

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: **FIRST FINANCIAL STATUS REPORT**

SUMMARY: STRONG RESERVES, PROJECTED SHORTFALLS, AND FISCAL PRIORITIES

Pursuant to the City Charter Section 291, the Office of the City Administrative Officer (CAO) monitors the budget and transmits periodic reports to the Mayor and Council detailing the City's current financial condition. As such, this Office is transmitting the First FSR for this fiscal year. This report summarizes the close-out of the 2014-15 budget and provides an update on the current-year budget—including the projected departmental deficits, early trends in revenues, the Reserve Fund, and current issues of concern and their potential impact to the City. Recommendations totaling approximately \$146 million for appropriations, transfers, and other budgetary adjustments are included in this report.

Fiscal Year 2015-16 began strong with a July 1 Reserve Fund of 8.18 percent (or \$442.5 million) of the General Fund budget, which is more than the budget estimate of 5.79 percent (or \$313.4 million). Further, with 2014-15 year-end receipts performing better than planned, the City had positioned itself on the path toward fiscal sustainability. This conclusion is echoed in recent Bond ratings received from Fitch Ratings in which they affirmed the City's AA- General Obligation Bond rating (Attachment 15). In these ratings Fitch identified several of the City's strengths, including "robust" reserves, reduced budgetary imbalance, moderate overall debt burden, and some success in addressing legal liabilities. Fitch also noted that due to national economic strength, the City is also benefitting from solid revenue which is expected to continue beyond 2015-16.

At the same time, Fitch tempered this finding by noting that in addition to significant outstanding liabilities, the City's reserves "appear to be somewhat vulnerable to current calls for increased operational spending." Indeed, immediate risks include the current-year Coalition deal impacts, a potential year-end shortfall of approximately \$62.6 million, anticipated severe weather conditions from El Niño, and the declaration of a homeless emergency coupled with a commitment by Mayor and Council to provide \$100 million for homeless services. The City also faces a 2016-17 structural deficit of \$89.8 million which does not account for ongoing Coalition deal impacts or the

homelessness \$100 million commitment. Finally, the City must address existing liabilities related to banked Police overtime and pending litigation. Although the Reserve Fund is strong, it is insufficient to address all of the various competing budget priorities, fiscal uncertainties, anticipated year-end shortfalls, and remain at the budgeted level.

In anticipation of potential salary shortfalls, the Mayor and Council established a Reserve for Mid-Year Adjustments account in the Unappropriated Balance (UB). Due to the current year demands discussed in this report, the \$17 million budgeted in the UB will have been expended within the first quarter of the fiscal year. One significant transfer from this account will support the recently established Serving and Housing LA's Homeless Account. Combined with other transfers recommended in this report, a total of \$15 million will be appropriated to this account for the City's Homelessness Initiative.

Due to the depletion of the UB, Reserve for Mid-Year Adjustments account, and the spending pressures previously noted, it is necessary to preserve the Reserve Fund to address the fiscal uncertainties that lie ahead, and for City departments to manage within their existing resources. Any departmental deficits will be reevaluated in our Mid-Year Financial Status Report (FSR), at which time we will have a better sense of many of the issues of concern we raise in this report including the actual impacts of El Niño and current year costs related to the contracts negotiated with the Coalition of City Unions.

The Mid-Year FSR will include recommendations required to close the 2015-16 deficit, including transfers from the Reserve Fund. This Office recommends that the Council and Mayor commit to maintaining the Reserve Fund at 6.0 percent and that any other amounts above 6.0 percent only be used for one, or a combination, of the following three fiscally responsible one-time uses:

- Retained in the Reserve Fund for the 2016-17 Budget deficit, as has been done in the prior two fiscal years.
- Used to pay down a portion of the Police Overtime bank, which remains a liability totaling more than \$110 million.
- Used as a contribution toward the City's recent commitment to identify \$100 million to address homelessness.

As highlighted in this report, approximately \$62.6 million in departmental expenditure shortfalls and unbudgeted expenses are projected in the current fiscal year mainly due to anticipated expenditures in the Liability Claims account, shortfalls in the Police and Fire Departments' sworn salary-related accounts, and major unbudgeted expenses such as the City's homeless initiatives. Interim recommendations pending Council consideration totaling \$5.43 million and \$11 million in transfers recommended in this report will reduce the deficit from \$62.6 million to \$46.17 million.

Managed Hiring Process

The 2015-16 Adopted Budget eliminated the City's Managed Hiring Process to provide departments with greater flexibility in managing their budgets. However, pursuant to Exhibit H of

the 2015-16 Adopted Budget, specific departments may be placed back on a Managed Hiring Process if the CAO reports through an FSR that the department is projected to incur a year-end deficit. While there are various departments and programs reporting shortfalls in this FSR, it is recommended that only those departments reporting shortfalls in salary accounts be placed on Managed Hiring. Both the Fire and Police Departments are projecting shortfalls in their salary-related accounts. Given the magnitude of the Fire and Police Departments' shortfalls, \$15.8 million and \$5.37 million respectively, it is recommended that these departments be given notice that they will need to generate internal savings to offset these shortfalls or their civilian positions will be recommended for Managed Hiring in a forthcoming FSR.

2014-15 Revised Revenue

The 2014-15 Adopted Budget assumed approximately \$5.14 billion in General Fund revenue. During consideration of the 2015-16 budget, this revenue projection was subsequently revised upward by \$37.5 million (0.7 percent) to approximately \$5.18 billion. Receipts performed better than plan, ending the year \$68.3 million more than the revised budget and \$105.9 million above the adopted budget (2.1 percent) for total general fund revenue of \$5.24 billion.

The largest contributor to this surplus was business tax receipts which came in \$37.8 million above the adopted budget, attributed both to higher-than-projected growth and a higher-than-estimated prior year base. Property tax revenue finished \$29.4 million above plan from the early receipt of secured property tax in May, although this is impacting the current year property tax shortfall. (See "2015-16 Projected Revenue" for discussion.) Additionally, the unanticipated one-time receipt of mandate reimbursements from the State and increased insurance reimbursements for the Figueroa Plaza/Da Vinci fire contributed to a \$25 million surplus in License, Permit, Fees and Fines. Other significant increases include \$7.5 million in utility users' tax receipts, \$8.8 million in transient occupancy tax receipts, \$4.6 million from the power revenue fund, and \$4.3 million in former Community Redevelopment Agency property tax increment revenue. Additionally, receipts for the residential development tax, parking occupancy tax, franchise income, interest earnings and grant receipts increased by amounts between \$1 million and \$4 million.

Offsetting this additional revenue is the shortfall in parking fines (\$12.9 million), falling further than the revised estimate as a result of relaxed parking enforcement and diverted staffing. The delayed transfer (\$5.1 million) from the telecommunications development account is currently expected in fiscal year 2015-16. Finally, sales tax revenue—already reduced to reflect slowing growth—ended the year \$3.1 million below the adopted budget.

The 2014-15 Adopted Budget, revised changes, and actual receipts are summarized in Table 1 and Attachment 1-A.

Table 1. 2014-15 Revised General Fund Revenue Budget (in millions)

	Adopted	Revised	Actual
Property Tax	\$1,644.8	\$1,645.1	\$1,674.5
Department Licenses, Permits, Fees and Fines	830.3	826.5	851.5
Utility Users' Tax	631.9	638.8	639.4
Business Tax	459.5	485.0	497.3
Sales Tax	374.1	372.3	371.0
Power Revenue Transfer	261.0	265.6	265.6
Transient Occupancy Tax	194.1	200.6	202.9
Documentary Transfer Tax	196.8	199.6	196.7
Parking Fines	165.2	154.5	152.3
Parking Occupancy Tax	98.4	100.6	100.4
Redirection of ex-CRA Tax Increment Monies	48.0	51.5	52.4
Franchise Income	43.2	45.6	45.5
Special Parking Revenue Transfer	30.6	30.6	30.6
Interest	13.5	16.0	17.2
Tobacco Settlement	9.1	9.1	9.0
Grants Receipts	10.2	11.3	14.3
Residential Development Tax	3.3	3.9	4.4
State Motor Vehicle License Fees	1.7	1.7	1.7
Transfer from Telecommunications Development Account	5.1	0.0	00.0
Transfer from the Reserve Fund	117.5	117.5	117.5
Revised Total General Fund Revenue	\$5,138.3	\$5,175.8	\$5,244.2
<i>Percent Variance from Adopted Budget</i>		<i>0.7%</i>	<i>2.1%</i>
<i>Dollar Variance from Adopted Budget</i>		<i>\$37.5</i>	<i>\$105.9</i>

2015-16 Projected Revenue

The Council adopted a \$5.41 billion revenue budget for 2015-16, representing a \$235 million increase from the prior year's revised revenue estimate and \$166 million from actual receipts (3.2 percent). To date, total 2015-16 revenue through September is \$632.8 million, representing 11.7 percent of total adopted General Fund revenue. Revenue is \$67.7 million below planned receipts as a result of significant shortfalls in property tax, department receipts and utility users' tax. (See Attachment 1-B.)

The early receipt of secured property tax at the end of 2014-15 is translating to a \$26.8 million shortfall in 2015-16 (Attachments 1-C through 1-D). However, property tax growth should be higher than the 5.9 percent assumed in the budget, and as a result, secured property tax revenue for the next tax period—beginning in December—will offset the shortfall. Department license, permit, fee and fine revenue is also \$30 million behind plan attributed to lower-than-plan reimbursements from the Library, Recreation and Parks, and Sanitation and Building and Safety

special funds. However, as the majority of revenue is received in the latter half of the year, it is not yet indicative of a year-end shortfall. There is risk to reimbursement revenue as a result of the unknown impact of vacancies and lower-than-estimated reimbursement rates (estimated at \$3 million) for Cost Allocation Plan (CAP) 37. The \$22.6 million shortfall in utility users' tax revenue is almost entirely a result of electric users' tax (EUT) revenue (\$21.5 million) (Attachment 1-E and 1-F). At this time, the Department of Water and Power is not predicting any shortfalls to EUT revenue as it expects that current heat and humidity will increase power usage and offset the shortfall. Nevertheless, this Office believes there is a downside risk due to uncertainty on sales projections and ongoing billing and collection issues. The communication and gas users' taxes are also exhibiting small shortfalls. There is further downside risk to the gas users' tax revenue as a result of declining natural gas prices (Attachment 1-G).

While there is a likelihood that these large shortfalls will shrink as the fiscal year progresses, there are some areas of concern with regards to the smaller shortfalls. Documentary transfer tax revenue reflects a shortfall of \$4.8 million. Revenue was based on moderate growth in both sales volume and price. While projected sales volume has aligned with the forecast, sales price has dropped (Attachment 1-H). It is too early to determine whether this reflects a change in the City's home sale mix, a minor correction to sales price, or an early sign of a downward trend as revenue per deed has exceeded its 2008 peak. Sales tax revenue is currently \$1 million behind plan as a result of flattening growth. This revenue lags retail sales and the latest data reflect lower growth in sales. Positive consumer sentiment and forecasts for shrinking unemployment may reverse this trend. Parking fine revenue is \$1.4 million below plan, reflecting the monthly shortfalls that began in fiscal year 2014-15. The current year budget assumptions for workload and corresponding revenue were based on the planned transition of part-time traffic officers to full-time positions. At this time the Department of Transportation expects to be at full staffing by February and will report on the projected revenue impact in the next financial status report.

Offsetting these shortfalls are receipts from parking occupancy, transient occupancy, and business taxes which are \$6.0 million, \$5.0 million, and \$3.8 million ahead of plan, respectively. However, it is too early in the fiscal year to determine a clear upward trend. Parking occupancy tax revenue reflects potential to end upward; however receipts fluctuate monthly and the prior year ended short of revised projections. Transient occupancy tax will also likely end the year exceeding projected growth, but it may not meet the adopted budget which assumes an additional \$5 million in revenue from a negotiated collection agreement with Airbnb (Attachment 1-I). The current excess in business tax receipts reflects less than 1 percent of total estimated business tax revenue; over 90 percent of this revenue is received after the mid-year.

Any deviations from planned revenue receipts are reported in FSRs along with deviations in the appropriations budget. Surpluses or deficits that are projected for year-end are typically addressed during the development of the following fiscal year's budget, at which time revenue estimates are revised. However, revenue estimates may be revised at mid-year if a significant shortfall that requires immediate budget action is projected, as was the case in 2010-11.

Reserve Fund

According to the Office of the Controller, the preliminary July 1, 2015, Reserve Fund cash balance is approximately \$575.7 million. After the return of short-term loans made by the Controller at year-end, and adjustments initiated in the prior year and those included in the 2015-16 Adopted Budget, including the \$60.3 million transfer to the Budget and the \$26.9 million transfer to the Budget Stabilization Fund (BSF), the July 1, 2015, Available Balance is approximately \$442.5 million (see Table 2 below). This represents 8.18 percent of the General Fund Budget and is \$129.1 million greater than the Adopted Budget of \$313.4 million.

Table 2. 2015-16 Reserve Fund Available Balance (millions)			
	Budget	Actual	Difference
Cash Balance, June 30	\$421.2	\$575.7	\$154.5
Other Adjustments	(20.5)	(45.9)	(25.4)
Transfer to Budget Stabilization Fund	(26.9)	(26.9)	-
Transfer to Budget	(60.3)	(60.3)	-
July 1 Available Balance	\$313.4	\$442.5	\$129.1
Emergency Account	\$148.8	\$148.8	-
Contingency Account	164.6	293.7	\$129.1
Reserve Fund as Percent of General Fund	5.79%	8.18%	2.39%

Basis for Increase in Reserve Fund

The July 1, 2015, Available Balance in the Reserve Fund was \$129.1 million greater than budgeted primarily due to higher than projected revenue and reversions, and reduced year-end transfers.

Table 3. Basis for Increase in Reserve Fund (millions)	
	Difference
Revenue	\$40.9
Reversions (Attachment 2)	109.9
Reappropriations	(19.3)
Year-End Transfers	3.7
Others	(6.1)
Total	\$129.1

After accounting for proposed and approved loans, transfers, and other transactions (including recommended transfers in this report), the Reserve Fund balance will be approximately \$393.2 million, consisting of \$148.8 million in Emergency Reserve and \$244.4 million in Contingency Reserve. This balance represents 7.27 percent of the General Fund budget which is above the 5 percent policy goal. Please refer to Attachment 3.

While the July 1, 2015, Reserve Fund balance is greater in comparison to prior fiscal years, this Office recommends that the City continue its cautious approach with the Reserve Fund despite the positive news. The City should refrain from using the Reserve Fund to offset current year deficits or funding program expansions and service restorations given the projected year-end deficit, the forecasted 2016-17 budget gap of \$89.8 million, and the risk that the projected deficit will grow for a number of reasons as discussed in the Four-Year Outlook Section. As stated above, this Office recommends that once all current year deficits have been addressed in the Mid-Year FSR, any balance remaining in the Reserve Fund above 6.0 percent only be used for one, or a combination, of the following three fiscally responsible one-time uses:

- Retained in the Reserve Fund for the 2016-17 Budget deficit, as has been done in the prior two fiscal years.
- Used to pay down a portion of the Police Overtime bank, which remains a liability totaling more than \$110 million.
- Used as a contribution toward the City's recent commitment to identify \$100 million to address homelessness.

Budget Stabilization Fund

To supplement the Reserve Fund, the Budget Stabilization Fund (BSF) was established as part of the 2008-09 Budget to prevent overspending during prosperous years and to provide resources to help maintain service levels during lean years. The 2015-16 Budget included a \$26.9 million appropriation to the BSF, bringing the balance to \$91.8 million. Including the BSF increases the City's total reserves from 7.27 percent to 8.96 percent of the General Fund budget.

Four-Year Budget Outlook

The 2015-16 Adopted Budget Four-Year Outlook (Outlook) is based on the current year budget and projections of revenues and expenditures. Attachment 4 illustrates that the City will face a budget gap of \$89.8 million in Fiscal Year 2016-17 and \$51 million in Fiscal Year 2017-18. Based on the assumptions in the Outlook, the structural deficit will be eliminated by 2018-19.

Table 4. Summary of Four-Year Budget Outlook (Millions)				
	2016-17	2017-18	2018-19	2019-20
Total Budget Gap	\$(89.8)	\$(51.0)	\$36.4	\$67.5

The Outlook assumes that civilian employees will contribute 10 percent towards the cost of the City-sponsored health plan by January 2016 and on an ongoing basis; the size of the workforce will remain flat after 2015-16; there will be no major increases to City services; no further salary increases will be agreed to in pending labor negotiations; and, each year's shortfall will be solved by ongoing rather than one-time solutions.

Since the adoption of the 2015-16 Budget, the City concluded negotiations with the Coalition of City Unions (Coalition). The new Memoranda of Understanding (MOU) with the Coalition include salary adjustments and a health and wellness bonus that is offset by an equivalent contribution to the City-sponsored health plan. The MOU also establishes a new civilian retirement tier (Tier 3) and transfers Tier 2 employees to Tier 1. These expenditures are not reflected in the Outlook.

Additionally, the Outlook does not take into account the recent policy discussions to commit \$100 million to combat homelessness. A decision to budget additional funding to combat homelessness in future years may impact the Outlook.

This Office will continue to monitor these issues and make adjustments to the forecast in the ensuing months as the assumptions in the 2015-16 Adopted Budget Outlook change.

2015-16 Projected Shortfalls and Unfunded Expenditures

This FSR is based on department expenditure and revenue information through the end of August. With only two months of data, it is still too early in the fiscal year to provide a detailed assessment of all potential surpluses and deficits. Nevertheless, approximately \$62.6 million in expenditure shortfalls are projected at this time as shown in Table 5 mainly due to shortfalls in the Liability Claims account (\$20 million), the Fire Department largely due to constant staffing overtime (\$15.8 million), the Police Department due to acceleration of police hiring in response to greater than expected sworn attrition (\$5.37 million), unfunded City homelessness initiatives including the expansion of the Winter Shelter Program (\$13.4 million), and General Fund obligations for bulky item illegal dumping expenditures (\$3.63 million).

(See Table 5 on next page.)

Table 5.
First FSR Projected Shortfalls/Unfunded Expenditures
(millions)

Department/Initiative	Amount	Reason for Deficit
Fire Department	\$15.80	Mainly constant staffing overtime attributed to Fair Labor Standards Act compliance and backfilling of vacancies due to staffing shortages and Deferred Retirement Option Plan (DROP) exits. Other shortfalls include unused sick time due to DROP exits and sworn overtime (mostly reimbursable mutual aid-related).
Police	5.37	Sworn Salaries shortfall due to acceleration of police hiring in response to greater than expected attrition of Police Officers and to enhance the hiring process by providing smaller but more frequent classes than planned in the 2015-16 Budget.
General Services	.50	Field, equipment expense account shortfall due to LAPD helicopter engine failure in July.
Transportation	.30	Contractual Services account shortfall due to unfunded bank fees associated with the collection parking citations (i.e., General Fund revenue).
Non-Departmental		
Liability Claims Account	20.00	Based on current expenditure rates and prior year expenditures, this Office projects that a year-end shortfall of \$20 million is likely in this account. This estimate is not based on an analysis of specific pending cases.
Solid Waste Resources Fund-General Fund swap	3.63	General Fund obligation for bulky item illegal dumping expenditures due to Special Fund ineligibility (CF 11-1013-S6).
General City Purposes-Payroll Accounts	2.07	Higher than anticipated employment levels impacting payroll accounts.
Subvention Agreement-The Village at Westfield Topanga Project	1.00	Payment required per Subvention Agreement (CF 11-1980).
Interim Requests		
City Homeless Initiatives	12.10	Mayor's homeless initiatives.
Homeless-Winter Shelters	1.30	Opening of Winter Shelter Program in November due to El Niño conditions (CF 12-1690-S4).
Illegal Dumping Backlog	.50	Overtime funding for Clean Streets Initiative backlog (CF 11-1013-S6).
Total Year-end Shortfall	\$62.6	

The amount of \$17 million was initially budgeted in the UB, Reserve for Mid-Year Adjustments account to address potential year-end deficits, including salary shortfalls. However, the funding is insufficient to offset all of the anticipated year-end shortfalls. Further, due to the current year demands on this account, it is evident that all of these funds will be virtually exhausted within the first quarter of the fiscal year. As noted in Table 6 below, there are approximately \$5.43 million in recommended transfers from this account pending Council consideration. Further, this report includes recommendations to transfer an additional \$11 million from the account. If these actions are adopted, sufficient funding remains to cover the 2015-16 budget set-aside for the Climate Action Plan. Additionally, funds in the amount of \$6.97 million were reappropriated from prior year Human Resources Benefits (HRB) Fund savings and deposited in the current year Reserve for Mid-Year Adjustments account for HRB contingencies. These funds will also remain in this account as it is still too early in the fiscal year to project HRB expenditures and make a determination regarding the need for the \$6.97 million.

Table 6. 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		
Solid Waste Resources Fund-General Fund swap	(3.63)	Bulky item illegal dumping, pending CF 11-1013-S6.
Clean Sweep Overtime-Set Aside	(0.50)	Pending CF 11-1013-S6.
Homeless Winter Shelter Program	(1.30)	Pending CF 12-1690-S4.
Subtotal	\$18.54	
First FSR		
First FSR Recommendations	(11.00)	Subvention Agreement (\$1M), UB, Serving and Housing LA's Homeless account (\$10M)
Subtotal	\$7.54	
2015-16 Budget Footnote	(\$0.50)	Climate Action Plan
HRB Contingencies	(6.97)	
Total Available	\$0.07	

Interim recommendations pending Council consideration totaling \$5.43 million and \$11 million in transfers recommended in this FSR will reduce the projected year-end deficit from \$62.6 million to \$46.17 million. If the Police Department, the General Services Department, and the Transportation Department are able to address the projected year-end deficits internally, the remaining year-end deficit will be reduced to \$40 million. The following table summarizes the anticipated budget balancing solutions along with the impact on the year-end deficit. This Office will continue to monitor the status of the year-end deficit and report on other pending solutions in the next FSR.

Table 7. Potential 2015-16 Budget Balancing Solutions (millions)		
First FSR Deficit	\$ 62.60	
Interim Actions		
Transfers from UB, Reserve for Mid-Year Adjustments	(5.43)	Solid Waste Resources Fund-General Fund swap (\$3.63M) and Clean Sweep Overtime-Set Aside (\$0.5M), pending per CF 11-1013-S6. Winter Shelter Program (1.30M), pending CF 12-1690-S4.
First FSR Recommendations		
Transfer from UB, Reserve for Mid-Year Adjustments	(11.00)	Subvention Agreement (\$1M), UB, Serving and Housing LA's Homeless account (\$10M)
Subtotal	\$ 46.17	
Anticipated Solutions		
Department to address potential deficits internally.	(6.17)	Police (\$5.37M), General Services (\$.50M), Transportation (\$0.30M)
Problem to Solve	\$ 40.00	

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:

Upcoming Challenges

City Homelessness Initiatives: Both short-term and long-term initiatives have been introduced by the Mayor and/or Council to address the issue of homelessness in the City. The Mayor requested one-time funding in the amount of \$12.765 million to address various homelessness programs, including the expansion of the Winter Shelter Program in light of El Niño weather conditions. Subsequent to this request, the Winter Shelter Program costs changed, increasing the cost of the Mayor's proposal to \$13.4 million. There is also discussion about adding beds for the Winter Shelter Program at a cost of \$1.7 million. The Mayor and Council have identified the enhancement of services for the City's homeless as a current year funding priority with a goal of providing \$100 million for homeless initiatives. This report includes a recommendation to transfer \$15 million to a new account to be established within the Unappropriated Balance (UB) entitled "Serving and Housing LA's Homeless" from the following sources: \$10 million from the UB, Reserve for Mid-Year Adjustments account and \$5 million from the Reserve Fund. Additionally, there is a recommendation to transfer \$1.3 million from the UB, Reserve for Mid-Year Adjustments account for the expansion of the Winter Shelter Program (i.e., expand the start and end dates). The Council's Homelessness and Poverty Committee is anticipated to consider these homelessness proposals. Section 10 of this report provides a more extensive discussion of the City's Homelessness Initiative.

Potential El Niño Impacts: It has been widely reported that the forthcoming rainy season will almost certainly be much more intense than normal due to an El Niño weather condition. While the El Niño is not projected to extend the rainy season, it is projected to increase the intensity of each rain incident.

If the El Niño effects materialize as projected, significant impacts on City operations and the 2015-16 City Budget are expected. Budget impacts will likely be:

- overtime expenditures for Police, Fire, Public Works, Transportation, and Water and Power; and,
- capital repairs required due to damage to the public infrastructure from the movement of water, wind, and earth.

If the weather events are severe enough, a declaration of emergency might potentially allow for financial assistance from the Federal Emergency Management Agency (FEMA). However, that is not a guarantee and the City should be financially prepared to respond.

While it is impossible to predict the size of the potential fiscal impact, we do know that in the past the City received reimbursements from FEMA for storm damage as follows:

1998 El Niño	\$ 9.4 million
2005 January Storms	\$ 28.3 million
2005 February Storms	\$ 7.6 million
2010 December/January Storms	\$ 7.6 million

Pensions

Rescinding of Civilian Tier 2: In Fiscal Year 2012-13, the City Council adopted a new civilian retirement tier, which applies to all civilian employees hired on or after July 1, 2013. The new tier was designed to reduce the City's future pension costs through a series of plan design changes. On July 28, 2014, the City Employee Relations Board ruled that the City's action in creating the new civilian retirement tier was illegal because the City did not meet and confer with labor representatives on the matter. The Board ordered that the City rescind the implementation of the new retirement tier. The City subsequently filed an appeal of the ruling in State court and entered into a mandatory settlement conference phase. As a part of the agreement with the Coalition of Los Angeles City Unions (Coalition), both the City and the Coalition have agreed to dismiss with prejudice all legal actions. After adoption of an ordinance, any employee hired will be enrolled in a new Tier 3.

Supplemental Contribution to the Los Angeles City Employees Retirement System (LACERS): In light of the agreement with the Coalition, the approximately 2,347 employees hired between July 1, 2013 and October 3, 2015, which are currently in Tier 2, will be transferred to Tier 1 at City expense. The financial impact of these decisions are expected to be determined by the LACERS' actuary based on actual transfers. The cost may be incurred in the current fiscal year in an amount unknown at this time.

Status of Litigation Regarding Sworn Health Subsidy Freeze: The case of *Jack Fry, Gary Cline, Sandra Carlsen, Yvette Moreno, and Los Angeles Retired Fire & Police Association, Inc. v. City of Los Angeles* is a lawsuit filed by individual sworn employees regarding the City's action to freeze retiree health benefits for sworn employees who elect not to contribute to these benefits. On July 28, 2014, a Superior Court issued an interim order ruling that the petitioners have a vested right to a "non-frozen" health subsidy in retirement. The court did not rule that petitioners are entitled to any particular health subsidy amount. The City appealed the Superior Court's decision. On November 12, 2014, the Court of Appeal granted the City's application for a Writ of Supersedeas which stays the Superior Court's order pending the City's appeals and requires the Los Angeles Fire and Police Pensions System's (LAFPP) Board to continue applying the retiree health subsidy freeze. In March 2015, the City filed its opening brief in the Court of Appeal, and in late May, petitioners filed their responsive brief. The case is fully briefed and the plaintiffs have indicated they are not interested in settling the case. The plaintiffs' demand is for the City to revoke the freeze. There is no date set for a hearing before the Court of Appeal. If the plaintiffs were to prevail in this case in reversing the "freeze," the City currently estimates, that the potential liability could range up to \$67 million. In addition, the petitioners are seeking not only to reverse

the "freeze" but also to invalidate the 2 percent additional pension contributions being made by employees in exchange for being exempt from the freeze. It has been estimated that the additional pension contributions amount to \$16 million per year in reduced retirement contributions by the City.

Status of Litigation Regarding the Sworn Retiree Medical Subsidy Amount: In the case of *Los Angeles Police Protective League and United Firefighters of Los Angeles City v. Board of Fire and Police Pension Commissioners v. City of Los Angeles*, the plaintiffs seek a judgment declaring that their letter of agreement with the City requires the LAFPP Board to increase the retirees' medical subsidy by the maximum amount allowable per year under the Administrative Code. The City prevailed on a demurrer, but the Court of Appeal reversed and issued a remitter, sending the case back to the trial court, which will require resolution of disputed factual issues. A new trial date was set for July 16, 2016. In the event of an adverse ruling, and based on current facts and circumstances, the City currently estimates that potential liability could be as high as \$16 million.

Litigation

Independent Living Center of Southern California, et al v. City of Los Angeles: This case was brought by three fair housing advocacy organizations against the City, the CRA/LA and 34 owners of affordable housing projects. The plaintiffs allege defendants failed to ensure that the affordable housing projects meet the accessibility requirements under federal and state civil rights laws. The City currently estimates that in the event of an adverse ruling, potential liability could be significant.

DWP Litigation: Earlier this year two class action lawsuits were filed relating to the Department of Water and Power (DWP) Power Revenue Fund transfer. Both lawsuits allege that the City charges its electric utility customers fees that exceed the cost of providing electric utility service, as evidenced by the Power Revenue Fund transfer, in violation of the State Constitution. Both lawsuits seek 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 February 10, 2014 through the final judgment. The DWP and City have filed answers to each complaint pursuant to Los Angeles Superior Court procedures. The Department of Water and Power (DWP) completed a \$253 million Power Revenue Fund transfer for Fiscal Year (FY) 2013-14 and \$265.6 million for FY 2014-15. The adopted City and DWP budget for FY 2015-16 includes \$275.3 million for the DWP Power Revenue Fund transfer. Each transfer is subject to available net income and is approved by an ordinance of the City Council prior to the transfer being made.

Gas Users' Tax Litigation: In the court case *Lavinsky v. City of Los Angeles*, the plaintiff has challenged the City's assessment of the gas users' tax on two charges included in Southern California Gas Company billings: the Public Purpose Surcharge and the State Regulatory Fee. Prior to the deregulation of natural gas utilities, these fees were included as part of the basic charge assessed on gas utility customers. Now assessed separately as regulatory charges, the Court has provisionally ruled in favor of the plaintiff, finding the existing language of the users' tax

to be ambiguous as to whether it extends beyond the basic charge. The City Attorney is now litigating the amount of refunds due to taxpayers, the method of refunding taxes, and the scope of the class entitled to refunds. Once this litigation is complete the City may decide whether to appeal this ruling. In the event of an adverse ruling, and based on current facts and circumstances, the City currently estimates that potential liability could range as high as \$12 million.

Federal

Reduction in Federal Housing Investment Partnerships Program Fund (HOME) Grant Funding: The amount of federal funding to be received as part of the 42nd Program Year of the Housing and Community Development Consolidated Plan (2016-17) is pending and is expected to impact April through June of the current fiscal year. Based on pending legislation, the City expects that funds for the 42nd Program Year will likely decrease compared to the current year. Although all cuts are a cause for concern, the most alarming is the potential reduction to the HOME grant of approximately 93 percent, or \$17 million. This is of particular concern because it comes at a time when the City is increasing its focus on homelessness.

Budgetary Adjustments

Budgetary adjustments totaling approximately \$146 million are recommended in Sections 1, 2, 8, 9, and 10 of this report which include:

- \$5 million in reappropriations from various special funds;
- \$15.3 million in new appropriations;
- \$6.9 million for transfers between accounts within various departments and funds;
- \$6.3 million for transfers between departments and funds;
- \$3.5 million appropriations from various line items in the Unappropriated Balance;
- \$25.5 million in Reserve Fund appropriations, reappropriations, and technical corrections;
- \$85.4 million re-authorization to spend Municipal Improvement Corporation of Los Angeles (MICLA) funds for the Convention and Tourism Development, Fire, General Services, and Police departments as per the 2015-16 Adopted Budget; and,
- \$1.97 million reductions in appropriations to align available grant funds with budgeted appropriations;

Attachments

- 1-A Fiscal Year 2014-15 General Fund Receipts
- 1-B Fiscal Year 2015-16 General Fund Receipts through September
- 1-C Revenue Monthly Status Report: Secured Property Tax by County Tax Year
- 1-D Revenue Monthly Status Report: Property Tax by Account
- 1-E Revenue Monthly Status Report: Utility Users' Tax
- 1-F Revenue Monthly Status Report: Electric Users' Tax
- 1-G Revenue Monthly Status Report: Gas Users' Tax
- 1-H Documentary Transfer Tax Revenue
- 1-I Transient Occupancy Tax
- 2 Schedule of Reversions to Reserve and Other Funds
- 3 Current Status of the Reserve Fund
- 4-A Four Year Budget Outlook for 2015-16 through 2019-20.
- 4-B Four Year Budget Outlook Footnotes
- 5 Special Fund Reappropriations
- 6 New Appropriations
- 7 Transfers between Accounts within Departments and Funds
- 8 Transfers between Departments and Funds
- 9 Appropriations from the Unappropriated Balance
- 10-A Status of the Unappropriated Balance – General Account
- 10-B Status of the Unappropriated Balance – non-General Accounts
- 11 Employment Level Report
- 12 Status of Fee Increases
- 13 GRYD Program Contracts and Expenditures
- 14 2015-16 MICLA Equipment List
- 15 Fitch October 20, 2015 Bond Rating Release

RECOMMENDATIONS

(Refer to Discussion Sections 1, 2, 8, 9 and 10)

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

1. Reappropriate \$5,034,626.59 from various special funds as noted in Attachment 5;
2. Appropriate \$15,300,973.45 to the Department accounts as specified in Attachment 6;
3. Transfer \$6,943,193.00 between accounts within various departments and funds as specified in Attachment 7;
4. Transfer \$6,301,381.79 between various departments and funds as specified in Attachment 8;
5. Appropriate \$3,541,097.00 from the Unappropriated Balance to various departments and funds as specified in Attachment 9;

Building and Safety

6. Relative to Building and Safety recommendations in Attachment 8, authorize the Controller to transfer cash from the Building and Safety Permit Enterprise Fund 48R/08 to reimburse the General Services Department Fund No. 100/40 and Information Technology Agency Fund No. 100/32 upon proper documentation of expenditures and approval by Building and Safety;

Controller

7. Authorize the Controller to disencumber up to \$183,000 from the Fiscal Year 2014-15 encumbered balance for the Vasquez & Company contract (C-125504) within the Controller Fund No. 100/26, Account 003040, Contractual Services, revert the disencumbered amount to the Reserve Fund, transfer \$150,000 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58, and appropriate therefrom to the Controller Fund No. 100/26, Account 003040, Contractual Services, for current year audit work;

Convention and Tourism

8. Authorize a decrease in appropriations within the Convention Center Revenue Trust Fund 725/48, Account 48400M, Convention Center Facility Reinvestment, in the amount of \$1 million, and increase appropriations in Account 48048M, LACC Private Operator, within the same fund by a like amount, to pay for capital improvement projects and additional work that will be performed directed and supervised by the private operator;
9. Authorize the Department of Convention and Tourism Development to prepare necessary warrants that do not exceed a total of \$31,000 for Fiscal Year 2015-16, 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 725/48, Account 48400M, Convention Center Facility Reinvestment, to perform, direct and supervise capital improvement projects at the Los Angeles Convention Center as defined and pursuant to the Management Agreement between AEG and the Los Angeles Convention and Exhibition Center executed on October 29, 2013, Contract No. 123199;

Economic & Workforce Development

10. Relative to the Enterprise Zone Tax Credit Voucher (EZTC) Fund 48L/22:

- A. Increase appropriations within EZTC Fund 48L/22 as follows:

<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
22M122	EWDD	\$15,509

- B. Increase/decrease appropriations within the Economic and Workforce Development Department Fund No. 100/22 as follows:

<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
001010	Salaries General	\$(369,279)
001070	Salaries As Needed	21,787

001090	Overtime General	109
002120	Printing & Binding	289
002130	Travel	422
003040	Contractual Services	362,733
003310	Transportation	491
006010	Office & Admin	6,405
006020	Operating Supplies	6
006030	Leasing	(7,454)
Total		\$15,509

C. Decrease appropriation within EZTC Fund 48L/22 as follows:

<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
22M299	EWDD Related Costs	\$(304,587)

11. Relative to the Section 108 Loan Guarantee Fund 43F/22:

A. Increase appropriation within Section 108 Fund 43F/22 as follows:

<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
22M122	EWDD	\$217,930

B. Increase appropriations within the Economic and Workforce Development Department Fund No. 100/22 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
001010	Salaries General	\$31,993
001070	Salaries As Needed	19,878
001090	Overtime General	40
002120	Printing & Binding	108
002130	Travel	157
003040	Contractual Services	154,729
003310	Transportation	182
006010	Office & Admin	2,008
006020	Operating Supplies	2
006030	Leasing	8,833
Total		\$217,930

C. Decrease appropriation within Section 108 Fund 43F as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
22M299	EWDD Related Costs	\$(25,348)

12. Relative to the Industrial Development Authority (IDA) Fund 816/22:

A. Increase appropriation within IDA Fund 816/22 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
22M122	EWDD	\$34,240

B. Increase appropriations within the Economic and Workforce Development Department Fund No. 100/22 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
001010	Salaries General	\$4,035
001070	Salaries As Needed	133
001090	Overtime General	5
002120	Printing & Binding	1,000
002130	Travel	11,500
003040	Contractual Services	8,059
003310	Transportation	22
006010	Office & Admin	6,465
006030	Leasing	3,021
	Total	\$34,240

C. Decrease appropriation within EZTC Fund 48L/22 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
22M299	EWDD Related Costs	\$(2,352)

Finance

13. Establish and appropriate new accounts within the Code Compliance Fund No. 55R/39 to support the Administrative Citation Enforcement (ACE) Program as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
39M304	ACE Contractual Services	\$382,000
39M139	Office of Finance	38,000
39M602	ACE Operating Expenses	32,000
	Total	\$452,000

14. Authorize the Office of Finance to expend funds from the ACE Contractual Services and ACE Operating Expenses upon presentation of documentation and proper demand of the General Manager of the Office of Finance, or her designee.

15. Subsequently transfer from the Code Compliance Fund No. 55R/39 to the Office of Finance Fund No. 100/39 as follows:

FROM:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
39M139	Office of Finance	\$38,000.00
39M304	ACE Contractual Services	16,060.00
39M304	ACE Contractual Services	<u>13,958.82</u>
	Total	\$68,018.82

TO:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
001010	Salaries General	\$38,000.00
003040	Contractual Services	16,060.00
RSC 5301	Reimbursements from Other Funds	<u>13,958.82</u>
	Total	\$68,018.82

Housing and Community Investment

16. Relative to aligning Fiscal Year 2015-16 budget appropriations to the Housing and Community Investment Department (HCID) to grant funds available:

- a. Decrease appropriations totaling \$689,990.18 within the Office of Traffic Fund No. 45C/43 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43M143	Housing	\$(472,485.89)
43M299	Reimbursements to General Fund Costs	<u>(217,504.29)</u>
	Total	\$(689,990.18)

- b. Decrease/Increase appropriations totaling \$472,485.89 within Housing and Community Investment Department (HCID) Fund No. 100/43 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
001010	Salaries General	\$(439,683.00)
001070	Salaries-As-Needed	(2,268.00)
001090	Overtime General	2,354.11
002120	Printing and Binding	(1,107.00)
002130	Travel	(68.00)
003040	Contractual Services	(8,344.00)
003310	Transportation	(1,086.00)
006010	Office and Administration	(7,886.00)
006030	Leasing	<u>(14,398.00)</u>
	Total	\$(472,485.89)

- c. Increase/Decrease appropriations totaling \$333,551 within Housing Opportunities for Persons With Aids (HOPWA) Fund No. 569/43 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43M143	Housing	\$(348,551.00)
43M644	Outside Auditor	<u>15,000.00</u>
	Total	\$(333,551.00)

- d. Decrease appropriations totaling \$348,551 within the HCID Fund No. 100/43 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
001010	Salaries General	\$(290,205.00)
001070	Salaries-As Needed	(3,666.00)
001090	Overtime	(837.00)
002120	Printing and Binding	(1,788.00)
002130	Travel	(111.00)
003040	Contractual Services	(13,477.00)
003310	Transportation	(1,758.00)
006010	Office and Administration	(12,716.00)
006030	Leasing	<u>(23,993.00)</u>
	Total	\$(348,551.00)

- e. Decrease appropriations totaling \$665,949 within Lead Grant 9 Fund No. 53Q/43, Account No. 43M143 - Housing;

- f. Decrease appropriations totaling \$665,949 within HCID Fund No. 100/43 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
001010	Salaries General	\$(649,779.00)
001070	Salaries-As Needed	(2,859.00)
001090	Overtime General	(851.00)
002120	Printing and Binding	(438.00)
002130	Travel	(388.00)
003040	Contractual Services	(4,613.00)
003310	Transportation	(1,562.00)
006010	Office and Administration	<u>(5,459.00)</u>
	Total	\$(665,949.00)

- g. Increase/decrease appropriations totaling \$61,231.35 within Lead Grant 10 Fund No. 54S/43 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43M143	Housing	\$(96,736.90)
43M299	Reimbursement to General Fund	<u>35,505.55</u>
	Total	\$(61,231.35)

- h. Decrease/increase appropriations totaling \$96,736.90 within HCID Fund No. 100/43 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
001010	Salaries General	\$(99,512.06)
001070	Salaries-A Needed	(910.00)
001090	Overtime General	(270.00)
002120	Printing and Binding	(131.00)
002130	Travel	(115.00)
003040	Contractual Services	(1,422.00)
003310	Transportation	(156.75)
006010	Office and Administration	(1,046.21)
006030	Leasing	<u>6,826.12</u>
	Total	\$(96,736.90)

- i. Decrease appropriations totaling \$218,328 within Lead Healthy Home Fund No. 54K/43, Account 43M143 – Housing;

- j. Decrease appropriations totaling \$218,328 within HCID Fund No. 100/43 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
001010	Salaries General	\$(213,151.00)
001070	Salaries-As Needed	(904.00)
001090	Overtime General	(270.00)
002120	Printing and Binding	(142.00)
002130	Travel	(127.00)
003040	Contractual Services	(1,479.00)
003310	Transportation	(514.00)
006010	Office and Administration	<u>(1,741.00)</u>
	Total	\$(218,328.00)

17. Establish Account 43M456 Financial Audit FYE 15, within Low and Moderate Income Housing Fund (LMIHF) No. 55J/43 and appropriate \$35,535 to this account to be expended by the Controller for a state required independent audit of the LMIHF for fiscal year 2014-15;

Planning

18. Relative to the Community Transformation Grant authorized per C.F. 12-1000:

- a. Reduce the grant receivable associated with the Community Transformation Grant by \$533,492 within the City Planning Grant Trust Fund No. 46Y/68;
- b. Reduce the appropriation amount by \$533,492 within the City Planning Grant Trust Fund 46Y/68, Account 68J204, Health Chapter;

Police

19. Appropriate \$78,627 from receipts from the 2008 disposal of surplus helicopters within Police Department Trust Fund No. 885/70, appropriation account to be determined, for equipment needed for one helicopter for LAPD/Air Support Division;

Public Works-Board

20. Upon receipt of a first installment from the Los Angeles County Metropolitan Transportation Authority (LACMTA), per the Letter of Agreement No. C-126149 related to the I-405 freeway widening project, authorize the Controller to transfer \$444,670 from the Public Works Trust Fund No. 834/50, to the Board of Public Works, Fund No. 100/74, Account 003040, Contractual Services;

MICLA

21. Relative to the Convention Tourism Development Department, re-approve the use of \$7,625,218 in MICLA financing included in the 2015-16 Adopted Budget for the projects as follows:

Project Description	Amount
1. Escalator and Elevator Repair/Modernization Program	\$ 275,218
2. South Hall Lighting System	400,000
3. Two-Pole Sign Upgrade to Programmable Signs	200,000
4. Meeting Room Sound System Upgrade	400,000
5. Concession Stand Renovation	350,000
6. Solar Array Project	6,000,000
Total	\$ 7,625,218

22. Authorize the Convention Tourism Development Department to pay funds up to \$500,000 from the newly created account from MICLA Commercial Paper Fund No. 298/48 to AEG Management LACC, LLC (LACC) as appropriate, to pay for two capital improvement projects managed by the private operator in 2015-16;

23. Relative to the Fire Department, re-approve the use of \$20,046,814 in MICLA financing included in the 2015-16 Budget for Fire Department fleet and communications purchases as part of the Department's Replacement Program as noted in Attachment 14 of this report;

24. Relative to the Fire Department, approve a substitution of the following equipment in the 2014-15 MICLA Equipment List as the department has determined that the Type III Engine will serve a greater immediate operational need:

ADD	Quantity	Amount
Type III Engine w/radio package	1	\$369,780
DELETE		
Brush Patrol Vehicle	(1)	(246,200)
Dozer Trailer 60-ton	(1)	(88,580)
Light Vehicle Radio Package	(1)	(35,000)
Total	1	\$369,780

25. Relative to the General Services Department, re-approve the use of \$35,769,989 in MICLA financing provided in the Fiscal Year 2015-16 Adopted Budget for the Citywide Fleet Replacement as noted in Attachment 14;
26. Relative to the Police Department, re-approve the use of \$9,986,171 in MICLA financing included in the Fiscal Year 2015-16 Adopted Budget for the acquisition of 251 non-patrol vehicles as noted in Attachment 14;
27. Relative to the Police Department, re-approve the use of \$12.0 million in the MICLA Commercial Paper financing program included in the Fiscal Year 2015-16 Adopted Budget for the purchase of the Digital In-car Video System (DICVS) Cameras for implementation of Phase IV in the Operations Valley Bureau as noted in Attachment 14;

Reserve Fund

28. Authorize the Controller to, transfer \$15,000,000 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate within the fund to a new account, entitled Sidewalk Litigation, the funds are available from prior year unspent sidewalk litigation funds in the Capital Improvement Expenditure Program Fund No. 100/54;
29. Authorize the Controller to, transfer \$963,334 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to the Sidewalk and Curb Repair Fund No. 57F/50, Account 50MVAV, Sidewalk Repair, the funds are available from prior year sidewalk-related savings;
30. Transfer \$590,000 from the Reserve Fund to the State AB1290 City Fund No. 53P as a technical correction to the 2014-15 Budget where a like amount source of funds to the Mayor's budget from Fund No. 53P should have been the General Fund;
31. Relative to the Fire Department, reappropriate \$3,000 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to the Fire

Department Fund No. 100/38, Account 006020, Operating Supplies, for the procurement of a storage container for Fire Station 2 in Council District (CD) 14 as the Fire Department was not able to procure the storage container by the 2014-15 year-end deadline;

32. Relative to the Police Department, reappropriate \$4,000,000 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to the Police Department Fund 100/70, Account No. 003040, Contractual Services account relative to the replacement of the Evidence Property Information Management System;
33. Relative to the Police Department, appropriate \$40,000 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to the Police Department Fund 100/70, Account No. 003040, Contractual Services, relative to the Environmental Systems Research Institute (ESRI) professional services contract; funds are available from prior year reversions from various Police accounts. Funds are available from prior year Police reversions in various accounts;
34. Appropriate \$5,000,000 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to a new account to be established within the same Fund entitled "Serving and Housing LA's Homeless," Account No. to be determined, as per CF 15-1138-S1;
35. Relative to a Reserve Fund Policy, commit at this time that any Reserve Fund balance above 6.0 percent after the resolution of all 2015-16 deficits reported in the Mid-Year Financial Status Report, be used for the 2016-17 Budget deficit, to pay down the accumulated Police overtime bank, and/or as a contribution toward the City's commitment to identify \$100 million to address homelessness;

The Village at Westfield Topanga Project

36. Relative to the transfer of \$1 million from the Unappropriated Balance, Reserve for Mid-Year Adjustments to the Village at Westfield Topanga Trust Fund identified in Attachment 9, authorize the City Administrative Officer (CAO) to prepare the necessary warrants in an amount to be determined by the CAO that is equal to the revenues attributed to the Village at Westfield Topanga in accordance with the Subvention Agreement, C-123771, as set forth in Council File No. 11-1980;

Unappropriated Balance

37. Transfer \$10,000,000 from the Unappropriated Balance Fund No. 100/58, Account 580196, Reserve for Mid-Year Adjustments to a new account to be established within the same Fund entitled "Serving and Housing LA's Homeless," Account No. to be determined, as per CF 15-1138-S1;

Technical

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

FISCAL IMPACT STATEMENT

Based on preliminary estimates, \$62.6 million in expenditure shortfalls and major unbudgeted expenses are identified in this report. Transfers, appropriations and other adjustments totaling approximately \$146 million are recommended in Sections 1, 2, 8, 9, and 10. Included in these recommendations is re-authorization of 85.4 million in MICLA financing in accordance with the 2015-16 Adopted Budget. Appropriations and reappropriations from the Reserve Fund totaling approximately \$25.5 million are recommended for sidewalk and public safety-related items and to meet contractual obligations. Appropriations of approximately \$3.5 million are recommended from various line items in the Unappropriated Balance. No adjustment to budgeted revenue is recommended at this time.

DEBT IMPACT STATEMENT

The issuance of MICLA bonds is a General Fund obligation. The re-authorization to use MICLA financing provided for in the Adopted Budget will cause the City to borrow approximately \$77.5 million (includes equipment, costs of issuance, and debt service reserve fund) at a 5 percent interest rate. The total estimated debt service is \$100.3 million which includes the borrowing amount and interest (\$22.8 million). During the life of the bonds, the estimated average annual debt service is \$10.03 million over 10 years.

With regards to the Police In-Car Video System, due to its short useful life, the repayment of debt will be over three years. The re-authorization to use MICLA financing (commercial paper only) provided in the Adopted Budget will cause the City to borrow approximately \$12 million at a short-term rate of 1.63 percent. The total estimated debt service is \$12.4 million which includes borrowing amount and interest (\$393,000). During the life of the commercial paper notes, the estimated average annual debt service is \$4.13 million.

Actual interest rates may differ as rates are dependent on market conditions at the time of issuance. We cannot fully predict what interest rates will be in the future.

In accordance with the City's Debt Management Policy, the City has set debt ceilings to use as a guide in evaluating the affordability for future debt. The debt ceiling for non-voter direct debt service as percent of General Fund Revenues is six percent. The City is currently at 4.46 percent. The issuance of the debt from this re-authorization will not impact the City's debt capacity for non-voter approved debt as the issuance of debt for routine capital equipment is already included in the debt ratio.

DISCUSSION

The CAO monitors the budget and transmits reports to the Mayor and Council detailing the City's current financial condition. This report provides an update on the current-year budget deficit, revenue shortfall and reserve fund status, and it highlights current issues of concern and the potential impact to the City. In addition, it provides an update on department revenues and expenditures, which includes recommendations totaling approximately \$146 million for

appropriations, transfers and other budgetary adjustments, and status reports on the City's spending and savings efforts.

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

Section 1. Status of Departmental Budgets.....	27
Section 2. Status of Non-Departmental Funds and Special Accounts.....	64
Section 3. Status of Employment	66
Section 4. Status of Fee Increases.....	66
Section 5. Status of the City's MICLA Commercial Paper Program	67
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1. STATUS OF DEPARTMENTAL BUDGETS

This section addresses the status of department expenditures and revenues, provides preliminary projections for year-end deficits, and highlights issues of concern. Recommendations include new appropriations, reappropriations and transfers for operational needs, as well as re-approval to expend MICLA funds as provided for in the 2015-16 Adopted Budget. Appropriations and reappropriations totaling \$25.5 million are recommended from the Reserve Fund.

Department Expenditures: This analysis is based on department expenditure and revenue information through the end of August. With only two months of data, it is still too early in the fiscal year to provide a detailed assessment of all potential surpluses and deficits. Departments projecting expenditure shortfalls consist of the Fire Department (\$15.8 million), the Police Department (\$5.37 million), General Services Department (\$0.50 million) and Department of Transportation (\$0.30 million). Since these estimates are based on only two months of expenditure data, year-end projections are likely to change.

Department Revenues: It is too early in the fiscal year to project year-end General Fund revenue. Departmental General Fund revenue estimates for this reporting period are based on only two months of receipts, July and August. No adjustments are recommended at this time.

A. Aging
No Recommendations

A year-end surplus of \$452,634 is projected for this department in the Salaries General account. The reported surplus is mainly comprised of special funds and is largely due to vacancies currently held within the Department. Aging proposes to fill six vacancies in the short term and may fill additional grant-funded vacancies through the Fiscal Year. The reported surplus may be further reduced as positions are filled later in the year.

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

B. Animal Services
No Recommendations

The Animal Services Department is projecting a year-end surplus of \$217,000 (mainly in General Funds), which is comprised of a \$336,000 surplus among the salary accounts and a \$119,000 deficit in the expense accounts. The salary surplus is primarily due to a high turnover rate and a delay in backfilling the positions. The Animal Services Department is working with the Personnel Department to fill positions as quickly as possible.

The deficit in the expense accounts is primarily due to the anticipated costs of upgrading the Chameleon database system. In the 2014-15 Year-End FSR, the CAO was instructed to identify up to \$563,000 in savings from the Department's 2014-15 surplus to fund the Chameleon project. On June 23, 2015, the Council approved the transfer of \$107,220 from the Department's Salaries General account to the Office and Administrative account to pay for the first two phases of the technology upgrade package (construction of a data bridge to connect the Wells Fargo lockbox to Chameleon and online licensing). The Animal Services Department was further instructed to report back to the Council on the status of the technology upgrade (C.F. 15-0623). Because the funds were transferred at the end of the fiscal year, the funds have since reverted and additional authority will be required to reappropriate the prior year funds to the current fiscal year. The reappropriation of the initial funding of \$107,220 is not requested at this time to address the projected deficit. Our office will continue to work with the Department on the Chameleon animal management system and will report back in a future FSR regarding any remaining funding needs for this project.

General Fund receipts through the end of August total approximately \$955,000, which represents approximately 26 percent of the Department's total revenue budget. At this time, it is too early to project a deficit or surplus for the Animal Services Department revenue, but we will continue to monitor the Department's revenue.

C. Building and Safety

Attachment 8 – Transfers between Department and Funds

Recommendation No. 6

The Department is projecting a net year-end surplus of \$4.2 million. The Department's current General Fund deficit is expected to be eliminated through anticipated transfers from the 41st and 42nd Community Development Block Grant (CDBG)-Proactive Code Enforcement Program (PACE) Plan years for eligible Code Enforcement expenditures. The Department is actively hiring positions to reduce their special fund surplus, as well as utilizing intermittent staff and overtime to address workload issues.

General Fund receipts through the end of September total \$1.2 million. The Department's non-related cost reimbursement General Fund revenue consists of Local Enforcement Agency Fees (LEA), Code Violation Inspection Fees (CVIF), Investigation Fees, and Noncompliance Fees. The 2015-16 budget for these fees is \$7,790,000. The Department anticipates meeting its General Fund revenue budget for these fees this fiscal year. The Department reimburses the General Fund for related costs on a dollar for dollar basis. Although the Department anticipates meeting all General Fund revenue targets through year-end, our Office anticipates that their revenue projections for related cost reimbursements will be revised downward in the Mid-Year FSR to account for existing special funded vacancies.

Special Fund receipts through the end of September total \$36 million, which represents approximately 26 percent of the Department's total special fund revenue budget and the Department anticipates meeting all special fund revenue targets through year-end.

The Department requests that funds be appropriated to the Department of General Services (GSD) and the Information Technology Agency (ITA) to expedite payment for facilities and communications service requests. The Department anticipates submitting a significant number of communications and facilities requests this fiscal year due to various restack projects and office reorganizations resulting from increased position authorities and recent staff displacements. Expenditures from these appropriations will be based on approved invoices and funding letters, no work will be completed or expenditures taken until authorized by the Department.

The following transactions are recommended at this time:

- Appropriate up to \$75,000 from the Department's Enterprise Fund, Expense and Equipment account to the General Services Department (GSD) for various sign and print projects to be completed throughout FY 2015-16.
- Appropriate up to \$100,000 from the Department's Enterprise Fund, Expense and Equipment account to the Information Technology Agency (ITA) for various Communications Services Requests to be completed throughout 2015-16.
- Authorize the Controller to transfer cash from Building and Safety Permit Enterprise Fund

to reimburse GSD and ITA upon proper documentation of expenditures and approval by Building and Safety.

D. City Administrative Officer

Attachment 9 – Appropriations from the Unappropriated Balance

The Office of the City Administrative Officer (CAO) is projected to complete the year within budget. General Fund revenue is projected to be on budget at this time.

Funding was provided in the 2015-16 Unappropriated Balance for Office of Public Accountability Studies, including a study benchmarking Department of Water and Power (DWP) operations, which will evaluate cost reductions attainable through productivity measures consistent with industry practices. Funds are now required from the Unappropriated Balance, Office of Public Accountability Studies line item to undertake this benchmarking study.

The following transaction is recommended at this time:

- Appropriate \$350,000 from the Unappropriated Balance, Office of Public Accountability Studies line item to the Office's Contractual Services account for a labor benchmarking study of the Department of Water and Power.

E. City Attorney

No Recommendations

It is projected that the City Attorney's Office will have a year-end surplus of \$754,552 among the salary accounts, made up of \$576,199 in General Fund and \$178,353 in special funds. The surplus is primarily due to under-filled positions in the Office, wherein positions are filled at lower levels in-lieu of higher level positions.

General Fund receipts through the end of August total \$941,481, which represents approximately 2.7 percent of the Office's total revenue budget. There is a lag in receipts primarily due quarterly reimbursements from proprietary departments that have not yet been received. At this time, it is too early to project a deficit or surplus for the City Attorney's revenue, but we will continue to monitor the City Attorney's revenue.

Outside Counsel

The 2015-16 Adopted Budget provides \$2.5 million in the Unappropriated Balance (UB) for outside counsel costs, including the Workers' Compensation line item. To date, no funds have been transferred from the UB to the City Attorney for outside counsel expenditures. The City Attorney is currently developing projections for 2015-16 and will request the transfer from the UB in a separate report. In addition, the City Attorney will provide a separate report to the Council relative to the status of outside counsel expenditures. However, at this time, the City Attorney's Office projects completing the year within budget for outside counsel expenditures.

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

F. City Clerk
Attachment 6 – New Appropriations

The Department is projected to end the year within budget. However, the Department anticipates the retirement of a number of senior level staff that may result in substantial retirement payout obligations. The amount of the payout will depend on the total number and timing of retirements. This Office will continue to monitor the issue and work with the Department to determine whether an additional appropriation may be necessary later in the year.

Further, the Department has indicated that it may not meet the adopted Election Reimbursements Revenue. As of this writing, the Department was in the process of calculating the Los Angeles Community College District election reimbursement invoice. This Office will report in a future FSR as to whether a revision to the Election Reimbursements Revenue is warranted once the final invoice has been completed.

On June 2, 2015, Council accepted a contribution, in the amount of \$100,000, from the AIDS Healthcare Foundation for the benefit of the City Health Commission (Commission). The funds were deposited into the City Health Commission Trust Fund (Commission Trust Fund). City Clerk was provided with resolution authority with no funding for one Commission Executive Assistant to provide administrative and clerical support for the Commission. In anticipation of the Commission's first meeting, funding is requested for the CEA.

The following transaction is recommended at this time:

- Appropriate \$42,864 from the Commission Trust Fund to the Department's budget to fund the Commission Executive Assistant.

G. Controller
Recommendation No. 7

The Controller's Office is projected to end the year within budget. General Fund revenue is projected to be on budget at this time.

The following transaction is recommended:

- Authorize the Controller to disencumber \$183,000 from the Vasquez & Company contract (C-125504), revert the disencumbered amount to the Reserve Fund, and appropriate \$150,000 to the Controller's Contractual Services account for audits. The balance of these funds in the amount of \$32,000 will remain with the Reserve Fund.

H. Convention and Tourism Development
Attachment 5 - Special Fund Reappropriations
Attachment 6 – New Appropriations
Recommendation Nos. 8, 9, 22 and 23

The Convention and Tourism Development (CTD) Department is projecting a \$197,000 surplus in its Salaries General account, resulting from several vacancies. The projected surplus assumes that \$25,000 will be used to offset expenditures in the Salaries As-Needed account. The Department recommends that the surplus be reserved as a contingency should there be any need for fiscal year-end budget adjustments.

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

Transfer to the Economic and Workforce Development Department

In 2014-15, the Council instructed the CTD to transfer \$50,000 to the Economic and Workforce Development Department (EWDD) to pay for consulting services related to the Hotel Request for Information associated with the Convention Center Expansion Project (C.F. No. 15-0446). Since the City was unable to execute the consulting services contract in time to encumber the funds prior to the year-end deadlines, the funds reverted to the Convention Center Revenue Trust Fund. CTD requests that these funds be re-appropriated to the CTD Budget and transferred therefrom to the EWDD Department.

Capital Improvement Projects:

The 2015-16 Capital Improvement Expenditure Program (CIEP) Budget provides a total of \$9,725,000 to pay for 18 projects at the Los Angeles Convention Center to be cash (Convention Center Revenue Fund (CCRF)) or debt financed (Municipal Improvement Corporation of Los Angeles (MICLA)).

Pursuant to the Management and Operation Agreement between the City and AEG Management LACC, LLC, the CTD and AEG have mutually agreed that AEG will perform, direct and supervise ten of the 18 projects, while the remaining eight will be administered by the CTD. The following chart provides detail on those projects that will be managed by AEG:

	Projects Assigned to LACC	Funding Source	Budget
1.	Escalator and Elevator Modernization Program	MICLA / CCRF	300,000
2.	Two-Pole Sign Upgrade Programmable Signs	MICLA	200,000
3.	South Hall Floor Remediation	CCRF	250,000
4.	Graphic Command Control Computer Upgrade	CCRF	160,000
5.	HVAC System for IDF	CCRF	26,000
6.	Cooling Tower Pump Package	CCRF	70,000
7.	Carpet Replacement	CCRF	280,000
8.	Compactor Replacement	CCRF	75,000
9.	Two-way Radio Upgrade	CCRF	80,000
10.	Access Control	CCRF	90,000
TOTAL			\$1,531,000

The 2009-10 CIEP Budget included \$500,000 in General Funds for Escalator and Elevator Repair at the Los Angeles Convention Center (Convention Center). Of the \$500,000, \$24,782.87 remains unexpended. The 2015-16 Budget included \$300,000 for escalator and elevator modernization at the Convention Center, to be debt financed through the MICLA Commercial Paper program. Rather than re-approving \$300,000 from the 2015-16 MICLA authorization, it is recommended that \$275,217.13 be re-approved and the remaining \$24,782.87 be paid from the 2009-10 CIEP appropriation.

The following transactions are recommended:

- Transfer appropriations in the amount of \$50,000 within the Convention Center Revenue Trust Fund to the Economic Workforce Development Department's Miscellaneous Sources Fund, Convention Center - SAG account for consulting services related to the Hotel Request for Information associated with the Convention Center Expansion Project.
- Transfer an appropriation in the amount of \$24,782.87 from the Convention Center and Tourism Department, LACC Escalators/Elevator Repair account (Fiscal Year 2009-10) to the Convention Center Revenue Trust Fund, Convention Center Facility Reinvestment account (2015-16).
- Decrease appropriations in the Convention Center Revenue Trust Fund, Convention Center Facility Reinvestment account by \$1 million and increase appropriations in the LACC Private Operator account within the same fund by a like amount for capital improvement projects and additional work that will be performed directed and supervised by the private operator.

- Authorize the CTD to prepare necessary warrants that do not exceed a total of \$31,000 for Fiscal Year 2015-16, payable to "AEG Management LACC, LLC" from the Convention Center Revenue Trust Fund, Convention Center Facility Reinvestment account, to perform, direct and supervise capital improvement projects at the Los Angeles Convention Center as per the Management Agreement between AEG and the Los Angeles Convention and Exhibition Center (Contract No. 123199).

MICLA

- Re-approve the use of \$7,625,218 in MICLA financing included in the 2015-16 Adopted Budget for the projects as noted in Attachment 14.
- Authorize the Convention Tourism Development Department to pay funds up to \$500,000 from the newly created account from MICLA CP Fund No. 298, Department 48 to AEG Management LACC, LLC (LACC) as appropriate, to pay for the capital improvement projects managed by the private operator.

I. Council

Attachment 8 – Transfers between Department and Funds Recommendation No. 30

The Council requests the following transaction:

Since this issue resulted from the incorrect use of State AB 1290 City Fund No. 53P as a source of funds for the Mayor in the 2014-15 Budget, the FSR recommendation should result in a \$590,000 transfer from the Reserve Fund to State AB 1290 City Fund No. 53P.

The recommendation language could be as follows:

- Transfer \$590,000 from the Reserve Fund to the State AB 1290 City Fund No. 53P as a technical correction to the 2014-15 Budget where a like amount source of funds to the Mayor's budget from Fund No. 53P should have been the General Fund.
- Appropriate and transfer \$100,000 from the Council Donations and Contributions account to the Council Salaries As Needed account for support of Council District 14 activities related to the Los Angeles Streetcar project.
- Transfer \$300,000 in AB 1290 funding (Council District 14) to the Council's Salaries General account.
- Transfer \$100,000 in CLARTS funding to the General City Purposes, Community Services-Council District 14 account.

- Transfer \$200,000 in CLARTS funding to the Council District 14 Street Furniture Revenue Fund.
- Transfer \$14,700 in AB 1290 funding (Council District 14) to the Department of Transportation Fund, Contractual Services account.

J. Cultural Affairs

Attachment 6 – New Appropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

This Office projects a year-end special fund surplus of \$239,909 resulting primarily from vacancies. The Department will fill up to eleven of thirteen current vacancies during the Fiscal Year to maintain continuity in the delivery of art instruction programs, exhibitions and performances, and public art support. The Department projects meeting all General Fund revenue targets through year-end.

The following special fund transactions totaling \$263,297 are recommended:

- Transfer \$13,619 from the Salaries General account to the Salaries Overtime account to address projected overtime payouts for two employees.
- Appropriate \$14,155 from the Arts and Cultural Facilities & Services Trust Fund cash balance to the Salaries As-Needed account to support the Youth Summer Jobs program at the Department's arts and cultural centers.
- Appropriate \$15,523 from the Arts and Cultural Facilities & Services Trust Fund cash balance to the Council Civic Fund to support activities related to the 50th Anniversary of the Watts Riots/Rebellion pursuant to C.F. 14-1623.
- Appropriate \$30,000 from the Arts and Cultural Facilities & Services Trust Fund cash balance to the Citywide Mural Project account line item to support a new mural project to commemorate the 50th Anniversary of the Watts Riots/Rebellion pursuant to C.F. 14-1623;
- Appropriate \$60,000 from the Arts and Cultural Facilities & Services Trust Fund cash balance to the Contractual Services account to support activities related to the Special Olympics World Games arts and cultural festivals (C.F. 14-0600-S260).
- Appropriate \$30,000 from the Arts and Cultural Facilities & Services Trust Fund cash balance to the Department's Contractual Services account to support the extension of a public art display at MacArthur Park Lake.
- Appropriate \$74,000 from the Arts and Cultural Facilities & Services Trust Fund cash balance to the Department's Contractual Services account to support increased contract security services for the Watts Towers Art Center Campus.

- Appropriate \$26,000 from the Arts and Cultural Facilities & Services Trust Fund cash balance to the Department's Summer Arts & Culture Youth Jobs program to support participation in the 2015 Creative Career Pathways for Foster Age Youth program.

K. Disability

No Recommendations

It is projected that the Department will complete the year within budget. There are no revenue issues for this Department as there are no budgeted General Fund revenues.

L. Economic and Workforce Development

Attachment 5 – Special Fund Reappropriations

Attachment 6 – New Appropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Department and Funds

Recommendation Nos. 10 through 12

Assuming the requested transactions in this FSR are approved, EWDD projects a net year-end surplus of \$1.9 million primarily resulting from a surplus in the Salaries General account. The surplus is comprised mostly of Special Funds (Community Development Block Grant, Workforce Innovation and Opportunity Act Grant, various other grants and special fund balances). This analysis assumes that 13 positions (nine in program services and four in administration) will be filled by January 2016.

EWDD estimates that \$199,061 is owed in reimbursement to the General Fund for Special Fund salary related costs through August 2015 based on the CAP 36 Rate. These payments are in process. With the recent federal approval of the CAP 37 Rate, EWDD projects an 18 percent increase in related cost reimbursements. However, due to the timing of federal approval of the CAP rates and current Department vacancies, EWDD's related cost reimbursements for July and August are estimated to be less than the 2015-16 Revenue Budget. Special Fund grant agreements obligate the Department to reimburse the General Fund for salary related costs using the latest CAP Rate approved by the federal government. Using CAP 37 and based on EWDD's hiring plan, EWDD projects total related costs reimbursements to the General Fund for the current fiscal year at \$7 million, which is \$600,000 less than the 2015-16 Revenue Budget of \$7.6 million. However, the actual reimbursements to the City will depend on the number of positions filled throughout the year. The number of vacancies limit the amount that can be reimbursed to the General Fund. With the approval of CAP 37, EWDD states that it will evaluate the option to hold vacancies in order to maintain Special Fund related costs expenditures within administrative spending caps imposed by grantors. This Office will continue to monitor reimbursements and work with EWDD regarding timely payment for incurred costs.

The following transactions are recommended at this time:

- Transfer appropriations totaling \$273,072 between expense accounts within the

department's operating budget for funding adjustments to the Department's Community Development Block Grant program.

- Transfer \$94,919 from the Department's Community Development Block Grant (CDBG) Related Costs account to the lease account for CDBG share of lease costs.
- Appropriate \$75,000 from the Workforce Innovation Fund to support youth stipends for LA Reconnections Academy program.
- Appropriate \$9,000 from the EWDD Summer Youth Employment – Other Sources fund for As-Needed Salaries and related costs to support youth program activities.
- Transfer \$936 from EWDD Office and Admin Account 6010 for related costs for staff performing youth program activities.
- Re-appropriate \$245,507 accrued through rent credits in FY 2014-15 from various Special Fund accounts to EWDD for lease costs related to tenant improvements scheduled to be completed in October 2015.
- Transfer \$20,061 to the Housing and Community Investment Department (HCID) for lease costs associated with EWDD's temporary use of space in the Garland Building.
- Appropriate \$74,596 from Section 108 Loan Guarantee Fund for City Attorney salaries and related costs to support the department's lending program.
- Increase appropriations for the Enterprise Tax Zone Credit Voucher fund by \$15,509 to support economic development activities.
- Transfer appropriations totaling \$15,509 between accounts within the department's operating budget for funding adjustments to the department's Enterprise Tax Zone Credit Voucher program.
- Increase appropriations for the Section 108 Loan Guarantee fund by \$217,930 to support small business lending activities.
- Increase appropriations for the Industrial Development Authority Fund by \$34,240 to support bond program activities.

M. El Pueblo

No Recommendations

El Pueblo Historical Monument (Department) is projected to complete the year within budget.

Revenue receipts through the end of August total \$858,000, which represents approximately 18

percent of the Departments total revenue budget. The Department anticipates meeting revenue targets through year-end.

**N. Emergency Management
No Recommendations**

The Emergency Management Department (EMD) is projecting to complete the year within budget, subject to the receipt of Urban Areas Security Initiative grant appropriations. General Fund receipts through the end of August total approximately \$35,499, which represents approximately four percent of the Department's total revenue budget. The Department anticipates meeting all General Fund revenue targets through year-end.

**O. Employee Relations Board
No Recommendations**

The Employee Relations Board is projected to complete the year within budget. No action is needed at this time.

**P. Ethics Commission
Attachment 7 – Transfers between Accounts within Departments and Funds**

The Ethics Commission is projected to have a net surplus of \$69,000, which is comprised of a \$114,000 deficit among the Salaries General and As-Needed Salaries accounts, and a \$183,000 surplus in the Contractual Services Account. The surplus in the Contractual Services account is due to funds budgeted annually for a Special Prosecutor as required by the City Charter. The Ethics Commission does not anticipate hiring a Special Prosecutor this year. It is recommended that \$80,000 be transferred from the Contractual Services account to the As-Needed Salaries Account. As-needed staff is needed to provide support for the workload related to the 2013, 2014, and 2015 Municipal elections. Our Office will continue to work with the Ethics Commission to monitor the projected deficit in the Salaries General account and will request a transfer in a future FSR if necessary.

General Fund receipts through the end of August total \$112,085, which represents approximately 29 percent of the Department's total revenue budget. At this time, it is too early to project year-end revenues since the primary sources of revenue for the Ethics Commission are lobbyist registration fees and administrative penalties, which can vary from year to year.

The following transaction is recommended at this time:

- Transfer \$80,000 from the Contractual Services account to the Salaries As-Needed account to offset the projected deficit.

Q. Finance

Recommendation Nos. 13, 14 and 15

This Office projects that the Department will complete the year within budget.

It is too early to project General Fund revenues at this time.

The Adopted Budget instructed the Department to place the Department of Building and Safety (DBS) on direct billing for their bank and merchant fees, with the understanding that DBS would use the Building and Safety Building Permit Enterprise Fund (Enterprise Fund) to make the payments. However, the Enterprise Fund cannot be used for fees collected by DBS on behalf of the Los Angeles Unified School District and other City departments. The Department has absorbed this cost using salary savings in prior years.

At this time the credit card processor is unable to identify which merchant fees can be attributed to the Enterprise Fund. DBS is implementing a new cashiering system that will be able to differentiate funding sources within a transaction, but implementation will not be completed until next fiscal year. In light of this and the funding issue, this Office included a recommendation in a status report on the Development Services Reform Initiative (C.F. 13-0046) to transfer Enterprise funding and responsibility back to the Department.

The report does not address the General Fund portion of DBS's fees. This Office will work with the Department to monitor bank fee expenditures and address any shortfalls in future Financial Status Reports.

The Department is authorized to administer the receipt and deposits of all monies required for the Administrative Citation Enforcement (ACE) Program. The Department requests reimbursement for 2014-15 expenditures and funding for 2015-16 expenditures.

The following is recommended:

- Establish and appropriate funding totaling \$452,000 to three new accounts within the Code Compliance Fund for the ACE program;
- Transfer funding to the Department's Salaries General account (\$38,000) and Contractual Services account (\$16,060) for 2015-16 expenditures related to ACE; and
- Recognize receipts totaling \$13,958.82 to reimburse the Department for 2014-15 expenditures related to ACE.

R. Fire

Attachment 14 – 2015–16 MICLA Equipment List Recommendation Nos. 23, 24 and 31

The Department is projecting a year- end deficit of \$15.8 million due to its shortfalls in its Unused Sick Time (\$2.6 million), Overtime General (\$0.4 million), Sworn Overtime (\$2.3 million), and Sworn Constant Staffing Overtime (\$10.5 million) accounts. The Department may be able to partially address the deficit with potential surpluses in other accounts, but it is too early to project the surpluses at this time. Due to the magnitude of the Department's deficit in its sworn salary accounts and the City's current funding constraints, it will be necessary for the Department to offset the projected year-end deficit internally. Therefore, it is recommended that the Fire Department be given notice that it will need to generate internal savings to offset this shortfall or its civilian positions will be recommended for Managed Hiring in a forthcoming FSR. This action is consistent with the 2015-16 Adopted Budget (Exhibit H) which specified that departments may be placed back on a Managed Hiring Process if they were projected to incur a year-end deficit. We will continue to monitor the accounts and report back in a future FSR.

The shortfalls are discussed below:

- **Unused Sick Time:** The account is projected to have a \$2.6 million deficit due to an estimated 175 participants exiting the Deferred Retirement Option Plan (DROP) in the current fiscal year and the resulting excess sick time payouts.
- **Overtime General:** The deficit in the Overtime General account is due to overtime accumulated by mechanics who are maintaining the Department's aging fleet.
- **Sworn Overtime:** The account is projected to have a deficit of \$2.3 million. Of this amount, \$1.4 million is due to unfunded overtime for sworn resources sent to assist with fighting fires outside of the City. Mutual aid reimbursements of \$1.4 million are expected to be received later in the fiscal year and captured as revenue upon receipt. The remaining deficit of \$0.9 million is based on other various overtime expenditures, consistent with prior year expenditures in the Sworn Overtime account.
- **Sworn Constant Staffing:** A year-end deficit of \$10.5 million is projected in the Sworn Constant Staffing Overtime account and is attributed to Fair Labor Standards Act (FLSA) compliance (\$7.6 million); and, backfilling of vacancies due to staffing shortages, DROP exits, and compensated time off (\$2.9 million). As noted in the table below, based on the Department's current estimates, total constant staffing expenditures for the current year are projected to be \$28.1 million above prior year actual expenditures.

Table 8. Constant Staffing Overtime (In Millions)				
Fiscal Year	Adopted Budget	Interim Appropriations	Total Budget	Actual Expenditures
2014-15	\$136.2	\$25.3	\$161.5	\$157.6
2015-16	\$175.2	\$0.0	\$175.2	\$185.7*

*Estimated expenditures as of the 2015-16 First FSR

On July 29, 2015, the Council approved a Motion relative to installing No Smoking signs in Very High Fire Hazard Severity Zones to remind the public of the dangers of smoking in fire prone areas (C.F. 14-0713). The Department worked with the Department of Transportation and the Department of Recreation and Parks to identify 351 locations in need of signs. The Department estimates that \$79,000 is needed to install new signs and repair existing signs. At this time, the Department has sufficient funding in its expense accounts to front fund this cost for this fiscal year. We will report back in a future FSR should the Department need additional funding for the signs.

Sworn Hiring

The Adopted Budget includes funding for five recruit training classes to support a total of 270 firefighter recruits. On July 28, 2015, Council authorized the Department to appoint, in each class, up to 65 at Drill Tower 81 and up to 50 at Drill Tower 40 for a total of 295 recruits (C.F. 15-0826). Three training classes will be completed this fiscal year and the remaining two in the next fiscal year based on the following Academy schedule.

Table 9. 2015-16 Fire Sworn Hiring				
Drill Tower	Start Date	Graduation Date	No. of Recruits Authorized	No. of Recruits Appointed*
DT 81	07/13/15	11/26/15	65	63
DT 40	09/21/15	02/11/16	50	50
DT 81	12/14/15	04/28/16	65	TBD
DT 81	05/16/16	09/29/16	65	TBD
DT 40	06/27/16	11/17/16	50	TBD
Total			295	

*Historically, recruit training has experienced an attrition rate of about 20 percent.

Revenue

The Department's revenue budget for this fiscal year is \$160.4 million. General Fund receipts through the end of September total \$26.7 million. The Department projects meeting its revenue budget this fiscal year.

The following transactions are recommended at this time:

Reserve Fund

- Reappropriate \$3,000 from the Reserve Fund to the Fire Department's Operating Supplies account for the procurement of a storage container for Fire Station 2 in Council District 14. Funds were transferred by Council District 14 to the Fire Department in 2014-15 but the department was not able to procure the storage container by the year-end deadline.

MICLA

- Re-approve the use of \$20,046,814 in MICLA financing included in the 2015-16 Budget for Fire Department fleet and communications purchases as part of the Department's Replacement Program as noted in Attachment 14. The Department may need to make some minor changes to the vehicle list and will submit any changes for further approval in a subsequent FSR.
- Approve a substitution of the following equipment in the 2014-15 MICLA Equipment List.

ADD	Quantity	Amount
Type III Engine w/radio package	1	\$369,780
DELETE		
Brush Patrol Vehicle	(1)	(\$246,200)
Dozer Trailer 60-ton	(1)	(\$88,580)
Light Vehicle Radio Package	(1)	(\$35,000)
TOTAL	1	\$369,780

The Department has determined that the Type III Engine will serve a greater immediate operational need. The Type III provides optimal firefighting capability in the wildland/urban interface (e.g., Santa Monica Mountain-adjacent communities) due to its compact platform. These wildland areas are of particular concern to the Department due to the drought and significant growth around the structures, intermixed with the vegetation. The Brush Patrol and Dozer Trailer will be requested in future MICLA budget requests.

S. General Services

Attachment 9 – Appropriations from the Unappropriated Balance

Attachment 14 – 2015-16 MICLA Equipment List

Recommendation No. 25

The Department of General Services projects a \$5.855 million year-end deficit largely comprised of a shortfall in the Field, Equipment Expense (Parts) account (\$3.56 million) and funding for the Pavement Preservation and Vehicle Management System (VMS) (\$1.99 million) programs being placed in the Unappropriated Balance (UB), as opposed to the department's operating budget. After accounting for transfers recommended in this FSR, including transfers from the UB, Pavement Preservation and VMS accounts, the shortfall is reduced to \$3.56 million (\$2.46 million-Special Fund and \$1.1 million-General Fund). The Department expects special funds to

fully offset the portion of the shortfall that is special funded. Further the department anticipates that it may be able to offset a portion of the remaining \$1.1 million General Fund shortfall with Petroleum account savings should petroleum prices hold steady resulting in a net year-end shortfall of approximately \$500,000. This Office will monitor the Department's deficit and report back in subsequent FSRs on the status of the deficit and potential offsetting solutions.

General Fund receipts through September 21st total \$6.9 million, which represents approximately 13 percent of the total \$54.87 million revenue budget. The Department anticipates meeting all General Fund revenue targets through year-end.

The following discusses the various account shortfalls:

- Shortfalls are reported within the Salaries As-Needed (\$1.1 million), Salaries Overtime (\$590,000), Overtime Hiring Hall (\$105,000), and Benefits Hiring Hall (\$500,000) accounts. Transfers of approximately \$1 million are recommended in this FSR from surpluses in other accounts as well as the Unappropriated Balance, Pavement Preservation Program line item to offset a portion of these deficits.
- As reported in the past, the City's aging fleet and the operation of equipment beyond the useful lifecycle has a negative impact on maintenance costs. The outsourcing of equipment repairs has continued to grow. The Department reports that 42 percent of the City's fleet is now past the recommended lifecycle and projects a \$3.56 million shortfall within the Field Equipment Expense account. This shortfall is primarily due to increased parts expenditures at the end of 2014-15 and the deferral of prior year payments to the current fiscal year. Further, an engine failure on a Los Angeles Police Department helicopter occurred in July which resulted in an unbudgeted expenditure of approximately \$500,000. As of September 10th, approximately 38 percent or \$12.3 million of the \$32.3 million budgeted amount for this account has been expended or encumbered. The Department is not requesting a transfer to this account at this time. This Office will continue to monitor this account and report back in future financial status reports.

Petroleum

The Petroleum account is currently budgeted at \$46 million. Based on the current fuel prices, it is unlikely that a shortfall will occur within the Petroleum account. As of September 7th, 2015, the Department reports that the City's current fuel price per gallon is \$2.03 for diesel and \$2.75 for unleaded. At this time last year the price per gallon for diesel was \$3.31 and unleaded was \$3.28. Although prices remain low, any anticipated surplus is contingent on current fuel prices remaining constant through the year-end.

The following transfers are recommended at this time:

- Appropriate approximately \$1.14 million from the 2014-15 Unappropriated Balance, Vehicle Management System line item to the Salaries General (\$189,006), Contractual Services (\$933,489) and Office Administrative Expense (\$15,000) accounts. The funding is

required as the related VMS contract is anticipated to be executed in the current fiscal year. Also, the Department's budget includes two unfunded VMS-related positions which are intended to be funded out of the UB, VMS line item.

- Transfer \$853,602 for materials testing support for the City's Pavement Preservation Program from the Unappropriated Balance, Pavement Preservation Program line item to the Department's Salaries As-Needed (\$223,602), Overtime (\$590,000), and Laboratory Testing Expense (\$40,000) accounts. These funds will enable the Department to provide the required materials testing services for an annual total of 2,400 lane miles.
- Transfer \$105,000 from the Department's Salaries Overtime account to offset a portion of the Overtime, Hiring Hall deficit.
- Transfer \$83,450 from the Department's Hiring Hall Salaries account to offset a portion of the Benefits Hiring Hall account deficit.

MICLA

- Re-approve the use of \$35,769,989 in MICLA financing provided in the 2015-16 budget for the Citywide Fleet Replacement as noted in Attachment 14 of this report.

T. Housing and Community Investment

Attachment 6 – New Appropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

Recommendation Nos. 16 and 17

This Office projects that the Housing and Community Investment Department (HCID) will have a year-end Special Fund surplus of \$5.63 million. The surplus is expected to be reduced to \$3.98 million after accounting for transfers recommended in this FSR. The Department currently has a vacancy rate of approximately 17 percent which HCID anticipates will decline as positions are filled throughout the year. The projected surplus will be used to address other anticipated operating expense shortfalls that may materialize and that will be addressed in subsequent FSRs.

The Department is projecting a \$12,463 shortfall in the Lead Abatement Program 11 fund based on current spending levels. The Department will be requesting special fund appropriations to offset this shortfall via a separate transmittal. This Office will continue to monitor the expenditures from these accounts and work with the Department to keep spending within budgeted levels.

As of the end of August 2015, Related Cost reimbursements to the General Fund for 2015-16 totaled \$377,491, which represents approximately 1 percent of the Department's total revenue budget of \$35,314,953. The current amount of reimbursement is attributable to a backlog in the Department's accounting unit and the use of CAP 36 rates for calculating the reimbursement amounts. The HCID projects that the backlog will be resolved by the end of October and by that time the Department anticipates reimbursing the General Fund a total of \$6.98 million. This Office

will continue to monitor the Related Cost reimbursements and work with the Department in its efforts to meet the revenue budget and make timely reimbursements to the General Fund.

The following transactions are recommended at this time:

- Transfer appropriations in the amount of \$265,045 from Department's Salaries General account to multiple expense accounts to pay for operating costs at three City-Managed Family Source Centers.
- Appropriate \$6,503,250 to multiple accounts within the Foreclosure Registry Fund to align budgetary appropriations with a new source fund.
- Transfer appropriations in the amount of \$549,982 from multiple expense accounts within the Code Enforcement Trust Fund, Foreclosure Registry account and transfer that amount to multiple accounts within the Foreclosure Registry Program Fund No. 56V/43 to align budgetary appropriations with a new source fund.
- Appropriate \$150,000 from the Urban Development Action Grant (UDAG) Revenue Fund to the Department's Contractual Services account to fund contracts with the Jenesse Center (C.F. 02-0443-S1) and the Armenian Relief Society (C.F. 15-0783).
- Appropriate \$2,500 from the Domestic Violence (DV) Trust Fund to the Department's Contractual Services account to pay for costs related to the administration of the DV Task Force.
- Establish an account entitled Financial Audit FYE 15, within Low and Moderate Income Housing Fund (LMIHF) and appropriate \$35,535 to this account to be expended by the Controller for the state required independent financial audit of the LMIHF for the fiscal year ended June 30, 2015.
- Transfer appropriations in the amount of \$1,223,412 from Community Development Trust (CDBG) Fund, including \$164,820.41 in prior year savings, to multiple accounts within the Department of Building and Safety (DBS) for costs associated with the Consolidated Plan 41st Year Code Enforcement Program for the period July 2015 to March 2016 (C.F. 14-1382).
- Transfer appropriations in the amount of \$159,152 within the CDBG Fund to reimburse the Board of Public Works for administrative costs incurred in the 40th Program Year (April 1, 2014 through March 31, 2015).
- Transfer appropriations in the amount of \$1,979,476 from the General City Purposes (GCP) Fund to the Affordable Housing Trust Fund to fund a contract with the Los Angeles Homeless Services Authority (LAHSA) for outreach services related to the Operation

Healthy Streets (OHS) Program and authorize HCID to execute a contract with the LAHSA for delivery of services through June 30, 2016.

- Reduce appropriations within the Office of Traffic Safety Grant (\$689,990.18), Housing Opportunities for Persons with Aids (HOPWA) Fund (\$333,551), Lead Grant 9 Fund (\$665,949), Lead Grant 10 Fund (\$61,231.35), Lead Healthy Home Fund (\$218,328).to reconcile 2015-16 budget appropriations with available grant funds.

U. Information Technology Agency

Attachment 6 – New Appropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

It is projected that the Department will complete the year within budget across all accounts. The Department is currently projecting a shortfall of \$1.7 million which will be eliminated upon receipt of anticipated salary reimbursements from various grant and special funds, including Urban Security Initiative (UASI) grants, the Proposition F Bond Fund and the Proposition Q Fund and provided that the recommendations in this report are approved.

The Department anticipates achieving budgeted General Fund and Telecommunications Development account revenue.

The following transactions are recommended:

- Appropriate \$556,281 in reimbursements from the Library and Recreation and Parks departments to the Department's Communication Services (\$547,096), Hiring Hall Salaries (\$817), and Overtime (\$8,358) accounts for communication service requests.
- Appropriate \$63,500 in reimbursements from the Harbor Department (\$30,000) and Los Angeles World Airports (\$33,500) to the Department's Contractual Services account to support and maintain the Business Assistance Virtual Network (BAVN).
- Transfer \$19,000 from the Telecommunications Development Account to the City Clerk City's Office and Administrative account for server storage for the Council File Management System.
- Transfer \$139,000 from the Department's Contractual Services account to the Office and Administrative account to purchase licenses for BAVN as the Office and Administrative account is the proper account from which to purchase the licenses.
- Transfer \$200,000 from the Communication Services account to the Hiring Hall Salaries account for communications and alarm work for the maintenance of the citywide public safety radio and microwave communication sites. The funding was initially provided in the Communications Services account, but the Department has requested that hiring hall

employees complete this work. Funds must be transferred to the Hiring Hall Salaries account pursuant to the Controller's spending account guidelines.

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

The City's contract with the Los Angeles Tourism and Convention Bureau (LATCB) provides annual funding in the amount equivalent to one percent of the Transient Occupancy Tax (TOT). Payments are made quarterly based on the estimated TOT and reconciled at the end of the year. In 2014-15, LATCB received \$13,960,980.56 or \$1,416,225.71 less than owed. It is recommended that funds be appropriated from the Los Angeles Convention and Visitors Bureau Trust Fund No. 429 to permit the final payment for 2014-15.

The following transaction is recommended:

- Appropriate \$1,416,225.71 from the Los Angeles Convention and Visitors Bureau Trust Fund to the Los Angeles Convention Visitors Bureau, and authorize the City Administrative Officer to pay LATCB's final 2014-15 invoice from these funds.

W. Library
Attachment 6 – New Appropriations

It is projected that the Department will have a year-end surplus of \$3,841,834 in its accounts, provided that the recommendations in this report are approved. The Department is reporting a deficit of \$352,226 in Library Fund revenue for the period ending August 31, 2015. All revenue collected by the Library is deposited into the Library Fund.

The Library requests that \$1,339,200 be appropriated from its cash balance to eliminate the projected deficit in their Salaries As-Needed account (\$1,000,000) and fund increased contract security (\$339,200) at libraries to enhance the security of library staff and patrons. The proposed appropriation was approved by the Board of Library Commissioners on September 24, 2015.

The following transaction is recommended:

- Increase appropriations to the following Library Fund accounts from the Library's cash balance: Salaries As-Needed (\$1,000,000); and Various Special (\$339,200).

X. Mayor

Attachment 6 – New Appropriations

Attachment 8 – Transfers between Departments and Funds

The Mayor requests the following transactions:

- Appropriate and transfer \$2,989 in interest income and \$1,191 from the related costs accounts within the Fiscal Year 2011 Justice Assistance Grant (FY11 JAG) Fund for current year salaries and related costs.
- Appropriate and transfer \$6,096 in interest income within the Fiscal Year 2012 Justice Assistance Grant (FY12 JAG) Fund to the Office and Administrative account and for current year salaries and related costs.
- Transfer \$33,225 from the Fiscal Year 2013 Justice Assistance Grant (FY13 JAG) Fund to reimburse the General Fund for current year related costs.
- Appropriate and transfer \$65,691 in interest income within the Fiscal Year 2014 Justice Assistance Grant (FY14 JAG) Fund for current year salaries and related costs.
- Appropriate and transfer \$3,545 from the Mayor's Reimbursement from Other Funds and \$72,529 from the related costs accounts within the Fiscal Year 2012 Urban Areas Security Initiative (FY12 UASI) Grant Fund to the Mayor's Office and Administrative account and to reimburse the General Fund for current year related costs.
- Transfer \$6,795 from the Securing the Cities Grant Fund to reimburse the General Fund for current year related costs.
- Transfer \$5,276 and \$69,363 from the Related Costs and Mayor Reserve accounts within the Fiscal Year 2013 Abuse in Later Life (FY13 Elder Abuse) Program Grant Fund for current year salaries and related costs.
- Transfer \$3,821 from the Fiscal Year 2014-17 Arrest Policies Grant Fund to reimburse the General Fund for current year related costs.
- Transfer \$32,220 from the 2013 Second Chance Act Juvenile Reentry Grant Fund to reimburse the General Fund for current year related costs.
- Transfer \$3,506 from the 2014 California Gang Reduction Intervention and Prevention (2014 CalGRIP) Grant Fund to reimburse the General Fund for current year related costs.

- Transfer \$770,250 from the General City Purposes, Domestic Abuse Response Team (DART) account to the Mayor's Contractual Services account to finance program service delivery by DART providers.
- Appropriate and transfer \$266,651 from the Mayor's Reimbursement of Expenditures to the Contractual Services account to finance Summer Night Lights program activities at select public housing sites.
- Transfer \$244,864 from the Mayor's Contractual Services account to the City Attorney for current and prior year Gang Reduction and Youth Development (GRYD) salary costs.

Y. Neighborhood Empowerment
No Recommendations

The Department is projected to end the year on budget. Projected surpluses in the Salaries General and Contractual Services accounts are expected to offset projected deficits in the Salaries As-Needed account and unfunded Neighborhood Council Board Member Elections costs. The Department has no budgeted General Fund revenues.

Z. Personnel
No Recommendations

It is projected that the Personnel Department will complete the year within budget across all accounts. The Department has indicated that it may experience a year-end shortfall of up to \$250,000 in the Salaries As Needed account due to staffing requirements in medical dispensaries in the Police Department detention facilities to provide medical care on a 24-hours-a-day, 7 days-a-week basis. We will continue to monitor Salaries As Needed expenditures and provide a recommendation to offset the potential deficit within existing funds in a future FSR, if needed.

There are no revenue concerns at this time.

AA. Planning
Attachment 7 – Transfers between Accounts within Departments and Funds
Recommendation No. 18

The Department of City Planning is projecting a year-end surplus of \$5.7 million (\$860,000 General Fund and \$4.9 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. For instance, the Department established a Strike Force using overtime to reduce the cycle time for processing zoning cases. In addition, staff regularly works overtime to cover evening Area Planning Commission and Design Review Board meetings and handle other required activities.

The California Environmental Quality Act requires the publication of notices for the Environmental Impact Reports and Mitigated Negative Declaration in a newspaper of largest circulation in the

area. To enhance the efficiency of the publication process, the Department took over management of this function from the City Clerk which requires the Department to pay the newspaper invoices directly. A transfer of \$500,000 from Contractual Services to the Office and Administration account is requested to realign the budget.

Pursuant to C.F. 12-1000, the Department was authorized to receive the Community Transformation Grant (CTG) in order to develop and create a Health and Wellness Chapter as part of the City's General Plan. A grant receivable of \$1,249,750 and the appropriation account were established for this five-year grant project. However, the CTG program was discontinued for years four and five and ended on September 29, 2014. The Department has received the full grant reimbursement for all costs incurred. Therefore, the grant receivable balance of \$533,492 and the uncommitted balance of the associated appropriation account need to be cancelled and reduced.

General Fund receipts through the end of August total \$185,415, which represents one percent of the Department's total General Fund revenue budget. Special Fund receipts through the end of August total \$6.24 million, which represents approximately 17 percent of the Department's total special fund revenue budget and the Department anticipates meeting all revenue targets through year-end.

The following transactions are recommended at this time:

- Transfer \$253,000 from the Salaries General account to Salaries As-Needed to pay for Student Professional Workers.
- Transfer \$350,000 from the Salaries General account to Salaries Overtime to pay for the Strike Force and other required overtime needs.
- Transfer \$500,000 from Contractual Services to the Office and Administrative Expense account to pay for publication expenses associated with the Environmental Impact Reports and Mitigated Negative Declaration Notices.
- Reduce the grant receivable associated with the Community Transformation Grant by \$533,492 within the City Planning Grant Trust Fund.
- Reduce the appropriation amount by \$533,492 within the City Planning Grant Trust Fund, Health Chapter account.

BB. Police

Attachment 5 – Special Fund Reappropriations

Attachment 6 – New Appropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 14 – 2015-16 MICLA Equipment List

Recommendation No. 19, 26, 27, 32 and 33

Based on current expenditure patterns, a year-end deficit of \$5.37 million is projected for the Police Department due to a sworn salaries shortfall. This deficit is attributed primarily to higher than planned recruitment of Police Officers in the first half of the fiscal year compared to the 2015-16 Adopted Budget hiring plan. The Department is accelerating police hiring in response to greater than expected attrition of sworn Officers and to enhance the hiring process by providing smaller but more frequent classes than planned in the Adopted Budget (12 classes versus 10 planned in the Adopted Budget).

Due to the magnitude of the Department's deficit in its sworn salary account and the City's current funding constraints, it will be necessary for the Department to offset the projected year-end deficit internally. Therefore, it is recommended that the Police Department be given notice that it will need to generate internal savings to offset this shortfall or its civilian positions will be recommended for Managed Hiring in a forthcoming FSR. This action is consistent with the 2015-16 Adopted Budget (Exhibit H) which specified that departments may be placed back on a Managed Hiring Process if they were projected to incur a year-end deficit. It should be noted that the Police Department has indicated that it has implemented controls to reduce salary costs due to promotions and paygrades which are anticipated to have a positive effect on the deficit. We will continue to monitor the accounts and report back in a future FSR.

Sworn Hiring

Through September 19, 2015, 124 Police Officers have been hired versus 25 planned with attrition of 119 versus 86 planned. As of September 19, the total number of filled sworn positions is 9,897, including 33 Municipal Police Officers. The Department currently has 103 (out of 10,000) existing sworn vacancies and is anticipating attrition of approximately 325 officers between September 20, 2015 and June 30, 2015. A class of 37 officers began on August 22, 2015 and another class of 37 recruits started on September 19, 2014.

Revenue

The Department is on target for the majority of its revenue sources for the current period. However, the bulk of the revenue from police permit fees is received in the second and third quarters of the fiscal year as renewal notices are mailed in November for the 2016 calendar year. The Department is behind on revenue from reimbursements from other agencies due to the timing of the billings. We will continue to monitor and report on Police revenue in subsequent FSRs.

The following transactions are recommended at this time:

- Additional funding in the amount of \$78,627 is needed by the Department for the final

equipping of one new Police helicopter. The Police Department Trust Fund (PDTF) has available receipts for this purpose inasmuch as the PDTF received receipts from the salvaging of donated helicopter equipment in 2008.

- Reappropriate a total of \$125,094 from the Forfeited Assets Trust Fund to the Police Sworn Overtime account to support on-going youth prevention and intervention activities for the Cadet program. The overtime funding was not fully expended before the end of 2014-15 and must be reappropriated.
- Reappropriate \$352,744.59 from the uncommitted balance remaining in the Police Department's Overtime Civilian account relative to the 2014-15 DNA Backlog Reduction Program Grant (Police Department Grant Fund, CF No. 15-0016).
- Reappropriate \$604,337.40 from the uncommitted balance remaining in the Police Department's Salaries Sworn account relative to the 2012 COPS Hiring Program Grant (Police Department Grant Fund, CF No. 12-1494).
- Reappropriate \$28,234.09 from the uncommitted balance remaining in the Police Department's Overtime Sworn account relative to the 2013 Port Security Grant (Police Department Grant Fund, CF No. 14-0176-S1).
- Reappropriate \$975,618.66 from the uncommitted balance remaining in the Police Department's Overtime Sworn account relative to the 2014-15 Selective Traffic Enforcement Program (STEP) (Police Department Grant, CF No. 14-1164).
- Reappropriate \$61,283.19 from the uncommitted balance remaining in the Police Department's Overtime Civilian account relative to the 2014-15 Selective Traffic Enforcement Program (STEP) (Police Department Grant Fund, CF No. 14-1164).
- Reappropriate \$51,104.00 from the uncommitted balance remaining in the Police Department's Overtime Civilian account relative to the 2014 Paul Coverdell Forensic Science Improvement Grant (Police Department Grant Fund, CF No. 14-1373).
- Reappropriate \$19,682.00 from the uncommitted balance remaining in the Police Department's Overtime Sworn account relative to the 2014 Paul Coverdell Forensic Science Improvement Grant (Police Department Grant Fund, CF No. 14-1373).
- Reappropriate \$19,866.00 from the uncommitted balance remaining in the Police Department's Overtime Sworn account for the 2014 Paul Coverdell Forensic Science Improvement Grant (Police Department Grant Fund, CF No. 14-1373).

- Reappropriate \$26,408.00 from the uncommitted balance remaining in the Police Department's Overtime Civilian account for the 2014 Paul Coverdell Forensic Science Improvement Grant (Police Department Grant Fund, CF No. 14-1373).
- Reappropriate \$6,723. from the uncommitted balance remaining in the Police Department's Salaries Civilian account for the 2014 Paul Coverdell Forensic Science Improvement Grant (Police Department Grant Fund, CF No. 14-1373).
- Reappropriate \$10,971.61 from the uncommitted balance remaining in the Police Department's Overtime Sworn account for the 2014 Internet Crimes Against Children Task Force Continuation Program Grant (Police Department Grant Fund CF No. 14-0034).
- Reappropriate \$3,657.00 from the uncommitted balance remaining in the Police Department's Overtime Civilian account for the 2014 Internet Crimes Against Children Task Force Continuation Grant (Police Department Grant Fund No. 339/70, CF No. 14-0034).
- Transfer \$20,000 from the Police Department Grant Fund to the Police Department's Overtime Sworn account for the 2012 Solving Cold Cases Grant (CF No. 10-1723 and CF No. 14-1375).
- Transfer \$10,000 from the Police Department Grant Fund to the Police Department's Overtime Civilian account for the 2012 Solving Cold Cases Grant (CF No. 10-1723 and CF No. 14-1375).
- Reappropriate \$12,243.00 from the uncommitted balance remaining in the Police Department's Overtime Sworn account for the 2014-15 Minor Decoy/Shoulder Tap Program Grant (Police Department Grant Fund, CF No. 14-0315).
- Reappropriate \$178,670.99 from the uncommitted balance remaining in the Department's Overtime Sworn account for the 2014-15 Intellectual Property Enforcement Program Grant (Police Department Grant Fund, CF No. 14-1374).
- Reappropriate \$3,106.63 from the uncommitted balance remaining in the Police Department's Overtime Sworn account for compliance checks involving Post-Released Supervised Persons who reside in the City (Police Department Grant Fund, CF No. 14-0639).

Reserve Fund

- Reappropriate \$4.0 million from the Reserve Fund to the Police Department's Contractual Services account. The contract for the replacement of Evidence Property Information Management System was funded in 2014-15 but not executed prior to the end of the fiscal year.

- Appropriate \$40,000 from the Reserve Fund to the Police Department's Contractual Services account. The execution of the professional services contract with Environmental Systems Research Institute (ESRI) was not completed before the end of the prior fiscal year.

MICLA

- Reapprove the use of \$9,998,399 in Municipal Improvement Corporation of Los Angeles (MICLA) financing included in the Fiscal Year 2015-16 Adopted Budget for the acquisition of 251 non-patrol vehicles.
- Reapprove the use of \$12.0 million in the Commercial Paper financing program included in the Fiscal Year 2015-16 Adopted Budget for the purchase of the Digital In-car Video System (DICVS) Cameras for implementation of Phase IV in the Operations Valley Bureau.

CC. Public Works/Board Recommendation No. 20

The Board of Public Works is projecting a \$196,330 year-end surplus, which is mainly comprised of special funds, created by vacancies in special funded positions. This Office will continue to monitor and report on the status of these surplus funds throughout the year.

General Fund revenue is currently projected to be on budget.

Per a Letter of Agreement (C-126149) between the City of Los Angeles, Community Partners, and the Los Angeles County Metropolitan Transportation Authority (LACMTA) as mitigation for tree removal and replacements associated with the I-405 freeway widening project, a first installment of \$444,670 is payable to the City on October 1, 2015 from LACMTA. It is necessary to transfer these funds to the Board of Public Works' Contractual Services account upon receipt by the Public Works Trust Fund in order for the tree replanting to occur.

The following transaction is recommended:

- Upon receipt of the first installment from LACMTA, per Letter of Agreement No. C-126149, authorize and request the Controller to transfer \$444,670 from the Public Works Trust Fund to the Board of Public works Contractual Services account.

DD. Public Works/Bureau of Contract Administration Attachment 9 – Appropriations from the Unappropriated Balance

The Bureau of Contract Administration is projected to have a year-end surplus of \$2.9 million (\$1.9 million-General Fund and \$1 million-Special Fund), primarily attributed to salary savings. The Bureau continuously revises its workload estimates throughout the fiscal year. Expenditure

amounts may change as updated schedules and project information is received throughout the fiscal year.

The Bureau has received approximately eight percent of General Fund and 21 percent of Special Fund budgeted revenue to date, \$1,794,324 and \$2,491,573 respectively. The Bureau anticipates meeting most General Fund revenue targets through year-end.

The following transaction is recommended at this time:

- Transfer \$200,000 from the Unappropriated Balance, Wage Theft Enforcement account to the Bureau of Contract Administration's Printing and Binding (\$85,000) and Office and Administrative expense (\$115,000) accounts to support the Wage Theft Program. The funds were budgeted to promote and implement the minimum wage and wage theft program. The funds will be used to pay for mailings to inform businesses about the upcoming minimum wage requirements. Other expected costs include reimbursement for Public Works public information staff, and a telephone hotline for the public to utilize for information or to make wage complaints.

EE. Public Works/Bureau of Engineering

No Recommendations

A year-end \$7.2 million surplus is projected for the Bureau. The surplus is mainly attributable to projected special fund vacancies. Of a total of 89 current vacancies, approximately 74 are special funded.

General Fund receipts through the end of September total \$5.7 million, which represents 12 percent of its total Revenue Budget of \$47.6 million. To date, the Bureau has collected approximately \$1.87 million in development fees, which represents 11.4 percent of its \$16.37 million revenue target. The Bureau has yet to see any reflections in FMS (City financial management system) for collected B-permit revenue due to staffing shortages at the Board of Public Works Office of Accounting. The Office of Accounting has recently hired an accountant to complete B-permit reconciliations. However, it is unlikely that the \$4.76 million in budgeted B-permit revenue will be reflected in FMS by year-end.

The Bureau has collected \$3.67 million in related cost reimbursements, which represents 14 percent of its \$26 million revenue target. 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.

FF. Public Works/Bureau of Sanitation

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

The Bureau of Sanitation is projecting an \$18.9 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 16 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 Operation Healthy Streets and Clean Streets Initiative programs by reassigning existing staff from its curbside collection program. As a result, the Bureau has increased its use of as-needed staff and overtime to maintain current service levels in its core programs. This in turn has created deficits in the Bureau's As-Needed Salaries and Overtime accounts. The Bureau has requested a transfer from the General Salaries account to address those deficits under separate cover.

The following transactions are recommended:

- Transfer \$13,000 from the Japanese Garden Trust Fund to the Sewer Operations and Maintenance Fund to reimburse the fund for the purchase of Japanese antiques and pictures for the Japanese Garden at the Donald C. Tillman Water Reclamation Plant.
- Transfer \$467,000 from the Operating Supplies account to the Transportation (\$225,000), Other Operating Equipment (\$89,000), and Non-Capital Equipment (\$153,000) accounts to purchase hazardous materials (hazmat) kits, hazmat detectors, respirators, mercury meters, radiation detectors, and related safety and protective equipment for Operation Healthy Streets Inspectors.

Approximately nine 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.

The collection of Solid Waste Fee and Sewer Service Charge revenues are still negatively impacted by the billing issues from the new LADWP Customer Care and Billing System. However, first quarter revenues for both the Solid Waste Fee and Sewer Service Charge are \$14.0 million and \$11.0 million, respectively, higher than the previous year's first quarter revenue totals. These additional revenues most likely represent uncollected revenues from previous years. This Office will continue to monitor revenue trends and report back on significant issues that impact service levels.

GG.Public Works/Bureau of Street Lighting
Attachment 5 – Special Fund Reappropriations
Attachment 6 – New Appropriations
Attachment 7 – Transfers between Accounts within Departments and Funds
Attachment 8 – Transfers between Departments and Funds

Pending approval of the recommendations in this report, it is projected that the Bureau of Street Lighting (Bureau) will complete the year within budget across all accounts. It is projected that the Bureau will achieve a special fund year-end surplus of \$1,799,885 within the Salaries General account. This surplus is due to salary savings from vacancies.

The Bureau has received one percent of General Fund and six 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 projects that it will meet its budgeted revenue.

The following transactions are recommended:

- Transfer \$54,727 from the Windsor Square Lighting District Fund to the Bureau's Salaries General (\$15,860) account and to the Street Lighting Maintenance Assessment Fund's Reimbursement from Other Funds (\$38,867) account for the Windsor Square Lighting Project. Funding is provided from assessments paid by the property owners of this district.
- Transfer \$320,000 from the Street Lighting Maintenance Assessment Fund, Bureau of Street Lighting account to the Street Lighting Maintenance Assessment Fund Fleet Replacement account for the purchase of two cement trucks at a cost of \$160,000 per truck.
- Transfer \$90,000 from the Street Banner Revenue Trust Fund to the Council's Office and Administrative account to provide funding for projects to improve conditions for public transit patrons. These funds shall be divided equally among the Council Districts, to be distributed by the Chief Legislative Analyst.
- Reappropriate \$39,596 from Proposition C to the Bureau's Overtime account which reverted in June 2015. Funding was provided for work on the design of various MTA projects such as the I-405 widening, Crenshaw LAX Transit Corridor, Expo Light Rail II, and Regional Connector Projects.
- Transfer \$486,000 from Measure R to the Bureau's Salaries General (\$167,000), Overtime (\$166,000), Contractual Services (\$25,000), Operating Supplies (\$59,000) and Street

Lighting Improvement and Supplies (\$69,000) accounts to provide funding for the Security Lighting 19 Project. Crews will install 2 to 3 security lights at 19 bus stops across the City.

- Reappropriate \$5,000 from the Community Development Trust Fund to the Bureau's Salaries General account which reverted in June 2015 for work on the Sun Valley Lighting Improvement Phase 4 Project.
- Reappropriate \$490,550 from the Community Development Trust Fund to the Bureau's Contractual Services account which reverted in June 2015 for work on the Sun Valley Lighting Improvement Phase 5 Project.
- Reappropriate \$36,450 from the Community Development Trust Fund to the Bureau's Salaries General account for work on the Sun Valley Lighting Improvement Phase 5 Project.
- Transfer \$482,740 from the Community Development Trust Fund to the Bureau's Salaries General (\$217,740) and Street Lighting Improvement and Supplies (\$265,000) accounts for design and construction of approximately 25 LED streetlights for the Sun Valley Lighting Improvement Phase 6 Project.
- Transfer \$778.81 from the Community Development Trust Fund to the Street Lighting Maintenance and Assessment Fund CDBG Reimbursement Prior Year (\$518.79) and Reimbursement of Related Cost – Prior Year (\$260.02) accounts to provide reimbursement for Fiscal Year 2014-15 expenditures that were front-funded by the Street Lighting Maintenance Assessment Fund for work on the Sun Valley Lighting Improvement Phase 6 Project.
- Transfer \$305,608.50 from the Community Development Trust Fund to the Bureau's Salaries General (\$141,608.50) and Street Lighting Improvements and Supplies (\$164,000) accounts for work on the Van Nuys Lighting Improvement Project. The Bureau will design and construct 38 LED streetlights in the Van Nuys residential area.
- Transfer \$5,391.50 from the Community Development Trust Fund to the Street Lighting Maintenance and Assessment Fund CDBG Reimbursement Prior Year (\$3,591.46) and Reimbursement of Related Cost – Prior Year (\$1,800.04) accounts to provide reimbursement for Fiscal Year 2014-15 expenditures that were front-funded by the Street Lighting Maintenance Assessment Fund for work on the Van Nuys Lighting Improvement Project.
- Reappropriate \$3,235 from the Community Development Trust Fund Street Lighting account to the Bureau's Salaries General account (\$1,650) and to the Community Development Trust Fund Cypress Park Lighting account (\$1,585) which reverted in June 2015 for work on the Cypress Park Lighting Improvement Phase 2 project.

- Reappropriate \$929,620 from Measure R to the Bureau's Overtime (\$603,000) and Street Lighting Improvement and Supplies (\$326,620) accounts which reverted in June 2015 for work on the Orange Line Bikeway copper wire theft prevention project.
- Reappropriate \$44,780 from Measure R to the Bureau's Salaries General (\$9,780), Overtime (\$22,000) and Operating Supplies and Expense (\$13,000) accounts which reverted in June 2015 for work on the Signal Construction Improvement Program. Crews will upgrade 70 streetlights in 14 locations. To date, 26 streetlights have been upgraded.
- Reappropriate \$280,645 from Measure R to the Bureau's Salaries General (\$44,145), Overtime (\$163,000) and Operating Supplies and Expense (\$73,500) accounts which reverted in June 2015 for work on bus stop lighting improvements in Council District 8 and 9. Each location will have three pedestrian lights installed. To date, the project is 75 percent complete.
- Transfer \$21,547 from the Subvention and Grants Fund to the Street Lighting Maintenance and Assessment Fund Reimbursements from Other Agencies account for Fiscal Year 2014-15 expenditures that were front-funded by the Street Lighting Maintenance Assessment Fund for work on Metro Eastside Access projects.

HH. Public Works/Bureau of Street Services

Attachment 6 – New Appropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

A year-end surplus of \$7.24 million (\$1.79 million General Fund and \$5.45 million special fund) is projected for the Bureau. The year-end surplus is primarily attributable to vacancies and the projection assumes an aggressive hiring schedule, with the goal of filling over 165 vacancies this fiscal year. This projection also assumes the approval of recommendations in this FSR and other transactions that may be approved at a later date.

Although the Bureau is projecting a net year-end surplus, shortfalls totaling \$2.87 million are currently projected in the Hiring Hall Hiring Hall Salaries, Hiring Hall Benefits, and various expense accounts. Deficits in the Hiring Hall Salaries and Benefits accounts are primarily being driven by the Pavement Preservation Program (continued 2,400 lane mile goal) and the Sidewalk Repair Program. The deficits will be partially offset with the approval of recommendations contained in this report. The remaining shortfall is expected to be completely offset by appropriations and reappropriations that will be made in a future Construction Projects Report.

General Fund receipts through the end of August total approximately \$1.0 million, which represents approximately two percent of the Bureau's total revenue budget of \$41.2 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:

- Appropriate \$38,377.38 from the Subventions and Grants Fund to the Bureau for the State of California Tire Recycling Management Program.
- Appropriate \$115,917.63 from the Subventions and Grants Fund to the Bureau for the Metropolitan Transportation Authority Eastside Access Improvement Project.
- Appropriate \$3,982 from the Subventions and Grants Fund to the Bureau for work related to the Tarzana Neighborhood Council.
- Appropriate \$7,000 from the Subventions and Grants Fund to the Bureau for work related to the Mission Hills Neighborhood Council.
- Transfer \$1,125,000 in Gas Tax funds from the Salaries, Overtime account and appropriate \$800,000 to the Hiring Hall Salaries account and \$325,000 to the Hiring Hall Benefits account.

II. Recreation and Parks

No Recommendations

The Department is projecting a year-end surplus of \$5.1 million in the Salaries-General account attributed to vacancies. The shortages in full-time personnel remain at this time as a result of a high level of retirements, transfers, and promotions. The Department has implemented a new hiring plan to add approximately 100 full-time personnel by December 2015. The projected surplus may be necessary to offset the impacts of unanticipated funding needs.

This Office is monitoring the following issues of concern for the Department:

- There are potential utility cost increases of \$2 million to \$2.5 million due to potential fee increase from the Department of Water and Power pending approval by the City Council and the Mayor.
- Due to the forecasted El Niño impacts there is potential for approximately \$1.5 million in additional facility repair and maintenance costs. Further, the Department may also need to address funding shortages caused by the extreme weather.
- Shortfalls of approximately \$1.5 million in the Salaries-As-Needed, Salaries-Overtime, and Salaries-Hiring Hall accounts are possible due to fire watches, El Nino, an extreme summer season, 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. Depending on the number of additional sites and participants added to the new program, additional funding

might be required. In addition, the SNL program start date and program level for the 2015-16 fiscal year is still being formulated. Additional shortfalls can materialize if the program starts earlier or if the program level provided exceed last year's levels.

It is still too early to project year-end revenue estimates since the revenues from the summer program are not yet fully accounted for at this time. More reliable projection will be available later this year by December.

JJ. Transportation

Attachment 5 – Special Fund Reappropriations

Attachment 6 – New Appropriations

Attachment 7 – Transfers between Accounts within Departments and Funds

Attachment 8 – Transfers between Departments and Funds

The Department of Transportation (DOT) is projecting a \$6.98 million year-end surplus across all funding sources and accounts, mainly due to a surplus in the Salaries General account (\$9.48 million). The majority of the salary surplus is attributed to special funds (Proposition C) and is due to delays in the hiring process resulting from the establishment and certification of eligible Civil Service lists by the Personnel Department. It is anticipated that these vacancies will be filled by November. The Salaries Overtime accounts project a year-end shortfall of \$4.74 million consisting of a \$2.56 million General Fund shortfall and a \$2.18 million special fund shortfall based on current expenditure patterns. The Overtime shortfalls are mainly attributable to Traffic Control Services anticipated to be provided for special events, services provided due to Metro construction related projects, the Street Resurfacing program, and ongoing Bicycle and Pedestrian projects.

The Department highlights a general concern, that unanticipated traffic control services related to the anticipated "El Nino" may require additional departmental services due to emergency response services. In the event, these services are needed, the Department may request a supplemental General Fund appropriation in a future FSR to meet these overtime needs. The cost impact cannot be quantified at this time.

The Department also anticipates a supplemental General Fund appropriation request of approximately \$300,000 for its Contractual Services account to pay for bank fees associated with the collection parking citations (i.e., General Fund revenue). In prior fiscal years, the Office of Finance paid DOT's General Fund portion of bank fees. However, this practice was discontinued as part of the 2015-16 Adopted Budget and the costs were shifted to DOT, but additional funds were not provided to DOT to offset these costs. It is too early in the fiscal year, to determine if supplemental funding is warranted, however this Office will report on this issue in subsequent FSRs.

This Office will work with the Department to offset any potential shortfalls internally. The Proposition C shortfalls will be resolved with internal transfers from surpluses within Proposition C accounts, as needed. However, there may remain unmet General Fund shortfalls that cannot be absorbed by the department.

Hiring Status

Crossing Guards: The 2015-16 Adopted Budget provided authority to the Department to hire additional Crossing Guards from 410 to 475. As of this writing, the Department has hired 41 Crossing Guards, however due to attrition, retirements and/or long term absences there are only 395 filled positions at this time. The Department reports that the hiring process has been challenging as guards are retiring and/or resigning at the same time as new hires are coming on board. In addition, the interview process and background checks conducted tend to reduce the number of potential candidates as they are unable to pass. Additional interviews will occur in late September, particularly for the Hollywood/Central and West Valley areas.

Part-Time Traffic Officers: The 2015-16 Adopted Budget authorized a reduction of the Part-Time Traffic Officer program from 150 to 100 part-time Traffic Officers. This reduction allows the Department to increase the full-time Traffic Officer ranks to increase traffic mitigation services. The Department currently reports 88 filled positions as of this report and intends to fill all vacancies as the hiring process is continuous.

The following transactions are recommended at this time:

- Transfer and appropriate \$836,977.21 from the Transportation Trust Fund to the Department's Overtime account to reimburse the Department for traffic control services provided for various City and Los Angeles Special Event venues such as the Dodgers, Staples Center, Hollywood Bowl, City of Pasadena, Jimmy's Permit Service, and Recreation and Parks from July to August 2015.
- Transfer and appropriate \$20,000 collected from AT&T from the Transportation Trust Fund to the Department's Overtime account to cover the cost of expedited reviews of traffic control plans.
- Transfer and re-appropriate \$7,008.97 from the Transportation Trust Fund, Transportation account, to the Department's Overtime account. These funds reverted from the Overtime account back to the Transportation Trust Fund on June 30, 2015.
- Transfer \$25,000 from the Transportation Trust Fund, Great Streets-Reseda account and increase the current appropriation in the Measure R Fund, Pedestrian Plan/Program account from \$1,960,000 to \$1,985,000 to provide funding for traffic counts and surveys connected with the Great Streets Initiative for Reseda and Cesar Chavez corridors.
- Transfer and appropriate \$300,000 from the Measure R Fund, Bicycle Plan Program account, and \$100,000 from the Measure R Fund, Pedestrian Plan Program account, to the Salaries Overtime account to support work related to Bicycle and Pedestrian Improvements relative to the Great Streets program.

- Authorize LADOT to establish a new appropriation within Proposition A Fund relative to Caltrans grant funds received in the amount of \$214,964 to an account titled "Bike Racks for DASH Buses" for the purchase and installation of the bicycle racks as approved in Council File No. 15-0990.
- Establish \$442,864 in new appropriations within the Transportation Regulation Enforcement Trust Fund to provide an annual budget for the Bandit Taxicab Regulations Enforcement Program as expenditures are paid directly out of this fund for operating expenses. The Department reports that a portion of these funds will be used to purchase the Taxicab and Franchise Information System (TAFIS) as approved in the Adopted Budget.
- Establish \$728,375 in new appropriations within the Permit Parking Program Revenue Fund to provide an annual budget for the Program as expenditures are paid directly out of this fund for operating expenses. The Department reports that a portion of these funds will be used for the creation of an automated system to sell permits such as on-line sales, the installation of a permit kiosk, and a vacancy study.
- Transfer \$850,000 from surpluses in the Proposition C Salaries General account to the Salaries As-Needed and Overtime accounts to provide funding for anticipated shortfalls due to the implementation of Transportation Grant funded projects, Street Resurfacing, and Traffic Signal Maintenance.
- Transfer \$1,000,000 from surpluses in the Salaries General account (General Fund) to the Salaries Overtime account to provide funding for anticipated shortfalls due to Traffic Control Services for Special Events, First Amendment activities or other non-reimbursed events.

Revenue

Approximately seven percent of budgeted Departmental General Fund revenue has been received to date. Budgeted revenue is expected to be met at this time and no issues are reported.

The projected Parking Fine revenues are budgeted at \$157.5 million for this Fiscal Year. The department reports that \$24.9 million has been collected through August 2015. These revenues are trending lower than anticipated due to two primary factors: (1) lower than projected parking citation issuance; and, (2) a reduction in parking citation payments when compared to the previous fiscal year. The department reports that the lower than projected parking citation issuance is a result of relaxed parking enforcement on street cleaning days, parking exemptions and a reduction in staffing for the part-time traffic officer program. Lastly, the department reports that while they are currently transitioning part time officers to full time positions, they have not been at their approved hiring capacity of 585 Full Time and 100 Part Time so far this fiscal year.

There are no issues reported with special fund revenues.

KK. Zoo

Attachment 6 – New Appropriations

The Department is projected to end the year within budget. Overall Zoo revenue is also expected to be on budget. However, year-to-date Admissions revenue is \$992,000 short of budget. This amount is expected to be offset by surplus revenue from Night-Time Ticketed Events and a reduction in the budgeted Marketing Refund to GLAZA. This Office will continue to monitor the Department's revenue projections and will report back in future FSRs.

The following transaction is recommended:

- Recognize additional revenue of \$1,062,429 from 2015-16 Night-Time Ticketed Events and appropriate these funds to the GLAZA Marketing Refund (\$1,027,345) and Reserve for Revenue Fluctuation (\$35,084) accounts in the Zoo Enterprise Trust Fund.

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. Potential year-end deficits are projected in the Liability Claims Account (\$20 million) and General City Purposes payroll accounts (\$2.07 million). The amount of \$3.5 million is appropriated from various Unappropriated Balance line items.

A. General City Purposes

No Recommendations

A net year-end deficit of \$2,069,944 million is projected in the payroll accounts within the General City Purposes (GCP), which is composed of shortfalls in the Medicare (\$1,271,650) and the Pensions Savings Plan (\$851,312) accounts and a surplus in the Social Security account (\$53,018). The Medicare account was budgeted based on 35,513 employees per pay period. However, actual employment levels have ranged between 35,594 to 36,319 employees. The number of employees in the Pensions Savings Plan is usually larger in the earlier months of the fiscal year. As such, a decline in both number of employees and contribution amount is expected to occur later in the year. We will continue to monitor all payroll accounts as actual data comes in and will report back in the next Financial Status Report.

B. Human Resources Benefits

No Recommendations

Year-end expenditures for the Human Resources Benefits Fund are difficult to project this early in the fiscal year, as benefit rates, open enrollment, staff attrition and hiring, MOU negotiations, and workers' compensation claims can result in significant fluctuations in expenditures. This Office will continue to monitor and report on the status of this Fund in future FSRs.

C. Liability Claims Account No Recommendations

The 2015-16 Adopted Budget provides \$53.91 million for the Liability Claims Account. These funds are set-aside for the payment or settlement of claims brought by or against the City. To date, the City has approved \$35.02 million in payouts (actual expenditures plus payments that still need to be processed) for an available balance of \$18.88 million in the Liability Claims Account.

Given the status of the Liability Claims Account, the City Attorney's Office projects that additional funding will be needed for the Liability Claims Account by year-end. The City faces significant litigation related to employment/discrimination matters, as well as wrongful imprisonment, dangerous conditions, and inverse condemnation. Based on current expenditure rates and prior year expenditures, this Office projects that a year-end shortfall of \$20 million is likely in this account. This estimate is not based on an analysis of actual pending cases. We will continue to work with the City Attorney's Office in monitoring the account and will report back in a future FSR. In addition, the City Attorney's Office will continue to provide periodic updates on the status of the Liability Claims Account in a separate report to the City Council.

D. Unappropriated Balance

Attachment 9 – Appropriations from the Unappropriated Balance

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

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

With the approval of the adopted budget, the Unappropriated Balance (UB) began with a balance of approximately \$103.6 million. Within the UB General Account, as of September 30, 2015, \$435 has been appropriated through Council action, reducing the General Account balance from \$50,000 to \$49,565. To date, approximately \$33.2 million has been transferred or reappropriated to the UB and \$480,000 has been transferred out, leaving a balance of \$132.8 million.

This report includes recommendations to appropriate \$3.5 million from various UB line items to address expenses including Vehicle Management System Replacement (\$1.1 million) and Village at Westfield Topanga subvention payments (\$1.0 million). These recommendations reduce the UB to approximately \$127.8 million.

E. Los Angeles Fire and Police Pensions System-Excess Benefit Fund

Attachment 5 – Special Fund Reappropriations

Attachment 8 – Transfers between Department and Funds

The following transactions are recommended for the Los Angeles Fire and Police Pensions System:

- The Los Angeles Fire and Police Pensions System requests authority to expend \$454,772.64 in prior year unexpended excess benefit funds to the current year Excess Benefit Fund, Fire and Police Excess Benefits account, to fund the 2016 Excess Benefit

Plan (EBP). The Excess Benefit Fund is a General fund obligation and supplements the benefits of certain retired members of the Fire and Police Pension Plan. The benefits paid by the Excess Benefit Fund represents the difference between the actual benefits owed to the member and the limitations on benefits paid by the Pension System pursuant to Section 415(b) of the Internal Revenue Code. The City generally transmits the annual excess benefit payment to LAFPP as part of the City contribution on July 15. However, since the excess benefit limit is set by the IRS on a calendar year, from time to time the amount paid by the City may be over or under the IRS limit and prior year funds are used to provide supplemental funding.

- Transfer a total of \$6,064.87 from the Los Angeles Fire and Police Pensions Fund No. 804, Contractual Services account to the Department of General Services Salaries, Construction (\$2,095.51), and Construction Materials and Supplies (\$3,969.36) accounts. This transfer is necessary to reimburse General Services for air quality monitoring services rendered as a result of water damage in the office.

3. STATUS OF EMPLOYMENT

A. Employment Level Report

Attachment 11 – Employment Level Report

Citywide employment authority from all funding sources totaled 34,472 at the end of August for both civilian and sworn classes. There are 30,515 filled positions at the end of August. Departments reported a total of 3,957 vacant positions: 2,304 General Fund and 1,653 special funded.

B. 120 Day Employees

Pursuant to the 2015-16 Adopted Budget, this Office is required to report the number of retired individuals employed under Charter Section 1164(b). Charter Section 1164(b) authorizes employment of a retired employee to a vacant position in a class in which he or she has been previously employed for a period not to exceed 120 days in any fiscal year, subject to Mayor approval. This is authorized when the retired employee's services are required for an emergency or to prevent stoppage of public business or when his/her special skills are needed to perform work of a limited duration. This information will be reported in the next FSR.

4. STATUS OF FEE INCREASES

Attachment 12 – Status of Fee Increases

The 2015-16 Budget provides for the following fee increases. The status of these fees is further discussed in Attachment 12.

- Fire Department Industrial Building Inspection Fee. The fee is anticipated to generate an additional \$1 million in revenue and an effective date of November 2015 was assumed in

the budget. The Office of the City Attorney is currently preparing the fee ordinance and the Fire Department believes it is unlikely that this fee will be implemented this year.

- **Controller Paycheck Fee.** A \$1 charge for the receipt of a paper paycheck was anticipated in the current year budget with an assumed implementation date of October 2015. However this has been determined to be a meet and confer issue. The Controller anticipates that this fee will not be in place in 2015-16.
- **Engineering Fees.** The amount of \$92,470 was added to Engineering's revenue budget to offset the cost of a new position added to process Sidewalk Dining permits. Engineering is also currently in the process of updating all permit related fees. The Bureau sent an ordinance update to the City Attorney in July and it is currently under review. The anticipated effective date is December 2015.

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

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

Below is the status of the MICLA CP Program through October 15, 2015:

<i>Reporting Period</i>	<i>Amount Outstanding</i>	<i>Range of Interest Rates</i>
05/12/15-10/15/15	\$ 212,506,000	0.03% to 0.12% (tax-exempt)
05/12/15-10/15/15	48,000,000	0.11% to 0.18% (taxable)
<hr/>		
<i>Total: \$ 260,506,000</i>		

6. 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, 30 waivers have been allocated in the current fiscal year. Approximately \$5.5 million in Citywide special events and Council District fee subsidies remains to be allocated, \$3.0 million and \$2.5 million, respectively.

B. Development Fee and Permit Subsidies

In accordance with the City's Development Fee Subsidy Policy, this Office is required to report on the number and amount of Council-approved development fee subsidies. This information will be provided in the next financial status report.

7. 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. 15-0600), 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 \$27.6 million from the following sources: \$26.1 million from the General Fund and \$1.5 million from federal and state grants. Of this amount, \$1.7 million is allocated for GRYD salaries and administration expenses and approximately \$25.9 million for contracted agencies. As of August 31, 2015, total General Fund expenditures were \$4,044 and encumbrances were \$0.

Attachment 13 outlines the distribution of funds to each of the GRYD contracted agencies for fiscal year 2015-16. The GRYD Office is currently comprised of 23 positions as of August 31, 2015: Five (5) staff members provide administrative/fiscal management and Eighteen (18) staff members provide program development and implementation including Summer Night Lights, Gun Buy Back, Prevention and Intervention service coordination in GRYD Zones and Secondary Areas; also targeted efforts for the Watts Regional Strategy and Rampart Regional Strategy. Additional services are currently provided by three contractors on research, evaluation and data reporting. Funds allocated for the GRYD Office, administration and program staff consists of \$1,347,030 in General Funds. Salary expenditures for the period July 1 to August 31, 2015 total \$145,002 (General Fund - \$108,263; Grant Funds - \$36,739).

8. SIDEWALK REPAIR PROGRAM Recommendation Nos. 28 and 29

Approximately \$27 million was provided by the General Fund in the 2014-15 Capital Improvement Expenditure Program for sidewalk repair. In February 2015, the City Council and Mayor approved the continuation of a Sidewalk Repair Program that focuses on the repair of sidewalks adjacent to

City facilities. Of the initial General Fund appropriation, \$15 million was set-aside to pay for attorney's fees and costs, per the obligations of the Willits Settlement Agreement. However, since the Settlement Agreement is still pending Court approval, the attorney's fees and costs were not paid by the 2014-15 year-end. Consequently, the \$15 million reverted to Reserve Fund. It is recommended that the funds be reappropriated in the current year and transferred to the 2015-16 Unappropriated Balance for attorney's fees and costs, upon final approval of the Willits Settlement Agreement by the Court.

Additionally, of the \$27 million, a total of \$963,334 was provided to the Bureau of Street Services (BSS) for City forces to repair sidewalks with newly authorized positions (resolution authority). However, due to the time it takes to hire new staff, the Bureau did not spend any of these funds, which reverted to the Reserve Fund at year-end. Since the Mayor and Council fully funded the BSS sidewalk repair crews for the current fiscal year, the funds are no longer needed by BSS. However, it is recommended that the \$963,334 in unspent funds be appropriated to the newly established 2015-16 Sidewalk and Curb Repair Fund to increase current year funding for the Sidewalk Repair Program. The funds will be spent on sidewalk repair contracts managed by the Bureau of Engineering.

The following transactions are recommended:

Reserve Fund

- Transfer \$15,000,000 from the Reserve Fund to the Unappropriated Balance and appropriate within the fund to a new account, entitled Sidewalk Litigation. Funds are available from prior year sidewalk repair funds that reverted.
- Transfer \$963,334 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to the Sidewalk and Curb Repair Fund for current year Sidewalk Repair. Funds are available from prior year sidewalk repair funds that reverted.

9. THE VILLAGE AT WESTFIELD TOPANGA PROJECT

Attachment 9 – Appropriations from the Unappropriated Balance

Recommendation No. 36

The Council previously approved a Subvention Agreement related to the Village at Westfield Topanga Project (C.F. 11-1980). Pursuant to the agreement, the City is to provide up to \$25 million in financial assistance for the development of this project through disbursement of subvention payments in an amount equal to various taxes paid by the developer as specified in the agreement. Consistent with this agreement, and given that the various taxes are deposited to the General Fund, \$1 million must be appropriated to a Special Fund from which subvention payments are to be made. Future appropriations will be addressed through the annual budget process.

- Transfer \$1,000,000 from the UB, Reserve for Mid-Year Adjustments to the Village at Westfield Topanga Trust Fund, to a new account to be established entitled "Subvention

Payments” for the receipt, retention and disbursement of monies apportioned by the Mayor and City Council as subvention payments for the Village at Westfield Topanga Project in accordance with the Subvention Agreement, C-123771, as set forth in Council File No. 11-1980.

- Authorize the City Administrative Officer (CAO) to prepare the necessary warrants in an amount to be determined by the CAO that is equal to the revenues attributed to the Village at Westfield Topanga in accordance with the Subvention Agreement, C-123771, as set forth in Council File No. 11-1980.

10. CITY HOMELESSNESS INITIATIVE

Recommendation No. 34 and 37

Both short-term and long-term initiatives have been introduced by the Mayor and/or Council to address the City’s Homeless problem. The Council’s Homelessness and Poverty Committee is anticipated to consider these proposals.

The Mayor requests one-time funding in the amount of \$12,765,000 to address homelessness in the City. This funding will support a comprehensive strategy which is being developed by the City, County, Los Angeles Homeless Services Authority (LAHSA), Home For Good, Housing Authority of the City of Los Angeles, and other partners. The major elements of this plan are summarized in the table to follow:

Purpose	In Millions	Description
Rehouse Homeless Individuals	\$5.00	Serve about 700 homeless who need short-term subsidies. Leverage & complement federal funding.
Homeless Veterans	\$5.10	Subsidies to house about 700 homeless individual veterans. Leverage & complement federal funding.
Winter Shelter Program	\$.665	Open shelters early on November 1, 2015 and extend to 24 hours when it rains.
Homeless Storage and Access Centers	\$1.00	Storage for belongings & access centers for use of showers, laundry and referral services. Per Council direction, LAHSA is developing an implementation plan to locate and assess storage and access centers for the homeless (C.F. 15-0727). Funding would assist LAHSA to implement their plan.
Coordinated Entry System (CES)-technology portion	\$1.00	Update hardware, software, communications equipment and infrastructure for CES.
Total	\$12.765	

Winter Shelter Program Costs

The LAHSA coordinates the Winter Shelter Program (WSP) which provides shelter and food to homeless individuals during cold and wet weather, typically from December through March 1. Due to a severe El Niño season which is expected to take place in the fall and winter of 2015-16, funding in the amount of \$665,000 was requested to pay the City's share of the cost to open the WSP one month early on November 1, 2015, close one month later (March 31), and to extend the WSP to 24 hours instead of 14 hours when it rains during the day. The Council approved the November 1 start date on September 22, 2015 (C.F. 12-1690-S4) and a separate report on the costs and funding for the WSP is forthcoming under a separate transmittal. The \$665,000 cost estimate was based on the assumption that additional dollars would be leveraged from other government agencies. However, that assumption is no longer true which increases the cost of the WSP from \$665,000 \$1.3 million. Funds are available in the Unappropriated Balance, Reserve for Mid-Year Adjustments account to offset the \$1.3 million. The transfer will be addressed in a separate report to Council (C.F. 12-1690-S4).

The original amount requested by the Mayor was \$12,765,000. However, after accounting for the WSP cost increases to the City, the total cost of these homelessness initiatives is now \$13.4 million. With the transfer of \$1.3 million to be addressed under separate cover, a total of \$12.1 million remains to be addressed. This Office recommends the transfer of \$15 million to a new account to be established within the UB entitled "Serving and Housing LA's Homeless" as per Motion Wesson et al, (CF 15-1138-S1) from the following sources: \$10 million from the Unappropriated Balance, Reserve for Mid-Year Adjustments account and \$5 million from the Reserve Fund.

Subsequent to submission of this request, LAHSA identified an opportunity to increase the total number winter shelter beds at each of its current providers. These additional beds, totaling 440 extra winter shelter beds, could be provided for the same extended time period of Nov 1 through March 30th would require an additional \$1.7 million above the \$1.3 million discussed above (total of \$3 million). The Mayor's Office has expressed support for adding these additional beds given the significant El Niño event projected for the upcoming winter season.

Further, Motion Wesson et al, instructs the City Administrative Officer (CAO) and the Chief Legislative Analyst (CLA) to develop and report to the Council on a multi-year spending plan to reduce homelessness in the City of Los Angeles by using a number of funding sources with the goal of committing up to, but not limited to, \$100 million of City-accessible funds. The Motion was recently considered by the Homelessness and Poverty Committee and is pending hearing in full Council (CF 15-1138-S1). Assuming that pending recommendations totaling \$16.3 million are approved, \$16.3 million of the \$100 million goal will have been met for the current fiscal year.

11. STATE BUDGET UPDATE

No Recommendations

This June, the State finalized its 2015-16 budget, adopting a \$115 billion general fund budget (\$168 billion total budget), slightly above the Governor's May Revise and with \$749 million in additional discretionary spending. Proposition 98 funding guaranteed for K-14 education has

reached a new high of \$68.4 billion. In accordance with Proposition 2—as approved by voters in 2014—additional revenue will be deposited in the State's Rainy Day fund, which is projected to have a 2015-16 year-end balance of \$3.5 billion. The year-end balance in the Special Fund for Economic Uncertainties will be \$1.1 billion. Additionally the increase in revenue will trigger full payment of \$765 million in mandate reimbursements, of which approximately \$168 million is due to cities. Currently, the 2015-16 budget assumes \$5 million in mandate revenue. At this time, the City has received \$7 million in mandate reimbursements.

Other items included in the budget, as detailed by the League of California Cities and other sources, include:

- The creation of an Earned Income Tax Credit (EITC) program for 2 million low income residents. Similar to the Federal program, the program would provide an average benefit of \$460 to each household at a cost of \$380 million. The state EITC will focus on households with incomes less than \$6,580 if there are no dependents and up to \$13,870 if there are three or more dependents.
- Expansion of Medi-Cal to low-income immigrant children (regardless of immigration status) beginning May 2016 at an estimated cost of \$132 million annually.
- An increase to \$35 million for CalWORKs Housing Support Program services to provide additional support to CalWORKs families for whom homelessness is a barrier to self-sufficiency.
- A total of \$1.7 billion in General and Special Funds for continuing emergency drought response including: \$1.6 billion in Proposition 1 Water Bond infrastructure projects; \$62 million for enhanced fire protection; \$22 million for the Office of Emergency Services to support local jurisdictions under the California Disaster Assistance Act program; \$8 million to provide emergency assistance to unemployed farmworkers; \$6 million to assist or relocate households without potable water sources; \$4 million for the Save Our Water information campaign to reduce water usage; and \$1 million for enforcement of water use restrictions.

In addition to funding for emergency drought response, the budget plan included changes to state law to enhance water conservation enforcement authority by allowing local water agencies to issue penalties up to \$1,000 for the first violation with increasing penalties up to \$10,000 for subsequent violations.

- An update to the proposed traffic offense amnesty program to include up to an 80 percent reduction on court-ordered debt, a reduction of administrative fees from \$300 to \$50, and the reinstatement of licenses suspended due to Failure to Appear or Failure to Pay. The program is expected to generate \$150 million.

- \$5.8 million for California Library Literacy Services, \$1.5 million for the California Library Services Act, and \$4 million to the California Public Library Broadband Project.
- \$8.3 million annually to the California Arts Council to provide grants for local arts organizations. These funds will be used to further the arts in the program areas of Economic and Community Development, Arts Education, Cultural and Community Engagement, and the Creative Economy.
- \$20 million for local law enforcement grants—half the amount provided in 2014-15— with criteria that cities report data regarding use of force resulting in hospitalization or death. In addition, \$6 million in competitive community grant will be awarded to local law enforcement agencies to improve community relations, as well \$8 million in competitive grants to local governments to reduce community recidivism rates.
- Makes various technical changes to AB1717, the Prepaid Mobile Telephony Service Surcharge Collection Act, which was implemented this year. Among other things, the bill exempts sellers with less than \$15,000 in related sales from the requirements to collect the taxes and fees.

Since the adoption of the 2015-16 budget, the Governor has approved additional legislation concerning medical marijuana and redevelopment.

Medical Marijuana: AB266 establishes the Bureau of Marijuana Regulation within the Department of Consumer Affairs. Under a dual-licensing structure, the state would issue licenses, while local governments would issue permits or licenses to operate marijuana businesses according to local ordinances. The legislation also requires establishment of uniform health and safety standards, testing standards, and security requirements at dispensaries and during product transport. AB243 establishes state oversight for the licensing and regulation of marijuana cultivation, standards for pesticides and other foreign object residue, and standards for the production and labeling of marijuana edibles. SB643 augments this legislation by imposing fines of up to \$5,000 against physicians for violating the prohibition against having a financial interest in a marijuana business and upholds local power to levy fees and taxes. Many of the new regulations will not be implemented until 2018.

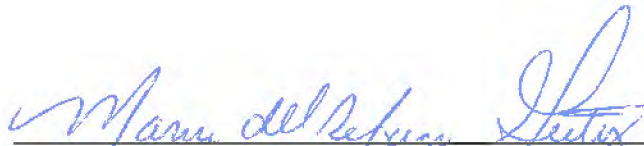
Community Revitalization and Investment Authorities (CRIA): Based, in part, on the former community redevelopment (CRA) law, AB2 authorizes the creation of a new agency at the local level to revitalize disadvantaged communities through planning and financing infrastructure improvements and upgrades; economic development activities; and affordable housing development via tax increment financing.

For a CRIA to be established, an area must meet statistically provable socio-economic criteria (high unemployment, crime, and low income) rather than the inexplicit blight criterion previously used to define the now-dissolved CRAs. Specifically, a CRIA can be created in areas where not

less than 80 percent of the population has an annual median household income below 80 percent of the statewide annual median, as well as meeting three of four following conditions:

- Unemployment is at least 3 percent higher than the statewide average.
- Crime rates are at least 5 percent higher than the statewide median.
- Infrastructure is deteriorated or inadequate.
- Commercial or residential structures are deteriorated.

Unlike an Enhance Infrastructure Financing District (EIFD)—established by the legislature in 2014—the CRIA operates within an area defined according to the criteria above. The issuance of bonds by a CRIA do not require voter approval; while in contrast, EIFD bonds require 55 percent voter approval. Additionally, 25 percent of CRIA tax increment revenue must be dedicated to affordable housing.


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APPROVED:



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Attachments