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April 28, 2020

**Response to the Sheriff's Request to Transfer Funds from Provisional Financing  
Uses, Lift the Hiring Freeze, and Realign Budgeted Revenues**

As L.A. County mobilizes to confront the COVID-19 pandemic, the Los Angeles County Sheriff's Department (Department) is a vital partner in serving the public as a first responder before, during and after the crisis. At the same time, sound budgetary practices are even more critical now in order to ensure that the County is able to support the Department's mission as well as the work of our other departments throughout the response and recovery process. This motion addresses measures put in place well before the COVID-19 crisis balanced with the Department's need to carry out its essential work.

In Fiscal Year (FY) 2018-19, the Department closed its books with a net deficit of approximately \$63.4 million, due primarily to significant over-expenditures in overtime coupled with under-realized revenue. As a result, on October 1, 2019, the Board of Supervisors (Board) directed the Auditor-Controller (A-C), in consultation with the Chief Executive Office (CEO), to transfer a total of \$143.7 million in appropriation from various

MOTION

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budget units within the Department to the Provisional Financing Uses (PFU) – Sheriff budget unit, so that the funding would remain dedicated for the Department but not available for expenditure until a Board-approved budget mitigation plan was developed and submitted by the Sheriff and thereafter implemented.

As directed by the Board vote of October 1st, the A-C and CEO subsequently transferred \$143.7 million in appropriation from the Department, consisting of \$134.4 million in services and supplies and \$9.3 million in capital assets – equipment, to PFU. The Board also directed the CEO to implement a hiring freeze in the Department, excluding critical health and public safety positions as determined by the CEO. Following the Board's order, the CEO issued the Hiring Freeze Guidelines to the Department on October 7, 2019. Properly implemented, these two measures would allow the Department to meet critical safety and health needs while reducing expenditures in other areas.

Despite these actions and before the onset of COVID-19 considerations, the Department in its 5th Month Budget Status Report, which was submitted to the CEO's Office in December 2019, projected an \$86.5 million net deficit. Post COVID-19, the Department, in its 9th Month Budget Status Report, which was submitted to the CEO's Office in April 2020, expects to close Fiscal Year 2019-20 with an \$89 million deficit. The Department, during a presentation made to the Justice Deputies on April 1, 2020, indicated that the \$89 million deficit assumed \$24.8 million in budget solutions (\$10.0 million in Assembly Bill 109 revenue; \$4.5 million in encumbrance cancellation; and approximately \$5.2 million and \$5.1 million in Modified Automated Process and Accounting System and inmate trust funds, respectively, that are pending completion of

the Treasurer and Tax Collector escheatment process—of this amount approximately \$19.0 million has been verified by CEO) and the transfer of \$143.7 million in funding set aside in PFU.

The Board further directed the A-C and CEO to monitor the Department's progress in implementing the budget mitigation plan and achieving satisfactory budget performance. As the Department made progress to address the current-year deficit, the A-C and CEO would be allowed to make recommendations to transfer funding back to the Department's operating budget units. Beginning in September 2019, the CEO and Sheriff staff have met weekly to assess factors contributing to the deficit and identify areas of potential mitigation. One area of continuous focus is the Department's overtime expenditures. The Department, as part of its mitigation plan, committed to reducing non-contracted services overtime by \$11.8 million in FY 2019-20. Despite this commitment, the Department is projected to exceed its overtime budget by \$143.4 million resulting in \$286.8 million in total overtime expenditures for FY 2019-20.

On January 28, 2020, the CEO, A-C, and Department provided a semi-annual status report on the Sheriff Department's budget that included, among other things, identification of \$33.7 million in actionable solutions to close this Fiscal Year's estimated budget gap. While development of the mitigation plan was the first step; implementation and actual achievement of the goals outlined in the plan is the most important and final step. As of this date, the Department has not provided a status report for each of the actionable items identified in the January 28th semi-annual status report. The CEO has, however, been able to independently confirm that the Department has taken the following actions, specifically achieving \$19 million in mitigation efforts - \$14.5 million in

maximizing Assembly Bill (AB) 109 revenue via the updated claiming process: and \$4.5 million in encumbrance cancellations.

Despite the Department's mitigation efforts and CEO's commitment to offset unforeseen litigation costs, a more robust plan is required to address the \$89 million projected budget gap for the fiscal year. In response, it is recommended that the Department immediately reduce the Department's training academy classes from twelve to four, commensurate with the Department's budgeted funding levels. The Department does not have funding within its existing budget for twelve training classes each year. The Department independently increased the number of training academy classes to expedite the hiring of sworn personnel and absorbed the cost of the additional classes within its existing budget. The additional training academy classes requires the Department to shift sworn staff from their regular duties and redirect them to support the training academy classes. The work of the redeployed staff is addressed by other sworn staff working overtime – hence the increase in the overtime budget relating to the training classes. However well intended, it has become apparent that the Department is unable to cover the costs associated with the 8 additional classes and still achieve a balanced budget. This action does not prevent the Department from continuing to hire sworn personnel, but merely slows down the process and aligns it with the Department's approved funding levels. By doing so, the Department will realize an annual savings of approximately \$49 million – more than one-half of the \$89M projected budget gap.

Today the Sheriff seeks approval to return the \$143.7 million previously transferred to PFU back to his Department and to allow realignment of budgeted

revenue amounts. The Board recognizes the Sheriff's constitutional responsibility as the chief law enforcement officer of the County and, given the current health crisis of COVID-19, wants to ensure that the Department can meet its core mission of ensuring public safety. However, the Board also recognizes that the County's fiscal health is vital during this time of crisis and the Board must continue to ensure that our limited public resources are safeguarded. An analysis of the Department's historical spending patterns and levels supports the transfer of \$83 million in funding at this point in the fiscal year. Budgets are inherently dynamic and while \$83 million in funding will be transferred pursuant to this motion, we encourage the Sheriff to continue to work with the CEO to develop a more meaningful budget mitigation plan whereby future consideration may be given to allow the Sheriff to have access to the remaining portion of the funds set aside in PFU.

**WE, THEREFORE, MOVE** that the Board of Supervisors:

1. Instruct the A-C, in consultation with the CEO, to transfer \$82.7 million (\$75.1 million for regular operations and \$7.6 million for COVID-19-related expenses) from the PFU to various Sheriff's Department budget units to address its services and supplies needs;
2. Request the Sheriff to develop and complete its revenue analysis for submission to the CEO, who will review and make recommendations to the Board to realign the Department's budgeted revenue either during the CEO's mid-year budget adjustment process in June, or in an upcoming budget phase; and
3. Request the Sheriff to reduce his training academy classes to the FY 2017-18 previously approved levels from twelve to four per year, which is

commensurate with the budgeted funding.

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S:VP/ResponseToTheSheriff'sRequestToTransferFundsFromProvisionalFinancingUses,LiftTheHiringProcess,AndRealignBudgeted Revenues