



## AGENDA REPORT

**Meeting Date:** December 17, 2013  
**Item Number:** G-2  
**To:** Honorable Mayor & City Council  
**From:** Don Rhoads, Administrative Services Director and Chief Financial Officer  
Don Harrison, Budget & Revenue Officer

**Subject:** FY 2012/13 YEAR-END REPORT AND CONSIDERATION OF ALLOCATING AVAILABLE GENERAL FUND BALANCE, INCLUDING APPROPRIATION OF FUNDS IN AN AMOUNT UP TO \$14,212,394 AND APPROPRIATION OF \$650,000 OF AVAILABLE FY 2013/14 GENERAL FUND REVENUES FOR THE ESTABLISHMENT OF A THIRD STAFFED PARAMEDIC RESCUE AMBULANCE

**Attachments:** 1. Paramedic Staffing Memo – Ralph Mundell, Fire Chief

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### RECOMMENDATION

Staff recommends that the City Council consider allocating available General Fund balance and make appropriations for same and for earmarks made during budget deliberations in June for one-time activities, reduction of unfunded liabilities or retention of available fund balance of up to \$14,212,394 and move to appropriate \$650,000 from ongoing available FY 2013/14 funds for the establishment of a third staffed paramedic rescue ambulance in the City for the remainder of FY 2013/14.

<u>FROM</u>	<u>TO</u>
\$650,000 General Fund Revenue	\$ 30,000 0103201
	\$247,000 0103301
	\$373,000 0103401

## **INTRODUCTION**

During FY 2013/2014 budget deliberations in May and June, City staff presented to the City Council conservative estimates of the amount of General Fund balance that would be available at year-end. The availability of fund balance is primarily the result of strong revenue performance, which exceeded projected amounts and expenditure savings, largely from unfilled positions. As of late April 2013 the budget surplus was estimated to be \$7.3 million. During budget deliberations the City Council earmarked this expected year-end available General Fund balance as outlined in the table below.

<b>Earmarks for Use of Available Fund Balance</b>	<b>Earmarked 2012/13</b>	<b>New 2012/13</b>	<b>Total</b>
Sidewalk and street tree maintenance acceleration	\$1,000,000*		\$ 1,000,000
Increased parking structure maintenance and repair	1,000,000		1,000,000
Retiree medical (OPEB) unfunded liability reduction	1,000,000		1,000,000
Pension (PERS) unfunded liability reduction	1,000,000		1,000,000
Property acquisition	2,250,000		2,250,000
Clean Water Fund subsidy	1,300,000		1,300,000
Beverly Gardens Park 9/10/13 Appropriation		100,000*	100,000
Unallocated		7,662,394	7,662,394
General Fund Reserve contribution	(238,200)	238,200	-
	<b>7,311,800</b>	<b>8,000,594</b>	<b>\$15,312,394</b>

\* funds already appropriated

As a result of continued improvement in City revenues through the end of FY 2012/13, and budget savings realized, largely as a result of position vacancies, the City's unaudited year-end FY 2012/13 available General Fund balance is \$15,312,394. This amount is \$8,000,594 greater than projected in late April 2013. Though the City Council earmarked the original estimate of \$7,311,800, shown in the table above, it did not appropriate the funds at that time. However, subsequent to the budget adoption, the City Council appropriated \$1,000,000 for sidewalk repair and construction, and \$100,000 for the Beverly Gardens renovation from these available funds. This leaves \$7,662,394 available for appropriation, reducing unfunded liabilities or retaining in fund balance. The City Council's Financial Policies require that one-time funds such as this available fund balance shall not be used for ongoing activities. For this reason, the funding of the third staffed paramedic rescue ambulance is proposed from ongoing, unappropriated FY 2013/14 General Fund revenues.

## **DISCUSSION**

### **Use of Available General Fund Balance**

It is a good financial practice to use one-time funds for investments in one-time capital, unfunded liabilities, or working capital for investment such that the use of funds results in future efficiencies or other future expenditure savings or increased revenue. It is also a good practice, and one which is noted by bond rating agencies, to use General Fund excess funds only for general purposes and not for the support of enterprises, which should be fully supported from enterprise revenues.

Based on previously stated City Council priorities, its prior allocations of surplus revenue, and input from City departments, staff has identified the following as recommended uses for these available funds:

#### **Stormwater Loan Repayment**

The Clean Water Fund (formerly the Storm Water Fund) was advanced a total of \$1,800,000 from the Solid Waste Fund to help cover the revenue shortfall in the fund. As the Clean Water Fund must rely on General Fund subsidies to maintain its operations and has no foreseeable ability to repay the Solid Waste Fund, Generally Accepted Accounting Principles require that the General Fund repay the Solid Waste Fund. This loan was reviewed at the City Council – Public Works Commission Liaison Committee meeting in September. The Committee concurred that the loan should be appropriately repaid with General Fund year-end available funds.

#### **Acceleration of Sidewalk Repairs**

In recent years, the City has experienced filing of claims against the City for injuries experienced which were alleged to have resulted from uneven sidewalks in the public right-of-way. To address this, the FY 2013/14 CIP included \$1,875,000 for Street and Sidewalk Improvements. In addition, the City Council earmarked from expected FY 2012/13 surplus an additional \$1 million for sidewalk and street tree maintenance acceleration. The FY 2013/14 CIP includes an additional \$3,625,000 for Street and Sidewalk Improvements in FY 2014/15. The Capital Assets Department has estimated that the funds included in the CIP are sufficient to be able to repair the known uneven sidewalks; however, it would like to accelerate those funds to be able to commence additional sidewalk repairs in the current fiscal year. To accomplish this, it is proposed that \$1.5 million of the available General Fund balance be used for accelerating sidewalk repairs and that the FY 2014/15 CIP funding for Streets and Sidewalk Maintenance be reduced by \$1.5 million to free up funds for other projects, such as the Santa Monica Boulevard Reconstruction Project.

#### **PERS Unfunded Liability Reduction**

During its budget deliberations last June, the City Council earmarked \$1 million of expected FY 2012/13 surplus for the reduction of the City's unfunded PERS liability. Staff is developing a proposal for a long-term plan to reduce the City's unfunded PERS liability and proposes that the City Council allocate an additional \$1 million for this purpose from available General Fund balance.

#### **Southeast Projects**

Over the past year, the City Council has allocated \$2.5 million for Property Acquisition with the most likely use for these funds being the purchase of property for use as a parking facility in the Southeast section of the City. The City Council also earmarked an additional \$2.25 million for this purpose and for overall improvements in the Southeast from expected FY 2012/13 surplus. Given the great cost of property in the City and the great need for additional parking and other improvements in the Southeast portion of the City, it is recommended that the City Council allocate an additional \$1 million from available General Fund balance for Southeast Projects.

#### **336 Foothill Building Demolition**

The City owns a 5.3 acre site on Foothill Road between Alden Drive and Third Street which is under discussion as the location for a major international art show. In order to facilitate the show as well as any future permanent use on the site, the existing building at 336 Foothill will need to be demolished. It is recommended that \$500,000 of the

available General Fund balance be appropriated as a match with the Art Show proponents for site demolition.

### **Beverly Gardens Renewal Matching Funds**

The Beverly Gardens renovation/renewal project which started over the summer with the restoration of the Lily Pond is progressing. The next focus of the effort is likely to be restoration of the Electric Fountain. It has been reported that the private fund raising effort was greatly enhanced once the City Council provided \$750,000 in matching funds, such that donors saw the value of their Beverly Gardens Renovation contribution multiplied through City matching funds. Given this and the ongoing effort to renew the entire Beverly Gardens Park, it is recommended that the City Council use \$750,000 of the available General Fund balance as additional matching funds for the Beverly Gardens renovation project.

### **Secure Backflow Devices Against Theft**

Thefts of copper and other valuable metals in all forms have been increasing tremendously. Recently, the Beverly Hills Police Department arrested five individuals for theft of copper wiring from City street lights. Also, recently, the Community Services Department experienced the loss of irrigation backflow devices which are substantially made of copper. It is proposed that \$30,000 of the available General Fund balance be allocated for securing backflow devices throughout the City to prevent their theft.

### **Accelerate Ficus Tree Trimming on Burton Way**

It has recently been brought to the attention of the Community Services Department that businesses along Burton Way have experienced a great deal of falling tree debris from the Ficus Trees in the public right-of-way, which has been accompanied by a request for trimming these trees in the near future. For \$60,000 the trimming of these trees could be accelerated into the current fiscal year, and its proposed that available General Fund balance be used for this purpose.

### **Repairs at Greystone**

Three necessary repairs have recently been identified at Greystone Park and Mansion. These are 1) cracking and separation has occurred to the exterior limestone around the bay window in the living room of the mansion; 2) Multiple locations exist in and around the formal gardens where the flagstone is separating and curbing is failing causing poor aesthetics and public safety trip and fall hazards; and 3) the sewer line to the mansion is about 85 years old and needs replacement to facilitate use of the mansion and the catering kitchen on a regular and long-term basis. Total cost for these repairs is estimated at \$250,000.

### **Beverly Gardens September 10, 2013 Appropriation**

At its regular meeting of September 10, 2013, the City Council appropriated \$100,000 for the restoration of the Lily Pond at Beverly Gardens. The City Council indicated that it wished to use year-end funds for this appropriation.

### **General Fund Reserve Contribution**

When funds were earmarked from the approximately \$7.3 million of expected General Fund surplus from FY 2012/13, earmarks were made that exceeded the funds projected by \$238,200 with the intention of covering that amount when the year-end was closed. It is proposed that the City Council utilize \$238,200 of the new funds available to cover the previous overage of earmarks.

**Unallocated**

After proposing the above uses for the available General Fund balance, there remains \$772,394 of available funds unallocated. These funds could be allocated for other uses, however, staff recommends retaining this amount in the General Fund as additional reserve funding.

As addressed above, it is a good financial practice to utilize available one-time funds for the reduction of current or future expenses or the generation of additional future revenues. Use of surplus or one-time funds for ongoing expenses is not considered good policy as such practice will likely lead to ongoing deficits as the ongoing revenues may not provide for the ongoing expenditures. The recommendations above, substantially reduce future expenses through reduction of liability claims, prevention of theft, reduction of future payments and interest on unfunded liabilities, or provide for potential increases in revenue through increased economic development, or provide for needed investment in City facilities on a one-time or limited basis. Below is an itemization of the recommendations and amounts recommended herein.

**Recommendations for Available General Fund Balance**

Stormwater Loan Repayment	\$ 1,800,000
Acceleration of Sidewalk Repairs	1,500,000
PERS Unfunded Liability Reduction	1,000,000
Southeast Projects	1,000,000
336 Foothill Building Demolition	500,000
Beverly Gardens Renewal Matching Funds	750,000
Secure Backflow Devices Against Theft	30,000
Accelerate Ficus Tree Trimming on Burton Way	60,000
Repairs at Greystone	250,000
Beverly Gardens Appropriation 9/10/13	100,000
General Fund Reserve Contribution	238,200
Unallocated	772,394
	<b>\$ 8,000,594</b>

There are many advantages to addressing the needs which staff proposes with the one-time funds available. Maintenance and repairs to sidewalks, Greystone, securing backflow devices and repaying an interfund loan will protect the City against loss from liability claims, casualty loss, or legal action. Investments in 336 Foothill, Southeast Projects, Greystone improvements, Beverly Gardens Park and tree trimming on Burton Way may have positive revenue impacts if they induce new development which will be long-term revenue producing, tourist attracting or business enhancing. Investments in reducing the City's unfunded PERS liability will result in savings of interest expense on these unfunded portions. The disadvantages of following the recommendations contained in this report are substantially opportunity costs. If the funds are spent for these proposed uses, they will not be available for other unidentified projects which might be of greater value or in much greater need of funding. Use of City funds usually involves a balancing act in that the choices for use of the City's scarce resources inevitably preclude the use of those funds for other worthy uses. As reasonable people can disagree on what may be the best use for a scarce resource, there are nearly always opportunity costs when City resources are allocated.

### **Third Staffed Paramedic Rescue Ambulance**

In December 2012, the City Council identified the creation of a third staffed paramedic rescue ambulance as one of its highest priorities. In February of 2013, the City Council appropriated funds for the purchase of a new ambulance in anticipation of the third staffed paramedic rescue ambulance. This past May, the Fire Department presented its proposed budget and advised the City Council that it was be applying for a grant to help fund the third ambulance unit and therefore did not seek funding for the third staffed paramedic rescue ambulance in the FY 2013/14 budget pending determination of the outcome of that application. Budgeting funds for the staffed ambulance would likely prevent eligibility for the grant as its award would result in supplanting existing funding. However, in its budget presentation, the Fire Department stated that it would return to the City Council to seek funding for half of the fiscal year, should the grant not be awarded in the autumn. In June, the City Council approved the purchase of and authorized the issuance of a purchase order for a new ambulance to be used as a third staffed paramedic rescue ambulance. The grant has not been awarded and staff now seeks City Council appropriation of available FY 2013/14 unbudgeted funds to provide for the third staffed paramedic rescue ambulance commencing at mid-year. The amount required is \$650,000.

Provision of additional emergency medical resources in the City will likely have a very real benefit to those who may be provided such services in more timely, perhaps making the difference between living and dying as a result of more prompt arrival. This addition would increase the City's emergency medical capacity by 50%. The attached memorandum from Chief Mundell provides additional information on this recommendation. In addition, the City Council previously reviewed the Fire Department performance audit findings and recommendations which included this proposed expansion of service. The disadvantage of adding this unit, similar to the proposed appropriations above, is opportunity cost, the potential foreclosure of other possible uses of the funds that will be required to provide for this new unit on an ongoing basis. In addition, the increased recurring expense that will be attributable to this action will increase the Fire Department budget.

### **FISCAL IMPACT**

The appropriation of available General Fund balance will result in the reservation and/or expenditure of up to \$14,212,394 from available fund balance and a reduction of General Fund balance in an equal amount. In addition, the establishment of a third staffed paramedic rescue ambulance will result in expenditure of \$650,000 for the remainder of FY 2013/14 and an increase in base ongoing expenditures of \$1,200,000 in future years.



Don Harrison  
Budget and Revenue Approval

  
Don Rhoads  
Approved By

# **Attachment 1**



**Meeting Date:** December 17, 2013  
**To:** Honorable Mayor & City Council  
**From:** Ralph Mundell, Fire Chief  
**Subject:** Paramedic Staffing

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### **INTRODUCTION**

The Beverly Hills Fire's Emergency Medical Services (EMS) has had just two Paramedic Rescue Ambulances in service for the last 30-plus years providing needed Advanced Life Support (ALS) response and transport. In recent years, the emergency call total, along with an increasing number of simultaneous ALS calls-for-service, caused an inordinate demand and reliance on mutual-aid response from Los Angeles County Paramedics from West Hollywood, and also from Los Angeles City Fire.

### **DISCUSSION**

As listed in the City Council priorities from the previous Fiscal Year 2012-13 to improve EMS response, one of the key strategies cited is to add 6 additional Firefighter-Paramedics (and an additional Paramedic Rescue) to provide a third fully-staffed ALS transport. During the Fire Department's budget presentation for Fiscal Year 2013-2014, there was also a discussion regarding a new paramedic rescue vehicle and 6 additional Firefighter-Paramedics to enhance EMS response. In addition, the Fire Department's recent organizational Citygate Associates audit, that was delivered to the City Council in November of 2010, also addressed a widening gap in our ability to cover simultaneously occurring ALS emergency medical response calls. Citygate advised that the City would need to staff a third Paramedic Rescue Ambulance in the near future and would need to take interim steps to try to bridge the gap. Early in 2011, the Fire Department reconfigured its response matrix to create a part-time third Paramedic ambulance transport capability, but this causes Engine 2 to be out of district more often, and utilizes cross-staffing that reduces other Departmental capabilities. This has helped to substantially reduce our reliance on outside EMS resources over the last two years, but the call load continues to increase. Essentially, adding a third Paramedic Rescue will also allow the Fire Department to station one Paramedic Rescue in each of the three response districts, giving more balanced service to all areas of the City. In order to help offset the cost, we have submitted an application for a Staffing for Adequate Fire and Emergency Response (SAFER) Grant. However, based on the grant's order of funding priorities, our application falls on the 3<sup>rd</sup> tier. Their top 2 priorities are mainly concentrated on the rehiring of laid-off firefighters and retention of firefighters who are in the brink of getting laid-off or in filling positions that were vacated through attrition. Given these constraints, the BHFD will not receive any type of funding from the granting authorities.