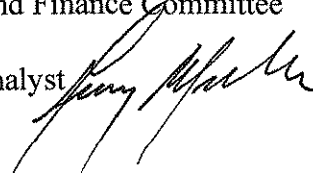


REPORT OF THE CHIEF LEGISLATIVE ANALYST

Date: May 13, 2014
To: Honorable Members of the Budget and Finance Committee
From: Gerry F. Miller, Chief Legislative Analyst 
Subject: **FISCAL YEAR 2014-15 BUDGET**

On April 14, 2014, the Mayor submitted to the City Council his Proposed Budget for fiscal year 2014-15. The Proposed Budget reflects the moderate economic recovery we are experiencing and recognizes improvement in the City's on-going revenue generation. However, the Proposed Budget also reflects continued significant deficits over the next several years.

Attached you will find recommended changes to the Proposed Budget. These changes are in response to specific directions from your Committee as well as instructions to this office to evaluate some areas of concern and provide recommendations on how to address those issues. The recommendations to follow are designed to ensure our financial strength during fiscal year 2014-15 and make material progress in dealing with continued significant budget gaps in 2015-16 and beyond.

Calculation of the Deficit:

In his Proposed Budget, the Mayor recognizes a 2014-15 deficit of \$242 million. This amount is \$26.5 million more than the \$215.5 million General Fund deficit the City faced in the 2013-14 Budget, and \$83 million more than the projected 2014-15 deficit from one year ago. The City has made substantial progress in its efforts to achieve structural balance in the General Fund. However, the City continues to face budgetary pressures in fiscal years 2015-16 and beyond. The City Administrative Officer (CAO) projects a General Fund budget deficit of \$165 million in 2015-16, \$187 million in 2016-17 and \$74 million in 2017-18. Structural balance is not anticipated until 2018-19. It is essential that the City aggressively seek to reduce these deficits throughout 2014-15 and in future budgets to achieve structural balance as quickly as possible.

Policy Compliance and the Budget Stabilization Fund:

The Proposed Budget as well as the actions before your Committee comply with Council policy relative to: 1) a Reserve Fund at a minimum of 5% of General Fund revenues (the actions

contained in the recommendations to this report would result in a Reserve Fund of 5.52%); 2) the 1% infrastructure investment requirement (the CIEP Policy); and, 3) the Budget Stabilization Fund (BSF). However, we note an interplay between the CIEP Policy and the BSF provisions recently enacted that should be reexamined.

The BSF policy provides that, should growth in the City's seven primary sources of ongoing revenue exceed 3.4%, the amount over 3.4% would be deposited into the fund. For the Proposed Budget, that would result in the BSF deposit of \$25 million. The policy allows for that deposit not to be made if the excess amounts are used to meet the CIEP Policy. In the case of the Proposed Budget that is what occurred. However, the goals of the two policies are quite different. The goal of the CIEP Policy, which was enacted on April 19, 2005 (CF#04-1822) well before the BSF provisions were developed, is to ensure that we annually make at least a modest General Fund cash investment in our infrastructure. The goal of the BSF is to establish a substantial source of funding for future economic downturns. Since revenue reductions can occur much more quickly than the City can reduce its on-going expenditures, the BSF would provide a bridge to gradually reduce expenditures until they are realigned with revenues to avoid the extreme cuts the City had to make during the Great Recession. If it becomes common practice to avoid BSF deposits by using those funds to meet the CIEP Policy it will make growing the BSF to sufficient levels much more difficult. The Council may want to either eliminate the CIEP provisions from the BSF Policy, or amend those provisions to state that funds that would otherwise be deposited in the BSF can be deposited into the CIEP if the one percent CIEP Policy has already been met from other General Fund sources.

Summary of Budget Balancing Actions:

Among the actions proposed to reduce the General Fund deficit are new and expanded on-going revenue (\$166 million), one-time revenue (\$181 million), specified efficiencies and expense reductions (\$15 million), and other changes and adjustments (\$5 million). With regard to these actions, of particular note are the following:

- A Special Parking Revenue Fund (SPRF) transfer of \$10 million is proposed. It has been the practice over the last number of years to transfer SPRF surpluses into the General Fund to help balance the budget. While it is appropriate to consider these funds on-going revenue, transferring balances each year limits the ability to invest those funds in capital improvements to meet parking needs.
- A Reserve Fund transfer of \$129 million is included.
- \$12.8 million in one-time lawsuit settlement funds are recognized.
- A planned \$65 million cash overtime payment to bring down the LAPD overtime bank has been eliminated.

- As reported by the CAO, one-time actions to solve for the 2014-15 budget gap comprise 46% of the total solutions.

The use of one-time solutions in the Proposed Budget results in the increase in budget gaps in future years. As we discussed last year, during the Great Recession it had been the practice of the City to target an on-going/one-time budget balancing ratio of 70%/30%. That is a reasonable technique when revenues are falling. However, when revenues are growing, that practice should not be used. The result would be perpetual structural imbalance and magnified difficulties in dealing with future economic downturns. The City's Financial Policies, adopted by the Council on April 19, 2005, state as follows:

“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 (emphasis added). The City will avoid using temporary revenues to fund ongoing programs or services.”

It should be noted that, if the City funded only obligatory increases (\$124 million) and increases necessary for continuation of current services (\$65 million), new ongoing revenues, pension savings and efficiencies and other changes would nearly eliminate the projected 2014-15 deficit and the City would be in structural balance. The Proposed Budget adds \$91 million in increased and new services. We recognize that due to significant service level reductions during the Great Recession some service restorations have become urgent and are appropriate to avoid future costs. For example, Fire Department recruit training is important to mitigate rising overtime costs due to attrition and constant staffing requirements. Additionally, information technology investments are essential to improve service levels and economic development opportunities and to ensure that vital City systems continue to perform. However, it is imperative that the City continue to exercise restraint in restoring services to ensure that the projected deficits do not worsen and that the City is in structural balance with a substantial BSF when the next inevitable recession occurs.

Revenue Issues:

For the most part, the revenue projections in the proposed budget appear reasonable and reflect the continued economic recovery. We have no basis for recommending reductions in those assumptions. However, we note that some revenue sources can be very volatile and, with significant projected deficits in future years, we urge careful monitoring of a few revenue sources that may pose greater risk to the City.

The General Fund revenue contained in the Proposed Budget is projected to be \$5.118 billion, which is 5.2% above the 2013-14 budgeted amount of \$4.867 billion. The CAO's revised current year General Fund revenue estimate is \$4.900 billion, or \$33 million above plan.

Accordingly, 2014-15 revenue is projected to be 4.4% above the projected current year actual receipts.

Property related taxes show strong performance. The Proposed Budget projects 2014-15 Property Tax receipts at \$1.630 billion which is 5.6% above current year projections. Based on higher assessment estimates since the Proposed Budget was prepared we have included an additional \$14.5 million in Property Tax receipts. 2014-15 Documentary Transfer Tax (DTT) receipts are projected to total \$197 million, or 10% above current year projections. Current year DTT receipts are more than 12% above plan and projected 2014-15 DTT receipts are still more than 9% under the DTT peak in 2005-06, so these projections appear reasonable. However, the DTT is very volatile and it is difficult to accurately project receipts beyond the near term.

The Transient Occupancy Tax (TOT) has continued its strong performance. The 2014-15 Proposed Budget estimates that this revenue source will grow by 5% over revised current year estimates. Given that current year receipts are projected to be 6.3% above plan, the incremental increase appears reasonable.

Sales Tax is also performing well. The Proposed Budget assumes a 4.5% growth in these revenues from revised current year estimates. Current year performance is projected to be 5.5% above plan. The 2014-15 projected increase is in the middle of the range of projections from a variety of other recent sales tax forecasts as detailed on Page 50 of the Revenue Outlook Supplemental Schedule and is consistent with the County's sales tax growth projections.

The proposed budget recognizes a Communication Users' Tax (CUT) reduction of \$12 million, or 5.3% from current year projected receipts. This is a particularly large year-to-year drop due to an infusion of revenue for the current year as a result of the amnesty program. In addition, during your Committee's hearings it was determined that a lawsuit settlement payment of \$5.75 was not included in the Proposed Budget. The attached recommendations address that issue. Those payments will continue for four years which will impact future deficit projections. The CUT is expected to continue to erode as it has over the last number of years due to changing communication technology.

Risk Factors:

Cost-of-Living Increases (COLA) - Consistent with the assumptions contained in the 2013-14 Budget, the proposed 2014-15 Budget and the projected budget gaps in subsequent fiscal years assume no COLAs for any civilian and sworn employees. Since the vast majority of the General Fund budget is salary related, in order to meet or improve upon the projected future deficits discussed above, the City will have to control salary costs over the next several years.

Police Overtime - As discussed above, one proposed budget balancing action is the elimination of a planned cash payment of \$65 million in LAPD overtime. The current LAPD overtime bank liability is approximately \$115 million and additional overtime is accrued

annually. LAPD management has worked diligently to try and control increases in the bank through schedule management, but that has resulted in a reduction of officers on duty. As was discussed repeatedly by your Committee in its hearings, over the next few years the City must begin to materially invest in paying down the existing LAPD overtime bank and paying future overtime in cash to avoid a significant liability in the future.

Economic Downturn - Most economists predict a continued economic recovery for the coming year as well as a strengthening European economy. However, given the fact that we expect structural deficits until the end of the decade, the City must strive to reach structural balance as quickly as possible and prepare for the inevitable economic downturn.

Since the Great Depression which ended in 1933, the nation has experienced 13 economic recessions (defined as a reduction in Gross Domestic Product (GDP)). Clearly, the causes, duration and severity of the recessions have varied widely, with the Great Recession from 2007 through 2009 being the most severe. The average time between recessions has been five years, and the longest interval between recessions has been 10 years. The Great Recession officially ended in June of 2009, so we are now at the average interval at which another recession has occurred over the last 81 years. By the end of the decade we will be at an interval nearly equal to the longest interval between recessions during that time.

It must be kept in mind that the City faces financial pressure as a result of an economic slowdown that is not technically a recession. Even with GDP expansion, if City revenue growth is less than projected it is very difficult to slow expenditure growth to bring revenues and expenditures in line. There are factors over the relative short-term which could impact the rate of growth. For example, many economists are closely monitoring the situation in Ukraine. If tensions escalate and additional sanctions are placed on Russia, particularly in the energy sector, many believe that retaliation by Russia could cause another recession in Europe which is heavily dependant on Russian oil and gas. That, in and of itself, would probably not cause the US economy to fall into another recession but there is a high likelihood that such an event would slow the US economy. Debate has also begun on whether we are experiencing another "tech bubble" similar to what occurred in the early 2000s which, when it burst, began a stock market slide that lasted through most of the decade.

Of course, the timing and severity of any economic downturn cannot be predicted. However, given the length of the current economic recovery and our history over nearly the last century, it is important for the City to aggressively prepare for another recession by redoubling our efforts to control ongoing expenditures, seeking additional sources of ongoing revenue, and making every effort to grow the BSF so that there is a source of funding to offset the inevitable revenue downturn that will occur at some point.

Recommended Changes to the Proposed Budget:

In assisting your Committee in developing the Council's 2014-15 Budget, we have sought to identify as many structural revenue initiatives and expenditure reductions as feasible. You will find in the attached some use of one-time budget balancing solutions which we believe are unavoidable at the current time. We strongly recommend that the City continue its multi-year budget planning to implement long-term, on-going budget reductions and use great caution in restoring or adding new services until the growth in our ongoing revenues can fund such services.

There are a variety of changes to the Proposed Budget. Of particular note are the following:

- A net revenue increase of \$22 million is recognized. This is primarily comprised of \$14.5 million in additional Property Tax receipts, an additional \$7.1 million in the Electric Users Tax based on revised power sales, \$4 million in additional reversions and loan repayments and a \$5.75 million decrease in CUT receipts as discussed above.
- An expenditure reduction of \$4.2 million is recognized in the Human Resources Benefits Fund based on revised premium projections.
- A \$1.3 million reduction in Fire and Police pension payments is included based on budgeted sworn salaries.
- Adjustments have been made in General City Purposes to reflect the Mayor's proposed reallocation of funds.
- Funding is added for outside counsel to support the Los Angeles Community Broadband Network.
- Funding is restored for Citywide median maintenance.
- A variety of add/deletes are included with no net impact on the budget to reflect funding priorities identified by the Committee and to make technical corrections to the Proposed Budget.

Attachment

2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA

Increase	Decrease	Reserve Fund Impact
		282.113

Mayor's Proposed Reserve Fund

Budget Overview

On April 14, 2014, the Mayor's Proposed 2014-15 Budget was submitted to the Council for consideration. In the Mayor's presentation of his Proposed Budget, he defines the General Fund deficit to be addressed in Fiscal Year 2014-15 to be \$242M. This figure represents a decline in the anticipated deficit due to structural changes adopted over the past few years, including a reduction of the City workforce, savings achieved through agreement with the City's labor partners, reductions in various expenditures, and improvements made in billing and collections. Additionally, in 2011 voters approved Charter Amendment G which established a new pension tier for sworn personnel, helping to mitigate rising long-term pension costs. A new Pension Tier for the City's civilian workforce was approved by the Mayor and City Council in November 2012 and went into effect on July 1, 2013.

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.

While these efforts have reduced the projected deficit dramatically -- in 2010, the projected deficit for the current fiscal year 2013-14 was anticipated to be in excess of \$1B -- a structural deficit persists and continues to be pushed outward.

The Mayor has proposed a "toe-the-line" budget for the most part, 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, such as public safety, 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.

**2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA**

Increase	Decrease	Reserve Fund Impact
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We note that there are other future year issues that need to be addressed. 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, 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 of the subsidy for employee health care in 2014-15. 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 would 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. The City must also continue to monitor and solve structural deficits that exist in other major funds. These include the Proposition C, Measure R, Street Lighting Maintenance and Assessment Fund and the Stormwater Pollution Abatement Fund. These issues need to be addressed in the near term.

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, and it also assumes a decline in the Gross Receipts Tax beginning in 2015-16. Any efforts employed in 2014-15 to reduce ongoing expenditures, limit use of one-time funds for ongoing expenditures, growing the economy and increasing the Budget Stabilization Fund and Reserve Fund will have a positive impact not only in 2014-15, but in future years, as well.

2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA

	Increase	Decrease	Reserve Fund Impact
The following is an overview of the Mayor's Proposed Budget:			
Budget Gap (\$M)	(242.00)		
<u>Proposed Solutions</u>			
New/Expanded Revenue	165.59		
One-Time Revenue			
Alternative Fuel Station Installation Rebate	1.27		
Code Enforcement Lien Processing Revenues	0.75		
Department of Water and Power Audit Reimbursement	0.50		
Office of Public Accountability Study Reimbursement	0.75		
One-time Settlement	12.80		
One-Time Transfer of Council Discretionary Funds	7.00		
Reserve Fund Transfer	128.77		
Special Parking Revenue Fund Transfer	10.10		
Telecommunications Development Account	5.20		
Utility Users' Tax - Electrical, Delayed Receipts	12.00		
Wilshire Grand Transit Occupancy Tax Replacement	2.20		
Less One-Time Revenues in the 2013-14 Adopted Budget	<u>(108.00)</u>		
Net Revenues	238.93		
Expenditure Changes			
Reductions from the 2013-14 Budget Outlook	(69.47)		
Efficiencies/Reductions	(29.18)		
Other Changes and Adjustments	4.54		
Increased Services	80.25		
New Services	<u>10.79</u>		
Net Expenditure Changes	(3.07)		
Total	242.00		

In expressing concern over the continuing structural deficit and the impact that past year budget reductions have had on the delivery of services, the Budget and Finance Committee, through its hearing process, articulated its goal to address long-term issues, make modest, but necessary adjustments in critical services, and further address capital and infrastructure needs. First and foremost is the recognition that the City should remain on its current track with regard to improving the City's financial position. While the City has made great strides in putting the City on the path of fiscal health, there is still more that must be done.

2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA

Increase	Decrease	Reserve Fund Impact
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The Budget and Finance Committee emphasized its desire to continue to look beyond one-year budget timeframe and make adjustments in the 2014-15 fiscal year that will provide essential services that have the greatest impact on City residents, which use innovative methods to connect residents with their government, make better use of new and existing technology and applications, and add services which benefit our diverse communities and provide services to our most vulnerable populations. The Budget and Finance Committee articulated its goal to continue its efforts to eliminate the ongoing structural problem, make sensible adjustments in spending which will have the most impact on the efficient delivery of the highest priority services, and continue to bolster the City's reserves. Attention was focused on capital improvements and infrastructure -- addressing deferred maintenance, park facilities, streets, traffic and beautification efforts. The Budget and Finance Committee continued to engage our labor partners and our Neighborhood Councils to work collaboratively to find long-term solutions.

The Budget and Finance Committee also reinforced its commitment to transitioning to a Performance Based Budget. Discussion of the establishment and refinement of metrics was a central theme for which further work is anticipated.

The CLA recommendations address these goals, in part, by providing funds to maintain current levels of funding for priority areas, set aside additional funds for economic uncertainties, and meet or exceed financial policies by making modest increases to the Budget Stabilization Fund and Reserve Fund. Additionally, funding is included for recognized needs, such as public safety, infrastructure improvements, support to communities and Neighborhood Councils and services to seniors and youth.

Global Recommendations

- ◆ **Labor Negotiations.** Discussions with bargaining units have resulted in agreements which have made structural improvements to the City's budget. The City Administrative Officer should continue these negotiations with instruction from the Executive Employee Relations Committee and develop solutions which balance the need to reduce costs in the short-term, but not at the expense of long-term impacts on future year costs, including the pension funds. Much progress has been made recently with our labor partners in this regard. Opportunities to continue this momentum will be present over the course of the next few months and into coming year.

- ◆ **Infrastructure.** The Budget and Finance Committee expressed concern regarding the years of deferred capital infrastructure improvements and the lack of a long-term infrastructure plan. Our recommendations include the addition of funding for some higher priority capital items identified by Committee members. These include modest increases in funding for maintenance on City facilities, one-time technology needs and longer term plans for improvements to parks and facilities, including technological improvements.

2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA

	Increase	Decrease	Reserve Fund Impact
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- ◆ Performance Metrics: The 2014-15 Proposed Budget includes various performance metrics and other measurements intended to help transition to a performance budget in future fiscal years. These metrics will be central to departments' allocation of resources and achievement of certain priority outcomes. As such, it is critical that the City Council's respective Policy Committees thoroughly review each of the draft performance metrics included in the Mayor's Proposed Budget and, where appropriate, recommend modified, substitute, or additional metrics for use in measuring department's performance in the future. The City Clerk, with the assistance of the Chief Legislative Analyst and the City Administrative Officer, is instructed to communicate to the appropriate Policy Committee(s) and to the Budget and Finance Committee each of the performance metrics included in the 2014-15 Proposed Budget, as well as all performance metrics requested in Special Studies, and request a report to the Council regarding the outcome of their reviews.

- ◆ Continue a modified "Hiring Freeze" effective upon adoption of the 2014-15 Budget. The Chief Legislative Analyst and the City Administrative Officer will make recommendations to the Council prior to the end of the current fiscal year with a modified approach to Managed Hiring. Generally, positions which are fully funded in departments which are not projected to have a financial deficit, will be able to fill these base-level positions upon submission of a hiring plan for the fiscal year. Departments may submit their hiring plans as soon as the 2014-15 budget is adopted. The CAO will continue to monitor Departmental budgets, and upon determination by the CAO, make recommendations to the Managed Hiring Committee as to whether further review to fill positions will be necessary. Furthermore, the Managed Hiring Committee will continue an expedited unfreeze process for Departments with positions not already unfrozen in the following categories: revenue producing, fully grant- or special- funded, elections (including systems), Library, hiring hall, seasonal recreation programs, accounting, summer youth employment, and layoff avoidance.

Departments are instructed, to fill vacancies in common classifications first by transfer. For positions requiring Managed Hiring Committee approval, the CAO will review the requested position for critical necessity, revenue generation and availability of funding, and the hiring request will be submitted to the Managed Hiring Committee and unanimously approved by its representatives. The modified approach will allow departments to limit Managed Hiring requests only to those not included in the approved hiring plan and provide flexibility for departments to hire for base level needs.

- ◆ Authorization of substitute positions other than for layoff avoidance and or for which adequate savings within a department's budget has not been identified, shall require Council approval, effective July 1, 2015. The use of substitute authorities shall be restricted only to limited duration or critical uses.

2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA

Increase	Decrease	Reserve Fund Impact
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Evaluating Budgetary Compliance and Control

The following budgetary reporting process and protocols are recommended to assist the Budget and Finance Committee in its efforts during the fiscal year and on a go-forward basis:

- ◆ Instruct all departments with pending fee increases that are included in the Proposed Budget, with the assistance of the City Attorney, to report to Council no later than June 30, 2014 with ordinances to effectuate the change in fees. This is to ensure that estimated revenue included in the 2014-15 Budget is realized, in accordance with the Annual Fee Studies Policy. Further, instruct all departments to review their fee structures annually and to report to the Budget and Finance Committee by January 1, 2015 with ordinances, status reports or negative replies concerning fee adjustments for the 2015-16 fiscal year.
- ◆ Instruct all City department and bureau heads to promptly notify the CAO of shortfalls in their budget or revenues so that they may be reported in the CAO's financial status reports.
- ◆ Instruct the CAO to provide quarterly or more frequently, if necessary, financial status reports on revenues and expenditures, the status of the Reserve Fund, status of the Budget Stabilization Fund, departmental hiring, projected shortfalls and recommendations to protect the City's fiscal health:

> Revenue: Actual revenue collections; projections of potential shortfalls or surplus revenue, as compared to the Budget; date on which adjusted fees were effective; departments which have not submitted ordinances necessary to implement adjusted fees included in the Adopted Budget; and recommendations for remedial action to achieve revenue projections, if necessary.

> Expenditures: Actual expenditures by department and program; comparison to expenditure plan; recommendations for any remedial action necessary to remain within budget.

> Use of Overtime: Highlight departments' overtime usage including detail, by department, the purposes (function/program, etc.) for which overtime was expended; the dollar amount and number of hours expended for each purpose; dollar amount budgeted vs. dollar amount remaining for the fiscal year; any projected shortfalls or surpluses, based on actual experience.

> Programmatic or functional outcomes: Actual outcomes, by department, program or function during the reporting period, as compared to plan; an analysis of any deviation and recommendation for remedial action, as necessary.

> Employment Level: By department, actual vs. authorized, net of positions to be held vacant in order to achieve budgeted savings. Also include the number hired, classification and activity/program to which personnel are assigned - include reason for exception to the hard hiring freeze.

> Employment under Charter Section 1164(b): Department and number of retired individuals employed under 120-day returns to work.

> Functional Consolidations: Status of functional consolidations and functional transfers included the Budget, as well as those approved on an interim basis.

**2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA**

	Increase	Decrease	Reserve Fund Impact
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> New or Increased Revenues: Define new revenues and how these are proposed to be incorporated into the budget, giving consideration to priorities outlined by the Council, including funding capital improvement projects, increasing allocations to the Budget Stabilization Fund, and bolstering the Reserve Fund.

- ◆ Request the City Attorney to report on a quarterly basis to the Budget and Finance Committee on the status of liability claims and outside legal counsel costs, the latter to include proprietary department expense. Such reports to include the following: available balance; encumbered balance; expenditures to date; projected needs for balance of fiscal year; and, if more funds are needed, specify the corrective actions being taken to contain costs.

Financial Policies Compliance

- ◆ **Reserve Fund:** The actions contained in this report increase the Reserve Fund to \$284.113M or 5.52% of the General Fund. The Emergency Account of the Reserve Fund is set at 2.75% or \$141.599M with the remaining balance of \$142.514M in the Contingency Account.
- ◆ **Capital and Infrastructure Funding Policy :** The Capital and Infrastructure Funding Policy states that "To the extent possible, the City shall annually budget one percent of General Fund revenue to fund capital or infrastructure improvements." The Mayor's Proposed Budget provided \$54.8M for capital projects and infrastructure improvements, which equates to 1.07% of the General Fund according to the CAO Supporting Documents.
- ◆ **One-Time Revenue For One-Time Expenditure Policy:** The City's Budgetary Policies state that, "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. The City will avoid using temporary revenues to fund on-going programs or services." The Mayor's 2014-15 Proposed Budget includes \$183.3M in one-time revenue and includes identifies \$109.0M in one-time expenditures, suggesting that \$71.5M is for ongoing expenditures.

One-time revenues are anticipated from the transfer of from the Reserve Fund (\$128.8M), an anticipated legal settlement (\$12.8M), delayed DWP payment of Utility Users' Taxes (\$12M), a transfer from Council Discretionary Funds (\$7M) and a transfer of surplus Special Parking Revenue Funds (\$10.1M, with an additional \$20.5M considered ongoing revenue). Therefore there is \$71.5M in one-time financial resources supporting ongoing expenses. It should be noted that 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.

**2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA**

	Increase	Decrease	Reserve Fund Impact
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◆ **Budget Stabilization Fund**: As part of the 2008-09 Budget, the Council approved, in concept, a new chapter to the City's Financial Policies to create a Budget Stabilization Fund (BSF). The intent of the BSF is to moderate fluctuations in revenue, prevent overspending during prosperous years, and provide resources to help maintain service levels during lean years. In March 2011, the voters enacted Measure P, which codified the requirement to create such a Fund.

The Council adopted a formal BSF policy which is incorporated into the City's Financial Policies. This policy requires saving when the economy is strong and actual revenue exceeds the projected revenue targets, restricts expenditures from the Fund to no more than 25% of the Fund in any one fiscal year during which there is no declared fiscal emergency, and would allow the City to use funds which are in excess of 15% of the General Fund budget for one-time uses. In 2009-10, \$500,000 was initially deposited into the BSF. Through various actions by the Council and Mayor during 2012-13 and 2013-14, the anticipated balance in the Fund at the end of the current fiscal year is projected to be \$61.5M. The Mayor's Proposed Budget neither transfers funds in or out of the Fund, leaving the current balance, plus interest, for a projected 2014-15 amount of \$62.4M. Because revenues are anticipated to increase in the 2014-15 fiscal year, application of this policy would have required a transfer into the Fund of \$25M. The Proposed Budget cites compliance with the one-percent capital and infrastructure policy as the reason for not making this transfer. The recommendations in this report would increase the Budget Stabilization Fund by a modest \$2M.

**2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA**

Revenue Changes	Increase	Decrease	Reserve Fund Impact
Licenses, Permits, Fees and Fines			
◆ Ambulance Revenue - modify receipt schedule to reflect \$7.96M in 2013-14 and \$18.483M in 2014-15 based on latest information from LAFD, for a net increase of \$.83M	0.830		
◆ Recognize additional 2013-14 UASI grant reimbursements for various City departments		0.159	
◆ Recognize 2014-15 receipts for Administrative Citation Program		0.250	
◆ Request the City Attorney to reclassify litigation settlement funds in Balance Sheet Account 2200 as revenue, and authorize the Controller to transfer receipts to the General Fund		0.400	
Property Tax			
◆ Recognize additional receipts based on market trend of increased growth in assessed values.		14.450	
Reversions and Loan Repayments			
◆ Recognize additional receipts since the release of the Proposed Budget.		4.000	
Tobacco Settlement			
◆ Recognize additional 2013-14 receipts and continue current level for 2014-15		0.200	
Utility Users' Tax			
◆ Electric Users Tax - A. Increase 2014-15 receipts based on revised power sales for 2014-15 (\$7M). B. Adjust receipt schedule for delayed UUT revenues to recognize partial receipt in 2013-14, for no net change.			7.175
◆ Reduce 2014-15 Communications Users' Tax receipt based on a recent settlement which will allow plaintiffs to claim a credit on their taxes over a four year period		(5.750)	
SUBTOTAL REVENUE CHANGES	27.464	(5.750)	21.714

**2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA**

Expenditure Changes	Increase	Decrease	Reserve Fund Impact
Aging			
◆ Restore funding for Evidence Based Programs housed in senior centers and not funded from grant funds. Funding will provide 60 extra classes and allow 600 more participants.	0.225		
Animal Services			
◆ Increase funding for medical and food supplies in order to reduce the number of euthanizations at City animal shelters.	0.239		
◆ Restore regular position authority and funding for one vacant Clerk Typist deleted from the Proposed Budget to support shelter operations.	0.068		
City Attorney			
◆ Add resolution authority and nine-months funding for five Deputy City Attorney positions to support the Neighborhood Prosecutor Program and Measure D enforcement.	0.389		
City Clerk			
◆ Increase funding to provide language services in Armenian, Russian and Farsi for the 2015 Primary Nominating and General Municipal Elections.	0.491		
◆ Increase funding to provide the necessary amount for the general benefit portion of Business Improvement District assessments.	0.233		
◆ Add one-time funding for signature verification for the Matching Funds Program for the 2015 Primary Nominating and General Municipal Elections.	0.170		
Economic and Workforce Development			
◆ Add resolution authority and nine-months funding, for two positions (one Senior Project Coordinator, one Industrial Commercial Finance Officer II) to support the Asset Management and Lending Unit functions.	0.196		
Ethics Commission			
◆ Add resolution authority and nine months funding for two positions (one Management Analyst I, one Senior Management Analyst I), including contract expenses to create and maintain a contract database as required by the Governmental Ethics Ordinance.	0.381		
Fire			
◆ Reduce Sworn Salaries and increase Constant Staffing Overtime by a commensurate amount based on historical spending patterns and anticipated retirements due to DROP.	3.000	(3.000)	
◆ Add position authority and nine-months funding for one Battalion Chief and one Senior Clerk Typist and funding to continue FireStatLA consultant services.	0.228		

2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA

	Increase	Decrease	Reserve Fund Impact
◆ Fire Safety Equipment			
> Add funding to purchase mandated safety equipment including air cylinders and escape canisters.	3.650		
> Instruct the City Administrative Officer to report on a regular replacement cycle and request the Mayor to establish this safety equipment as a priority in the application for UASI and other public safety grants. Half of the cost is included for funding, with the expectation that grants will be available for the remaining half.			
Fire and Police Pension Fund			
◆ Adjust pension contribution based on budgeted sworn salaries.		(1.332)	
General City Purposes			
◆ Reduce Solid Waste Fee Reimbursements based on expenditure history.		(0.100)	
◆ Restore funding to offset sequestration cuts to various Aging Department programs for seniors and caregivers, including social services, family caregivers services and staff program support.	0.192		
◆ Increase funding for senior meals programs to offset increased costs of food and gasoline and ensure that an equal number of meals will be provided in 2014-15.	0.100		
◆ Provide funding requested by the Department of Aging for a mini-multipurpose center at the Sandra Cisneros Learning Academy. The program provides 38,000 senior meals and 31,000 meals delivered to homebound seniors.	0.450		
Forfeited Assets Trust Fund			
◆ Recognize current year receipts and savings in the Forfeited Assets Trust Fund for eligible Police Department technology expenses, including the following. Further instruct the City Administrative Officer to correct Schedule 3, as necessary.		(0.959)	
> Allocate \$200,000 for the replacement of a vehicle hoist for Motor Transport Division and \$33,000 for a forklift at the Police warehouse.	0.233		
> Allocate \$150,000 for various needs at the Devonshire Police Activity League Supporters (PALS) Youth Center.	0.150		
> Allocate \$68,000 for eligible expenses for video relay services at Police stations and upgrades to TTY software licenses.	0.068		
General City Purposes and Unappropriated Balance			
◆ Citywide Community Support			
> Decrease funding in the Unappropriated Balance for the Supply Management System and increase funding in General City Purposes as follows:		(2.035)	
> Restore funding for the Special Events Fee Subsidy in order to support community and neighborhood events citywide.	1.117		
> Restore funding for Council District Community Services to support non-profit and other community organizations citywide.	0.918		
Housing and Community Investment			
◆ Restore funding for operation of an existing art center pending release of a Request for Proposals for public-private partnerships for cultural facilities.	0.075		

2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA

	Increase	Decrease	Reserve Fund Impact
Human Resources Benefits Fund			
◆ Reduce allocation for civilian health benefits based on revised premium increases contemplated in the Proposed Budget.		(4.200)	
Information Technology Agency			
◆ Add funding for outside counsel support of the Los Angeles Community Broadband Network and contract funding for outreach services.	0.900		
◆ Add funding for maintenance of 60 citywide public safety radio and microwave communication sites.	0.275		
Neighborhood Empowerment			
◆ Add funding to support the annual Congress of Neighborhoods and Neighborhood Council Budget Day.	0.020		
Planning			
◆ Add position authority and nine-months funding for four Planning Associate positions to support the Neighborhood Conservation Program.	0.331		
Public Works - Board			
◆ Restore funding for Graffiti Abatement.	1.000		
Public Works - Street Services			
◆ Restore funding for citywide median maintenance	2.100		
◆ Add funding for contract outreach services in connection with the Save our Streets Los Angeles (SOSLA) initiative.	0.100		
Recreation and Parks			
◆ Restore funding for the CLASS Parks Program at HACLA project sites, with a portion of funding from 2013-14 GRYD program savings.	1.200		
>Continue funding added by the Council in FY2013-14 for supplemental maintenance at park facilities.	0.500		
◆ Griffith Park			
> Restore funding to continue Tuesday hours and part-time staffing at Griffith Park Observatory.	0.189		
> Restore resolution authority and funding for one Building Repairer I position to support work at the Griffith Park Observatory and reduce funding from the General Fund Reimbursement.	0.056		
Telecommunications Development Account			
◆ Recognize 2013-14 savings from the Telecommunications Development Account and reduce the General Fund transfer from the Telecommunications Development Account to fund Grants to Third Parties for Channel 36 operations.	0.255	(0.109)	

2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA

	Increase	Decrease	Reserve Fund Impact
Unappropriated Balance			
◆ Provide funding for Operation Healthy Streets in Venice.	0.500		
◆ Increase the Reserve for Economic Uncertainty, from \$17.5M to \$26.95M.	9.450		
SUBTOTAL EXPENDITURE CHANGES	29.449	(11.735)	17.714

2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA

Other Changes	Increase	Decrease	Reserve Fund Impact
Building and Safety			
◆ Add resolution authority and nine-months funding for four positions (two Clerk Typist, one Office and Engineering Technician III, one Deputy Superintendent of Building I) to address workload issues. Funding is from the Building and Safety Building Permit Enterprise Fund.	0.501	(0.501)	
Controller			
◆ Reappropriate up to \$500,000 in 2013-14 savings for Audits/Accounting Pool.	0.500	(0.500)	
General City Purposes and Cultural Affairs			
◆ Reduce funding in the Innovation Fund (Cultural Affairs portion) and increase funding in the Cultural Affairs Special III, new line item entitled Cultural and Community Events.	0.300	(0.300)	
General City Purposes and Unappropriated Balance			
◆ Move funding for the Police/Fire Dispatch System Consolidation to the Unappropriated Balance until a proposal and policy is presented to the Mayor and Council for consideration. Add a footnote to Schedule 33 Special Police Communications/911 System Tax Fund to require that this report be submitted prior to the expenditure of the \$2.2M allocated for the Computer Aided Dispatch System.	1.285	(1.285)	
Housing and Community Investment			
◆ Add position authority and nine-months funding for two Accounting Clerk positions for the Billing and Collections Unit to be reimbursed from the Systematic Code Enforcement Trust Fund and the Rent Stabilization Fund.	0.116	(0.116)	
Personnel			
◆ Add resolution authority and funding for one Senior Personnel Analyst I to provide human resource services for the Department of Building and Safety, to be reimbursed from the Building and Safety Building Permit Enterprise Fund.	0.136	(0.136)	
Planning			
◆ Provide funding for payment of various software licenses with funding from the City Planning Systems Development Fund.	0.502	(0.502)	
Public Works - Engineering			
◆ Add regular authority and nine-months funding for nine positions and resolution authority without funding for four positions to support the citywide development services reform initiative. The positions will be reimbursed from increased development services fee receipts.	0.727	(0.727)	

2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA

	Increase	Decrease	Reserve Fund Impact
Public Works - Sanitation			
◆ Add resolution authority and nine months funding for one Sanitation Solid Resources Manager I and one Sanitation Solid Resources Manager II to support the Multi-Family Bulky Item Collection Program to be fully reimbursed from the Multi-Family Bulky Item Revenue Fund.	0.262	(0.262)	
◆ Reduce the salary savings rate for the Bureau's Solid Resources Program from 5.6 percent to 3 percent. This will result in funding an equivalent of 32 positions, fully funded from Solid Resources Funds.	2.151	(2.151)	
Public Works - Street Lighting			
◆ Street Lighting Maintenance Assessment Fund			
> Reduce the Reserve for Future Operations and Maintenance in the Street Lighting Maintenance Assessment Fund Schedule 19 and continue funding for the High Voltage Interface Program.	1.000	(1.000)	
> Amend the 2014-15 Proposed Budget to include the Travel Authority and Special Fund Schedule 19 Street Lighting Maintenance Assessment Fund as provided in Budget Memo No. 2, and as further amended by the above action.			
Recreation and Parks			
◆ Add funding for Chatsworth Park South remediation project to be funded from the Park and Recreational Sites Facilities Fund, in the event QUIMBY and UUFb funds are unavailable.	2.000	(2.000)	
Transportation			
◆ Transportation Programs			
> Reduce funding in Proposition A Local Transit Assistance Fund for DASH Bus Purchases -- New Routes (\$5.240M) and Zero Emission Bus Purchase (\$4M).		(9.240)	
> Increase Proposition A funding for eligible Metro Transit Projects previously funded by Measure R.	9.240		
> Decrease Measure R funding for Metro Transit Projects, now funded by Proposition A.		(9.240)	
> Increase Measure R funding for the following:			
- Add resolution authority and funding for three positions (one Principal Project Coordinator, one Transportation Planning Associate II, one Project Assistant) for the Active Transportation subprogram (three years).	0.760		
- Signal Improvement Construction Program.	6.000		
- Expo Bikeway Centinela Crossing.	0.380		
- Provide resolution authority and funding for two positions (one Senior Transportation Engineer, one Transportation Engineering Associate II) for District Office Services (three years).	0.700		
- Paint and Sign Maintenance and Repair.	1.000		
- Transportation Advance Planning.	0.400		
◆ Add resolution authority and nine-months funding for one Transportation Engineer and one Transportation Engineering Aide to support the Parking Permit Subprogram, with funding from the Permit Parking Program Revenue Fund.	0.162	(0.162)	
◆ Add resolution authority and nine-months funding for one Senior Management Analyst II to support the Metro/Expo Authority Work Program to be fully reimbursed by Metropolitan Transportation Authority.	0.105	(0.105)	

**2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA**

	Increase	Decrease	Reserve Fund Impact
◆ Traffic Officer Program			
> Reduce funding and expense accounts for 50 new part-time traffic officers.		(0.916)	
>Delete Parking citation receipts anticipated from the increase in 50 new part-time traffic officers.	3.000		
>Add parking citations receipts from an additional 17 part-time traffic officers currently authorized but unfilled.		(2.291)	
>Add funding to fill 5 vacant full-time Traffic Officer positions to address traffic control issues.	0.207		
 Unappropriated Balance and Personnel			
◆ Personnel Firefighter Hiring and Support			
> Decrease funding in the Unappropriated Balance for Personnel Firefighter Hiring and Support.		(0.300)	
> Increase funding in the Personnel Department As Needed salaries to properly reflect the appropriate department and account for receipt of these funds.	0.300		
 Unappropriated Balance and Police			
◆ Evidence Property Information Management System (EPIMS)			
> Decrease funding in the Unappropriated Balance for the EPIMS replacement system.		(4.000)	
> Increase funding for the Police Department to properly reflect the appropriate department for receipt of these funds.	4.000		
 <hr/>			
SUBTOTAL OTHER CHANGES	35.734	(35.734)	0.000
 Net Change to the Proposed Budget			 4.000

BUDGET STABILIZATION FUND IMPACT	
Transfer Portion of the Net Change to the Budget Stabilization Fund	2.000
Plus Mayor's Proposed Budget Stabilization Fund	62.376
BUDGET AND FINANCE COMMITTEE PROPOSED BUDGET STABILIZATION FUND	64.376

RESERVE FUND IMPACT	
Transfer Remaining Portion of Net Change to Reserve Fund	2.000
Plus Mayor's Proposed Reserve Fund	282.113
BUDGET AND FINANCE COMMITTEE PROPOSED RESERVE FUND	284.113
% of General Fund	5.52%

2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA

Increase	Decrease	Reserve Fund Impact
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Instructions and Technical Adjustments

Exhibit H

- ◆ Adopt recommendations contained in Exhibit H with the following changes:
 - > **Delete** the provision instructing the Animal Services Department, with the assistance of the City Attorney, to develop an ordinance and/or process which requires all veterinarians to notify the Animal Services Department whenever they have treated an unlicensed dog, as this is a policy matter and a separate request for report to the Personnel and Animal Welfare Committee is included in Attachment A.
 - > **Delete** the instruction for the City Administrative Officer, with the assistance of the Controller and the Office of Finance, to report to the Mayor and Council on all fees paid to commercial and investment banks for services provided to all City departments, including but not limited to: investment services, money management services, pension management services, credit card fees, etc. The report shall benchmark what the City has been paying against other entities, both public and private, as well as provide recommendations for negotiating fee reductions based upon leveraging size and scale of the City's financial transactions, as a similar request for report is included in Attachment A.
 - > **Delete** the instruction to the City Administrative Officer to report to the Mayor and Council on the structural deficit in the Proposition C Anti-Gridlock Transit Assistance Fund along with a five year projection and potential solutions towards reducing and eliminating this deficit, as a similar request for report is included in Attachment A.
 - > **Delete** the instruction requesting the City Attorney, with the assistance of the Office of Finance, to review and determine the City's legal authority to collect the modern Communications Users' Tax, approved by the voters in 2008, at the point of sale for prepaid communications services, including charges for prepaid calling cards and prepaid phones with stored and rechargeable minutes, and if determined to be legal, instruct the Office of Finance to present to the Council and Mayor a proposal with options to begin collecting the Communications Users' Tax on prepaid charges at the point of sale, as this is a policy issue and a request for report is included in Attachment A.
 - > **Delete** the instruction to the Los Angeles Convention Center, with the assistance of the City Administrative Office, to reevaluate and modify the expiring agreement with the Los Angeles Tourism and Convention Bureau to better align its budget to benefit the core mission of the Los Angeles Convention Center, as this report has previously been requested under Council File

2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA

Increase	Decrease	Reserve Fund Impact
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> **Delete** the instruction requesting the Controller, with the assistance of the City Administrative Officer, to develop adjusted rates to be applied to the City's internal Cost Allocation Plan (CAP) rates to include overhead costs resulting from Citywide services provided by the Information Technology Agency, the City Administrative Officer, the City Attorney, the Council, the Mayor, and any other departments not included in the CAP, and to spread those costs to all funding sources, as appropriate, as a request for this report is included in Attachment A.

> **Delete** the instruction requesting the Controller, with the assistance of the Personnel Department and the Information Technology Agency, to report to the Mayor and Council on the status of work in regards to strengthening its ability to maintain and upgrade the functionality of the City's complex payroll system, as a request for this report is included in Attachment A.

> **Delete** the instruction to the Economic and Workforce Development Department, in coordination with the development of a strategic plan by the Los Angeles Development Fund (LADF), to develop a model for an investment fund to invest in economic development projects throughout the City targeted toward economically disadvantaged or economically unstable areas of the City, which shall include the development of lending criteria for the fund as well as a financial risk assessment for use of City monies in such a fund, as the City Administrative Officer and the Chief Legislative Analyst have already been instructed to report under Council Files 12-0600-S154 and 08-3050.

> **Delete** the instruction to the Economic and Workforce Development Department, to review the Film LA contract to streamline the permitting process for small producers and film students and to consider waiving fees for television pilots, as these fees have already been waived through enactment of Ordinance 182757.

> **Delete** the instruction to the Office of Finance, with the assistance of the Department of Transportation and the City Administrative Officer, to review credit card transaction fees paid for the collection of the City's parking meter revenues and whether opportunities to negotiate reductions to those costs are available, as this duplicates a request for report included in Attachment A.

> **Delete** the instruction to the General Services Department, with the assistance of the City Administrative Officer, and other City departments, to report on reducing the size of the City's fleet to be in alignment with the previously completed third party review, as this request has been made previously, through CF 09-0600-S200.

> **Delete** the instruction to the General Services Department, with the assistance of the City Administrative Officer, and other City departments as necessary, to report on options regarding utilizing leased vehicles and purchasing maintenance from outside vendors, as this is a policy matter and a request for report has been included in Attachment A.

> **Delete** the instruction to the Information Technology Agency, with the assistance of the City Administrative Officer, to provide recommendations to make greater use of cloud computing for City applications to increase savings and capabilities, as the City has engaged a Strategic Advisor to provide recommendations regarding a variety of technology-related issues.

2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA

Increase	Decrease	Reserve Fund Impact
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> **Delete** the instruction to the Department of Neighborhood Empowerment, with the assistance of the City Clerk, to develop and implement a pilot online election for one or more of the upcoming Neighborhood Councils, as a request to report to the Education and Neighborhoods Committee is included in Attachment A.

> **Delete** the instruction to the Personnel Department, with the assistance of the City Attorney and the City Administrative Officer, in collaboration with the Civil Service Commission to review the City's Civil Service rules and to report to the Executive Employee Relations Committee (EERC) on potential Civil Service reforms, which may include, but not be limited to, the following: streamlining and improving the hiring process (which includes increasing the diversity of the City's workforce to more closely reflect the residents it services); increasing the City's flexibility in shifting resources to higher priority services between departments; and increasing productivity through best practices, as this is a policy matter and an instruction to report is included in Attachment A.

> **Delete** the instruction to the Personnel Department to review the results and progress made from the recent consolidation of personnel staff and operations, as a similar request to report is included in Attachment A.

> **Delete** the instruction to the Personnel Department to report to the Mayor and Council on the actions necessary to increase the maximum number of exempt positions as allowed in Charter Section 1001(b)(4) to a total of 250 exemptions, as this is a policy matter and a similar request to report is included in Attachment A.

> **Delete** the instruction to the Personnel Department, with the assistance of the Police and Fire Departments, to report to the EERC on the creation of a new position to oversee and manage the consolidation of the Police and Fire dispatch systems, as this is a policy matter and should be addressed with regard to the overall decision on this proposed consolidation.

> **Delete** the instruction to the Planning Department, with the assistance of the City Administrative Officer and the City Attorney, to conduct a fee study to obtain full cost recovery for the provision of entitlement services, as a request to report is included in Attachment A.

> **Delete** the instruction to the Department of Recreation and Parks, with the assistance of the City Administrative Officer, to report to the Mayor and Council on the feasibility and actions necessary to transfer land maintenance of non-RAP facilities to the Departments currently receiving the service, as this is a policy matter and a request to report is included in Attachment A.

> **Delete** the instruction to the Bureau of Sanitation, with the assistance of the City Attorney and the City Administrative Officer to report to the Mayor and Council on the potential for charging the Stormwater Pollution Abatement Fee to governmental agencies, as a request to report is included in Attachment A.

> **Delete** the instruction to the Bureau of Street Services, with the assistance of the Bureau of Engineering and the City Administrative Officer, to provide an updated report to the Mayor and Council on the potential retrofit of the City's Asphalt Plant along with alternate approaches (e.g. public-private partnership), costs and benefits, as a request to report is included in Attachment A.

**2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA**

	Increase	Decrease	Reserve Fund Impact
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> **Delete** the instruction to the Department of Transportation, with the assistance of the City Attorney, to review the Peak Rush Hour Traffic Ban relative to governmental agencies (e.g. Bureau of Engineering, Bureau of Sanitation, Bureau of Street Services, Department Transportation, Department of Water and Power, and the Metropolitan Transportation Authority), as a request to report is included in Attachment A.

> **Delete** the authorization for the Controller to continue the voluntary furlough program that permits civilian employees to take voluntary unpaid furlough days and record them as such on time sheets, as the Controller already has this authority through prior actions.

> **Amend** the instruction regarding the Innovation Fund to include in the proposed Ordinance for the fund, the added requirement that award of Innovation Fund moneys require approval by the Innovation, Technology and General Services Committee and the Council.

> **Add** an instruction requesting the City Attorney, with assistance from the City Administrative Officer and the Office of Finance to draft an Ordinance amending the New Car Dealership business tax exemption ordinance to ensure inclusion of auto leases.

> **Add** an instruction to the City Administrative Officer and Chief Legislative Analyst to report to the Mayor and Council with a policy to use a portion of funds from the sale of former Community Redevelopment Agency property for Affordable Housing and/or Economic Development projects. An accompanying request for report is included in Attachment A.

> **Add** an instruction to request the City Attorney, with assistance of the City Administrative Officer, Chief Legislative Analyst and the Office of Finance to report on the application of Transient Occupancy Tax on rooms rented by Airbnb and other entities that compete with the hotel industry. An accompanying request for report is included in Attachment A.

> **Add** an instruction to the Planning Department and requesting the City Attorney to enter into a Memorandum of Agreement governing the use of the Case Processing Fund for billing purposes.

General Instructions

- ◆ Instruct all Departments to ensure that all receipts, including settlements and liability claims, are properly deposited into the General Fund, and further request the Controller to ensure that Departments are adhering to this instruction.
- ◆ Instruct all Departments to ensure immediate invoicing for all grant reimbursements.
- ◆ Instruct all departments to process FMS transactions resulting from Mayor/Council fiscal actions within 10 working days from the approval date as recorded by the Mayor and City Clerk
- ◆ Instruct the CAO to monitor and ensure timely data entry of budget adjustments by City Departments

2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA

	Increase	Decrease	Reserve Fund Impact
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- ◆ Reaffirm the instruction from the 2009-10 Adopted Budget that all projects proposed for MICLA financing must be approved by the Council before expending MICLA Commercial Paper proceeds. Further, to the extent that special funds are being used to support MICLA projects, that the City Administrative Officer reevaluate the use and report on the need for special funds.
- ◆ Instruct the City Clerk to open Council Files for all pending and outstanding report requests made by the Budget and Finance Committee during its consideration of the Mayor's Proposed 2014-15 Budget, as shown in **Attachment 1** (Summary of Requested Reports - Special Study Reports), and as noted in this report, to ensure the referral of various memoranda and reports.
- ◆ Request the City Attorney to transmit all implementing ordinances no later than June 30, 2014.
- ◆ Authorize the CLA and CAO to make minor and technical adjustments to accomplish the intent of the changes proposed herein.

Technical Adjustments

Animal Services

- ◆ Add regular position authority and delete resolution authority for four Clerk Typists in support of shelter operations

Capital Improvement Expenditure Program

- ◆ Modify funding within the Capital Improvement Expenditure Program based on anticipated expenditure levels during FY 2014-15, in order to add a new project line item and to provide funding in order to fund a shortfall in another project, with the understanding that the remainder of the funds for project completion will be required in FY2015-16:
 - > Rancho Cienega Recreation Center (\$-2.5M)
 - > South Park (\$1.5M)
 - > Pacoima Arts Incubator (\$1M)
- ◆ Add projects to the 2014-15 MICLA program as follows: CHE Cooling System replacement (\$2.5M); West Valley Municipal Building (\$900K).
- ◆ Designate a portion of Citywide Nuisance Abatement funds for Old Fire Station 62 in Mar Vista (\$100K).
- ◆ Authorize the Controller to reappropriate funds remaining in CIEP, line item entitled "Citywide Maintenance and Improvements" for the following projects: Oakdale Storm Drain project (\$200K), Eagle Rock City Hall (\$186K) and Chicago Building (\$130K).

City Administrative Officer

- ◆ Authorize the Controller to reappropriate up to \$150K in CAO savings to fund an intern program within the office for 2014-15.

2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA

	Increase	Decrease	Reserve Fund Impact
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City Clerk

- ◆ Restore resolution authority without funding for two positions in support of the Business Improvement District program (one Management Analyst II, one Accounting Clerk II) and delete one Senior Management Analyst II and add one Chief Management Analyst to oversee the BID program, in accordance with previous Council action.

Convention Center

- ◆ Consistent with Plan B in Council File 13-0762, add to the list of projects to receive MICLA debt financing during 2014-15 all projects listed in the Attachment to the Convention Center's Supplemental Report to the Budget & Finance Committee dated May 1, 2014 and attached to Memo 59.

Disability

- ◆ Restore resolution authority for one Management Analyst I which serves as the City's AIDS Coordinator. Funding has been provided through the Community Development Block Grant.

Fire

- ◆ Add resolution authority, without funding, for one Programmer Analyst IV to support the Network Staffing System.
- ◆ The Committee expressed its desire to augment Fire resources. One area involved increasing the number of firefighter classes that are offered in 2014-15. The Proposed Budget includes funding for two classes. In order to partially address staffing issues, the Committee should instruct the City Administrative Officer and the Fire Department to report on the steps necessary to immediately institute a "Recall to Duty" program.

Ethics

- ◆ Provide regular position authority for two Auditor I positions included in the Proposed Budget as resolution authority.

Finance

- ◆ Authorize the Controller to reappropriate unspent 2013-14 for the Treasury Management System for the same purpose in 2014-15.

General City Purposes

- ◆ Authorize the Controller to reappropriate up to \$52K in 2014-15 GCP funds within the Intergovernmental Relations Program and allocate as follows: California Contract Cities (\$7K), Independent Cities Association (\$10K), Congress of Governments contingency (\$35K).

General Services

- ◆ Restore position authority without funding for three Heavy Duty Equipment Mechanics to support the maintenance and repair of vehicles for the Bureau of Street Services and the Department of Transportation.

2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA

	Increase	Decrease	Reserve Fund Impact
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Library and Police

- ◆ Security Services at Libraries
 - >Add resolution authority for 15 security positions (one Principal Security Officer, three Senior Security Officers, 11 Security Officers) to provide increased security at library locations, to be reimbursed by Library Department funds in the amount of \$2.03M.
 - > Authorize the Library Department and the Los Angeles Police Department to amend the current Memorandum of Agreement between the Library and the LAPD to reflect the increased reimbursements and enhanced level of service.

Neighborhood Empowerment

- ◆ Add resolution authority without funding for one Project Coordinator and two Project Assistants to support the Neighborhood Council grievance and complaint process system and provide training for Neighborhood Councils.

Planning

- ◆ Add position authority without funding for one City Planner to act as project manager for the Venice Local Coastal Program. The position will be filled when grant funding is available.
- ◆ Authorize the Controller to reappropriate unspent 2013-14 funds for the Citywide Sign Unit for the same purpose in 2014-15.

Public Works - Board

- ◆ Instruct the CAO to establish a new budgetary program entitled "Public Works Financial Systems" and include in that program all funding and positions included in the current "Board of Public Works Technology Support" line item, consistent with the request submitted by the Board of Public Works.

Public Works - Contract Administration

- ◆ Restore resolution authority, without funding, for four Senior Construction Inspectors to support construction inspection services at the Los Angeles World Airport.

Public Works - Engineering

- ◆ Delete resolution authority and add regular authority for one Environmental Affairs Officer and one Environmental Supervisor II to support work on the LA River projects.

Recreation and Parks

- ◆ Restore position authority without funding for the following vacant positions which were deleted from the budget: 13 Gardener Caretaker; four Recreation Coordinator; one Management Analyst II; and continue resolution authority for one Superintendent of Recreation and Parks operations.
- ◆ Delete funding in the Recreation and Parks Detail of Contractual Services Supplement to the Proposed Budget, Line Item No. 11 - Children's Museum Mechanical Services (\$40K) under Museums and Educational (DC8801) and add funding (\$40K) to Line Item No. 56 - Bus Rentals for youth activities under Recreational Programming (DC8821).

**2014-15 Proposed Budget
Budget and Finance Committee Changes, as Proposed by the CLA**

	Increase	Decrease	Reserve Fund Impact
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- ◆ Amend the Proposed Budget, Park and Recreational Sites and Facilities Fund, Schedule 15 to correct estimated receipts which were inadvertently omitted from the schedule, per Budget Memo No. 7.

Unappropriated Balance

- ◆ Amend the line item entitled "Police - Sworn Hiring Plan" to read "Police - Sworn and Detention Officer Staffing."
- ◆ Authorize the Controller to reappropriate unspent funds in the Vehicle Management System line item to the same line item for 2014-15.

Zoo

- ◆ Amend the Proposed Budget, Zoo Enterprise Trust Fund, Schedule 44 to add an appropriation of \$.078M for as needed salaries to continue staffing for the Winnick Family Children's Zoo Contact Yard, fully funded by the Greater Los Angeles Zoo Association (GLAZA).

Budget Notes

- ◆ Add footnote to Schedule 20 of the Budget, as follows: "Prior to the 2014-15 transfer to the General Fund as contemplated in the Adopted Budget, the allocation of any settlement funds in the Telecommunications Development Account Funds for 1% PEG fees and 5% Franchise Fees is subject to the approval of the Mayor and Council."
- ◆ Amend Budgetary Footnotes relative to the transfer of funds to denote that the noted transfers will take place during fiscal year 2014-15 and to allow an amount of up to \$7M from funds to be determined in order to achieve the Reserve Fund balance specified in the Adopted Budget.
- ◆ Add footnote to authorize the Controller to transfer CLARTS Funds in Special Schedule to City Clerk for expenditure.