

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Council District: All

To: Eric Garcetti, Mayor
Herb J. Wesson, Council President
Paul Krekorian, Chair, Budget and Finance Committee

From:  Miguel A. Santana, City Administrative Officer 

Reference: 2015-16 Budget

Subject: **YEAR-END (FIFTH) FINANCIAL STATUS REPORT**

SUMMARY

Pursuant to the City Charter Section 291, the Office of the City Administrative Officer (CAO) monitors the budget and transmits periodic reports to the Mayor and Council detailing the City's current financial condition. As such, this Office is transmitting the Year-End Financial Status Report (FSR) for this fiscal year. This report provides an update on the current-year budget—including changes to projected departmental deficits, trends in revenue, the Reserve Fund, and current issues of concern and their potential impact to the City. Recommendations totaling approximately \$160.4 million for appropriations, transfers, and other budgetary adjustments are included in this report. These recommendations will fully address the projected year-end revenue shortfall of \$76.4 million and close the remaining expenditure deficit of \$5.13 million. This report also identifies savings of \$10 million from various departments and the Unappropriated Balance in order to address City liabilities, including making a \$5 million investment to pay down police banked-overtime liabilities (See Attachment 7). Furthermore, the actions recommended will maintain the City's Reserve Fund above five percent of the Adopted General Fund Budget.

The City's Fiscal Year 2015-16 began on strong fiscal footing as illustrated by a July 1, 2015 Reserve Fund of 8.18 percent. Due to the fiscal restraint exercised by the City throughout the year, even after addressing unanticipated liability claims expenditures and committing funding for homelessness initiatives during the year, the Reserve Fund continues to be strong at 7.01 percent. Including the Budget Stabilization Fund balance, the City's total reserves are at 8.71 percent. This has better positioned the City to fully address the projected year-end revenue shortfall of \$76.4 million.

The City's strong fiscal management is further evident in the declining expenditure shortfalls that were previously reported. The First FSR identified approximately \$62.6 million in potential expenditure shortfalls and unbudgeted expenditures mainly due to liability claims expenditures, anticipated constant staffing overtime shortfalls (Fire), and unfunded homelessness initiatives. By

the Second FSR the estimated year-end deficit had increased to \$97.24 million as a result of the increasing demands on the Liability Claims Account. Consequently, the City used the Reserve Fund (\$31 million) to mitigate a portion of this shortfall and other needs. By the Mid-Year FSR, the projected year-end expenditure shortfall had decreased to \$38.89 million due to actions taken in the Mid-Year FSR and previously anticipated settlements that did not materialize, resulting in lower estimated liability claims expenditures. As part of the Mayor and Council Mid-Year FSR actions, the year-end shortfall was further reduced to \$9.65 million due to prior year savings in the Human Resources Benefits Fund, lower than projected petroleum expenditures, and 2015 Tax and Revenue Anticipation Notes savings.

The Year-End FSR identifies a remaining year-end deficit of \$5.13 million, which is based on expenditures through the end of March, and is summarized in Table 1 below. As noted in Table 1, while the Fire Department deficit has been eliminated, deficits are largely attributed to the following:

- Petroleum (\$2 million) and Outside Counsel (\$0.70 million) related accounts as funds from these accounts were previously swept and a portion must now be restored;
- Public Works-Bureau of Street Services (\$1.1 million) due to pavement preservation funding being budgeted in the Unappropriated Balance as opposed to the Bureau's operational accounts;
- The need to correct reversions from the General Fund to the Sewer Capital Fund (\$0.69 million); and,
- A General City Purposes Fund remaining year-end shortfall (\$0.63 million).

(See Table 1 on next page)

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

Department/Initiative	Mid Year	Change	Year End	Reason for Deficit
Bureau of Street Services-Pavement Preservation	\$0.00	\$1.10	\$1.10	Pavement Preservation Program funding placed in the Unappropriated Balance as opposed to the Bureau's operating budget.
Emergency Management	0.00	0.01	0.01	Salary shortfall due to retiree payout and front-funding grant position.
Fire Department	7.37	(7.37)	0.00	Year-end shortfall no longer projected
Non-Departmental				
Petroleum	0.00	2.00	2.00	Previously projected savings and contingency funds swept in the Mid-Year FSR due to lower fuel costs. Partial funding must be restored.
Outside Counsel Backfill	0.40	0.30	0.70	Restore UB, Outside Counsel funding.
Correct reversion from General Fund to Sewer Capital Fund	0.00	0.69	0.69	Required to complete the cost reallocation of actual Bureau of Engineering expenditures in FY 2013-14.
General City Purposes-Payroll Accounts	0.95	(0.32)	0.63	Higher than anticipated employment levels impacting payroll accounts. Fire/Police Pension 1% Defrayal Member service buybacks for FY 2014-15.
Human Resources Benefits	7.90	(7.90)	0.00	Shortfall addressed in Mid-Year.
Liability Claims Account	21.00	(21.00)	0.00	Shortfall addressed in Mid-Year.
Subvention Agreement-Olympic North	0.90	(0.90)	0.00	Shortfall addressed in Mid-Year.
HCID-Family Source Centers (City Operated)	0.26	(0.26)	0.00	Shortfall addressed in Mid-Year.
Personnel-MOU 36 and 37 professional training	0.11	(0.11)	0.00	Shortfall addressed in Mid-Year.
Total Year-end Shortfall	\$38.89	\$(33.76)	\$5.13	

As noted in Table 2, \$2.71 million is currently available in the UB, Reserve for Mid-Year Adjustments account. This report recommends that \$11.82 million in savings from various Departments and UB accounts be transferred to the Reserve for Mid-Year Adjustments account which increases the account balance to \$14.53 million. These funds are recommended to be spent as follows: \$4.03 million to offset year-end shortfalls (including the Outside Counsel account to be addressed in a separate report), \$0.10 million for the Clean Streets Program overtime reimbursements, and \$5 million to pay down police overtime. Of the \$5.4 million remaining, \$5 million is recommended to be appropriated to the UB, 2016-17 Budgetary Shortfalls account. The balance of \$0.40 million was identified for the Clean Streets Program overtime reimbursements which will remain in the Reserve for Mid-Year Adjustments account while this Office works with the Bureau of Sanitation to develop a reimbursement method for vehicle rental

and fuel costs and include recommendations in subsequent FSRs in 2016-17.

Table 2.		
Status of UB, Reserve for Mid-Year Adjustments (millions)		
2015-16 Adopted Budget	\$ 17.00	
2014-15 Year-end Reappropriations	6.97	Human Resources Benefits Contingencies CF 14-0600-S260
Total Appropriations	23.97	
Interim Actions		
Various Interim Council Actions	(4.93)	Solid Waste Resources Fund- General Fund swap (\$3.63M), and Homeless Winter Shelter Program (\$1.3M). Total amount adjusted for Clean Streets Overtime \$0.50M.
First FSR Recommendations	(11.07)	Transfer to various Departments and Funds, mainly to UB, Serving and Housing LA's Homeless account (\$10M).
Subtotal	\$ 7.97	
Mid-Year FSR Recommendations		
Transfer to the UB, Reserve for Mid-Year Adjustments	23.98	Petroleum savings (\$9.26M) and 2015 TRAN savings (\$14.72M).
Transfer from UB, Reserve for Mid-Year Adjustments	(29.24)	Transfer to various Departments and Funds to offset deficits, mainly the Human Resources Benefits Fund (\$6.97M) and Liability Claims (\$21.00M).
Subtotal	\$ 2.71	
Year-End FSR Recommendations		
Transfer to the UB, Reserve for Mid-Year Adjustments	1.82	From UB, Pavement Preservation account savings (\$1.82M).
Transfer to the UB, Reserve for Mid-Year Adjustments	10.00	From various UB accounts and Department savings (Attachment 7)
Subtotal	\$ 14.53	
Transfer from UB, Reserve for Mid-Year Adjustments	(3.33)	Transfers for Petroleum (\$2.00M), Correct reversion from General Fund to Sewer Capital Fund (\$0.69M), Emergency Management (\$0.01M), and General City Purposes (\$0.63M).
Transfer from UB, Reserve for Mid-Year Adjustments (Clean Streets Set-Aside)	(0.10)	Clean Streets Overtime Reimbursement Request, CF 14-1499-S2 (\$0.35M).
Transfer from UB, Reserve for Mid-Year Adjustments	(5.00)	Pay down police banked-overtime liabilities
Other Actions Prior to Year-End		
Transfer from UB, Reserve for Mid-Year Adjustments	(0.70)	Transfer for Outside Counsel Backfill via separate transmittal (\$0.70M).
Year-End Balance	\$ 5.40	

Table 3 below identifies the budget balancing measures recommended in this FSR to eliminate the remaining \$5.13 million year-end deficit without impacting the Reserve Fund. The amount of \$1.1 million is recommended to be transferred from the UB, Pavement Preservation account to the Bureau of Street Services and \$4.03 million is recommended to be transferred from the UB, Reserve for Mid-Year Adjustments account as noted above. Of the \$4.03 million, \$3.33 million is recommended in this FSR for the following: Petroleum (\$2.00 million), to correct a reversion from General Fund to the Sewer Capital Fund (\$0.69 million), Emergency Management salaries (\$0.01 million), and General City Purposes (\$0.63 million). A recommendation to transfer \$0.70 million for Outside Counsel expenditures will be transmitted to Council via separate cover.

Table 3. 2015-16 Budget Balancing Solutions (millions)		
Year End FSR Deficit	\$ (5.13)	
Year-End FSR Recommendations		
Transfer from UB, Pavement Preservation	\$1.10	Transfer to Bureau of Street Services operational accounts for pavement preservation.
Transfer from UB, Reserve for Mid-Year Adjustments	\$3.33	Transfers for Petroleum (\$2.00M), Correct reversion from General Fund to Sewer Capital Fund (\$0.69M), Emergency Management (\$0.01M), and General City Purposes (\$0.63M)
Other Actions Prior to Year-End		
Transfer from UB, Reserve for Mid-Year Adjustments	0.70	Transfer for Outside Counsel Backfill (\$0.70) via separate transmittal.
Problem Solved	\$0.00	

In addition to addressing the \$5.13 million deficit, this Office recommends that the City continue its efforts to further reduce the police banked-overtime balance currently valued at approximately \$109 million by \$5 million. To achieve this target, surpluses from various UB and department accounts are recommended to be transferred to the UB, Reserve for Mid-Year Adjustments account and then to the Police Overtime account (\$5 million) (See Attachments 7 and 8).

2015-16 Projected Revenue

The adopted 2015-16 budget assumed approximately \$5.41 billion in General Fund revenue. During consideration of the 2016-17 budget, this revenue projection was subsequently revised downward by \$76.4 million (-1.4 percent) to approximately \$5.33 billion. This reduction may primarily be attributed to a \$90.6 million shortfall in property tax sales tax replacement revenue.

As reported in the Mid-Year FSR, the sales tax replacement shortfall is the result of a misinterpretation of the unwinding of the "triple flip", specifically the timing of receipts and the amounts due to the City. As a consequence, fiscal year 2016-17 will realize \$63.6 million in additional one-time revenue from this same source. Property tax revenue on assessed value was also adjusted downward by \$24.3 million to reflect the early receipt of secured revenue in the 2014-15 fiscal year. Other reductions to revenue estimates include: \$10.6 million for parking fine revenue from the delayed hiring of traffic officers; \$10 million for sales tax as a result of lower-than-projected growth; \$8 million for the Power Revenue Fund transfer due to lower operating revenues during the prior fiscal year; and \$6.1 million for the documentary transfer tax due to slowing sales growth and declining revenue per deed.

The largest increase to adopted budget revenue is \$50 million in department license, permit, fees and fines receipts of which \$35.8 million is from one-time receipts. Other increases to the adopted budget include: \$14.6 million in business tax reflecting both a higher base from the prior fiscal year and higher-than-projected growth for the current period; and \$5.1 million and \$4.8 million in transient occupancy tax and parking occupancy tax growth, respectively, from local economic growth.

The revised revenue estimates for 2015-16 reflected in the 2016-17 Adopted Budget are provided below. (See Attachment 1-a for more detail.)

2015-16 Revised General Fund Revenue Budget (in millions)

	Revised
Property Tax	\$1,654.9
Department Licenses, Permits, Fees and Fines	922.8
Utility Users' Tax	627.5
Business Tax	505.6
Sales Tax	416.4
Power Revenue Transfer	267.0
Transient Occupancy Tax	226.1
Documentary Transfer Tax	198.0
Parking Fines	147.0
Parking Occupancy Tax	108.4
Redirection of ex-CRA Tax Increment Monies	50.1
Franchise Income	42.1
Special Parking Revenue Transfer	56.1
Interest	19.0
Tobacco Settlement	9.1
Grants Receipts	12.0
Residential Development Tax	4.7
State Motor Vehicle License Fees	1.6
Transfer from Telecommunications Development Account	5.2
Transfer from the Reserve Fund	60.3
Revised Total General Fund Revenue	\$5,334.0
<i>Adopted Total General Fund Revenue</i>	<i>5,410.4</i>
<i>Variance</i>	<i>\$(76.4)</i>

General Fund revenue through April is approximately \$4.19 billion: \$46.0 million below the adopted budget plan and \$2.7 million above the revised plan. (See Attachment 1b.)

2016-17 Revenue

The Council and Mayor adopted a \$5.58 billion revenue budget for 2016-17, representing a \$166.1 million (3.1 percent) increase from the fiscal year 2015-16 adopted revenue budget and a \$242.4 million (4.5 percent) increase from revised revenue estimates. Revenue estimates for 2016-17 were based on analyses of trends in actual receipts, market indicators, and growth forecasts from the state, county, and local economists. Projected estimates assume moderate to strong growth in property, business, documentary, sales, and transient occupancy tax revenues. The budget also assumes \$124.8 million in one-time receipts, including a \$35.5 million transfer from the Reserve Fund, \$63.6 million from the delayed remittance of sales tax replacement revenue, \$4.8 million from the Special Parking Revenue Fund, and \$20.9 million in miscellaneous departmental receipts.

2016-17 Adopted General Fund Budget (in millions)

	Adopted
Property Tax	\$1,786.1
Licenses, Permits, Fees and Fines	923.5
Utility Users' Tax	634.0
Sales Tax	520.0
Business Tax	502.3
Power Revenue Transfer	291.0
Transient Occupancy Tax	246.6
Documentary Transfer Tax	202.2
Parking Fines	152.0
Parking Users' Tax	111.0
Redirection of ex-CRA Tax Increment Monies	54.6
Franchise Income	42.2
Reserve Fund Transfer	35.5
Special Parking Revenue Transfer	28.3
Interest	19.7
Grants Receipts	12.1
Tobacco Settlement	9.1
Residential Development Tax	4.7
State Motor Vehicle License Fees	1.6
Total General Fund Receipts	\$5,576.4
 Increase from 2015-16 Adopted General Fund Revenue	 \$166.1
 Increase from 2015-16 Revised General Fund Revenue	 \$242.4

Any deviations from planned revenue receipts are reported in FSRs along with deviations in the appropriations budget.

Reserve Fund

After accounting for an additional \$10.3 million in loan repayments and other receipts and an additional \$13.3 million in loans and transfers, the Reserve Fund balance is \$379.1 million as of April 30, 2016. The balance consists of \$148.8 million in Emergency Reserve and a \$230.3 million Contingency Reserve. Please refer to Attachment 2 for greater detail on the Reserve Fund.

The resulting Reserve Fund balance represents 7.01 percent of the Adopted General Fund budget, which is slightly less than the 7.06 percent reported in the Midyear FSR but well above the City's five percent requirement established by the City's Financial Policies. The strong

position will allow the City to retain a Reserve Fund balance above five percent even after accounting for the estimated 2015-16 year-end revenue shortfall of \$76.4 million. It should also be noted that the July 1, 2016 Reserve Fund balance for 2016-17 has been budgeted at 6.01 percent of the General Fund Adopted Budget for 2016-17, which reflects the Reserve Fund transfer of \$35.5 million to the budget.

Budget Stabilization Fund

To supplement the Reserve Fund, the Budget Stabilization Fund (BSF) was established as part of the 2008-09 Budget to help stabilize revenue, supplement the Reserve Fund, prevent overspending during prosperous years, and provide resources to maintain service levels during lean years. The current BSF balance is approximately \$92.4 million. Including the BSF increases the City's total reserves from 7.01 percent to 8.71 percent of the General Fund budget. The 8.71 percent reflects a slight decrease from the 8.77 percent reported in the Mid-Year FSR.

Issues of Concern

In addition to the aforementioned expenditure shortfalls, there are additional internal and external factors that may adversely impact the City, the size and/or timing of which cannot be accurately determined at this time. The following updates our previously reported issues of concern.

Litigation

Independent Living Center of Southern California, et al v. City of Los Angeles: This is a case brought by three fair housing advocacy organizations against the City, the CRA/LA, and 34 owners of affordable housing projects. The plaintiffs allege the defendants failed to ensure that the affordable housing projects met the accessibility requirements under federal civil rights laws. The City is currently negotiating a settlement with the plaintiffs, which may include a multi-year commitment, beginning in 2016-17, to remediate or develop a targeted number of affordable housing units that meet federal accessibility requirements. Attorney's fees and costs would be payable in the first year of the settlement agreement.

Related to this matter, the U.S. Department of Justice is currently investigating whether the City violated the False Claims Act in connection with certifications to the U.S. Department of Housing and Urban Development ("HUD") regarding compliance with Section 504 of the Rehabilitation Act of 1973 (Section 504) and the Americans with Disabilities Act of 1990 (ADA). The City is cooperating in the investigation. However, the City disputes any assertion that actions by City personnel met the high standard for imposing False Claims Act liability, and further disputes that there is a factual basis for damages. HUD's Office of Fair Housing and Equal Opportunity ("FHEO") separately monitors City compliance with federal law. As a result of recent reviews and inspections by FHEO, and the related Independent Living matter discussed above, it is likely the City will need to remediate a portion of federally-funded housing units to the appropriate standard and/or construct to ensure that additional housing units meet federal compliance with Section 504 and ADA. It is not possible to quantify the City's liability at this time.

DWP Litigation: Three class action lawsuits were filed in 2015 relating to the Department of Water and Power (DWP) Power Revenue Fund transfer. All three lawsuits allege that the City charges its electric utility customers fees exceeding the cost of providing electric utility service, as evidenced by the Power Revenue Fund transfer, in violation of the State Constitution. The three lawsuits were consolidated, and a single consolidated complaint was filed. This complaint seeks to discontinue the alleged collection of excess fees from ratepayers, to discontinue any transfer of surplus funds to the City General Fund, and a refund of alleged excess fees and charges for electric service from January 30, 2012 through the final judgment. The DWP and City filed answers to the consolidated complaint pursuant to Los Angeles Superior Court procedures.

Subsequently, on February 22, 2016, the DWP and City filed a motion for judgment on the pleadings, arguing that the consolidated complaint should be dismissed because the plaintiffs' claims are time-barred under California Public Utilities Code. On April 25, 2016, the City's motion for judgment on the pleadings was granted with leave to amend. Based on this ruling, the plaintiffs are currently barred from recovering any refunds of allegedly excess electricity fees paid prior to April 15, 2016. It is anticipated the plaintiffs will file an amended consolidated complaint. Should it occur, the City will again move to dismiss the complaint.

The Department of Water and Power (DWP) approved a \$253 million Power Revenue Fund transfer for Fiscal Year (FY) 2013-14, \$265.6 million for FY 2014-15 and \$267.0 million for FY 2015-16. The FY 2016-17 DWP Power Revenue Fund transfer is anticipated to be \$290.8 million. Each transfer is subject to available net income and is approved by an ordinance of the City Council prior to the transfer being made.

Various Litigation: Liability claims payments are always difficult to project. There is potential that ongoing litigation may result in additional liability claims payments beyond what has been accounted for in the current fiscal year.

Budgetary Adjustments

Budgetary adjustments totaling approximately \$160.4 million are recommended in Sections 1, 2, 7, and 9 of this report which include:

- \$0.80 million in reappropriations from various special funds;
- \$3.6 million in new appropriations;
- \$12.9 million for transfers between accounts within various departments and funds;
- \$10.8 million for transfers between departments and funds;
- \$11.8 million for transfer to the UB, Reserve for Mid-Year Adjustments;
- \$11.8 million in appropriations from various accounts within the UB;
- \$(5.2) million reduction in Sewer Construction and Maintenance Fund and the Sewer Capital Fund related cost reimbursements to the General Fund (revenue);
- \$(7.1) million reduction in appropriations to the General Fund for the following:
 - \$(2.75) million Local Public Safety Fund (Fire and Police);
 - \$(2.6) million Traffic Safety Fund (Bureau of Street Services and Transportation);

- \$(0.5) million Landfill Maintenance Special Fund (Bureau of Sanitation);
- \$(1.25) million Consumer Protection Trust Fund (City Attorney);
- Up to \$43.04 million in prior year FMS (\$43 million) and SMS (\$0.04 million) encumbrances exempted from the General Fund Encumbrance Policy;
- Over \$73 million in 2016-17 reappropriations (General Fund) (mainly the Reserve for Liability Resolution account-\$48 million); and
- \$5 million appropriation from the Reserve Fund to the UB, 2016-17 Budgetary Shortfalls account from prior year savings in the UB, Reserve for Mid-Year Adjustments.

Attachments

- 1-A 2015-16 Adopted and Revised General Fund Revenue and 2016-17 Council Adopted Revenue
- 1-B 2015-16 General Fund Receipts Through April
- 2 Current Status of the Reserve Fund
- 3 Special Fund Reappropriations
- 4 New Appropriations
- 5 Transfers between Accounts within Departments and Funds
- 6 Transfers between Departments and Funds
- 7 Transfers to the Unappropriated Balance, Reserve for Mid-Year Adjust.
- 8 Appropriations from the Unappropriated Balance
- 9 2016-17 General Fund Reappropriations
- 10A Status of the Unappropriated Balance- General Account
- 10B Status of the Unappropriated Balance- non-General Accounts
- 11 Employment Level Report
- 12 120 Day Employees
- 13 GRYD Program Contracts and Expenditures
- 14 General Fund Encumbrance Policy Exemptions-FMS
- 15 General Fund Encumbrance Policy-SMS

RECOMMENDATIONS

(Refer to Discussion Sections 1, 2, 7, and 9)

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

1. Reappropriate \$79,947.75 from various special funds as noted in Attachment 3;
2. Appropriate \$3,598,839.47 to the Department accounts as specified in Attachment 4;
3. Transfer \$12,861,324.76 between accounts within various departments and funds as specified in Attachment 5;
4. Transfer \$10,788,272.20 between various departments and funds as specified in Attachment 6;

5. Transfer \$11,820,869.94 to the Unappropriated Balance, Reserve for Mid-Year Adjustments Attachment 7;
6. Appropriate \$11,809,474.94 from the Unappropriated Balance to various departments and funds as specified in Attachment 8;
7. Exempt up to \$42,961,346.70 in Financial Management System prior-year encumbrances (various) from the General Fund Encumbrance Policy as per Attachment 14 with the final amounts to reflect the most current encumbrance balance as of June 30, 2016;
8. Exempt up to \$40,274.82 in Supply Management System prior-year encumbrances (various) from the General Fund Encumbrance Policy as per Attachment 15, with the final amounts to reflect the most current balances as of June 30, 2016;

Building and Safety

9. Instruct the Department of Building and Safety to reimburse the General Fund for all special funded salary expenditures through Pay Period 24 by the 2015-16 year-end in order to meet its 2015-16 revised revenue budget of approximately \$46.1 million;

City Attorney

10. Reduce appropriations to the City Attorney Fund No. 100/12, Account 001010, Salaries General, from the Consumer Protection Trust Fund No. 550/12, Account 12M112, City Attorney, by \$1,250,000, due to a shortfall in the Consumer Protection Trust Fund;
11. Relative to new revenue and unbudgeted expenditures in the City Attorney's Office:
 - A. Instruct the City Attorney to deposit a check, upon receipt, in the amount of \$211,225 from Storetrieve into City Attorney Fund No. 100/12, Revenue Source Code 5161, Reimbursement of Expenses, for costs associated with the records retention contract transfer from Iron Mountain;
 - B. Recognize \$211,225 in additional receipts in the City Attorney's Office Fund No. 100/12, Revenue Source Code 5161, Reimbursement of Expenses, from Storetrieve;
 - C. Subsequently transfer \$211,225 from City Attorney Fund No. 100/12, Revenue Source Code 5161, Reimbursement of Expenses, to City Attorney Fund No. 100/12, Account 003040, Contractual Services;
12. Reduce appropriations from the City Attorney Grants Fund No. 368/12, Account 12M701 FY15-16 Dispute Resolution Program (Community) to the City Attorney Fund No. 100/12, Account 001010, Salaries General by \$16,446 as the appropriation will be used for other grant expenses to be paid directly from the Grant Fund (CF15-1362 dated 12/15/2015);

Convention and Tourism Development

13. Authorize the Convention and Tourism Development Department to prepare the necessary warrant in the amount of \$32,114.05 for shows scheduled for Fiscal Year 2016-17, payable to AEG Management LACC, LLC, addressed to AEG Facilities, LLC, 800 W. Olympic Blvd., Suite 305, Los Angeles, CA 90015, from the Convention Center Revenue Trust Fund No. 725/48, Balance Sheet Account, Account 2204, to provide AEG the show deposits received by the City for shows to be hosted at the Los Angeles Convention Center facility, under the management and operation of AEG for Fiscal Year 2016-17, pursuant to the Management Agreement between AEG and the City executed on October 29, 2013, Contract No. 123199. See table below regarding show deposits to be transferred to AEG:

<u>Event</u>	<u>Show Date</u>	<u>Balance</u>
California Gift Show	07/18/16	\$ 5,635.00
California Gift Show	07/18/16	3,400.00
Direct Marketing Assoc. Annual Meeting	10/12/16	1,000.00
Los Angeles Auto Show	11/27/16	13,729.05
California Gift Show	01/23/17	3,460.00
California Gift Show	01/23/17	2,890.00
American Association of Colon & Rectal Sur.	05/10/17	2,000.00
TOTAL		\$ 32,114.05

Fire

14. Relative to a \$558,100 Local Public Safety Fund shortfall for the Fire Department:

- A. Reduce appropriations to the Fire Fund No. 100/38, Account 001012, Salaries Sworn, from the Local Public Safety Fund No. 574/26, Account 26M138, Fire by \$558,100;
- B. Transfer \$558,100 within the Fire Fund No. 100/38, from Account 001093, Sworn Constant Staffing Overtime, to Account 001012, Salaries Sworn.

General Services

15. Authorized the Controller to disencumber up to \$99,350 in Fiscal Year 2014-15 encumbered balances for PO ID: 0001625166, Assetworks (Vendor ID: 0000036811) within General Services Fund No. 100/40, Account 006010, Office and Administrative, and revert \$99,350 to the Reserve Fund and transfer therefrom to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to the General Services Fund No. 100/40, Account 003040, Contractual Services, (\$54,350) and Account 006010, Office and Administrative Expense (\$45,000) for the Asset Management System;

General City Purposes

16. Authorize the Controller to transfer \$17,749.32 from the General City Purposes Fund No. 100/56, Account 000823, Fire/Police Pensions Defrayal, to the Fire and Police Pensions Fund No. 915/64, (FMS) Revenue Source Code 5503, Department Revenue Source 5713

to pay for the City's one percent Fire/Police Pension-Tier 5 contribution defrayal costs (Also See Attachment 8);

Housing and Community Investment

17. Relative to various adjustments in connection to available MacArthur Grant funds:

- A. Decrease appropriations totaling \$81,990.71 within the LAHD Small Grants and Awards Fund No. 49N/43 to reconcile appropriations with available MacArthur Grant funds:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43M143	Housing and Community Investment	\$(81,990.71)

- B. Decrease appropriations totaling \$88,516.71 within the Housing and Community Investment Department Fund No. 100/43 to correspond with available MacArthur Grant funds:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
001010	Salaries General	\$(86,777.71)
001070	Salaries As-Needed	(472.00)
001090	Overtime General	(148.00)
002120	Printing and Binding	(121.00)
002130	Travel	(22.00)
003310	Transportation	(19.00)
006010	Office and Administrative	(957.00)
	Total	\$(88,516.71)

- C. Increase appropriations within the HCID Fund No. 100/43, Account No. 003040, Contractual Services, by \$6,526.00 to correspond with available MacArthur Grant funds;

Library

18. Rescind Recommendation No. 5 of the Second FSR (C.F. 15-0600-S90) relative to the establishment of the Library Reserve Fund, and replace it with the following instruction:

Appropriate \$2,000,000 from the Library Fund No. 300/44, Available Cash Balance, to a new fund and account to be established titled "Library Budget Reserve Fund," to be used to stabilize revenue during economic downturns, address unforeseen circumstances, and provide for any necessary capital improvements pursuant to Library Resolution No. 2015-49 (C-39).

MICLA

19. Relative to the Department of Recreation and Parks:

- A. Authorize MICLA funding in the amount of \$165,000 to cover a funding shortfall for the boat replacement project for the Cabrillo Maine Aquarium; and,
- B. Authorize the Controller to increase appropriations in the amount of \$165,000 within the MICLA Lease Revenue Commercial Paper Notes Fund 298/40, Account No. 40L20F to replace a boat for the Cabrillo Maine Aquarium.

20. Relative to the Fire Department, authorize the City Clerk to place on the agenda for the first regular Council meeting on July 1, 2016, or shortly thereafter, the following instructions:

Transfer \$270,000 to the Information Technology Agency, Fund No. 100/32, Account 001100, Hiring Hall Salaries, from the Fund and account(s) as noted below, for the installation of communications equipment in Fire Department vehicles, and authorize the Controller to reimburse the General Fund with MICLA funds upon receipt of Information Technology Agency labor services invoice(s):

- A. \$110,000 from MICLA Fund No. 290/38, Account 38J206, Communications Equipment Replacement, to Fund No. 290/38, Account 38N132, ITA; and,
- B. \$160,000 from MICLA Fund No. 298/38, Account 38M206, Communications Equipment Replacement, to Fund No. 298/38, Account 38N132, ITA.

Police

21. Appropriate \$2,079,917 within the Police Grants Fund No. 339/70 from the available cash balance to an account entitled "Grant Reimbursement to the General Fund"; and transfer therefrom to the Police General Fund No. 100/70, Revenue Source Code 5301, Reimbursement from Other Funds, to recognize cumulative cash received from grants;

22. Relative to a \$2.19 million Local Public Safety Fund shortfall for the Police Department:

- A. Reduce appropriations to Police Fund No. 100/70, Account 001012, Salaries Sworn, from the Local Public Safety Fund No. 574/70 by \$2,191,991;
- B. Transfer \$1,021,240 million within the Police Fund No. 100/70, from Account 001010, Salaries General, to Account 001012, Salaries Sworn;
- C. Disencumber \$478,760 in FY 2014-15 Account, 003040, Contractual Services, from various contracts and/or purchase orders, revert these funds to the Reserve Fund, transfer to the Unappropriated Balance, and appropriate therefrom to the Police Department Fund No. 100/70, Account 001012, Salaries Sworn; and,

- D. Appropriate \$691,991 within the Standards and Training for Corrections Trust Fund, No. 41Y/70, from the available cash balance to an account entitled "Reimbursement to the General Fund"; transfer therefrom to the Police Department General Fund No. 100/70, Revenue Source Code 5301, Reimbursement from Other Funds, to recognize cumulative cash received from closed programs; subsequently appropriate \$691,991 from Revenue Source Code 5301 to the Police Department Fund No. 100/70, Account 001012, Salaries Sworn;

Public Works-Bureau of Engineering

23. Relative to Recommendation No. 21 of the 2014-15 Year-End Financial Status Report (Council File No. 14-0600-S260) pertaining to the cost reallocation of Fiscal Year 2013-14 for Public Works-Bureau of Engineering Fund No. 100/78 expenditures totaling \$5,264,177.62 from the Sewer Capital Fund No. 761/50 to various Special Funds:

- A. Adjust Recommendation No. 21 as follows:

<u>Fund No.</u>	<u>Account</u>	<u>Revised Amount</u> (C.F. 14-0600-S26)	<u>Current Revised</u>	<u>Difference</u>
16A/50*	K178	\$ 329,283.93	\$ 95,652.15	\$ (233,631.78)
16K/50*	K178	56,733.11	3,696.37	(53,036.74)
16T/50	K178	591,309.84	39,447.91	(551,861.93)
206/50	K178	1,272,883.24	1,472,883.24	200,000.00
51Q/94	K178	41,667.00	41,667.00	-
54O/94	K178	1,523,876.08	1,523,876.08	-
54W/50*	K178	95,074.17	14,514.24	(80,559.93)
15M/50	TBD	-	26,969.76	26,969.76
101/62**		1,353,350.25	1,353,350.25	0.00
100/58	580196	-	692,120.62	692,120.62
Total		\$5,264,177.62	\$5,264,177.62	\$0.00

*These fund amounts have yet to be processed. See recommendation 1b.

**Reserve Fund (Fund 101/62).

- B. Authorize the Controller to make further adjustment entries between various special funds and the Sewer Capital Fund No. 761/50 as reflected in the above summary for the difference between the last revised amount and the current revised amount;
- C. Pursuant to the summary provided above, authorize the Controller to transfer \$140,832.52 from various special funds to the PW-Bureau of Engineering Fund No. 100/78, and further to reclassify from PW-Bureau of Engineering Fund 100/78 revenue sources to the Sewer Capital Fund 761/50, Revenue Source Code 5301 as follows:

<u>Fund No.</u>	<u>Account Name</u>	<u>Revenue Code</u>	<u>Name</u>
16A/50	K178	5321	REIMB Prop Q Police/Fire Fund
16K/50	K178	5319	REIMB Prop F Animal Bond
54W/50	K178	5317	REIMB Sixth St Viaduct
15M/50	TBD	5320	REIMB Prop F Fire Bond Fund

- D. See Attachment 8 of this report for a recommended transfer of \$692,120.62 from the UB, Reserve for Mid-Year Adjustments account to the Sewer Capital Fund No. 761/50 related to the above;

Public Works-Bureau of Sanitation

24. Encumber the General City Purposes Fund No. 100/56, Account Nos. 000855 and 000856 balances appropriated for the Lifeline Rate Program and Solid Waste Fee Reimbursement, respectively, to pay for 2015-16 invoices;
25. Authorize the Bureau of Sanitation to use surplus funds from the General City Purposes Funds appropriated for the Lifeline Rate Program to offset any shortfalls in the Solid Waste Fee Reimbursement Account;
26. Authorize the Bureau of Sanitation to include any current year shortfalls in the implementation of the Clean Streets Los Angeles program in the Solid Waste Fee Reimbursement invoice;
27. Reduce appropriations to the Bureau of Sanitation Fund No. 100/82, Account 001010, Salaries General, by \$500,000, from the Landfill Maintenance Special Fund No. 558/82 to reflect reduced revenues from the sale of recyclables;

Traffic Safety Fund

28. Authorize the Controller to reduce appropriations in the amount of \$824,806 in the Bureau of Street Services (BSS) Fund No. 100/86, Account No. 001010, Salaries General; and, thereafter reduce appropriations by \$824,806 in the Traffic Safety Fund No. 306/62, Account No. 62M186, PW-Street Services, to mitigate any potential cash shortfalls in the Fund;
29. Authorize the Controller to reduce appropriations in the amount of \$1,825,958 in the Department of Transportation Fund No. 100/94, Account No. 001070, Salaries, As-Needed; and, thereafter reduce appropriations by \$1,825,958 in the Traffic Safety Fund No. 306/62, Account No. 62M194, Transportation, to mitigate any potential cash shortfalls in the Fund;

Transportation

30. Relative to the loss of \$300.00 from the Petty Cash Fund,
- A. Approve the request by the Department of Transportation to relieve the Department of accountability for the loss of \$300.00 in petty cash funds;

B. Authorize the Controller to write off the \$300.00 loss from the Department's advances for petty cash.

31. Establish and appropriate a new appropriation account entitled Grant Reimbursements-General Fund Related Costs, in the amount of \$3,363,648.58, within the Transportation Grant Fund No. 655/94, and subsequently transfer \$3,363,648.58 from this new account to Revenue Source Code 5331, Related Costs for the funds and departments noted below for related cost reimbursements:

<u>Department</u>	<u>Fund No.</u>	<u>Amount</u>
Transportation	100/94	\$1,822,998.44
PW/Contract Administration	100/76	\$ 258,252.87
PW/Engineering	100/78	\$ 916,310.28
PW/Street Lighting	100/84	\$ 116,134.03
PW/Street Services	100/86	\$ 249,952.96
	Total	\$3,363,648.58

32. Establish and appropriate a new appropriation account entitled Proposition C Grant Reimbursements, in the amount of \$3,550,484.86, within the Transportation Grant Fund (TGF) No. 655/94, and subsequently transfer \$3,550,484.86 from this new account to the Proposition C Fund No. 540/94, Revenue Source Code 5301, Transportation Grant Fund Salary Reimbursement to reimburse the Proposition C Anti-Gridlock Fund for TGF positions that were front funded by Prop C;

33. Authorize the Controller to reduce salary appropriations funded by Proposition C - Transportation Grant Fund No. 540/94 in the following departments due to projected lower than anticipated salary reimbursements:

A. Reduce Account 001010, Salaries General, for the departments as follows in the amounts as noted below:

<u>Department</u>	<u>Fund No.</u>	<u>Amount</u>
Transportation	100/94	\$ 1,461,614.80
PW/Contract Administration	100/76	\$ 245,749.51
PW/Engineering	100/78	\$ 627,972.96
PW/Street Lighting	100/84	\$ 66,182.37
PW/Street Services	100/86	\$ 1,264,308.76
	Total	\$ 3,665,828.40

B. Reduce departmental appropriation accounts within Prop C Fund 540/94 as follows in the amounts as noted below:

<u>Account No</u>	<u>Account Name</u>	<u>Amount</u>
94M194	Transportation	\$ 1,461,614.80

94M176	Contract Administration	\$ 245,749.51
94M178	PW/Engineering	\$ 627,972.96
94M184	PW/Street Lighting	\$ 66,182.37
94M186	PW/Street Services	<u>\$ 1,264,308.76</u>
	Total	\$3,665,828.40

Reappropriations/Appropriations

34. Instruct the City Clerk to place on the agenda for the first regular Council meeting on July 1, 2016, or shortly thereafter, the following instructions:
- A. Reappropriate up to the specified General Fund amounts noted from the unencumbered balance remaining in the Funds and accounts identified in Attachment 9 of the 2015-16 Year-End Financial Status Report in the same amount and into the same accounts as exist on June 30, 2016, for the purposes noted therein;
 - B. Appropriate \$5,000,000 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58, Account No. TBD, 2016-17 Budgetary Shortfalls, for anticipated shortfalls, as funds are available from 2015-16 year-end savings in the Unappropriated Balance, Reserve for Mid-Year Adjustments account;

Special Funds-Miscellaneous

35. Relative to the anticipated overpayment of 2015-16 related costs as a result of ongoing attrition and vacancies in the various Public Works Bureaus:*
- A. Authorize the Controller to decrease appropriations within the Sewer Construction and Maintenance Fund No. 760/50, Account No. 50M299, Related Costs, by \$2,694,623, to reflect reduced reimbursements due to high vacancy rates;
 - B. Authorize the Controller to decrease appropriations within the Sewer Capital Fund No. 761/50, Account No. 50M299, Related Costs, by \$2,530,364, to reflect reduced reimbursements due to high vacancy rates.

*This action will reduce 2015-16 General Fund revenues by approximately \$5.2 million.

Technical

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

FISCAL IMPACT STATEMENT

A total of \$5.13 million in expenditure shortfalls and unbudgeted expenses are identified in this Year-End Financial Status Report. The actions identified in this report along with other interim actions by year-end will fully offset this shortfall. Transfers, appropriations, and other adjustments totaling approximately \$160.4 million are recommended in Sections 1, 2, 7, and 9. This includes transfer of approximately \$11.8 million from the UB, Reserve for Mid-Year Adjustments, over \$73

million in Reserve Fund reappropriations, \$43.04 million in prior year FMS (\$43 million) and SMS (\$0.04 million) encumbrances exempted from the General Fund Encumbrance Policy; and reduction of \$7.1 million in appropriations to various department operating accounts from various special funds. Lastly, 2015-16 revenue is further reduced by \$5.2 million due to a reduction in Sewer Construction and Maintenance Fund and the Sewer Capital Fund related cost reimbursements to the General Fund.

DISCUSSION

The CAO monitors the budget and transmits reports to the Mayor and Council detailing the City's current financial condition. This report provides an update on the current-year budget deficit, revenue shortfall and reserve fund status, and it highlights current issues of concern and the potential impact to the City. Recommendations totaling approximately \$160.4 million for appropriations, transfers, and other budgetary adjustments are included in this report.

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

Section 1. Status of Departmental Budgets..... 20

Section 2. Status of Non-Departmental Funds and Special Accounts..... 55

Section 3. Status of Employment 58

Section 4. Status of Fee Waivers and Subsidies..... 59

Section 5. Status of the City's MICLA Commercial Paper Program 59

Section 6. Status of Gang Reduction and Youth Development (GRYD) Program..... 60

Section 7. Traffic Safety Fund 61

Section 8. State Budget Update 61

Section 9. Exemptions from General Fund Encumbrance Policy 63

1. STATUS OF DEPARTMENTAL BUDGETS

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

Department Expenditures: This analysis is based on department expenditure and revenue information through the end of March. The projections assume that City Departments will absorb any salary impacts from recently approved labor agreements.

The previously reported Fire Department deficit of \$7.37 million has been eliminated. This section discusses deficits in Petroleum (\$2 million) and Outside Counsel (\$0.70 million) related accounts as funds from these accounts were previously swept and a portion must now be restored. A deficit is also reported in the Public Works-Bureau of Street Services (\$1.1 million) due to pavement preservation funding being budgeted in the Unappropriated Balance as opposed to the Bureau's operational accounts. Remaining deficits are discussed in Section 2 of this report.

Department Revenues: Departmental General Fund revenue estimates for this reporting period are based on data through the end of March. No adjustments are recommended at this time.

A. Aging

Attachment 3 – Special Fund Reappropriations

This Office projects a net year-end surplus of \$607,681 (\$35,000-General Fund and \$572,681-special funds) due to salary savings generated from vacant positions. Any unexpended grant funds at year-end may be returned to the granting agency and potentially returned to the Department in subsequent fiscal years.

The following transaction is recommended:

- Reappropriate \$39,884 in 2014-15 Supplemental Nutrition Assistance Program Education Program (SNAP-ED) savings to the current year SNAP-ED program. This program provides educational training to seniors regarding healthy nutrition choices and active lifestyles.

B. Animal Services

No Recommendation

The Department is projecting a year-end surplus of \$448,635 (General Fund) mainly in the salary accounts. The salary surplus is primarily due to a high turnover rate and a delay in backfilling positions. The Department is working with the Personnel Department to expedite hiring.

The Department is expected to meet its revised revenue target by year-end. The Department's revised revenue budget is \$4.16 million which is a \$0.51 million increase from the adopted budget amount of \$3.65 million. General Fund receipts total approximately \$3.4 million which represents about 94 percent of the Department's total revenue budget.

C. Building and Safety

Recommendation No. 9

The Department is projecting a year-end surplus of about \$11.36 million (\$37,819 General Fund and \$11.3 million Special Fund) in its Salaries General account. The Department is actively hiring positions to reduce this surplus as well as utilizing as-needed employees and overtime to address workload.

The Department is projecting \$35.5 million in General Fund receipts which is approximately \$21.2 million less than budgeted revenue amount of \$56.76 million or \$11 million less than revised revenue for the current year as reported in the 2016-17 Budget. General Fund receipts through the end of March total \$21.1 million, which represents 45 percent of the Department's revised revenue. However, this Office believes that the Department is expected to have sufficient special funded salary expenditures which are eligible for related cost reimbursement to meet the revised revenue budget of \$46.1 million. Therefore, it is recommended that the Department be instructed to reimburse the General Fund for all special funded salary expenditures through Pay Period 24 by year-end. Special Fund receipts through the end of March total \$136.66 million, which represents approximately 93.5 percent of the Department's total special fund revenue budget.

D. City Administrative Officer

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 9 – 2016-17 General Fund Reappropriations

The Department continues to project that it will complete the year within budget. A \$606,000 surplus is anticipated in the Salaries General account. This surplus is attributable to greater than anticipated vacancies throughout the Office, including the Office of Public Accountability (OPA). A little over \$252,000 in OPA savings will revert to the General Fund and be offset by a corresponding reduction in revenue. The salaries surplus is needed to cover anticipated deficits in the Salaries As-Needed and Contractual Services accounts. Further, it is recommended that approximately \$1.55 million be reappropriated to 2016-17 to meet various ongoing obligations.

Revised General Fund revenue is \$3.7 million which is approximately \$1.7 million lower than the adopted revenue amount of \$5.4 million. The decrease in revenue was attributed to a decrease in proprietary reimbursements because of vacancies and a lower Cost Allocation Plan (CAP) rate than initially budgeted for. This Office is expected to meet the revised revenue budget by year-end.

The following transactions are recommended at this time:

- Transfer \$150,000 from the Salaries General account to the Salaries As-Needed account to cover salaries for interns.
- Transfer \$290,000 from the Salaries General account to the Contractual Services account to cover anticipated deficits.

2016-17 Reappropriations

- Reappropriate up to \$166,000 from the unencumbered balance remaining in the Salaries General account to cover salary obligations.
- Reappropriate up to \$273,000 from the unencumbered balance remaining in the Salaries As-Needed account to cover salary obligations.

- Reappropriate up to \$1,112,000 from the Contractual Services account for the following ongoing projects: expert and technical asset management and strategic planning consultant services (\$571,000); studies as part of the Office of Economic Analysis (\$228,831); support for the Development Reform Initiative (\$22,169); and, ongoing Fuse Corps Fellowship Program (\$290,000).

E. City Attorney

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

Attachment 8 – Appropriations from the Unappropriated Balance

Recommendation Nos. 10 through 12

The City Attorney's Office is projected to have a net year-end surplus of \$760,425, consisting of a \$1.27 million General Fund surplus and a \$512,663 net year-end deficit in special funds. The General Fund surplus is in the Salaries General account, primarily due positions filled in-lieu with lower level classifications. The special fund deficit is due to a cash shortfall in the Consumer Protection Trust Fund (CPTF) which is a source of funds to the Department's operating budget as well as its revenue budget. Out of \$3.65 million in eligible Consumer Protection Program salary expenditures, only \$2.4 million is available. As a result, the General Fund salary surplus will be necessary to offset the CPTF salary shortfall of \$1.25 million.

The Department's revised revenue budget for this fiscal year is \$34.24 million. General Fund receipts through the end of April total \$25.49 million, which represents 74.45 percent of the revised revenue amount. The City Attorney's Office now projects total year-end revenue at \$30.21 million, which is \$4.03 million less than the revised revenue amount. This is primarily due to a shortfall in CPTF receipts, which results in \$3.33 million in related costs reimbursements that will not be received this fiscal year. It is anticipated that \$1.9 million of the budgeted related cost reimbursements will be received in 2016-17.

Outside Counsel

The 2015-16 Adopted Budget provides \$2.5 million in the Unappropriated Balance (UB), Outside Counsel Including Workers' Compensation account. To-date, \$400,000 of the \$2.5 million has been transferred from the UB to the City Attorney for outside counsel expenditures (C.F. 15-1355). Further, \$2 million was transferred from this account to offset a projected deficit in the Liability Claims Account (C.F. 15-0600-S93), leaving a remaining balance of \$100,000 in the UB for outside counsel expenditures. In a separate report to the City Council, the City Attorney requested a \$800,000 transfer to its operating budget for outside counsel expenditures through year-end (C.F. 16-0560). Of this amount, \$100,000 can be transferred from the UB, Outside Counsel account and a supplemental General Fund appropriation of \$700,000 is required to address the balance. A \$700,000 transfer is recommended from the UB, Reserve for Mid-Year Adjustments account for this purpose. These recommended transactions will be addressed via a separate transmittal (C.F. 16-0560).

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

The following transactions are recommended at this time:

- Reduce appropriations to the Salaries General account from the Consumer Protection Trust Fund by \$1.25 million due to a cash shortfall in Consumer Protection Trust Fund receipts.
- Transfer \$60,000 from the Salaries General account to the Printing and Binding account to offset the projected shortfall resulting from the increased use of printing and duplication services for litigation-related material.
- Transfer \$15,000 from the Salaries General account to the Contractual Services account to offset the projected shortfall from additional contract paralegal work needed to support the Real Property section.
- Transfer \$275,000 from the Salaries General account to the Litigation account to offset the projected shortfall resulting from an increase in the cost of services provided for specialized cases, and an increase in the number of cases handled by in-house counsel.
- Transfer \$43,368 in savings from the Salaries General (\$39,637) and Operating Supplies (\$3,731) accounts to the Office and Administrative account for various year-end purchases and training needs.
- Increase appropriations to the Contractual Services account by \$211,225 for costs associated with the records retention contract transfer from Iron Mountain to Storetrieve. Further, authorize the City Attorney to deposit a check from Storetrieve upon receipt, to reimburse Iron Mountain for the transfer.
- Consistent with prior Council action on March 29, 2016 (C.F. 12-0647-S6), appropriate \$17,732 from the Foreclosure Registry Program Fund to the City Attorney's Salaries General account to fund two positions for the Foreclosure Registry Program, and transfer \$11,991 to reimburse the General Fund for related costs.
- Transfer \$16,446 from the Salaries General account to the City Attorney Grants Fund, Dispute Resolution Program-Community account, to be used for other grant expenses that are paid directly from the Grant Fund.

Also, see Information Technology Agency Section for an additional transaction for the City Attorney.

F. City Clerk
No Recommendation

The Department is projected to end the year with a surplus of \$201,500 in the Salaries General account mainly attributed to the higher than anticipated attrition rate. The surplus may be needed to offset potential unfunded election costs in connection to one ordinance initiative and one recall petition.

The Department is expected to meet its revised revenue estimate of \$2.3 million. The revised revenue accounts for a General Fund revenue shortfall of \$86,519 due to delayed election reimbursement revenue.

G. Controller
Attachment 5 – Transfers between Accounts within Departments and Funds

The Controller is projecting a net year-end surplus of \$1.55 million, due to surpluses in the Salaries General and Salaries As-Needed accounts. The net year-end surplus is reduced to approximately \$0.750 million after accounting for a \$450,000 transfer recommended in this FSR for an FMS Accounts Payable Enhancement and Internal Control Study and a \$350,876 transfer recommended as part of the upcoming Construction Projects Report for office alterations and improvements. The remaining amount of \$0.750 million was approved by the Council for reappropriation in 2016-17 as part of its actions on the 2016-17 Budget.

The revised revenue estimate for this Office is \$3.67 million which is nearly the same amount as the adopted revenue amount of \$3.68 million. The Controller is expected to meet its revised revenue target.

The following transaction is recommended:

- Transfer \$450,000 from the Salaries General, account to the Contractual Services, account for an FMS Accounts Payable enhancement and an Internal Control Study.

H. Convention and Tourism Development
Recommendation No. 13

The Convention and Tourism Development (CTD) Department anticipates a year-end surplus of approximately \$75,000. The Department recommends that the remaining surplus be reserved as a contingency should there be any need for year-end budget adjustments.

As part of the 2015-16 Adopted Budget the CTD received \$500,000 for the second phase (400 Series meeting rooms) of the Room Lighting Dimming Control System Upgrade project. After completing the first phase of the project, the CTD identified several necessary improvements/change-orders in the amount of \$76,000. The additional cost (\$76,000) will be paid from the private operating account using the Fiscal Year 2015-16 surplus.

The Management Agreement with Anschutz Entertainment Group (AEG) requires that revenues of every kind or nature derived from operating, managing and promoting the Los Angeles Convention Center shall be accounted for in the Operating account. Such revenues should also include show deposits the City had received prior to the execution of the Agreement and the period of time in which AEG is expected to operate and manage the facility.

The following transaction is recommended:

- Transfer \$32,114.05 from the Convention Center Revenue Fund to AEG for show deposits received by the City related to upcoming shows to be hosted at the Los Angeles Convention Center.

I. Council

Attachment 6 – Transfers between Departments and Funds

The Council requests the following transactions:

- Transfer \$350,000 in AB1290 funding (Council District 14) to the Council Fund As-Needed Salaries account to support operational expenditures.
- Transfer \$60,000 from the Central Los Angeles Recycling and Transfer Stations (CLARTS) Fund, Council District 14 Contractual Services account to the General City Purposes Fund, Council District 14 Community Services account to support community projects.
- Transfer \$150,000 from the Central Los Angeles Recycling and Transfer Stations (CLARTS) Fund, Council District 14 Contractual Services account to the Council Fund, As-Needed Salaries account to support operational expenditures.

J. Cultural Affairs

No. Recommendation

This Office projects a year-end surplus of \$104,460 in the Salaries General account, primarily as a result of vacancies. The Department advised that they will fill up to seven vacancies during the remainder of the Fiscal Year to maintain continuity in the delivery of art instruction programs, exhibitions and performances, and public art support. Any remaining surplus at year-end will revert to the Arts and Cultural Facilities and Services Trust Fund. The Department does not project a shortfall in General Fund revenue targets through year-end.

K. Disability

Attachment 5 – Transfers between Accounts within Departments and Funds

The Department is projected to end the year within budget. A deficit in the amount of \$162,000 is projected in the Contractual Services account for the provision of HIV Prevention Program services administered by 16 contractors. However, a surplus in the Salaries General account is sufficient to address the deficit.

The Department has no General Fund revenue.

The following transaction is recommended:

- Transfer \$162,000 from the Salaries General account to the Contractual Services account for the payment of HIV Prevention Program services contracts.

L. Economic and Workforce Development (EWDD)

Attachment 5 – Transfers between Accounts within Departments and Funds

Assuming the requested transfers in this FSR are approved, EWDD projects a net year-end surplus of \$3.4 million primarily resulting from a surplus in the Salaries General account. The surplus is comprised of special funds, including the Community Development Block Grant, Workforce Innovation and Opportunity Act Grant, and various other grants and Special Fund balances. This analysis assumes that eight positions will be filled by the end of the fiscal year.

According to EWDD, the Department has accrued \$3.8 million in related cost reimbursements owed to the General Fund through April 2016. As of April 30, 2016, \$2.7 million in related costs reimbursements have been received by the General Fund from EWDD. The Department is currently awaiting reimbursements from grantors in order to process payment for the remaining \$1.1 million. Based on currently filled positions and an additional filling of eight vacancies before the fiscal year-end, EWDD anticipates full reimbursement of the revised \$4.9 million revenue budget to the General Fund for 2015-16 related costs. The CAO will continue to monitor the related cost reimbursements and work with the Department to meet its revenue budget.

The following transaction is recommended at this time:

- Appropriate \$81,670 from Section 108 Loan Guarantee Fund for EWDD staff related costs to support the Department's lending program.

M. El Pueblo

No Recommendation

The Department is projected to complete the year within budget and meet its revenue budget (special fund). Revenue receipts through the end of March 2016 total \$3.76 million, which represents approximately 79 percent of the Department's total revenue budget. The Department

anticipates meeting revenue targets through year-end.

N. Emergency Management

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 8 – Appropriations from the Unappropriated Balance

The Department is projected to complete the year with a \$11,000 General Fund deficit and a \$278,719 special fund surplus attributed to the Salaries General account. The Special Fund surplus is subject to the receipt of Urban Areas Security Initiative grant appropriations. However, the special funds cannot be used to offset the year-end General Fund shortfall. As a result, a supplemental General Fund appropriation will be required to the Salaries General account. The projected deficit is attributed to payouts for retiring staff and front-funding of an off-budget resolution authority (Senior Project Coordinator position) of which a portion of the reimbursement will be received in the current fiscal year.

The Department's revised revenue budget is \$951,414, which is slightly higher than the adopted revenue budget of \$921,884. The General Fund receipts through the end of March total approximately \$881,276, which represents approximately 93 percent of revised revenue. The Department is now projecting that total General Fund revenue will be slightly higher than the revised revenue budget due to anticipated reimbursements from the County for the Senior Project Coordinator position (i.e., a net increase of approximately \$13,243).

The following transactions are recommended:

- Transfer \$11,000 from the UB, Reserve for Mid-Year Adjustments to the Salaries General account to fully offset the General Fund deficit.
- Transfer \$38,750 from the Contractual Services account to the Printing and Binding (\$13,906) and the Office and Administrative Expense (\$24,844) accounts within the Emergency Operations Fund for the preparation of Community Emergency Response Team brochures from 2013 and 2014 State Homeland Security Grant funds.

O. Employee Relations Board

No Recommendation

It is projected that the Employee Relations Board (ERB) will complete the year within budget across all accounts. No action is needed at this time.

The Department has no General Fund revenue.

P. Ethics Commission

No Recommendation

It is projected that the Ethics Commission will have a net year-end surplus of \$95,000. The surplus is mainly attributed to the Contractual Services account due to funds budgeted annually

for a Special Prosecutor as required by the City Charter. The Ethics Commission does not anticipate hiring a Special Prosecutor this year. The surplus is made up of City Ethics Commission Trust Fund money, which is entirely supported by the General Fund. There is minor deficit reported in the Salaries General account, however, our Office will continue to work with the Ethics Commission to monitor the projected deficit and recommend an administrative transfer by year-end if necessary.

The Department's revised revenue budget is \$485,650, an increase of \$105,000 from the adopted budget of \$380,650. General Fund receipts through the end of March total \$458,268, which represents approximately 94 percent of the Department's total revenue budget. At this time Ethics is on target to meet its revised revenue estimate.

Q. Finance

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

Attachment 7 – Transfers to the UB, Reserve for Mid-Year Adjustments

This Office projects that the Department will complete the year with a net year-end surplus of \$2.8 million (General Fund) due to salary savings as a result of existing vacancies and unspent contractual services funds. The net year-end surplus is reduced to \$1.8 million after accounting for the reappropriation of \$1 million that was approved by the Council as part of its actions on the 2016-17 Budget. A portion of these savings are being used to address the City's ongoing liabilities (See Attachment 7).

The Department reports that bank fee expenditures will remain within budget. It also reports that departmental receipts are on target.

The following transaction is recommended:

- Transfer \$146,000 from the Salaries General account to the Office and Administrative account to purchase accounting software, furniture, and replacement equipment.
- Transfer \$100,000 from the Salaries General account to the Department of General Services, Construction Services Hiring Hall Construction, Benefits Hiring Hall, and Construction Materials accounts to improve vault security at the Department's City Hall public counter.

R. Fire

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

Attachment 7 – Transfers to the UB, Reserve for Mid-Year Adjustments

Attachment 8 – Appropriations from the Unappropriated Balance

Attachment 9 – 2016-17 General Fund Reappropriations

Recommendation Nos. 14 and 20

The previously projected \$7.37 million year-end deficit for this Department mainly due to Constant Staffing Overtime has been eliminated. Remaining shortfalls in some accounts can be fully offset by various account surpluses. A net year-end surplus of \$2.4 million is currently projected, however, the surplus is reduced to approximately \$1.12 million after accounting for \$1.28 million in recommended 2016-17 reappropriations. A portion of these savings are being used to address the City's ongoing liabilities (See Attachment 7).

The Department's revised revenue budget for this fiscal year is about \$178 million which is an increase of \$18 million from the adopted budget amount of \$160 million. General Fund receipts through the end of April total \$134.82 million, which represents approximately 76 percent of the revised revenue amount. The Department is expected to meet its revised revenue budget.

The most significant deficits and recommended offsets are discussed below:

- **Salaries General:** A year-end surplus of \$800,000 is projected in this account mainly due to a 20 percent civilian vacancy rate. A majority of the vacancies are in the mechanic classes and clerical classes (Supply and Maintenance Division). It is recommended that \$590,000 of the surplus be transferred to partially address deficits in other accounts.
- **Salaries Sworn:** A \$4.2 million deficit is currently projected in this account as funds were previously used to offset other account shortfalls (\$7.19 million), mainly Constant Staffing Overtime. Approximately \$558,009 of this deficit is now attributed to a shortfall in the Local Public Safety (LPS) Fund, which is a \$6 million funding source to the Salaries Sworn account. The LPS Fund is a funding source to both the Police and Fire Departments. Although the cumulative LPS shortfall is \$2.75 million, \$2.19 million is being offset by the Police Department and the Fire Department must offset its respective portion of \$558,009. Savings have been identified within other Fire Department accounts to mitigate the LPS Fund-related shortfall in this account.
- **Sworn Overtime:** A year-end deficit was projected in this account, attributed to unfunded overtime for sworn resources sent to assist with fires outside of the City. The amount of \$450,000 was transferred into this account in the Interim FSR to offset the projected shortfall. Mutual aid reimbursements of approximately \$4.7 million have been received and are captured as General Fund revenue.

- **Sworn Constant Staffing Overtime:** A shortfall was previously projected in this account, primarily due to Fair Labor Standards Act (FLSA) compliance. This has been offset by savings generated from a decrease in the number of positions that need to be backfilled and less accrued compensated time off among new recruits compared to veteran sworn members. A \$3.4 million year-end surplus is now projected, which is recommended to be transferred to the Salaries Sworn account.
- **Sworn Variable Staffing Overtime:** A \$2.83 million year-end surplus is projected in this account due to under-utilization of hours allocated to special projects and due to offsetting appropriations from grants and other funding sources. About \$1.75 million of this surplus was transferred in the Interim Financial Status Report to address deficits in the Sworn Overtime, Travel, Office and Administrative, and Operating Supplies accounts. Approximately \$1.04 million of the remaining surplus is recommended to be transferred to address deficits in other accounts.
- **Office and Administrative and Operating Supplies:** These accounts were projected to have year-end deficits totaling \$1.28 million due to various one-time, deferred, and unforeseen costs, including moving the Professional Standards Division to Figueroa Plaza and various maintenance and security needs at fire stations and facilities. Funds were transferred in the Interim FSR to offset the shortfalls.

Sworn Hiring

The Adopted Budget provides \$13.8 million in funding for five recruit training classes to support a total of 270 firefighter recruits. On July 28, 2015, the Council authorized the Department to appoint the following recruits in each class for a total of 295 recruits: up to 65 at Drill Tower 81 (three classes) and up to 50 at Drill Tower 40 (two classes) (C.F. 15-0826). The Council subsequently authorized a \$3.1 million Reserve Fund appropriation to fund a Sixth Firefighter class at Drill Tower 40 with 50 recruits (C.F. 15-0600-S14), for a total of 345 recruits authorized for this fiscal year.

Four training classes will be completed this fiscal year and the remaining two in the subsequent year based on the following Academy schedule. Historically, recruit training has experienced an attrition rate of about 20 percent.

Table 4. Fire Academy Schedule					
Drill Tower	Start Date	Graduation Date	No. of Recruits Authorized	No. of Recruits Appointed	No. of Graduates
DT 81	07/13/15	11/24/15	65	65	52
DT 40	09/21/15	02/04/16	50	49	45
DT 81	12/14/15	04/28/16	65	65	48
DT 40	02/08/16	06/09/16	50	50	TBD
DT 81	05/16/16	09/29/16	65	60	TBD
DT 40	06/27/16	11/10/16	50	TBD	TBD
Total			345		

The following transactions are recommended at this time:

- Transfer \$4.0 million from the Salaries General (\$100,000), Sworn Bonuses (\$100,000), Unused Sick Time (\$100,000), Sworn Constant Staffing Overtime (\$2.80 million), and Variable Staffing Overtime (\$900,000) accounts to the Salaries Sworn account to return funds borrowed earlier in the year and to balance anticipated spending in this account.
- Transfer \$558,100 from the Sworn Constant Staffing Overtime account to the Salaries Sworn account to offset the funding shortfall from the Local Public Safety Fund. See corresponding recommendations and additional information in the Police Department section of this report.
- Transfer \$58,558 in Federal Emergency Management Agency (FEMA) grant funds from the Variable Staffing Overtime account to the Salaries Sworn account for off-budget staff to complete Fiscal Year 2014 grant activities.
- Transfer \$130,469 from the Salaries General account to the Mayor's Office to reimburse two positions loaned to the Department.
- Transfer \$223,500 in savings from the Salaries General (\$73,500) and Contract Brush Clearance (\$150,000) accounts to the Contractual Services account to provide funding for a recently executed Gartner, Inc. contract to create an LAFD Information Technology Strategic Plan (ITSP).
- Relative to a \$558,100 Local Public Safety shortfall for the Fire Department, reduce appropriations from the Local Public Safety Fund to the Salaries Sworn account by \$558,100 and offset this reduction to the Salaries Sworn account by transferring \$558,100 from the Sworn Constant Staffing Overtime account to the Salaries Sworn account.

2016-17 Reappropriations

- Reappropriate up to \$1,076,303 in the Field Equipment Expense account to continue boat haul-outs and repairs of the Department's marine operations fleet.
- Reappropriate \$200,000 in the Operating Supplies account for the purchase of a Geographic Move Up System to automate the fire station coverage map and provide a link to the Computer Aided Dispatch and Automated Vehicle Locator systems.
- Reappropriate \$400,000 from the UB, Standards of Cover Analysis account, for consultant services to assist the Department in the development of a Standards of Response Coverage document. A request for qualifications is currently in development and is expected to be released by December 2016.

MICLA

- Place the following instruction for the July 1, 2016 Council agenda: Transfer \$270,000 in MICLA funding for the Information Technology Agency (ITA) for the installation of communication equipment in the Fire Department fleet. The funding is needed to reimburse ITA's Hiring Hall account prior to the approval of the 2016-17 First FSR.

S. General Services

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 8 – Appropriations from the Unappropriated Balance

Attachment 9 – 2016-17 General Fund Reappropriations

Recommendation Nos. 15

The Department is projected to have a net year-end deficit of \$2.94 million largely due to a shortfall in the Petroleum account (\$2.0 million). In addition, deficits are reported in the Salaries As-Needed (\$189,000) and Contractual Services (\$755,000) accounts. After accounting for recommended transfers in this FSR, and anticipated reimbursements by year-end, an unresolved shortfall of \$2.0 million remains. Previously projected petroleum savings and contingency funds were swept in the Mid-Year FSR due to lower fuel cost trends. However, \$2 million in funding must now be restored due to a slight increase in usage and petroleum costs in the Spring.

General Fund receipts as of March 2016 total \$41.1 million, which represents 60 percent of the Department's total revised revenue budget of \$69 million. The Department is expected to meet its revised revenue budget.

The projected deficits are as follows:

- **Salaries As-Needed:** The Department reports a deficit in the Salaries As-Needed account (\$189,000) due to the management of Department of Transportation (DOT) parking lots. An anticipated transfer from DOT by year-end is expected to eliminate this deficit.

- **Contractual Services:** The Department reports a \$400,000 deficit within the Contractual Services account due to the need to replace two uninterruptible power supply systems at Mt. Lee which support emergency operations. This Office recommends the use of available MICLA funds for the purchase of this equipment which fully offsets the shortfall. The recommendation will be transmitted via the Fourth Construction Project Report (CPR).

Petroleum

The Petroleum account is currently budgeted at \$33.7 million. The Mid-Year FSR included a \$12.3 million transfer to offset the Department's Parts account shortfall and Citywide deficits. This amount was based on GSD's projected year-end surplus resulting from low fuel prices and usage. GSD reports that fuel prices as of March 28, 2016 were \$1.77 for diesel and \$2.40 for unleaded, as compared to fuel prices reported in the Mid-Year as of January 4, 2016 of \$1.50 for diesel and \$2.56 for unleaded. The price for diesel fuel has increased by \$0.27 while the unleaded price has decreased by \$0.16. However, \$2 million in funding must now be restored due to a slight increase in usage and petroleum costs in the Spring. The decline in the price of diesel is insufficient to offset the increase in unleaded.

The following transfers are recommended:

- Transfer \$166,365 from the Salaries General account to the Salaries Overtime account for the increased workload associated with the maintenance and repair of City vehicles.
- Transfer \$81,500 from Salaries General account to the Hiring Hall Salaries and Hiring Hall Benefits accounts for one hiring hall Plumber to monitor and maintain the Jet A fuel sites.
- Transfer \$200,000 from the Utilities Expense account and \$100,000 from the Salaries General account to the Contractual Services account for the increased cost associated with fuel site repairs.
- Transfer \$50,000 from the Salaries General account to the Custodial Supplies account for custodial services and building maintenance support at two newly opened LAPD facilities.
- Transfer \$1.19 million from the UB, VMS Replacement account to GSD's Contractual Services account for the implementation of the vehicle management system replacement project.
- Transfer \$2.0 million from the UB, Reserve for Mid-Year Adjustments to the Petroleum account to replenish this account and offset the remaining deficit.
- Disencumber up to \$99,350 from GSD's Office and Administrative account (2014-15 funds), revert to the Reserve Fund, and appropriate this same amount to the current year Contractual Services (\$54,350) and Office and Administrative Expense (\$45,000) accounts for the Asset Management System.

2016-17 Reappropriations

- Reappropriate up to \$132,660 in the Salaries Overtime account to cover overtime costs associated with installation of Churchill mapping systems for the remaining eight LAPD helicopters.
- Also, see PW-Bureau of Engineering Section for a recommendation to reappropriate up to \$240,000 for the purchase of Pavement Preservation vehicles for the Bureau of Engineering Survey Division.

T. Housing and Community Investment

Attachment 4 – New Appropriations

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

Recommendation No. 17

The Housing and Community Investment Department is projecting a year end Special Fund surplus of \$8.4 million primarily resulting from an anticipated surplus in the Salaries General account. The expenditure projection assumes that the current vacancy rate of 17 percent will be reduced as vacancies continue to be filled. The unspent balances will be used to address other anticipated operating expense shortfalls that may materialize due to unanticipated costs and can be addressed in a subsequent FSR.

The Department expects to pay for related cost reimbursement obligations on a dollar for dollar basis for salary expenditures. The actual related costs obligations will depend on the number of filled positions. Since the reported special fund surpluses are for restricted uses, any unspent dollars in the current year will either be carried over into the subsequent fiscal year's budget or must be returned to the grantors for reprogramming.

The following transactions are recommended:

- Transfer \$13,388 (General Fund) from Printing and Binding (\$3,247) and Water and Electricity (\$10,141) accounts to the Office and Administrative Expense accounts to cover operational expenses.
- Appropriate \$3,390.11 from the Board of Human Relations Commission Fund to the Department's Travel account for Commission related activities.
- Appropriate \$43.20 from the Board of Community and Family Commission Trust Fund to the Department's Printing and Binding account for Commission related activities.
- Appropriate \$133,378 from the Affordable Housing Trust Fund to the Department's operating budget to align funding with projected charges to the Affordable Housing Trust Fund (\$84,187.44 for salaries and \$49,190.56 for related costs).

- Appropriate \$200,000 from the Affordable Housing Trust Fund to the Department's Salaries General account related to multiple Commissions for support of gender equality and community engagement activities.
- Appropriate and transfer \$730,000 from the Housing Production Revolving Fund to various accounts in the Department's operating budget to align funding with projected charges to the Housing Production Revolving Fund.
- Transfer \$55,000 in Community Development Block Grant (CDBG) funds from the Department's Salaries General account to the Economic and Workforce Department's (EWDD) Salaries and Contractual Services accounts to pay for costs related to the administration of the Consolidated Plan Application System (CPAS).
- Appropriate and transfer \$776,810 from the CDBG Fund to the Department's operating budget to align appropriations to grant sources.
- Appropriate and transfer \$624 from the Energy Efficiency Conservation Fund to various accounts in the Department's operating budget to align funding with projected charges to the Energy Efficiency Conservation Program Income.
- Re-appropriate \$179,985 in Community Service Block Grant Funds to the Department's operating budget to align funding with projected charges to the Community Services Block Grant.
- Appropriate \$88,200 from the Municipal Housing Finance Fund to various accounts in the Department's operating budget to align funding with projected charges to the Municipal Housing Finance Fund.
- Appropriate and transfer \$53,000 from the Foreclosure Registry Program Fund to the Department's Contractual Services account for a real estate information contract. This contract is needed in order for the department to send bills to the correct and current property owners.
- Decrease appropriations totaling \$81,990.71 within the LAHD Small Grants and Awards to reconcile appropriations with available MacArthur Grant funds.
- Authorize \$29,723 in Foreclosure Registry Program funds to the City Attorney's Office for two City Attorney positions for 2015-16. The positions were authorized by the Council and Mayor in March and April 2016 respectively (C.F. 12-0647-S6). This action provides one month funding in the amount \$29,723 (salaries-\$17,732 and related costs-\$11,991). The City Attorney staff will assist HCID staff with the negotiations for the payment of penalties by non-compliance lenders and servicers.

U. Information Technology Agency

Attachment 4 – New Appropriations

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

Attachment 8 – Appropriations from the Unappropriated Balance

Attachment 9 – 2016-17 General Fund Reappropriations

The Department is projected to complete the year within budget across all accounts. A General Fund surplus of approximately \$0.080 million is anticipated at year-end. However, the year-end surplus is reduced to approximately \$260,000 after accounting for transfers in this report and recommended reappropriations for this Department. Further \$160,630 in funding from the Unappropriated Balance, CityLink LA account is recommended to be reappropriated. Any remaining surplus will revert to the Reserve Fund at year-end.

The Department anticipates achieving budgeted General Fund revenue. However, a decrease in Special Fund revenue is reported resulting from lower than anticipated proceeds from the Telecommunications Fund. The additional revenue anticipated from a lawsuit against Time Warner Cable was not realized in the current year's budget. However, since the funding had been budgeted in the Unappropriated Balance, there is no corresponding shortfall in the Department's budget.

The following transactions are recommended at this time:

- Appropriate \$33,532 in reimbursements from the Recreation and Parks (\$10,186), LACERS (\$1,362) and the Library (\$21,984) departments to the Department's Communication Services (\$24,816) and Hiring Hall Salaries (\$8,716) accounts for communication service requests.
- Transfer \$90,245 from the Department's Contractual Services account to the Public Works Bureau of Sanitation, Reimbursements from Other Funds Revenue Source, to cover annual Oracle maintenance for the Customer Relationship Management system.
- Transfer \$839,370 from the UB, CityLink LA account to the Salaries General accounts of the following Departments for the Digital Infrastructure Permitting Group: City Attorney (\$153,851), Information Technology Agency (\$105,097), and the Public Works-Bureau of Engineering (\$580,422).

2016-17 Reappropriations

- Relative to the Digital Infrastructure Permitting group, reappropriate up to \$ 839,370 from the Salaries General accounts of the following City departments: Information Technology Agency (\$105,097), Bureau of Engineering (\$580,422), and City Attorney (\$153,851). The funding for this project was initially budgeted in this current year, but the funds will not be required until 2016-17.
- Reappropriate up to \$160,630 in the UB, CityLink LA account to the same Fund and account. The funding for this project was initially budgeted in this current year, but the funds will not be required until 2016-17.
- Reappropriate up to \$299,489 in the Department's Office and Administrative account to cover the cost of licenses for the MyLA311 Customer Relationship Management project. The cost of the licenses was initially budgeted in the current fiscal year, but the funds will not be required until 2016-17.
- Reappropriate up to \$150,000 in the Department's Office and Administrative account to cover citywide training for the new Supply Management System Replacement module. The cost for the training was initially budgeted in the current fiscal year, but the funds will not be required until 2016-17.

V. Library

Attachment 6 – Transfers between Accounts within Departments and Funds

Recommendation No. 18

It is projected that the Department will have a year-end surplus of \$757,435 in its Salaries, General account. The Department is reporting a year-end deficit of \$730,840 in Library Fund revenue. All revenue collected by the Library is deposited into the Library Fund.

The Department requests that \$477,971 be transferred from their Contractual Services account to the Department of General Services for repairs completed at various Branch Libraries. Funding for an in-house alteration and improvement program for branch libraries was approved in the 2015-16 Budget for this purpose.

The following transactions are recommended:

- Transfer \$477,971 from the Library's Contractual Services Account to the Department of General Services, Salaries, Hiring Hall (\$63,562), Benefits, Hiring Hall (\$42,374), Construction Salaries (\$201,404), and Construction Materials and Supplies Accounts (\$170,631) for work completed at various Branch Libraries.
- Rescind Recommendation No. 5 of the Second FSR (C.F. 15-0600-S90) relative to the establishment of the Library Reserve Fund, and replace it with the following instruction:

Appropriate \$2 million from the Library's Available Cash Balance, to a new fund and account to be titled "Library Budget Reserve Fund," to be used to stabilize revenue during economic downturns, address unforeseen circumstances, and provide for any necessary capital improvements pursuant to Library Resolution No. 2015-49 (C-39). The previous language must be rescinded as it was inconsistent with the Board of Library Commissioners initial action on September 24, 2015 (Library Resolution No. 2015-49 (C-39)).

W. Mayor

Attachment 4 – New Appropriations

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Accounts within Departments and Funds

The Mayor's Office requests the following transactions:

- Establish a new appropriation account within the United States Agency for International Development (USAID) Fund and transfer \$23,578 to reimburse the General Fund for current year related costs.
- Appropriate and transfer \$800 in interest income within the Fiscal Year 2011 Justice Assistance Grant (FY11 JAG) Fund to reimburse the General Fund for current year salaries and related costs.
- Appropriate and transfer \$393 in interest income and related costs within the Fiscal Year 2012 Justice Assistance Grant (FY12 JAG) Fund to reimburse the General Fund for current year salaries.
- Transfer \$15,218 from the Mayor Reserve account within the Fiscal Year 2013 Abuse in Later Life Grant Fund to reimburse the General Fund for current year salaries and related costs.
- Transfer \$10,727 from the Mayor Reserve account within the Fiscal Year Arrest Policies Grant Fund to reimburse the General Fund for current year salaries and related costs.
- Transfer \$9,920 from the Fiscal Year 2013 State Homeland Security Grant Program (FY13 SHSGP) Fund to the Police Revenue Source Code 5168 (Reimbursement of Prior Year Salary) within the General Fund, and the Emergency Operations Fund, Printing and Binding account, to reimburse Police prior year salary costs and finance Emergency Management Department publication costs.
- Transfer \$25,308 from the Fiscal Year 2014 State Homeland Security Grant Program (FY14 SHSGP) Fund to reimburse the General Fund for Police sworn overtime costs.

X. Neighborhood Empowerment

Attachment 4 – New Appropriations

Attachment 5 – Transfers between Accounts within Departments and Funds

The Department is projected to end the year with a net year-end surplus of \$170,000. This is mainly comprised of surpluses in the Salaries General (\$44,000) and Contractual Services (\$120,000) accounts which are available to offset the projected deficit in the Office and Administrative account (\$18,000) and minor deficits in other expenditure accounts. The Department has no budgeted General Fund revenues.

As a condition to the approval and issuance of a building permit, UDR, Inc. was required by the Central Area Planning Commission to deposit \$50,000 into a Mid City West Neighborhood Council Fund earmarked for a Neighborhood Traffic Mitigation Plan (Plan) to be administered by the Department. Improvements funded by this Plan shall be made at the request of Council District 5 in consultation with the Mid City West Neighborhood Council and the Department of Transportation. The Department has received and deposited the funds in the Neighborhood Empowerment Trust Fund (DONE Fund).

In addition, the Department requests to reappropriate \$2,158.42 in prior year funds for the Valley Village Neighborhood Council (VVNC) to address the delayed processing of the VVNC's request. The reappropriation of these funds will allow the Department to use prior year VVNC funds to pay for prior year VVNC expenditures.

The following transactions are recommended at this time:

- Transfer \$18,000 from the Contractual Services account to the Office and Administrative account for Neighborhood Council Board Member Elections outreach related expenses.
- Recognize \$50,000 in revenue received from UDR, Inc., and appropriate funds to the Mid City West Neighborhood Traffic Mitigation Plan Fund account.
- Reappropriate \$2,158.42 within the Neighborhood Empowerment Fund, VVNC account, to address the delayed processing of the VVNC's request.

Y. Personnel

Attachment 5 – Transfers between Accounts within Departments and Funds

It is projected that the Department will complete the year with a \$1.1 million net year-end surplus (\$93,595-General Fund and \$1.02 million-special fund). This surplus is mainly attributable to a \$273,595 General Fund salary surplus due to attrition, vacancies, and positions filled in-lieu with lower level classifications and a \$1.02 million special fund surplus due primarily to lower than projected expenditures in the City Employees' Ridesharing Trust Fund. Unspent funds in the Trust Fund remain in the Fund. The General Fund surplus fully offsets a projected \$180,000 year-end deficit in the Overtime General account due to (a) staffing requirements in medical

dispensaries in Police Department detention facilities to provide medical care on a 24 hours-a-day, seven days-a-week basis; and, (b) staffing requirements to recruit, test, and conduct background checks on public safety candidates and to develop and administer civil service exams in support of Citywide hiring.

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

The following transactions are recommended:

- Transfer \$180,000 from the Department's Salaries General account to the Overtime General account to pay down overtime obligations.

Z. Planning

Attachment 5 – Transfers between Accounts within Departments and Funds

The Department of City Planning is projecting a year end surplus of about \$6.37 million (\$320,803 General Fund and \$6.04 million Special Fund) in its Salaries General account. The Department is actively hiring positions to reduce this surplus, as well as, utilizing Student Professional Workers and overtime to address workload. The Department has established a Strike Force using overtime to reduce the cycle time for processing zoning cases.

The Department's revised revenue budget is \$18.12 million. However, the Department is now projecting General Fund receipts at \$15.65 million which is \$2.47 million less than the revised budget amount. General Fund receipts through the end of March total \$6.87 million, which represents 44 percent of the Department's total General Fund revenue budget.

Special Fund receipts through the end of March total \$26.76 million, which represents approximately 76 percent of the Department's total special fund revenue budget. Planning Case Processing Fund activities picked up in February and March; however, due to the continued downward trend in the prior months total revenue collection is expected to be approximately \$3.8 million below budget by year-end. The revenue shortfall is completely offset by unrealized salary expenditures due to vacant positions supported by the Planning Case Processing Fund. All other special funds will meet revenue targets through year-end.

The following transaction is recommended:

- Transfer \$75,000 from the City Planning Contractual Services account to the Building and Safety Enterprise Fund, LADBS Expenses and Equipment account for Planning's share of the BuildLA Consulting Services. Further, authorize other related Controller instructions. The source of funds is the City Planning System Development Trust Fund, BuildLA Project account.

AA. Police

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

Attachment 8 – Appropriations from the Unappropriated Balance

Attachment 9 – 2016-17 General Fund Reappropriations

Recommendation Nos. 21 and 22

The Police Department is projecting to end the year within budget. A \$500,000 deficit in the Salaries Sworn account will be fully offset by a surplus in the Salaries General account. The Department is expected to meet its revenue budget targets.

A \$2.75 million shortfall in the Local Public Safety Fund is projected in the current fiscal year which negatively impacts the General Fund. Both the Police and Fire Departments receive funding from this source. Budgetary adjustments are recommended for the Police Department to offset a portion (\$2.19 million) of this shortfall. Additional actions are discussed in the Fire Department section of this report to address the remaining Local Public Safety Fund shortfall of \$0.56 million.

Sworn Hiring

Through April 2, 2016, 362 Police Officers have been hired versus 393 planned, with attrition of 343 versus 290 planned. The total number of filled sworn positions is 9,895, including 32 Municipal Police Officers. The Department currently has 105 (out of 10,000) funded sworn vacancies and is anticipating attrition of approximately 134 officers between April 16, 2016 and June 30, 2016. A class of 29 officers began on April 2, 2016 and another class of 57 recruits started on April 18, 2016.

The following transactions are recommended:

- Transfer \$500,000 from the Salaries General account to the Salaries Sworn account to offset a projected shortfall in this account.
- Transfer \$100,000 from the Police Department, Forfeited Assets Trust Fund, Youth and Gang Intervention account to the Sworn Overtime account to continue support of the ongoing youth prevention and intervention activities for the Cadet program for the remainder of the Fiscal Year.
- Transfer \$120,000 from the Police Department, Standards and Training for Corrections Trust Fund to the Overtime General account to provide deployment backfill of personnel attending Standards and Training for Corrections classes.
- Transfer \$1.2 million from the Salaries General (\$800,000) and Overtime General (\$400,000) accounts to the Sworn Overtime account in order to avoid additional sworn overtime liability.

- Appropriate \$2.07 million within the Police Grants Fund to an account entitled Grant Reimbursement to the General Fund to recognize cumulative cash received from grants.
- Offset the Police Department's portion of the Local Public Safety Fund shortfall (\$2.19 million) as follows: 1) Reduce appropriations to the Police Sworn Salaries account from the Local Public Safety Fund by \$2.19 million; 2) offset the reduction in the Sworn Salaries account by transferring \$1.0 million (General Fund) from the Salaries General account to the Sworn Salaries account and disencumber \$478,760 in prior year Contractual Services account funds from various contracts and/or purchase orders for which the funds are no longer needed, and appropriate these funds to the Sworn Salaries account; and, 3) recognize \$691,991 in additional revenue within the Standards and Training for Corrections Trust Fund and appropriate these funds to the Sworn Salaries account.
- Transfer \$5 million from the UB, Reserve for Mid-Year Adjustments account to the Police Sworn Overtime account to pay down banked overtime. Of this amount, \$1 million is anticipated to be spent in the current year and \$4 million is recommended to be reappropriated in 2016-17.

BB. Public Works/Board No Recommendation

The Board of Public Works is projecting a year end surplus of \$359,085 (\$61,883 General Fund and \$297,202 Special Fund), primarily due to position vacancies.

The Board's revised revenue budget is \$8 million. General Fund receipts through March total \$5.6 million, which represents approximately 70 percent of the Board's total revenue budget. The Board anticipates meeting its revised General Fund revenue target through year-end.

CC. Public Works/Bureau of Contract Administration Attachment 5 – Transfers between Accounts within Departments and Funds Attachment 7 – Transfers to the UB, Reserve for Mid-Year Adjustments

The Bureau of Contract Administration is projected to have a year-end surplus of \$5.0 million (\$3.5 million in General Fund and \$1.5 million in Special Fund), primarily attributed to salary savings. A portion of these savings are being used to address the City's ongoing liabilities (See Attachment 7). The 2016-17 Budget assumes that the remaining General Fund surplus will revert to the Reserve Fund at year-end.

The Bureau has received 55 percent of General Fund and 78 percent of Special Funds budgeted receipts to date, \$12.5 million and \$9.7 million respectively. The Bureau's revised revenue budget is approximately \$21.3 million, a decrease of \$1.3 million from the adopted budget amount of \$22.6 million. The \$1.3 million decrease is due to a reduction in estimated General Fund reimbursements based on current workload trends. The overall decrease was partially offset by

increased revenues in various other accounts. General Fund revenues from overhead reimbursements are typically received at the end of the fiscal year. The Bureau estimates that it will meet its revised revenue target of \$21.3 million.

The following transaction is recommended:

- Transfer \$118,543 from the Salaries General account to the Transportation account to offset the projected deficit.

DD. Public Works/Bureau of Engineering
Attachment 8 – Appropriations from the Unappropriated Balance
Recommendation No. 23

The Bureau's projected year-end salary surplus has increased from \$5.2 million at mid-year to \$6.1 million. The surplus is mainly attributable to special fund vacancies.

The Bureau is projecting to meet its overall Revised Revenue target of \$47.1 million, a decrease of \$480,552 from the adopted budget of \$47.6 million. There has been a slight decrease in reimbursements anticipated from other funds. General Fund receipts through the end of March total \$33.98 million, which represents 72 percent of its total Revenue Budget. Many of the related cost revenues are automatically transferred in monthly increments while other related cost revenues are transferred during the later half of the year when actual salary costs have been determined. It is anticipated that these revenues will come in on target through year-end.

The following transaction is recommended:

- Transfer \$240,000 from the Unappropriated Balance, Pavement Preservation Program account to the General Services Department's Transportation Equipment account to provide additional funding for the Pavement Preservation vehicles for the Bureau of Engineering Survey Division.
- Adjust recommendation No. 21 of the 2014-2015 Year-End Financial Status Report (Council File No. 14-0600-S260) relative to the cost reallocation of FY 2013-14 Public Works – Bureau of Engineering expenditures totaling \$5.26 million, from the Sewer Capital Fund No. 761/50 to various Special Funds. The previous recommendation is replaced with new Controller instructions to reimburse the Sewer Capital Fund and various Special Funds to reflect actual expenditures.
- Appropriate \$692,120.62 from UB, Reserve for Mid-Year Adjustments to the Sewer Capital Fund to complete the reversion of \$2.05 million from the Reserve Fund to the Sewer Capital Fund. This action is needed to complete the cost reallocation of actual Bureau of Engineering expenditures in fiscal year 2013-14.

2016-17 Reappropriations

- Reappropriate the \$240,000 noted above to 2016-17, as the General Services Department does not anticipate completing the Request for Proposals process for the purchase and vendor selection before year-end.

EE. Public Works/Bureau of Sanitation

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

Attachment 8 – Appropriations from the Unappropriated Balance

Recommendation Nos. 24 through 27 and 35

The Bureau of Sanitation is projecting a \$15.83 million year-end surplus across its various special funds, which is mainly attributed to high vacancies within the Bureau's Clean Water and Solid Resources Programs. The Bureau has made significant progress in its hiring and employee retention efforts and is reporting a 13 percent vacancy rate across its workforce. The Bureau is required to hold approximately seven percent of its positions vacant to meet its cumulative salary savings rate. The Bureau has also implemented the Clean Streets Los Angeles programs, comprised of the three citywide strike teams and the Trash Receptacle and Street Indexing programs, using as-needed staff and overtime as the Bureau did not receive additional positions for these programs.

On November 4, 2015, the Council (CF 14-1499-S2) authorized the Bureau to expend up to \$500,000 in overtime expenditures from its special funds to address a backlog of 892 Clean Streets service requests. The Bureau reports that the backlog of 892 service requests were completed on November 30, 2015. Consistent with prior Council action, reimbursements totaling \$102,131 are now recommended for the Solid Waste Resources Revenue Fund (\$70,865) and the Stormwater Pollution Abatement Fund (\$31,266) for overtime expenditures from July 1, 2015 through November 30, 2015. This Office will work with the Bureau to develop a reimbursement method for vehicle rental and fuel costs and include recommendations in subsequent Financial Status Reports.

Approximately 74 percent of General Fund revenue has been received to date. This Office anticipates that the Bureau will meet its overall General Fund revenue target by year-end. This Office also projects that General Fund related cost reimbursements from the Sewer Construction and Maintenance (SCM) Fund and Sewer Capital Fund (SCF) will need to be reduced by over \$11 million as a result of high attrition and vacancy levels in the Clean Water Program during 2015-16. To address this anticipated overpayment of related costs, it is recommended that related cost reimbursements be reduced by \$5.2 million in this FSR. The remaining amount is expected to be addressed in fiscal year 2016-17.

Revenues for both the Solid Waste Fee and Sewer Service Charge are \$33.7 million and \$31.2 million, respectively, higher than the previous year's third quarter revenue totals. These additional

revenues most likely represent uncollected revenues from prior years. This Office will continue to monitor revenue trends and report back on significant issues that impact service levels.

The following transactions are recommended:

- Transfer \$2,758 from the Office and Administrative Expenses account to the Uniforms account (SPA) to reimburse engineering employees for work boot purchases in accordance with the provisions in Memorandum of Understandings (MOUs) 8 and 17.
- Transfer \$453,370 from the Sanitation Expense and Equipment account within SCMO to the Information Technology Agency's Communication Services account to upgrade the network speed at seven Wastewater facilities and to pay for annual fiber service lease expenses.
- Transfer \$57,092 from the Sanitation Expense and Equipment account within SWRRF to the General Services Department's Hiring Hall Construction (\$25,553), Hiring Hall Construction Benefits (\$15,447), and Construction Materials (\$16,092) accounts to retrofit the existing plumbing fixtures with new high efficiency plumbing fixtures at all six Sanitation Solid Resources district yards to comply with the City's Water Conservation Program.
- Transfer \$50,000 from the Sanitation Expense and Equipment account within SWRRF to the Bureau of Sanitation's Office and Administrative Expenses account for tuition reimbursement and specialized training expenses.
- Transfer \$249,325 from Revenue Source Code 574100, Other Financial Sources, to the Sanitation Contracts account within SPA for the Multi-Agency Collaboration Phase II Pilot Project. This is a collaboration between the Bureau of Sanitation, Los Angeles Department of Water and Power (LADWP), Los Angeles County Department of Public Works, and TreePeople to address the region's short-term drought emergency and long-term water crisis. The LADWP transferred these funds to SPA to cover their share of costs for the project.
- Encumber the balance from the current year General City Purposes Fund appropriated to the Lifeline Rate Program and Solid Waste Fee Reimbursement Account to pay for 2015-16 invoices.
- Authorize the Bureau to use surplus funds from the General City Purposes Funds appropriated for the Lifeline Rate Program to offset any shortfalls in the Solid Waste Fee Reimbursement Account.
- Authorize the Bureau to include any current year shortfalls in the implementation of the Clean Streets Los Angeles program in the Solid Waste Fee Reimbursement invoice.
- Reduce appropriations to the Bureau's Salaries General account by \$500,000 from the

Landfill Maintenance Special Fund to reflect reduced revenues from the sale of recyclables; and, correspondingly reduce Landfill Maintenance Special Fund revenue by the same amount.

- Transfer \$102,131 from the UB, Reserve for Mid-Year Adjustments account to Revenue Source Code 005301, Reimbursements from Other Funds, within the Solid Waste Resources Revenue Fund (\$70,865) and the Stormwater Pollution Abatement Fund (\$31,266) to reimburse for Clean Streets-related overtime expenditures from July 1, 2015 through November 30, 2015.

FF. Public Works/Bureau of Street Lighting

Attachment 6 – Transfers between Departments and Funds

The Bureau is projected to complete the year within budget across all accounts. It is projected that the Bureau will achieve a special fund year-end surplus of \$2 million within the Salaries General account due to vacancies.

The Bureau has received 50 percent of General Fund and 55 percent of its special fund budgeted receipts to date. The largest portion of special fund receipts comes from maintenance assessments which are distributed in December and May. The majority of General Fund receipts are received in the last half of the fiscal year. Related Cost reimbursements to the General Fund from the Street Lighting Maintenance Assessment Fund are typically transferred twice a year, in January and June, subsequent to assessment receipts on property tax bills.

The Bureau's revised General Fund revenue is \$8.47 million which reflects a decrease of \$0.43 million from the adopted revenue amount of \$8.90 million. Year-end General Fund revenue is now projected at \$7.9 million which is \$0.57 million lower than the revised budget. General Fund reimbursements are lower than anticipated due to a high vacancy rate in Street Lighting Maintenance Assessment funded positions in the first half of the Fiscal Year.

The following transactions are recommended:

- Transfer \$115,000 from the Community Development Trust Fund to the Bureau's Salaries General (\$65,000) and Street Lighting Improvement and Supplies (\$50,000) accounts for design and construction work on the Sun Valley Street Lighting project.
- Transfer \$70,000 from the Street Banner Revenue Fund Cash Balance to the Bureau's Salaries General (\$60,000) and Street Lighting Improvement and Supplies (\$10,000) accounts to reimburse the Bureau for the installation and repair of street banners.

GG.Public Works/Bureau of Street Services
Attachment 3 – Special Fund Reappropriations
Attachment 4 – New Appropriations
Attachment 5 – Transfers between Accounts within Departments and Funds
Attachment 8 – Appropriations from the Unappropriated Balance

At this time, the Bureau projects a net year-end surplus of \$8.4 million consisting of a \$1.1 million General Fund deficit and a \$9.5 million special fund surplus. Pending approval of the various special fund appropriations and reappropriations recommended in this report, the projected General Fund deficit will be offset by year-end. The General Fund deficit is attributable to the Bureau's Pavement Preservation Program. The Adopted 2015-16 Budget provides funding for a 2,200 lane mile Pavement Preservation Program. However, \$12 million in funding for approximately 200 of these lane miles was placed in the Unappropriated Balance (UB). A total of \$1.1 million is recommended to be transferred from the UB to the Bureau to offset projected deficits in the Hiring Hall Salaries, Hiring Hall Benefits, and Construction Expense accounts.

Additionally, the Bureau is requesting new fund appropriations and one reappropriation totaling \$196,647.61 related to interim projects and off-budget grants. New appropriations totaling \$190,277.86 from the Subventions and Grants Fund are recommended for approval. One reappropriation of \$6,369.75 from the Street Furniture Revenue Fund for tree trimming in Council District 14 is also recommended for approval. Without these requested funds, various special-funded programs and projects will not be reimbursed, started, or completed this fiscal year.

General Fund receipts through the end of March total \$17.7 million, which represents approximately 43 percent of the Bureau's total revised revenue budget of \$41.6 million. The Bureau anticipates meeting most General Fund revenue targets and reports that General Fund revenue from overhead reimbursements is typically received at the end of the fiscal year.

The following transactions are recommended at this time:

- Transfer \$1.1 million from the UB, Pavement Preservation Program account to the Bureau of Street Services, Hiring Hall Salaries (\$200,000), Hiring Hall Overtime (\$200,000), and Construction Expense (\$700,000) accounts to offset deficits projected in the Pavement Preservation Program.
- Appropriate \$36,467.74 from the Subventions and Grants Fund to the Bureau for the State of California, Resource Recycling & Recovery, California Tire Recycling Management Program.
- Appropriate \$50,962.00 from the Subventions and Grants Fund to the Bureau for the concrete infrastructure replacement at 12655 Jefferson Blvd.
- Appropriate \$62,000 from Subventions and Grants Fund to the Bureau for landscape maintenance associated with the MTA I-405 Sepulveda Blvd. Widening Project.

- Appropriate \$40,848.12 from the Subventions and Grants Fund to the Bureau for the State of California, Resource Recycling & Recovery, California Tire Recycling Management Program
- Reappropriate \$6,389.75 from the Street Furniture Revenue Fund to the Bureau for tree trimming services in Council District 14 per C.F. No. 14-0600-S260.
- Transfer receipts totaling \$223,140.73 from the Subventions and Grants Fund to the Bureau's Revenue Source Code No. 465800, Special Events, to reimburse for various services provided by BSS for special events held from September 2015 through December 2015.
- Transfer and appropriate receipts totaling \$468,184.15 from the Subventions and Grants Fund to the Department of Transportation's (DOT) Salaries Overtime account to reimburse for various services provided by DOT for special events held from September 2015 through December 2015.
- Transfer and appropriate \$46,827 from the Subventions and Grants Fund to the Los Angeles Fire Department's (Fire) Sworn Salaries account to reimburse for various services provided by Fire for special events held from September 2015 through December 2015.
- Transfer and appropriate \$341,021.73 from the Subventions and Grants Fund to the Police Department (Police) Sworn Overtime account to reimburse for various services provided by Police for special events held from September 2015 through December 2015.
- Transfer receipts totaling \$14,214.60 from the Subventions and Grants Fund to the Building and Safety Permit Enterprise Fund for various services provided by Building and Safety for special events held from September 2015 through December 2015.
- Transfer receipts totaling \$13,419.51 from the Subventions and Grants Fund to the Solid Waste Resources Fund for various services provided by the Bureau of Sanitation for special events held from September 2015 through December 2015.

HH. Recreation and Parks

Recommendation No. 19

The Department is projecting a net year-end surplus of approximately \$250,000 mainly due to a surplus in the Salaries General account (\$4.8 million). The majority of the salary surplus will be used to offset projected shortfalls in the Salaries As-Needed (\$3.4 million), Salaries Overtime (\$50,000), Salaries Hiring Hall (\$50,000), Fringe Benefits, Hiring Hall (\$700,000), and Contractual Services (\$567,000) accounts per the Board of Recreation and Parks Commissioners' action on May 4, 2016. Any funds remaining at year-end will revert to the Department's Unreserved and Undesignated Fund Balance.

The Department continues to utilize part-time staff, Overtime, and Hiring Hall to cover shortages in full-time personnel due to retirements and transfers despite the assertive hiring efforts by the Department. Over the past year, the Department has hired approximately 100 full-time employees but only gained a net increase of approximately 20 full-time employees as of March 2016.

This Office continues to monitor the following issues of concern for the Department:

- There are potential utility cost increases of \$2 million to \$2.5 million due to rate increases which became effective April 15, 2016.
- Potential shortfalls in the Salaries-As-Needed, Salaries-Overtime, and Salaries-Hiring Hall accounts due to shortage in full-time employees and other unexpected program and event needs.
- There are potential shortfalls related to the Summer Night Light Program (SNL), Gang Reduction and Youth Development (GRYD) Worker operations due to the addition of the Friday Nights Program, a new extension of the SNL Program. On April 19, 2016, the Council approved a transfer funds to address these shortfalls.

The Department expects to meet its \$46.9 million revenue budget for this fiscal year.

Cabrillo Marine Aquarium (CMA) Boat Replacement

The Department requests \$165,000 in Municipal Improvement Corporation of Los Angeles (MICLA) funding to cover a funding shortfall for the Cabrillo Maine Aquarium (CMA). The boat replacement was approved in GSD's MICLA Budget (Fleet Replacements) in December 2014 for an amount of \$30,000 based on GSD's initial estimate. However, the current quote for this specialized vessel is \$195,000. The replacement of this boat is crucial to CMA's operations and the marine life preserved at the aquarium. It is also necessary to avoid the loss of accreditation by the Association of Zoos and Aquariums.

The following transaction is recommended:

- Approve \$165,000 in MICLA funding to cover a funding shortfall for the Cabrillo Maine Aquarium boat replacement and related Controller instructions.

II. Transportation

Attachment 4 – New Appropriations

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

Recommendation Nos. 30 through 32

It is projected that the Department will complete the year within budget across all accounts. The Department's overall projected year-end surplus is \$7.8 million, mainly due to a salary surplus of \$6.4 million across all various funding sources and assumes approval of transfers in this FSR. This assumption includes a Traffic Safety Fund (TSF) reduction to the Salaries As-Needed account as a result of the decline in TSF Revenues which fund the Crossing Guard Program. The Department will be able to offset any projected shortfalls in this account with General Fund surpluses within the same account.

General Fund Revenue

The revised revenue budget for Parking Fines is \$147 million, which is \$10.6 million less than the adopted revenue budget of \$157.6 million. Receipts collected through March 31st are approximately \$109 million and are on track to make the revised revenue budget.

The Department's revised revenue budget is \$50.6 million which reflects a \$1 million decreased from the adopted budget amount of \$49.6 million. Approximately 67 percent of the Department's budgeted General Fund Revenue has been received as of April 2016. The Department reports that the majority of the receipts are received in the second half of the fiscal year such as related cost billings and other reimbursements owed which are processed by the Board of Public Works Accounting. No major issues have been reported.

Special Fund Revenue

The 2015-16 Adopted Proposition C Anti-Gridlock Fund assumed \$6.6 million in anticipated revenues from the Transportation Grant Fund (TGF) for salary reimbursements and \$1.2 million for TGF accumulated interest. However, year-end revenue estimates from these two sources are now projected at \$4.1 million, which is 47 percent below the budget amount. It is recommended that revenue and expenditure appropriations be reduced in the amount of \$3.7 million to mitigate any potential cash shortfall within the fund as a result of the decline in revenue.

The following transactions are recommended at this time:

- Transfer approximately \$1.30 million between various accounts to cover anticipated shortfalls as follows: 1) transfer \$1.3 million from the Salaries General (\$700,000) and Salaries As-Need (\$600,000) accounts (General Funds) to the Salaries Overtime account to cover an anticipated General Fund shortfall related to traffic control services for various special events; 2) transfer \$2,500 from the Salaries Overtime account to the Salaries General account (Department Transportation Regulation and Enforcement Funds) for

administrative and accounting support on overtime; and, 3) Transfer \$600 from the Salaries As-Needed account to the Salaries Overtime account for Crossing Guard program overtime.

- Transfer \$100,000 from the Contractual Service account to the Office and Administration Expense account to purchase materials to build out, repair, or replace cubicles at the Caltrans building.
- Transfer \$84,000 from the Contractual Services account to the Transportation Equipment account to support the purchase of two replacement vehicles for the Bandit Taxicab Enforcement Program.
- Transfer \$60,000 from the Salaries As-Needed account to the Office and Administrative Expense account to provide training for Disability Awareness and Public Participation Skills.
- Transfer \$100,000 from the Salaries As-Needed account to the Office and Administrative Expense account to provide for computer hardware and software purchases for staff.
- Authorize the Controller to write off \$300 in losses from the Department's Petty Cash Fund and relieve the Department of accountability for the loss of these funds. The loss was identified in 2013 subsequent to a Controller audit. Prior to 2010, the Department's Permit Office accepted cash at the public counter. In 2010, the Department discontinued the acceptance of cash and the petty cash was stored in a locked cabinet. It was assumed that the Petty Cash was still under lock and key until the audit revealed otherwise.
- Transfer \$10,000 from the Contractual Services account (Measure R) to the Printing and Binding account for Vision Zero expenditures.
- Transfer \$190,000 from the Contractual Services account to the Measure R Local Return Fund to support pending invoices and work not yet completed for the Vision Zero Technical Collision Analysis.
- Transfer \$1.3 million from the Contractual Services account to the Measure R Local Return Fund to support on-going work related to the installation of temporary curb extensions and planter projects on Great Street corridors.
- Increase appropriations to the Salaries Overtime account by \$72,000 from Harbor Reimbursement revenue to reflect the revenue received from the Harbor Department for overtime charges incurred for the I-110/C Street Interchange project, the I-110/SR-47/John S. Gibson Blvd Interchange project, and the Sampson Way Roadway Improvement project.

- Transfer and appropriate \$200,000 from the Local Transportation Fund, Bicycle Cycle Track appropriation to the Bureau of Street Services Construction Expense, Contractual Services, and Operating Supplies Expense accounts as reimbursement for work already performed on overtime to install the Los Angeles Cycle Track.
- Transfer \$593,085.74 in accumulated interest from the Transportation Grant Fund to the Proposition C Fund per the 2015-16 Adopted Budget.
- Authorize a new appropriation in the amount of \$87,851.20 to a General Fund revenue account to be determined (Grant Reimbursements) and transfer these funds to the Department of Transportation, Revenue Source Code 5331, Related Cost Reimbursement, for prior year reimbursements.
- Transfer \$5,084,834.09 from the unappropriated cash balance within the Automated Traffic Surveillance and Control System (ATSAC) Trust Fund, to the Transportation Grant Fund, Revenue Source Code 5301, Reimbursement from Other Funds. These grant reimbursements were received and inadvertently deposited into the ATSAC Trust Fund.
- Transfer \$92,832.62 from the Transportation Review Fee Fund, FY 2015 Revenue Source Code 4673, Expedited Permit Fee, and \$89,000 from the FY 2016 Revenue Source Code 4673, Expedited Permit Fee, to the Department's Overtime account to cover current and anticipated overtime charges for this workload by year-end.
- Reduce Proposition C Transportation Grant Fund appropriations in the amount of \$3.7 million to the Salaries General account within various departments due to untimely cost reports, resulting in delayed billings. The impacted departments consist of Transportation, Bureau of Contract Administration, Bureau of Engineering, Bureau of Street Lighting, and Bureau of Street Services.
- Reduce revenue appropriations within the Proposition C Transportation Grant Fund in the amount of \$3.7 million as follows: reduce \$0.60 million within the Proposition C Fund, Revenue Source Code 4903, Interest Income, and \$3.1 million within Proposition C Fund, Revenue Source Code 5301, Reimbursement from other funds.
- Authorize a new appropriation of \$3,363,648.58 within the Transportation Grant Fund (TGF) and subsequently transfer these funds to the General Fund, Revenue Source Code 5331, Related Costs Reimbursements, for various Departments (Transportation, Bureau of Contract Administration, Bureau of Engineering, Bureau of Street Lighting, and Bureau of Street Services). The Adopted Budget assumes related cost reimbursements from grant funded work to the General Fund. The City policy is to reimburse the General Fund with any related costs reimbursements collected from grantors.
- Authorize a new appropriation of \$3,550,484.86 within the Transportation Grant Fund (TGF) and subsequently transfer these funds to the Proposition C Fund, Revenue Source

Code 5301, Transportation Grant Fund Salary Reimbursement. This action will provide reimbursement to the Proposition C Anti-Gridlock Fund as TGF positions were front funding in the adopted budget by Prop C.

JJ.Zoo

Attachment 5 – Transfers between Accounts within Departments and Funds

Attachment 6 – Transfers between Departments and Funds

The Department is projected to end the year within budget. The Department is requesting transfers from the Salaries General account to cover As-Needed staffing, overtime costs, and Hiring Hall Benefits due to staffing shortages and special events. The Department is also reporting a shortfall in the Animal Feed and Grain account as a result of high acquisition and storage costs. A transfer from salary savings in the Salaries General account is recommended to offset this shortfall.

Admissions revenue for the Zoo Department is projected to fall approximately \$768,000 short of the adopted revenue target. However, it is anticipated that an equivalent reduction in the budgeted Marketing Refund to GLAZA will mitigate the projected deficit. This Office will continue to monitor the Department's revenue projections.

The following transactions are recommended at this time:

- Transfer \$12,300 from the Salaries General account to the Controller's Office's Salaries As-Needed account to reimburse for a 120-day Accounting Clerk position.
- Transfer \$115,000 from the salary savings in the Salaries General account to the Police Department Salaries Overtime account to reimburse for LAPD Security Services special event overtime costs.
- Transfer \$13,000 from the salary savings in the Salaries General account to the Salaries Overtime account to reimburse for overtime costs for GLAZA special events.
- Transfer \$25,000 from the salary savings in the Salaries Hiring Hall account to the Benefits Hiring Hall account to cover benefit costs.
- Transfer \$30,000 from the Salaries General account to the Salaries As-Needed account for additional part-time staff throughout the end of the fiscal year.
- Transfer \$50,000 from the Salaries General account to the Animal Feed and Grain account for cost increases in animal food purchases.

2. STATUS OF NON-DEPARTMENTAL FUNDS AND SPECIAL ACCOUNTS

This section addresses the status of non-departmental expenditures and revenues and highlights issues of concern.

A. General City Purposes

Attachment 8 – Appropriations from the Unappropriated Balance

Attachment 9 – 2016-17 General Fund Reappropriations

Recommendation Nos. 16

Since the Mid-year FSR, the projected year-end deficit has decreased from \$0.95 million to approximately \$0.63 million. This deficit is composed of shortfalls in the Medicare (\$435,000) and Pension Savings Plan (\$175,000) accounts based on the current expenditure trend. In addition, unfunded expenditures in the amount of \$17,749.32 are now projected in the Police Pension Defrayal account. The projected deficit for the Social Security account has been eliminated. A supplemental General Fund appropriation of \$627,749.32 is required to offset the anticipated shortfalls in these accounts.

The Tier 5 Fire and Police Pension plan includes an employee contribution rate of nine percent of pay; however, the City pays one percent of the participating employee's contribution rate contingent on the pension system remaining at least 100 percent actuarially funded for pension benefits. The Los Angeles Fire and Police Pensions System requests payment for member service buybacks for fiscal year 2014-15 in the amount of \$17,749.32. The service periods which are covered in the purchase contracts are from January 1, 2002 through June 30, 2006 which represent the time during which the City incurred the 1 percent obligation.

The following transactions are recommended:

- Transfer \$627,749.32 from the UB, Reserve for Mid-Year Adjustments to the Medicare (\$435,000), Pension Savings Plan (\$175,000), and Police Pension Defrayal (\$17,749.32) accounts to offset year-end shortfalls. Relative to the transfer to the Police Pension Defrayal account, transfer therefrom to the Fire Police Pensions Fund to pay for the City's one percent Fire/Police Pensions-Tier 5 contribution defrayal costs.

2016-17 Reappropriations

- Reappropriate the unencumbered balance remaining in the General City Purposes Fund, in the same amount and into the same account as exists on June 30, 2016 for the accounts as follows: 1) Council District Community Services (various accounts); 2) Domestic Abuse Response Teams (DART) (up to \$108,414.87); 3) Heritage Month Celebrations and Special Events; 4) Cultural, Art and City Events; and 5) Council Community Projects.

B. Unappropriated Balance

Attachment 7 – Transfers to the UB, Reserve for Mid-Year Adjustments

Attachment 8 – Appropriations from the Unappropriated Balance,

Attachment 9 – 2016-17 General Fund Reappropriations

Attachment 10A – Status of the Unappropriated Balance – General Accounts

Attachment 10B – Status of the Unappropriated Balance – non-General Accounts

Recommendation No. 34

The Unappropriated Balance (UB) began with a balance of approximately \$103.6 million. As of April 30, 2016, \$10,927.20 has been appropriated from the UB General Account through Council action, reducing the General Account balance from \$50,000 to \$39,072.80. To date, approximately \$43.2 million has been transferred or reappropriated to the UB and \$60.6 million (including pending transactions) has been transferred out, leaving a balance of \$86.2 million.

This report includes recommendations to appropriate \$6.8 million from various UB line items to address shortfalls in department and non-department accounts. These recommendations reduce the Unappropriated Balance to approximately \$79.4 million.

It is also recommended to reappropriate and or appropriate up to \$69.9 million from current year funding to address ongoing funding obligations for the following accounts:

Account	Amount
Standards of Cover Analysis (LAFD)*	\$400,000.00
Economic Development Initiative	\$1,500,000.00
CityLink LA (ITA)*	\$160,630.00
Reserve for Liability Resolution	\$47,885,640.09
Sidewalk Litigation	\$15,000,000.00
Reserve for Mid-Year Adjustments**	\$5,000,000.00
Total	\$69,946,270.09

*See relative department sections for further detail.

**Year-end savings from this account will revert to the Reserve Fund and be appropriated to the UB, 2016-17 Budgetary Shortfalls account.

Economic Development Initiative (\$1.5 million): The amount of \$1.5 million was reappropriated in the 2015-16 Unappropriated Balance for support of a Citywide Economic Development Nonprofit (CEDN), performing Citywide property asset management, transaction financing and economic development strategic planning activities. The matter is currently awaiting hearing in the Economic Development Committee pending a joint CLA/CAO report (C.F. 08-3050). It is recommended that these funds be reappropriated as funds will be required in 2016-17 for potential consultant costs for citywide economic development expenses, including strategy and planning.

C. Human Resources Benefits

Attachment 5 – Transfers between Accounts within Departments and Funds

The Mid-Year FSR identified a \$7.9 million year-end deficit in the Human Resources Benefits (HRB) Fund which was subsequently reduced to \$0.83 million after the approval of recommended mid-year actions. Since that time, the remaining year-end deficit has been eliminated and a net year-end surplus of about \$796,000 is now projected. Specifically, a year-end surplus of about \$1.27 million is anticipated in the Unemployment Insurance, Civilian Flexible Benefits (FLEX), and Police Health and Welfare Program accounts. However, a portion of the surplus (\$0.473 million) is needed to offset projected shortfalls in other accounts within the Fund. After accounting for all year-end recommendations, the year-end surplus is reduced to approximately \$796,000. The remaining surplus has been assumed as part of the year-end reversions.

The surplus and recommended adjustments within the HRB Fund are described below:

- **Civilian FLEX Program:** As previously reported, the ten percent health care premium contribution by every civilian employee was not realized resulting in a deficit in the Civilian FLEX Program account. The majority of the deficit was offset in the Mid-Year FSR, leaving a remaining deficit of about \$829,500. The Personnel Department now reports that a year-end supplemental appropriation is no longer necessary as health care benefits carrier adjustments have resulted in sufficient credits to the City to fully offset the remaining deficit. Instead, a \$455,000 surplus is now anticipated in this account which has been assumed as part of the year-end reversions.
- **Police Health and Welfare Program:** A \$468,000 surplus is projected in this account due primarily to enrollment in Police health plans remaining flat as a result of sworn attrition. A portion of this surplus is needed to offset the deficits in the Fire Health and Welfare Program (\$150,000) and the Supplemental Civilian Union Benefits (\$300,000) accounts which reduces the surplus to \$18,000.
- **Fire Health and Welfare Program:** A \$150,000 deficit is projected in this account mainly due to an increase in enrollment in Fire health plans. This deficit is fully offset by a transfer from the Police Health and Welfare Program account.
- **Supplemental Civilian Union Benefits:** A \$300,000 deficit is projected in this account due to an increase in civilian enrollment in plans providing supplemental benefits as negotiated through employee memoranda of understanding (MOU) and the provision of a new vision benefit for MOU 3 members. This deficit is fully offset by a transfer from the Police Health and Welfare Program account.
- **Unemployment Insurance:** A \$346,000 surplus is projected in this account due to lower than projected unemployment claims expenditures. It is recommended that \$22,700 of this

surplus be reserved to offset a potential deficit in the Employee Assistance Program account which reduces the projected year-end surplus to \$323,300.

- Employee Assistance Program (EAP): A \$22,700 deficit is projected in the Employee Assistance Program account due to an increase in civilian enrollment. This Office will continue to monitor the status of the account and recommend an appropriate transfer to offset the deficit, if needed.

The following transactions are recommended:

- Transfer \$150,000 from the Police Health and Welfare Program account to the Fire Health and Welfare Program account to cover the projected deficit resulting from higher than projected enrollment in the health care plans.
- Transfer \$300,000 from the Police Health and Welfare Program account to the Supplemental Civilian Union Benefits account to cover the projected deficit resulting from an increase in civilian enrollment and the provision of a new vision benefit for employees represented by MOU 3.

D. Liability Claims Account **No Recommendation**

The 2015-16 Adopted Budget provided \$53.91 million for liability claim expenditures. However, this amount was insufficient to address current year expenditures in the amount of \$110.11 million. As a result, the Mayor and Council approved supplemental appropriations in the amount \$56.2 million throughout the year, which increased total funding for liability claims to \$110.11 million.

To date, the City has approved \$100.70 million in payouts (actual expenditures plus payments that still need to be processed) for an available balance of \$9.41 million in Liability Claims. After accounting for pending cases that are expected to be paid out by year-end, all funds are expected to be spent. The current budget of \$110.11 million is sufficient to meet current year obligations in the Liability Claims account.

3. STATUS OF EMPLOYMENT

A. Employment Level Report **Attachment 11 – Employment Level Report**

Citywide employment authority from all funding sources totaled 34,638 at the end of March for both civilian and sworn classes. There are 30,723 filled positions at the end of March. Departments reported a total of 3,896 vacant positions: 2,443 General Fund and 1,453 special funded.

B. 120 Day Employees

Attachment 12 – Status of 120 Day Employees

This Office is required to report the number of retired individuals employed under Charter Section 1164(b). Charter Section 1164(b) authorizes employment of a retired employee to a vacant position in a class in which he or she has been previously employed for a period not to exceed 120 days in any fiscal year, subject to Mayor approval. This is authorized when the retired employee's services are required for an emergency or to prevent stoppage of public business or when his/her special skills are needed to perform work of a limited duration. A total of 282 appointments were authorized as of the end of March, an increase of five positions since the last reporting period. This is slightly higher than the 279 authorized in the prior fiscal year for the same time period. The total approved does not represent the actual number of 120 day employees that will actually come on payroll. For example, in the case of the Controller's Accounting Resource pool, not all individuals on the list will be hired.

4. STATUS OF FEE WAIVERS AND SUBSIDIES

A. Special Event and Convention Center Fee Waivers

The Budget and Finance Committee instructed this Office to periodically report on the number and amount of Council-approved fee waivers (subsidies) associated with special events and with Convention Center meetings and events. The Office of the City Clerk, is responsible for the administration of fee waivers.

The Office of the City Clerk reports that out of available fiscal year funding, 48 waivers have been allocated in the current fiscal year. Approximately \$5.4 million in Citywide special events and Council District fee subsidies remains to be allocated, \$3.0 million and \$2.4 million, respectively.

B. Development Fee and Permit Subsidies

In accordance with the City's Development Fee Subsidy Policy, this Office is required to report on the number and amount of Council-approved development fee subsidies. No subsidies were approved for this reporting period.

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

The City's Financial Policies instruct the City Administrative Officer (CAO) to periodically report on the status of the Municipal Improvement Corporation of Los Angeles Commercial Paper Programs (MICLA CP).

In June 2004, the Mayor and Council approved a \$200 million MICLA CP program to be used as temporary financing for approved capital construction projects and capital equipment purchases. In December 2009, the Mayor and Council approved an increase of \$100 million to expand the MICLA CP Program from \$200 million to \$300 million. In June 2013, the Mayor and Council approved to expand the Program from \$300 million to \$335 million (C.F. 13-0637). In May 2016,

the Mayor and Council approved to expand the Program from \$335 million to \$395 million (C.F. 16-0472). This expansion is expected to be completed by mid-June.

In November 2015, the Mayor and Council approved a \$110 million MICLA CP Program to be used as temporary financing for capital improvements and capital equipment purchases relating to the Los Angeles Convention Center (LACC) (C.F. 15-1206). As of May 23, 2016, there is \$1 million of taxable CP notes outstanding under the CP Program for LACC at an interest rate of 0.65 percent.

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

Below is the status of the MICLA CP Program through May 23, 2016:

<i>Reporting Period</i>	<i>Amount Outstanding</i>	<i>Range of Interest Rates</i>
02/01/16-05/23/16	\$ 201,628,000	0.01% to 0.47% (tax-exempt)
02/01/16-05/23/16	48,000,000	0.11% to 0.45% (taxable)
<hr/>		
<i>Total: \$ 249,628,000</i>		

On June 1, 2016, approximately \$120 million of commercial paper notes are expected to be paid off. This will bring the new outstanding amount to approximately \$130 million.

6. STATUS OF GANG REDUCTION AND YOUTH DEVELOPMENT (GRYD) PROGRAM

Attachment 13 – GRYD Status Report of Expenditures/Payments

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

Total funding for the Fiscal Year 2015-16 Gang Reduction Program in the Mayor's Gang Reduction and Youth Development (GRYD) Office is approximately \$28.6 million from the following sources: \$26.1 million from the General Fund and \$2.5 million from federal and state grants. Of this amount, \$1.73 million is allocated for GRYD salaries and administration expenses and approximately \$26.9 million for contracted agencies. As of March 31, 2016, total expenditures were \$11.03 million and encumbrances were \$17.5 million.

Attachment 13 outlines the distribution of funds to each of the GRYD contracted agencies for FY2015-16. The GRYD Office is currently comprised of 22 positions as of March 31, 2016: Seven (7) staff members provide administrative/fiscal management and fifteen (15) staff members provide program development and implementation including Summer Night Lights, Gun Buy Back, Prevention and Intervention service coordination in GRYD Zones and Secondary Areas; also targeted efforts for the Watts Regional Strategy and Rampart Regional Strategy. Additional

services are currently provided by three contractors on research, evaluation and data reporting. Funds allocated for the GRYD Office, administration and program staff consists of \$1,347,030 in General Funds. Salary expenditures for the period July 1, 2015 to March 31, 2016 total \$1,000,777 (General Fund - \$817,304; Grant Funds - \$183,473).

7. TRAFFIC SAFETY FUND

Recommendation Nos. 28 and 29

The Traffic Safety Fund (TSF) receives revenue through Municipal Court fines collected from persons charged with a misdemeanor or infraction under the State Vehicle Code. Revenues can be used to fund the maintenance, improvement or construction of public streets, bridges and culverts. The fund can also be used for traffic control and safety devices, traffic law enforcement and accident prevention.

Revenue collected through April 2016 is 62 percent (\$4.9 million) of the budgeted amount of \$7.9 million. Based on current collection trends, a \$2.65 million shortfall is projected. As such, current year Fund receipts are being revised from \$7.9 million to approximately \$5.3 million.

The Traffic Safety Fund provides the Bureau of Street Services (BSS) with \$2.3 million to support the costs of maintaining the City's streets and to support the costs of the Pavement Preservation Plan and \$5.5 million for the Department of Transportation (DOT) to support the cost of crossing guards. This Office has worked with these departments and recommends the following actions to mitigate the anticipated cash shortfall in the TSF at year-end:

- Reduce appropriations to BSS by \$0.82 million to mitigate any potential cash shortfall in the TSF. Sufficient funds are available within the Bureau's existing budget to offset the reduction in TSF funding. The Pavement Preservation Plan will not be negatively impacted by these recommendations.
- Reduce appropriations to DOT by \$1.8 million to mitigate any potential cash shortfall in the TSF. Sufficient funds are available within the DOT's existing budget to offset the reduction in TSF funding.

8. STATE BUDGET UPDATE

On May 13, Governor Brown released his May revision to the proposed 2016-17 State budget. The May Revision reduced the tax revenue forecast by \$1.9 billion, reflecting lower than anticipated income tax and sales tax receipts, and the reserve is \$1.7 billion lower than the Governor's January proposal. The revised budget also reflects new spending commitments that were approved since January, including the minimum wage increase, increased costs associated with new collective bargaining agreements, and additional funding for health and human services programs.

It should be noted that there is continued concern that the State is overdue for a recession and concern that the State's commitments will soon exceed expected revenues.

Other proposals in the Governor's May Revise, as detailed by the League of California Cities, include:

- \$267 million in Mental Health Services Act (Proposition 63) bond proceeds to address chronic homelessness.
- Removal of local government requirements for a conditional use permit or other local review or approval for infill housing developments (e.g., Granny Flats). The California League of Cities opposes this change on the basis that it limits City discretion over housing.
- Additional details on the siting grant program for re-entry facilities, including a competitive application process to determine distribution, requirement that a portion of funds be used to increase public safety and improve communication with neighbors, and additional funding for sites that serve ex-offenders for a minimum of 10 years.
- Increased funding to purchase and implement a seed-to-sale tracking system for medical marijuana.
- An additional \$30 million to the California Disaster Assistance Act funding for local jurisdictions, an additional \$10 million for the implementation of the California Earthquake Early Warning System, and \$36.1 million for the coordination of emergency medical and natural disaster response.
- Increased funding for emergency drought response, including grants to local entities to remove hazardous trees, emergency drinking water support, and helicopters during peak fire season.
- Increased funding for environmental justice concerns, including neighborhood air quality monitoring near oil and gas facilities, pesticide air monitoring, and funding to make the pilot Environmental Justice Compliance and Enforcement Working Group permanent.
- \$55.6 million increase in federal funds for child care and development.

The legislature is currently holding hearings on the May Revise changes and the constitutional deadline for the legislature to adopt the final budget is June 15. This Office will continue to monitor State Budget developments and provide updates as necessary.

9. EXEMPTIONS FROM GENERAL FUND ENCUMBRANCE POLICY

Attachment 14 – General Fund Encumbrance Policy Exemptions-FMS

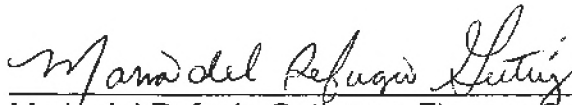
Attachment 15 – General Fund Encumbrance Policy Exemptions-SMS

Recommendation Nos. 7 and 8

On February 15, 2013, the City Council adopted the General fund Encumbrance Policy. Under this policy, any Financial Management System (FMS) and Supply Management System (SMS) encumbered funds that remain unspent for a period longer than one fiscal year shall be disencumbered and reverted every fiscal year. Funds for capital projects are exempt from this policy. As such, the Office of the Controller and the General Services Department will automatically disencumber any FMS and SMS prior year encumbrances from 2014-15 and earlier, pursuant to this Policy. Recommendations are included in this report to exempt certain encumbrances from this process based on the following conditions: 1) a legal obligation/liability exists (goods and services must have been provided), but not yet paid); 2) a contingent liability exists (likely to become liabilities as a result of conditions undetermined at a given date, such as unsettled disputed claims, uncompleted contracts, and pending lawsuits); or, 3) a legislative appropriation for a specific project cannot be completed within the allowable time frame.

The following transactions are recommended:

- Exempt up to \$42,961,346.70 in FMS prior-year encumbrances (various) from the General Fund Encumbrance Policy as per Attachment 14, with the final amounts to reflect the most current encumbrance balance as of June 30, 2016.
- Exempt up to \$40,274.82 in SMS prior-year encumbrances (various) from the General Fund Encumbrance Policy as per Attachment 15, with the final amounts to reflect the most current encumbrance balance as of June 30, 2016.


Maria del Refugio Gutierrez, Finance Specialist

APPROVED:


Ben Ceja, Assistant City Administrative Officer

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Attachments