

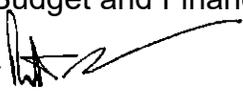
REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 1, 2022

CAO File No. 0590-00098-5238
Council File No. 22-0600
Council District: ALL

To: Eric Garcetti, Mayor
Paul Krekorian, Council President and Chair, Budget and Finance Committee

From: Matthew W. Szabo, City Administrative Officer 

Reference: 2022-23 Budget

Subject: **SECOND FINANCIAL STATUS REPORT**

SUMMARY

This Office is transmitting the Second Financial Status Report (FSR) for Fiscal Year 2022-23. This report provides an update on the current-year budget including projected departmental and non-departmental expenditures, the status of the Reserve Fund, updates on the American Rescue Plan Act (ARPA), revenue projections for 2022-23, and a discussion on issues of concern which may impact the City's finances.

A third of the way through our first fiscal year following the COVID-19 pandemic, the overall economic fiscal outlook remains unchanged from the First FSR. As noted in the report, while revenues have stabilized, the impact of inflation and the Federal Reserve's ongoing strategy to combat it via interest rate hikes may very well lead towards a recession. As such, the City's previously forecasted economic growth will require adjustments as work begins on the budget development for 2023-24. At this point, with only four months of revenue data for the current fiscal year, it is too early to project year-end revenue. Nonetheless, there are areas of risk that we have noted in this report.

General Fund revenues through October are \$37 million above plan, which is primarily due to above plan receipts from property, utility users, business, and transient occupancy taxes, departmental receipts, and franchise income offset by increasing shortfalls in documentary transfer tax and parking citation receipts. Documentary transfer tax receipts and other economically sensitive revenues continue to face increasing downside risk due to declining sales volumes and overall economic contraction.

We have identified \$88.85 million in expenditures above plan in the current year, which we continue to believe is manageable. The largest over-expenditures are due to delays in the Human Resources Payroll (HRP) project and Fire Department unbudgeted sworn salary payouts, unbudgeted contract obligations, increased fleet maintenance and repair costs, one-time budget reductions, increased staff overtime, and increased retirement sick payout obligations. There are also significant over-expenditures related to increased fuel and utilities costs for the General Services Department. We

continue to track increased departmental costs from inflationary pressures on fuel, materials, and other commodity prices. Most of these departments did not report significant changes from the First FSR and continue to project the ability to use savings in other accounts to address overspending attributed to inflation. We will continue to monitor these pressures and provide updates in future FSRs.

Departments will also incur costs to pay for employee contract reopeners that the City completed after the adoption of the 2022-23 Budget. The Budget includes funding in the Unappropriated Balance, Department Payroll Reconciliation Account, for this purpose. Due to the high vacancy rates in many departments, however, a portion of this account may become available to address other overspending that departments cannot absorb. This report recommends \$7.32 million in solutions to partially address the projected budget gap and identifies \$81.53 million in potential future actions to address the projected remaining budget gap.

In this report, we continue to identify the same two issues of concerns discussed in the First FSR; the delayed HRP project and the potential costs associated with the Tentative Agreement with the Coalition of City Unions. Other department specific issues are noted within the department section of this report.

The Reserve Fund balance is \$527.70 million or 7.09 percent of 2022-23 General Fund revenue, after accounting for transactions approved since July 1. While this balance remains above the five percent Reserve Fund policy, the overspending identified in this report, the impact of inflation on City operational costs, and the risk of economic downturn may require the use of the Reserve Fund. We continue to recommend that the City take a cautious approach to using the Reserve Fund and refrain from using the Reserve Fund to fund new programs, program expansions, and service restorations at this time.

American Rescue Plan Act – State and Local Fiscal Recovery Funds No Recommendation

On March 11, 2021, President Biden signed the American Rescue Plan Act (ARPA) into law establishing the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund (SLFRF). The intent of these funds is to provide support to state, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses.

The SLFRF provided the City with approximately \$1.28 billion in recovery funds. On May 18, 2021, the City received the first tranche of SLFRF totaling \$639,450,464. The City moved the first tranche of SLFRF funding into the General Fund revenue, which allowed the City to balance the 2020-21 General Fund budget without drawing on reserves or deficit borrowing. The City received the second tranche of SLFRF of \$639,450,464 on June 3, 2022. The 2021-22 Budget also treated those funds as General Fund revenue.

The CAO is responsible for administering the SLFRF funds and for preparing all required reports for the U.S. Treasury on behalf of the City. This Office submitted the fourth quarterly Project and

Expenditures Report by the October 31, 2022, due date. The purpose of this report is to identify actual and obligated spending. In the report, the CAO identified eligible spending of approximately \$15 million from July 1, 2022 through September 30, 2022 and total spending of approximately \$991 million to date.

General Fund Revenue

Attachment 1 – 2022-23 Adopted General Fund Revenue

Key Findings

- *Actual 2022-23 revenue through October is \$1.31 billion, \$37.0 million above the adopted plan of \$1.27 billion. Receipts-to-date represent 17.6 percent of the General Fund revenue budget of \$7.45 billion and are 5.2 percent above General Fund receipts of \$1.25 billion recorded for the same period last year.*
- *Higher-than-planned receipts from property, utility users, business and transient occupancy taxes, departmental receipts, and franchise income are offsetting the increasing shortfalls in documentary transfer tax and parking citation receipts (-\$22.9 million and -\$7.4 million respectively). The net \$37.0 million surplus for total General Fund receipts includes \$21.0 million in departmental receipts that require interim appropriations and \$3.2 million in interest earnings that may be due to special funds.*
- *Documentary transfer tax trends highlight a significant risk to year-end receipts due to the multiplying impact of declining sales volume, which at present exceeds the decline assumed in the adopted estimate, and decreasing prices, which face downward pressure from increased mortgage rates. While receipts-to-date reflect minimal price appreciation and a modest decline in sales, the California Association of Realtors' (CAR) October forecast predicts a 7.2 percent decline in sales and an 8.8 percent decrease in prices for 2023, which would result in increasing monthly shortfalls.*
- *Other economically-sensitive revenues face increasing recessionary risk as the economy contracts under the Federal Reserve's efforts to control inflation, with an additional rate hike anticipated in December. The increasing probability of recession, the Ukraine conflict, global supply chain issues, and energy costs also contribute to downward economic pressures.*
- *The adopted revenue budget for property tax uses 6.0 percent growth in assessed valuations, which the County Assessor has since revised to 7.0 percent for the City. The difference would point to a positive outlook for property tax receipts. With the forecasted a real estate market decline, continuing high inflation, and the possibility of recession, however, there are increasing downside risks to all categories of property tax receipts. Specifically, financial pressures arising from an economic slowdown may increase delinquent tax payments for secured and unsecured receipts, while a decline in the real estate market would reduce supplemental property tax receipts and increase requests for reduced tax assessments.*

- *With only four months of revenue data, it is too early to project year-end revenue. Current year property tax receipts only represent 6 percent of the property tax budget and the first remittance of secured receipts for the next property tax year will not occur until December 2022. Further, 85 percent of business tax receipts are received after January 1.*

2022-23 General Fund Revenue and Variance through October
(Thousand dollars)

	Adopted 2022-23 Budget	Plan through October	Receipts through October	Receipts as Percent of Budget	Variance of Receipts from Plan
Property Tax	\$2,535,005	\$138,192	\$151,781	6.0%	\$13,589
Property Tax Ex-CRA Inc.	153,800	-	-	-	-
Department receipts	1,272,944	283,276	304,265	23.9%	20,989
Business Tax	786,900	72,380	75,468	9.6%	3,088
Sales Tax	704,760	241,790	242,150	34.4%	360
Utility Users' Tax	614,100	211,010	223,348	36.4%	12,338
Documentary Transfer Tax	298,540	108,010	85,080	28.5%	(22,930)
Transient Occupancy Tax	263,220	86,030	93,218	35.4%	7,188
Power Revenue Transfer	229,721	-	-	-	-
Parking Fines	130,000	43,510	36,115	27.8%	(7,395)
Grant Receipts	122,083	4,038	2,406	2.0%	(1,632)
Franchise Income	119,831	24,871	31,884	26.6%	7,013
Parking Occupancy Tax	111,270	37,750	38,314	34.4%	564
Interest Income	36,610	21,640	24,884	68.0%	3,244
Special Parking Revenue Transfer	30,426	-	-	-	-
Reserve Fund Transfer	16,648	-	-	-	-
Tobacco Settlement	11,489	-	-	-	-
Residential Development Tax	4,800	1,600	2,157	44.9%	557
State Motor Vehicle License Fees	3,900	-	-	-	-
Total General Fund	\$7,446,048	\$1,274,097	\$1,311,069	17.6%	\$36,972

Property taxes: Property tax receipts through October are unchanged from September and represent remittances from the prior tax period. Across all categories, including offsetting refunds, receipts are \$13.6 million ahead of plan. While not reflected in our totals through October, this surplus is reduced to \$9.0 million with the November remittance, which is below plan by \$4.6 million due to higher refunds and lower secured and supplemental receipts. The County Assessor's forecasted growth for the City's assessed value for the next tax period (beginning December 2022) is 7.0 percent compared to 6.0 percent assumed in the adopted budget. Actual growth may be lower if refunds increase or supplemental assessments fall short of budgeted assumptions.

Department receipts: Departmental receipts through October total \$304.3 million, which is \$21.0 million above the adopted plan. General Fund related costs and other reimbursements (-\$14.6

million), reimbursements from proprietary departments (-\$3.6 million) and MTA reimbursements (\$1.3 million) are lower than anticipated, primarily due to delayed remittances. Offsetting these shortfalls are receipts from ambulance billings (\$9.6 million), various fees and other revenue (\$20.9 million), and reimbursements for General City Purposes Project Room Key (PRK) costs (\$10.0 million). Approximately \$20.1 million of receipts to date represent interim approved and pending appropriations that were not included in the adopted budget.

Business tax: Business tax receipts are \$3.1 million above plan with \$12.6 million in surplus receipts from non-cannabis activity offsetting a \$9.5 million shortfall from cannabis activity (based on LATAX receipts). Monthly tax period receipts from cannabis activity have been slowly decreasing from its pandemic peak, with the twelve-month period ending October down 8.9 percent from the prior year. Cannabis-related receipts may decrease further in the new calendar year with State excise tax collection shifting from the point of distribution to the point of sale, effectively reducing taxable gross receipts.

Approximately 85 percent of business tax revenue will be recorded in the second half of the fiscal year, occurring with the 2023 business tax renewal period for non-cannabis activity.

Utility users tax: Total receipts through October are \$12.3 million above plan and are attributed to electric users tax (EUT) and gas users tax (\$5.9 million and \$6.7 million, respectively).

Documentary transfer tax: Receipts through October are \$22.9 million below plan due to the continuing decline in property sales (based on the number of deeds recorded) which has exceeded the assumptions of the adopted budget (-9.9 percent vs -5.2 percent). Increasing sales price (based on the revenue per deed) has minimized the reduction to monthly receipts. The anticipated November remittance will increase the tax shortfall to \$32.5 million, due to a 13.7 percent drop in annual sales volume. Average sales price growth, though still positive, has been less than 1.0 percent for the past three months, signaling the end of price appreciation. The Case-Shiller index for the Los Angeles-Orange County region indicates that price declines for single family homes began as early as May.

When sales volume and price components grow (or decline) together, the multiplying impact will significantly increase the variance in receipts. With increasing mortgage interest rates driving home prices lower there is significant downside risk to year-end receipts.

Transient occupancy tax (TOT): TOT revenue through October is \$7.2 million above plan, which is a decline from September's reported surplus of \$15.8 million. Total receipts are 57.3 percent higher when compared to the same period in 2021-22. Surplus revenue of \$8.3 million from hotel activity is offsetting a shortfall of \$1.1 million in short-term rental remittances.

Parking fines: The October shortfall has increased to \$7.4 million from the \$5.7 million shortfall reported for receipts through September.

Grant receipts: Receipts from grant revenue through October are \$2.4 million, which is approximately \$1.6 million below the budgeted plan due to delays in direct and related cost

reimbursements from various departments. The total grant budget includes \$104.9 million in FEMA reimbursements for COVID-19 response efforts, the timing of which is challenging to predict.

Franchise income: Total franchise receipts through October are \$7.0 million above plan, with surpluses reflected in every category.

Other receipts: Sales and parking occupancy tax receipts through October are near plan; surpluses were previously reported for both categories in September. Monthly receipts from residential development fees and interest income are variable, and thus respective surpluses of \$557,000 and \$3.2 million are unremarkable. Receipts from other revenue sources are not anticipated until the latter-half of the fiscal year.

Expenditures

Key Findings/Recommendations

- *This Office has identified approximately \$88.85 million in projected overspending and unfunded items across various departments and funds.*
- *The recommendations in this FSR address \$7.32 million of this overspending leaving \$81.53 million to be addressed. This Office has identified anticipated future actions that would fully address the remaining overspending.*

Based on expenditure data through the end of October 2022, this Office has identified \$88.85 million in projected overspending and unfunded items across various departments and funds. This amount is largely attributed to over-expenditures in the Fire (\$21.84 million) and General Services (\$16.72 million) departments, and costs associated with delayed implementation of the HRP Project (\$30 million). For most departments, we project year-end surpluses attributed to salary savings and vacancies.

The year-end overspending is detailed in Table 2 to follow and is mostly attributed to the following categories:

- Projected overspending of \$21.84 million in the Fire Department primarily due to unbudgeted salary payouts, increased retirement sick payout liabilities, civilian overtime for fire life safety inspections and to maximize fleet availability, increased need for sworn overtime, unbudgeted contract obligations, and increased fleet maintenance and repair costs.
- Projected overspending of \$16.72 million in the General Services Department primarily due to increased fuel and energy costs, higher projected need for hiring hall staff, and increased overtime due to Fleet Services vacancies.

- Projected overspending totaling \$20.16 million in various departments and funds for increased staff overtime, projected ineligible grant costs, outside counsel costs, graffiti abatement costs, increased benefits and premiums for employee benefits, increased Medicare contributions, higher than budgeted costs for the June 2022 election, and the unanticipated special election for Council District 6.
- Increased project costs of \$30 million due to delays in the implementation of the HRP Project.

(See Table 2 on next page)

Table 2. Second FSR Projected Overspending/Unfunded Expenditures (in Millions)				
Departmental and Non-Departmental Overspending				
Department	First FSR	Change	Second FSR	Reason
Animal Services	\$ 0.22	\$ (0.22)	\$ -	Overspending resolved due to increased salary savings from vacancies fully offsetting overtime overspending.
City Attorney	4.96	\$ 0.31	5.27	Overspending increase is due to increased projected litigation expenses.
Fire	19.70	\$ 2.14	21.84	Overspending increase is due to a projected increase in expenditures from the Constant Staffing Overtime Account.
General Services	11.51	\$ 5.21	16.72	Overspending increase is primarily due to increased projected Petroleum Product expenditures due to higher fuel costs.
Housing	2.45	\$ (0.76)	1.69	Overspending decrease is due to an increase in eligible CDBG Program Delivery staff expenditures that no longer count as CDBG administrative expenditures.
Board of Public Works	1.31	\$ 0.06	1.37	Overspending increase is due to a projected decrease in offsetting salary savings.
Bureau of Street Services	0.03	\$ -	0.03	Overspending is due to increased staff travel, contract costs for the installation and upgrade of transit shelters, inflationary pressures on contract hauling costs, materials costs, and waste hauler fees, increased staff overtime to maintain staffing levels due to vacancies, and increased use of hiring hall staff to complete sidewalk repair and transportation projects.
Non-Departmental				
General City Purposes	2.55	\$ (0.39)	2.16	Overspending decrease is due to transactions approved in the First FSR.
Human Resources Benefits	5.35	\$ 0.54	5.89	Overspending increase due to increased Police health care costs due to increased health subsidy amounts in approved agreements with MOUs 24 and 25 (C.F. 12-0653-S1 and 14-1763-S2).
Human Resources and Payroll Project	30.00	\$ -	30.00	Overspending is due to delays in the configuration of the payroll module and costs to maintain the current payroll system.
Election Costs	-	\$ 3.88	3.88	New overspending is due to the costs associated with the unanticipated special election for Council District 6 and higher than budgeted costs for the June 2022 election.
Total Year-End Overspending	\$ 78.08	\$ 10.77	\$ 88.85	

Current Year Budget Balancing

As noted in Table 3 below, the recommendations in this report are expected to reduce the year-end overspending from \$88.85 million to \$81.53 million. This Office has identified potential future actions totaling \$81.53 million, which could fully address the remaining year-end overspending. To the extent possible, departments will be required to absorb or manage remaining costs within existing funds.

Table 3. 2022-23 Budget Balancing Solutions		
Second FSR Overspending	\$ (88.85)	
Second FSR Recommendations		
UB - County Election Expenses - November 2022	\$ 0.13	Transfer to the City Clerk for higher than projected costs for the June 2022 primary election.
UB - Reserve for Mid-Year Adjustments	4.50	Transfer to the General Services Department to address Petroleum Products Account overspending.
Reappropriation of Prior-Year Funds	1.50	Reappropriation of prior-year Petroleum Products Account funds to address current year overspending.
Reappropriation of Prior Year Funds	1.19	Reappropriation of prior-year Utilities Account funds to address current year overspending.
Subtotal	\$ 7.32	
Potential Future Actions		
UB - Reserve for Mid-Year Adjustments	14.01	Transfer to partially address Citywide overspending.
UB - Reserve for Mid-Year Adjustments	3.75	Transfer to address overspending related to the unanticipated Council District 6 special election.
UB - Graffiti Abatement Strike Teams	1.37	Anticipated transfer to the Board of Public Works to address Graffiti Abatement Strike Team Costs. The Board of Public Works will report to Council separately on costs for this program.
UB - Department Payroll Reconciliation	32.40	Transfer to partially address Citywide overspending.
Reserve Fund	30.00	Anticipated transfer to address HRP overspending.
Subtotal	\$ 81.53	
Year-End Overspending	\$ -	

City Reserves

Key Findings/Recommendations

- The City maintains budgetary reserves designed to help manage its risks and ensure sufficient resources to meet contingencies. The City's reserves total \$738.11 million or 9.91 percent of the total 2022-23 General Fund revenue.

Reserves	Balance (In Millions)	%	Purpose
UB, 2022-23 Reserve for Mid-Year Adjustments account	\$ 17.76	0.24%	Available to address shortfalls that may arise throughout the year.
Reserve Fund	527.70	7.09%	Preserved for the most critical needs and matters of urgent economic necessity; not to be used for ongoing expenses.
Budget Stabilization Fund	192.65	2.59%	Restricted for the maintenance of service levels during years of slow growth and declining revenue.
Total Reserves	\$ 738.11	9.91%	

Unappropriated Balance, 2022-23 Reserve for Mid-Year Adjustments

The 2022-23 Adopted Budget included \$24.30 million in the UB, Reserve for Mid-Year Adjustments Account. The City should use this account prior to the other reserves to address issues that arise throughout the year. The First FSR included transfers totaling \$2.04 million from the UB, Reserve for Mid-Year Adjustments Account resulting in a balance of \$22.26 million.

As of November 28, 2022, there have been no interim transfers from this account since the First FSR, although there are proposed transfers of \$0.40 million to the Animal Services Department and \$0.15 million to the City Clerk that Council is currently scheduled to consider on December 2, 2022. This report includes a transfer of \$4.50 million from this account to the General Services Department, resulting in a balance of \$17.76 million. A transfer of \$3.75 million is anticipated for future overspending related to the unbudgeted special election.

Reserve Fund Attachment 2 – Current Status of Reserve Fund

After accounting for transactions approved since July 1, the Reserve Fund balance is \$527.70 million, which consists of \$204.77 million in the Emergency Reserve and \$322.93 million in the Contingency Reserve.

This balance represents 7.09 percent of the General Fund budget, which is above the five percent Reserve Fund policy. This report presents current year anticipated overspending and revenue risks that may require the use of the Reserve Fund if the City is not able to identify other solutions. Additionally, this Office is aware of internal and external factors that may also require the use of the Reserve Fund, including any current fiscal impact of ongoing negotiations with employee unions and the further delay of the Human Resources and Payroll (HRP) project. In light of these potential uses, coupled with inflationary pressure on City costs and the risk of a recession, this Office recommends maintaining a cautious approach with the Reserve Fund. Specifically, the City should refrain from using the Reserve Fund to fund new programs, program expansions, and service restorations at this time.

Budget Stabilization Fund

To supplement the Reserve Fund, the City established the Budget Stabilization Fund (BSF) as part of the 2008-09 Budget to prevent overspending during prosperous years and to provide resources to help maintain service levels during lean years. The current balance in the Budget Stabilization Fund is \$192.65 million.

Issues of Concern

Key Findings/Recommendations

- *Additional internal and external factors that may have an impact on the City include costs associated with employee union negotiations and the fiscal impact from the delayed implementation of the HRP Project.*

Employee Union Negotiations - Coalition Tentative Agreement

The memoranda of understanding (MOUs) between the City and the various employee bargaining units that are part of the Coalition of City Unions (Coalition) expire in December. This Office has negotiated Tentative Agreements (TAs) with the Coalition. All bargaining units have ratified the TAs, except the International Union of Operating Engineers Local 501, which affirmatively rejected the TA. We have not included the cost associated with the TAs in the projections in this FSR. The 2022-23 Adopted Budget includes funding in the Unappropriated Balance, Department Payroll Reconciliation Account to address the costs associated with reopeners that the City executed following the adoption of the 2022-23 Budget. Based on Citywide vacancy rates and projected salary expenditures, however, this Office projects that departments will be able to absorb a portion of the cost associated with the reopeners increases, leaving a balance that may be able to offset

the cost of the new Coalition TAs. This Office will report in future FSRs with updates on the impact of the Coalition TAs.

Human Resources and Payroll

In the First FSR, this Office raised as an issue of concern, the delay to the HRP project and potential financial impact resulting from this delay. As noted in the First FSR, Phase 2 will not be ready for go-live in the current fiscal year. Furthermore, the cost associated with this delay is approximately \$30 million based on an estimated go-live date of December 2023.

On October 31, 2022, the Information Technology Agency (ITA), on behalf of the HRP Steering Committee, released a report to the Information Technology Oversight Committee (ITOC) regarding the obstacle facing the HRP Phase 2 implementation. In addition, this report requested authority to negotiate and execute various contract amendments with the vendor, Workday, and other consultants assisting in the implementation of the HRP. Finally, a request for \$30 million to be transferred from the Reserve Fund to the UB in an account earmarked for Human Resources and Payroll System Contingency was made to provide the necessary funding for the various contract amendments including for quality assurance, and to purchase hardware and software needed to stabilize the current payroll system. These recommendations were approved by the Personnel, Audits, and Animal Welfare Committee on November 29, 2022 and the report has now been transmitted to the Budget and Finance Committee.

Budgetary Adjustments

Budgetary adjustments totaling approximately \$41.12 million are recommended in Sections 1 and 2 of this report which include:

- \$1.28 million in new appropriations;
- \$14.74 million for transfers between accounts within various departments and funds;
- \$4.93 million for transfers between various departments and funds;
- \$17.48 million in appropriations from the Unappropriated Balance;
- \$2.69 million in General Fund appropriations

Attachments

- 1 2022-23 Adopted General Fund Revenue
- 2 Current Status of Reserve Fund
- 3 New Appropriations
- 4 Transfers between Accounts within Departments and Funds
- 5 Transfers between Departments and Funds
- 6 Appropriations from the Unappropriated Balance
- 7A Status of the Unappropriated Balance-General Account
- 7B Status of the Unappropriated Balance-Reserve for Mid-Year Adjustments
- 7C Status of the Unappropriated Balance-non-General Account
- 8 Status of Liability Claims Account

RECOMMENDATIONS

(Refer to Discussion Sections 1 and 2)

That the Council, subject to approve of the Mayor:

1. Appropriate \$1,280,000 to various department and fund accounts as specified in Attachment 3;
2. Transfer \$14,744,854.00 between accounts within various departments and funds as specified in Attachment 4;
3. Transfer \$4,926,028.58 between various department and funds as specified in Attachment 5;
4. Transfer \$17,481,951.00 from the Unappropriated Balance to various departments and funds as specified in Attachment 6;

General Services

5. Authorize the Controller to disencumber up to \$1.5 million in 2021-22 funds within General Services Fund No. 100/40, Petroleum Products Account No. 003230, process the early reversion of the disencumbered amount to the Reserve Fund No. 101/62, subsequently transfer the amount to the Unappropriated Balance, and appropriate therefrom to the General Services Fund No. 100/40, Petroleum Products Account No. 003230 to ensure sufficient funding for the purchase of petroleum products through April 2023.
6. Authorize the Controller to disencumber up to \$1.19 million in 2020-21 and 2021-22 funds within General Services Fund No. 100/40, Utilities Account No. 003330, process the early reversion of the disencumbered amount to the Reserve Fund No. 101/62, subsequently transfer the amount to the Unappropriated Balance, and appropriate therefrom to the General Services Fund No. 100/40, Utilities Account No. 003330 to ensure sufficient funding for the purchase of petroleum products through April 2023.

Technical

7. Authorize the CAO to make technical corrections as necessary to those transactions included in this report to implement Mayor and Council intentions.

FISCAL IMPACT STATEMENT

A total of \$88.85 million in projected over-expenditures are identified in the Second Financial Status Report. Transfers, appropriations, and other budgetary adjustments totaling approximately \$41.12 million are recommended in Sections 1 and 2 of this report. This includes \$4.5 million in transfers from the Unappropriated Balance Reserve for Mid-Year Adjustments Account.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies as the recommended transactions use current revenues and balances to pay for current operations.

DISCUSSION

In preparation of this report, this Office has performed an analysis of all departments and funds in an effort to identify spending, revenue, or any other issues of concern. Generally, we base our analysis on data through October 31, 2022. As is typically the case for the Second FSR, however, this report only includes a detailed narrative for departments and funds if this Office has identified:

- An issue of concern related to the department or fund in the First FSR.
- Overspending, either in the First or Second FSR.
- A significant change from the First FSR to the Second FSR that introduces a new financial concern.
- An urgent transaction that this Office recommends that the City Council and Mayor approve at this time.

The following departments did not fit into any of these criteria and we did not include them in the narratives below:

- Cannabis
- City Administrative Officer
- Controller
- City Tourism
- City Planning
- Community Investment for Families
- Cultural Affairs
- Disability
- Economic and Workforce Development
- Emergency Management
- Employee Relations Board
- Ethics
- Finance
- Mayor
- Neighborhood Empowerment
- Personnel
- Police
- Public Accountability
- Public Works, Bureau of Contract Administration
- Public Works, Bureau of Engineering
- Public Works, Bureau of Street Lighting
- Transportation
- Youth Development
- Zoo

The following is a discussion regarding the recommendations included in the report and other budget related items. The discussion is presented in the following sections:

Section 1. Status of Departmental Budgets 16

Section 2. Status of Non-Departmental Funds and Special Accounts 31

1. STATUS OF DEPARTMENTAL BUDGETS

This section addresses the status of department expenditures and revenues, presents projected year-end overspending, and highlights issues of concerns. Recommendations include new appropriations, special fund reappropriations, and transfers for operational needs.

**A. Aging
No Recommendation**

The Office predicts a year-end surplus of \$349,317 which is \$61,880 higher than previously reported in the First FSR due to delays in hiring. This surplus is comprised of \$119,970 General Fund surplus and a \$229,347 Special Fund surplus. The projected surplus is primarily in the Salaries General Account and is due to the Department’s 28 percent vacancy rate.

The Department anticipates meeting its General Fund revenue budget of \$257,792 by year end.

Unappropriated Balance, Continuation of Senior Meals Expansion Program

One-time funding of \$6 million was set aside in the UB for the continuation of the Senior Meals Expansion Program. These funds are in addition to the \$5.4 million that was re-appropriated from prior-year savings. The City Council authorized the Department to extend a current sole source contract with Everytable for meal and delivery services until a Request for Proposals (RFP) is released and the competitive bid process is completed (C.F. 22-0080). The RFP was released on November 28, 2022. Current funding for this program was provided on a one-time basis to the Department and the program was authorized through year end. This Office will continue to update and report on the status of the RFP process and remaining funding in the current fiscal year in subsequent FSRs.

**B. Animal Services
Attachment 4 – Transfers between Accounts within Departments and Funds**

In the First FSR, this Office projected a net year-end over-expenditure of \$109,136, comprised of \$220,156 in General Fund overspending and offset by a \$111,020 special fund surplus. This Office now projects a net year-end surplus of \$127,909, consisting of a \$16,889 General Fund surplus and a \$111,020 special fund surplus. The projected General Fund surplus consists of a \$319,834 surplus in the Salaries General Account due to vacancies in the Department. This surplus is partially offset by overspending in the Salaries As-Needed Account (\$9,391) due to costs for the one-time payout associated with the agreement with the Coalition of City Unions and Overtime

General Account (\$293,554) due to overtime associated with animal services facilities operating on a 24/7 basis. The special fund surplus consists wholly of Salaries General Account funds due to the use of automated technologies that reduce staff time needed for Spay and Neuter Program activities and allow more time for staff to perform General Fund eligible work.

This Office projects a revenue shortfall of \$508,748 from the Department's General Fund revenue budget of \$3.9 million, due to a reduction in filming permits, breeder's fees, and miscellaneous animal regulation fees as a result of the pandemic and staffing shortages.

This Office recommends the following transaction at this time:

- Transfer \$293,554 from the Salaries General Account to the Overtime General Account to pay down accrued staff overtime banks.

C. Building and Safety **No Recommendation**

This Office projects a year-end surplus of \$20.38 million, consisting of \$1.47 million in General Fund and \$18.91 million in special funds. The projected surplus is primarily in the Salaries General Account due to vacancies in the Department.

The Department projects a year-end shortfall of \$1.68 million from the Department's General Fund revenue budget of \$75.2 million. The projected shortfall is due to the Mayor's Tolling Order issued in response to the COVID-19 pandemic, which waives some non-compliance fees, code enforcement inspection fees, and late fees. The Department projects meeting its special fund revenue budget of \$221 million at this time.

Repair and Demolition Fund

The 2022-23 Adopted Budget includes a \$400,000 appropriation to the Fund to address the projected revenue shortfall for 2022-23; however, based on the high cost of scheduled demolition projects and revenue collection through August, the Department and this Office project that an additional \$405,000 may be needed to ensure the continued performance of repair, securing, cleaning and demolition work through year end. This Office will work with the Department to continue to monitor the Fund and provide updates in future FSRs.

D. City Attorney **No Recommendation**

This Office projects a net year-end over-expenditure of \$6.44 million, comprised of a net \$5.27 million General Fund over-expenditure and a \$1.16 million special fund over-expenditure. The projected overspending is approximately \$0.64 million lower than previously reported in the First FSR due to transfers recommended in the First FSR which were partially offset by increased projected Litigation Expense Account costs. The projected General Fund overspending is primarily comprised of over-expenditures in the Litigation Expense (\$2 million) and Outside Counsel (\$3.3 million) accounts. The Litigation Expense account overspending is based on year-to-date and

historical spending patterns for litigation expenses, which include medical experts, expert witnesses, court reporters, transcription services, document reproduction, interpreters, and litigation-related travel costs. The projected special fund overspending is primarily in the Salaries General Account (\$1.16 million) and this Office anticipates that approximately \$1.79 million in outstanding special fund and grant transactions for the City Attorney's off-budget positions will resolve this issue.

Outside Counsel

The Outside Counsel Account overspending is primarily due to the Housing and Urban Development False Claims Act case and more than 40 police protest cases being handled by outside counsel. On October 7, 2022, the City Council approved a transfer from the Unappropriated Balance, Outside Counsel Account (\$1.5 million) and the General Fund Salaries General Account (\$0.5 million) to the Outside Counsel Account (C.F. 22-1139) to offset a portion of this overspending. The City Council also instructed this Office to address the projected over-expenditures through the First FSR (Krekorian-Blumenfield, C.F. 22-1139). The First FSR included an additional \$1,755,384 transfer from the Unappropriated Balance, Reserve for Mid-Year Adjustments Account to address projected spending through December of this year. This Office has reviewed the City Attorney's estimated Outside Counsel expenditures for the remainder of 2022-23, including invoices received that exceed the current Outside Counsel budget, and projects \$3.3 million in Outside Counsel overspending through the end of the fiscal year. Based on our analysis, additional appropriations for outside counsel expenses are not needed at this time. This Office will continue to monitor this account and recommend transfers to address the remaining overspending in a future FSR.

This Office projects a \$149,320 shortfall from the Office of the City Attorney's General Fund revenue budget of \$40.65 million by year end. This shortfall is due to delays in hiring for positions reimbursed by the retirement systems, as well as delays in hiring and vacancies in positions that are reimbursed by special funds, resulting in reduced related cost reimbursements. The projected shortfall is approximately \$8,000 lower than previously reported in the First FSR due to year-to-date receipts for forfeitures and penalties and reimbursement of expenditures.

This Office will continue to work with the Office of the City Attorney to monitor revenue and expenditures, and provide updates and recommend any necessary transactions in future FSRs.

E. City Clerk

Attachment 6 – Appropriations from the Unappropriated Balance

Excluding the unbudgeted elections costs, this Office projects a net year-end General Fund surplus of \$162,304. The projected surplus is comprised of a \$370,804 surplus in the Salaries General Account, partially offset by projected overspending in the Salaries As-Needed (\$100,000), Overtime General (\$10,000), Contractual Services (\$58,500), and Elections (\$40,000) accounts. The projected surplus is \$76,673 higher than previously reported in the First FSR due to delays in hiring. The surplus in the Salaries General Account is due to vacancies in the Department. The overspending in the Salaries As-Needed, Overtime General, and Elections accounts are due to increased workload and increased as-needed staff and overtime due to vacancies. The Contractual

Services Account overspending is due to payments that the Department made using 2022-23 budgeted funds for unbudgeted costs associated with the Council Redistricting Commission. This Office will continue to monitor the Department's projected salary surplus and any other expense account surpluses to determine whether sufficient savings are available to offset the projected over-expenditures. Due to unanticipated workload issues associated with the onboarding of multiple elected offices, the Clerk may need to use some of these salary savings to address immediate hiring needs.

The Department anticipates meeting its General Fund revenue budget of \$1,089,282.

Unbudgeted Elections Costs

This Office projects year-end overspending of approximately \$3.88 million due to County election costs exceeding previous estimates (\$0.13 million) and unbudgeted special election costs (\$3.75 million). The County administers elections on behalf of the City. The anticipated impacts are discussed below:

- June 2022 Primary Election: A total of \$8 million was reappropriated in the 2021-22 Year-End FSR for the June 2022 primary election into the Unappropriated Balance, June 2022 County Election Expenses Account (CF 21-0600-S115). Subsequent to the receipt of the Los Angeles County Registrar-Recorder/County Clerk (County) invoice, the City Clerk reports that the invoice is \$127,733.62 more than the amount budgeted for this election. This Office recommends a \$8,127,733.62 appropriation to the Department's Elections account from the following sources to pay the County invoice: \$8 million from the Unappropriated Balance, June 2022 County Election Expenses Account and \$127,733.62 from the Unappropriated Balance, County Elections Expenses-November 2022 Account.
- November 2022 Election: The City budgeted \$10 million in the County Elections Expenses-November 2022 Account for the November 2022 election. The Department anticipates that the County invoice for this election will be received in February 2023. As noted above, this account will be reduced by \$127,733.62 to offset the overage from the June 2022 Primary Election. This Office will report in the Mid-Year FSR on the status of the November election expenses and assess whether additional funds are needed to cover the County invoice for the November election.
- April 2023 CD 6 Special Election: On October 25, 2022 the City Council voted to adopt the Special Election Ordinance that calls for a Special Election on April 4, 2023 with a Special Runoff Election on June 27, 2023, if necessary. The election is the result of the vacancy created by the resignation of the Council District 6 Councilmember. The costs for this election are unbudgeted and estimated at approximately \$3.9 million in 2022-23, and an additional \$3.75 million in 2023-24 in the event of a runoff. On November 14, 2022, the Budget and Finance Committee approved a \$150,000 supplemental appropriation from the Unappropriated Balance, Reserve for Mid-Year Adjustments Account to various City Clerk operating accounts to cover the April Special Election costs (C.F. 22-1233). The Committee further approved a recommendation to set aside \$3.75 million within the Unappropriated

Balance, Reserve for Mid-Year Adjustments Account in anticipation of the receipt of the County invoice in June to address County costs in connection to this election. This matter is pending Council approval.

- June 2023 CD6 Runoff Election: In the event of a CD 6 Runoff Election, the City Clerk estimates the cost of the election (County invoice) to be approximately \$3.75 million. According to the City Clerk, the County invoice is not expected to be received until August or September 2023. Therefore, due to the timing of the County invoice and the anticipated payout in the following fiscal year, the funding will be addressed as part of the 2023-24 Budget.

This Office recommends the following transactions at this time:

- Transfer \$8 million from the Unappropriated Balance, June 2022 County Elections Expenses Account to the City Clerk's Elections Account to pay for the County invoice for the June 2022 Primary Election.
- Transfer \$127,733.62 from the Unappropriated Balance, County Elections Expenses-November 2022 Account to the City Clerk's Elections Account to pay for the County invoice for the June 2022 Primary Election.

F. Civil, Human Rights, and Equity No Recommendation

This Office projects a year-end General Fund surplus of \$864,936, primarily in the Salaries General Account (\$823,599) due to vacancies in the Department. The projected surplus is \$313,195 higher than previously reported in the First FSR due to delays in hiring. This Office anticipates that the projected surplus will be reduced due to an interim resolution authority for one Community Affairs Advocate without funding (C.F. 22-0600-S96).

L.A. REPAIR Program

The L.A. REPAIR participatory budget program is scheduled to begin disbursing funds to REPAIR zones and contracting for the establishment of Peace and Healing Centers in January 2023. The L.A. REPAIR Innovation Fund (64T) currently has a balance of approximately \$12 million, which we project the Department to spend by year end. Any delays in the implementation of the program will result in a significant increase in the Department's projected surplus.

The Department has no General Fund revenue.

G. Council

Attachment 4 – Transfers between Accounts within Departments and Funds

Attachment 5 – Transfers between Departments and Funds

Attachment 6 – Appropriations from the Unappropriated Balance

The Council requests the following transactions at this time:

- Transfer \$2,663,293 from the Unappropriated Balance, Equipment, Expense, Alteration and Improvement Account to the Council's Salaries As-Needed (\$1,763,293) and the Capital Improvement Expense Program, City Facilities Maintenance and Improvement Account (\$900,000) to align the Council's operating budget with current expenditure patterns.
- Transfer \$907,349 from the Unappropriated Balance, Equipment, Expense, Alteration and Improvement Account to various accounts within the General Services Department as follows: \$142,979 to Salaries, Construction Projects; \$20,000 to Salaries As-Needed; \$8,896 to Salaries Overtime; \$167,835 to Hiring Hall Construction; \$101,851 to Benefits, Hiring Hall Construction; \$25,788 to Construction Materials; and \$440,000 to Transportation Equipment to cover preparation costs associated with new elected offices of the Mayor, Council, City Attorney and Controller.
- Transfer \$958,576 from the Unappropriated Balance, Department Payroll Reconciliation Account to the Council's Salaries, As-Needed Account to cover salary increases that were not included in the Council's budget.
- Transfer \$1,925,000 from the Council's Salaries General Account to the Salaries As-Needed (\$1,000,000), Travel (\$25,000), Contractual Services (\$200,000), and Office and Administrative (\$700,000) accounts to align the Council's operating budget with current expenditure patterns.
- Transfer \$422,770 in AB 1290 funding (Council District 14 Redevelopment Projects – Services) to various funds and accounts within the Recreation and Parks Department as follows: \$122,770 to the Recreation and Parks Fund, Sports and Cultural Program-CD14 Account to support the Spring Break Sports Camp and \$300,000 to the Pershing Square Park and Garage Fund, Pershing Square Operation Account to support the Holiday Event and Summer Concert Series.
- Transfer \$500,000 in AB 1290 funding (Council District 13 Redevelopment Projects – Services) to the Council's Salaries, As-Needed Account to support Council District 13 expenses.
- Transfer \$400,000 in AB 1290 funding (Council District 9 Redevelopment Projects – Services) to the Council's Salaries, As-Needed Account to support Council District 9 expenses.

H. El Pueblo

Attachment 4 – Transfers between Accounts within Departments and Funds

This Office projects a net year-end special fund surplus of \$122,249, primarily consisting of a surpluses in the Salaries General Account (\$58,803) due to vacancies in the Department and the Salaries As-Needed Account (\$63,146) due to a transfer from the El Pueblo de Los Angeles Historical Monument Revenue Fund (Arts and Cultural Facilities Services Trust Fund) to the Salaries As-Needed Account approved in the First FSR. The projected surplus is \$35,378 higher than previously reported in the First FSR primarily due to a transfer to the Salaries As-Needed Account approved in the First FSR.

This Office projects a year-end shortfall of \$50,093 from the Department's special fund revenue budget of \$5.12 million. The projected shortfall is due to lower than projected facilities use fee revenue. This shortfall is \$115,930 lower than previously reported in the First FSR due to updated assumptions for the receipt of full rent payments. This Office will continue to monitor the Department's special fund revenues and provide updates in future FSRs.

This Office recommends the following transaction at this time:

- Transfer \$60,000 from the Salaries As-Needed Account to the Salaries General Account to ensure the Department has the appropriate funds available for full time employees. Funds were previously transferred from the Salaries General Account to the Salaries As-Needed Account pending the receipt of special fund reimbursements.

I. Fire

No Recommendation

This Office projects a net year-end General Fund over-expenditure of \$21.83 million, which is \$2.13 million higher than previously reported in the First FSR due to a projected increase in expenditures in the Constant Staffing Overtime Account. The projected over-expenditure consists of overspending in the Salaries Sworn (\$16.51 million), Unused Sick Time (\$1.87 million), Overtime General (\$0.54 million), Overtime Sworn (\$1.47 million), Contractual Services (\$2.6 million), and Contract Brush Clearance (\$0.8 million) accounts, partially offset by surpluses in the Salaries General (\$0.92 million) and Overtime Variable Staffing (\$1.04 million) accounts. The over-expenditures are attributed to unbudgeted salary payouts, one-time budget reductions, and unbudgeted contractual services obligations. This Office will continue to work with the Department to monitor its overspending issues and make recommendations in future FSRs to address projected overspending.

The projected over-expenditures are summarized by account below:

- Salaries Sworn: Projected overspending is due to one-time budget reductions and unbudgeted salary payouts associated with agreements with sworn employee unions.

- Unused Sick Time: Projected overspending is due to decreased use of sick time by sworn personnel leading to a larger payment liability at retirement.
- Overtime General: Projected overspending is due to the increased need for staff overtime for fire life safety inspections and to maximize fleet vehicle availability due to vacancies in the Department.
- Overtime Sworn: Projected overspending is due to increased expenditure rates since the First FSR and includes the projected cost of strike team deployments to respond to wildfires outside the City.
- Contractual Services: Projected overspending is due to unbudgeted contract obligations.
- Contract Brush Clearance: Projected overspending is based on prior and current year expenditure patterns.

The projected surpluses are summarized by account below:

- Salaries General: Projected surplus is due to vacancies in the Department.
- Overtime Variable Staffing: Projected surplus is due to an anticipated decrease in expenditures due to the reduction in COVID-19 response needs.

The Department anticipates meeting its General Fund revenue budget of \$230.4 million by year end.

J. General Services
Recommendation Nos. 5 and 6
Attachment 6 – Appropriations from the Unappropriated Balance

This Office projects a net year-end over-expenditure of \$12.72 million, comprised of a \$16.72 million General Fund over-expenditure and \$4 million Special Fund surplus. The projected General Fund overspending is approximately \$5.21 million higher than previously reported in the First FSR due to higher projected Petroleum Products expenditures due to higher fuel costs and partially offset by an increased Salaries General surplus due to delays in filling vacancies. The projected General Fund over-expenditure is primarily driven by overspending in the Petroleum Products (\$15.45 million), Utilities (\$4.3 million), Hiring Hall Salaries (\$0.36 million), Benefits Hiring Hall (\$0.38 million), Contractual Services (\$0.52 million), and Overtime General (\$1.18 million) accounts. These General Fund over-expenditures are partially offset by a surplus in the Salaries General Account (\$5.63 million) due to staff vacancies.

The six accounts driving General Fund overspending are discussed below:

- **Petroleum Products:** Projected overspending is based on current year actual expenditures, which reflect increased fuel prices as of September 2022 compared to September 2021 for diesel (39.2 percent) and unleaded (42 percent) fuel. The projected overspending may increase as current expenditure patterns do not reflect the higher cost of summer blend fuel and increased usage in the event of wildfires during the warmer months.
- **Utilities:** The projected overspending is due to significant increases in SoCalGas rates.
- **Hiring Hall Salaries and Benefits Hiring Hall:** The projected overspending for these accounts is based on expenditure patterns through October.
- **Contractual Services:** The projected overspending is due to natural gas system maintenance, Fleet Services software support costs, Underground Fuel Storage Tank removals, repairs, and replacements, parking revenue control systems, and building access control maintenance costs.
- **Overtime General:** The projected overspending is due to higher projected overtime usage due to Fleet Services vacancies, to address a backlog of invoices and to manage the City's heliport warehouse operations after hours and on holidays.

This Office recommends transfers and appropriations totaling \$10 million to partially address the projected Petroleum Products overspending and ensure funding availability through April 2023. We will continue to work with the Department to monitor expenditures from these accounts and will recommend transfers or other actions necessary to address any overspending in a future FSR.

The Department continues to project meeting its General Fund revenue budget of \$51.78 million by year end.

Logistics Victory LA Program (LoVLA)

In response to the COVID-19 pandemic, the City of Los Angeles created LoVLA to help any organization access critical medical supplies like isolation gowns, gloves, and masks. The City purchased the supplies with the intent to sell them at cost. LoVLA sold over \$6 million worth of PPE products to 170 local hospitals, medical facilities, and businesses, but still has \$13.5 million worth of inventory remaining. A Reserve Fund Loan was used to purchase inventory that was not donated to the Program. LoVLA's ability to repay the Reserve Fund Loan is contingent on the sale of the existing inventory. Given the slow and inconsistent sales, decreased demand for PPE as health mandates have lapsed, and market saturation, it is unlikely that LoVLA will be able to repay the Reserve Fund loan. A write-off of this loan will be recommended in a separate Reserve Fund loan report to Council to enable LoVLA to distribute the inventory without cost. Otherwise, the inventory is likely to expire and the City will incur an additional cost to properly dispose of these supplies.

This Office recommends the following transactions at this time:

- Transfer \$4 million from the Salaries General Account to the Petroleum Products Account to ensure GSD has sufficient cash flow to pay for existing invoices and place purchase orders through April 2023.
- Transfer \$4.5 million from the Unappropriated Balance, Reserve for Mid-Year Adjustments Account to the Petroleum Products Account to ensure GSD has sufficient cash flow to pay for existing invoices and place purchase orders through April 2023.
- Disencumber and re-appropriate \$1.5 million in 2021-22 Fund 100/40, Account 003230 to this current fiscal year to partially offset the Petroleum Account deficit and ensure sufficient funding through April 2023.
- Disencumber and re-appropriate \$1,189,265.42 in 2020-21 and 2021-22 Fund 100/40, Account 003330 to this current fiscal year to partially offset the Utilities Account overspending and ensure sufficient funding through April 2023.
- Transfer \$75,000 from the Unappropriated Balance, Equipment, Expenses, and Alterations & Improvements Account to the Transportation Account to purchase a replacement vehicle.
- Transfer \$1.18 million from the Salaries General Account to the Overtime General Account to ensure continuity of fleet and warehouse services and processing of vendor payments.

K. Housing

Attachment 3 – New Appropriations

Attachment 4 – Transfers between Accounts within Departments and Funds

This Office projects a net year-end surplus of \$5.7 million, comprised of \$1.69 million in General Fund over-expenditures and a \$7.39 million special fund surplus. The projected General Fund overspending primarily consists of over-expenditures in the Salaries General (\$1.25 million), Overtime General (\$0.04 million), and Leasing (\$0.39 million) accounts due to higher than anticipated labor and expense costs for the Proposition HHH Program and administrative costs for Community Development Block Grant (CDBG) programs. These CDBG expenditures will be ineligible for grant reimbursement and become General Fund expenditures if they exceed the Department's CDBG administrative allocation. The projected General Fund over-expenditure is approximately \$0.75 million lower than the \$2.4 million over-expenditure reported in the First FSR. This reduction is comprised of a decreased overspending within the Salaries General Account (\$0.91 million) due to an increase in eligible CDBG Program Delivery staff expenditures that will no longer count as CDBG administrative expenditures, and is partially offset by increased overspending in the Overtime General Account (\$0.04 million) due to vacancies in the Proposition HHH Program. This Office will work with the Department to identify solutions within the Department's budget for the projected General Fund over-expenditures and will recommend necessary transactions in future FSRs.

The projected special fund surplus consists of surpluses in the Salaries General (\$8.97 million) and Overtime General (\$102,166) accounts, due to vacancies in the Department and lower than anticipated overtime expenditures. The projected special fund surpluses are partially offset by projected overspending in the Salaries As-Needed (\$68,650), Contractual Services (\$893), and Leasing (\$1.6 million) accounts. The projected over-expenditures are associated with increased as-needed salaries expenses due to vacancies and leasing costs not included in the 2022-23 Adopted Budget. The projected special fund surplus is approximately \$0.18 million higher than previously reported in the First FSR, due to hiring delays and staff attrition.

This Office projects a shortfall of \$3.76 million from the Department's General Fund revenue budget of \$49.73 million, due to a reduction in related costs reimbursements associated with vacancies in the Department.

This Office recommends the following transactions at this time:

- Appropriate \$2.26 million from the available cash balance of the Rent Stabilization Trust Fund (\$0.98 million), Systematic Code Enforcement Fee Trust Fund (\$1.12 million), and Municipal Housing Finance Fund (\$0.16 million) to the Leasing Account to fund lease costs.
- Transfer \$68,650 from the Salaries General (\$48,900) and Reimbursement of General Fund Costs (\$19,750) accounts within various special funds to the Salaries As-Needed Account to pay for eligible, as-needed staffing costs for the Prevailing Wage Compliance Unit.

L. Information Technology Agency

Attachment 4 – Transfers between Accounts within Departments and Funds

This Office projects a net year-end General Fund over-expenditure of \$2.32 million, consisting of a projected surplus in the Salaries General account (\$3.55 million) due to vacancies in the Department, offset by projected overspending in the Communication Services (\$5.25 million), Overtime General (\$0.25 million), and Contractual Services (\$0.37 million) accounts. We previously reported a \$2.9 million year-end General Fund surplus in the First FSR, which differs from the current projected net General Fund over-expenditure due to newly projected Communication Services overspending. The projected Communication Services overspending is related to several MICLA funded projects. The Third Construction Projects Report, currently pending Council consideration, includes recommendations to fully resolve this projected overspending through the reappropriation of prior-year MICLA funding (C.F. 22-0847-S2). The projected Overtime General overspending is due to the Department's use of overtime to cover staff shortages due to delays in the hiring process. The Contractual Services overspending is associated with increased costs for email and collaboration software licenses due to increased Citywide hiring and the provision of email accounts to City employees who previously were not provided City email access. This Office recommends transfers in this FSR to offset the projected overspending in the Contractual Services Account, and will continue to monitor expenditures in other departmental accounts.

This Office projects the Department will meet its \$10.86 million General Fund revenue budget by year end.

This Office recommends the following transaction at this time:

- Transfer \$368,000 from the Salaries General Account to the Contractual Services Account to mitigate a projected overspending associated with email licenses.

M. Library

Attachment 5 – Transfers between Departments and Funds

This Office projects a year-end special fund surplus of \$6.42 million, which is approximately \$0.39 million higher than previously reported in the First FSR, due to delays in hiring. The projected surplus is primarily comprised of surpluses in the Salaries General (\$3.72 million), Salaries As-Needed (\$0.89 million), Printing and Binding (\$0.2 million), Contractual Services (\$0.94 million), and Office and Administrative (\$0.63 million) accounts. The Salaries General surplus is due to vacancies in the Department. The projected Salaries As-Needed, Printing and Binding, Contractual Services, and Office and Administrative surpluses are based on historical expenditure patterns and year-to-date spending.

The Department has no budgeted revenue for 2022-23.

This Office recommends the following transaction at this time:

- Transfer \$1,003,258.58 from the Contractual Services (\$937,799.78) and Office and Administrative (\$65,458.80) accounts to the General Services Department to fund alterations, improvements, and repairs at various Library locations.

N. Public Works/Board

No Recommendation

This Office projects a net year-end over-expenditure of \$637,937, consisting of a net \$1.37 million General Fund over-expenditure offset by a \$735,200 special fund surplus. The projected overspending is approximately \$1.12 million lower than previously reported in the First FSR due to transactions to address special fund overspending in the First FSR. The General Fund overspending is comprised of an over-expenditure in the Contractual Services Account (\$1.54 million) associated with costs for Graffiti Abatement Strike Teams, offset by a surplus in the Salaries General Account (\$0.17 million) due to vacancies in the Board. This Office anticipates that the overspending associated with the Graffiti Abatement Strike Teams will be addressed by a separate report to Council regarding this work, which will request the transfer of funds set aside for this purpose in the Unappropriated Balance. The special fund surplus is wholly in the Salaries General Account (\$0.74 million) due to vacancies in the Board. This Office will continue to work with the Board to monitor its expenditures and provide updates in future FSRs.

The Board anticipates meeting its General Fund revenue budget of \$5.5 million by year end.

O. Public Works/Bureau of Sanitation

Attachment 4 – Transfers between Accounts within Departments and Funds
Attachment 5 – Transfers between Departments and Funds

This Office projects a net year-end surplus of \$24.76 million, comprised of a \$4 million General Fund surplus and a \$20.76 million special fund surplus. The projected surplus is approximately \$5.16 million lower than previously reported in the First FSR due to increased projected hiring through year end and increased Contractual Services costs for homelessness related clean-up activities. The projected surplus is primarily attributed to a surplus in the Salaries General Account (\$39.49 million) due to a 24.5 percent vacancy rate in the Bureau. The surplus is partially offset primarily by a projected over-expenditure in the Overtime General Account (\$14.10 million), due to the Bureau's high vacancy rate, the City's personal leave policy, recovery activities at the Hyperion Water Reclamation Plant, and ongoing impacts of the COVID-19 pandemic.

The Bureau anticipates meeting its General Fund revenue budget of \$97.53 million by year end.

Hyperion Spill

Overtime expenditures related to the wastewater spill in 2021 continue as the Bureau has moved from emergency repairs to recovery efforts. The Bureau has received payments totaling \$22.2 million from the property insurance policy for damage to the Hyperion Water Reclamation Plant. Consultants are working with the Bureau to determine how those funds will be used to reimburse the Sewer Construction and Maintenance Fund (SCM) for eligible expenditures. The full impact of the spill is yet to be determined and this Office will provide updates and potential impacts on SCM in future FSRs.

Rate Increases

Both the Solid Waste Resources Revenue Fund (SWRRF) and SCM are in need of a rate increase. SWRRF has not had a rate increase since 2008 and is currently subsidized by the General Fund in the amount of \$61 million. SCM's last rate increase occurred in 2020. The Bureau is reviewing the SCM rate model in preparation for a rate case in the near future.

Vacancies and Related Costs

The Bureau continues to have a high vacancy rate. As a result, if the Bureau continues to pay the related cost amounts included in its budget, which is its practice, by the end of the year it will have paid related costs in excess of the required amount. We will address this excess payment, if necessary, either in future FSRs or through the annual budget process.

Proposition O

The Bureau projects \$137,000 in expenditures for Proposition O activities. These activities are front funded by the Stormwater Pollution Abatement Fund and reimbursed on a yearly basis. If an appropriation is not received by year end, this will likely result in a Reserve Fund loan.

This Office recommends the following transactions at this time:

- Transfer \$2,300,000 from the Salaries General Account to the Overtime General (\$2,000,000) and Salaries As-Needed (\$300,000) accounts within the SCM Fund to address projected over-expenditures primarily related to recovery at the Hyperion Water Reclamation Plant.
- Transfer \$1,600,000 from the Salaries General Account to the Overtime General (\$1,100,000) and Contractual Services (\$500,000) accounts within the General Fund to address projected over-expenditures, high vacancy rates for the CARE teams, and increased Comprehensive Cleanings.
- Transfer \$1,500,000 from the Salaries General Account to the Overtime General account within the SWRRF to address projected over-expenditures.
- Transfer \$75,000 from the Salaries General Account to the Overtime General account within the CRTF to address projected over-expenditures.
- Transfer \$250,000 from the Salaries General Account to the Overtime General account within the MFBI Fund to address projected over-expenditures.
- Transfer \$2,600,000 from the Sanitation Expense and Equipment Account to the Overtime General account within the SWRRF to address projected over-expenditures.
- Transfer \$250,000 from the Unappropriated Balance, Utility Assistance Debt Relief Account to the Solid Waste Resources Fund to ensure sufficient funding for the Solid Resource Fund Low Income Customer Arrearage Payment Program.

P. Public Works/Bureau of Street Services No Recommendation

In the First FSR, this Office reported a \$34,329 net General Fund over-expenditure. Due to the relatively small amount of this overspending, an updated projection was not formulated for this FSR. This Office will provide a full analysis of the Bureau's expenditures and revenues in the Mid-Year FSR.

**Q. Recreation and Parks
No Recommendation**

Based on our analysis of the Department's expenditures and revenues, there are no significant changes to our assessment in the First FSR that the Department will end the year within budget. The section below provides an update on the Child Care Centers issue that was reported in the First FSR.

Child Care Centers

The Department reports that currently, four child care centers are open: Jim Gilliam Child Care Center, Ralph M. Parsons Preschool, Victory Valley Child Care Center, and Branford Child Care Center. The Jim Gilliam Child Care Center and the Ralph M. Parsons Preschool are licensed preschools that RAP has operated since before the Great Recession. Victory Valley recently obtained state licensing to enroll preschool children all day, and Brandford is in the process of obtaining the same license. Currently, there are 57 children enrolled in the four open centers, with 65 applicants on waiting lists. The Department is continuing renovation and staff training to open seven additional preschool sites by year-end, and one by July 2023.

In the next Construction Projects Report, the Department will request the appropriation of funds in the 2022-23 Capital and Technology Improvement Expenditure Program allocated for the rehabilitation of three additional child care centers. Upon appropriation, the Department will begin work to rehabilitate the three child care centers, which it anticipates to complete by March 2024.

2. STATUS OF NON-DEPARTMENTAL FUNDS AND SPECIAL ACCOUNTS

This section addresses the status of non-departmental expenditures and revenues and highlights issues of concern.

A. General City Purposes No Recommendation

Account	Account Name	Net Surplus / (Deficit)
000510	Medicare Contributions	\$ (939,227)
000570	Social Security Contributions	366,492
000577	Pensions Savings Plan	(132,706)
Payroll Accounts Subtotal		\$ (705,441)
00050Z	LA's Best	\$ (1,449,777)
Other Accounts Subtotal		\$ (1,449,777)
Total Projected Over-Expenditure		\$ (2,155,218)

This Office projects a net year-end over-expenditure of approximately \$2.2 million, which is \$391,387 lower than previously reported due to over-expenditures resolved through transactions approved in the First FSR. For this FSR, the total projected over-expenditure is composed of \$705,441 in net over-expenditures in the payroll accounts and \$1.4 million in other General City Purposes accounts.

Within the payroll accounts, we project spending above plan in the Medicare Contributions (\$939,227) and Pensions Savings Plan (\$132,706) accounts, partially offset by a surplus in the Social Security Contributions Account (\$366,492). These over-expenditures are due to higher average annual salaries, exacerbated by unbudgeted salary increases and one-time payouts for sworn and civilian employees. Expenditures in these accounts will fluctuate throughout the year. As such, this Office does not recommend adjustments at this time.

The remaining \$1.4 million over-expenditure is due to delays in executing the LA's Best agreement, which is currently in progress. The 2021-22 Year-End FSR reappropriated \$1.0 million for LA's Best to the current year to help offset prior and current year costs, but costs for LA's Best in the amount of \$1,449,777 remain and will be addressed in a future FSR.

This Office will continue to monitor these accounts and report again in the next FSR.

B. Unappropriated Balance

Attachment 6 – Appropriations from the Unappropriated Balance

Attachment 7A – Status of the UB – General Account

Attachment 7B – Status of the UB – Reserve for Mid-Year Adjustments

Attachment 7C – Status of the UB – Non-General Accounts

The 2022-23 Adopted Budget includes \$298.0 million for the Unappropriated Balance (UB). Through November 27, 2022, the Mayor and City Council have approved a net of \$22.9 million in transactions, leaving a balance of \$320.9 million in the UB.

This report includes recommendations to transfer \$17.5 million from various UB accounts, which leaves a remaining balance of \$303.4 million.

This Office recommends the following transactions at this time:

- Transfer \$8 million from the UB, June 2022 County Election Expenses Account to the City Clerk's Elections Account to pay the County invoice for the June 2022 Primary Election.
- Transfer \$127,733.62 from the UB, County Election Expenses – November 2022 Account to the City Clerk's Elections Account to pay the County invoice for the June 2022 Primary Election.
- Transfer \$2,663,293 from the UB, Equipment, Expenses, Alteration and Improvement Account to the Council's Salaries As-Needed (\$1,763,293) and the Capital Improvement Expense Program, City Facilities Maintenance and Improvement Account (\$900,000) to align the Council's operating budget with current expenditure patterns.
- Transfer \$907,349 from the UB, Equipment, Expenses, Alteration and Improvement Account to various accounts within the General Services Department to cover preparation costs associated with new elected offices of the Mayor, Council, City Attorney, and Controller.
- Transfer \$958,576 from the UB, Department Payroll Reconciliation Account to the Council's Salaries As-Needed Account for salary increases approved subsequent to the adoption of the 2022-23 Budget.
- Transfer \$4.5 million from the UB, Reserve for Mid-Year Adjustments Account to the General Services Department's Petroleum Products Account to sufficient cash flow to pay for existing invoices and place purchase orders through April 2023.
- Transfer \$75,000 from the UB, Equipment, Expenses, and Alterations and Improvements Account to the General Services Department for Council vehicle replacement expenditures.

- Transfer \$250,000 from the UB, Utility Assistance Debt Relief Account to the Solid Resources Fund Low Income Customer Arrearage Payment Program Account for the reimbursement of solid waste fee arrearages for low-income customers.

C. Human Resources Benefits No Recommendation

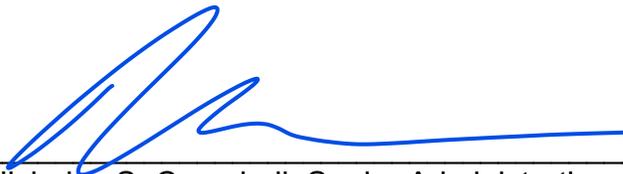
This Office projects a net year-end over-expenditure of \$5.89 million for the Human Resources Benefits Fund (Fund), which is \$0.54 million higher than previously reported in the First FSR. Two major updates to the projections reported in this FSR driving the increased overspending are: 1) a projected reduction to civilian health care costs due to lower actual enrollment and 2) increased Police health care costs due to increased health care subsidy amounts in the approved agreements with MOUs 24 and 25 (C.F. 12-0653-S1 and 14-1763-S2). The projected overspending is primarily due to higher premium costs than assumed in the budget for the Civilian Flex Program (\$5.2 million) and Fire Health and Welfare Program (\$1.7 million). Our projection also includes an over-expenditure in the Supplemental Civilian Union Benefit (\$0.19 million) due to higher benefits costs than assumed in the budget. Partially offsetting the overspending is a projected surplus in the Police Health and Welfare Program (\$1.2 million) due to lower enrollment than assumed in the budget. Projections this early in the fiscal year are subject to potentially significant expenditure fluctuations by year end due to changes in benefit rates, open enrollment, staff attrition and hiring, and workers' compensation claims. This Office does not recommend additional appropriations at this time. This Office and the Personnel Department will continue to monitor the status of the Fund and report in future FSRs.

This Office projects the Fund will meet its General Fund revenue budget of \$2.97 million by year end.

D. Liability Claims Account Attachment 8 – Status of Liability Accounts

The 2022-23 Adopted Budget provides \$87.37 million for Liability Payouts, allocated between the Miscellaneous Liability Payouts (\$80 million) and Public Works, Sanitation Liability Payouts (\$7.37 million) accounts. Supplemental funding of \$20 million is provided in the Unappropriated Balance (UB) Reserve for Extraordinary Liability to pay for both tort liability and tax-related cases beyond the amount provided in the Liability Claims Account.

As of September 28, 2022, \$17.6 million of the \$87.37 million has been expended from the Liability Claims Account. Including an additional \$6.9 million pending payment, the total committed amount is \$24.5 million. Therefore, \$62.9 million (72-percent), of which \$6.5 million is budgeted for Bureau of Sanitation matters, represents the available balance for the remainder of the fiscal year. Based on the payouts pending Council approval (\$13.6 million) and pending final report (\$33.7 million), the projected year-end balance is approximately \$15.5 million for the Miscellaneous Liability (\$10.1 million) and Bureau of Sanitation (\$5.4 million). The projected year-end balance for the Bureau of Sanitation has increased by \$500,000 due to corrections in its funding source to General Fund.



Nicholas S. Campbell, Senior Administrative Analyst II

APPROVED:



Ben Ceja, Assistant City Administrative Officer

MWS:BC:JWW:NSC:01230046C

Attachments

Attachment 1

2023-23 Adopted General Fund Revenue

Receipts through October

(Thousand Dollars)

	Adopted Budget	Plan through October	Receipts through October	Receipts as Percent of Budget	Variance from Monthly Plan	Comments
Property Tax	\$2,535,005	\$138,192	\$151,781	6.0%	\$13,589	Adopted budget uses County Assessor's 6.0% growth estimate, which it has since revised to 7.0%. Secured receipts from the prior tax period ended \$2.0m above revised budget. Other receipts above plan include: unsecured (\$5.3m), supplemental (\$3.4m), and redemptions (\$2.9m).
Property Tax Ex-CRA Inc.	153,800	-	-	0.0%	-	Remittances are recorded in second half of fiscal year.
Department receipts (LPFF and reimbursements)	1,272,944	283,276	304,265	23.9%	20,989	Related costs and other reimbursements are \$19.5 million below plan and are offset by higher ambulance billings, PRK funding, and other fees and receipts associated with interim appropriations or pass-through funding.
Business Tax	786,900	72,380	75,468	9.6%	3,088	\$12.6m surplus in non-cannabis receipts is offsetting a \$9.5m shortfall from cannabis activity.
Sales Tax	704,760	241,790	242,150	34.4%	360	Sales tax receipts for September and October were \$2.1m and \$2.2m below planned monthly receipts, respectively, reducing the previously reported surplus.
Utility Users' Tax	614,100	211,010	223,348	36.4%	12,338	Surplus is attributed to EUT and gas which are \$5.9m and \$6.7m above plan. Communication users tax is -\$300k below plan
Documentary Transfer Tax	298,540	108,010	85,080	28.5%	(22,930)	Shortfall is attributed to a greater decline in sales volume than anticipated in the budget as reflected by number of deeds recorded. Sales price, as reflected by revenue per deed, has increased slightly although increasing interest rates are expected to impose downward pressure.
Transient Occupancy Tax	263,220	86,030	93,218	35.4%	7,188	Surplus of \$8.6m from hotel activity offsetting \$1.1m shortfall in short-term rental remittances
Power Revenue Transfer	229,721	-	-	0.0%	-	DWP's budgeted transfer is \$1.7m higher than the adopted budget.
Parking Fines	130,000	43,510	36,115	27.8%	(7,395)	Ticket issuance remains below pandemic activity and revenue per ticket has declined
Grant Receipts	122,083	4,038	2,406	2.0%	(1,632)	Variance reflects delayed departmental grant receipts.
Franchise Income	119,831	24,871	31,884	26.6%	7,013	All category of franchise fees are above plan with \$4.5m and \$1.1m attributed to natural gas and solid waste collection.
Parking Occupancy Tax	111,270	37,750	38,314	34.4%	564	Receipts are near plan after a previously reported surplus in September. Receipts in this category are variable.
Special Parking Revenue	30,426	-	-	0.0%	-	Transfer occurs in second half of fiscal year.
Tobacco Settlement	11,489	0	0	0.0%	-	Remittance is recorded in second half of fiscal year.
Residential Development Tax	4,800	1,600	2,157	44.9%	557	Monthly receipts in this category are variable.
State Motor Vehicle License Fees	3,900	-	-	0.0%	-	Remittance is recorded in second half of fiscal year.
Subtotal General Fund	\$7,392,790	\$1,252,457	\$1,286,186	17.4%	\$33,729	
Interest Income	36,610	21,640	24,884	68.0%	3,244	Monthly receipts in this category are variable.
Transfer from Reserve Fund	16,648	-	-	0.0%	-	
Total General Fund	\$7,446,048	\$1,274,097	\$1,311,069	17.6%	\$36,972	

**ATTACHMENT 2
STATUS OF RESERVE FUND AS OF 11/28/22**

Council File No.	Item Description	Amount
Balance Available, 7/1/2022		\$ 601,695,165.74
Less: Emergency Reserve Account		\$ 204,766,000.00
 Contingency Reserve Account 7/1/2022		 \$ 396,929,165.74
General Fund Appropriation to the Reserve Fund		-
Loan Repayment and Other Receipts		15,006,677.41
Contingency Reserve Account		\$ 411,935,843.15
 Loans and Transfers Approved to Date		
22-0847	GSD - Electric Vehicle Plan - 2022-23 First Construction Project Report	(500,000.00)
22-0756	Project Roomkey Extension - Highland Gardens	(1,494,777.49)
22-0800	Aging - Senior Meals Emergency Response Program	(612,457.75)
21-0112	Homekey 2.0 Program	(48,532,773.75)
22-0756	Project Roomkey Extension - Highland Gardens, Airtel Plaza Hotel, and L.A. Grant Hotel	(25,446,903.00)
22-0856	Aging - Fraudulent payment correction	(59,940.00)
22-1112	TUMO Center for Creative Technologies	(10,000,000.00)
First FSR	City Tourism Department - Reappropriation	(1,949.67)
First FSR	CD-7 - Pacoima Beautiful - Reappropriation	(75,000.00)
First FSR	Youth Development - Youth Council Stipend Reappropriation	(71,000.00)
CAO Memo	City Tourism Department - Los Angeles Tourism and Convention Board	(2,206,751.30)
 Loans and Transfers Approved to Date Subtotal		 \$ (89,001,552.96)
 Proposed Loans and Transfers		
None		
Proposed Loans and Transfers Subtotal		\$ -
 Contingency Reserve Available Balance as of 11/28/2022		 <u>\$ 322,934,290.19</u>
 Total Emergency and Contingency Reserve Fund		 <u>\$ 527,700,290.19</u>

ATTACHMENT 3
FY 2022-23 BUDGET ADJUSTMENTS
NEW APPROPRIATIONS

REQUESTING DEPARTMENT	TRANSFER FROM		TRANSFER TO		
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT	
Housing <i>Office Lease Support</i>	<u>Fund 440/43, Rent Stabilization Trust Fund</u>		<u>Fund 100/43, Housing (440/43, 43W143)</u>		
	Cash Balance	\$ 980,000.00	006030, Leasing	\$ 980,000.00	
	<u>Fund 41M/43, Systematic Code Enforcement Fee Trust Fund</u>		<u>Fund 100/43, Housing (41M/43, 43W143)</u>		
	Cash Balance	\$ 1,120,000.00	006030, Leasing	\$ 1,120,000.00	
	<u>Fund 815/43, Municipal Housing Finance Fund</u>		<u>Fund 100/43, Housing (815/43, 43W143)</u>		
	Cash Balance	\$ 160,000.00	006030, Leasing	\$ 160,000.00	
	Subtotal	<u>\$ 2,260,000.00</u>	Subtotal	<u>\$ 2,260,000.00</u>	
	TOTAL ALL DEPARTMENTS AND FUNDS		\$ 1,280,000.00		
				\$ 1,280,000.00	

ATTACHMENT 4

FY 2022-23 BUDGET ADJUSTMENTS TRANSFERS BETWEEN ACCOUNTS WITHIN DEPARTMENTS AND FUNDS

REQUESTING DEPARTMENT	FUND/ACCOUNT	TRANSFER FROM AMOUNT	FUND/ACCOUNT	TRANSFER TO AMOUNT
Animal Services	<u>Fund 100/06, Animal Services</u>		<u>Fund 100/06, Animal Services</u>	
<i>Accrued Staff Overtime</i>	001010, Salaries, General	\$ 293,554.00	001090, Overtime General	\$ 293,554.00
Council	<u>Fund 100/28, Council</u>		<u>Fund 100/28, Council</u>	
<i>Staffing and Expenses</i>	001010, Salaries, General	\$ 1,925,000.00	001070, Salaries, As-Needed	\$ 1,000,000.00
			002130, Travel	25,000.00
			003040, Contractual Services	200,000.00
			006010, Office and Administrative	700,000.00
			Subtotal	<u>\$ 1,925,000.00</u>
El Pueblo	<u>Fund 100/33, El Pueblo de Los Angeles Historical Monument (737/33)</u>		<u>Fund 100/33, El Pueblo de Los Angeles Historical Monument (737/33)</u>	
<i>Staffing Costs</i>	001070, Salaries As-Needed	\$ 60,000.00	001010, Salaries General	\$ 60,000.00
General Services	<u>Fund 100/40, General Services</u>		<u>Fund 100/40, General Services</u>	
<i>Petroleum Costs</i>	001010, Salaries, General	\$ 4,000,000.00	003230, Petroleum Products	\$ 4,000,000.00
<i>Overtime Costs</i>	<u>Fund 100/40, General Services</u>		<u>Fund 100/40, General Services</u>	
	001010, Salaries, General (SWRRF)	\$ 900,000.00	001090, Overtime General (SWRRF)	\$ 900,000.00
	<u>Fund 100/40, General Services</u>		<u>Fund 100/40, General Services</u>	
	001010, Salaries, General	\$ 218,000.00	001090, Overtime General	\$ 218,000.00
	Subtotal	<u>\$ 1,118,000.00</u>	Subtotal	<u>\$ 1,118,000.00</u>
Housing	<u>Fund 100/43, Housing (43W143)</u>		<u>Fund 100/43, Housing (43W143)</u>	
<i>PWCU As-Needed Support</i>	001010, Salaries, General (240/43)	\$ 10,934.00	001070, Salaries As Needed (240/43)	\$ 10,934.00
	001010, Salaries, General (561/43)	\$ 29,418.00	001070, Salaries As Needed (561/43)	\$ 29,418.00
	001010, Salaries, General (59T/43)	\$ 8,548.00	001070, Salaries As Needed (59T/43)	\$ 8,548.00
	<u>Fund 240/43, Housing Production Revolving Fund</u>		<u>Fund 100/43, Housing Department (240/43, 43W143)</u>	
	43W299, Reimbursement of General Fund Costs	\$ 4,416.00	001070, Salaries As Needed	\$ 4,416.00
	<u>Fund 561/43, HOME Investment Partnerships Program Fund</u>		<u>Fund 100/43, Housing Department (561/43, 43W143)</u>	
	43W299, Reimbursement of General Fund Costs	\$ 11,882.00	001070, Salaries As Needed	\$ 11,882.00
	<u>Fund 59T/43, Housing Impact Trust Fund</u>		<u>Fund 100/43, Housing Department (59T/43, 43W143)</u>	
	43W299, Reimbursement of General Fund Costs	\$ 3,452.00	001070, Salaries As Needed	\$ 3,452.00
	Subtotal	<u>\$ 68,650.00</u>	Subtotal	<u>\$ 68,650.00</u>
Information Technology Agency	<u>Fund 100/32, Information Technology Agency</u>		<u>Fund 100/32, Information Technology Agency</u>	
<i>Email Licenses</i>	001010, Salaries, General	\$ 368,000.00	003040, Contractual Services	\$ 368,000.00
Public Works - Sanitation	<u>Fund 100/82, Bureau of Sanitation</u>		<u>Fund 100/82, Bureau of Sanitation</u>	
<i>Clean Water As-Needed and Overtime Shortfalls</i>	001010, Salaries General (SCMO)	\$ 2,300,000.00	001090, Overtime General (SCMO)	\$ 2,000,000.00
			001070, Salaries As-Needed (SCMO)	300,000.00
			Subtotal	<u>\$ 2,300,000.00</u>
<i>CARE/CARE+ Overtime and Clean Harbors Shortfalls</i>	<u>Fund 100/82, Bureau of Sanitation</u>		<u>Fund 100/82, Bureau of Sanitation</u>	
	001010, Salaries General (GF)	\$ 1,600,000.00	001090, Overtime General (GF)	\$ 1,100,000.00
			003040, Contractual Services (GF)	500,000.00
			Subtotal	<u>\$ 1,600,000.00</u>

ATTACHMENT 4

FY 2022-23 BUDGET ADJUSTMENTS TRANSFERS BETWEEN ACCOUNTS WITHIN DEPARTMENTS AND FUNDS

REQUESTING DEPARTMENT	FUND/ACCOUNT	TRANSFER FROM AMOUNT	FUND/ACCOUNT	TRANSFER TO AMOUNT
Public Works - Sanitation (cont'd)				
<i>Solids Overtime Shortfall</i>	<u>Fund 100/82, Bureau of Sanitation</u> 001010, General Salaries (SWRRF)	\$ 1,500,000.00	<u>Fund 100/82, Bureau of Sanitation</u> 001090, Overtime General (SWRRF)	\$ 1,500,000.00
<i>CRTF Overtime Shortfall</i>	<u>Fund 100/82, Bureau of Sanitation</u> 001010, General Salaries (CRTF)	\$ 75,000.00	<u>Fund 100/82, Bureau of Sanitation</u> 001090, Overtime General (CRTF)	\$ 75,000.00
<i>MFBI Overtime Shortfall</i>	<u>Fund 100/82, Bureau of Sanitation</u> 001010, General Salaries (MFBI)	\$ 250,000.00	<u>Fund 100/82, Bureau of Sanitation</u> 001090, Overtime General (MFBI)	\$ 250,000.00
TOTAL ALL DEPARTMENTS AND FUNDS		\$ 14,744,854.00		\$ 14,744,854.00

ATTACHMENT 5

**FY 2022-23 BUDGET ADJUSTMENTS
TRANSFERS BETWEEN DEPARTMENTS AND FUNDS**

REQUESTING DEPARTMENT	TRANSFER FROM		TRANSFER TO	
	FUND/ACCOUNT	AMOUNT	FUND/ACCOUNT	AMOUNT
Council	<u>Fund 53P/28 AB 1290 Fund</u>		<u>Fund 302/89, Recreation and Parks</u>	
<i>Council District 14</i>	281214, CD14 Redevelopment Projects - Services	\$ 422,770.00	89724H, Sports and Cultural Program-CD14	\$ 122,770.00
			<u>Fund 58Q/89, Pershing Square Park and Garage</u>	
			89N861, Pershing Square Operation	\$ 300,000.00
			Subtotal	\$ 422,770.00
<i>Council District 13</i>	<u>Fund 53P/28 AB 1290 Fund</u>		<u>Fund 100/28, Council (Council District 13)</u>	
	28213, CD13 Redevelopment Projects - Services	\$ 500,000.00	001070, Salaries, As-Needed	\$ 500,000.00
<i>Council District 9</i>	<u>Fund 53P/28 AB 1290 Fund</u>		<u>Fund 100/28, Council (Council District 9)</u>	
	281209, CD9 Redevelopment Projects - Services	\$ 400,000.00	001070, Salaries, As-Needed	\$ 400,000.00
Library	<u>Fund 300/44, Library Fund</u>		<u>Fund 100/40, General Services Department</u>	
<i>Alterations and Improvements</i>	003040, Contractual Services	\$ 937,799.78	001014, Salaries, Construction Projects	\$ 733,924.18
	006010, Office and Administrative	\$ 65,458.80	003180, Construction Materials	\$ 269,334.40
	Subtotal	\$ 1,003,258.58	Subtotal	\$ 1,003,258.58
Public Works - Sanitation	<u>Fund 508/50, Solid Waste Resource Revenue Fund</u>		<u>Fund 100/82, Bureau of Sanitation</u>	
<i>Solid Waste Overtime Collection</i>	50WX82, Sanitation Expense and Equipment	\$ 2,600,000.00	001090, Overtime General (SWRRF)	\$ 2,600,000.00
TOTAL ALL DEPARTMENTS AND FUNDS		\$ 4,926,028.58		\$ 4,926,028.58

ATTACHMENT 6

**FY 2022-23 BUDGET ADJUSTMENTS
APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE**

APPROPRIATE FROM:	APPROPRIATE TO:	AMOUNT
<u>Fund, 100/58, Unappropriated Balance</u>		
580322, June 2022 County Election Expenses	<u>Fund 100/28, Council</u> 004170, Elections	\$ 8,000,000.00
580378, County Election Expenses - November 2022	<u>Fund 100/14, City Clerk</u> 004170, Elections	\$ 127,733.62
580132, Equipment, Expenses, Alteration & Improvement	<u>Fund 100/28, Council</u> 001070, Salaries As-Needed	\$ 1,763,293.00
	<u>Fund 100/54, Capital Improvement Expenditure Program (CIEP)</u> 00W046, Citywide Maintenance and Improvements	\$ 900,000.00
	Subtotal	<u>\$ 2,663,293.00</u>
580132, Equipment, Expenses, Alteration & Improvement	<u>Fund 100/40, General Services</u> 001014, Salaries, Construction Projects 001070, Salaries As-Needed 001090, Overtime General 001101, Hiring Hall Construction 001121, Benefits Hiring Hall Construction 003180, Construction Materials 007340, Transportation Equipment	\$ 142,979.00 20,000.00 8,896.00 167,835.00 101,851.00 25,788.00 440,000.00
	Subtotal	<u>\$ 907,349.00</u>
580383, Department Payroll Reconciliation	<u>Fund 100/28, Council</u> 001070, Salaries As-Needed	\$ 958,576.00
580196, Reserve for Mid-Year Adjustments	<u>Fund 100/40, General Services</u> 003230, Petroleum Products	\$ 4,500,000.00
580132, Equipment, Expenses, Alteration & Improvement	<u>Fund 100/40, General Services</u> 007340, Transportation Equipment	\$ 75,000.00

ATTACHMENT 6

**FY 2022-23 BUDGET ADJUSTMENTS
APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE**

APPROPRIATE FROM:	APPROPRIATE TO:	AMOUNT
580368, Utility Assistance Debt Relief	Fund 508/50, Solid Waste Resources Fund 50VAPP, SRF Low Income Customer Arrearage Payment Program	\$ 250,000.00
TOTAL APPROPRIATIONS FROM THE UNAPPROPRIATED BALANCE		\$ 17,481,951.62

**ATTACHMENT 7A
STATUS OF UNAPPROPRIATED BALANCE
GENERAL ACCOUNT**

C.F.	Appropriations	Date	Amount
23-0600	General		\$ 50,000
	Approved Transfer		
22-1145	Council District 4 - Illumination of City Hall		(400.00)
		Balance Available	<u>49,600.00</u>
	Anticipated Appropriations		
		Projected Balance Available	<u>\$ 49,600.00</u>

ATTACHMENT 7B
Status of the Unappropriated Balance, Reserve for Mid Year Adjustments

2022-23 Budget **\$ 24,296,000.00**

First FSR Recommendations

Transfer Out:

Transfer to General City Purposes - Sister Cities of LA	(80,000.00)
Transfer to General City Purposes - Annual City Audit	(205,597.00)
Transfer to City Attorney - Outside Counsel	(1,755,384.00)

Subtotal \$ (2,040,981.00)

Subtotal First FSR Recommendations (2,040,981.00)

Year-end Available **\$ 22,255,019.00**

Second FSR Recommendations

Transfer Out:

Transfer to General Services - Petroleum Products	(4,500,000.00)
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Subtotal Second FSR Recommendations (4,500,000.00)

Year-end Available **\$ 17,755,019.00**

**ATTACHMENT 7C
STATUS OF UNAPPROPRIATED BALANCE NON-GENERAL ACCOUNT**

Account No.	UB Non-General Accounts	Primary Department	Adopted Budget	Transfer In/ Reapprop.	Appropriated during year	First FSR	Appropriated during year	Second FSR	Appropriated during year	Mid-Year FSR	Appropriated during year	Year-End FSR	Available Balance
	General Fund												
580341	Abandoned Vehicle Task Force	DOT	\$ 166,167										\$ 166,167.00
580336	Amortization Study of Oil Sites	PWB		3,500,000									\$ 3,500,000.00
580265	Animal Services Sterilization Trust Fund	Animal Services	\$ 500,000										\$ 500,000.00
580403	Black Workers Center Strong Workforce Equity Program	CHRED	\$ 500,000										\$ 500,000.00
580386	California False Claims Act Settlement	City Atty	\$ 4,520,250		(4,520,250)								\$ -
580379	Cardiac Monitors	Fire	\$ 850,000										\$ 850,000.00
580342	Commercial Cannabis Business Enforcement	Cannabis			1,126,000								\$ 1,126,000.00
580335	Community Initiatives	Police/EWDD			7,936,581	(500,000)							\$ 7,436,581.00
580378	County Election Expenses - November 2022	City Clerk	\$ 10,000,000					(127,734)					\$ 9,872,266.38
580404	Decarbonization and Development of Solar on City Facilities	GSD	\$ 5,000,000										\$ 5,000,000.00
580383	Department Payroll Reconciliation	All	\$ 93,000,000					(958,576)					\$ 92,041,424.00
580397	Development Services Affordable Housing Unit	Planning	\$ 1,100,000										\$ 1,100,000.00
580132	Equipment, Expense, and Alterations & Improv.	Mayor/Council	\$ 7,169,725			(1,881,432)		(3,645,642)					\$ 1,642,651.00
580385	Fair Work Week	Con Ad	\$ 2,000,000			(200,304)							\$ 1,799,696.00
580345	False Alarm Program	Fire			277,488								\$ 277,488.00
580395	Fire Psychologist	Fire	\$ 250,000										\$ 250,000.00
580390	FMS Training	Controller	\$ 1,000,000										\$ 1,000,000.00
580363	Gang Reduction and Youth Development	Mayor	\$ 6,522,000										\$ 6,522,000.00
580001	General (see Attachment 7A)	All	\$ 50,000		(400)								\$ 49,600.00
580389	Graffiti Abatement Strike Teams	Public Works	\$ 1,670,000		(129,000)								\$ 1,541,000.00
580304	Ground Emergency Medical Transport QAF Program	Fire	\$ 6,700,000		(6,700,000)								\$ -
580392	Healthy Neighborhood Market Program	EWDD	\$ 500,000										\$ 500,000.00
580382	Horse Evacuation Trailers	EMD	\$ 200,000										\$ 200,000.00
580322	June 2022 County Election Expenses	City Clerk			8,000,000			(8,000,000)					\$ -
580381	LAHSA Homeless Engagement Teams	GCP	\$ 2,707,488										\$ 2,707,488.00
580376	Low Rise Development Planning and Design	Planning	\$ 500,000										\$ 500,000.00
580391	Minimum Wage Outreach	Con Ad	\$ 200,000										\$ 200,000.00
580274	Mutual Aid Overtime	Fire	\$ 3,000,000		(3,000,000)								\$ -
580380	MyLA311 Replacement	ITA	\$ 1,000,000										\$ 1,000,000.00
580168	Office of Public Accountability Studies	OPA	\$ 742,414										\$ 742,414.00
580388	Opioid Settlement	City Atty	\$ 3,290,000										\$ 3,290,000.00
580197	Outside Counsel including Workers' Comp	City Atty	\$ 1,500,000		(1,500,000)								\$ -
580399	Police Department Sworn Overtime - ABH	Police	\$ 4,000,000										\$ 4,000,000.00
580398	Shelters	Police	\$ 1,000,000										\$ 1,000,000.00
580402	Project SAFE	Youth	\$ 250,000										\$ 250,000.00
580400	RecyclLA Franchises Audits	Sanitation	\$ 300,000										\$ 300,000.00
580384	Reserve for Allocation of FEMA Reimbursement	All	\$ 79,252,000										\$ 79,252,000.00
580232	Reserve for Extraordinary Liability	All	\$ 20,000,000										\$ 20,000,000.00
580196	Reserve for Mid-Year Adjustments	All	\$ 24,296,000			(2,040,981)		(4,500,000)					\$ 17,755,019.00
580393	Technology	Finance	\$ 700,000										\$ 700,000.00
580323	Self-Contained Breathing Apparatus	Fire			21,000,000								\$ 21,000,000.00
580394	Senior Nutrition Services	Aging	\$ 6,000,000		(6,000,000)								\$ -
580377	Social Equity Program	Cannabis	\$ 3,000,000										\$ 3,000,000.00
580401	Street Furniture Implementation Costs	Street Services	\$ 1,000,000		(1,000,000)								\$ -
580340	Targeted Local Hire	All			7,571,000								\$ 7,571,000.00
580387	Tree Planting and Tree Watering	Street Services	\$ 2,000,000										\$ 2,000,000.00
580368	Utility Assistance Debt Relief	BOS			1,000,000			(250,000)					\$ 750,000.00
580396	Wildland Fuel Management Paid Crew	Fire	\$ 519,039										\$ 519,039.00
580405	Zoo Uncertain Revenue	Zoo	\$ 1,000,000										\$ 1,000,000.00
			\$ 297,955,083	\$ 50,411,069	\$ (22,849,650)	\$ (4,622,717)	\$ -	\$ (17,481,952)	\$ -	\$ -	\$ -	\$ -	\$ 303,411,833.38
	Grand Total		\$ 297,955,083	\$ 50,411,069	\$ (22,849,650)	\$ (4,622,717)	\$ -	\$ (17,481,952)	\$ -	\$ -	\$ -	\$ -	\$ 303,411,833.38

STATUS OF LIABILITY CLAIMS ACCOUNTS

Department/Bureau	Account	Budget		Paid	Available Balance After Paid Amounts	Pending Payments	Available Balance Based After Paid and Pending Payments	Percent of Available Balance to Adjusted Budget ¹
		(A1)	(A2)	(B)	(C=A2+B)	(D)	(E=C+D)	
		2022-23 Adopted Budget	2022-23 Adjusted Budget	Amount	Amount	Amount	Amount	
Fire	009790	\$ -	\$ -	\$ -	\$ -	\$ (2,238,500)	\$ (2,238,500)	0%
General Services	009791	\$ -	\$ -	\$ -	\$ -	\$ (235,000)	\$ (235,000)	0%
Police	009792	\$ -	\$ -	\$ (975,000)	\$ (975,000)	\$ (15,049,009)	\$ (16,024,009)	0%
PW/Engineering	009793	\$ -	\$ -	\$ -	\$ -	\$ (4,500,000)	\$ (4,500,000)	0%
PW/Sanitation	009794	\$ 7,370,072	\$ 7,370,072	\$ (759,708)	\$ 6,610,364	\$ (1,240,292)	\$ 5,370,072	73%
PW/Street Services	009795	\$ -	\$ -	\$ (2,565,000)	\$ (2,565,000)	\$ (8,377,130)	\$ (10,942,130)	0%
Recreation & Parks	009796	\$ -	\$ -	\$ (1,750,000)	\$ (1,750,000)	\$ (10,500,000)	\$ (12,250,000)	0%
Transportation	009797	\$ -	\$ -	\$ (180,000)	\$ (180,000)	\$ (2,375,000)	\$ (2,555,000)	0%
Miscellaneous	009798	\$ 80,000,000	\$ 80,000,000	\$ (11,334,638)	\$ 68,665,362	\$ (9,786,360)	\$ 58,879,002	74%
TOTALS		\$ 87,370,072	\$ 87,370,072	\$ (17,564,346)	\$ 69,805,726	\$ (54,301,290)	\$ 15,504,436	18%

Note:

¹ Applies to PW/Sanitation and Miscellaneous Liability Accounts relative to the Adjusted Budget.