

# REPORT OF THE CHIEF LEGISLATIVE ANALYST

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April 27, 2018

To: Honorable Members of the  
Budget and Finance Committee

From: Sharon M. Tso   
Chief Legislative Analyst

## Overview of the 2018-19 Proposed Budget

As requested by your Committee, we have prepared the attached overview of the 2018-19 Proposed Budget, as submitted by the Mayor on April 19, 2018.

If we can be of further assistance in this matter, please let us know.

SMT:KEK

Attachment: Overview of the 2018-19 Budget  
As Submitted by the Mayor

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# OVERVIEW OF THE 2018-2019 BUDGET

AS SUBMITTED BY THE MAYOR

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Presented to:  
The Budget and Finance Committee

Prepared By:  
Sharon M. Tso  
Chief Legislative Analyst

# Mayor's Budget Balancing

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<b>2017-18 Budgeted Revenue .....</b>	<b>(\$5,826.46M)</b>
<b>2018-19 Revenue Estimate .....</b>	<b>(\$6,166.02M)</b>
<b>Total Base Revenue Change .....</b>	<b>(\$339.57M)</b>

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## **2018-19 Expenditures to Maintain 2017-18 Service Levels**

- **Obligatory Expenditure Changes (\$106.16M)**
  - 2017-18 Employee Compensation Adjustment (\$22.21M)
  - 2018-19 Employee Compensation Adjustment (\$29.23M)
  - Salary Step and Turnover Effect (\$3.41M)
  - Deletion of Funding for Resolution Authorities (\$-53.21M)
  - Full Funding for Partially Financed Positions (\$58.52M)
  - Human Resources Benefits (\$58.83M)
  - Tax and Revenue Anticipation Notes (\$94.38M)
  - Deletion of One-Time Expense Funding (\$-178.46)
  - Restoration of One-Time Expense Reduction (\$27.76M)
  - Capital Finance Administration Fund and Other Debt (\$11.89M)
  - Charter Mandate Library Funding (\$10.75M)
  - Charter Mandate Recreation and Parks Funding (\$7.87M)
  - Obligatory Increase to Arts and Cultural Facilities Services Trust Fund (\$3.08M)
  - Other Obligatory Adjustments (\$9.90M)
  
- **Continuation of Existing Services (\$176.67M)**
  - City Attorney - Body-Worn Video Camera Program Prosecutorial Support (\$1.47M)
  - City Attorney - Proposition 47 Prosecutors (\$1.41M)
  - Economic/Workforce Dev. - Economic Development and Job Creation (\$1.68M)
  - Economic/Workforce Dev. - Gang Injunction Settlement Implementation (\$3.50M)
  - Economic/Workforce Dev. - Los Angeles Regional Initiative for Social Enterprise (\$1.00M)
  - Fire - Constant Staffing Overtime - Compensatory Time Off (\$1.97M)
  - Fire - Constant Staffing Overtime - MOU Provisions (\$2.12M)
  - Fire - Continuation of Engine Company (\$2.10M)
  - Fire - Funding Realignment, Intergovernmental Transfer Program (\$-6.00M)
  - General Services - Asset Management System (\$1.50M)
  - Housing/Community Investment - Consolidated Plan Backfill (\$1.49M)
  - Housing/Community Investment - Domestic Violence Shelter Operations Support (\$1.32M)
  - Housing/Community Investment - Family Source Center Program (\$5.30M)
  - Information Technology - Police Phone Replacement (\$1.12M)
  - Police - Associate Community Officer Program (\$1.00M)
  - Police - Funding Realignment, 2017-18 One-Time Special Funding (\$4.60M)
  - Police - Los Angeles County Metropolitan Transportation Authority (\$50.48M)
  - Police - Vehicle Replacements (\$5.24M)
  - PW/Board - Graffiti Abatement Funding (\$2.00M)
  - PW/Contract Administration - Office of Wage Standards Support (\$3.08M)
  - PW/Contract Administration - Services to the Los Angeles World Airports (\$2.23M)
  - PW/Engineering - Citywide B-Permit Case Management Group (\$1.00M)
  - PW/Sanitation - Homeless Outreach Partnership Endeavor Teams (\$3.44M)
  - PW/Street Services - Tree Trimming and Related Maintenance (\$6.58M)
  - Sidewalk Repair Fund (\$5.07M)
  - Transportation - Funding Source Realignment, Crossing Guards (\$1.37M)



## Mayor's Budget Balancing

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- Transportation - Pavement Preservation Support, Striping Support (\$6.55M)
- Unappropriated Balance - Bureau of Engineering, Supplemental Funding (\$1.00M)
- Other Continuation of Services (\$63.06M)

**Total Amount Available for New and Increased Services ..... (\$56.73M)**

- **2018-19 Increased Services (\$57.97M)**

- Contribution to the Budget Stabilization Fund (\$5.00M)
- Fire - Contract Brush Clearance (\$1.33M)
- Fire - Sworn Overtime, Mutual Aid Deployment (\$3.00M)
- General City Purposes - Citywide Procurement System Phase Three (\$1.00M)
- General City Purposes - Homeless Shelter Program (\$10.28M)
- General City Purposes - Operation Healthy Streets (\$3.14M)
- General Services - Citywide Parts Account (\$0.50M)
- General Services - Standardized Interface for City Systems (\$1.20M)
- Information Technology - Archive and eDiscovery System (\$0.61M)
- Information Technology - Citywide Critical Data Protection Program (\$0.63M)
- Information Technology - LAFD Dispatch Communications, Critical Repairs (\$0.58M)
- Information Technology - LAPD and LAFD Radio Infrastructure Repairs (\$1.00M)
- Personnel - Anytime Anywhere Testing (\$0.68M)
- Police - Technology-Related Hardware and Contracts (\$3.84M)
- PW/Sanitation - Clean Streets Los Angeles Program Expansion (\$6.62M)
- Transportation - Hollywood Sign Enforcement (\$0.65M)
- Unappropriated Balance - Homeless Outreach Partnership Endeavor Team (\$1.30M)
- Unappropriated Balance - Human Resource and Payroll System Replacement (\$2.00M)
- Unappropriated Balance - Public Bathroom Access (\$2.18M)
- Other Increased Services (\$12.44M)

- **New Services in the 2018-19 Proposed Budget (\$44.14M)**

- Finance - Cannabis Cash Management (\$0.48M)
- General City Purposes - Council Community Projects (\$8.11M)
- General City Purposes - Crisis and Bridge Housing Fund (\$20.00M)
- Housing/Community Investment - Human Trafficking Shelter Pilot Program (\$0.80M)
- Municipal Facilities - Net New Projects (\$0.49M)
- Physical Plant - Net New Projects (\$7.34M)
- Police - Official Police Garage Reimbursement (\$0.25M)
- Unappropriated Balance - Franchise Valuation and Health Studies (\$0.40M)
- Unappropriated Balance - November 2018 Special Election (\$4.50M)
- Other New Services (\$1.78M)

- **Efficiencies in the 2018-19 Proposed Budget (\$-45.37M)**

- Attorney Conflict Panel Reduction (\$-0.93M)
- Expense Account Reductions (\$-17.35M)
- Pavement Preservation Reduction (\$-11.40M)
- Salary Reductions (\$-15.10M)
- Other Efficiencies (\$-0.60M)

**NET SURPLUS/DEFICIT .....0**

# Significant Issues

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## 2018-19 AND FUTURE YEARS

Staying the course set in recent budgets, the Mayor's 2018-19 Proposed Budget invests financial gains in key areas of Citywide concern as the City's revenue sources continue to recover from the Great Recession. With the City's General Fund revenue base projected to grow at a steady pace, the Mayor's 2018-19 Proposed Budget shares the Council's financial goals by using a portion of the incremental revenue to maintain a healthy Reserve Fund that meets the City's Financial Policy goal, while also investing in the City's 'rainy day' Budget Stabilization Fund. Overall, the collaborative approach taken in the development of the Mayor's 2018-19 Proposed Budget is evident throughout, as funding is included for a variety of the Council's priorities and programs, including new parks and community facilities, increased public safety staffing, deployment of technology to improve customer service, and improved traffic safety.

At the same time, both the Mayor and City Council recognize new challenges that must be faced with timely and concerted action and dedication of significant resources. Homelessness, court-ordered sidewalk repairs, and ADA-compliant housing all place immediate and continuing demands on City resources. To address homelessness, the 2018-19 Proposed Budget allocates nearly \$360M for homelessness-related programs, including \$275M for construction of permanent supportive housing, affordable housing, and other facilities, supplementing the \$130M investment being made in 2017-18. Meanwhile, the Citywide Sidewalk Repair program will receive more than its full allotment of \$31M in 2018-19 and, to date, has repaired over 55 miles of sidewalk and installed more than 1,200 ADA-compliant curb ramps. The City's Accessible Housing Program, which will invest \$200M over 10 years to produce 4,000 units of accessible rental housing, will receive more than \$49M in General and Special Funds in 2018-19 to develop 209 new units toward the program's goal.

Complementing the City's financial investments in affordable housing are non-financial actions taken recently by the City Council and Mayor. Two ordinances were recently approved to expedite the conversion of hotels and motels into temporary or supportive housing for the homeless, and to streamline the approval processes for permanent supportive housing projects.

As in prior years, programs and services proposed for expansion in the Mayor's 2018-19 Proposed Budget are funded from both traditional and newly-approved revenues, as well as revenue from sources still under Council discussion, such as funding anticipated from an increase in the Street Damage Restoration Fee and a new billboard revenue opportunity and receipts from short-term rentals still under policy discussion by the Council. A potential voter challenge to SB 1 funds could also jeopardize available revenues, therefore the measured manner in which SB 1 funds were programmed in the Proposed Budget is prudent.

The Proposed Budget will be facing other financial challenges. Recent changes in investment assumptions adopted by governing boards of both of the City's pension systems will require higher General Fund contributions next fiscal year, although this is



## Significant Issues

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tempered somewhat by higher investment returns. The civilian pension system Board will be revisiting their decision later this year. Labor agreements with the majority of civilian employees will expire in June 2018 and may also have an impact in 2018-19 and future years. Some expenditures, such as Liability Claims and overtime for Police, Sanitation, and LADOT workers, may be underfunded and require supplemental allocations mid-year.

The City's budgetary situation in 2018-19 is vastly different from the difficult recessionary days of the early 2010's. Since that time, policy makers have made significant strides to control spending while building up reserves to mitigate the impact should the economy take a similar turn in the future. The 2018-19 Proposed Budget continues in a positive direction by taking a cautious yet deliberate approach to rebuild City services, invest in technology, and address pressing community concerns, while further strengthening the City's reserves. With the exception of several revenues and expenditures, the Proposed Budget is a fair depiction of what we know today. As the Mayor and Council debate key issues in the upcoming year, and as more is known about concerns outside of the City's control, it is with certainty that the City will need to closely monitor the financial landscape and respond with any necessary modifications on an ongoing basis.

Memories of the severe budgetary difficulties in the recent past give strength to the argument that the City's policymakers should implement extreme budgetary caution by maximizing reserves and holding the line on any new expenditures. The uncertainties surrounding some of the City's major revenue sources budgeted in 2018-19 lends strength to those arguments. Reacting so, however, could prevent the City from restoring basic public services, including public safety, or investing in the City's infrastructure. Instead, consistent with the Council's priorities, the Mayor's 2018-19 Proposed Budget takes a balanced approach to budgeting by using credible data to make conservative, but realistic, projections of City revenue and budget anticipated funds to restore priority services, strengthen the City's reserve funds, modestly invest in new technologies and respond to pressing public and social challenges.

## Significant Issues

### POLICY CONSIDERATIONS

**Compliance with Financial Policies:** In the CAO's Supporting Information for the Budget and Finance Committee, the CAO reports on the compliance of the 2018-19 Proposed Budget with the following areas of the City's Financial Policies:

City Financial Policies		Mayor's Proposed Budget
Reserve Fund	The Reserve Fund shall be 5% of the General Fund Budget.	Proposes a Reserve Fund of \$343M which equates to a Reserve Fund rate of 5.56% of General Fund revenues, as compared to a 5.12% rate for the 2017-18 Adopted Budget. (See discussion on the Reserve Fund).
Capital & Infrastructure	To the extent possible, the City shall annually budget 1% of General Fund revenue to fund capital or infrastructure improvements.	Provides 1.62% of General Fund revenue for capital and infrastructure projects (\$100.1M), which exceeds the 1% investment threshold by \$38.5M.
One-time Revenue	To the extent possible, current operations will be funded by current revenues. The use of unencumbered prior year balances in all funds shall be scrutinized and carefully limited to be used primarily for one-time expenditures. One-time revenues will only be used for one-time expenditures.	\$45.6M in one-time revenue is programmed in 2018-19, including a \$17.5M Reserve Fund transfer; a supplemental \$8.6M transfer from the Special Parking Revenue Fund; \$8.4M from CRA Surplus Property Sales; and \$4.8M from delayed 2017-18 Cannabis business taxes. According to the CAO Supporting Documents, one-time expenditures totaling \$109.6M are included in the 2018-19 Proposed Budget. As such, there are no excess one-time financial resources budgeted for ongoing expenditures in this year's budget.
Pension & Retirement Funding	When the required contribution rate falls significantly below the normal cost rate, the City will set aside the incremental rate amount for one-time expenditures only.	A credit has not been earned; therefore funding is not set aside in accordance with this policy.



## Significant Issues

Budget Stabilization Policy	This fund is intended to prevent overspending during prosperous years and provide resources to help maintain service levels during lean years.	\$103M is included in the 2018-19 Proposed Budget for the Budget Stabilization Fund (BSF). Ordinance No. 182928 requires a deposit into the BSF in years when seven General Fund Tax revenues have a combined growth rate above 3.4 percent. The CAO estimates that the combined growth rate for 2018-19 will be 5.6 percent, which would require a \$90M transfer into the Fund. The Proposed Budget deposits \$5M of the required amount into the BSF, with the remainder allocated to capital projects to help meet the Capital/Infrastructure 1% Financial Policy.
Debt Policy	<p>This Policy guides the use of General Fund revenue to pay debt service. Debt should be used to finance essential capital assets with a useful life of six years or more. City operations, maintenance, or capital equipment with less than a six-year useful life should be funded with pay-as-you-go financing.</p> <p>The ratio of total debt service payments (including voter approved debt) shall not exceed 15% of General Fund revenues, and the ratio for non-voter approved debt, alone, shall not exceed 6 %.</p>	The 2018-19 Proposed Budget complies with this Policy, inasmuch as proposed debt will result in a total debt ratio of 6.23% (as compared to 5.68% for 2017-18) and a non-voter approved debt ratio of 4.15% (as compared to 4.01% for 2017-18). Both of these debt ratios are within the debt ceilings established by the City's Debt Policy.

**One time revenues/expenditures:** The Supporting Information to the Budget and Finance Committee describes \$45.6M in one-time revenue and \$109.6M in one-time expenditures, complying with the City's Financial Policy. Past budgets have programmed one-time revenue sources to pay for ongoing expenses which has the potential of adding to a structural deficit. The 2018-19 Proposed Budget, however, utilizes all one-time revenues on one-time expenditures. On average over the past ten fiscal years, the Mayor's proposed budgets have identified \$102.4M in one-time revenues. Over this same time period the Mayor's proposed budgets have programmed an average of \$81.4M in

## Significant Issues

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one-time expenditures. These expenditures do not include allocations for resolution authority positions.

**State Ballot Measures:** On April 6, 2017, the Legislature passed SB 1, which provides significant additional revenue for transportation programs, including a substantial allocation to local governments to support road improvements. However, an initiative has been circulated that would eliminate the revenue sources included in SB 1. Signatures for this measure have been turned in and are currently being verified. The deadline to qualify is May 21, 2018.

In addition, a petition is circulating to place a measure on the ballot that would strictly limit the taxing authority of local governments. The measure requires a two-thirds vote and expands the definition of a tax. The measure also severely restricts fees and charges, which would also be subject to a two-thirds vote. Any change to existing fees or charges would require voter approval. Provisions of the measure would be effective retroactively to January 1, 2018. Signatures are still being gathered for this measure and it has reached the 25 percent signature threshold. The deadline to qualify is July 25, 2018.

**State Funding for Homelessness and Housing:** Two bills are pending in the legislature that would allocate funds for the purpose of developing homeless facilities and affordable housing. SB 912 (Beall) would provide \$2 billion for the development of affordable housing and to fund homeless programs. AB 3171 (Ting) would create a \$1.5 billion block grant program to provide homeless services. These bills may generate funding that would support City homeless and housing programs, but additional staff costs may be incurred to manage these new programs.

**State Budget:** The State budget, as currently proposed, does not include any issues of significant concern to local governments. The Governor will release a revised budget in mid-May 2018 (the May Revise). This is the document that will receive the greatest attention in Sacramento and has the potential to include additional matters that could affect local governments. It is anticipated that the State Budget will be adopted by June 15, 2018. City staff will monitor the May Revise and report on any potential issues that could affect the City budget at that time and as the Legislature conducts its review.

**Federal Grant Programs:** In the past three years, the Council has added funding to the Budget to ensure that various programs that once received Community Development Block Grant (CDBG) funding are continued. The availability of CDBG funds for these and other programs continues to decline. With the recent changes in leadership at the federal level, future grant funding remains uncertain. The continued availability of federal grants is an area that must be closely monitored this fiscal year and in future years.

The Mayor's Proposed Budget for 2018-19 continues funding for a number of programs that have been funded by CDBG in prior years:

- **AIDS Coordination and HIV Prevention** – Funding of \$1.4M is continued in the Department on Disability for AIDS Policy and Planning and HIV Prevention programs.



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- **Commission Support** – Funding for support of various commissions, including the Human Relations Commission, Commission on the Status of Women, and the Commission on Community and Family Services is continued in the Housing and Community Investment Department (HCID) budget.
- **Day Laborer Program** – Continued funding of \$0.8M is included in the budget for the Economic and Workforce Development Department (EWDD).
- **Domestic Violence Shelter Operations Support** - Funding of \$3.1M is included in the HCID budget to support Expansion of Domestic Violence Shelter Operations.
- **Family Source Centers (non-profit managed)** - Funding of \$5.5M is included in the HCID budget to allow full funding, along with CDBG funds, of 16 Family Source Centers.
- **Public Works Beautification and Anti-Graffiti Programs** - Graffiti Abatement (\$9.7M), Clean and Green Program (\$0.8M), and the LA River Corps Program (\$0.2M) that were either fully or partially CDBG funded in previous years are all proposed for funding in 2018-19.
- **Youth Development** – Funding of \$2M is included in the EWDD budget for YouthSource Centers, Hire LA, and the Cash for College program.
- **Housing and Community Investment Department** – Funding of \$2.3M is included in the budget to continue positions added mid-year in support of Consolidated Plan activities.

**Functional Transfers and Program Realignments:** The 2018-19 Proposed Budget transfers functions across City departments as follows:

- Environmental Planning Housing Unit from the Housing and Community Investment Department to City Planning (two positions; \$0.2M).
- Clean Streets LA – Non-Profit Partners from Public Works - Bureau of Sanitation to the Public Works Board (\$0.2M).
- Recreation and Parks Services at Imperial Courts from Recreation and Parks to the Housing Authority of the City of Los Angeles (HACLA). Recreation and Parks staff previously assigned to this function will be reassigned to other departmental facilities (\$-0.2M).

The Proposed Budget also includes various transfers and realignments within departments to reflect new organizational structures.

# Significant Issues

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## REVENUES

**Revenue Outlook:** The Proposed Budget's revenue estimates are consistent with historical trends for ongoing revenue sources. However, there are some revenue sources that are uncertain. For example, if a more restrictive short-term rentals policy is adopted by Council, revenues from Transient Occupancy Tax will be reduced. The Proposed Budget also assumes \$13M in billboard revenue, although a policy has not yet been adopted by Council. The Proposed Budget anticipates enactment of an increase to the Street Damage Restoration Fee (SDRF) that is expected to generate an additional \$62M in special fund receipts, but this fee increase has not been adopted by Council. In addition, the Proposed Budget appropriates \$67M of Gas Tax (SB 1) revenue that could be decreased should a voter initiative to repeal the tax be included in the November 2018 statewide election and approved by the voters. The Proposed Budget also includes increases in sales and business tax revenue attributed to cannabis sales and businesses. There is no historical data related to cannabis taxes to rely on; therefore, accurate estimates are difficult to determine at this time.

The Proposed Budget estimates revenue growth for 2018-19 through 2022-23 based on historical average receipts, with some exceptions. Total General Fund receipts for 2018-19 are estimated at \$6.17B, a 5.56 percent growth from the 2017-18 revised receipts, which includes \$45.6M from one-time sources as noted on page 5. Growth from the economy-sensitive components in 2018-19 is expected to be 5.6 percent above the 2017-18 Adopted Budget.

**Power Revenue Transfer:** The transfer from the Power Revenue Fund is set as a percentage of prior-year gross operating power revenue, not to exceed net income. The 2018-19 transfer will be subject to the approval of the Board of Water and Power Commissioners. The amount included in the 2018-19 Proposed Budget is \$235.7M, which is \$6.8M less than the 2017-18 Adopted Budget amount of \$242.5M. The decrease in revenue over the last two fiscal years reflects the impact of a settlement agreement limiting the amount of the transfer.

Charter Amendment J requires the DWP to submit its preliminary budget for the upcoming fiscal year to the City Council by March 31 to allow Council to consider the impacts of the DWP budget on the City. The Board of Water & Power Commissioners considered the 2018-19 Preliminary Budget on March 13, 2018. DWP's Preliminary Budget was transmitted to Council on March 21, 2018 and included a proposed a power revenue transfer of \$243M.

**Fees:** The following fee adjustments are included in the 2017-18 Proposed Budget:

- Fire: Various unspecified fee increases for fire inspections are expected to generate \$3.7M in additional revenue.
- Street Services: The 2018-19 Proposed Budget assumes additional revenue of \$62.4M from an increase in the Street Damage Restoration Fee, which is still under the Council's consideration.



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**Property Based Revenue:** In 2018-19, property-related revenues (\$1.96B) will account for nearly 32 percent of the City General Fund revenue. The Proposed Budget assumes a 5.8 percent growth in total assessed value for 2018-19. In future fiscal years, the Proposed Budget forecasts that property taxes will increase by 4 percent in 2019-20 to \$2.04B, then rise steadily by 4 percent in each of the next three fiscal years to reach \$2.29B in 2022-23. The dissolution of Community Redevelopment Agencies beginning in 2011 triggered the subsequent redistribution of former tax increment revenue to various taxing entities, including the City. The City began receiving additional property tax payments (former tax increment) beginning in June 2012, and the Proposed Budget anticipates that the City will receive \$89M in former CRA revenues in 2018-19.

**Documentary Transfer Tax:** Tax revenue from the Documentary Transfer Tax is generated when real property is sold or when a controlling interest in a legal entity that owns real property in the City is transferred. It is assessed at the time of sale or transfer, at a rate of \$2.25 per \$500 of value. Projections in the 2018-19 Proposed Budget anticipates moderate revenue growth due to leveling sales volume and modest price growth. Documentary Transfer Tax revenues are expected to grow by 3.5 percent, from \$208.6M to \$214.6M. Documentary Transfer Tax revenues are projected to grow by an average of 3.3 percent in each of the next four fiscal years, increasing to \$244.3M by 2022-23.

**Transient Occupancy Tax:** The Transient Occupancy Tax (TOT) is levied on hotel or motel rooms and other properties rented for 30 days or less, and is collected by the operator and remitted to the City monthly. The TOT rate is 14 percent, of which 13 percent is remitted to the General Fund and one percent is remitted to the greater Los Angeles Visitors and Convention Bureau Trust Fund. The 2017-18 revised revenue estimate of \$299.2M reflects the addition of \$7.5M in TOT Collection Agreement Revenue, mainly attributed to the tax collection and remittance agreement with short-term rental and home sharing websites.

The Proposed Budget assumes 6.4 percent growth in hotel TOT revenue of \$16.3M in 2018-19 based on the average hotel industry growth rate in LA County, for total anticipated revenue of \$269.9M. In addition, the annualized TOT revenue from the short-term rental and home sharing remittance agreement is anticipated at \$52.3M, for total TOT revenues of \$322.2M. TOT revenues are projected to grow by 5 percent each year to \$391.6M by 2022-23.

**Sales Tax:** The Proposed Budget estimates that sales tax revenue for 2018-19 will total \$558M compared to the 2017-18 Revised Budget amount of \$538.9M. The City's sales tax is projected to increase by \$19M (3.5 percent). Similar to business tax, the increased sales tax growth for 2018-19 includes cannabis-related sales activity. In addition, sales tax growth is based on economic forecasts, and lower growth is assumed beginning in 2019-20 based on the shift in spending from local to online retailers.

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**Business Tax:** Business tax estimates for 2018-19 assume historical growth rates based on positive economic indicators, with additional net receipts from recreational cannabis business and sales activity. These estimates used as a base assume prior year receipts from medical cannabis businesses, and rough estimates of anticipated growth and market share. However, the actual impact on revenue of cannabis-based businesses is unknown at this time. Higher growth in business tax is projected in outgoing years. For 2018-19, the Proposed Budget anticipates net business tax revenues of \$575.7M, which is a 4.48 percent increase from the 2017-18 estimated year-end total of \$551M.

## Significant Issues

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### MAJOR FUNDS

**Reserve Fund:** The 2018-19 Proposed Budget anticipates a \$343M Reserve Fund, consisting of a \$169.6M Emergency Reserve and a \$173.4M Contingency Reserve. This equates to 5.56 percent of total General Fund revenues of \$6.17B. The 2017-18 Adopted Budget Reserve Fund was \$298.3M, which equated to 5.12 percent of General Fund revenues at that time.

Charter Amendment P, approved by the voters in March 2011, requires the establishment of an Emergency Reserve Account that contains no less than 2.75 percent of General Fund receipts and a separate Contingency Reserve Account in the Reserve Fund. Expenditures from the Contingency Reserve Account are limited by Charter Amendment P. Funding in the Contingency Reserve may be used to cover shortfalls in City revenue or pay for unexpected expenses for programs approved in the current year budget.

The City of Los Angeles enacted a Reserve Fund Policy in 2005 that provides for a phase-in of increasingly larger percentages of the General Fund to be deposited into the Reserve Fund. The goal specified in this Policy is a Reserve Fund of five percent of General Fund revenues within ten years. This goal was achieved in each of the past five fiscal years and the Mayor's Proposed Budget for 2018-19 continues to meet that goal.

The following chart illustrates the state of the Reserve Fund on July 1 for the past five years:

	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Proposed</b>
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Contingency Reserve	\$241.7M	\$293.8M	\$181.1M	\$194.3M	\$173.4M
Emergency Reserve	<u>\$141.3M</u>	<u>\$148.8M</u>	<u>\$153.4M</u>	<u>\$160.2M</u>	<u>\$169.6M</u>
Total on July 1 of FY	\$383.0M	\$442.6M	\$334.5M	\$354.5M	\$343.0M
% of General Fund	7.45%	8.18%	5.99%	6.08%	5.56%
<b>Amount Transferred to Balance the Budget</b>	<b>\$117.5M</b>	<b>\$60.3M</b>	<b>\$1M</b>	<b>\$9.1M</b>	<b>\$17.5M</b>

The Emergency Reserve Account in the 2018-19 Proposed Budget is \$169.6M, which equals 2.75 percent of General Fund revenues to comply with Charter Amendment P.

The Proposed 2018-19 Budget relies on a \$17.5M Reserve Fund transfer. Any transfers from the Reserve Fund are considered a one-time revenue source. Last year's 2017-18 Adopted Budget included a \$9.1M Reserve Fund transfer.

The Proposed Budget also includes \$103M in the Budget Stabilization Fund (BSF), as discussed below in more detail. When adding the BSF, Reserve Fund, and a total of \$20M set aside in the Unappropriated Balance, Reserve for Mid-Year Adjustments, the 2018-19 Budget contains total reserves of \$466M or 7.56 percent of the General Fund.



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**Budget Stabilization Fund:** The Budget Stabilization Fund (BSF) was created as part of the 2009-10 Adopted Budget to help reduce the impact on services during years of slow revenue growth or declining revenue. In April 2014, the City enacted Ordinance No. 182928 which established the requirements for deposits into and withdrawals from the BSF, consistent with provisions of Charter Amendment P. One of those requirements states that a deposit must be made into the BSF in any year when the combined growth rate the seven major revenue categories exceeds 3.4 percent unless the additional funds are to be used to fund capital infrastructure or to restore the Reserve Fund above five percent. In 2018-19, the Mayor's Proposed Budget estimates that the combined growth rate will be 5.6 percent. The CAO estimates the excess above 3.4 percent to be \$90M. The Proposed Budget deposits \$5M into the BSF and invests the difference (\$85M) into capital infrastructure to help comply with the City's Capital and Infrastructure Funding Policy, as allowed under the BSF policy. With the \$5M allocated in the Proposed Budget and \$1.2M in anticipated interest revenue, the BSF balance for 2018-19 will be \$104.5M, which is the highest to date.

**Affordable Housing Trust Fund:** Established in 2000, the City's Affordable Housing Trust Fund (AHTF) finances the acquisition, rehabilitation and construction of affordable housing throughout the City. The AHTF has historically been funded with various sources, including the Consolidated Plan's allocation of HOME Investment Partnership Program (HOME) and CDBG funds, redevelopment funds, and other state and federal resources.

In the 2017-18 Budget, a total of \$10M was anticipated from the proposed Affordable Housing Linkage Fee. In addition, the 2017-18 Consolidated Plan (PY 43) allocated a total of \$30M in HOME and CDBG funds to the AHTF.

In the 2018-19 Proposed Budget, a total of \$3.3M is anticipated from the Affordable Housing Linkage Fee, approved by Council in December 2017. A total of \$1M is proposed for the Accessory Dwelling Unit Pilot Program and \$2.3M for Local Funding for Affordable Housing. In addition, the 2018-19 Consolidated Plan (PY 44) allocated a total of \$28.6M in HOME and CDBG funds to the AHTF.

**Capital Finance Administration Fund:** The Capital Finance Administration Fund includes \$252.2M for the debt service cost for outstanding debt issuances to date. This amount is \$10.5M (4.36 percent) more than 2017-18. The proposed amount reflects a refunding of revenue bonds for the Dolby Theater and the refinancing of commercial paper notes used to purchase capital equipment and pay for capital improvements to City facilities, which resulted in \$5.41M in net present value savings. The Proposed Budget also includes debt service for a \$21.1M lease-purchase financing of Police vehicles and \$64.5M for Police and Fire radios, which were completed in November and December 2017, respectively. In addition, the final lease payment was made on the Police Digital In-Car Video System, which cost approximately \$20M and was financed through the Commercial Paper Program.

## Significant Issues

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**City Ethics Commission – Matching Campaign Funds Trust Fund:** The Proposed Budget appropriates \$3.3M to the City Ethics Commission Public Matching Campaign Fund. This amount is a \$0.05M (1.4 percent) increase from 2017-18. The proposed 2018-19 appropriation, combined with the projected cash balance from 2017-18, would provide a total Fund balance of \$19.3M, as required by Charter Section 471(c)(1). The Charter requires an annual appropriation of \$2M (1991 dollars) per fiscal year adjusted by the Consumer Price Index (CPI) (Los Angeles-Riverside-Orange County metropolitan area), unless special circumstances are met.

**Human Resources Benefits and Workers' Compensation Fund:** The Human Resources Benefits and Workers' Compensation Fund (HRB) provides for direct payments, exclusive of personnel and administrative costs, for various human resources benefits provided to City employees. The Proposed Budget increases the appropriation to the HRB programs to \$741.6M, a \$58.8M increase (8.6 percent) from the 2017-18 Adopted Budget.

The Proposed Budget includes various assumptions with regard to healthcare costs, number of employees hired, and costs associated with Workers' Compensation. For 2018-19, a total of \$194M would be appropriated to Workers' Compensation. This represents an \$18M increase (or 10.2 percent) from the 2017-18 Adopted Budget total of \$176M, and a \$4.5M increase (or 2.3 percent) from the 2017-18 estimated expenditures anticipated at \$189.5M. In addition to Workers' Compensation, increased costs included in the Proposed Budget for the HRB Fund result from anticipated health benefits rates in the Civilian FLEX Benefits (\$22.9M increase) and the Police Health and Welfare Program (\$9.8M increase). The Proposed Budget decreases funding for Unemployment Insurance by \$0.1M to reflect projected expenditures.

**Innovation Fund:** The Proposed Budget allocates \$1.1M to the Innovation Fund, a \$0.1M increase over the 2017-18 Adopted Budget allocation. Funding (\$0.1M) is continued for one position in the CAO's office to provide administrative support to the Innovation and Performance Commission, to be paid by the Innovation Fund. The Proposed Budget also includes an instruction to delete six Innovation and Performance Commissioners pursuant to Ordinance No. 185442 adopted by the Council and Mayor in February 2018 which reduced the size of the Commission from 15 members to nine, and changed the appointment process. A report pending in the Public Works and Gang Reduction Committee (CF 18-0223) notes that the Innovation Fund has a remaining 2017-18 balance of \$0.5M, and a proposed allocation of \$0.2M is pending Council review.

**Neighborhood Council Fund:** The Neighborhood Council Fund administered by the City Clerk funds certified Neighborhood Councils each Fiscal Year for operations and neighborhood improvement projects. The Neighborhood Council Fund continues the Neighborhood Council budgets at \$42K each, for a total appropriation of \$4.1M for 97 certified Neighborhood Councils. In addition, \$0.1M is set aside in the Unappropriated Balance for the formation of three additional Neighborhood Councils.



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**Proposition HHH:** The Proposed Budget includes a total of \$275M in proposed Proposition HHH bond proceeds to be issued in July 2018 subject to Council approval. This includes \$238.5M for the Permanent Supportive Housing Loan Program and \$36.4M for the Facilities Program of which four are City-sponsored projects (\$10.5M) and eighteen (18) are non-City sponsored projects (\$25.9M). Funds are also included for eligible staffing costs (\$0.1M). The \$275M in bond proceeds is an increase of approximately 68 percent from FY 2017-18 bond issuance which was \$89M. Of the \$89M, \$74M was for Permanent Supportive Housing Loan Program and \$12M was for Facilities Program.

**Sewer Construction and Maintenance Fund:** The Sewer Construction and Maintenance (SCM) Fund provides funding for the Clean Water Program (CWP). The SCM Fund is operated and maintained by the Bureau of Sanitation, with funding provided through the Sewer Service Charge (SSC). The Proposed Budget reflects revenue from a 6.5 percent rate adjustment in the SSC on July 1, 2018.

The Proposed Budget includes the third of four \$8.6M annual payments from the General Fund to the SCM Fund to reconcile the SCM Fund's overpayment of related costs for the Bureaus of Sanitation, Contract Administration and Engineering since 2011. The first annual reimbursement occurred in 2016-17. The Proposed Budget also recognizes \$9.7M in revenue from recycled water sales to DWP from the doubling of water production at Terminal Island Treatment Plant Advanced Water Purification Facility which was completed in January 2017.

The Proposed Budget for the SCM includes the Clean Water Capital Improvement Expenditure Program (\$329.9M) and the costs of operating and maintaining the Clean Water System (\$371M). The current CWP is focused on the Collection System Settlement Agreement which established a 10-year program of sewer inspection, maintenance, and rehabilitation, with the goal of reducing sewer system overflows.

The Proposed Budget also includes a projected \$3M increase in the utilities expense for the operation of the Digester Gas Utilization Project (DGUP) at the Hyperion Treatment Plant due to higher than anticipated demand charges from the Department of Water and Power when the DGUP is shut down as a result of planned and unplanned outages and a higher unit cost of electricity.

**Solid Waste Resources Revenue Fund:** The Solid Waste Collection, Transfer, Recycling, Recovery of Waste Resources and Disposal Fee (Solid Waste Fee) is imposed on all single-family dwellings in the City and upon certain multiple-unit dwellings for which the City provides refuse collection services. All receipts from the Solid Waste Fee are deposited into the Solid Waste Resources Revenue Fund (SWRRF) and are used for principal and interest payments, lease payments, direct acquisitions and associated expenses to acquire and repair sanitation equipment used in the collection and disposal of household refuse. The 2018-19 Proposed Budget for the SWRRF totals \$470.8M.



## Significant Issues

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The Proposed Budget recommends the following:

- Solid Waste Lifeline Program: The Proposed Budget provides \$8.2M in General City Purposes to reimburse SWRRF for costs attributed to the Lifeline Rate Program.
- Clean Fuel Collection: Funding (\$30M) is provided to replace diesel-powered solid resources collection vehicles with clean fuel vehicles.
- Solid Waste Tip Fees: The solid waste tip fees for residential collection are funded at the current level of \$58M. Tip fees for the Multi-Family Bulky Item Program are proposed to be paid by the SWRRF and reimbursed by special funds.
- Container Replacement Program: Funding (\$14M) is provided to annually replace approximately 215,000 worn, damaged and lost residential containers. The funding also supports technology improvements for the container asset management system.
- Rate Stabilization Reserve: Funding (\$78M) is provided for the Rate Stabilization Reserve to address unanticipated economic uncertainties. Also, funding of \$5M is provided for liability claims, which was previously allocated as a special purpose fund appropriation.
- Utility Expenses: Funding (\$2M) is provided for water and electricity expenses. These costs were previously paid from the Citywide Water and Electricity Fund. The Bureau of Sanitation began direct payment of water and electricity invoiced in 2017-18.

**Street Damage Restoration Fund:** The Street Damage Restoration Fund was created by Council action to receive revenues from the Street Damage Restoration Fee (SDRF). The SDRF was established in 1998 to reimburse the City for damage to City streets caused by excavations or other work performed by any entity, including City agencies, which are required to obtain a permit for excavations or other work. The funds are to be used only for street maintenance, resurfacing, repair and reconstruction; laboratory fees, testing, materials, engineering, salaries; and associated overhead.

The Bureau of Street Services (BSS) recently completed a fee study and has proposed an update to the SDRF. The fee study and proposed changes were considered by both the Board of Public Works and the Public Works and Gang Reduction Committees on April 18, 2018. Council has not adopted any recommendations relative to modifying the SDRF.

The Proposed Budget projects \$70.7M in revenue derived from an updated SDRF. This represents a 748.7 percent increase from 2017-18 and assumes approval of the proposed changes by July 1, 2018. The Proposed Budget allocates those funds as follows:

- Street Reconstruction and Vision Zero Projects - \$10M
- Enforcement Administration - \$2M
- Cool Pavement - \$2.5M
- Large Asphalt Repair - \$6M

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- Street Reconstruction - \$19.35M
- General Services - \$7.32M
- Bureau of Engineering - \$0.3M
- Bureau of Street Services - \$23.24M

Of this funding, \$33.24M is allocated to ongoing needs – \$23.24M for the City's Pavement Preservation Program and \$10M for the six Street Reconstruction and Vision Zero projects which have already been approved and were begun in 2017-18.

**Proposition A:** The Proposed Budget provides a total appropriation of \$241.7M, including:

- Continuation of existing transit services (\$95.2M).
- Seed funding that will be used to leverage grant funding to purchase new electric buses (\$1M) and construct facility upgrades at the transit yards to service electric buses (\$6M).
- Funding (\$15M) to support the purchase of four existing maintenance facilities that are currently being leased from City contractors.
- Funding (\$62M) for future service needs that may be used to offset potential shortfalls as expenditures increase.

**Local Transportation Fund:** Funds from one-fourth of one percent of the sales tax are allocated annually on a per capita basis to cities and the County by the Los Angeles County Metropolitan Transportation Authority (Metro) to develop bicycle and pedestrian facilities. Local agencies may either draw down these funds or place them in reserve. Funds must be spent within the fiscal year in which they have been allocated. Failure to do so may result in the lapse of these allocations.

The Proposed Budget includes total revenue of \$6.2M, which reflects a 49 percent reduction from the 2017-18 estimate. The Proposed Budget allocates the funding, as follows:

- Bikeshare capital expansion (\$2M)
- Bikeways program (\$1.4M)
- Expo Bike Path Phase II Northvale Segment (\$1.3M)
- Metro Crenshaw Line Sidewalk Project (\$1M)
- Open Streets Program (\$0.5M)

**Measure M Local Return Fund:** In November 2016, the voters in Los Angeles County approved an additional one-half cent sales tax within Los Angeles County, with an increase to one percent on July 1, 2039, with revenue to be used for certain transportation improvements. Collection of Measure M sales tax receipts began on July 1, 2017.

The Proposed Budget anticipates \$46.8M in Measure M funding, and funding is provided for the following projects:

- Completion of six Street Reconstruction/Vision Zero projects (\$9M)
- Street safety projects along the Vision Zero High Injury Network (\$4.5M)



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- Vision Zero education and outreach (\$1M)
- Six open streets events (\$1.4M)
- Cypress Park Pedestrian Bridge (\$0.2M)
- Expanded Mission Hills median study (\$0.2M)
- LA Riverway (San Fernando Valley Completion) (\$1.5M)
- Contractual services funding to study autonomous vehicles (\$1M)

**Measure R Local Traffic Relief and Rail Expansion Fund:** The Proposed Budget appropriates \$52.1M and continues funding for previous projects including ATSAC System Maintenance (\$3M), the Bicycle Plan (\$2.3M), Great Streets (\$1M), and the Pedestrian Plan (\$2.3M). Funding is provided for departments supporting Measure R Programs. The Proposed Budget also includes \$6.6M in General Fund reimbursements from Measure R funds. Funding for Citywide median maintenance (\$1.8M) is transferred from the Bureau of Street Services to Measure R and funding for the Los Angeles Neighborhood Initiative and Traffic Signal Supplies is transferred to the Proposition C Anti-Gridlock Transit Fund.

**Special Parking Revenue Fund:** The Proposed Budget provides a transfer to the Reserve Fund of \$32.1M, which is comprised of a base level of \$23.5M and \$8.6M in additional revenue from unencumbered prior year appropriations, which is \$6.5M less than the 2017-18 transfer. Funding is increased (\$1.5M) to develop a pilot program to return parking meter revenue to communities for local parking projects and services. Funding is decreased (\$5.8M) for capital equipment purchases to reflect a decrease from 17,000 to 9,000 parking meters that need to be replaced. Funding for other SPRF programs is continued. One-time funding included in 2017-18 for the Code the Curb Project is not continued.

**Special Gas Tax Improvement Fund:** The Special Gas Tax Street Improvement Fund receives monies from the State's Excise Tax on the sale of gasoline and from federal reimbursements from the Surface Transportation Program-Local. These monies provide funding to various departments and to the CIEP-Physical Plant for eligible activities and projects. Funding is apportioned to the City through various formulas in accordance with the Streets and Highways Code and through annual federal legislation relative to the Surface Transportation Program.

The Proposed Budget anticipates a full year of funding receipts of \$67M in revenue from Senate Bill 1 (Beall) "The Road Repair and Accountability Act of 2017," which increased several taxes and fees to raise \$52.4B over ten years in new transportation revenue to be used for deferred maintenance on the state highways and local streets. The legislation was signed by the Governor on April 28, 2017. The November 2018 statewide election may include a voter initiative to repeal the adopted increase included in SB 1. If the repeal is approved by the voters, it is anticipated that at least half of the anticipated revenue from SB 1 will not be available. The Proposed Budget prepares for this possibility by allocating half of the SB 1 funds to projects that have not yet begun. Road Maintenance and Rehabilitation Program Special Funding will be contingent upon availability and

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compliance with the final SB 1 Program Guidelines, which may include the submission to the State of a capital plan for the use of these funds approved by the City Council.

For 2018-19, the original gas tax funds are provided across departments for a variety of projects and programs, as well as special purpose fund appropriations, including the speed hump program (\$1M) and traffic signal supplies (\$6M).

In addition to the \$23.6M for complete streets construction for 2018-19 from SB 1 gas tax revenues, an additional \$10M is budgeted in the Street Damage Restoration Fund. Complete Street construction refers to projects approved in 2017-18 that will be in construction in 2018-19. Appropriations also include \$18M for street capital projects, concrete streets (\$0.5M), design of Complete Street projects (\$6M), acceleration of sidewalk repair access requests (\$10M), which are not authorized until January 1, 2019; and Vision Zero Phase 3 (\$5M) and Vision Zero traffic signals (\$4M).

**Sidewalk Repair Program:** On April 1, 2015, the City Council and the Mayor approved a Settlement Agreement that was negotiated relative to the class action lawsuit Mark Willits, et.al. v. City of Los Angeles. Court approval of this Settlement Agreement was finalized in spring 2017. This will be the second year of the compliance period established by the Settlement. The terms of the Settlement Agreement include an annual commitment by the City of \$31M (adjusted every five years to maintain present value) for 30 years to projects that improve sidewalk ADA access and remove barriers.

The 2018-19 Proposed Budget appropriates a total of \$31.1M to the Sidewalk Repair Program, which includes \$24.3M from the General Fund; \$4M in Measure R Local Return Funds for the construction of access ramps; and \$2.8M from Proprietary Departments to fund repairs to sidewalks and pedestrian facilities adjacent to their properties. The Proposed Budget also includes \$6.2M for the Access Request Program and \$5M for curb ramp installation remediation. Funding (\$1M) is continued for the Sidewalk Repair Incentive Program and \$4M is allocated for as-needed contractual services, an increase of \$2M over the prior year contractual services allocation.

In addition to the \$31M annual commitment, the Proposed Budget allocates \$10M from the Special Gas Tax Improvement Fund (SB 1) to accelerate the Access Request Program.



## Significant Issues

### EXPENDITURES

**Efficiencies and Reductions:** The Mayor's 2018-19 Proposed Budget includes \$45.4M in Efficiencies to Services. Most of the savings from Efficiencies come from one-time reductions to departmental salary accounts (\$-15.1M) and expense accounts (\$-17.4M). The Proposed Budget also recognizes efficiency savings from a reduction in the Pavement Preservation Program (\$-11.4M) through a one-time reduction in the Bureau of Street Services Salaries account and in the Attorney Conflict Panel (\$-0.9M).

**Potentially Underfunded Accounts:** There are several accounts that may not have sufficient funding based on current expenditure patterns, as indicated in the following chart:

Potentially Underfunded Accounts	2017-18 Adopted Budget	2017-18 Estimated Expenditures	2018-19 Proposed Budget	Comments
Police – Overtime Sworn	\$121M	\$123M	\$118M	Salary adjustment will go into effect in July 2018 and proposed funding may be inadequate based on current spending levels. \$38M of Sworn overtime in the 2018-19 Proposed Budget is dedicated to the MTA contract.
Bureau of Sanitation – Overtime General	\$8.4M	\$16.1M	\$1.2M	Funding may be insufficient due to high vacancy rates requiring the Bureau to use as-needed staff and overtime accounts and due to increasing requests for homeless encampment cleanups.
Liability Claims	\$89.1M (plus \$20M UB reserve)	\$109.1M	\$89.1M (plus \$20M UB reserve)	Funding may be insufficient based on anticipated 2018-19 activity. Several structured payment settlements in 2017-18 will require payments from 2018-19 allocation.
Transportation – Overtime General	\$7.6M	\$16.1M	\$7.9M	Funding may be insufficient due to overtime expenditures incurred for special event traffic control services and the implementation of high priority transportation projects.

**Outside Counsel Expenditures:** The Proposed Budget provides \$1.8M in the Unappropriated Balance for City Attorney Outside Counsel contracts for both general litigation and Workers' Compensation, which is an increase of \$0.4M in the amount set aside in the 2017-18 Adopted Budget. Funding is transferred to the City Attorney budget during the fiscal year as needed, subject to the approval of the Mayor and Council.

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**Liability Claims/Judgment Obligation Bonds:** A total appropriation of \$89.1M is proposed for Liability Claims in 2018-19, which is the same amount allocated in 2017-18. Of this, \$80M is from the General Fund and \$9M is from various Special Funds. The Proposed Budget estimates that \$109.1M will be expended in 2017-18. In 2017-18, a Reserve for Extraordinary Liability (\$20M) was set aside in the Unappropriated Balance, and the 2018-19 Proposed Budget sets aside the same amount should liabilities exceed the budgeted allocation.

The Proposed Budget allocates \$9M to pay debt service for Judgment Obligation Bonds issued to finance liabilities resulting from adverse decisions by the California courts in the Harper case (post-Rampart) (\$20.6M) and the May Day settlement (\$50.9M). This amount is approximately the same as the allocation in the 2017-18 Adopted Budget.

The Proposed Budget also includes \$4M in funding for Attorney Conflict Panel cases managed by the City Administrative Officer, which is a \$0.9M decrease from the 2017-18 allocation.

**Partially Funded/Unfunded Positions:** The Mayor's Proposed Budget includes a total of 663 partially funded and unfunded positions. A total of 522 have partial funding, while the remaining 141 are authorized without funding. Full year funding will be required to continue the partially funded and unfunded positions that began in 2017-18. In prior years, new positions were provided nine-months funding because it is assumed that the positions cannot be filled immediately on July 1. The 2018-19 Proposed Budget provides both nine-months funding and, in many cases, six-months funding for new positions.

**Changes in Authorized Positions:** The 2018-19 Proposed Budget adds a net 684 positions, based on an increase of 342 regular positions and an increase of 342 resolutions positions compared to the 2017-18 Adopted Budget. This includes 26 regular authorities added to the Planning Department, 45 regular authorities added to the General Services Department, 27 regular authorities for the Fire Department, 78 regular authorities added to the Bureau of Sanitation, and 55 regular authorities for the Police Department. Resolution authorities are typically provided for programs with a limited duration. A majority of resolution authorities added in the 2018-19 Proposed Budget are in the six Public Works bureaus, the Police Department, Transportation, Information Technology Agency and the Fire Department.

**Deletion of Filled Positions:** The 2018-19 Proposed Budget recommends the deletion of 33 filled positions (eight regular authorities and 25 resolution authorities), as follows:

- One Deputy City Attorney II in the City Attorney's Office.
- Two positions in General Services (one Warehouse and Toolroom Worker I and one Storekeeper II).
- Three positions in Housing and Community Investment (one Senior Administrative Clerk, one Senior Project Coordinator, and one Management Assistant).
- One position in the Board of Public Works (Accountant).
- Nine positions in the Bureau of Contract Administration (four Senior Management Analyst Is, four Construction Inspectors, and one Senior Management Analyst II).

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- Three positions in the Bureau of Sanitation (three Environmental Engineering Associate IIs, one Senior Environmental Engineer, and one Management Analyst).
- 12 positions in the Bureau of Street Lighting (three Electrical Craft Helpers, four Street Lighting Electricians, one Street Lighting Electrician Supervisor I, one Street Lighting Engineering Associate II, one Street Lighting Engineer, and two Improvement Assessors).

It is anticipated that incumbents in these positions will be absorbed into other departmental vacancies.



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## FUNDING ACROSS DEPARTMENTS

**Accessible Housing Program:** A total of \$85M is proposed in the 2018-19 Budget, for the Accessible Housing Program, which includes a \$49M (137 percent) increase from 2017-18 (Program's first year). Relative to the class action lawsuit, Independent Living Center of Southern California v. the City of Los Angeles, et al, the approved Settlement Agreement requires the City to invest \$200 million over ten years for Program implementation and the production of 4,000 units of accessible rental housing. Funding in 2018-19 will produce 209 accessible units.

The Proposed Budget allocates \$15.1M from the General Fund, \$33.4M in Special Funds (Proposition HHH) and \$36.5M in funding from Other Funds (subsidies from other sources including tax credits, State, and County funds) to satisfy the terms of the related Settlement Agreement.

The Proposed Budget includes funding to the Housing and Community Investment Department and the Office of the City Attorney for administrative costs to implement the requirements of the Settlement Agreement (\$7M), Special Funds, specifically Proposition HHH bond proceeds for the construction of accessible units (\$33.4M) and adds funding in the Unappropriated Balance for costs associated with inspecting accessibility and conducting accessibility retrofits (\$5M).

**Homelessness:** The Mayor's 2018-19 Proposed Budget identifies approximately \$359.7M for homelessness-related programs including: crisis and bridge housing, outreach to connect homeless persons to services, department programs to serve the homeless, City staff salaries, and programs and administrative costs at the Los Angeles Homeless Services Authority (LAHSA). Out of the \$359.7M total budget, \$275M is allocated for construction of permanent supportive housing, affordable housing, and facilities. The remaining \$84.7M is allocated for various homeless programs and staffing costs. The 2018-19 Proposed Budget allocation includes \$79.9M in General Fund and \$279.9M in Special Funds of which \$275M is Proposition HHH bond proceeds.

There is an increase of \$225.7M in General Funds and Special Funds for homeless budget from the 2017-18 Budget of \$133.9M. However, this amount does not include approximately \$12.9M from LAHSA 2016-17 savings that was reprogrammed in 2017-18 to programs such as the ReFresh Spot on Crocker Street, CES Crisis and Bridge Housing, Mobile Pit Stop Pilot Program, Station Bathroom Attendants at Automatic Public Toilets, Downtown Women's Center, and Temporary Crisis Shelter at El Pueblo Lot 5.

New programs included in the 2018-19 Proposed Budget include the Crisis and Bridge Housing Fund (\$20M) which will establish new temporary housing beds with hygiene facilities and/or storage for unsheltered individuals experiencing homelessness, as authorized by the Mayor and Council. Funds will be allocated evenly across Council Districts until January 2019, after which, remaining funds will be available Citywide. The Public Bathroom Access Program (\$2.2M) in the Unappropriated Balance continues



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funding for expansion of public bathroom access for persons experiencing homelessness through the Mobile Pit Stop Pilot and Station Bathroom Attendants Pilot Programs.

The Proposed Budget also includes \$11.4M in funding to expand the Homeless Outreach Partnership Endeavor (HOPE) Teams by four teams, for a total of ten teams, and expands the Clean Street Los Angeles Teams by five for a total of ten teams. This is an increase of \$6.9M from 2017-18 Budget of \$4.5M.

Other significant programs funded through the 2018-19 Proposed Budget include the following: LAHSA administrative costs (\$2.8M); C3 Partnership – Skid Row (\$0.3M); Coordinated Entry System Crisis and Bridge Housing for Families, Singles and Youth and Rapid Re-Housing for Families (\$10.7M); Homeless Engagement Teams (\$6.1M); Operation Healthy Streets (\$5.3M); Shelter Program (\$1.8M); Advanced Provider Response Unit (\$0.8M); Expansion of Domestic Violence Shelter Operations (\$3.1M); Human Trafficking Shelter Pilot Program (\$0.8M); Proactive Engagement Staff/Support for Public Right-of-Way Clean Up (\$4.7M); and Public Bathroom Access (\$2.2M).

There is a General Fund decrease in funding to the Los Angeles Regional Initiative for Social Enterprise (LA:RISE) job development program from \$2M in 2017-18 (of which \$1M was in the Unappropriated Balance) to \$1M in the Proposed 2018-19 Budget. This decrease is expected to be offset through County Measure H funds.

**Great Streets Initiatives:** The Proposed Budget provides funding (\$4.9M) across multiple City departments for advanced planning and construction improvements on Great Streets corridors. The Great Streets Program was created through the Mayor's Executive Directive No. 1 in October 2013 to focus on streetscape and roadway improvements in fifteen transportation corridors. The Great Streets Initiative activities transitioned from the Mayor's Office to the Department of Transportation in 2015-16.

**Vision Zero Initiative:** The concept of the Vision Zero Initiative is to achieve the goal of zero traffic fatalities in the City by 2025, prioritizing safety over faster traffic flows when planning and restructuring roads. The Proposed Budget appropriates funding (\$37M) across multiple City departments for activities that support the Vision Zero Initiative, which includes funding (\$7.3M) for six Complete Streets projects approved by the Council in 2017-18 that combine street reconstruction, Vision Zero elements, green street elements, and sidewalk improvements. Funding provided to the Vision Zero Program is a 44 percent increase from 2017-18. It should be noted that additional pedestrian safety funding is included in other programs.

**Complete Streets:** As part of the 2017-18 Adopted Budget, \$4.3M was allocated to begin design and implementation of roadway projects that included both reconstruction and Vision Zero elements (Complete Streets). The Bureau of Engineering began preliminary design activity on the first six Complete Streets projects that were approved by the Council on October 13, 2017. In February 2018, the Council approved the addition of green street elements and sidewalk improvements to the projects. The Proposed Budget appropriates

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funding (\$7.3M) across multiple City departments for activities that support the design and implementation of the Complete Streets projects.

**Street Reconstruction:** The Street Reconstruction Program includes activities required to repair the most severely damaged (failed) streets within the City street system. The Street Reconstruction Program is led by the City Engineer with support provided by the Bureaus of Contract Administration and Street Services and the Department of Transportation. The Proposed Budget provides funding (\$73.5M) for the Street Reconstruction Program from the Street Damage Restoration Fund (\$29.4M), Measure M (\$14.1M), and from SB1 (\$30M) for the following reconstruction categories: street reconstruction (pavement), street reconstruction (concrete), and reconstruction of failed asphalt streets in residential areas. In 2017-18, the Street Reconstruction funding (\$29.2M) was included to design work on the six Complete Streets Projects.



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## DEPARTMENTAL BUDGETS

**Aging:** Resolution authority and six-month's funding is included in the Mayor's Proposed Budget for two positions to implement the Purposeful Aging LA Program which would help guide the adaptation of structures and services to be accessible to the City's older population.

**Animal Services:** The Proposed Budget adds six-months' funding (\$0.2M) and resolution authority for one Systems Analyst to implement a new Verizon inContact Call Center phone system to provide squad room support for the department's animal shelters. This funding covers licenses and set-up costs for the system, and will be used to upgrade the Interactive Voice Response phone system. The Proposed Budget also adds one-time funding (\$0.2M) for contractual services to provide data tracking information for animal shelters through the Chameleon Data Management System.

**Building and Safety:** The 2018-19 Proposed Budget notes that 91.4 percent of Department of Building and Safety's operations (\$107.8M) are special funded, with the remainder (8.6 percent or \$10.1M) provided for by the General Fund. The Proposed Budget continues funding and staffing for a variety of Department programs and services, including \$1.2M for the Concierge Services Program that assists small businesses, homeowners, and small projects through the technical permitting process; \$0.3M for two positions for Cannabis Business Case Management; and, \$0.6M for Intermittent Code Enforcement Services for 120-day appointments to maintain the backlog of code enforcement cases at 7,500 cases. Six-months funding (\$0.5M) and resolution authority is also added for six positions in Code Enforcement Services to respond to code enforcement complaints and referrals, to be partially funded by the Building and Safety Enterprise Fund.

The Proposed Budget continues resolution authority for 13 positions, without funding, for the Monitoring, Verification, and Inspection Program, with overtime and expense funding (\$0.2M), to be funded by the Planning Case Processing Fund. Funding (\$0.3M) and resolution authority is also continued for one Assistant General Manager Position to oversee the Department's Technology Support and Development Services Systems.

**Cannabis Regulation:** The 2017-18 Adopted Budget established the Department of Cannabis Regulation. The Mayor's Proposed Budget provides funding (\$2.7M) and continues five regular and 23 resolution authority positions, which includes one Assistant Executive Director Cannabis Department and other positions. These positions were approved in 2017-18 (C.F. Nos. 14-0366-S14 and 17-0653) to assist with application review and processing, provide support to residents as it relates to commercial cannabis activity, and to monitor the compliance of businesses lawfully engaged in commercial cannabis activity. Funding is provided by the Cannabis Regulation Special Revenue Fund. Funding (\$1.1M) is also added in various accounts for armed security services, a fee study, and subscription services for systems software. The Proposed Budget also realigns funding (\$0.7M) from the General Fund to the Cannabis Regulation Special Revenue Fund.

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**City Attorney:** The Proposed Budget continues funding and staffing for numerous programs and services in the Office of the City Attorney, including the Cannabis Enforcement and Regulation Unit; Body-Worn Video Camera Program Prosecutorial Support; Neighborhood Prosecutor Program; Citywide Nuisance Abatement Program Administrative Citation Enforcement (ACE) Program; Proposition 47 Prosecutors; and the Qui Tam Litigation unit.

The 2018-19 Proposed Budget adds funding for litigation expenses (\$0.2M) and resolution authority for six positions, without funding, to reduce the caseload in the Risk Management Unit. Nine-months funding (\$0.1M) and resolution authority is also added for one position dedicated to Bureau of Sanitation legal support for labor and employment matters. Six-months funding and resolution authority is added for one position to assist with federal policy and funding issues, and one position for legal support of the LADOT's Parking Meters and Facilities Division. As part of a one-time salary reduction, the Proposed Budget reduces \$1.3M in funding in the City Attorney's Salaries-General Account to reflect savings generated by positions filled-in-lieu, maintaining vacancies, and anticipated attrition.

**City Clerk:** Funding (\$0.6M) is provided for the administration of the 2019 Neighborhood Council Board Member Elections. One-time funding (\$0.3M) is continued for Voter Outreach and Education for Municipal Elections. Funding and regular authority is added for one position to support the Technology Division. Nine-months funding (\$0.08M) and regular authority is added for one position to support the Business Improvement District Trust Fund, to be funded by the Business Improvement District Trust Fund. Six-months funding (\$0.08M) and resolution authority is added for one position for Census 2020 Support. In addition, \$4.5M is set aside in the Unappropriated Balance to fund the placement of a City ballot measure on the November 2018 Los Angeles County Ballot.

**City Planning:** The 2018-19 Proposed Budget continues funding and staffing for a variety of Departmental programs, including the Mobility Plan and Great Streets Initiative, re:codeLA, the Expanded Community Planning Group, LA River Works, and Venice Local Coastal Plan. Funding and staffing is also continued for Targeted Code Amendments, Expedited Case Processing, Major Projects Environmental Reporting, the Historic Preservation Overlay Zone Program and other departmental programs and services.

The 2018-19 Proposed Budget shows an overall net decrease to the Department's Budget of \$2.9M. The Proposed Budget adds funding (\$0.2M) and resolution authority for two positions for the Environmental Planning Housing Unit, and nine-months funding (\$0.3M) and resolution authority for three positions to create a CEQA Policy Unit. Funding and resolution authority is added for one position for the Urban Design Studio, with the cost of this position offset by the deletion of one City Planner. Contractual Services funding is added (\$0.5M) to begin preparing OurLA2040, a new 20-year citywide plan to be adopted in 2020. One-time funding (\$0.2M) is added to upgrade the Zone Information and Map Access System (ZIMAS).



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**Controller:** The Proposed Budget continues funding and staffing for various projects and programs in the Controller's Office, including two positions to conduct a comprehensive reconciliation of all City special fund balances; \$0.3M and two positions to prepare documentation, develop systems requirements, and validate payroll data for the City's PaySR replacement project; and funding and one position for the Financial Management System - Procurement Module. The Proposed Budget also sets aside \$2M in the Unappropriated Balance for the Human Resource and Payroll System to replace the City's current PaySR payroll system.

**Convention Center and Tourism Department:** The 2018-19 Proposed Budget adds Contractual Services funding to improve the Department's financial reporting, and provides funding (\$0.3M) for advisory and consulting services to develop a strategic plan to increase visitation. The Proposed Budget also includes authorization to issue \$9.38M in MICLA financing for certain Convention Center Capital Improvements, including escalator/elevator modernization, replacement of chillers and cooling towers, Lower West Hall roof replacement, and a security surveillance system.

**Cultural Affairs:** The 2018-19 Proposed Budget supplements the resources of the department's Community Arts Program, including the restoration of funding for the Sony Pictures Media Arts Program that trains 11- to 14-year-olds in animation and art techniques. Nine-months funding and resolution authority is added for one Performing Arts Program Coordinator at Barnsdall Gallery Theatre; an Arts Center Director and administrative support for Barnsdall Art Center and Junior Art Center; and an Art Center Director and Art Instructor for Lincoln Heights Youth Arts Center. The Proposed Budget continues funding for staff supporting the Hollyhock House and the Madrid Theater.

The Proposed Budget also adds \$1.5M in Special Events III funding to illuminate City Hall to promote various heritage months and other cultural events, and funds a grants program for 15 intercultural concerts and events in Los Angeles communities produced by local arts and cultural organizations. Nine-months funding and resolution authority is also added for three positions for facilities management and administrative support.

**Economic and Workforce Development:** A total of \$24.4M is proposed for allocation to the Department in the 2018-19 Proposed Budget, of which \$0.9M will be from the General Fund. The Department's 2018-19 Proposed Budget is \$3.3M (15.5 percent) higher than the 2017-18 budget. The majority of funding for EWDD comes from the Workforce Innovation Opportunity Act Fund (\$11.7M) and the Community Development Trust Fund (\$2.1M).

The Proposed Budget continues funding to support economic development and Job Creation (\$2M) and the Los Angeles Regional Initiative for Social Enterprise (LA RISE) program, which provides employment to job seekers with a history of homelessness (\$1M). Funding is also continued (\$2.9M) for YouthSource Centers, HireLA, and the Cash for College Program, as well as Adult Workforce Development (\$1.5M), Day Laborer Sites (\$0.8M) and Youth Workforce Development (\$2M).

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A total of \$3.5M is added for EWDD and the CAO to administer the Gang Injunction Curfew Settlement Agreement, which will provide class members access to job readiness programs. An additional \$4M in Reserve for Mid-Year Adjustments is included in the Unappropriated Balance to meet requirements of the Settlement Agreement for a total of \$7.5M. The General City Purposes budget includes \$2.6M for the Youth Employment Program.

**Ethics Commission:** Funding (\$0.1M) is continued and regular authority is added for one position to provide Ethics-related education and outreach. Funding (\$0.1M) and resolution authority are continued for one position to complete mandatory election audits.

**Finance:** Funding (\$0.9M) for one staff member and contractual services is continued for modernization of the LATAX System, and for eight positions to improve customer support (\$1.2M). To ensure secure cash acceptance for the cannabis industry, funding (\$0.6M) is added and resolution authority continued for six positions that were added in 2017-18. Funding (\$0.5M) is also added for security services and other hardware, equipment and software to manage cannabis businesses' quarterly payment of business taxes. Resolution authority and \$0.5M in funding is provided for four Tax Auditors to comply with the bi-annual audit of cannabis businesses required by ordinance. The Proposed Budget also reduces by \$0.7M the allocation for Bank Services Fees in anticipation of departmental savings and reduced cost to the City from departments' implementation of credit card usage fees.

**Fire:** The Mayor's Proposed Budget includes an increase of \$43M for Fire-related resources. The Fire Department's operating budget is increased by \$19M and \$28M is included in MICLA for the acquisition of fire-related equipment.

- SAFER Grant Implementation: the Proposed Budget provides 25 percent funding (\$4.5M) and continues resolution authority for 48 Firefighter IIIs approved during 2017-18 to continue the implementation of the 2016 Staffing for Adequate Fire and Emergency Response (SAFER) Grant Program. The Proposed Budget adds funding and regular authority for 12 Engineers of the Fire Department and 12 Fire Captain Is and deletes funding and regular authority for 24 Firefighter IIIs to complete the staffing of four engine companies restored as part of the Grant Program. An additional \$4.8M from the SAFER Grant will be provided through an interim appropriation.
- Sworn Overtime – Mutual Aid Deployment: \$3M is provided in the Overtime Sworn Account for increased overtime costs incurred by firefighters providing mutual aid response to fires and disasters outside of the City. Costs are recovered from the jurisdictions receiving aid or through state or federal reimbursements.
- CUPA Cannabis Inspection Program: Funding (\$0.8M) and resolution authority is continued for two Fire Inspector Is, and six-months funding and resolution authority is provided for two additional Fire Inspector Is to provide Fire Life Safety inspection and hazardous materials inventory and regulation of cannabis facilities in accordance with the Department of Cannabis Regulation.



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- ARPU Partnerships: The Proposed Budget continues resolution authority without funding for five EMD Advanced Providers and adds funding (\$0.9M) and resolution authority for five Firefighter III/Paramedics to staff five Advanced Provider Response Units (ARPUs) in partnership with hospitals across the City.
- Funding Realignment: \$6M from the General Fund is realigned to the Medi-Cal Intergovernmental Transfer Program Fund. These funds represent the federal match for Medi-Cal services provided by LAFD and must be expended for healthcare-related services. There is no change to the level of service provided or to the overall funding provided to LAFD.
- Firefighter Hiring and Training: \$9.3M is provided to hire and train 195 new Firefighters and to complete training for one recruit class that began in 2017-18. Three 22-week classes will be conducted at the Valley Recruit Training Academy (VRTA, Drill Tower 81), scheduled to begin in July 2018, January 2019 and June 2019. One class that began in March 2018 will graduate in July 2018. This funding is in addition to the \$5.7M provided in the Department's base budget for sworn and civilian staff assigned to the VRTA. The total cost of hiring in 2018-19 is \$15.5M.
- Youth Programs Expansion: The proposed budget provides funding (\$0.2M) and resolution authority for one Fire Captain I and one Firefighter III to assist with the oversight and implementation of Youth Programs in the Firefighter Recruitment Section.
- Fleet Replacement Program: The Proposed Budget provides \$24M in MICLA funding for the replacement of 100 fire apparatus and the purchase of 22 new fire apparatus as part of the Fleet Replacement Program.
- Fire Station Alerting System: \$4M is provided in MICLA funding for the continued planning, design, development and implementation of an updated Fire Station Alerting System to replace obsolete communication network lines and equipment with a modern system.
- Fire Share of Unrestricted Revenue: Based on the Fire Department's budget allocation, the Department's share of unrestricted revenue will increase from 17.1 in 2017-18 (\$837.4M of \$4.9B) percent to 17.5 percent (\$870.7M of \$5B) in the 2018-19 Proposed Budget. While the percentage does not appear significant, each one percent equates to approximately \$50M. Unrestricted revenues are General Fund receipts which may be used for any municipal purpose.

**General Services:** The Proposed Budget continues funding and staff for various programs, including: Materials testing support (\$2.7M); Support for the Street Reconstruction and Vision Zero Program (\$0.4M); the Pavement Preservation Program (\$1.2M); and, the City's Asset Management System (\$1.5M).

The Proposed Budget also adds or increases funding for the following:

- Contractual Services funding (\$0.3M) for monthly pest control and pressure washing services at the LA City Mall and surrounding municipal buildings.
- Funding (\$0.5M) and regular authority for three positions to address Hepatitis-A concerns at the Central Library with costs to be reimbursed by the Library Department.

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- Six-months funding and regular authority for seven positions to provide preventative maintenance at City facilities, with the cost partially offset through a reduction in Hiring Hall Salaries.
- One-time funding (\$0.02M) to repair the heating, ventilation and air conditioning system for the Homeless Satellite Deployment and Information Desk.
- One-time funding (\$0.3M) for the first year of a three-year plan to upgrade the City's access control and badging system.
- Funding (\$0.3M) and regular authority for two positions for Helicopter Mechanics to provide maintenance support to the Los Angeles Fire Department, Police Department and DWP air operations.
- One-time contractual services funding (\$1.2M) to develop a standardized interface that links various systems to the inventory function of the Financial Management System to provide real-time data, stock and parts availability and eliminates the manual reconciliation and delays with overnight extractions.

**Housing and Community Investment Department:** The Department's total funding allocation in the Mayor's 2018-19 Proposed Budget is \$86.2M, a \$6.5M (8.2 percent) increase from 2017-18. The majority of funding for HCID comes from the Systematic Code Enforcement Fee Fund (\$29M), Community Development Trust Fund (\$13.7M) and Rent Stabilization Fund (\$10.6M). The General Fund contributes \$24.4M.

The Proposed Budget recognizes the reorganization of the Department, including the new Development and Finance Program (formerly Finance and Development Program), Asset Management Program (formerly Affordable Housing Asset Management Program), Program Operations Program (formerly Monitoring and Technical Services Program), and Consolidated Planning Program (formerly Strategic Planning and Policy Development). The Environmental Planning Housing Unit, which provides expertise on environmental and planning-related work for housing development, is transferred to the Department of City Planning.

The 2018-19 Proposed Budget adds and continues funding for various Departmental programs and services, including:

- Underwriting support for the Proposition HHH Program (\$0.9M).
- Five non-profit Family Source Center contracts and a Los Angeles Unified School District contract (\$5.5M).
- One-time funding for Expansion of Domestic Violence Shelter Operations (\$3.1M).
- Funding for the Human Trafficking Shelter Pilot Program (\$0.8M).
- Accessible Housing Program Expenses (\$3.8M).
- Funding for the Expansion of Land Development Program (\$0.3M).
- Nine-months funding and resolution authority for one programmer to help support the department's billing system (\$0.1M).

Separate from, but related to the Department's Budget, is an allocation of \$30.5M in the General City Purposes budget for: the Homeless Shelter Program (\$24.3M); Los Angeles Homeless Count (\$0.75M); Midnight Stroll Transgender Café (\$0.1M); and Operation



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Healthy Streets (\$5.3M). The Unappropriated Balance includes \$5M for the Accessible Housing Program Retrofit Contracts for general contractors to conduct accessibility retrofits.

**Information Technology Agency:** The Proposed Budget continues funding and staffing for various major ongoing technology projects, including transitioning the City's payroll system (PaySR) to reduce reliance on custom programming (\$0.6M and four positions), and the replacement of the City's Supply Management System, including post-implementation support (\$0.6M and three positions).

In addition, the Proposed Budget adds or increases funding for the following:

- Funding (\$0.8M) and one position for critical repairs to the LAFD Dispatch Communications systems and to provide support for the Fire Station Alerting System. This funding will also pay to replace a 30-year old central controller that distributes radio signals to Fire vehicle radios.
- Funding (\$1M) for LAPD and LAFD radio infrastructure repairs.
- Funding (\$0.7M) and resolution authority for 14 positions to augment 3-1-1 Call Center staff to reduce wait times and to respond to additional non-emergency calls currently directed to City animal shelters.
- Funding (\$0.6M) to maintain a subscription service for an automated archive and eDiscovery system to provide more efficient access to public records, respond to California Public Records Act requests, and conduct internal investigations and discovery.
- One-time funding (\$0.7M) for 3,700 mobile phones to replace current desk telephones with mobile phones for most employees in City Hall and City Hall East. Some desk phones (i.e., reception areas, call centers, and other administrative functions) will be replaced as part of a future Voice Over Internet Protocol (VoIP) installation.
- One-time funding (\$1.1M) to continue installation of VoIP phone systems for non-emergency calls at seven police stations (Newton, South West, Hollywood, Pacific, Mission, Westlake, and South East).
- Funding (\$0.2M) and resolution authority for two positions for cybersecurity, including threat assessments and formulation of data security policies.
- One-time funding in the Contractual Services Account (\$0.2M) and ongoing funding in the Office and Administrative Account (\$0.6M) to enhance departmental efforts to encrypt digital assets and protect the City from data breaches.

**Library:** The Charter-mandated appropriation to the Library Department is increased by \$10.7M for a total allocation of \$178.5M for 2018-19. The Department will reimburse the General Fund an additional \$1.4M, for a total of \$45.3M, for LACERS, Medicare, and the Civilian Flex Program.

The Proposed Budget makes the following allocations to increase or improve Library services:

- Security services funding is increased by \$1.4M to \$6.9M to fund security services by the LAPD at the Central and Branch libraries.

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- Funding for Library Materials is increased by \$1.1M, for a total of \$15.3M.
- Funding is increased by \$0.3M for a total of \$14.6M for Water and Electricity, Building Maintenance, Fuel and Fleet, Natural Gas, Custodial Services, Parking, and Refuse Collection.
- One-time funding is added (\$0.7M) to reimburse for sidewalk repairs required as part of the Willits Settlement Agreement.
- Additional funding is provided for equipment and technology to enhance services at Branch libraries (\$0.4M) and at the Central Library (\$0.1M).
- Nine-months funding (\$0.5M) and regular authority is added for two positions to enhance the Summer in the Library Program, the Adult Literacy Centers, the Money Matters Initiative, the STEAM (Science, Technology, Engineering, Art and Math) Ahead Program, and other civic engagement programs.
- Funding is added (\$0.3M) for the Library's New Americans Initiative to assist permanent residents with information on citizenship requirements, test preparation, and assistance with eligibility determination for citizenship.
- Funding (\$0.1M) is added for the Community Mobile Outreach Program to bring library resources, services, and activities to preschools, after-school organizations, senior centers, shelters, festivals, farmer's markets, and low-income housing areas.
- A total of \$3.9M in funding is added for four positions, contractual services, equipment, and software to enhance the Department's information technology systems and to support the existing network infrastructure.
- Funding (\$0.2M) and regular authority is added for one Principal Public Relations Representative to improve the Library's marketing plan, and for youth outreach services. The cost of this addition will be offset by deleting one Librarian II position.

**Neighborhood Empowerment:** Funding (\$0.4M) and resolution authority are continued for four positions for Neighborhood Council Training and ADA Compliance. One-time funding (\$0.03M) is added to fund various Neighborhood Council Events hosted by the Department. One-time funding (\$0.1M) is also added for the joint administration of the 2019 Neighborhood Council Board Member Elections with the Office of the City Clerk. Six-months funding (\$0.1M) and resolution authority is added for one position to assist in Department accounting and payroll functions. In a separate fund, Neighborhood Councils will receive an allocation of \$42,000, the same level as 2017-18.

**Personnel:** Funding (\$1.3M) is added and resolution authority for 10 positions is continued for the Strategic Workforce Development Task Force and Targeted Local Hire Working Group, both of which were implemented in accordance with the City's Letters of Agreement with the Coalition of Los Angeles City Unions. Funding and staffing is also continued for other departmental programs including staff assigned to the Payroll System Project; background investigations; Civil Service examination development and administration; the Alternative Dispute Resolution program; and Succession Planning and Performance Management.



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Funding is added or increased for the following programs and services:

- Six-months funding, resolution authority, and increased Contractual Services funding (total of \$0.8M) for the Anytime Anywhere Testing project.
- Six-months funding (\$0.5M) and resolution authority for five positions for the Harassment and Discrimination Reduction Program.
- Funding (\$0.1M) to customize the City's online Sexual Harassment Prevention training and expand in-person training on sexual harassment prevention for city employees, commissioners, and neighborhood council members.
- Funding (\$0.2M) for online courses on the role of a supervisor related to conducting discipline, handling grievances, workplace violence prevention, workers' compensation and safety, and the reasonable accommodation process.

**Police:** The Mayor's Proposed Budget includes an increase of \$44.9M for police-related resources. The Police Department's operating budget increases by \$32.7M, with an additional \$12.2M being provided through MICLA financing for the purchase of two helicopters and non-patrol vehicles. In addition, the General City Purposes Budget includes \$1.7M for LAPD's Domestic Abuse Response Teams and \$0.1M to enhance the Department's ability to recruit diverse sworn candidates.

- Police Sworn Hiring: The Proposed Budget assumes the attrition of 495 officers during 2018-19. \$18M is provided to hire 495 Police officers to offset attrition and maintain a force of 10,000 sworn officers.
- Los Angeles Metropolitan Transportation Authority (Metro): The Proposed Budget continues funding and resolution authority for 50 positions, and adds funding and resolution authority for 44 additional positions for the second year of a five-year contract to police Metro's critical infrastructure and transit lines within the City (\$9.7M in sworn salaries, \$1.4M in civilian salaries). \$38M is also provided for sworn overtime and \$1.2M for general overtime. The proposed budget recognizes General Fund receipts of \$64.2M in reimbursements from Metro.
- Redeployment of Officers from Detention to Field Assignments: Six-months funding (\$0.4M) and regular authority is provided for eight Principal Detention Officers to back-fill eight Police Sergeant Is at the Metropolitan Detention Center (MDC), who will be redeployed to the field. This will complete the redeployment of 77 officers from the MDC to field duties that began in 2014-15.
- Replacement Helicopters: The Proposed Budget includes \$11.2M in MICLA financing for the purchase of two Airbus H125 helicopters, which will enable the LAPD to retire two patrol helicopters which have exceeded their useful life.
- Cannabis Enforcement Resource: The Proposed Budget allocates \$2.3M within the Sworn Overtime Account for investigating and enforcing laws relative to illegal cannabis businesses. \$0.1M and continued resolution authority is provided for one Crime and Intelligence Analyst I to capture data from the Narcotics Enforcement Unit to support the development of enforcement strategies relative to illegal cannabis.
- Vehicle Replacements: The Proposed Budget continues funding (\$1.6M) in Contractual Services for leasing 235 electric vehicles for non-emergency passenger service, charging station repair and software licensing costs. The



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proposed budget also provides \$5M for the purchase of a minimum of 56 Black-and-White vehicles, 11 motorcycles and 40 other emergency vehicles to replace vehicles that have met or exceeded LAPD's replacement criteria. \$1M is provided through MICLA for the purchase of four Light Truck Utility vehicles and 18 dual-purpose sedan vehicles. \$3.59M in additional funding is provided in the Capital Finance Administration Fund for the second annual payment for 462 Department vehicles purchase in 2017-18 through lease financing.

- Official Police Garage Reimbursement: \$0.2M is provided in the Proposed Budget to fund Official Police Garage towing of mobile homes and house cars which are either unclaimed, unsold at lien, or at sold at lien for less than the cost of towing and salvaging the vehicle.
- Technology-Related Hardware and Contracts: \$3.8M is provided in the Proposed Budget for technology hardware, software, services contracts, maintenance and warranties.
- Police Share of Unrestricted Revenue: Based on the Police Department's budget allocation, the Department's share of unrestricted revenue will decrease from 52.8 percent in 2017-18 (\$2.6B of \$4.9B) to 52.3 percent (\$2.6B of \$5B) in 2018-19. While the percentage does not appear significant, each one percent equates to approximately \$50M. Unrestricted revenues are General Fund receipts which may be used for any municipal purpose.

**Public Works Board:** The Proposed Budget continues funding and staffing for various programs and services in the Board of Public Works, including accounting support for the Sidewalk Repair Program; accountants to closeout Propositions F and Q Projects; a Metro Project Coordinator; one staff for the Sidewalk Repair Incentive Rebate Program and funding for the Graffiti Abatement Program.

In addition, the Proposed Budget increases Contractual Services funding by \$0.2M, for a total of \$0.9M, for the Clean Streets LA Program to support work performed by non-profit community-based organizations. This funding was previously included in the Bureau of Sanitation's budget. Contractual Services funding (\$0.10M) is also increased to provide financial management and administrative support of the Public Works Trust Fund.

The Proposed Budget also adds six months funding (\$0.1M) and resolution authority for one position to provide accounting and financial support for the Proposition HHH General Obligation Bond program and the SB 1 program. One unfunded resolution authority is also proposed to serve as the Citywide Tree Coordinator.

**Public Works Contract Administration:** The Proposed Budget continues funding and staffing for a variety of inspection and compliance programs, including Measure M Project Support; services to the proprietary departments; the City's Sidewalk Repair Program; various transportation work programs, and the Office of Wage Standards Enforcement.

In addition, the Proposed Budget adds the following:

- Nine-months funding (\$0.6M) and resolution authority for five positions to provide inspection and enforcement of special utility inspection permit requirements.

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- Nine-months funding (\$0.5M) and resolution authority for four additional inspectors for the Wastewater Capital Program.
- Nine-months funding (\$0.2M) for two inspectors to inspect trench work as part of a Utility Permit Warranty Pilot Program.
- Nine-months funding and regular authority for four Communications Information Representatives to dispatch services for the inspection program, with the cost of these positions offset by deleting four inspector positions and reducing overtime.
- Funding and resolution authority for two compliance managers for the Office of Wage Standards.
- Six-months funding (\$0.1M) one resolution authority to support a Clear Contracting Program to streamline and improve the City's contracting processes.
- Nine-months funding, one resolution authority, and one-time funding in various accounts (\$0.12M) to perform data analysis and data reporting for the Wastewater Program through the utilization of Microsoft Power BI.

**Public Works Engineering:** In addition to continuing departmental programs and services, the Proposed Budget increases funding and adds position authority, as follows:

- Resolution authority and funding (\$0.6M) for five positions to manage and process an additional 150-200 Above Ground Facilities permits and related U-permits per month from utility and telecommunications companies as they upgrade their facilities for the transition to newer and faster cellular technology.
- Resolution authority and funding (\$1.2M) for ten positions to perform emergency repair of damaged sewers and support major sewer rehabilitation projects.
- Resolution authority and funding (\$0.4M) for four positions to provide field survey crew support for additional street improvement projects and the Pavement Preservation Program.
- Resolution authority and funding (\$0.3M) for two positions to provide construction management and delivery oversight, coordination and reporting for the Street Reconstruction/Vision Zero Program.
- Resolution authority and funding (\$0.5M) for three positions to support the Los Angeles Street Civic Building project, including one Deputy City Engineer to manage the project.

The Proposed Budget also adds funding and positions for the following new programs:

- Resolution authority and funding (\$0.1M) for one position to establish and support the Utility Permit Warranty Pilot program.
- One-time funding (\$0.6M) to hire a consultant to update the Stormwater Floodplain Management Plan.
- Unfunded resolution authority for two positions to provide design and project management for capital projects involving new City facilities that provide services to the City's homeless population.
- One-time funding to hire a consultant to develop a concept report for a new fire station in Sylmar.
- One-time funding (\$0.4M) to address succession planning by employing interns to prepare them for full-time employment with the City.



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**Public Works – Sanitation:** The 2018-19 Proposed Budget includes funding and staff for the following programs and services in the Bureau of Sanitation:

Citywide Exclusive Franchise System: The Proposed Budget continues funding (\$4.9M) and resolution authority for 36 positions to implement Phase II of the Exclusive Franchise System for Commercial and Multi-Family Solid Waste Collection. Funding (\$2.1M) and resolution authority for 19 positions is continued to implement Phase III of the Franchise System. One-time funding (\$0.3M) is added for office supplies and equipment, mileage reimbursements, and production of educational materials. One-time funding (\$1M) is also added to address the increased workload during the transition to the City's Exclusive Franchise System.

Clean Streets Los Angeles Program: Funding (\$2.6M) is added and resolution authority is continued for 25 positions for the City's six Homeless Outreach Partnership Endeavour (HOPE) teams, as well as one-time funding (\$1.7M) for Contractual Services for hazardous waste removal and disposal services, uniform expenses, supplies and training expenses, tip fee expenses, and protective gear and equipment.

The Proposed Budget adds six-months funding (\$3.4M) and resolution authority for 71 positions to staff five additional Clean Streets Los Angeles (CSLA) teams and three additional HOPE teams. One-time funding (\$4.0M) is also included in various accounts for as-needed staffing expenses, vehicle rentals and hazardous waste removal and disposal services, tools and protective gear, uniform expenses, field laptops, tip fee expenses, and handheld devices that detect narcotics, explosives, and toxic substances. The proposed funding brings the total number of CSLA teams to 10 and HOPE teams to 9. Funding for a tenth HOPE team is included in the Unappropriated Balance.

The CSLA teams are deployed to the highest need areas of the city to remove abandoned waste in the public right-of-way and clean homeless encampments. Currently, one HOPE team is deployed to each of the four Los Angeles Police Department Bureaus, another team is deployed to the Los Angeles River, and the last team is deployed to the highest need areas of the City. The Proposed Budget also increases funding in the Operating Supplies Account (\$0.5M) for tip fee expenses for 3,700 existing street receptacles and provides one-time funding (\$0.2M) for various tools, protective equipment, and handheld devices to detect narcotics, explosives, and toxic substances.

In addition to the above programs and services, the Proposed Budget increases funding and staffing as follows:

- Six months funding and regular authority for five positions, and one-time funding in various accounts (\$0.4M) to implement the Coordinated Integrated Monitoring Program.
- Nine-months funding and regular authority for two positions (\$0.1M) to implement preventative maintenance and safety programs at the Donald C. Tillman and Los Angeles-Glendale Water Reclamation Plants.

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- Funding in the Salaries As-Needed account (\$0.1M) to staff the City's seven permanent Solvent, Automotive, Flammables, and Electronics (SAFE) Centers and staff the increasing number of mobile household hazardous waste collection events.
- Six-months funding, regular authority for two positions, and ongoing costs (\$0.6M) to expand the Trash Receptacle Program by 1,250 receptacles to 5,000 receptacles.
- Nine-months funding and regular authority (\$0.1M) for one Geographic Information Systems Supervisor I, to oversee the development of the Bureau's GIS Enterprise System.
- Six-months funding and regular authority for 14 positions (\$0.6M) to maintain completed Proposition O projects. Funding is also added to the Contractual Services Account (\$0.3M) to hire participants of job-skill training programs to perform a portion of the work.
- Nine-months funding and one resolution authority (\$0.1M) to support the Los Angeles World Airports Landside Access Modernization Program.
- Funding and resolution authority for four positions to support the Residential Organics and Recycling (ROAR) Program (\$0.7M).

**Public Works Street Lighting:** The Proposed Budget increases funding and adds position authority for various programs, including: installing and maintaining electric vehicle charging stations on existing streetlight poles; support for the Los Angeles World Airports Landside Access Modernization Program; positions to support the installation of communications devices on streetlights for new and faster cellular technology; and, support for the Copper Wire Theft Replacement Plan.

The Proposed Budget also adds funding and position authority for the following new programs:

- Resolution authority and funding (\$0.1M) for one position to respond to requests from the Department of Water and Power for streetlights on utility poles.
- One-time funding (\$0.3M) to respond to requests from excavators to mark the location of underground substructures prior to digging.

**Public Works Street Services:** In addition to continuing Departmental programs and services, the Proposed Budget adds funding and position authority for the following new programs:

- Resolution authority and funding (\$1.3M) for nine positions to provide dedicated support for Vision Zero projects that require concrete work
- Resolution authority and funding (\$0.2M) for one position to support the Los Angeles World Airport Landside Access Modernization Program.

The Proposed Budget also restores funding (\$13M) for expenses that was reduced on a one-time basis in 2017-18. The Mayor's Proposed Budget reduces funding (\$-11.4M) in the Bureau's salaries, overtime, expense and supply accounts for the Pavement Preservation Program to reflect anticipated savings achieved due to efficiencies and expenditure reductions, with an additional reduction (\$1.1M) for related costs.



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**Recreation and Parks:** The Charter-mandated appropriation to the Department of Recreation and Parks is increased by \$11.6M for a total allocation of \$193.4M for 2018-19. The total General Fund appropriation will be \$197.1M, which includes an additional \$3.7M in General Fund support. The Department will reimburse the General Fund an additional \$5.3M, for a total of \$49.1M, for LACERS, Medicare, and the Civilian Flex Program.

- Transfers: Funding (\$0.2M) and three positions in Recreation and Parks' City Services Program currently provide services to the Housing Authority of the City of Los Angeles (HACLA) Imperial Courts facility. The Proposed Budget transfers these three positions, and their associated funding, to other Department operations. HACLA will assume responsibility for providing services at Imperial Courts.
- Utilities Increase: Increased funding (\$1.4M) has been added to address Department of Water and Power rate increases. The 2016-17 Proposed Budget noted that these costs are expected to continue through 2019-20 and are estimated to be approximately \$3M to \$4M annually.
- Enhanced Programs: The Proposed Budget provides six-months funding (\$2M) and resolution authority for 30 positions for the Olympic & Paralympic Equitable Youth Programming to enhance youth sports and fitness services in communities with the greatest needs. Funding (\$0.3M) is also added to enhance the Girls Play Los Angeles Sports Enhancement Program to increase girls' participation in the Department's sports leagues. This allocation is in addition to \$741,163 provided for this program 2016-17 and 2017-18. The Proposed Budget also increases funding to maintain gym floors and basketball courts (\$0.2M) and to continue the LA Kids program (\$0.2M) which offers 3,500 youths free cultural and arts programs at the Department's 58 recreation centers in economically disadvantaged neighborhoods.
- New and Expanded Facilities: Funding (\$0.8M) and regular position authority is added for four positions (Recreation Facilities Director, Aquatic Facility Manager, and two Gardener Caretakers) to support new and expanded facilities opening next fiscal year.

**Transportation:** The Proposed Budget provides funding and staff to continue various Departmental programs and services. In addition, the Proposed Budget increases funding and adds position authority, as follows:

- Resolution authority and funding (\$0.1M) for one position to support operations and program management for the Transportation Technology Strategy.
- Unfunded resolution authority for two positions to support Development Review Services for the San Fernando Valley transportation planning and work program.
- Resolution authority and funding (\$0.3M) for four positions to provide dedicated field support for sidewalk repairs.

## Significant Issues

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- Regular authority and funding (\$0.3M) for three positions in the Parking Permits Program to support the increasing workload.
- Regular authority and funding (\$1.1M) for 12 positions to increase permanent staffing levels and allow the Metro Communication Center to fully operate as an operational dispatch facility.
- Resolution authority and funding (\$1M) for 17 Traffic Officers to provide additional enforcement in areas around the Hollywood sign.
- Regular authority and funding (\$0.1M) for one position to provide additional support for parking citation initial reviews and investigations.
- Resolution authority and funding (\$0.1M) for one position to support the Community Assistance Parking Program that allows homeless individuals to pay parking citations through community service.
- Regular authority and funding (\$0.2M) for three positions to create a Quality Assurance Team as part of the parking citation initial review oversight.
- Regular authority and funding (\$0.4M) for six positions to install signs for the Parking Permits Division.
- Resolution authority and funding (\$0.1M) for one position to serve as a Street Repair Superintendent.
- Resolution authority and funding (\$0.6M) for five positions to review B-Permit plans.
- Resolution authority and funding (\$0.1M) for one position to provide oversight, program management, and coordination of the Great Streets Program and the related street improvements.
- Regular authority and funding (\$0.1M) for one position to support compliance with the California Mitigation Fee Act.
- One-time funding is added (\$0.2M) to purchase a mobility and accessibility analytics software program.
- One-time funding is added (\$0.1M) to upgrade the Case Logging and Tracking System to operate on a geographic information system.

The Proposed Budget provides resolution authority and funding (\$0.2M) for two positions to help prepare the City's automated traffic and surveillance infrastructure for autonomous vehicles.

The Proposed Budget also restores funding (\$1.7M) for expenses reduced on a one-time basis in 2017-18. Funding was reduced (\$-1.4M) in the Department's salaries account to reflect anticipated savings.

**Zoo:** The 2018-19 Proposed Budget increases the Zoo Department's budget by 3.7 percent, from \$22M to \$22.8M and adds a net of five new positions. Funding and staff are continued for the Behavioral Enrichment program, a Director of Zoo Research and Conservation, veterinary staff support, reindeer care, animal nutrition services, and admissions staffing.



## Significant Issues

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In addition, the Proposed Budget adds or increases the following programs and services:

- Adds funding (\$0.1M) for a new Flamingo Encounter interactive experience for visitors.
- Provides funding (\$0.1M) for two enhanced visitor experiences: Behind the Scenes Animal Exhibit and Behind the Scenes with a Curator.
- Add funding (\$0.02M) to increase the Zoo's Winter Camp program from nine to 10 days and increase the Summer Camp program from eight to nine weeks, with the costs offset by revenue generated by the programs.
- Add funding (\$0.1M) to begin conducting on-site school-based educational programming.
- Add nine-months funding (\$0.1M) and resolution authority for one Emergency Management Coordinator to develop disaster management policies and procedures.

Funding is also included in the Capital Improvement Expenditure Program – Municipal Facilities Projects section to fund Zoo Bird Show Bleachers and Shade Structure (\$0.5M), Zoo Papiano Play Park Family Restroom (\$0.5M), Zoo Prefabricated Lactation Station (\$0.04M), and Zoopendous Park Improvements (\$0.3M).

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## Non-Departmental and Other

**Capital Improvement Expenditure Program:** Existing policy states that the City shall annually budget one percent of General Fund revenue to fund capital or infrastructure improvements. For 2018-19, the General Fund revenues are projected to be \$6.2B, resulting in a one percent target of \$61.7M. The 2018-19 Proposed Budget provides \$36.1M in base level funding from the General Fund for the Capital Improvement Expenditure Program (CIEP). An additional \$24.3M in General Fund is provided for Sidewalk Repairs and \$31.1M is provided for the Pavement Preservation Program. The total General Fund amount allocated for capital and infrastructure improvements is \$100.1M or 1.62 percent.

Clean Water CIEP: A total of \$330M in CIEP funding is included for Clean Water projects. The CIEP is funded entirely from Clean Water System revenues, including the Sewer Service Charge (SSC) that gives a portion of the revenues to CIEP. The SSC will increase by 6.5 percent on July 1, 2018. Current major capital projects include: construction of various collection system projects (\$115.8M); construction of the Venice Dual Force Main to supplement the main sewer that conveys sewage from the Venice Pumping Plant to the Hyperion Water Reclamation Plan (\$19.6M); and development of an Advanced Wastewater Purification Facility at the Hyperion Water Reclamation Plan (\$22.4M).

Municipal Facilities CIEP: The total 2018-19 program cost for municipal facilities capital improvements is \$139.8M, consisting of \$20.4M in General Fund appropriations, \$3.5M in special fund appropriations from the Park and Recreational Sites and Facilities Fund, and \$115.9M in Municipal Improvement Corporation of Los Angeles (MICLA) and Convention Center Revenue Fund for various projects. Ongoing municipal facilities capital projects include: critical infrastructure repairs and improvements to address maintenance, health and safety issues (i.e., roof repair, lead paint removal, fire/life safety system upgrades, etc.); assessment and clean-up of contaminated soil at City facilities; and the capital repair programs for the Figueroa Plaza Towers, Marvin Braude Building, Police Administration Building, Public Safety Facilities, and the Public Works Building.

In addition to the ongoing capital projects, the Proposed Budget includes the following projects that will be paid from the General Fund appropriation to CIEP: improvements to the City-owned FamilySource Centers to address Americans with Disability Act (ADA) accessibility issues and code upgrades (\$1.1M); required match for the federal funding awarded to the Los Angeles River Ecosystem Restoration Project (\$1.1M); and funding for as-needed repairs and replacement of capital equipment required for the operation of maintenance yards and shops facilities (\$1M).

The Park and Recreational Sites and Facilities Fund will provide \$3.5M to complete various capital improvement projects at Department of Recreation and Parks facilities that have already been approved and are under construction with priority given to fund shortfalls for Proposition K projects.



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The Convention Center Revenue Fund will provide \$1.1M for various capital improvements at the Los Angeles Convention Center, including painting of the exterior of the West Hall and replacement of the LED reader board for parking.

Various projects totaling \$114.9M have been proposed for MICLA-issued financing and include:

- Expansion of electric vehicle chargers at LAPD facilities (\$2M);
- Installation of electric vehicle charging stations Citywide (\$2M);
- Identification of a replacement yard for the Department of Transportation for the current site at Lincoln Heights Jail (\$4M);
- Landscaping, public art, acquisition costs, and contaminated soil remediation for the Sixth Street Viaduct Project (\$28.1M); and
- Installation of solar energy at four existing municipal facilities - Vision Theatre, Evergreen Recreation Center, Mission Community Police Station, and Topanga Community Police Station (\$10M).

**Physical Plant CIEP:** The Proposed Budget includes \$46.9M in CIEP funding for Physical Plant projects. The Physical Plant CIEP includes \$26.6M for street related improvements from: Measure M Local Return Fund (\$3.3M); the General Fund (\$1.1M); Special Gas Tax Street Improvement Fund (\$6.2M); and Road Maintenance and Rehabilitation Fund (SB 1)(\$14.3M). Funds totaling \$15.4M for three flood control projects and seven water quality projects required by the Clean Water Act under the City Enhanced Watershed Management Program are provided from: the General Fund (\$14.5M); Measure M Local Return Fund (\$0.7M); and SB 1 funds (\$0.2M). Funds totaling \$4.9M for street lighting projects, including lighting at pedestrian crosswalks as part of the Vision Zero pedestrian safety program, are provided from: the Special Gas Tax Street Improvement Fund (\$0.7M); SB 1 (\$3.5M); and Measure M Local Return Fund (\$0.5M); and the General Fund (\$0.2M) are. There is approximately \$60.5M in Proposition O funding that may be issued. There were no bond issuances in 2017-18 and it is estimated that \$50M may be spent in 2018-19.

**General City Purposes (GCP):** The Proposed Budget increases GCP funding for programs and services by \$45.9M (32.9 percent), from \$139.7M in 2017-18 to \$185.7M in 2018-19. Significant changes in the Proposed Budget are as follows:

- **Council Community Projects:** The Proposed Budget allocates \$11M in one-time funding to fully or partially fund the completion of specific community projects and programs in various Council Districts. This represents an \$8.1M increase from 2017-18 funding of \$2.9M.
- **Crisis and Bridge Housing Fund:** \$20M in funding is provided to establish new crisis and bridge housing beds with hygiene facilities and/or storage for unsheltered individuals.
- **Homeless Shelter Program:** An additional \$10.3M is proposed, for a total of \$24.6M in 2018-19, to provide services consistent with implementation of the City's Comprehensive Homeless Strategy. The Proposed Budget increases funding for Homeless Engagement Teams, increased access to restrooms and hygiene facilities in Skid Row, Shelter Program enhancements, a specialized study

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regarding the disproportionate amount of homeless African Americans in the City, and increased LAHSA administration and operation costs.

- Operation Healthy Streets: An additional \$3.1M in funding, for a total of \$5.3M, is provided for LAHSA to maintain clean-up efforts and services for Skid Row homeless individuals. Funding is also provided in the Bureau of Sanitation's operating budget for this program. The increased funding is for enhancements to the Skid Row Homeless Engagement Team and to establish the Skid Row ReFresh Spot, consisting of bathroom, showers, and laundry facilities.
- Lifeline Reimbursement Program: A total of \$12.6M, an increase of \$4.7M from 2017-18, is allocated to reimburse the Solid Waste Resources Revenue Fund (\$6M), Sewer Construction and Maintenance Fund (\$6M), and the Multi Family Bulky Item (MFBI) Fund (\$0.64M) for costs attributed to the Solid Waste Fee Lifeline Rate Program and the low-income subsidy for the Sewer Service Charge (SSC). The fund increase for 2018-19 reflects funding for the MFBI Lifeline and Low-Income Program and an increase in the SSC low-income subsidy based on the actual number of enrollees.
- Office of International Trade: New funding (\$0.5M) is proposed for growth of the City's trade-based economy and to encourage direct foreign investment.
- Youth Employment Program: Funding (\$2.6M) is provided to continue and enhance this youth employment and skills development program. The appropriation has been increased by \$0.3M, due to the City minimum wage increase from \$12.00 to \$13.25 per hour effective July 1, 2018.
- Citywide Procurement System Phase Three: New funding (\$1M) is provided to implement the next phase of the City's Supply Management System (SMS) replacement / Financial Management System (FMS) 2.0 effort.
- Recruitment Funding: New funding (\$0.4M) is allocated for outreach and recruitment of Police Officer and Firefighter candidates. Funding for this activity was in the Personnel Department in 2017-18.

**Fire and Police Pension Fund (LAFPP)**: The City's 2018-19 contribution to LAFPP is \$692.1M, an increase of \$57.2M over the 2017-18 budget contribution. The increase in the LAFPP contribution is due to an increase in both covered payroll and the contribution rate. The larger contribution rate is based on the most recent LAFPP valuation which reflects changes in the economic and non-economic actuarial assumptions as recommended by the Plan's actuary and adopted by the LAFPP Board on June 1, 2017, including a reduction in the assumed rate of investment return from 7.5 percent to 7.25 percent. The increase in the contribution was partially offset by favorable investment returns and lower than expected costs of living adjustment (COLA) increases in 2016-17 for retirees, beneficiaries, and Deferred Retirement Option Plan (DROP) members. The Proposed Budget anticipates paying the entire LAFPP contribution in July 2018 by funding the required contribution through the issuance of Tax and Revenue Anticipation Notes (TRANS). As a result, the pension fund is expected to gain additional interest earnings on the payment, which would reduce the required City contribution by 3.3 percent or \$22.6M. The System's funded ratio, using actuarial value of assets, decreased from 87.4 percent to 85.6 percent as of June 30, 2017. The contribution rate as a percentage of salary is 46.85 percent compared to 44.26 percent in 2017-18.



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**Los Angeles City Employees' Retirement System (LACERS):** The City's total contribution to LACERS is \$595.9M, a \$42.8M increase from the 2017-18 contribution. This total includes \$110.5M in payments from Los Angeles World Airports (LAWA) (\$81.4M), Harbor (\$22.5M), LACERS (\$3.4M), and LAFPP (\$3.2M). The City's General Fund portion of the total amount to be paid to LACERS in 2018-19 is \$485.4M, a \$34.6M increase over the 2017-18 required contribution. This increase is due to increases in the contribution rates and covered payroll and partially offset by a \$17.5M one-time true-up credit to the General Fund.

The System's funded ratio increased from 72.6 percent to 72.8 percent as of June 30, 2017. The Proposed Budget anticipates paying the entire contribution in July 2017 through the use of Tax and Revenue Anticipation Notes (TRANS), which will generate a 3.3 percent discount to the City (\$16.4M). The contribution rate for Tier 1 as a percentage of salary is 28.31 percent compared to 27.22 percent in 2017-18; Tier 3 contribution as a percentage of salary is 25.88 percent compared to 24.64 percent in 2017-18. These rates reflect recent economic assumption changes approved by the LACERS Board which include lowering the investment return assumption from 7.5 percent to 7.25 percent.

**MICLA Debt Issue:** The Capital Finance Administration Fund includes \$252.1M for debt service cost for outstanding issuances to date. This amount is \$10.5M (4.4 percent) more than 2017-18. The Proposed Budget reflects \$5.41M in General Fund savings from various bond issuances that were fully refunded in February 2018. The Proposed Budget notes that lease-purchase financing was completed for police vehicles for \$21.1M in November 2017 and for police and fire radios for \$64.5M in December 2017. The final lease payment was on the Police Digital In-Car Video System in 2017-18.

The Proposed Budget includes a total of \$87.8M in MICLA Capital Equipment financing in 2018-19 for the following projects: Bureau of Sanitation Clean Streets Vehicles (\$9.6M); Bureau of Street Lighting Fleet Replacement (\$3.1M) and Vehicles (\$2M); General Services Department Vehicle and Equipment Replace (\$37M); Fire Department Vehicle Replacement (\$23.9M); Police Department Helicopter Replacement (\$11.2M); and Police Vehicle Replacement (\$1M). Debt financing is proposed for capital improvements at the Los Angeles Convention and Exhibition Center and various municipal facilities projects, including, but not limited to: escalator replacement program (\$1.4M); replacement of chillers, cooling towers motors, and modernization of chiller plant at the Los Angeles Convention Center (\$5M); and roof replacement of the Lower West Hall (\$1.9M); Asphalt Plant Acquisition (\$6M); Civic Center Master Development Program (\$10M); Sixth Street Viaduct – landscaping, public art, and contaminated soil remediation (\$28.1M); and the Warner Grand Theatre (\$5M).

**Tax and Revenue Anticipation Notes (TRANS):** The 2018-19 Proposed Budget includes funding totaling \$1.2B to pay debt service on TRANS issued to fund the City's annual required contributions to LACERS (\$495.1M, including interest) and Pensions (\$705.9M, including interest). In addition, \$8M in funding is included to pay in interest on \$400M in temporary cash flow borrowing requested by the Controller to meet short-term cash flow needs occurring early in the fiscal year when certain revenues have not yet

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been received. The July 2018 payment of the entire annual contribution to LACERS and Pensions will allow both Funds to earn additional interest to be used to discount the required City contribution. The net savings to the City for early payment to the pension systems through the issuance of TRANS is approximately \$17.1M.

**Unappropriated Balance:** The Unappropriated Balance (UB) includes funds identified for specific purposes, including contingencies for accounts that may experience shortages to start-up funding for projects or programs that would need funding during the fiscal year, but are not fully developed at the time the budget is adopted. The 2018-19 Proposed Budget includes \$71.2M in the UB, which is a \$30.7M decrease from the 2017-18 Adopted Budget allocation of \$101.9M.

The 2018-19 Proposed Budget sets aside funding in the UB for various projects, including the following:

- Reserve for Mid-Year Adjustments (\$20M) to address shortfalls that may arise in 2018-19. The Proposed Budget notes that of this amount, up to \$4M may be used to meet the requirements of the Gang Injunction Settlement Agreement.
- Reserve for Extraordinary Liability (\$20M) for liability payouts resulting from judgments or settlements.
- Outside Counsel including Workers' Compensation (\$1.8M, a \$0.4M increase from 2017-18) for the City Attorney.
- Repayment of the first installment for Community Development Block Grant Projects (\$2M) to resolve audit findings from the U.S. Department of Housing and Urban Development for past CDBG projects.
- Homeless Outreach Partnership Endeavor (HOPE) Team (\$1.3M) for the Bureau of Sanitation to deploy one additional HOPE Team, which includes six-months funding for staffing, associated expenses and equipment, and related costs.
- Public Bathroom Access (\$2.2M) for the Board of Public Works to continue the expansion of public bathroom access for homeless individuals.
- Bureau of Engineering Supplemental Funding (\$1M) for various City projects, including homelessness.
- Human Resource and Payroll System Replacement (\$2M) to implement Phase I of the Citywide centralized Human Resource and Payroll (HRP) System Replacement Project. The HRP System will replace PaySr and support the City's complex labor and payroll requirements.
- Accessible Housing Program Retrofit Contracts (\$5M, an increase of \$3M from 2017-18) for contracts currently undergoing the Request for Proposals process for general contractors to conduct accessibility retrofits, with funding provided by the Accessible Housing Trust Fund.
- November 2018 Special Election (\$4.5M) to place a City ballot measure on the November 2018 Los Angeles County Ballot.
- Office of Public Accountability Studies (\$1.2M) for special studies of Department of Water and Power (DWP) operations. Funds are also provided to make recommendations on the results of a mid-term review of the 2016 utility rate ordinances. The City will be fully reimbursed by DWP for these costs.



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- City Hall Lighting (\$0.2M) to illuminate City Hall and promote various heritage month and other cultural events.
- Neighborhood Councils (\$0.1M) for the formation of three new Neighborhood Councils.
- Risk Management Information System (\$0.1M) for Riskconnect, an integrated risk management information that will enable the City track and manage data related to workers' compensation, civil liabilities, and workplace safety to support the creation of the safest working conditions.

**Exhibit H “Required Ordinance Changes and Other Budgetary Actions”:** Exhibit H outlines actions necessary to be taken by the Council and Mayor in order to implement the Proposed Budget. In past years, the Proposed Budget has also included instructions in Exhibit H and proposals on policy matters for which Council has already taken action, or that may require further refinement and discussion in a Council Policy Committee and full Council prior to endorsement. The 2018-19 Proposed Budget, once again, contains these types of instructions on issues, programs, or policies that either have not been considered or are pending in Council Policy Committees, such as instructing GSD to prepare a fleet modernization study that includes recommendations on single-occupancy vehicle alternatives; instructions to Personnel to report on increasing the number of Civil Service exemptions; and, instructions to the LADOT to develop policies that would assess regulatory fees/services charges on Transportation Network Companies.

Instructions in Exhibit H of the 2018-19 Proposed Budget include the following Ordinance changes:

- Authorize the issuance of an amount not-to-exceed \$1.6B in Tax and Revenue Anticipation Notes to address short-term cash flow needs and to make the full annual contribution payments to LACERS and Los Angeles Fire and Police Pension Funds.
- Amend the Creation and Administration of Intellectual Property Fund, to release existing surpluses and encumbrances remaining within the account in the amount of \$900,000 in 2018-19, and authorize the Controller to transfer a like amount to the General Fund as 2018-19 revenue. This provision shall sunset at the conclusion of Fiscal Year 2018-19.
- Revise the Street Damage Restoration Fee to achieve a full-cost recovery model, including a five foot area of influence.

The following are instructions contained in Exhibit H:

- Instruct the CAO and Office of Finance to work with the relevant City departments to defray all General Fund expenditures on merchant service fees related to credit card transactions by January 1, 2019.
- Authorize the Controller and General Services to transfer funds from the Motion Picture Coordination Fund to the appropriate GSD funds to pay for departmental costs associated with filming.
- Authorize the Controller to transfer Special Parking Revenue Funds to General Services for the maintenance and operation of parking facilities, pursuant to an MOU between LADOT and General Services.

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- Instruct General Services to prepare a fleet modernization study that includes the following: 1) a fleet utilization component, highlighting where reductions and pool rebalancing can take place as well as an “electrification” strategy for existing equipment (including light- through heavy-duty equipment); and, 2) recommendations on single-occupancy vehicle alternatives such as rideshare, car share, and taxis.
- Instruct General Services and the Chief Procurement Officer to prepare a strategic plan for procurement reform, including digitization of citywide procurement operations.
- Instruct the Personnel Department, City Attorney and the CAO, to report on increasing the number of exempt positions to the maximum number allowed under Charter Section 1001(b)(4).
- Instruct the Personnel Department and the CAO to modify the existing Tax Compliance Officer classification to allow for those positions at the Department of Cannabis Regulation.
- Instruct the Bureau of Sanitation to report with results of the illegal dumping surveillance camera pilot program and provide recommendations relative to this program.
- Instruct Recreation and Parks (RAP) to partner with DWP to explore options for lowering utility costs, including identifying RAP location(s) that can be used for groundwater recharge.
- Instruct RAP, with the assistance of the City Attorney and the CAO, to report on RAP’s capital program, including the use of available Quimby funds for this purpose.
- Instruct RAP to proceed with designating Rancho Cienega Sports Complex a regional park and determine the availability of Quimby funds for the project if the designation is approved.
- Instruct DOT, with the assistance of the City Attorney, to develop policies which assess regulatory fees/services charges on Transportation Network Companies that operate within the City and negotiate an agreement with those companies to remit fees.