

**ANTOINETTE CRISTOVALE**  
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CITY TREASURER

**CITY OF LOS ANGELES**  
CALIFORNIA



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November 6, 2013

Honorable City Council of the City of Los Angeles  
Room 395, City Hall  
200 North Spring Street  
Los Angeles, California 90012

NEIGHBORHOOD COUNCIL CHECKING ACCOUNTS - Council File No. 11-1020-S1

Honorable Members:

On October 23, 2013, the Office of the City Attorney filed Report Number R 13-0305 (Report) with the City Clerk. The Report included an ordinance that would amend Section 22.815 of the Los Angeles Administrative Code (LAAC) to clarify that Neighborhood Council Checking Accounts may be opened at any financial institution able to offer debit cards, online banking services and oversight by the Department of Neighborhood Empowerment (DONE).

The Office of Finance (Finance) and DONE have been negotiating the establishment of ninety-five Neighborhood Council Checking Accounts with Union Bank. One of Union Bank's requirements in establishing the accounts is for the City to waive the collateralization mandate for deposit of public funds in accordance with the City's Investment Policy as adopted by the City Council (Council). If Council approves the proposed ordinance, Finance is requesting that Council also approve the following recommendation acknowledging that, in this situation where the amounts on deposit will not exceed the Neighborhood Council's yearly allocation of \$37,000 per Checking Account and each account is covered by the \$250,000 Federal Deposit Insurance Corporation (FDIC) insurance limits, then it is appropriate for Finance to waive the collateralization requirement:

**RECOMMENDATION:** That the City's Statement of Investment Policy requiring collateralization of deposits may be waived by the Office of Finance in accordance with California Government Code Section 53651, *et seq.*, when establishing Neighborhood Council Checking Accounts if appropriate protections are otherwise in place for the public funds on deposit.

Background

The collateralization requirement for public funds mandates that banking institutions secure government funds on deposit with the bank with appropriate securities, e.g., United States Treasury notes, bonds, bills or certificates of indebtedness. Union Bank has requested that the City waive the collateralization requirement for the ninety-five Neighborhood Council checking accounts. Finance requests that, if Council adopts the proposed ordinance that Council also waive the collateralization requirement for Neighborhood Council Checking Accounts.

Under the City's Statement of Investment Policy, effective September 30, 2012, "[full collateralization of deposits is required on all demand deposits in accordance with California Government Code Section 53652." However, California

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Government Code Sections 53651, *et seq.*, allows Finance, in appropriate instances, to waive the collateralization requirement. In this case, Union Bank will treat each of the ninety-five Neighborhood Council checking accounts as separate and individual accounts and, therefore, since the amounts in the accounts will not exceed the Neighborhood Council's yearly allocation of \$37,000 per account, the accounts will be covered by the \$250,000 FDIC limits. Accordingly, when adopting the proposed ordinance, Finance is requesting that Council also approve the following recommendation:

RECOMMENDATION: That the City's Statement of Investment Policy requiring collateralization of deposits may be waived by the Office of Finance in accordance with Government Code section 53651, *et seq.*, when establishing Neighborhood Council Checking Accounts if appropriate protections are otherwise in place for the public funds on deposit.

If you have any questions regarding this matter, please contact Jan Zatorski, Assistant Director of Finance at (213) 978-1709.

Sincerely,



Antoinette Christovale, CPA  
Director of Finance/City Treasurer

cc: Honorable Ron Galperin, City Controller  
Ana Guerrero, Mayor's Chief of Staff  
Rick Cole, Deputy Mayor for Budget and Innovation  
Miguel Santana, City Administrative Officer  
Gerry Miller, Chief Legislative Analyst  
Finance Management Team