

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 12, 2013

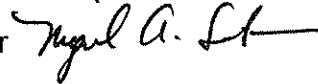
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Council District: All

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: **SECOND FINANCIAL STATUS REPORT**

SUMMARY

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 Second Financial Status Report (FSR) for this fiscal year. This report provides an update on the current-year budget—including changes to projected departmental deficits, early trends in revenues, the Reserve Fund, and current issues of concern and their potential impact to the City. In particular, the report updates the City's Four Year Outlook to reflect new labor assumptions. Recommendations totaling approximately \$42.35 million for appropriations, transfers and other budgetary adjustments are included in this report.

The recommended transactions have been deemed necessary to ensure departments have sufficient funds to cover payroll and other obligations pending the release of the Mid-Year FSR. Given the need to expedite the transactions in this report prior to the end of the calendar year, we have not included updates to every department's budgetary status. Instead, we are reporting on the status of major expenditure deficits and providing new information from departments on substantive fiscal issues that warrant immediate notification to the Mayor and Council.

The Four-Year Outlook included in the First FSR identified a projected deficit in 2014-15 of approximately \$153 million to \$242 million, based on varying scenarios. The \$153 million estimate for 2014-15 was based on the 2013-14 Adopted Budget which assumed the elimination of the 5.5 percent salary adjustment to over 60 percent of the civilian workforce scheduled for January 1, 2014, and assumed that civilian employees would contribute 10 percent towards the cost of the City-sponsored health plan. However, it is no longer anticipated that these labor concessions will be realized. Without these concessions, and after adjusting for other factors, the projected deficit for 2014-15 has increased from \$153 million to \$242 million. Specifically, the increase of \$88 million (variation due to rounding) is accounted for by the following:

- inability to achieve the salary adjustment (\$21 million) and health plan contribution (\$17 million) concessions at a cumulative cost of \$38 million;
- restoration of salary funding for MOU 29 (Deputy City Attorneys) (\$5 million); and,
- larger projected sworn overtime costs (\$45 million additional).

The First FSR identified approximately \$25.3 million in departmental expenditure shortfalls and unbudgeted expenses in the current fiscal year. The estimate assumed implementation of salary increases on January 1, 2014 and that most departments would absorb the costs this year. Since the release of the First FSR, only the Police Department's \$3.8 million deficit has been eliminated. However, these gains are partially offset by a newly reported \$2.2 million deficit in the General Services leasing and equipment accounts and a \$1.4 million increase in the City Attorney's salaries deficit. Based on expenditures through the end of October, the year-end projected shortfall remains at approximately \$24 million and is summarized below.

| Department/Initiative | 1st FSR | Change | 2nd FSR | Reason for Deficit |
|------------------------------|---------------------------|---------------|---------------------------|---|
| Fire | \$ 14.00 | (.80) | \$ 13.20 | 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 | 0 | 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 | (3.8) | 0.00 | Unfunded compensation adjustments offset by sworn salary surplus. |
| City Attorney | 2.00 | 1.40 | 3.40 | Unfunded compensation adjustments and authorized hiring. |
| General Services | | 2.2 | 2.20 | Leasing and Equipment account shortfalls. |
| Transportation | 0.88 | (.30) | 0.58 | Unfunded compensation adjustments. |
| Total | \$ 25.28 | (1.3) | \$ 23.98 | |

While the City has budgeted funds for economic uncertainties, these funds are insufficient to address the current year deficit, only provide a one-year fix, and do not address the \$242 million shortfall in 2014-15. The amount of \$21 million was initially budgeted in the Unappropriated Balance (UB), Reserve for Economic Uncertainties in 2013-14. After accounting for \$8.5 million that has been set aside in this account for the Human Resources Benefits Fund (unrealized 10 percent employee contribution to the City-sponsored health plan) and a \$1 million loan to the City Attorney, only \$11.5 million is available to address any current year funding needs. This report includes recommendations to appropriate \$3.4 million of the \$11.5 million to the City Attorney for unfunded salary adjustments and authorized hiring, and \$580,000 for the Neighborhood Prosecutor Program positions which reduces available UB funding to \$7.52 million.

| Table 2 Potential 13-14 Budget Balancing Solutions (\$ in millions) | | |
|--|-----------------|--|
| 2 nd FSR Deficit | \$ 23.98 | |
| 2nd FSR Recommendations | | |
| UB-Reserve for Economic Uncertainties | (3.40) | Transfer for City Attorney unfunded salary adjustments. Recommendation No. 4 |
| Fire-Discontinue Unfunded Ambulance Augmentation | (5.00) | Discontinue unfunded plan for 6 months (July through June). Recommendation No. 6 |
| Subtotal | \$ 15.58 | |
| Potential Solutions | | |
| Fire- salary savings | (1.03) | Savings identified by the Fire Department to be transferred in the Mid-Year FSR |
| UB-Reserve for Economic Uncertainties Remaining Balance | (7.52) | |
| Problem to Solve* | \$ 7.03 | |

*Remaining year-end deficit increases from \$7.03 million to \$12.03 million if the unfunded ambulance augmentation plan is continued through the year-end.

Table 2 above summarizes the proposed budget balancing solutions recommended in this report and their impact on the budget deficit. This information demonstrates that it will be necessary for departments to provide internal solutions for addressing the current year deficits in order to fully mitigate the impact on the budget. Some issues will require major policy decisions by the Mayor and Council prior to the Mid-Year such as the discontinuation of the Ambulance Augmentation Plan. Others, such as the unfunded costs to the City Clerk for the Public Health Initiative are contingent on pending litigation and will have to be addressed separately. This Office has already begun to work with some City departments to identify internal solutions. However, a more comprehensive approach is necessary. This report includes recommendations instructing Fire, General Services, and Transportation to report back with their respective plans for addressing these deficits. It is further recommended that the Council and Mayor instruct the Fire Chief to discontinue the unfunded Ambulance Augmentation Plan immediately, to generate savings

through the remainder of the fiscal year to partially offset the Fire Department's \$13.2 million year-end deficit.

Additional transactions are recommended and significant issues are raised for the Police Department. A transfer of \$15 million is recommended from the Unappropriated Balance, Police Overtime line item for the Police Department to partially pay down banked sworn overtime. Also, as noted in recent media reports regarding police hiring and attrition, current trends suggest that the department will be below the 10,000 sworn deployment level by year-end. This has enabled the department to generate a \$3.8 million surplus which is allowing it to meet its shortfalls in other areas. If it is the Mayor and Council's intent for the department to reach the 10,000 police hiring goal, it is likely that the \$3.22 million in the Unappropriated Balance, Police Sworn Hiring line item will be required by the department.

2013-14 Projected Revenue

As of November, total Fiscal Year 2013-14 revenue is \$17 million above planned receipts, representing 22.5 percent of total General Fund revenue (Attachment 1-A). However, this variance is attributed to departmental receipts coming in earlier than planned.

As reported in the First FSR, property tax receipts are currently \$23 million behind plan as a result of the early receipt of secured property taxes in Fiscal Year 2012-13 (Attachment 1-B). Property tax increment receipts from the due diligence review of former Community Redevelopment Agency Los Angeles (CRA/LA) funds are \$11.5 million lower than estimated, but are likewise offset by \$9 million in additional tax increment money received in the previous fiscal year (Attachment 1-C). In the event that other General Fund revenue receipts are insufficient to cover these shortfalls, revenue received in the prior fiscal year is available in the Reserve Fund as a potential offset for these shortfalls. However, this Office recommends that before any action is taken to reduce the Reserve Fund, that all options including reducing appropriations and disencumbering funds be examined in light of the forecasted 2014-15 budget gap of \$242 million.

Of greater concern is the increasing shortfall in total utility user tax receipts, now \$10.5 million below plan (Attachments 1-D through 1-G). The electrical users tax and the communication users tax are now \$10.6 million and \$3.9 million behind plan, respectively, while excess gas users tax receipts of \$4 million offset a portion of the utility users tax shortfall. Business tax receipts are \$2.3 million behind; however, over 90 percent of receipts are received in the latter half of the fiscal year (Attachment 1-H). These shortfalls are currently offset by early receipt of transportation grant moneys, as reflected in the excess \$27.7 million departmental receipts. Despite this current surplus in departmental receipts, other shortfalls will negatively impact this revenue, including a reduction of \$6.4 million in related cost reimbursements from solid waste resources fund and lower-than-projected AB678 reimbursements that will reduce receipts by \$15 million.

Other revenues are currently exceeding the budget plan, trending with the improving local economy. Except for a dip in September, sales tax receipts continue to perform well, and are now \$9.4 million ahead (Attachment 1-I). The documentary transfer tax is also ahead by \$18.3 million (Attachment 1-J). Approximately \$4.1 million of this amount may be attributed to legal entity

transfers, for which receipts are variable (Attachment 1-K). The remainder of this growth may be attributed to increasing sale prices (Attachment 1-L); however, this growth may slow in face of declining sales (Attachment 1-M). Revenue from the transient occupancy tax is \$4.8 million above plan; although these receipts fluctuate seasonally (Attachments 1-N and 1-O).

Recent economic data indicates the local economy was not significantly impacted by October's government shutdown. While the number of home sales has declined, home prices have remained steady. County unemployment has decreased from the last FSR from 11.9 percent to 10.5 percent.

Four Year Outlook

As previously reported in the First FSR, the Adopted Four Year Outlook (Adopted Outlook) did not include the salary adjustments scheduled for January 1, 2014 and assumed that civilian employees would contribute 10 percent towards the cost of the City-sponsored health plan. As mentioned earlier, this Office no longer expects those labor concessions to be realized and has prepared a Revised Four-Year Outlook (Revised Outlook) to reflect new assumptions.

The Revised Outlook projects a 2014-15 deficit that has increased from \$153 million to \$242 million. This increase of \$88 million (variation due to rounding) is accounted for by the following:

- inability to achieve the salary adjustment (\$21 million) and health plan contribution (\$17 million) concessions at a cumulative cost of \$38 million;
- restoration of salary funding for MOU 29 (Deputy City Attorneys) (\$5 million); and,
- larger projected sworn overtime costs (\$45 million additional).

It is important to note that unless it is addressed as recommended in this report, the continuation of the Fire Department's unfunded Ambulance Augmentation Plan and Fire Dispatch Center staffing would increase the City's \$242 million deficit projected for 2014-15 by approximately \$14 million.

The Adopted Outlook presented in the First FSR indicated that the City would eliminate the budget deficit in 2017-18. Due to the above assumption changes, Attachment 2-A shows that the City will continue to have a shortfall through 2017-18.

| Table 3. Summary of the Revised Four-Year Budget Outlook | | | |
|---|----------------|----------------|----------------|
| (Millions) | | | |
| 2014-15 | 2015-16 | 2016-17 | 2017-18 |
| \$ (242) | \$ (201) | \$ (184) | \$ (83) |

As with the Adopted Outlook, the Revised 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 Revised Outlook.

Reserve Fund

The Reserve Fund remains strong. The current Reserve Fund balance is \$329.3 million, after accounting for an additional \$5.6 million in loan repayments and other receipts and approximately \$2.9 million in approved loans and transfers. The balance consists of a \$133.8 million Emergency Reserve and \$195.5 million Contingency Reserve. Please refer to Attachment 3 for greater detail on the Reserve Fund.

The current Reserve Fund balance represents 6.77 percent of the Adopted General Fund budget. While the October 31, 2013, Reserve Balance allowed the City to meet the five percent requirement established by the City's Financial Policies, this Office recommends that we continue to remain cautious in using the Reserve Fund to offset current year deficits in light of the forecasted 2014-15 budget gap of \$242 million.

Budget Stabilization Fund

To supplement the Reserve Fund, the Budget Stabilization Fund (BSF) was established as part of the 2008-09 Budget. 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, \$500,000 was deposited in 2009-10 and \$69 million in 2012-13. This amount will be reduced to \$61.5 million after accounting for an \$8 million transfer to the 2013-14 Budget by year-end.

2013-14 Projected Departmental Deficits

The information presented in this report is based on department expenditure and revenue information through the end of October and assumes that departments will 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. Approximately \$24 million in expenditure shortfalls and unbudgeted expenses are projected at this time as shown in Table 1.

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. These issues are discussed below.

Federal

Federal Shutdown and Debt Ceiling: A second government shutdown for January has been averted in advance of a December 13 deadline, with House and Senate negotiators agreeing upon a two-year budget package. The package sets spending at \$1.012 trillion in 2013-14 and \$1.014 trillion in 2014-15. The political consensus holds that the proposed deal will pass.

The package will partially reduce sequestration cuts by \$63 billion in exchange for \$85 billion in other reductions, thereby reducing the budget deficit by \$22.5 billion. These savings will not be realized immediately as the proposal extends the cuts to mandatory spending by two years, into 2023 and 2024.

Budget deal points include: raising airline passenger fees, increasing pension contributions for new federal employees; increasing payments for private pension insurance; reducing cost of living increases for military retirees; and capping contractor salaries.

The package does not propose any changes to Medicare or Social Security. Nor does it include an extension of unemployment benefits, which, as a result, may lead to approximately 54,000 Los Angeles County residents losing benefits according to a labor advocacy organization. The agreement is silent on the debt ceiling, which was suspended until February 7, 2014 by the October 2013 temporary spending bill.

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

"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 Adopted Budget assumed the elimination of the 5.5 percent salary adjustment to over 60 percent of the civilian workforce scheduled for January 1, 2014. The 2013-14 City contribution to LACERS also reflected this assumption. Since these savings will not be realized, there will be an increase to the 2013-14 covered payroll along with a corresponding increase to the City contribution payable as part of the true-up process on July 15, 2014.

State Budget

California's Fiscal Outlook: The nonpartisan Legislative Analyst's Office (LAO) recently released its Fiscal Outlook which projects a State \$5.6 billion surplus by June 2015, with annual surpluses reaching \$8.3 billion by the 2016-17 budget year. The State's continued fiscal recovery is dependent on a number of assumptions including continuing economic growth and slow, but steady, growth in stock prices. This is reported to be the most optimistic budget forecast in more than a decade. However, the LAO urged lawmakers to hold much of any excess in reserve, warning that even a moderate economic downturn could push the State back into deficit. The Governor's 2014-15 Proposed Budget is expected to be released in January 2015. This Office will monitor State Budget deliberations and report back once information is available.

Other

Public Health Department Initiative on June Ballot: As reported in the previous Financial Status Report: The City Council has 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 is seeking court determination regarding the validity of the initiative ordinance prior to the June election. If the City Clerk is required to proceed with the election, there will be an immediate fiscal impact of \$4.6 million to the City Clerk for election costs. According to the City Clerk, absent a legal determination, the City can expect to begin incurring a portion of these election costs beginning in February 2014.

If the initiative is approved by 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.

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: The City faces legal challenges to certain aspects of the City's budget balancing and pension reform efforts. For example, the Los Angeles City Attorneys Association has sued the City on furlough and retiree health care related matters. Earlier 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.

Further, the Los Angeles City Attorneys Association has challenged the City's implementation of furloughs imposed during the City's earlier budget crisis (*Los Angeles City Attorneys Association v. City of Los Angeles, U.S. Dist. Court Case No. CV 12-4235*). The cost of the furloughs could result in a potential liability to the City of as much as \$22 million. At the direction of the Executive Employee Relations Committee, this Office has been meeting with the City Attorneys Association to discuss these and other issues that could become the framework of a solution.

In addition to the cases mentioned above, 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 \$42.35 million are recommended in Sections 1 and 2 of this report which include:

- \$5.90 million in new appropriations;
- \$7.40 million for transfers between accounts within various departments and funds;
- \$8.30 million for transfers between departments and funds;
- \$19.48 million appropriations from the Unappropriated Balance;
- \$1.06 million in special fund reappropriations; and,
- \$0.21 million in miscellaneous budget adjustments.

Attachments

- 1-A Fiscal Year 2013-14 General Fund Receipts through November
- 1-B Revenue Monthly Status Report and Revenue by Account-Property Tax
- 1-C Revenue Monthly Status Report-ex-CRA Tax Increment
- 1-D Revenue Monthly Status Report-Utility Users' Tax
- 1-E Revenue Monthly Status Report-Electric Users' Tax
- 1-F Revenue Monthly Status Report-Gas Users' Tax
- 1-G Revenue Monthly Status Report-Communication Users' Tax
- 1-H Revenue Monthly Status Report-Business Tax
- 1-I Revenue Monthly Status Report-Sales Tax
- 1-J Revenue Monthly Status Report-Documentary Transfer Tax
- 1-K Revenue Monthly Status Report-Documentary Legal Entity Transfers
- 1-L Documentary Transfer Tax: Revenue Per Deed
- 1-M Documentary Transfer Tax: Deeds Recorded
- 1-N Revenue Monthly Status Report-Transient Occupancy Tax
- 1-O Transient Occupancy Tax: Revenue per Room
- 2-A Four Year Budget Outlook for 2013-14 through 2017-18.
- 2-B Four Year Budget Outlook Footnotes
- 3 Current Status of the Reserve Fund
- 4 New Appropriations
- 5 Transfers between Accounts within Departments and Funds
- 6 Transfers between Departments and Funds
- 7 Appropriations from the Unappropriated Balance
- 8-A Status of the Unappropriated Balance – General Account
- 8-B Status of the Unappropriated Balance – non-General Accounts
- 9 GRYD Program Contracts and Expenditures
- 10 Inspector General Status Update

RECOMMENDATIONS

(Refer to Discussion Sections 1, 2 and 3)

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

1. Appropriate \$5,986,190.05 to the Department accounts as specified in Attachment 4;
2. Transfer \$7,447,581.81 between accounts within various departments and funds as specified in Attachment 5;
3. Transfer \$8,336,311.91 between various departments and funds as specified in Attachment 6;
4. Appropriate \$19,480,000 from the Unappropriated Balance to various departments and funds as specified in Attachment 7;

Finance

5. Authorize the Controller to disencumber \$97,098.92 (GAE CO13107276M and GAE CO13092905M) and revert the same amount to the Reserve Fund and reappropriate therefrom to the Office of Finance Fund No. 100/39, Account 004040, Bank Fees;

Fire

6. Instruct the Fire Chief to discontinue the unfunded Ambulance Augmentation Plan immediately, to generate savings through the remainder of the fiscal year to partially offset the Fire Department's \$13.2 million year-end deficit, and further instruct the Fire Department to report back with other operational changes by the Mid-Year FSR to offset any remaining year-end deficits within the department;

General Services

7. Instruct the Department of General Services to report back by the Mid-Year FSR with a plan for offsetting the deficit in the Field Equipment Expense account;

Housing and Community Investment

8. Relative to Lead Grants approved by the Council pursuant to CF 10-1140-S2,
 - a. Transfer \$8,700 for Contract No. C-121153 Healthy Homes Collaborative from the Lead Grant 10 Fund No. 54S/43 to the Lead Grant 9 Fund No. 53Q/43 to align the expenditures to grant sources pursuant to C.F. 10-1140-S2; and
 - b. Authorize the Controller to transfer expenditures in an amount not to exceed \$8,700 from the Lead Grant Fund No. 54S/43, Lead Hazard Reduction Direct, Account No. 43J402, to the Lead Grant 9 Fund No. 53Q/43, Lead Hazard Reduction Direct, Account No. 45G902, upon proper demand of the General Manager of the Housing and Community Investment Department;
9. Relative to grant reimbursements,
 - a. Establish and appropriate \$108,315 to new Account No. 43K022, CDD Prior Year, within Community Service Block Grant Fund No. 428/43 to reimburse Community Development Department administration expenses incurred in 2012-13; and
 - b. Transfer up to \$746.52 from Account No. 22J299, Reimbursement of General Fund Costs, to Account No. 22K022, CDD Prior Year, within the ARRA—Energy Efficiency and Conservation Block Grant Fund No. 51S/22 to reimburse expenses incurred in 2012-13.

Police

10. Instruct the Chief of Police to pay down \$15,000,000 in banked sworn overtime based on a plan to be developed by department management, in consultation with the CAO, by March 1, 2013;

Public Works/Bureau of Street Services

11. Authorize the Controller to reappropriate \$410,000 from the Measure R Local Return Fund 51Q/94, Account No. 94J186 to the following appropriation accounts in Bureau of Street Services Fund No. 100/86 for the Second Street Tunnel Ventilation Fan Replacement Project per C.F. No. 12-0600-S170:

| <u>Account No.</u> | <u>Account Name</u> | <u>Amount</u> |
|--------------------|----------------------|------------------|
| 001010 | Salaries, General | \$ 20,000.00 |
| 001090 | Salaries, Overtime | 20,000.00 |
| 003030 | Construction Expense | 10,000.00 |
| 003040 | Contractual Services | 350,000.00 |
| 006020 | Operating Supplies | <u>10,000.00</u> |
| | Total | \$410,000.00 |

12. Authorize the Controller to reappropriate \$240,000 from the Measure R Local Return Fund 51Q/94, Account No. 94J186 to the following appropriation accounts in Bureau of Street Services Fund No. 100/86 for the Third Street Tunnel Ventilation Fan Replacement Project per C.F. No. 12-0600-S170:

| <u>Account No.</u> | <u>Account Name</u> | <u>Amount</u> |
|--------------------|----------------------|------------------|
| 001010 | Salaries, General | \$10,000.00 |
| 001090 | Salaries, Overtime | 10,000.00 |
| 003030 | Construction Expense | 10,000.00 |
| 003040 | Contractual Services | 200,000.00 |
| 006020 | Operating Supplies | <u>10,000.00</u> |
| | Total | \$240,000.00 |

13. Authorize the Controller to reappropriate \$410,000 from the Measure R Local Return Fund 51Q/94, Account No. 94J186 to the following appropriation accounts in Bureau of Street Services, Fund No. 100/86 for the Sherman Way Tunnel Ventilation Fan Replacement Project per C.F. No. 12-0600-S170:

| <u>Account No.</u> | <u>Account Name</u> | <u>Amount</u> |
|--------------------|----------------------|------------------|
| 001010 | Salaries, General | \$ 20,000.00 |
| 001090 | Salaries, Overtime | 20,000.00 |
| 003030 | Construction Expense | 10,000.00 |
| 003040 | Contractual Services | 350,000.00 |
| 006020 | Operating Supplies | <u>10,000.00</u> |
| | Total | \$410,000.00 |

Transportation

14. Instruct the Department of Transportation to report back by the mid-year with a plan for offsetting the salaries deficit which is attributed to anticipated salary adjustments slated for January 2014; and,

Technical

15. 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

Approximately \$24 million in expenditure shortfalls and major unbudgeted expenses are identified in this report. The recommendations in this report reduce the deficit to approximately \$15.58 million. Transfers, appropriations and other adjustments totaling approximately \$42.35 million are recommended in Sections 1 and 2. Included in these recommendations are appropriations of approximately \$19.48 million from the Unappropriated Balance for the following: \$15 million from the Police Overtime line item to partially pay down banked sworn overtime, \$500,000 from the Fire-Third Party Review of Resource Deployment line item for a third party review of the Fire Department's deployment of resources, and \$3.98 million from the Reserve for Economic Uncertainties line item to the City Attorney for unfunded salary adjustments and Neighborhood Prosecutor Program. No adjustment to budgeted revenue is recommended at this time.

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 \$42.35 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 six sections as follows:

| | |
|---|----|
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| Section 3. Status of the City's MICLA Commercial Paper Program | 33 |
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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 and transfers for operational needs.

Department Expenditures: This analysis is based on department expenditure and revenue information through the end of October and assumes departments will absorb any unbudgeted salary adjustments and the Managed Hiring Process will continue. Departments that continue to project expenditure shortfalls consist of Fire (\$13.2 million), City Attorney (\$3.4 million) and Transportation (\$0.53 million). A \$2.2 million deficit is now identified for the General Services Department leasing and equipment accounts. We continue to project \$4.6 million in unfunded expenditures for the City Clerk for the Public Health Initiative on the June 2014 ballot. Various recommendations are provided to address departmental budget deficits.

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 four months of receipts, July through October. No adjustments are recommended at this time.

A. Aging

Attachment 5 – Transfers between Departments and Funds

The Department of Aging is currently projected to be on budget.

The following transactions totaling \$192,811 are recommended at this time:

- Transfer \$95,523 in Community Development Block Grant (CDBG) funds for the Emergency Alert Response System (EARS) Program to the Department's accounts. The administrative allocation of the EARS Program budget is split between two fiscal years because of the CDBG program year running from April to March. Adopted 39th Year Plan CDBG funds of \$19,303 for the period April through June 2013 have already been

appropriated and transferred to the Department's accounts. The remaining balance of \$95,523 in administrative funds is needed for the July 2013 through March 2014 period.

- Transfer \$97,288 from the Area Plan for the Aging Title III Fund (Fund 395) to the Department's Salaries General account. The funds were initially budgeted in the 2013-14 General City Purposes Fund and transferred to Fund 395 to offset the Federal Sequestration of Older American's Act Grant Funds. The increased salaries will provide staff support for the Home-Delivered Meals and Congregate Meals Programs.

B. City Administrative Officer

Attachment 4 – New Appropriations

Attachment 7 – Appropriations from the Unappropriated Balance

The following transactions are recommended:

- On July 3, 2013, as part of the 2012-13 Year-End FSR, the Council authorized the reappropriation of \$500,000 in unspent funds from the Unappropriated Balance, Fire-Third Party Review of Resource Deployment account, to the same account as existed on June 30, 2013. The Council also authorized the CAO to negotiate and execute a personal services contract for third party review of the Fire Department's deployment of resources (C.F. 12-0600-S179). To date, a vendor has been selected (PA Consulting) and the contract has been executed. The work has begun and it is recommended that the funds in the Unappropriated Balance be transferred to the CAO's Contractual Services account to pay for the cost of the third party contract.
- Funds have been received from NBC Universal, Inc. to pay the cost of a contract the CAO executed with Blue Sky Consulting Group to perform a fiscal analysis of the NBC Universal Evolution Plan Alternative 10 Project. It is recommended that \$83,100 be appropriated from the CAO's Revenue Source Code No. 5188, to the CAO's Contractual Services account, to pay for an economic and fiscal analysis provided by Blue Sky Consulting Group (C-123334) for the NBC Universal Evolution Plan Alternative 10 Project on behalf of the Office of Economic Analysis. The funding was originally provided by NBC Universal, Inc. in conformance with Ordinance No. 182437 (Development Agreement) Section 3.3.

C. City Attorney

Attachment 4 – New Appropriations

Attachment 7 – Appropriations from the Unappropriated Balance

As reported in the First FSR, City Attorney's Office was projected to have a year-end deficit of \$2.0 million due to unfunded salaries included as part of the 2013 14 Adopted Budget. The unfunded salaries were tied to potential labor concessions which were assumed to be achieved beginning in January 2014. Since the First FSR, the previously projected \$2.0 million year-end deficit for the City Attorney's Office has increased to \$3.40 million due to additional hiring including the backfilling of critical positions. Specifically, the Department's estimated \$4.83 million deficit in the Salaries General account is partially offset by a \$1.43 million surplus in the Salaries

Grant Reimbursed and Salaries Proprietary accounts resulting in the net deficit of \$3.40 million. Given the assumed labor savings are no longer feasible, the CAO has identified the Unappropriated Balance (UB), Reserve for Economic Uncertainties as an appropriate funding source to address the City Attorney's Office projected \$3.40 million deficit. Transfers from the Salaries Grant Reimbursed and Salaries Proprietary accounts will be transferred in a future FSR.

In addition, the City Attorney's Office has requested to fill 14 additional positions for the Office to the Neighborhood Prosecutor Program. The positions are existing position authorities being reassigned from various programs in the Office. The estimated cost of the 14 positions is \$580,000 for the remainder of this fiscal year. The Managed Hiring Committee provided conditional approval subject to the Council and Mayor's approval of the modified use of these positions as well as an additional transfer of \$580,000 from the UB, Reserve for Economic Uncertainties.

The following transactions totaling \$3.98 million are recommended:

- Transfer \$3.40 million from the UB, Reserve for Economic Uncertainties line item to partially offset the projected deficit in the City Attorney's Salaries General account.
- Transfer \$580,000 from the UB, Reserve for Economic Uncertainties line item to the City Attorney's Salaries General account to cover the cost of the Neighborhood Prosecutor Program positions for the remainder of this fiscal year (six months).

In the First FSR, \$1 million was transferred from the UB, Reserve for Economic Uncertainties account to the City Attorney's Office as a loan to front fund technology requests. The City Attorney's Office will repay the loan when additional Consumer Protection Trust Fund receipts are realized and can be used to offset General Fund expenditures. There is currently insufficient funding to repay the loan at this time, but this Office will continue to monitor available funding in the Consumer Protection Trust Fund.

The 2013-14 Adopted Budget provides \$4 million in the 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. The City Attorney has submitted a report to the City Council requesting a transfer of Outside Council funds from the UB (CF 12-0692-S2).

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

D. City Clerk

No Recommendations

As reported in the First FSR, if the City Clerk is required to proceed with the initiative ordinance for the creation of a new City public health department in a June 2014 election, there will be an immediate fiscal impact of \$4.6 million to the City Clerk for election costs. According to the City Clerk, absent a legal determination, the City can expect to begin incurring a portion of these election costs beginning in February 2014.

See the Department of Neighborhood Empowerment section for a recommended transfer to the City Clerk for as-needed staff to conduct the 2013-14 Neighborhood Council Board Member Elections.

E. Convention Center

Attachment 5 – Transfers between Accounts within Departments and Funds

On October 9, the City Council approved a Management Agreement between the City and the Anschutz Entertainment Group (AEG) Management LACC, LLC for the operation and management of the Los Angeles Convention Center (Convention Center). The agreement was executed on October 24, 2013 and the Department has been working with AEG to transition day-to-day management responsibilities by December 8, 2013.

As part of the Agreement, AEG will collect revenue from Convention Center operations and deposit those funds into a separate operating account and expend funds directly from that account. In addition, the City may advance AEG money for cash flow purposes. Amendments to the Los Angeles Administrative Code are required for this to take place. It is anticipated that the Council will consider the ordinances in early December to make the necessary changes.

The Department will have to reimburse AEG for Convention Center operating expenses such as salaries, the management fee, start-up expenses and sub-contractor expenses until the ordinances are effective. It is anticipated that AEG will be using the operating account by the beginning of February. Until then, the Department will have to pay for many of the operating expenses from the Contractual Services account. AEG has estimated expenses through the end of January at \$4.0 million.

The following transactions are requested at this time:

- Transfer \$3 million from the Convention Center's Salaries General account and \$1 million from the Salaries As-Needed account for a total of \$4 million to the Contractual Services account.

F. Finance

Attachment 5 – Transfers between Accounts within Departments and Funds Recommendation No. 5

After accounting for the recommendations in this FSR, this Office projects that the Department will end the year within budget. The Department has indicated that it may experience a year-end shortfall in the Bank Fees account. The Department will update the Bank Fees projection in the next FSR.

Additionally, the Department reports that it is also too early to determine if it will meet its Adopted Budget revenue. This Office will provide an update on revenue and bank fee expenditures in the next FSR.

The following transactions are recommended:

- Transfer \$150,000 from the Salaries General account to the Salaries As-Needed account for renewal and clerical assistance during the annual tax and permit renewal season.
- Transfer \$100,000 from the Salaries General account to the Contractual Services account for a PowerBuilder upgrade. Funding was provided in 2012-13 for the upgrade. However, due to delays in selecting a contractor, the funds were not encumbered and reverted to the Reserve Fund. A contractor has now been selected and the work is expected to begin in November.
- Unencumber and appropriate \$97,098.92 from the Department's 2012-13 Bank Fees account to the corresponding 2013-14 account. The Department's final 2012-13 invoice was \$104,047, \$7,000 less than the amount encumbered. Invoices are typically received one month after the closing date. Due to the timing, the Department was unable to encumber additional funds and paid the invoice with 2013-14 funds.

G. Fire

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Department and Funds

Recommendation No. 6

In the First FSR, a year-end deficit of \$14 million was projected for this Department primarily in its Sworn Constant Staffing Overtime, Sworn Salaries and Field Equipment Expense accounts. Based on expenditures to date, the previously projected deficit has been slightly reduced to \$13.2 million. This change is attributed to slight decreases in previously estimated deficits in the Overtime Constant Staffing and Sworn Salaries accounts. However, these gains are partially offset by a new \$1.1 million deficit in Sworn Overtime.

The deficits are detailed as follows:

- The projected Sworn Overtime deficit is due to the need for additional Fire Safety Watch Filming & Other Safety Watches (revenue related), emergency inspections, arson staff emergency calls, court on call and any major emergencies (brush fires).
- As previously reported, 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. Approximately \$4.2 million in costs have been incurred as of the end of November.
- Additionally, the 2013-14 Budget assumed 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. This staffing plan was subject to meet and confer

due to the work schedule change for dispatchers from Platoon Duty to Administrative Duty. However this meet-and-confer issue is now at impasse. Concurrently, pursuant to Council instruction, a consulting firm (PA consulting) was hired by the City to assess the deployment of fire resources. One of the many areas being reviewed by the consultant is the Fire Dispatch Center staffing. The consultant will report its findings in January 2014. Not implementing the staffing plan for the Dispatch Center this fiscal year continues to create a \$333,000 monthly shortfall in the Constant Staffing Overtime Account. Approximately \$1.7 million in costs have been incurred as of the end of November.

Due to the City's current fiscal constraints, and the projected \$242 million deficit for 2014-15, it is critical that the Department provide a plan for addressing the projected \$13.2 million year-end deficit. Almost \$6 million in unfunded costs will have been incurred through the end of November. As a partial offset to the year-end deficit, \$1.034 million in savings can be realized in the Department's Salaries General (\$238,000), Sworn Salaries (\$596,000) and Variable Overtime (\$200,000) accounts due to the delays with the Dispatch Center staffing plan transition. This \$1.034 million would reduce the \$13.2 million deficit to \$12.2 million. These surplus funds will be transferred in the Mid-Year FSR. There are no service impacts associated with this proposed \$1.034 million transfer.

Additionally, it recommended that the Fire Chief be instructed to immediately discontinue the unfunded Ambulance Augmentation Plan. Discontinuing the unfunded Plan from January through June would save approximately \$5 million. Additionally, it is recommended that the Department identify operational changes for the remaining six months of the fiscal year (January through June) to offset any remaining year-end deficit within the Department. It is important to note that continuation of the unfunded Ambulance Augmentation Plan and Fire Dispatch Center staffing plan is expected to increase the City's \$242 million deficit projected for 2014-15 as the \$14 million in annual expenditures associated with these plans are not assumed in the \$242 million estimate.

The revenue budget for this fiscal year is \$181.5 million and the Department does not project to meet this goal due to a revision from \$33.6 million to \$18 million in the AB678 funds (now referred to as the Ground Emergency Medical Transport (GEMT)) for ambulance transport reimbursements (i.e., a reduction of about \$15.6 million). Another potential area of concern is full reimbursement from the Harbor Department for fire services. The CAO, Harbor and the Fire Department continue to meet to discuss the resolution of outstanding reimbursement issues. The revised revenue projection is now \$166 million.

The following transactions are recommended at this time:

- Transfer \$250,000 from the Fire Department's Unused Sick Time account and \$300,000 from the Salaries General account to the Field Equipment Expense account to cover a portion of the projected year-end shortfall due to fleet maintenance costs resulting from an aging fleet.
- Transfer \$75,000 from the Fire Department's Salaries Sworn account to the Personnel Department's Contractual Services account to pay for recruitment costs associated with the Fire Chief position.

H. General Services Recommendation No. 7

A year-end expenditure deficit was not identified for this Department in the First FSR. However, at this time the Department reports a deficit within the Field Equipment Expense account of approximately \$2.5 million and a deficit within the Leasing account of \$1.7 million. Since a portion of the Field Equipment Expense account deficit is anticipated to be offset with savings in various accounts and special funds (of approximately \$2 million), the net year-end General Fund deficit for this Department is estimated at \$2.2 million.

The \$2.5 million deficit within the Field Equipment Expense account is due to higher maintenance costs associated with the City's aging fleet, which includes the Bureau of Sanitation's refuse collection vehicles, street resurfacing equipment and unanticipated costs to extend the life cycle of 7 LAPD helicopters. The Department anticipates offsetting a portion of the projected deficit with savings from various accounts and special funds resulting in a remaining deficit of \$500,000 that may require a General Fund transfer at year-end. It is recommended that the Department continue to monitor this account and report back by the mid-year with a plan for offsetting the projected deficit.

The Department is also reporting a \$1.7 million shortfall within the Leasing Account. This is a result of various unfunded liabilities such as an ongoing legal dispute at the Garland Building, increases in month-to-month lease rates, delay in scheduled move out dates, and prior year utility costs owed to Caltrans. Specifically, the \$1.7 million deficit in the Leasing account is due to unanticipated lease expenses for the East Los Angeles and Long Beach courthouse and prior year bills including the ongoing legal dispute at the Garland Building. Although there is a working group attempting to resolve the Garland Building lease issue, the Department continues to pay for the outstanding lease expense which also contributes to the projected deficit. It is anticipated that a supplemental appropriation may be required at year-end to offset the \$1.7 million deficit. This Office will continue to monitor the status of this account and report back in future FSRs.

Status of Report Backs

As part of the First FSR actions, the Council instructed the Department to report back regarding budgeted and actual petroleum expenditures over the past five years. The Department will be transmitting a report back to the Council via separate cover.

I. Housing and Community Investment

Attachment 4 – New Appropriations

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

Recommendation Nos. 8 – 9

The Housing and Community Investment Department (HCID) expects to remain within budget through the year-end. The Department requests various actions that involve transfers related to the 39th Year Consolidated Plan to support programs in the Department of Building and Safety, Office of the City Administrative Officer (CAO), City Attorney, HCID, and the Department of Public

Works. In addition, HCID requests authority to transfer appropriations within various special funds to pay for costs associated with outside legal counsel and equipment replacement.

The following transactions are recommended at this time:

- Transfer a total of \$1,075,854.81 from the Salaries General Account (\$895,854.81) and off-budget unallocated special funds balances (\$180,000) to the Office and Administration Account to replace 356 computers and monitors, 15 laptops, 4 servers, data storage, and software licenses, and to pay for contract programming services to update the support systems for the Systematic Code Enforcement Program (SCEP) and the Rent Stabilization Ordinance (RSO). The Information Technology Agency has directed departments to replace older computers because Microsoft will not support the products after April 8, 2014. More than 80 percent of the equipment to be replaced is older than seven years. The Department plans to submit a second request in the next FSR to replace the remaining older equipment and software.
- Appropriate and transfer \$2,000 from the Domestic Violence (DV) Trust Fund to the HCID operations budget to pay for costs associated with the DV Task Force.
- Increase appropriations within the Community Development Trust Fund by \$270,390 to align appropriations for the Handyworker program as included in the adopted 39th Year Consolidated Plan (C.F. 12-1607).
- Decrease appropriations within the Community Development Trust Fund by \$1,401 to align appropriations for the Hire LA program as included in the adopted 39th Year Consolidated Plan (C.F. 12-1607).
- Appropriate and transfer \$450,000 from the Community Development Trust Fund to Public Works, Bureau of Street Lighting (\$125,000 – Salaries, \$50,000 – Salaries Overtime, and \$275,000 – Improvements and Supplies Accounts) to pay for the East Hollywood Lighting System as included in the adopted 39th Year Consolidate Plan (C.F. 12-1607).
- Appropriate and transfer \$1,119,391 within the Community Development Trust Fund to the City Attorney's operating budget for costs associated with the following 39th Year Consolidated Plan projects: \$616,000 – Task Force for Apartment and Rental Properties (TARP, formerly Foreclosure and Nuisance Abatement – FALCON); \$329,000 – City Attorney Residential Enforcement (CARE, formerly Proactive Code Enforcement Program – PACE); and, \$174,391 – Citywide Residential Nuisance Abatement Program.
- Appropriate and transfer \$15,000 from the Community Development Trust Fund to the CAO Contractual Services Account to pay for a portion of the Citywide annual subscription to E-Civis, an online grants management software product as included in the adopted 39th Year Consolidated Plan (C.F. 12-1607).

- Appropriate and transfer \$1,078,405 from the Community Development Trust Fund to the Department of Building and Safety (\$1,025,000 – Salaries, \$14,600 – Contractual Services, and \$37,900 – Transportation Accounts) to pay for the Pro-Active Code Enforcement (PACE) Program as included in the adopted 39th Consolidated Plan (C.F. 12-1607).
- Appropriate and transfer \$1,411,040 from the Community Development Trust Fund to the Board of Public Works Contractual Services Account for Clean and Green (\$878,940), Clean Streets Clean Neighborhoods (\$85,000), City Trees (\$234,600), and River Keepers (\$212,500) as included in the adopted 39th Year Consolidated Plan (C.F. 12-1607).
- Reconcile and correct funding sources totaling \$8,700 for contract amendments associated with the Lead Hazard Remediation Program previously approved by the Mayor and Council (C.F. 10-1140-S6).
- Appropriate \$108,315 in Community Service Block Grant funds and \$746.52 in ARRA-Energy Efficiency and Conservation Block Grant funds to reimburse 2012-13 administrative expenses.
- Transfer \$85,000 within the Code Enforcement Trust Fund and \$85,000 within the Rent Stabilization Fund to the Outside Legal Counsel account to pay the City Attorney for services related to the Cecil Hotel litigation. The total amount of \$170,000 will provide the final payment to Best Best & Krieger, LLP, and any possible post settlement matters. The Council approved the use of HCID special funds for the payment (C.F. 13-0802); however, the accounts were not identified at the time of Council approval.

J. Library

Attachment 6 – Transfers between Departments and Funds

In the first FSR, the Library Department was 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 its Various Special account. The surplus was attributed to existing vacancies within the Department. The total projected year-end surplus has now been reduced to approximately \$2.86 million due to decreased salary savings (decrease from \$2.1 million to \$1.5 million). The Department is reporting a year-end deficit of \$156,738 in Library Fund revenue. All revenue collected by the Library is deposited into the Library Fund.

On October 10, 2013, the Board of Library Commissioners adopted Board Resolution No. 2013-46 (C-37) authorizing a transfer \$1,540,000 from the Salaries General account to the Salaries As-Needed (\$1,530,000) and Transportation (\$10,000) accounts. The transfers will increase funding for as-needed staffing and for mileage reimbursements to employees for personal vehicle use.

The following transactions are recommended:

- Transfer \$1,540,000 from the Library's Salaries General account to the Salaries As-Needed (\$1,530,000) and Transportation (\$10,000) accounts as approved by the Board of Library Commissioners on October 10, 2013 (Board Resolution No. 2013-46 (C-37)).

**K. Los Angeles Convention and Visitors Bureau (LA Inc.)
Attachment 4 – New Appropriations**

The City's contract with the Los Angeles Tourism and Convention Board (LATCB) provides annual funding in the amount equivalent to one percent of the Transient Occupancy Tax (TOT). Payments are made quarterly based on the estimated TOT and reconciled at the end of the year. In 2012-13, LATCB received \$11,445,600 or \$1,372,925 less than owed. It is recommended that funds be appropriated from the Los Angeles Convention and Visitors Bureau Trust Fund No. 429 to permit the final payment for 2012-13.

The following transaction is recommended:

- Appropriate \$1,372,925 from the Los Angeles Convention and Visitors Bureau Trust Fund to the Los Angeles Convention and Visitors Bureau, and authorize the City Administrative Officer to pay LATCB's final 2012-13 invoice from these funds.

L. Mayor

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

The Mayor's Office requests the following transactions:

- Appropriate and transfer \$95,000 from the Mayor's, Revenue Source Code 5161, Reimbursement of Expenditures to the Mayor's Salaries As-Needed account for support of Strategic Partnerships activities;
- Appropriate and transfer \$134,707 from the Mayor's Revenue Source Code 5311, Reimbursement – Metro Rail Project to the Mayor's Salaries General account for work in connection to MTA projects included in the annual plan;
- Establish new appropriation accounts within the 2012 Community Based Violence Demonstration Program Grant (2012 CVPDP Grant) Fund 55K, and transfer \$83,153.42 for Mayor current year salaries and related costs.

M. Neighborhood Empowerment

Attachment 6 – Transfers between Departments and Funds

The Department of Neighborhood and Empowerment and the Office of the City Clerk are working collaboratively to conduct the 2013-14 Neighborhood Council Board Member Elections. It was

determined that it would be more effective for the Office of the City Clerk to process payroll for the as-needed staff necessary to conduct the elections. Therefore, a \$122,013 transfer is requested to cover salary costs.

The following is recommended:

- Transfer \$122,013 from the Department's Salaries As-Needed account to the Office of the City Clerk's Salaries As-Needed account to conduct the 2013-14 Neighborhood Council Board Member Elections.

N. Police

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 7 – Appropriations from the Unappropriated Balance

Recommendation No. 10

As reported in the First FSR, the Department was projecting a net year-end deficit of approximately \$3.8 million due to shortfalls in the Department's Salaries General and Salaries As-Needed accounts. At this time, the Police Department is projecting that it will be able to fully offset the \$3.8 million year-end deficit due to surpluses in the Sworn Salaries account. Transfers are recommended in this FSR to address operational needs within the Department as well as to pay down banked overtime. The reasons for the surplus in the Sworn Salaries account are discussed below.

The LAPD reports that it is working together with the Personnel Department to meet the hiring goal of 10,000 officers before the end of the fiscal year; however, due to a variety of factors the sworn hiring goal may not be met. The Department reports that these factors include higher than anticipated attrition rates, increasing competition with other law enforcement agencies who are now hiring at higher salaries than LAPD resulting in fewer applicants, reduced budget funding for recruitment advertising and targeted outreach efforts, higher background disqualification rates, and staffing issues at Personnel Department which have impacted timely processing of candidates. Based upon our Office's calculations and the year-to-date hiring trends, the Department would end the year with approximately 165 fewer sworn officers than planned in 2013-14. As such, the Department is projecting surpluses in its Salaries Sworn account, which will allow the LAPD to cover the approximately \$3.8 million deficit that was reported in the First FSR. This Office will continue to monitor the Department's accounts and report back in the Mid-Year FSR.

In order to meet the hiring goal, the Chief of Police will assign eight Police Officer III positions to supplement the Personnel Department's staffing in its Public Safety Bureau to assist with the Preliminary Investigative Questionnaire (PIQ) portion of the background investigation process. If necessary, the Department states that it will assign additional staff there as well. The Department has revised its Sworn Hiring Plan to increase the number of classes in the second half of the fiscal year. The LAPD anticipates six new Academy classes of approximately 50 recruits starting between January 2014 and June 2014 in order to meet the hiring goal of 10,000 officers. This is an increase from the original Hiring Plan, which included four classes in the second half of the fiscal year.

As noted above, the LAPD is anticipating being able to cover their current shortfalls with savings from the Sworn Salaries account. However, given the steps the Department is taking to meet the sworn hiring goal and hire approximately 290 new officers before year end, the LAPD will require that the funding in the Unappropriated Balance (UB) of approximately \$3.22 million for sworn hiring in the second half of the fiscal year be transferred to the Department. We will continue to monitor the Department's accounts and hiring, and recommend transferring the necessary funds from the UB in a future FSR. In addition to the \$3.22 million, the Personnel Department reports that in order to get a sufficient number of recruits to meet the 10,000 hiring goal, they would need a supplemental appropriation of \$500,000 for advertising.

Additionally, as part of the First FSR, the CAO was instructed to report with a comprehensive review of options for buying down LAPD banked sworn overtime, possibly through the issuance of debt. The CAO has initiated its review of this matter and is in discussions with the City's Financial Advisors. Additional information will be provided once it is available.

In the interim, funding in the amount of \$15 million was set aside in the 2013-14 Unappropriated Balance to reduce future liability of compensated time off accrued by Police Officers pursuant to Memorandum of Understanding (MOU) 24. The CAO and the Police Department have been working together to determine the best way to address this liability, prior to, or as part of, negotiations for a successor agreement to the current MOU, which expires June 30, 2014.

According to the LAPD's latest overtime balance figures, the 2.487 million hours currently on the books have a value of approximately \$120.913 million. The dollar value of banked sworn overtime rises as sworn salaries increase since banked overtime must be paid out at the current salary rate. After the 2 percent sworn cost of living adjustment (COLA) scheduled for March 1, 2014 is implemented, this same number of hours will have a value of approximately \$123.331 million-an increase of \$2.418 million. Similarly, as shown in Table 3, paying down \$15 million in sworn overtime will save the City approximately 2 percent (or \$300,000) as \$15.3 million would be needed to pay-down a similar amount of hours after March 1, 2014. Assuming the \$15 million transfer is approved, approximately .308 million banked hours would be paid down resulting in a balance of 2.179 million hours or approximately \$108.031 million (See Tables 4 and 5).

(See tables on next page)

| Table 4. \$ Impact of Proposed \$15M Payout of Banked Sworn Overtime | | |
|---|--------------------------|---|
| | Current Value | Value after March 1, 2014 (with 2% COLA) |
| Total Banked Overtime | \$120.913 million | \$123.331 million |
| Second FSR Proposed Paydown Recommendation | \$(15.000) million | \$(15.300) million |
| Balance after 2nd FSR | \$105.913 million | \$108.031 million* |

*The remaining balance after the \$15 million pay down in the Second FSR increases from \$105.913 million to \$108.031 million due to the 2 percent COLA effective on March 1, 2014.

| Table 5. Impact on Banked Sworn Overtime (OT) Hours if Paid Before or After March 1 | | | | | |
|--|--------------------------------|-------------------|---|--|---|
| | Avg. Hourly OT Rate | UB Funding | Hours on the Books Hours in Millions | No. of OT Hours Hours in Millions | Est. Balance Hours in Millions |
| Before March 1 (2%) COLA | \$48.62 | \$15.000 million | 2.487 | (.308) | 2.179 |
| After March 1 (2%) COLA | \$49.59 | \$15.000 million | 2.487 | (.302) | 2.185 |

The following transactions are recommended:

- Transfer \$100,000 from the Forfeited Assets Trust Fund (State Set-Aside Funds) to LAPD's Sworn Overtime account to pay for officer overtime to continue to support the ongoing youth prevention and intervention activities for the Cadet Program at the Police Academy.
- Transfer \$15 million from the Unappropriated Balance, Police Overtime line to the Department's Sworn Overtime account and instruct the Chief of Police to pay down \$15 million in banked sworn overtime by March 1, 2013.

The Department has provided the following responses relative to the Council's request for report back on various items:

- Regarding an instruction for the Department to explore piggybacking for LexisNexis using contracts previously executed by the City Attorney and the Office of Finance, the Department advises that it is infeasible to piggyback on the existing Lexis Nexis contracts with other City departments as the contracts have been tailored to their specific needs. The LAPD contract with LexisNexis (LN) is specific to research for Law Enforcement. According to LAPD, a Department is not allowed to exceed the scope of services included in the original contract when piggybacking off of another department's contract. LAPD's current contract is on a year-by-year basis and the Department is working on an RFP. Any other department that seeks to piggyback off of LAPD's contract is limited to the term of its contract.

- Relative to the status of purchasing 276 non-patrol vehicles, LAPD advises that it had to wait until the MICLA funding was re-approved in the First FSR, in compliance with the existing MICLA reapproval policy. Subsequent to the approval of the First FSR, LAPD has been able to issue Purchase Orders and proceed with ordering the vehicles included in the 2013-14 Budget.

O. Public Works/Bureau of Engineering

Attachment 5 – Transfers between Accounts within Departments and Funds

It is projected that the Bureau will complete the year within budget across all accounts.

The following transaction is recommended:

- A \$433,000 transfer is recommended within the Stormwater Pollution Abatement Fund to fund a Floodplain Management Plan Study to comply with the National Flood Insurance Program (NFIP). The City is required to enforce the Flood Hazard Management Ordinance and periodically update the Floodplain Management Plan (FMP). The City's FMP was last updated in 2009. A total of \$434,606 in savings are available in Stormwater Pollution Abatement funds to cover the total cost of the mandatory NFIP Study. The Request for Proposals for conducting the study will be released by January 2014 and a contract is expected to be awarded by April 2014. This study is anticipated to be completed within 24 months.

P. Public Works/Bureau of Sanitation

As reported in the First FSR, 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 in prior years. 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 the Mid-Year FSR to address this overpayment of related cost reimbursements. Any reduction to related cost reimbursements to the General Fund from the Solid Waste Resources Revenue Fund, without a corresponding reduction to General Fund appropriations, will negatively impact the General Fund.

Q. Public Works/Bureau of Street Services

Attachment 4 – New Appropriations

Attachment 6 – Transfers between Departments and Funds

Recommendation Nos. 11 through 13

At this time, the Bureau projects a year-end deficit of \$1.8 million (\$0.3 million General Fund and \$1.5 million Special Fund) primarily resulting from shortfalls in the Bureau's expense accounts. The deficit will be offset with the approval of recommendations contained within this report to appropriate and reappropriate a total of \$6.6 million in funding.

General Fund receipts through the middle of November total \$6.5 million, which represents approximately 14 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 \$6.6 million are recommended at this time:

- Transfer receipts totaling \$217,627.30 from the Subventions and Grants Fund to the Bureau's Revenue Source Code No. 465800, Special Events, to reimburse various services provided by BSS for special events held from January 2013 through June 2013.
- Transfer and appropriate \$753,696.93 from the Subventions and Grants Fund to the Department of Transportation's Overtime account to reimburse for various services provided by the DOT for special events held from January 2013 through June 2013.
- Transfer and appropriate \$326,191.80 from the Subventions and Grants Fund to the Fire Department's (LAFD) Sworn Salaries account to reimburse for various services provided by LAFD for special events held from January 2013 through June 2013.
- Transfer and appropriate \$819,009.76 from the Subventions and Grants Fund to the Police Department's (LAPD) Sworn Overtime account to reimburse for various services provided by LAPD for special events held from January 2013 through June 2013.
- Transfer and appropriate \$7,761.79 from the Subventions and Grants Fund to the Information Technology Agency's Overtime account to reimburse for various services provided by ITA for the 55th Annual Grammy Awards held on February 10, 2013 (Special Event Reference No. 20121273).
- Transfer and appropriate \$10,000 from the Subventions and Grants Fund to the Bureau of Street Lighting's Street Lighting Improvements and Supplies account to reimburse for various services provided by BSL for the 85th Annual Academy Awards Presentation held on February 24, 2013 (Special Event Reference No. 20130042).
- Transfer and appropriate \$14,118.80 from the Subventions and Grants Fund to the Building and Safety Permit Enterprise Fund for various services provided by Building and Safety for special events held from January 2013 through June 2013.
- Transfer \$85,000 from the Gas Tax Fund to the Bureau for the Echo Park/Sunset Boulevard Streetscape Project per the Adopted Budget Capital Improvement Expenditure Program (CIEP) (C.F. 12-0600).
- Transfer \$238,000 from the Gas Tax Fund to the Bureau for bridge and tunnel maintenance per the Adopted Budget Capital Improvement Expenditure Program (CIEP) (C.F. 13-0600).

- Transfer \$500,000 from the Gas Tax Fund to the Bureau for safety related drainage projects per the Adopted Budget Capital Improvement Expenditure Program (CIEP) (C.F. 13-0600).
- Appropriate \$31,500 from the Subventions and Grants Fund to the Bureau for the 3rd Street Sidewalk Repairs Project in Council District 4 (C.F. 13-0011-S21).
- Appropriate \$575,261.37 from the Subventions and Grants Fund to the Bureau for the MTA Eastside Access Improvement project (C.F. 12-1130).
- Appropriate \$836.35 from the Subventions and Grants Fund to the Bureau for the Brentwood sign sweep.
- Transfer \$648,465 from the Measure R Local Return Fund to the Bureau for the El Dorado/Bromwich Street and Sidewalk Improvements Project per the Adopted Budget Capital Improvement Expenditure Program (CIEP) (C.F. 12-0600).
- Transfer \$540,000 from the Measure R Local Return Fund to the Bureau for the Laurel Canyon Blvd at Victory Blvd Project per the Adopted Budget Capital Improvement Expenditure Program (CIEP) (C.F. 12-0600).
- Transfer \$665,000 from the Measure R Local Return Fund to the Bureau for Echo Park/Sunset Blvd Streetscape per the Adopted Budget Capital Improvement Expenditure Program (CIEP) (C.F. 13-0600).
- Transfer \$109,000 from the Measure R Local Return Fund to the Bureau for the guardrail construction per the Adopted Budget Capital Improvement Expenditure Program (CIEP) (C.F. 13-0600).
- Reappropriate \$410,000 from the Measure R Local Return Fund to the Bureau for the Second Street Tunnel Ventilation Fan Replacement Project (C.F. 12-0600-S170).
- Reappropriate \$240,000 from the Measure R Local Return Fund to the Bureau for the Third Street Tunnel Ventilation Fan Replacement Project (C.F. 12-0600-S170).
- Reappropriate \$410,000 from the Measure R Local Return Fund to the Bureau for the Sherman Way Tunnel Ventilation Fan Replacement Project (C.F. 12-0600-S170).

R. Transportation

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

Recommendation No. 14

Based on current expenditure patterns, the previously projected year-end General Fund deficit has decreased slightly, from \$884,703 to \$576,839. The deficit is attributed to anticipated salary

adjustments slated for January 2014. Although the General Fund shortfall has been reduced, the Department may still require an additional appropriation as it may be unable to absorb these costs. Further, the Department is reporting a \$2,568,986 Special Fund surplus largely in Proposition C. However, this surplus cannot be used to offset the General Fund deficit. This overall surplus assumes approval of recommended transfers in this FSR.

The Department's estimated year-end overtime shortfall is \$3,744,008 comprised of General Funds (\$2,453,316) and Special Funds (\$1,290,692). The overtime projection is based on current trends, and assumes approval of overtime transfers 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 related to the street resurfacing program and work associated with the Bicycle Plan. The Department anticipates offsetting the entire overtime shortfall through internal transfers from various accounts and anticipated special event reimbursements which will be received throughout the year. The Department will keep the Council informed should any issues arise.

Parking Fine revenues are budgeted at \$156.6 million for this fiscal year. Receipts collected through October 2013 indicate that plan is on target.

Approximately 21 percent of the Department's budgeted General Fund revenue has been received as of November 15, 2013. The Department reports that the majority of the receipts are received in the second half of the fiscal year such as related cost billings

The following transactions are recommended:

- Transfer \$12,113 within the Department's internal accounts to cover projected shortfalls as follows: \$11,587 from Salaries General to Salaries Overtime within the Parking Permit Fund and transfer \$526 from Salaries Overtime to Salaries General for costs associated with Transportation Regulation reporting.
- Transfer \$350,000 from Mobile Source Air Pollution Reduction Fund, Air Quality and Outreach program accounts as reimbursement for overtime worked at the Ciclavia event in October 2013 and for anticipated events through year-end.
- Transfer \$956,614 from the Proposition C Anti-Gridlock Fund Salaries account to the Overtime account to meet anticipated year-end payroll needs for street resurfacing and Metro projects.
- Transfer \$277,498 from the Transportation Trust Fund to the Department's Overtime account as reimbursement for special events worked this fiscal year at Dodger Stadium, Hollywood Bowl, Greek Theatre, Staples Center and Pasadena Collection events this fiscal year.

- Transfer \$10,000 from Kaiser Permanente in connection with the Streets for People Program from the Transportation Trust Fund, Donation and Contributions account to Measure R for the Pedestrian Program set aside in 2014.

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 \$19.48 million is appropriated from the Unappropriated Balance. In 2013-14 there have been some unanticipated SPRF-related expenditures and revenue losses.

A. General City Purposes No Recommendations

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

B. Human Resources Benefits No Recommendations

The 2013-14 Budget assumed a healthcare premium contribution of 10 percent by every civilian employee effective January 1, 2014, which was projected to generate approximately \$8.5 million in savings over six months within the Human Resources Benefits (HRB) Fund. However, it is now anticipated that these savings will no longer be realized in the current fiscal year. At this time, we cannot project whether an \$8.5 million deficit will materialize in the HRB Fund. Year-end expenditures for the HRB 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. Additional information relative to the status of the HRB Fund is expected to be available at the mid-year. There are no transactions required at this time. This Office will continue to monitor and report on the status of the Fund and any impacts to the budget in subsequent FSRs.

C. Liability Claims Account No Recommendations

The 2013-14 Adopted Budget includes \$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 \$23.59 million in payouts (actual expenditures plus payments that still need to be processed) for an available balance of \$24.32 million in the Liability Claims Account. 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 separate reports to the City Council.

D. Unappropriated Balance

Attachment 7 – Appropriations from the Unappropriated Balance

Attachment 8-A – Status of the Unappropriated Balance – General Accounts

Attachment 8-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 October 31, 2013, \$9,340 has been appropriated through Council action, reducing the General Account balance from \$50,000 to \$40,660. To date, approximately \$2.4 million has been transferred or reappropriated to the UB and \$3.7 million has been transferred out, leaving a balance of \$82.6 million.

This report includes recommendations to appropriate \$19.48 million for the following: \$15 million from the Police Overtime line item to the Police Sworn Overtime account, \$500,000 from the Fire-Third Party Review of Resource Deployment line item to the CAO Contractual Services account, and \$3.98 million from the Reserve for Economic Uncertainties line item to the City Attorney Salaries General account. These recommendations reduce the UB to approximately \$63.7 million.

E. Special Parking Revenue Fund

The Special Parking Revenue Fund (SPRF) receives revenues from City-owned parking meters and lots. These funds are used to purchase, maintain and upgrade City-owned parking facilities and meters. Any Council-declared surplus may be transferred to the General Fund. In 2013-14 there have been some unanticipated SPRF-related expenditures and revenue losses. However, these expenditures and revenue losses are not expected to affect the \$35.14 million that was budgeted as surplus and is planned to be transferred to the General Fund. This is because SPRF-related salary savings in the range of \$737,939 and \$774,939 plus additional meter revenue are expected to offset the unanticipated costs and lost revenue.

| Unanticipated SPRF Expenditures and Lost Revenue | |
|--|------------------------------------|
| Credit Card Security Services | \$ 16,245 |
| Delay in 24-Lot Mgmt Contract – Current Costs | \$487,707 |
| Delay in 24-Lot Mgmt Contract – Lost Revenue | \$441,500-\$512,900 |
| <i>Sub Total</i> | <i>\$945,452-\$1,016,852</i> |
| Savings | |
| Coin Room Staffing Efficiencies | \$(14,000)-\$(51,000) |
| Salary Savings – Vacant Positions | \$(723,939) |
| <i>Sub Total</i> | <i>\$(737,939)-\$(774,939)</i> |
| <i>Net SPRF Deficit -to be covered by meter surplus</i> | <i>\$207,513- \$241,913</i> |

- Unanticipated Expenditures: A total of \$503,952 in unanticipated expenditures consist of:

1) increased use of anti-theft computer software by the vendor due to an increase in credit card transactions being processed at City meters (\$16,245); and,

2) a delay in the approval of the 24-lot management contract has resulted in additional costs to the City for the current management vendors (PCI, NSP and General Services Department) to manage these lots through the end of the current fiscal year (\$487,707).

- Lost Revenue: Due to the delay in implementing the 24-lot parking management contracts, lost parking revenue is estimated between \$441,500 and \$512,900, depending on the implementation of the proposed contracts. If the contracts are implemented in January 2014, \$441,500 in revenue losses are projected. The losses are anticipated to increase to \$512,900, if the contracts are not implemented during the current fiscal year.

Although there is an expected loss in parking lot revenue, as of the middle of November the parking meter revenue has been above target. If this trend continues it is assumed parking meter revenue will be slightly above the estimated revenue amounts in the 2013-14 Adopted Budget.

- Anticipated Savings: Savings in the range of \$737,939 to \$774,939 have been identified to partially offset the unexpected expenditures. These savings include:
 - 1) Salary savings in the range of \$14,000 to \$51,000 due to scheduling efficiencies which will allow the Department to reduce Coin Room staffing levels. Actual savings will depend on the final staffing levels and the amount of overtime used (\$14,000 to \$51,000); and,
 - 2) Salary savings from five SPRF-funded positions that are not expected to be filled in the current fiscal year (\$723,939).

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

The City's Financial Policies instruct the City Administrative Officer (CAO) to periodically report on the status of the MICLA Commercial Paper (CP) Program. In June 2004, the Mayor and Council approved a \$200 million MICLA CP program to be used as temporary financing for approved capital construction projects and capital equipment purchases. In 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).

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 November 26, 2013:

| Reporting Period | Amount Outstanding | Range of Interest Rates |
|------------------------------|---------------------------|--------------------------------|
| 09/30/2013-11/26/2013 | \$ 171,197,000 | 0.06% to 0.16% (tax-exempt) |
| 09/30/2013-11/26/2013 | \$ 76,684,000 | 0.12% to 0.15% (taxable) |
| ----- | | |
| <i>Total: \$ 247,881,000</i> | | |

4. STATUS OF GANG REDUCTION AND YOUTH DEVELOPMENT PROGRAM
Attachment 9 – Gang Reduction and Youth Development Status Report of Expenditures/Payments

At the request of the Budget and Finance Committee (C.F. 13-0600), the Mayor’s Office provides an update of current year Gang Reduction and Youth Development Program spending in the Financial Status Report. This Office was instructed to work with the Mayor’s Office to review allocations from all funding sources.

Total funding for the Fiscal Year 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 October 31, 2013, total General Fund expenditures were \$3,997,349 and encumbrances were \$19,137,337.

Attachment 9 outlines the distribution of funds to each of the GRYD contracted agencies for FY2013-14. The GRYD Office is currently comprised of 21 positions as of October 31, 2013: Seven 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 October 31, 2013 total \$471,806 (General Fund - \$386,999; Grant Funds - \$84,807).

5. STATUS OF MANAGED HIRING PROCESS

As part of the First FSR, the Council instructed the CAO to include in the next FSR a description of the new Managed Hiring Process. Separately, a Motion (Blumenfield-Bonin) was introduced instructing the CAO and CLA to submit a comprehensive report on the current Managed Hiring process (CF 13-1455), including, but not limited to the following:

- Number of positions requested to be unfrozen, and number approved;
- Criteria used to consider unfreeze requests;

- A description of the Managed Hiring Committee process, including any 'time lags' that can occur in that process;
- The impact on the budget of exempting fully-Special-Funded positions from the Managed Hiring process;
- A list of revenue generating positions that could be exempted from the Managed Hiring process in cases where those positions are within budgeted funds and position authorities;
- Any other relevant information on the current Managed Hiring process, and recommendations to improve that process.

The CAO and CLA expect to release a joint report on the Managed Hiring Process in the near future to address all of the above, including recommended revisions to the process.

6. STATUS OF DEBT COLLECTIONS FROM THE INSPECTOR GENERAL

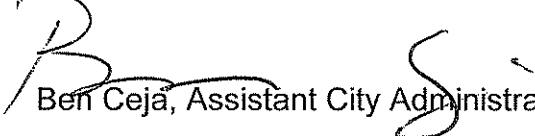
Attachment 10 –Inspector General Status Update

The Inspector General has submitted an update to collection reform efforts and Commission on Revenue Efficiency (CORE) tracking through October 2013. According to the Inspector General, overall the City has implemented about 34 percent of all items being tracked with another 2 percent of items disposed with no further action required.



Maria D. Gutierrez, Finance Specialist

APPROVED:


Ben Ceja, Assistant City Administrative Officer

MAS:BC/JW/MDG: 01140038c

Attachments