

FRANK T. MARTINEZ  
City Clerk

KAREN E. KALFAYAN  
Executive Officer

When making inquiries  
relative to this matter  
refer to File No.

07-0600-S43

August 30, 2007

All City Departments  
City Administrative Officer  
City Engineer  
Department of Public Works  
Los Angeles World Airports Police Department  
Information Technology Agency  
Chief Legislative Analyst  
Los Angeles Police Department  
Office of Finance

Controller, Room 300  
Accounting Division, F & A  
Disbursement Division

# CITY OF LOS ANGELES

CALIFORNIA



ANTONIO R. VILLARAIGOSA  
MAYOR

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CLAUDIA M. DUNN  
Chief, Council and Public Services Division  
[www.cityclerk.lacity.org](http://www.cityclerk.lacity.org)

RE: FIRST FINANCIAL STATUS REPORT FOR FISCAL YEAR 2007-08

At the meeting of the Council held August 17, 2007, the following action was taken:

Attached report adopted as amended .....	_____X_____
Attached amending motion (Parks - Greuel) adopted .....	_____X_____
Attached resolution adopted .....	_____
FORTHWITH .....	_____
Mayor concurred .....	_____08/24/07_____
To the Mayor FORTHWITH .....	_____X_____
Motion adopted to approve communication recommendation(s) .....	_____
Motion adopted to approve committee report recommendation(s) .....	_____
Ordinance adopted .....	_____
Ordinance number .....	_____
Publication date .....	_____
Effective date .....	_____
Mayor vetoed .....	_____
Mayor approved .....	_____

City Clerk  
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TO THE COUNCIL OF THE  
CITY OF LOS ANGELES

Your **BUDGET AND FINANCE** Committee

reports as follows:

BUDGET AND FINANCE COMMITTEE REPORT relative to the First Financial Status Report for Fiscal Year 2007-08.

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

1. APPROVE the City Administrative Officer's (CAO) recommendations contained in the First Financial Status Report for Fiscal Year 2007-08, attached to the Committee report.
2. AUTHORIZE the City Engineer to negotiate and execute Amendment No. 1 to Agreement C-111172, with Barrio Action Youth and Family Center for the City to provide project and construction management services for Barrio Action's additional tenant improvements to the El Sereno Constituent Service Center/Barrio Action Youth and Family Center Project at no additional cost, with the additional tenant improvements to be constructed pursuant to change orders issued by the City Engineer to Sinanian Development, Inc., the contractor for the project under City Contract No. C-108319.
3. AUTHORIZE the Department of Public Works to receive various payments from Barrio Action for an additional \$100,000, thereby increasing the total amount to be paid by Barrio Action for all tenant improvements for the Barrio Action Youth and Family Center from the current \$500,000 to \$600,000, and to deposit these funds into the General Fund, and AUTHORIZE and direct the Controller thereafter to APPROPRIATE those funds into Capital Improvement Expenditure Program Fund 100/54, Account C708, entitled El Sereno CSC - Barrio Action/Private, for Barrio Action's tenant improvements.
4. INSTRUCT the CAO to work with the Los Angeles World Airports (LAWA) Police Department and report their findings in the next Financial Status Report (FSR) relative to the Federal Governments requirements to post local law enforcement officers at airports.
5. INSTRUCT all City proprietary departments to attend the next meeting of the Budget and Finance (B&F) Committee and discuss the disputes relative to \$23.4 million reduction in reimbursement revenues to the City General Fund.
6. INSTRUCT the CAO and the Information Technology Agency to report back to the B&F Committee with a resolution relative to TDA and Contractual account disputes within 30 days.
7. INSTRUCT the CAO and Chief Legislative Analyst (CLA) to report to the B&F Committee in 30 days with technical recommendations on the following:
  - a. Convention Center fee waiver policy
  - b. Special Event fee waiver policy
8. INSTRUCT all Council controlled departments to refrain from starting any new programs or expansion of existing programs until a CAO and CLA analysis has been performed of the said programs. This direction shall continue until further notice.

\*Adopted as amended by Council action of 8-17-07

9. CURTAIL and restrict consideration of any new appropriations or loans from the Reserve Fund to the most urgent needs while all pending Reserve Fund loans and transfer requests shall be re-evaluated and examined by the CAO and CLA before consideration by the B&F Committee.
10. DEFER consideration of any transfers from the Unappropriated Balance until further notice.
11. INSTRUCT the CAO and CLA to provide the Chair of the B&F Committee with a list of all reports that need to be re-evaluated before they can be scheduled for hearing before the B&F Committee. This list must be provided within 30 days.
12. APPROVE a technical correction to the 2007-08 Budget to recognize \$1,620,572 in additional receipts into the Forfeited Assets Trust Fund to pay for eligible Police Department equipment and technology costs, including Tasers.
13. INSTRUCT the CAO, CLA, and the Office of Finance to issue a report to the B&F Committee in 30 days relative to Council File 07-0465 which seeks to increase the level of debt collection by the City; and, Council File 07-0467 relative to ensuring that all revenues are safeguarded and maximized.
14. INSTRUCT the CAO and CLA to work with all departments relative to unrealized proposed fee increases and provide a written status report with recommendations within 30 days.
15. REQUEST the Mayor's Office to work with all City departments relative to the proposed fee changes and fee studies that have yet to be realized.
16. INSTRUCT the LAPD to report to the B&F Committee within 30 days relative to wireless data cards funding request, with detailed specifics on the history of the transaction, from the time the City acquired the said equipment to the planned and proposed ongoing cost, funding source and maintenance cost.
17. INSTRUCT the CAO to review and make a recommendation relative to the LAPD request for reappropriation of \$266,000, to purchase cameras for the License Plate Recognition System. The report should include information relative to ongoing maintenance costs.
18. INSTRUCT the CAO, LAWA, and LAPD to comply with the 2007-08 Budget Instruction No. 21 and report to the B&F Committee on the deployment of the 22 LAPD officers at the Los Angeles International Airport.
19. INSTRUCT the CAO to include a schedule of monthly LAPD hiring in future FSRs to ensure that hiring is on track with what has been budgeted.
20. INSTRUCT the CAO to provide the B&F Committee with the status on the following:
  - a. report requested under Council File 05-0056, Motion (Greuel - Perry) relative to a program to sell advertising space on City vehicles;
  - b. revenue, as it relates to fiber optics and the Department of Water and Power

Fiscal Impact Statement: The City Administrative Officer reports that transfers, appropriations and other adjustments totaling approximately \$8.6 million are recommended in this report to meet current obligations. A preliminary look at 2006-07 revenue reflects a \$28.7 million deficit mainly due to shortfalls in budgeted reimbursements from proprietary departments. Revenue and expenditure risks, including Utility Users' Telephone Tax, pending lawsuits and other departmental shortfalls cannot be specifically determined at this time and will be addressed in future reports. A thorough analysis of the Reserve Fund will be provided in the next financial status report.

## SUMMARY

At its meeting of August 13, 2007, the Budget and Finance Committee considered the City Administrative Officer's (CAO) First Financial Status Report (FFSR) for Fiscal Year (FY) 2007-08. The FFSR provides a preliminary outlook of 2006-07 receipts and highlights issues on the horizon that may affect the current year budget. The FFSR contains recommendations regarding transfers and reappropriations that are necessary to support City services as well as other budgetary adjustments. The CAO reports that although the Controller's 2006-07 Preliminary Year-End Closing Report has not yet been issued, on August 8, 2007, the Controller issued a letter warning of a significant Reserve Fund shortfall. The CAO believes there could be serious implications for 2007-08.

Based on the Controller's draft report, the preliminary Reserve Fund cash balance as of July 1, 2007, is \$224.2 million. The Available Balance, after adjustments, is \$113.7 million or 2.56 percent of the 2007-08 General Fund budget, and approximately \$88.2 million less than the 2007-08 Budget. In comparison, the Reserve Fund balance on July 1, 2006, was \$178.8 million or 4.1 percent of the General Fund. The CAO reports that the primary reasons for the decrease in the Reserve Fund balance is lower revenue, higher than anticipated unfunded expenditures, loans and transfers for contingencies made after February, 2007, including the \$25 million short-term loan for the Figueroa Plaza escrow deposit repaid on August 8, 2007. Additionally, the Controller has advised that year-end encumbrances are unusually high. The FFSR recommends a series of actions that should be taken pending completion of the Controller's review. The CAO, in the Second Financial Status Report, will present options for the Mayor and the Council to enact relative to various budget reductions to reduce costs and control spending. The CAO report highlights other issues that may also impact the City budget. In light of all of these concerns, the CAO states that it is necessary to remain fiscally prudent and work aggressively to build the Reserve Fund throughout the year. The CAO will conduct a thorough review of all prior-year encumbrances and identify those that can be reverted to the Reserve Fund. Additionally, the CAO will look at other options to free up monies that can be transferred to the Reserve Fund or the Reserve for Economic Uncertainties. Until the Controller's year-end information is final and the CAO has had an opportunity to complete its analysis of the Reserve Fund, the CAO recommends that no new programs or expansion of existing programs should be considered, all transfers from the Unappropriated Balance should be deferred, and Reserve Fund appropriations and loans should be curtailed and restricted to the most urgent needs. The CAO additionally requests to re-evaluate funding requests pending before the Council, for comment when the matters are heard by the Budget and Finance Committee.

During the Committee discussion, the CAO reported that \$18.7 million in over-expenditures contributed to the reduced Reserve Fund. During FY 2006-07, there were two exercises where departmental funds were swept; therefore, at the end of the fiscal year over-expenditures had to be covered by the Reserve Fund. The CAO wants to do better planning for year-end to provide a better cushion, however, a decision will need to be made regarding fiscal conservatism and assuring that important programs are funded. The CAO also does not want to wait until year-end to address problems in individual departments. The CAO wants to see controls, and recommendations for controls earlier. The Committee instructed the CAO to include in future financial status reports (FSRs) a schedule of monthly Los Angeles Police Department (LAPD) hiring, to ensure that hiring is on track with what has been budgeted. The CAO advised that this information is tracked and that it will be included in future FSRs. The CAO additionally advised the Committee that interim reports on the status of the Reserve Fund will be provided, rather than waiting for release of subsequent FSRs. The Committee additionally requested of the Mayor's representative, in the Mayor's meetings with Department General Managers, that City Commissions and Boards be advised of the City's financial status so that Commissions/Boards aren't approving financial issues that are beyond the City's means.

The Budget and Finance Committee, following a lengthy discussion, recommended approval of the CAO's recommendations contained in the First Financial Status Report for Fiscal Year 2007-08. The Committee made additional recommendations which are reflected in this Committee report. This matter is now forwarded to the Council for its consideration.

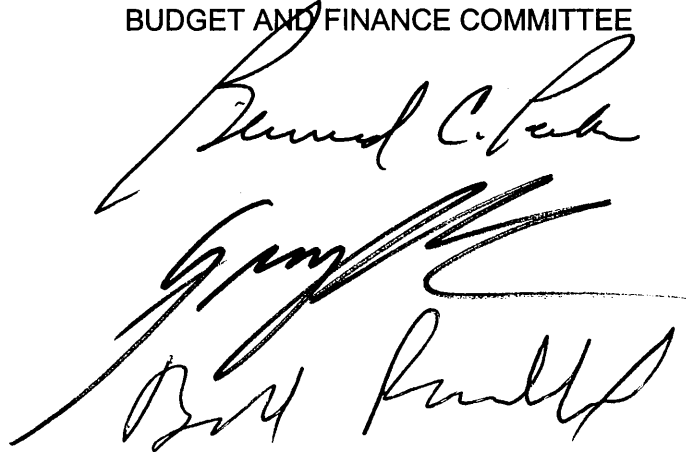
Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
PARKS:	YES
GREUEL:	YES
SMITH:	YES
ROSENDAHL:	YES
HUIZAR:	YES

LB  
#070600.43  
8/14/07

Attachment



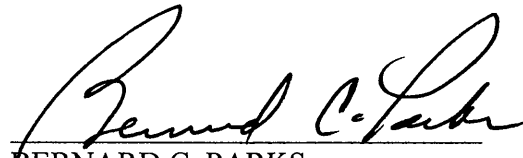
*RFS*  
**ADOPTED**  
*\* AS AMENDED*  
AUG 17 2007  
*SEE ATTACHED MAP*  
LOS ANGELES CITY COUNCIL  
**TO THE MAYOR FORTHWITH**

# MOTION

I MOVE that Item #66 on the Friday, August 17, 2007 Agenda of the Special Council Meeting, the Budget and Finance Committee Report relative to the First Financial Status Report for Fiscal Year 2007-08 (CF #07-0600-S43), be amended to add the following recommendations:

1. Transfer \$203,502 from the Unappropriated Balance, City Attorney Outside Counsel including Workers' Compensation line item, to the City Attorney, Fund No. 100, Department No. 12, Account No. 9301, and authorize the City Attorney to increase Contract #111607 with the law firm of Ivie McNeill & Wyatt by a like amount.
2. Instruct the City Clerk to refer all the follow-up reports in response to this First Financial Status Report exclusively to Budget and Finance Committee in order to expedite all budgetary and emergency recommendations for consideration by the City Council.

PRESENTED BY:



BERNARD C. PARKS  
Councilmember, 8<sup>th</sup> District

SECONDED BY:



<sup>No.</sup>  
**ADOPTED**

AUG 17 2007

LOS ANGELES CITY COUNCIL  
TO THE MAYOR FORTHWITH

RM

AUG 17 2007

AUG 17 2007

