

ADMINISTRATION DEPARTMENT

MEMORANDUM

TO: Mayor Brenda Esqueda and Councilmembers
FROM: Al Hernández, City Administrator
DATE: October 1, 2012
SUBJECT: Fiscal Year 2012-13 City Budget and Staff Reductions

RECOMMENDATION:

It is recommended that the City Council approve the lay-off of certain positions to help balance the Fiscal Year (FY) 2012-13 City Budget.

BACKGROUND:

1. On July 2, 2012, the City Council approved the FY 2012-13 City Budget with a recommendation of 10 staff adjustments for a savings of approximately \$520,000.
2. On June 27, 2012, Governor Brown signed the State Budget Trailer Bill, AB 1484, which became effective immediately. AB 1484 added H&S Code Section 341383.5(b), which requires the Los Angeles County Auditor-Controller to calculate if amounts are owed by successor agencies to taxing entities (pursuant to H&S Code Section 34183(a)(4)) for the period of January 1, 2012 through June 30, 2012.
3. On July 9, 2012, the City and Successor Agency to the San Fernando Redevelopment Agency (Successor Agency) were presented with a Notice of Demand for Payment from the Los Angeles County Auditor-Controller, pursuant to Health and Safety (H&S) Code Section 34183.5(b) in the amount of \$512,059.12.
4. On July 12, 2012, the Successor Agency paid the Los Angeles County Auditor-Controller \$243,253.15 by the required deadline; the balance of the Demand for Payment will be paid in January 2013
5. On July 28, 2012, JC Penney closed its store in the San Fernando Mall.
6. On August 1, 2012, the City paid California Housing Finance Authority (CalHFA) \$100,000 as a down payment to extend the loan of \$940,000 until December 2014. This loan was due

in full in August 2012 and was rejected by the Department of Finance as a recognized obligation of the Successor Agency.

7. During July 2012 through September 2012, City Council has held meetings to discuss the necessary actions to close the original gap of \$520,000, plus the new unexpected demand payment from the Los Angeles County Auditor-Controller of \$512,059.12.
8. On September 4, 2012, the City Council approved a proposal to the employee unions which consisted of lay-offs and furloughs. The proposal was made to the various unions during the week of September 4, 2012 in an effort to reach consensus.

ANALYSIS:

On July 2, 2012, the City Council approved the budget with a needed \$520,000 savings adjustment to balance the budget. Subsequent events are as follows:

Shortfall	\$	520,000
Demand Payment	\$	512,059 *
JC Penney Closes, Estimated Tax Loss	\$	57,000
CalHFA Payment	\$	100,000
Expect Pass Through Refund	\$	(183,000) *
Parking Citation Shortfall	\$	100,000
 Shortfall to General Fund	 \$	 1,106,059

* Amount will be accrued to FY 2011-12, this will result in a negative fund balance which will carry over to FY 2012-13. This item is part of a \$700,000 amount placed on the Recognized Obligation Payment Schedule (ROPS) No. 3 for reimbursement as the City is claiming an error in the calculations of the Demand for Payment; this claim is pending.

The General Fund is currently facing challenges ranging from grants expiring (i.e., CHRP), and the General Fund absorbing the shortfall to a decline in revenues that resulted from the elimination of the Redevelopment Agency, property tax, interest income, and sale of property. The shortfalls in property tax are the result of the crash in the California housing market and a reduction in the overall assessed values. The Department of Finance not considering loans between the City and the Redevelopment Agency as enforceable obligations has caused the City to lose revenues this year and the next (1422 San Fernando Road). Although AB 1484 makes allowances to have these loans reconsidered and approved once the City receives its Certificate of Compliance, none the less, this is a few years away before the City sees any revenue and then the revenues will be spread out over a few years.

BUDGET IMPACT:

It is expected that this staff reduction will result in General Fund savings of approximately \$159,000 for this remaining fiscal year (nine months) ending June 30, 2013; for FY 2013-14, savings would be \$300,000 to the General Fund.

Additional savings for FY 2012-13 would come from delaying the hiring of a Senior Accountant (\$64,000); deferring the Police Chief search (\$25,000); pension transfer to the General Fund (FY 2012-13) to offset Los Angeles Fire Department pension expense (\$117,000); cut back on use of part-time staff (\$72,000); Public Works Department reorganization (\$40,000); unfilled vacancies (\$105,000); and prior period adjustment to Los Angeles Fire Department pension expense (\$216,000).

These adjustments would yield an approximate savings of approximately \$905,000 for FY 2012-13, cumulative.

CONCLUSION:

The proposed adjustments are needed to solve the expected current shortfall and cumulative General Fund balance after discussions with all the unions to agree to furloughs has not been reached.