

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0220-05550-0000

Date: February 27, 2019

To: The Budget and Finance Committee

From: Jeff Gorell, Deputy Mayor, Mayor's Office of Public Safety *JPG*

Richard H. Llewellyn, Jr., City Administrative Officer *[Signature]*

Sharon M. Tso, Chief Legislative Analyst *[Signature]*

Michel R. Moore, Chief of Police *[Signature]*

Subject: **REPORT ON SOLUTIONS TO POLICE SWORN OVERTIME OVER-EXPENDITURES; BUDGETING SWORN OVERTIME; AND BRIDGE HOUSING SITE SECURITY RESOURCES**

RECOMMENDATIONS

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

1. Authorize a Reserve Fund loan in the amount of \$1,299,699 to the Police Department and subsequently transfer \$1,299,699 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to Account No. 001092, Sworn Overtime within Police Fund No. 100/70, to be repaid by the Police Department upon receipt of Los Angeles County Metropolitan Transportation Authority contractual reimbursements in 2018-19 and 2019-20;
2. Authorize a Reserve Fund loan in the amount of \$8,014,962 to the Police Department and subsequently transfer \$8,014,962 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to Account No. 001092, Sworn Overtime within Police Fund No. 100/70, to be repaid by the Police Department upon receipt of special event, LA Rams Football, University of Southern California security services, and other reimbursements in 2018-19 and 2019-20;
3. Direct the Police Department and the Department of Public Works, Bureau of Street Services to expedite the exchange and processing of final invoice data for special events and LA Rams Football security services expenditures in order to repay the Reserve Fund of \$8,014,962 for reimbursable overtime expense;
4. Authorize the appropriation of \$5,000,000 from the Unappropriated Balance, Fund 100/58 Account No. 580273, Various Programs and Services – Contingent Revenue, to the Police Department, Overtime Sworn Account No. 001092, Sworn Overtime within Police Fund No. 100/70; and,

5. Authorize the appropriation of \$13,377,142 from the Unappropriated Balance, Fund 100/58, Account No. 580196, Reserve for Mid-Year Adjustments to Account No. 001092, Sworn Overtime within Police Fund No. 100/70.

SUMMARY

On October 29, 2018, the Budget and Finance Committee approved various recommendations for the 2018-19 First Financial Status Report (FSR) (C.F. 18-0600-S159) which projected a \$43.39 million over-expenditure in the Police Department's Overtime Sworn account. In addition to approving various actions to reduce the over-expenditure, the Budget and Finance Committee directed the Sworn Overtime Task Force consisting of the Los Angeles Police Department (LAPD), the City Administrative Officer, the Chief Legislative Analyst, and the Mayor's Office to submit a joint report with a comprehensive analysis of sworn overtime. This report addresses the Committee's instructions relative to eliminating the 2018-19 overtime over-expenditure, Bridge Housing overtime resources, and budgeting of sworn overtime. The Police Department will submit a separate report addressing earmarks, patrol overtime, managed attrition, end-of-watch overtime, and civilian hiring.

Sworn Overtime Over-Expenditure Projection

FSR actions approved by the Council and Mayor have reduced the projected current year sworn overtime over-expenditure of \$43.39 million by \$12.86 million through interim appropriations for overtime associated with the Los Angeles County Metropolitan Transportation Authority (LACMTA) security services agreement and other overtime categories (Reimbursable and Non-reimbursable). Anticipated reimbursements of \$6.59 million and potential savings of \$6.89 million from a five-percent reduction of certain non-reimbursable overtime categories by the Department, along with avoidance of emergency expenses, and maintenance of standby and holiday hours at the 2017-18 level, were utilized in the Second FSR to reduce the projected over-expenditure to \$17.05 million. However, with six months of actual expenditure and reimbursement data available, as well as the unfunded cost of Bridge Housing site security, the over-expenditure is revised to \$20.68 million.

Revised Sworn Overtime Over-Expenditure				
Overtime Category	LACMTA	Other-Reimbursable	Non-Reimbursable	Total
Reported Over-Expenditure	\$ (6,708,860)	\$ (14,800,000)	\$ (21,878,385)	\$ (43,387,245)
FSR Actions To-Date	5,030,645	5,329,309	2,500,000	12,859,954
Reimbursements and Savings in FSRs	-	6,591,561	6,890,000	13,481,561
<i>Remaining Over-Expenditure Total</i>	<i>\$ (1,678,215)</i>	<i>\$ (2,879,130)</i>	<i>\$ (12,488,385)</i>	<i>\$ (17,045,730)</i>
Changes to Projection	378,516	2,879,130	(5,568,757)	(2,311,111)
Bridge Housing Overtime	-	-	(1,320,000)	(1,320,000)
<i>Remaining Over-Expenditure Total</i>	<i>\$ (1,299,699)</i>	<i>\$ -</i>	<i>\$ (19,377,142)</i>	<i>\$ (20,676,841)</i>

The sworn overtime over-expenditure projection is driven by the following overtime categories:

LACMTA Reimbursable

This category of sworn overtime consists of services to LACMTA to secure its bus and rail lines and other facilities, and to provide enhanced deployments for special events impacting LACMTA services, for example events at Staples Center that impact nearby LACMTA stations. The reported over-expenditure for LACMTA sworn overtime was \$6.71 million. The Council and Mayor approved a Reserve Fund loan in the Second FSR for \$5.03 million to front-fund a portion of special event overtime work LACMTA is requesting the Police Department perform in addition to regular LACMTA-related overtime which was front-funded in the Adopted Budget. After adjusting for LACMTA expenses which are now projected to be \$378,516 less than originally anticipated, the balance of the reported over-expenditure for LACMTA sworn overtime is \$1.3 million. To provide the balance of front-funding for LACMTA sworn overtime, a Reserve Fund loan of \$1.3 million is recommended with LACMTA and Transportation Security Administration (TSA) reimbursements to repay the loan. This funding includes front-funding for \$102,000 in overtime costs associated with K-9 units which are assigned to LACMTA but reimbursed by the TSA.

Other Reimbursable

This category of sworn overtime includes all non-LACMTA related overtime which is reimbursed by an outside agency, event sponsor, grant, or other source. Over-expenditures in this category were initially reported at \$14.8 million in the First FSR; actual and projected reimbursements reduced the anticipated over-expenditure to \$2.87 million. Based on actual expenditures year-to-date, Other Reimbursable overtime expenses are now projected to decrease by \$998,190 and reimbursements are projected to increase from \$6.59 million to \$8.47 million. These revisions to the projection eliminate the projected over-expenditure. The reimbursements consist of \$2.4 million for LA Rams Football; \$4.22 million for other special events; \$1.06 million for University of Southern California security services; \$615,000 for Task Forces and Letters of Agreement for special deployments; and, \$175,000 for security at the Hollywood and Highland parking facility. It is anticipated, however, that only \$457,539 of these will be reimbursed prior to the Year-End FSR due to time required by the Police Department and the Bureau of Street Services to reconcile invoices and corresponding reimbursements. Once finalized, the reimbursements are held until the next available FSR before being transferred to the Police Department. Should these reimbursements occur at year-end or in the next fiscal year rather than during February or March of the current fiscal year, a cash shortfall will result in the second half of the year which could trigger involuntary overtime banking. Therefore, it is recommended that a Reserve Fund loan be approved for \$8.01 million for reimbursements that will not be included in the Mid-Year FSR and that the reimbursements for these expenses once received, will repay the loan.

Non-Reimbursable

Non-reimbursable sworn overtime consists of overtime that is funded by the General Fund for City-related deployments. The reported over-expenditure for non-reimbursable sworn overtime was \$21.88 million. Prior FSR actions and savings identified reduced the projected over-expenditure to \$12.49 million. However, after accounting for six-months of actual expenditure

data as well as the overtime costs associated with the Bridge Housing security, this overtime expense category is projected to increase by \$6.9 million and exceed budgeted funds by \$19.38 million. Factors contributing to this over-expenditure include:

- Earmarks being performed by the Department which reserve \$3.45 million within the overtime account for special enforcement programs and thereby preclude the use of these funds for regular overtime deployments;
- Costs to deploy officers at two Bridge Housing sites at a cost of approximately \$94,286 per month per site (\$1.32 million);
- In response to increased safety concerns expressed by City Hall staff, additional officers were deployed on an overtime basis to foot beats at City Hall, City Hall East and City Hall South commencing in January 2019 and continuing through June 2019 (\$350,000). The Department is currently considering alternate options for performing these added patrols;
- Absorption of the Summer Night Lights' program overtime hours (approximately 12,150 hours) and the Homeless Outreach Proactive Engagement (HOPE) Team (approximately 8,100 hours) which was previously reimbursed with funding from the Board of State and Community Corrections (BSCC) that ended in 2017-18 (\$1.6 million); and,
- The use of actual expenditure data from the first half of 2018-19 to project end-of-year expenses versus projecting 2018-19 expenses from 2017-18 data as was undertaken in the First FSR.

The \$6.9 million increase in over-expenditure is net of an additional \$7.23 in estimated savings from standby and premium pay, funding reserved for emergencies, savings from performing cannabis enforcement on regular shifts rather than overtime, and transferring responsibilities for the Westlake/MacArthur Park earmark to other departments as recommended in the Mid-Year FSR. It is important to note, however, that although savings are projected based on usage during the first half of the fiscal year, should the City be adversely impacted by severe weather or unforeseen events within Los Angeles or the surrounding areas, the amount of savings may be reduced.

To partially resolve the remaining \$19.38 million over-expenditure, the Department anticipates it will realize approximately \$1.0 million in salary savings based on current hiring trends that may be transferred to the sworn overtime account in the Year-End FSR. For the balance of the remaining over-expenditure, it is recommended that funding set-aside in the Unappropriated Balance for Various Programs and Services – Contingent Revenue (\$5.0 million) and Mid-Year Adjustments (\$13.38 million) be appropriated to the Department.

Bridge Housing Site Sworn Overtime Expenses

The cost of providing 24/7 sworn overtime-compensated patrols with two officers for Bridge Housing site areas are averaging \$94,286 per month at each site. Currently, one site (El Pueblo) has been open since September 2018 and the Hollywood site is anticipated to open in late February 2019. Based on the actual overtime hours worked at the El Pueblo site and the projections for the Hollywood location, these two sites will cost a total of \$1.32 million in 2018-19. At this time, it is not possible to accurately estimate any additional costs for 2018-19 as the exact opening dates are not known for the remaining Bridge Housing sites. It is recommended that funding for Bridge Housing site areas in 2019-20 be addressed through the annual budget process.

Basis for Budgeting Sworn Overtime in FY 2019-20

In order to accurately budget the Police Department's sworn overtime funding needs in FY 2019-20, it is recommended that the Mayor's Office consider the following factors:

- FY 2017-18 Actual Overtime Expenditures;
- Cost of living adjustments - without these adjustments, wage inflation reduces the total number of hours the Department has available since each hour costs more after the cost of living increase is implemented;
- The cost of overtime deployments for earmarks and Bridge Housing deployments;
- LACMTA overtime costs;
- Optimum overtime amounts for emergencies, standby, and holiday pay; and,
- Funding needed to front-fund reimbursable overtime in order to avoid cash-flow situations that could lead to involuntary banking of overtime.

Additionally, the Department will provide input to the Office of the City Administrative Officer and Mayor through its budget proposal and during budget-related deliberations prior to release of the Mayor's 2019-20 Proposed Budget.

FISCAL IMPACT STATEMENT

Approval of the recommendations within this report will authorize two Reserve Fund loans to the Police Department in the amount of \$1.3 million for Los Angeles County Metropolitan Transportation Authority (LACMTA) related expenses and \$8.01 million for other reimbursable expenses; the loans will be repaid in 2018-19 and 2019-20 with reimbursements from LACMTA, special event sponsors, governmental agencies operating reimbursed Task Forces, and other sources. These recommendations will reduce the Reserve Fund to 5.61 percent (\$347.0 million).

Additional recommendations in this report will authorize the appropriation of \$5.0 million from the Unappropriated Balance, Various Programs and Services – Contingent Revenue and \$13.38 million from the Unappropriated Balance, Reserve for Mid-Year Adjustments to the Police Department for other non-reimbursable overtime expenses. The recommendation to use funds within the Unappropriated Balance, Various Programs and Services – Contingent Revenue may impact the Reserve Fund if cannabis revenues in 2018-19 do not meet the level approved in the Adopted Budget. The recommendation to use funds within the Unappropriated Balance, Reserve for Mid-Year Adjustments may also impact the Reserve Fund since less funds will be available to address Citywide projected over-expenditures in the Mid-Year and Year-End FSRs.

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