

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 3, 2015

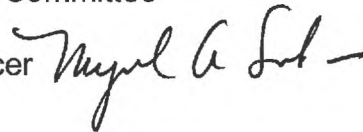
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Council District: All

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: **THIRD (MID-YEAR) FINANCIAL STATUS REPORT**

SUMMARY

Pursuant to the City Charter Section 291, the Office of the City Administrative Officer (CAO) monitors the budget and transmits periodic reports to the Mayor and Council detailing the City's current financial condition. As such, this Office is transmitting the Mid-Year Financial Status Report (FSR) for the 2014-15 fiscal year. This report provides an update on the current-year budget—including changes to projected departmental deficits, trends in revenues, the Reserve Fund, and current issues of concern and their potential impact to the City. Recommendations totaling approximately \$133 million for appropriations, transfers and other budgetary adjustments are included in this report.

The Second FSR identified a \$46.59 million deficit mainly attributed to Police overtime shortfalls and unfunded programs within the Fire Department. Interim budget requests from the Fire Department and the Office of the City Attorney were also included in this earlier estimate. Due to the approval of Reserve Fund appropriations to the Fire Department and the City Attorney as part of separate Council actions, the Second FSR deficit was reduced to approximately \$43.37 million. Since that time, the deficit has grown to approximately \$72.41 million largely as a result of Liability Claims expenditures resulting from unanticipated settlements and increased Police sworn overtime use. Further, the Public Works-Bureau of Street Services is expected to incur costs for the Pavement Preservation Program for which funds are budgeted in the Unappropriated Balance as opposed to its operational budget, resulting in a current shortfall. The \$72.41 million year-end shortfall, which is based on expenditures through the end of December, is summarized in Table 1 below.

Table 1.
Mid-Year FSR Projected Shortfalls/Unfunded Expenditures
(millions)

Department/Initiative	2ndFSR	Change	Mid Year	Reason for Deficit
Police	\$ 16.19	8.55	\$24.74	Unfunded Sworn Overtime, Sworn Overtime expenses related to Ferguson/Ford protests, Made in America concert, and other special events. Unfunded sworn salary adjustments for 950 employees. Detention Officer and Police Officer hiring. Unanticipated Northeast Area Station and Metropolitan Division expenses in the current fiscal year.
Fire	24.00	(2.07)	\$21.93	Unfunded Ambulance Augmentation and Fire Dispatch Center Platoon duty staffing; constant staffing overtime costs attributed to a sunset clause in MOU 23 relative to hours paid but not worked (e.g., holiday); back-wage payments owed pursuant to two cases; and, impact of recent labor agreement.
PW-Bureau of Street Services	.00	5.00	5.00	Pavement Preservation Program funding placed in the Unappropriated Balance (UB).
Transportation	.73	(.73)	.00	Shortfall no longer projected.
General Services	.73	.15	.88	Leasing funds placed in the UB. Parts shortfall to be addressed by department.
City Clerk	.79	(.79)	.00	Shortfall no longer projected.
Non-Departmental				
Liability Claims	.00	14.90	14.90	Unanticipated settlements.
Attorney Conflicts Panel	.80	1.00	1.80	Increased expenditures for conflict counsel.
Northeast Police Station and Metro Police Facility	.00	1.15	1.15	Facilities scheduled for occupancy in August. Installation work required in 2014-15 fiscal year to avoid contract penalties.
General City Purposes-Payroll Accounts	.00	1.15	1.15	Higher than anticipated employment levels impacting payroll accounts.
Olympic North Hotel	.00	.80	.80	Payment required per Subvention Agreement (C.F. 13-0505).
Youth Opportunities-Watts	.00	.03	.03	Funds reverted at year-end and grantee has completed work.
GCP-CD 11 Community Services	.00	.03	.03	Funds required to be reimbursed per Council instruction.
Interim Budget Requests-various	3.35	(3.35)	.00	Council/Mayor approved Reserve Fund transfer for City Attorney Prop 47 (\$.44M) and Fire (\$2.78M) Staffing. City Attorney to absorb cost of Qui Tam Staffing (\$.13M).
Total Shortfall	\$ 46.59	\$25.82	\$72.41	

Pursuant to the 2014-15 First FSR actions, the \$20.7 million budgeted in the Unappropriated Balance (UB), Reserve for Economic Uncertainties as contingency funding has been fully expended. However, as noted in Table 2 below, this report identifies \$18 million in non-departmental savings that can be used to replenish this account and partially offset the projected year-end deficit. It is recommended that savings from the Human Resources Benefits Fund (\$14 million) and UB Petroleum (\$3 million) and Outside Counsel (\$1 million) accounts be transferred to the UB, Reserve for Economic Uncertainties to offset a portion of the \$72.41 million deficit.

Table 2. Status of UB, Reserve for Economic Uncertainties (in millions)		
2014-15 Budget	\$ 20.70	
First FSR Actions		
Transfer from UB, Reserve for Economic Uncertainties	(20.70)	Transfer to Police for Sworn Overtime.
Subtotal	\$ 0.00	
Mid-Year FSR Recommendations		
Transfer to UB, Reserve for Economic Uncertainties	14.00	Transfer from Human Resources Benefits Fund-various accounts. Savings increased from \$10 million anticipated in 2nd FSR. Attachment 6.
Transfer to UB, Reserve for Economic Uncertainties	3.00	Transfer from UB, Petroleum account savings. Attachment 5.
Transfer to UB, Reserve for Economic Uncertainties	1.00	Transfer from UB, Outside Counsel account savings. Attachment 5.
Total Available	\$ 18.00	

A major assumption of the City's current-year budget balancing strategy assumed that the Police Department would stay within its \$70 million sworn overtime budget by implementing sworn overtime control measures in the current fiscal year. It was anticipated that these measures would generate as much as \$26.48 million in sworn overtime savings. However, based on current estimates, total anticipated savings are \$10.14 million, \$16.34 million less than the target. Given the decline in sworn overtime savings, recent crime rate trends, and the fact that the fiscal year is nearing its end, it is unlikely that the Department can offset this \$16.34 million deficit strictly with overtime control measures without significantly increasing the banked overtime liability. As a result, we can no longer rely on these internal efforts alone to offset the Police Department's sworn overtime shortfalls. Therefore, a \$13.57 million Reserve Fund appropriation is now necessary to offset a portion of the sworn overtime deficit.

Table 3 below identifies the current budget balancing solutions recommended in this report and their impact on the budget deficit. Recommended solutions consist of transfers of \$17.97 million from the UB, Reserve for Economic Uncertainties to various Departments (mainly \$15 million to the Fire Department), transfers of \$16.17 million from various other accounts in the UB, appropriations of \$1.12 million from the Public Works, Bureau of Street Services to the Police

Department, and \$14.41 million in Reserve Fund appropriations (mainly \$13.57 million for Police sworn overtime). If approved, these actions would reduce the year-end shortfall to \$22.74 million. This Office has recommended the transfer of \$8.3 million from the Reserve Fund to the Liability Claims account under separate cover which further reduces the remaining year-end deficit to \$14.44 million. As discussed later in this report, after accounting for these Mid-Year recommended actions and other pending recommendations, the Reserve Fund continues to be at above policy levels at 6.54 percent.

Table 3.
2014-15 Budget Balancing Solutions
(millions)

Mid-Year FSR Deficit	\$ 72.41	
Mid-Year FSR Recommendations		
UB, Reserve for Economic Uncertainties	(17.97)	Transfers to various departments with reported shortfalls. Attachment 7.
Various UB Accounts	(16.17)	Transfers from various UB accounts: Leasing, Firefighter Hiring, Police Sworn and Detention Officer Staffing, and Pavement Preservation Program. Attachment 7.
Bureau of Street Services Reimbursements	(1.12)	Appropriate Special Event and Made in America Reimbursements to Police. Attachment 6.
Reserve Fund Transfers	(14.41)	Transfers for Police Sworn Overtime, Youth Opportunities-Watts and Olympic North Hotel. Rec. Nos. 21-23.
Subtotal	\$ 22.74	Remaining Shortfall after Mid-Year
Pending Solutions		
Reserve Fund Transfer to Liability Claims Account	(8.3)	Pending transfer to Liability Claims Account C.F. 15-0206.
Problem to Solve	\$ 14.44	Remaining Year-End Shortfall

The projected year-end expenditure estimates are based on data for the first six months of the fiscal year. Given various uncertainties (e.g., petroleum and litigation costs), it is difficult to predict whether the \$14.44 million shortfall will actually occur. This Office will continue to monitor projected surpluses and deficits and provide recommendations for offsetting the shortfall in the Year-End FSR. Additionally, we anticipate that as the year progresses we will have better information regarding revenue trends.

2014-15 Projected Revenue

To date, total 2014-15 revenue through January is \$17.4 million above planned receipts, representing 52.4 percent of total adopted General Fund revenue budget of \$5.14 billion. (See Attachment 1-a.) Reported revenue reflects \$14.4 million in late communication users tax

remittances booked in February. The current surplus in January receipts may be attributed to additional revenues from economy-sensitive taxes and departmental license, permit, fees and fines. Offsetting these surpluses are shortfalls in property taxes, tax increment revenue from the former Community Redevelopment Agency Los Angeles (CRA/LA), and parking fines. At this time, no adjustment to the revenue budget is recommended.

The continuing improvement in the local economy is reflected in many of the City's economy-sensitive revenues which are trending ahead of plan. Transient occupancy tax revenues are up \$7.5 million with positive trends in occupancy and room rates, and is likely to finish the year at or above budget along with sales tax and parking users' tax revenue (ahead of plan by \$3.6 million and \$4.6 million respectively). Utility users tax is also up by \$10.4 million (Attachments 1-b, c, and d) attributed to large remittances of electric users taxes although it is unclear how much in deferred billing receipts have contributed to this amount. With regards to other revenues that are ahead of plan, it is too early to determine whether the current surpluses reflect positive trends. The \$14.6 million in excess department license, permit, fees and fines revenues includes unplanned receipts from state mandate reimbursements as well as early reimbursements from the Library and Recreation and Parks departments; however, the majority of departmental receipts are received in the latter half of the year. Similarly, business tax receipts through January (\$6.5 million above plan) only represent 10 percent of total planned receipts. Finally, the \$6.2 million in additional documentary transfer tax receipts can be attributed to the \$12.4 million in legal entity transfer revenue received in August. (See Attachments 1-e, f, and g.)

As reported in previous FSRs, the property tax shortfall may be primarily attributed to the early receipt of secured property tax at the end of 2013-14, leading to a \$23.1 million shortfall in the current year. This shortfall is expected to be reduced by the end of the year as a result of higher growth in assessments than originally projected during budget adoption. Former CRA/LA tax increment revenue is below plan (\$13 million) as a result of increased expenditures for debt service and principal payments against funding for the first disbursement to the City. With the corresponding reduction in enforceable obligation expenditures for the second half of the year, the June disbursement is projected offset this deficit. Of primary concern is parking fine revenue, which continues to fall further behind plan as a result of lower ticket issuances and collections (Attachments 1-h and 1-i). The Department of Transportation partially attributes these declines to lower full time and part time traffic officer staffing, yet additional hiring is not anticipated to reduce this deficit by year-end. (See Transportation Section for further discussion.)

Reserve Fund

The current Reserve Fund balance is \$336.2 million, after accounting for an additional \$12.9 million in loan repayments and other receipts and approximately \$22.7 million in proposed loans and transfers. The balance consists of a \$141.3 million Emergency Reserve and \$194.9 million Contingency Reserve. Please refer to Attachment 2 for greater detail on the Reserve Fund.

The current Reserve Fund balance, which includes the actions recommended in this report, represents 6.54 percent of the Adopted General Fund budget which reflects a decrease from the 6.73 percent reported in the Second FSR, but still above the Reserve Fund policy level. While the

January 31, 2015, Reserve Balance allowed the City to meet the five percent requirement established by the City's Financial Policies, this Office recommends that we remain cautious in using the Reserve Fund to offset current year deficits in light of the forecasted 2015-16 budget gap of \$165.1 million.

Budget Stabilization Fund

The Budget Stabilization Fund (BSF) was established as part of the 2008-09 Budget to supplement the Reserve Fund. The primary purpose of the BSF is to help stabilize revenue, supplement the Reserve Fund, prevent overspending during prosperous years, and provide resources to maintain service levels during lean years. The current BSF balance is approximately \$64.4 million. Including the BSF increases the City's total reserves from 6.54 percent to 7.8 percent of the General Fund budget.

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

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 appealing the ruling through the courts. At this time, the new tier still remains in effect.

Litigation

Status of Litigation Regarding Sworn Health Subsidy Freeze: The case of *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. Pursuant to a Writ of Mandate issued by a Court, on October 16, 2014 the Los Angeles Fire and Police Pensions System's (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). On November 12, 2014, the State Court of Appeal issued a stay of the previous court order, and all trial proceedings in the Fry case, pending the outcome of the City's appeal. As a result, the stay allows the health subsidy freeze to continue. The timetable for a decision on the appeal is uncertain. Should the City lose the appeal, an increase in the City contribution to LAFPP is anticipated. Further, there will be a negative impact on the City's structural deficit.

Status of Litigation Regarding the Sworn Retiree Medical Subsidy Amount: In the case of *Los Angeles Police Protective League and United Firefighters of Los Angeles City v. Board of Fire and Police Pension Commissioners v. City of Los Angeles*, the plaintiffs seek a judgment declaring that their letter of agreement with the City requires the LAFPP Board to increase the retirees' medical subsidy by a specific amount. The City prevailed on a demurrer, but the Court of Appeal reversed and issued a remitter, sending the case back to the trial court, which will require resolution of disputed factual issues. A trial setting conference is scheduled for March 26, 2015. The City cannot assess the value of this case at this time.

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 current budget includes funding for sidewalks and curb ramp construction. 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.

Litigation Not Included in Previous FSR Reporting Period

Independent Living Center of Southern California, et al v. City of Los Angeles: This case was brought by three fair housing advocacy organizations against the City, the CRA/LA and 34 owners of affordable housing projects. The plaintiffs allege defendants failed to ensure that the affordable housing projects meet the accessibility requirements under federal and state civil rights laws. City liability could exceed \$5 million.

DWP Litigation: On December 16, 2014, the Department of Water and Power (DWP) Board of Commissioners approved the Power Revenue Fund transfer of \$265.59 million for fiscal year 2014-15. The City approved an ordinance accepting the transfer with the first transfer installment of \$132.79 million occurring no later than March 26, 2015. The remaining amount will be transferred in approximately equal monthly installments so that by June 30, 2015, the full amount has been paid.

On February 12, 2015, the DWP Board of Commissioners was served with a notice of a lawsuit relating to the DWP Power Revenue Fund transfer of surplus funds to the City General Fund. The lawsuit alleges that the Power Revenue Fund transfer to the General Fund violates the State Constitution. It also alleges that the transfer is not attributable to costs incurred by DWP for electric service and is therefore a tax requiring voter approval. The settlement is not anticipated to occur this year. The DWP and City Attorney are in the process of reviewing the summons and preparing a written response pursuant to Los Angeles Superior Court procedures.

Budgetary Adjustments

Budgetary adjustments totaling approximately \$133 million are recommended in Sections 1 and 2 of this report which include:

- \$8.29 million in reappropriations from various special funds;
- \$1.65 million in new appropriations;
- \$35.13 million for transfers between accounts within various departments and funds (including the Figueroa Plaza Fire transaction);
- \$23.6 million for transfers between departments and funds;
- \$47 million in appropriations from various accounts within the Unappropriated Balance, including \$17.97 million from the Reserve for Economic Uncertainties, \$6 million from Liability Claims, \$3 million from Firefighter Hiring, \$7.29 million from Police-Sworn and Detention Officer Staffing, \$5 million from Pavement Preservation, \$2 million from Tree Trimming, and various others;
- \$14.41 million in Reserve Fund appropriations and reappropriations.
- \$5.6 million in MICLA reauthorizations and transfers; and
- A net of \$(2.69) million in miscellaneous budget adjustments.

Attachments

- 1-A Fiscal Year 2014-15 General Fund Receipts
- 1-B Revenue Monthly Status Report: Electric Users' Tax
- 1-C Revenue Monthly Status Report: Gas Users' Tax
- 1-D Revenue Monthly Status Report: Communication Users' Tax
- 1-E Revenue Monthly Status Report: Documentary Transfer Tax
- 1-F Revenue Monthly Status Report: Legal Entity Transfers
- 1-G Revenue Monthly Status Report: Documentary Transfer Tax Graph
- 1-H Revenue Monthly Status Report: Parking Fines
- 1-I Revenue Monthly Status Report: Parking Citation Statistical Graph
- 2 Current Status of the Reserve Fund
- 3 Special Fund Reappropriations
- 4 New Appropriations
- 5 Transfers between Accounts within Departments and Funds
- 6 Transfers between Departments and Funds
- 7 Appropriations from the Unappropriated Balance
- 8-A Status of the Unappropriated Balance – General Account
- 8-B Status of the Unappropriated Balance – non-General Accounts
- 9 Employment Level Report
- 10 Status of 120 Day Employees
- 11 GRYD Program Contracts and Expenditures
- 12 Inspector General Status Update

RECOMMENDATIONS

(Refer to Discussion Sections 1 and 2)

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

- 1. Reappropriate \$8,290,314.62 from various special funds as noted in Attachment 3;
- 2. Appropriate \$1,645,401.75 to the Department accounts as specified in Attachment 4;
- 3. Transfer \$32,833,992.96 between accounts within various departments and funds as specified in Attachment 5;
- 4. Transfer \$23,690,415.36 between various departments and funds as specified in Attachment 6;
- 5. Transfer \$47,029,566.00 from the Unappropriated Balance as specified in Attachment 7;

City Attorney

- 6. Relative to a \$66,011 transfer for the City Attorney included in Attachment 6, authorize the Controller to transfer up to \$66,011 in expenses (Expenditure Correction) from City

Attorney Fund No. 100/12, Account 003040, Contractual Services, to the City Attorney Grant Fund No. 368/12, Account 12L701, DRP-Community Services;

7. Instruct the City Attorney to disencumber a \$126,717.08 prior year encumbrance CO108205M (EMC Corp, Fund 100/12, Account No. 003040) and request the Controller to revert the unencumbered funds in the amount of \$116,452.50 to the Reserve Fund;
8. Transfer \$116,452.50 from the Reserve fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to the City Attorney's Consumer Protection Prosecution Trust Fund, Fund No. 550/12 to a new account 12Lxxx to be established entitled "Operating Expenses-General Fund;"
9. Transfer expenditures in the amount of \$116,452.50 from City Attorney's Consumer Protection Prosecution Trust Fund, Fund No. 550/12, Account 12A304 - Consumer Protection Penalty to the new account 12Lxxx - Operating Expenses-General Fund.

Council

10. Relative to C.F. 14-0159 adopted by the Council on April 23, 2014, approve a refund in the amount of \$98,920 to Ren LA Limited Partnership, which represents the unexpended balance on the \$100,000 allocated for economic feasibility studies relative to the Renaissance Hotel project; and, subsequently authorize the Controller to remit payment in the amount of \$98,920 addressed to Ren LA Limited Partnership, 1308 NW Everett St Portland, OR 97209, from Council Fund No.100/28, Account 003040, Contractual Services, as the funds are no longer needed for this purpose;

General Services (Figueroa Plaza)

11. Authorize the Controller to transfer appropriations totaling \$2,250,000 within the General Services Fund No. 100/40, from Account 003230, Petroleum, to a new established account 009020, Lifecycle Investment for Figueroa Building, as supplemental to the Figueroa Plaza Expense Checking Account for the 221 Figueroa Plaza Tower Recovery/Renovation Work. This work requires the approval of the Building Lifecycle/Betterment Working Group for items costing up to \$500,000 and consideration and approval of the Municipal Facilities Committee for all higher cost items of \$500,001 or more;
12. Relative to the Figueroa Plaza-DaVinci Fire, authorize the General Services Department to increase the FY 2014-15 contract authority for CBRE, Inc. contract number C-1118111, or subsequent contract, for its property management services, related to recovery activities and forensic analysis of damage at the Figueroa Plaza towers by \$2.25 million, from the current funding level;

Housing and Community Investment

13. Relative to the Neighborhood Stabilization Program (NSP):

- A. Decrease appropriations totaling \$1,052,539.02 within the Neighborhood Stabilization Program (NSP) Fund No. 50T/43 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43F304	Adm Reserve	\$(588,280.51)
43G143	LAHD Adm	(4,497.38)
43H143	LAHD Adm	(9,108.57)
43J112	City Attorney	(46,630.00)
43J299	Reimbursement to General Fund	(133,153.38)
43K112	City Attorney	(21,586.28)
43K143	Housing and Community	(171,205.36)
43K299	Reimbursement to General Fund	(78,077.54)
	Total	\$(1,052,539.02)

- B. Decrease \$4,361,620 within Neighborhood Stabilization Program II (NSP II) Fund No. 52J/43 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43F304	Admin Reserve	\$(1,529,228.83)
43G143	LAHD Admin	(9,368.55)
43G245	NSP II Professional Services	(5,683.12)
43H108	Building and Safety	(1,303.50)
43H143	Housing	(5,278.40)
43J108	Building and Safety	(117,195.25)
43J299	Reimbursement of General Fund	(15,544.15)
43J844	Technical Services	(70,000.00)
43K112	City Attorney	(37,470.00)
43K143	Housing and Community	(641,713.96)
43K299	Reimbursement of General Fund	(225,578.70)
43L143	Housing and Community	(876,510.28)
43L299	Reimbursement of General Fund	(826,745.26)
	Total	\$(4,361,620.00)

- C. Decrease appropriations totaling \$876,510.28 to the Housing and Community Investment Department (HCID) Fund 100/43, Account No.001010, Salaries General to correspond with the available NSP grant budget;

14. Relative to upgrades for nine Windows 2003 servers:

- A. Increase appropriations in the Municipal Housing Finance Fund No. 815/43 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43L143	Housing	\$ 35,000

- B. Increase appropriations in Fund 100/43 in Fiscal Year 2014-15 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
6010	Office and Administrative	\$ 35,000

- C. Expend funds from the above account not to exceed \$35,000 upon proper written demand of the General Manager, or designee on an as needed basis;

15. Relative to the Commission on the Status of Women Trust Fund:

- A. Establish and appropriate funds within the Commission on the Status of Women Trust Fund, Fund No. 52V/43, in two accounts, as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43369L	Gender Equity Studies	\$2,500
43370L	Pioneer Women's Event	\$2,500
	Total	\$5,000

- B. Expend funds from the above accounts upon proper written demand from the General Manager, HCIDLA, or designee.

Mayor

16. Relative to the loss of \$150 from the Mayor's Office Export Finance Program Petty Cash Fund:

- A. Approve the request by the Mayor's Office to relieve the department of accountability of \$150 in petty cash funds;
- B. Authorize the Controller to write off \$150 from the Department's advances for the Export Finance Program Petty Cash Fund;

Police

17. Appropriate \$2,000,000 within the Police Grants Fund No. 339/70 from the available cash balance to an account entitled "Grant Reimbursement to the General Fund"; and transfer therefrom to the Police General Fund 100/70, Revenue Source No. 5301, Reimbursement from Other Funds to recognize cumulative cash received from the grants;

Public Works-Bureau of Street Services

18. Relative to the transfer of \$400,000 from the Bureau of Street Services to the Capital Improvement Expenditure Program (CIEP) for intersection repairs in the Hancock Park Historic Preservation Overlay Zone (HPOZ) of Council District Four,

A. Transfer and appropriate \$400,000.00 from the Gas Tax Fund 206, Account 50L186, PW-Street Services, to a new account in the Capital Improvement Expenditure Program, Gas Tax, Fund No. 206, Department No. 50, entitled "Hancock Park Intersection Repairs" for additional contract street paving services at various locations in the Hancock Park section of Council District Four; and,

B. Decrease Bureau of Street Services (BSS) Fund 100/86, Account 003030, Construction Expense, by \$400,000.00.

MICLA

19. Relative to the Convention and Tourism Department, re-approve \$5.42 million in MICLA financing (commercial paper only) per the adjustments identified below:

Project Description	2014-15 Budget Amount	<i>Requested Change</i>	2014-15 Revised Amount
Security Surveillance Replacement Program	\$900,000	\$300,000	\$1,200,000
Electronic Parking Equipment Upgrade	\$1,100,000	\$300,000	\$1,400,000
South Hall Meeting Room HVAC Variable Frequency Drive	\$70,000	(\$20,000)	\$50,000
Concourse Hall HVAC System Upgrade	\$150,000	(\$150,000)	\$0
West and South Halls Movable Wall Upgrade	\$125,000	\$0	\$125,000
South Hall and Concourse Public Restroom Entry Vestibule	\$150,000	(\$55,000)	\$95,000
Modernize 411 Theatre	\$500,000	\$0	\$500,000
South Hall 10" Diameter High Pressure Fire Sprinkler Pipe	\$75,000	(\$75,000)	\$0
South Hall Floor Remediation	\$350,000	\$0	\$350,000
Colortran Dimming System	\$350,000	\$0	\$350,000
South Hall Cooling Tower Refurbishment	\$450,000	(\$300,000)	\$150,000
Carpet Replacement	\$300,000	\$0	\$300,000
Escalator and Elevator Repair/Modernization Program	\$300,000	\$0	\$300,000
Automatic Transfer Switches for DWP Vaults	\$600,000	\$0	\$600,000
Total	\$5,420,000		\$5,420,000

20. Relative to the Fire Department, authorize the Controller to transfer a total of \$185,000 to the Information Technology Agency Fund No. 100/32, Account 001100, Hiring Hall Salaries, for the installation of communications equipment in Fire Department vehicles as follows:

- A. \$45,000 from MICLA Fund No. 298/38, Account 38L232, Communication Labor; to 298/38 Account 38L132 ITA and to further reimburse the General Fund;
- B. \$50,000 from MICLA Fund No. 298/38, Account 38K232, Communication Labor; to 298/38 Account 38L132 ITA and to further reimburse the General Fund; and
- C. \$90,000 from MICLA Fund No. 298/38, Account 38J232, Communication Labor; to 298/38 Account 38L132 ITA and to further reimburse the General Fund;

Reserve Fund

- 21. Transfer \$800,000 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to the 901 Olympic North Hotel Trust Fund, Fund No. 56N/10, Account 10L211, entitled "TOT Subvention Payment" for subvention payments made for the Courtyard by Marriot and Residence Inn Hotel Project in accordance with the Subvention Agreements, C-120874 and C-123827, as set forth in Council File No. 13-0505;
- 22. Transfer \$13,574,769 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to the Police Fund No. 100/70, Account 001092, Sworn Overtime, to address sworn overtime expenditures through early June;
- 23. Reappropriate \$34,200 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to the General Fund Various Programs Fund No. 551/22, Account 22L820, Youth Opportunities HS Watts; and,

Technical

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

FISCAL IMPACT STATEMENT

Approximately \$72.41 million in expenditure shortfalls and major unbudgeted expenses are identified in this Mid-Year Financial Status Report (FSR). The actions in this report reduce the deficit to \$22.74 million. Transfers, appropriations and other adjustments totaling approximately \$133 million are recommended in Sections 1 and 2. This includes \$14.41 million in Reserve Fund appropriations/reappropriations, \$5.6 million in MICLA reauthorizations and transfers, and transfer of \$18 million to the UB, Reserve for Economic Uncertainties to offset citywide shortfalls.

DEBT IMPACT STATEMENT

The issuance of lease revenue bonds is a General Fund obligation. The re-authorization to use debt financing provided for in the Adopted Budget will cause the City to borrow approximately \$5.6 million (includes cost of capital improvements for the Convention Center, costs of issuance, and debt service reserve fund) at a 5 percent interest rate. The total estimated debt service is \$9 million which includes the borrowing amount and interest (\$3.4 million). During the life of the bonds, the estimated average annual debt service is \$450,000 over 20 years.

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 4.6 percent.

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 status and reserve fund status, and it highlights current issues of concern and the potential impact to the City. Recommendations totaling approximately \$133 million for appropriations, transfers and other budgetary adjustments are recommended.

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

Section 1. Status of Departmental Budgets.....	15
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1. STATUS OF DEPARTMENTAL BUDGETS

This section addresses the status of department expenditures and revenues, updates projected year-end deficits, and highlights issues of concern. Recommendations include new appropriations, reappropriations and transfers for operational needs.

Department Expenditures: This analysis is based on department expenditure and revenue information through the end of December and assumes that the Managed Hiring Process will continue. The following departments project shortfalls: Police (\$24.74 million), Fire (\$21.93 million), Public Works-Bureau of Street Services (\$5 million), General Services (\$.88 million). Non-departmental shortfalls consist of the following: Liability Claims (\$14.9 million), Northeast Police Station and Metro Police Facility (\$1.15 million), and General City Purposes-payroll accounts (\$1.15 million). Remaining unfunded items consist of the General City Purposes-CD 11 Community Services account (\$.03 million), Youth Opportunities-Watts (\$.03 million), and the Olympic North Hotel (\$0.80 million).

Department Revenues: Departmental General Fund revenue estimates for this reporting period are based on data through the end of December. In some cases, where more current data is available, estimates through the end of January are provided.

A. Aging

No Recommendation

The Department of Aging is currently projecting a year-end surplus of \$628,575 in the Salaries General account. The reported surplus which is mainly comprised of special funds, is due to existing vacancies. Aging is in the process of filling one vacancy approved by the Managed Hiring Committee. Requests to fill two additional vacancies in the Department are forthcoming. The Department may request to fill additional grant-funded positions through by year-end.

B. Animal Services

No Recommendation

A year-end surplus of \$772,000 is projected for this department mainly due to surpluses in the Salaries General and Salaries As-Needed accounts. However, an interim \$563,000 funding request for technology enhancements (to improve payment process and animal control response time) is pending which reduces the surplus to \$209,000. The reasons for the surplus are discussed below.

Despite Managed Hiring Committee approval of a continuous hiring plan for the Department, high turnover and the lack of established open lists for entry level positions has prevented the Department from maintaining hiring to offset attrition. Additionally, the December 8, 2014 Figueroa Plaza complex fire forced the relocation of the Department's administrative offices and impacted the Department's ability to manage administrative functions in a timely manner. Furthermore, \$200,000 in Salaries As-Needed account funding provided to the Department in the 2014-15 Budget to hire as-needed Animal License Canvassers for 12 months has not been used due to position classification changes and recruitment issues. However, these have now been resolved and the Department expects to complete background checks and deploy the Animal License Canvassers by the end of February 2015.

A deficit of \$50,000 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. Additionally, the Department projects a deficit in the Contractual Services account due to the replacement of a \$20,000 industrial washer/dryer system which was unexpected. It is recommended that the Department continue to monitor its accounts for surpluses in other accounts that may help offset these deficits. No transfers are recommended at this time.

General Fund receipts through the end of January total approximately \$2.03 million, which represents approximately 55 percent of the Department's total revenue budget. A net year-end General Fund revenue shortfall of \$351,000 is projected, mainly in the Dog License and Miscellaneous Revenue accounts. A shortfall of \$307,000 in dog license revenue is projected due to the delay in hiring Animal License Canvassers and the Figueroa Plaza complex fire which disrupted license renewal processing systems. A \$100,000 shortfall is projected in miscellaneous revenue due to the delay in the implementation of the ACE Program and the delay in hiring Animal License Canvassers.

C. Building and Safety **No Recommendation**

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. There is no significant change to the Department's previously reported year-end special funded salary surplus of \$6.5 million. The surplus is due to salary savings from vacancies which the Department will continue to fill as eligible lists are established. The year-end salary surplus assumes \$2.9 million in future hiring activity through the end of the fiscal year.

The Department's special fund revenues continue to be on target. However, the Department will not meet the General Fund revenue budget for Code Violation Inspection fee, Noncompliance fee and Special Enforcement fees. The Department projects that it will meet the total General Fund revenue budgeted for fiscal year 2014-15 due to revenue received for the reimbursement of prior year related costs.

D. City Administrative Officer **No Recommendation**

As previously reported, it is projected that the CAO will complete the fiscal year within budget.

E. City Attorney **Attachment 5 – Transfers between Accounts within Departments and Funds** **Attachment 6 – Transfers between Departments and Funds** **Recommendation Nos. 6 through 9**

The projected net year-end surplus in the City Attorney's salary accounts has increased from \$1.1 million to \$2.25 million (\$889,000 in General Funds and \$1.36 million in special funds). The net

surplus among the salary accounts is primarily due to delayed hiring and under-filled positions in the City Attorney's Office. The net General Fund surplus in the salary accounts is comprised of a \$149,000 deficit in the Salaries General account which is offset by a \$1.04 million surplus in the Salaries Grant Reimbursed and Salaries Proprietary accounts. The shortfall in the Salaries General account is due to unfunded positions that were added to the City Attorney's Office during the current fiscal year, including four positions for the Administrative Citation Enforcement (ACE) Pilot Program (C.F. 14-0818) and two positions for Qui Tam actions (C.F. 14-1620). In light of the General Fund surplus in the Salaries Proprietary account, it is recommended that \$149,000 be transferred from the Salaries Proprietary account to the Salaries General account. This Office will continue to work with the City Attorney's Office to monitor the status of the salary accounts to determine if additional appropriations are needed to support the positions added during the current fiscal year.

General Fund receipts through the end of December total \$8.9 million, which represents approximately 28 percent of the Office's total revenue budget. Receipts are expected to increase as proprietary reimbursements are received in February. The Department anticipates exceeding General Fund revenue targets through year-end, upon receipt of the settlement regarding the *David Sherwin, etc. Relator v. Office Depot, Inc* case (C.F. 14-1480).

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, \$1.41 million has been transferred from the UB to the City Attorney for outside counsel expenditures. The City Attorney is currently preparing a separate report which will request \$1.59 million for outside counsel expenditures for the remainder of the fiscal year, reducing the balance in the UB account to \$1 million. These funds are recommended to be transferred to the UB, Reserve for Economic Uncertainties to offset citywide deficits. The \$1 million in savings is available due to a change in status on the various cases handled by outside counsel. The City Attorney will provide a separate report to the Council relative to the status of outside counsel expenditures.

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

The following transactions are recommended at this time:

- Transfer \$149,000 from the Salaries Proprietary account to the Salaries General account to address the projected General Fund deficit resulting from the positions supporting the Administrative Citation Enforcement program (C.F. 14-0818) and Qui Tam actions (C.F. 14-1620).
- Transfer \$66,011 from the Salaries Grant Reimbursed account to the City Attorney Grant Fund as a result of budget modifications related to the Dispute Resolution Program (C.F. 14-0882). A portion of the dispute resolution work is being performed by contract staff instead of City Attorney employees. Further, transfer up to \$66,011 in expenses from the Contractual Services account to the City Attorney Grants Fund, DRP – Community Services account to correct expenditures related to the Dispute Resolution Program grant.

- Transfer \$68,202.80 from the Office and Administrative account to the Information Technology Agency's Communication Services account for hardware (servers) maintenance for the CityLaw project.
- Instruct the City Attorney to disencumber a \$126,717.08 prior year encumbrance in the Contractual Services account (CO108205M-EMC Corp). The funds will revert to the Reserve Fund and the amount of \$116,452.50 is recommended to be appropriated to a new account within the City Attorney's Protection Prosecution Trust Fund entitled Operating Expenses-General Fund.
- Transfer \$1 million from the UB, Outside Counsel account to the UB, Reserve for Economic Uncertainties to offset citywide shortfalls.

F. City Clerk

Attachment 4 – New Appropriations

Attachment 5 – Transfers between Accounts within Departments and Funds

We previously reported a potential shortfall of \$791,308 for this Department due to unfunded election expenditures related to the Los Angeles Unified School District (LAUSD) 1 Board Member Special Runoff Election held on August 12, 2014. It is now anticipated that the Department will be able to absorb these costs within its existing elections budget provided that the additional appropriation for prepaid postage on absentee ballot envelopes discussed below is approved.

General Fund receipts through the end of December total \$2.9 million, which represent approximately 53 percent of the Department's total revenue budget. It is anticipated that the Department will exceed its adopted General Fund revenue target by year end.

Pursuant to C.F. 13-1364, the Council instructed the Department to provide prepaid postage on absentee ballot envelopes for the 2015 City Municipal Elections. Historically, the City has not provided prepaid postage on return absentee ballot envelopes. These costs, which are estimated at \$300,000, were not included in the current year elections budget. Savings are available from the Salaries General account (\$134,000) and the Matching Funds Signature verification program (\$166,000) to pay for the postage cost.

The following transactions are recommended at this time:

- Transfer a total of \$300,000 from the Salaries General (\$134,000), Salaries As-Needed (\$145,500) and Salaries Overtime (\$20,500) accounts to the City Clerk's Elections account to pay for unfunded pre-paid postage absentee ballot costs per C.F. 13-1364.
- Appropriate \$49,800 in funds from the Business Improvement District Trust Fund for two unfunded resolution authorities (C.F. 13-0600-S25).

- Transfer \$1,559,800 from the Salaries As-Needed to the Elections account to reflect the appropriate account from which poll worker stipends are to be paid.

G. Convention and Tourism Development Recommendation No. 19

The Convention and Tourism Development (CTD) Department is projecting a \$358,000 surplus, primarily in the Salaries General account, resulting from the Department's high vacancy rate. The projected surplus assumes that \$42,000 will be used to offset expenditures in several operating accounts. The Department recommends that the surplus be reserved as a contingency should there be any need for fiscal year-end budget adjustments.

The main source of funds for this department is the Convention Center Revenue Trust Fund, which consists of revenue generated from Convention Center operations. The revenue is collected and managed by the private operator, Anschutz Entertainment Group (AEG), who has engaged in a five-year term agreement with the City to manage Convention Center operations. The Department's other source of funds is the Los Angeles Convention and Visitors Bureau Trust Fund. The private operator collects the revenue directly from clients and transmits the City's share, as determined by the budget, on a quarterly basis. The Department is reporting no revenue related issues or concerns.

The following transactions are recommended:

MICLA

- Re-approve the use of \$5.42 million in MICLA financing (commercial paper only) included in the 2014-15 Budget for Convention and Tourism Development capital improvement projects, with some modifications. As a result of better pricing and refined scope of work for several of the projects, the Department is requesting the following adjustments in appropriations, with no change to the cumulative amount:

(See chart on next page)

Project Description	2014-15 Budget Amount	<i>Requested Change</i>	2014-15 Revised Amount
Security Surveillance Replacement Program	\$900,000	\$300,000	\$1,200,000
Electronic Parking Equipment Upgrade	\$1,100,000	\$300,000	\$1,400,000
South Hall Meeting Room HVAC Variable Frequency Drive	\$70,000	(\$20,000)	\$50,000
Concourse Hall HVAC System Upgrade	\$150,000	(\$150,000)	\$0
West and South Halls Movable Wall Upgrade	\$125,000	\$0	\$125,000
South Hall and Concourse Public Restroom Entry Vestibule	\$150,000	(\$55,000)	\$95,000
Modernize 411 Theatre	\$500,000	\$0	\$500,000
South Hall 10" Diameter High Pressure Fire Sprinkler Pipe	\$75,000	(\$75,000)	\$0
South Hall Floor Remediation	\$350,000	\$0	\$350,000
Colortran Dimming System	\$350,000	\$0	\$350,000
South Hall Cooling Tower Refurbishment	\$450,000	(\$300,000)	\$150,000
Carpet Replacement	\$300,000	\$0	\$300,000
Escalator and Elevator Repair/Modernization Program	\$300,000	\$0	\$300,000
Automatic Transfer Switches for DWP Vaults	\$600,000	\$0	\$600,000
Total	\$5,420,000	\$0	\$5,420,000

H. Council

Attachment 4 – New Appropriations

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

Attachment 7 – Appropriations from the Unappropriated Balance

Recommendation No. 10

The Council requests the following transactions:

- Transfer \$23,016 from the Council Fund Revenue Source Code Service to Harbor account to the Council's Salaries As Needed account to reimburse costs associated with Harbor Department related activities.
- Upon receipt of \$28,368 in the Council Fund Revenue Source Code Service to Harbor account, transfer and appropriate these funds to the Council's Salaries As Needed account to reimburse costs associated with Harbor Departments related activities.

- Transfer \$3,650,000 from the Council Fund, Salaries General account to the following Council accounts: \$3,100,000 to Salaries As Needed, \$250,000 to Printing and Binding, and \$300,000 to Office and Administrative Expense, to support anticipated expenditures.
- Transfer \$1,163,293 from the Unappropriated Balance, Equipment Expense, Alterations & Improvements account to the Council As Needed account to address cost of living increases.
- Transfer \$40,000 in AB 1290 funding (Council District 4) to the General City Purposes, Community Services-Council District 4 account.
- Transfer \$54,588 in Council District 6 Street Furniture Funds to the Bureau of Street Services for the following projects: 1) 8216-8220 Allott Avenue Sidewalk/Curb/Gutter Repair (\$27,588); 2) Sepulveda Basin Median Maintenance (\$25,000); and, 3) Median Maintenance - Van Nuys Blvd at Vanowen (\$2,000).
- Transfer \$25,000 from the Unappropriated Balance, Reserve for Economic Uncertainties account to the General City Purposes Fund, Council District 11 Community Services account to reimburse the Council District for providing grant match funds on the capital building improvements to the Westside Center for Independent Living;
- Approve a refund in the amount of \$98,920 to Ren LA Limited Partnership, which represents the unexpended balance on the \$100,000 allocated for economic feasibility studies relative to the Renaissance Hotel project; and, subsequently authorize the Controller to remit the payment as the funds are no longer needed for this purpose.

I. Cultural Affairs

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

This Office projects a year-end special fund salary surplus of \$335,814 resulting primarily from vacancies. The Department will fill up to five of seven vacant positions 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 special fund transfers are recommended:

- Transfer \$25,000 from salary savings to provide restoration work on various artworks in the City Art Collection. The funding would support a contract with a conservator to repair frame damage on approximately 34 artworks from the mobile collection and restore them to the Inter-departmental Loan Program.

- Transfer \$15,000 to reimburse the Council Civic Fund for the Los Angeles Video Project, a citywide arts and culture event hosted by Council District 2.
- Transfer \$40,000 from salary savings to the Printing and Binding account to eliminate a projected deficit in this account.
- Transfer \$7,500 from salary savings for intermittent overtime costs.
- Transfer \$64,373 from other funds/accounts for Public Art Division staffing reimbursements (\$15,992), inclusive of the Public Works Improvement Arts Program (PWIAP), Music LA grant funding (\$25,886), and Murals funding (\$22,495).

J. Economic and Workforce Development

Attachment 4 – New Appropriations

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

The Economic and Workforce Development Department (EWDD) is projecting to complete the year within budget. A \$13 million salary surplus is currently projected, however, this surplus may be reduced as the department fills additional positions by year-end. EWDD has revised its projected 2014-15 General Fund revenue for related costs reimbursements from \$7.1 million to \$5 million. Given the reduced projection, we will continue to monitor the related cost reimbursement and work with the Department in its efforts to meet the revised revenue budget.

The Department is requesting to transfer funds from the Urban Development Action Grant (UDAG) Special Fund to the Office of the City Attorney for prior year (2011) City Attorney salaries and related costs not covered by the Community Development Trust Fund. The Department also requests to transfer funds between accounts within the Department and appropriate funds for 2014-15 lease costs. In addition, EWDD requests to transfer salary, and related cost payouts to the Mayor's Office.

The following transactions are recommended.

- Appropriate \$93,831.89 from the UDAG Miscellaneous Revenue Fund to the Office of the City Attorney for prior year salaries and related costs.
- Transfer EWDD related cost appropriations in the amount of \$47,705 within various Funds for Mayor's Office staff related costs and retirement payouts in connection to staff performing economic and workforce development work.
- Transfer a total of \$234,976 from the Salaries General account and various expense accounts to the Department's lease account. The sources of funds include General Funds and various special funds.

- Transfer salary appropriations from EWDD to the Mayor's Office in the amount of \$198,364 from various funding sources for retirement payout for executive management level employee performing economic and workforce development duties for the EWDD. EWDD salaries are decreased by the same amount.
- Also, see the Housing and Community Investment Department Section for a \$34,200 Reserve Fund reappropriation for the Youth Opportunities High School—Watts Program to be administered by EWDD.

K. Emergency Management Department

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 December total approximately \$732,169, which represents approximately 88 percent of the Department's total revenue budget. The Department anticipates meeting all General Fund revenue targets through year-end.

L. Ethics

No Recommendation

It is projected that the Ethics Commission will have a net surplus of \$138,000, which is comprised of a \$33,000 surplus among the Salaries General and As-Needed Salaries accounts, and a \$105,000 surplus in the Contractual Services account. The surplus is made up of City Ethics Commission Trust Fund money, which is entirely supported by the General Fund. The net surplus of \$138,000 is an increase from the net surplus of \$53,000 previously reported in the First FSR primarily due delayed hiring. 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.

General Fund receipts through the end of December total \$177,000, which represents approximately 49 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.

M. Finance

Attachment 5 – Transfers between Accounts within Departments and Funds No

Attachment 6 – Transfers between Departments and Funds

A net year-end General Fund surplus of \$752,972 is projected for this Department, which is composed of salary savings (\$1.8 million) and shortfalls in As-Needed Salaries (\$0.15 million) and Bank Service Fees (\$0.9 million) accounts. The surplus in the Salaries General account has increased since the last FSR from \$1.1 million to \$1.8 million due to delays in hiring, vacancies, and turnover within the department. The department is currently experiencing an eight percent

vacancy rate (31 vacancies). The shortfall in the As-Needed salaries account is a result of increased hiring due to the high level of vacancies as well as needed support for the tax renewal season. The \$752,972 surplus is reduced to \$582,972 after accounting for recommended transactions in this FSR.

General Fund receipts through the end of December total \$3.74 million, which represents approximately 59 percent of the Department's total revenue budget. It is anticipated that the Department will meet all General Fund revenue targets through year-end.

The estimated shortfall in the Bank Service Fees account has increased from \$0.5 million to \$0.9 million based on the current rate of expenditure. Finance reports that this is primarily attributed to increased bank service volume and activity from the departments of Building and Safety, Housing, and Recreation and Parks. It is recommended that the Department be instructed to identify any bank service fees expenditures that may be eligible for special fund reimbursement in the next Financial Status Report.

The following transactions are recommended:

- Transfer \$0.15 million from the Salaries General account to the As-Needed salaries account to fully offset the projected shortfall in the As-Needed Salaries account.
- Transfer \$500,000 from the Salaries General account to the Bank Service Fees account to partially offset the projected \$0.9 million Bank Service Fees year-end deficit.
- Transfer \$10,500 from the Salaries General account to the Controller's Office as reimbursement for the use of the Accounting Resource Pool.
- Transfer \$0.17 million from the Salaries General account to the Information Technology Agency's Office and Administrative (\$139,893) and Contractual Services (\$30,107) accounts to pay for LATAX Oracle licensing costs to implement a real-time failover environment for databases serving LATAX. The recovery time for a failover of the current system takes several hours to one day. This could negatively impact department operations, particularly when taxpayer requests and payments are being submitted online. The new software would provide a real-time failover environment to ensure that customers can file and/or pay for their tax and/or permits with minimal impact in the event the server were to crash.

N. Fire

Attachment 5 – Transfers between Accounts within Departments and Funds No

Attachment 6 – Transfers between Departments and Funds

Attachment 7 – Appropriations from the Unappropriated Balance

Recommendation No. 20

The Second FSR identified a remaining \$24 million net year-end shortfall for this Department, primarily in its Sworn Constant Staffing Overtime and Sworn Overtime accounts. The projected net year-end deficit has decreased slightly to \$21.93 million. The decrease is due to a one percent reduction (\$1.6 million) in projected expenditures for the Constant Staffing Overtime account and surpluses in other accounts that are available to offset Department shortfalls. The deficit is further reduced to \$18.93 million after accounting for a \$3 million transfer to the Department from the UB, Firefighter Hiring account as recommended in this report. In addition, in order for the Department to meet payroll through the end of May, a \$15 million transfer is recommended from the UB, Reserve for Economic Uncertainties to the Constant Staffing Overtime account. Assuming the recommendations in this FSR are approved, the net year-end deficit will be reduced to \$3.93 million.

As previously reported, the Fire Department's projected deficit is primarily due to the items listed in the table to follow:

Table 4. Summary of Major Fire Department Shortfalls (in millions)	
Ambulance Augmentation Plan	\$5.00
Fire Dispatch Center Platoon Duty Staffing	\$4.00
UFLAC Sunset Clause	\$6.57
Haro/Ackley FLSA Lawsuit	\$4.97
Total	\$20.54

Shortfalls totaling \$1.86 million are identified in various Department accounts. However, these shortfalls will be offset by transferring approximately \$1.8 million in surpluses within other accounts as recommended in this FSR. The shortfalls are attributed to the following:

- The Sworn Overtime account is projected to have a deficit of \$760,000 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.
- A year-end deficit of \$270,000 is projected in the Unused Sick Time account due to payouts due each year in January and at retirement.
- A \$500,000 deficit is projected in the Field Equipment Expense account, which is responsible for the ongoing fleet maintenance repairs for more than 1,000 vehicles.

- The Overtime General account is projected to have a deficit of \$325,000 due to an increase in civilian overtime expenditures as a result of the numerous vacancies; however, only \$275,000 is being recommended for transfer at this time. Depending on how this account is trending at year-end, an additional transfer will be recommended if necessary.

Revenue

The Department's revenue budget for this Fiscal Year is \$169.6 million. However, as previously reported, the Department anticipates that it 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. The decrease is due to the receipt of \$16.34 million in GEMT funds in 2013-14 as opposed to the current fiscal year. The Department is projecting an increase in other various other revenue categories of \$4.04 million, resulting in a net decrease in revenue of approximately \$12.3 million.

The Department notes that, although California has benefitted from rain in recent months, the drought continues to be a significant concern. The Department will continue to deploy additional resources within the City, as necessary, to minimize the impact of brush fires. The Department deployed resources in July, August and September to assist in fires outside of the City and, in most cases, reimbursements will be received before the end of the fiscal year.

Four Geographic Bureaus

As of January 11, 2015, the Department implemented the Four Geographic Bureaus initiative as part of its emergency services reorganization. This is a significant change that will provide improved service to the public and enhance communications throughout the Department. A bureau commander and resource teams are now located in the Central, South, Valley and West areas of the City.

Sworn Hiring

The Department planned to hire 165 firefighter recruits in 2014-15 based on the following Academy schedule:

Table 5. 2014-15 Fire Academy Schedule					
Drill Tower (DT)	Start Date	Graduation Date	Projected No. of Recruits	Actual No. of Recruits	Est. No. of Graduates (20% Attrition)
DT 81 (Valley)	12/29/14	05/14/15	60	43	36
DT 40* (Harbor)	04/06/15	08/20/15	45	0	
DT 81* (Valley)	06/01/15	10/15/15	60	0	
Total			165	43	

*Classes will graduate in FY 2015-16.

As noted in Table 5 above, 43 recruits began training at Drill Tower 81, 17 fewer than projected. The Department notes that the Firefighter examination process entails multiple test parts. Because of the lengthy examination process, only 43 candidates completed and passed all test parts for appointment to the December 29, 2014, Recruit Academy class. The Department

anticipates it will meet its goal of 165 recruits by increasing the number of appointments to the April and June Academy classes. This will be achieved by completing processing and considering the remaining candidates who took the written test in August 2014, as well as processing the 300 and 500 applicant groups who took the written test on October 11, 2014, and December 13, 2014, respectively.

The Department has been preparing for the second recruit class in April 2015 at the Harbor Recruit Training Academy (DT 40). This facility required major infrastructure improvements which have been primarily funded from the Special Training/VET Fund (Fund 40J). Approximately 20 sworn members will be assigned to DT 40, which will result in field vacancies. Therefore, it is recommended that a portion (\$2.3 million) of the funding from the Unappropriated Balance (UB), Firefighter Hiring line item, be transferred to the Department's Constant Staffing Overtime account to address the anticipated field vacancies. The remaining funds will be transferred from the UB to the Department's various expense accounts for training-related expenses.

2014-15 Interim Budget Request

In December 2014, the Mayor and Council approved a 2014-15 Interim Budget Request from the Fire Department for 37 positions and funding for salaries and various expense accounts in the amount of \$2.78 million (C.F. 14-0600-S249). Six-months funding was provided from the Reserve Fund.

Public Safety Technology Team

In December 2014, the Mayor and Council approved a request from the Fire Department relative to the establishment of the Public Safety Technology Team consisting of five positions and funding for salaries and various expense accounts in the amount of \$0.59 million (C.F. 14-1473). Six-months funding was provided from the UB, Police/Fire Dispatch System Consolidation line item.

The following transactions are recommended:

- Transfer \$270,000 from the Salaries General account to the Unused Sick Time account to cover the cost of sworn unused sick time payouts at retirement. The Department projects approximately 126 retirements this Fiscal Year and there are insufficient funds budgeted in the Unused Sick Time account to cover the annual unused sick time payout in January and payouts at retirement.
- Transfer \$500,000 from the Variable Staffing Overtime account to the Field Equipment Expense account to cover the ongoing fleet maintenance repair costs that are projected to exceed available funding.
- Transfer \$275,000 from the Variable Staffing Overtime account to the Overtime General account to cover an increase in civilian overtime expenditures due to numerous vacancies.

- Transfer \$755,000 from the Salaries General account to the Overtime Sworn account to cover the cost of resources deployed to various wildfires outside of the City of Los Angeles. This is a reimbursable expenditure and it is anticipated that reimbursements will be received by June 30, 2015.
- Transfer \$191,000 from the Operating Supplies account to the General Services Department Hiring Hall Construction (\$78,999), Benefits Hiring Hall Construction (\$50,561) and Construction Materials and Supplies (\$61,440) accounts for the installation of extractor washing machines at various fire stations. Extractor machines remove contaminants from Firefighter personal protective equipment. Funds were approved as part of the Fire Department's 2014-15 Interim Budget (C.F. 14-0600-S249).
- Appropriate \$3 million from the UB, Firefighter Hiring line item to the Fire Department to pay for the recruit training class in DT 40 scheduled to start April 6, 2015 and anticipated impacts of field vacancies resulting from the redeployment of sworn members to be assigned to DT 40.
- Appropriate \$15 million from the UB, Reserve for Economic Uncertainties to the Department's Constant Staffing Overtime account to offset a portion of the Department's net-year-end deficit which is mainly attributed to the items noted in Table 4 above.

MICLA

- Transfer \$185,000 to the Information Technology Agency for the installation of communications equipment in Fire Department vehicles and authorize the Controller to reimburse the General Fund from MICLA funds.

O. General Services

Attachment 4 – New Appropriations

Attachment 5 – Transfers between Accounts within Departments and Funds No

Attachment 6 – Transfers between Departments and Funds

Attachment 7 – Appropriations from the Unappropriated Balance

The Department is projecting a year-end deficit of \$5.4 million which is primarily due to deficits in the Field Equipment Expense (\$2.9 million) and Leasing (\$900,000) accounts. Most of the projected \$5.4 million deficit is expected to be fully offset by available surpluses in the Salaries General and Petroleum Products accounts. However, there is a remaining shortfall in the Leasing account that cannot be absorbed by the Department, but can be offset with an \$883,018 transfer from the UB, Citywide Lease account.

It was previously reported that the Department would request a supplemental General Fund appropriation of \$732,000 to cover increased maintenance costs for LAPDs helicopters. However, this supplemental appropriation is no longer needed, due to the availability of petroleum savings which can offset these costs. Further, GSD and LAPD met to discuss any potential short-term and long-term solutions attributed to the LAPD helicopter maintenance costs. The departments

will work together to submit a budget request to address this issue as part of the annual budget process as opposed to interim budget requests.

General Fund receipts through January total \$28.3 million, which represents approximately 52 percent of the total revenue budget. The Department anticipates meeting all General Fund revenue targets through year-end.

The Petroleum account is currently budgeted at \$46 million. The Department reports that the current budget allocation is anticipated to be sufficient to cover the City's fuel usage through the year-end. For the week of January 12, 2015, the average cost of fuel per gallon was \$2.18 and \$2.01 for diesel and unleaded, respectively. Based on currently low fuel prices, GSD projects a year-end surplus of \$9.0 million (General Fund-\$7 million and special fund-\$2 million). However, after accounting for 1) the potential \$750,000 six month impact of the cap and trade legislation that became effective on January 1, 2015; and 2) \$4.5 million set-aside for fuel pricing contingencies and increases associated with the oil refinery maintenance that occur in the spring/summer months, the \$9 million petroleum surplus is reduced to \$3.75 million. This petroleum surplus is contingent on current fuel prices remaining constant through the year-end. However, recent reports show fuel prices trending upward. This Office will continue to monitor the Petroleum account and report back in in the next FSR.

A portion of the projected surplus is recommended to offset deficits within the Department's Overtime General (\$195,000) and Field Equipment Expense (\$537,000) accounts attributed to LAPD helicopter maintenance.

Further, this Office recommends that \$2.25 million of the remaining surplus be utilized as part of the funds identified by the City's working group for the 221 Figueroa Plaza Tower Recovery/Renovation Work. Based on the preliminary building restoration estimate of \$45 million, a five-percent or \$2.25 million in lifecycle investment funds is recommended to enhance features to the building that would further maximize the use and value of the property. These funds will be used to support the lifecycle investment items that may not be covered by the insurance.

In light of the projected surplus in the Department's Petroleum account discussed above, the \$3 million set-aside in the UB, GSD-Petroleum Products account will no longer be needed by the Department and is recommended to offset citywide shortfalls.

The following transactions are recommended at this time:

- Transfer \$71,548 from the Department's Salaries General account to the Controller's Salaries As-Needed account for use of the Controller's Accounting Assistance Program.
- Recognize \$590,000 in additional receipts from material and testing services that support the LAWA Capital Improvement and Modernization projects, Harbor Quality Assurance Program, and DWP LA Headworks project; and, appropriate these funds to the General

Services' salary and expense accounts to support the work of these revenue generating projects.

- Transfer \$732,000 from the Petroleum Products account to the Salaries Overtime (\$195,000) and Field Equipment Expense (\$537,000) accounts to fund the increased maintenance costs associated with the City's LAPD helicopters.
- Transfer \$2.289 million from the Salaries General account to the following accounts: 1) Field Equipment Expense (\$1.6 million) to address the deficit associated with the SWRRF maintenance costs; 2) As-needed (\$600,000) to offset the deficit associated with the City Hall boilers and Bureau of Street Services Pavement Preservation Program (PPP); and, 3) Overtime (\$89,000) for Street Damage Restoration Fund equipment due to weekend support for the PPP.
- Transfer \$946,000 from the Solid Waste Resources Revenue Fund (SWRRF) to GSD's Field Equipment Expense (\$800,000) and Overtime (\$146,000) accounts to resolve deficits due to aging refuse collection vehicles, continued need to outsource major repairs, and high vacancy rates. This is in addition to the transfer of \$1.6 million from GSD's Salaries General account (SWRRF funds) to GSD's Field Equipment Expense account.
- Transfer \$883,018 from the UB, Citywide Lease line item to the General Services Leasing account.
- Transfer \$3,000,000 from the UB, GSD-Petroleum Products account to the UB, Reserve for Economic Uncertainties account to offset citywide shortfalls.
- See the Figueroa Plaza-Da Vinci Fire Section for a transfer of \$2.25 million from the Petroleum Products account to the Contractual Services account for the Figueroa Plaza Tower Recovery/Renovation Work.

P. Housing and Community Investment

Attachment 6 – Transfers between Departments and Funds

Recommendation Nos. 13 through 15 and 23

The Housing and Community Investment Department (HCID) projects a year-end Special Fund surplus of \$7.5 million primarily resulting from unspent salary appropriations. The surplus is attributed to a vacancy rate of approximately 16 percent which HCID anticipates will continue through year-end due to the lack of certified lists from which to hire specialized classifications. It is anticipated that HCID may use a portion of the surplus to address anticipated shortfalls in operating expenses such as lease costs.

The Department reduced its estimated General Fund reimbursements for 2014-15 from \$22,581,881 to \$17,678,000 due to the high vacancy rate. As of December 2014, Related Cost reimbursements for 2014-15 totaled \$6,892,800, which is approximately 30 percent of the

Department's budgeted review amount. The HCID states that it will reimburse the General Fund for the actual Related Cost obligation based on the number of filled positions. The CAO will continue to monitor the Related Cost reimbursements and work with the Department in its efforts to meet their revenue budget.

The following transactions are recommended at this time:

- Appropriate and expend \$35,000 from the Municipal Housing Finance Fund to upgrade nine Windows 2003 servers.
- Expend \$350,000 from the Foreclosure Registry Program Fund to pay for enhancements to the Foreclosure Information Management System as approved by Council (C.F. 12-0647-S6).
- Expend \$5,000 from the Commission on the Status of Women Trust Fund to support the Pioneer Women's 25th Anniversary event and to complete the Gender Studies Report.
- Relative to the Neighborhood Stabilization Program: 1) decrease appropriations totaling \$1,052,539.02 within the Neighborhood Stabilization Program (NSP) Fund; 2) decrease appropriations totaling \$4,361,620 within the NSP II Fund; and, 3) decrease appropriations of \$876,510.28 within the HCID Salaries General account, to correspond with the available NSP grant budget.
- Re-appropriate \$34,200 from the Reserve Fund, to the Economic and Workforce Development Department (EWDD), General Fund Various Program Fund to pay for Youth Opportunities High School—Watts services performed in the prior fiscal year. The program was formerly funded by the Community Development Block Grant (CDBG) (C.F. 14-0396). However, subsequent to the discontinuation of CDBG funding, General Funds were provided in 2013-14 to allow for continuity in services for the period April through June 2014. The funds reverted to the Reserve Fund at year-end because the program was incorrectly assigned to HCID rather than EWDD (the administrator). EWDD does not have the necessary funds to cover these costs.
- Transfer \$328,999.98 to the Office of the City Attorney for PACE and \$400,000 to the Public Works Board for Ninth Council District Beautification Program. Both transfers were approved as part of the 40th Program Year of the Community Development Block Grant (C.F. 13-1395 and 12-1607-S5).
- Transfer \$206,356 from the Low and Moderate Income Housing Fund to the City Attorney to pay for annual salaries and related costs associated with the delivery of legal counsel services to HCID for transactions connected to properties acquired from the former Community Redevelopment Agency of the City of Los Angeles.
- Transfer \$15,400 from the Affordable Housing Trust Fund (AHTF), General City Purposes

account, and \$34,510 from the Low and Moderate Income Housing Fund (LMI), General City Purposes account, for a total of \$49,910, to the City's General City Purposes Fund, Annual City Audit account, to reimburse the General Fund for two audits related to the AHTF and the LMIH.

- Transfer \$367,542 from the General City Purposes Fund, Operation Healthy Streets account, to the Housing and Community Investment Department's, Contractual Services account to provide services to the homeless on Skid Row.

H. Information Technology Agency

Attachment 4 – New Appropriations

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

Attachment 7 – Appropriations from the Unappropriated Balance

It is projected that the Department will complete the year within budget across all accounts. The Department is currently projecting a deficit of \$1.0 million in the Salaries General, Salaries As-Needed, Overtime, and Hiring Hall Salaries accounts primarily as a result of unfunded expenses related to salary bonuses paid out to employees who provide on-call support as mandated by employees' MOUs, overtime expenses related to public safety support, and after hours support of the City's network. The Department is proposing to use the Hiring Hall workforce to perform maintenance on the City's network. The deficits in the Salaries accounts will be offset by surpluses in the Department's Contractual Services and Communication Services accounts.

The Department anticipates achieving budgeted General Fund and Telecommunications Development Account revenue. However, Telecommunications Fund franchise receipts are projecting slightly below the budgeted amount. We will continue to monitor the accounts and report back in a future FSR, as needed.

Northeast Area Police Station and Metropolitan Division Facility (Metro)

The Northeast Area Police Station and Metropolitan Division Facility (Metro) are scheduled for occupancy in August 2015. Prior to occupancy, final equipping of the buildings must be completed, including installation of workstations, cabling, and electronic equipment. Failing to complete this work on time may result in the City having to pay the building contractors up to \$5,500 a day. To avoid this outcome and ensure the Police facilities are operational in August 2015, \$1.146 million in funding which was anticipated to be needed in 2015-16 is now needed in the current fiscal year. Neither ITA nor the Police Department has the necessary funds within their operating budgets to cover these costs. Therefore, a \$1.146 million appropriation is recommended from the UB, Reserve for Economic Uncertainties to the ITA Communication Services (\$1.081 million) and Overtime General (\$65,000) accounts inasmuch as these are General Fund expenses that should not be delayed until 2015-16. Also see the LAPD section of this report relative to \$506,543 in additional funding needed for Office and Administrative expenses related to these facilities.

The following transactions are recommended at this time:

- Transfer \$481,000 from the Contractual Services account to the Salaries General account to cover salary bonuses paid out to employees who provide on-call support as mandated by employees' MOUs.
- Transfer \$519,078 from the Communication Services account to offset deficits in the Salaries As-Needed (\$101,236), Overtime General (\$254,206), and Hiring Hall Salaries (\$163,636) accounts.
- Appropriate \$79,162 in reimbursements from various departments to the Department's Hiring Hall Salaries (\$2,541) and Communication Services (\$76,621) accounts for communications services requests.
- Appropriate \$63,500 in reimbursements from the Los Angeles World Airport (\$33,500) and the Harbor Department (\$30,000) to the Department's Contractual Services account to support and maintain the Business Assistance Virtual Network (BAVN).
- Transfer \$23,678 from the Department's Contractual Services account to the City Clerk's Salaries As-Needed account for support of the BAVN.
- Realign funding totaling \$50,106 from the Telecommunications Development Account (TDA) to the Building and Safety Enterprise Fund. A portion of the funding for the 311 Call Center is provided by the Enterprise Fund in proportion to the Department of Building and Safety's call volume. The proportion allocated to Building and Safety was incorrectly attributed during the budget process. There is no change to the level of services provided nor to the overall funding provided to the Department.
- Transfer \$1.146 million from the UB, Reserve for Economic Uncertainties to the ITA Communications Services (\$1.081 million) and Overtime General (\$65,000) accounts for ITA installation work in connection to the Northeast Area Police Station and Metropolitan Division Facility (Metro).

Q. Library

Attachment 6 – Transfers between Departments and Funds

It is projected that the Department will have a total year-end surplus of \$2,373,292, comprised of a \$1,388,429 surplus in its Salaries General account, and a \$984,863 surplus in its Various Special account as a result of savings from MICLA debt service refinancing. The Department reports that \$1,430,475 in Library Fund revenue was received for the period ending December 31, 2014, and projects a deficit of \$389,008 at year-end. All revenue collected by the Library is deposited into the Library Fund.

The following transaction is recommended:

- Transfer \$41,608 from the Library's Contractual Services account to the Department of General Services' Construction Salaries (\$17,882) and Construction Materials and Supplies (\$23,726) accounts for work completed at the Los Feliz, Vernon, Benjamin Franklin and various other 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.

R. Mayor

Attachment 4 – New Appropriations

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

Attachment 7 – Appropriations from the Unappropriated Balance

Recommendation No. 16

The Mayor's Office requests the following transactions:

- Transfer \$3,210,000 from the Unappropriated Balance, Equipment Expense, Alterations & Improvements account to the Mayor's Salaries General account to address a projected shortfall.
- Appropriate and transfer \$3,220 in interest income within the Fiscal Year 2011 Justice Assistance Grant (FY11 JAG) Fund to reimburse the General Fund for current year salaries and related costs.
- Appropriate and transfer \$5,667 in interest income within the Fiscal Year 2012 Justice Assistance Grant (FY12 JAG) Fund to reimburse the General Fund for current year salaries and related costs.
- Establish a new appropriation account within the Fiscal Year 2013 Abuse in Later Life Grant Fund and transfer \$61,321 from various accounts to reimburse the General Fund for current year salaries and related costs.
- Establish a new appropriation account within the Fiscal Year 2013 Justice Assistance Grant (FY13 JAG) Fund and transfer \$65,597 to reimburse the General Fund for current year related costs.
- Establish a new appropriation account within the Fiscal Year 2010 Urban Areas Security Initiative (FY10 UASI) Grant Fund and transfer \$19,537 to Public Works Contract Administration for prior year salaries and related costs.
- Appropriate and transfer \$35,799 in interest income within the Fiscal Year 2010 Justice Assistance Grant (FY10 JAG) Fund for current year salaries and related costs.

- Relieve the Mayor's Office of accountability of \$150.00 in petty cash funds due to the loss of these funds; and, authorize the Controller to write off \$150.00 from the Department's advances for the Export Finance Program Petty Cash Fund.
- Transfer appropriations in the amount of \$527,479.25 from the Fiscal Year 2010 Legislative Pre-Disaster Mitigation (FY10 LPDM) Grant, contractual account to the Mayor's Fund Contractual Services account to advance funds to the contractor for implementation of Good Samaritan Hospital seismic retrofitting 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. As part of the 2014-15 First FSR, \$388,285 was transferred to various departments to move the initiative forward. The Mayor's Office requests the transfer of the remaining \$411,715 in the Unappropriated Balance, Great Streets account as follows:

- a) \$60,000 to the Department of Transportation Trust Fund Great Streets Reseda account TBD to implement transportation pilot and demonstration projects;
- b) \$180,000 to the Department of City Planning Fund contractual services account to develop benchmarking and metrics;
- c) \$70,000 to the Department of Public Works Trust Fund Reseda Tree Planting account TBD to implement the Reseda Boulevard tree planting project;
- d) \$101,715 to the Mayor's Fund contractual services account to support placemaking demonstration projects;

S. Neighborhood Empowerment

Attachment 4 – New Appropriations

Attachment 5 – Transfers between Accounts within Departments and Funds

The Department of Neighborhood Empowerment is projecting a year end deficit of \$115,669 within its Salaries, As-Needed, Transportation, Office and Administrative and Communication Services accounts. However, the Department has sufficient savings between its various accounts and the Neighborhood Trust Fund (Fund), from prior year unexpended departmental funds, to fully offset the projected deficit. An appropriation of \$3,750 is required from the Fund to offset the projected deficit.

The following transactions are recommended at this time:

- Appropriate \$3,750 from the Neighborhood Empowerment Fund to the Department's Office and Administrative account.

- Transfer \$111,894 from various accounts to the Salaries As Needed (64,351), Transportation (\$2,400), Office and Administrative (\$43,685), and Communication Services (\$1,458) accounts.
- Reappropriate \$30,343.33 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.

T. Personnel

Attachment 5 – Transfers between Accounts within Departments and Funds

It is projected that the Personnel Department will complete the year within budget. A \$1 million salary surplus is reported due to attrition, vacancies, and positions filled in-lieu with lower level classifications. However, a portion of this surplus is necessary to fully offset a \$700,000 year-end deficit in the Salaries As-Needed account reported in the First FSR 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 and (b) staffing requirements to recruit, test, and conduct background checks on public safety candidates and to develop and administer civil service exams.

At this time, the Department anticipates achieving budgeted General Fund revenue.

The following transaction is recommended:

- Transfer \$700,000 from the Department's Salaries General account to the Salaries, As-Needed account to offset the Salaries As-Needed deficit.

U. Planning

Attachment 5 – Transfers between Accounts within Departments and Funds

The Department continues to project significant year-end salary savings in the amount of \$4.2 million due to a 26 percent vacancy rate within the department. The Department will continue to fill vacancies as eligible lists are established. The Department projects \$1,400,000 in future hiring activity through the end of the fiscal year which could further reduce this surplus.

The Department is projecting a \$2,113,452 reduction in revenue, from \$12,424,372 to \$10,310,920. This is primarily due to changing revenue assumptions, such as the inability to charge for related costs when there are no salaries associated with a special fund. General Fund receipts through the end of December total \$1,372,477, which represents approximately 13% of the Department's total revised revenue budget.

The following transactions are recommended:

- Transfer \$225,000 from the Salaries General account to the Salaries As-Needed account for Student Professional Worker salaries. Of this amount, \$80,000 is funded by the Long-Range Planning Fund for the New Community Plans and the re:Code LA Project. The remaining amount (\$145,000) is funded by the General Fund for policy work and various support activities.
- Transfer \$200,000 from the Salaries General account to the Salaries Overtime account for overtime work related to case processing and policy planning. Of this amount \$100,000 is funded by the Case Processing Fund and the remaining \$100,000 is funded by the General Fund for the policy work and various support activities.
- Transfer \$284,845 from the Salaries General account to the Contractual Services account for consulting services of SurveyLA Final Phase. The full amount is funded by the Long-Range Planning Fund.
- Transfer \$67,000 from the Salaries General account to the Contractual Services account for consulting services relative to the My Figueroa Marketing and Safety Campaign. The full amount is funded by the General Fund as a funding advance and is fully reimbursable from Metro.

V. Police

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

Attachment 7 – Appropriations from the Unappropriated Balance

Recommendation No. 17 and 22

In the Second FSR this Office reported a net year-end deficit of \$16.19 million for this Department. The shortfall was mainly attributed to sworn overtime and was expected to decrease to \$12.89 million after assuming a \$3.3 million transfer from the Unappropriated Balance. It was further assumed that the Department would generate additional savings of \$12.89 million in sworn overtime by year-end in order to stay within the \$70 million sworn overtime budget. However, after accounting for 1) sworn overtime expenses related to the Ferguson/Ford protests (\$2.72 million), the Made in America concert (\$479,190), and other special event costs (\$638,872); 2) current overtime expenditure trends; 3) a \$3.45 million reduction in sworn overtime savings (from \$13.59 to \$10.14 million); 4) sworn recruitment expenses; and, 5) expenses for the Northeast Area Station and Metropolitan Division (\$506,543), the net year-end deficit is now projected at approximately \$24.74 million. The recommendations in this Mid-Year FSR include a \$7.29 million transfer from the UB, Police-Sworn and Detention Officer Staffing and reimbursements of \$1.12 million from the Bureau of Street Services which reduce the deficit to about \$16.34 million. While a small portion of overtime incurred continues to be banked, in order to avoid significantly increasing the banked overtime liability, it is recommended that a portion of the remaining \$16.34 million deficit be offset with a \$13.57 million Reserve Fund transfer. We will work with the Department to monitor the remaining shortfall of \$2.77 million and address it as

necessary in the Year-End FSR. In addition, this Office will also consider options to pay down the entire new bank at year-end in an effort to better control that liability.

Additional details regarding the Department's projected deficits and surpluses are provided below:

- Salaries General, General Overtime, and Contractual Services: LAPD projects surpluses in the Salaries General (\$8 million), Overtime General (\$1.4 million), and Contractual Services (\$1.056 million) accounts totaling \$10,456,000. However, these surpluses are needed to offset various deficits in other accounts within the department.
- Salaries Sworn: The year-end shortfall in the Salaries Sworn account has declined from \$13.3 million to \$11.3 million. The shortfall is primarily attributed to the settlement of a lawsuit which resulted in salary adjustments for about 950 employees hired after January 1, 2010. Additionally, 24 Municipal Police Officers transitioned to positions as Police Officers which shifted salary costs from Salaries General to Salaries Sworn. The \$11.3 million shortfall will be fully offset with an \$8.0 million transfer from the Salaries General account and a \$3.3 million transfer from the Unappropriated Balance (UB), Police Sworn and Detention Officer line item. The \$3.3 million for Sworn Salaries was set aside in the UB, pending the Department hiring Detention Officers (DOs) to staff City jails to enable the redeployment of Police Officers from the jails to the field.

Detention Officer (DO) Hiring and Police Officer Redeployment

- DOs are paid out of the Salaries General account. The Department has sufficient funding in its Salaries General account for the hiring of DOs and is implementing a plan to redeploy Police Officers once DOs are trained. The Department submitted a report to the Council on December 23, 2014 which recommended hiring 81 DOs and redeploying 75 Police Officers from the jails to the field (C.F. 14-0600-S151). Year-to-date, the Department has hired 28 DOs and anticipates hiring an additional 30 by year-end. After accounting for attrition, the hiring is expected to increase DO staffing by a net of 42 positions this Fiscal Year. DOs hired in January 2015 will complete their ten week training course in late March 2015 at which point the Department will begin redeploying Police Officers from the jails to the field.
- Salaries As-needed: A \$300,000 shortfall is projected in this account due to retroactive payments to 36 part-time and half-time security officers who were eligible for salary step adjustment pay from July 1, 2012 to August 23, 2014. Additionally, the average bi-weekly pay of these positions increased starting August 24, 2014. This shortfall will be fully offset with a \$300,000 transfer from the Overtime General account.
- Sworn Overtime: The Department's current Sworn Overtime budget is \$70 million. As of the First FSR, Sworn Overtime expenditures were projected at \$96.48 million, leaving a remaining shortfall of \$26.48 million to be resolved by the Department through the implementation of Sworn Overtime control measures. In the Second FSR, we reported that

the remaining shortfall had decreased from \$26.48 million to \$12.89 million and the Department was expected to fully offset this amount. However, the remaining shortfall has now increased from \$12.89 million to \$20.18 million. Part of this increase is attributed to \$3.84 million in unanticipated overtime expenses related to the recent Ferguson/Ford protests (\$2.7 million), the Made in America concert on Labor Day weekend (\$479,190), and other special events (\$638,872). The remaining difference is attributable to variables such as whether employees choose to be paid or to bank overtime, the concentration of holidays in recent pay periods, which increase overtime costs, and variances from pay period to pay period in the actual number of overtime hours worked.

Transfers in the amount of \$3.84 million are recommended from the UB, Police Sworn and Detention Officer line item (\$2.72 million) and from Bureau of Street Services reimbursement revenue (\$1.12 million) to offset a portion of the remaining deficit, which reduces the amount from \$20.18 million to \$16.34 million. The reimbursement from the Bureau of Street Services consists of Made in America concert funding (\$479,190) and other special-event related expenses (\$638,872).

Given the decline in sworn overtime savings since the Second FSR, recent crime rate trends, and the fact that the fiscal year is nearing its end, it is unlikely that the Department can offset this \$16.34 million deficit strictly with overtime control measures without significantly increasing the banked overtime liability. Therefore, a \$13.57 million Reserve Fund transfer to the Department's Sworn Overtime account is recommended to reduce the remaining shortfall from \$16.34 million to \$2.77 million. We will work with the Department to monitor the remaining shortfall and reduce banked overtime liability risks through year-end.

Table 6. 2014-15 Sworn Overtime Budget vs. Projected Expenditures	
2014-15 Projected Expenditures	\$ 96.48
2014-15 Budget	\$(15.00)
Transfer from UB, Police Overtime per C.F. 14-1148	\$(15.00)
First FSR Offsets	\$(40.00)
Subtotal Shortfall	\$ 26.48
Mid-Year FSR Update	
Reductions in Sworn Overtime Projected*	\$(10.14)
Unanticipated Overtime	\$ 3.84
Subtotal Shortfall	\$ 20.18
Mid-Year FSR Recommendations	
UB Transfers/PW-BSS Reimbursements	\$(3.84)
Subtotal Shortfall	\$ 16.34
Reserve Fund Appropriation	\$(13.57)
Year-End Shortfall to Solve	\$ 2.77
*Reflects a decrease from the \$13.59 million in overtime savings reported in the Second FSR.	

- **Firearms, Ammunition, and Other Devices:** A \$708,584 shortfall is projected in this account due to expense funding for recruit hiring set aside in the UB, pending the Department implementing a plan to hire Detention Officers. This shortfall will be fully offset with a \$708,584 appropriation from the UB, Police Sworn and Detention Officer line item.
- **Field Equipment Expense:** A \$1,151,882 shortfall is projected due to the cost of maintaining vehicles with mileage above 90,000 miles (\$1.1 million) and expense funding for recruit hiring being set aside in the UB (\$51,882). Due to budget reductions during the fiscal crisis, the standard mileage for police vehicles was increased from 90,000 to 115,000 miles, increasing costs for maintenance and parts due to inflation, lack of warranty coverage, and more parts being replaced over time. This shortfall will be fully offset with a \$1.1 million transfer from the Overtime General account and \$51,882 from the UB, Police Sworn and Detention Officer line item.
- **Uniforms:** A \$600,000 shortfall is projected in this account due to the need to replace expired ballistic body armor and other safety equipment. This shortfall will be fully offset with a \$600,000 transfer from the Contractual Services account as recommended in this report.
- **Office and Administrative:** A \$506,543 shortfall is projected in this account due to various expenses to equip the Northeast Area Police Station and Metropolitan Division Facility that are slated for occupancy in August 2015. This shortfall will be fully offset with a transfer from the UB, Police Sworn and Detention Officer line item. Also see the Information Technology Agency (ITA) section of this report relative to a \$1.146 million supplemental transfer from the UB, Reserve for Economic Uncertainties for equipment (\$1.08 million) and Overtime General (\$65,000) expenses related to these facilities.
- **Furniture, Office and Technical Equipment:** A \$456,000 shortfall is projected in this account due to an unbudgeted need in the Scientific Investigation Division for computer servers, archival hardware for photographic evidence, and replacement of 15-year old equipment to perform driving under the influence analysis. This shortfall will be fully offset with a \$456,000 transfer from the Contractual Services account.

Sworn Hiring

Through January 10, 2015, 189 police officers have been hired versus 199 planned; conversely, officer attrition was 202 versus 170 planned, making a net 42 fewer officers employed as of January 10, 2015 than planned. The total number of filled sworn positions was 9,884, including 59 Municipal Police Officers. The Department currently has 116 (out of 10,000) existing sworn vacancies and is anticipating additional attrition of approximately 207 officers through the end of the Fiscal year. A class of 52 officers began on January 26, 2015.

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. For administrative efficiency, the Department requested that \$1.0 million in revenue attributable to Miscellaneous Police Services, Revenue Source Code (RSC 4086), be shifted to Reimbursement of Expenditures (RSC 5161). This change will have no impact on the Department's revenue budget.

The following transactions are recommended:

- Transfer \$8.0 million from the Salaries General account to the Salaries Sworn account to offset projected shortfalls in this account.
- Transfer \$7,290,540 from the UB, Sworn and Detention Officer line item to the Sworn Salaries (\$3.3 million), Firearms, Ammunition and Other (\$.708 million), Field Equipment Expense (\$.05 million), Office and Administrative (\$.515 million), and Sworn Overtime (\$2.73 million) accounts as noted above.
- Transfer \$1.4 million within the Overtime General account to the Salaries As-needed (\$300,000) and Field Equipment Expense (\$1.1 million) accounts.
- Transfer \$1,056,000 from the Department's Contractual Services account to the Uniforms (\$600,000) and Furniture, Office and Technical Equipment (\$456,000) accounts.
- Transfer \$60,000 from the Forfeited Assets Trust Fund to the Department's Sworn Overtime account to provide support for the youth prevention and intervention activities of the Cadet program.
- Appropriate \$2,000,000 in grant reimbursements to General Fund. This action is recommended to reimburse the General Fund from various grant funds that were received after the fiscal year in which the grants were approved. Due to the timing of the grant receipts, there is no authority in the current year to enable the Department to transfer the funds to the General Fund. Approval of this recommendation will allow the Department to transfer \$2 million from the Police Grants Fund to the General Fund to be recognized as revenue from various grant reimbursements.
- Appropriate \$13.57 million from the Reserve Fund to the Police Sworn Overtime account to partially offset the Departments projected year-end deficit.
- See Bureau of Street Services for the transfer of reimbursements totaling \$1.12 million to Sworn Overtime.
- See Information Technology Agency Section for a \$1.146 million transfer from the UB, Reserve for Economic Uncertainties to ITA expense accounts for installation work on the Northeast Area Police Station and Metropolitan Division Facility (Metro).

A. Public Works/Bureau of Contract Administration
No Recommendation

The Bureau of Contract Administration is projected to end the year within budget. A year-end surplus of \$2.2 million (\$1.5 million special fund and \$.72 million General Fund) is primarily attributed to vacancies within the Bureau. The composition of the Bureau's year-end surplus may change as work plans are refined and interim appropriations from bond funded and special projects are approved. As such, this Office will monitor the status of funding sources and accounts and report back in subsequent FSRs with necessary actions to address potential shortfalls.

General Fund receipts through the end of December total \$7.5 million, which represents approximately 34 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.

B. Public Works/Bureau of Engineering
No Recommendation

The Bureau is projecting a \$4.27 year-end surplus, which is mostly comprised of special fund savings created by vacancies in special-funded positions. The Bureau is projecting to meet its overall revenue target of \$31.2 million. No action is recommended at this and this Office will continue to monitor and report on the status of these surplus funds throughout the year.

C. Public Works/Bureau of Sanitation
Attachment 5 – Transfers between Accounts within Departments and Funds
Attachment 6 – Transfers between Departments and Funds
Attachment 7 – Appropriations from the Unappropriated Balance

The Bureau of Sanitation is projecting a \$12.34 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 year-end surplus has decreased slightly from the previously projected \$12.84 million estimate. Over the past two years, the Bureau has made significant progress in addressing its high vacancy rates and reducing its reliance on as-needed staff and overtime expenditures. Since the First FSR, the Bureau has been able to reduce its vacancy rate from 16 to 15 percent and increase its workforce by 30 employees. 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 has allowed the Bureau to fill critical and high turnover positions on an expedited basis to ensure properly staffed operations.

The following transactions are recommended:

- Transfer \$1,900,000 from the General Salaries account to the As-Needed Salaries

(\$400,000) and Overtime Salaries (\$1,500,000) accounts (Solid Waste Resources Revenue (SWRRF) funds) to address projected deficits created by high vacancy rates and increased use of as-needed staff and overtime to maintain current service levels.

- Transfer \$205,000 from the General Salaries account to the As-Needed Salaries account (Landfill Maintenance Special funds) to address projected deficits created by high vacancy rates and increased use of as-needed staff to maintain current service levels.
- Transfer \$200,000 from the General Salaries account to the As-Needed Salaries (\$150,000) and Overtime Salaries (\$50,000) accounts within the (Stormwater Pollution Abatement (SPA) funds) to address projected deficits created by high vacancy rates and increased use of as-needed staff and overtime to maintain current service levels.
- Transfer \$180,000 from the General Salaries account to the As-Needed Salaries (\$75,000), Overtime Salaries (\$75,000), and Transportation (\$30,000) accounts (Sewer Operations and Maintenance funds) to address projected deficits created by high vacancy rates and increased use of as-needed staff and overtime to maintain current service levels. In addition, a transfer to the Transportation account is required to address projected deficits in mileage reimbursements expenses.
- Transfer \$5,000 from the Uniforms account to the Office and Administrative Expenses account (SWRF) to cover the cost of toner and new office supplies for Solid Resources district yards.
- Transfer \$140,000 from the available cash balance to the On-Call Contractors account within the Stormwater Pollution Abatement Fund No. 511/50 to reimburse the Bureau for repair costs of the Woodman Avenue Multi-Beneficial Stormwater Capture Project in Council District 7. This is a \$3.4 million project funded by State Proposition 50 grant funds and was damaged by rainfall during construction. The Bureau performed the emergency repair work using its on-call contractors and the Los Angeles Department of Water and Power (LADWP) has agreed to reimburse the Bureau for these costs and has transferred the funds.
- Transfer \$100,000 from the Unappropriated Balance, Operation Healthy Streets-Venice line item to the Bureau of Sanitation's Salaries General (\$25,000) and the Stormwater Pollution Abatement Fund's Sanitation Contracts (\$75,000) accounts to reimburse the Bureau for clean-up work at Venice Beach.

Approximately 51 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 Service Charge revenues, which have been impacted by the new LADWP Customer Care and Billing System issues. The Bureau projects a \$74 million year-end shortfall resulting from a five percent non-collection rate and a 3

percent reduction in water consumption due to water conservation efforts. The Bureau will continue to work with DWP to resolve these issues. The Bureau has reported that at this time there are no impacts to service levels resulting from this shortfall.

D. Public Works/Bureau of Street Lighting

Attachment 6 – Transfers between Departments and Funds

Pending approval of the recommendations in this report, it is projected that the Bureau of Street Lighting (Bureau) will complete the year within budget across all accounts. It is anticipated that the Bureau will achieve a special fund year-end surplus of \$1,895,410 within the Salaries General account due to department vacancies.

The Bureau projects that it will meet its budgeted revenue. The Bureau has received six percent of General Fund and 47 percent of its special fund budgeted receipts to date. The majority of General Fund receipts are received in the last half of the fiscal year.

Special Fund projected revenue (SLMAF) is also anticipated to be on budget. The largest portion of receipts is derived from maintenance assessments, which are distributed in December and May. Related Cost reimbursements to the General Fund from the Street Lighting Maintenance Assessment Fund (SLMAF) are typically transferred twice a year, in January and June, subsequent to assessment receipts on property tax bills.

The following transactions are recommended:

- Transfer \$250,000 from the Windsor Square Lighting District to the Bureau's Overtime account for Windsor Square Lighting. Funding is provided from assessments paid by the property owners of this district.
- Transfer \$50,000 from the Street Lighting Maintenance Assessment Fund to the Bureau's Overtime account for the Fire Hydrant Conflict Program. This program is estimated to be completed in June 2015.
- Transfer \$25,000 from the Transportation Grant Fund to the Bureau's Overtime account to provide funding for the Bureau to complete work on the Sunset Junction Transit Plaza Project.
- Transfer \$1,151,000 from Measure R to the Bureau's Overtime (\$651,000) and Street Lighting Improvement and Supplies (\$500,000) accounts to provide funding for the Orange Line Bikeway Copper Wire Theft repair and modification project. Savings have been identified in the Measure R Sherman Way Tunnel Project account and will be transferred in order to fund this project.

E. Public Works/Bureau of Street Services
Attachment 3 – Special Fund Reappropriations
Attachment 4 – New Appropriations
Attachment 6 – Transfers between Departments and Funds
Attachment 7 – Appropriations from the Unappropriated Balance
Recommendation No. 18

At this time, the Bureau projects a net year-end deficit of \$672,919, consisting of a \$5.0 million General Fund deficit and a \$4.3 million special fund surplus. The surplus is mainly attributable to projected special funded vacancies. The General Fund deficit is attributable to the Bureau's Pavement Preservation Program. There is \$5.0 million set aside in the Unappropriated Balance (UB) for the Bureau's Pavement Preservation Program. Therefore, if the funds from the UB are appropriated to the Bureau, the Bureau's projected General Fund year-end deficit will be fully offset. The Bureau's accounts will continue to be monitored and we will report back in a subsequent FSR with necessary actions to address any additional shortfalls as they arise.

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, General Services Department, and the Bureau of Engineering. To date, \$2.0 million has been transferred from the UB to the Bureau for Pavement Preservation in the First FSR. The \$5.0 million General Fund deficit that is currently projected is attributed to the placement of the funding in the Unappropriated Balance versus the Bureau's operating budget. The shortfall is projected in various accounts. The Bureau is requesting that the remaining \$5.0 million in the Unappropriated Balance be transferred at this time.

A total of \$2.0 million was placed in the UB for Tree Trimming Services. Per Council File 14-0600-S182, this Office was instructed to prepare Controller's instructions to provide the Bureau of Street Services with funding from this line item for City forces to perform as-needed tree trimming, contract tree-trimming, and increase staff oversight of the City's contract tree-trimming. As such, Controller's instructions have been included in this report.

On January 5, 2015, this Office received a letter from Councilmember LaBonge requesting the assistance of this Office in transferring \$400,000 from the remaining allocation of the Council District Four portion of the Bureau's resurfacing funding to the Bureau of Engineering to perform concrete repairs in the Hancock Park Historic Preservation Overlay Zone (HPOZ). Therefore, this report includes the necessary recommendations to effectuate this transfer of funding to the Capital Improvement Expenditure Program (CIEP) for use by the Bureau of Engineering.

Additionally, the Bureau is requesting a total of \$8.6 million in appropriations and reappropriations for various prior fiscal year projects and off-budget grant projects. A total of \$8.3 million in reappropriations and \$281,199.39 in new appropriations from the Bureau's Subventions and Grants Fund are recommended in this report. With approval of these recommendations, the

Bureau's special fund salary surplus will increase to \$6,725,478. Without these requested funds, various special-funded programs and projects will not be started or completed this fiscal year. If interim appropriations and reappropriations are not received in a timely manner, projects or programs may be delayed until funds become available.

General Fund receipts through the end of December total \$3.4 million, which represents approximately seven 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 \$500 from the Subventions and Grants Fund to the Bureau for the Los Feliz Improvement Association - Commonwealth at Dundee Place Irrigation Repair.
- Appropriate \$75,780.90 from the Subventions and Grants Fund to the Bureau for the State of California, Resources Recycling and Recovery, California Tire Recycling Management.
- Appropriate \$280,699.39 from the Subventions and Grants Fund to the Bureau for the Metropolitan Transit Authority Eastside Access Improvement Project (Council File 12-1130) for invoices 12 through 14.
- Reappropriate \$5,466.34 from the Gas Tax Fund to the Bureau for the Echo Park/Sunset Boulevard Streetscape Improvement Project (C.F. 13-0600-S147).
- Reappropriate \$678.68 from the Gas Tax Fund to the Bureau for the Westchester Streetscape Improvement Project (C.F. 13-0600-S149).
- Reappropriate \$53,112.93 from the Local Transportation Fund to the Bureau for the Bikeway Pavement Project (C.F. 12-0600-S170).
- Reappropriate \$131,513.25 from the Street Furniture Revenue Fund to the Bureau for Maintenance and Enhancement Projects in Council District Three (C.F. 13-0600-S146).
- Reappropriate \$200,000 from the Street Furniture Revenue Fund to the Bureau for various projects in Council District 10 (C.F. 13-0600-S146).
- Reappropriate \$100,000 from the Street Furniture Revenue Fund to the Bureau for irrigation replacement within an existing median and to plant a mature oak tree (C.F. 13-011-S15).
- Reappropriate \$31,385 from the Street Furniture Revenue Fund to the Bureau for sidewalk repair and tree removal at Selig Place (C.F. 14-0011-S1).

- Reappropriate \$40,707.60 from the Street Furniture Revenue Fund to the Bureau for the Sidewalk in Atwater Village Project (C.F. 13-0600-S149).
- Reappropriate \$86,218.08 from the Street Furniture Revenue Fund to the Bureau for tree trimming and small asphalt repairs in Council District Two (C.F. 13-0011-S4).
- Reappropriate \$21,237.82 from the Street Furniture Revenue Fund to the Bureau for the Council District Ten Washington Boulevard Project (C.F. 12-0600-S179).
- Reappropriate \$5,000 from the Street Furniture Revenue Fund to the Bureau for beautification services in Council District 14 (C.F. 14-0011-S10).
- Reappropriate \$10,000 from the Department of Neighborhood Empowerment Fund to the Bureau for the Pico Sidewalk Repair Project Phase One (MF-14000033).
- Reappropriate \$5,000 from the Department of Neighborhood Empowerment Fund to the Bureau for asphalt repairs to the alley south of Venice Boulevard (MF-14000092).
- Reappropriate \$16,000 from the Department of Neighborhood Empowerment Fund to the Bureau for various street services for the Sherman Oaks Neighborhood Council (MF-14000114).
- Reappropriate \$217,379.50 from the CLARTS Fund to the Bureau for the Council District 14 Sidewalk Improvement Program (C.F. 14-0329).
- Reappropriate \$381,604.20 from the Measure R Local Return Fund to the Bureau for the El Dorado/Bromwich Street and Sidewalk Improvement Project (C.F. 13-0600-S147).
- Reappropriate \$532,501.44 from the Measure R Local Return Fund to the Bureau for the Laurel Canyon Boulevard at Victory Boulevard Project (C.F. 13-0600-S147).
- Reappropriate \$626,449.87 from the Measure R Local Return Fund to the Bureau for the Echo Park/Sunset Boulevard Streetscape Project (C.F. 13-0600-S147).
- Reappropriate \$50,000 from the State AB 1290 Fund to the Bureau for the Council District Three Woodland Hills Neighborhood Council (C.F. 13-0600-S146).
- Reappropriate \$50,000 from the State AB 1290 Fund to the Bureau for the Council District Three Winnetka Neighborhood Council (C.F. 13-0600-S146).
- Reappropriate \$33,065.13 from the State AB 1290 Fund to the Bureau for the Council District Three Tarzana Neighborhood Council (C.F. 13-0600-S146).
- Reappropriate \$200,000 from the State AB 1290 Fund to the Bureau for the Council

District Ten Washington Boulevard Landscape Median Construction Project (C.F. 13-1283).

- Reappropriate \$124,758 from the State AB 1290 Fund to the Bureau for Sunset Junction Bloomers Project (C.F. 14-0051).
- Reappropriate \$200,122.39 from the State AB 1290 Fund to the Bureau for Emergency Sidewalk Improvements in Council District Seven (C.F. 13-0600-S149).
- Reappropriate \$139,070.11 from the State AB 1290 Fund to the Bureau to repair broken and buckled sidewalks in Council District Seven (C.F. 13-0600-S149).
- Reappropriate \$3,000 from the State AB 1290 Fund to the Bureau for the repair of the roadway on Vermont Canyon from Griffith Park to Observatory Road (C.F. 13-0600-S149).
- Reappropriate \$414,209.69 from the State AB 1290 Fund to the Bureau for the Reseda Street Median Refurbishment Project (C.F. 13-0600-S149).
- Reappropriate \$141,629.30 from the State AB 1290 Fund to the Bureau for the Sunset/Alvarado Street Improvement Project (C.F. 13-0600-S149).
- Reappropriate \$254,622.81 from the State AB 1290 Fund to the Bureau for Council District Ten Washington Landscape Median Island Construction Project (C.F. 13-0600-S149).
- Reappropriate \$182,094.70 from the State AB 1290 Fund to the Bureau for various street projects in Council District Three (C.F. 13-0600-S149).
- Reappropriate \$29,661.58 from the State AB 1290 Fund to the Bureau for street services for the Canoga Park Neighborhood Council in Council District Three (C.F. 13-0600-S145).
- Reappropriate \$48,436 from the State AB 1290 Fund to the Bureau for the reconstruction of the alley west of Figueroa from Avenue 60 to Avenue 59 (C.F. 14-0549).
- Reappropriate \$73,432 from the State AB 1290 Fund to the Bureau for various tree trimming services (C.F. 14-0607).
- Reappropriate \$870,984.16 from the Transportation Grant Fund to the Bureau for the Ricardo Lizarraga Elementary School Pedestrian Safety Improvement Project (C.F. 13-0600-S149).
- Reappropriate \$5,376 from the Real Property Trust Fund to the Bureau for the Council District Five Highland Avenue Median Irrigation Improvements from Melrose to Wilshire Project (C.F. 13-1509).

- Reappropriate \$18,694.01 from the Real Property Trust Fund to the Bureau for the improvement of sidewalk and curb in Council District Ten (C.F. 13-0600-S149).
- Reappropriate \$349,447.78 from the Real Property Trust Fund to the Bureau for tree trimming, alley, street and sidewalk repair in Council District 15 (C.F. 13-0600-S149).
- Reappropriate \$21,736 from the Real Property Trust Fund to the Bureau for tree removal and sidewalk repair (C.F. 13-0600-S149) in Council District 15.
- Reappropriate \$2,528,032.59 from the Sunshine Canyon Community Amenities Fund to the Bureau for Sunshine Canyon street improvements in Granada Hills (C.F. 13-0994).
- Reappropriate \$23,313.13 from the Sunshine Canyon Community Amenities Fund to the Bureau for Sunshine Canyon street improvements in Council District 12 (C.F. 13-1397).
- Reappropriate \$64,374.53 from the Sunshine Canyon Community Amenities Fund to the Bureau for various Sunshine Canyon projects in Granada Hills (C.F. 13-0600-S149).
- Transfer receipts totaling \$308,530.35 from the Subventions and Grants Fund to the Bureau's Revenue Source Code No. 465800, Special Events, to reimburse for various services provided by BSS for special events held from February 2014 through October 2014.
- Transfer and appropriate receipts totaling \$756,935.19 from the Subventions and Grants Fund to the Department of Transportation's (DOT) Salaries Overtime account to reimburse for various services provided by DOT for special events held from February 2014 through October 2014.
- Transfer and appropriate \$179,093 from the Subventions and Grants Fund to the Los Angeles Fire Department's (Fire) Sworn Salaries account to reimburse for various services provided by Fire for special events held from February 2014 through October 2014.
- Transfer and appropriate \$638,872.03 from the Subventions and Grants Fund to the Police Department (Police) Sworn Overtime account to reimburse for various services provided by Police for special events held from February 2014 through October 2014.
- Transfer receipts totaling \$20,668.80 from the Subventions and Grants Fund to the Building and Safety Permit Enterprise Fund for various services provided by Building and Safety for special events held from February 2014 through October 2014.
- Transfer receipts totaling \$11,318.81 from the Subventions and Grants Fund to the Solid Waste Resources Fund for various services provided by the Bureau of Sanitation for special events held from February 2014 through October 2014.

- Transfer and appropriate \$479,190 from the Subventions and Grants Fund to the Police Department (Police) Sworn Overtime account to reimburse for various services provided during the Made in America Festival.
- Transfer and appropriate \$20,810 from the Subventions and Grants Fund to the Los Angeles Fire Department's (Fire) Sworn Salaries account to reimburse for various services provided by Fire during the Made in America Festival.
- Transfer and appropriate \$2,000,000 from the Unappropriated Balance, Tree Trimming Services line item to the Bureau's Salaries General (\$500,000), Salaries Overtime (\$500,000), and Contractual Services (\$1,000,000) accounts to provide funding for contract tree trimming, staff to supervise contract tree trimming services, and to perform as-needed tree trimming in the amount of \$33,333 per Council District (C.F. 14-0600-S182).
- Transfer and appropriate \$5,000,000 from the Unappropriated Balance, Pavement Preservation line item to the Bureau's Salaries Overtime (\$500,000), Hiring Hall Salaries (\$500,000), Hiring Hall Benefits (\$250,000), Construction Expense (\$2,500,000), Contractual Services (\$700,000), Office and Administrative (\$70,000), and Operating Supplies (\$480,000) accounts.
- Transfer and appropriate \$400,000 from Council District the Gas Tax Fund to the Capital Improvement Expenditure Program for intersection repairs in the Hancock Park Historic Preservation Overlay Zone (HPOZ) of Council District Four.

F. Recreation and Parks

No Recommendations

The Department is projecting a net year-end surplus of approximately \$547,000 mainly due to a surplus in the Salaries General account (\$7.3 million). The majority of the surplus in the Salaries General account was used to offset projected shortfalls in the Salaries As-Needed (\$3.1 million), Salaries Overtime (\$200,000), Salaries, Hiring Hall (\$700,000), Fringe Benefits, Hiring Hall (\$200,000), and Contractual Services (\$950,000) accounts per the Recreations and Parks Commission's action in January 2015.

The Department continues to utilize part-time staff and Hiring Hall to cover shortages in full-time personnel due to retirements and transfers. In addition, the Da Vinci Fire in December, 2015 resulted in the use of the Salaries Overtime account and part-time staff to relocate staff to temporary work locations. The Department also responded to various unforeseen events such as opening shelters for displaced residents due to apartment fires and opening heating and cooling centers due to extreme weather. The transfer to Salaries, As-Needed account will fund additional part-time staff to open summer camps and seasonal pools for the Department's summer programs.

The transfer to Contractual Services account will provide 1) light repair and improvements and other maintenance activities as well as various minor repairs projects such as damaged gym floors and utility lines at the following Department facilities: Jackie Tatum Harvard Recreational Center, Saint Andrews Recreational Center, and David Gonzales Recreational Center; and 2) Regulation 4 inspections and repairs to be performed by Citywide fire Life Safety contractors.

At this time, the Department is projecting a revenue deficit of \$1.8 million from three revenue categories: 1) a \$1,400,000 reduction in the In-House Capital Delivery Plan estimate due to the lack of staff to work on projects; 2) lower than expected revenue gains from increases in aquatics rates and fees that began in July 2014; and 3) a \$572,000 reduction in estimated reimbursements from the Housing Authority for Department services provided at the Housing Authority facilities. The Department plans to submit additional revenue generating position requests to the Managed Hiring Committee. This Office will continue to monitor all revenue accounts and recommend any necessary adjustments in a future FSR.

G. Transportation

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

A net year-end General Fund shortfall of \$733,575 is no longer projected for this department. Based on current expenditure patterns, the Department's estimated year-end salaries surplus has increased from \$2,167,077 to \$3,524,793 of which \$126,517 is General Fund and \$3,398,276 is Special Fund. The increase is due to savings associated with hiring delays and additional attrition. Further, the revised estimate assumes approval of recommended transfers in this FSR.

In the second FSR, this Office reported a potential \$5.24 million overtime shortfall which was comprised of \$2.63 million in General Fund and \$2.61 million in Special Fund, mainly in Proposition C prior to any transfers. The year-end shortfall has been reduced to \$1,293,866 of which \$48,951 is General Fund and \$1,244,915 is attributed to special funds, assuming the approval of transfers in this report. It is anticipated the remaining shortfall will be resolved with internal transfers between accounts or transfers from special purpose fund appropriations. The over-time shortfall is due to Traffic Control services provided at special events throughout the city such as 1st Amendment Events, Traffic Control services related to Metro projects, the Street Resurfacing program, and Ciclavia Events.

Current year Parking Fine revenues are budgeted at \$165,191,457 million, however the Department is now projecting that year-end receipts will be \$154 million (or \$11 million less than budget). Receipts collected through January 2015 total \$88,525,750 and are down by 5.82 percent. The reduction in revenue is due to a combination of factors such as lower ticket issuance, delayed hiring in both full-time and part-time vacancies, and the increase in the number of relaxed enforcement requests due to Street Services routes being cancelled. Although the hiring completed in December has brought full-time staffing levels back to approved levels, part-time staffing levels continue to lag due to hiring and recruiting issues. The Department does not anticipate it will be able to close the revenue gap by year-end.

Approximately 41 percent of the Department's budgeted General Fund revenue has been received as of January 2015. It should be noted that the Department has not received any reimbursement this year for B Permit billings due to staffing shortages within the Bureau of Public Works Accounting, however, it is anticipated this issue will be resolved by year-end. The Department reports that the majority of the other receipts are received in the second half of the fiscal year such as related cost billings.

The following transactions are recommended:

- Transfer \$1,000,000 from the Salaries As-Needed and Contractual Services accounts (General Funds) to the Salaries Overtime account to provide funding for anticipated shortfalls due to Traffic Control Services at Special Events, 1st Amendment activities, or other non-reimbursable events.
- Transfer a total of \$198,887.80 from the Transportation Trust Fund, Balance Sheet account to the Salaries Overtime account as reimbursement from venue operators for Traffic Control services relative to Special Events.
- Transfer a total of \$506,700 from Proposition C surpluses in the Salaries General and Printing and Binding accounts to the Salaries Overtime account to provide funding for anticipated shortfalls due to overtime work related to Street Resurfacing projects.
- Transfer \$500,000 from the Special Gas Tax Fund, Traffic Signal Supplies account, to the Salaries Overtime account to offset the anticipated year-end Proposition C shortfall due to overtime work related to Street Resurfacing projects. The Traffic Signal Supplies account currently has an uncommitted balance of \$1.9 million and the Department anticipates that after potential current year purchases are completed, the remaining funds may be used to support these charges. It is recommended that these funds be used to offset the shortfall as the Special Gas Tax fund is an eligible funding source for street repair and maintenance. If approved, the Department will have the appropriate staff redirect their overtime charges to the Special Gas Tax Fund.
- Transfer \$100,000 from the Measure R Local Return Fund, Advanced Planning account and \$100,000 from the Transportation Trust Fund, Great Streets Community Grant account to the Mayor's Office, Contractual Services account. These funds will be used as a match for the "Community Match Grants Program" implemented by the Mayor's Office. Communities will have the ability to apply for match funding which will be used to support design projects which are in alignment with the Great Streets vision.
- Transfer \$396,000 from the Local Transportation Fund, Ciclavia Program account, as reimbursement for traffic control related services for two Ciclavia events (October and December 2014); \$100,000 from the Mobile Source Air Pollution Reduction Fund, Ciclavia account and a total of \$300,000 from the Measure R Local Return Fund, Pedestrian Plan

account and Bicycle Plan account as reimbursement for anticipated shortfalls for upcoming events to be hosted in Feb and March 2015.

- Transfer \$30,000 within the Proposition A Local Transit Fund by transferring \$30,000 from the Reserve for Future Transit Service account to the Third Party Quality Assurance Program account. The purpose of the program is to augment the work of Transit Operations staff in providing field check reviews for the City's fixed route bus services (i.e. Commuter Express and DASH) in order to improve operational safety, comply with federal guidelines, and ensure the quality of service provided.
- Authorize the Controller to establish and appropriate \$4,580,250 to the Transportation Grant Fund, Blossom Plaza account. The original Council File 14-1079 authorized LADOT to expend \$5,353,155 and inadvertently excluded appropriation instructions needed to effectuate the transfers.

H. Various Other Departments

The following City departments are expected to complete the year within budget and no transactions are recommended at this time. Further, revenues are projected to meet budget.

- Controller
- Disability (this department generates no General Fund revenue)
- Employee Relations Board
- El Pueblo
- Public Works-Board

I. Zoo

Attachment 5 – Transfers between Accounts within Departments and Funds

The Zoo Department is projected to end the year within budget. The Department is reporting a shortfall in the Animal Feed and Grain account as a result of market price increases, increased volume, and rising vendor costs. A transfer from salary savings in the Salaries General account is recommended to offset this shortfall.

Admissions revenue is projected to fall approximately \$1.19 million short of the adopted revenue target. However, it is anticipated that an equivalent 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.

The following transaction is recommended at this time:

- Transfer \$100,000 from the salary savings in the Salaries General account to the Animal Feed and Grain account to cover increased costs.

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. General City Purposes No Recommendations

It is difficult to project General City Purposes (GCP) Fund payroll accounts, given that the accounts fluctuate throughout the year. However, a net year-end deficit of \$1,149,272 is currently projected in these accounts. The projected year-end deficit has increased from \$915,375 to \$1,149,272. This is mainly attributed to an increase in the Medicare account shortfall from \$1,047,316 to \$1,244,855, due to higher than anticipated employment levels. The Medicare budget assumed 34,183 employees per pay period. However, actual employment levels have been higher ranging between 34,199 to 35,446 employees. The current expenditure trend in the Social Security account has shown an increase in the number of employees, thereby reducing the anticipated surplus from \$231,416 to 94,365 which partially offsets the Medicare account shortfall. A shortfall is no longer projected in the Pensions Savings Plan account.

No adjustments are recommended to these accounts at this time. However, funds should be set aside in the event that the projected \$1,149,272 shortfall remains at year-end. We will continue to monitor all payroll accounts as additional data comes in and will report back in the next Financial Status Report.

B. Human Resources Benefits Attachment 6 – Transfers between Departments and Funds

The Human Resources Benefits (HRB) Fund is expected to complete the year within budget with a \$14 million surplus, an increase of \$4 million over the amount that was reported in the Second FSR, attributed to the Workers' Compensation/Rehabilitation Program account (\$8 million total). The remainder of the surplus is attributed to the Fire Health and Welfare Program account (\$2 million) and the Police Health and Welfare Program account (\$4 million). As additional appropriations to the HRB Fund are not required at this time, the total \$14 million surplus is available to offset Citywide deficits. It is recommended that the \$14 million in savings be transferred to the UB, Reserve for Economic Uncertainties to offset Citywide deficits.

The \$14 million surplus is discussed in greater detail below:

- **Civilian Flexible Benefits (FLEX):** The 2014-15 Budget assumed a healthcare premium contribution of ten percent by every civilian employee effective January 1, 2015 which if not realized, would result in a potential deficit within the HRB Fund, Civilian FLEX account. As reported in the Second FSR, due to lower than projected average enrollment and premium rate increases, and savings from the Dependent Eligibility Verification audit, there are sufficient savings within the Civilian FLEX account to offset the deficit created from not achieving the 10 percent contribution.

- **Fire Health and Welfare Program:** The recently adopted labor agreement with the Firefighters and Fire Captains Bargaining Unit (MOU 23) resulted in no increase in the healthcare subsidy this fiscal year generating savings of about \$2 million. Instead, an increase of five percent in the healthcare subsidy will be delayed until July 1, 2015.
- **Police Health and Welfare Program:** The \$4 million surplus in the Police Health and Welfare Program account is due primarily to lower than projected premium rate increases and sworn attrition. MOU negotiations are currently ongoing with sworn employees.
- **Workers' Compensation/Rehabilitation Program:** The \$8 million surplus in the Workers' Compensation/Rehabilitation Program account is due primarily to lower medical claims expenditures, resulting in average monthly expenditures of about \$1 million below budget. The remainder of the surplus is attributed to the annual State assessment fee billed to the City at about \$1.6 million below budget resulting from changes in several factors used to calculate the fee.

C. Liability Claims

Attachment 4 – New Appropriations

Attachment 7 – Appropriations from the Unappropriated Balance

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, Liability Claims line item. To date, the City has approved \$34.69 million in payouts (actual expenditures plus payments that still need to be processed) for both accounts for an available balance of \$13.22 million in the Liability Claims Account. At this time, the City Attorney's Office is projecting that Liability Claims expenditures could total \$69.21 million, including ACP-related cases, resulting in a \$21.3 million deficit. To partially address the deficit, it is recommended that the \$6 million set aside in the UB be transferred to the Liability Claims Account. An additional \$395,000 in unanticipated revenue related to a returned payout check is available to further offset the projected deficit. The payout has since been re-issued with current year funds. It is recommended that \$395,000 be appropriated to the Liability Claims Account, which will result in a total Liability Claims Account budget of \$54.31 million. Assuming these projections are realized at year-end, and the transfers in this FSR are approved, there will be a remaining deficit of \$14.9 million. This Office has recommended an \$8.3 million supplemental appropriation to this account from the Reserve Fund under separate cover. We will continue to work with the City Attorney's Office and monitor Liability Claims Account expenditures as well as identify potential solutions.

The following transactions are recommended at this time:

- Transfer \$6 million from the Unappropriated Balance to the Liability Claims Account.

- Appropriate \$395,000 in unanticipated revenue (returned check that has since been re-issued) from the Liability Claims Account revenue to the Liability Claims Account for liability payouts.

D. Unappropriated Balance

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

Attachment 8B – 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 January 31, 2015, \$8,525 has been appropriated through Council action, reducing the General Account balance from \$50,000 to \$41,475. To date, approximately \$21.6 million has been transferred or reappropriated to the UB and \$103.3 million has been transferred out, leaving a balance of \$35.6 million.

E. Attorney Conflicts Panel Fund

Attachment 7 – Appropriations from the Unappropriated Balance

The previously reported \$800,000 year-end deficit in the Attorney Conflicts Panel (ACP) Fund has increased to \$1.8 million. The ACP, which is administered by the CAO, is responsible for retaining outside counsel to handle conflict-of-interest matters which the City Attorney's Office is precluded from handling.

Total year-end ACP expenditures are projected at \$6.6 million which is more than the 2014-15 ACP Fund budget of \$2.1 million. Total ACP expenditures that have been paid to date are \$3.8 million which includes the \$2.1 million budget allocation. This results in a year-end shortfall of \$2.8 million. It is anticipated that \$1 million of this amount will be covered by the remainder of ACP reserves and disencumbrances. This results in a remaining year-end shortfall of \$1.8 million.

Due to current caseload demands and high expenditure activity, all budgeted funds have been exhausted. The ACP has approximately 43 existing open cases, half of which are either complete conflict assignments and/or assignments with high liability exposure to the City. This represents a twofold increase in caseload from prior years. ACP assignments include representation to the City relating to the former Community Redevelopment Agency of Los Angeles (CRA/LA), the Independent Living Center of Southern California non-compliance litigation as well as other high exposure police litigation.

This Office has conducted an in-depth analysis of ACP Fund activity and a case-by-case review of all open matters, actual/expected expenditures and actual/expected litigation activity (including phase of litigation). Following this review we have concluded that ACP reserves are no longer available. Therefore, it is recommended that \$1.8 million be transferred from the Unappropriated Balance, Reserve for Economic Uncertainties to the ACP Fund to fully offset the projected year-end deficit of \$1.8 million.

F. Olympic North Hotel Project Recommendation No. 21

The Council previously approved a Subvention Agreement related to the Courtyard by Marriott and Residence Inn Hotel Project (C.F. 13-0505). Pursuant to the agreement, the City is to provide up to \$21.89 million in financial assistance for the development of this project through disbursement of subvention payments in an amount equal to the Transient Occupancy Tax paid by the developer. Consistent with this agreement, and given that the TOT receipts are deposited to the General Fund, \$3.54 million must be appropriated from the Reserve Fund to a Special Fund from which subvention payments are to be made. The amount of \$2.74 million was previously appropriated from the Reserve Fund as part of the 2014-15 First FSR. However, the \$2.74 million payment was based on revenue estimates developed by the consultant who reviewed the developer's pro forma. Since actual TOT receipts have exceeded these estimates by \$800,000, an additional appropriation is necessary to ensure payments continue to fulfill the City's obligations. After accounting for this additional \$800,000 transfer, a total of \$3.54 million will have been appropriated in connection to this agreement in the current year.

G. General Services – Figueroa Plaza – Da Vinci Fire - Building Lifecycle Investments Recommendation Nos. 11 and 12

On December 8, 2014, the Da Vinci Fire destroyed a downtown apartment complex under construction. The resulting explosion from the fire caused significant damage to the neighboring City-owned Figueroa Plaza Towers which housed nine departments and 1,188 employees at the time of the incident. This 653,000 square foot complex was purchased by the City in 2007 for \$219 million and is a primary hub for delivery of City services, the County and the law firm, Lewis, Brisbois, Bisgaard and Smith.

The Figueroa Plaza towers are commercially insured for fire for an amount up to \$1 billion with a deductible of \$100,000. Since the incident, the CAO Risk Manager and the insurance carrier have been on-site managing the recovery work with oversight from the Bureau of Engineering (BOE) and the Fire Recovery Working Group consisting of the Mayor's Office, Chief Legislative Analyst, City Attorney, Information Technology Agency, the building's Property Manager CBRE and Office of the City Administrative Officer (CAO) along with the Department of General Services (GSD) as the primary coordinator. To date, the insurance company has provided a total of \$15 million in advances to the City to pay for fire related losses.

The 201 Figueroa Plaza Tower was not damaged; however, the damage to the 221 Figueroa Tower is significant and includes 319 broken windows on the north and west sides, electrical damage throughout and significant water and smoke damage to the walls, ceilings and flooring on 15 of 16 floors. There are also melted computers and glass, among other significant loss to furniture, fixtures and personal belongings throughout the building making it unsafe to occupy. The 600 staff that were impacted from the 221 Figueroa Plaza Tower have been relocated to short-term temporary accommodations within vacant City-owned space, are pending relocation to designated long-term leased temporary spaces, and will reoccupy the Figueroa Plaza building

upon substantial completion of its renovations. The full extent of the damage is still being assessed through a forensic evaluation which is expected to be completed within the next 30 to 45 days. Preliminary estimates of the total loss are currently being assessed along with a timeframe for getting the repairs done.

As the building is being renovated, it is likely that the City will need to provide funding for 'building lifecycle investments (i.e., items which the insurance may not cover but which are needed to enhance the building's lifecycle or efficiency). Potential lifecycle items could include high performance window glass; enhanced energy controls; upgraded lighting; and other fixtures or technologically advanced equipment that could enhance energy efficiency. BOE is reviewing the need and cost effectiveness of these items.

We recommend a five percent (5%) building lifecycle fund or \$2.25M - based on a preliminary building restoration estimate of \$45M. The restoration estimate will be finalized within a month, after the forensic analysis on the building is completed. It is proposed that the working group be responsible for the review and approval process for the restoration work and the building lifecycle investment work as follows:

- Consistent with current practice, a technical team will be meeting daily or at least several times per week to streamline all restoration activities.
- Work will first be identified by CBRE, the City's building manager and primary contractor, approved by a technical team of GSD, BOE and CAO Risk Management, and approved/negotiated with insurance (CAO Risk Management).
- If the insurance indicates that an activity or work scope that BOE determines would enhance the building will not be covered, then the technical team would approve the project to be paid for with building lifecycle monies.
- Any item over \$500,000 would require Municipal Facilities Committee action.

The following transactions are recommended:

- Transfer \$2.25 million from the General Services Department's Petroleum account to its Contractual Services account, under the Miscellaneous Figueroa Plaza expense line item specifically for building lifecycle investment items as part of the 221 Figueroa Plaza Tower Recovery/Renovation Work. This work requires the approval of the Building Lifecycle/Betterment Working Group for items costing up to \$500,000 and consideration and approval of the Municipal Facilities Committee for all higher cost items of \$500,001 or more.
- Authorize GSD to increase the FY 2014-15 contract authority for CBRE, Inc. (C-1118111), or subsequent contract, for its property management services, related recovery activities

and forensic analysis of damage at the Figueroa Plaza towers by \$2.25 million, from the current funding level.

H. Gas Tax

The 2014-15 Gas Tax Budget anticipates \$105 million in State Gas Tax Receipts. As of the end of January 2015, receipts are trending above budget by approximately \$11 million. According to the Bureau of Street Services, this is due to a repayment of borrowed funds that the State took in a prior year. Therefore, this should be considered a one-time source of funds.

The Budget and Finance and Transportation Committees recently discussed a potential mid-year allocation of funds to assist the Department of Transportation with purchasing equipment required to restore traffic control markings (striping and markouts) to streets resurfaced and slurry sealed by the Bureau of Street Services. This will cost approximately \$2 million. This Office is recommending that the equipment be purchased with Gas Tax funds in a separate Council File (C.F. 13-0866).

Revenue estimates for 2015-16, while not finalized yet, are significantly lower than the amount anticipated by the 2014-15 Budget. There is also some possibility that by the end of 2014-15 the actual overall increase above the 2014-15 Budget is actually less than the currently estimated \$11 million. Therefore, it is recommended that any additional appropriation from Gas Tax this year be reserved for one-time items of the most critical nature and/or that the funds be allowed to roll over into 2015-16 to offset reduced revenues and potential reductions to services.

At the request of the Budget and Finance Committee, we have also provided a summary chart of Gas Tax revenues for past years.

Table 7. Historical Overview of Tax Revenues

	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Actual 2014-15*
2103	\$32,742,183	\$54,553,897	\$35,611,070	\$54,204,864	\$25,901,229
2105	21,061,956	18,825,273	18,003,471	26,916,088	14,645,066
2106	12,298,917	11,986,785	12,503,321	12,421,764	8,866,570
2107	28,133,873	27,819,054	\$28,572,935	28,659,634	18,320,718
Total	\$94,236,929	\$113,185,009	\$94,690,797	\$122,202,350	\$67,733,583

\$116,000,000**

*Estimated as of 1/30/15.

**Amount projected through June 30, 2015.

3. STATUS OF EMPLOYMENT

A. Employment Level Report

Attachment 9 – Employment Level Report

Citywide employment authority from all funding sources totaled 33,898 at the end of December for both civilian and sworn classes. There are 30,257 filled positions at the end of December. Departments reported a total of 3,641 vacant positions: 2,149 General Fund and 1,492 special funded.

B. 120 Day Employees

Attachment 10 – 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 10 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 266 appointments were authorized as of the end of December. 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.

4. 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).

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 January 21, 2015:

Reporting Period	Amount Outstanding	Range of Interest Rates
10/06/14-01/21/15	\$ 142,506,000	0.03% to 0.09% (tax-exempt)
10/06/14-01/21/15	48,000,000	0.12% to 0.16% (taxable)
<hr/>		
<i>Total: \$ 190,506,000</i>		

5. 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 50 fee waivers have been allocated, which includes one waiver from 2010-11, one waivers from 2011-12, three waivers from 2012-13, 11 waivers from 2013-14, and 34 waivers from 2014-15. Approximately \$4.9 million in Citywide special events and Council District fee subsidies remains to be allocated, \$2.9 million and \$2.0 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 at year-end.

6. STATUS OF GANG REDUCTION AND YOUTH DEVELOPMENT (GRYD) PROGRAM Attachment 11 – GRYD Status Report of Expenditures/Payments

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

Total funding for the Fiscal Year 2014-15 Gang Reduction Program in the Mayor's Gang Reduction and Youth Development (GRYD) Office is approximately \$23.8 million from the following sources: \$20.6 million from the General Fund and \$3.2 million from federal and state grants. Of this amount, \$1.41 million is allocated for GRYD salaries and administration expenses and approximately \$20.25 million for contracted agencies. As of December 31, 2014, total General Fund expenditures were \$6,637,585 and encumbrances were \$14,593,798.

Attachment 11 outlines the distribution of funds to each of the GRYD contracted agencies for FY2014-15. The GRYD Office is currently comprised of 20 positions as of December 31, 2014: Six staff members provide administrative/fiscal management and 14 staff members provide program development and implementation including Summer Night Lights, Gun Buy Back, Prevention and Intervention service coordination in GRYD Zones and Secondary Areas; also targeted efforts for the Watts Regional Strategy and Rampart Regional Strategy. Additional services are currently provided by three contractors on research, evaluation and data reporting. Funds allocated for the GRYD Office, administration and program staff consists of \$1,347,030 in General Funds. Salary expenditures for the period July 1 to December 31, 2014 total \$551,617 (General Fund - \$398,339; Grant Funds - \$153,278).

7. STATUS OF DEBT COLLECTIONS FROM THE INSPECTOR GENERAL

Attachment 12 – Status of Inspector General

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 nearly \$120 million in revenues or cost savings within the last three years from Collection Reform initiatives, which have mostly benefited special or enterprise funds. As of January 2015, the City has fully implemented or disagreed and disposed of with no action of approximately 54 percent of Collection Reform initiatives, which represents a six percentage point improvement since September 2014 (i.e., from 48 percent to 54 percent). An additional 34 percent of initiatives are now considered in-progress and the remaining 12 percent is either in-discussion or inactive pending responses from City departments.

The IG continues to focus on initiatives such as, but not limited to, releasing a City-wide collection scorecard report, securing funding to centralize/restructure collections by leveraging best available technology, establishing a direct assessment program, and securing potential grant reimbursement from disaster assistance programs. For example, a total of approximately \$86 million was deemed likely to be recovered from disaster assistance grant funds. From July 2013 through January 2015, the City collected approximately \$36 million in disaster grants and another \$40 million is anticipated by year-end. The IG continues to collaborate with City departments and corresponding State and Federal agencies to collect other identified grant funds valued at approximately \$10 million.

In addition, the IG indicates that the Department of Recreation and Parks has certified nearly \$1.5 million for various disaster assistance funds, which will allow the Office of the CAO to offset outstanding loans advances and transfer respective eligible grant funds from the Disaster Assistance Trust Fund to the General Fund. Another \$200,000 remains not certified by the Department of Recreation and Parks. Lastly, the IG continues to work with City departments to disburse one-time reimbursement payments due to the General Fund, Seismic Bond, and MICLA from disaster repair front-funding. See Attachment 12 for additional details."



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APPROVED:


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Attachments