

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: **SECOND FINANCIAL STATUS REPORT**

SUMMARY

Pursuant to the City Charter Section 291, the Office of the City Administrative Officer (CAO) monitors the budget and transmits periodic reports to the Mayor and Council detailing the City's current financial condition. As such, this Office is transmitting the Second Financial Status Report (FSR) for this fiscal year. This report provides an update on the current-year budget—including changes to 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 \$64.6 million for appropriations, transfers, and other budgetary adjustments are included in this report.

The recommended transactions have been deemed necessary to ensure departments have sufficient funds to cover payroll and other obligations pending the release of the Mid-Year FSR. Given the need to expedite this report prior to the end of the calendar year, we have not included updates to every department's budgetary status. Instead, we are reporting on the status of major expenditure deficits and providing new information from departments on substantive fiscal issues that warrant immediate notification to the Mayor and Council.

The First FSR identified \$62.6 million in departmental and non-departmental shortfalls and unbudgeted expenses. This was mainly due to projected shortfalls in the Liability Claims Account (\$20 million), the Fire Department (\$15.8 million), the Police Department (\$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). After Council and Mayor action on the First FSR, the deficit was subsequently reduced to approximately \$46 million.

While most departmental shortfalls have declined since the First FSR (e.g., Police and Fire), this Office was recently made aware of significant non-departmental shortfalls that have increased the

projected year-end deficit to \$97.24 million. Approximately \$83.44 million of this amount is attributed to non-departmental shortfalls, mainly the Liability Claims Account. In the First FSR we reported a preliminary \$20 million shortfall in the Liability Claims Account based on current expenditure rates and prior year expenditures. However, subsequent to an analysis of specific pending cases by the City Attorney as of the end of October, the projected liability claims shortfall has increased by \$60 million, from \$20 million to \$80 million. The \$97.24 million projected year-end shortfall is based on expenditures through the end of October and is summarized in Table 1 below.

(See Table 1 on next page)

Table 1.
Second FSR Projected Shortfalls/Unfunded Expenditures
(millions)

Department/Initiative	1st FSR	Change	2nd FSR	Reason for Deficit
Fire Department	\$15.80	(\$6.10)	\$9.70	Mainly constant staffing overtime attributed to Fair Labor Standards Act compliance. Other shortfalls include unused sick time due to Deferred Retirement Option Plan (DROP) exits and sworn overtime (mostly reimbursable mutual aid-related).
Police	5.37	(2.07)	3.30	Sworn Salaries shortfall is 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	0.00	.50	Field Equipment Expense account shortfall due to LAPD helicopter engine failure.
Transportation	.30	0.00	.30	Contractual Services account shortfall due to unfunded bank fees associated with the collection of parking citations.
Non-Departmental				
Liability Claims Account	20.00	60.00	80.00	Unanticipated settlements.
Attorney Conflicts Panel	0.0	2.00	2.00	Increased conflict counsel expenditures.
General City Purposes-Payroll Accounts	2.07	(0.63)	1.44	Higher than anticipated employment levels impacting payroll accounts.
Solid Waste Resources Fund-General Fund swap	3.63	(3.63)	0.00	Shortfall resolved per CF 11-1013-S6.
Subvention Agreement-The Village at Westfield Topanga Project	1.00	(1.00)	0.00	Shortfall resolved in First FSR
Interim Requests				
City Homeless Initiatives	12.10	(12.10)	0.00	Shortfall resolved in First FSR.
Homeless-Winter Shelters	1.30	(1.30)	0.00	Shortfall resolved per CF 12-1690-S4.
Illegal Dumping Backlog-overtime funding	.50	(.50)	0.00	Shortfall resolved per CF 11-1013-S6.
Total Year-end Shortfall	\$62.57	\$34.67	\$97.24	

This Office recommends that the Police Department, the General Services Department, and the Department of Transportation address their projected year-end deficits internally, and that a \$31 million Reserve Fund appropriation to address the Liability Claims Account and the Attorney Conflicts Panel deficits be approved. If these actions are taken at this time, the projected \$97.24 million year-end shortfall will be reduced to \$62.14 million. Additionally, it is anticipated that \$3 million in petroleum savings will be available to further offset the deficit to \$59.14 million. The following table summarizes the anticipated budget balancing solutions along with the impact on the year-end deficit.

Table 2. Potential 2015-16 Budget Balancing Solutions (millions)		
2nd FSR Deficit	\$ 97.24	
First FSR Anticipated Solutions		
Departments to address potential deficits internally	(4.10)	Police (\$3.3M), General Services (\$.50M), Transportation (\$0.30M)
Second FSR Recommendations		
Transfer from Reserve Fund	(31.00)	Liability Claims (\$29.0M) and Attorney Conflicts Panel (\$2.0M)
Subtotal	\$ 62.14	
Anticipated Solutions		
Petroleum Savings	(3.00)	Address Citywide shortfalls.
Problem to Solve	\$ 59.14	

It is evident that a sizable year-end deficit remains to be resolved although there is some level of uncertainty as to the final year-end amount. At this time, it is difficult to predict with certainty the exact Liability Claims Account shortfall, which is the main driver of the Citywide deficit; and, the \$80 million estimate is subject to change based on more current estimates from the City Attorney. In addition, it is unknown whether petroleum prices will remain low enough to generate additional year-end savings beyond the assumed \$3 million. The next FSR (the Mid-Year) will be based on six months of expenditure and revenue data which is expected to provide more precise year-end estimates. If the projected \$59.14 million deficit remains, however, available options to offset it are limited.

One option, the \$17 million initially budgeted in the Unappropriated Balance, Reserve for Mid-Year Adjustments account to address potential year-end deficits, has already been exhausted. These funds are being used to address critical homelessness issues and other unanticipated expenditures.

The Reserve Fund remains a potential budget balancing option. However, there are insufficient funds available to fully offset the remaining \$59.14 million projected year-end deficit, without

reducing the Reserve Fund balance below 6 percent.

This Office will therefore continue to explore other budget balancing options to offset the Citywide deficit such as sweeping available budget surpluses at Mid-year and limited implementation of the Managed Hiring Process if warranted. We will continue to monitor the status of the year-end deficit and report on additional solutions in the next FSR.

2015-16 Projected Revenue

The adopted General Fund revenue budget is \$5.41 billion. Total receipts through October are \$954.2 million, representing 11.7 percent of budgeted revenue, which is \$39.2 million below plan. (See Attachment 1.) However, with the receipt of additional department revenue from licenses, permits, fees, and fines, this is a \$28.5 million improvement from the \$67.7 million shortfall reported in the First FSR for revenue through September.

Property tax and utility users' tax remain the greatest contributors to the current revenue shortfall. As previously reported, the early receipt of secured property tax at the end of 2014-15 resulted in a \$26.8 million shortfall in 2015-16. Property tax growth is expected to be higher than that assumed in the budget, offsetting the shortfall in the second half of the year. The shortfall in utility users' tax revenue has decreased from \$22.6 million to \$20.3 million as a result of minor improvement in electric users' tax (EUT) revenue. EUT is now \$19.8 million behind plan and will likely end the year in deficit. Of growing concern is the reported shortfall in documentary transfer tax revenue, which has increased to \$5.3 million. While the adopted budget estimate assumed moderate growth in both sales volume and price, revenue per deed (a proxy for sales price) has been decreasing since the end of fiscal year 2014-15. October figures have exhibited an uptick, but at this time it is not clear whether growth will approach that assumed in the budget. Additionally, the November report from the California Association of Realtors has noted that growth in sales volume has slowed which would also impact receipts. The reported shortfall for parking fine revenue has also increased and is now \$2.6 million below plan. Budget assumptions for staffing and workload, as well as corresponding revenue, were based on the planned transition of part-time traffic officers to full-time positions. The transition has been delayed, and at this time the Department of Transportation expects to be at full staffing by February. Finally, the shortfall in sales tax revenue has also increased slightly to \$1.4 million.

Offsetting these shortfalls are receipts from department licenses permits, fees, and fines and business taxes which are \$9.0 million and \$6.2 million ahead of plan, respectively. However, it is too early in the fiscal year to determine a clear upward trend since the majority of these receipts are received in the latter half of the fiscal year. Previously reported surpluses in the parking occupancy tax (POT) and transient occupancy tax (TOT) revenues have decreased and are tracking closer to budget. It should be noted that TOT planned revenue does not include the receipt of an additional \$5 million in revenue from a negotiated collection agreement with Airbnb which is still pending while short-term rental policy issues remain to be addressed.

Any deviations from planned revenue receipts will continue to be 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 mid-year if a significant shortfall that requires immediate budget action is projected, as was the case in 2010-11.

Reserve Fund

After accounting for an additional \$13 million in loan repayments and other receipts, and \$31 million in transfers recommended in this report, the Reserve Fund balance is \$375.1 million. The balance consists of a \$148.8 million Emergency Reserve and \$226.3 million Contingency Reserve. Please refer to Attachment 2 for greater detail on the Reserve Fund.

The resulting Reserve Fund balance represents 6.93 percent of the Adopted General Fund budget, which is slightly lower than the 7.27 percent reported in the First FSR. While the October 31, 2015, Reserve Balance allowed the City to meet the five percent requirement established by the City's Financial Policies, this Office recommends that we continue to remain cautious in using the Reserve Fund to offset current year deficits in light of the forecasted 2016-17 budget gap of \$89.8 million.

Further, as part of the First FSR actions, the Mayor and Council approved a policy 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: 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.

Budget Stabilization Fund

To supplement the Reserve Fund, the Budget Stabilization Fund (BSF) was established as part of the 2008-09 Budget to help stabilize revenue, supplement the Reserve Fund, prevent overspending during prosperous years, and provide resources to maintain service levels during lean years. The current BSF balance is approximately \$91.9 million. Including the BSF increases the City's total reserves from 6.93 percent to 8.63 percent of the General Fund budget. The 8.63 percent reflects a slight drop from the 8.96 percent reported in the First FSR.

Issues of Concern

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

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 employees 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 from Tier 2 to Tier 1. Payment to LACERS will be coordinated as part of the true-up calculations. Based on the City actuary's preliminary estimate, the current year cost to the General Fund could be approximately \$15 million.

Budgetary Adjustments

Budgetary adjustments totaling approximately \$64.6 million are recommended in Sections 1, 2, 3, and 4 of this report which include:

- \$1.58 million in reappropriations from various special funds;
- \$9.19 million in new appropriations;
- \$6.42 million for transfers between accounts within various departments and funds;
- \$16.4 million for transfers between departments and funds, which includes a cumulative transfer of \$12.9 million to the Los Angeles Homeless Services Authority; and,
- \$31.00 million in Reserve Fund appropriations for the Liability Claims Account and the Attorney Conflicts Panel.

Attachments

- 1 Fiscal Year 2015-16 General Fund Receipts through October
- 2 Current Status of the Reserve Fund
- 3 Special Fund Reappropriations
- 4 New Appropriations
- 5 Transfers between Accounts within Departments and Funds
- 6 Transfers between Departments and Funds

RECOMMENDATIONS

(Refer to Discussion Sections 1, 2, 3, and 4)

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

1. Reappropriate \$1,575,770.42 from various special funds as noted in Attachment 3;
2. Appropriate \$6,085,540.00 to the Department accounts as specified in Attachment 4;
3. Transfer \$6,080,000.00 between accounts within various departments and funds as specified in Attachment 5;
4. Transfer \$3,508,925.11 between various departments and funds as specified in Attachment 6;

Library

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

Mayor

6. Relative to Recommendation No. 4a pertaining to the allocation of \$1.1 million in Payment in Lieu of Taxes funds which was adopted by the Council on May 27, 2014 (C.F. 14-0360) (see CAO report dated April 23, 2014), upon receipt of these funds, authorize the Controller to appropriate up to \$1,100,000 into the Mayor's Fund No. 100/46, Account No. 003040, Contractual Services for the implementation of the City's Watts Regional Strategy;

Municipal Improvement Corporation of Los Angeles (MICLA)

7. Transfer a total of \$285,000 to the Information Technology Agency Fund No. 100/32, Account No. 001100, Hiring Hall Salaries, for the installation of communications equipment in Fire Department vehicles, and authorize the Controller to reimburse the General Fund upon receipt of ITA labor services invoice(s) from MICLA;

- a. \$120,000 from MICLA Fund No. 290/38, Account No. 38J232, Communications Labor, to Fund No. 290/38, Account 38M132, ITA, and to further reimburse the General Fund; and,
- b. \$165,000 from MICLA Fund No. 298/38, Account No. 38J206, Communications Equipment Replacement, to Fund No. 298/38, Account 38M132, ITA, and to further reimburse the General Fund.

Reserve Fund

8. Authorize the Controller to transfer \$29,000,000 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to the Liability Claims Fund 100/59, Account 009780, Liability Payouts, for anticipated expenditures prior to the release of the Mid-Year FSR;
9. Authorize the Controller to transfer \$2,000,000 from the Reserve Fund to the Unappropriated Balance Fund No. 100/58 and appropriate therefrom to the Attorney Conflict Panel Fund 46T/10, Account 100594, to address year-end shortfalls;

Unappropriated Balance and Homelessness Initiative

10. Relative to the City's Homelessness Initiative, transfer \$12.9 million from the Unappropriated Balance Fund No. 100/58, Account 580215, Serving and Housing LA's Homeless, to the Affordable Housing Trust Fund No. 44G/43, and appropriate within the fund to new accounts as follows:

Account No.	Account Name	Amount
43M344	Rapid Rehousing-Veterans	\$5,100,000
43M345	Rapid Rehousing	5,000,000
43M346	Technology Upgrades-Homeless Services	1,000,000
43M347	Winter Shelter Expansion,	1,700,000
43M348	Housing Source Centers	<u>100,000</u>
	Total	\$12,900,000

11. Authorize the General Manager, Housing and Community Investment Department, to negotiate and execute any contract document, including but not limited to an amendment to City Contract No. C-126258 with the Los Angeles Homeless Services Authority, to increase compensation in an amount not to exceed \$12.9 million, for the purposes specified in CF No. 15-1138-S3 (and discussed in this report), subject to the approval of the City Attorney as to form and compliance with the City's contracting requirements; and,

Technical

12. 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, \$97.24 million in expenditure shortfalls and major unbudgeted expenses are identified in this report. Transfers, appropriations and other adjustments totaling approximately \$64.6 million are recommended in Sections 1, 2, 3, and 4. Included in these recommendations are \$31 million in Reserve Fund appropriations for liability claims and Attorney Conflict Panel expenditures.

DISCUSSION

The CAO monitors the budget and transmits reports to the Mayor and Council detailing the City's current financial condition. This report provides an update on the current-year budget deficit, revenue shortfall and reserve fund status, and it highlights current issues of concern and the potential impact to the City. Recommendations totaling approximately \$64.6 million for appropriations, transfers and other budgetary adjustments are included in this report.

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

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1. STATUS OF DEPARTMENTAL BUDGETS

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

Department Expenditures: This analysis is based on department expenditure and revenue information through the end of October. The following Departments continue to project expenditure shortfalls: Fire Department (\$9.7 million), the Police Department (\$3.3 million), General Services Department (\$0.50 million), and Department of Transportation (\$0.30 million). Approximately \$83.44 million in non-departmental shortfalls are discussed in Section 2 of this report.

Department Revenues: Departmental General Fund revenue estimates for this reporting period are based on data through the end of October and are discussed in cases where there are significant changes from the information reported in the First FSR. No adjustments are recommended at this time.

A. Animal Services

Attachment 6 – Transfers between Departments and Funds

The Animal Services Department is projecting a year-end surplus of \$486,308 which is comprised of a \$415,502 surplus among the salary accounts and a \$70,806 surplus in the expense accounts. The projected year-end surplus has increased from the \$217,000 estimate reported in the First FSR. 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.

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). Since the funds were transferred at the end of the 2014-15 fiscal year, the funds reverted to the Reserve Fund. The Department is requesting authority to reappropriate \$190,000 in prior year savings to 2015-16 to pay for the Chameleon data management system upgrade/replacement and mobile data computer project. However, due to the City's fiscal constraints and in light of the Department's projected salary savings, it is recommended that \$190,000 be transferred from the Salaries General account to the Office and Administrative account for this purpose. This amount is expected to address all of the Chameleon current year costs.

General Fund receipts total approximately \$1.7 million, which represents approximately 47 percent of the Department's total revenue budget. At this time, the Department is projecting a revenue surplus, and we will continue to monitor the Department's revenue.

B. City Clerk

No Recommendation

The Department is projected to end the year within budget. It is anticipated that the Department will be able to absorb the cost of the retirement payouts, provided that hiring to backfill staff attrition is managed properly.

The Department estimates that Election Reimbursement Revenue may fall \$65,000 below the adopted revenue amount. However, the Department is still in the process of calculating the invoice for the Los Angeles Community College District election reimbursement. This Office will report in a future FSR whether a revision to the Election Reimbursement Revenue is warranted once the final invoice has been completed.

C. Council

Attachment 6 – Transfers between Departments and Funds

The Council requests the following transaction:

- Transfer \$250,000 in AB 1290 funding (Council District 14) to the Council's Salaries As Needed account.

D. Cultural Affairs

Attachment 4 – New Appropriations

Attachment 5 – Transfers between Accounts within Departments and Funds

This Office projects a year-end surplus of \$370,506 for this Department which is slightly higher than the \$239,909 reported in the First FSR. The surplus is primarily attributed to savings from vacancies. The Department will fill up to eight of the current ten 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 are recommended:

- Transfer \$1,819 from the National Endowment for the Arts Grant Funds to Operating Supplies for the reimbursement of expenditures for the 2013-14 ArtWorks program;
- Transfer \$4,500 from the Cultural Affairs Department Trust Fund to Salaries As-Needed for reimbursement of the Getty Multicultural Undergraduate Internship Program;
- Appropriate \$37,000 from the Arts and Cultural Facilities and Services Trust Fund cash balance to Contractual Services to support activities related to CycLAvia (\$25,000) and the Leimert Vision Theater Festival (\$12,000);
- Appropriate \$17,100 from the Arts and Cultural Facilities and Services Trust Fund cash balance to Salaries As-Needed for activities related to the Pacific Standard Time II Program (\$10,500) and Big Read Program (\$6,600);
- Appropriate \$25,000 from the Arts and Cultural Facilities and Services Trust Fund cash balance to the Matching Grant Program to support activities related to exhibition program services;
- Appropriate \$15,523 from the Arts and Cultural Facilities and Services Trust Fund cash balance to support activities related to the High School Insider Summer Internship Program.

E. Finance

Attachment 5 – Transfers between Accounts within Departments and Funds

There are no significant changes to the Department's budget since the last reporting period. We continue to project that the Department will complete the year within budget. The Department projects a \$200,000 shortfall in the Salaries As-Needed account, which can be addressed internally with a transfer from the Salaries General account. The Department does not project a shortfall in the Bank Services Fees account at this time, but will provide an update in the Mid-Year FSR. However, the Department has historically had a shortfall in this account. This Office will work with the Department to monitor bank fee expenditures and address any shortfalls in future Financial Status Reports.

The Department reports that it is too early to project General Fund revenues at this time.

The following is recommended:

- Transfer \$200,000 from the Salaries General account to the Salaries As-Needed account to offset a shortfall in the account.

F. Fire

Attachment 4 – New Appropriations

Attachment 5 – Transfers between Accounts within Departments and Funds

Recommendation No. 7

In the First FSR, the Department projected a year-end deficit of \$15.8 million, primarily due to Unused Sick Time, Overtime General, Sworn Overtime and Sworn Constant Staffing Overtime. Due to various changes, including surpluses identified in some salary accounts, the net deficit has been reduced to \$9.7 million. The projected deficits and potential offsets are discussed below:

- **Salaries General:** The account is projected to have a \$3.0 million surplus primarily due to a 19 percent vacancy rate. The majority of the vacancies are in the Supply and Maintenance Division, particularly for the mechanic classes. As a result of this high vacancy rate, a corresponding deficit is reported in the Overtime General account due to overtime accumulated by mechanics who are maintaining the Department's aging fleet. It is recommended that \$1.4 million of the \$3.0 million surplus be transferred to partially address deficits in other accounts.
- **Salaries Sworn:** The account is projected to have a \$1.7 million surplus primarily due to vacancies. It is recommended that \$1.0 million of the \$1.7 million surplus be transferred to partially address deficits in other accounts.
- **Unused Sick Time:** The account is projected to have a \$2.7 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 account is projected to have a \$400,000 deficit is due to overtime accumulated by mechanics who are maintaining the Department's aging fleet. It is recommended that \$400,000 be transferred into this account to offset the projected shortfall.
- **Sworn Overtime:** The account is projected to have a deficit of \$3.6 million deficit due to unfunded overtime for sworn resources sent to assist with fires outside of the City. This amount is higher than the \$2.3 million deficit reported in the First FSR due to additional unanticipated deployment activities related to the State's wildfire season. Mutual aid reimbursements of \$3.5 million are expected to be received later this year and captured as revenue upon receipt. Due to the current expenditure rate of this account, it is recommended that \$2.0 million be transferred into this account to offset the projected shortfall.
- **Sworn Constant Staffing:** A year-end deficit of \$6.0 million is projected in the Sworn Constant Staffing Overtime account, which is lower than the \$10.5 million deficit previously reported in the First FSR. The deficit is attributed to Fair Labor Standards Act (FLSA) compliance (\$7.6 million), offset by approximately \$1.6 million in savings within this account. The reduction in the deficit compared to the First FSR is primarily due to overstating the projected expenditures of assigned hiring; the Department has since resolved the calculation error. As noted in the table below, as of this reporting period, total constant staffing expenditures for the current year are projected to be \$23.6 million above prior year actual expenditures.

Table 3. 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	\$181.2*

*Estimated expenditures as of the 2015-16 Second FSR

- **Sworn Variable Staffing:** The account is projected to have a \$900,000 surplus primarily due to under-utilization of hours allocated to special projects. It is recommended that \$500,000 of the \$900,000 surplus be transferred to partially address deficits in other accounts.

Revenue

The Department's revenue budget for this fiscal year is \$160.4 million. General Fund receipts through the end of October total \$45.86 million. The Department anticipates a net additional \$9.41 million in revenue for 2015-16, primarily due to surpluses as a result of increased mutual

aid in assisting with fires outside of the City, an increase in requests for plan checks, and an increase in revenue for ground emergency medical transports.

The following transactions are recommended at this time:

- Transfer \$2 million from projected salary savings in the Salaries General (\$1 million) and Salaries Sworn (\$1 million) accounts to the Sworn Overtime account for overtime incurred by sworn resources sent to assist with fighting fires outside of the City. A transfer is needed at this time due to heavy deployment activity by the Department in one of the State's worst wildfire seasons and with the approaching wet weather season. Mutual aid reimbursements can be expected throughout the year and are captured as revenue to the General Fund.
- Transfer \$400,000 from projected salary savings in the Salaries General account to the Overtime General account for overtime incurred by mechanics to maintain the Department's aging fleet. In addition, transfer \$500,000 from savings in the Overtime Variable Staffing account to the Field Equipment Expense account to meet interim needs for fleet parts and maintenance.
- Appropriate funds in the amount of \$60,750 received from the Los Angeles World Airports as reimbursement to LAFD for Airport Re-certification Burn Training at the San Bernardino Regional Emergency Training Center held from October 2014 through January 2015. This training provides LAFD Aircraft Rescue Fire Fighting personnel, who serve LAX facilities, the live fire training necessary to maintain certification with Federal Aviation Administration regulations.

MICLA

- Transfer a total of \$285,000 to the Information Technology Agency Hiring Hall Salaries account for the installation of communications equipment in Fire Department vehicles, and authorize the Controller to reimburse the General Fund upon receipt of ITA labor services invoice(s) from MICLA.

G. General Services No Recommendations

A year-end deficit of \$5.855 million was previously identified in the First FSR for this Department largely due to a shortfall in the Field, Equipment, Expense (Parts) account. Subsequent to the approval of the First FSR recommendations, the remaining year-end deficit was reduced to \$3.56 million (\$2.46 million-Special Fund and \$1.1 million-General Fund) and solely attributable to the Parts account. This earlier estimate included a \$500,000 unanticipated expense due to a Los Angeles Police Department helicopter engine failure. Since the approval of the First FSR, the Department's year-end projected shortfall has increased.

The Department reports an increase in the Parts account shortfall, from \$3.56 million to \$5.16 million (\$3.58 million-Special Fund and \$1.58 million-General Fund). The Department expects eligible special funds to fully offset the special fund portion of the shortfall. Assuming current expenditure projections remain constant (i.e., mainly petroleum prices remain low), the Department believes that it may be able to fully offset the \$1.58 million General Fund shortfall with anticipated savings from the Petroleum account and other accounts. However, due to the volatility of petroleum prices, we continue to track a net year-end General Fund shortfall of approximately \$500,000 for this Department. This Office will continue to monitor this account and make recommendations in the Mid-Year FSR relative to recommended offsets.

This Office is in the process of reviewing projected petroleum expenditures for the current year, the potential for year-end savings, and the General Fund and Special Fund breakdown. Although petroleum prices are currently low, an anticipated surplus is contingent on current fuel prices remaining constant through the year-end. Any potential savings will be necessary to offset the Parts account shortfall. After addressing the Parts account shortfall, any remaining General Fund savings from the Petroleum account will be necessary to offset the Citywide year-end shortfall. At this time, we are anticipating that a \$3 million surplus will be available in this account to offset Citywide deficits.

H. Housing and Community Investment No Recommendations

The Housing and Community Investment Department reports that it anticipates reimbursing the General Fund a total of \$27 million by year end. This represents only 77 percent of the Department's adopted revenue budget of \$35 million and an \$8 million General Fund revenue deficit. This Office will work with the Department to determine the cause of this deficit by the Mid-Year FSR and continue to monitor General Fund reimbursements to ensure timely payment.

I. Information Technology Agency Attachment 6 – Transfers between Accounts within Departments and Funds

There are no significant changes to expenditure or revenue information reported in the First FSR for the Information Technology Agency.

The following transactions are recommended:

- Transfer \$100,000 from the Salaries General account to the Salaries As-Needed account to cover a deficit resulting from an increase in the use of As-Needed staff because of the lack of certification lists for key classifications within the Department.
- Transfer \$290,000 from the Communications Services account to the Hiring Hall Salaries account for communication services previously performed by contractors. The Department has requested that hiring hall employees complete this work.
- Transfer \$2 million within the Telecommunications Development Account for the

replacement of Channel 35 Studio equipment. The new equipment will replace equipment that is at the end of its useful life and is also part of the equipment that will be required when the City completes the new Channel 35 studio at the Merced Theater.

J. Library

Attachment 4 – New Appropriations Recommendation No. 5

The Department's projected year-end surplus has decreased from \$3.8 million to \$2.9 million since the last reporting period. The currently projected surplus assumes that the recommendations in this report are approved. The Department is reporting a year-end deficit of \$331,095 in Library Fund revenue. All revenue collected by the Library is deposited into the Library Fund.

As a result of delays in design and construction contracts for the Digital Learning Labs at the Central and Pio Pico/Koreatown libraries, \$1,730,167 reverted to the Library's Unreserved and Undesignated Fund Balance (UUFB) at the end of 2014-15. The Library requests that \$1,730,167 be appropriated from its cash balance to their Contractual Services (\$1,460,507), Office and Administrative (\$264,460), and the Furniture, Office and Technical Equipment (\$5,200) accounts to continue construction in the current year. The proposed appropriation was approved by the Board of Library Commissioners on September 24, 2015 (Library Resolution No. 2015-50, C-40).

In addition, on September 24, 2015, the Board of Library Commissioners established the Library Budget Reserve Fund to set aside savings during periods of economic growth, which upon approval from the Board, can be used to stabilize revenue during economic downturns, address unforeseen circumstances, and provide for any necessary capital improvements (Library Resolution No. 2015-49, C-39). The Library Budget Reserve Fund will be funded through an annual approval process designating funds from prior year savings. The Board of Library Commissioners approved the appropriation of \$2,000,000 from the Library Unreserved and Undesignated Fund Balance (UUFB) to fund the new Library Budget Reserve Fund.

The following transactions are recommended:

- Appropriate \$1,730,167 from the Library's cash balance to the Contractual Services (\$1,460,507), Office and Administrative (\$264,460), and Furniture, Office and Technical Equipment (\$5,200) accounts to fund the design and construction of Digital Learning Labs at the Central and Pio Pico/Koreatown libraries approved in the 2014-15 Adopted Budget.
- Appropriate \$2 million from Library's cash balance to the Library Budget Reserve Fund (account to be assigned by the Office of the Controller) to be used to stabilize revenue during economic downturns, address unforeseen circumstances, and provide for any necessary capital improvements.

K. Mayor
Recommendation No. 6

The Mayor requests the following transactions:

- Relative to Recommendation No. 4a pertaining to the allocation of \$1.1 million in Payment in Lieu of Taxes funds which was adopted by the Council on May 27, 2014 (C.F. 14-0360) (see CAO report dated April 23, 2014), upon receipt of these funds, authorize the Controller to appropriate up to \$1.1 million into the Mayor's Contractual Services account for the implementation of the City's Watts Regional Strategy. On May 27, 2014, the Council approved a Housing Authority of the City of Los Angeles (HACLA) proposal to allocate \$1.1 million in Payment in Lieu of Taxes (PILOT) funds to the City's Gang Reduction and Youth Development (GRYD) Program for continued implementation of the Watts Regional Strategy, an intensive and collaborative network of services to enhance the City's regional violence reduction strategy in Watts including gang prevention/intervention services, crisis response, family case management, school-related safe passages, community-based programs on non-violent problem solving, peace keeping and community building. Efforts would be focused around HACLA's four public housing developments in Watts.
- Transfer \$400,000 from the Mayor's As Needed account to the Salaries Grant Reimbursed account to address a projected shortfall in the account.

L. Planning
No Recommendations

The Department of City Planning's projected year-end surplus has increased from \$5.7 million to \$6.2 million (\$800,000 General Fund and \$5.4 million Special Fund) in its Salaries General account. The Department is actively hiring positions to reduce this surplus, as well as utilizing Student Professional Workers and overtime to address workload. The Department established a Strike Force using overtime to reduce the length of time for processing zoning cases.

There are no significant changes to revenue at this time.

M. Police
Attachment 6 – Transfers between Departments and Funds

Based on current expenditure patterns, the Department's \$5.37 million year-end deficit in sworn salaries has decreased from \$5.37 million to \$3.30 million since the First FSR. The decline in the deficit is attributable to lower than projected recruitment of Police Officers from October 2015 to present due to significant competition with other law enforcement agencies for qualified candidates. The Department has committed to solving the deficit by year-end by controlling promotions, paygrades, and expense account expenditures, and by managing civilian hiring to ensure sufficient funds are available in these accounts to address the shortfall in the Salaries

Sworn account. These actions are expected to generate sufficient savings to fully offset the deficit by year-end. This Office will continue to monitor the deficit and make any necessary recommendations to resolve it in future FSRs.

Revenue

The Department is on target for the majority of its revenue sources for the current period. However, the greater portion 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.

Sworn Hiring

Through October 31, 2015, 163 Police Officers have been hired versus 177 planned, with attrition of 177 versus 119 planned; the total number of filled sworn positions is 9,878, including 33 Municipal Police Officers. The Department currently has 122 (out of 10,000) funded sworn vacancies and is anticipating attrition of approximately 291 officers between November 1, 2015 and June 30, 2016. A class of 33 officers began on November 2, 2015 and another class of 35 recruits started on November 30, 2015.

On-Body Camera Project

The Police Department requests transfers related to the On-Body Camera project as infrastructure improvement work must be undertaken by the Department of General Services (GSD) and Information Technology Agency (ITA) in each Area Police station, including construction to accommodate camera docking stations; the installation and/or upgrade of existing electrical power connections; and configuration of network switches to connect each docking station to the LAPD fiber optic network. To meet the December 2016 deadline for full deployment of On-Body Cameras at all Area Police stations, \$189,397 in transfers are recommended for GSD and ITA to commence work at the Olympic, Harbor, and Hollenbeck Police Area stations. Funding for the Department's remaining stations will be addressed in a separate Department report which the Board of Police Commissioners approved for transmission to the Mayor on November 17, 2015.

The following transaction is recommended:

- Transfer \$500,000 from the Unappropriated Balance, Police Department Fingerprint Backlog account to the Police Department's Overtime General account. On November 10, 2015, the Council adopted a recommendation authorizing the transfer of \$500,000 from the Unappropriated Balance to the LAPD for overtime to address a backlog in fingerprint analysis (C.F. 15-0479). The Controller has requested a modification to the instructions to clarify that the funding will be transferred to the Overtime General account.

N. Public Works/Bureau of Street Services
Attachment 3 – Special Fund Reappropriations
Attachment 6 – Transfers between Departments and Funds

There are no significant changes to the Bureau's year-end outlook from the First FSR which identified a \$7.24 million (\$1.79 million General Fund and \$5.45 million special fund) surplus. The year-end surplus continues to be attributed to vacancies and assumes an aggressive hiring schedule.

The following transactions are recommended at this time:

- Transfer receipts totaling \$278,444.50 from the Subventions and Grants Fund to the Bureau's Revenue Source Code No. 465800, Special Events, to reimburse for various services provided by BSS for special events held from February 2015 through August 2015.
- Transfer and appropriate receipts totaling \$792,608.28 from the Subventions and Grants Fund to the Department of Transportation's (DOT) Salaries Overtime account to reimburse for various services provided by DOT for special events held from February 2015 through August 2015.
- Transfer and appropriate \$94,755.25 from the Subventions and Grants Fund to the Los Angeles Fire Department's (Fire) Sworn Salaries account to reimburse for various services provided by Fire for special events held from February 2015 through August 2015.
- Transfer and appropriate \$678,475.70 from the Subventions and Grants Fund to the Police Department (Police) Sworn Overtime account to reimburse for various services provided by Police for special events held from February 2015 through August 2015.
- Transfer receipts totaling \$17,486.90 from the Subventions and Grants Fund to the Building and Safety Permit Enterprise Fund for various services provided by Building and Safety for special events held from February 2015 through August 2015.
- Transfer receipts totaling \$1,438.75 from the Subventions and Grants Fund to the Solid Waste Resources Fund for various services provided by the Bureau of Sanitation for special events held from February 2015 through August 2015.
- Reappropriate \$569,891.88 from the Community Development Trust Fund to the Bureau for the Washington Blvd. Corridor Enhancement Project.
- Reappropriate \$205,392.66 from the Community Development Trust Fund to the Bureau for the Calhoun Avenue Sidewalk Improvement Project.

- Reappropriate \$313,485.88 from the Community Development Trust Fund to the Bureau for the Fletcher Drive Streetscape Project.
- Reappropriate \$287,000 from the State AB 1290 Fund to the Bureau for the Fletcher Drive Streetscape Project (C.F. 14-1193).
- Reappropriate \$200,000 from the State AB 1290 Fund to the Bureau for the Washington Blvd. Corridor Enhancement Project (C.F. 14-1614).

O. Transportation

Attachment 6 – Transfers between Departments and Funds

The Department of Transportation year-end projections remain relatively unchanged. The current projection is a \$7.645 million surplus, mainly in special funds, across various funding sources and accounts, mainly due to a surplus in the Salaries General account (\$7.544 million) and a shortfall of \$2.65 million in the Salaries Overtime account assuming approval of transfers in this FSR.

The First FSR reported a potential \$300,000 shortfall within the Department's contractual services account to pay for bank fees. It is still too early in the fiscal year to determine if a supplemental appropriation is warranted and the Department will continue to monitor this expense account. In prior fiscal years, the Office of Finance paid the Department's General Fund bank fees, however in the 2015-16 Adopted Budget this cost was shifted to the Department although no additional funding was provided to support these additional costs. These bank fees are associated with the collection of General Fund revenues relative to Parking Citations.

The potential fiscal impact of El Niño continues to be a cause for concern for the Department. The unanticipated traffic control services related to the anticipated El Niño 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 projected Parking Fine revenues are budgeted at \$157.5 million for this Fiscal Year. The department reports that \$49 million has been collected through October 2015 and continues to lag behind budgeted revenues. The Department will provide a revised revenue estimate in the Mid-Year FSR, if deemed necessary. No issues of concern are reported at this time with Special Fund Revenues.

The following transaction is recommended at this time:

- Transfer \$700,000 from the Proposition C Anti-gridlock Fund, Pavement Preservation Overtime account to the Department's Overtime account to cover the anticipated year-end overtime shortfalls related to the Pavement Preservation Program for this purpose.

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 (\$80 million), Attorney Conflicts Panel (\$2 million), and General City Purposes payroll accounts (\$1.44 million).

A. General City Purposes No Recommendations

Since the First FSR, the projected year-end deficit within the General City Purposes Fund has decreased from \$2.07 million to \$1.44 million. This deficit is composed of shortfalls in Medicare (\$729,488), the Pension Savings Plan (\$625,783), and Social Security (\$83,382) accounts. The Medicare account was budgeted based on 35,513 employees per pay period. Since the last FSR, the number of employees subject to Medicare withholding decreased from 36,044 (payroll ending August 22, 2015) to 35,444 (payroll ending October 31, 2015). As expected, the number of employees in the Pensions Savings Plan began higher in the earlier months of the fiscal year and has begun to show a decline in the number of employees and contribution amount. The current upward expenditure trend in Social Security is the result of an increase in the number of employees subject to Social Security withholding. This increase has eliminated the surplus that was reported in the First Financial Status Report. Given that these accounts fluctuate throughout the year, no adjustments are recommended at this time. We will continue to monitor all payroll accounts as further expenditure data comes in and will report back in the next FSR.

B. Human Resources Benefits No Recommendations

Year-end expenditures for the Human Resources Benefits (HRB) 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. Based on preliminary expenditure estimates, the Personnel Department is projecting a \$14.9 million net year-end deficit in the HRB Fund. However, This Office is in the process of reviewing the Department's year-end expenditure projections and will report on the status of this Fund in the next FSR.

C. Liability Claims Account Attachment 4 – New Appropriations Recommendation No. 8

Year-end liability claims expenditures are projected at \$138.24 million which is \$84.33 million more than the current year budget. The shortfall of \$84.33 million is reduced to approximately \$80 million, after adjusting for and appropriating \$4.2 million in unallocated revenue due to previously issued but cancelled settlement checks. 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 \$38.66 million in payouts (actual expenditures and payments that still need to be processed) for an available balance of \$15.24 million in the Liability Claims Account. The City Attorney's Office requests supplemental funding to offset Liability Claims Account expenditures prior to the mid-year. Additional funds will be requested at mid-year to cover the remaining half of the fiscal year.

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, prior year expenditures, and an analysis through the end of October of pending cases that may likely settle this fiscal year, the City Attorney projects a year-end shortfall of \$80 million in this account. This includes anticipated payouts related to the Attorney Conflicts Panel. The projected deficit is contingent on the cases that settle in the current fiscal year. It should also be noted that the \$80 million estimate is subject to change based on more current estimates from the City Attorney.

At this time, the following transactions are recommended for the Liability Claims Account to address immediate funding needs in advance of the Mid-Year FSR:

- Appropriate \$4.2 million from the Liability Claims Fund, Revenue Source 5188 entitled Miscellaneous Revenue-Others to the Liability Payouts Account. This unbudgeted revenue is available in the current fiscal year due to cancelled checks related to settlements authorized in Fiscal Year 2014-15 but paid with current year liability claims funding;
- Transfer \$29 million from the Reserve Fund to the Unappropriated Balance, and appropriate therefrom to the Liability Claims Fund, Liability Payouts Account for anticipated expenditures prior to the release of the Mid-Year FSR.

These actions will reduce the remaining year-end deficit to approximately \$51 million.

D. Attorney Conflicts Panel Recommendation No. 9

The Attorney Conflicts Panel (ACP) is responsible for retaining outside counsel to handle conflict-of-interest matters which the City Attorney's Office is precluded from handling. The ACP Fund is administered by the City Administrative Officer, and has a current budget allocation of \$4.13 million for FY 2015-16, with approximately 57 existing open cases. Due to the increase in new case assignments involving high exposure complex police litigation matters (e.g., officer involved shootings, wrongful incarcerations) and police employment matters (e.g., harassment, discrimination, retaliation), as well as the high expenditure activity of the current cases that are being prepared for trial and the continuing matters regarding the Community Redevelopment Agency dissolution and U.S. Department of Housing and Urban Development/Americans with Disabilities Act, it is anticipated that the current appropriation of funds will be exhausted before the end of FY 2015-16. Total current year expenditures are now projected at approximately \$6.13 million which is \$2 million more than budget.

To address the existing funding shortfall, an additional appropriation of \$2 million is recommended from the Reserve Fund to the ACP Fund 46T to cover anticipated expenditures through year-end.

3. FAMILY SOURCE CENTERS

As part of the City's First FSR, the Council and Mayor adopted an amending Motion (Blumenfield-Bonin) that directs this Office to identify funding in the Second FSR for the Canoga Park and the West Los Angeles FamilySource Centers (FSCs). The Canoga Park and West Los Angeles FSCs comprise two of the 16 contractors that were procured by HCID in 2009 to operate and manage FSCs in the City. The respective contracts will expire on March 31, 2016. This Office has been working with HCID to determine the actual funding need for the two FSCs and the potential short-term and long-term fiscal impacts to the General Fund. However, the exact funding need for these FSCs as well as the actual funding levels to be provided to all other remaining FSCs cannot be determined at this time. This Office does not recommend an appropriation in this FSR for the following reasons: 1) the new FSC Request for Proposals (RFP) process conducted by HCID has not concluded yet, 2) the amounts to be awarded as part of the RFP process has not been determined, 3) there is a potential for a long-term General Fund obligation of approximately \$1.4 million annually over a five year period for a minimum General Fund obligation of approximately \$7 million (assuming minimum funding levels of \$700,000 per center); and, 4) there are potential supplanting issues. Instead, it is recommended that funding be addressed as part of the City's annual Budget process. These issues are discussed in greater detail below.

In July 2015, the Council and Mayor authorized the HCID to conduct a new RFP process to procure new contractors to operate and manage the non-profit FSCs for up to a five-year period (C.F. 15-0697). The contract initial term will be from April 1, 2016 through March 31, 2017 with the option to renew for four additional one-year periods. The HCID anticipates the RFP process to be completed in December 2015. Further, the HCID plans to return to the Council and Mayor for approval of the scores and ranking in early January 2016. This schedule will align with the release of the 42nd Year Consolidated Plan budget, through which Community Development Block Grant (CDBG) funds are allocated and notification by the State of California of the City's Community Services Block Grant (CSBG) Award for 2016. Per HCID's RFP calendar, identification of funding sources for the contracts is estimated to occur by December 31, 2015. The contract authorities incorporated into Year 42 Consolidated Plan is estimated to occur by January 31, 2016.

Initially, the non-profit managed FSCs were funded at \$1 million through the public service allocation of CDBG and CSBG funding. However diminishing grant resources have reduced the per-agency funding to approximately \$700,000 per year. As part of the 2015-16 Adopted Budget, the Council and Mayor allocated \$820,000 in General Fund dollars to maintain the annual funding level at \$700,000 per-agency. However, HCID believes that a minimum annual funding level of \$800,000 per-agency is required for each contractor to provide comprehensive FSC wrap-around services. This issue is expected to be addressed as part of the upcoming HCID report back.

The HCID states that the number of FSCs to be funded is contingent upon the amount of resources that are available at the time RFP funding recommendations are prepared. Under federal regulations, once City General Fund monies are used to pay for a portion of the proposed new contracts, these costs can no longer be grant funded. This would likely result in ongoing General Fund obligations as opposed to one-time funding. In addition, the proposed new contracts are for a five-year period creating a potential ongoing fiscal impact. The fiscal impact is uncertain at this time. The CAO plans to continue to work with HCID, the Council and Mayor to identify possible funding sources for the FSCs for the proposed new contracts.

4. CITY HOMELESSNESS INITIATIVE

Recommendation Nos. 10 and 11

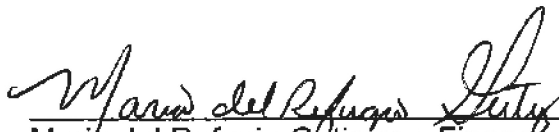
A total of \$15 million was approved in the First FSR for the new Serving and Housing LA's Homelessness account in the Unappropriated Balance. Pursuant to a Motion (Huizar-Harris-Dawson-Bonin), currently pending Council action, \$12.9 million of this amount is recommended to be transferred to the Los Angeles Homeless Services Authority (LAHSA) for the following purposes:

- **Rapid Rehousing for Veterans (\$5.1 million):** Funds will be used for limited term rental subsidies and support services for Veterans. LAHSA will utilize funds to subcontract with the following five agencies: Harbor Interfaith, St. Joseph's Family Center, Special Services for Groups /HOPICS, LA Family Housing, and LAMP Community. Approximately 450 veterans will be housed over a 12 month period beginning in January 2016.
- **Rapid Rehousing (\$5 million):** Funds will be used for limited term rental subsidies and support services for those who do not need long term support. LAHSA will subcontract with the following five agencies: Harbor Interfaith, St. Joseph's Family Center, Special Service for Groups/HOPICS, LA Family Housing, and LAMP Community. Approximately 450 persons will be housed over a 12 month period beginning in January 2016.
- **Facilities Evaluation (\$100,000):** Funding is provided to LAHSA to conduct an evaluation of current access centers that may be transitioned to facilities that provide sanitation, toilets and showers, short term storage and safe parking as well as connections to other services. Once the evaluation is completed, LAHSA will report to the Council with recommendations on where these centers should be located and on-going program costs.
- **Technology Upgrades (\$1 million):** Funds will be used to evaluate and upgrade the Homeless Management Information system (HMIS) and to purchase tablets to assist outreach workers with intake. LAHSA proposes to contract with Adsyssec.
- **Winter Shelter Expansion (\$1.7 million):** Funds will be used to add 440 beds at the current Winter Shelter sites which will operate through March 31, 2016. LAHSA also requests approval to subcontract with Ascencia to administer a new Winter Shelter site located in Highland Park for approximately 20 to 50 beds.

In order to expedite the transfer of funds to LAHSA and its subcontractors, and begin program implementation in a timely manner, Motion (Huizar-Harris-Dawson-Bonin) recommends that this Office include the necessary Controller instructions and other relevant actions that are required to implement the above before the Council's Winter Recess. The expenditure of the remaining \$2.1 million will be addressed at a later date.

The following transactions are recommended:

- Transfer \$12.9 million from the Unappropriated Balance, Serving and Housing LA's Homeless account, to the Affordable Housing Trust Fund, and appropriate to various new accounts within the same fund for the purposes described above.
- Authorize the General Manager, Housing and Community Investment Department, to negotiate and execute any contract document, including but not limited to an amendment to City Contract No. C-126258 with the Los Angeles Homeless Services Authority, to increase compensation in an amount not to exceed \$12.9 million, for the purposes specified in CF No. 15-1138-S3, subject to the approval of the City Attorney as to form and compliance with the City's contracting requirements;


Maria del Refugio Gutierrez, Finance Specialist

APPROVED:


Ben Ceja, Assistant City Administrative Officer

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Attachments