

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0590-00098-3402

Date: September 8, 2008

To: Honorable Members of the Budget and Finance Committee
Attn: Lauraine Braithwaite, Office of the City Clerk

From: Raymond P. Ciranna, Interim City Administrative Officer *RPC*

Reference: 2008-09 Budget

Subject: **ADDENDUM TO THE FIRST FINANCIAL STATUS REPORT**

SUMMARY

The Controller released an audit report dated August 27, 2008, on special revenue funds managed by the Department of Public Works (Public Works). The report identifies \$3.8 million as reimbursable to the General Fund for labor costs incurred by the City for the Griffith Observatory Renovation and Expansion project completed in October 2006. Public Works had not closed out the project because unspent funds were reserved for settlement of a claim filed by the general contractor for \$12 million, which was settled in July 2008 for a significantly lower amount of \$2.85 million. Public Works has since identified a total of \$4.16 million in unspent project funds comprised of CIEP monies (\$2,531,797), MICLA appropriations (\$441,086), Proposition K monies (\$294,924) and unallocated interest earnings (\$891,951).

Based on City policy, neither MICLA appropriations nor CIEP monies should be used to reimburse for prior year costs, since both are backed by the General Fund and are therefore not considered special fund monies. At this time, the Griffith Park Observatory Trust Fund (Trust Fund) has a balance of \$2.5 million that should be attributed to prior year CIEP expenditures. As part of the closeout procedures, these prior year expenditures should be transferred from the CIEP to the Trust Fund. This would leave an uncommitted balance in the CIEP that can be reappropriated and reprogrammed. Our Office will be releasing its first 2008-09 Construction Progress Report shortly, which will provide recommendations to the Mayor and Council for reprogramming the CIEP monies to approved projects. There are also \$441,086 in unspent MICLA appropriations for this project. Public Works should be directed to disencumber and unappropriate the \$441,086 in MICLA appropriations.

We recommend that \$1.19 million of the unspent project funds be counted as unplanned 2008-09 Revenue, which includes the \$294,924 in Proposition K monies and \$891,951 in interest earnings. The interest earnings were generated as a result of the CIEP front-funding County reimbursements for this project and can therefore be counted as General Fund revenue. There is no restriction on using Proposition K monies to reimburse for prior-year costs and this Office will administratively process the labor reimbursement.

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RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Authorize the Department of Public Works to appropriate and transfer \$891,951.58 in interest income earned within the Griffith Observatory Trust Fund 46R/50 to the General Fund as 2008-09 Revenue;
2. Recognize \$294,924 in Proposition K reimbursements for prior-year Bureau of Engineering staff costs as 2008-09 Revenue, subject to proper documentation and approval of the City Administrative Officer;
3. Direct the Department of Public Works to disencumber and unappropriate the \$441,086 in MICLA appropriations;
4. Authorize the Department of Public Works to process necessary documents to transfer \$2,531,797.86 of prior-year CIEP expenditures incurred in 100/54/V720 to the Griffith Observatory Trust Fund 46R/50/V209, as part of the closeout procedure for the Griffith Observatory project;
5. Authorize the Controller to revert the \$2,531,797.86 from the CIEP Fund 100/54/V720 to the Reserve Fund, and appropriate therefrom to a new account within the CIEP Fund 100/54 entitled Municipal Facilities Projects; and,
6. Authorize the City Administrative Officer to make technical corrections, as necessary, to implement the intent of the Council.

FISCAL IMPACT

There is an increase in General Fund revenues of \$1.19 million as a result of this report. These revenues come from the Proposition K reimbursement of prior year Bureau of Engineering staff costs and recognition of interest earnings in the Griffith Observatory Trust Fund that can be transferred to the General Fund.

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