unappropriated Balance for One-Time Technology needs to the Department's Salaries As-needed account to support the salaries of student workers who will configure and install new Council computers (C.F. 13-1089).
- Transfer \$66,500 from the Department's Communication Services account to the Salaries, As-Needed account to fund anticipated expenditures for Student Workers.

V. Library

Recommendation No. 9

The Library Department is projected to have a \$3.4 million year-end surplus, comprised of a \$2.1 million surplus in its Salaries General account, and a \$1.3 million surplus in their Various Special account. The surplus is attributed to existing vacancies within the Department. This Office will monitor department attrition and expenditures and recommend fund transfers from various departmental accounts to ensure the Department remains within budgeted funds. In compliance with the City Charter (Section 531), any year-end surplus in the Department's budget will revert to the Library Fund's cash balance and may be appropriated to the Department in subsequent budgets. The funds are restricted to support the Library Department, its operations and facilities.

Pursuant to the 2013-14 Adopted Budget, the Library Department will restore .5 hours of service on Friday and Saturday, and four hours of service on Sunday at the Central Library and the eight regional libraries beginning January 2014. The restoration of these hours will increase the service hours of these libraries to the 2009-10 level required by Measure L. The projected \$3.4 million surplus assumes that the Library will fill the 32 positions provided in the 2013-14 Adopted Budget for restoration of services. The Managed Hiring Committee has approved the filling of the positions.

The Department reports a deficit of \$150,164 in Library Fund revenue for the period ending August 31, 2013. All revenue collected by the Department is deposited into the Library Fund.

On July 25, 2013, the Board of Library Commissioners adopted Board Resolution No. 2013-32 (C-25) authorizing to increase the appropriation to the Department's Contractual Services account. The increase will fund the first phase of a three-phased project to consolidate and

replace the telephone systems in the Central, Regional, and Branch Libraries into a single, unified telephone system.

The following transaction is recommended:

- Increase the appropriation to the Department's Contractual Services account from the cash balance available within the Library Fund for phase one of the Library's Integrated Telephone System as approved by the Board of Library Commissioners.

W. Mayor

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

The Mayor's Office requests the following transactions:

- Appropriate and transfer \$9,717.35 in interest income within the 2009 Justice Assistance Grant Fund for City Attorney Reserve expenditures;
- Transfer \$24,127.50 to accounts within the 2009 Arrest Policies Grant Fund for Mayor salaries and related costs;
- Establish a new appropriation account within the FY10 Justice Assistance Grant Fund, and transfer \$35,531.17 for Mayor current year related costs;
- Appropriate and transfer \$102,072.27 in interest income within the FY09 Fiscal Year 2009 Justice Assistance Grant - American Recovery and Reinvestment Act (FY09 JAG ARRA) Grant Fund for City Attorney Reserve expenditures;
- Transfer \$102,826.79 from various accounts within the Fiscal Year 2008 Urban Areas Security Initiative (FY08 UASI) Grant Fund for UASI related expenditures for Police and Information Technology Agency projects; and,
- Appropriate and transfer \$3,152.17 from FY08 UASI Grant Funds to the Information Technology Agency, Revenue Source account, Reimbursement of Prior Year Salary;

J. Los Angeles Convention and Visitors Bureau (LA Inc.)

No Recommendations

No transactions are required at this time.

X. Neighborhood Empowerment

Attachment 5 - Special Fund Reappropriations

The Department of Neighborhood Empowerment is projected to end the year within budget. The Department is currently requesting various transfers from Program Prior Year Uncommitted Neighborhood Council balances to pay for outstanding bills and contracts.

Additionally, the Council authorized the Department to reappropriate up to \$250,000 in 2012-13 Neighborhood Empowerment Fund savings to support the Neighborhood Council Funding Program and implementation of a new checking account system (C.F. 13-0600). The available amount from prior year savings is still being reconciled and will be recommended in a future FSR. When available, these funds are expected to offset any potential deficit.

The following transactions are recommended at this time:

- Reappropriate \$113,809.82 within the Neighborhood Empowerment Fund, various Neighborhood Council accounts as specified, from 2012-13 to 2013-14. The reappropriations are necessary to cover Neighborhood Council unpaid expenses from June 2013;
- Reappropriate \$48,615.93 within the Neighborhood Empowerment Fund, various Neighborhood Council accounts as specified, from 2012-13 to 2013-14, for Neighborhood Council unpaid executed contracts from June 2013.

Y. Personnel

No Recommendations

It is projected that the Personnel Department will complete the year within budget across all accounts. The Department is currently projected to have a surplus of \$1.0 million within the Salaries General account. The Department has also indicated that it may experience a year-end shortfall of up to \$600,000 in the Salaries, As-Needed account due to a) the increase in the number of disciplinary hearings and associated compensation for as-needed hearing officers, b) the need for medical staffing in three medical dispensaries in Police Department detention facilities on a 24 hours-a-day, 7 days-a-week basis, and c) staffing requirements to recruit, test, and conduct background checks on public safety candidates. This Office will monitor Salaries, As-Needed expenditures and recommend a transfer from the Salaries General account in a future FSR if warranted.

There are no revenue concerns at this time; however, it is too early in the fiscal year to assess year-end revenue for this Department.

Z. Planning

Attachment 7 – Transfers between Accounts within Departments and Funds

The Department is projected to complete the year within budget. Additionally, special fund revenues are projected to be within budget. At this time, the Department projects a shortfall in General Fund revenue of \$915,996 due to vacancies in the department of grant-funded positions. The Department is working with the Managed Hiring Committee on a hiring plan to resolve this issue.

The following is recommended:

- Transfer \$931,607 from the Salaries General account to the Contractual Services account to provide funding for the New Community Plan work program; the transfer will replace funding that was automatically disencumbered last year as part of the prior year disencumbering exercise.

Also see Section 3 for a discussion of the status of the new development services department.

AA. Police

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

Recommendation Nos. 10 – 13, 19, and 23 – 29

A year-end deficit of \$3.8 million is projected for the Department at this time. The deficit is largely attributable to deficits in the Salaries General and Salaries-As Needed accounts. The Department has indicated that the shortfalls in the Salaries General account are largely attributable to the unfunded compensation adjustments for certain bargaining units (\$3.8 million) and an error in calculating the civilian salaries for 2013-14 (\$5 million). The shortfall in the Salaries As-Needed account is due to the use of as-needed security officers (as opposed to overtime) (\$0.8 million). This Office will continue to monitor the Department's accounts. At this time, the LAPD is projecting surpluses in their Sworn Salaries (\$2 million) and Overtime, General (\$3.8 million) accounts which will partially offset the deficits, resulting in a net year-end deficit of approximately \$3.8 million.

Through September 21, 2013, 28 Police Officers have been hired and attrition is 105, 3 less than planned as of that date. As of October 5, 2013, the total number of filled sworn positions is 9,906, including 87 Office of Public Safety Officers (OPS) who transferred to the Police Department in 2012-13. The Department currently has 117 (out of 10,023) existing sworn vacancies and is anticipating attrition of approximately 272 officers between September 22, 2013 and June 30, 2014. A class of 29 officers began at the academy on October 7, 2013.

The Department is on target for the majority of its revenue sources for the current period. The revenue for reimbursements from other agencies is behind as the Department has not billed the County for Proposition 69 reimbursement. It is anticipated that this source will be on target by

mid-year. The Department is projecting a deficit in revenue from police permit fees of approximately \$1.6 million, based on the actual revenue received from new and renewal permits in 2012-13. The Department attributes this reduction in revenue to economic uncertainty.

The Department is on target for the majority of its revenue sources for the current period. The revenue for reimbursements from other agencies is behind as the Department has not billed the County for Proposition 69 reimbursement. It is anticipated that this source will be on target by mid-year. The Department is projecting a deficit in revenue from police permit fees of approximately \$1.6 million, based on the actual revenue received from new and renewal permits in 2012-13. The Department attributes this reduction in revenue to economic uncertainty.

The following reappropriations are recommended:

- Reappropriate \$847,174 from the Reserve Fund for sworn overtime to enforce operations for Post-Released Supervised Persons who reside in the City of Los Angeles as part of the State of California's Public Safety Realignment Act (Assembly Bill 109) per C.F. 12-0600-S177. The amount of \$1 million was transferred from the Unappropriated Balance on April 26, 2013. Of that amount, only \$152,826 was spent on sworn overtime prior to the end of the fiscal year.
- Reappropriate \$110,000 from the Reserve Fund for the ESRI enterprise license agreement for the COMPSTAT system per the 2012-13 Adopted Budget.
- Reappropriate \$20,000 from the Reserve Fund for ESRI consultant support for the COMPSTAT system per the 2012-13 Adopted Budget.
- Reappropriate \$112,000 from the Reserve Fund to continue maintenance support with Key Information Systems for digital in-car video system hardware and software maintenance per the 2012-13 Adopted Budget.
- Reappropriate \$34,000 from the Reserve Fund for data source integration maintenance with IBM in support of the Coplink system per the 2012-13 Adopted Budget.
- Reappropriate \$334,000 from the Reserve Fund for a contract with Lexis Nexis for computer-assisted legal research and access to public records per the 2012-13 Adopted Budget.
- Reappropriate \$18,865 from the Reserve Fund, \$5,879 from the Council District 7 Real Property Trust Fund, and \$8,000 from the State AB1290 City Fund, for a total of \$32,744, to support overtime costs for enhanced patrol and enforcement activities at the Foothill Area Police Station per C.F. 13-0792. The \$18,865 was previously appropriated from the General City Purpose Fund, CD 7 Community Service account.

- Reappropriate \$22,000 from the Forfeited Assets Trust Fund to automate the Department's timesheet correction process within the timesheet module of the Deployment Planning System as only \$8,000 of the \$30,000 was spent prior to the end of 2012-13.
- Reappropriate \$34,065 from the Fiscal Year 2012-13, Street Revenue Furniture Fund for the purchase and installation of security cameras at the Old Junipero Serra Library in Council District 9 per C.F.13-0011-S23.

The following additional transactions are recommended:

- Transfer a total of \$5.8 million from the Department's Salaries Sworn account (\$2 million) and Overtime, General account (\$3.8 million) to the Department's Salaries General (\$5 million) and Salaries As-Needed (\$0.8 million) accounts.
- Appropriate \$105,765 from the Forfeited Assets Trust Fund, Gang Intervention Program account to the Department to pay for officer overtime work to continue to support the ongoing youth prevention and intervention activities for the Cadet Program at the Cadet Academy on Saturdays (e.g., run youth programs and work with cadets to distribute crime prevention materials).
- Transfer \$100,000 from the Department's Contractual Services account to the Information Technology Agency for Police Department primary telecommunications service requests.
- Re-approve the use of \$10,004,000 in MICLA financing included in the 2013-14 Budget for the purchase of 276 non-patrol vehicles (71 undercover, 197 plain, and 8 specialized vehicles), for the Los Angeles Police Department.

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

The Board of Public Works is projecting a \$326,696 year-end surplus, which is mostly comprised of special fund savings created by vacancies in special funded positions (particularly Sewer Construction and Maintenance Fund). No action is recommended at this time. This Office will continue to monitor and report on the status of these surplus funds throughout the year.

General Fund revenue is projected to be on budget at this time.

**CC. Public Works/Bureau of Contract Administration
Attachment 7 – Transfers between Accounts within Departments and Funds**

At this time, the Bureau projects a year-end surplus of \$1.27 million consisting of a \$0.35 million General Fund surplus and a \$0.92 million surplus in special funds. The year-end surplus is primarily attributed to vacancies within the Bureau. It is important to note that workload estimates

are currently being revised; therefore, projected revenue and expenditures for the year are preliminary and subject to change. The composition of the Bureau's year-end surplus will likely change as work plans are refined and interim appropriations from bond funded and special projects are approved. As such, this Office will monitor the status of funding sources and accounts and report back in subsequent FSRs with necessary actions to address potential shortfalls.

Although the Bureau currently projects an overall net General Fund surplus of \$0.35 million, the Bureau is projecting a total deficit of \$719,000 in the Hiring Hall (HH) Salaries, Benefits HH, and Overtime HH accounts. This is due to an agreement between the Bureau and the Municipal Construction Inspectors Association (MCIA) which allows for the hiring of temporary construction inspectors from the Building and Trades Council Hiring Halls. This agreement will allow the Bureau to provide deputy inspection on construction projects when there is a short term need that the Bureau is unable to staff. Since the 2013-14 Adopted Budget does not provide funding to the Hiring Hall accounts, the Bureau will keep twelve Construction Inspector positions vacant to generate sufficient salary savings to fund the use of the Hiring Hall. The shortfall in these accounts may be mitigated with the approval of the recommendations listed in this report which transfer salary savings to offset the deficit.

General Fund receipts through the middle of September total \$2.8 million which represents approximately twelve percent of the Bureau's total revenue budget. The Bureau anticipates meeting most General Fund targets and reports that General Fund revenue from overhead reimbursements is typically received at the end of the fiscal year.

The following transaction is recommended:

- Transfer \$719,000 from the Bureau's Salaries General account to the Bureau's Hiring Hall Salaries (\$489,000), Benefits Hiring Hall (\$190,000), and Overtime Hiring Hall (\$40,000).

DD. Public Works/Bureau of Engineering No Recommendations

A year-end special fund surplus of \$4.1 million is projected for the Bureau. The surplus is mainly attributable to a \$3.9 million special fund salary surplus due to special funded vacancies. Of 99 current vacancies, approximately 65 are special funded. These 65 vacancies represent approximately nine percent of all 797 authorized positions. As a result of receiving blanket managed hiring exemption authority for 115 positions, the Bureau is aggressively pursuing the filling of key vacant engineering positions to avoid service interruptions and project delays. No transfers are recommended at this time. This Office will continue to work closely with the Bureau to monitor the status of this surplus as well as requests for salary reimbursements from special funds. This Office will report back on further actions if necessary.

Due to the projected increase in development fee-related revenue, the Bureau is expected to exceed its overall revenue target for this year by more than 10 percent as illustrated by the rate of

receipts collected for the first two months of the fiscal year (32 percent of its \$9 million annual revenue budget already collected) as compared to last year's collection for the same period (25 percent of its \$8.5 million annual revenue budget).

EE. Public Works/Bureau of Sanitation

Attachment 5 – Special Fund Reappropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

The Bureau of Sanitation is projecting a \$12.65 million year-end surplus across its various special funds (mainly Sewer Construction and Maintenance and Solid Waste Resources Revenue Funds) as a result of high vacancies and expense savings. Currently, there is a 16 percent vacancy rate within the Bureau. On August 16, 2013, the Managed Hiring Committee approved an exemption for various positions that support critical Bureau operations. The Bureau relies on as-needed staffing to absorb the workload created by the high vacancies and the Council (C.F. 12-1622-S1) recently authorized the Bureau to transfer approximately \$2.0 million from salary savings for as-needed staffing support while it ramps up to fill regular positions. However, an additional \$3.0 million is required to support the projected as-needed salary expenditures for the remainder of the year.

High vacancy rates within the Bureau's Clean Water and Solid Resources programs have resulted in the overpayment of related cost reimbursements to the General Fund. For 2011-12, there is an outstanding \$6.39 million General Fund liability to the Solid Waste Resources Revenue Fund and actions will be recommended in a future FSR to address this overpayment of related cost reimbursements.

The Lifeline Program for Solid Waste Disposal has a budget of \$6.1 million. There are currently 50,708 subscribers in the program and 935 applicants on the waitlist. The Council-approved enrollment cap is 51,400 and the Bureau is likely to enroll up to this cap. Sufficient funds are available to support the costs for 51,400 subscribers.

The following transactions are recommended:

- Transfer \$3,000,000 from the Salaries General account to the Salaries As-Needed account to address anticipated peak workloads (Solid Waste Resources Revenue Fund (SWRRF)).
- Transfer \$1,500,000 from the Salaries General account to the Salaries As-Needed, Overtime Salaries, and Hiring Hall Salaries and Benefits accounts to address anticipated peak workloads (Sewer Construction and Maintenance (SCM) Fund).
- Transfer \$45,000 from the Uniforms account to the Printing and Binding and Operating Supplies accounts within SWRRF to address increased printing costs, and to allocate funds to the proper accounts to pay for private fueling costs when fueling stations at the Los Angeles World Airports are not functioning.

- Transfer \$53,500 from the Salaries General account to the Personnel Department's Contractual Services account to reimburse for executive recruitment services for the Hyperion Treatment Plant (HTP) Manager (SCM funds).
- Transfer \$44,000 from the Sanitation Expense and Equipment account within SCM to the Information Technology Agency's Communication Services account for fiber optics network services between HTP and various Bureau facilities.
- Reappropriate \$316,266 in prior year unspent funds from the Environmental Affairs Trust Fund to the Bureau of Street Services' Overtime Salaries account and the Bureau of Sanitation's As-Needed Salaries and Overtime Salaries accounts to support work on the Clean Cities, Branching Out (C.F. 10-0097), and Heat Re-Leaf (C.F. 09-2835) Programs.
- Transfer \$30,000 from the available cash balance within the Environmental Affairs Trust Fund to a new account within the Fund to support the costs of environmental special events.
- Transfer \$165,000 from the SWRRF Fund to the Board of Public Works' Contractual Services account to reimburse the Los Angeles Conservation Corps for clean up efforts in Council District 3 (C.F. 13-0011-S17).
- Transfer \$56,543 from the Solid Waste Resources Revenue Bond Series 2009A to General Services Construction Salaries and Construction Materials and Supplies accounts for the East Valley Yard Administration Building Modification Project.
- Transfer \$58,969 from the SCM Fund to the General Services Construction Salaries and Construction Materials and Supplies accounts for the Wastewater Collection Systems Division South Yard Lead Abatement Project.
- Reappropriate \$470,000 from the Stormwater Pollution Abatement Fund to the Bureau of Sanitation Contractual Services account to allow the Bureau to pay for NPDES permit compliance consultant services invoices.

Approximately 16 percent of General Fund revenue has been received to date. This Office anticipates that the Bureau will meet its overall General Fund revenue target by year-end. There are no issues with special fund revenue at this time. Receipts are consistent with budget.

FF. Public Works/Bureau of Street Lighting

Attachment 5 – Special Fund Reappropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

Pending approval of the recommendations in this report, it is projected that the Bureau will have a special funds deficit of \$2.1 million, attributed to its Salaries General, Overtime, Hiring Hall, Contractual Services, and Street Lighting Special Purpose Fund accounts. This deficit is due to off-budget funding that has yet to be transferred to the Bureau for work on special projects throughout the year.

The Bureau has received one percent of General Fund and seven percent of special fund budgeted receipts to date, and projects that it will meet budgeted revenue. The largest proportion of receipts comes from maintenance assessments, which are distributed in December and May. Additionally, related cost receipts from the Bureau's work on Metro and Gas Tax projects have yet to be reimbursed.

The following transactions are recommended:

- Reappropriate \$62,845 to the Bureau from the Street Lighting Maintenance Assessment Fund (SLMAF) for pole painting contingency. Funding was budgeted in 12-13 but was delayed by the awarding of the pole painting contract. This reappropriation is needed in order to complete the Unit IV pole painting project that will paint 1,065 existing streetlights in various areas of the City.
- Reappropriate \$318,761 from the Community Development Trust Fund to the Bureau to complete the Sun Valley Phase 3 (\$5,000) and 4 (\$313,761) Street Lighting Improvement projects. These projects were approved for CDBG funding in the 36th and 37th Year Consolidated Plan reports, but funds reverted at the end of the 2012-13 fiscal year. Funding is required for construction and construction management salaries and contract construction services costs. CDBG funds must be used only for the specific project phase for which they were originally approved in the Consolidated Plan.
- Reappropriate \$51,300 from the SLMAF to the Bureau of Street Lighting to pay for refuse and recycling collection services. The Bureau of Sanitation is providing services to two field offices located within the City. There is sufficient funding in this account to support the transfer.
- Reappropriate \$5,000 in Proposition K funding for the Fox Street and Laurel Boulevard Light Improvement project which reverted in June 2013. This reappropriation is needed in order for the Bureau to complete the project.

- Transfer \$170,000 in Gas Tax Capital Improvement Expenditure Program (CIEP) funds for Light Emitting Diode (LED) conversions on General Benefit streetlights. The funding will cover salaries, overtime, and operating supplies and expenditures. Funding was approved in the Fiscal Year 2013-14 CIEP Physical Plant budget.
- Transfer \$72,155 within the Street Lighting Maintenance Assessment Fund (SLMAF) for pole painting. These funds were originally appropriated to the Bureau's Contractual Services account but reverted in June 2013 due to the delay in awarding the pole painting contract. Effective in Fiscal Year 2013-14, pole painting funding is budgeted under SLMAF special purpose fund appropriations. This transfer is needed in order for the Bureau to award the contract.
- Transfer \$1,087,000 from the Fire Hydrant Conflict Program account within the SLMAF to the Bureau, to convert 1,774 high voltage streetlight circuits within 20 feet of a fire hydrant. This program reduces danger to the public and staff, and reduces the City's exposure to liability. The funds will cover Hiring Hall salaries and benefits, overtime, and operating supplies.
- Transfer \$22,000 from the SLMAF to the Bureau to complete the installation of 120 new streetlights, foundations, conduit, wiring, and real-time outage-reporting devices as part of the SAFETEA-LU Elysian Valley Phase II – Riverside Dr. (Gail St to Barclay St) Project. Funding is provided from Council District 13 AB1290 Funds (C.F. 12-0108).

GG.Public Works/Bureau of Street Services
Attachment 5 – Special Fund Reappropriations
Attachment 6 – New Appropriations

At this time, the Bureau projects a year-end deficit of \$2.8 million (\$0.3 million General Fund and \$2.5 million special fund) primarily resulting from shortfalls in the Bureau's expense accounts. The deficit will be partially offset with the approval of recommendations contained in this report. The remaining shortfall is expected to be completely offset by appropriations and reimbursements that will be made in a future Construction Projects Report.

General Fund receipts through the middle of September total \$3.5 million, which represents approximately eight percent of the Bureaus total revenue budget. The Bureau anticipates meeting all General Fund targets and reports that General Fund revenue from overhead reimbursements is typically received at the end of the fiscal year.

Appropriations and reappropriations totaling \$0.946 million are recommended at this time:

- Appropriate \$30,000 from the Subventions and Grants Fund to the Bureau for the Alta Mura Road Repaving Project.

- Appropriate \$42,678.70 from the Subventions and Grants Fund to the Bureau for California Tire Recycling Management.
- Reappropriate \$119,747.70 from the Subventions and Grants Fund to the Bureau for the CRA Huntington Drive Public Improvement Project (C.F. 12-0600-S170).
- Reappropriate \$109,688.84 from the Subventions and Grants Fund to the Bureau for the CRA AB1290 Council District Eight Improvement Project (C.F. 12-0600-S170).
- Reappropriate \$16,861.63 from the Subventions and Grants Fund to the Bureau for the CRA Victory Boulevard Sidewalk Improvement Project (C.F. 12-0600-S170).
- Reappropriate \$200,000 from the Street Furniture Revenue Fund to the Bureau for various projects in Council District 10 (C.F. 12-0600-S170).
- Reappropriate \$131,513.25 from the Street Furniture Revenue Fund to the Bureau for the maintenance and enhancement of various projects in Council District Three (C.F. 12-0600-S170)
- Reappropriate \$250,000 from the State AB1290 Fund to the Bureau per C.F. 13-0676 for various projects within Council District Three. The amount of \$50,000 is provided for each of the following: Canoga Park Neighborhood Council, Woodland Hills Neighborhood Council, Winnetka Neighborhood Council, Tarzana Neighborhood Council, and Reseda Neighborhood Council.
- Reappropriate \$45,526 from the State AB1290 Fund to the Bureau for the 1070 North Western Avenue Project in Council District 13 (C.F. 13-0786).

HH. Recreation and Parks

No Recommendations

At this time, a \$4,164,331 year-end surplus is projected for the Department due to a surplus in the Salaries General account attributed to vacancies. The projected surplus may be reduced or eliminated due with a revised hiring plan and transfers to offset funding needs in other salary accounts. Should the surplus materialize at year end, the funds will revert to the Department's Unreserved and Undesignated Fund Balance (UUFB). Budgeted revenue is expected to be met at this time.

II. Transportation

Attachment 5 – Special Fund Reappropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

Recommendation No. 14

Based on current expenditure patterns, an overall department shortfall of \$2,970,717 (\$2.1 million in General Fund and \$0.788 million in special funds) is projected at year end. This projection assumes approval of recommended transfers in this FSR. The deficit is attributed to shortfalls in the salaries and overtime accounts. However, the Department anticipates offsetting the entire overtime shortfall through internal transfers or reimbursements from other City departments and funds throughout the year. The salaries deficit is a result of unfunded salary adjustments effective January 2014 mainly for General Funded positions. The Department's year-end General Fund salary shortfall is estimated at \$884,703 and the Special Fund salary surplus is \$1,987,548. As such, the Department may require an additional appropriation from the General Fund to offset the General Fund salary shortfall. The Department also advises that a small portion of employees assigned to Proposition C projects are still charging to the General Fund and hope to correct this issue going forward. These payroll corrections may reduce the need for a supplemental appropriation to the Salaries account. This Office will report back on this matter in the next FSR.

The Department's estimated year-end overtime shortfall is \$6,998,009, comprised of General Funds (\$3,999,202) and Special Funds (\$2,998,807). This projection is based on current expenditure trends, and assumes approval of overtime transfers recommended in this report. The General Fund overtime shortfall is attributed to traffic control services provided at special events throughout the City, which are reimbursed by the venue. In addition, this shortfall includes overtime expenditures related to the street resurfacing program and work associated with the Bicycle Plan. The overtime shortfall is expected to be offset with internal transfers from various accounts and anticipated special event reimbursements which will be received throughout the year. This Office will report in the next FSR should any issues arise.

The following transactions are recommended:

- Transfer \$1,194,000 within the Department's internal accounts to cover projected shortfalls as follows: \$1,000,000 from various expense accounts to the Salaries Overtime account (General Funds); \$94,000 from the As-Needed account to the Salaries Overtime account (Special Gas Tax); and, \$100,000 from the As-Needed account to the Salaries Overtime (Proposition C).
- Transfer \$17,500 within the Special Parking Revenue Fund, Parking Facilities Lease Payment account FY 2013 to the Parking Facilities Lease Payment account FY 2014 to pay for an extended lease agreement relative to Lot 671 located at 672 S. Detroit Street. The Department leases the lot from MTA and it is currently a metered lot. MTA will use this site for construction staging for the Wilshire Expo Rail project, however the project is

behind schedule and MTA informed the City that the lot is still available for use. This amount will support lease payments through January 31, 2014.

- Transfer \$235,300 from the Special Parking Revenue Fund, Parking Meter & Off- Street Parking Administration account FY 2014 to the Salaries Overtime account for various anticipated overtime expenses related to oversight of parking facilities, meter collections, meter installations and support services. Overtime funding is typically set aside in the Special Parking Revenue Fund.
- Transfer \$323,321.82 from various accounts within the Gas Tax Fund to the Traffic Signal Supplies account for the purchase of signal supplies for Bureau of Street Lighting projects in various Council Districts.
- Transfer \$530,000 from the Proposition C Anti-Gridlock Fund, Metro/Expo Authority Work Program account to the Salaries Overtime account to meet anticipated year-end payroll needs for Metro/Expo Construction Authority projects.
- Transfer \$679,303.39 from the Transportation Trust Fund, Miscellaneous accounts to the Salaries Overtime account as reimbursement for traffic control services related to special events. This amount represents reimbursements received in the months of July and August from the Los Angeles Dodgers, Greek Theater, Hollywood Bowl and Staples Center. There are sufficient funds in this account to support this action.
- Reappropriate and transfer \$73,149 from the Transportation Grant Fund, Street Lighting account that reverted in June 2013 to the Bureau of Street Lighting's Salaries Overtime and Materials account for the West Adams Bus Stop Street Lighting project so that Bureau crews can complete the installation of twelve pedestrian lights and seven luminaries at various locations along West Adams.
- Transfer \$9,000 from the Measure R Fund, Bus Stop Security Lighting account, to the Bureau of Street Lighting's Salaries Overtime account as part of the installation of a new stairway walkway lighting throughout the City to enhance public safety. This appropriation is specific to the Ocean Front Walk Project.
- The Street and Transportation Projects Oversight Committee approved The Department's recommendation to cancel and deobligate the Clybourne Ave Highway Rail Project due to increased project costs and additional design standards required by the grantor. Various adjustments are recommended to decrease the current appropriations and return the matching funds to Proposition C.

Also see Section 3 for a discussion on the status of the functional transfer of planning and development functions.

JJ. Zoo

Attachment 6 – New Appropriations

The Zoo is currently projected to have a \$61,409 deficit within the Salaries General account. However, the deficit is expected to be fully offset by year-end through managed hiring and attrition.

Overall, the Department's actual revenues to date for admissions and concessions are slightly lower than budgeted. Total revenue through August 31, 2013 is \$2,643,805. This is two percent or (\$99,187) lower than projected. Membership revenue to-date is higher than budgeted and helped mitigate the total revenue shortfall. This Office will continue to monitor the Department's revenue projections and report back in future FSRs.

As of July 1, 2013, the Greater Los Angeles Zoo Association (GLAZA) assumed the public relations and marketing function for the Los Angeles Zoo. This was a result of the Council approved Memorandum of Understanding (MOU) between the Department and GLAZA, subject to a Five-Year Business and Marketing Plan (C.F. 13-0600-S119). The MOU included several revenue projections submitted by GLAZA which were used to balance the Department's 2013-14 Budget. However, GLAZA has revised attendance and revenue projections which are \$310,853 lower than budgeted. GLAZA is currently reviewing options to offset the potential deficit, including expanding special events and holiday promotions. Any potential decrease to revenue projections may increase the projected deficit within the Department's operating budget to approximately \$372,000. It is recommended that the Department include any and all changes to the MOU, such as the revised attendance and revenue projections submitted by GLAZA and solutions to mitigate any potential shortfalls, with the Five-Year Business and Marketing Plan due by November 1, 2013.

Due to the delayed opening of the Rainforest of the Americas exhibit, contractual obligations for media promotions and advertising will need to be extended through the Zoo's existing marketing and advertising contractor through year end, and an additional \$90,000 is required to complete the media obligations for the new exhibit. The Department is requesting a \$90,000 increase to the Contractual Services account from available cash within the 2012-13 Zoo Enterprise Trust Fund unexpended appropriations.

The following is recommended at this time:

- Appropriate \$90,000 in funds from the 2012-13 Unexpended Appropriation from the Zoo Enterprise Trust Fund to the Department's Contractual Services account to provide increased advertising services for the Los Angeles Zoo.

2. STATUS OF NON-DEPARTMENTAL FUNDS AND SPECIAL ACCOUNTS

This section addresses the status of non-departmental expenditures and revenues and highlights issues of concern. The amount of \$1,941,000 is appropriated from various Unappropriated Balance line items. A \$0.773 million Reserve Fund appropriation is recommended as repayment of Section 108 funds from General Fund Site Specific Tax Revenues for the Plaza Pacoima and Midtown Crossings projects.

A. General City Purposes Recommendation No. 15

Accounts within the General City Purposes (GCP) Fund appear to be appropriately funded. This Office will continue to monitor these accounts.

The following transaction is recommended:

- Revert approximately \$41,000 in prior year General City Purposes Community Services funding for Council Districts 10 and 14 to closeout prior year commitments to community organizations. The funds were inadvertently disencumbered in the current fiscal year.

B. Human Resources Benefits No Recommendations

Year-end expenditures for the Human Resources Benefits Fund are difficult to project this early in the fiscal year, as benefit rates, open enrollment, staff attrition and hiring, and workers compensation claims can result in significant fluctuations in expenditures. This Office will continue to monitor and report on the status of this Fund in future FSRs.

C. Liability Claims Account No Recommendations

The 2013-14 Adopted Budget provides \$47.91 million for the Liability Claims Account, as well as an additional \$6 million set aside in the Unappropriated Balance. These funds are set-aside for the payment or settlement of claims brought by or against the City. To date, the City has approved \$16.05 million in payouts (actual expenditures plus payments in process) for both accounts for an available balance of \$31.86 million in the Liability Claims Account. At this time, it is too early to project a deficit for the Liability Claims account. The City Attorney's Office will continue to provide periodic updates on the status of the Liability Claims Account in a separate report to the City Council.

D. Unappropriated Balance

Attachment 9 – Appropriations from the Unappropriated Balance

Attachment 10-A – Status of the Unappropriated Balance – General Accounts

Attachment 10-B – Status of the Unappropriated Balance – non-General Accounts

With the approval of the adopted budget, the Unappropriated Balance (UB) began with a balance of approximately \$83.9 million. Within the UB General Account, as of August 30, 2013, \$4,806 has been appropriated through Council action, reducing the General Account balance from \$50,000 to \$45,194. Overall approximately \$370,000 has been transferred from the UB to date, bringing the balance to \$83.5 million prior to the inclusion of recommendations in this report.

This report includes recommendations to appropriate \$1.9 million from various UB line items, including a \$1 million loan from the Reserve for Economic Uncertainty line item to address unbudgeted expenses in the City Attorney's Office consisting of technology software and equipment. The specific intent of the "Reserve for Economic Uncertainty" account is to address revenue shortfalls or unforeseen and unbudgeted expenditures that may arise throughout the fiscal year. The City Attorney's Office anticipates additional Consumer Protection Trust Fund revenue this fiscal year beyond the revenue projected in the 2013-14 Adopted Budget. The additional Consumer Protection Trust Fund revenue can be used to offset General Fund expenditures, which then frees up General Fund appropriations that can be used to pay off the UB loan.

The recommendations in this report reduce the Unappropriated Balance to approximately \$81.6 million.

E. Capital Improvement Expenditure Program

Attachment 8 – Transfers between Departments and Funds

Capital Improvement Expenditure Program Funds (City Facilities Maintenance and Improvements line item) in the amount of \$286,382 are transferred for building maintenance and information technology needs at various City facilities.

- \$100,000 to the Information Technology Agency, Communications Services account.
- \$186,382 to the General Services Construction Salaries (\$74,566) and Construction Materials and Supplies (\$111,816) account.

F. Repayment of Section 108 Funds from General Fund Site Specific Tax Revenues (SSTR) Recommendation Nos. 20 – 21

The EWDD administers projects that are authorized to use up to 49 percent of General Fund project-generated, site-specific tax revenues (SSTR) (i.e. sales taxes, business license fees and utility taxes) as a repayment source for Section 108 loans. To date, the EWDD has borrowed other funds from its Section 108 program to pay debt service until it could be determined that sufficient General Fund SSTR was generated to pay the debt service directly from the General

Fund. In some cases, the projects have produced enough revenue to include them directly into the City's budget. If there is insufficient revenue, then a bill is sent to the developer who has a guarantee to pay the shortfall in General Fund SSTR revenues to reimburse the General Fund.

In May 2006, the Mayor and Council approved a SSTR tracking procedure to insure that these projects generate sufficient General Fund SSTR to repay Section 108 loans through the General Fund for debt service (C.F. 06-0201). To date, three projects have generated sufficient General Fund SSTR to reimburse the General Fund and Section 108. For 2013-14, a total of \$1,000,151 in General Fund monies are appropriated in the Capital Finance Administration Fund to pay the following three projects' debt service payments: a) \$126,844 for the Lawry's project (C.F. 98-1953); b) \$415,847 for the Chesterfield Square project (C.F. 00-1579-S2); and, c) \$457,460 for the Plaza Pacoima project (C.F. 08-1811). Debt service payments are due on August 1 and February 1 of each fiscal year.

In a letter to this Office dated July 29, 2013, the EWDD requested a total of \$787,370.47 in accumulated unpaid amounts of Section 108 debt service payments as follows: a) \$454,360 for the Plaza Pacoima project for Fiscal Years 2011-13; and, b) \$333,347.47 for the Midtown Crossings project for Fiscal Years 2008-13 (C.F. 02-2741). EWDD stated that Plaza Pacoima has generated \$2.9 million in available General Fund SSTR that could be used to pay its debt service. If approved, a total of \$911,820 in General Fund monies, including \$454,360 in accumulated unpaid Section 108 debt service payments for Fiscal Years 2011-13 and \$457,460 currently appropriated in the Capital Finance Administration Fund for 2013-14, would be used to pay the debt service for Plaza Pacoima. For the second project, EWDD stated that Midtown Crossings has generated \$428,639.08 in available General Fund SSTR and that \$109,514.97 in General Fund monies was used to pay for the project's debt service in 2006-07, leaving \$319,124.11 in available General Fund SSTR for the project's debt service.

Based on actual General Fund SSTR received by the City and verified by the Office of Finance, this Office recommends that the EWDD be reimbursed a total of \$773,484.11 for accumulated unpaid amounts of Section 108 debt service payments for the following two projects: a) \$454,360 for the Plaza Pacoima for Fiscal Years 2011-13; and, b) \$319,124.11 for the Midtown Crossings for Fiscal Years 2008-13. A Reserve Fund appropriation to the Capital Finance Administration Fund in the amount of \$773,484.11 is recommended.

3. STATUS OF NEW DEVELOPMENT SERVICES DEPARTMENT

As part of the 2013-14 Adopted Budget, the Mayor and Council directed staff to functionally integrate development services programs of multiple City departments into a new development services department for the purpose of providing streamlined services and greater accountability for its customers. A joint report from the Departments of Building and Safety (LADBS) and City Planning (DCP) provided the conceptual framework for the new department (C.F. 13-0046). The Council approved the functional transfer of LADBS, DCP, planning functions from the Department of Transportation (DOT), plan-check functions from the Fire Department (LAFD), and land use

planning functions from Public Works, Bureau of Engineering (BOE) into the new department effective January 1, 2014.

The 2013-14 Budget Motion 36A directed the CAO and the Chief Legislative Analyst (CLA) to retain a management consultant to assist in developing a transition plan, in consultation with the affected departments, to fully integrate the planning and development functions identified in the joint report with additional consideration given to the feedback of the development industry, business community, residents, and Neighborhood Councils. On June 28, 2013 a Request for Proposals (RFP) was released to retain a process improvement management consultant. On August 9, 2013, a contract was executed with Matrix Consulting Group, Ltd. (Consultant) for this purpose. On August 23, 2013, the CAO and the CLA issued an initial status report (C.F. 13-0046). The CAO and CLA will issue a joint report in October 2013 for Council consideration and action. It is anticipated that the consultant's full report will be provided as an attachment to the joint CAO/CLA report.

4. STATUS OF EMPLOYMENT AND LABOR COST SAVINGS EFFORTS

A. Employment Level Report

Attachment 11 – Employment Level Report

Citywide employment authority from all funding sources totaled 34,545 at the end of August for both civilian and sworn classes. There are 30,334 filled positions at the end of August, compared to the 30,597 reported in the 2012-13 Year End Financial Status report. Departments reported a total of 4,211 vacant positions: 2,880 General Fund and 1,331 special funded.

It should be noted that a total of 747 regular positions and 85 resolution positions are shown as vacant in the Department of City Planning until the development service programs from the Departments of City Planning, Building and Safety, Transportation, Fire, and Public Works, Bureau of Engineering are functionally transferred to a new Department of City Planning and Development on January 1, 2014. These positions also exist as resolution positions in the Departments of Building and Safety, Transportation, Fire, and Public Works, Bureau of Engineering through December 31, 2013. Staff occupying these positions in their current Departments will transition into these vacancies on January 1, 2014. After accounting for these assumptions, the final vacancy number is reduced to 3,379.

B. 120 Day Employees

Attachment 12 – Status of 120 Day Employees

Pursuant to the 2013-14 Adopted Budget, this Office is required to report the number of retired individuals employed under Charter Section 1164(b). Charter Section 1164(b) authorizes employment of a retired employee to a vacant position in a class in which he or she has been previously employed for a period not to exceed 120 days in any fiscal year, subject to Mayor approval. This is authorized when the retired employee's services are required for an emergency

or to prevent stoppage of public business or when his/her special skills are needed to perform work of a limited duration. Attachment 12 provides a breakdown by City department of the total number of 120 day appointments that have been approved by the Mayor for the current fiscal year, inclusive of proprietary departments. For 2013-14, up to 296 appointments were authorized as of the end of August. This reflects an increase from the 2012-13 year-end total of 262. However, the total number approved does not represent the actual number of 120 day employees that will actually come on payroll. For example, in the case of the Controller's Accounting Resource Pool, not all individuals on the list will be hired.

5. STATUS OF FEE INCREASES

Attachment 13- Status of Fee Increases in the 2013-14 Budget

Attachment 13 provides a status of fee increases included in the adopted budget, which consists of revenue collected by the Fire Department (Fire), Building and Safety, Bureau of Street Services, and Zoo. To date, only increases to Zoo admission have been implemented.

Relative to the special fund - Foreclosure Registry Inspection Fee (Building and Safety), a revised fee and program may be adopted before the end of the calendar year, but the Department will not collect the full \$1.37 million projected. Due to the implementation delay, the staff necessary to administer the program have not been hired.

Relative to the Industrial Building Inspection Fee (Fire), the industrial Inspection ordinances are being written by the City Attorney and should be submitted to Council shortly. The Information Technology Agency is preparing for an initial billing in November 2013.

The Peak Hours Compliance Fee Ordinance (Bureau Street Services) is pending Council consideration. It is unlikely that the additional revenue included in the budget will materialize in the current year.

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

The City's Financial Policies instruct the 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 December 2009, the Mayor and Council approved an increase of \$100 million to expand the MICLA CP Program from \$200 million to \$300 million. In June 2013, the Mayor and Council approved to expand the Program from \$300 million to \$335 million (C.F. 13-0637).

In September 2013, taxable commercial paper notes in the amount of \$69.7 million were issued for the redemption of the City's Parking System Revenue Bonds, Series 1999-A and Series 2003-A (the "Parking Bonds") (C.F. 13-0600-S144). The Parking Bonds are scheduled to be redeemed on November 1, 2013. The outstanding taxable commercial paper notes will be repaid by the Special Parking Revenue Fund over the life of the notes.

The City anticipates a fixed rate tax-exempt lease revenue bond financing, to be issued by MICLA, in early Spring 2014 to retire commercial paper notes used for the acquisition of various capital equipment and capital improvements to real property. In addition, the City may issue refunding bonds if sufficient savings are met in accordance to the City's debt policies. The CAO will continue to monitor the MICLA refunding opportunities throughout the financing.

During the past few months, MICLA CP was used towards the construction and improvements of various municipal facilities and Transportation-ARRA projects. Capital equipment and replacement vehicles were purchased for the departments of Fire, General Services, Information Technology Agency and Police.

Below is the status of the MICLA CP Program through September 30, 2013:

Reporting Period	Amount Outstanding	Range of Interest Rates
05/22/13-09/30/2013	\$ 171,197,000	0.06% to 0.16% (tax-exempt)
05/22/13-09/30/2013	\$ 82,684,000	0.12% to 0.15% (taxable)
<hr/>		
<i>Total:</i>	\$ 253,881,000	

7. 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. The Office of the City Clerk, is responsible for the administration of fee waivers.

The Office of the City Clerk reports that out of available fiscal year funding, nine have been allocated, which includes two waivers from 2010-11, two waivers from 2011-12, and five waivers from 2012-13. Approximately \$4.6 million in Citywide special events and Council District fee subsidies remains to be allocated, \$2.6 million and \$2.1 million, respectively.

B. Development Fee and Permit Subsidies

In accordance with the City's Development Fee Subsidy Policy, this Office is required to report on the number and amount of Council-approved development fee subsidies. This information will be provided in the next financial status report.

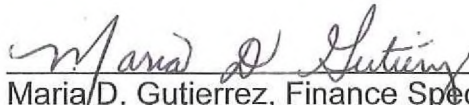
8. STATUS OF GANG REDUCTION AND YOUTH DEVELOPMENT PROGRAM

Attachment 14 – GRYD Program Contracts

At the request of the Budget and Finance Committee (C.F. 09-0600-S203), the Mayor's Office provides an update of current year Gang Reduction and Youth Development Program spending in the FSR. This Office was instructed to work with the Mayor's Office to review allocations from all funding sources.

Total funding for the 2013-14 Gang Reduction Program in the Mayor's Gang Reduction and Youth Development (GRYD) Office is approximately \$26.44 million from the following sources: \$21.66 million from the General Fund and \$4.78 million from federal and State grants. Of this amount, \$1.41 million is allocated for GRYD salaries and administration expenses and approximately \$20.25 million for contracted agencies. As of August 31, 2013, total General Fund expenditures were \$3,468,389 and encumbrances were \$17,884,956.

Attachment 14 outlines the distribution of funds to each of the GRYD contracted agencies for 2013-14. The GRYD Office is currently comprised of 22 positions as of August 31, 2013: eight staff members provide administrative/fiscal management and 14 staff members provide program development and implementation including Summer Night Lights, Gun Buy Back, Prevention and Intervention service coordination in GRYD Zones and Secondary Areas; also targeted efforts for the Watts Regional Strategy and Rampart Regional Strategy. Additional services are currently provided by three contractors on research, evaluation and data reporting. Funds allocated for the GRYD Office, administration and program staff consists of \$1,347,030 in General Funds. Salary expenditures for the period July 1 to August 31, 2013 total \$243,836 (General Fund - \$213,844; Grant Funds - \$29,991).



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APPROVED:


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Attachments