

REPORT OF THE CHIEF LEGISLATIVE ANALYST

Date: May 7, 2020

To: Honorable Members of the Budget and Finance Committee

From: Sharon M. Tso 
Chief Legislative Analyst

Overview of the 2020 – 2021 Proposed Budget

As requested by your Committee, we have prepared the attached CLA Overview of the Proposed Budget, as submitted by the Mayor on April 20, 2020. It is important to highlight the unprecedented position the City finds itself during the development and adoption of the 2020-21 Budget. The Proposed Budget adoption process always includes a degree of uncertainty, as it is based on revenue and expenditure projections for the upcoming year. Historical trends and expert consultants, combined with detailed budgetary analysis, are all used in the budget formulation process. However, the continually evolving nature of the COVID-19 pandemic impacts makes the forecasting even more challenging.

Our analysis finds that the 2020-21 Proposed Budget is less than a base level budget and incorporates revenue losses and expenditure reductions in response to the impact of the COVID-19 pandemic. The Proposed Budget also assumes that the Safer at Home orders will be lifted in May/June 2020 and the economy will return to normalcy in July. If this occurs, the Proposed Budget may be achievable, but if not, it is very likely that further service level reductions will be necessary, absent the identification of additional sources of funding.

The impact of COVID-19 on the City's budget is, at best, unknown. It will depend on many factors, including the duration of the Safer at Home orders, the ability of business, tourism and the economy to bounce back, an increase in consumer confidence, the availability of a vaccine, cure or herd immunity to alleviate fear, and the possibility of federal and state funding to assist local governments, among others. Unfortunately, many of these factors are outside of the City's control.

From this perspective, the Proposed Budget should be viewed as a placeholder budget. It is a financial plan that will be subject to many changes as more information and data becomes available. This situation is not unlike the usual Financial Status Report process, though with more frequency expected during the upcoming year. This may be the most prudent approach, as the City Council will be in a better position to make informed decisions on budgetary modifications as more certainty and trends become known.

It is important to note that City Council will retain its discretion and Charter authority over the budget. Departments, the public, and our labor partners will be afforded greater opportunities to address the City on personnel, programmatic, and service level impacts of any and all proposed budgetary changes during the months ahead. These changes may encompass restorations or further reductions, as dictated by more updated information. The City Council will have the ability to conduct ongoing review of the budget and could make modifications as early as June and July if changes are warranted, necessary or desired.

Based on our initial review of the Proposed Budget, though, there is already cause for concern:

Revenues

As previously stated, the revenue projections are predicated on the economy restarting in July. The projections do not contemplate a longer or second Safer at Home order. Transient Occupancy Tax, Sales Tax, and Parking Occupancy Tax will be particularly susceptible to further reductions if Stay at Home orders are extended or reinstituted. It is also unclear if the Proposed Budget takes into account other considerations relative to revenue projections, such as a reduction in hotel room rates and parking rates, which would impact collection rates. Further, the Property Tax, Documentary Transfer Tax, and Business Tax revenue projections may also be optimistic in that permanent job and business losses are not factored into the estimates. Taxpayers may defer property tax payments, be unable to pay business taxes or have a reduced business tax liability due to a reduction in gross receipts for 2020. If unemployment remains high during the next fiscal year, it will likely impact real estate transactions in the City. Since the release of the Proposed Budget, April receipts in several revenue categories are coming in below the revised plan. If this continues, a greater transfer from the Reserve Fund may be necessary for the year-end closing. In summary, with the exception of federal and state funding, there is much downside risk to almost every City revenue category, including special funds.

One a positive note, with regard to federal funding, the City has received an initial deposit from the Federal Government for reimbursement of additional costs the City incurred in direct response to the COVID-19 pandemic. These funds, however, may not be used for revenue replacement or to fund ongoing programs and projects that are unrelated to COVID-19 activities. Separately, there have been discussions in Congress regarding a fifth coronavirus aid package that may include funding for infrastructure, housing, election security, assistance to frontline workers and first responders, a postal service rescue plan, and state and local aid. The CLA will continue to monitor progress in this effort.

Expenditures

As part of the budget balancing solutions, there are compounding reductions in City departments. Furloughs, hiring freezes, deletion of funding for vacancies, one-time reductions in salaries and expense, and a host of other reductions may prove difficult for departments to implement. Depending on the revenue impact, further and deeper budget balancing measures may be required in 2020-21. For the most part, public safety, including Police, Fire, and Sanitation services have been shielded from reductions, resulting in deeper cuts to the remaining departments. Departments have been instructed by Motion (Krekorian – Martinez – Price) (C.F. 20-0500) to report on their plans on implementing furloughs for their impacted personnel.

Furthermore, while most COVID-19 related expenditures have been kept off-budget, changes made by entities outside of the City in response to the pandemic may impact the funding requirements in the Proposed Budget. For example, Governor Newsom signed an executive order yesterday that will streamline workers' compensation claims and establishes a rebuttable presumption that any essential worker infected with COVID-19 acquired the virus on the job. This will shift the burden of proof on employers, including the City. The Human Resources Benefits Fund, with a proposed increase of \$32M, may require additional funding in 2020-21.

Reserves

With the Reserve Fund at \$243M and 3.64 percent of General Fund revenues, it is well below the City policy of five percent. In addition, the Unappropriated Balance line items for contingency funds - Reserve for Extraordinary Liability and Reserve for Mid-Year Adjustments are reduced by \$25M, resulting in less flexibility in responding to interim budgetary problems.

We cannot overstate the need for financial reserves. In addition to the impact on our bond rating, these funds are crucial for the City to respond to a natural disaster or other emergency that may occur. The use of the Reserve Fund or Budget Stabilization Fund is a one-time use. Once used, it is not available again. To the extent possible, the use of the reserves should be used as a last resort for one-time costs.

Several other issues in the Proposed Budget are worth noting:

Special Fund Furloughs – Previously, the City has excluded special funded positions from furloughs. However, by including special funded positions in 2020-21, it will allow the General Fund to recover additional related costs reimbursements that have historically been paid by the General Fund, thereby increasing revenue receipts for critical City services.

Structural Deficit – Notwithstanding the COVID-19 impact, the CAO had already been reporting a structural deficit in excess of \$272M starting in 2021-22 and increasing steadily each year thereafter. Additional revenues or identifying continuing reductions or cost savings and efficiencies will be required to balance future year budgets.

Pension Funds – Both sworn and civilian pension funds will be reviewing their economic and demographic assumptions as well as investment rates of return. All other assumptions being equal, if the 7.25% investment rate of return is reduced, the General Fund will be required to make larger contributions as early as FY2021-22. This would add to the City's structural deficit.

Financial Policies Compliance – In addition to being out of compliance with the Reserve Fund Policy, the City will not be compliant with the Capital and Infrastructure Funding Policy.

Cost Recovery – Several fees are no longer at cost recovery, most notably the Solid Waste Fee which has not been adjusted since 2008. As a result, the General Fund continues to support ongoing special fund program costs.

The City's diverse revenue base and a strong housing market, combined with the City's concerted efforts over the years to build our reserves, and the prospect of federal and state support will help mitigate the financial threats of the current public health crisis. The next fiscal year, however, will only be the beginning of very difficult conversations that will be necessary to address looming budgetary concerns. Financial challenges are ahead and fiscal restraint will need to be considered as decision makers determine how to deliver and maintain the most critical, urgent, and necessary services provided by the City.

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

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Attachment: Overview of the 2020-21 Proposed Budget
 - Balancing the General Fund Budget
 - 2020-21 and Future Years
 - Significant Issues
 - Summary of Proposed Departmental and Other Changes

OVERVIEW OF THE 2020-2021 BUDGET

AS SUBMITTED BY THE MAYOR



Presented to:
The Budget and Finance Committee

Prepared By:
Sharon M. Tso
Chief Legislative Analyst

Overview of the Mayor's Proposed Budget 2020-21

2019-20 Budgeted Revenue	\$6,569.75M
2020-21 Revenue Estimate	<u>\$6,687.35M</u>
Total Revenue Change	\$117.60M

Balancing the 2020-21 General Fund Budget

2020-21 Expenditures to Maintain 2019-20 Service Levels

- **Obligatory Expenditure Changes (\$56.29M)**
 - 2019-20 Employee Compensation Adjustment (\$140.72M)
 - 2020-21 Employee Compensation Adjustment (\$65.80M)
 - Change in Number of Working Days (\$-10.14M)
 - Salary Step and Turnover Effect (\$-19.14M)
 - Deletion of Funding for Resolution Authorities (\$-94.17M)
 - Full Funding for Partially Financed Positions (\$47.17M)
 - Human Resources Benefits (\$57.03M)
 - Tax and Revenue Anticipation Notes (\$21.24M)
 - Other Employee-Related Costs (\$13.96M)
 - Deletion of One-Time Salary Funding (\$-15.79M)
 - Deletion of One-Time Expense Funding (\$-186.46M)
 - Restoration of One-Time Expense Reductions (\$16.57M)
 - Capital Finance Administration Fund and Other Debt (\$-7.20M)
 - Charter Mandate Library Funding (\$13.40M)
 - Charter Mandate Recreation and Parks Funding (\$8.41M)
 - Administrative Code Arts and Cultural Facilities Services Trust Fund (\$-4.45M)
 - Special Fund Reimbursements (\$-14.73M)
 - Appropriations to General Fund Reserves (\$-0.24M)
 - Unappropriated Balance - Zoo and El Pueblo Revenue Shortfalls (\$16.35M)
 - Other Obligatory Adjustments (\$7.96M)
- **Continuation of Existing Services (\$268.94M)**
 - City Attorney - Cannabis Enforcement and Regulation (\$1.03M)
 - City Planning - Home-Sharing Administration and Enforcement (\$1.46M)
 - Econ. and Workforce Dev. - Day Laborer Services (\$1.01M)
 - Econ. and Workforce Dev. - Gang Injunction Settlement Implementation (\$1.13M)
 - Econ. and Workforce Dev. - Los Angeles Regional Initiative for Social Enterprise (\$3.00M)
 - Fire - 2016 SAFER Grant (\$7.34M)
 - Fire - 2017 SAFER Grant (\$2.23M)
 - Fire - Advanced Provider Response Unit (\$1.48M)
 - Fire - Basic Life Support Ambulance Staffing (\$2.10M)
 - Fire - Cannabis Enforcement (\$1.02M)
 - Fire - Constant Staffing Overtime (\$9.14M)
 - Fire - Firefighter Academy Staff (\$1.50M)
 - Fire - Firefighter Recruit Training (\$2.28M)
 - Fire - Incident Command Support (\$2.45M)
 - Fire - Probationary Field Training (\$1.31M)
 - General City Purposes - Homeless Shelter Program (\$1.43M)

Overview of the Mayor's Proposed Budget 2020-21

- General Services - Citywide Leasing Account (\$4.13M)
- Housing/Community Investment - Domestic Violence Shelter Operations (\$1.73M)
- Housing/Community Investment - Family Source Center Program (\$3.78M)
- Housing/Community Investment - Proposition HHH Program Staff (\$1.32M)
- Information Technology Agency - Human Resources and Payroll Project (\$7.02M)
- Information Technology Agency - LAPD and LAFD Radio Infrastructure Repairs Phase 3 (\$2.50M)
- Other Special Purpose Funds - Accessible Housing Fund (\$8.43M)
- Personnel - Strategic Workforce Development Task Force (\$1.10M)
- Police - Civilian Overtime Resources (\$1.13M)
- Police - Funding Realignment (\$4.84M)
- Police - Los Angeles County Metropolitan Transportation Authority (\$89.01M)
- Police - Sworn Hiring/Attrition (\$1.71M)
- Police - Sworn Overtime Resources (\$21.14M)
- Police - Vehicle Replacements (\$1.06M)
- PW/Contract Administration - Office of Wage Standards Support (\$3.33M)
- PW/Contract Administration - Services to the Los Angeles World Airports (\$3.59M)
- PW/Engineering - Citywide B-Permit Case Management Group (\$1.19M)
- PW/Engineering - Pavement Preservation Program Support (\$1.21M)
- PW/Sanitation - Comprehensive Cleaning and Rapid Engagement (\$10.34M)
- PW/Sanitation - Comprehensive Cleaning and Rapid Engagement Plus (\$11.28M)
- PW/Sanitation - Mobile Hygiene Centers Program (\$5.77M)
- PW/Street Services - Dead Tree and Stump Removal (\$1.31M)
- PW/Street Services - Tree Trimming (\$3.70M)
- Transportation - Maintain As-Needed and Overtime Service Levels (\$4.14M)
- Transportation - Pavement Preservation – Striping Support (\$5.97M)
- Unappropriated Balance - General Municipal Elections 2020 (\$13.00M)
- Unappropriated Balance - Ground Emergency Medical Transport QAF Program (\$1.39M)
- Other Continuation of Services (\$13.91M)

Budget Gap Amount to Address.....\$-207.63M

- **2020-21 Increased Services (\$17.84M)**

- Animal Services - Animal Care Staffing Support (\$0.27M)
- Fire - Turnout Gear (\$1.40M)
- General City Purposes - Additional Homeless Services (\$1.00M)
- General Services - Custodial and Pest Control Services (\$0.58M)
- General Services - Increased Custodial Services (\$0.37M)
- General Services - Library Pressure Washing Services (\$0.43M)
- Information Technology Agency - LAPD Aircraft Warranty (\$0.27M)
- Personnel - Custody Medical Service (\$0.50M)
- PW/Sanitation - CARE Program Support (\$0.36M)
- PW/Sanitation - CARE+/CARE Overtime (\$1.97M)
- Transportation - Special Events Overtime (\$5.00M)
- Unappropriated Balance - Land Mobile Radio Site Infrastructure Upgrades (\$3.02M)
- Unappropriated Balance - Personnel Related Cybersecurity Measures (\$0.30M)

Overview of the Mayor's Proposed Budget 2020-21

- Other Increased Services (\$2.37M)
- **New Services in the 2020-21 Proposed Budget (\$5.33M)**
 - General City Purposes - Justice Fund (\$1.00M)
 - Unappropriated Balance - Community Investment and Opportunity Department (\$0.25M)
 - PW/Contract Administration - Services to the Los Angeles Convention Center (\$0.22M)
 - PW/Engineering - Los Angeles Convention Center Support (\$0.75M)
 - Civil and Human Rights - Commission Oversight & Discrimination Enforcement (\$0.46M)
 - Police - Information Technology Group Resource (\$0.28M)
 - Police - Office of the Inspector General Resources (\$0.40M)
 - Other New Services (\$1.97M)
- **Efficiencies and Reductions of Services in the Proposed 2020-21 Budget (\$-230.80M)**
 - Animal Sterilization Trust Fund (\$-0.50M)
 - Capital Finance - Debt Structure Efficiencies (\$-11.30M)
 - Deletion of Vacant Positions (\$-2.54M)
 - Expense Account Reductions (\$-15.23M)
 - Furlough Program (\$-80.76M)
 - General City Purposes - Gang Reduction and Youth Development Office (\$-3.00M)
 - General City Purposes - Memberships and Programs (\$-1.11M)
 - General City Purposes - Summer Night Lights (\$-1.40M)
 - Hiring Freeze Policy (\$-30.66M)
 - Neighborhood Council Funding (\$-1.42M)
 - Net Capital Program Reductions (\$-16.49M)
 - One-Time Salary Reductions (\$-14.96M)
 - Pavement Preservation Program (\$-12.50M)
 - Police - Cannabis Enforcement Resources (\$-5.00M)
 - Police - Sworn Salary Savings (\$-8.86M)
 - Salary Savings Rate Adjustments (\$-3.95M)
 - Unappropriated Balance - Reserve for Extraordinary Liability (\$-20.00M)
 - Other Efficiencies (\$-1.12M)

NET SURPLUS/DEFICIT\$0

Overview of the Mayor's Proposed Budget 2020-21

2020-21 and Future Years

The Mayor's Proposed Budget reflects the significant and unprecedented challenges facing the City in light of the COVID-19 pandemic. The City's response to the crisis has resulted in emergency spending to maintain the health and safety of the City's workforce and residents. Further, social distancing and Safer at Home orders have resulted in empty hotels, shuttered businesses, and a general decrease in consumer spending resulting in an immediate decrease in City revenues. The economic impacts have been far more severe than expected, and at this time, it is unclear how long they will last.

The COVID-19 pandemic became a national crisis only a few weeks prior to the release of the 2020-21 Proposed Budget. At the time of budget development, the effect on the local economy was just beginning. The revenue estimates appear to be based on a best-case scenario for which stay-at-home orders are lifted in May/June and the economy quickly returns to normalcy in July. Projected revenues do not contemplate a situation where stay-at-home and social distancing orders extend into the early summer, nor do they reflect the possibility of a longer recession for which the economy takes several months or possibly years to recover. As stay-at-home orders remain in place, businesses remain closed, and health experts warn of possible future outbreaks, economic turmoil will continue.

Given the availability of information at this time and the uncertainty regarding the near future, it will be difficult to determine if the Proposed Budget is a good roadmap for the coming year. Estimating revenue in a routine year is not without risk, and in an unprecedented health and economic crisis, it will be even more challenging. The only certainty we have at this time is that more changes to the City's revenue and expenditures will be necessary as we enter 2020-21 and throughout the next fiscal year to ensure the City is in a position to withstand the crisis. Fortunately, several years of fiscal prudence (strengthening the Reserve Fund and Budget Stabilization Fund) have put the City in a better position to address economic downturns and emergencies. The City has experience in dealing with economic crises and is well-equipped to address and recover from financial declines.

The primary issues facing the City in 2020-21 are the significant drops in several economically sensitive revenues, uncertainty of future revenues, and the ability to keep up with necessary expenditures. The 2020-21 Proposed Budget begins the fiscal year with a Reserve Fund of \$243M at 3.64 percent, the lowest amount since 2012-13 and much lower than the City's goal of maintaining a five percent Reserve Fund. The Proposed Budget identifies funding priorities, including restoration of the Reserve Fund, should revenues exceed projections. However, it does not identify items that should be reduced or eliminated should anticipated revenues come in lower than expected, other than postponing appropriations to several Public Works projects until after January 1, 2021.

As described in this report, the main expenditure solution to balance the 2020-21 Proposed Budget is \$111M from civilian furloughs and a hiring freeze policy. While new funding is proposed for various projects and programs and continued funding is sustained

Overview of the Mayor's Proposed Budget 2020-21

for the City's priority programs for its most vulnerable and underserved populations, it may be impossible to proceed with these expenditures if revenue continues to decline during the fiscal year. Moreover, the furlough and hiring freeze policies will likely affect Departments' abilities to implement these priorities.

In addition to the impacts of COVID-19, the City is also dealing with the results of labor agreements ratified in 2019-20. The new Memoranda of Understanding (MOUs) have resulted in \$250.6M in obligatory spending increases across the ten largest City departments for the upcoming year. The Police Department alone will require an additional \$148.2M in its base budget for new MOU requirements, including a higher education bonus that will cost the City at least \$40M in 2020-21. Unlike costs related to the pandemic, MOU costs are structural and will need to be addressed with long term revenue growth or by reductions in services and hiring.

Amidst the belt-tightening measures, the Proposed Budget includes support for policies and programs that are of importance to the Council and continues funding for programs that have been initiated in past years, including workforce and job training, senior meals and services, domestic violence prevention, infrastructure maintenance and improvements, and accessibility enhancements, as well as allocations for affordable housing and homelessness programs. The Proposed Budget also prioritizes the health and well-being of residents as it fully supports public safety and protects the City's workforce by avoiding layoffs.

It is important to note that when the City Council adopts a budget, it is a guiding document, or fiscal plan, for annual revenue and expenditures. The City has the ability to further revise the budget throughout the year as actual revenues and expenditures become solidified. The budgeting process does not stop upon the adoption of an annual budget. Throughout the year, the Council and Mayor approve various revisions to the budget through a variety of actions including motions, reports and the comprehensive Financial Status Reports developed by the City Administrative Officer. There are numerous opportunities for various Departments and other stakeholders, including Neighborhood Councils, the City's Labor partners and the public, to weigh in. For 2020-21, the ability to revise the budget after examining more realistic impacts to the economy will be needed more than ever.

The Council may wish to consider the 2020-21 Proposed Budget as a placeholder that provides a foundation and starting point, remains flexible to provide time for thoughtful consideration of Budget, and allows for ongoing changes that can address the highest priorities. As the severity of impacts become more apparent, the City will be able to consider strategies to address financial issues, impacts on vulnerable populations, hardest hit sectors of the local economy, longer terms effects of the downturn, and priorities for funding once the economy reopens. While support from the Federal Government is still uncertain, the City may receive much needed assistance for which decisions on allocations will need to be made. At this time, a unified effort among the Mayor, Council and stakeholders will be the most beneficial in rebuilding the economy as the City copes with the COVID-19 pandemic and the resulting economic fallout.

Overview of the Mayor's Proposed Budget 2020-21

Significant Issues Policy Considerations

Compliance with Financial Policies:

City Financial Policies		Mayor's Proposed Budget
Reserve Fund	The Reserve Fund shall be 5% of the General Fund Budget.	Not Compliant: Proposes a Reserve Fund of \$243M which equates to a Reserve Fund rate of 3.64% of General Fund revenues, as compared to a 6.25% rate for the 2019-20 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.	Not Compliant: Provides 0.53% of General Fund revenue for capital and infrastructure projects (\$35.7M), which falls short of the 1% investment threshold by \$31.2M.
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.	Compliant: \$60.2M in one-time revenue is programmed in 2020-21, including \$3.8M in delayed fee receipts; \$2M in delayed property tax receipts; \$44.7M in delayed business tax receipts; \$5.5M in delayed parking fine payments; and a \$4.2M Special Parking Revenue Fund transfer above the base level. According to the CAO Supporting Documents, one-time expenditures totaling \$69.9M are included in the 2020-21 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.	Not Applicable: A credit has not been earned; therefore funding is not set aside in accordance with this policy.
Budget Stabilization Policy	This fund is intended to prevent overspending during prosperous years and provide resources to help maintain service levels during lean years.	Compliant: \$114.2 is included in the 2020-21 Proposed Budget for the Budget Stabilization Fund (BSF). (See discussion on the BSF.)
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>	Compliant: The 2020-21 Proposed Budget complies with this Policy, inasmuch as proposed debt will result in a total debt ratio of 5.39% (as compared to 5.93% for 2019-20) and a non-voter approved debt ratio of 3.58% (as compared to 3.94% for 2019-20). Both of these debt ratios are within the debt ceilings established by the City's Debt Policy.

Overview of the Mayor's Proposed Budget 2020-21

City Reserves

Reserve Fund: The 2020-21 Proposed Budget anticipates a \$243.3M Reserve Fund, consisting of a \$183.9M Emergency Reserve and a \$59.4M Contingency Reserve. This equates to 3.64 percent of total General Fund revenues of \$6.69B. The City's Financial Policies require the Reserve Fund to have a minimum balance of five percent of all General Fund revenues. This goal was achieved in each of the past six fiscal years. Due to unbudgeted COVID-19 related spending in 2019-20, and projected revenue losses associated with the response to the pandemic, the Reserve Fund has dropped below the five percent level.

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. The Emergency Reserve Account of \$183.9M equals to 2.75 percent of General Fund revenues to comply with Charter Amendment P. Also required is a separate Contingency Reserve Account whereby expenditures 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 Proposed Budget does not require a Reserve Fund transfer to balance the budget. However, it does propose a \$12M appropriation to the Reserve Fund in what is stated as an effort to reverse revenue losses.

The following chart shows the state of the Reserve Fund on July 1 for the past four years:

	Actual 2016-17	Actual 2017-18	Actual 2018-19	Actual 2019-20	Proposed 2020-21
Contingency Reserve	\$180.9M	\$194.3M	\$175.6M	\$226.5M	\$59.4M
Emergency Reserve	<u>\$153.3M</u>	<u>\$160.2M</u>	<u>\$170.2M</u>	<u>\$180.7M</u>	<u>\$183.9M</u>
Total on July 1 of FY	\$334.2M	\$354.5M	\$345.8M	\$407.3M	\$243.3M
% of General Fund	5.99%	6.08%	5.59%	6.20%	3.64%
Amount Transferred to Balance the Budget	\$1M	\$9.1M	\$5.8M	\$0	\$0

Budget Stabilization Fund: As proposed, the Budget Stabilization Fund (BSF) will begin 2020-21 with a \$114.2M fund balance. The 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 January 2020, the Mayor and City Council adopted a revised policy for the BSF (C.F. 19-0600-S171). Pursuant to the policy, if growth in the cumulative receipts from the seven major revenue sources exceeds the Average Annual Ongoing Growth Threshold (average ongoing annual growth over the prior 20 years), the budget must include a deposit into the BSF. In addition, for every one-half percent that revenues exceed the Threshold, five percent of the value of that excess revenue must be deposited into the BSF, not to exceed 25 percent of the growth. Similarly, when growth of these receipts falls short of the Average Annual Ongoing Growth Threshold, the Budget may include a

Overview of the Mayor's Proposed Budget 2020-21

withdrawal from the fund in the amount of five percent of the revenue shortfall for each one percent of growth below the Growth Threshold.

Because the proposed revenue estimates fall short of the Annual Ongoing Growth Threshold, a deposit into the BSF was not required. Pursuant to the BSF policy, \$38M could have been withdrawn from the BSF to the Proposed Budget, however, a transfer was not proposed.

In addition, the Unappropriated Balance (UB) line items for contingency funds - Reserve for Extraordinary Liability (previously funded \$20M in 2019-20 and provided no funding in the 2020-21 Proposed Budget) and Reserve for Mid-Year Adjustments (allocated \$35M in the 2019-20 Proposed Budget and \$30M in the 2020-21 Proposed Budget) are reduced by \$25M, resulting in less flexibility in responding to interim budgetary problems.

Adding the BSF, Reserve Fund, and the allocation set aside in the UB, Reserve for Mid-Year Adjustments, the 2020-21 Budget contains total reserves of \$387M or 5.80 percent of the General Fund, the lowest percentage since 2012-13 and well short of the City's Financial Policies to maintain reserves at ten percent of the General Fund.

Revenues

With the cessation of non-essential business operations that began in mid-March, an accurate prediction of this year's receipts is extremely difficult. The Proposed Budget notes that most economists agree that the ongoing crisis will cause a recession; however, there is no agreement yet on its severity or length. While some expect the economy to recover in 2021 due to the relative health of the pre-pandemic economy, higher state and local government reserves, and current stimulus efforts, others expect a long-lasting economic downturn, similar to the Great Depression.

2019-20 Revised Receipts: Due to the ongoing COVID-19 crisis, the Proposed Budget lowered the estimated revenues for 2019-20 from \$6.57B to \$6.46B, a decrease of \$108.5M or 1.7 percent. This newly revised revenue is reflected as 2019-20 Revised Receipts. Of the total decrease of \$108.5M, the reduction is attributed to the economically-sensitive revenues as follows: transient occupancy (\$-53.9M); parking occupancy (\$-19.9M); business (\$-29.3M); sales (\$-3.3M); and property (\$-2.0M) tax revenues. Other pandemic-related revenue losses for 2019-20 include reduced City services across multiple departments (\$-16.3M), as a result of the Civic Center closure and stay-at-home orders, including but not limited to animal licenses and permits, film permits, and construction plan check fees; reduced parking citation revenue due to relaxed enforcement and extended payment due dates (\$-15.6M); and reduced revenue from parking meter and parking lot receipts (\$-18.3M). In combination with non-pandemic related shortfalls in former CRA/LA receipts, a total revenue decrease of \$165.6M is expected for 2019-20. These losses are partially cushioned by a higher than expected revenue of \$57.1M in property and documentary transfer taxes, departmental receipts, franchise income, and interest earnings receipts.

2020-21 Proposed Budget Revenue: The Proposed Budget estimates total General Fund receipts for 2020-21 to increase by approximately one percent above 2019-20

Overview of the Mayor's Proposed Budget 2020-21

revised receipts, to \$6.69B. Seven major taxes (property, utility, business, sales, document transfer, transient occupancy, and parking occupancy) account for 70 percent of total General Fund revenue and are sensitive to declines during a recession. Overall, the combined growth in these seven tax categories is expected to be less than one percent, which is similar to the trends seen during previous downturns. It should be noted that the revenue projections for the 2020-21 Proposed Budget do not take into account a possible extension of the Safer at Home order past May 2020 or the potential for a subsequent order later in 2020-21. In this regard, revenue projections may be particularly optimistic.

It has been noted that the Proposed Budget does not assume downward trends for Property Based Revenue and Documentary Transfer Tax, as this is not a housing-related recession and limited fluctuation in prices and sales volume is anticipated. Should the layoffs and business closures caused by the pandemic result in permanent job losses, these revenues may be negatively affected.

Property Based Revenue: In 2020-21, property-related revenues (\$2.3B) will account for approximately 34 percent of the City General Fund revenue. The Proposed Budget assumes a 6.6 percent growth in total assessed value for 2020-21. In future fiscal years, the Proposed Budget forecasts that property taxes will increase by 3.9 percent in 2021-22 to \$2.4B, then rise by four percent in each of the three subsequent fiscal years to reach \$2.7B in 2024-25. The dissolution of Community Redevelopment Agencies (CRAs) 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 revenues) beginning in June 2012, and the Proposed Budget anticipates that the City will receive \$95.9M in former CRA funds in 2020-21.

Documentary Transfer Tax: Tax revenue for the documentary transfer tax is generated when real property is sold or when 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 2020-21 Proposed Budget anticipate documentary transfer tax revenues of \$215.8M, which represents an approximate increase of \$1.8M or 0.9 percent from the 2019-20 Revised Revenue Summary. Revenues are projected to remain flat in each of the next four fiscal years.

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 deposited into the General Fund, and one percent is remitted to the Los Angeles Visitors and Convention Bureau Trust Fund. Of the 13 percent deposited in the General Fund, one percent is allocated to Cultural Affairs for art and cultural-related programming. Due to the COVID-19 pandemic, the 2019-20 revised revenue estimate is \$272.7M, which reflects a 16.5 percent decrease relative to estimates from the 2019-20 Adopted Budget. The 2020-21 Proposed Budget assumes a 7.1 percent decrease (\$-16M) in revenue from hotel receipts and a 24.3 percent (\$-11.8M) decrease in revenues from short-term rentals. Overall, the 2020-21 Proposed Budget assumes a 10.2 percent decrease (\$-27.8M) for

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total TOT revenues of \$244.9M. TOT revenues are projected to grow at varying rates over the next five years to reach \$334.6M by 2024-25.

Sales Tax: The Proposed Budget estimates that sales tax revenue for 2020-21 will total \$557.1M, a decrease of \$29.4M (five percent reduction) from the 2019-20 Revised Budget amount of \$586.5M. Sales tax revenue for 2019-20 and 2020-21 reflect negative growth assumed for the pandemic and recession, as provided by the City's sales tax consultant. Additionally, the State has decided to allow businesses to defer the remittance of collected sales taxes. The Proposed Budget indicates that the reduction of receipts will be realized before the close of 2019-20 and the impact from extended payments would continue into 2021-22. Furthermore, the City's sales tax consultant has estimated that there will be a potential impact of \$95M in total possible deferrals. However, it is unclear how many qualified businesses will take advantage of the deferral. Subsequent years assume growth based on the sales tax consultant's forecast.

Business Tax: For 2020-21, the Proposed Budget anticipates net business tax revenues of \$686.5M, a 9.3 percent increase from the 2019-20 estimated year-end total of \$627.9M, primarily due to delayed 2019-20 receipts and cannabis tax activity. Based on previous recessions, a seven percent decrease is assumed for non-cannabis renewal activity. For 2020-21, cannabis-related business taxes assume that current year growth continues with no impact from the pandemic or recession.

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 2020-21 transfer will be subject to the approval of the Board of Water and Power Commissioners. The amount included in the 2020-21 Proposed Budget is \$224.1M, which is a \$5.8M decrease from the 2019-20 transfer amount of \$229.9M. The decrease in revenue is the result of Power Revenue shortfalls caused by deferred payments due to the COVID-19 pandemic.

Charter Amendment J requires the Department of Water and Power (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 and Power Commissioners considered the 2020-21 Preliminary Budget on March 31, 2020. DWP's Preliminary Budget was transmitted to the City Council on March 31, 2020 and estimated that the Power Revenue Transfer would range from \$222.6M to \$231.1M based on the revenue outlook for 2019-20.

Fees: The following fee adjustments are included in the 2020-21 Proposed Budget:

Fire: Proposed fee increases for Ambulance Transport are estimated to generate \$9M in revenue. The revenue estimate is based on historical data and does not include any COVID-19 pandemic-related impacts.

Housing and Community Investment: The Department is currently determining a proposed fee increase for Systematic Code Enforcement. The current fee amount is

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\$43.32 per unit. The proposed fee (to be determined) is estimated to generate \$3.8M and is intended to be full cost recovery.

The CAO's Supporting Documentation identifies a total of 131 license, fees, and permits that are not full cost recovery in the following departments:

- Animal Services (51)
- Controller (9)
- Cultural Affairs (10)
- Finance (5)
- Housing and Community Investment (1)
- City Planning (5)
- Board of Public Works (9)
- Recreation and Parks (30)
- Transportation (11)

In 2020-21, it may be prudent to review the license, fee, and permit amounts and consider whether it is appropriate to adjust the charges to the public for cost recovery.

Furloughs and Other Efficiencies/Reductions

The Mayor's Proposed Budget includes \$230.8M in efficiencies and reductions, which includes civilian furloughs. Civilian furloughs will result in approximately \$80.8M in savings for the General Fund from 26 fewer working days per employee.

Civilian Furlough Exemptions: The furlough applies to all City departments with the exception of the Bureau of Sanitation, the Department of Building and Safety, and the Library Department. Sanitation and Building and Safety were exempted due to the nature of their work. The Library Department is exempted because they are able to fully reimburse all related costs and a General Fund allocation above the Charter-mandated level is not required. In addition, Detention Officers and Police Service Representatives in the Police Department are exempted from furloughs, as are Emergency Medical Services Advanced Providers in the Fire Department and Correctional Nurses in the Personnel Department because they perform essential public safety duties.

Special Funded Department Furloughs: Many of the City's special funds do not fully reimburse the General Fund for the related costs. The Proposed Budget includes furloughs for most special funded departments, which allows these funds to pay a larger portion of the department's General Fund reimbursement. This reimbursement is captured as General Fund revenue under Licenses, Permits, Fees, and Fines. Departments have been instructed pursuant to Motion (Krekorian, Martinez – Price; C.F. 20-0500) to report on their furlough plans.

Hiring Freeze Policy: The Mayor's Proposed Budget includes a hiring freeze policy that will be applied to nearly all departmental budgets, including special funds, and will result in \$30.7M in General Fund savings. The policy reduces funding in each department's

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salaries general account as a one-time budget reduction to reflect savings generated by maintaining vacancies. Other savings directly attributed to changes in salary accounts include: salary savings rate adjustments (\$-4M), one-time salary reductions (\$-15M), police sworn salary savings and cannabis enforcement (\$-13.9M), and the deletion of vacant positions (\$-2.5M).

Other Efficiencies and Reductions: Other major efficiencies and reductions include: the elimination of the Reserve for Extraordinary Liability in the Unappropriated Balance (\$-20M), debt structure efficiencies (\$-11.3M), expense account reductions (\$-15.2M), capital program reductions (\$-16.5M), reductions in the Pavement Preservation Program (\$-12.5M), and the reduction and/or deletion of several programs [Gang Reduction and Youth Development Office, Intergovernmental Relations Memberships and Programs, and Summer Night Lights program (funding eliminated)] in General City Purposes (\$-5.5M).

Partially Funded/Unfunded Positions: The Mayor's Proposed Budget includes 300 partially funded and unfunded positions; 208 have partial funding, while the remaining 92 are authorized without funding. In prior years, new positions were provided nine-months funding because it was assumed that the positions could not be filled immediately on July 1. The 2020-21 Proposed Budget provides both nine-months funding and in some cases, six-months funding for new positions. Partial funding and resolution authority is provided for 69 full-year Firefighter III positions in the Fire Department. These positions are partially funded (48 are 83 percent funded and 21 are 45 percent funded) by the Federal Emergency Management Agency's (FEMA) Staffing for Adequate Fire and Emergency Response (SAFER) Grant Program.

Changes in Authorized Positions: The 2020-21 Proposed Budget adds 459 regular authority positions and deletes 317 resolution authority positions. This includes 90 regular authorities added to the Department of Transportation, 71 regular authorities to the Bureau of Engineering, 63 regular authorities to the Bureau of Street Services, 55 regular authorities to the Bureau of Sanitation, and 50 regular authorities to the Bureau of Contract Administration. Resolution authorities are typically provided for programs with a limited duration. A majority of resolution authorities deleted in the 2020-21 Proposed Budget are in the Department of Transportation, the Bureau of Engineering, the Bureau of Contract Administration, the Bureau of Street Services, and the Fire Department and have been converted to regular authorities.

Deletion of Filled Positions: The 2020-21 Proposed Budget recommends the deletion of filled positions. It is anticipated that incumbents in these positions will be absorbed into other departmental vacancies; therefore, no layoffs are anticipated in the 2020-21 Proposed Budget. A total of 56 filled positions are proposed for deletion (53 are resolution authorities and three are regular authorities), as follows:

- City Attorney: two Deputy City Attorney IIIs and one Legal Clerk I;
- City Planning: one Environmental Specialist I, two Planning Assistants, one City Planning Associate, and one City Planner;
- Controller: one Fiscal Systems Specialist II;

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- Finance: one Principal Clerk;
- Fire: two Fire Inspector Is and one Fire Inspector II;
- Housing and Community Investment: one Senior Project Coordinator, one Assistant Chief Grants Administrator, two Management Analysts, one Senior Administrative Clerk, one Human Relations Advocate, one Accountant, one Rehabilitation Project Coordinator II, and one Accounting Clerk;
- Information Technology Agency: one Communications Engineer and one Senior Communications Engineer;
- Personnel: one Senior Personnel Analyst I and four Personnel Analysts; and
- Board of Public Works: one Accountant and one Street Services General Superintendent II;
- Bureau of Engineering: one Senior Management Analyst II, one Architect, one Senior Architect, one Civil Engineer, one Civil Engineer Associate III, one Management Analyst, and one Civil Engineering Associate II.
- Bureau of Street Lighting: one Street Lighting Electrician Supervisor, four Street Lighting Electricians, one Assistant Street Lighting Electrician, and one Electrical Craft Helper, one Street Lighting Engineering Associate III, and two Street Lighting Engineering Associate IIs.
- Bureau of Street Services: two Geographic Information Systems Specialists, two System Analysts, one Principal Civil Engineer, one Senior Civil Engineer, and two Civil Engineers.

Newly Funded Initiatives: Funding (\$6.8M) for new initiatives is included in the Proposed Budget throughout several departments, including the following:

City Attorney

- City Infrastructure Development Support (\$0.2M)

Department of City Planning

- ZIMAS Integration with HistoricPlacesLA (\$0.2M)

Civil and Human Rights Commission

- Commission Oversight and Discrimination Enforcement (\$0.5M)
- Civil and Human Rights Commission (\$0.0M)

Department of Cultural Affairs

- Theater Facilities Consultant (\$0.1M)
- American for the Arts 2021 Convention Support (\$0.1M)

Disability

- HIV and Disability Legal Services Partnership (\$0.02M)

Housing and Community Investment

- Construction Services for Proposition HHH (\$0.2M)
- Prevailing Wage Monitoring for Proposition HHH (\$0.1M)
- Occupancy Monitoring Contract for Proposition HHH (\$0.04M)
- Proposition HHH Occupancy Monitoring Staff (\$0.07M)
- Consolidated Plan Expansion (\$0.07M)
- Supportive Housing Services (\$0.2M)
- Housing Services (\$0.1M)

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Police

- Office of the Inspector General Resources (\$0.4M)

Public Works – Bureau of Engineering

- Sidewalk Repair Program Compliance and Support (\$0.3M)
- Los Angeles Convention Center Support (\$0.8M)

New initiatives in the 2020-21 Proposed Budget also include support to the LA Convention Center from the Bureau Contract Administration (\$0.2M) and the Department of Recreation and Parks (\$0.1M).

Targeted Local Hire: The Targeted Local Hire (TLH) Program seeks to target and recruit individuals from vulnerable populations and help provide an alternate pathway into civil service employment. The TLH Program utilizes a six-month on-the-job training period to train employees to perform at the level of the entry-level civil service classification into which they will eventually transition. TLH candidates will serve in one of the following eleven civil-service probationary classifications before transitioning to a civil service classification: Administrative Clerk, Animal Care Technician, Animal License Canvasser, Custodian, Delivery Driver, Garage Attendant, Gardener Caretaker, Maintenance Laborer, Street Services Worker, Tree Surgeon Assistant, or Warehouse and Toolroom Worker.

As of March 31, 2020, 893 employees have been hired through the TLH Program since its inception in February 2017. The top-hiring departments are Airports (130), Recreation and Parks (99), Bureau of Sanitation (90), Police (82), and the Bureau of Street Services (80). Several departments have hired more than ten TLH applicants between July 1, 2019 and March 31, 2020, including Airports (34), Animal Services (12), Building and Safety (12), General Services (28), Housing and Community Investment (13), Personnel (12), Police (24), Bureau of Sanitation (53), Bureau of Street Services (26), Recreation and Parks (35), and Transportation (17).

The 2020-21 Proposed Budget continues funding and resolution authority in the Office of the City Administrative Officer for one Senior Labor Relations Specialist II and one Senior Administrative Analyst II to strategically assess the size and scope of the City workforce and assist with the implementation of the Targeted Local Hire Program. The Proposed Budget also continues funding and resolution authority for 13 positions for the Strategic Workforce Development Task Force, Targeted Local Hire Working Group, and Bridge to Jobs program.

Expenditures

Liability Claims: \$87.9M is proposed for Liability Claims in 2020-21, a \$2.6M decrease from the 2019-20 Adopted Budget. Of this amount, \$80M is from the General Fund, and approximately \$7.9M is from various Special Funds. The Proposed Budget estimates that \$114.1M will be expended in 2019-20. In previous years, \$20M in the Unappropriated Balance was set aside in a Reserve for Extraordinary Liability. The Mayor's 2020-21

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Proposed Budget does not include funding for a Reserve for Extraordinary Liability. Exhibit H in the Proposed Budget contains a recommendation for Council to adopt a COVID-19 Revenue Recovery Policy, which assigns priority for funding in the event that City revenues exceed budgeted projections, or Federal or State funds are provided to compensate for COVID-19 related revenue losses. Restoration of the Reserve for Extraordinary Liability is included as one of the priorities. The Proposed Budget also includes \$4M in funding for Conflict Panel cases managed by the City Attorney, which is level funding from 2019-20.

Labor Agreements: The Proposed Budget includes \$206.5M in 2019-20 and 2020-21 Employee Compensation Adjustments resulting from labor agreements approved during fiscal year 2019-20. When other increases to overtime, as needed and other salary adjustments are included, the total exceeds \$250M. The highest cost impact of these agreements is to public safety (Police, Fire) and the City's largest departments and will impose a future impact on pensions. However, employee compensation adjustments apply to all City departments and offices.

Homelessness: The Mayor's 2020-21 Proposed Budget provides approximately \$399.7M for homelessness-related programs including continued funding for hygiene services, expansion of the Winter Shelter Program, continued funding for Safe Parking, Homeless Engagement Teams, funding for Comprehensive Cleaning and Rapid Engagement teams, and administrative costs at the Los Angeles Homeless Services Authority (LAHSA). The \$399.7M total budget includes \$179.1M in Proposition HHH funds for Permanent Supportive Housing Program costs in the 2020-21 Proposition HHH Project Expenditure Pipeline.

The remaining funding is allocated for various homeless programs and staff costs. The 2020-21 Proposed Budget includes \$41.5M in State Homeless Emergency Aid Program (HEAP), a homeless grant awarded to the City for various services and programs including A Bridge Home (ABH) Program established in 2018. The City will also be receiving \$117.6M in Homeless Housing, Assistance, and Prevention Program, of which \$59.9M has already been allocated for ABH and associated costs. The Proposed Budget allocates \$75.6M from the General Fund to City Departments, and \$37.8M for LAHSA. Funding allocated into the Unappropriated Balance from previous years has been included as departmental allocations for homeless programs in 2020-21.

New programs and services in the 2020-21 Proposed Budget include \$0.4M for various positions to support the Proposition HHH program. There is \$5.9M allocated in new funding for Mobile Hygiene Centers Program.

Other significant programs and positions funded through the 2020-21 Proposed Budget are the continuation of \$2.2M for Navigation Centers, \$5.6M for Operation Healthy Streets, \$2.3M for Safe Parking, \$3M for LA RISE, and \$1.8M for Clean Streets. The Proposed Budget also includes increased funding for Comprehensive Cleaning and Rapid Engagement (CARE) (\$11.2M) and CARE+ teams (\$16.5M), as well as \$8.4M for

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Police sworn overtime to patrol ABH sites and \$1.8M for Domestic Violence Shelter Operations.

The Proposed Budget continues funding for Additional Homeless Services in the amount of \$10M which was formerly the Crisis and Bridge Housing Fund. This funding can be used to fund gaps in the City's efforts to address the homeless crisis.

Accessible Housing Program: A total of \$71.1M is proposed in the 2020-21 Budget, for the Accessible Housing Program, which is a \$27M (-27.5 percent) decrease from the funding allocated in the 2019-20 Adopted Budget. 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 \$200M over 10 years for Program implementation and the production of 4,000 accessible rental housing units. In 2019, the City entered into a Voluntary Compliance Agreement (VCA) with the U.S. Department of Housing and Urban Development to produce 4,031 accessible rental housing units within 10 years by retrofitting 3,100 existing units and financing new units. Funding in 2020-21 will produce 225 accessible units toward the City's 4,000-unit goal.

The Proposed Budget allocates \$21.4M from the General Fund, \$25.1M in Special Funds (Proposition HHH funds), and \$24.6M in funding from Other Funds (subsidies from other sources including low income housing tax credits) 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 (\$8.5M) and funding in the Unappropriated Balance for costs associated with inspecting accessibility and conducting accessibility retrofits (\$2M).

Neighborhood Council Fund: The Neighborhood Council Fund, administered by the City Clerk, provides funding to certified Neighborhood Councils each Fiscal Year for Neighborhood Council operations and neighborhood improvement projects. The Neighborhood Council Fund provides each Neighborhood Council \$32,000, which is \$10,000 less than 2019-20, for a total appropriation of \$3.2M for 99 certified Neighborhood Councils.

Potentially Underfunded Accounts: There are several accounts that may not have sufficient funding based on current expenditure patterns, as follows:

- Fire – Field Equipment Expense: Funding (\$3.7M) may be insufficient due to increased costs associated with the repair and maintenance of emergency apparatus.
- Bureau of Sanitation – Salaries, As-Needed: Funding (\$1.3M) may be insufficient due to increased use of as-needed staff to maintain current services levels due to high vacancy rates within the Solid Resources and Clean Water programs.
- Bureau of Sanitation – Overtime General: Funding (\$8.2M) may be insufficient due to increased overtime costs to maintain current service levels due to high vacancy

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rates within the Solid Resources and Clean Water programs. Expenditures also reflect incurred costs for homeless encampment clean-up.

- **Liability Claims:** As stated above, funding previously set aside in the Unappropriated Balance – Reserve for Extraordinary Liability (\$20M in the 2019-20 Adopted Budget) has not been continued in the 2020-21 Proposed Budget which allocates \$87.9M in the Liability Claims account. It is estimated that 2019-20 liability expenditures will exceed \$114M.

Proposed Policy and Ordinance Changes

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 the Council has already taken action, or that may require further refinement and discussion in a Council Policy Committee and the full Council prior to endorsement.

Notable instructions in Exhibit H of the 2020-21 Proposed Budget includes the following requests for Ordinance changes to implement the Proposed Budget:

- Amend Los Angeles Administrative Code Section 5.115.4 (Arts and Cultural Facilities Trust Fund) by replacing “an amount equal to one percent” with “an amount up to one percent” of Transient Occupancy Tax to the Arts and Cultural Facilities Trust Fund, to be effective for the duration of the fiscal emergency.
- Amend the Los Angeles Administrative Code to allow the Cultural Affairs Department to include the rental and use fee structure for each managed theater and direct all theater receipts to be placed in the Arts and Cultural Facilities and Services Trust Fund for staffing, programming, and maintenance of managed theaters.

Exhibit H also includes adoption of the COVID-19 Revenue Recovery policy to prioritize the use of additional revenues and federal or state funding that may be realized during 2020-21 for the following purposes: (1) repayment of Reserve Fund and Special Fund loans; (2) restoration of the Reserve Fund to five percent of General Fund revenues; (3) cancelling civilian furloughs; (4) funding liabilities; and (5) performing one-time capital projects or other related expenditures not requiring additional authorities. A number of instructions and requests to report on a variety of subjects specific to departments and COVID-19 response measures are also included. These may include reports on special funds, federal/state funding, and other reports on operational issues. Some of these instructions would be more appropriately addressed outside of the budget process.

Federal and State Issues

Federal and State Funding related to COVID-19: As the COVID-19 pandemic continues to evolve, Federal and State actions are emerging daily. The Federal

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government has passed a series of legislative bills that provide emergency funding to support residents, infrastructure and industries. Additionally, the State has enacted or implemented legislation and executive orders providing emergency funding to support families, health care professionals, and businesses. The City must ensure timely application for all available Federal and State funding to ensure that it maximizes the resources available to the City to address impacts of the COVID-19 pandemic.

The Mayor's Proposed Budget notes that the availability of potential funds provided by Federal and State Governments in response to the COVID-19 pandemic are unknown at this time. The City has received an initial deposit from the Federal Government for reimbursement of additional costs the City incurred in direct response to the COVID-19 pandemic. It is strictly prohibited to use these funds for revenue replacement and/or for programs and projects that were included in the 2019-20 Adopted Budget. When the Federal Government provides further details, these will be shared in a separate transmittal.

State Budget: The State budget, as currently proposed, does not include any issues of significant concern to local governments. However, the State's budget also does not include any consideration of the ongoing COVID-19 pandemic's impact on the State. The Governor will release a revised budget, known as the May Revise, in mid-May 2020. This is expected to be a "workload budget" based on the 2019 budget. It is anticipated that the State Budget will be adopted by the constitutionally-mandated date of June 15, 2020. The Governor is then expected to prepare an August revise and make adjustments to the budget adopted in June, which the Legislature would review before adjournment in September. City staff will monitor the May Revise and report on any potential issues that could affect the City budget and as the Legislature conducts its review. Of particular interest will be any funding related to addressing the COVID-19 pandemic and the related economic impacts, as well as homelessness and housing.

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Summary of Proposed Departmental and Other Changes

Proposed Changes to Departmental Budgets

Animal Services: The Proposed Budget reduces funding (\$-2.3M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding reductions (\$-1.1M) are present to account for salary savings and the hiring freeze policy. The Proposed Budget deletes funding (\$-0.7M) and regular authority for 10 vacant Animal Control Officer positions. Nine-months funding (\$0.3M) and resolution authority for six positions is added to support animal care needs. Funding (\$0.04M) is provided to support processing on-line animal license renewals and the new on-line rabies certification program.

Building and Safety: The 2020-21 Proposed Budget notes that 92.3 percent of the Department of Building and Safety's operations (\$119.4M) are special funded, with the remainder (7.7 percent or \$10M) provided by the General Fund. The Proposed Budget exempts the Department from the proposed furlough program for civilian employees. Funding reductions (\$-1.3M) are included to account for one-time salary reductions, approved one-time expense account reductions, and the hiring freeze policy.

The Proposed Budget includes funding and staffing for a variety of Department programs and services, including nine-months funding (\$0.1M) and resolution authority for three positions in Structural Plan Check Clerical Support to provide clerical support; nine-months funding (\$0.2M) and resolution authority for three positions to provide additional support for structural plan check services; nine-months funding (\$0.1M) and resolution authority for one position to research, prepare, and conduct technical trainings related to electric vehicle charging, battery storage, and electric plan systems; nine-months funding (\$0.1M) and resolution authority for one position to research, prepare, and conduct technical trainings related to mechanical, plumbing, and fire protection systems in high rise structures and construction projects; nine-months funding (\$0.5M) and resolution authority for six positions to conduct residential inspections; nine-months funding (\$0.2M) and resolution authority for two positions to conduct commercial electrical inspections; nine-months funding (\$0.3M) and resolution authority for three positions to conduct annual elevator inspections and periodic re-inspections; nine-months funding (\$0.1M) and resolution authority for one position to conduct commercial inspections; nine-months funding (\$0.2M) and resolution authority for two positions to conduct commercial plumbing inspections; nine-months funding (\$0.2M) and resolution authority for three positions to address the increased workload from the Los Angeles World Airports Capital Improvement Program; nine-months funding (\$0.1M) and resolution authority for two positions to oversee the development and maintenance of new and existing applications; nine-months funding (\$0.2M) and resolution authority for two positions to provide senior level professional administrative resources; and nine-months funding (\$0.04M) for one position to assist with processing of legal documents.

Cannabis Regulation: The Proposed Budget reduces funding (\$-0.3M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further

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funding reductions (\$-0.01M) are present to account for the hiring freeze policy. The 2020-21 Proposed Budget continues funding and 30 resolution authority positions, which includes one Assistant Executive Director, one Principal Project Coordinator (Social Equity Program), and other positions. The Proposed Budget continues funding (\$0.6M) and resolution authority for five positions and adds funding and resolution authority for one position to support the Department's Social Equity and Business Development programs. Funding is continued and regular authority for one position is added to provide administrative support for the department.

City Attorney: The Proposed Budget provides the Office of the City Attorney with enhanced funding and staffing for new and existing programs, as follows:

- City Infrastructure Development Support: Funding (\$0.2M) and resolution authority for one position is added for a new program to support various City infrastructure development projects.
- Accessible Housing Program Additional Support: Nine-months funding (\$0.2M) and resolution authority for two positions is added to provide additional support to the Housing and Community Investment Department on settlement matters resulting from the Independent Living Center case. Funding is provided by the Accessible Housing Fund.
- General Litigation Support: Nine-months funding (\$0.2M) and resolution authority for four positions within the General Litigation Division to provide support to in-house attorneys handling civil litigation against the City.
- Body-Worn Camera Program Prosecutorial Support: Continuation of funding (\$0.4M) and regular authority for four positions to review Police Officer video and audio activities intended to serve as evidence in criminal investigations, prosecutions, and increase accountability for officers.
- Cannabis Enforcement and Regulation: Funding (\$1.7M) and resolution authority for eight positions is continued to increase enforcement and prosecution against illegal cannabis businesses, as well as additional resolution authority for four positions to support the Department of Cannabis Regulation.
- Neighborhood Prosecutor Program Support: Funding (\$0.8M) and resolution authority is continued for six positions to combat criminal activity by addressing the underlying issues of chronic offenders.
- Child Sexual Abuse Prosecutorial Support: Funding (\$0.2M) and resolution authority for one position is continued to provide legal support for child sexual abuse cases, as part of a team at the Stuart House, a facility that offers treatment for sexually abused children and their families.

The Proposed Budget reduces funding (\$-14.3M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding reductions (\$-7.1M) are present to account for a salary savings rate increase and the hiring freeze policy.

City Clerk: The Proposed Budget reduces funding (\$-1.1M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding reductions (\$-0.6M) are present to account for one-time salary reductions and the hiring

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freeze policy. The 2020-21 Proposed Budget provides funding (\$0.2M) in the Contractual Services Account for the Legislative Management System's annual license fee. In addition, \$13M is set aside in the Unappropriated Balance for the November 2020 General Municipal Elections to reimburse Los Angeles County for conducting the elections, for the production and mailing of Voter Information Pamphlets, outreach activities, and operation of an Election Day Call Center.

City Planning: The 2020-21 Proposed Budget reduces funding (\$-4.5M) to reflect 26 fewer working days consistent with the proposed furlough program for civilian employees. Further reductions to funding (\$-2.7M) are due to a one-time salary reduction, an increase in the salary savings rate, and the implementation of a hiring freeze. The Proposed Budget continues funding and staffing for a variety of Departmental programs, including the Mobility Plan, General Plan, Urban Design Studio, CEQA Policy Unit, re:codeLA, the Policy Planning Housing Unit, the Expanded Community Planning Teams, Los Angeles River Works, the LAWA Master Plan, the Historic Preservation Overlay Zone (HPOZ) Program, Transit Oriented Planning, Specific Plan Maintenance Teams, Home Sharing and Extended Home Sharing, and the Venice Local Coastal Program.

The 2020-21 Proposed Budget represents a decrease of \$8M from the 2019-20 Adopted Budget. Additional funding is provided for several programs, including: funding (\$0.2M) and regular authority for one position to provide oversight of the Citywide Policy Planning Division; added funding (\$0.4M) and regular authority for four positions to support the Historic Preservation Overlay Zone Program; added funding (\$0.01M) and regular authority for one position to meet the Department's current historic preservation review operational needs; continued funding (\$1.1M) and addition of regular authority for ten positions for zoning and development process review, with funding (\$0.5M) to be provided by the Building and Safety Building Permit Enterprise Fund; addition of regular authority for four positions to meet workload demands within the Case Management Unit; continued funding (\$2.5M) and a total of ten positions to enforce the short-term rental ordinance and extended home-sharing program; addition of regular authority for four positions for the processing and handling of environmental report materials within the Major Projects Section; nine-months funding (\$0.04M) and resolution authority for one position to support the Graphics Unit; addition of regular authority for three positions to support the Department and multiple commissions with contract administration, payroll, fiscal management, and administrative services; and the addition of funding (\$0.03M) and regular authority for one position to support multiple Area Planning Commissions. Funding and four resolution authority positions are not continued for the Wildlife Pilot Study.

The Proposed Budget also adds one-time funding for various programs and services in the Contractual Services Account, including enforcement of the short-term rental ordinance (\$1.5M); Geographic Information Systems and Graphics Section workstation upgrades (\$0.4M); consultant services to integrate the Zone Information and Map Access

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System with HistoricPlacesLA (\$0.2M); environmental review services (\$0.5M); and training on planning law changes and best practices (\$0.1M).

Civil and Human Rights Commission: The Proposed Budget reduces funding (\$-0.04M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. The Proposed Budget adds six-months funding (\$0.5M), regular authority for one position, and resolution authority for six positions to develop rules, regulations, and outreach programs to promote diversity and address discrimination and equity issues within the City and provide support to the Civil and Human Rights Commission, Commission on the Status of Women, and the Human Relations Commission.

Controller: The Proposed Budget reduces funding (\$-1.7M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding reductions (\$-2.1M) are present to account for a one-time salary reduction, salary savings, and the hiring freeze policy. The Proposed Budget includes resolution authority and funding to continue and increase services for several programs, including nine-months funding (\$0.2M) and regular authority for three positions for fiscal oversight, financial analysis, performance improvements, and tax compliance; continues funding (\$0.1M) and adds regular authority for one position to support the E-Payables program; and nine-months funding (\$0.2M) and regular authority for two positions to oversee the new Financial Reporting Systems Support Unit.

Convention Center and Tourism Department: The Proposed Budget provides \$1.6M for the Department, which is an 18.4 percent reduction from 2019-20. This reduction has been made in salaries general (\$-0.03M) to reflect the furlough policy, with the remainder from contractual services for tourism planning and consulting (\$-0.3M). Several capital improvements to the Los Angeles Convention Center are proposed for MICLA financing (\$3.8M) for 2020-21, including Escalator Replacement, Security Surveillance System, and West Hall Airwall Replacement.

Cultural Affairs: The Proposed Budget reduces funding (\$-0.7M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding reductions (\$-0.4M) are present to account for an increase to the salary savings rate and the hiring freeze policy. The 2020-21 Proposed Budget includes funding (\$0.08M) to the City's five Art Partner Centers for enhanced administrative oversight and increased services and programs offered to City residents. Funding (\$0.2M) is included to provide administrative support for the transition of theater operations and management from a fiscal receiver to the Department. Funding is also added (\$0.1M) for a consultant to assess and recommend a theater shared ticketing system and an event management tool. Funding and resolution authority is continued for positions at the Watts Towers Art Center (\$0.2M) and Vision Theater and Manchester Youth Arts Center (\$0.2M).

As noted previously, Exhibit H of the Proposed Budget requests two ordinance changes that would affect Cultural Affairs. One proposed ordinance change would change the amount that Cultural Affairs would be guaranteed from Transient Occupancy revenue from one percent to "up to one percent." The second proposed ordinance change would

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allow Cultural Affairs to expand the use of theater receipt revenues to include department staffing and programming.

Disability: The Proposed Budget reduces funding (\$-0.3M) to reflect fewer working days consistent with the furlough program for civilian employees. Further funding reductions (\$-0.7M) are present to account for salary savings and the hiring freeze policy. The Proposed Budget continues funding for several department programs, including the HIV and Homelessness Program and HIV Prevention Services (\$0.2M); the Unified Homeless Response Center (\$0.07M); and staff and funding to support the Accessible Parking Zone Program (\$0.2M). Additionally, the Proposed Budget includes increased services for Rehabilitation Act 508 Contractual Remediation (\$0.02M), Translation Services (\$0.07M), and the HIV and Disability Legal Services Partnership (\$0.02M).

Economic and Workforce Development: The Proposed Budget reduces funding (\$-1.6M) to reflect 26 fewer working days consistent with furlough program for civilian employees. Further funding reductions (\$-0.3M) are present to account for expense account reductions and the hiring freeze policy.

A total of \$23M is included in the Proposed Budget for the Department, of which \$8.6M will be from the General Fund, a decrease of \$0.8M (8.5 percent) from the 2019-20 Adopted Budget. In addition to the General Fund, the majority of funding for EWDD comes from the Workforce Innovation Opportunity Act Fund (\$11.2M) and the Community Development Trust Fund (\$2.1M).

The Proposed Budget continues funding (\$3M) to support the Los Angeles Regional Initiative for Social Enterprise (LA RISE) program, which provides employment to job seekers with a history of homelessness, the Day Laborer Program (\$1M), YouthSource Centers, HireLA, and Cash for College (\$1.9M), and Economic Development and Comprehensive Job Creation (\$0.9M).

Funding is continued (\$1.1M) for EWDD and the CAO to administer the Gang Injunction Curfew Settlement Agreement, which will provide class members access to job readiness programs. Up to \$6.4M 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 \$2.8M for the Youth Employment Program.

Ethics Commission: The Proposed Budget reduces funding (\$-0.3M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. The Proposed Budget continues funding (\$0.06M) and adds regular authority for one position to perform mandatory audits required after each election cycle. Funding and regular authority is added for one position to support the Governmental Ethics Program, with the salary cost difference to be absorbed by the Commission. The Proposed Budget adds funding (\$0.1M) and resolution authority for one position to help maintain the Commission's existing three online proprietary funding systems and develop and maintain a fourth system as required by the new developer contribution ordinance.

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Finance: The Proposed Budget provides the Office of Finance with continued funding and staffing for the following programs:

- Banking Transition Support: Funding (\$0.3M) and continued resolution authority for three positions to support the banking services and safeguard the City's financial systems. These positions were approved in 2019-20.
- Secure Cash Acceptance Operations: Funding (\$0.4M) and resolution authority for six positions to process licenses and business tax payments for cannabis businesses.
- Customer Support: Funding (\$0.7M) and resolution authority for three positions to staff the Customer Support Contact Center. Additional funding and regular authority for five positions is included to improve supervision, training, and long-term planning related to customer service.
- Field Audit Case Selection and Management Software: Funding (\$0.5M) in the Contractual Services Account for tax discovery, audit selection, and case management software.
- Cannabis Audit Unit: Funding (\$0.4M) and resolution authority for four positions to perform annual audits of cannabis businesses.

The Proposed Budget reduces funding (\$-3.2M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding reductions (\$-3.1M) are present to account for salary reductions, salary savings, one-time expense account reductions, and the hiring freeze policy.

Fire Department: The Mayor's Proposed Budget includes an increase of \$56.2M for Fire-related resources over 2019-20 levels. The Fire Department's operating budget is increased by \$41.2M and \$15M is included in MICLA for the acquisition of fire-related equipment.

- **Furlough Program:** The Proposed Budget includes a reduction of \$3.7M in the salaries general account to reflect 26 fewer working days consistent with the furlough program for civilian employees.
- **Turnout Gear:** The Proposed Budget provides \$1.3M for year one of a three-year plan to provide firefighters with a second set of Personal Protective Equipment. An additional \$0.1M is provided in Contractual Services for a vendor to clean, inspect and repair protective turnout gear.
- **2016 SAFER Grant:** The Proposed Budget continues resolution authority for 48 Firefighter IIIs and adds partial funding (\$7.3M) to maintain the Fiscal Year 2016 Staffing for Adequate Fire and Emergency Response (SAFER) Grant program. The 2016 SAFER grant reimburses the City for a portion of the salaries and related costs of these positions over the three-year period that began on January 22, 2018 and ends on January 21, 2021. This grant provided for the restoration of four engine companies in Lincoln Heights, Echo Park, Reseda, and Mission Hills.
- **2017 SAFER Grant:** Continues resolution authority for 21 Firefighter IIIs and adds partial funding (\$2.2M) to implement the Fiscal Year 2017 SAFER Grant program to staff a Light Force at Fire Station 38 in the Wilmington Area. The 2017 SAFER Grant reimburses the City for a portion of the salaries and related costs over a three-year term that began on January 7, 2019 and expires on January 6, 2022.

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- **Certified Unified Program Agency (CUPA):** The Proposed Budget continues funding (\$0.1M) and adds regular authority for one Risk Management and Prevention Program Specialist within the CUPA program, which regulates large industries that use or store hazardous materials that could pose a risk to the public. Three vacant positions in the CUPA program are not continued.
- **Cannabis Enforcement:** The Proposed Budget provides \$1M and resolution authority for eight positions consisting of one Management Analyst, one Administrative Clerk, three Fire Inspector Is, and three Fire Inspector IIs to inspect existing illegal cannabis facilities and enforce code compliance in coordination with the Police Department and City Attorney.
- **Firefighter Academy Staff:** The Proposed Budget provides \$1.5M in the Overtime Variable Staffing account for training costs associated with the operation of the Fire Academy.
- **Firefighter Recruit Training:** The Proposed Budget provides \$2.3M to hire and train 130 Firefighters in two new academy classes to be held at the Valley Recruit Training Academy. Funding is provided for 22 weeks for a class scheduled to begin in November 2020, and for 10 weeks for a class schedule to begin in April 2021. One-time funding is also included for 16 weeks of recruit training for the completion of a class that began in 2019-20.
- **Probationary Field Training:** \$1.3M is provided in the Overtime Variable Staffing account for Firefighter probationers from prior year academy classes to complete four and nine-month field evaluations, skills testing, and California State Fire Training requirements.
- **Fire Share of Unrestricted Revenue:** Based on the Fire Department's budget allocation, the Department's share of unrestricted revenue will increase slightly, from 16.4 percent in 2019-20 (\$870.9M of \$5.3B) to 16.5 percent (\$889.1M of \$5.4B) in the 2020-21 Proposed Budget. While the percentage does not appear significant, each one percent equates to approximately \$54M. Unrestricted revenues are General Fund receipts which may be used for any municipal purpose.

General Services: The Proposed Budget adds or increases funding for various functions as follows:

- Failed Street Reconstruction Program: The Proposed Budget continues funding (\$0.3M) and resolution authority for two positions to support the testing, design, and equipment maintenance requirements for the Failed Street Reconstruction Program.
- Custodial and Pest Control Services: Funding (\$0.6M) is added for pest control services in the Civic Center and at City-owned facilities outside of the Civic Center.
- Custodial Services: The Proposed Budget adds funding for mandated living wage increases (\$1.4M); for pressure washing services for the Library Department [with funding to be reimbursed by the Library Department (\$0.4M)]; and nine-months funding (\$0.4M) and resolution authority for ten positions to increase custodial support and services.
- Building Maintenance: Funding (\$0.4M) is added for the projected sick time cost of hiring hall employees; and, nine-months funding (\$0.04M) and resolution

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authority are included for one position to support the Building Maintenance Work Control Center.

- Construction Forces: One-time funding (\$0.03M) is included to upgrade lighting at the Harbor Shop and for repainting refuse collection maintenance shops (\$0.2M).
- Real Estate Services: Funding (\$4.1M) is increased in the Citywide Leasing Account to reflect new leases and annual leasing adjustments associated with the City's lease agreements.
- Fleet Services: One-time funding (\$0.3M) is included to purchase equipment for the Fleet Division's refuse collection shops.
- Supply Management: One-time funding (\$0.2M) is included for the purchase and implementation of software that can assist payment clerks with the review, tracking, and payment of invoices.
- General Administration and Support: Funding (\$0.1M) is added for software licenses and purchase of additional storage for data to enable timely recovery of information in the event of a disaster.

The Proposed Budget reduces funding (\$-11.3M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding reductions (\$-8M) are present to account for one-time salary reductions, expense account reductions, and the hiring freeze policy.

Housing and Community Investment Department: The Department's total funding allocation in the Mayor's 2020-21 Proposed Budget is \$81.1M, of which \$10.6M will be from the General Fund. The Department's Proposed Budget has been reduced by \$8.4M (9.4 percent) relative to the 2019-20 Adopted Budget. The majority of funding for HCID comes from the Systematic Code Enforcement Fee Fund (\$28.7M), the General Fund (\$10.6M), and the Community Development Trust Fund (\$9.6M).

The 2020-21 Budget adds and continues funding for various Departmental programs and services, including:

- Underwriting support for the Proposition HHH Program (\$1.3M).
- Domestic Violence Shelter Operations (\$1.8M).
- Human Trafficking Shelter Pilot Program (\$0.8M).
- Sixteen (16) non-profit managed Family Source Centers contracts and a Los Angeles Unified School District contract (\$4M).
- Accessible Housing Program (\$3.1M).
- Funding and resolution authority for 29 positions, and six-months funding for three positions for Accessible Housing Program Staff Support (\$3.3M).

Separate from, but related to the Department's Budget, is an allocation of \$35.3M in the General City Purposes budget for: the Homeless Shelter Program (\$28.2M); Operation Healthy Streets (\$6.1M); Los Angeles Homeless Count (\$0.8M); Midnight Stroll Transgender Café (\$0.1M); and Clinica Romero (\$0.1M). HCID oversees contracts with providers that implement the homelessness-related programs, the majority of which are administered by the Los Angeles Homeless Services Authority (LAHSA). In addition, the

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Unappropriated Balance includes \$2M for the Accessible Housing Program Retrofit Contracts for architectural and construction services related to accessibility retrofits.

Funding (\$3.3M) for 29 resolution authorities are added to administer the Accessible Housing Program's legal and federally-required accessibility workload.

The Proposed Budget reduces funding (\$-7.2M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding reductions (\$-1.9M) are present to account for one-time salary reductions, one-time expense account reductions, and the hiring freeze policy.

Information Technology Agency: The Proposed Budget continues funding and staffing for various major ongoing technology projects, including 3-1-1 staffing to reduce Call Center wait times (\$0.8M); support for the Citywide Data Science and Predictive Analytics Team (\$0.3M); payroll system project support and financial management support; and, CyberLabLA (\$0.2M) to perform cyber security tasks.

In addition, the Proposed Budget includes funding for the following:

- One-time funding (\$2.5M) for urgent public safety equipment replacement needs located at various mountaintop sites.
- Nine-months funding (\$0.1M) and resolution authority for one position to provide Geohub system administration support. This function is being transferred from the Mayor's Office of Budget and Innovation.
- One-time funding (\$8.1M) for the second year of implementation of the Citywide, centralized human resources and payroll solution that will replace the 20-year old PaySR payroll application.
- One-time funding (\$0.9M) to continue installation of Voice Over Internet Protocol (VOIP) in three Police stations (Central Police Station, Olympic Police Station, and Topanga Police Station).
- One-time funding (\$0.9M) for the Mobile Worker Program for 3,700 mobile phones and 930 Voice Over Internet Protocol (VOIP) phones that will replace the current phone technology.
- Funding (\$0.3M) for a service repair contract for Forward Looking Infrared Radar 380 High Definition Cameras installed in seven LAPD aircrafts to cover maintenance costs.
- Funding (\$0.2M) to cover the annual contract increase for LAFD aircraft maintenance.

The Proposed Budget reduces funding (\$-4.8M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding reductions (\$-4.3M) are present to account for salary savings, expense account reductions, and the hiring freeze policy.

Library: For 2020-21, the Charter-mandated appropriation to the Library Department is increased by \$13.4M for a total allocation of \$204.9M. The Library's Proposed Budget does not include furloughs or a hiring freeze policy.

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The Proposed Budget provides funding for various increased services, including additional funding (\$1.5M) for increased security services; \$1M to purchase new library books and materials; and increased funding (\$0.6M) to the Salaries, As-Needed Account to provide temporary support staff. The Proposed Budget adds nine-months funding (\$0.1M) and regular authority for two positions to support International Languages and Digitization and Special Collections programs. The Proposed Budget also includes funding (\$5.1M) to support Information and Technology Infrastructure Enhancement; nine-months funding (\$0.2M) and regular authority for three positions to provide administrative support for Library security operations, contract administration, and purchasing; and increased funding (\$0.8M) for a Facility Master Plan consultant. Funding is also provided for new equipment at branch libraries (\$2M) and Central Library staff enhancements (\$0.1M).

Neighborhood Empowerment: The Proposed Budget reduces funding (\$-0.3M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further reductions (\$-0.2M) are present to account for salary savings and the hiring freeze policy. The 2020-21 Proposed Budget adds nine-months funding (\$0.1M) and resolution authority for one position to provide Neighborhood Council outreach services to the Bureau of Sanitation, with funding to be provided by the Solid Waste Resources Revenue Fund; and adds funding (\$0.2M) and resolution authority for one position, and continues resolution authority for one position that will plan and develop a community engagement strategy using cloud-based software solutions.

Personnel: The Proposed Budget includes funding (\$1.1M) and resolution authority for thirteen positions for the Strategic Workforce Development Task Force, Targeted Local Hire Working Group, and Bridge to Jobs Program. The Proposed Budget provides additional funding for several programs, including nine-months funding and resolution authority for one position to support workplace violence prevention activities, with funding to be offset by the deletion of funding in the Contractual Services Account; and funding (\$0.5M) in the Salaries, As-Needed Account to support medical assistants in City jails. Funding and staffing is also continued for other departmental programs including staff assigned to the Anytime Anywhere Testing; Payroll System Project; Civil Service examination development and administration; and Public Safety Recruitment.

The Proposed Budget reduces funding (\$-5M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding reductions (\$-4.1M) are present to account for salary savings, one-time salary reductions, and the hiring freeze policy.

Police Department: In total, the Mayor's Proposed Budget includes an increase of \$130.5M for police-related resources from 2019-20 levels. The Police Department's operating budget increases by \$123.5M, with an additional \$5M being provided in the Unappropriated Balance to buy down banked overtime and \$2M in MICLA financing for the purchase of non-patrol vehicles.

- Police Sworn Hiring: The Proposed Budget assumes the attrition of 495 officers during 2020-21. \$24.4M is provided to hire 503 officers to maintain a force of

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10,111 sworn officers, including 104 assigned to the Transportation Services Bureau to oversee delivery of contractual law enforcement services to the Los Angeles County Metropolitan Transportation Authority (LACMTA).

- Sworn Salary Savings: The Proposed Budget reduces funding in the Sworn Salaries Account (\$-6M) to reflect savings from managing hiring and promotions.
- Police Sworn Overtime: The Proposed Budget adds \$21.1M to the Sworn Overtime account, consisting of \$9.5M to offset cost of living increases (\$1.8M reimbursable and \$7.7M non-reimbursable), \$3.3M for officers to appear in court during off-duty hours, and \$8.4M for A Bridge Home related security details. As noted above, \$5M is provided in the Unappropriated Balance to buy down up to 200 banked hours of overtime per officer.
- Sworn Hiring Adjustment: The Proposed Budget includes a one-time budget reduction (\$-2.9M) to reflect savings from the elimination of the July 2020 academy class and the deferment of hiring these officers to the remaining 12 academy classes scheduled in 2020-21.
- Furloughs and Expense Account Reduction: The Proposed Budget reduces funding in Salaries General (\$-17.2M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Furloughs do not apply to Police Service Representative or Detention Officer classifications. Further reductions in the Expense Account (\$-2M) and Transportation Equipment Account (\$-5M) are present to reflect anticipated expenditures, efficiencies, and expenditure adjustments.
- Cannabis Enforcement Resources: Sworn overtime for cannabis enforcement is reduced to \$5M from the \$10M included in 2019-20 as a cost-savings measure.
- Los Angeles County Metropolitan Transportation Authority (LACMTA): The Proposed Budget continues funding (\$89M) and position authority for 123 positions and adds funding and authority for seven additional positions in alignment with staffing levels approved by the LACMTA for the fourth year of the five-year contract to provide policing services to LACMTA within the City.
- Tasers: The Proposed Budget adds \$1.6M in one-time funding to replace 3,120 Tasers which will exceed their warranty period in 2020-21. An additional \$1.4M is provided for this purpose in the Forfeited Assets Trust Fund.
- Civilian Employment Section Resources: \$0.1M and regular authority is provided for one Principal Clerk Police I in the Personnel Division's Civilian Employment Section to supervise part-time and seasonal Student Workers and Administrative Clerks, review documents, and track the status of position authorities.
- Vehicle Replacements: \$1.1M is provided in contractual services for the leasing of 170 electric vehicles (EVs) for non-emergency passenger service, charging station repairs, and software license costs. The Proposed Budget includes \$5M for the purchase of a minimum of 77 black and white patrol vehicles. Funding in LAPD's base budget will allow for the purchase of a minimum of eleven Black and White patrol vehicles, 17 motorcycles, 64 dual purpose sedans and ten specialized utility vehicles. An additional \$2M is provided in MICLA financing for 30 undercover sedans, five mid-size vans, and one mobile command vehicle. \$3.6M is provided in the Capital Finance Administration Fund, Police Vehicles Financing, for the

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fourth annual payment on 462 Department vehicles purchased in 2017-18 through lease financing.

- Cost Recovery Unit: The Proposed Budget includes regular authority and funding (\$0.1M) for two Senior Accountant Is to establish a Cost Recovery Unit within the Fiscal Operations Division to facilitate reimbursements for services provided to outside entities and agencies.
- Motor Transport Resources: \$2.1M is provided for automotive repair supplies and transponders for Black and White patrol vehicles to promote safe driving habits.
- Information Technology Group: The Proposed Budget adds \$0.3M and position authority for one Police Deputy Chief I to command the Information Technology Bureau.
- Office of the Inspector General Resources: \$0.4M and regular authority for three Police Special Investigators in the Office of the Inspector General are provided to perform police oversight, public policy, and criminal justice duties.
- Audit Division Resource: Regular authority and funding (\$0.1M) is provided for one Police Performance Auditor in the Audit Division to conduct research, prepare fact sheets and assist with the development and design of audit methodologies.
- Police Share of Unrestricted Revenue: Based on the Police Department's budget allocation, the Department's share of unrestricted revenue will increase from 52.4 percent in 2019-20 (\$2.8B of \$5.3B) to 53.8 percent (\$2.9B of \$5.4B) in 2020-21. While the percentage does not appear significant, each one percent equates to approximately \$54M. 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 Incentive Rebate Program; accounting support for Proposition O; accounting support for MICLA projects; and financial management and administrative support of the Public Works Trust Fund.

In addition, the Proposed Budget continues funding (\$0.1M) and resolution authority for one position for SB 1 accounting support and adds \$0.1M and regular authority for one position to serve as the City's Forest Officer.

The Proposed Budget provides the Office of Community Beautification with a Program Budget of \$13.9M, which is a \$0.6M reduction from the 2019-20 Program Budget.

The Proposed Budget reduces funding (\$-1M) for the Board of Public Works to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding reductions (\$-1M) are present to account for the deletion of vacant positions, expense account reductions, one-time salary reductions, and the hiring freeze policy.

Public Works Contract Administration: The Proposed Budget continues funding and staffing for a variety of inspection and compliance programs, including the Metro Annual Work Program; the Complete Streets Program; services to the proprietary departments;

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the City's Sidewalk Repair Program; various transportation work programs; the Wastewater Capital Program; and the Office of Wage Standards Enforcement.

In addition, the Proposed Budget adds the following:

- Nine-months funding and resolution authority for one position, six-months funding and resolution authority for two positions, and one-time funding in various accounts totaling \$0.2M to provide inspection and contract compliance services for the Los Angeles Convention Center Project.
- Nine-months funding (\$0.1M) and resolution authority for one position to provide inspection services and the release of electric meters to DWP for utility installations within the public right-of-way.
- Nine-months funding (\$0.1M) and resolution authority for one position to support the Certification, Outreach, Regulations, and Enforcement (CORE) section by supervising the Bureau's Business Inclusion Program and the Consistency, Level playing field, Education, Access, and Responsible behavior (CLEAR) Contracting Program.

The Proposed Budget provides no funding to support a Fair Work Week Program that would require large retailers to give workers two weeks advanced notice of the days and hours they are expected to work, as well as allow employees to request schedule changes and decline hours without retaliation.

The Proposed Budget reduces funding (\$-4.1M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding reductions (\$-2.7M) are present to account for one-time salary reductions and the hiring freeze policy.

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

- One-time funding (\$0.4M) for cloud-based data storage migration.
- Resolution authority and six-months funding (\$0.2M) for four positions to support the Safe Clean Water Program.
- Resolution authority and nine-months funding (\$0.3M) for three positions to provide reporting and project management support for the Sidewalk Repair Program.
- Resolution authority for two positions, with funding provided through interim appropriations, to provide project management support for Proposition K projects.
- Resolution authority and funding (\$0.04M) for one position to support A Bridge Home and Los Angeles Convention Center projects.
- Resolution authority and funding (\$0.8M) for five positions to support the Los Angeles Convention Center Expansion and Modernization Project.
- Regular authority and funding (\$0.03M) for one position to serve as the Chief Sustainability Officer.

The Proposed Budget reduces funding (\$-9.6M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding reductions

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(\$-2.8M) are present to account for expense account reductions, one-time salary reductions, a salary savings rate adjustment, and the hiring freeze policy.

Public Works – Sanitation: The 2020-21 Proposed Budget exempts the Bureau of Sanitation from the furlough program. The Proposed Budget reduces funding (\$-1.3M) to account for the deletion of vacant positions and the hiring freeze policy. The 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 (\$3.6M) and adds regular authority for 36 positions for the continued implementation of Phase II of the Exclusive Franchise System for Commercial and Multi-Family Solid Waste Collection (RecycLA). Funding (\$1.9M) is continued and regular authority is added for 19 positions for Phase III of the Franchise System.

Funding (\$4.3M) and resolution authority for 47 positions is continued to provide support for the administration of RecycLA, including one-time funding (\$0.6M) in the contractual services account for waste characterization studies to ensure that franchise haulers are meeting waste diversion goals.

The Proposed Budget continues funding (\$0.2M) and adds regular authority for two positions to provide technical support to the various systems and applications used to administer RecycLA.

Comprehensive Cleaning and Rapid Engagement (CARE) Program: The CARE+ Teams were previously known as Clean Street Los Angeles Teams and the CARE Teams were previously known as Homeless Outreach Proactive Engagement (HOPE) Teams.

The Proposed Budget provides \$11.3M to continue funding and resolution authority for 53 positions to staff five CARE+ Teams and adds funding and continues resolution authority for 16 positions to staff two additional CARE+ Teams. Of this \$11.3M in funding, \$6M is provided in continued and added one-time funding to various accounts for contractual services, field equipment expenses, uniform expenses, office and administrative support, and operating supplies to staff the seven CARE+ teams.

The Proposed Budget also provides \$10.3M to continue funding and resolution authority for 47 positions to staff 10 CARE teams, and adds funding and continues resolution authority for 31 positions to staff seven additional CARE Teams. Of the \$10.3M, \$4M is provided in continued and added one-time funding to various accounts for contractual services, field equipment expenses, uniform expenses, office and administrative support, and operating supplies to staff the 17 CARE teams.

One-time funding (\$2M) is also added to the Bureau of Sanitation's Overtime Account to support the CARE+ and CARE Teams, the Street Receptacle Program, and the Mobile Hygiene Center Program. Funding (\$0.4M) and resolution authority for one position is provided for data analysis support of the CARE Program.

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Mobile Hygiene Centers Program: The Proposed Budget adds funding (\$0.7M) and resolution authority for 13 positions to provide hygiene facilities for homeless individuals. One-time funding (\$5M) is also added to various accounts for contractual services, utility expenses, uniform expenses, and operating supplies to support the Mobile Hygiene Centers Program.

Safe, Clean Water Program: Funding (\$0.6M) and resolution authority for five positions are added to support the implementation of Total Maximum Daily Load requirements and Stormwater Permit compliance under the Safe, Clean Water Program.

Enhanced Facility Process Engineering Support: Funding (\$0.2M) and resolution authority for two positions are added to provide grant coordination, writing, and reporting services for green infrastructure projects.

Community Services: Funding (\$0.1M) and resolution authority are added for one position to lead the Community Services Group.

Public Works – Street Lighting: The Proposed Budget continues funding and staffing for various programs and services including: Smart City street lighting technology initiatives; the Small Cell Co-Location Program; the High Voltage Conversion Program, which is in its final year; and the Copper Wire Theft Replacement Program.

The Proposed Budget also adds:

- One-time funding (\$1M) for enhanced co-location services for small cell communication devices to support the installation of newer and faster cellular technology on streetlights.
- Funding and resolution authority for one position (\$0.1M) to provide increased support for LACMTA annual work program.
- Nine-months funding and resolution authority for two positions and funding and resolution authority for two positions (\$0.6M) to provide additional streetlight maintenance support.
- Funding and resolution authority for two positions and nine-months funding and resolution authority (\$0.3M) for one position to increase support for the replacement of stolen copper wire and power from streetlights.
- Nine-months funding (\$0.1M) and resolution authority for one position to provide oversight for the Bureau's financial section.

The Proposed Budget reduces funding (\$-3M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding reductions (\$-1.1M) are present to account for expense account reductions, one-time salary reductions, and the hiring freeze policy.

Public Works Street Services: The Proposed Budget continues funding and staffing for various programs and services including: tree planting, trimming, and watering; the City's Sidewalk and Park Vending Program; Failed Street Reconstruction; Complete Streets;

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Vision Zero; the Sidewalk Repair Program; and risk and liability mitigation of the City's sidewalk system.

The 2020-21 Proposed Budget increases funding and adds position authority as follows:

- Resolution authority and funding (\$0.4M) for three positions to implement the Asset Management and Advanced Planning Program for the long range planning of street work.
- Reduces funding (\$-12.5M) as a one-time reduction for Pavement Preservation to reflect departmental efficiencies and expenditure reductions.
- Deletes funding (\$-24M) for the Pavement Preservation Program on a one-time basis as funding will be provided as special purpose fund appropriations in the Road Maintenance and Rehabilitation Fund.
- Restores funding (\$7.8M) for the Bureau of Street Services' Overtime General, Construction Expenses, Contractual Services, Uniforms, and Operating Supplies accounts that were reduced on a one-time basis in 2019-20.
- Resolution authority, funded through interim appropriations, for four Cement Finishers for four sidewalk crews for the Complete Streets Projects.

The Proposed Budget reduces funding (\$-9.4M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding reductions (\$-3.5M) are present to account for expense account reductions, one-time salary reductions, and the hiring freeze policy.

Recreation and Parks: The Charter-mandated appropriation to the Department of Recreation and Parks is increased by \$14.5M, to a total of \$222M for 2020-21. The Department will reimburse the General Fund \$52.8M, for pensions, health, and Medicare benefits. The Proposed Budget provides additional funding for several programs, including the following:

- New Services: Nine-months funding (\$0.09M) and regular authority for one position to coordinate capital improvements, major facility updates, general construction, and daily maintenance and facility safety needs for the Cabrillo Marine Aquarium.
- New and Expanded Facilities: Funding (\$1.7M) is added for as-needed salaries, contractual services, maintenance materials, office and administrative expense, and operating supplies to support various new and expanded Department facilities based on the scheduled opening dates.
- Full Funding for Partially Funded Facilities: Funding (\$0.4M) to provide full year funding for aquatics, land, recreational programming, and Venice Beach for facilities that were partially financed in the previous fiscal year.
- Security Camera Maintenance: Funding (\$0.3M) is added to perform quarterly maintenance of the Department's security camera systems.

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The Proposed Budget reduces funding (\$-10.7M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further reductions (\$-2.8M) are included to account for the hiring freeze policy.

Transportation: The Department of Transportation's total budget is reduced by \$6.6M from 2019-20 levels. The Proposed Budget provides funding and staff to continue various Departmental programs and services. In addition, the Proposed Budget adds funding and position authority, as follows:

- Resolution authority and funding (\$0.2M) for three positions to form the enforcement unit and to manage the operations of the Dockless On-Demand Personal Mobility Program.
- Resolution authority and funding (\$0.2M) for two positions to lead the implementation and project delivery phase of the Affordable Housing and Sustainable Communities Grant (AHSC) program.
- Resolution authority and funding (\$0.1M) for one position to develop and implement Citywide electric vehicle charging policies.
- Increased funding (\$5.2M) in the Overtime General Account to provide traffic control and support for special events, emergency incidents, and other unplanned, non-reimbursable incidents that occur throughout the year.
- Resolution authority and funding (\$0.1M) for one position to provide additional support for the Community Assistance Parking Program, which allows homeless individuals with open and unpaid parking citations to pay their citations by providing community services.
- Resolution authority and funding (\$0.07M) for two positions to support the increased demand for temporary sign posting and removal requests.
- One-time funding (\$1.6M) for overtime and contractual services to reduce the backlog of neighborhood requests by focusing on high-leverage projects that can reduce liability claims against the City.
- Resolution authority and funding (\$0.3M) for three positions to support Metro transit improvement projects.
- Resolution authority and funding (\$0.1M) for one position to assist in the administration of Proposition A budget and personal services contracts.
- Resolution authority and funding (\$0.1M) for one position to provide transportation planning expertise for the Department's community engagement efforts.

The Proposed Budget reduces funding (\$-14.3M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding (\$-5.2M) reductions are present to account for salary reductions, salary savings, one-time expense account reductions, and the hiring freeze policy.

Zoo Department: The Proposed Budget reduces funding (\$-1.8M) to reflect 26 fewer working days consistent with the furlough program for civilian employees. Further funding reductions (\$-0.7M) are present to account for the hiring freeze policy.

The Proposed Budget continues funding (\$0.1M) and resolution authority for one position and adds regular authority for one position to support the Behavioral Enrichment

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Program. The Proposed Budget also continues funding (\$0.1M) and adds regular authority for two positions to manage and deliver community engagement programs. Funding (\$0.1M) and resolution authority is continued for one position to facilitate the development of a comprehensive animal conservation program.

Proposed Changes to Major Programs/Initiatives

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 reconstructing roads. The Proposed Budget appropriates \$48.8M across multiple City departments for activities that support the Vision Zero Initiative, which includes funding (\$15M) from the Capital Finance Administration Fund for the design and construction of traffic signals and funding (\$5.3M) for the remaining three Complete Streets projects approved by the Council in 2017-18 that combine street reconstruction, Vision Zero elements, green street elements and sidewalk improvements. It should be noted that additional pedestrian safety funding is included in other programs.

Pavement Preservation Program: The Pavement Preservation Program includes activities required to properly maintain the City street system and keep the system from deteriorating. The Program is led by the Bureau of Street Services with support provided by the Department of Transportation, the Bureau of Engineering and General Services Department. The 2020-21 Proposed Budget provides \$141.4M for the Pavement Preservation Program with funds from the Special Gas Tax (\$33.1M), Proposition A (\$0.5M), Proposition C (\$6.2M), Street Damage Restoration Fee (\$36.8M), Stormwater Pollution Abatement Fund (\$0.4M), Measure R (\$24.1M), Measure M (\$4.1M), SB 1 Gas Tax (\$24M), and the General Fund (\$12.2M) for the following reconstruction categories: resurfacing, slurry sealing, large asphalt repairs, and small asphalt repairs (potholes). The Mayor's Proposed Budget provides funding to increase the percentage of the City's streets in a state of good repair to 62 percent.

The Mayor's Proposed Budget reduces funding by \$9.1M for the Pavement Preservation Program to reflect one-time efficiencies from various sources of funds, while maintaining the 2019-20 service level.

Failed Street Reconstruction Program: The 2019-20 Adopted Budget provided \$25.1M across several departments for a new program to repair the most severely damaged streets with the lowest rating. The Failed Street Reconstruction Program is led by the Bureau of Street Services with support from the Department of Transportation, the Bureau of Engineering, and General Services. The 2020-21 Proposed Budget provides \$22.3M for the Failed Street Reconstruction Program with funding from the Street Damage Restoration Fund (\$10.7M), Measure M (\$6.8M) and SB 1 (\$4.8M).

Complete Streets: As part of the 2018-19 Adopted Budget, \$45.8M was allocated to begin design and implementation of roadway projects that included both reconstruction and Vision Zero elements (Complete Streets). On March 28, 2018, the Council

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established a work plan and funding for six complete streets projects (C.F. 17-0950). Three of the projects have been completed. In 2019-20, construction work (one project) and the design phase (two projects) continued. The Proposed Budget includes \$5.3M to complete the project elements approved by Council. Preliminary funding was provided in 2018-19 to begin the design phase of the next twelve projects with additional funding for construction to be provided in future years.

Sidewalk Repair Program: On April 1, 2015, the City Council and the Mayor approved a Settlement Agreement in the class action lawsuit *Mark Willits, et al. v. the City of Los Angeles*. Court approval of this Settlement Agreement was finalized in spring 2017. This will be the fourth 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 2020-21 Proposed Budget appropriates \$35M to the Sidewalk Repair Program, which includes \$14.6M from the General Fund; \$4.3M in Measure R Local Return Funds for the construction of access ramps; \$7.1M in SB 1 funding for the incentive program and sidewalk repair consulting and contractual services; \$2.7M from the Sidewalk Repair Fund; and, \$6.3M from Proprietary Departments to fund repairs to sidewalks and pedestrian facilities adjacent to their properties. In compliance with the terms of the Settlement Agreement, the Proposed Budget includes at least \$6.2M for the Access Request Program and \$5M for curb ramp installations.

The Proposed Budget continues \$1M in funding through SB 1 for the Sidewalk Repair Incentive Program, which provides eligible private property owners with rebates for sidewalk repair work.

Federal Grant Programs: In the past five 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. Given the current federal level funding priorities, future grant funding remains uncertain. The continued availability of federal grants must be closely monitored this fiscal year and in future years.

The Mayor's Proposed Budget for 2020-21 continues funding for a number of programs that have been funded by CDBG in prior years. This funding provides for vulnerable populations, workforce training and retention, and anti-graffiti programs:

- AIDS Coordination and HIV Prevention – \$1.7M is continued in the Department on Disability for AIDS Policy and Planning and HIV Prevention programs.
- Commission Support – \$0.05M for various commissions, including the Human Relations Commission and the Commission on the Status of Women is available in the Housing and Community Investment Department (HCID) budget.
- Day Laborer Program - Continued funding of \$1M is included in the budget for the Economic and Workforce Development Department (EWDD).

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- Domestic Violence Shelter Operations Support - \$1.8M is included in the HCID budget to support Domestic Violence Shelter Operations.
- Family Source Centers (non-profit managed) - \$4M is included in the HCID budget to allow funding, along with CDBG funds, of 16 Family Source Centers.
- Public Works Beautification and Anti-Graffiti Programs – Funding for Graffiti Abatement (\$11.5M), Clean and Green Program (\$0.5M), and the LA River Corps Program (\$0.2M) are included in the Public Works budget. \$1.2M for the Clean and Green Program is also included in the General City Purposes budget.
- Youth Development - \$1.9M is included in the EWDD budget for YouthSource Centers, Hire LA, and the Cash for College program.

In addition, the proposed Consolidated Plan adds and expands funding for a variety of human services and economic development programs. The Consolidated Plan is currently under review and will be transmitted to Council under separate cover.

Funding for Vulnerable and Underserved Populations: In addition to providing funding to programs previously funded with CDBG and other Federal Grant funds, the Proposed Budget continues funding across departments for the City's vulnerable individuals including youth, elderly, disabled, and homeless individuals. While many of these programs have been allocated funding similar to that in previous years, there may be impacts to some programs as a result of the budget reductions (furloughs, hiring freeze, account reductions) to the departments administering the programs. The Proposed Budget continues funding, as follows:

- Department of Aging – services for the elderly, such as evidence-based programs, Purposeful Aging, and Older Americans Act staff support.
- General City Purposes - continued funding is provided at the same level as 2019-20 for the Family Caregiver Program, Elder Abuse Prevention Program, and Congregate Meals for Seniors and Home-Delivered Meals for Seniors.
- Department on Disability – funding is continued for the Blue Curb Program and various HIV and Homelessness Programs. The Proposed Budget also adds funding for Emergency Preparedness Support staff.
- Proposition A - funding is allocated for various transportation services, including Multi-Purpose Centers Shuttle Program; Cityride Program for seniors and persons with disabilities; transit services provided by DASH and Commuter Express; Charter Bus Program assisting seniors, youth and disabled with subsidized bus services; and youth program bus services to Department of Recreation and Parks facilities.
- Economic and Workforce Development Department – in addition to former CDBG-funded programs discussed previously, funding is also provided for workforce training and job development programs for individuals experiencing homelessness (LA RISE).

As detailed later in this report, Homelessness program funding spans several departments including, but not limited to Aging, Animal Services, Disability, Economic and Workforce Development Department, Fire Department, General Services, Housing and Community Investment Department, Board of Public Works, Bureau of Engineering,

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Bureau of Sanitation, Police Department, Recreation and Parks, and Transportation. While funding in most Homelessness line items appears level or as an increase from the 2019-20 Adopted Budget, service levels may be affected by staffing levels as a result of the proposed furlough program and hiring freeze.

Proposed Changes to Major Funds

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 6.6 percent rate adjustment in the SSC on July 1, 2020.

The Proposed Budget includes \$300.5M in SCM Funds that are allocated to various departments to cover the cost of wastewater-related activities in various City departments, offices and bureaus, including related costs.

The Proposed Budget also recognizes \$5.1M 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 (\$313.1M) and the related capital labor and expense costs (\$118.7M). The Proposed Budget also includes the costs of operating and maintaining the Clean Water System (\$379M), the payment of debt service on Wastewater System Revenue Bonds (\$241.1M), a 45-day operation reserve (\$49M), and various other expenses (\$3.2M).

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 all costs associated with the collection, disposal, and recycling of solid waste. It should be noted that these fees are no longer at costs recovery and require a General Fund subsidy. The 2020-21 Proposed Budget for the SWRRF totals \$392.7M.

The Proposed Budget includes:

- Solid Waste Lifeline Program: \$6.3M in General City Purpose funds to reimburse SWRRF for costs attributed to the Lifeline Rate Program.
- Solid Waste Fee Reimbursement: \$2.4M in General City Purpose funds to reimburse SWRRF for costs associated with refuse collection and disposal services to other City departments and special events.
- Solid Waste Tip Fees & Material Recovery Facilities (MRF) Fees: The solid waste tip fees (or landfill disposal fees) and MRF fees for residential collection are

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projected to increase by \$20M from 2019-20 levels, to \$91M. As a result of China's "National Sword Policy," which restricts waste and metal imports from abroad, the MRF's costs to process and market the City's recyclables have significantly increased. Tip fees for the Multi-Family Bulky Item Program and other special funds will be paid by SWRFF and reimbursed by those special funds.

- Container Replacement Program: Funding (\$14M) is continued to annually replace approximately 215,000 worn, damaged, and lost residential containers. The funding also supports technology improvements for the container asset management system.
- Clean Fuel Collection: In 2019-20, \$30M was provided to replace diesel-powered solid resources collection vehicles with clean fuel vehicles. Funding was not continued in 2020-21.
- Departmental Appropriations: \$163M from the Fund is provided to various City departments, offices, and bureaus for the cost of solid waste related activities.

Stormwater Program Funds: The 2020-21 Proposed Budget recognizes \$68.8M in revenue from the Stormwater Pollution Abatement (SPA) charge (\$28.4M) and the Los Angeles Region Safe, Clean Water Program (Measure W) Local Return Fund (\$32M). The 2020-21 Proposed Budget provides \$7.3M in Measure W funding for water quality projects in the CIEP – Physical Plant Budget.

The SPA charge imposes a fee on all properties in the City based on stormwater runoff and pollutant loading associated with property size and land use. The charge is collected by the Los Angeles County Assessor on the annual property tax bill and annual receipts are approximately \$28.4M. SPA funds are used to treat and abate stormwater per guidelines provided by the U.S. Environmental Protection Agency. The SPA charge has not been adjusted since 1993. The existing SPA charge of \$1.92 per month for a typical single-family home is insufficient to cover the incremental costs.

On November 6, 2018, Los Angeles County voters approved Measure W, a parcel tax of 2.5 cents per square foot of impermeable surface to support the costs of stormwater related projects and activities. Eligible uses for revenues include projects that provide a water supply and/or quality benefit and a community investment benefit. Measure W can be used to fund Enhanced Watershed Management Plan (EWMP) projects and the operation and maintenance of completed Proposition O projects. Funding for 22 positions has been reassigned from SPA and Proposition O to Measure W in the Proposed Budget.

Measure W revenues are allocated to three sub-programs: municipal, regional, and administrative. Forty percent of revenues are allocated to municipalities in the same proportion as the amount of revenues collected within each municipality. The Los Angeles County Flood Control District had originally projected the City's Measure W Local Return allocation to be \$37M, but only \$32M is expected to be received due to the County's credit program and anticipated revenue losses resulting from COVID-19 impacts.

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The Proposed Budget includes:

- National Pollutant Discharge Elimination System (NPDES) Municipal Separate Storm Sewer System (MS4) Permit Expense and Equipment: The City's NPDES MS4 permit authorizes the City to discharge stormwater into U.S. waters. The Proposed Budget provides \$1.6M in funding for expenses and equipment to renew the City's NPDES MS4 Permit.
- Reimbursement of Prior Year Expenses: \$9.9M in funding is provided to pay for 2019-20 expenditures incurred for the Measure W Program.
- Departmental Appropriations: \$26.4M from the Fund is provided to various City departments, offices and bureaus for the cost of stormwater related activities.
- Feasibility Studies: \$1M is provided for feasibility studies of water quality projects to be submitted for funding consideration as part of the Measure W regional call for projects, which is a 75 percent reduction from 2019-20.
- Regional Project Development & Revolving Funds: \$2.8M for the initial development of regional water quality projects is included in the Proposed Budget to be used as a revolving fund for potential match or front-funding requirements for regional funding. This is a 65 percent reduction in funding from 2019-20.

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 in the public right-of-way by entities required to obtain a permit to excavate in a public street.

In 2018, the Bureau of Street Services (BSS) completed a fee study and proposed an update to the SDRF. Council adopted changes to the SDRF, including an increase per square foot fee for both Local and Select Streets, which went into effect on December 6, 2018. SDRF funds may be used for the Bureau of Street Services street reconstruction program and related work, as well as innovative roadway bed treatments, such as Cool Pavement.

The 2020-21 Proposed Budget projects \$54.1M in revenue generated by the SDRF, which is a one percent decrease from the estimated revenue for 2019-20 of \$54.6M.

The Proposed Budget allocates the SDRF as follows:

- General Services - \$7.3M
- Information Technology Agency – \$0.004M
- Personnel - \$0.17M
- Bureau of Engineering - \$0.64M
- Bureau of Street Services - \$38M
- Department of Transportation - \$0.46M
- CIEP (Physical Plant) - \$0.22M
- Failed Street Reconstruction - \$1.6M
- Reimbursement of General Fund Costs - \$5.8M

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Of this funding, \$36.8M is allocated for the City's Pavement Preservation Program, \$10.7M is allocated to the Failed Street Reconstruction Program, and \$1.8M to the Complete Streets Program.

Street Lighting Maintenance Assessment Fund: The Street Lighting Maintenance Assessment Fund (SLMAF) provides for annual assessments for the maintenance or improvement of street lighting in or along public streets, alleys, or other public places in the City. The Proposed Budget includes \$75.3M in the SLMAF that is allocated to various departments and expenditures to cover the costs of maintaining and operating the street lighting system. The final year of the High Voltage Conversion Program to convert all streetlights to LED lighting will be funded through MICLA and repaid by the SLMAF in future years. The Proposed Budget includes \$2.1M in funding for an Assessment District Analysis to provide the Bureau of Street Lighting with funding to undertake work associated with reassessing the City's Lighting Districts.

Proposition A: The 2020-21 Proposed Budget provides a total appropriation of \$241.6M from Proposition A, including:

- Continuation of existing transit services (\$138M);
- \$23M for future service needs that may be used to offset potential shortfalls as expenditures increase;
- \$2.8M for solar-powered signage at bus stops;
- \$5.4M for upgraded bus technologies from a 3G network to a 4G network on all DASH and Commuter Express Buses; and
- Matching funds (\$1.2M) for free transit fare for students through the State's Low Carbon Transit Operations (LCTOP) Program.

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.

The Proposed Budget anticipates \$70.9M, a 15.9 percent reduction from the 2019-20 Adopted Budget in Measure M funding for the following projects:

- Complete Streets Projects (\$2.4M)
- Median Island Maintenance (\$1M)
- Paint and Sign Maintenance (\$1.2M)
- Vision Zero Corridor Projects (\$3.1M)
- Traffic Surveys (\$0.1M)

The Proposed Budget also provides contingent funding (\$12M) that is not authorized until January 1, 2021 for the following projects:

- Vision Zero Education and Outreach (\$1M)
- Speed Hump Program (\$1M)
- Open Streets Program (\$0.5M)
- Concrete Streets (\$1M)

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- Alley Paving (\$3M)
- Transportation Technology Strategy (\$0.6M)
- Vision Zero Traffic Signals (\$3.2M)
- Traffic Studies (\$0.4M)
- Capital Improvement Expenditure Program (CIEP) – Physical Plant (\$1.2M)

Funding is provided for CIEP – Physical Plant projects (\$2.3M) and (\$0.9M) for the Speed Hump Program and appropriations will be authorized upon approval of the Budget.

The Proposed Budget also includes departmental appropriations of \$24.6M for various Measure M projects.

Measure R Local Traffic Relief and Rail Expansion Fund: The Proposed Budget appropriates \$55.3M and continues funding for previous projects, including: Automated Traffic Surveillance Control (ATSAC) system maintenance (\$3M); the Bicycle Plan/Program (\$1.3M); Great Streets (\$0.5M); median island maintenance (\$1M); paint and sign maintenance (\$1.8M); overtime for the Pavement Preservation Program (\$0.7M); the Pedestrian Plan/Program (\$1.3M); Technology and Communications (\$0.03M); and, Vision Zero contracts, speed surveys and outreach campaign (\$0.2M). The Proposed Budget also includes \$12.8M in General Fund reimbursements from Measure R funds, as well as \$32.7M in appropriations to City Departments for Measure R projects.

Existing Council policy directs that five percent of Measure R local return revenue be provided each to bicycle projects and pedestrian projects. The proposed budget provides 2.7 percent to each for these programs. Funding (\$1.3M) for the Pedestrian Program and funding (\$0.5M) for Great Streets are not authorized until January 1, 2021. Additionally, a portion of the General Fund reimbursements (\$6.4M) are not authorized until January 1, 2021.

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 (LACMTA) 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 revenues of \$3.6M, which reflects a 53.3 percent reduction from the 2019-20 Adopted Budget. The Proposed Budget allocates funding for the Bikeshare Capital Expansion (\$2M), the Bikeways Program (\$1.1M), and the San Fernando Road Bike Path Phase 3 Metrolink local match (\$0.5M).

Special Parking Revenue Fund: The Proposed Budget provides a transfer to the Reserve Fund of \$27.7M, which includes a base level of \$23.5M. The proposed transfer is 52 percent lower than the amount included in the 2019-20 Adopted Budget. Funding in

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the amount of \$56M for 2020-21 Special Parking Revenue Fund programs is continued, however, several appropriations are not authorized until January 1, 2021.

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 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.

In April 2017, the Legislature enacted Senate Bill (SB) 1, also known as the Road Repair and Accountability Act, which increased State revenues for California's transportation system by an average of \$5.2B annually over the next decade.

For 2020-21, the original gas tax funds are provided across departments for a variety of projects and programs (\$58.4M), as well as special purpose fund appropriations, including reimbursement of General Fund costs (\$39.6M). Projected revenues assume a 70 percent reduction for a several month period as a result of the COVID-19 pandemic, before returning to the historic monthly average.

In addition to the \$18.3M for CIEP-Physical Plant projects for 2020-21 from SB 1 gas tax revenues, additional appropriations include concrete streets (\$1.3M), cool slurry treatments (\$2M), failed street reconstruction (\$3.5M), the Pavement Preservation Program (\$24M), sidewalk repair contractual services (\$3.8M), sidewalk repair engineering consultant services (\$2.3M), sidewalk repair incentive program (\$1M), Vision Zero Corridor projects (\$8.7M), Vision Zero traffic signals (\$6.8M), and Vision Zero traffic signals support (\$0.3M).

A total of \$36.5M of the SB 1 revenues will not be authorized until January 1, 2021 for the following projects and will be contingent upon receipt of anticipated SB 1 revenues: \$13.5M of the CIEP – Physical Plant Program, \$1.3M in concrete streets, \$3.5M in the Failed Street Reconstruction Program, \$11.8M of the Pavement Preservation Program, \$0.9M in sidewalk repair contractual services, \$0.6M in sidewalk repair engineering consulting services, \$0.5M in the sidewalk repair incentive program, \$2.7M of Vision Zero Corridor projects, and \$1.8M of Vision Zero traffic signals.

Proposed Changes to Non-Departmental Budgets/ Programs

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 by \$57M to \$800.6M, a 7.7 percent increase from the 2019-20 Adopted Budget.

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The Proposed Budget includes various assumptions with regard to healthcare costs, number of employees hired, and costs associated with Workers' Compensation. For 2020-21, a total of \$230.1M will be appropriated to Workers' Compensation. This represents a \$31.8M increase (16 percent) from the 2019-20 Adopted Budget total of \$198.3M, and a \$26.8M increase (13.2 percent) from the 2019-20 estimated expenditures anticipated at \$203.3M. 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 (\$21M increase) and the Police and Fire Health and Welfare Programs (\$2.8M increase).

General City Purposes (GCP): The Proposed Budget decreases GCP funding for program and services by \$4.7M to \$178.5M (-2.6 percent), from 2019-20 Adopted Budget levels. Significant changes in the Proposed Budget are as follows:

- Council Community Projects: The Proposed Budget allocates \$3.8M in one-time funding to fully or partially fund the completion of specific community projects and programs in various Council Districts. This represents a \$3.7M decrease from 2019-20 funding of \$7.5M. No new one-time projects are budgeted for 2020-21.
- Justice Fund: \$1M is allocated to the Los Angeles Justice Fund for non-profit legal representation for undocumented, low-income individuals and families facing removal proceedings.
- EmbRACE LA: Funding in the amount of \$0.4M is provided for the EmbRACE LA program to address human relations issues with regard to race, ethnicity, sexual orientation, diversity, and multiculturalism in Los Angeles. The funding represents a \$0.5M decrease from the 2019-20 Adopted Budget allocation of \$0.9M.
- Homeless Shelter Program: An additional \$1.4M is provided for a total of \$28.3M in 2020-21, for the Shelter Program, which provides over 800 shelter beds at locations throughout the City from December through March, as well as the City's cash match with the County of Los Angeles to leverage federal grant funds. Funding is increased in 2019-20 for Homeless Engagement Teams, Safe Parking Programs, LAHSA administration, and Coordinated Entry System Navigation Centers that provide services, hygiene facilities, and storage.
- Operation Healthy Streets: An additional \$0.9M is provided for a total of \$6.1M in 2020-21, for LAHSA to maintain clean-up efforts and services for homeless individuals around Skid Row. Funding is also provided in the Bureau of Sanitation's operating budget for this program.
- Gang Reduction and Youth Development (GRYD): \$25.6M is allocated to this program, a \$3M decrease from the 2019-20 Adopted Budget allocation of \$28.6M. GRYD provides gang reduction, intervention, and re-entry services to areas most impacted by crime and violence. Partial funding (\$0.03M) is provided by the Forfeited Assets Trust Fund.
- Additional Homeless Services: A total of \$10M is allocated in one-time funding to establish new crisis and bridge housing beds with hygiene facilities and/or storage for unsheltered individuals experiencing homelessness, with the goal of adding 50-100 new beds per Council District.
- Membership and Government Participation: Membership dues have been decreased for a variety of organizations in which the City is a member.

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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 2020-21 Proposed Budget includes \$89.9M in the UB, which is a \$25.5M decrease from the 2019-20 Adopted Budget allocation of \$115.3M.

The 2020-21 Proposed Budget sets aside funding in the UB for various projects, including the following:

- Reserve for Mid-Year Adjustments (\$30.1M) to address shortfalls that may arise in 2020-21. The Proposed Budget notes that of this amount, up to \$6.4M, may be used to meet the requirements of the Gang Injunction Settlement Agreement.
- Accessible Housing Program Retrofit Contracts (\$2M). Funding is set aside to pay for architectural and construction services related to retrofits to meet standards in the Corrected Settlement Agreement and the Voluntary Compliance Agreement.
- Community Investment and Opportunity Department seed funding (\$0.3M) for a new department to develop programs and policies aimed at alleviating poverty and building community wealth.
- Discovery Cube Los Angeles (DCLA) (\$0.5M). Funding is set aside for DCLA, a non-profit organization that focuses its work around the core initiatives of environmental stewardship, early learning, healthy living, and science, technology, engineering, and math (STEM) education. In the 2019-20 Adopted Budget, DCLA received \$1.8M from the City's General City Purposes Fund.
- General Municipal Elections 2020 (\$13M). Funding is set aside to reimburse Los Angeles County for conducting the 2020 General Municipal Elections.
- Ground Emergency Medical Transport Quality Assurance Fee Program (\$6.7M). Funding is set aside for quarterly payments and contractual services costs.
- Mutual Aid Overtime (\$3M). Funding is set aside for Fire Department sworn overtime for mutual aid response for fire and disaster response needs outside the City.
- Land Mobile Radio Site Infrastructure Upgrades (\$3M). Funding is set aside to perform infrastructure improvements at sixteen sites with Land Mobile Radio technology. Funding is contingent upon the receipt of 2018 Urban Areas Security Initiative grant funding.
- Funding (\$5M) is set aside for the Police Department Sworn Overtime (Cash Payout) to pay for up to 200 hours of banked overtime per officer who choose to participate in this program.
- Repayment for Community Development Block Grant Projects (\$2.3M) for the third and final installment to resolve audit and review findings from the U.S Department of Housing and Urban Development for past Community Development Block Grant Projects (C.F 17-1392-S1).
- Funding (\$16.3M) is set aside for the Los Angeles Zoo and El Pueblo to address revenue shortfalls that may occur as a result of closures or attendance reductions due to the 2019 Coronavirus (COVID-19).

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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 and CDBG funds, redevelopment funds, and other state and federal resources.

\$30M in HOME and CDBG funds were allocated to the AHTF in the 2019-20 Consolidated Plan (PY 45). The 2020-21 Consolidated Plan (PY 46), which is pending approval, includes a total of \$29.8M in HOME and CDBG funds for the AHTF.

Capital Finance Administration Fund: The Capital Finance Administration Fund includes \$240M for the debt service cost for outstanding debt issuances to date. This amount is \$15.2M (six percent) less than 2019-20. The Proposed Budget reflects the completion of MICLA Lease Revenue Bonds, Series 2009-C (Capital Equipment) in 2019-20, and the 2009-D (Recovery Zone Economic Development Bonds) as a result of their refunding by the MICLA Lease Revenue Bonds, Series 2019-B (Real Property). The Proposed Budget includes a one-time, \$5M budget reduction to Refunding of Commercial Paper by structuring the MICLA 2020 Bonds, which are expected to be issued in August 2020, to have a single debt service payment in 2020-21, and amortizing the second debt service payment over the life of the bonds. The Proposed Budget also includes a one-time, \$5.5M budget reduction to MICLA 2016-B (refunding) by applying unexpended bond proceeds from the MICLA 2016-B Bonds to the November 2020 debt service payment.

Capital Improvement Expenditure Program: Existing policy recommends that the City annually budget one percent of General Fund revenue to fund capital or infrastructure improvements. For 2020-21, the General Fund revenues are projected to be \$6.7B, resulting in a one percent target of \$66.9M. The 2020-21 Proposed Budget provides \$8.9M from the General Fund for various municipal facilities projects in the Capital Improvement Expenditure Program (CIEP). An additional \$14.6M in General Fund appropriations is provided for Sidewalk Repairs and \$12.2M for the Pavement Preservation Program. The total General Fund amount allocated for capital and infrastructure improvements is \$35.7M or 0.53 percent.

Clean Water CIEP: \$313.1M 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. Current major capital projects include: construction of various collection system projects (\$127.1M); 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 Plant (\$7.9M); and development of an Advanced Wastewater Purification Facility at the Hyperion Water Reclamation Plant (\$13.8M).

Municipal Facilities CIEP: The total 2020-21 program cost for municipal facilities capital improvements is \$98.9M, consisting of \$7.8M in General Fund appropriations, \$2.9M in special fund appropriations, and \$88.3M in Municipal Improvement Corporation of Los Angeles (MICLA) for various projects.

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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.); the capital repair programs for the Public Works Building, Van Nuys Civic Center, and Public Safety Facilities operated by the Fire, Police and Animal Services departments; assessment and remediation of contaminated soil and other hazard mitigations for City-owned facilities; and, the establishment of new annual capital repair programs for El Pueblo, Cultural Affairs, and the Zoo departments.

In addition, the Proposed Budget includes funding for the following projects: infrastructure and capital repairs for Fire Department facilities that include the Operations Valley Bureau (\$2.3M), Fire Station 4 (\$0.8M) and installation of fire extractors (\$0.3M) to sanitize uniforms and equipment; investments in Yards and Shops facilities, including the Seventh Street Body Shop (\$2.8M) and Asphalt Plant operations and critical repairs for Bureau of Street Services sites; funding to initiate design on the Zoo's Vision Plan for redevelopment of the Zoo entryway, Sea Life Cliffs exhibit area, and parking flow reconfiguration to address safety concerns and enhance the vision experience (\$3.5M).

The Park and Recreational Sites and Facilities Fund will provide \$2.5M 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.

Physical Plant CIEP: The Proposed Budget includes \$32M in CIEP funding for Physical Plant projects. The Physical Plant CIEP includes stormwater, street, and street lighting projects. The Proposed Budget includes two flood control projects and eight water quality projects required by the Clean Water Act under the City Enhanced Watershed Management Program Funds totaling \$10.5M from the Measure W Local Return Fund (\$7.3M), the Stormwater Pollution Abatement Fund (\$0.9M), and the Road Maintenance and Rehabilitation Program Special (SB1) Fund (\$2.2M). The street-related improvement projects total \$20M from the General Fund (\$0.9M); Special Gas Tax Improvement Fund (\$0.5M), SB 1 (\$15.3M); Measure M Local Return Fund (\$3M), and Street Damage Restoration Fund (\$0.2M). The street lighting projects, including lighting at pedestrian crosswalks as part of the Vision Zero pedestrian safety program, total \$1.5M from the General Fund (\$0.2M), SB1 (\$0.8M), and Measure M Local Return Fund (\$0.5M).

MICLA Debt Issue: The Capital Finance Administration Fund includes \$240M for debt service cost for outstanding issuances to date. The Proposed Budget includes \$60M in MICLA Capital Equipment financing in 2020-21 for the purchase of Bureau of Sanitation Clean Streets Vehicles (\$1.4M), Bureau of Street Lighting Electric Vehicle Charging Stations (\$1.2M), Fire Department Vehicle Replacement (\$15M), GSD Vehicle and Equipment Replacement (\$15M), Police Vehicle Replacement (\$2M) and Transportation Signal Safety Project (\$15M), and other programs. Debt financing is also proposed for capital improvements for several municipal facilities, including the Asphalt Plant I (Phase II) (\$1M); Building Equipment Lifecycle Replacement (\$2.5M); Citywide Infrastructure Improvements (\$1M); Fire Station 4 Façade Improvements (\$0.8M); Operations Valley

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Bureau Facility Package (\$2.3M); Rancho Cienega Sports Complex (\$9.3M). Also included is Sixth Street Viaduct Replacement Project Supplemental Construction Funding (\$55.8M) and several projects at the Los Angeles Convention Center totaling \$3.8M.

Fire and Police Pension Fund (LAFPP): The City's 2020-21 contribution to LAFPP is \$752.2M, an increase of \$47.1M from the 2019-20 contribution. The increase in the LAFPP contribution is due to an increase in covered payroll. The contribution rate, as a percentage of salary, is 46.60 percent compared to 47.37 percent in 2019-20. The reduction in the contribution rate reflects the most recent LAFPP valuation, which assumed a rate of investment return of 7.25 percent. The decrease in the contribution rate is a result of a higher than expected rate of return, loss layers from the June 2004 valuation being fully amortized, lower than expected salary increases for active members, and a change in the Fire and Police Pension Plan provisions. This decrease was primarily offset by adjustments to mortality assumptions and further offset by lower than expected employee contributions and amortizing the prior year's unfunded actuarial accrued liability over smaller than expected payroll.

The Proposed Budget anticipates paying the entire LAFPP contribution in July 2020 through the use 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. The system's funded ratio, using actuarial value of assets, increased from 86.9 percent to 88.5 percent as of June 30, 2019.

Los Angeles City Employees' Retirement System (LACERS): The City's total 2020-21 contribution to LACERS is \$645.9M, a \$30.9M decrease from the budgeted 2019-20 contribution. This total includes \$113.2M in payments from Los Angeles World Airports (\$79.5M), Harbor (\$25.5M), LACERS (\$4.5M), and LAFPP (\$3.8M). The City's General Fund portion of the total amount to be paid to LACERS in 2020-21 is \$532.6M, a net \$26.6M General Fund decrease over the 2019-20 required contribution. The City's reduced contribution from 2019-20 is due to decreases in the contribution rates and the ratio of employees enrolled in Tier 1 versus Tier 3, as well as a one-time true-up credit. Specifically, the 2020-21 budget is inclusive of a one-time \$46.1M credit to the General Fund from the 2019-20 true-up adjustment.

The Proposed Budget anticipates paying the entire General Fund portion of the contribution in July 2020 through the use of Tax and Revenue Anticipation Notes (TRANs), which will generate a 3.3 percent discount to the City (\$18.7M). Expressed as a percentage of the City's budgeted payroll, the Tier 1 contribution rate has decreased from 29.89 percent in 2019-20 to 29.43 percent in 2020-21; Tier 3 contribution as a percentage of salary has been decreased from 27.70 percent to 27.45 percent. These rates include the enhanced benefit cost for Airport Peace Officers who remained in LACERS, which is borne exclusively by the Department of Airports. The final contribution obligation for all other agencies has been adjusted accordingly to apply the full cost to the Department of Airports. Further, these rates reflect recent demographic assumption changes adopted by the LACERS Board in 2019, including revised mortality tables.

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Outside Counsel Expenditures: The 2020-21 Proposed Budget provides \$1.5M in the Unappropriated Balance for City Attorney Outside Counsel contracts for both general litigation and Worker's Compensation, which is level funding from the 2019-20 Adopted Budget. The funding will be transferred to the City Attorney budget throughout the fiscal year as needed, subject to the approval of the Mayor and Council.

Judgment Obligation Bonds: The 2019-20 Adopted Budget allocated \$6.5M to pay debt service for Judgment Obligation Bonds issued to finance liabilities resulting from adverse decisions made by the California courts for the May Day Settlement. The 2020-21 Proposed Budget does not include an allocation for Judgment Obligation Bonds debt service, as a final payment for the May Day settlement will be made on June 1, 2020.

City Ethics Commission – Matching Campaign Funds Trust Fund: The Proposed Budget appropriates \$3.4M to the City Ethics Commission Public Matching Campaign Fund. The amount is a \$0.06M (1.9 percent) increase from 2019-20. The Proposed 2020-21 appropriation, combined with the projected cash balance from 2019-20, would provide a total fund balance of \$21.5M, 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.

Innovation Fund: The Proposed Budget allocates \$1.2M to the Innovation Fund, similar to the 2019-20 Adopted Budget allocation. The Innovation Fund has an unallocated balance of \$0.3M, which will rollover for use during 2020-21.