

BUDGET AND FINANCE COMMITTEE REPORT relative to the Second Financial Status Report (FSR) for Fiscal Year (FY) 2013-14.

Recommendations for Council action, **SUBJECT TO THE APPROVAL OF THE MAYOR:**

1. APPROPRIATE \$5,986,190.05 to the Department accounts as specified in Attachment 4 of the City Administrative Officer (CAO) report dated December 12, 2013, attached to the Council file.
2. TRANSFER \$7,447,581.81 between accounts within various departments and funds as specified in Attachment 5.
3. TRANSFER \$8,336,311.91 between various departments and funds as specified in Attachment 6.
4. APPROPRIATE \$19,480,000 from the Unappropriated Balance to various departments and funds as specified in Attachment 7.
5. AUTHORIZE the Controller to disencumber \$97,098.92 (GAE C013107276M and GAE C013092905M) and revert the same amount to the Reserve Fund and reappropriate therefrom to the Office of Finance Fund No. 100/39, Account 004040, Bank Fees.
6. DEFER action and REFER back to Budget and Finance Committee, Recommendation No. 6 of the CAO report that would instruct the Fire Chief to immediately discontinue the unfunded Ambulance Augmentation Plan to generate savings through the remainder of the fiscal year to partially offset the Fire Department's \$13.2 million year-end deficit, and that would further instruct the Los Angeles Fire Department (LAFD) to report back with other operational changes by the Mid-Year FSR to offset any remaining year-end deficits within the department, in order to provide the Fire Chief and the City Council the opportunity to review the the third-party consultant's report analyzing departmental operations.
7. INSTRUCT the Department of General Services to report back by the Mid-Year FSR with a plan for offsetting the deficit in the Field Equipment Expense account.
8. Relative to Housing and Community Investment Department Lead Grants approved by the Council pursuant to Council file no. 10-1140-S2:
 - a. Transfer \$8,700 for Contract No. C-121153 Healthy Homes Collaborative from the Lead Grant 10 Fund No. 54S/43 to the Lead Grant 9 Fund No. 53Q/43 to align the expenditures to grant sources pursuant to C.F. 10-1140-82.
 - b. Authorize the Controller to transfer expenditures in an amount not to exceed \$8,700 from the Lead Grant Fund No. 54S/43, Lead Hazard Reduction Direct,

Account No. 43J402, to the Lead Grant 9 Fund No. 53Q/43, Lead Hazard Reduction Direct, Account No. 45G902, upon proper demand of the General Manager of the Housing and Community Investment Department.

9. Relative to Housing and Community Investment Department grant reimbursements:

a. Establish and appropriate \$108,315 to new Account No. 43K022, CDD Prior Year, within Community Service Block Grant Fund No. 428/43 to reimburse Community Development Department administration expenses incurred in 2012-13.

b. Transfer up to \$746.52 from Account No. 22J299, Reimbursement of General Fund Costs, to Account No. 22K022, CDD Prior Year, within the ARRA-Energy Efficiency and Conservation Block Grant Fund No. 51S/22 to reimburse expenses incurred in 2012-13.

10. INSTRUCT the Chief of Police to pay down \$15,000,000 in banked sworn overtime based on a plan to be developed by department management, in consultation with the CAO, by March 1, 2014.

11. AUTHORIZE the Controller to reappropriate \$410,000 from the Measure R Local Return Fund 51Q/94, Account No. 94J186 to the following appropriation accounts in Bureau of Street Services Fund No. 100/86 for the Second Street Tunnel Ventilation Fan Replacement Project per C.F. No. 12-0600-S170:

<u>Account</u>	<u>Title</u>	<u>Amount</u>
001010	Salaries, General	\$20,000
001090	Salaries, Overtime	20,000
003030	Construction Expense	10,000
003040	Contractual Services	350,000
006020	Operating Supplies	<u>10,000</u>
	Total	\$410,000

12. AUTHORIZE the Controller to reappropriate \$240,000 from the Measure R Local Return Fund 51Q/94, Account No. 94J186 to the following appropriation accounts in Bureau of Street Services Fund No. 100/86 for the Third Street Tunnel Ventilation Fan Replacement Project per C.F. No. 12-0600-S170:

<u>Account</u>	<u>Title</u>	<u>Amount</u>
001010	Salaries, General	\$10,000
001090	Salaries, Overtime	10,000
003030	Construction Expense	10,000

003040	Contractual Services	200,000
006020	Operating Supplies	<u>10,000</u>
		\$240,000

13. AUTHORIZE the Controller to reappropriate \$410,000 from the Measure.R Local Return Fund 51Q/94, Account No. 94J186 to the following appropriation accounts in Bureau of Street Services, Fund No. 100/86 for the Sherman Way Tunnel Ventilation Fan Replacement Project per C.F. No. 12-0600-S170:

<u>Account</u>	<u>Title</u>	<u>Amount</u>
001010	Salaries, General	\$20,000
001090	Salaries, Overtime	20,000
003030	Construction Expense	10,000
003040	Contractual Services	350,000
006020	Operating Supplies	<u>10,000</u>
	Total	\$410,000

14. INSTRUCT the Department of Transportation to report back by the mid-year with a plan for offsetting the salaries deficit which is attributed to anticipated salary adjustments slated for January 2014.
15. AUTHORIZE the CAO to make technical corrections as necessary to those transactions included in this report to implement Mayor and Council intentions.
16. INSTRUCT the LAFD to report with an update on the status of AB678 funds for ambulance transport reimbursements summarizing all actions taken including the reimbursement amounts received and details on the costs determined to be eligible or not eligible for reimbursement.
17. INSTRUCT the LAFD and CAO to report to Executive Employee Relations Committee (EERC) relative to the meet-and-confer issue regarding the 40-hour work week for sworn personnel for the Fire Dispatch Center staffing plan which is now at impasse.
18. INSTRUCT the Los Angeles Department of Transportation (LADOT) to report on the history of the Gas Tax and revenue trends over the last two years, and report in detail on the need for Gas Tax funds to reduce a backlog in signage services.
19. INSTRUCT the CAO and LAPD to report with a comprehensive review of options, including both financing and labor components, for a long-term strategy to reduce the future liability of compensated time off accrued by Police Officers.
20. INSTRUCT the Personnel Department to report at Council relative to the number of police candidates tested per month over the last two years.

21. INSTRUCT the LAPD to report relative to the correlation between the number of police officers hired and the number of officers deployed.

Fiscal Impact Statement: The CAO reports that approximately \$24 million in expenditure shortfalls and major unbudgeted expenses are identified in this report. The recommendations in this report reduce the deficit to approximately \$15.58 million. Transfers, appropriations and other adjustments totaling approximately \$42.35 million are recommended in Sections 1 and 2. Included in these recommendations are appropriations of approximately \$19.48 million from the Unappropriated Balance for the following: \$15 million from the Police Overtime line item to partially pay down banked sworn overtime, \$500,000 from the Fire-Third Party Review of Resource Deployment line item for a third party review of the Fire Department's deployment of resources, and \$3.98 million from the Reserve for Economic Uncertainties line item to the City Attorney for unfunded salary adjustments and Neighborhood Prosecutor Program. No adjustment to budgeted revenue is recommended at this time.

Community Impact Statement: None submitted.

Summary

At its meeting of December 16, 2013, the Budget and Finance Committee considered the CAO's Second FSR dated December 12, 2013. The Second FSR provides an update on the current-year budget deficit, revenue shortfall and reserve fund status, and it highlights current issues of concern and the potential impact to the City. In addition, it provides an update on department revenues and expenditures, which includes recommendations totaling approximately \$42.35 million for appropriations, transfers and other budgetary adjustments, and status reports on the City's spending and savings efforts. The Second FSR, attached to the Council file, includes a thorough discussion of the CAO's recommendations and other budget related items.

During discussion of this matter, a CAO representative presented an overview of the Second FSR and responded to related questions from Committee members. The Committee Chair stated that in order to provide the Fire Chief and the City Council the opportunity to review the the third-party consultant's report analyzing LAFD operations, action would be deferred on CAO recommendation no. 6 relative to discontinuing the unfunded Ambulance Augmentation Plan. Discussion continued with department representatives from City Clerk, General Services, LAFD, LADOT, and LAPD responding to questions relative to their respective departments. A representative from LADOT requested a fund transfer within the Gas Tax Fund to address a backlog in signage services. The Committee recommended holding the request in Committee until LADOT submitted a written report with additional details as identified in recommendation no. 18 above.

After further consideration and having provided an opportunity for public comment, the Budget and Finance Committee recommended to defer action on CAO recommendation no. 6, approve the remaining CAO recommendations, and add the amendments and instructions as reflected above. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE

MEMBER	VOTE
KREKORIAN:	YES
ENGLANDER:	YES
KORETZ:	ABSENT
BLUMENFIELD:	YES
BONIN:	ABSENT

-NOT OFFICIAL UNTIL COUNCIL ACTS-