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ERIC GARCETTI
MAYOR

April 21, 2016

Honorable Members of the Budget & Finance Committee
Room 295, City Hall
Los Angeles, California 90012

Attention: Richard Williams, Legislative Assistant I

RE: OFFICE OF FINANCE FY 2016-17 PROPOSED BUDGET

Dear Committee Members,

I would like to thank the Mayor, the City Administrative Officer, and their respective staff for consideration of the department's budget submission. We acknowledge that the previous Office of Finance (Finance) administration submitted a responsible budget aimed at stabilizing several core areas and maintaining business continuity around key initiatives. We are pleased that several of Finance's needs are being supported in the proposed budget.

As Finance moves forward under a new executive management team we are dedicated to taking a holistic approach toward Finance's customer service delivery model. The Mayor's proposed budget for Finance begins to lay the foundation for short and long term strategies to improve customer service delivery and ensure a positive sentiment by the constituents served, such as the citizens that pay their taxes or obtain permits (\$2.5 billion annually), departments depending on Investment services (\$9.4 billion presently), and City employees that use Treasury services (\$50 billion annual processing).

It is important to underscore that Finance is examining every element of the customer service environment and aims to improve its responsiveness to customers at every level. This includes not only interactions with the call center and public counters, but also web links, postal mail and web forms, e-mail communications, outreach and field work by Finance audit and enforcement representatives.

While the Mayor's budget submission provides critical support for Finance's operations, there are still two requests that Finance would appreciate the Committee's consideration of as these will greatly enhance Finance's success in carrying out its customer focused strategy and further ensure continuity of key operations.

- 1) Restoration of deleted positions. Finance advocates to maintain the position authorities deleted in the budget, as it provides management flexibility in hiring. We fully recognize our obligation to maintain expenditures within budget.
- 2) Reappropriation of current year unspent departmental funds. Finance has a number of critical operational requirements, several of which have been outstanding for a few years that have yet to be met for various reasons including hiring challenges and lengthy procurement processes. Finance requests reappropriation of all unspent

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salary and contractual services funds in order to fulfill departmental mandates including for Payment Card Industry Security Standards, replacement of legacy Treasury systems, and development of a bank and merchant services Request for Proposals. Finance is working on all of these and other initiatives now, and has available current year funding, but cannot execute contracts within just a few months of time.

Finally, there are a couple of items which Finance seeks to create awareness of and continue dialogue with the Council, including consideration for potential funding.

- A. LATAX system modernization. The LATAX program is the core system that supports Finance's efficient management and collection of tax revenue. The LATAX system was implemented in November 2004 and is now more than 10 years old. It manages all tax and permit activities for Finance, has over 625,000 active tax and permit accounts, and administers over \$2.5 billion in annual revenue. The LATAX system provides online services that allow any business to register, renew, or pay billings 24 hours a day. Over 75 percent of businesses renew their annual business certificates online and over 58 percent of all service transactions are performed using online services. As LATAX is near end of life and goes out of support by January 2020, it is imperative that the City begin to address replacement of the current LATAX system and Finance respectfully requests to address this matter within the budget deliberation process.
- B. Bank fees. Finance's proposed budget has \$1.4 million less funding for bank fees than in the current year largely based on the assumption that the Department of Building and Safety will implement a Universal Cashiering system by July 1, 2016 wherein merchant service fees would be defrayed from City costs. It should be noted that failure to meet this date will likely require additional appropriation to Finance for bank fees and additionally noted that Finance paid approximately \$1.8 million in bank fees attributable to Building and Safety this year, of which \$710,000 is with General Fund monies.

Thank you for the opportunity to address your Committee, I appreciate your consideration and look forward to further discussion. I am available to answer any questions you may have at any time.

Sincerely,



Claire Bartels
Director of Finance/City Treasurer

cc: Ana Guerrero, Mayor's Chief of Staff
Matt Szabo, Deputy Mayor of Budget and Innovation
Sharon Tso, Chief Legislative Analyst
Miguel Santana, City Administrative Officer
Finance Management Team