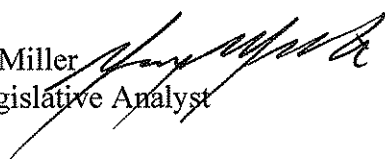


# REPORT OF THE CHIEF LEGISLATIVE ANALYST

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April 25, 2014

To: Honorable Members of the  
Budget and Finance Committee

From: Gerry F. Miller   
Chief Legislative Analyst

## Overview of the 2014-15 Proposed Budget

As requested by your Committee, we have prepared the attached overview of the 2014-15 Proposed Budget, as submitted by the Mayor on April 14, 2014.

If we can be of further assistance in this matter, please let us know.

GFM:KEK

Attachment: Overview of the 2014-15 Budget  
As Submitted by the Mayor

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**OVERVIEW OF THE**

**2014-15 BUDGET**

**AS SUBMITTED BY THE MAYOR**

**Presented To**  
**Budget and Finance Committee**

**Prepared By**  
**Gerry F. Miller**  
**Chief Legislative Analyst**

- **General Fund Base Revenue Change (\$11.71M)**
  - ▶ 2013-14 Budgeted Revenue (\$4,866.89M)
  - ▶ 2014-15 Revenue Estimate (from Four-Year 2013-14 Budget Outlook) (\$4,878.60M)
  
- **Obligatory Expenditure Change (\$123.66M)**
  - ▶ 2013-14 Employee Compensation Adjustment (\$32.35M)
  - ▶ 2014-15 Employee Compensation Adjustment (\$10.01M)
  - ▶ Full Funding for Partially Financed Positions (\$11.12M)
  - ▶ Salary Step Plan and Turnover Effect (\$27.42M)
  - ▶ Deletion of 2013-14 Equipment (\$-9.57M)
  - ▶ Deletion of Funding for Resolution Authorities (\$-27.18M)
  - ▶ Deletion of One-Time Expense Funding (\$-47.26M)
  - ▶ Deletion of One-Time Graffiti Abatement Funding (\$-1.00M)
  - ▶ Deletion of One-Time General City Purposes (\$-4.19M)
  - ▶ Deletion of One-Time Unappropriated Balance (\$-15.93M)
  - ▶ 2014 Tax & Revenue Anticipation Notes (\$92.20M)
  - ▶ Capital Finance Administration Fund (\$5.35M)
  - ▶ Human Resources Benefits (\$18.91M)
  - ▶ Judgment Obligation Bonds Debt Service Fund (\$0.00M)
  - ▶ Matching Campaign Funds (\$0.22M)
  - ▶ Water and Electricity (\$0.87M)
  - ▶ Arts and Cultural Facilities and Services Trust Fund (1% TOT) (\$1.51M)
  - ▶ Library - Charter Required Change from 2013-14 to 2014-15 (\$20.43M)
  - ▶ Recreation & Parks - Charter Required Change from 2013-14 to 2014-15 (\$8.40M)
  
- **Continuation of Existing Services and 2014-15 Savings (\$65.05M)**
  - ▶ Animal Services - Shelter Operations Support (\$0.21M)
  - ▶ Building and Safety - Code Enforcement Lien Processing Workload (\$0.15M)
  - ▶ Building and Safety - Department-wide Administrative Support Services (\$0.08M)
  - ▶ CAO - Asset Management Strategic Planning (\$0.47M)
  - ▶ CAO - Employee Relations Support (\$0.13M)
  - ▶ CAO - Inspector General of Citywide Collections (\$0.14M)
  - ▶ CAO - Performance Budget Implementation (\$0.13M)
  - ▶ City Attorney - Citywide Nuisance Abatement Revocation Program (\$0.24M)
  - ▶ City Attorney - Community Law Enforcement and Recovery (CLEAR) and Gang Prosecution Program (\$0.63M)
  - ▶ City Attorney - Enhanced Revenue Collection Support (\$0.29M)
  - ▶ City Attorney - Neighborhood Council Support (\$0.18M)
  - ▶ City Attorney - Neighborhood Prosecutor Program (\$1.90M)
  - ▶ City Attorney - Regularize Various Resolution Authorities (\$2.32M)
  - ▶ City Attorney - Safer City Initiative (\$0.34M)
  - ▶ City Attorney - Tobacco Enforcement Program (\$1.14M)
  - ▶ City Clerk - City Archivist (\$0.06M)
  - ▶ Economic and Workforce Development - Economic Development Strategy (\$0.19M)
  - ▶ Fire - Ambulance Augmentation Plan (\$1.67M)

- ▶ Fire - FireStat Unit (\$0.13M)
- ▶ Fire - Fuel Vehicle Management System (\$0.08M)
- ▶ Fire - LAX Airport Security - Blue Ribbon Panel (\$0.21M)
- ▶ Finance - LATA Oracle Database Management Licenses (\$0.13M)
- ▶ General City Purposes - Annual City Audit/Single Audit (\$0.01M)
- ▶ General City Purposes - Lifeline Rate Program (\$0.63M)
- ▶ General City Purposes - Medicare Contributions (\$1.58M)
- ▶ General City Purposes - Settlement Adjustment Processing (\$0.00M)
- ▶ General Services - Airports Vehicle Collision Repairs (\$0.17M)
- ▶ General Services - Capital Projects Materials Testing Support (\$1.92M)
- ▶ General Services - Energy and Water Management Unit (\$0.45M)
- ▶ General Services - Supply Management System (\$0.10M)
- ▶ Information Technology Agency - Financial Management System Support (\$2.98M)
- ▶ Information Technology Agency - Performance Budget Implementation (\$2.70M)
- ▶ Information Technology Agency - Remote Local Area Network Replacement (\$0.74M)
- ▶ Information Technology Agency - Supply Management System Support (\$1.42M)
- ▶ Personnel - Affordable Care Act Implementation (\$0.10M)
- ▶ Personnel - Department of Water and Power Exam Support (\$0.45M)
- ▶ Personnel - Public Safety Bureau Staffing (\$1.14M)
- ▶ Planning - Airport Master Plans (\$0.12M)
- ▶ Planning - Clean Up/Green Up (\$0.09M)
- ▶ Planning - Community Redevelopment Land Use (\$0.59M)
- ▶ Planning - Metro Transit Oriented Districts Grants (\$1.37M)
- ▶ Police - Replacement Vehicles (\$8.31M)
- ▶ Police - Security Services Funding Adjustments (\$0.98M)
- ▶ Police - Sworn Attrition and Hiring (including UB) (\$3.17M)
- ▶ Police - Uniform Allowance (\$-0.06M)
- ▶ PW/Contract Administration - Business Inclusion Program (\$0.15M)
- ▶ PW/Contract Administration - Certification and Equal Employment Opportunity (\$0.15M)
- ▶ PW/Contract Administration - Harbor Inspection Program (\$1.75M)
- ▶ PW/Contract Administration - Los Angeles International Airport Services (\$1.57M)
- ▶ PW/Contract Administration - Public Infrastructure Project Stabilization (\$0.03M)
- ▶ PW/Contract Administration - Public Right-of-Way Enforcement Program (\$0.69M)
- ▶ PW/Contract Administration - Services to Department of Water and Power (\$0.33M)
- ▶ PW/Contract Administration - Services to Harbor (\$0.31M)
- ▶ PW/Contract Administration - Services to Los Angeles International Airport (\$0.87M)
- ▶ PW/Engineering - Fire Life Safety Projects (\$0.13M)
- ▶ PW/Street Services - Public Right-of-Way Construction Enforcement (\$0.37M)
- ▶ PW/Street Services - Street Resurfacing (\$16.71M)
- ▶ PW/Street Services - Tree Trimming (\$4.00M)
- ▶ Transportation - DWP Water Trunk Line Program (\$0.47M)
- ▶ Transportation - General Administration Support (\$0.13M)
- ▶ Transportation - Parking Services Administration (\$0.16M)
- ▶ Unappropriated Balance - Citywide Lease Account (\$0.88M)

## **Mayor's Budget Shortfall**

**\$-242.00M**

- ▶ Unappropriated Balance - Fire Department Helitanker (\$0.50M)
  - ▶ Unappropriated Balance - Lifeline Recertification (\$0.40M)
  - ▶ Unappropriated Balance - Equipment, Expenses, Etc. (\$-0.84M)
  - ▶ Unappropriated Balance - Reserve for Economic Uncertainty (\$-3.50M)
- **Change from the 2013-14 Outlook (\$65.00M)**
- ▶ Police Overtime (\$65.00)

**TOTAL BUDGET DEFICIT \$-242.00M**

**BUDGET BALANCING ACTIONS**

- **New/Expanded Revenue Proposed for 2013-14 (\$165.59M)**
  - ▶ Economy Driven Revenues (\$165.59M)
  
- **Net One-Time Revenue Proposed for 2014-15 (\$73.34M)**
  - ▶ Alternative Fuel Station Installation Rebate (\$1.27M)
  - ▶ Code Enforcement Lien Processing Revenues (\$0.75)
  - ▶ Department of Water and Power Audit Reimbursement (\$0.50M)
  - ▶ Office of Public Accountability Study Reimbursement (\$0.75M)
  - ▶ One-time Settlement (\$12.80M)
  - ▶ One-Time Transfer of Council Discretionary Funds (\$7.00M)
  - ▶ Reserve Fund Transfer (\$128.77M)
  - ▶ Special Parking Revenue Fund Transfer (\$10.10M)
  - ▶ Telecommunications Development Account (\$5.20M)
  - ▶ Utility Users' Tax - Electrical, Delayed Receipts (\$12.00M)
  - ▶ Wilshire Grand Transient Occupancy Tax Replacement (\$2.20M)
  - ▶ Less One-Time Revenues in the 2013-14 Adopted Budget (\$-108.00)
  
- **Reductions from the 2013-14 Budget Outlook (\$-69.47M)**
  - ▶ Police Overtime (\$-65.00M)
  - ▶ Other Savings (\$-4.47M)
  
- **Efficiencies/Reductions Included in the 2014-15 Proposed Budget (\$-29.19M)**
  - ▶ Capital Improvement Expenditure Program (\$-14.38M)
  - ▶ Aging - Deletion of Vacant Position (\$-0.07M)
  - ▶ Animal Services - Deletion of Vacant Positions and Expense Funding (\$-0.15M)
  - ▶ Animal Services - In-House Spay and Neuter (\$0.16M)
  - ▶ Building and Safety - Deletion of Vacant Positions and Expenses (\$-0.56M)
  - ▶ City Administrative Officer - Contractual Services Reduction (\$-0.13M)
  - ▶ City Administrative Officer - Deletion of Vacant Positions (\$-0.09M)
  - ▶ City Administrative Officer - Salary Funding Reduction (\$-0.13M)
  - ▶ Controller - Deletion of General Fund Vacancies (\$-0.30M)
  - ▶ Controller - Reduction to Expense Accounts (\$-0.24M)
  - ▶ Disability - Deletion of Vacant Position (\$-0.07M)
  - ▶ Employee Relations Board - Decrease in Expense Funding (\$-0.01M)
  - ▶ Finance - Deletion of Vacant Positions and Expense Funding (\$-0.50M)
  - ▶ Fire - Construction Services Plan Check (\$-0.11M)
  - ▶ Fire - Director of Fleet Services (Civilianization ) (\$-0.38M)
  - ▶ Fire - Homeland Security Grants Unit Staffing (Civilianization) (\$-0.09M)
  - ▶ Fire - Miscellaneous Adjustments in Expense Accounts (\$-0.10M)
  - ▶ Fire - Public Information Director (Civilianization) (\$-0.03M)
  - ▶ Fire - Salary Savings Rate Adjustment (\$-0.50M)
  - ▶ General City Purposes - City Volunteer Bureau (\$-0.03M)
  - ▶ General City Purposes - Council District Community Services (\$-0.92M)
  - ▶ General City Purposes - Gang Reduction and Youth Development Office (\$-1.06M)

- ▶ General City Purposes - L.A.'s BEST (\$-0.16M)
- ▶ General City Purposes - Learn and Earn Program (\$-0.19M)
- ▶ General City Purposes - Office of Small Business Services (\$-0.19M)
- ▶ General City Purposes - Official Visits of Dignitaries (\$-0.00M)
- ▶ General City Purposes - Special Events Fee Subsidy - Citywide (\$-1.12M)
- ▶ General Services - Deletion of Vacant Positions (\$-2.30M)
- ▶ General Services - Support for Citywide Special Events (\$-0.05M)
- ▶ ITA - Deletion of Vacant Positions (\$-1.30M)
- ▶ Personnel - Employee Transit Subsidy Funding Adjustment (\$-0.39M)
- ▶ Police - Reduction of Sworn Overtime at Airports (\$-1.40M)
- ▶ PW/Board of Public Works - One-Time Salary Reduction (\$-0.08M)
- ▶ PW/Board of Public Works - Project Restore (\$-0.13M)
- ▶ PW/Contract Administration - Deletion of Vacant Positions (\$-0.69M)
- ▶ PW/Contract Administration - Reimbursable Construction Inspection (\$-0.50M)
- ▶ PW/Engineering - Deletion of Vacant Positions (\$-0.28M)
- ▶ PW/Street Services - Salary Savings Rate Adjustment (\$-0.73M)

■ **Other Changes and Adjustments (\$4.54M)**

- ▶ Aging - Program Realignment (\$-0.05M)
- ▶ Animal Services - Program Realignment (\$-0.00M)
- ▶ Building and Safety - Program Realignment (\$0.00M)
- ▶ Building and Safety - Funding Realignment (\$-0.10M)
- ▶ City Administrative Officer - Funding Realignment (\$-0.08M)
- ▶ City Attorney - Program Realignment (\$-1.76M)
- ▶ City Clerk - Program Realignment (\$0.20M)
- ▶ Controller - Program Realignment (\$0.04M)
- ▶ Economic and Workforce Development - Program Realignment (\$-0.15M)
- ▶ Finance - Program Realignment (\$-0.03M)
- ▶ Finance - Bank and Merchant Card Fee Funding Realignment (\$0.10M)
- ▶ GSD - Program Realignment (\$-0.98M)
- ▶ GSD - Various Personnel Adjustments (\$-0.01M)
- ▶ ITA - Program Realignment (\$0.56M)
- ▶ Housing and Community Investment - Program Realignment (\$-0.40M)
- ▶ Personnel - Program Realignment (\$-0.01M)
- ▶ Personnel - Salary Savings Rate Adjustment (\$-0.55M)
- ▶ Planning - Funding Realignment (\$-0.33M)
- ▶ Planning - Program Realignment (\$-1.17M)
- ▶ Police - Funding Realignment (\$-2.40M)
- ▶ PW/Board - Program Realignment (\$0.20M)
- ▶ PW/Contract Administration - Program Realignment (\$0.39M)
- ▶ PW/Engineering - Clean Water Funding Realignment (\$-0.11M)
- ▶ PW/Engineering - Development Services Funding Realignment (\$-0.08M)
- ▶ PW/Engineering - Program Realignment (\$5.40M)
- ▶ PW/Street Services - Program Realignment (\$0.64M)
- ▶ Transportation - Funding Source and Position Realignment (\$0.38M)
- ▶ Transportation - Program Realignment (\$4.84M)

- **Increased Services in the 2013-14 Proposed Budget (\$80.25M)**
  - ▶ Aging - Emergency Alert Response System (\$0.09M)
  - ▶ Animal Services - Animal License Canvassing (\$0.20M)
  - ▶ Building and Safety - Residential and Commercial Complaint Services (\$1.29M)
  - ▶ CAO - Office of Public Accountability (\$1.01M)
  - ▶ City Attorney - Litigation and Risk Management System (\$0.62M)
  - ▶ City Clerk - 2015 Primary Nominating and General Municipal Elections (\$16.00M)
  - ▶ Controller - Outside Audit Resources (\$0.50M)
  - ▶ Controller - Payroll Resources (\$0.13M)
  - ▶ Emergency Management - Overtime Funding Adjustment (\$0.01M)
  - ▶ Fire - Employee Relations Manager - (\$0.15M)
  - ▶ Fire - Firefighter Recruit Training (\$3.52M)
  - ▶ Fire - Geographic Bureau Command Structure (\$1.60M)
  - ▶ Fire - Helitanker Contract (\$0.30M)
  - ▶ General City Purposes - DWP Pension Audit (\$0.50M)
  - ▶ General City Purposes - Innovation Fund (\$1.10M)
  - ▶ General City Purposes - Los Angeles Bi-Annual Homeless Count (\$0.35M)
  - ▶ General City Purposes - Operation Health Streets (\$3.00M)
  - ▶ General City Purposes - Police/Fire Dispatch System Consolidation (\$1.29M)
  - ▶ General City Purposes - Youth Employment Program (\$0.20M)
  - ▶ General Services - Fuel Station Emergency Generator Support (\$0.13M)
  - ▶ Information Technology Agency - Disaster Recovery for the Financial Systems (\$0.58M)
  - ▶ Information Technology Agency - Technical Skills Enhancement (\$0.03M)
  - ▶ Personnel - Increased Exam Support for DWP (\$0.33M)
  - ▶ Police - Emergency Vehicle Operations Course Maintenance (\$0.08M)
  - ▶ Police - Technology-Related Hardware and Contracts (\$5.02M)
  - ▶ PW/Board - Bureau of Engineering Accounting Support (\$0.07M)
  - ▶ PW/Contract Administration - Public Infrastructure Project Stabilization (\$0.09M)
  - ▶ PW/Engineering - Survey Work Equipment (\$0.05M)
  - ▶ Transportation - Adjudication Office Manager (\$0.06M)
  - ▶ Transportation - ATSAC Maintenance (\$0.19M)
  - ▶ Transportation - Emergency Management Equipment (\$0.06M)
  - ▶ Transportation - Meter Security Support (\$0.07M)
  - ▶ Transportation - Meter Technology Support (\$0.13M)
  - ▶ Transportation - Part-Time Traffic Officer Program (\$0.92M)
  - ▶ Transportation - Part-Time Traffic Officer Program Oversight (\$0.23M)
  - ▶ Transportation - Transportation Safety Improvements (\$2.50M)
  - ▶ Unappropriated Balance - Business Process Improvements (\$0.50M)
  - ▶ Unappropriated Balance - Code for America (\$0.18M)
  - ▶ Unappropriated Balance - Evidence Property Information Management System (\$4.00M)
  - ▶ Unappropriated Balance - Fire Recruitment and Selection (\$0.56M)
  - ▶ Unappropriated Balance - Great Streets (\$0.80M)
  - ▶ Unappropriated Balance - Healthy Streets - Citywide (\$5.00M)
  - ▶ Unappropriated Balance - Office of Public Accountability Studies (\$0.75M)



## Mayor's Budget Balancing Solutions

**\$242.00M**

- ▶ Unappropriated Balance - Off-site Council and Committee Meetings (\$0.05M)
- ▶ Unappropriated Balance - Pavement Preservation (\$8.70M)
- ▶ Unappropriated Balance - Personnel Firefighter Hiring Support (\$0.30M)
- ▶ Unappropriated Balance - Sidewalk Repairs (\$10.00M)
- ▶ Unappropriated Balance - Proactive Conditional Use Permit (\$0.61M)
- ▶ Unappropriated Balance - Standards of Cover Analysis (\$0.40M)
- ▶ Unappropriated Balance - Supply Management System (\$6.00M)
  
- **New Services/New Facility Expenses in the 2014-15 Proposed Budget (\$10.79M)**
  - ▶ Capital Improvement Expenditure Program (\$9.61M)
  - ▶ City Clerk - Polling Place Accessibility Requirements (\$0.04M)
  - ▶ Disability - Online Accessibility Training (\$0.03M)
  - ▶ Fire - Chief Information Officer (\$0.12M)
  - ▶ Fire - Emergency Medical Services Compliance Audit (\$0.10M)
  - ▶ Fire - GEMT Administrative Contract (\$0.35M)
  - ▶ Information Technology Agency - City Open Data (\$0.35M)
  - ▶ Personnel - Employee Development and Training Program (\$0.19M)

**TOTAL BUDGET BALANCING ACTIONS \$242.00M**

## **SIGNIFICANT ISSUES**

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### **2014-15 AND FUTURE YEARS**

Over the past several years, the City has taken numerous steps to measurably reduce the structural deficit now and in future years. Four years ago, the City faced a \$492.0M deficit for 2010-11 and the four-year outlook presented in January 2010 projected a deficit of over \$1B for the current 2013-14 fiscal year. Since that time, the Council and Mayor have taken action to reduce the structural deficit by nearly 80 percent and improve the City's overall financial condition. These steps have included reduction of the City's workforce, reduction in pension costs through modifications to the City's pension systems, employee contributions to health benefits and reductions in various expenditures. Through fiscal restraint and prudent application of financial policies, the City's Reserve Fund was built to the highest level ever and a Budget Stabilization Fund was established and funded to help moderate the impacts of economic downturns. As a result, the projected deficit is dramatically lower, but a structural deficit persists and continues to be pushed outward.

The anticipated Budget Gap for 2014-15 is \$242M, and is addressed below. In terms of future years, the Mayor's Proposed Budget contemplates a 2015-16 Budget Gap of \$165M. This increases to \$186.8M in 2016-17. Anticipated gaps in the next two fiscal years are higher than projected one year ago, primarily due to unmet assumptions included in the 2013-14 Budget. One year ago the City was projected to achieve a surplus in fiscal year 2017-18. This surplus is now projected for 2018-19, which, if met, will have meant that the City has operated with projected deficits for 15 years.

In spite of this, the City is on the right track. The Mayor's Proposed Budget for 2014-15, for the most part, is a "toe-the-line" budget, which recognizes the need to balance the delivery of services with the need to eliminate the City's ongoing structural deficit. It applies modest increases in critical areas – public safety (Fire), technology improvements, infrastructure repair and improvements – and includes revenue assumptions that reflect an improving economy.

While it is important to ensure that the most critical of services are delivered, the City should not lose sight of efforts to eliminate the City's structural deficit and secure, for the long term, fiscal security and the highest level of service delivery to the residents of Los Angeles.

Major components of the Mayor's solutions to close the budget gap of \$242.0M include the following:

- ▶ The Mayor's Proposed Budget recognizes \$165.6M in expanded revenue, including property, sales, business, utility users', documentary transfer, transient occupancy, and parking users' taxes.
- ▶ Included in the revenue projections is a net \$36.7M in increased Documentary Transfer Tax receipts. These are among the most volatile of receipts. Increases in 2014-15 are attributed to increasing home prices. It is noted that growth has slowed as sales volume has tapered in 2013-14. Also included is an increase in Sales Tax revenue of \$21.3M, representing 4.6 percent growth in 2014-15.

## **SIGNIFICANT ISSUES**

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- ▶ The Mayor's Proposed Budget is balanced in large part due to a transfer from the City's Reserve Fund. Through the hard work and fiscal restraint exercised by City leaders during recent years, the City's Reserve Fund had reached its highest level ever, nearly 7.0 percent of General Fund revenue. The Mayor proposes to transfer \$128.8M from the Reserve Fund to balance the 2014-15 Budget. This is the first time in seven years such a transfer is included in the Proposed Budget. The Proposed Reserve Fund is funded at 5.5 percent, which exceeds the Financial Policy requirement of five percent and is higher than the 2013-14 Adopted Budget amount of 5.37 percent.
- ▶ No transfer is made from the Budget Stabilization Fund, leaving the balance in the Fund of \$61.9M, plus interest earned during 2014-15. The Fund was established as a means to mitigate the impacts during years of economic downturn. The recently adopted Budget Stabilization Policy requires transfers into the Fund during years of economic growth, with certain exceptions. This year's projections would have required a transfer into the Fund in the amount of \$25M. However, the City Administrative Officer (CAO) notes that no transfer is included inasmuch as the excess revenues are used to comply with the City's capital investment policy.
- ▶ One-time savings of \$10.1M above the base level surplus, are transferred from the Special Parking Revenue Fund (SPRF) to balance the Proposed Budget. The total transfer from SPRF to the General Fund is \$30.6M. Use of these funds could impact parking projects intended to be funded in the Department of Transportation Five-Year Plan.
- ▶ Other one-time revenue is included from one-time settlement dollars (\$12.8M), transfer of Council Discretionary Funds (\$7M), Telecommunications Development Account (TDA) transfer (\$5.2M), delayed receipts from the Utility Users' Tax Electrical (\$12M) and various other one-time revenue sources.
- ▶ The Proposed Budget recognizes adjustments made for Police Overtime (\$65M) and savings related to Pensions and benefits in the amount of \$18.8M.
- ▶ The Mayor's Proposed Budget assumes savings resulting from all civilian employees contributing 10 percent toward the civilian health care subsidy.
- ▶ Departmental Efficiencies and Reductions are applied in numerous departmental budgets and result in \$29.2M in General Fund savings. Deletions in these categories include the elimination of vacant General Fund position authorities; one-time salary reductions; expense reductions; and reductions to General City Purposes accounts.
- ▶ Other changes and adjustments include \$4.5M in additional General Fund expenses and are primarily attributable to funding and program realignments.

It is important to note that a significant portion of the Proposed Budget balancing solutions are one-time solutions. By taking a substantial transfer from the City's Reserve Fund, assuming revenue growth at the upper end of trend, reducing department flexibility with regard to the workforce, and modestly expanding services, it allows for much needed service enhancements, but it effectively makes solving the City's projected deficit in fiscal year 2015-16 and beyond more difficult.

## **SIGNIFICANT ISSUES**

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Additionally, there are other areas of concern which require continual monitoring. Revenues, primarily documentary transfer tax, sales tax, transient occupancy tax, parking fines and utility users' tax, should be carefully tracked to ensure that projections are met. There are also deficits embedded in the budgetary figures for certain departments. These include the Fire Department Ambulance Augmentation Plan program, Fire Dispatch Center operations and Police Overtime. There are other assumptions built in which may require adjustment mid-year. For example, the Proposed Budget assumes no further salary increases and that each civilian employee will contribute 10 percent toward employee health care in 2014-15. While agreement on these points has been reached with some employee groups, those remaining are subject to yet-to-be negotiated union concessions. Additionally, the banked overtime amounts allowed for Police sworn staff will drop from 800 hours to 150 hours in June, if no agreement is reached by then. Any changes in investment returns for the Sworn and Civilian pension systems will have a major impact on General Fund contributions in future years. According to the CAO, a quarter percent reduction in return assumptions could have an \$80M impact on contributions. In addition, the \$165M gap does not include funding for a number of unfunded positions added to the 2014-15 Proposed Budget.

Overall, the City will still need to exercise the same restraint to rebuild the Reserve Fund in the current year and keep careful watch of revenues and expenditures over the course of the year. As in the 2013-14 and the 2014-15 Proposed Budgets, the anticipated budget gap reduction for 2015-16 is driven, in part, by an improving economy as it relates to economically sensitive revenues and the impact on the pension systems. However, it is important to note that the \$165M gap is dependent upon continued revenue growth of two to four percent in most revenue categories, a nine percent increase in Documentary Transfer Tax, a five percent increase in the Transient Occupancy Tax and a 4.5 percent increase in Sales Tax. It also assumes a decline in the Gross Receipts Tax resulting from Business Tax reform beginning in 2015-16. Any revenue shortfalls and expenditure issues must be addressed early, to make resolution more likely and to mitigate any further increase to next year's deficit. Reductions in future year gaps will be dependent upon net revenue growth and continued fiscal restraint.

Any efforts to reduce ongoing expenditures added to the 2014-15 Proposed Budget, limiting the use of one-time funds for ongoing programs, growing the economy, and increasing the Budget Stabilization Fund and Reserve Fund will have a positive impact on the 2015-16 Budget and beyond.

## **POLICY CONSIDERATIONS**

- **Compliance with Financial Policies:** In the CAO's Supporting Information for the Budget and Finance Committee, the CAO reports on the compliance of the 2014-15 Proposed Budget with the following areas of the City's Financial Policies:

## SIGNIFICANT ISSUES

| City Financial Policies               |   | Mayor's Proposed Budget  |
|---------------------------------------|---|--|
| <b>Reserve Fund</b>                   | The Reserve Fund shall be 5% of the General Fund Budget.  | Proposes a Reserve Fund of \$282.1M which equates to a Reserve Fund rate of 5.51% of General Fund revenues, as compared to a 5.37% rate for the 2013-14 Adopted Budget. (See discussion on the Reserve Fund).  |
| <b>Capital &amp; Infrastructure</b>   | To the extent possible, the City shall annually budget 1% of General Fund revenue to fund capital or infrastructure improvements.   | Provides 1.07% of General Fund revenue for capital and infrastructure projects (\$54.8M), which exceeds the 1% investment threshold by \$3.6M.   |
| <b>One-Time Revenue</b>               | To the extent possible, current operations will be funded by current revenues. The use of unencumbered prior year balances in all funds shall be scrutinized and carefully limited to be used primarily for one-time expenditures. One-time revenues will only be used for one-time expenditures. | A total of \$183.3M in one-time revenue is programmed in 2014-15, including a \$128.8M transfer from the Reserve Fund, \$12.8M from an anticipated legal settlement, \$12M from delayed DWP payment of Utility Users' Taxes due to billing problems, a \$7M transfer from Council Discretionary Funds, and a portion of the Special Parking Revenue Fund transfer to the General Fund (\$10.1M of the \$30.6M). One-time expenditures totaling \$109.9M are included in the 2014-15 Proposed Budget. Therefore, there is an excess of \$71.5M in one-time financial resources budgeted in 2014-15 for ongoing expenditures. These calculations do not reflect the \$25M in excess revenues that were allocated to capital projects in lieu of depositing those excess revenues into the Budget Stabilization Fund. |
| <b>Pension and Retirement Funding</b> | When the required contribution rate falls significantly below the normal cost rate, the City will set aside the incremental rate amount for one-time expenditures only.   | A credit has not been earned; therefore funding is not set aside in accordance with this policy.   |
| <b>Budget Stabilization Policy</b>    | This fund is intended to prevent overspending during prosperous years and provide resources to help maintain service levels during lean years.  | A total of \$62.4M is included in the 2014-15 Proposed Budget. The Proposed Budget does not recommend transfers into or out of this Fund. Ordinance No. 182928 requires a deposit into the BSF in years when seven General Fund Tax revenues have a combined growth rate above 3.4 percent. The combined growth rate for 2014-15 is projected to be 3.9 percent. The Proposed Budget allocates the required deposit of \$25M to capital projects to meet the Capital/Infrastructure 1% Financial Policy.   |

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- **One Time Revenue/Expenditure:** The Supporting Information to the Budget and Finance Committee describes \$181.3M in one-time revenue and \$109.9M in one-time expenditures, which means that \$71.5M in one-time financial resources are budgeted for ongoing expenditures in the Mayor's 2014-15 Proposed Budget. However, this number is understated because it does not include the \$25M BSF amount. Past budgets have also programmed one-time revenue sources to pay for ongoing expenses in this manner, but this approach should be weighed against the potential that it could add to the structural deficit at a time when the economic recovery is slowly gaining momentum. Statistically, over the past ten fiscal years, on average, the Mayor's proposed budgets have identified \$145.1M in one-time revenue and expenditure deferrals in the respective budgets. Over this same time period, the Mayor's proposed budgets have programmed an average of \$73.2M in one-time expenditures.

Further details of the one-time revenues versus one-time expenditures are as follows:

- ▶ **One-Time Revenue** identified in 2014-15 Proposed Budget includes: Alternative Fuel Station Installation Rebate (\$1.3M); Code Enforcement Lien Processing Revenues (\$0.8M); Department of Water and Power Audit Reimbursement (\$0.5M); Office of Public Accountability Study Reimbursement (\$0.8M); One-Time Settlement (\$12.8M); One-Time Transfer from Council Discretionary Funds (\$7M); Transfers from the Reserve Fund (\$128.8M) and the Telecommunications Development Account (\$5.2M); Utility Users' Tax - Electrical, Delayed 2013-14 Receipts (\$12M); and the Wilshire Grand Transient Occupancy Tax Replacement (\$2.2M). The Supporting Information also recognizes only a portion of this year's transfer from the Special Parking Revenue Fund as one-time revenue (\$10.1M of the \$30.6M transfer).
- ▶ **One-Time Expenditures** totaling \$108.9M include: An Emergency Alert Response System for the Department of Aging (\$0.1M); Building and Safety Code Enforcement Lien Processing Workload (\$0.2M); Various CIEP Municipal Facilities Projects (\$8.3M); City Attorney Litigation and Risk Management System (\$0.6M); City Clerk 2015 Primary Nominating and Municipal Elections (\$16M); City Clerk Polling Place Accessibility Requirements (\$0.1M); City Planning Metro Transit Oriented Districts Grants (\$0.5M); Disability Online Accessibility Training (\$0.1M); Finance LATA Oracle Database Management Licenses (\$0.1M); Fire Emergency Medical Services Compliance Audit (\$0.1M); Fire Firefighter Recruit Training (\$3.5M); Fire Fuel Vehicle Management System (\$0.1M); General City Purposes DWP Pension Audit (\$0.5M); General City Purposes Innovation Fund (\$1.1M); General City Purposes LA Biannual Homeless Count (\$0.4M); General City Purposes Police/Fire Dispatch System Consolidation (\$1.3M); ITA Financial Management System Support (\$2.1M); ITA Performance Budgeting Implementation (\$2.7M); ITA Remote Local Area Network Replacement (\$0.7M); ITA Supply Management System Support (\$1.1M); Convention Center Revenue Fund (\$5M); LAPD Emergency Vehicle Operations Course Maintenance (\$0.1M); LAPD Replacement Vehicles (\$8.3M); LAPD Sworn Hiring Plan (\$3.8M); LAPD Technology-Related Hardware and Contracts (\$1M); Bureau of Engineering Survey Work Equipment (\$0.1M); Bureau of Street Services Tree Trimming (\$4M); ATSAC

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- ▶ Maintenance (\$0.2M); LADOT Emergency Management Equipment (\$0.1M); and Transportation Safety Improvements (\$2.5M)
- ▶ **One-time funding** is also set aside for Business Process Improvements (\$0.5M); Code for America (\$0.2M); Evidence Property Information Management System (\$4M); purchase of a Fire Department Helitanker (\$0.5M); Fire Recruitment and Selection (\$0.6M); Great Streets program (\$0.8M); Citywide Healthy Streets program (\$5M); Office of Public Accountability Studies (\$0.8M); Pavement Preservation Program (\$8.7M); Personnel Department Firefighter Hiring Support (\$0.3M); Reserve for Economic Uncertainties (\$17.5M), Standards of Cover Analysis (\$0.4M); and the Supply Management System (\$6M).
- **Functional Transfers:**
  - ▶ **Development Services:** The FY 2013-14 Adopted Budget included the consolidation of functions of the Planning and Building and Safety Departments, and specific development responsibilities of the Bureau of Engineering, the Fire Department, and the Department of Transportation. This consolidation did not occur and the Proposed Budget fully restores the development services functions and funding to each respective department.
  - ▶ **Public Safety Dispatch:** The Proposed Budget includes funding (\$1.3M) in General City Purposes funds to integrate the Fire Department's dispatch operations into the Police Department for a consolidated Public Safety Dispatch function.
  - ▶ **Business Improvement District Program:** In the 2013-14 Adopted Budget, the administration of the Business Improvement District (BID) program was transferred to the Economic and Workforce Development Department. However, the function has not been physically transferred. Funding (\$1M) and eleven positions are restored to the City Clerk in the Proposed Budget to avoid additional General Fund costs associated with tenant improvements, relocation costs, and ongoing lease costs.
  - ▶ **Los Angeles Convention Center:** Funding (\$0.8M) for five resolution position authorities and 11 half-time employees that were transferred from the Los Angeles Convention Center in the 2013-14 Adopted Budget to the General Services Department are included in the 2014-15 Proposed Budget.
  - ▶ **Information Technology:** In FY 2008-09, funding and five positions for technology support were functionally transferred from the Board of Public Works to the Information Technology Agency (ITA). The Proposed Budget restores funding (\$0.7M) and the five positions to the Board.
- **Performance Based Budgeting:** On March 20, 2012, the Council requested the Mayor's Office to work with the CAO, Chief Legislative Analyst (CLA) and the Office of the Controller to begin phasing-in a performance-based budget process starting with the Department of City Planning and the Bureau of Street Lighting for their 2012-13 Proposed Budget (C.F. 11-1702-S1). The Council also directed all remaining City Departments and Bureaus to engage in strategic planning, including the establishment of measurable goals and performance metrics for those goals, for inclusion in the 2013-14 budget process. The CAO and CLA were further directed to report on the feasibility of activating the performance-based budgeting modules in the Financial Management System (FMS) within

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the next two years (C.F. 11-1702-S1). The FY2013-14 Adopted Budget included funding (\$0.9M) in the Unappropriated Balance for performance-based budgeting.

- ▶ **Performance-Budget Implementation:** The City's budget system for 2014-15 is described as a modified program budget that will transition to a performance budget in future fiscal years. Funding is continued (\$0.2M) for one position in the CAO's office to support the City's continued transition to performance-based budgeting. The position will be responsible for strategic planning and the development of a Citywide framework to measure and assess the ongoing effectiveness and efficiency of the delivery of City departments. Contractual services funding (\$2.7M) is also included in the ITA budget to replace the legacy budget system (BRASS) with the Performance Budgeting module of the Financial Management System.
- ▶ **Priority Outcomes:** The Proposed Budget identifies the following nine Priority Outcomes that guided budgetary decision-making:
  - Promote good jobs for Angelenos all across Los Angeles
  - Restore the City services that make our neighborhoods livable and attractive
  - Make our communities the safest in the nation
  - Create a more sustainable and livable city
  - Live within our financial means
  - Provide outstanding customer service to our residents and businesses
  - Deploy innovation and technology to modernize city government
  - Restore pride and excellence in public service
  - Partner with citizens and civic groups to build a greater city

The Priority Outcome with which each departmental program most closely aligns is listed in each program description, including metrics, where available, to measure the goals. As performance budgeting is fully implemented, metrics associated with each program will be used to evaluate progress towards achieving priority outcomes and to compare effectiveness between programs.

- **Community Based Development Organization Funding:** The United States Department of Housing and Urban Development (HUD) administers federal grant entitlement programs contained within the Consolidated Plan, including the Community Development Block Grant (CDBG). Funding is allocated to various categories, including the category of "Public Service," with expenditures in this category capped by HUD formulas. Since 2002-03, the City has funded the work of Community Based Development Organizations (CBDOs) under the category of Special Activities, which allowed these public services to be provided outside of the capped Public Service category. In January 2014, HUD notified the City that it was not abiding by the federal guidelines for CBDOs, and the City must fund CBDOs under the Public Service category. As a result, the 40th Year Consolidated Plan Budget approved by the Mayor and Council on April 8, 2014 did not fund the CBDO category. Some activities formerly under the CBDO umbrella are now funded under the Public Service category, in accordance with cap restrictions. The Council recently authorized funding from the City's General Fund to address the three month gap between the end of the Consolidated Plan program year and the beginning of the City's fiscal year (April through June) for programs not funded from CDBG. In order to continue these programs beyond June, additional funding was anticipated to be identified for fiscal year 2014-15.



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Funding to support these programs in 2014-15 is not included in the Mayor's Proposed Budget.

- **State Budget Impact:** The State budget, as currently proposed, does not significantly impact local governments. Sales and income tax increases resulting from the passage of Proposition 30, as well as an improving economy, have generated new revenues that have reduced pressures on the State budget. In addition, Constitutional protections prevent the State from taking most local revenues and the State has swept or eliminated most other sources of funding that local governments previously received.

The Governor will release a revised budget in mid-May 2014. This is the document that will receive the greatest attention in Sacramento and has the potential to include additional matters that could affect local governments. It is anticipated that the State Budget will be adopted by June 15, 2013. City staff will monitor the May revise and report potential concerns that could affect the City budget at that time and as the Legislature conducts its review.

The State is still considering proposals that could provide local governments with access to new State revenues resulting from the implementation of the Cap-and-Trade program. Both the Governor and the Senate Pro Tem have presented proposals on how these funds would be allocated, including funding for affordable housing, sustainable communities, natural resources and water, transit and rail, and streets. Legislation pending in the Assembly and Senate this year will determine how those funds are to be allocated and for which purposes. Staff will monitor development of this legislation and report to Council as appropriate.

## REVENUES

- **Revenue Outlook:** We have reviewed the revenue estimates and believe that, while many of the projections included in the Proposed Budget are in line with general trends for ongoing revenue sources, some revenue sources could be at risk because revenue estimates are at the upper range of the trend. The Proposed Budget estimates revenue growth for 2014-15 through 2018-19 based on historical average receipts, with some exceptions. Total General Fund receipts in 2014-15 are expected to grow 4.4 percent over revised 2013-14 receipts, which includes \$181M from one-time sources, such as transfers from the Telecommunications Development Account, the Special Parking Revenue Fund, and the Reserve Fund. Without these one-time funding sources, General Fund receipts from ongoing revenues are expected to grow only 2.7 percent. Growth from the economy-sensitive components is expected to be 3.9 percent for 2014-15 due to the offset for one time revenues in the FY14-15 Budget. Revenue growth in the ensuing years is estimated to drop to 0.2 percent growth in 2015-16, but projected to rise by 3.4 percent to 3.5 percent in each of the ensuing years. In terms of specific revenue categories, we note that the Proposed Budget anticipates that Property Tax revenues, which account for nearly one-third of General Fund revenues, are expected to grow by 5.7 percent in 2014-15, but drop to 5 percent in 2015-16. The Proposed Budget notes that the top seven taxes grew at an average annual rate of 3.4 percent from 1990 through 2013, and are projected to grow by 3.9 percent in 2014-15, and 3.4 percent to 3.5 percent in each of the fiscal years that follows. The Proposed Budget anticipates one-time revenue sources totaling \$181.3M,

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most of which will come from a Reserve Fund transfer (\$128.8M). Of the total one-time revenue, however, only \$109.9M of this amount is programmed on one-time expenditures, with the remainder used to pay for one year of ongoing expenses. Concerns are discussed elsewhere in this report with regard to the continued reliance on one-time revenue to pay for ongoing programs and services in this budget. In addition, some of the revenues included in the Proposed Budget are programmed in anticipation of receiving specified amounts from a legal settlement (Telecommunications Development Account); expecting full recovery of late-billed amounts (delayed UUT payment from DWP); or applying optimistic revenue projections that may not reflect more prudent assumptions (Documentary Transfer Tax, Sales Tax, Transient Occupancy Taxes, and parking fines). Business Tax estimates may also be overstated based on historical patterns.

- **DWP Power Revenue Transfer:** The transfer from the Power Revenue Fund is to be based on a percentage of prior-year gross operating power revenue, not to exceed net income. The 2014-15 rate remains at eight percent of the total operating revenue for the previous year, as established by the Board of Water and Power Commissioners. The amount included in the 2014-15 Proposed Budget is \$261M, which is \$8M more than the 2013-14 Adopted Budget amount of \$253M. Charter Amendment J requires the LADWP to submit its preliminary budget for the upcoming fiscal year to the City Council by March 31 to allow the Council to consider the impacts of the DWP budget on the City. This document was submitted to the Council on March 18, 2014.
  
- **Fee Increases:** Several fee increases are recommended in the 2014-15 Proposed Budget:
  - ▶ **Fire Department:** As has been proposed in each budget since 2009-10, the 2014-15 Proposed Budget anticipates \$1M in additional revenues from LAFD Industrial Building Inspection fees.
  - ▶ **Bureau of Engineering:** The Bureau of Engineering receives revenue from fees charged for street and curb permits, zoning and subdivision fees, other engineering fees and from overhead reimbursements from special funds. The Bureau expects overhead reimbursements to increase this year by \$0.9M to reflect to higher Cost Allocation Plan (CAP) rates and filling of vacant positions
  - ▶ **Zoo:** The 2014-15 Proposed Budget recommends a \$1 increase in zoo admissions fees, and a corresponding increase in the family membership fee, which is expected to generate \$0.8M. Current General Admission fees are \$18, \$15, and \$13 for adults, seniors, and children ages 2-12, respectively. The proposed admission fees for 2014-15 would be \$19 per adult, \$16 per senior and \$14 per child. It should be noted that Zoo Admission Fees have increased in each of the previous six fiscal years.
  - ▶ **Recreation and Parks Pools:** The Proposed Budget recommends an increase in the fee for adults to use City pools from its current levels (\$2 with a library card or \$2.5 without) to \$3 per adult. In addition, the fee for a pre-paid lap pass (30 admissions) would increase from \$55 to \$67.50. The Proposed Budget also recommends charging a \$1.00 admissions fee for children, seniors, and individuals with disabilities who currently use these facilities free of charge. Fees for special events and filming at City pools would also increase.

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- **Property Based Revenue:** In 2014-15, property-related revenues will account for 31.85 percent of City General Fund revenue. The County Treasurer and Tax Collector forecast 4.06 percent growth in total assessed value. The Proposed Budget used this as the basis for the property- based revenue projections, adjusted slightly for differences between the City and county tax base. Unlike prior years, no estimate was available from the County Assessor. Relative to the 2013-14 revised forecasts, the 2014-15 Proposed Budget projects that property tax revenues will increase by \$86.6M to \$1.6B. In future fiscal years, the Proposed Budget forecasts that property taxes will grow by 5 percent in 2015-16 to \$1.7B, drop by 4 percent in 2016-17 to \$1.6B, then rise by four percent in each of the next two fiscal years to reach \$1.8B in 2018-19.

Community Redevelopment Agencies (CRA) were eliminated on October 1, 2011 with the enactment of AB 1x26. Their subsequent dissolution has triggered the redistribution of former Tax Increment revenue to various taxing entities, including the City. The Proposed Budget notes that the City began receiving additional property tax payments (former tax increment) beginning in June 2012. Until 2013-14, the City also received one-time funds from the due diligence review of former CRA funds. The Proposed Budget anticipates that the City will receive \$48M in former CRA revenues in 2014-15.

- **Documentary Transfer Tax:** The documentary transfer tax is the most volatile of the City's revenue base. Projections in the 2014-15 Proposed Budget are based on relatively stable housing market conditions and continued appreciation in home prices. Tax revenue from the Documentary Transfer Tax is generated through the sale of real property and fluctuates based on purchase price and sales volume. It is assessed at the time a property is sold at a rate of \$2.25 per \$500 of value. The Documentary Transfer Tax is also applied when the controlling interest in a legal entity that owns real property in the City is transferred. Documentary Transfer Tax revenues reached a peak of \$217M in 2005-06, but dropped to \$84M by 2008-09. Documentary Transfer Tax revenues are expected to grow by ten percent relative to the 2013-14 revised forecast, from \$178.9M to \$196.8M, and are projected to grow by an average of 8.175 percent during each of the next four fiscal years, to \$269.4M by 2018-19.
- **Transient Occupancy Tax:** The Transient Occupancy Tax (TOT) has shown increased growth over the prior year with \$194.1M proposed in the Mayor's Budget for 2014-15. The 2013-14 Adopted Budget included one-time revenue of approximately \$3.4M from the tax amnesty. Without the one-time tax amnesty revenue in 2014-15, the growth rate in the Proposed Budget is reduced to a net of 4.9 percent. The TOT growth rate is restricted by the availability of rooms, and the growth rate has been slowly declining as hotels reach peak occupancy. The Proposed Budget forecasts a five percent increase annually through FY2018-19. TOT revenues should continue to be monitored along with all other revenue sources.
- **Gross Receipts Tax:** Business tax reform to date includes a 15 percent tax rate reduction, a small business exemption, a start-up incentive, a bad debt deduction, entertainment industry tax relief, tax simplification through consolidation of business tax classes, internet tax relief, a film production tax credit, the mutual fund exemption, and exemptions for new

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car dealerships. Fiscal year 2014-15 growth of three percent is offset by the loss of approximately \$17.9M in prior year tax amnesty receipts. The Proposed Budget does not include revisions to the City's business tax in 2014-15, although instructions in Exhibit H request that the City Attorney draft ordinances to effectuate changes to the highest tax rate category (See Exhibit H). Fiscal years 2015-16 through 2017-18 anticipate implementation of business tax reforms that will trigger a \$15M reduction each year in business tax revenue.

### MAJOR FUNDS

- Reserve Fund:** The 2014-15 Proposed Budget anticipates a \$282.1M Reserve Fund, consisting of a \$140.7M Emergency Reserve and a \$141.4M Contingency Reserve. This equates to 5.51 percent of total General Fund revenues of \$5,117.5B. The 2013-14 Adopted Budget Reserve Fund was \$261.1M, which equated to 5.37 percent of General Fund revenues at that time.

Charter Amendment P, approved by the voters in March 2011, requires the establishment of an Emergency Reserve Account that contains no less than 2.75 percent of General Fund receipts, and a separate Contingency Reserve Account in the Reserve Fund. Expenditures from the Reserve Account are limited by Charter Amendment P. Funding in the Contingency Reserve may be used to cover shortfalls in City revenue or pay for unexpected expenses.

In addition, the City of Los Angeles enacted a Reserve Fund Policy in 2005 that provides for a phase-in of increasingly larger percentages of the General Fund to be deposited into the Reserve Fund. The goal specified in this Policy is a Reserve Fund of five percent of General Fund revenues within ten years. This goal was achieved in 2013-14 and the 2014-15 Mayor's Proposed Budget continues to meet that goal.

It is anticipated that the Reserve Fund will close 2013-14 with a cash balance of \$424.3M.

The following chart illustrates the state of the Reserve Fund for the past five years:

|   | <b>Actual</b>   | <b>Actual</b>   | <b>Actual</b>   | <b>Estimated</b> | <b>Proposed</b> |
|---|-----------------|-----------------|-----------------|------------------|-----------------|
|   | <b>2010-11</b>  | <b>2011-12</b>  | <b>2012-13</b>  | <b>2013-14</b>   | <b>2014-15</b>  |
| Contingency Reserve                                 | \$51.0M         | \$80.1M         | \$108.0M        | \$192.9M         | \$141.4M        |
| Emergency Reserve                                   | <u>\$120.3M</u> | <u>\$120.6M</u> | <u>\$125.1M</u> | <u>\$133.8M</u>  | <u>\$140.7M</u> |
| Total on July 1 of FY                               | \$171.3M        | \$200.7M        | \$233.1M        | \$326.7M         | \$282.1M        |
| % of General Fund                                   | 3.92%           | 4.58%           | 5.12%           | 6.71%            | 5.51%           |
| <b>Amount Transferred to<br/>Balance the Budget</b> | <b>\$3.6M</b>   | <b>\$8.9M</b>   | <b>\$0M</b>     | <b>\$0M</b>      | <b>\$128.8M</b> |

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The Emergency Reserve Account in the 2014-15 Proposed Budget is \$140.7M, which equates to 2.75 percent of General Fund revenues and, therefore, complies with the requirements of Charter Amendment P.

The Proposed 2014-15 Budget relies on a Reserve Fund transfer. The proposed transfer is \$128.8M. Any transfers from the Reserve Fund are considered a one-time revenue source. This is the first Reserve Fund transfer included in a Proposed Budget since 2007-08 when a \$93.1M transfer was proposed.

- **Budget Stabilization Fund:** A Budget Stabilization Fund (BSF) was created as part of the 2009-10 Adopted Budget to help reduce the impact on services during years of slow revenue growth or declining revenue. An initial deposit of \$0.5M was made to the BSF in 2009-10. The 2013-14 Adopted Budget increased the balance in the BSF to \$61.5M. In April 2014, the City enacted Ordinance No. 182928 which established the requirements for deposits into and withdrawals from the BSF, consistent with the provisions of Charter Amendment P as approved by the voters in March 2011. One of those requirements states that a deposit must be made into the BSF in any year when the combined growth rate of the seven major revenue categories exceeds 3.4 percent. In 2014-15, the Mayor's Proposed Budget estimates that the combined growth rate will be 3.9 percent. This would require a transfer into the BSF of \$25M. However, the Proposed Budget recommends using the amount that would otherwise be deposited into the BSF to comply with the City's Financial Policy that the City shall annually budget one percent of General Fund revenue to fund capital or infrastructure improvements. As such, the Proposed Budget recommends no changes to the balance in the Budget Stabilization Fund.
- **Sewer Construction and Maintenance Fund:** The Sewer Construction and Maintenance (SCM) Fund provides funding for the City's Clean Water Program. Services include sewage conveyance and treatment, water reclamation, industrial sewage management, environmental monitoring and a capital program. The SCM Fund is operated and maintained by the Bureau of Sanitation, with funding provided through the Sewer Service Charge (SSC). The Proposed Budget reflects a 6.5 percent adjustment in the SSC on July 1, 2014 (CF 10-1947). Funding for the SSC Low-Income Subsidy has been increased from \$1.7M to \$2.4M to reflect the rate increase and will add 2,000 customers to the program for a total of 93,000.
  - ▶ **DWP New Billing System impact:** Since the implementation of the new DWP Customer Care and Billing System, SSC revenues have been lower than predicted. SSC lost revenue is expected to be recovered over a period of one to two years. There is sufficient cash within the SCM Fund to support the 2014-15 Proposed Budget. Additionally, there are appropriations within the SCM Fund to pay the Bureau of Sanitation costs to resolve collection issues with the new DWP billing system in the amount of \$0.5M.
  - ▶ **Digester Gas Utilization Project (DGUP):** Funding for the DGUP at the Hyperion Treatment Plant is provided in the amount of \$47M to construct and install a co-generation system at the Hyperion Treatment Plant in order to make the plant more self-sufficient and utilize sustainable energy.

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- ▶ **Delayed Reimbursement Revenue:** A total of \$29M in delayed reimbursement revenue from the Federal Emergency Management Agency (FEMA) and the California Emergency Management Agency (CalEMA) will be received by the City for costs front-funded by the SCM for the 1994 Northridge earthquake.
- **Solid Waste Resources Revenue Fund:** The Solid Waste Collection, Transfer, Recycling, Recovery of Waste Resources and Disposal Fee (Solid Waste Fee) is imposed on all single-family dwellings in the City and upon multiple-unit dwellings for which the City provides refuse collection services. All receipts from the Solid Waste Fee are deposited into the Solid Waste Resources Revenue Fund (SWRRF) and are used for principal and interest payments, lease payments, direct acquisitions and associate expenses to acquire and repair sanitation equipment used in the collection and disposal of household refuse.

The Solid Waste Fee was last increased in September 2008 to achieve full cost recovery of the City's solid waste resources programs. The Proposed Budget provides \$107.6M for capital expenses for the solids program. Funding needs will be evaluated and determined on a priority basis.

- ▶ **Clean Fuel Collection Fleet Replacement:** Funding of \$32M is provided in addition to the existing bond funds for the acquisition of compressed (CNG) and liquefied (LNG) natural gas collection trucks to achieve a 100 percent clean fuel refuse fleet. The Bureau currently has 789 refuse trucks in service of which 526 operate on clean fuel. The remaining trucks are older diesel-powered models. The Bureau is in the process of procuring 150 new clean fuel vehicles, which are expected to arrive in early 2015.
- ▶ **Container Replacement Program (CRP):** Funding of \$13M is provided for cash financing for the annual replacement of approximately 215,000 worn, damaged, and lost residential containers. The funding also supports technology improvements for the container asset management system.
- ▶ **Solid Waste Lifeline Program:** The Proposed Budget provides \$6.1M in General Funds for this program. The ceiling for the number of subscribers for this program is 51,400.
- **Stormwater Pollution Abatement Fund:** The Stormwater Pollution Abatement Fund (SPA) imposes a fee on all properties in the City based on stormwater runoff and pollutant loading associated with property size and land use. The charge is collected by the Los Angeles County Assessor on the annual property tax bill and annual receipts are approximately \$28.4M. SPA funds are used to treat and abate stormwater in accordance with guidelines provided by the U.S. Environmental Protection Agency. The SPA charge has not been adjusted in more than 20 years. Due to new National Pollutant Discharge Elimination System permit requirements, the City will experience an increase in its operational costs. The existing SPA charge is not enough to cover increasing costs.
  - ▶ **Proposition O:** Voter approval of Proposition O authorized the issuance of \$500M in general obligation bonds to fund water quality improvement projects, although it does not provide funds for operation and maintenance. The total remaining bonds to be sold is \$60.5M. A dedicated revenue stream will be needed in future years to operate and maintain the facilities constructed with Proposition O funds.

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- **Street Lighting Maintenance Assessment Fund:** The Five-Year Forecast illustrates that the revenue to the Fund is likely to be insufficient beginning in fiscal year 2015-16 (\$6.3M deficit) to maintain the existing capital program or current service levels in the future. The fund deficit grows to \$20.1M in fiscal year 2017-18. In order for the Fund to remain in balance, the Reimbursement of General Fund Costs amount may need to be reduced in fiscal year 2014-15 in-lieu of an assessment increase. To address this situation, the FY2013-14 Adopted Budget included \$0.5M for the Bureau of Street Lighting to undertake work associated with reassessing the Los Angeles City Lighting Districts. The Proposed Budget includes \$1.2M for the continuation of this work.
- **Proposition A Local Transit Assistance Fund:** The Proposed Budget provides funding to continue transit services at the current levels. In the 2014-15 Proposed Budget, \$30M is set aside for the purchase of up to four existing bus maintenance facilities that are leased from the current transit service contractors. Funds are also provided (\$17.5M) for the construction of a new CNG fueling station, with 80 percent of the front funding anticipated to be reimbursed with federal grant funding. Construction of the facility will begin in FY2015-16. An allocation of \$0.4M is provided for the purchase of security cameras for Cityride vehicles, and an additional \$2.5M is proposed to fund 260 new emergency radios on Commuter Express buses. Currently, all DASH and Commuter Express buses are equipped with cameras that serve as a tool in reviewing crime on buses, driver performance and accident review. A total of \$15.8M is provided for the purchase of new transit buses, including two open air trolleys and 'zero emission' demonstration buses.

In 2012-13, funding in the amount of \$37.4M was set aside in Reserve for Future Transit Services to reduce the need for service reductions in future years. This funding is increased to \$91M in the Proposed Budget.

- **Proposition C Transit Improvement Fund:** The Proposed Budget includes a 32.9 percent reduction in funds for various projects and programs due to an ongoing structural deficit. The Five-Year forecast includes significant deficits each year, beginning in FY2015-16 (\$-17M); FY2016-17 (\$-13.7M); FY2017-18 (\$-10.4M); and FY2018-19 (\$-8.5M). The Proposed Budget continues to provide \$20M as reimbursement of General Fund costs although the full reimbursement amount would be \$33.9M. Funding is reduced from Proposition C for various projects, including one-time expenditures and items for which other sources of funds or prior year savings have been identified.

Funding for the Bureau of Street Services is reduced by 79 percent to \$5.2M, which is provided for street improvements and transit enhancement projects relative to the Transportation Grant Fund Annual Work Program, Metro Call for Projects, Metro/Expo Authority Annual Work Program and Safe Routes. In the Proposed Budget, street resurfacing expenses will be funded by the Special Gas Tax Street Improvement Fund.

- **Measure R Local Traffic Relief and Rail Expansion Funds:** The Proposed Budget includes a 24 percent reduction in funds for various projects and programs due to an ongoing structural deficit. The forecast includes significant deficits each year, beginning in FY2015-16 (\$-8M); FY2016-17 (\$-10.8M); FY2017-18 (\$-10.6M). The Proposed Budget

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continues to provide \$6.5M as reimbursement of General Fund costs although the full reimbursement amount would be \$12M.

The Proposed Budget sets aside \$13.0M as part of the City's ongoing commitment to a three percent match for major Metro transit projects that will be constructed within the City limits. The Proposed Budget also assumes Council approval of an Agreement with Metro for payment of \$207M for the Regional Connector, the Crenshaw Line, including the Leimert Park and Westchester Stations, and the Westside Subway Phase 1.

The Proposed Budget provides one-time funding of \$19.4M in part to maintain the 800-mile Pavement Preservation Program, a 42 percent reduction from the prior year allocation. A total of \$6.2M was included in 2013-14 for allocation to the Capital Improvement Expenditure Program for seven capital projects. In 2014-15, \$0.8M is included to replace dangerous grates over storm drains with bicycle safe grates and \$2.2M is included for pedestrian projects. Funding is eliminated for median island maintenance.

- **Special Parking Revenue Fund (SPRF):** The Proposed Budget provides for a surplus transfer to the Reserve Fund of \$30.6M, which is comprised of \$18M that was forecasted for the FY2014-15 General Fund transfer; \$5.1M that was identified as unexpended in FY2013-14; and \$7.5M in additional projected revenue.

Funding is increased (\$2.06M) for meter supplies to support the expansion of the ExpressPark Program to the Hollywood and Westwood areas. Funds are also provided (\$3.9M) for capital equipment purchases for a variety of continuing initiatives, such as electronic locks for parking meters, single-space meters and pay stations for new parking meter zones and off-street facilities. In FY2013-14, the coin meter lease expired, resulting in a \$2.3 million reduction in expenditures for FY2014-15. The Proposed Budget continues funds to cover debt service on MICLA bonds (\$5.9M).

- **Telecommunications Liquidated Damages and Lost Franchise Fees Fund  
Telecommunications Development Account (TDA)**

The TDA is funded by cable television franchise fees and liquidated damages. The cable television franchise fee is a payment to the City for use of City streets and rights of way, and consists of five percent of gross revenue received by cable companies. Telecommunications franchise fees are divided between the TDA (40 percent) and the General Fund (60 percent). The TDA also receives one percent of franchise holders gross receipts for capital costs related to Public, Educational and Government (PEG) Access programming. TDA funding may be used for PEG Access programming and other telecommunications uses. A portion of the five percent franchise fee funding can also be transferred to the General Fund and used for other purposes.

For 2014-15, total available TDA funding is increased by \$11.6M for a proposed budget of \$45.6M. Funds that are not appropriated are held in a reserve account. It is anticipated that \$12.7M in funds dedicated to PEG capital costs will be placed in the 2014-15 reserve account.



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- ▶ **Transfer from TDA:** The Administrative Code provides that TDA funds (excluding the one percent restricted capital cost funding) may be transferred to the General Fund by majority vote of the Council and approval of the Mayor. The Proposed Budget transfers \$5.2M from the TDA to the General Fund. However, the Proposed Budget states that this funding is contingent upon resolution of a lawsuit against Time Warner Cable.
  - ▶ **PEG Access Programming:** \$3.6M is provided for salaries and related expenses of employees supporting PEG Access functions.
  - ▶ **Telecommunications Uses:** \$3.4M is provided for various telecommunications expenditures, including salaries and related expenses of employees supporting the 311 Call Center.
  - ▶ **Unappropriated Balance:** The City is seeking to recover funds through the successful resolution of a lawsuit against Time Warner Cable. If this lawsuit is successfully resolved in 2014-15, funding in the amount of \$2.7M will be provided for data network modernization and Citywide leasing.
  - ▶ **Grants to Third Parties (Citywide Access Channel):** \$0.3M is provided for Channel 36 capital equipment items (only), which are funded by PEG capital cost franchise fees.
  - ▶ **PEG Access Capital Costs (Restricted):** \$17.5M is provided for various PEG Access capital related expenditures, including capital equipment for Channel 35 and the Channel 35 Studio Project.
  - ▶ **Reserve for PEG Access Capital Costs (Restricted):** Funds totaling \$12.7M that were not appropriated from the PEG capital cost franchise fees are held in reserve.
  - ▶ **Customer Relationship Management System (CRM):** Funding is discontinued for the CRM project. Phase II of this project was funded in 2013-14.
- **City Ethics Commission Public Campaign Matching Fund:** The Proposed Budget provides an appropriation of \$3.4M in the City Ethics Commission Public Campaign Matching Fund. This amount is a \$0.2M increase from 2013-14. The proposed 2014-15 appropriation, combined with the projected cash balance from the 2013-14, would provide a total Fund balance of \$9.0M, as required by Charter Section 471(c)(1). In years when a fiscal emergency is declared, this amount may be reduced, as has been the case in recent years. However, because a fiscal emergency is not anticipated to be declared, the Charter required minimum appropriation applies. The Charter requires an annual appropriation of \$2M (1991 dollars) per fiscal year adjusted by the Consumer Price Index (CPI) (Los Angeles-Riverside-Orange County metropolitan area). As adjusted, the amount for 2014-15 is \$3.4M.

## EXPENDITURES

- **Efficiencies and Reductions:** The Mayor's 2014-15 Proposed Budget includes \$29.2M in Efficiencies and Reductions, and another \$4.5M in Other Changes and Adjustments. Most of the savings from Efficiencies and Reductions come from the deletion of vacant positions in various departments, and realignment of functions within departments. The 2014-15 Proposed Budget recommends consolidating the Police and Fire Dispatch

## SIGNIFICANT ISSUES

Centers. The Proposed Budget converts various positions from sworn to civilian in the Fire Department. Additionally, it recommends numerous reductions to programs and services in the General City Purposed Budget (See GCP Section for details).

- **Funding Realignments:** The Proposed Budget transfers positions and funding between budgetary programs throughout the City to reflect each Department's current organizational structure and to more appropriately organize departmental services. The funding realignments do not change the level of services provided, nor the overall funding provided to each Department.
- **Potentially Underfunded Accounts:** There are several accounts that may not have sufficient funding based on current expenditure patterns, as indicated in the following chart:

| Potentially Underfunded Accounts                   | 2013-14 Adopted Budget | 2013-14 Estimated Expenditures | 2014-15 Proposed Budget              | Comments   |
|--|------------------------|--------------------------------|--------------------------------------|--|
| <i>Fire Overtime</i>                               | \$126M                 | \$136.2M                       | \$133.2M                             | May be insufficient based on current expenditure patterns.   |
| <i>LAPD Overtime</i>                               | \$16M                  | \$37M                          | \$15M<br>+<br>\$15M in UB<br>= \$30M | May be insufficient based on current expenditure patterns and may not significantly reduce existing overtime bank of hours.      |
| <i>Petroleum</i>                                   | \$45M                  | \$45M                          | \$46M+\$3M in<br>the UB =<br>\$49M   | May be sufficient, unless prices continue to rise.   |
| <i>Recreation and Parks - Salaries As-Needed</i>   | \$32M                  | \$34M                          | \$31M                                | May be insufficient based on continued attrition of full-time staff.   |
| <i>Outside Counsel Costs</i>                       | \$4M                   | \$7M                           | \$4M                                 | May be insufficient based on current expenditure patterns  |
| <i>Liability Claims</i>                            | \$48M                  | \$64M                          | \$48M<br>+<br>\$6M in UB<br>=\$54M   | May be insufficient based on current expenditure patterns but the potential for large settlements or judgments in 2014-15 looms. |
| <i>Public Works- Sanitation Salaries As-Needed</i> | \$1M                   | \$8M                           | \$1M                                 | May be insufficient based on current expenditure patterns.   |

April 25, 2014

OFFICE OF THE CHIEF LEGISLATIVE ANALYST

## SIGNIFICANT ISSUES

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- **Outside Counsel Expenditures:** The Proposed Budget provides \$4M in the Unappropriated Balance for City Attorney Outside Counsel contracts for both general litigation and Workers' Compensation, which is same amount set aside in the 2013-14 Adopted Budget. Funding is transferred to the City Attorney budget during the fiscal year as needed, subject to the approval of the Mayor and Council.
- **Liability Claims/Judgment Obligation Bonds:** A total appropriation of \$47.9M is proposed for Liability Claims in 2014-15, which is the same amount budgeted for 2013-14. The Proposed Budget notes that the City Attorney states that this amount may not be sufficient, inasmuch as estimated expenditures for 2014-15 are projected to total \$63.9M. The 2014-15 Budget proposes to use \$10.1M of the proposed allocation for liability claims under \$100,000, and \$37.9M for liability claims over \$100,000. This breakout is the same as the 2013-14 Adopted Budget.

The Proposed Budget also allocates \$9M to pay debt service for Judgment Obligation Bonds issued to finance liabilities resulting from adverse decisions by the California courts in the Harper case (post-Rampart) (\$20.6M) and the May Day settlement (\$50.9M). This amount is the same as the allocation in the 2013-14 Adopted Budget.

The Proposed Budget also includes \$2.1M in funding for Attorney Conflict Panel cases managed by the City Administrative Officer.

- **Partially Funded/Unfunded Positions:** The Mayor's Proposed Budget includes a total of 268 partially funded and unfunded positions, including 10 Building Mechanical Inspectors, 12 Fire Service Representatives (Resolution Authority), 26 Messenger Clerks and 43 Traffic Officers. A total of 144 positions have partial funding, while the remaining 124 are authorized without funding. Full year funding will be required to continue the unfunded positions beginning in 2015-16.
- **Changes in Authorized Positions:** The 2014-15 Proposed Budget deletes a net 818 positions, comprised of 36 Regular positions and 782 Resolution authority positions. Most of these positions are related to adjustments made to undo the Development Services Consolidation. Resolution authorities are typically provided for programs with a limited duration or to provide transition authorities. In terms of new positions, the Proposed Budget adds 291 positions. If these new positions are not added to the Proposed Budget, the net change would be a decrease of 1,109 positions.
- **Deletion of Filled Positions:** The 2014-15 Proposed Budget recommends the deletion of one filled Superintendent of Recreation and Parks Operations. The impact of the recommended position elimination on the delivery of City services is not discussed in the Proposed Budget.
- **Vacancies:** The Mayor's Proposed Budget eliminates a total of 250 vacant positions (Regular Authorities) from 14 City departments. Most of the vacancies to be eliminated are from the Convention Center (97), Recreation and Parks (67), General Services (21), ITA

## SIGNIFICANT ISSUES

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and the Fire Department (14 each). These deletions (excluding the Convention Center reductions) will generate an estimated \$6.3M in General Fund savings.

In terms of both Regular and Resolution Authorities, City departments will continue to have a total of 3,505 vacant positions in their respective budgets under the Mayor's 2014-15 Proposed Budget, including 1,329 in the LAPD, 415 in Sanitation, and 313 in Recreation and Parks.

### DEPARTMENT ISSUES (in alphabetical order)

- **Animal Services:** The Proposed Budget includes the transfer of positions and funding between budgetary programs to reflect the Department's current organizational structure. Funding of \$0.2M is shifted from Contractual Services to Salaries As-Needed to perform up to 3,900 spay and neuter surgeries in-house, and \$0.2M in funding is added for part-time Animal License Canvassing. The Budget continues funding and staffing to support shelter operations, but deletes two vacant Animal Care Technician positions and one vacant Clerk Typist position.
- **Building and Safety:** At the beginning of 2013-14, the Department of Building and Safety Department had 716 Regular position authorities. In anticipation of the consolidation of the Building and Safety into the new City Planning and Development Department, the 2013-14 Adopted Budget included the deletion of two of those positions, and the transfer of the remaining 714 to the consolidated department, along with five positions in Fire Plan Check previously transferred to the Department of Building and Safety from the Fire Department. Positions transferred from the Department of Building and Safety Department came from the Administrative Support Services section (79 regular, 11 resolution), Code Enforcement Services (136 regular, 24 regular), Engineering Plan Check Services (213 regular, 15 resolution), Technology Support Services (28 regular, 4 resolution), Licensing Testing & Control Services (13 regular, 1 resolution), and New Construction Inspection Services (250 regular, 37 resolution).

The 2014-15 Proposed Budget recommends transferring 713 Regular Position Authorities from City Planning to the Department of Building and Safety since the consolidation will not be occurring as planned. No detail is provided in the Proposed Budget, however, regarding the divisions or services where these restorations will be assigned. A reconciliation of Regular and Resolution authority staffing restorations related to reversing the Planning/Building & Safety consolidation from 2013-14 may be necessary.

The Proposed Budget also includes funding and staffing to continue the following programs and services: Green Building Code Plan Check program (nine positions); Green Building Code Inspection Services (10 positions); Off-Site Sign Periodic Inspection Program (three positions); Engineering Plan Check and Electrical Testing Lab (nine positions); and New Construction Inspections (26 positions). New positions are added in the Proposed Budget for: Reduced backlog in the Electrical Test Lab (10 positions); Implement e-Plan to allow customers to submit plans electronically (13 positions); Expedited plan check for projects

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valued between \$5M and \$10M (six positions); Development case management services at the Valley and West Los Angeles Construction Service Centers (four positions); Internet Document Imaging project (five positions); Constituent Service Centers staffing (seven positions); Reduced code enforcement response times (14 positions); and New Construction Inspections (23 positions).

- **City Attorney:** Funding and staffing are continued in the City Attorney's Office for the Tobacco Enforcement Program, CLEAR and Gang Prosecution Programs, the Citywide Nuisance Abatement Revocations Program, Safer City Initiative, Neighborhood Prosecutor Program, and Enhanced Revenue Collection Support, as well as funding to provide legal counsel to departments and programs across the City, including police litigation, Sanitation, Housing, Finance, and Neighborhood Councils. The Proposed Budget adds funding (\$0.5M) and three positions to provide legal support to the seven Area Planning Commissions. Funding is also added (\$0.8M) to replace the Litigation and Risk Management System (CityLaw), which is partially funded by the Solid Waste Resources Revenue Fund and the Sewer Construction and Maintenance Fund. The City Attorney will continue to provide legal support for the proprietary and independent departments (LACERS, Pensions, Harbor, Airports, DWP, and Housing Authority), and will oversee the City's outside counsel contracts. Funding from the Consolidated Plan that partially supports a position providing legal advice was also reduced (-\$0.04M).

The Mayor proposes a 2014-15 budget for the City Attorney's office that exceeds their 2013-14 budget by \$13.7M, while budgeted staffing levels are increased by a net total of three positions relative to 2013-14.

- **City Clerk:**
  - **Election Expense:** The Proposed Budget includes funding of \$16M for administration of the 2015 Primary Nominating and General Municipal Elections. This funding is provided to conduct elections for seven even-numbered Council Districts and four odd-numbered board elections each for both the Los Angeles Unified School District (LAUSD) and the Los Angeles Community College District (LACCD). Election expenses for the LAUSD and LACCD are reimbursed by these agencies. The Proposed Budget does not include funding for non Federally-mandated languages which the City provided in the 2013 elections, such as Armenian, Farsi, and Russian (\$0.5M). In addition, funding is not included for a potential runoff for the LAUSD Special Vacancy Election (\$0.5M) or any new measures that would be consolidated on the County's November 2014 General Election (\$4.4M). Funding is included (\$0.04M) for polling place accessibility.
  - **Business Improvement District Support:** Funding and position authority are restored to the City Clerk for administration of the City's Business Improvement District Program. This function was intended to be transferred to the Economic and Workforce Development Department, but is proposed to remain with the City Clerk to avoid costs associated with moving this function to a leased facility.

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- **City Planning:** To effectuate the consolidation of development services, the 2013-14 Adopted Budget transferred into a City Planning and Development Department a total of 744 Regular Position Authorities from several other City departments. In addition, 17 existing Resolution Authorities in Planning were converted to Regular Position Authorities.

The 2014-15 Proposed Budget transfers out of the Planning Department a total of 742 Regular Position Authorities to the Department of Building and Safety (713 positions), Bureau of Engineering (four positions), Fire Department (five positions), and Department of Transportation (20 positions) to reverse the consolidation that was part of the 2013-14 Adopted Budget.

The Proposed Budget also continues the following: Sign Unit (six positions); Mobility 2035 (two positions, plus contracts); re:Code LA's rewrite of the Zoning code (four positions); former-CRA land use and zoning work (six positions); Metro Transit Oriented Districts (nine positions); Clean-up/Greenup and the Boyle Heights Community Plan (one position each). Positions and funding are added in the Proposed Budget for: Construction Service Center operations (six positions); an Urban Design Studio (two positions); review of neighborhood projects and density bonuses (two positions); and to help streamline permitting and zoning plan check activities (ten positions).

- **Controller:** The Proposed Budget continues funding to support the Controller's operational requirements. Contractual services funding is increased by \$0.5M to fund additional best-practices audits. Funding is reduced by \$0.2M for Financial Management System enhancements, inasmuch as no major enhancements are planned. The Proposed Budget also requests that the Controller review the potential adjustment of the City's Cost Allocation Plan to reflect additional departments' services and to submit recommendations to improve the functionality of the City's payroll system (Exhibit H).
- **Convention Center:** In Fiscal Year 2013-14, the City Council authorized a five-year management and operations agreement with Anschutz Entertainment Group (AEG) to provide day-to-day management services for the Los Angeles Convention Center (LACC). As a result, the Proposed Budget deletes funding (approximately \$21M) and regular authority for 97 positions. A total of \$5M is appropriated from the Convention Center Revenue Fund to AEG for management operations. The LACC maintains 13 positions in the Proposed Budget to provide strategic planning for tourism and to manage contracts for AEG and the Los Angeles Tourism and Convention Bureau. The Proposed Budget partially funds 'Plan B' currently under development by the Bureau of Engineering under which a design would be chosen to renovate and modernize the Convention Center without a football stadium.
- **Cultural Affairs:** The Mayor's Proposed Budget adds \$0.3M in new funding to develop and launch summer youth job opportunities in arts-related professions such as administration, production, theater and art gallery management, instruction, and festival organization. In addition, funding is continued to support public arts installations at the Los Angeles Department of Airports (\$0.1M), and the Arts Manager I position for this program is proposed to be converted to a regular position authority. In addition to the Department

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budget, approximately \$3.7M in one-time MICLA funding has been allocated in Capital Improvement and Expenditure Program for the Vision Theater and Manchester Junior Arts Center.

- **Disability:** The Proposed Budget continues funding for two positions to staff Computerized Information Center for the Disabled that provides quality-of-life referrals, and for three positions administering the City's AIDS Prevention Program, the Women and AIDS Prevention and Treatment Program and to conduct media outreach. The Proposed Budget deletes one vacant administrative position and discontinues another vacant position assigned to the AIDS Coordinator's office. One-time funding totaling \$30K is added to develop an online course to train City employees on their obligations under the Americans with Disability Act (ADA).
- **Economic and Workforce Development Department:** A total of \$18M is proposed for allocation to the department in the 2014-15 Proposed Budget, of which \$0.4M will be from the General Fund. The majority of funding for the department comes from Workforce Investment Act funds (\$11.3M) and the Community Development Trust Fund (\$3.1M). The 2013-14 Adopted Budget transferred the administration of the Business Improvement District (BID) program from the Office of the City Clerk to EWDD as of January 1, 2014. This program has not been transferred to EWDD, therefore, \$1M in funding and 11 staff are deleted from the EWDD budget and restored to the City Clerk's budget. Funding is continued for two positions to implement the 40<sup>th</sup> Year of the Housing and Community Development Consolidated Plan (\$0.3M), and for two positions to support Citywide economic development activities (\$0.3M).
- **Finance:** The Proposed Budget increases As Needed funding for part-time staff during tax renewal season. The increased funding is offset by an increase to the Office's salary savings rate.
- **Fire Department:** The Mayor's Proposed Budget includes an increase of over \$32M for Fire-related resources. The Fire Department's operating budget increases \$11.1M. In addition, funding of \$21.6M is included for acquisition of various fire-related equipment and expenditures in support of the Fire Department as described below. A number of proposed changes are those recommended in the March 2014 Fire Department Deployment of Resources Study.
  - ▶ **Geographic Bureau Command Structure:** Nine-months funding (\$2.5M) and nineteen positions are added to implement a new command structure that divides the Department's service region into four geographic bureaus to enhance accountability, performance, and community engagement citywide.
  - ▶ **LAX Airport Security Blue Ribbon Panel:** The Proposed Budget continues funding (\$0.3M) and one position to enhance communication and oversight for all fire services, exercises, and training at LAX.
  - ▶ **Constant Staffing Overtime:** The Proposed Budget includes \$133.2M for constant staffing overtime, which is an increase of \$6.9M (5.5 percent) from 2013-14.

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- ▶ **Firefighter Recruit Training:** Funding is added (\$3.6M) for two 20-week training classes (February and June 2015) to hire 140 new firefighters, provide academy staffing and new uniforms.
- ▶ **Deferred Retirement Option Plan (DROP):** DROP allows sworn employees eligible for retirement to continue employment and have their pension payments deposited in an interest bearing account for up to a five-year period. In 2013-14, up to 75 firefighters who enrolled in DROP will have reached the maximum five-year period of participation and must retire. In 2014-15, up to 118 firefighters will have reached the maximum five-year period.
- ▶ **Ambulance Augmentation Plan:** Funding is provided (\$1.7M) to continue the Ambulance Augmentation Plan for a total of two months in 2014-15. The annual cost of this program is \$10M.
- ▶ **Realignment of Non-Field Functions:** The Proposed Budget realigns certain non-field functions by replacing sworn positions with more specific position classifications associated with each function, yielding a total net savings of \$1.1M. This includes a new civilian Public Information Director to oversee emergency response media requests.
- ▶ **Chief Information Officer:** Six-months funding is added (\$0.2M) for a civilian Chief Information Officer and one secretary to oversee the Department's technology initiatives.
- ▶ **Employee Relations Manager:** Funding (\$0.2M) and resolution authority are added for one position to oversee all personnel and labor relations policies and procedures within the Department.
- ▶ **Dispatch Center Staffing:** The 2013-14 Adopted Budget anticipated a transition to a civilian workforce at the Metropolitan Fire Communications Center. The Proposed Budget continues 12 positions without funding. If the transition does not occur by June 30, 2014, the Department will incur \$4M in annualized sworn overtime costs, which are not accounted for in the Proposed Budget. This will continue a structural deficit built into the Fire Department's base budget related to the delay of this transition.
- ▶ **FireStat Unit:** Nine-months funding (\$0.2M) is added and two positions are continued for the FireStat Unit, which will provide current and historical statistical data analysis regarding the deployment of fire resources.
- ▶ **Restoration of Development Services Functions:** Funding (\$0.7M) and five positions are added to restore this function to the Fire Department, since the consolidation of development services functions in the 2013-14 Adopted Budget did not occur. Inspector positions which were also proposed to transfer were restored to the Fire Department in 2013-14.
- ▶ **Emergency Medical Services Billing and Compliance:** The Proposed Budget provides funding (\$0.4M) for the Ground Emergency Medical Transport (GEMT) program (also referred to as AB678), which provides supplemental Medi-Cal reimbursements for medical transports. The Proposed Budget also provides funding (\$0.1M) for a compliance audit of the Department's ambulance transport billing and data collection contractors.
- ▶ **Helitanker Contract:** Funding is added (\$0.3M) to increase the availability of a Helitanker during the brush fire season from 90 to 120 days, which increases the



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- total contractual services funding for this purpose to \$2.9M. Additional funding (\$0.5M) is provided in the Unappropriated Balance to increase the period of availability from 120 days to 150 days during 2014-15.
- ▶ **Regularize Civilian Positions:** Eleven regular positions are provided without funding to eliminate the need to continue the same number of substitute authority positions.
  - ▶ **Fire Vehicle Replacement:** The Proposed Budget provides \$20.3M in MICLA financing for the Fleet Replacement Program, which includes 23 ambulances, 10 emergency sedans, eight triple combination pumpers, six emergency command vehicles, five aerial ladder trucks, one swift water rescue vehicle, various other fleet vehicles and 68 radio packages to be installed in Fire vehicles.
  - ▶ **Unappropriated Balance:** In addition to the Helitanker funding discussed earlier, the UB also contains funding for Fire Recruitment and Selection (\$0.56M) and support for Firefighter Hiring in the Personnel Department (\$0.3M).
- **General Services Department:**
- ▶ **Fuel Station Emergency Generator Support:** Funding of \$0.13M is added to maintain and permit the emergency generators for the Emergency Fuel Site Network.
  - ▶ **Deletion of Vacant Positions:** Sixteen vacant positions and \$2.8M in funding are deleted from the department's budget. In addition, the Proposed Budget includes a one-time reduction of \$1.2M in the department's Salaries - General Account to reflect savings generated by positions filled in-lieu and anticipated attrition.
  - ▶ **Transfer of Convention Center Employees:** The Proposed Budget includes \$0.8M and five positions transferred from the Los Angeles Convention Center to the Department pursuant to the private management agreement. In addition, one-time funding is provided in the Salaries-As-Needed Account for 11 half-time employees.
  - ▶ **Other Changes:** The Proposed Budget continues funding for the Energy and Water Management Unit (four positions and \$0.6M) that supports the Green Building Retrofit Program, and continues staff and funding for the Capital Projects Materials Testing program (14 positions, \$2.4M). MICLA funding totaling \$28.4M is included in the Proposed Budget to fund the replacement of fleet vehicles for various City departments, and \$1.5M is added to the Citywide Parts Expense account to maintain City vehicles. An additional \$1.1M is also added to the Petroleum Account to cover fuel expenses, with \$3M more set aside in the Unappropriated Balance as a contingency.
- **Information Technology Agency:** The Proposed Budget continues funding for support of existing City systems and databases, including the 3-1-1 Call Center (\$0.9M), Citywide Website Accessibility (\$0.13M), Financial Management System (\$3.3M), Supply Management System (\$1.5M) and Performance Budget Implementation (\$2.7M). Funding is added or increased for the following programs:
- ▶ **City Open Data:** Funding of \$0.4M is added for a City Open Data Portal to serve as the central source for departmental open data to promote transparency in government.

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- ▶ **Disaster Recovery for the Financial Systems:** Funding of \$0.6M is provided to provide off-site disaster recovery capabilities for the City's major financial systems, including the Financial Management System, Supply Management System, Los Angeles Business Tax System and Payroll System.
- ▶ **Remote Local Area Network Replacement:** One-time funding of \$0.8M is provided to replace Remote Local Area Network (RLAN) services used by remote City facilities to access the City's data network.
  
- **Library Department:**
  - ▶ **Charter Amendment L:** In March 2011, Los Angeles City voters approved a measure to amend the City Charter and gradually increase over four years the Charter mandated appropriation from the previous level of 0.0175 percent to 0.0300 percent of the assessed value of all property in the City. This Charter amendment would also require that the Library Department pay for all of its direct and related costs, including employee health, dental, pension, building maintenance, security and utility costs beginning on July 1, 2014. In 2014-15, the Library will receive an appropriation equal to 0.0300 percent of the assessed value of all property in the City, or \$139.4M. This represents an increase of \$20.4M over the 2014-15 Fiscal Year. This will be the last fiscal year that this percentage will increase in accordance with Measure L.
  - ▶ **Expansion of Library Service:** Funds are provided to expand weekday service at all Branch Libraries and provide staffing and materials for increased programming (\$2.7M). In addition, funds are provided for: (1) library books and materials and two regular authority positions (one Clerk Typist and one half-time Messenger Clerk) to catalogue new materials (\$2.1M); (2) technology investment to replace technical equipment (\$1.4M); and (3) improved security by the Los Angeles Police Department's Security Services Division (\$2M).
  - ▶ **New Funding:** A total of \$1.4M has been allocated to establish and operate a Digital Learning Lab in the Central Library and one Branch Library. In addition, funding has been added to the Department's Contractual Services Account for a Job and Career Center in the Business and Economics Department of the Central Library (\$0.03M). A \$1.1M increase, from \$0.03M to \$1.4M, in annual funding for alterations and improvements for Branch Libraries has been provided as well as one-time funding for alterations and improvements at the Central Library (\$1.5M).
  - ▶ **General Fund Reimbursement:** The Proposed Budget includes the payment of all Library related costs, consistent with Charter Amendment L which includes, but is not limited to, pension and employee health benefits, utilities, maintenance, landscaping and security (\$51.5M). In addition, funding in the amount of \$6.6M has been added as General Fund reimbursement for Municipal Improvement Corporation of Los Angeles (MICLA) funding related to the Central Library and will fulfill the Measure L mandate for the reimbursement of General Fund costs.
  
- **Neighborhood Empowerment:** The Proposed Budget continues funding and adds regular position authority for Neighborhood Council System Development (1 position) and the Neighborhood Council Funding Program (5 positions). No funding is included for new Neighborhood Council certification. The Neighborhood Council annual funding allocation

## SIGNIFICANT ISSUES

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remains at \$37K in the Proposed Budget. There are currently 95 certified Neighborhood Councils.

- **Personnel Department:** The Proposed Fiscal Year 2014-15 Budget continues funding and three positions that administer DWP exams. In addition, the Proposed Budget adds one new position and funding, and transfers three existing positions, to supplement DWP exam administration (\$0.6M). Two positions and funding (\$0.3M) are also added to administer Building and Safety exams. Funding (\$1.7M) and a total of 15 Background Investigator positions are continued to support police and firefighter hiring. The Proposed Budget also continues funding (\$0.1M) and one position to support implementation of the Affordable Care Act. One new position and \$0.2M is recommended to implement a comprehensive employee training and development program. The Proposed Budget also increases the department's anticipated salary savings rate to generate \$0.7M in savings.
- **Police Department:** In total, the Mayor's Proposed Budget includes an increase of over \$58.9M for Police-related resources. The Police Department's operating budget increases by \$27.6M, with an additional \$13.3M provided by the Municipal Improvement Corporation of Los Angeles and Forfeited Assets Trust Fund for funding vehicle purchases, and an additional \$18M in the Unappropriated Balance for Police-related items.
  - ▶ **Deferred Retirement Option Plan (DROP):** DROP allows sworn employees eligible for retirement to continue employment and have their pension payments deposited in an interest bearing account for up to a five-year period. In 2013-14, of the total projected attrition of 380 sworn employees, up to 140 members (37 percent) who enrolled in DROP will have reached the maximum five-year period of participation and must retire. In 2014-15, of the total projected attrition of 360 sworn employees, up to 108 members (30 percent) who enrolled in DROP will have reached the maximum five-year period and must retire.
  - ▶ **Police Sworn Hiring:** The Proposed Budget assumes attrition of 360 sworn officers during 2014-15, including 108 required to leave under the DROP program. Funding to hire 360 Police Officers to offset projected attrition is provided in the Department's budget, at a total cost of \$15.4M. Funding to hire an additional 94 Police Officers is included in the Unappropriated Balance (UB), with the goal of increasing sworn deployment up to 10,000 by the end of 2014-15.
  - ▶ **Overtime Bank:** Police overtime funding is insufficient to address the large banks that have been accumulated by Officers in recent years, pursuant to the contract with the Police Protective League that allowed the Department to bank up to 800 overtime hours. Through that program, Officers have banked approximately 2.3M hours of overtime at a cash value of approximately \$112M that will eventually be used as compensated time off or need to be paid in cash. The overtime bank limit will reduce to 150 hours on July 1, 2014 with the expiration of the current labor contract. In the last fiscal year prior to increasing the overtime bank, the Department paid out \$92M in overtime, far above the \$30M included in the Police Department's base budget and the Unappropriated Balance.
  - ▶ **Sworn Overtime at Airports:** Funding is reduced by \$1.4M in the overtime sworn account as the Police Department is no longer providing motorcycle patrols at Los Angeles International Airport, effective December 29, 2013.

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- ▶ **In-Car Video Cameras:** Funding of \$8M is included in the Municipal Improvement Corporation of Los Angeles (MICLA) financing program for Phase III of the Digital In-Car Video System, which will include installation of cameras in 366 vehicles in West Bureau. Funding for the first year of debt service (\$2.5M) is included in the Capital Finance Administration Fund with costs to be paid over a three-year term. In August 2010, the Department completed implementation of Phase I in South Bureau which included installing cameras in approximately 300 patrol vehicles and installing the supporting infrastructure equipment. The Department is currently in the process of completing Phase II, which includes installing cameras in approximately 381 patrol vehicles in Central Bureau, and installing and upgrading the associated infrastructure equipment. It should be noted that the Council in previous years has instructed that this activity be paid for in cash, rather than through the issuance of debt.
  - ▶ **Replacement Vehicles:** The Proposed Budget provides funding of \$13.1M, including \$4.8M from the Supplemental Law Enforcement Services Fund, for the acquisition of 197 Black-and-White vehicles and 102 motorcycles that have met or exceeded the replacement criteria. The Forfeited Assets Trust Fund provides funding of \$3.3M to replace an additional 60 Black-and-White vehicles. Funding of \$10M is provided by MICLA financing program to purchase 273 other replacement vehicles.
  - ▶ **Technology Upgrades:** Funding of \$5M is added to the Department's budget for technology hardware, software, service contracts, maintenance, and warranties for specialized software systems and equipment, including one-time funding (\$1M) for end-of-life system upgrades. An additional \$4M is provided for the replacement of the Evidence Property Information Management System (EPIMS) in the Unappropriated Balance.
  - ▶ **DNA Backlog:** The Proposed Budget provides \$1.5M for contractual services to meet caseload demands in the Scientific Investigation Division.
  - ▶ **Police Share of Unrestricted Revenue:** Based on LAPD's budget allocation, the Department's share of unrestricted revenue will decrease from 54.2 percent (\$2.2B of \$4.2B) in 2013-14 to 52.6 percent (\$2.3B of \$4.4B) in the 2014-15 Proposed Budget. It should be noted that funding included in the Unappropriated Balance for police-related expenses is not calculated as part of the percentage. Therefore, the police share of unrestricted revenue may be understated. While the percentage does not appear significant, each one percent equates to approximately \$44M. Unrestricted revenues are General Fund receipts which may be used for any municipal purpose.
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- **Public Works Board:** The Proposed Budget deletes one-time graffiti abatement funding (\$1M) that was provided in FY2013-14. Additionally, Consolidated Plan funding was reduced by \$0.9M for the graffiti removal program. Both reductions are expected to result in a decrease in private community-based organization employment and an increase in the time that graffiti is allowed to exist before being removed.

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- **Public Works Contract Administration:** The Proposed Budget continues funding (\$1.3M) and resolution authority for four positions and adds resolution authority for four positions in the wastewater construction inspection program to address the anticipated increase in the Wastewater Capital Program in FY2014-15. Funding is provided by the Sewer Construction and Maintenance Fund. The Proposed Budget continues funding and position authority for a variety of other programs, including Public Right of Way, Metro/Expo Work Program, Transportation Grant Program, Harbor, Airports and DWP support.
  
- **Public Works Engineering:** The Proposed Budget continues funding for the Los Angeles River Revitalization Master Plan (two positions, \$0.3M), Transportation Grant Fund Annual Work Program (22 positions, \$3.2M), Metro/Expo Authority Work Program (15 positions, \$2.3M), Survey Support for the Bureau of Street Services (four positions, \$0.5M), Storm Damage Repair Program (five positions, \$0.7M), and for Fire Life Safety Projects (one position, \$0.2M). Three positions, without funding, are continued to provide public counter plan checking support. Three vacant positions that support the Transportation Grant Fund Annual Work Program and two vacancies in survey support for the Pavement Preservation Plan are proposed for elimination. Funding (\$1M) and nine other vacant positions are also deleted from the Bureau's budget due to the City's fiscal constraints. One-time funding is included for the purchase or replacement of equipment and for additional support of the Pavement Preservation Plan and Metropolitan Transportation/Exposition (Metro/Expo) Line Construction Authority Annual Work Program.
  
- **Public Works Sanitation:**
  - ▶ **Healthy Streets - Citywide:** A total of \$5M is set aside in the Unappropriated Balance to reimburse Bureau of Sanitation special funds for front-funding the costs to expand the program to include the cleanup of alleyways and homeless encampments, and removal of illegal dumping on public properties.
  - ▶ **Clean and Green Community Program Support:** Funding (\$0.2M) and resolution authority for two Project Assistants are continued. These positions supported the Branching Out and Clean and Green Programs during FY2013-14. One position will continue to support the Clean and Green Program and the other position will be reassigned to provide governmental affairs support, as the Branching Out project will be completed in 2014.
  - ▶ **Solid Waste Integrated Resources Plan:** The Proposed Budget continues funding (\$0.8M) and six resolution authority positions for the Solid Waste Integrated Resources Program (SWIRP), which is a master plan that addresses the infrastructure and financial needs for the City to achieve a zero waste goal by 2025.
  - ▶ **Lifeline Recertification:** Funding (\$0.4M) is set aside in the Unappropriated Balance to reimburse the Solid Waste Resources Revenue Fund (SWRRF) for front-funding the costs to re-certify existing Lifeline customers pursuant to Council policy (CF 10-0600-S32). The Bureau has been instructed to explore more cost effective methods of recertification.
  - ▶ **Continued Funding:** The Proposed Budget includes funding to continue various Bureau programs, including Multi-family Bulky Item Pickup (\$3.5M), Blue Bin Recycling joint program with the LAUSD (\$0.3M), and the Used Oil Program (\$0.1M).

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### ▪ **Public Works Street Lighting:**

- ▶ **One-time Funding Reduction:** Funding is reduced by \$3.2M as one-time budget reductions for: overtime and expense (\$0.8M), supplies (\$0.8M) and hiring hall (\$1.6M). The Street Lighting Maintenance Assessment Fund is forecasting a \$6.3M deficit in FY2015-16, \$13.4M deficit in FY2016-17, and \$20.1M deficit in FY2017-18. To partially address the expected deficit in FY2015-16, \$1.4M is provided in a Reserve for Future Operations and Maintenance. Funding is provided (\$1.2M) for an Assessment District Analysis to be completed in FY2014-15.
- ▶ **LED Conversion Program:** Funding (\$3M) and ten resolution authority positions are continued to complete the five-year light emitting diode (LED) conversion program
- ▶ **Copper Wire Theft:** Funding (\$0.9M) and one resolution authority are continued for the copper wire replacement and reinforcement program. Additional funding (\$0.9M) is provided for a proactive theft prevention program that includes the installation of 6,250 concrete pullboxes and lockable polymer lids. Funding is also continued (\$0.1M) for 24-hour security guard services at the Field Operations Supply Yard.

### ▪ **Public Works Street Services:**

- ▶ **Pavement Preservation Plan:** Formerly, the Pavement Preservation Plan was discussed in terms of centerline miles, and based on road survey data from 2006-08, it was estimated that 735 centerline miles of resurfacing, slurry seal, and crack sealing were needed to maintain the Pavement Condition Index (PCI) of 62. The width of the street was not considered when calculating centerline miles, so future budgets will reference a lane mile, which is equal to an 22-foot wide lane that is one mile long.

The Proposed Budget continues funding for a Pavement Preservation Plan of at least 2,200 lanes miles (formerly 800-centerline miles), with a goal of achieving 2,400 lane miles through operational efficiencies and cost effective methods of implementation. Beginning in 2012-13, Measure R Local Return Funds were provided to increase the Plan's mileage by 65 miles to 800. In prior fiscal years, funding for the Plan has remained steady due to the availability of Federal American Recovery and Reinvestment Act (ARRA) of 2009 (\$53M) and funding (\$124M) from California Transportation Bond Program (Prop 1B). Both of these funding sources are no longer available. Through the use of Measure R, Proposition C, and the General Fund, the City continued the Pavement Preservation Program through 2013-14. Special Gas Tax funds (\$75.7M) and an increase in General Funds (\$28.5M) are providing the majority of the cost relief for multiple departments and Bureaus in 2014-15. Additionally, the Proposed Budget assumes a 47 percent increase in Street Damage Restoration Fees (\$10.8M). As expenditure growth exceeds revenue growth, the City will need to find alternative funding sources to maintain the Pavement Preservation Plan at or above the current level and prevent the City street system from deteriorating from its current condition.

- ▶ **Sidewalk Repairs:** A total of \$20M is included in the Unappropriated Balance for sidewalk repairs due to tree root damage. An implementation plan for the use of these funds will need to be prepared prior to the transfer of funds.

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- ▶ **Tree Trimming:** Funding of \$4M is continued to trim approximately 40,000 trees.
  - ▶ **Median Island Landscape Maintenance:** Measure R funding was eliminated for improved median island maintenance.
  - ▶ **Continuing Services:** The Proposed Budget includes funding to continue the following services: Public right-of-way construction enforcement during rush hour (\$0.5M), asphalt repair (\$1M), sidewalk access ramps (\$4.1M), design of bikeways and pedestrian facilities (\$0.7M), bus pad and stop improvements (\$1.9M), streetscape and transit enhancements (\$5.3M), Metro/Expo Authority Annual Work Program (\$1.2M), slurry seal of 1,200 lane miles (\$8M), and street resurfacing of a total of 800 lane miles (\$49.7M). An additional \$8.7M in funding is set aside in the Unappropriated Balance for additional work in the Pavement Preservation Program.
  - ▶ **Salary Savings Rate:** The Bureau's salary savings rate is increased from 4.3 percent to 7.94 percent to reflect attrition and vacancies for savings of \$0.9M.
- **Recreation and Parks:**
- ▶ **Related Costs:** The Charter-mandated appropriation to the Department of Recreation and Parks is increased by \$7.3M for a total of \$151M for 2014-15. As proposed, the Department will reimburse the General Fund an additional \$5.5M, for a total of \$52.3M, for pensions, Medicare, Civilian Flex Program and other related costs.
  - ▶ **CLASS Parks and New Programs:** The Proposed Budget consolidates CLASS Parks, Youth Services and Intervention Programming, Recreation Centers Programming and Other Recreation into a new program titled Recreation Programming. Two new programs, "Partnerships, Grants and Sponsorships" and "Venice Beach" are proposed.
  - ▶ **Fee Increases:** All aquatic use fees are increased and are expected to generate \$1M in additional revenue.
  - ▶ **Staff Changes:** 67 regular vacant positions (\$4.5M) are deleted; two Principal Project Coordinator positions have been added without funding; and funding (\$0.1M) is added for one position to provide contract administration for the Joy Picus Child Development Center.
  - ▶ **New and Expanded Facilities:** Additional funding is provided (\$1.4M) for five ranger positions to staff the Hansen Dam Ranger Station and additional funding is allocated (\$0.8M) for landscape maintenance of City facilities.
  - ▶ **Capital Improvement Expenditure Program:** Resources (\$2M) are included within the CIEP program to construct and complete various Recreation and Parks facilities funded from the Recreation and Parks Sites and Facilities Fund. Additionally, MICLA funding is included for the Rancho Cienega Recreation Center (\$10M) and Lincoln Park Pool (\$1.8M).
- **Transportation:**
- ▶ **Restoration of Development Services Functions:** A total of 20 regular position authorities and \$2.9M in funding is provided to restore the department's Development Services Functions that were not consolidated with City Planning in 2013-14 as planned.

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- ▶ **Bicycle, Pedestrian, and Transit Enhancement:** The Proposed Budget continues funding (\$4.7M) and resolution authority for 37 positions for the bicycle, pedestrian and transit enhancement initiatives. Staffing has been realigned and consolidated under one program to create greater efficiencies.
  - ▶ **Parking Meter Support:** Funding (\$0.3M) is added for regular position authorities in Meter Technology Support and the Meter Security and Investigation Unit, with costs to be reimbursed by the Special Parking Revenue Fund. The Proposed Budget also realigns \$0.4M in funding from the SPRF to the General Fund for four positions that work directly on parking meters.
  - ▶ **Parking Enforcement and Traffic Control:** The Proposed Budget adds nine-months funding (\$0.1M) and one regular position authority to manage the West Los Angeles Adjudication Office. A total of \$5.5M in funding is also provided to continue the crossing guard program and allow the Department to hire to attrition.
  - ▶ **Part-Time Traffic Officer Program:** A \$2.6M intra-account transfer is included in the Proposed Budget to continue funding 150 part-time Traffic Officers, and \$0.9M in funding is added for an additional 50 part-time Traffic Officers. Salary savings from 43 vacant full-time Traffic Officer positions will partially fund this program. Nine months funding (\$0.3M) is also recommended for four positions to supervise and administer the part-time Traffic Officer program.
  - ▶ **Traffic and Street Maintenance Support:** The Proposed Budget continues \$1.3M in Proposition C funding and resolution authority for thirteen positions to maintain signs and traffic control devices, and to install striping on lanes for resurfaced streets.
  - ▶ **Transportation Safety Improvements:** The Proposed Budget adds \$2.5M for vehicle, bicycle, and pedestrian transportation safety improvements in the East San Fernando Valley.
  - ▶ **Traffic Signals Support:** The Proposed Budget continues \$6.5M in funding and resolution authority for 53 positions for the City's Automated Traffic Surveillance and Control (ATSAC) program, with funding from Proposition C, Proposition A, and partial reimbursement from grant funds. Six months funding and resolution authority for two positions is added (\$0.1M) for traffic signal repair work, and one-time funding is added (\$0.2M) to repair and maintain the ATSAC system.
  - ▶ **Metro/Expo Authority Annual Work Program Support:** A total of \$1.2M and resolution authority for 10 positions are continued to implement the Metro and Expo projects in the City. Six months funding resolution authority for six positions is added (\$0.5M) to provide design review services for the Metro/Expo Annual Work Program, with costs to be reimbursed by MetroExpo.
  - ▶ **Emergency Management Equipment:** One-time funding is provided (\$0.1M) to purchase seven satellite phones and three matrix messaging boards.
- **Zoo:** The Proposed Budget includes revenue resulting from a \$1 increase in the General Admission at the Zoo. This is estimated to generate an additional \$.08M for a total of \$14.5M in projected admission revenue. Zoo admission had increased each year of the past six years. The budget allocates funding (\$0.4M) for In-House Renovations and Deferred Maintenance. In addition, technology support has been expanded to include Expansion of Public WiFi (\$0.1M), Expansion of Data Network for the Chimpanzee and Avian Complex



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(\$0.04M), and Point-of-Sale Upgrade and Mobile Webstore (\$0.1M) which will be used to upgrade and replace the Point-of-Sale System hardware and software and the purchase of Galaxy mobile webstore software to allow customers to purchase tickets using their mobile devices. One-time funding in amount of \$0.4M is allocated to Contractual Services for the development of the Zoo's Master Plan which will chart future facility and infrastructure improvements. Funding was decreased by \$0.6M for Public Relations and Marketing inasmuch as various activities are managed by the yet-to-be approved Memorandum of Understanding with the Greater Los Angeles Zoo Association (GLAZA). Continued funding (\$0.4M) and the addition of six regular authority positions (three Animal Keepers, two half-time Animal Keepers, and one Aquarist I) is included in the Proposed Budget for the operation, maintenance and care of the new Rainforest of the Americas exhibit. The Proposed Budget also transfers \$1.4M to GLAZA as a marketing refund, with \$0.5M held in reserve for revenue fluctuations.

### NON-DEPARTMENTAL AND OTHER

- **General City Purposes.** The Proposed Budget increases funding for programs and services by 0.9 percent, or \$1M. Funding for the General City Purposes Budget increased from \$102.7M to \$103.7M. A summary of significant changes in the Proposed Budget are as follows:
  - ▶ **Council District Community Services:** This allocation is used by Council to fund various public services, including community clean-up, events, programs, and non-profit organizations. In the 2013-14 Adopted Budget, this item received an appropriation of \$0.9M. No funding is provided in the Mayor's 2014-15 Proposed Budget.
  - ▶ **Aging Programs:** In 2013-14, one-time funding was provided to the Family Caregiver Program, Elder Abuse Prevention Program, and other Older American Support Programs to offset reductions resulting from sequestration. The 2014-15 Proposed Budget does not continue this allocation.
  - ▶ **DWP Pension Audit:** A \$0.5M allocation is included in the Proposed Budget to fund an audit of the Los Angeles Department of Water and Power (DWP) Pension System.
  - ▶ **Cultural, Art, and City Events:** This Council controlled fund is used for arts and cultural events. The fund was reduced by \$1.17M, or 94 percent.
  - ▶ **Appropriations to Recreation and Parks:** The 2013-14 budget appropriated \$2.7M to support various Clean and Safe Spaces Parks and pools. Funding for this purpose is not provided in the Mayor's 2014-15 Proposed Budget.
  - ▶ **Learn and Earn Program:** The 2013-14 budget appropriated \$0.2M to this program to provide high school students with internship opportunities. Funding for this program is not provided in the Mayor's 2014-15 Proposed Budget.
  - ▶ **Office of Small Business Services:** Funding is discontinued for this small business advocacy program.

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- ▶ **Los Angeles Bi-Annual Homeless Count:** The Proposed Budget allocates \$0.4M for the Los Angeles Bi-Annual Homeless Count to be conducted by the LAHSA in 2014-15. The County of Los Angeles will fund the other half of the cost of this survey.
  - ▶ **Special Event Fee Subsidy - Citywide:** the General Fund portion of this account is not continued in the Proposed Budget, representing a reduction of 79 percent, from \$1.4M to \$0.3M.
  - ▶ **Operation Healthy Streets:** The Proposed Budget provides funding of \$3M to fund Skid Row outreach and public health services.
  - ▶ **Innovation Fund:** New funding of \$1.4M will support innovative initiatives, proposals that will improve the provision of City services.
  - ▶ **Gang Reduction and Youth Development Office:** The Proposed Budget reduces the General Fund portion of this program by five percent, from \$21.7M to \$20.6M.
  - ▶ **Police/Fire Dispatch Consolidation:** Funding of \$1.3M is provided to integrate the Fire Department's dispatch operations into the Police Department for a consolidated Public Safety Dispatch function. This funding will provide staff and expenses to enhance, improve, and configure the Police Department's Computer Aided Dispatch (CAD) system to accommodate the Fire CAD. Additional funding of \$2.2M is provided in the Special Police Communications/911 System Tax Fund for professional services related to this project.
- **Fire and Police Pension Fund**
- Los Angeles City Employees' Retirement System (LACERS)**
- ▶ The City 2014-15 contribution to Pensions is \$626.2M, an increase of \$50.2M over the 2013-14 budgeted contribution. The increase in the Pensions contribution rate is primarily due to the lower than expected return on investments after smoothing, due to the yet unrecognized market loss in 2009. These additional costs are partially mitigated by savings from the Tier 6 pension plan for new hires on or after July 1, 2011; an additional two percent employee contribution by most members; a freeze on maximum health subsidy for certain members retiring or entering the DROP; and lower than expected salary increases and retiree cost of living adjustments. The Proposed Budget anticipates paying the entire Pension contribution in July 2014 by funding the required contribution through the issuance of Tax and Revenue Anticipation Notes (TRANS). As a result, the pension fund is expected to gain additional interest earnings on the payment, which would reduce the required City contribution by 3.4 percent or \$21.7M. The System's funded ratio, using actuarial value of assets, decreased from 77.7 percent to 77.3 percent as of June 30, 2013. The 2015-16 payment is estimated to be \$5.7M less than 2014-15, and is projected to further decrease by \$4.7M in 2016-17. The contribution rate as a percentage of salary is 48 percent compared to 44.4 percent for Fiscal Year 2013-14.
  - ▶ The City's total contribution to LACERS is \$503.6M, which includes a total of \$93M in payments from the Airports (\$67.2M) and Harbor (\$20.7). This total also includes, for the first time, direct payments from LACERS (\$3.1M) and Pensions (\$2.8M) for their portion of the required contribution. The total also reflects a \$5.2M 'true up' payment to LACERS resulting from the reconciliation of prior year's budgeted covered payroll with actual covered payroll for the General Fund, Harbor,

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and Airports. The City's General Fund portion of the total amount to be paid to LACERS in 2014-15 is \$409.9M, a \$42M increase over the 2013-14 required contribution. The City's increased contribution to LACERS is primarily due to an increase in payroll; deferred recognition of the large investment loss of 2007-08 and 2008-09 under the seven-year asset smoothing method; changes in actuarial assumptions pursuant to a recent triennial Experience Study; a reduction in the assumed annual investment rate of return from 8.00 percent to 7.75 percent. These increases to the City's contribution rate were mitigated by the phase-in of the new actuarial assumptions over a five year-period (2014-15 is Year 3), and anticipated savings from the new Tier 2 plan for employees hired after July 1, 2013; an increase in the contribution rate for Tier 1 members; and a four percent contribution from most members. The System's funded ratio decreased from 69 percent to 68.7 percent as of June 30, 2013. The Proposed Budget anticipates paying the entire 2014-15 LACERS contribution in July 2014 through the issuance of Tax and Revenue Anticipation Notes (TRANS), which will generate a 3.4 percent discount to the City (\$13.8M). The contribution rate for Tier 1 as a percentage of salary is 26.56 percent as compared to 25.33 percent in 2013-14. Based on the Proposed Budget four-year projection, the 2015-16 payment to LACERS is estimated to be \$5.3M less than 2014-15, and is projected to further decrease by \$12.5M in 2016-17.

- **Capital Improvement Expenditure Program (CIEP):** Existing policy states that the City shall annually budget one percent of General Fund revenue to fund capital or infrastructure improvements. For 2014-15, General Fund revenues are projected to be \$5.12B, resulting in a one percent target of \$51.2M. The 2014-15 Proposed CIEP General Fund financing totals \$9.6M. An additional \$20M for sidewalk repairs is provided in the Unappropriated Balance and \$25.2M is provided for the Pavement Preservation Program. The total General Fund amount allocated for capital and infrastructure improvements is \$54.8M, or 1.07 percent.
  - ▶ **Municipal Facilities:** The proposed budget decreases the General Fund portion of CIEP funding for Municipal Facilities projects by \$14.8M for a total proposed budget of \$11.6M. Some of the current major projects include: Municipal Buildings Energy and Water Management and Conservation (\$0.4M); Chatsworth Park South (\$0.4M); Citywide Infrastructure Improvements (\$1.7M); Citywide Maintenance and Improvements (\$1M); Citywide Roof Repairs (\$0.8M); Contaminated Soil Removal/Mitigation (\$1.1M); and Fire Life Safety Building Systems (\$1.1M). Additionally, MICLA financing is included for projects such as Rancho Cienega Recreation Center (\$10M); Manchester Jr. Arts Center/Vision Theatre Improvements (\$3.7M); Lincoln Park Pool (\$1.8M); Mt. Lee Electrical Upgrades (\$2M); Bureau of Street Services San Fernando Yard CNG Fueling Station (\$4.4M); and, New Civic Center Building (\$10M).
  - ▶ **Physical Plant:** The Proposed Budget reduces CIEP funding for Physical Plant projects by \$9.1M for a total of \$13.9M. Funding of \$8.5M is provided for street repair and for street safety related projects. Funding of \$4.9M is also provided to continue design and construction of City bikeway projects.

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- ▶ **Clean Water Capital Improvement Expenditure Program:** CIEP funding for Clean Water projects was increased by \$32.4M for a total Proposed Budget of \$183.8M. Current major capital projects include: various collection system projects (\$49.7M); a new multi-purpose and office facility at Donald C. Tillman Water Reclamation Plant (\$7M); various projects to upgrade control systems for the collection system at the Hyperion Treatment Plant (\$80.3M), which includes design and construction of the Digester Gas Utilization Project (DGUP); replacement of equipment and systems at Los Angeles-Glendale Water Reclamation Plant (\$6.1M); replacement of the Venice Pumping Plant discharge manifold (\$1.6M); expansion of the Advanced Wastewater Purification Facility (AWPF) at the Terminal Island Water Reclamation Plant (\$15.1M); and various system-wide activities (\$23.9M).
  
- **Human Resources Benefits and Workers' Compensation:** The Human Resources Benefits and Workers' Compensation Fund (HRB) provides for direct payments, exclusive of personnel and administrative costs, for various human resources benefits provided to City employees. The Proposed Budget increases the appropriation to the Human Resources Benefit programs by approximately \$19M to approximately \$620M (3.1 percent increase). The Proposed Budget for the HRB Fund assumes that civilian employees will pay 10 percent of their health care premium to offset City costs. Increased costs in the HRB Fund are mainly due to anticipated health premium rate in the Civilian FLEX program (\$10.4M) and the Police (\$3.9M) and Fire (\$2.3M) Health and Welfare programs, as well as the Workers' Compensation program (\$2.9M). Cost increases in health benefits are minimally offset by cost decreases related to the City contractor's utilization review services (\$0.5M) and Supplemental Civilian Union Benefits (\$0.1M).
  
- **MICLA Debt Issue:** The Capital Finance Administration Fund includes \$240.1M for debt service cost for outstanding debt issued to date. This amount is \$16.2M (6.3 percent) less than 2013-14. The proposed amount decreased by \$2.7M because the principal on one bond has been paid off and further decreased by \$21.1M through the refinancing of a Parking Revenue Bond. Debt service is expected to increase by \$2M from a new Commercial Paper Program specifically created for the Convention Center.

The Proposed Budget recommends a total of \$66.6M in MICLA financing during 2014-15 for the following projects: Fire Vehicle Replacement (\$20.3M); GSD Vehicle Replacement (\$24.8M); GSD Materials Testing Equipment (\$0.1M); a Police American Eurocopter AS350 B-2 helicopter (\$3.4M); debt financing the Police In-Car Video System (\$8M); and purchase of Police Non-Black and White Vehicle Replacements (\$10M).

Debt financing is also proposed for the following purchases: Parking Control System for the Convention Center (\$1.1M); Capital repairs at Figueroa Plaza (\$1.7M), the Police Administration Building (\$0.5M), and the Public Works Building (\$1M); Energy and Water Conservation projects at municipal buildings (\$3.6M); contingency funding for the Bridge Improvement Program (\$2M); space optimization tenant improvements (\$1M); replacement complex for the Rancho Cienega Recreation Center (\$10M); completion of the Lincoln Park Pool project (\$1.8M); structural engineering and demolition drawings related to a new Civic Center Building (\$10M); Bureau of Street Services San Fernando Yard CNG Fueling

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Station (\$4.4M); communication upgrades at the Mount Lee site (\$2M); completion of the Manchester Jr. Arts Center/Vision Theatre (\$3.7M); and Building Equipment Lifecycle Replacement Program (\$2.5M).

- **Tax and Revenue Anticipation Notes (TRANS):** The 2014-15 Proposed Budget includes funding totaling \$1.05B to pay debt service on TRANS issued to fund the City's annual required contributions to the City Employees' Retirement System (LACERS) (\$413.4M, including interest) and the Fire and Police Pension Fund (Pensions) (\$631.6 M, including interest). In addition, \$3M in funding is also included to pay debt service for the issuance of TRANS to meet short-term cash flow needs occurring early in the fiscal year when certain revenues have not been received. The July 2014 payment of the entire annual contribution to LACERS and Pensions will allow both Funds to earn additional interest to be used to discount the required City contribution. For comparison, \$955.9M in TRANS were authorized in the 2013-14 Adopted Budget, while \$860.6M was authorized 2012-13 and \$895.5M in 2011-12.
  
- **Unappropriated Balance:** The Unappropriated Balance (UB) includes funds identified for specific purposes, including contingencies for accounts that may experience shortages, such as petroleum products, or start-up funding for projects or programs that would need funding during the fiscal year, but are not fully developed at the time the budget is adopted. The 2014-15 Proposed Budget includes \$106.4M in the UB, which is a \$22.4M increase from the 2013-14 Adopted Budget allocation of \$83.9M. The 2014-15 Proposed Budget earmarks funds for the following:
  - ▶ Equipment, Expenses, Alterations and Improvement (\$4.9M) as a contingency to address necessary account adjustments.
  - ▶ General Services Department Petroleum Products (\$3M) as a contingency to address price increases and volatility in the petroleum products market.
  - ▶ Liability Claims (\$6M) to cover anticipated liability claims payouts above the 2014-15 budget allocation of \$47.9 million.
  - ▶ Outside Counsel Including Workers' Compensation (\$4M) for outside counsel attorneys to assist in litigation and transactional matters and for all sworn workers' compensation cases.
  - ▶ LAPD Overtime (\$15M) set aside to reduce future liability for sworn accrued compensated time off.
  - ▶ LAPD Sworn Hiring (\$3M) to hire 94 Police Officers.
  - ▶ Reserve for Economic Uncertainties (\$17.5M).
  - ▶ Sidewalk Repair Program (\$20M) to focus on repairs related to tree root damage.
  - ▶ Building and Safety e-Plan (\$0.6M) to pay for staff for six months to implement the new electronic plan check program.
  - ▶ Business Process Improvements (\$0.5M) to provide additional resources to departments to improve the efficiency and effectiveness of the City's internal business processes.
  - ▶ Citywide Lease Account (\$0.9M) for unanticipated lease cost increases.
  - ▶ Code for America (\$0.2M) for membership and participation in this technology fellowship program.

## **SIGNIFICANT ISSUES**

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- ▶ Data Network Modernization (\$2.7M) to redesign the City's network to support growing technology demands, subject to the availability of certain settlement funds.
  - ▶ Evidence Property Information Management System (\$4M) for a new system to track LAPD's booking of property and evidence items.
  - ▶ Fire Department Helitanker (\$0.5M) to increase the number of days for these services.
  - ▶ Fire Recruitment and Selection (\$0.6M) to review and analyze the current recruitment and selection process.
  - ▶ Great Streets (\$0.8M) to implement the Great Streets Action Plan.
  - ▶ Healthy Streets Citywide (\$5M) to expand the program throughout the City.
  - ▶ Lifeline Recertification (\$0.4M) to recertify existing Lifeline customers.
  - ▶ Off-site Council and Committee Meetings (\$0.05M)
  - ▶ Office of Public Accountability Studies (\$0.8M) for a study of demand elasticity for water and power users (\$0.2M) and a study of benchmarking DWP operations (\$0.6M)
  - ▶ Pavement Preservation (\$8.7M) to maintain the current level of the City's Pavement Preservation Program.
  - ▶ Personnel Firefighter Hiring Support (\$0.3M) to hire as-needed staff to support firefighter hiring.
  - ▶ Proactive Conditional Use Permit (\$0.6M) to pay for six months staffing in the Department of Building and Safety to implement the Proactive Conditional Use Permit Monitoring and Enforcement Program.
  - ▶ Standards of Cover Analysis (\$0.4M) for consultant services to assist the Fire Department in the development of a Standards of Response Coverage document.
  - ▶ Supply Management System (\$6M) for the second year of this four-year, \$14M project to replace the City's current system.
- **Exhibit H "Required Ordinance Changes and Other Budgetary Actions":** Exhibit H outlines actions necessary to be taken by the Council and Mayor in order to implement the Proposed Budget. In past years, the Proposed Budget has also included instructions in Exhibit H and proposals on policy matters for which Council has already taken action, or that may require further refinement and discussion in a Council Policy Committee and full Council prior to endorsement. The 2014-15 Proposed Budget contains a few of these types of instructions that should be analyzed by Council Policy Committees outside of the annual budget approval process, such as the review of the Peak Rush Hour Traffic Ban for governmental agencies and the proposal to expand the number of civil service exempt positions.

Exhibit H of the 2014-15 Proposed Budget include instructions to draft the following Ordinance changes:

- ▶ Authorize the issuance of up to \$1.45 billion in Tax and Revenue Anticipation Notes for short-term cash flow needs and to make contribution payments to LACERS and Los Angeles Fire and Police Pension Funds.
- ▶ Establish a Condition Compliance Inspection Fee.

## **SIGNIFICANT ISSUES**

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- ▶ Reduce the tax rate for Gross Receipts Fund Class 9 from the existing rate per \$1,000 of Gross Receipts to:
  - \$4.75 on January 1, 2016
  - \$4.50 on January 1, 2017
  - \$4.25 on January 1, 2018
- Combine Fund Classes 1 and 2 into one fund class on January 1, 2016
- Combine Fund Classes 3, 4, and 5 on January 1, 2016
- ▶ Prepare all revenue-generating ordinances no later than thirty days after final budget adoption.
- ▶ Change the name of the Productivity Incentive Revolving Fund to the Innovation Fund and expand the use of the Fund.
- ▶ Change the name of the Quality and Productivity Commission into the Innovation and Performance Commission and provide it with additional authority.
- ▶ Establish a California Environmental Quality Act (CEQA) Mitigation Monitoring Fee
- ▶ Increase General Admission at the Zoo by \$1 along with the corresponding increase of the family membership.

The following are instructions contained in Exhibit H:

- ▶ Instruct the Animal Services Department to review the feasibility of repurposing the vacant South Los Angeles Jefferson Park animal shelter.
- ▶ Instruct the Animal Services Department to develop a process that requires all veterinarians to notify the Department whenever they have treated an unlicensed dog.
- ▶ Instruct the CAO to report on all fees paid to commercial and investment banks.
- ▶ Instruct the CAO to report on the Proposition C structural deficit.
- ▶ Request the City Attorney to review and determine the City's legal authority to collect the modern Communications User Tax at the point of sale for prepaid communications services.
- ▶ Instruct the Los Angeles Convention Center to reevaluate and modify the expiring agreement with the Los Angeles Tourism and Convention Bureau.
- ▶ Request the Controller to develop adjusted rates to be applied to the City's internal CAP rates to include overhead costs that are not currently included in the CAP rate.
- ▶ Request the Controller to report on the status of work relative to strengthening the maintenance and functionality of the City's payroll system.
- ▶ Instruct the Economic and Workforce Development Department to develop a model for an investment fund for economic development projects.
- ▶ Instruct the Economic and Workforce Development Department to review the FilmLA contract to streamline the permitting process.
- ▶ Instruct the Office of Finance to review credit card transaction fees paid for the collection of the City's parking meter revenues.
- ▶ Authorize the Controller and the General Services Department to transfer funds from the Motion Picture Coordination Fund to various accounts.
- ▶ Authorize the Controller to appropriate and transfer funds pursuant to the terms of any approved MOU between DOT and GSD for the maintenance and operation of parking facilities.

## **SIGNIFICANT ISSUES**

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- ▶ Instruct the General Services Department to report on reducing the size of the City's fleet.
- ▶ Instruct the General Services Department to report on options to use leased vehicles and purchase maintenance from outside vendors.
- ▶ Instruct the Information Technology Agency to provide recommendations to make greater use of cloud computing.
- ▶ Instruct the Department of Neighborhood Empowerment to implement a pilot online election.
- ▶ Instruct the Personnel Department to review the Civil Service rules and report on potential reforms.
- ▶ Instruct the Personnel Department to review the results and progress made from the recent consolidation of personnel staff and operations.
- ▶ Instruct the Personnel Department to report on actions to increase the maximum number of exempt positions allowed by the Charter.
- ▶ Instruct the Personnel Department to report to EERC on the creation of a new position to oversee and manage the consolidation of the Police and Fire dispatch systems.
- ▶ Instruct the Planning Department to conduct a fee study to obtain full cost recovery for the provision of entitlement services.
- ▶ Instruct the Department of Recreation and Parks to report on the feasibility and actions necessary to transfer land maintenance of non-RAP facilities to the Departments currently receiving the service.
- ▶ Instruct the Bureau of Sanitation to report on the potential for charging the Stormwater Pollution Abatement Fee to governmental agencies.
- ▶ Instruct the Bureau of Street Services to provide an update on the potential retrofit of the City's Asphalt Plant.
- ▶ Instruct the Department of Transportation to review the Peak Rush Hour Traffic Ban relative to governmental agencies.
- ▶ Authorize the Controller to continue the voluntary furlough program.