

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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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: 2014-15 Budget

Subject: **FIRST FINANCIAL STATUS REPORT**

INTRODUCTION

The City's 2014-15 Fiscal Year began with an improved budget performance and progress towards fiscal sustainability as demonstrated by the Kroll Bond Rating Agency's recent Rating Report which highlighted the City's financial management and sustained improvement in financial operations.¹ This is illustrated by the City's stronger than anticipated July 1 Reserve Fund of 7.45 percent as compared to the budget estimate of 5.53 percent. This has better positioned the City to reach its 10 percent goal for the City's reserves. This also puts the City in a better place to confront one-time liabilities. Through sound fiscal management and continued economic growth the prospects for achieving structural balance by 2018-19 are very real. However, since the adoption of the 2014-15 budget this Office has become aware of potential expenditures not included in the Outlook that will make eliminating the structural deficit more challenging.

As discussed in this report, the City's pension reform efforts are being challenged on many fronts and recent or pending changes to the actuarial assumptions of both pension systems, including a decrease in the investment rate of return from 7.75 percent to 7.50 percent, will likely increase the City's projected pension costs for 2015-16 and beyond. In particular, based on our preliminary assessment of the impact of economic and demographic assumption changes in the Los Angeles City Employees' Retirement System's latest experience study, we estimate an annual \$50 million increase in the City contribution beginning in 2015-16. The City contribution would further increase if the new civilian retirement tier (Tier 2) is rescinded as recently directed by the Employee Relations Board.

¹ Kroll Bond Rating Agency, *City of Los Angeles, CA General Obligation Bonds*, August 25, 2014. See Attachment 17.

With labor negotiations underway and a projected deficit of \$165.1 million anticipated for 2015-16 the current fiscal year requires continued fiscal restraint. This report identifies a \$95.28 million expenditure shortfall for 2014-15. After accounting for the recommendations in this report and other anticipated solutions by year-end, the deficit is reduced to \$22.18 million. Although we are confident that we will be able to identify solutions by the end of the fiscal year to fully offset this shortfall, at this point no funding is immediately available to close the \$22.18 million gap. This Office will report back in the next Financial Status Reports regarding remaining options to mitigate this shortfall.

SUMMARY: FY 2014-15 SHORTFALL \$95.28 MILLION

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 2013-14 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 \$137.3 million for appropriations, transfers and other budgetary adjustments are included in this report.

As highlighted in this report, approximately \$95.28 million in departmental expenditure shortfalls and unbudgeted expenses are projected in the current fiscal year mainly due to shortfalls in the Police and Fire Departments. The actions recommended in this report reduce the projected year-end deficit to \$51.94 million. Potential solutions identified in this report would further reduce the remaining year-end deficit to \$22.18 million. Additionally, Reserve Fund appropriations and reappropriations totaling \$19.78 million are recommended to comply with contractual obligations and address matters of public safety.

2013-14 Revised Revenue

The Adopted Budget for 2013-14 included \$4.87 billion in General Fund revenue. Receipts performed better than plan, ending the year \$86.7 million above the adopted budget (1.78 percent). Much of this surplus can be attributed to continuing improvement in the housing market, with documentary transfer tax revenue contributing \$31.4 million. Property tax receipts finished \$40.4 million above the adopted budget with \$8.9 million credited to the improving market and \$31.5 million from early secured property tax revenue received in May 2014. Property tax increment revenue from the former Community Redevelopment Agency Los Angeles (CRA/LA) was \$14.8 million above the adopted budget although the increase is not solely a factor of property tax growth. Business tax, sales tax, and the transient occupancy tax also performed well with the improving local economy, finishing the year \$4.7 million, \$3.7 million and \$10.0 million above the adopted budget. Additionally parking fine collections and grant receipt reimbursements ended with surpluses (\$4.6 million and \$2.7 million, respectively).

General fund revenue for the 2013-14 fiscal year budget was revised with the adoption of the 2014-15 budget to reflect the improving trends in tax receipts. However, downward revisions were

also made, including a reduction to property tax revenue to reflect the early receipt of secured property tax revenue at the end of fiscal year 2012-13 (subsequently offset as discussed above), as well as a reduction to business tax receipts in accordance with Office of Finance guidance. The adjustments resulted in a net increase of \$20.2 million from the adopted budget to the revised budget (0.42 percent). As neither of these shortfalls materialized, final revised revenue completed the year \$66.5 million (1.36 percent) above the revised budget, contributing to a higher year-end balance for the reserve fund, with approximately \$54.0 million of the \$66.5 million deposited in the fund as unallocated revenue.

The 2013-14 Adopted Budget, revised changes, and actual receipts are summarized in Table 1 and Attachment 1-A.

Table 1. 2013-14 General Fund Adopted and Revised Budget

	Adopted	Revised	Actuals
Property Tax	\$1,549.6	\$1,543.1	\$1,590.0
Redirection of ex-CRA Tax Increment Monies	55.4	66.5	70.2
Licenses, Permits, Fees and Fines	832.7	829.8	832.0
Utility Users' Tax	641.6	626.6	627.4
Business Tax	470.7	465.0	475.4
Sales Tax	352.8	357.6	356.5
Power Revenue Transfer	253.0	253.0	253.0
Parking Fines	156.6	160.9	161.1
Transient Occupancy Tax	174.4	185.0	184.4
Documentary Transfer Tax	160.1	178.9	181.5
Parking Users' Tax	94.9	96.6	95.7
Franchise Income	42.6	44.1	44.4
Interest	14.6	14.3	15.8
State Motor Vehicle License Fees	2.1	1.7	1.7
Tobacco Settlement	9.0	9.1	9.1
Grants Receipts	6.2	8.6	8.9
Transfer from Telecommunications Development Account	5.2	-	-
Residential Development Tax	2.1	3.1	3.3
Special Parking Revenue Transfer	35.1	35.1	35.1
Budget Stabilization Fund Transfer	8.0	8.0	8.0
Total General Fund Receipts	\$4,866.9	\$4,887.1	\$4,953.6
<i>Increase from Adopted Budget</i>		<i>0.42%</i>	<i>1.78%</i>

2014-15 Projected Revenue

To date, total 2014-15 revenue through September is \$16.8 million below planned receipts, representing 12.5 percent of total adopted General Fund revenue. (See Attachment 1-B.) The early receipt of secured property tax at the end of 2013-14 is translating to a \$28.7 million shortfall in 2014-15 (Attachments 1-C through 1-E). However, as the County Assessor's Office has increased its estimate for growth in assessed value, from 5.05 percent to 5.47 percent, it is expected that secured property tax revenue from the next tax period, beginning in December, will offset the shortfall. Department license, permit, fee and fine revenue is also \$14.3 million behind plan; however as the majority of revenue is received in the latter half of the year it is not yet indicative of a year-end shortfall.

Significantly offsetting the larger shortfall are receipts from documentary transfer tax which is \$8.2 million ahead of plan, as well as utility tax, sales tax parking users tax, and franchise fee revenues, which are \$1.1 million, \$2.0 million, \$4.5 million and \$1.4 million above plan, respectively. However, receipts through September in these categories have not demonstrated a clear upward trend. With regards to the documentary transfer tax, recent transaction data poses some concern (Attachments 1-F through 1-J). Despite the positive finish for fiscal year 2013-14, the current surplus is solely attributed to a \$12 million legal entity transfer amount received in August, without which the revenue source would be behind plan. Additionally, any growth in this revenue is being driven by increasing sales price, with the City's revenue per deed approaching peak level value. Sales volume, as indicated by the number of deeds recorded in the City, has been declining as investors drop out of the market and new homebuyers face tight lending conditions.

Another potential concern is property tax increment revenue from the former CRA/LA, for which the County Auditor-Controller has estimated the January payment to the City to be \$9.3 million. The Adopted Budget assumes a payment of \$24 million, resulting in a potential shortfall of \$14.7 million. Contributing to the decrease are increased enforceable obligation expenditures for debt service and principal payments, reducing the amount available for disbursement to the City. It is not yet clear at this time whether the June payment will be similarly impacted.

In general the economy continues to show signs of progress with improving growth and employment numbers. Lower economic growth in Asia and Europe and rising international tensions have the potential to adversely impact the economy.

Reserve Fund

According to the Office of the Controller the preliminary July 1, 2014, Reserve Fund cash balance is approximately \$551.4 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 2014-15 Adopted Budget (including the \$117.5 million transfer to the Budget), the July 1, 2014, Available Balance is approximately \$383 million which represents 7.45 percent of the General Fund Budget. The Available Balance, as represented in the charts below, is \$98.9 million greater than the Adopted

Budget. In comparison, the July 1, 2013, Available Balance was \$326.7 million, or 6.71 percent of the 2013-14 General Fund Budget.

	Budget	Actual	Difference
Cash Balance, June 30	\$415.0	\$551.4	\$136.4
Other Adjustments	(13.4)	(50.9)	(37.5)
Transfer to Budget	(117.5)	(117.5)	-
July 1 Available Balance	\$284.1	\$383.0	\$98.9
Emergency Account	\$141.3	\$141.3	-
Contingency Account	142.8	241.7	\$98.9
Reserve Fund as Percent of General Fund	5.53%	7.45%	1.92%

Basis for Increase in Reserve Fund

The \$98.9 million increase in the July 1, 2014, Available Balance greater than budgeted is primarily due to higher than projected revenue and reversions, and reduced year-end transfers.

	Difference
Revenue	\$54.0
Reversions	68.6
Reappropriations	(31.4)
Year-End Transfers	12.3
Others	(4.6)
Total	\$98.9

The Reserve Fund balance will be approximately \$346.6 million, after providing for proposed and approved loans, transfers and other transactions (including recommended transfers in this report), consisting of \$141.3 million in Emergency Reserve and 205.3 million in Contingency Reserve. This balance represents 6.74 percent of the General Fund budget which is above the 5 percent policy goal. Please refer to Attachment 3.

While the July 1, 2014, 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 the 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 2015-16 budget gap of \$165.1 million, and the risk that the projected deficit will grow for a number of reasons as discussed in the Four-Year Outlook Section.

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 prevent overspending during prosperous years and to provide resources to help maintain service levels during lean years. As part of the 2014-15 Budget, a \$2 million budget appropriation was made to the BSF bringing the balance to \$64.2 million. Including the BSF increases the City's total reserves from 6.74 percent to 8 percent of the General Fund budget.

Four-Year Budget Outlook

The 2014-15 Adopted Budget Four-Year Outlook (Outlook) is based on the existing budget, known major expenditure commitments, and projections of revenues and expenditures. Attachment 4A illustrates that the City will face a budget gap of \$165.1 million in Fiscal Year 2015-16 and \$185.9 million in Fiscal Year 2016-17 without corrective action. Based on the assumptions in the Outlook, this deficit would be eliminated by 2018-19.

	2015-16	2016-17	2017-18	2018-19
Total Budget Gap				
2013-14 Adopted	\$(165.1)	\$(185.9)	\$(71.8)	\$23.9

The 2014-15 Adopted Budget Outlook assumes that civilian employees will contribute 10 percent towards the cost of the City-sponsored health plan by January 2015 on an ongoing basis; the size of the workforce will remain flat after 2014-15; no major increases to City services; no further salary increases will be agreed to in pending labor negotiations; and, each year's shortfall will be solved by ongoing rather than one-time solutions. Any changes to these assumptions will impact the Outlook.

Since the release of the Adopted Budget, this Office has become aware of potential expenditures not included in the Outlook that will make eliminating the structural deficit more challenging. For example, it is evident that the assumption that all civilian employees would contribute 10 percent towards the cost of the City-sponsored health plan by January 2015 is unlikely as open enrollment is now underway. Any employee salary adjustments negotiated subsequent to the adoption of the 2014-15 budget are also not reflected in the current Outlook.

Additionally, the Fire and Police Pension System reduced the assumed investment return rate by 0.25 percent, from 7.75 percent to 7.50 percent. The Los Angeles City Employee's Retirement System is expected to consider a similar change to its investment return rate at its meeting on October 28, 2014, as well as consider other actuarial assumption changes. All things being equal, these changes are expected to increase the City contributions to both Pension systems with an immediate fiscal impact for 2015-16. Further, an earlier ruling by the City's Employee Relations Board challenging the validity of the new civilian pension tier (Tier 2), if sustained, would also increase future pension costs for the City. Pending litigation (Fry case) relative to the freezing of

health benefits for sworn employees who elected not to contribute to these benefits could also add to the City's pensions costs depending on the final outcome. See Issues of Concern Section of this report for a more detailed discussion on challenges to the City's pension reform efforts.

This Office will continue to monitor these issues and make adjustments to the forecast in the ensuing months as the assumptions in the 2014-15 Adopted Budget Outlook change.

2014-15 Projected Departmental Deficits

This FSR is based on department expenditure and revenue information through the end of August and assumes the Managed Hiring Process will continue through year-end. 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 \$95.28 million in expenditure shortfalls are projected at this time as shown in Table 5 mainly due to underfunded or unfunded programs in the Police Department (e.g., Sworn Overtime and sworn salary adjustments) and the Fire Department (Ambulance Augmentation, Fire Dispatch, and the explanation of a clause in the firefighter MOU relative to hours paid but not worked). The \$95.28 million projection reflects the current rate of sworn overtime expenditures for the Police Department which estimates total sworn overtime expenditures at \$96.48 million, unless corrective actions are taken. It also assumes that the Police Department will be able to absorb \$10 million in unfunded sworn salary adjustments for 950 employees.

(See Table 5 on next page.)

Table 5		
First FSR Projected Shortfalls/Unfunded Expenditures		
(millions)		
Department/Initiative	Amount	Reason for Deficit
Police	\$ 69.78	Underfunded Sworn Overtime account based on current rate of expenditure, unfunded sworn salary adjustments for 950 employees, Detention Officer and Police Officer hiring shortfall partially offset by surpluses in other accounts.
Fire	20.01	Underfunded Ambulance Augmentation Plan, delayed implementation of the 40 hour work week for sworn personnel at the Fire Dispatch Center; a sunset clause in MOU 23 relative to hours paid but not worked (holiday, vacation sick) resulting in additional constant staffing overtime costs; sworn overtime; and other.
Transportation	2.90	Overtime deficit attributed to special events, street resurfacing projects, Bicycle Plan and one time unusual occurrences (e.g., water main breaks).
General Service	1.00	Maintenance of 17 LAPD helicopters and increased maintenance of City fleet.
City Clerk	.79	Unfunded LAUSD special election expenditures. Unknown if costs will be reimbursed by year-end.
<i>Non-Departmental</i>		
Attorney Conflicts Panel	.80	Increased expenditures for conflict counsel resulting from: 1) new case referrals; 2) number of on-going open litigation assignments; and, 3) number of cases with unusual complexities and with high exposure to the City.
Total	\$95.28	

If approved, the recommendations in this report will reduce the projected \$95.28 million year-end shortfall to \$51.94 million. As noted below in Table 6, this report includes a recommendation to transfer \$3.34 million from the Unappropriated Balance, Ambulance Augmentation Plan account to the Fire Department to cover Plan costs from September through December. The report also recommends appropriating \$40 million to Police Sworn Overtime from the Reserve Fund (\$19.3 million) and the Unappropriated Balance, Reserve for Economic Uncertainties account (\$20.70 million). It should be noted that since the Police Department reverted \$19.68 million to the Reserve Fund from various accounts in 2013-14, sufficient funds are available in the Reserve Fund for transfer to the Department while maintaining the Reserve Fund at 6.74 percent (which is above the 5 percent policy goal). However, we caution that the transfer of the \$20.70 million from the Reserve for Economic Uncertainties account will fully exhaust the balance in this account. Therefore, it is imperative that Departments be able to manage their resources within existing funds. The continuation of the Managed Hiring Process will facilitate this process.

It is anticipated that the remaining \$51.94 million deficit will be further reduced to \$22.18 million with actions to be taken by the Police Department in the current year to control sworn overtime expenditures and usage. The Department has indicated that it has implemented strong accountability measures on all supervisory ranks to ensure management oversight. The Department has provided assurances that these efforts will reduce total year-end sworn overtime expenditures by \$26.48 million which translates into estimated year-end sworn overtime expenditures of \$70 million as opposed to \$96.48 million. Further, the Department will request the transfer of \$3.3 million in funding from the UB, Sworn and Detention Officer Staffing account to pay the costs of Detention Officers and Police Officer hiring. A report to the Mayor and Council on the latter is pending.

Table 6		
Potential 2014-15 Budget Balancing Solutions		
(millions)		
First FSR Deficit	\$ 95.28	
First FSR Recommendations		
Transfer from UB, Reserve for Econ. Uncertainties	(20.70)	Transfer to Police for Sworn Overtime.
Reserve Fund Transfer	(19.30)	Transfer to Police for Sworn Overtime
Transfer from UB, Ambulance Augmentation Plan	(3.34)	Transfer to Fire. Covers September to December of Ambulance Augmentation Plan.
<i>Subtotal</i>	\$51.94	
Anticipated Solutions		
Transfer from UB, Police Sworn and Detention Officer Staffing	(3.30)	Transfer to Police for Detention Officer and Police Officer hiring.
Police-increased management and accountability of overtime across supervisory ranks.	(26.48)	Savings from new management measures when compared to the current overtime expenditure rate.
Problem to Solve	\$ 22.18	

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:

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 payment is generally made on July 15. For Fiscal Year 2014-15, 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 2015-16). This Office will monitor the true-up projections and report in the next FSR should any issues arise.

Litigation Regarding Sworn Health Subsidy Freeze: *Jack Fry, Gary Cline, Sandra Carlsen, Yvette Moreno, and Los Angeles Retired Fire & Police Association, Inc. v. City of Los Angeles* is a lawsuit filed by individual sworn employees regarding the City’s action to freeze retiree health benefits for sworn employees who elect not to contribute to these benefits. On July 28, 2014, a Superior Court issued an interim order ruling that the pensioners have a vested right to a “non-frozen” health subsidy in retirement. The Court subsequently issued an official Writ of Mandate on September 5, 2014, based on the July ruling. The Court did not rule that the petitioners are entitled to any particular health subsidy amount, but were entitled to have the LAFPP Board exercise its discretion to make annual, limited adjustments in the subsidy amount. On October 16, 2014 the LAFPP Board took an action to disregard the health subsidy freeze implemented by the City and to begin providing the current non-frozen subsidy for members whose subsidies had been frozen (9 retirees) or would have been frozen in the future (about 30 percent of active sworn). Based on the Board’s action, beginning with the October 31, 2014 pension payments, 9 retirees will no longer have their subsidies frozen. Additionally, any future retirees who previously elected not to contribute the additional 2 percent of their active salary would receive the “non-frozen” subsidy when they retire. Lifting the freeze is anticipated to have an impact on the 2015-16 LAFPP contribution rate as savings would no longer be realized.

The City is seeking appellate review of the Writ. The timetable for a decision is uncertain. Should the City lose the appeal, an increase in the 2015-16 City contribution to LAFPP is anticipated. Further, there will be a negative impact on the City’s structural deficit. The 2015-16 contribution rate is expected to be available to the City in November 2014. There is no firm estimate of the long term cost to the City if the plaintiffs prevail.

Employee Relations Board Ruling Regarding Civilian Tier 2: In an effort to control costs, the City Council adopted a new civilian retirement tier which applies to all employees hired on or after July 1, 2013. The new tier was designated to reduce the City’s future pension costs by increasing the normal retirement age from 55 to 65, and making various other changes to reduce costs. The City estimates savings from the new tier of \$4 million for fiscal years 2013-14 and 2014-15 (inclusive of savings to the Harbor and Airports departments). The new civilian retirement tier was estimated to result in a five-year savings of \$30 million to \$70 million, a 10-year savings of \$169 million to \$309 million and a 30-year savings of \$3.9 billion to \$4.3 billion. On July 28, 2014, the City Employee Relations Board ruled that the City’s action in creating the new civilian retirement

tier was illegal because the City did not meet and confer with labor representatives on the matter. The Board ordered that the City rescind the implementation of the new retirement tier. The City is considering its options in response to the decision, including appealing the ruling in State court. At this time, the new tier still remains in effect.

Federal

On December 26, 2013, the Office of Management and Budget (OMB) issued new guidance to streamline and consolidate grant policies relative to application and receipt of federal grants and cooperative agreements. The regulations contained in the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* or "Super Circular" supersede all previous guidance and full compliance is required for any grant awards made to the City beginning December 26, 2014. Key changes include merit-based review of proposals, focus on performance over compliance, risk analysis of potential grantees, mandatory disclosure of any violations of federal criminal law such as fraud or bribery, written conflict of interest policies regarding procurement, increased responsibilities for sub-recipient reporting, greater focus on internal controls, indirect cost rates for new grantees, and a higher threshold set for single audits. All City departments that apply for or receive federal funding, including pass-through funds, need to be familiar with these regulations. The potential fiscal impact arising from these changes in federal grant guidelines is unknown at this time.

Other

Willits litigation: In the matter of *Willits, et al. v. City of Los Angeles*, the plaintiffs and the entity Communities Actively Living Independent and Free allege that the City's policies and procedures as well as its infrastructure (including curb ramps and sidewalks) fail to provide equal services and access to individuals with disabilities. The complaint seeks injunctive relief to require the removal of alleged barriers to pedestrian paths of travel throughout the City and cessation of alleged discriminatory policies to ensure all City design and construction activities and services operate in a manner that is usable and readily accessible to persons with disabilities. The parties are in mediation. The City's ongoing capital program includes funding for sidewalks. At this time the City is unable to estimate the potential impact on the General Fund of an adjudication or settlement of this dispute beyond the currently planned and budgeted sidewalk funding.

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. 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. The settlement is not anticipated to occur this year.

Budgetary Adjustments

Budgetary adjustments totaling approximately \$137.3 million are recommended in Sections 1 and 2 of this report which include:

- \$1.6 million in reappropriations from various special funds;
- \$6.7 million in new appropriations;
- \$7.0 million for transfers between accounts within various departments and funds;
- \$8.85 million for transfers between departments and funds;
- \$28.52 million appropriations from various line items in the Unappropriated Balance;
- \$19.78 million in Reserve Fund appropriations and reappropriations consisting of: 1) a \$19.3 million appropriation to the Police Department for sworn overtime; 2) a \$.030 million appropriation to the Animal Services Electronic Animal Identification Device Fund; and, 3) \$.45 million in reappropriations to various departments to meet contractual obligations;
- \$66.7 million re-authorization to spend Municipal Improvement Corporation of Los Angeles (MICLA) funds for the Fire, General Services, and Police departments as per the 2014-15 Adopted Budget;
- \$2.48 million reductions in appropriations to align available grant funds with budgeted appropriations; and,
- \$.55 million in miscellaneous budget adjustments.

Attachments

- 1-A Fiscal Year 2013-14 General Fund Receipts
- 1-B Fiscal Year 2014-15 General Fund Receipts
- 1-C Revenue Monthly Status Report: Property Tax
- 1-D Revenue Monthly Status Report: Property Tax by County Tax Year
- 1-E Revenue Monthly Status Report: Property Tax by City Fiscal Year
- 1-F Revenue Monthly Status Report: Documentary Transfer Tax
- 1-G Documentary Transfer Tax: Legal Entity Transfers
- 1-H Documentary Transfer Tax Revenue
- 1-I Documentary Transfer Tax: Revenue Per Deed
- 1-J Revenue Monthly Status Report: Number of Deeds Recorded
- 2 Schedule of Reversions to Reserve and Other Funds
- 3 Current Status of the Reserve Fund
- 4-A Four Year Budget Outlook for 2014-15 through 2018-19.
- 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 2014-15 MICLA Equipment List
- 14 GRYD Program Contracts and Expenditures
- 15 Inspector General Status Update
- 16 Great Streets Los Angeles Action Plan Update
- 17 Kroll Bond Rating Agency Report

RECOMMENDATIONS

(Refer to Discussion Sections 1, 2 and 3)

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

1. Reappropriate \$1,598,559.21 from various special funds as noted in Attachment 5;
2. Appropriate \$6,705,743.37 to the Department accounts as specified in Attachment 6;
3. Transfer \$7,025,263.86 between accounts within various departments and funds as specified in Attachment 7;

4. Transfer \$8,855,710.09 between various departments and funds as specified in Attachment 8;
5. Appropriate \$28,522,571.00 from the Unappropriated Balance to various departments and funds as specified in Attachment 9;

Aging

6. Rescind a previous Council action taken on August 15, 2014 (C.F. 14-1034) related to the transfer of \$33,876 from the Senior Human Services Fund No. 42J, Account 02K102, Aging, to various accounts within Aging Fund No. 100/02, due to the Department's inability to appropriate Community Development Block Grant (CDBG) funds from fiscal year 2013-14 to fiscal year 2014-15;

General Services

7. Instruct the Department of General Services and the Los Angeles Police Department to meet regarding ongoing helicopter maintenance costs to identify short-term and long-term solutions to eliminate any potential year-end deficits associated with this work, and to report back in the next financial status report on the outcome of these discussions;
8. Relative to the loss of \$2,871.00 from the Petty Cash Fund,
 - A. Approve the request by the General Services Department to relieve the department of accountability for the loss of \$2,871.00 in petty cash funds.
 - B. Authorize the Controller to write off \$2,871.00 from the Department's advances for the Petty Cash Fund.

Housing and Community Investment

9. Relative to the Office of Traffic Safety (OTS) Grant, authorize the Controller to:
 - A. Decrease appropriations totaling \$182,821.36 within the Office of Traffic Fund No. 45C/43, due to a reconciliation of grant funding allocations for the period July 2014 to September 2014:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43K143	Housing	\$(379.92)
43K299	Reimbursements to General Fund	379.92
43L143	Housing	(111,126.86)
43L299	Reimbursements to General Fund	<u>(71,694.50)</u>
	Total	\$(182,821.36)

- B. Decrease appropriations totaling \$111,126.86 within the Housing and Community Investment Department (HCIDLA) Fund No. 100/43 as follows, to correspond with the Office of Traffic Safety budget available for the period July 2014 to September 2014:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
001010	Salaries General	\$(198,755.86)
001090	Salaries Overtime	10,612.00
002130	Travel	4,000.00
003040	Contractual Services	69,121.00
006030	Leases	<u>3,894.00</u>
	Total	\$(111,128.86)

10. Relative to the Housing Opportunities for Persons with Aids (HOPWA) Grant funds, authorize the Controller to:

- A. Decrease appropriations totaling \$305,262.00 within the HOPWA Fund No. 569/43 to reconcile 2014-15 budget appropriations with available grant funds:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43L143	Housing	\$(251,248.00)
43L299	Reimbursements To General Fund	(24,196.00)
43L644	Outside Auditor	<u>(29,818.00)</u>
	Total	\$(305,262.00)

- B. Decrease appropriations totaling \$251,248.00 within the HCIDLA Fund No. 100/43, Account 001010, Salaries General, to correspond with available HOPWA funds.

11. Relative to the Community Development Block Grant funds, authorize the Controller to:

- A. Decrease appropriations totaling \$1,998,060 within the Community Development Block Grant Fund No. 424/43 due to a reconciliation of grant funding allocations with the 2014-15 Budget:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43L122	Economic Development	\$(692,234.00)
43L165	Disability	(7,152.00)
43L166	Personnel	(103,162.00)
43L299	Reimbursements to General Fund	<u>(651,863.00)</u>

43L527	TARP City Attorney	(44,971.00)
43L581	Domestic Violence Shelters	(93,779.00)
43K592	PACE B&S	<u>(404,899.00)</u>
	Total	\$(1,998,060.00)

B. Decrease appropriations totaling \$802,548 to the Economic and Workforce Department, Department of Disability, and Personnel Department as follows to correspond with available Community Block Grant Funds:

<u>Fund No.</u>	<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
100/22	001010	Salaries	\$(98,631.00)
100/22	001070	Salaries As Needed	(6,990.00)
100/22	002120	Printing and Binding	(11,617.00)
100/22	003040	Contractual Services	(255,639.00)
100/22	003310	Transportation	(38,835.00)
100/22	006010	Office and Administration	(85,945.00)
100/22	006020	Operating Supplies	(3,294.00)
100/22	006030	Leasing	(191,283.00)
100/65	001010	Salaries	(7,152.00)
100/66	001010	Salaries	<u>(103,162.00)</u>
	Total		\$ (802,548.00)

Information Technology Agency

12. Instruct the Information Technology Agency to disencumber up to \$101,250 in Fiscal Year 2012-13 encumbered balances for contract C-122306 within the Information Technology Agency Fund No. 100/32, Account 003040, Contractual Services, and revert \$101,250 to the Reserve Fund and transfer therefrom to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to the Information Technology Agency Fund No. 100/32, Account 003040, Contractual Services;

Planning

13. Instruct the Planning Department to disencumber up to \$412,113.16 in prior year encumbered balances for the expired or expiring on-call contracts including C-108888, C-116454, C-116894, C-116897, C-116898, and C-116904 within Planning Fund No. 100/68, Account 003040, Contractual Services, and request the Controller to revert the unencumbered funds to the Funds noted below:

<u>Fiscal</u> <u>Year</u>	<u>Account</u> <u>No.</u>	<u>Enc Doc</u>	<u>Vendor Name</u>	<u>Amount</u>	<u>Revert To</u>
2009	003040	FMISCO9108888M-2	Iteris, Inc.	\$23,441.23	Fund 540
2009	003040	FMISCO9108888M-3	Iteris, Inc.	21,238.31	Fund 540
2011	003040	FMISCO1108888M-1	Iteris, Inc.	13,385.11	Reserve Fund
2011	003040	FMISCO1108888M-2	Iteris, Inc.	13,385.12	Reserve Fund
2011	003040	FMISCO1116897MX-4	Atkins	18,190.08	Reserve Fund
2012	003040	CO12116898M-2	Terry A. Hayes	1,575.50	Reserve Fund
2012	003040	CO12116898M-3	Terry A. Hayes	5,785.00	Reserve Fund
2012	003040	CO12116898M-4	Terry A. Hayes	67,275.00	Fund 53P
2012	003040	CO12116898M-6	Terry A. Hayes	50,000.00	Reserve Fund
2012	003040	CO12116904M-1	Fehr & Peers	8,094.45	Reserve Fund
2013	003040	CO13116894M-1	Rincon	2,012.42	Reserve Fund
2013	003040	CO13116904M-1	Fehr & Peers	6,730.94	Fund 51Q
2014	003040	CO14108888M-1	Iteris, Inc.	120,000.00	Reserve Fund
2014	003040	CO14116454M-2	Architectural Resources	<u>61,000.00</u>	Reserve Fund
				Total	\$412,113.16

14. Relative to the above, Reappropriate \$412,113.43 from the Reserve Fund or Special Funds as appropriate to Planning Fund No. 100/68, Account No. 003040, Contractual Services, for the newly established on-call contracts to continue the projects;

Police

15. Authorize the Controller to appropriate \$80,000 in interest earnings from the Special Police Communications/911 System Tax Fund No. 554/70 to a new account titled "Communication System Maintenance" within the same fund, for the maintenance of and/or repairs to the police communication system;

Capital Finance Administration Fund

16. Authorize the Office of the City Administrative Officer to draw a demand warrant for \$8,277.50 from the Capital Finance Administrative Fund No. 100/53, Account No. 00313, Convention Center Debt Service, payable to the "Estate of Gladys Ballenger" for outstanding principal and interest related to the Los Angeles Convention and Exhibition Center Authority 1969 Series B issuance upon, demonstrated proof of the original bearer bond submitted by a representative of the Estate;

17. Relative to the issuance of MICLA 2011-Qualified Energy Conservation Bonds, authorize that any remaining proceeds, and any investment earnings thereafter, be transferred from MICLA-Series 2011A Fund No. 26M and appropriated to the Capital Finance Administrative Fund No. 100/53, Account 000340, MICLA 2011-A (QECB);

MICLA

18. Relative to the Fire Department, re-approve the use of \$20,319,699 in MICLA financing included in the 2014-15 Budget for Fire Department fleet and communications purchases as part of the Department's Replacement Program as noted in Attachment 13 of this report;
19. Relative to the General Services Department, re-approve the use of \$24,815,219 in MICLA financing provided in the 2014-15 Budget for the purchase of 374 replacement vehicles as noted in Attachment 13 of this report;
20. Relative to the General Services Department, re-approve the use of \$128,000 in MICLA financing provided in the 2014-15 Budget for the purchase of 11 material testing equipment as noted in Attachment 13 of this report;
21. Relative to the Police Department, re-approve the use of \$3,400,000 in MICLA financing included in the 2014-15 Budget for the acquisition of one helicopter for Air Support Division as noted in Attachment 13 of this report;
22. Relative to the Police Department, re-approve the use of \$10,000,000 in MICLA financing provided in the 2014-15 Budget for the acquisition of 273 non-patrol vehicles (111 unmarked utility vehicles and sedans, 110 undercover, and 52 specialized vehicles) as noted in Attachment 13 of this report;
23. Relative to the Police Department, re-approve the use of \$8,000,000 in MICLA financing (commercial paper only) provided in the 2014-15 Budget for Phase III of the Digital In-Car Video System (DICVS) in Operations-West Bureau. Phase III includes installing the DICVS in 366 vehicles in Operations-West Bureau as noted in Attachment 13 of this report;

Reserve Fund Appropriations and Reappropriations

24. Appropriate \$19,300,000 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58, and appropriate therefrom to the Police Department Fund No. 100/70, Account 001092, Overtime Sworn to provide for sworn overtime;
25. Appropriate \$30,849 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to the Electronic Animal Identification Device Fund No. 41C/06, Account No. 06201A, Animal Identification-Available, for the purchase of animal microchips;

26. Reappropriate \$368,884.01 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to the Controller Fund No. 100/26, Account 3040, Contractual Services, for the KPMG audit which is part of the Controller's current year audit plan; and, for various outside audit contracts that are still active but whose prior year funds were automatically disencumbered;
27. Reappropriate \$51,000 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to the Fire Department Fund No. 100/38, Account 3040, Contractual Services for an outstanding invoice from Optimetrics for the installation and integration of Automatic Vehicle Locator (AVL) equipment on fire response vehicles;
28. Reappropriate \$10,454.54 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to the Transportation Fund No. 100/94, Account 001090, Overtime, for work associated with the Westfield Topanga Project funded by Westfield (C.F. 12-0600-S179 and C.F. 11-1980-S6);
29. Reappropriate \$22,404.21 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to the General City Purposes Fund No. 100/56, Account No. 000829, Domestic Abuse Response Teams (DART) to evaluate the DART Program for 2014-15; and,

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, \$95.28 million in expenditure shortfalls and major unbudgeted expenses are identified in this report. Transfers, appropriations and other adjustments totaling approximately \$137.3 million are recommended in Sections 1 and 2. Included in these recommendations is re-authorization of \$66.7 million in MICLA financing in accordance with the 2014-15 Adopted Budget. Appropriations and reappropriations from the Reserve Fund totaling \$19.78 million are recommended for public safety-related items and to meet contractual obligations. Appropriations of approximately \$28.52 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 Adopted Budget will cause the City to borrow approximately \$62.8 million (includes cost of equipment, costs of issuance, and debt service reserve fund) at an estimated 5 percent interest rate. The total estimated debt service is \$81.3 million which includes the borrowing amount and interest (\$18.5 million). During the life of the bonds, the estimated average annual debt service is \$8.13 million over 10 years.

With regards to the Police In-Car Video System, due to its short useful life, the repayment of debt will be over three years. The re-authorization to use MICLA financing (commercial paper only) provided in the Adopted Budget will cause the City to borrow approximately \$8 million at a short-term rate of approximately 1.63 percent. The total estimated debt service is \$8.2 million which includes borrowing amount and interest (\$229,000). During the life of the commercial paper notes, the estimated average annual debt service is \$2.74 million.

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.

In accordance with the City's Debt Management Policy, the City has set debt ceilings to use as a guide in evaluating the affordability for future debt. The debt ceiling for non-voter direct debt service as percent of General Fund Revenues is six percent. The City is currently at 4.58 percent. The issuance of the debt from this re-authorization will not impact the City's debt capacity for non-voter approved debt as the issuance of debt for routine capital equipment is already included in the debt ratio.

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 \$137.3 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 nine sections as follows:

Section 1. Status of Departmental Budgets..... 21
Section 2. Status of Non-Departmental Funds and Special Accounts..... 53
Section 3. Public Safety Technology Team..... 56
Section 4. Status of Employment 57
Section 5. Status of Fee Increases..... 57
Section 6. Status of the City's MICLA Commercial Paper Program 58
Section 7. Status of Fee Waivers and Subsidies..... 58
Section 8. Status of Gang Reduction and Youth Development (GRYD) Program..... 59
Section 9. Status of Debt Collections from the Inspector General..... 59

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 2014-15 Adopted Budget. Appropriations and reappropriations totaling \$19.78 million are recommended from the Reserve Fund.

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 consist of Police (\$69.78 million), Fire (\$20.01 million), Transportation (\$2.9 million), and General Services (\$1.0 million). Unfunded election expenditures of \$.79 million are also projected for the City Clerk. Since these estimates are based on only two months of expenditure data, year-end projections are likely to change.

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
Recommendation No. 6**

The Department is currently projecting a year-end surplus of \$574,477 in its Salaries General account. The reported surplus which is mainly comprised of special funds, is due to vacancies currently held within the Department. Aging is in the process of filling four vacancies approved by

the Managed Hiring Committee. A request to fill a fifth vacancy in the Department's Older Workers Program is forthcoming. The Department may request to fill additional grant-funded positions through the fiscal year which may eliminate some of the surplus.

The following transaction is recommended:

- Rescind a previous Council action taken on August 15, 2014 (C.F. 14-1034) related to the transfer of \$33,876 from the Senior Human Services Fund account to various accounts within the Department's General Fund, due to the Department's inability to appropriate Community Development Block Grant (CDBG) funds from fiscal year 2013-14 to fiscal year 2014-15.

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

B. Animal Services

Recommendation No. 25

The Department is currently projected to complete the year within budget. A \$50,000 shortfall is currently projected in the Printing and Binding account, associated with costs to implement the Administrative Citation Enforcement (ACE) Program and the License Canvassing Program. It is recommended that the Department continue to monitor its accounts for potential surpluses that may help offset anticipated deficits. No transfer is recommended at this time.

General Fund receipts through the end of August total approximately \$710,000, which represents approximately 19 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:

- Reappropriate \$30,849 from the Reserve Fund to the Electronic Animal Identification Device (ID) Fund in order for the Department to purchase animal ID microchips. The Fund is replenished by microchip fees, but excess funds are swept to the General Fund at the end of each fiscal year. The Department is requesting that these funds be reappropriated, as it has insufficient funds to purchase animal microchips in the current year. The Department plans to request an ordinance change to retain some of these funds each fiscal year.

C. Building and Safety

Attachment 6 – New Appropriations

Attachment 8 – Transfers between Department and Funds

The Department is projected to complete the year within budget provided 41st Year Community Development Block Grant funding to support the Proactive Code Enforcement Program is approved later in the Fiscal Year and the recommendations in this report are approved. A \$3.5 million year-end shortfall is currently projected in the Salaries Overtime account due to increased

demand for construction services. The Department has already spent \$1 million in overtime funding for the first two months of the fiscal year. The year-end shortfall can be offset by an Enterprise Fund transfer.

The Department's General Fund and Special Fund revenues are projected to be on budget.

The following transactions are recommended:

- Transfer \$3.5 million from the Enterprise Fund, Reserve for Unanticipated Costs, to the General Fund Salaries Overtime account.
- Transfer \$1 million in 40th year CDBG-PACE program funding to the Building and Safety Salaries General account to cover salaries from July 1, 2014 through March 31, 2015
- Establish a new appropriation account within the Enterprise Fund and appropriate \$40,000 to pay for 20 interns that worked for the Department of Building and Safety as part of the Economic and Workforce Development Department's Hire LA's Youth program.

**D. City Administrative Officer
No Recommendations**

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

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

**E. City Attorney
No Recommendations**

It is projected that the City Attorney's Office will have a year-end surplus of \$1.1 million among the salary accounts, made up of \$827,000 in General Fund and \$314,000 in special funds. The surplus is primarily due to vacant and under-filled positions in the Office. The City Attorney's Office received Managed Hiring approval of its 2014-15 hiring plan and is in the process of filling vacant positions and implementing promotions.

On September 16, 2014, the City Council approved the Administrative Citation Enforcement (ACE) Pilot Program, which authorized four positions for the City Attorney's Office for an estimated cost of \$381,098 (direct and indirect costs) this fiscal year (C.F. 14-0818). The City Council further instructed the CAO to prepare the necessary documentation to effectuate a Reserve Fund loan to fund the ACE program with the loan to be repaid with program revenue. In light of the General Fund surplus in the City Attorney's Office, it is recommended that the surplus be used to fund the ACE Pilot Program and no Reserve Fund loan be provided at this time. Our Office will report back on the status of the salary accounts in a future FSR once the ACE positions are filled.

Outside Counsel

The 2014-15 Adopted Budget provides \$4 million in the Unappropriated Balance (UB) for outside counsel costs, including the Workers' Compensation line item. To date, no funds have been transferred from the UB to the City Attorney for outside counsel expenditures. The City Attorney is currently developing projections for 2014-15 and will request the transfer from the UB in a separate report. In addition, the City Attorney will provide a separate report to the Council relative to the status of outside counsel expenditures. At this time, it is too early to assess whether a deficit will be projected for outside counsel expenditures.

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

F. City Clerk

Attachment 7 – Transfers between Accounts within Departments and Funds

The Department is projected to end the year within budget and meet its revenue goal. However, the Department anticipates \$791,000 in unfunded election expenditures related to the Los Angeles Unified School District (LAUSD) 1 Board Member Special Runoff Election held on August 12, 2014. Although the costs are expected to be fully reimbursed by LAUSD, the timing of these receipts cannot be confirmed at this time. The Department is awaiting additional invoices to confirm the actual election costs. In the interim, funds provided for the 2015 Primary and General Municipal Elections are being used to front fund the LAUSD election costs.

The Department may require a supplemental appropriation by the mid-year to ensure that it has sufficient funds to conduct the City's March Primary and May General Municipal Elections. Year-end salary savings, however, may be available to partially offset the unfunded election costs pending the receipt of reimbursements from LAUSD. We will report back in the next FSR on the status of the reimbursement and the need for a supplemental appropriation once more information is known.

The following transactions are recommended at this time:

- Transfer \$125,000 from the Salaries As-Needed account to the Elections Expense account to reflect the appropriate account from which poll worker stipends should be expended.

G. Controller

Recommendation No. 26

The Controller's Office is not projecting any year-end shortfalls. The Controller's Office reports that it will meet all adopted budget revenue projections.

The Controller requests \$368,884.01 in reappropriations to its Contractual Services account of which \$282,755 is needed to fund the KPMG audit which is part of the Controller's current year audit plan and \$86,129.01 is needed for outside audit contracts that are still active but whose funding inadvertently reverted at year-end. According to the Controller, reversion of the KPMG Audit funds is due to a delay in contract negotiations at the end of the prior fiscal year. However,

the contract is now ready to be expended. Further, funding of \$86,129.01 is needed for various outside audit contracts since the funds were automatically disencumbered even though invoices are still being received. A Reserve Fund reappropriation of \$368,884.01 is recommended to the Contractual Services account for these items.

H. Convention and Tourism Development No Recommendation

It is projected that the Department of Convention and Tourism Development (CTD Department) will have a surplus of approximately \$378,000, attributed to the Salaries General and Salaries As-Needed accounts (\$350,000 and \$28,000 respectively). The Department has requested a \$100,000 transfer from the Salaries General account to the Contractual Services account to pay for consulting studies, including services related to an economic feasibility study and a separate service contract for technical assistance related to a hotel development Request for Proposal process for the "Convention Center Expansion and Futurization Project" or Plan B (Project). However, the transfer is not recommended at this time.

As part of the 2013-14 Year-End Financial Status Report, the City transferred \$1.770 million from the Reserve Fund to the Convention Center Revenue Trust Fund, as a temporary loan to be repaid by the LA Convention Center upon receipt of June revenues. The CTD Department has repaid the entire loan amount.

I. Council

Attachment 8 – Transfers between Department and Funds

The Council requests the following transactions:

- Transfer \$35,000 from the General City Purposes Fund, Council District Community Services account to the Neighborhood Empowerment Fund, Palms Neighborhood Council account to defray costs associated with the Woodbine Park Demonstration Garden and Overland Avenue Planting Projects.

J. Cultural Affairs

Attachment 5 – Special Fund Reappropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Department and Funds

Attachment 9 – Appropriations from the Unappropriated Balance

This Office projects a year-end surplus of \$233,989 resulting primarily from vacancies. The Department will fill five of the current seven vacancies during the fiscal year to maintain continuity in the delivery of art instruction programs, exhibitions and performances, and public art support. The Department projects meeting all General Fund revenue targets through year-end.

The following transfers are recommended:

- Transfer \$115,173 from various accounts to the Department's salaries accounts for full-time (\$61,459) and as-needed (\$53,714) staffing reimbursements in the Public Art Program. This includes staff time spent on certain programs that are eligible for reimbursement to the Department's salary accounts from other City departments and special funds. The programs included for this period consist of: 1) the Public Works Improvements Arts Program ("Percent for Arts") for Los Angeles Police, Bureau of Engineering, Fire, and Recreation and Parks capital projects; 2) the Murals Registration program; and, 3) Music LA.
- Re-appropriate \$95,198 from Department's Fiscal Year 2013-14 reversions to meet financial commitments carrying over into the current year, including: 1) 80,000 in contractual services funding for the Department's web redesign project; 2) \$10,000 for equipment budgeted for the Vision Theater project; and, 3) \$5,198 for overtime costs.

Also, see Mayor Section for a recommended transfer from the UB, Great Streets line item.

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 7 – Transfers between Accounts within Departments and Funds

The Economic and Workforce Development Department is projecting to complete the year within budgeted resources. However, the Department has reduced its 2014-15 projection for related cost reimbursements to the General Fund from \$7.1 million, as per the Adopted Budget, to \$6 million. This revision assumes that related cost reimbursements will be based on CAP Rate 35. The Department is authorized for 182 positions, of which, 157 are filled and 27 are vacant. The CAO will monitor related costs reimbursements and work with the Department to reconcile salary changes during the year. We will report on any continued changes to anticipate revenue in subsequent FSRs.

The following transaction is recommended at this time:

- Transfer \$44,000 from the Department's Office and Administration account to its Salaries Overtime account for workforce activities necessary to meet state deadlines for JobsLA. JobsLA is an on-line tool connecting job seekers, including students, and employers in the City and for compliance with state requirements and correction of program participant records by April 2015. The website serves as a hub for the free workforce services offered by the City of Los Angeles and focuses on job openings and job candidates.

M. El Pueblo
No Recommendations

The Department is projected to complete the year within budget. The Department is currently expected to meet 2014-15 Adopted Budget revenue.

N. Emergency Management
No Recommendations

The Emergency Management Department (EMD) 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 \$35,250, which represents approximately four percent of the Department's total revenue budget. The Department anticipates meeting all General Fund revenue targets through year-end.

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

The Ethics Commission is projected to have a net surplus of \$53,000, which is comprised of a \$127,000 deficit among the Salaries General and As-Needed Salaries accounts, and a \$180,000 surplus in the Contractual Services account. The surplus in the Contractual Services account is due to funds budgeted annually for a Special Prosecutor as required by the City Charter. The Ethics Commission does not anticipate hiring a Special Prosecutor this year. It is recommended that \$80,000 be transferred from the Contractual Services account to the As-Needed Salaries Account. As-needed staff is needed to provide support for the workload related to the 2013, 2014 and 2015 Municipal elections. Our Office will continue to work with the Ethics Commission to monitor the projected deficit in the Salaries General account and assess whether a transfer is needed later in the fiscal year.

General Fund receipts through the end of August total \$33,792, which represents approximately nine percent of the Department's total revenue budget. 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.

The following transactions are recommended at this time:

- Transfer \$80,000 from the Contractual Services account to the As-Needed Salaries account to fund as-needed staff to provide support for the workload related to the 2013, 2014 and 2015 Municipal elections.

Q. Finance

No Recommendation

A net year-end General Fund surplus of approximately \$300,000 is projected in this Department which is comprised of salary savings in the amount of \$800,000 and a potential \$500,000 shortfall in Bank Service Fees. The salary savings are primarily attributed to delayed hiring and vacancies within the Department. Savings within the Salaries General account may be used to offset the projected shortfall in Bank Service Fees. It is the Department's belief that the Bank Service Fees account is anticipated to be on budget. However, historical trends have indicated that this account may be short by as much as \$500,000. No transfers are recommended at this time. We will continue to monitor the Department's accounts and report back in the next Financial Status Report.

General Fund receipts through the end of August total \$0.9 million, which represents approximately 14 percent of the Departments total revenue budget. It is anticipated that the Department will meet all General Fund revenue targets through year-end.

R. Fire

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Department and Funds

Attachment 9 – Appropriations from the Unappropriated Balance

Attachment 13 – 2014–15 MICLA Equipment List

Recommendation Nos. 18 and 27

Assuming a transfer of \$3.34 million in funding from the Unappropriated Balance (UB), it is projected that the Department will have a \$16.67 million deficit by year-end primarily in its Sworn Constant Staffing Overtime (\$16.14 million) and Sworn Overtime (\$.53 million) accounts. If the UB transfer is not approved, the Department's year-end deficit increases to \$20.01 million. The Ambulance Augmentation Plan initiated in May 2013, continues to staff 11 additional Basic Life Support (BLS) rescue ambulances daily at an annual cost of approximately \$10 million. The 2014-15 Budget provides two months funding for this Plan in the amount \$1.6 million in the Department's operating budget, with funding for an additional four months (\$3.34 million) in the Unappropriated Balance. The remaining \$5 million in Plan costs for Constant Staffing Overtime is unfunded. In addition, the Budget assumed the implementation of a 40-hour work week staffing plan for sworn personnel at the Fire Dispatch Center thereby saving \$4 million in Constant Staffing Overtime. This staffing plan is still in the meet and confer process to discuss the work schedule change for dispatchers from Platoon Duty to Administrative Duty.

Further, although contract negotiations are ongoing, a sunset clause in the Firefighters and

Captains MOU 23 relative to hours paid but not worked (e.g., holiday, vacation, sick) stipulates that, *“unless the parties agree to extend the provision in writing, as of October 4, 2014, vacation leave time shall once again be credited toward hours worked for the calculation of platoon duty overtime effective October 5, 2014.”* The Department estimates the additional constant staffing overtime cost at \$657,000 per Fair Labor Standards Act pay period or \$6.57 million from October 2014 to June 2015. These unfunded costs contribute to the projected deficit in the Constant Staffing Overtime account. Should an agreement be reached involving this matter during the fiscal year, the projected deficit of \$6.57 million could potentially be mitigated.

The Sworn Overtime account is projected to have a deficit of \$535,593 due to unfunded overtime for sworn resources sent to assist with fighting fires outside of the City. Reimbursements will be received later in the year and captured as revenue upon receipt.

The Department’s revenue budget for this fiscal year is \$169.6 million, however, it is anticipated that the Department will not meet this revenue goal due to a downward revision of \$16.34 million in Ground Emergency Medical Transport (GEMT) revenue for ambulance transport reimbursements. This decrease is due to the receipt of \$16.34 million in GEMT funds in 2013-14 as opposed to the current fiscal year.

The following transactions are recommended:

- Appropriate \$3.34 million from the Unappropriated Balance, Ambulance Augmentation Plan line item to the Department’s Constant Staffing Overtime account to cover four months (September to December 2014) of overtime associated with this plan. Funds were included in the 2014-15 Budget for this purpose.
- Appropriate \$500,000 from the Unappropriated Balance, Fire Department Helitanker line item to the Department’s Contractual Services account for the helitanker contract which was approved for a 150-days performance period during the brush fire season. The contract period ends January 2015.
- Transfer \$18,240 from the Salaries General account to the Bureau of Engineering’s (BOE) Salaries General account to reimburse BOE for services provided to the Department.
- Transfer \$87,724 from the LAFD Special Training Fund, General account to the General Services Department for a heating/air conditioning system (HVAC) installation at Drill Tower 40.
- Transfer \$32,000 from the Salaries General account to the Information Technology Agency (ITA) to reimburse ITA for programming services related to the new Fire Prevention Application.
- Reappropriate \$51,000 from the Reserve Fund to the Contractual Services account to pay for an outstanding invoice from Optimetrics for the installation and integration of Automatic

Vehicle Locator (AVL) equipment on fire response vehicles;

- Due to a change in the company ownership, the Department had to work with the City Attorney's Office and the Controller's office throughout 2013-14 to have a new contract in place to pay the vendor and prior year funding previously designated for this contract reverted at the end of fiscal year 2013-14.

MICLA

- Re-approve the use of \$20,319,699 in MICLA financing included in the 2014-15 Budget for Fire Department fleet and communications purchases as part of the Department's Replacement Program as noted in Attachment 13. 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.

Also, see Section 3 of this report for a discussion of the Public Safety Technology Team and recommended transfers to the Fire Department from the Unappropriated Balance for this effort.

S. General Services

Attachment 9 – Appropriations from the Unappropriated Balance

Attachment 13 – 2014-15 MICLA Equipment List

Recommendation Nos. 7, 8, 19 and 20

The Department of General Services (Department) is projected to have a net year-end deficit of \$1.0 million (General Fund) mainly due to the continued maintenance of 17 LAPD helicopters and increased fleet maintenance costs. A shortfall is also anticipated in the Leasing account which cannot be quantified at this time. A year-end surplus of \$2.0 million is anticipated within the Salaries General account. However, this surplus will be needed to partially offset deficits within the Field Equipment Expense (\$1.5 million) and the As-Needed (\$500,000) accounts. The net year-end projections assume a transfer of \$630,000 from the Unappropriated Balance (UB), Pavement Preservation Program line item. Further, the \$1.0 million shortfall represents the remaining deficit after accounting for the salary savings offset.

The Department reports that there is a significant reduction to the number of Building Operating Engineer (BOE) positions. The Los Angeles Municipal Code mandates 24/7 monitoring of the high pressure steam boilers by a licensed BOE. Therefore, the work is supplemented by as-needed employees. The Department will utilize approximately \$500,000 in salary savings to fund the 24/7 monitoring of these boilers in the Civic Center from the As-Needed account.

As reported last year, the City's aging fleet continues to be a problem requiring increased maintenance. The Department projects a \$2.5 million shortfall within the Field Equipment Expense account of which \$1.5 million is expected to be partially offset with salary savings. However, a long-term solution is needed to prevent deficits in future years. This Office will continue to monitor this account and report back in future financial status reports.

Further, as in prior years, the Department will request a supplemental General Fund appropriation

estimated at \$732,000 for the maintenance of 17 Los Angeles Police Department Helicopters which is included in the department's net \$1.0 million year-end shortfall. There are insufficient funds within the Department's current year budget to offset these costs. It is recommended that GSD and LAPD be instructed to meet on these on-going costs to identify short and long-term solutions to eliminate any potential deficits at year-end. This Office will continue to monitor this issue and report back in a future financial status report.

Even after accounting for an \$885,000 transfer from the UB, Leasing line item to the Department, a shortfall is still anticipated in the Leasing account. The Department reports several unbudgeted expenses within the Leasing account which are attributable to various lease extensions and new leases that were not anticipated during the budget process. The amount of this potential shortfall cannot be determined at this time. This Office will continue to monitor the status of this account and report back in future FSRs on the magnitude of the shortfall.

Petroleum

The Petroleum account is currently budgeted at \$46 million. The average cost of fuel per gallon for the week of September 15th is \$3.31 per gallon for diesel and \$3.28 for unleaded. Prices are generally higher in the summer months and trend downward in the fall and winter. At this time, the Department does not project a deficit at year-end in this account. Further, funds are set aside in the UB to be utilized for any contingencies.

General Fund revenue is preliminarily projected to be on budget through year-end.

The following transfers are recommended at this time:

- Funds are provided in the 2014-15 Unappropriated Balance (UB) for materials testing support for the City's Pavement Preservation Program. It is recommended that \$630,000 be transferred to the General Services Overtime (\$590,000) and Laboratory Expense (\$40,000) accounts to provide the required materials testing services for the minimum 2,200 lane miles of the City's Pavement Preservation Program in 2014-15.
- Authorize the Controller to write off \$2,871 in losses from the Department's Petty Cash Fund and relieve General Services of accountability for the loss of these funds. On July 31, 2008, the Department identified the loss of \$2,871 from the Building Maintenance Division Civic Center District's petty cash fund. The loss was immediately reported to the Office of Public Safety and the Los Angeles Police Department. The total authorized amount in the petty cash fund at the time of the loss was \$3,000. Pursuant to a follow-up audit by the Controller's Office, the total authorized amount in the Civic Center petty cash fund has been reduced to \$1,500 to prevent future losses. An investigation was conducted by LAPD however, the suspect remains unknown.
- Re-approve the use of \$24.8 million in MICLA financing included in the 2014-15 Budget for the purchase of replacement vehicles as noted in Attachment 13. This includes heavy duty construction equipment such as pavers and profilers for the street resurfacing program, revenue generating parking enforcement vehicles, executive sedans for elected officials

and their staff and various light, medium and heavy-duty trucks that have exceeded the established vehicle life cycles.

- Re-approve the use of \$128,000 in MICLA financing provided in the 2014-15 Budget for the purchase of 11 pieces of material testing equipment as noted in Attachment 13 of this report.

T. Housing and Community Investment

Attachment 5 – Special Fund Reappropriations

Attachment 6 – New Appropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

Recommendation Nos. 9, 10 and 11

The Housing and Community Investment Department (HCID) projects a special fund surplus at year-end due to salary savings. The amount cannot be determined at this time. The current vacancy rate is almost 15 percent; however, HCID anticipates reducing that percentage by the end of the calendar year as the Managed Hiring Committee has approved the Department's Hiring Plan. Specific special funds may experience a deficit which will be corrected during the year through transfers from other special funds.

As of the end of September 2014, the Department has reimbursed \$2.4 million to the General Fund, which is approximately ten percent of the budgeted amount of \$22.6 million for the year. The Department states that its General Fund revenue targets will be met by year-end. The CAO will continue to work with HCID to monitor the revenues and reimbursements to the General Fund.

The following transactions are recommended

- Appropriate \$91,995 within the Emergency Shelter Grant (ESG) Fund to reconcile budgetary appropriations with grant awards. The 40th Year Consolidated Plan allocated \$129,910 to pay for HCIDLA's administration cost. However, the 2014-15 budget (refer to Schedule 29) only appropriated \$37,916 to the department. An adjustment of approximately \$91,995 is now necessary. It is recommended that \$67,155 of the ESG funds be appropriated to the department's Salaries General account and \$24,840 for Related Cost reimbursements.
- Appropriate \$693,940 within the HOME Investment Partnerships Program Fund (HOME) grant to reconcile 2014-15 budget appropriations (Schedule 9) with available grant funds. It is recommended that \$485,758 be appropriated to the Department's Salaries General account and \$208,182 for associated Related Cost reimbursements. This adjustment is also necessary to help in reducing an anticipated decrease in available Municipal Housing Finance Funds. However, staff charges to this grant are restricted to HOME Program activities.

- Reduce appropriations totaling \$182,821.36 within the Office of Traffic Safety Grant (OTS) to reconcile 2014-15 budgetary appropriations (refer to Schedule 29) with available grant funds for the period July 2014 to September 2014.
- Reduce appropriations in the amount of \$305,262 within the Housing Opportunities for Persons with AIDS Fund (HOPWA) grant fund to reconcile 2014-15 budget appropriations (Schedule 41) with available grant funds. The 40th year Consolidated Plan allocated \$477,587 for administration cost for HCIDLA. However, the 2014-15 budget appropriated \$782,849 to the department (Schedule 41), which is \$305,262 more than available grant funding. It is also recommended that appropriations to the Department's Salaries General account be reduced by \$251,248 to correspond with the reduction in HOPWA funding.
- Appropriate and transfer \$2,000 from the Domestic Violence Trust Fund (DV) Trust Fund to the department's operating budget to pay for costs associated with the administration of the Domestic Violence Task Force.
- Reappropriate and transfer \$193,561 from the Gas Company Fund and \$45,904.33 from the ARRA-Energy Efficiency Fund to pay for HCIDLA staff salaries and expenses associated with implementing these grants. The funds will be used to pay for salaries that will offset reliance on Municipal Housing Finance Funds that may not materialize this fiscal year.
- Transfer appropriations in the amount of \$151,157.62 within the CDBG Fund to reimburse the General Fund for prior year City Attorney Related Costs associated with the 37th and 36th Year Consolidated Plan PACE and Falcon Programs (C.F.'s 09-2665 and 10-2440). These funds are prior year grant dollars set aside for these programs.
- Transfer \$827,917 within the CDBG Fund to the Bureau of Street Lighting for costs associated with the Consolidated Plan for the 37th Year Sun Valley Lighting Improvement Phase 4 Project (\$50,000), 39th Year East Hollywood Lighting Project (\$242,395) and 40th Year Sun Valley Lighting Improvement Phase 5 (\$535,522) (CF's 19-2665, 12-1607 and 13-1395).
- Reduce appropriations totaling \$1,998,060 within the CDBG Fund to reconcile budgetary appropriations with available grant funds. Additionally, reduce appropriations in the amount of \$802,548.00 in various expense accounts within the Economic and Workforce Development Department, Department of Disability and Personnel Department to correspond with the reduction in CDBG funds.
- Transfer appropriations in the amount of \$26,460 within the Healthy Homes Fund and \$55,800 within the Lead Grant Fund is needed to reimburse technical consultants conducting lead hazard risk assessments as required by the Housing and Urban Development Healthy Home Grant and Lead Grant 10 (C.F.'s 14-0396; 10-1140-S5 and

10-1140). This is a request intended to re-appropriate funds into current accounts to allow for the proper payment of services.

- Transfer appropriations totaling \$1,989,192 within the CDBG Fund for CDBG-funded projects for the following departments and programs: City Attorney TARP (\$705,029); Building and Safety PACE (\$1,083,580); and, Public Works Board City Trees (\$200,583) (C.F. 13-1395).

U. Information Technology Agency

Attachment 6 – New Appropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

Recommendation No. 12

It is projected that the Department will complete the year within budget across all accounts. The Department is currently projecting a shortfall of approximately \$1.2 million within the Salaries General account, which will be eliminated upon receipt of 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 \$133,144 in reimbursements from the Recreation and Parks and Library departments to the Department's Communications Services (\$127,440), Hiring Hall Salaries (\$1,090), and Office and Administrative (\$4,614) accounts for Communication Service Requests.
- Transfer \$350,000 from the Communications Services account to the Hiring Hall Salaries for communications and alarm work and for the maintenance of the citywide public safety radio and microwave communication sites. The funding was initially provided in the Communications Services account, but the Department has requested that hiring hall employees complete this work. Funds must be transferred to the Hiring Hall Salaries account pursuant to the Controller's spending account guidelines.
- Transfer \$48,000 from the Telecommunications Development Account to the Department's Salaries As-Needed account for the Channel 35 website redesign project.
- Disencumber and appropriate up to \$101,250 in prior year (2012-13) funds (relative to contract C-122306) to the Department's Contractual Services account to pay for an Information Technology Classification Study to update the City's position specifications.

V. Library

Attachment 7 – Transfers between Accounts within Departments and Funds

Assuming pending transfers are made later in the fiscal year, the Department is projected to have a year-end surplus of \$2,545,603. The surplus is comprised of a \$1,560,740 surplus in its Salaries General account, and a \$984,863 surplus in their Various Special account as a result of savings from a recent MICLA refunding transaction. The salaries surplus is mainly attributed to vacancies within the department. The Department is reporting a deficit of \$84,780 in Library Fund revenue for the period ending August 31, 2014. All revenue collected by the Library is deposited into the Library Fund.

The following transaction is recommended:

- Transfer \$97,834.78 from the Library's Contractual Services account to the Department of General Services' Construction Salaries account (\$66,157.78) and Construction Materials and Supplies Account (\$31,677) for work completed at the Northridge, San Pedro, Cahuenga, North Hollywood, Benjamin Franklin, Little Tokyo, Valley Plaza, and Panorama City Branch Libraries. Funding for an in-house alteration and improvement program for branch libraries was approved in the 2014-15 Adopted Budget for this purpose.

W. Mayor

Attachment 6 – New Appropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

Attachment 9 – Appropriations from the Unappropriated Balance

Attachment 16 – Great Streets Los Angeles Action Plan Update

The Mayor's Office requests the following transactions:

- Transfer \$800,000 from Mayor's As-Needed Salaries account to the Salaries General account to address a projected salary shortfall.
- Transfer \$180,000 from the Unappropriated Balance, Code for America account to the Mayor's Contractual Services account to finance work with technology partners to maximize use of existing systems to expand GIS, open data and performance management capabilities.
- Appropriate and transfer \$7,380 in interest income within the Fiscal Year 2010 Justice Assistance Grant Fund (FY10 JAG) for City Attorney salaries;
- Establish new appropriation accounts within the FY10 JAG and transfer \$1,614 to reimburse the General Fund for current year salaries and related costs and prior year salary costs.

- Establish a new appropriation account within the Fiscal Year 2011 Justice Assistance Grant Fund (FY11 JAG) and transfer \$4,172 in interest income and \$2,812 from current year salaries to reimburse the General Fund for current and prior year related costs.
- Establish a new appropriation account within the Fiscal Year 2012 Justice Assistance Grant Fund (FY12 JAG) and transfer \$5,191 in interest income and \$13,779 from prior year related costs to reimburse the General Fund for current year salaries and related costs.
- Establish a new appropriation account within the Fiscal Year 2010 Legislative Pre-Disaster Mitigation Grant Fund (FY10 LPDM) and transfer \$6,399 from current year salaries and \$8,059 from prior year related costs to reimburse the General Fund for current year related costs.
- Establish a new appropriation account within the Fiscal Year 2011 Regional Catastrophic Preparedness Grant Program (FY11 RCPGP) and transfer \$48,000 for Emergency Management salaries.
- Establish a new appropriation account within the Fiscal Year 2011 Regional Catastrophic Preparedness Grant Program (FY11 RCPGP) and transfer \$396 from prior year related costs to reimburse the General Fund for current year related costs.
- Transfer appropriations in the amount of \$51,565 from various accounts within the Fiscal Year 2011 Urban Areas Security Initiative Grant (FY11 UASI) to the Police Department to finance the purchase of generators for FY11 UASI related activities.

Great Streets Initiative

Funding in the amount of \$800,000 was set aside in the 2014-15 Unappropriated Balance to support the initial development and implementation of the Mayor's Great Streets Initiative. The Mayor's Office released Executive Directive No. 1 which outlines the Great Streets Initiative goals and deliverables. Since the inception of Great Streets, a working group of departmental staff, Mayor's Office, and Council Offices are developing an Action Plan to support the deliverables. Through this process, fifteen "Great Streets" were identified (Attachment 16) and the working group is in the process of defining potential streetscape investments, funding strategies, metrics and benchmarking. A status update on this Action Plan is forthcoming to Council in the Fall of 2014. The Mayor's Office is requesting that \$388,285 of these funds be transferred at this time to move the initiative forward. According to the Mayor's Office, the remaining funds (\$411,715) will be requested in a subsequent FSR. It is anticipated these funds will be used to execute the metric and benchmarking approach for each street.

The Mayor's Office requests the following transfers from the UB, Great Streets line item:

- Transfer and appropriate \$100,000 to the Department of Transportation Trust Fund. The funds will be used as a match to the Advance Planning Measure R appropriation for Community Grants to be offered to Great Street communities in an effort to seek assistance in finding solutions which support a longer term community vision.
- Transfer and appropriate \$85,000 from the UB to the Transportation Trust Fund, Great Street Reseda account. This one-time funding will be used to perform initial outreach and project assessment by a contractor with the Reseda Great Streets neighborhood in Council District 12. The Council adopted Northridge Vision Plan will be used as the guiding document.
- Transfer and appropriate \$50,000 from the UB to the Cultural Affairs Department, Matching Grant Program account. This funding amount will reimburse the Department for services provided under the demonstration project "PopUP Broadway" cultural event hosted in the Broadway Streetscape as part of the CityLab conference and in partnership with Cultural Affairs, LADOT, Bringing Back Broadway (CD14) and the Great Streets Studio.
- Transfer and appropriate \$23,205 from the UB to the Public Works Trust Fund, Tree Planting Projects account. This one-time funding will be used to support current Great Streets clean-up efforts in partnership with the Mayor's Volunteer Corps and the non-profit City Plants. The first event will be a community clean-up along various streets which will include tree planting, graffiti removal, and other activities in October 2014.
- Transfer and appropriate \$130,080 from the UB to the Mayor's Contractual Services (\$63,000) and Salaries General (\$67,080) accounts. These funds will be used to support the Mayor's Office for anticipated salary and contractual services to be provided for the Great Streets Initiative. The Program Manager will provide project management, oversight, strategic planning and coordination for the departments which are developing the Great Streets projects. The tentative contract will pilot a "smart bench" demonstration project that will partner with communities in a competition to select 15 locations for "smart benches" across LA that will help charge phones and gather data about their surrounding environment.

**J. Los Angeles Tourism and Convention Bureau (formerly LA Inc.)
Attachment 6 - New Appropriations**

The City's contract with the Los Angeles Tourism and Convention Bureau (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 2013-14, LATCB received \$12,646,400 or \$1,432,429.15 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 2013-14.

The following transaction is recommended:

- Appropriate \$1,432,430 from the Los Angeles Convention and Visitors Bureau Trust Fund to the Los Angeles Convention Visitors Bureau, and authorize the City Administrative Officer to pay LATCB's final 2013-14 invoice from these funds.

X. Neighborhood Empowerment
Attachment 5 – Special Fund Reappropriations
Attachment 6 - New Appropriations

The Department is projecting a \$390,000 year-end deficit, resulting from shortfalls in the Salaries General, Salaries As-Needed, and Contractual Services accounts. However, the Department has sufficient funds in its Neighborhood Empowerment Fund (Fund), from prior year unexpended departmental funds, to fully offset the projected deficit. An appropriation of \$248,500 is recommended from the Fund to partially offset the projected \$390,000 deficit. Additional transactions are also recommended in this FSR.

The shortfalls are attributed to the following:

- The deficit in the Salaries General account is attributed to four unfunded position authorities responsible for administering the New Council Grievance System, adding training modules to the Department's website, equipping neighborhood councils in various capacity building skills, and supporting election related activities in the even years. An appropriation in the amount of \$194,500 to the Salaries, General account is recommended from the Fund.
- Although training has been provided to all the NCs, over 50 percent of the NCs are delinquent in their submission of the mandatory monthly expenditure reports (i.e., about 55 NCs). Timely submission of these reports is integral to the Department's ability to provide guidance and ensure that NC program funds are disbursed according to City regulations. A \$40,000 appropriation is recommended for additional as-needed staff to provide temporary support to administer the Neighborhood Council (NC) funding system. Further, this Office will work with the Department to determine the appropriate level of support necessary to adequately monitor the NC funding system, and report back in a future FSR.
- The Department inadvertently released an encumbrance that resulted in the payment of an invoice from the prior fiscal year with current year funds. As a result, reappropriation of \$14,000 in prior year funds is recommended to the Contractual Services account.

The following transactions are recommended at this time:

- Appropriate \$ 234,500 from the Neighborhood Empowerment Fund to the Department's Salaries General (\$194,500) and Salaries As-Needed (\$40,000) accounts; and reappropriate \$14,000 in prior year funds to the Contractual Services account (\$14,000). A

total of \$248,500 is transferred to offset projected deficits in these accounts.

- Reappropriate \$66,272.16 in prior year funds for various NC accounts to address accounting errors and delayed processing of NC requests. The reappropriation of these funds will allow the Department to use prior year NC funds to pay for prior year NC expenditures, and in one case reduce the NC's current appropriation by \$832.95 for expenditures that exceeded the prior year's allocation.
- Reappropriate \$61,499.82 from various prior year funds for the Pacoima NC, Park Mesa Heights NC, Van Nuys NC, and Wilmington NC. However, since the Department recently found additional documentation that would affect the amount due to the Neighborhood Councils, it is recommended that prior year funds be reappropriated to the Neighborhood Council Funding Program (Account 47L218) to set aside the disputed funds. Upon completion of the investigation, it is further recommended that the Department be authorized to request the Controller to reappropriate not to exceed amounts to the following NCs: Pacoima (\$22,246.62), Park Mesa Heights (\$14,493), Van Nuys (\$2,760.20), and Wilmington (\$22,000). These amounts shall be jointly approved by the Department, NC, and our Office. Approval of these requests will increase the NCs current year appropriation.

Y. Personnel

Attachment 9 – Appropriations from the Unappropriated Balance

Attachment 7 – Transfers between Accounts within Departments and Funds

It is projected that the Personnel Department will complete the year within budget across all accounts. The Department has indicated that it may experience a year-end shortfall of up to \$800,000 in the Salaries, As-Needed account due to a) staffing requirements in medical dispensaries in Police Department detention facilities to provide medical care on a 24 hours-a-day, 7 days-a-week basis, (b) staffing requirements to recruit, test, and conduct background checks on public safety candidates and to develop and administer civil service exams, and (c) a funding correction that requires realignment with the proper expenditure account. This Office will monitor Salaries, As-Needed expenditures and provide a recommendation to offset the potential deficit within existing funds in a future FSR, if needed. To properly align expenditures with the purpose of the funding, a transfer is recommended below.

Funding was also provided in the 2014-15 Adopted Budget for a consulting firm to review and analyze the Firefighter recruitment and selection process. The RAND Corporation has undertaken the first phase of this study and funds are now required from the Unappropriated Balance, Firefighter Recruitment and Selection line item in anticipation of the completion of phase one.

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.

The following transactions are recommended:

- Appropriate \$230,000 from the Unappropriated Balance, Firefighter Recruitment and Selection line item to the Department's Contractual Services account for expenses incurred as a result of the RAND Corporation study on Firefighter hiring.
- Transfer \$100,080 in Mobile Source Air Pollution Reduction funds from the Department's Salaries General account to the Salaries As-Needed account to properly align expenditures with the purpose of the funding.

Z. Planning

Recommendation Nos. 13 and 14

A year-end special fund salary surplus of \$4.2 million is projected for this Department due to a 26 percent vacancy rate. The vacancies are attributed to 46 resolution positions added in the 2014-15 Budget, 43 vacancies rolling over from 2013-14, and current year attrition. The Planning Department has been working with the Personnel Department to fill vacant positions as follows: 1) Issued certifications for 25 City Planning Associates and three Principal City Planners to be interviewed in October 2014, 2) eight emergency appointments for Planning Assistants, for which a new list is anticipated in December 2014, and 3) the Departments are cooperating to ensure exams for Planning Assistants, Associate Zoning Administrators, and Senior City Planners are held as soon as possible. The Department's General Fund revenue and Special Fund revenue is projected to achieve budget.

The following transactions are recommended:

- A transfer of \$400,000 from the Planning Department's Salaries General account to its Office and Administrative account to cover the cost of issuing public notices. The California Environmental Quality Act requires that the Department notify the public of Mitigated Negative Declarations and Environmental Impact Reports in a newspaper of largest circulation among the newspapers of general circulation in the area, such as the *Los Angeles Times*. The City Clerk previously paid these costs on behalf of the Planning Department, but both Departments have determined it will be more efficient for the Planning Department to pay the costs directly. The City Clerk will continue to maintain a copy of all such public notices.
- Various transactions to disencumber \$412,113.16 in prior year funds are recommended to ensure continuance of environmental, transportation, and historic resources services being performed by on-call contractors.

AA. Police

Attachment 5 – Special Fund Reappropriations

Attachment 6 – New Appropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

Attachment 9 – Appropriations from the Unappropriated Balance

Attachment 13 – 2014-15 MICLA Equipment List

Recommendation Nos. 7, 15, 21 through 24

Based on current expenditure patterns, a year-end deficit of \$69.78 million is projected for this Department, which is largely attributable to deficits in the Overtime Sworn, Salaries Sworn, and Salaries As-Needed accounts. This report includes recommendations that reduce the net year-end deficit to \$29.78. However, based on the Department's assurances regarding the management of overtime usage throughout the year, we anticipate that these control measures will eliminate \$26.48 million of the \$29.78 million deficit. Additionally, there is \$3.3 million in funding set aside in the Unappropriated Balance (UB) for sworn and Detention Officer (DO) hiring. Therefore, if the funds from the UB are appropriated to the Department by mid-year, and the transfers recommended in this report are approved, the Department's projected net year-end deficit will be fully offset.

The projected shortfalls and potential offsets are discussed below:

- **Salaries Sworn:** The shortfall in the Salaries Sworn account (\$13.3 million) is mainly due to the settlement of a lawsuit regarding salary adjustments for approximately 950 employees hired after January 1, 2010, resulting in a \$10 million impact to the 2014-15 Salaries Sworn account. The Department is committed to managing within budgeted resources and absorbing the \$10 million impact from anticipated savings in its salaries and expense accounts. However, \$3.3 million in funding set aside in the UB for sworn and Detention Officer (DO) hiring will need to be transferred to the Department's operating budget by the mid-year. The \$3.3 million is available in the UB for sworn and DO hiring during the second half of the fiscal year to reach the Mayor's deployment goal of 10,000 officers, and to redeploy Police Officers assigned to the jails with civilian DOs. The Department noted that a report is forthcoming regarding sworn and civilian hiring and the related funding in the UB.
- **Salaries General and Expense:** At this time, LAPD is projecting surpluses in its salaries and expense accounts totaling \$10 million. These surpluses will offset the \$10 million impact to the Salaries Sworn account resulting from the salary adjustments for approximately 950 employees hired after January 1, 2010.
- **Salaries As-Needed:** The shortfall in the Salaries As-Needed account is due to the use of as-needed security officers (as opposed to overtime) (\$0.9 million). This shortfall will be fully offset with a \$0.9 million transfer from the Overtime General account as recommended in this report.

- Sworn Overtime: The Memorandum of Understanding (MOU) 24 with Police Officers – Lieutenants and below, expired on June 30, 2014. Under the terms of the MOU, the provision allowing the employees in this bargaining unit to bank compensated time off (CTO) up to 800 hours, before being compensated in cash, sunset on June 30, 2014. In the absence of an executed MOU, the new CTO threshold, effective July 1, 2014, is 150 hours. As such, the Department notes that it has experienced a 49 percent increase in sworn overtime usage as compared to the same time period in 2013-14 as both overtime use and expenditures have increased.

At the current pace, total sworn overtime expenditures for 2014-15 are projected at \$96.48 million. After accounting for \$15 million that was budgeted in the Department’s Sworn Overtime account and a \$15 million supplemental appropriation from the UB, Police Overtime line item approved earlier this year (C.F. 14-1148), the deficit in the Overtime Sworn account is currently projected at \$66.48 million. This deficit is due to underfunding the 2014-15 Department’s Overtime Sworn account and the requirement that affected employees be compensated for overtime in cash. See Table 7 for a summary of the Sworn Overtime budget vs. projected expenditures.

Table 7. 2014-15 Sworn Overtime Budget vs. Projected Expenditures		
2014-15 Projected Expenditures	\$96.48M	
2014-15 Budget	\$(15.0)M	
Transfer from UB, Police Overtime per C.F. 14-1148	\$(15.0)M	
Subtotal Shortfall	\$66.48M	
First FSR Recommended Offsets		
UB, Reserve for Econ. Uncert.	\$(20.7)M	Recommendation No. 5
Reserve Fund Appropriation	\$(19.3)M	Recommendation No. 24
Subtotal First FSR Offsets	\$(40.0)M	
Year-End Shortfall	\$26.48M	

Based on the Department’s actual expenditures through the pay period ending September 20, 2014, the Police Department spent approximately \$3.7 million per pay period on Sworn Overtime. Consequently, the Department only has sufficient funding in its Sworn Overtime account through the October 29, 2014 payday (pay period ending October 18, 2014) and \$40 million in additional funds must be appropriated at this time.

In order to address the Sworn Overtime account deficit, this Office recommends appropriating \$20.7 million from the UB, Reserve for Economic Uncertainties, to the Department’s Sworn Overtime account. Additionally, the Department reverted \$19.68 million to the Reserve Fund in 2013-14 from various accounts. Therefore, it is also recommended that \$19.3 million be appropriated from the Reserve Fund to the Police

Department's Overtime Sworn account to increase total 2014-15 Sworn Overtime funding from \$30 million to \$70 million.

If Sworn Overtime expenditures continue at the current rate through the year-end, the remaining year-end overtime shortfall is estimated at approximately \$26.48 million, after accounting for the \$40 million in recommended appropriations. While the current overtime usage rate would lead to a projected \$26.48 million deficit, the Department has implemented strong accountability measures on all supervisory ranks to ensure management oversight and accountability. Based on the Department's assurances regarding anticipated control measures to better manage overtime usage throughout the year, we anticipate that these measures will eliminate the remaining \$26.48 million overtime deficit by year-end. This Office will continue to monitor the Department's accounts and report in future FSRs should any issues arise.

Sworn Hiring

Through September 20, 2014, 100 police officers have been hired and attrition is 85, one fewer than planned as of that date. As of September 20, the total number of filled sworn positions is 9,912, including 69 Municipal Police Officers. The Department currently has 88 (out of 10,000) existing sworn vacancies and is anticipating attrition of approximately 290 officers between September 21, 2014 and June 30, 2015. A class of 40 officers began on September 8, 2014, and another class of 32 recruits started on October 6, 2014.

Revenue

The Department is on target for the majority of its revenue sources for the current period. The bulk of the revenue from police permit fees is received in the second and third quarters of the fiscal year as renewal notices are mailed in November for the 2015 calendar year. The Department is also behind on revenue from reimbursements from other agencies due to the timing of the billings. We will continue to monitor Police revenue and report in future FSRs.

In April 2014, the Federal Aviation Administration (FAA) Office of the Inspector General (OIG) released its report on FAA oversight at the Los Angeles International (LAX) Airport. The audit finds that the FAA's oversight is inadequate to ensure proper use of LAX's airport revenue for police services and maximization of revenues. Based on the most recent information available, it is anticipated that the Police Department's 2014-15 Airports revenue (Revenue Code 4595) may be approximately \$3.3 million less than budget as a result of the audit findings. This revenue reduction is subject to increase/decrease pending further review by the Department and final approval and audit review by the Department of Airports. The Office of the CAO will continue to closely monitor this issue and report back in its next FSR as more information becomes available.

The following transactions are recommended:

- Reappropriate \$67,403 from the Police Department Grant Fund for the 2012 Forensic DNA Backlog Reduction Program grant to the Information Technology Agency to renovate the Scientific Investigation Division's DNA laboratory at the Piper Technical Center Facility (C.F. 14-0457). ITA funding will be used for the installation of new data and phone

cabling. The funding was transferred to ITA in June 2014, but was not spent prior to the end of the fiscal year.

- Appropriate \$19.3M from the Reserve Fund and \$20.7M from the UB, Reserve for Economic Uncertainties, to the Police Department's Sworn Overtime account, to partially offset the sworn overtime shortfall.
- Transfer \$900,000 from the Department's Overtime General account to the Salaries As-Needed account for the use of as-needed security officers in lieu of overtime.
- Transfer a total of \$196,041 from the Forfeited Assets Trust Fund, Youth and Gang Intervention Program accounts 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.
- Appropriate \$80,000 in unspent tax assessments and interest earnings within the Special Police Communications/911 System Tax Fund for maintenance and repairs to the police communication system.

MICLA

- Re-approve the use of \$3.4 million in MICLA financing included in the 2014-15 Budget for the acquisition of one helicopter for Air Support Division;
- Re-approve the use of \$10 million in MICLA financing provided in the 2014-15 Budget for the acquisition of 273 non-patrol vehicles (111 unmarked utility vehicles and sedans, 110 undercover, and 52 specialized vehicles); and,
- Re-approve the use of \$8 million in MICLA financing (commercial paper only) provided in the 2014-15 Budget for Phase III of the Digital In-Car Video System (DICVS) in Operations-West Bureau. Phase III includes installing the DICVS in 366 vehicles in Operations-West Bureau.

Also, see Section 3 of this report for a discussion of the Public Safety Technology Team and recommended transfers to the Police Department from the Unappropriated Balance for this effort.

BB. Public Works/Board

Attachment 7 – Transfers between Accounts within Departments and Funds

The Board of Public Works is projected to be on budget at year-end. General Fund revenue is also estimated to be on budget.

The following transaction is recommended:

- Transfer \$170,520 from the Board's Contractual Services account to its Salaries General account to resolve the 40th Consolidated Plan funding gap for Office of Community Beautification (OCB) Salaries. Council File 13-1395-S3 addresses this funding gap by reappropriating funds from several Capital Improvement Expenditure (CIEP) projects to various Departments previously funded through appropriations included in the 40th Consolidated Plan. This transfer will effectuate the intent of the Council by restoring full funding to the Salaries General account.

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

Although overall the Bureau is projecting to finish the year within budget, the Bureau is projecting a total deficit of \$805,000 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 allows 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 2014-15 Adopted Budget does not provide funding to the Hiring Hall accounts, the Bureau is holding various 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 end of August total \$2.3 million, which represents approximately 10 percent of the Bureau's total revenue budget. The Department anticipates meeting most General Fund revenue 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 at this time:

- Transfer \$805,000 from the Bureau's Salaries General account to the Bureau's Hiring Hall Salaries (\$520,000), Benefits Hiring Hall (\$275,000), and Overtime Hiring Hall (\$10,000).

DD. Public Works/Bureau of Engineering **No Recommendations**

A year-end special fund surplus of \$4.9 million is projected for the Bureau. The surplus is mainly attributable to projected special funded vacancies. Of a total of 68 vacancies, approximately 46 are special funded. These special funded vacancies represent approximately 5.7 percent of all 796 authorized positions. As a result of receiving a blanket managed hiring exemption authority for 115 classifications to assist with their succession workforce plan, the Bureau is aggressively working to fill key vacant engineering positions to avoid service interruptions and project delays.

General Fund receipts through the end of September total \$4.7 million, which represents 15

percent of the Bureau's revenue budget of \$31.2 million. To date, the Bureau has collected approximately \$2.6 million in development fees, which represents 24.2 percent of its \$10.9 million annual revenue target. The Bureau anticipates meeting all General Fund revenue targets through year-end.

EE. Public Works/Bureau of Sanitation

Attachment 6 – New Appropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

Attachment 9 – Appropriations from the Unappropriated Balance

The Bureau of Sanitation is projecting a \$12.84 million year-end surplus across its various special funds, which is mainly attributed to high vacancies within the Bureau's Clean Water and Solid Resources Programs. The Bureau is carrying a 16 percent vacancy rate as 438 of its 2,800 authorized positions are vacant. The Bureau has made significant progress in addressing its high vacancy rates and reducing its reliance on as-needed staff and overtime expenditures. On July 25, 2014, the Managed Hiring Committee approved a Hiring Plan Policy which exempted 2,735 (or 98 percent) of the Bureau's 2,800 authorized positions from the Managed Hiring process. This policy will allow the Bureau to fill critical and high turnover positions on an expedited basis to ensure properly staffed operations.

The Lifeline Program for Solid Waste Disposal has a budget of \$6.1 million. There are currently 47,072 subscribers in the program and 3,890 applicants on the waitlist. Sufficient funds are available to support the Council-approved enrollment cap of 51,400 subscribers.

The following transactions are recommended:

- Transfer \$568,843 from the General Salaries account to the Hiring Hall Salaries, Hiring Hall Benefits, and Hiring Hall Overtime accounts (Sewer Operations and Maintenance (SCMO) funds) to provide hiring hall support services for wastewater collection and treatment plant operations.
- Transfer \$322,546 from the General Salaries account to the Hiring Hall Salaries and Hiring Hall Benefits accounts (Solid Waste Resources Revenue (SWRRF) funds) to provide hiring hall maintenance and construction services at various Solid Resources processing and operation facilities throughout the City.
- Transfer \$695,000 from the General Salaries account to the Overtime Salaries account (SCMO funds) to address projected deficits created by high vacancy rates within the Clean Water Program.
- Transfer \$197,288 from the Capital Infrastructure account within SWRRF to the Department of General Services to install power for a new heating, ventilation, and air conditioning (HVAC) unit to maintain better temperature control in the Public Works

Building server room.

- Transfer \$146,251 from the Sanitation Expense and Equipment account within the SCMO Fund to the Bureau of Sanitation's Office and Administrative Expense account for tuition reimbursement and specialized training for Bureau employees.
- Transfer \$370,898 from the Environmental Affairs Trust Fund to the Bureau of Sanitation's As-Needed Salaries and Overtime Salaries accounts to continue work on the Clean Cities Programmatic Support Program and the What a Re-Leaf (C.F. 13-0296) and Branching Out (C.F. 10-0097) tree planting grant projects.
- Transfer \$100,000 from the Unappropriated Balance, Operation Healthy Streets-Venice line item to the Bureau of Sanitation's Salaries Overtime (\$20,000) and Salaries General (\$80,000) accounts to reimburse the Bureau for clean-up work at Venice Beach.

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. Special fund revenues are on target with the exception of Sewer Construction and Maintenance (SCM) revenues.

The Bureau is estimating a \$23.6 million shortfall in SCM revenues, which represents three percent of the Fund's total annual revenue of \$757.8 million. Most of this revenue shortfall is attributed to the new Department of Water and Power (DWP) Customer Care and Billing System issues. Since the Sewer Service Charge (SCM's primary source of revenue) is based on customer water usage and the DWP billing issues are related to inaccurate water usage amounts, Bureau staff has been auditing and reconciling bills to ensure accuracy. This revenue shortfall is not expected to impact service levels as sufficient funds are available within SCM to support current operations and service levels. The Bureau will continue to work with DWP to resolve these issues.

FF. Public Works/Bureau of Street Lighting
Attachment 5 – Special Fund Reappropriations
Attachment 6 – New Appropriations
Attachment 8 – Transfers between Departments and Funds

Pending approval of the recommendations in this report and appropriations in an upcoming Construction Project Report (CPR), it is projected that the Bureau will have a special funds year-end surplus of \$1,648,572. This surplus is due to salary savings from vacancies.

The Bureau has received four percent of General Fund and 3.8 percent of its special fund budgeted receipts to date. The Bureau projects that it will meet its budgeted revenue. The largest portion of the receipts comes from maintenance assessments, which are distributed in December and May.

The following transactions are recommended:

- Reappropriate \$14,375 from the Street Lighting Maintenance Assessment Fund to the Bureau's Contractual Services account to pay for contractor invoices for work that was completed on the Pole Painting Project Unit IV, in which 1,433 existing streetlights were repainted.
- Transfer \$70,520 from the 1913 Assessment Fund to the St Lighting Maintenance and Assessment Fund revenue account (\$53,770) and the Bureau's Supplies account (\$16,750) for the Wilton Drive and Ridgewood Place Lighting District Project to reimburse the Fund for construction work completed in July 2014.
- Transfer \$12,400 from the Street Lighting Maintenance Assessment Fund to the Bureau of Street Services' Overtime (\$7,000), Contractual Services (\$3,000), and Operating Supplies (\$2,400) accounts for tree trimming work in multiple locations.
- Transfer \$309,848 from the Subventions and Grants Fund to the Street Lighting Maintenance Assessment Fund's revenue account (\$203,488) and to the Bureau's revenue account (\$106,360) to reimburse construction costs that were front-funded by SLMAF and the Bureau, for related costs for the Metro Eastside Access Projects.
- Transfer \$315,000 from Measure R to the Bureau's Salaries General (\$45,000), Salaries Overtime (\$190,000), and Operating Supplies (\$80,000) accounts for Bureau construction crews to install 54 streetlights in 26 bus stops in Council Districts eight and nine.
- Transfer \$28,000 from the Transportation Grant Fund to the Bureau's Salaries General (\$3,000), Salaries Overtime (\$15,000), and Operating Supplies (\$10,000) accounts for construction crews to install additional lights to illuminate the newly installed Gateway Markers located within the West Adams Bus Stop Improvement Project.
- Transfer \$190,000 from the Transportation Grant Fund to the Bureau's Salaries General (\$25,000), Salaries Overtime (\$110,000), and Operating Supplies (\$55,000) accounts for construction crews to install 33 bus stop lights within the 3rd St, Fairfax to La Cienega bus stop pedestrian area.
- Transfer \$60,000 from Measure R to the Bureau's Salaries General (\$30,000), Salaries Overtime (\$10,000), and Operating Supplies (\$20,000) accounts for construction crews to upgrade 70 street lights in 14 intersections at various locations throughout the City.
- Reappropriate \$77,000 from Proposition C to the Bureau's Salaries Overtime account which reverted in June 2013. Funding was provided in C.F. 10-0600-S48 to work on the design of various MTA projects such as the Expo Light Rail II and the Regional Connector projects.

- Transfer \$160,000 from the Transportation Grant Fund to the Bureau of St Lighting's Salaries General (\$10,000), Salaries Overtime (\$100,000), and Operating Supplies (\$50,000) accounts for construction crews to install 59 streetlights on Exposition from Western to Figueroa to increase the safety for pedestrians, bus riders, and motorists.
- Transfer \$55,000 from the Transportation Grant Fund to the Bureau's Salaries General (\$5,000), Salaries Overtime (\$35,000), and Operating Supplies (\$15,000) accounts for construction crews to install 18 streetlights in the Chinatown area to increase the safety for pedestrians, bus riders, and motorists.
- Reappropriate \$50,000 from the Community Development Block Grant to the Bureau's Salaries General (\$25,000) and Contractual Services account (\$25,000) which reverted in June 2014 but are needed by the Bureau to complete the project.
- Reappropriate \$242,395 from the Community Development Block Grant to the Bureau's Salaries General (\$17,395), Salaries Overtime (\$50,000), Equipment (\$25,000), and Street Lighting Materials (\$150,000) accounts which reverted in June 2014 but are needed by the Bureau to complete the construction of 19 streetlights in the East Hollywood area.
- Appropriate \$535,522 from Community Development Block Grant to the Bureau's Salaries General (\$50,522), Salaries Overtime (\$5,000), and Contractual Services (\$480,000) accounts for the Sun Valley Lighting Improvement Phase 5 Project which includes the design and construction of 60 LED streetlights in the Sun Valley area.

GG.Public Works/Bureau of Street Services

Attachment 6 – New Appropriations

Attachment 9 – Appropriations from the Unappropriated Balance

At this time, the Bureau projects a year-end deficit of \$8.6 million (\$7.0 million General Fund and \$1.6 million special fund) primarily resulting from shortfalls in the Bureau's Hiring Hall Salaries account and various 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 Financial Status Report.

The Adopted 2014-15 Budget provides funding for a 2,200 lane mile Pavement Preservation Program, however, \$8.7 million in funding for approximately 200 of these lane miles was placed in the Unappropriated Balance. A total of \$7 million of the \$8.7 million in the Unappropriated Balance (UB) is designated for the Bureau of Street Services with the remaining balance to be split between the Department of Transportation, the General Services Department, and the the Bureau of Engineering. To date, no funds have been transferred from the UB to the Bureau for Pavement Preservation. The \$7.0 million General Fund deficit that is currently projected is a attributed to the placement of the funding in the Unappropriated Balance versus the Bureau's operating budget. The shortfall is projected in various accounts. However, the critical need at this

time is \$2.0 million to continue to fund Hiring Hall Salaries (\$1.3 million) and Hiring Hall Benefits (\$0.7 million). The BSS will continue to monitor the other accounts and will request the transfer of the remaining \$5.0 million as needed in future Financial Status Reports.

General Fund receipts through the end of August total \$1.6 million, which represents approximately three percent of the Bureau's total revenue budget. The Bureau anticipates meeting most General Fund revenue targets and reports that General Fund revenue from overhead reimbursements is typically received at the end of the fiscal year.

The following transactions are recommended at this time:

- Appropriate \$1,200 from the Subventions and Grants Fund to the Bureau for Miscellaneous Bel-Air Association small asphalt repairs.
- Appropriate \$950.40 from the Subventions and Grants Fund to the Bureau for illegal vending enforcement work performed on August 23, 2014 at the San Pedro Swap Meet paid for by the Downtown Los Angeles Property Owners Association.
- Appropriate \$950.40 from the Subventions and Grants Fund to the Bureau for illegal vending enforcement work performed on September 6, 2014 in the Fashion District paid for by the Downtown Los Angeles Property Owners Association.
- Appropriate \$1,538,286.54 from the Subventions and Grants Fund to the Bureau for the Metropolitan Transit Authority Eastside Access Improvement Project (Council File 12-1130).
- Transfer and appropriate \$2,000,000 from the Unappropriated Balance, Pavement Preservation line item to the Bureau's Hiring Hall Salaries account (\$1,300,000) and the Hiring Hall Benefits account (\$700,000).

HH. Recreation and Parks

No Recommendations

The Department is projecting a net year-end surplus of approximately \$287,000 mainly due to a surplus in the Salaries General account (\$2.7 million). The majority of the surplus in the Salaries General account will be used to offset projected shortfalls in the Salaries As-Needed (\$1.0 million) and Contractual Services (\$1.49 million) accounts. The transfer to the Salaries As-Needed account is due to the extreme summer season and other unexpected program and event needs. Recently, multiple Recreation and Park facilities have extended their operating hours and have been utilized as cooling centers to provide relief from the extreme heat. Further, the Department continues to utilize part-time staff to cover shortages in full-time personnel. The anticipated transfer to the Contractual Services account converts public buildings landscaping services provided to other departments from full-time RAP staff to contract service providers.

At this time, the Department is projecting a revenue deficit of \$1.572 million from two revenue categories: 1) a \$1,000,000 reduction in the revenue estimate for In-House Capital Delivery Plan due to lack of full-time staff to work on capital projects; and, 2) a \$572,000 reduction in estimated Housing Authority reimbursements. The Department was authorized to hire additional revenue generating positions in early September 2014 to mitigate the projected revenue shortfall. This Office will continue to monitor all revenue accounts and recommend any necessary adjustments in a future FSR.

The Department highlights the Chatsworth South Park capital project as a potential issue of concern for the current fiscal year. This is a site remediation capital project of a 17+ acre site involving the removal of contaminated soil, capping of the site, reestablishing the drainage system, and reconstruction of the passive park. This project is subject to regulatory requirements and must be completed. In August 2014, the Department received a single bid of \$11.495 million for the project in excess of the \$7 million budgeted. The Department is planning to rebid the project in November 2014 with January 2015 as the bid deadline. Recommendations and funding adjustments for this project will be provided through the future Construction Project Report. However, the project is being discussed in this report due to its potential fiscal impact.

II. Transportation

Attachment 6 – New Appropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 9 – Appropriations from the Unappropriated Balance

Recommendation No. 26

The Department is projected to have a net year-end deficit of approximately \$5.35 million across all salary and expense accounts, comprised of a \$6.38 million General Fund deficit and a \$1.03 million special fund surplus. The General Fund shortfall is mainly attributable to a deficit in the Overtime account in connection to special events, street resurfacing projects, the Bicycle Plan, and one-time unusual occurrences (e.g., water main breaks). It is anticipated that a portion of the General Fund shortfall will be partially offset through anticipated special event reimbursements and General Fund savings in the Salaries General and Salaries As-Needed accounts. As a result, the Department may require a supplemental General Fund appropriation of \$2.9 million by year-end.

A \$8,793,130 year-end shortfall is projected in the Department's Overtime account consisting of \$8,622,302 in General Funds and \$170,828 in special funds. The General Fund Overtime shortfall is due to anticipated Traffic Control services to be provided at special events throughout the City, of which some are reimbursed by the venue. In addition, this shortfall includes projected overtime related to the street resurfacing program, work associated with the Bicycle Plan, and unusual occurrences. Historically 74 percent of the special events in which the Department provides traffic control services are reimbursed; and, the remaining 26 percent are not eligible for reimbursement because they are either 1st Amendment or non-reimbursable events. It is anticipated that General Fund surpluses in the Salaries General and As-Needed accounts may be available to offset a portion of un-reimbursable overtime costs. Additionally, any unspent funds in the Contractual Services account will be used to cover any remaining deficit. However, at

this time, it is possible that the Department will be unable to absorb approximately \$2.9 million of the General Fund overtime shortfall by year-end. This Office will report back in the next FSR should any issues arise.

A year-end salaries surplus of \$1,040,274 is projected mainly in General Funds (\$621,344-General Fund and \$418,930-special funds) provided the recommended transfers in this FSR are approved. However, this surplus is expected to partially offset shortfalls in the Overtime account.

Current year Parking Fine revenues are budgeted at \$165.19 million. Receipts collected through August 30, 2014 indicate that plan is behind by five percent when compared to monthly projections. However, the Department is expected to meet budgeted revenue by year-end.

Approximately 20 percent of the Department's budgeted General Fund Revenue has been received as of August 30, 2014. 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 a total of \$674,826 from the Construction Materials (\$154,681), Contractual Services (\$319,420), and Field Equipment Expense (\$200,725) accounts to the Paint and Sign Maintenance (\$420,906) and Signal Supplies (\$253,920) accounts within the General Fund. These transfers are necessary to streamline the procurement process and consolidate funding into the designated programmatic expenditure accounts.
- Transfer a total of \$995,054 from the Construction Materials (\$68,200), Contractual Services (\$866,854) and Field Equipment Expense (\$60,000) accounts to the Paint and Sign Maintenance (\$510,200) and Signal Supplies (\$484,854) accounts within the Special Gas Tax Fund. These transfers are necessary to streamline the procurement process and consolidate funding into the designated programmatic expenditure accounts.
- Transfer \$703,078.30 from the Transportation Trust Fund to the Department's Overtime account which will reimburse the Department for traffic control services provided for various City and Los Angeles venues such as the Dodger Stadium, Staples Center, and the Hollywood Bowl from July to August 2014.
- Transfer \$20,000 from the Harbor Revenue Fund to the Department of Transportation's Overtime account (001090) for staff services in connection with three Harbor Department transportation improvement projects (the I-110 C Street Interchange Project, the John S Gibson Blvd/-I-110 Freeway Access Ramp Improvement Project, and the SR-47/I-110 Northbound Connector Widening Project).
- Transfer \$240,000 from the Special Parking Revenue Fund Parking meter and Off-Street Parking Administration account to the Department's Overtime account. Based on the overtime usage for FY 2013-14 and the first four pay periods of the current fiscal year, the

Department estimates that they will incur \$236,000 in overtime expenditures relating to SPRF duties.

- Reappropriate \$10,454.54 from the Reserve Fund to the Department's Overtime account to continue work on the Westfield Topanga Project. These funds reverted at the 2013-14 year-end and must be reappropriated as Westfield LLC provided the original funding and the Department must continue on the project (C.F. 12-0600-S179 and 11-1980-S6). Due to the projected shortfalls in this Department, the Department advises that it cannot absorb this cost.

JJ. Zoo

No Recommendations

The Department is projected to end the year within budget. However, year-to-date receipts as of August 31, 2014 for Admissions, Concessions, and Memberships fall approximately \$300,000 short of the adopted revenue goal. It is anticipated that a reduction in the budgeted Marketing Refund to GLAZA will mitigate the projected deficit. This Office will continue to monitor the Department's revenue projections and will report back in future FSRs.

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. A potential year-end deficit of \$800,000 is projected in the Attorney Conflicts Panel Fund. The amount of \$28.5 million is appropriated from various Unappropriated Balance line items.

A. General City Purposes Recommendation No. 27

A net year-end deficit of \$915,375 is projected in the payroll accounts within the General City Purposes (GCP), which is composed of shortfalls in the Medicare account (\$1,047,316) and the Pensions Savings Plan (\$99,475) accounts and a surplus in the Social Security account (\$231,416). The Medicare account was budgeted based on 34,183 employees per pay period. However, actual employment levels have ranged between 34,956 to 35,185 employees. The number of employees in the Pensions Savings Plan is usually larger in the earlier months of the fiscal year. As such, a decline in both number of employees and contribution amount is expected to occur later in the year. We will continue to monitor all payroll accounts as actual data comes in and will report back in the next Financial Status Report.

The following transaction is recommended:

- Reappropriate \$22,404.21 from the Reserve Fund to the General City Purposes Fund, Domestic Abuse Response Teams (DART) account. These prior year funds will be used to evaluate the DART Program for 2014-15.

**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, MOU negotiations, 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 2014-15 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 \$22.05 million in payouts (actual expenditures plus payments that still need to be processed) for both accounts for an available balance of \$25.86 million in 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 10A – Status of the Unappropriated Balance – General Accounts

Attachment 10B – 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 \$117.3 million. Within the UB General Account, as of August 30, 2014, \$4,806 has been appropriated through Council action, reducing the General Account balance from \$50,000 to \$45,194. To date, approximately \$7.6 million has been transferred or reappropriated to the UB and \$19 million has been transferred out, resulting in a balance of \$105.9 million.

This report includes recommendations to appropriate \$28.5 million from various UB line items to address expenses including, but not limited to, Police Sworn Overtime (\$20.7 million) and Fire Constant Staffing Overtime (\$3.3 million). These recommendations reduce the UB to approximately \$77.3 million.

**E. Capital Finance Administration Fund
Recommendation Nos. 16 and 17**

The following transactions are recommended:

- The bond held by the Estate of Gladys Ballenger ("Estate") is requesting to receive payment from the City for the original 1969, Series B issuance of \$20,500,000 by the Los Angeles Convention and Exhibition Center Authority, which was issued to pay for the construction, equipment, furnishings and contingencies of a portion of the existing facility. The bond held by the Estate is a historic relic known as a "bearer" bond, meaning rather

than being registered to a particular owner, the interest is payable upon presentation of each of the attached coupons and the principal is payable upon presentation of the bond by the holder or "bearer." Although the bond matured in Fiscal Year 2003, the coupons attached to the bond had not been submitted for payment since 1989. The Estate has contacted the City and is requesting to present the bond for payment. Based on this Office's review, the bond holder is entitled to receive payment in the amount of \$8,277.50, which covers both principal and interest.

- In Fiscal Year 2011-12, the City issued \$11,920,000 in MICLEA 2011-Qualified Energy Conservation Bonds to retrofit City-owned buildings for energy efficiency. In accordance with the Tax Certificate, the City is required to make all related expenditures by October 26, 2014. All available project proceeds not spent by that date, and any investment earnings thereafter earned on such amounts will be used to redeem a portion of the obligation in accordance with the Internal Revenue Code. Therefore, it is recommended that all available project proceeds not spent by October 26, 2014 and any investment earnings thereafter earned on such amounts be transferred to the designated trustee.

F. Los Angeles Fire and Police Pensions System-Excess Benefit Fund Attachment 5 – Special Fund Reappropriations

The Los Angeles Fire and Police Pensions System requests authority to expend \$587,990.40 in prior year unexpended excess benefit funds (2009-10, 2011-12, 2012-13 and 2013-14) to the current year Excess Benefit Fund, Fire and Police Excess Benefits account, to fund the 2015 Excess Benefit Plan (EBP). The Excess Benefit Fund is a General Fund obligation and supplements the benefits of certain retired members of the Fire and Police Pension Plan. The benefits paid by the Excess Benefit Fund represents the difference between the actual benefits owed to the member and the limitations on benefits paid by the Pension System pursuant to Section 415(b) of the Internal Revenue Code. The City generally transmits the annual excess benefit payment to LAFPP as part of the City contribution on July 15. However, since the excess benefit limit is set by the IRS on a calendar year, from time to time the amount paid by the City may be over or under the IRS limit and prior year funds are used to provide supplemental funding.

G. Attorney Conflicts Panel Fund

The Attorney Conflicts Panel (ACP) is responsible for retaining outside counsel to handle conflict-of-interest matters which the City Attorney's Office is precluded from handling. In doing so, the ACP utilizes a pre-established list of law firms readily available when conflict counsel needs arise. The ACP Fund (Fund 46T) is administered by the City Administrative Officer and has a current budget allocation of \$2.1 million for FY 2014-15.

The ACP has been experiencing sharp increases in expenditures. This trend arose noticeably in 2013-14 but the ACP was able to stay within budget. The rising expenditures are based upon various increases, which include: 1) new case referrals; 2) number of on-going open litigation

assignments, and 3) number of cases with unusual complexities and with high exposure to the City.

Due to the continuation of rising expenditures, a deficit to the ACP Fund is anticipated. Although there are many unknown factors, a deficit of \$800,000 is possible. The CAO will continue to monitor and report back on recommendations for funding adjustments, as necessary.

3. PUBLIC SAFETY TECHNOLOGY TEAM

Attachment 9 – Appropriations from the Unappropriated Balance

The 2014-15 Adopted Budget includes \$1.285 million in the Unappropriated Balance for Police/Fire Dispatch Consolidation. During the Council's consideration of the Proposed Budget, the Mayor's Office clarified that the intent of the funding was to provide resources to enhance public safety technology, including determination of the appropriateness and feasibility of merging the Los Angeles Fire Department (LAFD) Computer Aided Dispatch (CAD) with the Los Angeles Police Department's (LAPD) CAD. The Police and Fire Departments were instructed to report, with the assistance of the Information Technology Agency (ITA), regarding this funding. As such, the Fire Department has submitted a report to this Office requesting to transfer funding to the Police and Fire Departments as part of the First FSR.

The report notes that the Mayor, LAPD, LAFD and ITA have worked together to define the strategy to enhance public safety. In addition, by establishing a Public Safety Technology Team, the report states that technology projects can be more efficiently and effectively developed through collaboration between LAFD and LAPD personnel. The following technology projects have been identified as core to enhancing public safety technology, and will be the initial focus of the Public Safety Technology Team:

- Computer Aided Dispatch (CAD)
- Fire Station Alerting System
- Automatic Vehicle Locator (AVL) System
- Tiered Dispatch System (TDS; medical dispatch protocol)
- Mobile Device Management (use of tablets in the field)
- Radio Network Controller (RNC; data from CAD to Mobile Data Computers in vehicles)
- Communications Network and Infrastructure
- Fire Prevention Applications (inspections for new construction, brush clearance, etc.)

This Office recommends that the Fire Department transmit the proposed staffing plan to the Council under separate cover for consideration by the appropriate Council policy committee(s). However, to expedite program implementation, it is recommended that a portion of the funding (\$454,286) from the UB, Police/Fire Dispatch System Consolidation account be appropriated to the Police and Fire departments' operating budgets at this time. The funds will provide six months funding to secure the necessary resources to staff the Public Safety Technology Team and implement the projects and strategies described above. A total of five positions are requested for the Police Department plus two unfreezes. Four positions are requested by the Fire Department.

The following transactions are recommended:

- Appropriate \$217,863 from the UB, Police/Fire Dispatch System Consolidation line item to the Fire Department's Salaries General (\$232,423) and Office and Administrative (\$4,000) accounts.
- Appropriate \$236,423, from the UB, Police/fire Dispatch system Consolidation line item to the Police Department Salaries General (\$209,863) and Office and Administrative (\$8,000) accounts.

4. STATUS OF EMPLOYMENT

A. Employment Level Report

Attachment 11 – Employment Level Report

Citywide employment authority from all funding sources totaled 33,793 at the end of August for both civilian and sworn classes. There are 30,054 filled positions at the end of August. Departments reported a total of 3,696 vacant positions: 2,232 General Fund and 1,464 special funded.

B. 120 Day Employees

Attachment 12 – Status of 120 Day Employees

Pursuant to the 2014-15 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 2014-15, a total of 258 appointments were authorized as of the end of August. In comparison, a total of 323 appointments were authorized in 2013-14. 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

The 2014-15 Budget provides for a new Fire Department Industrial Building Inspection Fee. The fee is anticipated to generate an additional \$1 million in revenue and is anticipated to be effective in November 2014. The Office of the City Attorney is currently preparing the fee ordinance and the Fire Department expects to process bills before December 2014.

6. 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 Municipal Improvement Corporation of Los Angeles Commercial Paper Program (MICLA CP). 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).

On September 10, 2014, \$93.53 million of MICLA fixed rate tax-exempt Lease Revenue Bonds, Series 2014-A (Real Property) (the "Series 2014-A Bonds") and Refunding Series 2014-B (the "Series 2014-B Bonds") were sold to refinance outstanding commercial paper notes into long-term debt and to refund outstanding MICLA debt to achieve interest savings, respectively. The City received a true interest cost of 3.11 percent. Furthermore, the City achieved present value interest savings of approximately \$8.8 million (or 14 percent savings) over the life of the Series 2014-B Bonds. The City anticipates completing the MICLA Capital Equipment financing in early November to refinance outstanding commercial paper notes into long-term debt (C.F. 14-1092).

During the past few months, commercial paper notes were issued for construction and improvements of various municipal facilities and acquisition of capital equipment and replacement vehicles for the departments of Fire, General Services, Information Technology Agency and Police.

Below is the status of the MICLA CP Program through October 6, 2014:

Reporting Period	Amount Outstanding	Range of Interest Rates
04/25/14-10/06/14	\$ 179,694,000	0.06% to 0.13% (tax-exempt)
04/25/14-10/06/14	51,684,000	0.11% to 0.16% (taxable)

	Total: \$ 231,378,000	

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, 25 have been allocated, which includes one waiver from 2010-11, two waivers from 2011-12, three waivers from

2012-13, 11 waivers from 2013-14 and eight waivers from 2014-15. Approximately \$5.3 million in Citywide special events and Council District fee subsidies remains to be allocated, \$2.9 million and \$2.4 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 (GRYD) PROGRAM Attachment 14 – GRYD Status Report of Expenditures/Payments

At the request of the Budget and Finance Committee (C.F. 14-0600), the Mayor's Office provides an update of current year GRYD 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 2014-15 Gang Reduction Program in the Mayor's GRYD Office is approximately \$23.77 million from the following sources: \$20.53 million from the General Fund and \$3.24 million from federal and state grants. Of this amount, \$1.34 million is allocated for GRYD salaries and administration expenses and approximately \$19.19 million for contracted agencies. As of August 31, 2014, total General Fund expenditures were \$768,375 and encumbrances were \$14,678,057.

Attachment 14 outlines the distribution of funds to each of the GRYD contracted agencies for 2014-15. The GRYD Office is currently comprised of 20 positions as of August 31, 2014: Six (6) staff members provide administrative/fiscal management and Fourteen (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, 2014 total \$169,263 (General Fund - \$117,289; Grant Funds - \$51,974).

9. STATUS OF DEBT COLLECTIONS FROM THE INSPECTOR GENERAL Attachment 15 – Inspector General Status Update


The Inspector General (IG) has submitted a status update on the City's debt collection efforts, including revenue efficiency and cost saving initiatives. The IG indicates that the City has realized more than \$75 million in revenues or cost savings within the last three years from Collection Reform improvements, which have mostly benefited special or enterprise funds. As of September 2014, the City has fully implemented or disposed of with no action approximately 48 percent of Collection Reform initiatives, which represents a slow yet steady improvement of eight percentage points from 40 percent to 48 percent since April 2014. Further, the IG continues to

focus on initiatives such as, but not limited to, releasing a City-wide collection scorecard report, improving debt collections, and securing potential grant reimbursement from disaster assistance programs. For 2013-14, the IG reports that City-wide approximately \$30 million (mostly special fund) was received in one-time disaster funds, which represents an increase of nearly \$17.5 million from prior fiscal year. In addition, the IG continues to work with State and Federal agencies to collect other identified grant funds valued at approximately \$50 million and collaborate with City departments to pursue General Fund, Seismic Bond, and MICLA one-time reimbursements due from disaster repair front-funding. For example, approximately \$2 million maybe recovered from the Department of Recreation and Parks for the repayment of outstanding loan. See Attachment 15 for additional details.



Maria D. Gutierrez, Finance Specialist

APPROVED:



Ben Ceja, Assistant City Administrative Officer

MAS:BC:JW:MDG: 01150024c

Attachments

Attachment 1-A

Fiscal Year 2013-14 General Fund Receipts

\$ Thousands

	2012-13 Actual Receipts	2013-14 Adopted Budget	2013-14 Revised Budget	2013-14 Actual Receipts	Variance from Adopted Budget	Variance from Revised Budget	Comments
Property Tax	\$1,550,389	\$1,549,568	\$1,543,098	\$1,589,983	\$40,415	\$46,885	Year end surplus primarily reflects early receipt of secured property taxes (estimated at \$31 million) in May. Fiscal Year 2014-15 receipts reflect a shortfall as a result. The remaining variance (\$14 million from revised budget) is good news and may be attributed to higher than estimated growth.
Property Tax Ex-CRA Inc.	58,839	55,434	66,548	70,197	14,763	3,649	Revised budget reflected County Auditor-Controller's estimate for June tax increment receipts. Actual receipts were higher.
Utility Users' Tax	620,448	641,598	626,551	627,437	(14,161)	886	Electric (EUT) and communication (CUT) users tax receipts were adjusted downwards. Although finishing close to revised budget, CUT receipts continue to decline, and were offset by higher-than-projected receipts in EUT and gas user taxes.
Licenses, Permits, Fees and Fines	724,702	832,712	829,844	831,974	(738)	2,130	Revenue was revised downward to reflect various positive and negative adjustments. Actual receipts came in closer to adopted budget.
Business Tax	448,832	470,728	464,996	475,397	4,669	10,401	Revenue revised downward based on guidance from the Office of Finance. Actual receipts came in above adopted revenue budget.
Sales Tax	338,970	352,790	357,580	356,503	3,713	(1,077)	Revenue was revised upward to reflect increasing sales tax revenue; however actual receipts fell short of expectations.
Documentary Transfer Tax	147,282	160,106	178,900	181,463	21,357	2,563	Revenue revised upward by \$20 million to reflect price appreciation and increased legal entity transfer revenue.
Power Revenue Transfer	246,534	253,000	253,000	253,000	0	0	
Transient Occupancy Tax	167,824	174,423	184,970	184,382	9,959	(588)	
Parking Fines	156,878	156,557	160,852	161,146	4,589	294	
Parking Users' Tax	89,423	94,947	96,563	95,676	729	(887)	
Franchise Income	42,963	42,618	44,137	44,365	1,747	228	
State Motor Vehicle License Fees		2,100	1,737	1,737	(363)	(0)	
Grant Receipts	2,099	6,193	8,641	8,888	2,695	247	
Tobacco Settlement	7,232	9,006	9,106	9,112	106	6	
Transfer from Telecommunications Fund	13,861	5,220	0	0	(5,220)	0	
Residential Development Tax	0	2,100	3,052	3,340	1,240	288	
Transfer from the Budget Stabilization Fund	2,379	8,029	8,029	8,029	0	0	
Special Parking Revenue Transfer	32,577	35,142	35,142	35,142	0	0	
Subtotal General Fund	\$4,651,232	\$4,852,271	\$4,872,748	\$4,937,772	\$85,501	\$65,024	
Interest Income	16,001	14,621	14,329	15,792	1,171	1,463	
Transfer from Reserve Fund	0	0		\$0	0		
Total General Fund	\$4,667,233	\$4,866,892	\$4,887,077	\$4,953,564	\$86,672	\$66,487	

Attachment 1-B
Fiscal Year 2014-15 General Fund Receipts

	\$ Thousands				Comments
	2014-15 Budget	Budget Plan	Receipts	Variance	
Property Tax	\$1,644,811	\$86,359	\$57,700	(\$28,659)	Shortfall reflects the early receipt of secured property tax receipts (estimated at \$31 million) in the previous fiscal year, offset by higher-than-projected growth in other property tax components.
Property Tax Ex-CRA Inc.	48,023	0	0	0	The budget plan includes a first payment of \$20.9 million in January. The early estimate provided by the County Auditor-Controller is \$9.3 million.
Utility Users' Tax	631,850	155,400	156,493	1,093	The communication users tax revenue continues to decline further and is offset by the electric and gas users tax revenues. Electricity had been falling short, but receipts recovered in September.
Licenses, Permits, Fees and Fines	830,286	127,681	113,341	(14,339)	As the majority of LPFF revenue is received in the later half of the year, it is too early to determine whether this would contribute to year end shortfall.
Business Tax	459,500	15,600	15,105	(495)	Sales tax revenue had been falling in short of expectations from May through August. Receipts have recovered in September, but it is too early to determine whether this increase is a trend.
Sales Tax	374,100	91,800	93,829	2,029	
Documentary Transfer Tax	196,800	54,100	62,338	8,238	This variance is attributed to \$12 million in legal entity transfer revenue received in August. Other documentary transfer tax revenue is behind plan, and sales volume has dropped. However price appreciation has offset the sales decline.
Power Revenue Transfer	261,000	0	0	0	The previous year fell slightly short of budget. Receipts to date have been variable. Comprised of six franchise fee components, monthly receipts are typically variable.
Transient Occupancy Tax	194,100	50,600	51,534	934	
Parking Fines	165,191	39,600	38,946	(654)	
Parking Users' Tax	98,400	24,600	29,124	4,524	
Franchise Income	43,153	9,585	10,943	1,358	
State Motor Vehicle License Fees	1,700		0	0	Comprised of six franchise fee components, monthly receipts are typically variable.
Grant Receipts	10,240	1,470	1,249	(221)	
Tobacco Settlement	9,106	0	0	0	
Transfer from Telecommunications Fund	5,077	0	0	0	
Residential Development Tax	3,280	740	749	9	
Special Parking Revenue Transfer	30,635	0	0	0	
	0				
Subtotal General Fund	\$5,007,253	\$657,535	\$631,351	(\$26,184)	
Interest Income	13,491	3,372	12,682	9,310	
Transfer from Reserve Fund	117,546	0	0	0	
Total General Fund	\$5,138,290	\$660,907	\$644,033	(\$16,873)	

Attachment 1-C

Property Tax by Account

Thousand Dollars

Through September 2014

	2013-14		2014-15			Variance
	Actual	Receipts through Sept	Budget	Plan Through Sept	Receipts through Sept	
Secured	\$1,051,159	\$21,142	\$1,076,739	\$45,839	\$14,858	(\$30,981)
Unsecured	45,162	34,510	46,068	35,200	35,682	482
Homeowner Exemption	7,906	0	7,874	0	0	0
Supplemental	26,240	7,441	32,000	3,300	3,829	529
Redemptions	25,099	2,646	24,351	3,092	3,137	45
County Admin Charges	(15,878)	0	(16,680)	0	0	0
Refunds	(12,274)	(2,089)	(10,932)	(972)	(306)	666
Adjustments	307	241	301	0	326	326
CRA Adjustments	0	0	0	0	175	175
1% Property Tax	\$1,127,721	\$63,891	\$1,159,721	\$86,459	\$57,700	(\$28,759)
VLf Replacement	341,226	0	358,490	0	0	0
Sales tax Replacement	121,036	0	126,600	0	0	0
<i>subtotal</i>	<i>462,262</i>	<i>0</i>	<i>485,090</i>	<i>0</i>	<i>0</i>	<i>0</i>
Property Tax All Sources	\$1,589,983	\$63,891	\$1,644,811	\$86,459	\$57,700	(\$28,759)

Estimated Fiscal Year 2014-15 property tax revenue assumed growth of 5.06% growth above the prior year base. Current year receipts to date are currently \$31 million behind plan in secured property tax revenue attributed to the early receipt of secured revenue in 2013-14. This shortfall is offset by higher-than-projected growth in other property tax components, resulting in a \$29 million total shortfall. However, as the County Assessor has since released its assessed valuation report with higher growth estimated for the City, it is expected that the current shortfall will decrease with 2014 tax year collections in the latter half of the year.

Attachment 1-D

REVENUE MONTHLY STATUS REPORT

SECURED RECEIPTS RECORDED BY COUNTY PROPERTY TAX YEAR

Thousand Dollars
Through September 2014

MONTHLY	2013-14				2014-15
	BUDGET	REVISED	ACTUAL	VARIANCE	BUDGET
DECEMBER	\$406,055	\$414,132	\$414,132	\$0	\$433,400
JANUARY	101,514	103,533	103,533		108,400
FEBRUARY	83,064	72,896	72,896		76,300
MARCH					
APRIL	284,835	302,399	302,399		316,500
MAY	93,559	92,000	137,056	45,056	96,300
JUNE					
JULY	40,446	40,600	8,099	(32,501)	42,500
AUGUST	5,972	5,239	6,759	1,520	5,500
SEPTEMBER					
OCTOBER					
NOVEMBER					
TOTAL	\$1,015,445	\$1,030,800	\$1,044,875		\$1,078,900
% CHANGE from Actual	2.4%	4.0%	5.4%		3.3%

MONTHLY	2013-14				2014-15
	BUDGET	REVISED	ACTUAL	VARIANCE	BUDGET
DECEMBER	\$406,055	\$414,132	\$414,132	\$0	\$433,400
JANUARY	507,569	517,665	517,665	0	541,800
FEBRUARY	590,633	590,561	590,561	0	618,100
MARCH	590,633	590,561	590,561	0	618,100
APRIL	875,468	892,960	892,960	0	934,600
MAY	969,027	984,961	1,030,017	45,056	1,030,900
JUNE	969,027	984,961	1,030,017	45,056	1,030,900
JULY	1,009,473	1,025,561	1,038,116	12,555	1,073,400
AUGUST	1,015,445	1,030,800	1,044,875	14,075	1,078,900
SEPTEMBER	1,015,445	1,030,800	1,044,875	14,075	1,078,900
OCTOBER	1,015,445	1,030,800	1,044,875	14,075	1,078,900
NOVEMBER	1,015,445	1,030,800	1,044,875	14,075	1,078,900

Above are monthly secured receipts by county tax year, which begins in December. County tax year 2013-14 receipts outperformed expectations. The estimate for 2014-15 growth was based on revised 2013-14 revenues, and is expected to perform well as a result of the higher base from the previous year (approximately \$14 million) as well as higher than estimated growth in assessed value.

Attachment 1-E

REVENUE MONTHLY STATUS REPORT

SECURED PROPERTY TAX RECEIPTS RECORDED BY CITY FISCAL YEAR

Thousand Dollars
Through September 2014

MONTHLY	2013-14				2014-15		
	BUDGET	REVISED	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
JULY	\$39,268	\$16,432	\$16,432	\$0	\$40,600	8,099	(32,501)
AUGUST	5,798	4,711	4,711		5,239	6,759	1,520
SEPTEMBER							
OCTOBER							
NOVEMBER							
DECEMBER	406,055	414,132	414,132		433,400		
JANUARY	101,514	103,533	103,533		108,400		
FEBRUARY	83,064	72,896	72,896		76,300		
MARCH							
APRIL	284,835	302,399	302,399		316,500		
MAY	93,559	92,000	137,056	45,056	96,300		
JUNE							
TOTAL	<u>\$1,014,093</u>	<u>\$1,006,103</u>	<u>\$1,051,159</u>		<u>\$1,076,739</u>		
% CHANGE from Actual	-2.2%	-2.9%	1.4%		2.4%		

CUMULATIVE	2013-14				2014-15		
	BUDGET	REVISED	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
JULY	\$39,268	\$16,432	\$16,432	\$0	\$40,600	\$8,099	(\$32,501)
AUGUST	45,066	21,142	21,142		45,839	14,858	(30,981)
SEPTEMBER	45,066	21,142	21,142		45,839	14,858	(30,981)
OCTOBER	45,066	21,142	21,142		45,839		
NOVEMBER	45,066	21,142	21,142		45,839		
DECEMBER	451,121	435,274	435,274		479,239		
JANUARY	552,635	538,808	538,808		587,639		
FEBRUARY	635,699	611,703	611,703		663,939		
MARCH	635,699	611,703	611,703		663,939		
APRIL	920,534	914,103	914,103		980,439		
MAY	1,014,093	1,006,103	1,051,159	45,056	1,076,739		
JUNE	1,014,093	1,006,103	1,051,159	45,056	1,076,739		

The County tax year runs from December to August, overlapping two City fiscal years. Receipts in July and August belong to the County's prior tax year, but are recorded in the City's current fiscal year. When the County's payment pattern is normal, the City receives about 4 percent of secured receipts in July and August. However, like the prior fiscal year, May 2014 secured revenue was higher than plan as a result of "early" receipt of secured property tax receipts, partially contributing to the \$45 million in excess receipts. Correspondingly, July 2014 receipts were lower, with Fiscal Year 2014-15 secured receipts \$31 million behind plan. This shortfall is expected to decrease with the receipt of the next property tax year revenue resulting from higher than previously estimated growth from the County Assessor.

REVENUE MONTHLY STATUS REPORT
DOCUMENTARY TRANSFER TAX -- Includes Legal Entity Transfers

Thousand Dollars

Through September 2014

MONTHLY	2013-14				2014-15		
	BUDGET	REVISED	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
JULY	\$14,292	\$14,238	\$14,238	\$0	\$17,800	\$13,303	(\$4,497)
AUGUST	14,639	20,680	20,680	\$0	17,900	32,859	\$14,959
SEPTEMBER	12,725	14,595	14,595	\$0	18,400	16,176	(\$2,224)
OCTOBER	13,652	12,096	12,096	\$0	16,700		
NOVEMBER	12,011	24,049	24,049	\$0	15,900		
DECEMBER	13,444	12,415	12,415	\$0	14,600		
JANUARY	15,156	13,326	13,326	\$0	18,200		
FEBRUARY	10,158	13,035	13,035	\$0	13,000		
MARCH	10,350	10,781	10,781	\$0	12,200		
APRIL	13,781	13,785	12,352	(\$1,434)	16,800		
MAY	15,029	15,030	18,507	\$3,477	17,300		
JUNE	14,871	14,870	15,389	519	18,000		
TOTAL	\$160,106	\$178,900	\$181,463		\$196,800		
% CHANGE	10.0%	21.5%	23.2%		8.5%		

MONTHLY	2013-14				2014-15		
	BUDGET	REVISED	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
JULY	\$14,292	\$14,238	\$14,238	\$0	\$17,800	\$13,303	(\$4,497)
AUGUST	28,930	34,918	34,918	0	35,700	46,162	10,462
SEPTEMBER	41,655	49,513	49,513	0	54,100	62,338	8,238
OCTOBER	55,308	61,609	61,609	0	70,800		
NOVEMBER	67,319	85,658	85,658	0	86,700		
DECEMBER	80,763	98,073	98,073	0	101,300		
JANUARY	95,918	111,399	111,399	0	119,500		
FEBRUARY	106,076	124,434	124,434	0	132,500		
MARCH	116,425	135,215	135,215	0	144,700		
APRIL	130,207	149,000	147,566	(1,434)	161,500		
MAY	145,236	164,030	166,074	2,044	178,800		
JUNE	160,106	178,900	181,463	2,563	196,800		

The documentary transfer tax is assessed at the time of a property's sale at a tax rate of \$2.25 per each \$500 of sales price. This tax is the most volatile General Fund revenue source as revenue growth (or decline) is magnified when home prices and sales volume move together. This account recorded more than \$217 million in 2005-06 at the peak of the real estate bubble. Three years later in 2008-09, revenue declined to under \$84 million.

Fiscal Year 2013-14 growth was 23% growth compared to 43% the prior year as sales volume has tapered. Fiscal year 2014-15 assumed 10% growth. Although receipts are now \$8 million above plan, this is attributed to a \$12 million legal entity transfer amount received in August, without which revenue would be behind plan. Recent sales volume has been declining, partially attributed to a decline in investor purchasing.

REVENUE MONTHLY STATUS REPORT
DOCUMENTARY TRANSFER TAX -- Legal Entity Transfers
(Thousand Dollars)

MONTHLY	2013-14				2014-15		
	BUDGET	REVISED	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
JULY	\$350	\$2	\$2	(\$348)	\$440	\$17	(\$423)
AUGUST	350	18	18	(332)	440	12,427	11,987
SEPTEMBER	350	0	0	(350)	440	0	(440)
OCTOBER	350	43	43	(307)	440		
NOVEMBER	350	5,885	5,885	5,535	440		
DECEMBER	350	67	67	(283)	440		
JANUARY	350	53	53	(297)	440		
FEBRUARY	350	162	162	(188)	440		
MARCH	350	0	0	(350)	440		
APRIL	350	40	15	(335)	440		
MAY	350	40	975	625	440		
JUNE	350	40	159	(191)	440		
TOTAL	\$4,200	\$6,350	\$7,380		\$5,280		
% CHANGE	7.7%	95.2%	126.8%		-28.5%		

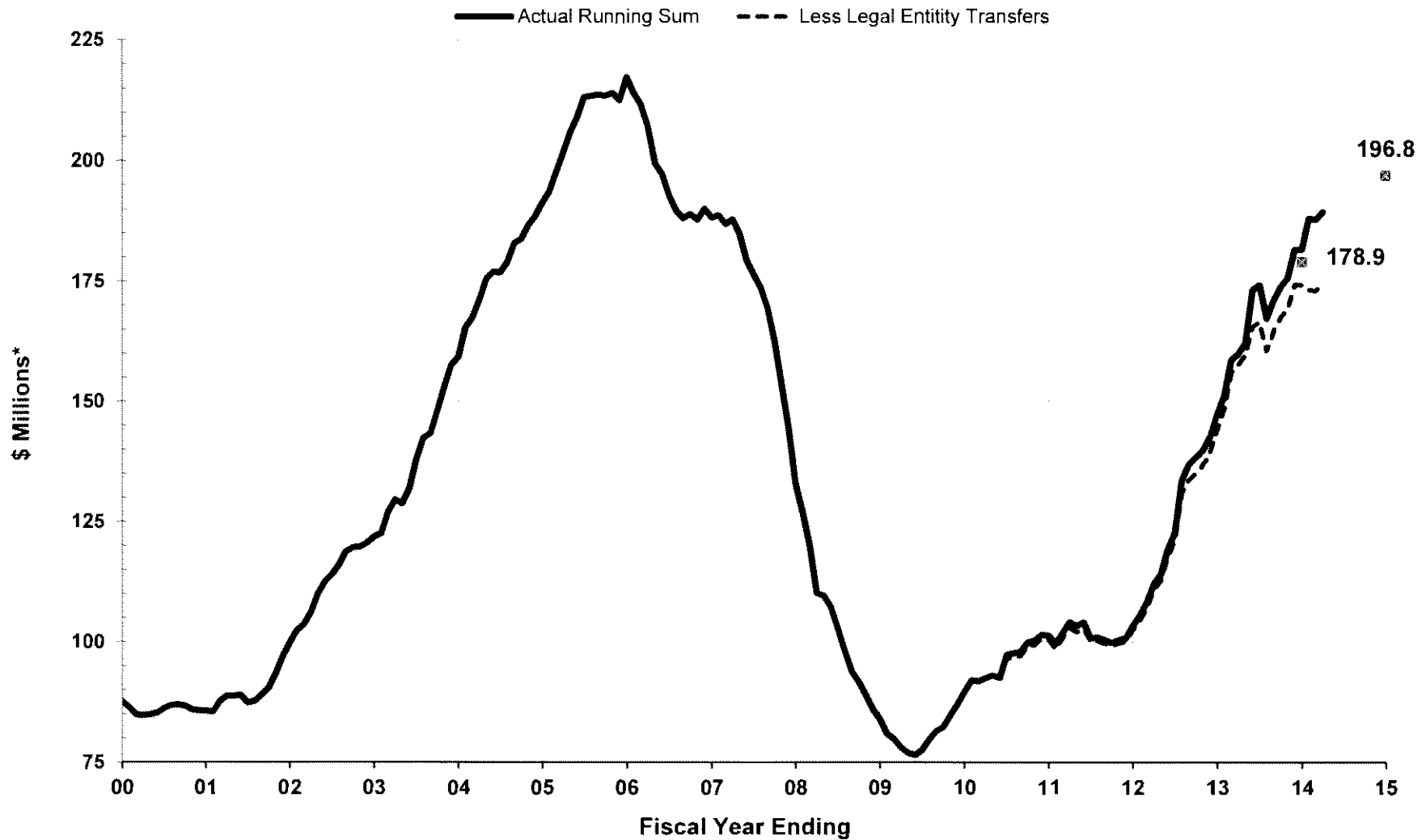
MONTHLY	2013-14				2014-15		
	BUDGET	REVISED	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
JULY	\$350	\$2	\$2	\$0	\$440	\$17	(\$423)
AUGUST	700	20	20	0	880	12,444	11,564
SEPTEMBER	1,050	20	20	0	1,320	12,444	11,124
OCTOBER	1,400	62	62	0	1,760		
NOVEMBER	1,750	5,948	5,948	0	2,200		
DECEMBER	2,100	6,015	6,015	0	2,640		
JANUARY	2,450	6,068	6,068	0	3,080		
FEBRUARY	2,800	6,230	6,230	0	3,520		
MARCH	3,150	6,230	6,230	0	3,960		
APRIL	3,500	6,270	6,245	(25)	4,400		
MAY	3,850	6,310	7,220	911	4,840		
JUNE	4,200	6,350	7,380	1,030	5,280		

This revenue is City share of county collection of the tax when property title does not change hands, but controlling interest in a legal entity holding real property is transferred. Fiscal Year 2010-11 marks the first year of its collection. This revenue is included in the total documentary tax revenue amounts reported on the previous page and can exhibit significant fluctuations month to month. This includes a \$12 million legal entity transfer received in the month of August for the current fiscal year.

Attachment 1-H

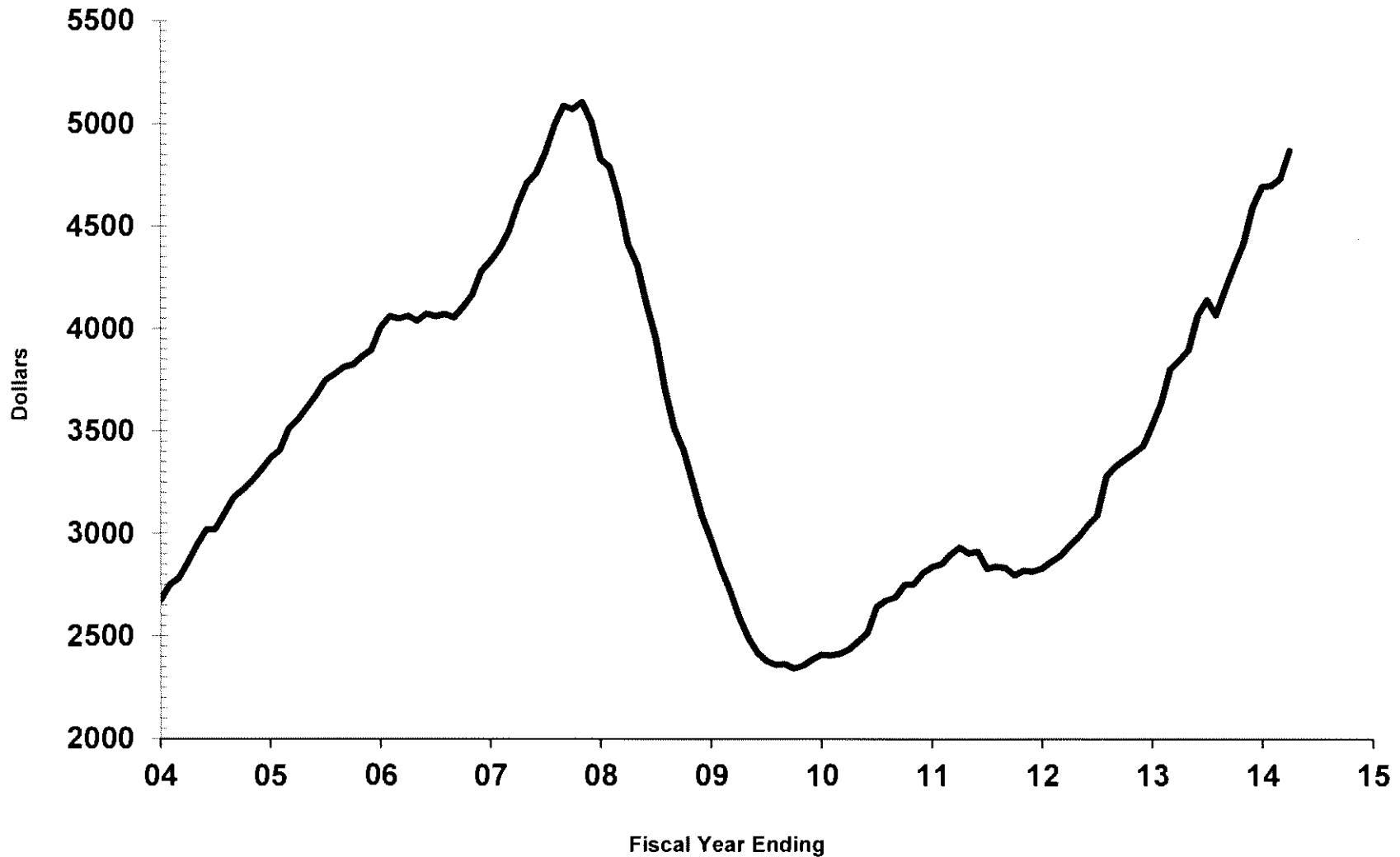
Documentary Transfer Tax

12-Month Moving Sum



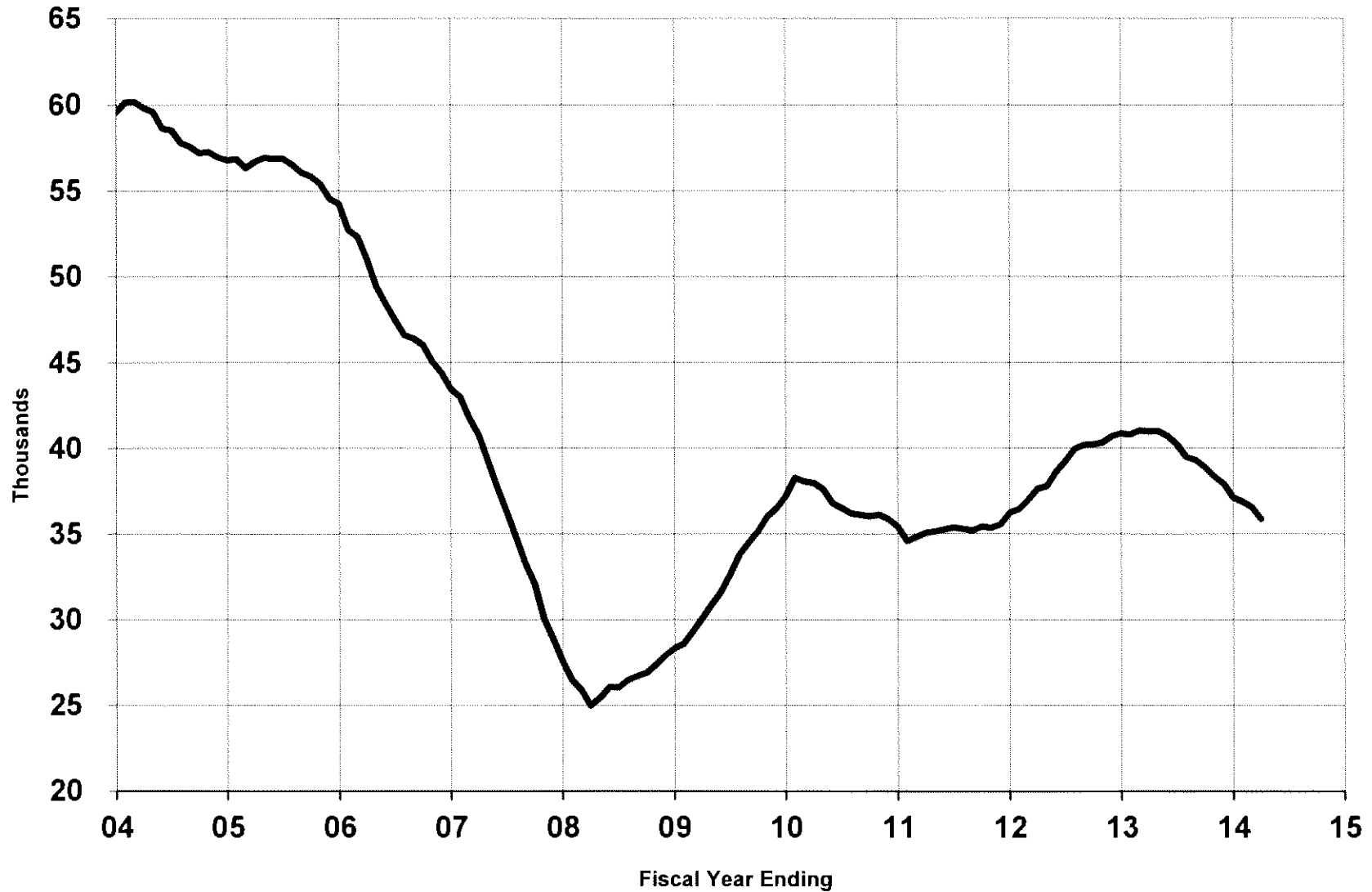
Fiscal Year 2005-06 marked the peak of documentary transfer tax revenue at \$217 million. With the decline of real estate market prices and sales volume, revenue was only \$84 million by the end of Fiscal Year 2008-09. The solid line reflects total documentary transfer tax revenue. The dotted graph line represents document transfer tax revenue without legal entity transfer receipts. Although receipts are currently ahead of plan, this is attributed to a large legal entity transfer in August.

Attachment 1-I
City Revenue Per Recorded Deed
12-Month Moving Average
(Imputed from documentary transfer tax receipts and deed recordings)



This index, computed by dividing total monthly revenue by number of deeds, is a proxy for combined commercial and residential real estate prices in the City. City data lags market activity by several months. Continued price increases were assumed for Fiscal Year 2014-15, with revenue per deed is approaching the fiscal year 2007-08 peak.

Attachment 1-J
Deeds Recorded in City
12-month Moving Sum



Sales volume, as indicated by recorded deeds, has been gradually decreasing since the start of the 2013-14 fiscal year. Drivers for growth (or decline) include housing inventory, home prices and mortgage rates. Recent market conditions, such as higher home prices and tight lending standards, have reduced the participation of new home buyers which has resulted in the lower volume. For Fiscal Year 2014-15, volume was projected to remain flat. However, recent data shows declining transactions.

ATTACHMENT 2

**SCHEDULE OF REVERSIONS TO RESERVE AND OTHER FUNDS
FYE JUNE 30, 2014**

Dept No.	Department Name	Balance	Reversion to Other Special Funds	Reversion to Reserve Fund
02	Aging	13,839.77	1,671.33	12,168
06	Animal Services	214,737.71	27,801.13	186,937
08	Building and Safety	4,004,826.84	3,456,223.26	548,604
10	CAO	2,624,138.90	103,167.79	2,520,971
12	City Attorney	1,690,307.67	70,657.86	1,619,650
14	City Clerk	898,802.02	13,183.54	885,618
17	City Ethics	200,806.61	200,806.61	0
22	Economic and Workforce Develc	267,993.34	90,231.23	177,762
26	Controller	2,226,263.72	0.00	2,226,264
28	Council	8,745,804.89	1,021.05	8,744,784
30	Cultural Affairs	1,099,261.75	1,099,261.75	0
32	ITA	1,877,208.13	50,381.62	1,826,827
33	El Pueblo	71,546.93	71,546.93	0
35	Emergency Preparedness	116,394.93	0.00	116,395
36	Employee Relations	121,784.79	0.00	121,785
38	Fire	5,512,947.49	32,276.28	5,480,671
39	Finance	1,106,164.17	208.32	1,105,956
40	GSD	11,699,796.13	2,535,475.41	9,164,321
43	Housing	983,951.99	303,572.26	680,380
46	Mayor	3,575,376.39	0.00	3,575,376
47	Neighborhood Empowerment	483,921.54	483,921.54	0
48	Convention Center	1,248,434.02	1,248,434.02	0
53	Capital Finance	11,292,699.33	16,174.65	11,276,525
54	CIP	56,707,710.24	19,903,886.65	36,803,824
56	General City Purposes	6,904,090.21	430,884.41	6,473,206
58	Unappropriated Balance	13,415,084.73	0.00	13,415,085
59	Liability Claims	250,276.75	70,210.63	180,066
60	Water and Electricity	1,121,894.21	0.00	1,121,894
61	Human Resources	10,593,479.19	0.00	10,593,479
62	General	9,347,146.38	0.00	9,347,146
65	Disability	13,847.21	0.00	13,847
66	Personnel	3,459,978.39	20,000.00	3,439,978
68	Planning	3,493,264.16	1,546,471.97	1,946,792
70	Police	19,806,537.32	130,947.89	19,675,589
74	PW Board Office	612,322.57	251,733.30	360,589
76	PW Bu of Contract Adm	2,492,198.13	1,008,605.97	1,483,592
78	PW Bu of Engineering	9,291,200.91	7,629,696.42	1,661,504
82	PW Bu of Sanitation	13,052,919.74	13,052,919.74	0
84	PW Bu of St Lighting	2,814,462.08	2,814,462.08	0
86	PW Bu of St Services	27,396,080.77	26,726,977.18	669,104
87	Zoo	1,021,687.47	1,021,687.47	0
94	Transportation	1,901,295.70	1,469,582.82	431,713
Total		243,772,485.22	85,884,083.11	157,888,402

Total 2013-14 Reserve Fund Year-End Reversion	\$ 157,888,402
2013-14 Reserve Fund Reversion Estimated in the 2014-15 Budget	89,293,815
Difference between Actual and Estimated Reversion	<u>68,594,587</u>

Four-Year Budget Outlook
(\$ millions)

ATTACHMENT 4A

	Adopted				
	2014-15	2015-16	2016-17	2017-18	2018-19
ESTIMATED GENERAL FUND REVENUE					
General Fund Base (1)	\$ 4,866.9	\$ 5,138.3	\$ 5,127.4	\$ 5,286.5	\$ 5,453.4
Revenue Growth (2)					
Property Related Taxes (3)	125.7	103.2	(46.8)	84.2	88.0
Sales and Business Taxes (4)	10.1	14.2	138.1	12.2	27.5
Utility Users' Tax (5)	(9.7)	(10.5)	8.8	9.1	15.9
License, Permits and Fees (6)	(2.4)	(10.3)	32.8	34.1	35.5
Other Fees, Taxes and Transfers (7)	42.8	20.2	26.2	27.3	28.2
SPRF Transfer (8)	(4.5)	(10.1)	-	-	-
Transfer from the Budget Stabilization Fund (9)	(8.0)	-	-	-	-
Transfer from Reserve Fund (10)	117.5	(117.5)	-	-	-
Total Revenue	\$ 5,138.3	\$ 5,127.4	\$ 5,286.5	\$ 5,453.4	\$ 5,648.5
<i>General Fund Revenue Increase %</i>	<i>5.6%</i>	<i>-0.2%</i>	<i>3.1%</i>	<i>3.2%</i>	<i>3.6%</i>
<i>General Fund Revenue Increase \$</i>	<i>271.4</i>	<i>(10.9)</i>	<i>159.0</i>	<i>166.9</i>	<i>195.1</i>
ESTIMATED GENERAL FUND EXPENDITURES					
General Fund Base (11)	\$ 4,866.9	\$ 5,138.3	\$ 5,292.6	\$ 5,472.4	\$ 5,525.2
Incremental Changes to Base: (12)					
Employee Compensation Adjustments (13)	80.9	60.7	36.5	37.2	46.7
City Employees Retirement System (14)	43.7	36.0	23.4	(8.5)	(5.0)
Fire and Police Pensions (14)	49.0	45.8	39.7	(0.9)	(18.9)
Workers Compensation Benefits (15)	2.4	4.7	5.1	7.7	11.5
Health, Dental and Other Benefits (16)	12.4	26.1	44.8	35.7	35.7
Debt Service (17)	4.1	(21.3)	(6.5)	(2.7)	(0.5)
Delete Resolution Authorities (18)	(27.2)	-	-	-	-
Add New and Continued Resolution Authorities	20.8	-	-	-	-
Delete One-Time Costs (19)	(57.8)	-	-	-	-
Add One-Time Costs	53.3	-	-	-	-
Unappropriated Balance (20)	30.0	(51.2)	(5.2)	(0.8)	-
New Facilities (21)	-	-	-	-	-
City Elections (22)	16.0	(16.0)	16.0	(16.0)	16.0
CIEP (23)	(14.4)	47.5	-	1.0	2.9
Appropriation to the Reserve Fund (24)	-	-	-	-	-
Appropriation to the Budget Stabilization Fund (25)	-	-	-	-	11.2
Net - Other Additions and Deletions (26)	58.1	22.0	26.0	-	-
Subtotal Expenditures	\$ 5,138.3	\$ 5,292.6	\$ 5,472.4	\$ 5,525.2	\$ 5,624.7
<i>Expenditure Growth %</i>	<i>5.6%</i>	<i>3.0%</i>	<i>3.4%</i>	<i>1.0%</i>	<i>1.8%</i>
<i>Expenditure Growth \$</i>	<i>271.4</i>	<i>154.3</i>	<i>179.8</i>	<i>52.8</i>	<i>99.5</i>
TOTAL BUDGET GAP (27)	\$ -	\$ (165.1)	\$ (185.9)	\$ (71.8)	\$ 23.9
<i>Incremental Increase %</i>			<i>12.6%</i>	<i>-61.4%</i>	<i>-133.2%</i>
<i>Incremental Increase \$</i>		<i>(165.1)</i>	<i>(20.8)</i>	<i>114.1</i>	<i>95.7</i>

ATTACHMENT 4B

FOUR-YEAR GENERAL FUND BUDGET OUTLOOK FOOTNOTES

REVENUE:

(1) General Fund (GF) Base: The revenue base for each year represents the prior year's estimated revenues.

(2) Revenue Growth: Revenue projections reflect the consensus of economists that economic recovery will continue and that economy-sensitive revenues will grow between two percent and ten percent. The amounts represent projected incremental change to the base. Any one-time receipts are deducted from the estimated revenue growth for the following fiscal year.

The total projected revenue assumes above average growth in 2014-15 and below average growth for 2015-16 from the loss of one-time revenues. A return to average growth is projected for 2016-17 through 2018-19.

(3) Property tax is projected to return to growth rates between four percent and five percent from 2014-15 to 2018-19. The high growth in 2014-15 reflects the adjustment to the 2013-14 base to include prior year receipts. Net 2016-17 growth reflects a negative growth rate as a result of assumed lower documentary transfer tax growth and the projected end to the triple-flip and associated sales tax replacement revenue. This reduction is offset by an increase in sales tax revenue for the same year. See discussion in note 4 below.

Included in this revenue category is tax increment revenue from the redirection of the former Community Redevelopment Agency, which reflects a lower rate as a set-aside for enforceable obligation expenditures. This revenue category was first received in June 2012.

(4) Fiscal years 2015-16 through 2017-18 assume a \$15 million reduction each year in business tax revenue attributed to proposed business tax reform. Fiscal year 2016-17 assumes an increase in sales tax revenue associated with the end of the triple-flip and the restoration of the one percent rate assessed on taxable sales. Municipalities currently receive 0.75 percent of taxable sales and a supplementary 0.25 percent in property tax. Because of the differences in the sales tax and property tax remittance schedules the change in property tax sales tax replacement and sales tax are not equivalent during a fiscal year. The Governor released a revised budget in May 2014, which includes a proposal to pay off economic recovery bonds in 2014-15, thereby ending the triple-flip by Fiscal Year 2015-16. The State legislature has until June 15, 2014 to approve the proposal.

(5) Moderate growth is projected for the gas and electric users' tax. The communication users' tax revenue is projected to continue to decline due to the changing makeup of the landline and mobile markets. Fiscal year 2014-15 assumes the one-time receipt of \$12 million in delayed electrical users' tax revenue from the prior year and 2015-16 reflects the corresponding decrease. Fiscal year 2014-15 communication users' tax revenue also reflects a reduction from the loss of one-time tax amnesty revenue. Additionally, Fiscal Years 2014-15 through 2017-18, assume \$5.7 million in lower communication users' tax revenue as the result of a settlement agreement with a telecom company.

(6) Revenue from Licenses, Permits, Fees, and Fines reflects the impact of decreasing one-time revenues budgeted in 2013-14 and 2014-15. The loss of \$45 million in transportation grant monies, \$19 million in ambulance billing reimbursements, and \$5 million in other miscellaneous revenues is reflected in 2014-15. The loss of \$12 million in one-time settlement revenues, \$2.2 million in Wilshire Grand transient occupancy tax revenue replacement, \$17 million one-time ambulance reimbursements, and \$10.5 million in other miscellaneous revenues is reflected in 2015-16. A four percent growth rate is assumed for all outgoing years.

(7) The growth in 2014-15 reflects higher-than-predicted growth from the 2013-14 Adopted Budget for transient occupancy tax and parking fine revenues, for which current year revenue estimates have been revised.

(8) Revenue from the Special Parking Revenue Fund (SPRF) represents the projected surplus that may be available to transfer to the General Fund after accounting for debt service and other expenditures associated with the maintenance, upgrades, and repairs of parking structures, meters and related assets. A base-level surplus of about \$20.5 million is projected in 2014-15 through 2018-19. Any amounts above this are considered one-time receipts and deducted from the estimated revenue growth for the following fiscal year. The 2013-14 transfer included \$14.6 million in one-time revenue. The 2014-15 includes \$10.1 million in one-time revenue, a \$4.5 million reduction.

ATTACHMENT 4B

(9) Transfers from the Budget Stabilization Fund (BSF) are subject to an available balance in the BSF. BSF transfers are considered one-time receipts and are deducted from the estimated revenue growth for the following fiscal year. The \$8 million transferred in 2013-14 is deleted in 2014-15. No other transfers from the BSF are assumed.

(10) The transfer from the Reserve Fund of \$117.5 million is considered one-time. The 2014-15 Reserve Fund balance is 5.53 percent after the transfer.

ESTIMATED GENERAL FUND EXPENDITURES:

(11) Estimated Expenditure General Fund Base: Using the 2013-14 General Fund budget as the baseline year, the General Fund base is the "Total Obligatory and Potential Expenditures" carried over to the following fiscal year.

(12) The 2014-15 incremental changes reflect funding adjustments to the prior fiscal year General Fund budget. The Four-Year Outlook expenditures included for subsequent years are limited to those obligatory and major expenses known at this time and are subject to change. Amounts represent projected incremental changes to the base.

(13) Employee Compensation Adjustments: This line includes salary step adjustments and full funding for partially financed positions from the prior year. The Four-Year Outlook reflects existing labor agreements, Memoranda of Understanding ("MOUs"), with City bargaining units. No cost of living adjustments are assumed for 2014-15 and beyond.

(14) City Employment Retirement System ("LACERS") and Fire & Police Pensions ("Pensions"): The contributions are based on information commissioned or requested by the CAO from the departments' actuaries and include the employee compensation adjustment assumptions noted above. The LACERS contribution rate is a combination of the Tier 1 and Tier 2 rates, and assumes Tier 2 payroll will be two percent of the covered payroll in 2014-15 and grow by one percent each year. The amounts reflected in the Four-Year Outlook represent incremental changes.

Table 1 LACERS and Pensions					
Assumptions	2014-15	2015-16	2016-17	2017-18	2018-19
LACERS					
6/30 th Investment Returns	7.75%	7.75%	7.75%	7.75%	7.75%
Combined Contribution Rate	26.42%	28.36%	29.37%	28.39%	27.53%
Pensions					
6/30 th Investment Returns	7.75%	7.75%	7.75%	7.75%	7.75%
Combined Contribution Rate	47.94%	50.17%	52.27%	51.35%	48.97%

(15) Workers' Compensation Benefits (WC): The projection is based on a draft actuarial analysis from April 2014 that projects annual medical inflation of seven percent and a five percent annual cost increase in permanent disability costs. The analysis projects no impact of SB863 legislation on future costs. The State Assessment Fee of \$7.5 million is not projected to increase.

(16) Health and Dental Benefits: The projection assumes that all civilian employees will contribute ten percent towards the cost of the City-sponsored health plan on January 1, 2015. Mercer Consulting provides a forecast of Civilian Flex medical premiums increases, which range from 6.75 percent to 9.5 percent in 2015. Police and Fire health benefits are historically higher due to subsidy increases and the type and level of coverage elected by sworn employees. Civilian enrollment projections are based on zero percent growth. Police and Fire enrollment projections are based on one percent growth. It is anticipated that federal health care reform laws will continue to impact health plan costs and in 2018 Cadillac Tax provision may increase costs by \$15 million.

(17) Debt Service: The debt service amounts include Capital Finance and Judgment Obligation Bond budgets.

ATTACHMENT 4B

(18) Resolution Authorities: The deletion line reflects the practice of deleting positions that are limited-term and temporary in nature each year. Funding for these positions is reviewed on a case-by-case basis and renewed if appropriate. Continued or new resolution positions are included in the "Add New and Continued Resolution Authorities" line. Funding is continued in subsequent years to provide a placeholder for continuation of resolution authority positions for various programs and incorporated into the beginning General Fund base of subsequent years.

(19) One-time Costs: The deletion line reflects the practice of deleting programs and costs that are limited-term and temporary in nature each year. Funding for these programs and expenses is reviewed on a case-by-case basis and continued if appropriate. Continued and new funding is included in the "Add One-Time Costs" line. Funding is continued in subsequent years to provide a placeholder for continuation of equipment and other one-time expenses incurred annually and incorporated into the beginning General Fund base of subsequent years.

(20) Unappropriated Balance (UB): One-time UB items are eliminated and ongoing items are continued the following year to provide a placeholder for various ongoing and/or contingency requirements in the future.

(21) New Facilities: Funding projections are based on preliminary departmental estimates for ongoing staffing and expenses. No General Fund projects are projected at this time.

(22) Elections: Funding for elections is provided bi-annually.

(23) Capital Improvement Expenditure Program (CIEP): The 2014-15 Adopted Budget includes \$9.6 million for capital projects, some of which are one-time and deleted in 2015-16. In 2015-16, \$5 million is added to the Sidewalk Repair Program and the 2014-15 funding is deleted from the UB and added to CIEP. The Pavement Preservation Program is also deleted from the UB and added to CIEP in 2015-16. It is assumed that the program will be continued through 2018-19 at 2,200 miles per year.

(24) Appropriation to the Reserve Fund: In certain years, a General Fund appropriation to the Reserve Fund has been budgeted to strengthen the status of the Reserve Fund. The CAO recommends increasing the combined balances of the Reserve Fund and the Budget Stabilization Fund to ten percent of budgeted General Fund revenues.

(25) Appropriation to the Budget Stabilization Fund (BSF): Per the policy, if the combined annual growth for seven General Fund tax revenue sources exceeds 3.4 percent for a given year, the excess shall be deposited into the BSF. The appropriation may be reduced (1) to maintain the Reserve Fund at five percent; (2) to comply with the City's CIEP policy; (3) if a fiscal emergency is declared by the City Council and the Mayor; or (4) the policy is suspended by the City Council and the Mayor.

(26) Net - Other Additions and Deletions: The 2014-15 amount includes changes and new regular positions added to the base budget. For 2015-16, it is assumed that the City will fully fund the Ambulance Augmentation Plan. Funding for police overtime payouts is increased by \$20 million in 2015-16 and \$30 million in 2016-17. The remaining overtime will be banked.

(27) Total Budget Gap: The 2018-19 surplus assumes the triple-flip will end in 2016-17. Any deviations from the revenue assumptions could result in a 2018-19 deficit. Additionally, the surplus is contingent on eliminating prior year deficits with ongoing solutions. The use of one-time revenues and one-time expenditure reductions will continue the structural deficit into the future.

ATTACHMENT 5
FY 2014-15 BUDGET ADJUSTMENTS
SPECIAL FUND REAPPROPRIATIONS

TRANSFER FROM		TRANSFER TO		
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Cultural Affairs	<u>Fund 480/30, Arts & Cultural Facilities & Services Trust Fund</u>		<u>Fund 100/30, Cultural Affairs</u>	
<i>Overtime, Vision Theatre Restoration</i>	1010, Cash	\$ 95,198.00	001090, Salaries Overtime	\$ 5,198.00
<i>Web Redesign Project</i>			007300, Equipment	\$ 10,000.00
			003040, Contractual Services	\$ 80,000.00
			Subtotal	\$ 95,198.00
Housing and Community Investment	<u>Fund 54S/43, Lead Grant 10</u>		<u>Fund 54S/43, Lead Grant 10</u>	
<i>Lead Hazard Remediation Grant</i>	43J402, Lead Hazard Reduction	\$ 55,800.00	43J844, Technical Services	\$ 55,800.00
<i>Health Homes Program</i>	<u>Fund 54K/43, Healthy Homes</u>		<u>Fund 54K/43, Healthy Homes</u>	
	43H316, Health Homes Direct	\$ 26,460.00	43J844, Technical Services	\$ 26,460.00
<i>Salaries and Expenses</i>	<u>Fund 55A/43, Gas Co. CPUC</u>		<u>Fund 100/43, Housing and Community Investment (43L143)</u>	
	43K445, HCIDLA Costs	\$ 193,561.00	001010, Salaries General	\$ 130,700.00
			006030, Leasing	\$ 9,600.00
			43L299, Reimbursements to General Fund	\$ 53,261.00
			Subtotal	\$ 193,561.00
<i>Salaries and Expenses</i>	<u>Fund 51S/43, ARRA Energy Efficiency</u>		<u>Fund 100/43, Housing and Community Investment (43L143)</u>	
	43K143, HCIDLA	\$ 33,226.58	001010, Salaries General	\$ 31,565.00
	43K299, Reimbursements to General Fund	\$ 12,677.75	006030, Leasing	\$ 1,661.58
	Subtotal	\$ 45,904.33	43L299, Reimbursements to General Fund	\$ 12,677.75
			Subtotal	\$ 45,904.33
Los Angeles Fire and Police Pensions	<u>Fund 918/64, Excess Benefit Fund</u>		<u>Fund 918/64, Excess Benefit Fund (FY 2015)</u>	
<i>FY 2009-10 Unexpended Amount</i>	649700, Fire & Police Excess Benefits	\$ 0.18	649700, Fire & Police Excess Benefits	\$ 587,990.40
<i>FY 2011-12 Unexpended Amount</i>	649700, Fire & Police Excess Benefits	\$ 91,344.33		
<i>FY 2012-13 Unexpended Amount</i>	649700, Fire & Police Excess Benefits	\$ 194,988.62		
<i>FY 2013-14 Unexpended Amount</i>	649700, Fire & Police Excess Benefits	\$ 301,657.27		
	Subtotal	\$ 587,990.40		
Neighborhood Empowerment	<u>Fund 44B/47, Neighborhood Empowerment Fund</u>		<u>Fund 100/47, Dept of Neighborhood Empowerment</u>	
<i>Account shortfall</i>	47K147, Neighborhood Empowerment	\$ 14,000.00	003040, Contractual Services	\$ 14,000.00
<i>NC Funding Program-account errors and delayed processing</i>	<u>Fund 44B/47, Neighborhood Empowerment Fund</u>		<u>Fund 44B/47, Neighborhood Council Funding Program</u>	
	47K218, Neighborhood Council Funding Program	\$ 65,439.21	471002, Coastal San Pedro NC	\$ 2,255.00
			471003, Glassell Park NC	\$ 3,810.86
			471004, Granada Hills North NC	\$ 766.73
			471005, Westchester Playa Del Rey NC	\$ 2,890.00
			471009, West Adams NC	\$ 6,000.00
			471011, Central San Pedro NC	\$ 1,440.00
			471020, Emp Cong North NC	\$ 1,236.99
			471027, Eagle Rock NC	\$ 7,310.77
			471028, Downtown LA NC	\$ 927.00

ATTACHMENT 5
FY 2014-15 BUDGET ADJUSTMENTS
SPECIAL FUND REAPPROPRIATIONS

		TRANSFER FROM		TRANSFER TO	
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT	
Neighborhood Empowerment cont. <i>NC Funding Program-account errors and delayed processing</i>			471039, Greater Echo Park Elysian NC	\$	127.05
			471040, Arroyo Seco NC	\$	1,979.49
			471042, Pico NC	\$	130.78
			471044, Historic Highland Park NC	\$	53.22
			471047, LA-32 NC	\$	1,879.00
			471055, Greater Toluca Lake NC	\$	1,100.00
			471060, Encino Community Council	\$	167.91
			471061, Studio City NC	\$	246.43
			471065, Harbor Gateway North NC	\$	2,000.00
			471070, Hollywood United NC	\$	7,406.00
			471080, Harbor Gateway South NC	\$	1,000.00
			471085, Southeast/ Central Avenue NC	\$	2,000.00
			471090, Porter Ranch NC	\$	3,167.00
			471095, Greater Wilshire NC	\$	354.98
			471097, Lake Balboa NC	\$	6,390.00
		471105, Hollywood Studio District NC	\$	6,500.00	
		471110, Westwood NC	\$	4,300.00	
		47K147, Neighborhood Empowerment	\$	832.95	
<i>NC exceeded prior year allocation</i>	471070 Hollywood United NC	\$ 832.95			
		Subtotal \$ 66,272.16			Subtotal \$ 66,272.16
<i>Pacoima, Park Mesa Heights, Van Nuys NC, and Wilmington</i>	<u>Fund 44B/47, Neighborhood Empowerment Fund</u>		<u>Fund 44B/47, Neighborhood Council Funding Program</u>		
	Cash Balance	\$ 14,493.00	47L218, Neighborhood Council Funding Program	\$	61,499.82
	47K218, Neighborhood Council Funding Program	\$ 47,006.82			
		Subtotal \$ 61,499.82			
Police <i>SID DNA laboratory</i>	<u>Fund No. 339/70, Police Department Grant Fund</u>		<u>Fund No. 100/32, Information Technology Agency</u>		
	70J533, 2012 DNA Backlog Reduction Grant	\$ 67,403.00	009350, Moves and Changes	\$	67,403.00
Public Works - Bureau of St Lighting <i>Pole Painting Project Unit IV</i>	<u>Fund 347/50, Street Lighting Maintenance Assessment</u>		<u>Fund 100/84, Street Lighting</u>		
	50K184, St Lighting	\$ 14,375.50	003040, Contractual Services	\$	14,375.50
<i>Metro/Expo Authority</i>	<u>Fund 540/94, Proposition C</u>		<u>Fund 100/84, Street Lighting</u>		
	94J184, Bureau of St Lighting	\$ 77,700.00	001090, Salaries Overtime	\$	77,700.00
<i>Sun Valley Lighting Improvement Phase 4</i>	<u>Fund 424/43, Community Development Block Grant</u>		<u>Fund 100/84, Street Lighting</u>		
	43K184, St Lighting	\$ 50,000.00	001010, Salaries General	\$	25,000.00
			003040, Contractual Services	\$	25,000.00
			Subtotal \$ 50,000.00		
<i>East Hollywood Lighting</i>	<u>Fund 424/43, Community Development Block Grant</u>		<u>Fund 100/84, Street Lighting</u>		
	43K184, St Lighting	\$ 242,395.00	001010, Salaries General	\$	17,395.00
			001090, Salaries Overtime	\$	50,000.00
			007300, Equipment	\$	25,000.00
			006020, Operating Supplies	\$	150,000.00
			Subtotal \$ 242,395.00		
TOTAL ALL DEPARTMENTS AND FUNDS		\$ 1,598,559.21			\$ 1,598,559.21

ATTACHMENT 6
FY 2014-15 BUDGET ADJUSTMENTS
NEW APPROPRIATIONS

		TRANSFER FROM		TRANSFER TO	
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT	
Building & Safety <i>CDBG-Pace 40th yr</i>	<u>Fund 424/43 Housing & Community Investment Dept</u> 43L108, Building & Safety	\$ 1,000,000.00	<u>Fund 100/08 Building & Safety</u> 001010, Salaries General	\$ 1,000,000.00	
City Administrative Officer <i>LATCB -2013-14 Final Payment</i>	<u>Fund 429/10, Los Angeles Convention and Visitors Bureau Trust Fund</u> 10K200, Unallocated	\$ 1,432,430.00	<u>Fund 429/10, Los Angeles Convention and Visitors Bureau Trust Fund</u> 10K429, LA Inc., The Convention and Visitors Bureau	\$1,432,430	
Housing and Community Investment <i>40th Year Emergency Shelter Grant</i>	<u>Fund 517/43, Emergency Shelter Grant</u> 40th Year Grant	\$ 91,995.00	<u>Fund 100/43, Housing (43L143)</u> 001010, Salaries General	\$ 67,155.00	
			<u>Fund 517/43, Emergency Shelter Grant</u> 43L299, Reimbursements to General Fund	\$ 24,840.00	
			Subtotal	\$ 91,995.00	
<i>40th Year HOME Grant</i>	<u>Fund 561/43, HOME Grant</u> 40th Year Grant	\$ 693,940.00	<u>Fund 100/43, Housing (43L143)</u> 001010, Salaries General	\$ 485,758.00	
			<u>Fund 561/43, HOME Grant</u> 43L299, Reimbursements to General Fund	\$ 208,182.00	
			Subtotal	\$ 693,940.00	
<i>Donations</i>	<u>Fund 880/43, Domestic Violence Trust Fund</u> Cash from Donations	\$ 2,000.00	<u>Fund 100/43, Housing (43L143)</u> 006020, Operating Supplies	\$ 2,000.00	
Information Technology Agency <i>Recreation and Parks CSRs</i>	<u>Fund 100/32, Information Technology Agency</u> 5301, Reimbursement from Other Funds	\$ 133,143.76	<u>Fund 100/32, Information Technology Agency</u> 009350, Communications Services	\$ 127,439.76	
			006010, Office and Administrative Account	\$ 4,614.00	
			001100, Hiring Hall	\$ 1,090.00	
			Subtotal	\$ 133,143.76	
Mayor <i>Public Safety Grant</i>	<u>Fund 53D/46, FY10 Justice Assistance Grant</u> RSRC 4903, Interest Income - Other	\$ 7,379.97	<u>Fund 100/12, City Attorney (46L112)</u> 001010, Salaries General	\$ 7,379.97	
Neighborhood Empowerment <i>Address account shortfalls</i>	<u>Fund 44B/47, Neighborhood Empowerment Fund</u> 47K147, Neighborhood Empowerment	\$ 234,500.00	<u>Fund 100/47, Dept of Neighborhood Empowerment</u> 001010, Salaries General	\$ 194,500.00	
			001070, Salaries As-Needed	\$ 40,000.00	
			Subtotal	\$ 234,500.00	
Police <i>Forfeited Assets Trust Fund</i>	<u>Fund 44F/70, State of California Asset Forfeiture Fund</u> 70G516, FATF - Gang Intervention Programs	\$ 120,119.00	<u>Fund 100/70, Police</u> 001092, Overtime Sworn	\$ 196,041.00	
	70H516, FATF - Gang Intervention Programs	\$ 75,922.00			
	Subtotal	\$ 196,041.00			

ATTACHMENT 6
FY 2014-15 BUDGET ADJUSTMENTS
NEW APPROPRIATIONS

TRANSFER FROM		TRANSFER TO		
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Public Works -Street Lighting <i>Metro Eastside Access Projects</i>	<u>Fund 305/50, Subventions and Grants</u>		<u>Fund 347/50, SLMAF</u>	
	RSC 381100, Reimb from Other Agencies	\$ 309,848.00	RS 381100, Reimb from Other Agencies	\$ 203,488.00
			<u>Fund 100/84, St Lighting</u>	
			RS 381100, Reimb from Other Agencies	\$ 106,360.00
			Subtotal	<u>\$ 309,848.00</u>
Public Works-Street Services <i>Bel-Air Small Asphalt Repairs</i>	<u>Fund 305/50, Subventions and Grants Fund</u>		<u>Fund 100/86, Street Services</u>	
	RSC 381100, Reimbursements from Other Agencies	\$ 1,200.00	001090, Salaries Overtime	\$ 720.00
			003030, Construction Expense	360.00
			006020, Operating Supplies	120.00
			Subtotal	<u>\$ 1,200.00</u>
<i>Illegal Vending Enforcement</i> <i>San Pedro Swap Meet - 8/23/2014</i>	<u>Fund 305/50, Subventions and Grants Fund</u>		<u>Fund 100/86, Street Services</u>	
	RSC 381100, Reimbursements from Other Agencies	\$ 950.40	001090, Salaries Overtime	\$ 950.40
<i>Illegal Vending Enforcement</i> <i>Fashion District - 9/6/2014</i>	<u>Fund 305/50, Subventions and Grants Fund</u>		<u>Fund 100/86, Street Services</u>	
	RSC 381100, Reimbursements from Other Agencies	\$ 950.40	001090, Salaries, Overtime	\$ 950.40
<i>MTA Eastside Access</i> <i>From Invoice #6</i>	<u>Fund 305/50, Subventions and Grants Fund</u>		<u>Fund 100/86, Street Services</u>	
	RSC 381100, Reimbursements from Other Agencies	\$ 40,000.00	001010, Salaries General	\$ 40,000.00
<i>MTA Eastside Access</i> <i>From Invoice #8</i>	<u>Fund 305/50, Subventions and Grants Fund</u>		<u>Fund 100/86, Street Services</u>	
	RSC 381100, Reimbursements from Other Agencies	\$ 487,642.21	001010, Salaries General	\$ 98,000.00
			001090, Salaries, Overtime	98,000.00
			001100, Hiring Hall Salaries	49,000.00
			001120, Hiring Hall Benefits	29,000.00
			003030, Construction Expense	107,000.00
			003040, Contractual Services	54,000.00
			006010, Office & Administrative Expense	15,000.00
			006020, Operating Supplies	37,642.21
			Subtotal	<u>\$ 487,642.21</u>
<i>MTA Eastside Access</i> <i>From Invoice #9</i>	<u>Fund 305/50, Subventions and Grants Fund</u>		<u>Fund 100/86, Street Services</u>	
	RSC 381100, Reimbursements from Other Agencies	\$ 573,127.71	001010, Salaries General	\$ 115,000.00
			001090, Salaries Overtime	115,000.00
			001100, Hiring Hall Salaries	57,000.00
			001120, Hiring Hall Benefits	34,000.00
			003030, Construction Expense	126,000.00
			003040, Contractual Services	63,000.00
			006010, Office & Administrative Expense	17,000.00
			006020, Operating Supplies	46,127.71
			Subtotal	<u>\$ 573,127.71</u>

ATTACHMENT 6
FY 2014-15 BUDGET ADJUSTMENTS
NEW APPROPRIATIONS

TRANSFER FROM			TRANSFER TO	
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Public Works-Street Services cont. <i>MTA Eastside Access</i> <i>From Invoice #10</i>	<u>Fund 305/50, Subventions and Grants Fund</u>		<u>Fund 100/86, Street Services</u>	
	RSC 381100, Reimbursements from Other Agencies	\$ 437,516.62	001010, Salaries General	\$ 88,000.00
			001090, Salaries, Overtime	88,000.00
			001100, Hiring Hall Salaries	44,000.00
			001120, Hiring Hall Benefits	26,000.00
			003030, Construction Expense	96,000.00
			003040, Contractual Services	48,000.00
			006010, Office & Administrative Expense	13,000.00
			006020, Operating Supplies	34,516.62
			Subtotal	<u>\$ 437,516.62</u>
Public Works-Sanitation <i>Operation Healthy Streets-Venice</i> <i>(See related transaction UB, Attach 9)</i>	<u>Fund 511/50, Stormwater Pollution Abatement Fund</u>		<u>Fund 100/82, PW-Sanitation (50L182)</u>	
	RSC 530100, Reimbursement From Other Funds	\$ 100,000.00	001090, Salaries Overtime	\$ 20,000.00
			001010, Salaries General	\$ 80,000.00
		Subtotal	<u>\$ 100,000.00</u>	
Transportation <i>Special Event Reimbursement</i>	<u>Fund 840/94 Transportation Trust Fund</u>		<u>Fund 100/94, Transportation</u>	
	2200, Balance Sheet Account	\$ 703,078.30	001090, Overtime	\$ 703,078.30
<i>Harbor Dept Transportation Projects</i>	<u>Fund 702/42, Harbor Department</u>		<u>Fund 100/94, Transportation</u>	
	57090, City Services Miscellaneous	\$ 20,000.00	001090, Salaries Overtime	\$ 20,000.00
<i>SPRF Overtime Costs</i>	<u>Fund 363/94, Special Parking Revenue Fund</u>		<u>Fund 100/94, Transportation</u>	
	94L060, Parking Meter & OffSt Parking Administration	\$ 240,000.00	001090, Salaries Overtime	\$ 240,000.00
TOTAL ALL DEPARTMENTS AND FUNDS		\$ 6,705,743.37		\$ 6,705,743.37

ATTACHMENT 7
FY 2014-15 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN ACCOUNTS WITHIN DEPARTMENTS AND FUNDS

REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
City Clerk	<u>Fund 100/14, City Clerk</u>		<u>Fund 100/14, City Clerk</u>	
<i>Poll worker salaries</i>	001070, Salaries As-Needed	\$ 150,000.00	004170, Elections	\$ 150,000.00
City Ethics Commission	<u>Fund 100/17, City Ethics Commission</u>		<u>Fund 100/17, City Ethics Commission</u>	
<i>As-Needed Salaries Shortfall</i>	003040, Contractual Services	\$ 80,000.00	001070, Salaries As-Needed	\$ 80,000.00
Cultural Affairs	<u>Fund 100/30, Cultural Affairs</u>		<u>Fund 100/30, Cultural Affairs</u>	
<i>Salary Costs</i>	009836, Music LA	\$ 3,789.12	001010, Salaries General	\$ 10,426.59
	009844, Murals Registration	\$ 14,808.57	001070, Salaries As-Needed	\$ 8,171.10
	Subtotal	<u>\$ 18,597.69</u>	Subtotal	<u>\$ 18,597.69</u>
Economic Workforce Development	<u>Fund 100/22, Economic Workforce Development</u>		<u>Fund 100/22, Economic Workforce Development</u>	
<i>Workforce JobsLA</i>	006010, Office and Administrative	\$ 44,000.00	001090, Salaries Overtime	\$ 44,000.00
Fire	<u>Fund 100/38, Fire</u>		<u>Fund 100/78, Bureau of Engineering</u>	
<i>Reimburse BOE</i>	001010, Salaries General	\$ 18,240.00	001010, Salaries General	\$ 18,240.00
	<u>Fund 100/38, Fire</u>		<u>Fund 100/40, ITA</u>	
<i>Fire Prevention Application</i>	001010, Salaries General	\$ 32,000.00	003040, Contractual Services	\$ 32,000.00
Housing and Community Investment	<u>Fund 424/43, Community Development Trust Fund</u>		<u>Fund 424/43, Community Development Trust Fund</u>	
<i>City Attorney 36th and 37th Year</i>	22G112, City Attorney	\$ 7,658.91	22H365, City Attorney Falcon	\$ 41,222.00
<i>Falcon and Pace Programs</i>	22F112, City Attorney	\$ 20,423.62	22G363, City Attorney Pace	\$ 20,423.62
<i>CF's 09-2665 and 10-2440</i>	22H112, City Attorney	\$ 123,075.09	22H363, City Attorney Pace	\$ 89,512.00
	Subtotal	<u>\$ 151,157.62</u>	Subtotal	<u>\$ 151,157.62</u>
Information Technology Agency	<u>Fund 100/32, Information Technology Agency</u>		<u>Fund 100/32, Information Technology Agency</u>	
<i>Various</i>	009350, Communications Services	\$ 350,000.00	001100, Hiring Hall Salaries	\$ 350,000.00
Library Department	<u>Fund 300/44, Library Department</u>		<u>Fund 100/40, General Services</u>	
<i>Repairs/Various Branch Libraries</i>	003040, Contractual Services	\$ 97,834.78	001014, Construction Salaries	\$ 66,157.78
			003180, Construction Materials and Supplies	\$ 31,677.00
			Subtotal	<u>\$ 97,834.78</u>
Mayor	<u>Fund 100/46, Mayor</u>		<u>Fund 100/46, Mayor</u>	
<i>Staffing</i>	001070, Salaries, As Needed	\$ 800,000.00	001010, Salaries, General	\$ 800,000.00
<i>Homeland Security Grant</i>	<u>Fund 54M/46, FY11 Urban Areas Security Initiative Grant</u>		<u>Fund 54M/46, FY11 Urban Areas Security Initiative Grant</u>	
	46H902, LAFD	\$ 43,456.49	46H901, LAPD	\$ 51,564.77
	46H903, EMUJ	\$ 45.33		
	46H909, Port of LA	\$ 1,682.28		
	46H916, GSD	\$ 1,813.67		
	46H668, Partner Jurisdictions	\$ 4,567.00		
	Subtotal	<u>\$ 51,564.77</u>		

ATTACHMENT 7
FY 2014-15 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN ACCOUNTS WITHIN DEPARTMENTS AND FUNDS

		TRANSFER FROM		TRANSFER TO	
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT	
Personnel	<u>Fund 100/66, Personnel Department</u>		<u>Fund 100/66, Personnel Department</u>		
<i>Funding Alignment</i>	001010, Salaries, General* *(Mobile Source Funds)	\$ 100,080.00	001070, Salaries, As-Needed* *(Mobile Source Funds)	\$ 100,080.00	
Police	<u>Fund 100/70, Police</u>		<u>Fund 100/70, Police</u>		
<i>As Needed Security Officers</i>	001090, Overtime General	\$ 900,000.00	001070, Salaries, As Needed	\$ 900,000.00	
Public Works-Board	<u>Fund 100/74, Board of Public Works</u>		<u>Fund 100/74, Board of Public Works</u>		
<i>C.F. 13-1395-S3 Salaries Transfer</i>	003040, Contractual Services	\$ 170,520.00	001010, Salaries General	\$ 170,520.00	
Public Works-Contract Administration	<u>Fund 100/76, Bureau of Contract Administration</u>		<u>Fund 100/76, Bureau of Contract Administration</u>		
<i>Hiring Hall Staffing</i>	001010, Salaries General	\$ 805,000.00	001100, Hiring Hall Salaries	\$ 520,000.00	
			001120, Benefits Hiring Hall	\$ 275,000.00	
			001190, Hiring Hall Overtime	\$ 10,000.00	
			Subtotal	\$ 805,000.00	
Public Works-Sanitation	<u>Fund 100/82, Bureau of Sanitation</u>		<u>Fund 100/82, Bureau of Sanitation</u>		
<i>Hiring Hall Shortfall</i>	001010, General Salaries (SCMO)	\$ 568,843.00	001100, Hiring Hall Salaries (SCMO)	\$ 371,514.00	
			001120, Hiring Hall Benefits (SCMO)	\$ 196,329.00	
			001190, Hiring Hall Overtime (SCMO)	\$ 1,000.00	
			Subtotal	\$ 568,843.00	
	<u>Fund 100/82, Bureau of Sanitation</u>		<u>Fund 100/82, Bureau of Sanitation</u>		
<i>Hiring Hall Shortfall</i>	001010, General Salaries (SWRF)	\$ 322,546.00	001100, Hiring Hall Salaries (SWRF)	\$ 224,224.00	
			001120, Hiring Hall Benefits (SWRF)	\$ 98,322.00	
			Subtotal	\$ 322,546.00	
<i>Overtime Shortfall</i>	<u>Fund 100/82, Bureau of Sanitation</u>		<u>Fund 100/82, Bureau of Sanitation</u>		
	001010, General Salaries (SCMO)	\$ 695,000.00	001090, Overtime Salaries (SCMO)	\$ 695,000.00	
Transportation	<u>Fund 100/94, Transportation</u>		<u>Fund 100/94, Transportation</u>		
<i>Paint & Sign Program and Signal</i>	003030, Construction Materials	\$ 154,681.00	003350, Paint and Sign	\$ 420,906.00	
<i>Supplies Program - General Fund</i>	003040, Contractual Services	\$ 319,420.00	003360, Signal Supplies	\$ 253,920.00	
	003090, Field Equipment Expense	\$ 200,725.00			
	Subtotal	\$ 674,826.00	Subtotal	\$ 674,826.00	
	<u>Fund 100/94, Transportation</u>		<u>Fund 100/94, Transportation</u>		
<i>Paint & Sign Program and Signal</i>	003030, Construction Materials	\$ 68,200.00	003350, Paint and Sign	\$ 510,200.00	
<i>Supplies Program - Gas Tax</i>	003040, Contractual Services	\$ 866,854.00	003360, Signal Supplies	\$ 484,854.00	
	003090, Field Equipment Expense	\$ 60,000.00			
	Subtotal	\$ 995,054.00	Subtotal	\$ -	
TOTAL ALL DEPARTMENTS AND FUNDS		\$7,025,263.86			\$7,025,263.86

ATTACHMENT 8
FY 2014-15 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS

REQUESTING DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Building & Safety	<u>Fund 48R/08, Building & Safety</u>		<u>Fund 100/08, Building & Safety</u>	
<i>Overtime Shortfall</i>	08L200, Reserve for Future Costs	\$ 3,500,000.00	001090, Salaries Overtime	\$ 3,500,000.00
	<u>Fund 48R/08, Building & Safety</u>	\$ 40,000.00	<u>Fund 56L/22, EWDD (08L122)</u>	
<i>Summer Youth Program</i>	08L601, Building & Safety Exp & Equip		022L752, Building & Safety - Summer Youth	\$ 40,000.00
Council	<u>Fund 100/56, General City Purposes</u>		<u>Fund 44B/47, Neighborhood Empowerment</u>	
<i>Woodbine Park & Overland Planting</i>	000705, Community Services District 5	\$ 35,000.00	47LXXX, Palms Neighborhood Council	\$ 35,000.00
Cultural Affairs				
<i>Percent for Art Program</i>	<u>Fund 480/30, Arts & Cultural Facilities & Services Trust Fund</u>		<u>Fund 100/30, Cultural Affairs</u>	
<i>Reimbursements (PWIAP)</i>	30V338, FIRE - Percent for Arts	\$ 7,520.61	001010, Salaries General	\$ 29,566.54
	30V370, LAPD - Percent for Arts	\$ 13,824.55	001070, Salaries As-Needed	\$ 18,032.07
	30M201, DRP - Percent for Arts	\$ 8,976.19		
	30V378, BOE - Percent for Arts	\$ 17,277.26		
	Subtotal	\$ 47,598.61	Subtotal	\$ 47,598.61
	<u>Fund 516/30, Art Development Fee Trust Fund</u>		<u>Fund 100/30, Cultural Affairs</u>	
<i>LAWA Exhibition Reimbursements</i>	30J201, Dept of Airports	\$ 43,978.10	001010, Salaries General	\$ 21,465.62
			001070, Salaries As-Needed	\$ 22,512.48
			Subtotal	\$ 43,978.10
	<u>Fund 844/30, Cultural Affairs Dept Trust Fund</u>		<u>Fund 100/30, Cultural Affairs</u>	
<i>Music LA Reimbursements</i>	30261K, Music LA - Heritage Month	\$ 4,998.24	001070, Salaries As-Needed	\$ 4,998.24
Fire	<u>Fund 40J/38, LAFD Special Training Fund</u>		<u>Fund 100/40, General Services Department</u>	
	3840JA, General Fund	\$ 87,724.00	001014, Salaries Construction Projects	\$ 62,276.00
			003180, Construction Material and Supplies	\$ 25,448.00
			Subtotal	\$ 87,724.00
Housing and Community Investment				
<i>Public Works Street Lighting</i>	<u>Fund 424/43, Community Development Trust Fund</u>		<u>Fund 100/84, Bureau of Street Lighting (43L184)</u>	
<i>37th Year Sun Valley CF 09-2665</i>	43K184, Street Lighting	\$ 50,000.00	001010, Salaries	\$ 92,917.00
<i>39th Year East Hollywood CF 12-1607</i>	43K184, Street Lighting	\$ 242,395.00	001090, Overtime	\$ 55,000.00
<i>40th Year Sun Vally CF 13-1395</i>	43L421, Sun Valley Street Lighting	\$ 535,522.00	003040, Contractual Services	\$ 505,000.00
	Subtotal	\$ 827,917.00	007300, Equipment	\$ 25,000.00
			008780, Street Lighting Materials	\$ 150,000.00
			Subtotal	\$ 827,917.00

ATTACHMENT 8
FY 2014-15 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS

		TRANSFER FROM		TRANSFER TO	
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT	
Building & Safety	<u>Fund 48R/08, Building & Safety</u>		<u>Fund 100/08, Building & Safety</u>		
<i>Overtime Shortfall</i>	08L200, Reserve for Future Costs	\$ 3,500,000.00	001090, Salaries Overtime		\$ 3,500,000.00
	<u>Fund 48R/08, Building & Safety</u>	\$ 40,000.00	<u>Fund 56L/22, EWDD (08L122)</u>		
<i>Summer Youth Program</i>	08L601, Building & Safety Exp & Equip		022L752, Building & Safety - Summer Youth		\$ 40,000.00
Council	<u>Fund 100/56, General City Purposes</u>		<u>Fund 44B/47, Neighborhood Empowerment</u>		
<i>Woodbine Park & Overland Planting</i>	000705, Community Services District 5	\$ 35,000.00	47LXXX, Palms Neighborhood Council		\$ 35,000.00
Cultural Affairs					
<i>Percent for Art Program</i>	<u>Fund 480/30, Arts & Cultural Facilities & Services Trust Fund</u>		<u>Fund 100/30, Cultural Affairs</u>		
<i>Reimbursements (PWIAP)</i>	30V338, FIRE - Percent for Arts	\$ 7,520.61	001010, Salaries General		\$ 29,566.54
	30V370, LAPD - Percent for Arts	\$ 13,824.55	001070, Salaries As-Needed		\$ 18,032.07
	30M201, DRP - Percent for Arts	\$ 8,976.19			
	30V378, BOE - Percent for Arts	\$ 17,277.26			
	Subtotal	\$ 47,598.61			Subtotal \$ 47,598.61
	<u>Fund 516/30, Art Development Fee Trust Fund</u>		<u>Fund 100/30, Cultural Affairs</u>		
<i>LAWA Exhibition Reimbursements</i>	30J201, Dept of Airports	\$ 43,978.10	001010, Salaries General		\$ 21,465.62
			001070, Salaries As-Needed		\$ 22,512.48
					Subtotal \$ 43,978.10
	<u>Fund 844/30, Cultural Affairs Dept Trust Fund</u>		<u>Fund 100/30, Cultural Affairs</u>		
<i>Music LA Reimbursements</i>	30261K, Music LA - Heritage Month	\$ 4,998.24	001070, Salaries As-Needed		\$ 4,998.24
Fire	<u>Fund 40J/38, LAFD Special Training Fund</u>		<u>Fund 100/40, General Services Department</u>		
	3840JA, General Fund	\$ 87,724.00	001014, Salaries Construction Projects		\$ 62,276.00
			003180, Construction Material and Supplies		\$ 25,448.00
					Subtotal \$ 87,724.00
Housing and Community Investment					
<i>Public Works Street Lighting</i>	<u>Fund 424/43 Community Development Trust Fund</u>		<u>Fund 100/84 Bureau of Street Lighting (43L184)</u>		
<i>37th Year Sun Valley CF 09-2665</i>	43K184, Street Lighting	\$ 50,000.00	001010, Salaries		\$ 92,917.00
<i>39th Year East Hollywood CF 12-1607</i>	43K184, Street Lighting	\$ 242,395.00	001090, Overtime		\$ 55,000.00
<i>40th Year Sun Vally CF 13-1395</i>	43L421, Sun Valley Street Lighting	\$ 535,522.00	003040, Contractual Services		\$ 505,000.00
	Subtotal	\$ 827,917.00	007300, Equipment		\$ 25,000.00
			008780, Street Lighting Materials		\$ 150,000.00
					Subtotal \$ 827,917.00

ATTACHMENT 8
FY 2014-15 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS

REQUESTING DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Housing and Community Investment				
<i>City Attorney 40th Year TARP Program C.F. 13-1395</i>	<u>Fund 424/43, Community Development Trust Fund</u> 43L527, TARP City Attorney	\$ 705,029.00	<u>Fund 100/12, City Attorney (43L112)</u> 001010, Salaries General	\$ 705,029.00
<i>Building and Safety 40th Year PACE Program C.F. 13-1395</i>	<u>Fund 424/43, Community Development Trust Fund</u> 43L592, PACE	\$ 1,083,580.00	<u>Fund 100/08, Building and Safety (43L108)</u> 001010, Salaries General	\$ 1,083,580.00
<i>Public Works Board 40th Year City Trees C.F. 13-1395</i>	<u>Fund 424/43, Community Development Trust Fund</u> 43L528, City Trees	\$ 200,583.00	<u>Fund 100/74, Public Works Board (43L174)</u> 003040, Contractual Services	\$ 200,583.00
Mayor				
<i>Public Safety Grant</i>	<u>Fund 53D/46, FY10 Justice Assistance Grant</u> 46G299, Related Costs	\$ 1,613.54	<u>Fund 100/46, Mayor (46L146)</u> 001020, Salaries, Grant Reimbursed	\$ 692.37
			<u>Fund 100/46, Mayor (46L299)</u> RSRC 5346, Related Costs Reimbursement from Grants	\$ 310.66
			<u>Fund 100/46, Mayor (46L246)</u> RSRC 5168, Reimbursement of Prior Year Salary	\$ 610.51
			Subtotal	<u>\$ 1,613.54</u>
<i>Public Safety Grant</i>	<u>Fund 54B/46, FY11 Justice Assistance Grant</u> RSRC 4903, Interest Income - Other 46L146, Mayor Salaries	\$ 4,172.28 2,812.25	<u>Fund 100/46, Mayor (46L299)</u> RSRC 5346, Related Costs Reimbursement from Grants	\$ 1,836.99
	Subtotal	<u>\$ 6,984.53</u>	<u>Fund 100/46, Mayor (46K299)</u> RSRC 5331, Reimbursement of Related Costs - Prior Yr	\$ 5,147.54
			Subtotal	<u>\$ 6,984.53</u>
<i>Public Safety Grant</i>	<u>Fund 55N/46, FY12 Justice Assistance Grant</u> RSRC 4903, Interest Income - Other 46K299, Related Costs	\$ 5,191.29 13,778.80	<u>Fund 100/46, Mayor (46L146)</u> 001020, Salaries Grant Reimbursed	\$ 280.57
	Subtotal	<u>\$ 18,970.09</u>	<u>Fund 100/46, Mayor (46L299)</u> RSRC 5346, Related Costs Reimbursement from Grants	\$ 18,689.52
			Subtotal	<u>\$ 18,970.09</u>
<i>Homeland Security Grant</i>	<u>Fund 54V/46, FY10 Legislative Pre-Disaster Mitigation Grant</u> 46L146, Mayor Salaries 46K299, Related Costs	\$ 6,399.35 8,059.63	<u>Fund 100/46, Mayor (46L299)</u> RSRC 5346, Related Costs Reimbursement from Grants	\$ 14,458.98
	Subtotal	<u>\$ 14,458.98</u>		
<i>Homeland Security Grant - Regional Catastrophic Preparedness Grant Program</i>	<u>Fund 55H/46, FY11 RCPGP Grant</u> 46K299, Related Costs	\$ 395.78	<u>Fund 100/46, Mayor (46L299)</u> RSRC 5346, Related Costs Reimbursement from Grants	\$ 395.78

ATTACHMENT 8
FY 2014-15 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS

REQUESTING DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Housing and Community Investment <i>Homeland Security Grant - Regional Catastrophic Preparedness Grant Program</i>	<u>Fund 55H/46, FY11 RCPGP Grant</u> 46J668, Partner Jurisdictions	\$ 48,000.00	<u>Fund 100/35, Emergency Management (46L135)</u> 001010, Salaries General	\$ 48,000.00
Public Works-Sanitation <i>What a Re-Leaf & Heat Re-Leaf Tree Planting Projects</i>	<u>Fund 537/50, Environmental Affairs Trust Fund</u> 50JMA1, What a Re-Leaf 50K182, Bureau of Sanitation	\$ 246,167.91 \$ 124,730.31	<u>Fund 100/82, Bureau of Sanitation</u> 001070, As-Needed Salaries 001090, Overtime Salaries	\$ 369,898.22 \$ 1,000.00
	Subtotal	\$ 370,898.22	Subtotal	\$ 370,898.22
<i>Public Works Building HVAC System Upgrade</i>	<u>Fund 508/50, Solid Waste Resource Revenue Fund</u> 50J997, Capital Infrastructure	\$ 197,288.00	<u>Fund 100/40, General Services</u> 001014, Salaries, Construction Projects 003180, Construction Materials and Supplies	\$ 78,915.00 \$ 118,373.00
			Subtotal	\$ 197,288.00
<i>Tuition Reimbursement</i>	<u>Fund 760/50, Sewer Construction & Maintenance Fund</u> 50LX82, PW-Sanitation Expense & Equipment	\$ 146,251.00	<u>Fund 100/82, Bureau of Sanitation</u> 006010, Office and Administrative Expenses	\$ 146,251.00
Public Works - Street Lighting <i>Wilton Dr & Ridgewood Pl</i>	<u>Fund 61N/50, Wilton Drive and Ridgewood Place Lighting District</u> 50KLUU, Wilton Dr & Ridgewood Pl Lighting District	\$ 70,520.00	<u>Fund 347/50, SLMAF</u> RS 530100, Reimb from Other Funds-Gen <u>Fund 100/84, Street Lighting</u> 008780, St Lighting Improvement & Supplies	\$ 53,770.00 \$ 16,750.00
			Subtotal	\$ 70,520.00
<i>BSS - Tree Trimming</i>	<u>Fund 347/50, SLMAF</u> 50L900, Tree Trimming	\$ 12,400.00	<u>Fund 100/64, Street Services</u> 001090, Salaries Overtime 003040, Contractual Services 006020, Operating Supplies	\$ 7,000.00 \$ 3,000.00 \$ 2,400.00
			Subtotal	\$ 12,400.00
<i>Bus Stop Improvements in CD 8</i>	<u>Fund 51O/94, Measure R</u> 94K184, Bureau of St Lighting 94214G, Bus Stop Security Lighting-SLA	\$ 44,689.00 \$ 270,311.00	<u>Fund 100/84, Street Lighting</u> 001010, Salaries General 001090, Salaries Overtime 006020, Operating Supplies	\$ 45,000.00 \$ 190,000.00 \$ 80,000.00
	Subtotal	\$ 315,000.00	Subtotal	\$ 315,000.00

ATTACHMENT 8
FY 2014-15 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS

TRANSFER FROM		TRANSFER TO		
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Public Works - Street Lighting	<u>Fund 655/94, Transportation Grant</u>		<u>Fund 100/84, Street Lighting</u>	
<i>West Adams Bus Stop Improvements</i>	94j590, Lani-West Adams	\$ 28,000.00	001010, Salaries General	\$ 3,000.00
			001090, Salaries Overtime	\$ 15,000.00
			006020, Operating Supplies	\$ 10,000.00
			Subtotal	\$ 28,000.00
	<u>Fund 655/94, Transportation Grant Fund</u>		<u>Fund 100/84, Street Lighting</u>	
<i>Lighting W. 3rd St/Fairfax/La Cienega</i>	94G426, West 3rd St Ped Improvement	\$ 190,000.00	001010, Salaries General	\$ 25,000.00
			001090, Salaries Overtime	\$ 110,000.00
			006020, Operating Supplies	\$ 55,000.00
			Subtotal	\$ 190,000.00
	<u>Fund 51Q/94, Measure R</u>		<u>Fund 100/84, Street Lighting</u>	
<i>Signal Construction Improvement</i>	94L479, Signal Improvement	\$ 60,000.00	001010, Salaries General	\$ 30,000.00
			001090, Salaries Overtime	\$ 10,000.00
			006020, Operating Supplies	\$ 20,000.00
			Subtotal	\$ 60,000.00
	<u>Fund 655/94, Transportation Grant</u>		<u>Fund 100/84, Street Lighting</u>	
<i>Expo Station - Crenshaw to Figueroa</i>	94233E, Expo Line Stgreetscape Pro-Ecren	\$ 160,000.00	001010, Salaries General	\$ 10,000.00
			001090, Salaries Overtime	\$ 100,000.00
			006020, Operating Supplies	\$ 50,000.00
			Subtotal	\$ 160,000.00
	<u>Fund 655/94, Transportation Grant</u>		<u>Fund 100/84, Street Lighting</u>	
<i>Solano Canyon</i>	94E231, Solano Canyon-Zanja Mad-China	\$ 55,000.00	001010, Salaries General	\$ 5,000.00
			001090, Salaries Overtime	\$ 35,000.00
			006020, Operating Supplies	\$ 15,000.00
			Subtotal	\$ 55,000.00
	<u>Fund 424/43, Community Development Block Grant</u>		<u>Fund 100/84, Street Lighting</u>	
<i>Sun Valley Lighting Improvement Phase 5</i>	43L421, Sun Valley Street Lighting	\$ 535,522.00	001010, Salaries General	\$ 50,522.00
			001090, Salaries Overtime	\$ 5,000.00
			003040, Contractual Services	\$ 480,000.00
			Subtotal	\$ 535,522.00

ATTACHMENT 8
FY 2014-15 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS

		TRANSFER FROM		TRANSFER TO	
REQUESTING DEPARTMENT	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT	
Information Technology Agency	<u>Fund 342/32, Telecommunications Develop Acct</u>		<u>Fund 100/32, Information Technology Agency</u>		
<i>Channel 35 Website Redesign</i>	32008H, PEG Access Capital Costs	\$ 20,000.00	001070, Salaries As-Needed	\$ 48,000.00	
	32008K, PEG Access Capital Costs	\$ 28,000.00			
	Subtotal	<u>\$ 48,000.00</u>			
TOTAL ALL DEPARTMENTS AND FUNDS		\$ 8,855,710.09		\$ 8,855,710.09	

ATTACHMENT 9

FY 2014-15 BUDGET ADJUSTMENTS APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE

<u>APPROPRIATE FROM:</u>	<u>APPROPRIATE TO:</u>	<u>AMOUNT</u>
<u>Fund 100/58, Unappropriated Balance</u>		
	<u>Fund 100/38, Fire</u>	
000182, Ambulance Augmentation Plan	001093, Constant Staffing Overtime	\$ 3,340,000.00
000176, Fire Department Helitanker	003040, Contractual Services	\$ 500,000.00
	Subtotal	<u>\$ 3,840,000.00</u>
000184, Police/Fire Dispatch System Consolidation	<u>Fund 100/38, Fire</u>	
	001010, Salaries General	\$ 209,863.00
	006010, Office and Administrative	\$ 8,000.00
	Subtotal	<u>\$ 217,863.00</u>
	<u>Fund 100/70, Police</u>	
	001010, Salaries General	\$ 232,423.00
	006010, Office and Administrative	\$ 4,000.00
	Subtotal	<u>\$ 236,423.00</u>
	<u>Fund 100/40, General Services</u>	
000171, Pavement Preservation	001090, Overtime	\$ 590,000.00
	004500, Laboratory Expenses	\$ 40,000.00
	Subtotal	<u>\$ 630,000.00</u>
	<u>Fund 100/86, Street Services</u>	
000171, Pavement Preservation	001100, Hiring Hall Salaries	\$ 1,300,000.00
	001120, Hiring Hall Benefits	\$ 700,000.00
	Subtotal	<u>\$ 2,000,000.00</u>
	<u>Fund 100/46, Mayor</u>	
000174, Code for America	003040, Contractual Services	\$ 180,000.00
	<u>Fund 100/66, Personnel</u>	
000179, Fire Recruitment and Selection Study	003040, Contractual Services	\$ 230,000.00

ATTACHMENT 9

FY 2014-15 BUDGET ADJUSTMENTS APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE

APPROPRIATE FROM:	APPROPRIATE TO:	AMOUNT
<u>Fund 100/58, Unappropriated Balance</u>		
000037, Reserve for Economic Uncertainties	<u>Fund 100/70, Police</u> 001092, Overtime Sworn	\$ 20,700,000.00
000183, Operation Healthy Streets - Venice See related transactions in Attachment 6	<u>Fund 511/50, Stormwater Pollution Abatement Fund</u> RSC 530100, Reimbursement From Other Funds	\$ 100,000.00
000173, Great Streets	<u>Fund 840/94 Transportation Trust Fund</u> TBD, Great Streets Community Grants	\$ 100,000.00
	TBD, Great Streets Reseda	\$ 85,000.00
	Subtotal	\$ 185,000.00
	<u>Fund 100/30 Cultural Affairs</u> 009832, Matching Grant Program	\$ 50,000.00
	<u>Fund 834/50, Public Works Trust Fund</u> 500OFC, Treet Planting Projects	\$ 23,205.00
	<u>Fund 100/46, Mayor</u> 001010, Salaries General	\$ 67,080.00
	003040, Contratual Services	\$ 63,000.00
	Subtotal	\$ 130,080.00
TOTAL APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE		\$ 28,522,571.00

**ATTACHMENT 10A
STATUS OF UNAPPROPRIATED BALANCE
GENERAL ACCOUNT as of 9/30/14**

C.F.	Appropriations	Date	Amount
13-0600	General		\$ 50,000
	Approved Transfer		
14-0878	Career Law Clerk	7/8/2014	(203)
14-1077	Richard Alvarado and the Oldies Car Club, San Fernando Valley	8/21/2014	(696)
12-1641-S2	Community Charter Bus Services	9/8/2014	(3,124)
		Balance Available	<u>45,977</u>
	Anticipated Appropriations		
14-1255	FilAm ARTS		(290)
14-1321	Reel Image, Inc.		(232)
		Projected Balance Available	<u>\$ 45,455</u>

STATUS OF UNAPPROPRIATED BALANCE NON-GENERAL ACCOUNT as of 9/30/2014

Account No.	UB Non-General Accounts	Primary Department	Adopted Budget	Transfer In/ Reapprop.	Appropriated during year	First FSR	Second FSR	Mid-Year FSR	Year-End FSR	Available Balance
General Fund										
000001	General (see Attachment 10A)	All	\$ 50,000	\$ -	\$ (4,023)	\$ -	\$ -	\$ -	\$ -	\$ 45,977
000182	Ambulance Augmentation Plan	Fire	3,340,000			(3,340,000)				-
000172	Business Process Improvements	All	500,000							500,000
000169	Citywide Lease Account	GSD	883,018							883,018
000174	Code for America	ITA	180,000			(180,000)				-
000148	CRA Pipeline Projects	CAO		1,700,000						1,700,000
000879	Economic Development Initiative	CAO		2,500,000						2,500,000.00
000132	Equipment, Expense, & Alterations & Improvement	All	4,900,000							4,900,000
000176	Fire Department Helitanker	Fire	500,000			(500,000)				-
000179	Fire Recruitment and Selection	Fire	560,000			(230,000)				330,000.00
000181	Firefighter Hiring	Personnel	3,000,000							3,000,000
000173	Great Streets	PW/BSS	800,000			(388,285)				411,715
000130	GSD - Petroleum Products	GSD	3,000,000							3,000,000
000177	Healthy Streets - Citywide	PW/San	5,000,000							5,000,000.00
000149	Liability Claims	City Atty	6,000,000							6,000,000
000168	Office of Public Accountability Studies	CAO	750,000							750,000.00
000160	Off-site Council and Committee Meetings	All	50,000							50,000.00
000183	Operation Healthy Streets - Venice	PW/San	500,000			(100,000)				400,000
000197	Outside Counsel incl. Workers' Comp	City Atty	4,000,000							4,000,000.00
000171	Pavement Preservation	PW/BSS	8,700,000			(2,630,000)				6,070,000
000180	Police - Sworn and Detention Officer Staffing	LAPD	7,290,540							7,290,540
000145	Police Overtime	LAPD	15,000,000		(15,000,000)					-
000184	Police/Fire Dispatch System Consolidation	ITA	1,285,000			(454,286)				830,714
000167	Proactive Conditional Use Permit	Bldg&Sfty	613,000							613,000.00
000037	Reserve for Economic Uncertainties	All	20,700,000			(20,700,000)				-
000141	Sidewalk Repairs	PW/BSS	20,000,000							20,000,000
000178	Standards of Cover Analysis	Fire	400,000							400,000
000139	Strategic Advisor for Technology Services	ITA		300,000						300,000
000175	Supply Management System	GSD	3,965,000		(3,965,000)					-
000185	Tree Trimming Services	PW/BSS	2,000,000							2,000,000
000146	VMS Replacement	GSD		3,100,000						3,100,000
			\$ 113,966,558	\$ 7,600,000	\$ (18,969,023)	\$ (28,522,571)	\$ -	\$ -	\$ -	\$ 74,028,987
Special Funds										
000166	Building and Safety e-Plan	Bldg&Sfty	\$ 572,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	572,000
000161	Data Network Modernization	ITA	2,728,177							2,728,177.00
000169	Citywide Lease Account	GSD	1,982							1,982
			\$ 3,302,159	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Grand Total		\$ 117,268,717	\$ 7,600,000	\$ (18,969,023)	\$ (28,522,571)	\$ -	\$ -	\$ -	\$ 77,331,146

ATTACHMENT 12

120 Day Appointments - Decisions
Fiscal Year 2014-15 (July 01 - August 31)

Department	Submitted	Approved	Deny	Pending	No Action
Airports	1	1			
Building & Safety	14	14			
CAO	3	3			
City Planning	4	4			
Controller	92	92			
Fire	1	1			
General Services	10	10			
Housing & Community Investment	1	1			
LACERS	1	1			
Library	88	88			
Personnel	23	23			
Police	4	4			
Recreation & Parks	2	2			
Transportation	14	14			
Grand Total	258	258	0	0	0

* Total approved 120-day positions does not represent total number on payroll.

Vehicle or Equipment Classification	Unit Cost	Quantity	Total Cost
Fire Department			
Apparatus, 100' Aerial Ladder	\$ 899,000	5	\$ 4,495,000
Apparatus, Triple Combination	628,000	8	5,024,000
Emergency Command Vehicle	118,950	6	713,700
Ambulance	168,000	23	3,864,000
Brush Patrol	246,200	1	246,200
Utility Service Truck	139,520	2	279,040
Sedan (Emergency)	32,500	10	325,000
Pick-Up Trucks Crew Cab	53,320	5	266,600
Swift Water Rescue Vehicle	145,000	1	145,000
Van, Side Load 8600 Gross Vehicle Weight	46,590	2	93,180
Van, Passenger	45,233	1	45,233
Road Grader, Cat	337,796	1	337,796
Dozer Cat D-8	1,385,767	1	1,385,767
Dozer Tender	130,540	1	130,540
Dozer Trailer 60-Ton	88,580	1	88,580
Subtotal Apparatus		68	\$ 17,439,636
100' Aerial Ladder Trucks	\$ 48,259	5	\$ 241,295
Ambulance	37,000	23	851,000
Emergency Command Vehicle	76,875	6	461,250
Pick-Ups and Light Vehicles	19,500	20	390,000
Heavy - Other - Road Grader - Cat D8	48,259	2	96,518
Light Vehicles - Emergency	35,000	24	840,000
Subtotal Communications		80	\$ 2,880,063
TOTAL		148	\$ 20,319,699
General Services			
Trucks less than 10,000 lbs (Animal Services)	\$ 65,000	3	\$ 195,000
Construction Equipment General* (BSS)	500,000	10	5,000,000
Trailer/Transport Type (BSS)	162,500	2	325,000
Trailer with mounted Equipment (BSS)	10,000	4	40,000
Trucks more than 33,000 lbs (BSS)	316,667	3	950,000
Trucks between 26,001 to 33,000 lbs (BSS)	148,421	16	2,374,737
Trucks less than 10,000 lbs (BSS)	45,000	3	135,000
Trucks between 10,000 to 26,000 lbs (BSS)	200,000	3	600,000
Automobile (DOT)	30,000	3	90,000
Construction Equipment General* (DOT)	35,000	1	35,000
Trailer/Transport Type (DOT)	35,000	2	70,000
Trailer with mounted Equipment (DOT)	26,000	4	104,000
Trucks more than 33,000 lbs (DOT)	350,000	2	700,000
Trucks between 26,001 to 33,000 lbs (DOT)	167,500	3	502,500
Trucks less than 10,000 lbs (DOT)	37,645	26	978,774
Trucks between 10,000 to 26,000 lbs (DOT)	95,714	6	574,286
Automobile - Parking Enforcement (DOT PE)	35,000	94	3,290,000

Vehicle or Equipment Classification	Unit Cost	Quantity	Total Cost
General Services continued			
Truck less than 10,000 lbs - Parking Enforcement (DOT PE Automobile (Executive)	37,563	13	488,313
Trailer with mounted Equipment (ITA)	32,093	36	1,155,349
Truck less than 10,000 lbs (ITA)	40,000	1	40,000
Trailer with mounted Equipment (ZOO)	37,000	1	37,000
Truck less than 10,000 lbs (ZOO)	25,000	1	25,000
Trailer/Transport Type (PERSONNEL)	37,000	1	37,000
Trucks less than 10,000 lbs (BOE)	10,000	4	40,000
Automobile (RAP)	45,000	3	135,000
Construction Equipment General* (RAP)	35,790	16	572,632
Trailer/Transport Type (RAP)	46,765	14	654,706
Trailer with mounted Equipment (RAP)	21,500	8	172,000
Trucks more than 33,000 lbs (RAP)	30,000	2	60,000
Trucks between 26,001 to 33,000 lbs (RAP)	250,000	3	750,000
Trucks less than 10,000 lbs (RAP)	174,444	7	1,221,111
Trucks between 10,000 to 26,000 lbs (RAP)	37,969	54	2,050,313
Materials Testing Equipment	56,500	25	1,412,500
	22,000-45,000	11	<u>\$ 128,000</u>
TOTAL		385	\$ 24,943,219

*includes pavers, profilers, rollers, loaders, etc.

Police

Helicopter-Airport Support Division	\$ 3,400,000	1	\$ 3,400,000
Non patrol vehicles-Unmarked Utility Vehicles and Sedans	\$ 45,030	111	\$ 5,012,723
Non-patrol vehicles-Undercover	\$ 28,853	110	\$ 3,180,662
Non-patrol vehicles-Specialized	\$ 34,584	52	\$ 1,806,616
Digital In-Car Video System (DICVS) Phase III**	N/A	N/A	<u>8,000,000</u>
TOTAL		274	\$ 21,400,000

**Phase III includes installing the DICVS in 366 vehicles in Operations-West Bureau.

CUMMULATIVE TOTAL **\$ 66,662,918**

INSPECTOR GENERAL STATUS UPDATE – COLLECTIONS AND REVENUES

The Inspector General is primarily focused on independently reporting on and aiding in the implementation of various recommendations to improve collections and revenue efficiencies. To-date, the City has realized more than \$75 million in revenues or cost savings from Collection Reform improvements (most benefit special or enterprise funds). For example, many positive changes have been implemented, such as the (a) expansion of the City's pool of outside collection agencies; (b) reduction of delinquency day strategy; (c) use of primary and secondary levels of collections and reduction in the number of account placement days (C.F. 12-1497-S2); (d) frequent updates on Collection Reform, including Commission on Revenue Efficiency recommendations, (C.F. Nos. 12-0600-S23; 12-0430-S6, and 09-2560-S4); (e) Parking Occupancy Tax Surety Bond Program (CF No. 12-0600-S161); (f) Administrative and Municipal Code amendments related to the Collections, including the Collections Board of Review (C.F. 12-0637-S1); (g) proposal to sell or monetize severely aged receivables (C.F. 12-0637-S4); (h) recovery of approximately \$25 million for the Department of Water of Power and another \$5 million for other City departments related to disaster assistance; (i) reviewing and monitoring the Department of Water and Power's billing and collection impacts to the City's Power Transfer Revenue, Electricity Users' Tax, Solid Waste Fee, Sewer Charges (CF 14-0161); (j) regularization of the Inspector General's position (C.F. 14-0600); and, (k) reimbursement of \$16.4 million in Assembly Bill AB 678 - Medi-Cal Supplemental Provider program yet additional AB 678 funds are still outstanding (C.F. Nos. 12-0600-S33 and 12-0600-S98).

The Inspector General continues to monitor more than 200 pending Collection Reform initiatives for revenue and collection improvements or cost savings. Some of these initiatives include, but are not limited to:

- Release of a City-wide Revenue Billing and Collections Compliance scorecard report to evaluate adherence of City-wide collection practices by departments;
- Release of an interest and penalties application report on delinquent accounts;
- Proposal to centralize collections and deployment of an Accounts Flow Accounts Receivable Management System (C.F. Nos. 13-0600-S18 and 07-1186)
- Continue to implement proposed City-wide Collection Reform (C.F. 13-0121);
- Proposal to establish a Direct Assessment program at the Housing Department to increase the collection of revenues (C.F. 12-0600-S64);
- Analyze areas for improvements related to parking citations (C.F. 12-0430-S6 and 09-2560-S4) and Emergency Medical Services (C.F. 14-0600-S43);
- Ordinance to require Revenue Control Equipment and Use of Credit Cards at City auto parks/auto facilities (C.F. 12-0430-S3 and 09-2560-S4);
- Recover approximately \$50 million in outstanding disaster assistance funds (C.F. 14-0600-s42), excludes other inter-governmental reimbursement opportunities;
- Expand General Fund reimbursement by Special Fund operations for Bank and Merchant Fees; and

ATTACHMENT 15: INSPECTOR GENERAL STATUS UPDATE

- Track other revenue efficiencies/cost savings opportunities (C.F. 09-2560-S4), including those made by the City Controller and Neighborhood Council Budget Advocates.

In December 2013, the Inspector General completed a review of the City's Disaster Assistance Financial Recovery efforts, including assessment of the Disaster Assistance Trust Fund (DATF) No. 872, to determine collection opportunities on unclaimed grant funds. Approximately \$45 million was identified as highly likely to be collected yet no claim had been presented to respective aid agencies (i.e. U.S. Department of Homeland Security, Federal Emergency Management Agency and the State of California's Office of Emergency Services). In June 2014, after a six month dedicated effort¹, seven disaster grant applications were closed-out or submitted for final claim to corresponding federal and state agencies totaling approximately \$65 million or an increase of \$15 million from the anticipated amount. This increase was primarily due to a proposal to recover indirect cost, which is now pending review and approval consideration by the State of California's Office of Emergency Services. At this time, the City has not yet received notification whether the remaining claims will be partial or fully approved as submitted; therefore, the Inspector General will provide such updates as more information is received from the aid agencies.

For the 2013-2014 year-end, the City received slightly more than \$30 million in disaster funds (about \$25 million dedicated to the Department of Water and Power). Most of this is one-time revenue for special and proprietary funds yet a portion is anticipated for the City's General Fund. Moreover, the Office of the Inspector General continues its efforts to work with City departments to determine potential one-time reimbursements to the City's Seismic Bond and MICLA programs. However, the final reimbursement amount is contingent upon review and approval by the granting agencies. A pending report from the Inspector General to the Budget and Finance Committee on disaster assistance grants is forthcoming within the next month (C.F. 14-0600-S42).

During the six-month reimbursement claim effort, some areas were identified that could contribute to improve the City's disaster grant function and increase operating efficiencies, such as revising and updating the City's written disaster grant policy and procedures and leveraging best available technology to streamline and automate the grant acceptance, management, and reimbursement processes. Therefore, the Inspector General anticipates requesting Mayoral approval to move forward with the initial steps (i.e. evaluation and documentation) this fiscal year. In addition, funding to pay for this effort is available in the DATF and would not have a negative impact on the General Fund.

Lastly, the Inspector General continues to work with the Department of Recreation and Parks to fully recognize payment of several outstanding loan advances from the DATF

¹ The Inspector General would like to thank and appreciate the work performed by the Disaster Assistance Team within the Office of the CAO and time dedicated by staff from the Departments of Public Works (Bureaus of Sanitation, Engineering, Street Lighting and Board Office of Accounting), Airports, Water and Power, and Recreation and Parks.

ATTACHMENT 15: INSPECTOR GENERAL STATUS UPDATE

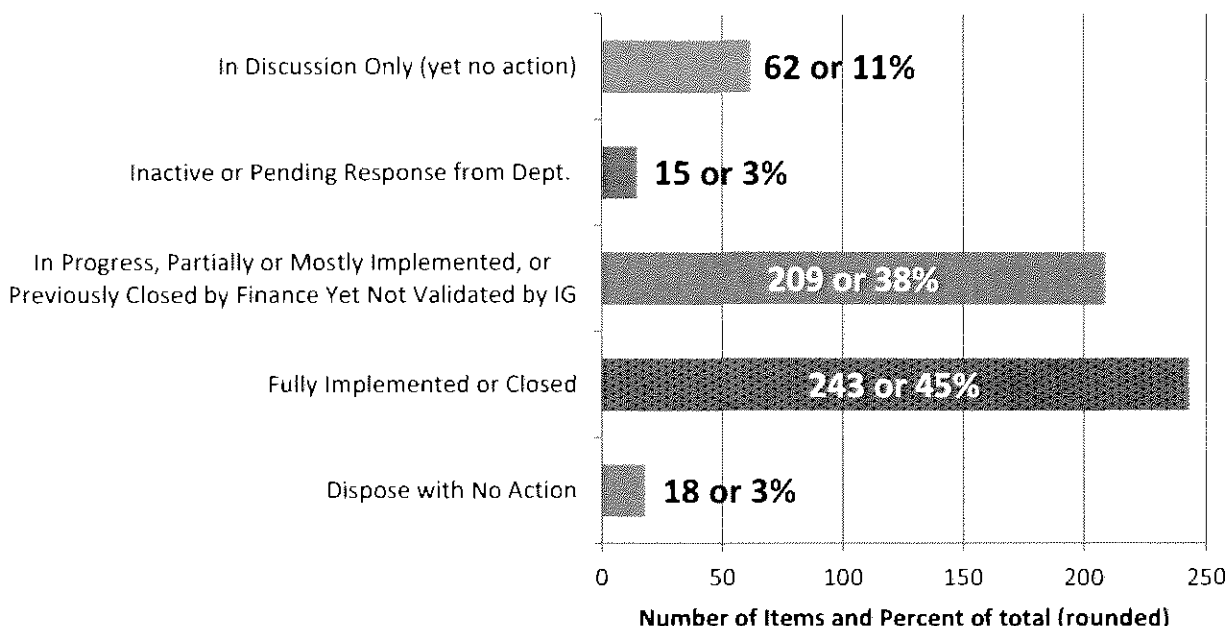
(approved by City Council in July 2005, June 2006, and Oct. 2007 – See C.F. Nos. 05-0049-S1 and 05-0600-S78). The 2014-2015 budget recognizes nearly \$2 million from the Department of Recreation and Parks (RAP) to the General Fund. An additional \$200,000 is proposed for fiscal year 2014-2015 and is budgeted from other disasters. Full repayment by RAP is considered a high priority for the Inspector General. An update will be provided in the next Financial Status Report.

Collection Reform Status Update (C.F. 13-0121)

The following graph provides a general overview of the City's Collection Reform progress for items monitored as of September 2014. In short, an **improvement of eight percentage points** is evident between April 2014 (last update) through September 2014 for items considered fully implemented or disposed with no action **from 40% to 48%** completed. Since 2010-2011 to-date, the City has realized more than \$75 million in revenues or cost savings from collection improvements (about 60% to general fund and remaining 40% to special or enterprise funds). However, more than 200 other initiatives, or approximately 38% of all items monitored, are in-progress or mostly or partially implemented with an estimated potential revenue impact of \$150 million.

As important to items implemented or in-progress is a decrease by four percentage points from 18% to 14% on items that are categorized as in-active or in-discussion with no noticeable action. Although there is no identifiable outcome or output with these proposed initiatives at this time, this decrease suggests that City departments are continuously reviewing Collection Reform item to determine if they are feasible, practical, and/or economic to implement. Further, this 22 item decrease from 99 items to 77 items is primarily driven by the efforts from the Office of Finance, Department of Public Works Bureau of Sanitation, and the Department of Convention and Tourism Development (formerly the Los Angeles Convention Center). The Inspector General will continue to work with the Department of Recreation and Parks to review nine of the remaining 15 in-active items and with 14 other City departments on items that are in-discussion to determine if the City should move forward on or dispose of the proposed recommendations.

**Status Overview of Collection Reform - As of September 2014
(547 Total Recommendations and Ideas)**



The following provides an overarching status update to various Council File motions and recommendations proposed by the Commission on Revenue Efficiency (CORE). C.F. 12-0600-S23 recommended recurring updates on Collection Reform progress to CORE recommended initiatives. Other Council Files related include, but not limited to, 09-2560, 09-2560-S1 through S4, and 12-0430, 12-0430-S1 through S7.

Commission on Revenue Efficiency (CORE) Updates

CORE – Phase 1 Update

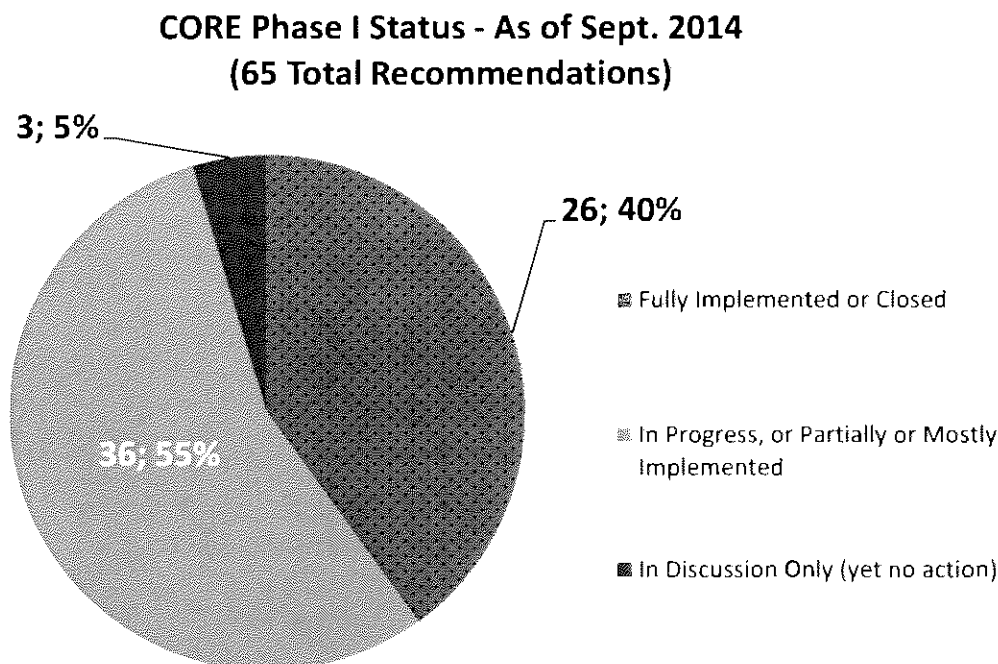
In October 2010, CORE released its Phase I, Report 1 (“Blueprint for Reform on City-wide Collections”), which included 65 recommendations. As of September 2014, the City implemented 26 or 40% of all recommendations with the vast majority, 36 recommendations or 55%, categorized as “in-progress” or “partially or mostly implemented.” The remaining three recommendations continue “in-discussion” only and pending action or a decision to dispose of the item with no further action.

In terms of improvements from the prior reporting period, April 2014 to September 2014, a **three percentage point improvement** is evident from 37% to 40% for items considered implemented. However, the three pending “in-discussion” recommendations continue to linger without much traction. Therefore, the Departments of Housing and Transportation and the Office of the City Administrative Office should continue to make every effort to either dispose of or consider the three pending recommendations (i.e.

ATTACHMENT 15: INSPECTOR GENERAL STATUS UPDATE

cross referencing data with other departments, reviewing homeless policy and scofflaw definition related to parking citations, and dedicating a portion of collected revenue to fund the cost of collection) from the CORE's Blueprint as swiftly as possible.

The below graph summarizes the general status of all CORE, Phase I report recommendations:



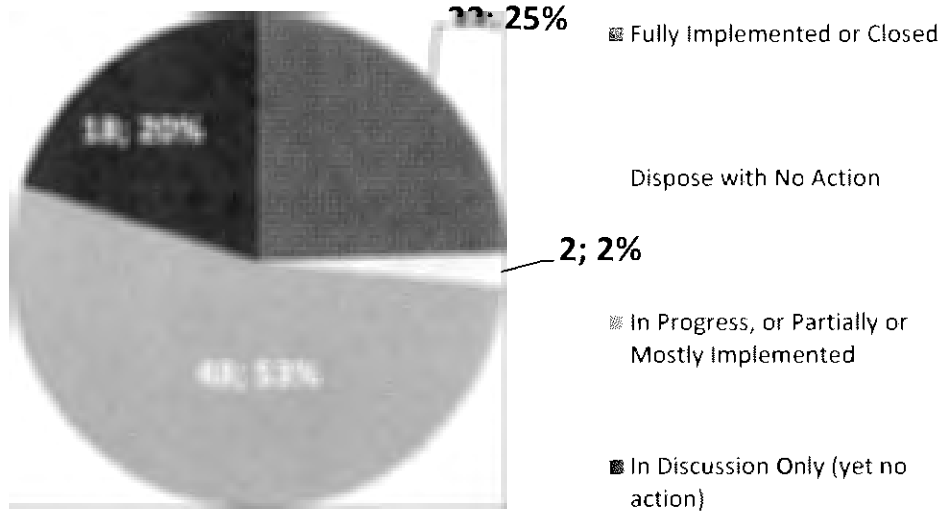
CORE – Phase 2 Update

In March 2012, CORE released its Phase II (set of eight) reports focused on business and economic development, collections, and revenue efficiencies. Phase II reports included 90 new recommendations and 115 revenue ideas provided by various City departments. From April 2014 to September 2014, an increase or **improvement of 14 percentage points** is evident (from 11% to 25%) for items categorized as “Implemented.” The City experienced a decrease of 12 percentage points (from 65% to 53%) for items categorized “in-progress or partially or mostly implemented” and a decrease of two percentage points (from 22% to 20%) for items categorized “in-discussion” yet no evident or clear action plan.” Combined, these decreases suggest that City departments continue to improve and focus on collection efforts. More important, as of September 2014, the City no longer has an item considered in-active, meaning that all 90 recommendations have been discussed, reviewed and in-progress, implemented, or disposed of with no action. This continues to support the notion that City departments continue to consider collection reform recommendations and demonstrate, again, a slow yet active improvement.

ATTACHMENT 15: INSPECTOR GENERAL STATUS UPDATE

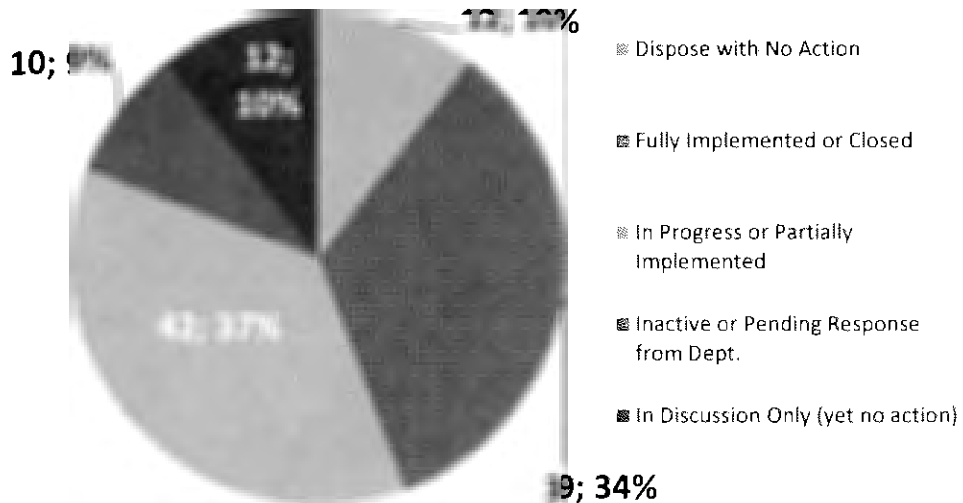
The below graph provides an overview status of all CORE, Ph. II report recommendations.

**CORE Phase II Status - As of Sept. 2014
(90 Total Recommendations)**



In terms of revenue generating ideas highlighted by CORE, 34% or 39 recommendations have been implemented and 37% or 42 recommendations are considered in-progress or partially/mostly implemented. These have contributed to the increase in revenues and cost savings by City departments. Further, 19% or 22 recommendations are considered in-active or in-discussion. The Inspector General will continue to monitor these items and work with City departments, such as the Departments of Recreation and Parks and Convention and Tourism Development on items that remain "in-active" or no status update.

**Revenue 2011 Survey - As of September 2014
(115 Total Revenue Ideas)**





ATTACHMENT 16
Great Streets Los Angeles
Action Plan Update



On October 10, 2013, Mayor Eric Garcetti issued his first executive directive, entitled Great Streets Initiative. The concept of the initiative is to coordinate city resources and partner with communities to develop Great Streets throughout Los Angeles that activate the public realm, provide economic revitalization, and support great neighborhoods.

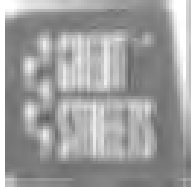
The executive directive called for the development of an Action Plan that covers the following items.

1. Criteria and strategy for identifying streets
2. Candidate list of streets
3. Comprehensive matrix of project elements and costs
4. Strategy for coordination of city services
5. Project implementation timeline
6. Funding strategy
7. Metrics and benchmark approach

The Great Streets Working Group (defined in the Executive Directive) worked over the course of three months to define assets and elements that make Great Streets. After an agreed upon set of criteria was established, working group members and all 15 council offices were asked to submit potential street segments for consideration within these parameters in early 2014. With this group of streets, an intense needs-based geo-spatial mapping exercise was initiated to prioritize a group of streets. Council Offices were provided the final opportunity to weigh in on the priority street in their district for the first Phase of Great Street investments. This announcement was made on June 3, 2013, and the list of street segments is included on the following page.

Each street segment is approximately 0.5 – 1 mile long, and has had a series of different investments over the past few years. Some have already been recipients of planning exercises to define a community vision, while others are just beginning a process to define the desired outcomes. In each case, a context-sensitive and community driven approach is necessary. The Great Streets Working group is engaged with each council office and community to define a project implementation timeline and funding strategy for investment.

A detailed update to Council Committees is forthcoming in Fall 2014.



ATTACHMENT 16
Great Streets Los Angeles
Action Plan Update



SELECTED STREET SEGMENTS

CD1: North Figueroa St between Avenue 50 & Avenue 60

CD2: Lankershim Blvd between Chandler & Victory

CD3: Sherman Way between Wilbur & Lindley

CD4: Western Ave between Melrose & 3rd St

CD5: Westwood Blvd between Le Conte & Wilshire

CD6: Van Nuys Blvd between Victory & Oxnard

CD7: Van Nuys Blvd between Laurel Canyon & San Fernando

CD8: Crenshaw Blvd between 78th St & Florence

CD9: Central Ave between MLK Blvd & Vernon

CD10: Pico Blvd between Hauser & Fairfax

CD11: Venice Blvd between Beethoven & Inglewood

CD12: Reseda Blvd between Plummer & Parthenia

CD13: Hollywood Blvd between La Brea & Gower

CD14: Cesar Chavez Ave between Evergreen & St. Louis

CD15: Gaffey St between 15th St & the 110

KBRAKROLL BOND
RATING AGENCY

City of Los Angeles, CA

Local G.O. Rating Report

City of Los Angeles, CA

General Obligation Bonds

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Table of Contents

Executive Summary..... 3

Security 3

Rating Summary 3

Outlook: Stable..... 5

Key Rating Determinants6

Rating Determinant 1: Governance and Management Structure and Policies 6

Bankruptcy Assessment 6

Comprehensive Budgeting and Forecasting Process 7

Financial Reporting 7

Reserve Policy 8

Rating Determinant 2: Municipal Resource Base 8

Economic and Demographic Characteristics 8

Economic and Demographic Trends 9

Business and Commercial Activity10

Employment10

Real GDP Growth11

Property Tax Base12

Rating Determinant 3: Debt and Additional Continuing Obligations13

Debt Management Policy14

Direct Debt.....14

Overlapping Debt15

Debt Structure15

Pension Obligations15

Los Angeles City Employees’ Retirement System (LACERS)16

Fire and Police Pension Plan (FPPP).....16

Other Post-Employment Benefits17

Pension and OPEB Related Liabilities17

Capital Improvement Plan17

Rating Determinant 4: Financial Performance and Liquidity18

Historical Financial Performance19

FY 2013 Operating Summary20

Unaudited FY 2014 Results21

FY 2015 Budget21

Revenue Diversity22

Collective Bargaining Agreements23

Self-Insurance Program23

Liquidity Position24

Conclusion..... 24

Executive Summary

KBRA Bond Rating Agency (KBRA) has assigned a long-term rating of AA with a stable outlook to the general obligation debt of the City of Los Angeles, California. This rating applies to all of the City of Los Angeles' outstanding general obligation bonds. The City has approximately \$992 million of GO bonds outstanding at the current time.

This rating is based on KBRA's [U.S. Local General Obligation Rating Methodology](#), published on May 31, 2012.

Security

The City may issue general obligation bonds, subject to approval by two-thirds of the voters. The City's GO bonds are payable from proceeds of ad valorem taxes that are levied without limitation as to rate or amount upon property subject to taxation by the City.

Key Rating Strengths

- The City's broad and diversified economic base.
- Seasoned leadership team and established financial management policies and procedures for budgeting, forecasting and monitoring financial operations.
- Sustained improvement in financial operations and increases in reserves with unassigned fund balances equal to 8.8% of General Fund expenditures in FY2013.
- A manageable debt burden and a direct debt portfolio with minimal variable rate exposure.

Key Rating Concerns

- Continued use of non recurring revenues and expenditures to balance annual financial operations.
- City unemployment levels continue to be higher than the County, State and nation.
- Challenges to certain City cost reduction measures and the utility user's tax may increase future budget pressures.

Rating Summary

The City of Los Angeles is the second largest city in the nation by population and the principal city of southern California. The City is the County seat and home to nearly 40% of the County's population totaling 9.9 million people. An established center for the media and entertainment industry, the City is supported by the presence of diverse companies and serves as headquarters to six Fortune 500 firms. Additionally, the City is ranked sixth on the Global Cities Index based on business activity, human capital and information exchange and is home to Los Angeles International Airport (LAX), the world's sixth busiest airport. The County remains one of the larger manufacturing centers in the nation and is home to the fifth busiest container ports (the Ports of Los Angeles and Long Beach) internationally.

KBRA views the City's organization structure and financial management policies and procedures as providing a strong framework for managing the City's financial operations. The City's management structure is supported by an experienced management team which includes the Mayor, the City Council and the City Administrative Officer (CAO), whose offices oversee the budget and debt functions. The City monitors its financial operations closely and reports budget to actual performance on a quarterly basis through its Financial Status Reports (FSRs). The City

Council meets regularly to discuss historical performance and adjust the budgetary assumptions and allocations to maintain structural balance. In the budget development process the City utilizes revenue projections from the city departments and economic forecasts from local economists including the Los Angeles Economic Development Corporation and UCLA Anderson School of Management. The City is statutorily required to maintain a balanced budget which can include transfers from reserves and/or one time solutions from year to year. KBRA views the City's use of detailed revenue forecasts, its practice of monitoring its budget to actual financial performance on a quarterly basis and its long term financial planning as keys to the City's strong financial management.

KBRA views the financial condition of Los Angeles as strong based on its management of its General Fund budget, increased levels of reserves and its strong liquidity over the last several years. KBRA considers the City's improved finances from FY 2009 through FY 2013 to be largely the result of the City's pro-active budgeting and strict fiscal monitoring practices. The City's reserve levels have increased since FY 2010, with total General Fund unassigned fund balance increasing to 8.8% in FY 2013. The City has met and modestly exceeded its Reserve Fund policy of 5% of General Fund expenditures for the last two fiscal years; the Reserve Fund is included in the City's unassigned General Fund balance. KBRA views the City's overall liquidity levels to be strong.

The City has adopted a statutorily required balanced budget every year, based on ongoing revenues and expenditures and limited utilization of one time revenues and reserves. According to the City, annual one-time revenues used to balance the budget averaged \$119.3 million over the past six years, which equates to approximately 2.6% of average General Fund revenue. The City continues to work towards structural budgetary balance. Budget pressure may increase for FY 2015 and beyond due to the challenges of funding historical police overtime costs and meeting program costs of the Fire Department's ambulance augmentation program. Future infrastructure costs for street repairs may also increase future budget pressure. The City is also facing legal challenges on certain cost reduction initiatives including salary levels for new police hires and implementation of an additional new pension tier for newly hired civilian employees. The outcome of these challenges however, would potentially pressure future budgets rather than impose stress on current operations.

KBRA views the City's direct and overlapping debt burden as low to moderate based on a moderate per capita debt of \$4,103 as low debt to full valuation of 3.8%. Annual direct debt service due in FY 2015, totaling approximately \$359 million, comprises 5.2% of total FY 2013 governmental expenditures which KBRA considers low. Debt amortization is rapid with 68.7% of principal being retired in the next ten years. KBRA views positively the minimal level of interest rate and swap derivative risk within the City's General Fund debt structure. The City's General Fund debt has no variable rate risk except in its Commercial Paper note program, which is currently limited to \$335 million.

As of June 30, 2013, the City's two pension funds have funded ratios on an actuarial basis of 68.7% and 83.1% and the City has generally funded the full annual required contributions (ARC) for its pension funds. The City began prefunding its OPEB obligations on an actuarial basis in FY 1990 and has generally continued to make these ARC payments for their OPEB obligations, although phase in of assumption changes have reduced funding below this level in some years. KBRA views the City's actuarial funding of its OPEB obligations as very positive and notes that there are relatively few cities in the nation that have consistently actuarially funded their OPEB obligations. In 2012, the City adopted a new civilian hire retirement tier designed to reduce the City's future pension costs by a number of measures including increasing the retirement age from 55 to 65, limiting future retiree annual cost-of-living adjustments and increasing employee

contributions to the pension system. In late July, the City Employee Relations Board ruled that the City's action in creating the new civilian retirement tier was illegal because the City did not follow the correct procedures in implementation of the new tier. The Board ordered the City to rescind the implementation of the new retirement tier. The City is considering its options in response to the decision, including appealing the ruling in State court.

KBRA views the economic base of the City Los Angeles as strong and diversified. The City's economy is broad and deep and supported by a diverse set of industries. The City has experienced modest employment gains in each of the years since 2010, although employment gains continue to trail County, State and national levels. Unemployment in the City peaked in 2010 at 13.8%, which was higher than County, State and national levels. Unemployment levels have decreased, however, preliminary May 2014 estimates indicate that City unemployment at 8.8% is still higher than the County (8%), State (7.1%) and the U.S. (6.1%). Additionally, the poverty level in the County has been higher than State and national averages and was noted as a high 19.1% in 2012. Wealth levels in the County exceed that of the nation but are lower than the state. The City benefits from increasing property valuation demonstrated by assessed valuation (AV) growth over the past few years. Prior to the recession, AV increased 56% from 2004 to a peak of \$411.1 billion in 2009 and then declined by 2.3% to \$401.2 billion in 2011. Property values stabilized in 2012 with an increase of 1.3% in 2012 and 2.5% in 2013. The City's 2013 AV increased to \$416.5 billion, which equates to a full market valuation per capita level of representing \$108,000 of AV per capita in 2013, a level which KBRA considers very high. Taxpayer concentration is low; the District's ten largest taxpayers represent a modest 1.97% of total valuation.

In connection with the recent rupture of water mains in the UCLA area of the City, City management has stated that the City's Department of Water and Power's (DWP) has sufficient insurance coverage to pay the cost of repair to the water mains and that this event will have no direct impact on the financial operations of the City.

Outlook: Stable

The stable outlook reflects KBRA's expectation that the City will continue to manage its structural deficit and increase the levels of operating reserves and unassigned fund balances. The stable outlook also reflects the expectation that the City will continue to manage to its pension obligations as well as continue to actuarially fund its OPEB obligations.

In KBRA's view, the following factors may contribute to a rating upgrade:

- Continued trend of operating surpluses and unassigned fund balance reserve in the General Fund.
- Reduction of the use of one time revenues and expenditures to balance the financial operations of the General Fund.
- Significant increases in the level of funded ratios in its retirement and OPEB funds.

In KBRA's view, the following factors may contribute to a downgrade of the rating:

- Trend of increasing use of one time revenues and expenditures to balance General Fund operations.
- Significant deterioration in the level of available fund balance and operating reserves.
- Significant decline in funded ratio levels in the retirement funds and OPEB funds.

Key Rating Determinants

Rating Determinant 1: Governance and Management Structure and Policies

KBRA views the City of Los Angeles' (the City, LA City, LA) organization structure and financial management policies and procedures as providing a strong framework for managing the City's financial operations. The City's management structure is supported by an experienced management team. The City monitors its financial operations on an ongoing basis and reports on its budget to actual performance on a quarterly basis. The City's governing body meets quarterly to discuss historical performance and review budget adjustments to maintain structural balance.

The City operates under a mayor-council form of government. Mayor Eric Garcetti was elected for a four year term starting in July of 2013. The Mayor, the City Attorney and the City Controller, are all elected positions, and took office in July of 2013. The City Treasurer and the City Administrative Officer (CAO) are appointed by the Mayor and confirmed by the Council. The City operates under a city charter. The State Constitution gives all its cities and counties the power to become charter cities and counties and gives all citizens the power to amend their charters through initiative and referendum.

The Mayor supervises the administrative process and works with the City Council (the Council) for matters of legislation, budget and finance. The CAO is the chief fiscal manager and reports directly to the Mayor and the Council. Under the administration of Mayor Garcetti, the City has instituted additional performance management measures. Under the new system, the departments within the City are required to submit performance metrics in connection with submission of budget funding requests. The Mayor's office works with the departments to ensure that appropriate and accurate data is being collected for measuring performance.

The fifteen member Council is elected by fifteen separate council districts for staggered four year terms. The Council is the legislative body of the City and enacts and executes ordinances subject to Mayoral approval. The Council levies taxes, authorizes public improvements and approves contracts among other key functions.

Bankruptcy Assessment

KBRA reviews the statutory framework regarding municipal bankruptcy and the state's existing statutes governing state assistance for fiscally distressed municipalities. According to bankruptcy provisions in the State of California, all local governments including counties, cities, special districts, school districts, and community college districts are allowed to file for relief under Chapter 9. While local governments within the State are granted broad authority to file Chapter 9, Assembly Bill 506 (AB 506) Chapter 675 of the Statutes of 2011 requires cities, counties, and special districts, to first attempt to resolve their fiscal problems with creditors, employee groups and other interested parties through a mediation process. Given the strength of the City's management and its strong financial condition, KBRA views the risk that the City will access the process to file for bankruptcy as remote.

Comprehensive Budgeting and Forecasting Process

The City's fiscal year starts on July 1 and runs through June 30 of the following year. The Mayor is required to submit a Proposed Budget (the Budget) to the Council by April 20. Under the City Charter, the Controller is required to provide the first preliminary revenue estimate for the City's revenue for the forthcoming year by March 1. The Report utilizes revenue projections from the city departments and economic forecasts from local economists including the Los Angeles Economic Development Corporation and UCLA Anderson School of Management. The purpose of the Report is to forecast revenue and estimate annual debt service requirements, cash flow and possible borrowing needs. The City is statutorily required to maintain a balanced budget which can include transfers from reserves and/or one time solutions from year to year. KBRA views the City's inclusion of multiple sources of revenue forecasts and detailed revenue estimates positively.

The Budget is based on mayoral budget priorities. The Budget is reviewed by the Council's Budget and Finance committee which recommends the Budget to the Council. The Council is required to adopt the Budget as modified by June 1. The Mayor then has five days to approve or veto any modifications by the Council which can over-ride the Mayor with a two-thirds majority vote. The Council adopted the FY 2015 budget on May 28, 2014 and the Mayor signed it on June 2. The City is not aware of any failure to meet the City Charter deadlines on budget adoption.

In addition to other reports, the CAO prepares a multi-year Budget Outlook based on existing budgets and projections of new revenues and expenditures. The Budget Outlook helps identify future budget challenges and allows for earlier implementation of budget adjustments through the annual budget process or interim action. The Budget Outlook is updated annually with the preparation of the annual budget and informed by the adjustments to the budget through the year.

Historically, the CAO has provided four to five Financial Status Reports (FSRs) to the Mayor and Council throughout the fiscal year. The FSRs provide updates on the current-year budget-including projected department deficits, trends in revenues, the Reserve Fund, and current issues of concern and their potential impact to the City and recommends budget adjustments. The FSRs are referred to the Council's Budget and Finance Committee for consideration and subject to final review by the full Council and the Mayor. Over the last five years, the CAO has also submitted strategic reports to inform the Mayor and the Council on the City's long term fiscal condition, which provide a review of expenditure factors and management recommendations. KBRA views the City's process of monitoring its financial performance, as well as its ability and willingness to adjust the budget within a budget year, as keys to successfully managing the City's finances.

The City's exposure to unpredictable but potentially significant seismic activity is underscored as a perennial risk. The City does not maintain earthquake insurance coverage on its public buildings and City management has stated that the City would rely on its general reserves and additional funds from the Federal Emergency Management Agency (FEMA) to manage potential costs that could arise from this risk.

Financial Reporting

The City's fiscal year extends from July 1 to June 30. The City presents its annual financial operations on a modified accrual basis of accounting. The City reports on major governmental funds including the General Fund (GF) which is the primary operating fund as well as proprietary funds including the Airports Fund, the Harbor Fund and the Power and Water Funds (DWP) as well as the Sewer Fund. Additionally, the City reports the Pension Trust Funds for the City's three

employee defined benefit pension plans; the Fire and Police Pensions System (Pensions), the Los Angeles City Employees' Retirement System (LACERS) and the Water and Power Employees' Retirement Plan (DWP Plan).

Reserve Policy

The City's charter established a Reserve Fund (RF) which is required to have a total balance equal to 5% of GF revenue; the RF is included in the General Fund's unassigned fund balances. The RF has two sub-funds, the Emergency Reserve Fund which is required to have a balance equal to 2.75% of GF revenue and a Contingency Reserve that includes funds in excess of the required balance in the Emergency Reserve. The Emergency Reserve can be used in the event of urgent economic necessity, when deemed as such by the Mayor and Council and it is replenished in the subsequent financial year. The estimated balance in the RF as of June 30, 2014 was \$551.4 million, which represents approximately 11.3% of the adopted FY 2014 General Fund revenue budget.

The City has additional reserves which are funded during periods of economic growth to provide liquidity during economic downturns. The Budget Stabilization Fund (BSF), created in fiscal 2009, and the Reserve for Economic Uncertainties Account or the Unappropriated Balance Fund (UB) established by the City Charter, adds additional flexibility to the City's operations. The BSF benefits from surpluses in excess of 3.4% of revenue growth from seven economically sensitive GF tax revenues (property, utility users, business, sales, tourism, real estate sales and parking). The BSF balances are limited as to use for non-recurring expenditures. The BSF had an estimated balance of \$69.5 million as of July 1 2014. The UB fund balances are utilized in the event of contingencies as they arise and these amounts are included in the budget at the beginning of the year. The UB had a budgeted balance of approximately \$21 million as of July 1, 2014. The City's financial policies also require an annual allocation of 1% of the General Fund revenue to be set aside for capital or infrastructure improvements. KBRA considers the City's reserve policies as providing a strong framework for maintaining operating flexibility and managing unforeseen budget pressures.

Based on the foregoing, KBRA views the City's management structure, budgeting practices, and financial management policies as being consistent with an AA+ rating. This rating level reflects the City's framework of financial management procedures and policies, comprehensive revenue forecasting process and frequent monitoring of budget to actual financial performance and its strong reserve policies.

Rating Determinant 2: Municipal Resource Base

Economic and Demographic Characteristics

KBRA views the economic base of the City of Los Angeles as strong and diversified. The City is the second largest city in the nation by population and is the principal city of southern California. The City is the county seat and acts as a center for the media and entertainment industry. The City is home to some of the largest and most prestigious universities in the country including the University of California, Los Angeles (UCLA) and the University Of Southern California. As of 2014, the City was ranked sixth on the Global Cities Index based on business activity, human capital, information exchange, cultural experience and political engagement and is home to Los Angeles International Airport (LAX), the world's sixth busiest airport.

Economic and Demographic Trends

Population Trends 2000-2012								
	City	% Ann. Chg.	County	% Ann. Chg.	State	% Ann. Chg.	U.S.	% Ann. Chg.
2000	3,679,600		9,477,651		33,722,000		282,425,093	
2005	3,731,437	1.4%	9,758,886	3.0%	35,278,768	4.6%	288,378,137	2.1%
2006	3,773,846	1.1%	9,948,081	1.9%	36,457,549	3.3%	299,398,485	3.8%
2007	3,806,003	0.9%	9,878,554	-0.7%	36,553,215	0.3%	301,621,159	0.7%
2008	3,803,383	-0.1%	9,862,049	-0.2%	36,756,666	0.6%	304,059,728	0.8%
2009	3,831,880	0.7%	9,848,011	-0.1%	36,961,664	0.6%	307,006,556	1.0%
2010	3,797,144	-0.9%	9,830,420	-0.2%	37,349,363	1.0%	309,349,689	0.8%
2011	3,819,708	0.6%	9,889,056	0.4%	37,691,912	2.0%	311,591,919	1.5%
2012	3,857,786	1.6%	9,962,789	1.3%	38,041,430	1.9%	313,914,040	1.5%
% change from 20	4.8%		5.1%		12.8%		11.1%	

Source: U.S. Census Annual July 1 Population Estimates 2000-2012

* Preliminary

The population of the City in 2012 was approximately 3.86 million, reflecting 4.8% growth from 2000. Los Angeles' population declined less than 1% during the Great Recession and more than made up for that loss in the two years after. The age dependency ratio, measuring the ratio of dependents to the working population has been declining for the City, is below comparable State and national levels.

Certain demographic indices are based on County data as City data was unavailable. About 19.6% of the County population held an advanced degree which is slightly lower than the State's average but higher than the national measure. Per capita personal income in the County in 2012 was lower than the State but higher than the nation. Personal income per capita for the County grew faster than the State but slower than the nation between 2002 and 2012. The County's poverty level, 19.1% is in excess of both state and national levels but consistent with the more urban nature of its population.

	LA County		State		US	
	2012	% Chg. from 2002	2012	% Chg. from 2002	2012	% Chg. from 2002
Population	9,962,789	5.1%	38,041,430	12.8%	313,914,040	11.5%
Age Dependency Ratio ³	54.3%	-10.5%	57.2%	-6.4%	59.3%	-3.8%
Population with B.A. Degree or higher ⁴	19.6%	27.1%	20.1%	19.3%	18.2%	17.4%
Poverty Level	19.1%	6.7%	17.0%	19.7%	15.9%	28.2%
Personal Income (in billions)	\$443.1	42.3%	\$1,768	48.2%	\$13,729	54.7%
Personal Income per capita	\$44,474	38.6%	\$46,477	35.8%	\$43,735	42.0%
Real Gross Domestic Product (in billions)	\$670,974.0	13.5%	\$2,010	18.7%	\$15,246	17.4%
Real GDP per capita	\$51,404	9.7%	\$52,835	8.9%	\$42,784	6.5%

Source: U.S. Census Bureau, U.S. Bureau of Economic Analysis

¹ Region Definition

³ Age dependency ratio is the sum of the population under 18 yrs. and 65 yrs. and older divided by persons age

⁴ Percent of the population aged 25 and over

Business and Commercial Activity

The City’s economy is broad and deep and supported by a diverse set of industries. The County is a large manufacturing center in the nation as measured by industrial jobs and its ports (including both Long Beach and Los Angeles) are the fifth busiest ports in the world. The Port of Los Angeles is considered the most utilized container port in the nation. The port also remains the largest cruise ship center on the West Coast. Los Angeles’ main industries include media production, finance, telecommunications, law, healthcare, and transportation. The City serves as the headquarters for six Fortune 500 companies.

The employment base in 2013 as reported by the California Employment Development Department for the County was concentrated between four sectors. Trade, Transportation and Utilities accounted for 19% of workers; education and health services accounted for 17.3%; Professional and Business services accounted for 14.3% and Government accounted for 13.3% of the labor force. Leisure and Hospitality also contributed to the employment base accounting for 10.6% of the total employment figure. As seen in the chart below, Kaiser Permanente remains the largest employer in the County for 2013.

Top 10 Largest Employers of LA County in 2013		
Company	Service/Product	Number of Employees
Kaiser Permanente	Nonprofit Healthcare Plan	36,495
Northrop Grumman Corp	Defense Contractor	16,100
Target Corp	Retailer	15,000
University of Southern California	Private University	14,525
Bank of America Corp	Banking/Financial Services	13,746
Ralphs/Food 4 Less (Kroger)	Grocery Retailer	13,500
Providence Health&Services	Health Care	10,983
Cedars Sinai Medical Center	Medical Center	10,663
Home Depot	Home Improvement Retailer	10,630
Walt Disney Co.	Entertainment	10,500

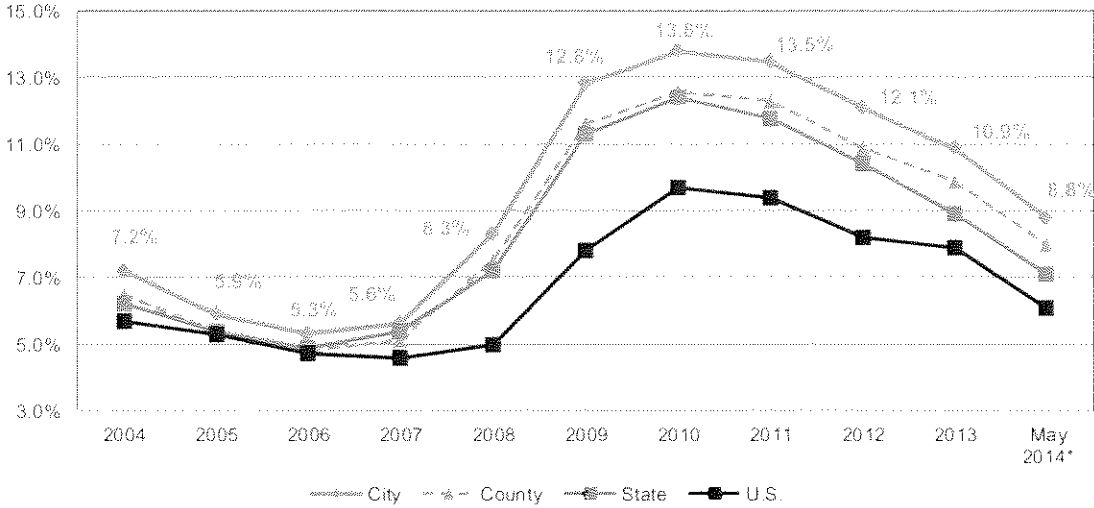
Source: Los Angeles Disclosure June 2014

The City accounted for nearly 30% (\$40.1 billion) of approximately \$135 billion of taxable sales in the County in 2012. The City’s historical trend of taxable sales has been increasing steadily for the past five years. Sales tax receipts are expected to increase due to the anticipation of increased leisure travel and tourism. Residential real estate values have appreciated within the City. Residential construction is a growing part of the City’s economy and permits for multi-family housing were growing but still below its pre-recessionary levels.

Employment

From January 2008 through February 2010, the Los Angeles MSA lost over 527,000 jobs or 9% of employment base. The MSA recovered 490,900 jobs by June of 2014 for a job recovery rate of 93%.

**Annual Unemployment Rate
(Seasonally Adjusted)**



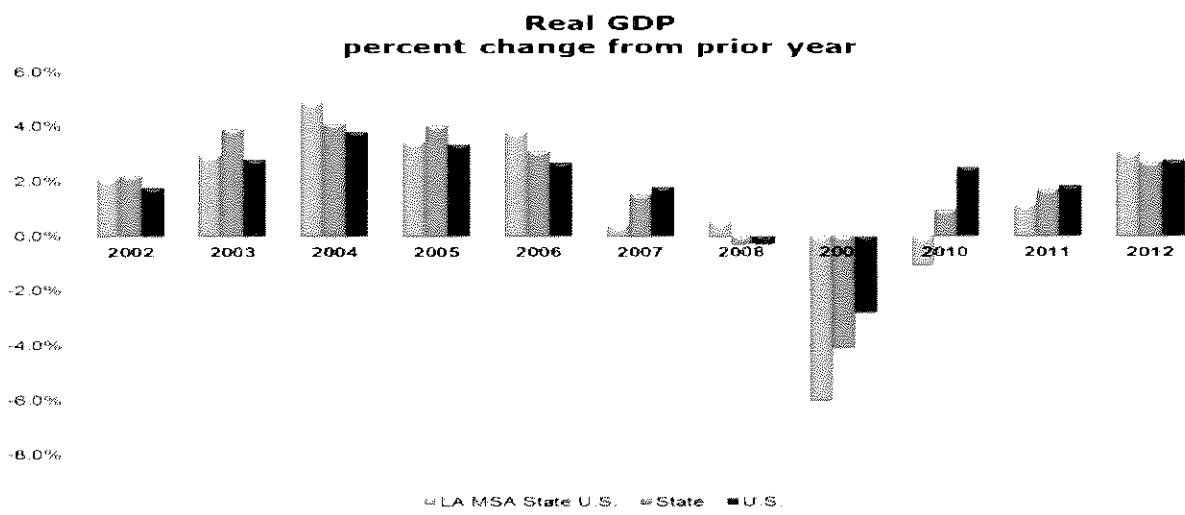
*Preliminary numbers
Source: U.S. Bureau of Labor Statistics

Unemployment rate of the City peaked in 2010 at 13.8%, which was higher than the County, State or nation. The City has experienced modest employment gains in each of the years since 2010, although employment gains continue to trail County, State and national levels. Based on preliminary figures for May 2014, the City unemployment rate was 8.8%, compared to 8% for the County, 7.1% for the State and 6.1% for the nation.

Real GDP Growth

Gross Domestic Product (GDP) measures the growth of an area, by combining personal consumption, business investment and government spending. KBRA reviewed the change in real GDP for the LA MSA, the State and the nation to ascertain trends for the Los Angeles area.

According to U.S. Bureau of Economic Analysis data, year-over-year real GDP for the MSA began to decline in 2008, with a decline of 7% between 2008 and 2010. The rate of decline was more severe than declines experienced by the State and nation. By 2011 the MSA’s GDP began to recover. The positive trend in growth continued until 2012 when the MSA grew at a higher rate than both the State and the US. In 2012, the MSA’s real GDP grew faster than the State or the nation.



Property Tax Base

City of Los Angeles			
(in thousands)	Net Assessed Value*	% Change in Full Value	Current Tax Collections
2004	263,547,493		95.9%
2005	284,468,294	7.9%	94.3%
2006	312,668,294	9.9%	90.2%
2007	346,982,793	11.0%	94.5%
2008	381,153,232	9.8%	93.2%
2009	411,135,224	7.9%	94.0%
2010	410,756,330	-0.1%	93.9%
2011	401,273,954	-2.3%	95.6%
2012	406,456,673	1.3%	93.6%
2013	416,539,450	2.5%	98.6%
<i>Source: City of LA 2013 CAFR</i>			94.4%

* Net of homowners exemptions

The California State constitution limits the amount of ad valorem taxes imposed by any government entity on real property to 1% of full cash value. The County Assessor determines the full cash value of the real property within the City. The full cash value of property is based on the valuation of real property shown on the 1975-1976 tax bill; growth in valuation since 1976 reflects a maximum annual increase of 2% in the value of property and increases due to change in ownership and new construction. Additional ad valorem taxes beyond the 1% cap can be levied to pay debt service on indebtedness for debt issued prior to July 1978 and for new debt provided that the authorization is approved by a two-thirds majority of the city voters. The County collects the ad valorem taxes which are then apportioned among local taxing agencies on a basis of a formula established by State law.

The assessed valuation (AV) of property is established by the County Assessor and reported as 100% of the full cash value as of the first of January, every year. For assessment purposes all taxable real and personal property is classified as secured or unsecured. The secured roll contains



real property and the unsecured roll consists of taxable property not secured by underlying real property. The property taxes are due in two installments and are collected by the County Collector. If taxes are unpaid for a certain period of time, the title of the property is assigned to the State and can be sold by the collector. Property taxes are delinquent if not paid by August 31. There is a well-defined process by which property owners may appeal their classifications and overall valuations.

The City's AV, net of homeowner's exemption, equaled \$416.5 billion in FY 2013, up from \$406.5 billion FY 2012. AV increased 56% from 2004 to a peak of \$411.1 billion in 2009 and then declined by 2.3% to \$401.3 billion in 2011. Property values stabilized in 2012 with an increase of 1.3% in 2012 and 2.5% in 2013. The City's 2013 AV increased to \$416.5 billion, which equates to a full market valuation per capita level of \$108,000 which KBRA considers very high. Taxpayer concentration is low; the City's ten largest taxpayers represent a modest 1.97% of total valuation.

Top Taxpayers Los Angeles in 2013			
Company	Land Use	2013 Secured AV	% of Secured AV
Douglas Emmet LLC	Office Building	2,393,458,404	0.57%
Anheuser Busch Inc	Industrial	836,512,733	0.20%
Valero Energy Corporation	Petroleum	828,316,149	0.20%
Donald T Sterling	Apartments	648,866,087	0.15%
BRE Properties Inc.	Apartments	647,721,827	0.15%
Conocophillips Co.	Petroleum	618,211,962	0.15%
One Hundred Towers LLC	Office Building	605,746,600	0.14%
Olympic and George Partners LLC	Hotel/Residences	574,137,599	0.14%
APM Terminals Pacific Ltd	Terminal Operations	550,437,546	0.13%
Tishman Speyer Archstone Smith	Apartments	544,789,195	0.13%
<i>Total</i>		8,248,198,102	1.95%

Source: City of Los Angeles Disclosure June 2014

KBRA views the City's resource base to be consistent with an AA- rating. Based on Los Angeles' role as the major commercial and business center of southern California, broad and diversified economic base and high wealth levels. The rating also reflects slower employment growth and higher unemployment rate than the County state and US.

Rating Determinant 3: Debt and Additional Continuing Obligations

KBRA views the City's overall debt to AV of 3.8% and per capita debt of \$4,103 quite favorably. Annual direct debt service, due in FY 2015 comprises 5.2% of fiscal 2013 total governmental expenditures. Debt amortization is rapid with 68.7% of principal being retired in the next ten years and 82.9% being retired in fifteen years. The City's total direct debt as of July 1, 2014 includes General Obligation bonds, City Wide Assessment Bonds, Lease Obligations and Judgment Obligation Bonds equal to \$2.7 billion.

As of FY 2013 the City's two pension systems receiving employer contributions from the General Fund were funded on an actuarial basis at approximately 69% or higher with the City generally contributing the full actuarially based annual required contribution (ARC) for its pension funds. Also, the City has actuarially funded its OPEB obligations since FY1990 and has generally made



ARC payments for their OPEB obligations. KBRA views the City's actuarial funding of its OPEB obligations very positively as there are relatively few U.S. cities that pre-fund their OPEB obligations.

Debt Management Policy

The City's debt issuance is based on the Debt Management Policy (the policy) for issuing bonds and other forms of indebtedness. The City Administrative Officer of the Debt Management Group has the ongoing responsibility to manage the City's Debt Program. The proprietary funds within the City, namely the Departments of Airports, Harbor, Water and Power, Housing and Industrial Development Authorities among others, are responsible for issuing and administering their own debt. The City's debt capacity and issuance plans are based on a Capital Financing Plan (the Plan) which analyzes the borrowing needs of the City and impact of the planned new debt issue on already incurred debt for the City.

The City's debt management policy articulates direct debt service limits. The policy limits voted debt service to less than 15% of General Fund revenue and non-voted debt service to 6% of General Fund revenue. According to the policy, the City also aims to structure debt amortization to repay 50% of all issued debt within the first 10 years of issuance. The City funds routine maintenance projects with pay-as-you-go financing. KBRA views this relatively conservative approach to debt incurrence and management, as positive.

City of Los Angeles Debt Ratios	
KBRA Metric	Ratio
Direct and Indirect Debt Per Capita*	\$4,103
Direct and Indirect Debt as % of 2013 Assessed Value	3.8%
Debt amortization within 10 years	68.7%
Debt amortization within 20 years	82.9%
Direct debt service as a % of total governmental expenditures	5.2%

Source: FY 2013 CAFR

*City population 2012 / City Net AV 2013

Direct Debt

KBRA includes all of the City's General Fund supported obligations in the calculation of debt burden ratios. Included in direct debt are general obligation (GO) bonds, lease revenue bonds, certificates of participation secured by lease payments and City wide assessment obligations. The City issues GO bonds for the acquisition and improvement of real property. These bonds are subject to a two thirds voter authorization and are secured by an ad valorem tax levied by the City and collected by the County on secured and unsecured property within the City. GO bonds are typically structured to amortize completely by the earlier of 20 years or the useful life of the asset being financed. The City also issues assessment bonds approved by a voter majority and issues judgment obligation bonds for the purposes of funding various judgments against the City. These debt issues are paid out of the General Fund and hence included in the calculation of debt burden. The City had approximately a little over \$1 billion of GO and assessment debt outstanding as of July 2014.

The City also enters into long term lease obligations without voter approval for the acquisition and improvements of real property or capital equipment for City operations. The lease agreements have been with a nonprofit corporation established by the City, the Municipal

Improvement Corporation of Los Angeles (MICLA) or with a joint powers authority such as the Los Angeles Convention and Exhibition Center Authority. The resulting securities issued either in the form of lease revenue bonds or certificates of participation are paid from annual lease payments made by the City primarily from the General Fund. The City had approximately \$1.67 billion of lease revenue and certificates of participation outstanding as of July 2014.

In addition to GO and lease obligations, the City and MICLA also established a commercial paper note program (CP Program) that is used to finance capital equipment and real property; the program is currently authorized to issue up to \$335 million in any given year. The City issues lease revenue bonds through MICLA to refund the CP notes from time to time. The City had approximately \$256 million of CP outstanding in the program, as of June 2014. The CP program is supported by direct pay letters of credit (LOC) from four separate banking institutions.

The City annually issues tax and revenue anticipation notes (TRANS) to fund expenditure needs that occur early in the fiscal year and prior to receipt of any of the tax revenues. The TRANS are then paid down by the end of the fiscal year as taxes and revenues are received. The City issued approximately \$1.37 billion in TRANS for cash flow needs in the FY 2015 year.

The City's direct debt service payments for FY 2015 are estimated to be \$359 million, including \$151.9 million on GO bonds and assessment bonds and \$207.1 million on lease obligations and judgment obligation bonds. The total direct debt service equals to 5.2% of FY 2013 governmental expenditures, which KBRA considers to be low. The pace of debt amortization is relatively rapid with 68.7% of principal and interest amortized over the next 10 years and 82.9% of debt amortized in 20 years. The City's debt service amortization trend is generally front loaded, which KBRA views favorably.

KBRA notes that the City Charter and State law provides for issuance of revenue bonds and certificates of participation which are secured by various component enterprises and special funds. The City also issues bonds secured by loans and provides conduit financing for single and multi-family housing, industrial development and various non-profits; these obligations are not secured by the General Fund of the City and do not have recourse to the City, and therefore not included in the debt analysis of the City.

Overlapping Debt

The debt issuing entities that overlap with the City include Los Angeles County and various other County and City entities including School and College Districts, Community Facilities Districts and Flood and Water Control Districts.

Debt Structure

KBRA views positively the minimal level of interest rate risk and derivative risk within the City's General Fund debt structure. This results from the City's conservative debt management practices. The City's General Fund debt has no variable rate component except for the CP program, which is limited to \$335 million and is outstanding in an amount of \$256 million, as of June 30, 2014. The City's wastewater system has issued variable rate debt with related swaps. A formal swap policy was approved and adopted into the City's financial policies in FY 2003.

City Pension Obligations

The City's retirement plans for its employees and the Fire and Police Employees are defined benefit plans established under the City Charter. The plans include the Los Angeles City

Employees' Retirement System (LACERS) and the City of Los Angeles Fire and Police Pension Plan (FPPP). The LACERS and FPPP provide a complete array of retirement, disability and annual cost-of-living adjustments (COLA) to employees and beneficiaries. The City includes its post-employment healthcare benefits as part of its retirement systems. The City Charter requires annual actuarial valuations for both pension retirement systems which are used to determine the contribution rates for funding both the pension plans and the OPEB obligations. Recent investment assumptions for the pension plans include 7.75% for LACERS and 7.5% for FPPP. The City generally pays the full ARC payment for both its pension contributions and OPEB obligations to the LACERS and FPPP retirement systems.

Los Angeles City Employees' Retirement System (LACERS) (Retirement Fund Only)

LACERS was established under the City Charter in 1937 and covers civilian City employees and excludes "sworn," or the police and fire personnel. The plan has approximately 24,441 active members, 17,000 retired members and nearly 5,800 inactive members. The plan's actuarial assumptions are updated every three years when a triennial experience study is conducted on the program's economic and demographic assumptions including investment return, inflation rate, expected salary increases and COLA adjustments. The most recent triennial report was submitted in 2011; it reduced the investment rate assumption from 8% to 7.75% which increased the employer annual contribution requirement in future years.

As of FY 2013, the LACERS pension program funded ratio was 68.7% on an actuarial basis, down from 84.4% in 2008. KBRA notes that the LACERS funded ratio has declined year-over-year since 2008 due to a combination of factors including magnitude of the losses in 2008-2009 and recent investment return fluctuations. The current underfunded actuarial accrued liability (UAAL) is \$4.66 billion and the accrued actuarial liability is equal to \$14.88 billion.

In 2012 the City adopted a new civilian hire retirement tier designed to reduce the City's future pension costs by a number of measures including increasing the retirement age from 55 to 65, limiting future retiree annual cost-of-living adjustments to 2% and increasing the employee contribution to the pension system. The City estimated the new civilian retirement tier to result in a 30-year savings of \$3.9 billion to \$4.3 billion, and generate \$4 million in savings in current retirement contributions. However, in late July 2014, the City Employee Relations Board (ERB) ruled that the City's action in creating the new civilian retirement tier was illegal because the City did not follow certain steps to properly validate the implementation of the new tier. Therefore the ERB ordered the rescission of the new tier implementation. The City is considering its options in response to the decision, including appealing the ruling in State court. KBRA notes that the savings generated from the new hire tier were expected to materialize over the longer term and therefore pose less of a challenge currently to City finances if not implemented.

Fire and Police Pension Plan (FPPP) (Retirement Fund Only)

The FPPP was incorporated into the Charter in 1923, although established 24 years prior to the incorporation in 1899 and represents contribution plans for uniformed fire and police employees. As of FY 2013, the FPPP had 13,224 active members and 12,432 retired members and beneficiaries. The plan's actuarial assumptions are updated every three years when a triennial experience study is conducted on the program's economic and demographic assumptions including investment return, inflation rate, expected salary increases and COLA levels. The most recent triennial report, for the twelve month period ending June 30, 2013, was recently released and the investment rate assumption was reduced from 7.75% to 7.5%, effective with the upcoming June 30, 2014 valuation.

As of FY 2013 the FPPP pension funded ratio was 83.1% on an actuarial basis down from 99.2% in FY 2007. The funded ratio has also been declining since FY 2007, despite full funding of the annual ARC, due to a combination of factors including the magnitude of investment losses in 2008-2009 and recent fluctuations in investment returns. FPPP's UAAL as of FY 2013 was \$2.97 billion and the actuarial accrued liability was equal to \$17.6 billion.

Other Post-Employment Benefits

The City provides post-employment retirement healthcare benefits (OPEBs) to retired employees who are eligible for pension benefits. LACERS and FPPP members and their beneficiaries are eligible for subsidized medical and dental insurance coverage. The City began prefunding the costs of these benefits on an actuarial basis since FY 1990. KBRA views the City's prefunding of its OPEB obligations on an actuarial basis as very positive.

The contribution for the City's OPEB is calculated based on the same actuarial assumptions as the pension system, other than those assumptions which pertain to medical costs. As of June 30, 2013, the OPEB funded ratio was 71.9%. The funded ratio for the FPPP OPEB obligation is lower at 38.5%. The City generally pays the full ARC payment for both its pension contributions and OPEB obligations to the LACERS and FPPP retirement systems.

The City negotiated certain changes to the OPEB funding plan whereby plan members, who did not previously contribute to the healthcare subsidy benefits, would now contribute between 2% and 4% for current and future adjustments to the healthcare benefit. The effect of the additional contributions would alleviate approximately \$80 million in cost for the current fiscal year.

Pension and OPEB Contributions

The City presents information on OPEB and pension contributions on a combined basis for the LACERS and FPPP systems. The City's combined contribution to the LACERS system for FY 2013 is estimated to be \$411.5 million, which represents 6% of total FY 2013 governmental expenditures. The FY 2013 contribution to the FPPP system of \$625 million represents 9.1% of FY 2013 governmental expenditures. Combined LACERS and FPPP contributions are scheduled to increase over the next several years and then decline after FY 2017. Total fixed costs, including FY 2013 direct debt service, the City's annual pension and OPEB contributions equaled 20.3% of FY 2013 total governmental expenditures.

Capital Improvement Plan

The City's Capital Improvement expenditure program includes all funds and totals \$215.7 million in capital improvement expenditures estimated for FY 2015. The capital investment associated with the Sewer Construction and Maintenance Fund (\$183.8 million) for FY 2015 accounts for over 85% of the total budgeted for the year. The City still has \$60.5 million in storm water project bonds authorized but unissued at this time which is not payable through the General Fund. Total debt payable from General Fund sources to be issued in FY 2014 and FY 2015 is projected to be approximately \$100 million.

Based on the foregoing, KBRA views the City's debt and continuing obligations profile as being consistent with a AA rating based on KBRA's view of the low to moderate direct and overlapping debt levels, adequate pension funded ratios and consistent funding of ARC contributions for the pension funds and OPEB obligations

Rating Determinant 4: Financial Performance and Liquidity

KBRA views the financial condition of the City of Los Angeles as strong based on management of the City's General Fund budget, an increasing level of reserves and strong liquidity over the past several years. KBRA views the City's improved financial performance from FY 2009 through FY 2014 as the result of management's pro-active budgeting and strict fiscal monitoring practices as well as improvement in the economy. Given the restrictions in the State Constitution on the City's ability to raise local taxes, KBRA views ongoing action taken by the City to cut costs and services to achieve structural balance as a strong positive factor. The City's reserve levels have increased since FY 2010, with the total General Fund unassigned fund balance constituting 8.8% of General Fund expenditures in FY 2013. The City met and modestly exceeded its Reserve Fund policy of 5% of General Fund expenditures for the last two fiscal years; the Reserve Fund is included in the City's unassigned General Fund balance. KBRA considers the City's overall liquidity levels strong.

The City's existing budgetary imbalance worsened due to the economic recession starting in late 2007. As a result of the recession, the City experienced property value devaluation, declining business and sales tax and investment market losses. The City's FY 2009 budget reflected a structural deficit of \$400 million which management projected to increase to approximately \$1 billion by FY 2014. However, the success of the City's fiscal initiatives over the past six years reduced that potential structural deficit to \$216 million in the initial FY 2014 budget. The City has adopted a statutorily required balanced budget every year, based on ongoing revenues and expenditures and limited utilization of one time revenues and reserves. According to the City, over the past 12 years, annual one-time revenues used to balance the budget averaged \$119.3 million, which equates to approximately 2.6% of average General Fund revenue over the past six years. The City continues to work towards structural budgetary balance.

The City's fiscal year extends from July 1 of the current year to June 30 of the following year. While the City's budgetary reports are presented on a modified cash basis, the year-end financial statements are prepared and presented utilizing a modified accrual GAAP basis of accounting. The City reports on major governmental funds as well as proprietary funds including the Airports Fund, the Harbor Fund, the Power and Water Funds and the Sewer Fund. Additionally, the City reports the Pension Trust Funds for the City's three employer defined benefit pension plans; the Fire and Police Pensions System (FPPP), the Los Angeles City Employees' Retirement System (LACERS) and the Water and Power Employees' Retirement Plan (DWP Plan). The General Fund is the primary operating fund of the City and is the focus of KBRA's financial analysis.

Historical Financial Performance

General Fund Balances FY2008-2013											
Revenues Expenditures and Changes in Fund Balance											
(\$ in Thousands)	2013	% Chg	2012	% Chg	2011	% Chg	2010	% Chg	2009	% Chg	2008
General Fund Revenue	4,521,046	5%	4,317,334	3%	4,179,291	0%	4,185,433	-3%	4,331,549	1%	4,283,638
General Fund Expenditures	4,155,534	3%	4,053,262	4%	3,913,044	-6%	4,145,697	-2%	4,249,884	2%	4,157,545
Surplus (Deficit) from Operations	365,512	38%	264,072	1%	266,247	570%	39,736	-51%	81,665	-35%	126,093
Total Other Financing Sources (Uses)	(212,640)		(215,676)		(182,673)		(85,083)		(195,684)		(236,152)
Net Change in Fund Balance	152,872		48,396		83,574		(45,347)		(114,019)		(130,064)
Fund Balances											
Nonspendable	43,115		31,134		26,299		29,771		27,879		30,304
Restricted - General Government	69,712										
Assigned - General Government	242,643		267,645		239,877		182,835		233,761		352,416
Unassigned	367,146		272,905		253,882		224,574		221,811		215,227
Beginning Fund Balance	571,684		520,058		437,180		483,451		597,947		707,910
Ending Fund Balances	722,616		571,684		520,058		437,180		483,451		597,947
Unassigned Fund Balance as a % of General Fund Expenditures	8.8%		6.7%		6.5%		5.4%		5.2%		5.2%

Source: LA CAFRs 2008-2013

KBRA reviewed the City's General Fund operations from FY 2008 to FY 2013. The City experienced financial stress related to the national and local economic recession starting in FY 2008. The City ended the year with operating deficits between FY 2008 and FY 2010; at the end of FY 2010 the unassigned fund balance was \$224.5 million, comprising 5.4% of General Fund expenditures. KBRA views the maintenance of the unassigned fund balance levels above 5% during the recessionary period very positively. The City's finances began to recover in fiscal 2011; the unassigned fund balance increased from \$253.9 million to \$367 million in FY 2013 which accounted for 8.8% of General Fund expenditures.

The City faced a \$293 million budgetary deficit at the beginning of FY 2009. The deficit, anticipated due to a decline in real estate activity as well as business and sales taxes, was reduced to \$102.7 million as a result of expenditures cuts and receipt of some revenues higher than expected during the year. Management reduced spending, increased fees and charges for services, and ceased certain municipal services to balance the budget. Efficiencies enacted that year included a headcount reduction, salary reductions and enhanced collections of outstanding receivables. The City did not use the Reserve Fund to balance the budget, which at the end of FY 2009, had a balance of \$174.3 million. When adjusted for GASB 54 classifications, the unassigned fund balance for FY 2009 totaled \$221.8 million which comprised 5.2% of General Fund expenditures.

In initial FY 2010 budget, the City faced a \$529 million budget gap due to a projected \$310 million decline anticipated in General Fund revenue and a projected 5% increase in expenditures. The revenue decline was based on a housing market slump characterized by declining home prices along with increased delinquency and foreclosures. The City closed the budget gap by instituting an early retirement program, continuing its furlough programs and transferring funds from the Reserve Fund, ending the fiscal year with a balance of \$193.5 million. For FY 2010 the unassigned fund balance adjusted for GASB 54 classifications totaled \$224.6 million, accounting for 5.4% of General Fund expenditures.

General Fund Revenues for FY 2008 -FY 2013											
	2013	% Chg	2012	% Chg	2011	% Chg	2010	% Chg	2009	% Chg	2008
Taxes	\$3,432,166	5.1%	\$3,265,142	4.0%	\$3,139,834	0.5%	\$3,122,656	-4.5%	\$3,271,106	0.5%	\$3,253,976
Property Taxes	1,565,457	6.4%	1,470,799	2.4%	1,436,707	-1.3%	1,455,061	-4.2%	1,510,744	7.6%	1,412,037
Sales Taxes	343,626	4.7%	328,059	5.5%	299,624	6.6%	281,189	-6.5%	300,585	-10.9%	337,313
Utility Users Taxes	623,794	-1.7%	634,629	2.6%	678,307	-1.6%	628,484	-2.7%	648,250	4.7%	617,199
Business Taxes	447,983	2.1%	438,969	3.3%	424,762	3.0%	412,287	-10.6%	461,374	-0.6%	465,124
Other Taxes	451,304	14.9%	392,686	9.3%	350,434	4.0%	345,618	0.4%	344,147	-18.5%	422,303
Charges for services	532,512	4.3%	510,401	2.8%	496,551	-8.3%	541,306	9.1%	496,053	18.9%	417,051
Services to Enterprise Funds	252,178	2.6%	245,853	-1.0%	248,263	-3.0%	255,949	-3.3%	264,602	-3.4%	273,933
Total Revenues	\$4,521,046	4.7%	\$4,317,334	3.3%	\$4,179,291	-0.1%	\$4,185,433	-3.4%	\$4,331,549	1.1%	\$4,283,638

General Fund Expenditures for FY 2008 -FY 2013											
	2013	% Chg	2012	% Chg	2011	% Chg	2010	% Chg	2009	% Chg	2008
General Government	\$1,219,179	-3.0%	\$1,257,198	2.7%	\$1,224,691	-7.9%	\$1,329,062	1.6%	\$1,309,583	5.7%	\$1,238,638
Public Safety	2,403,195	5.4%	2,279,987	4.5%	2,162,116	-2.2%	2,231,156	-3.3%	2,308,105	3.1%	2,238,683
Total Expenditures	\$4,155,534	2.5%	\$4,053,262	3.6%	\$3,913,044	-5.6%	\$4,145,697	-2.5%	\$4,249,884	2.2%	\$4,157,545
Revenue over Expenditures	365,512		264,072		266,247		39,736		81,665		126,093
Total Other Financing Sources	(717,640)		(215,670)		(182,675)		(65,083)		(195,686)		(230,167)
Net Change in Fund Balance	152,872		48,396		83,574		(45,347)		(114,019)		(104,064)
Other Adjustments	(1,940)		3,230		(696)		(924)		(477)		101
Beginning Fund Balance	571,684		520,058		437,180		483,451		597,947		707,916
Total Fund Balance	722,616		571,684		520,058		437,180		483,451		597,947

Source: City of Los Angeles, CA, CAFRS

As see in the chart above, FY 2011 financial operations reflected stabilization in the City's General Fund operations. Total revenues declined 0.1%, which includes a 1.3% decline in property tax revenues and a 1.6% decline in utility tax revenues. General Fund expenditures significantly declined a result of lower payroll costs, including savings from extensive departmental position cuts over the previous two years as well as early retirement and furloughs of city employees. For the first time since FY 2008, the City's General Fund operating surplus served to increase the total fund balance. The unassigned fund balance for FY 2011 including the Reserve Fund in the amount of \$171.5 million, totaled \$253.9 million, and accounted for 6.5% of General Fund expenditures.

For FY 2012, the City's budgetary gap of \$336.3 million reflected the new employee contracts which included salary increases and the elimination of furloughs. In FY 2012, financial operations reflected growth in most revenue line items including sales, business and utility taxes which resulted in 3.3% growth in total General Fund revenues. FY 2012 operations also reflected higher expenditures due to increases in personnel costs. The City ended the fiscal year with an operating surplus of \$49 million. The Reserve Fund balance for the year increased to \$242.3million and the unassigned fund balances totaled \$272.9 million, comprising 6.7% of General Fund revenue. KBRA views the growth in the level of reserves very positively.

FY 2013 Operating Summary

In FY 2013, the City's improving economy was reflected in a second consecutive year of property tax growth and increase in economically sensitive revenue collections. The City's fiscal condition continued to improve in FY 2013 due to overall revenue growth and control of expenditures. The City's FY 2013 projected budget gap of \$238 million was balanced through a combination of expenditure cuts including the elimination of over 650 positions, increased fines and fees, ongoing efficiencies and one time revenues. Sales and tourism related revenue increased and documentary receipts, which are directly correlated to real estate transfer activity, also grew during the year. Property tax revenues grew 6.4% compared to FY 2012; sales and business taxes grew 4.7% and 2.1%, respectively. The City negotiated higher employee healthcare benefit contributions and re-assigned General Fund employees to other Special Funds thereby improving

operating results for the year. The City also received tax increment revenue, which became available due to the dissolution of the City's Redevelopment Agency. The City ended FY 2013 with an operating surplus of \$152.8 million. The City's unassigned fund balance totaled \$367.1 million, accounting for 8.8% of GF expenditures

As discussed previously, the City's reserve fund policy requires maintaining a balance of at least 5% of General Fund revenues in the Reserve Fund. At the end of FY 2013, the Reserve Fund accounted for \$352.3 million or 7.7% of FY 2013 budgeted General Fund revenues. In addition to the Reserve Fund, the City also maintains the Budget Stabilization Fund (BSF) and a Reserve for Economic Uncertainty which is part of the Unappropriated Balance, both of these reserves can be used to finance contingencies as they may arise. The BSF had a balance of \$69.5 million at the end of FY 2013.

Unaudited FY 2014 Results

KBRA reviewed FY 2014 budgetary and operational results as presented in the Financial Status Report on a modified cash basis on May 29, 2014, just prior to the end of the fiscal year. The adopted budget projected approximately \$4.87 billion in General Fund revenue, a 4.3% growth from actual revenues in FY 2013. The City's initial budget deficit of \$216 million was resolved by \$111 million in expected increases in economically sensitive revenue sources and approximately \$140.5 million of one-time revenue sources. The City reported a mid-year deficit of \$36.6 million which was reduced to \$19.9 million and then funded from a draw down from the Reserve for Economic Uncertainties. The FY 2014 preliminary results indicate management's ability to control costs which served to offset a sizeable unbudgeted salary increase of 5.5% for 60% of the City's workforce in January 2014, based on labor agreements finalized after the beginning of the fiscal year. The City's final FSR, one of four presented throughout the year, indicated an increased Reserve Fund balance on a budgetary basis. KBRA views the improvement in City finances favorably and expects incremental progress as the economy continues to improve.

Based on review of City budgets and budget to actual financial performance reports, KBRA views the City as having generally met its revenue and operating projections over the last several years.

FY 2015 Budget

The City adopted the FY 2015 budget on June 2, 2014. General Fund revenues projected for the year were 5.6% higher than the adopted budget for FY 2014. During the process of developing the FY 2014-2015 budget, a budgetary gap of \$433 million was addressed through a combination of ongoing and one-time expenditure reductions and one-time revenue measures. On the revenue side, one-time revenues totaled \$186 million, including a transfer of \$117.5 million from the Reserve Fund. KBRA notes that there are several areas of uncertainty which may impact FY 2015 and future expenditure budgets, including the funding of historical police overtime costs and salary levels for new police officers. Additionally, the need for increased funding for street repairs and a Fire Department ambulance program may put pressure on the FY 2015 budget. In addition to the annual budget, the CAO's staff prepares a multi-year Budget Outlook based on existing budgets and projections of new revenues and expenditures. The Budget Outlook, prepared in connection with the FY 2015 budget anticipates structural budget deficits of \$165 million in FY 2016, \$186 million in FY 2017, and \$72 million in FY 2018 and an elimination of the budgetary imbalance by FY 2019. The assumptions which support this Budget Outlook include no increases to the City workforce, limited increases to City services that were reduced during the fiscal crisis,

no further labor cost increases and 10% employee contribution to healthcare premiums; several of these assumptions involve actions not under the sole control of the City.

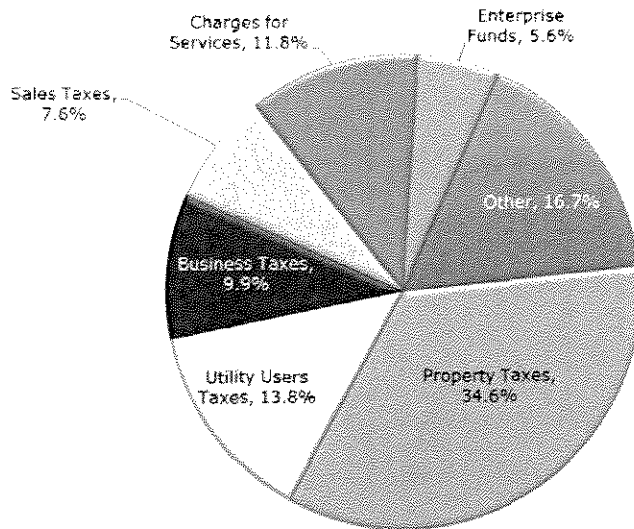
Revenue Diversity

KBRA views the City's revenue diversity positively. In FY 2013, property taxes accounted for 34.6% of the City's General Fund revenue, with utility users' taxes comprising the next largest single component of revenues (13.8%). Property tax revenues increased over the past three years as a result of improved home prices, incremental taxes redirected upon dissolution of the City's Redevelopment Agency and growth in vehicle and sales tax replacement revenue. The utility users' tax, imposed on users of natural gas, electricity and communication services within the City limits, fluctuate annually, reflecting power, gas and telephone user rates as well as the impact of technological changes.

The communication users' tax, which is part of the utility users' tax receipts, has declined as consumers started utilizing more economical text and voice mobile communication plans. The City's telephone users' tax ordinance has been the subject of litigation and City management states that resolution of this litigation may result in a \$300 million liability, which the City may fund with judgment obligation bonds. Charges for services, which include fees for City services, fire and ambulance billings and building permits, constitute 11.8% of General Fund revenues followed by business and sales taxes, which accounted for 9.9% and 7.6% of FY 2013 General Fund revenue, respectively. Sales taxes exceeded pre-recessionary levels in FY 2013 and are expected to continue to grow while business tax receipts, which were growing year-over-year, could decline as a result of tax reductions for businesses scheduled to be phased in over the next three years.

The City's General Fund receives recurring annual transfers from the Department of Water and Power Revenue Fund (DWP). The transfers of surpluses in the Power Revenue Fund require the consent of the DWP Commissioners; the General Fund typically receives 8% of the Power Revenue Fund's prior year's operating revenue. These transfers account for adding approximately between 5%-6% of revenue to the City's General Fund.

**City of Los Angeles
General Fund Revenues
FY 2013**



Collective Bargaining Agreements

KBRA views the City’s ongoing focus on managing labor related costs and related pension and benefit contributions positively. The City currently employs approximately 34,700 personnel, represented by about 25 labor unions and employee associations. Over the last several years, the City has focused on controlling personnel costs with selected layoffs and furloughs of civilian employees. Additionally, the City has transferred hundreds of employees into non GF positions which eased the burden on the City finances. The City’s adopted authorized staffing level for FY 2015 is 31,875, reduced by 14.3% from approximately 37,183 personnel in 2008.

The Executive Employee Relations Committee has worked with labor unions to reduce the City’s labor expenses through Early Retirement Incentive Programs (ERIP), reducing workforce levels, eliminating cost of living salary adjustments, implementing a new pension tier for police and fire employees and lowering new hire salaries for police by 20%. The City has amended agreements with employees to allow for higher employee contributions toward healthcare benefits which have afforded additional financial flexibility to the City. In late 2012, the City adopted a new pension tier for new civilian employee’s tier which increased the retirement age, made other modifications to benefit levels and increased employee pension contributions, which is currently under legal challenge. Most of the City’s labor contracts expired by June 30, 2014 or earlier. The City continues to negotiate with their bargaining units. The three City Attorney Associations as well as the Engineers and Architects Association, are under current contracts.

Self-Insurance Program

The City maintains a self-insurance program for its general liability risks and its worker’s compensation risks. While self-insurance of these areas represents some risk to the City, KBRA notes positively that the City has annually budgeted for funds sufficient to manage claims based on historical experience. For FY 2013 the City paid liability claims of \$55.6 million but had budgeted for \$47.9 million. The City’s strong liquidity, as articulated further in the next section

and pro-active claims management including the issuance of judgment obligation bonds as necessary to fulfill court ordered obligations, serve to mitigate the risks of self-insurance. The City does not maintain earthquake insurance coverage and relies on its general reserves as well as FEMA funds to manage earthquake and natural disaster risk.

Liquidity Position

As of June 30, 2013, the City's cash position in its Governmental Funds totaled \$3.8 billion which was available for general cash flow purposes. This figure includes cash and pooled investments, cash deposits and other short term investments that have maturities less than three months. KBRA considers this level of liquidity very strong. The City also continues to have strong market access to the capital markets for its annual issuance of Tax and Revenue Anticipation Notes. This level of liquidity equates to 203 days cash, based on governmental expenditures before operating transfers.

Based on the foregoing, KBRA views the City of Los Angeles' Financial Performance and Liquidity as being consistent with an AA rating. This rating level reflects the City's management of its General Fund budget, increased levels of reserves and strong liquidity over the last several years as well as its history of strong expenditure control. The rating also reflects that, despite the City's proactive budget management, a level of structural budget imbalance still exists. The City plans to achieve structural balance by FY 2019.

Conclusion

KBRA has assigned an AA rating with a stable outlook to the City of Los Angeles' General Obligation debt based on the factors discussed above.

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