

**TO THE COUNCIL OF THE
CITY OF LOS ANGELES**

Your **BUDGET AND FINANCE Committee**

reports as follows:

BUDGET AND FINANCE COMMITTEE REPORT relative to funding for Citywide economic development functions.

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

1. AUTHORIZE the Controller to transfer \$2 million from the Reserve Fund to the Unappropriated Balance and appropriate within the fund to a new account entitled Economic Development Model.
2. DIRECT the City Administrative Officer (CAO) to identify either excess 2011-12 reversions to the Reserve Fund above 2012-13 budget and/or incremental revenue from Transit Occupancy Tax or sales tax above 2012-13 budget to repay the \$2 million loan and include repayment instructions in the Financial Status Report.
3. REQUIRE that the expenditure of the \$2 million allocation placed in the Unappropriated Balance would only occur after privately raised economic development funds of the same amount were identified and/or spent in accordance with the City's policy direction; and upon further action and direction by the Council.

Fiscal Impact Statement: The CAO/Chief Legislative Analyst (CLA) report that based on the recommended actions, additional reversions to the Reserve Fund over and above budgeted reversions will be transferred to the Unappropriated Balance. However, the use of the City's \$2 million would only occur after privately raised economic development funds of the same amount were identified and/or spent in accordance with the City's policy direction. Use of incremental reversions and/or revenue maintains budgeted reserve levels but leaves lesser resources to cover any mid-year shortfalls.

The CAO/CLA further report that additional actions in support of the creation of a new economic development entity could include costs for staff, equipment, operating costs, and other expenses that may exceed \$2 million. This additional fiscal impact can be better estimated once specific personnel requirements, facility, operational and equipment costs are identified in a subsequent report to the Mayor and Council based on the review of new economic development models funded within the budget.

Community Impact Statement: None submitted.

SUMMARY

At its regular meeting of June 25, 2012, the Budget and Finance Committee considered a joint CAO/CLA addendum report relative to funding for Citywide economic development functions. The CAO/CLA reports that their offices issued a joint report on April 17, 2012 on policy options for Citywide economic development functions as a result of the elimination of the Los Angeles City Redevelopment Agency (CRA). Three Council committees considered the initial report:

Housing, Community and Economic Development; Personnel and Animal Welfare; and Jobs and Business Development. While not every recommendation made by the CAO and CLA was approved by each committee and forwarded for Council consideration, the approved recommendations each demonstrate support for the establishment of a new economic development entity with the mission of implementing the City's economic development goals and projects. These recommendations are described in detail in the joint CAO/CLA report attached to the Council file.

Consistent with the recommendations noted above from the three different policy committees and the Council's budget instructions, the CAO and CLA now recommend in the addendum report that an additional \$2 million be identified within the budget for 2012-13 as a dollar-for-dollar match to privately raised economic development funds. More specifically, the use of the City's \$2 million would only occur after privately raised economic development funds of the same amount were identified and/or spent in accordance with the City's policy direction.

During Committee consideration, representatives of the CAO, CLA and Mayor's Office provided an overview of the funding request and responded to related questions from Committee members. After further discussion and having offered an opportunity for public comment, the Budget and Finance Committee recommended to approve the joint CAO/CLA recommendations as amended to require that the expenditure of the \$2 million allocation placed in the Unappropriated Balance would only occur after privately raised economic development funds of the same amount were identified and/or spent in accordance with the City's policy direction; and upon further action and direction by the Council. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
KREKORIAN:	YES
ENGLANDER:	ABSENT
CARDENAS:	ABSENT
ROSENDAHL:	YES
KORETZ:	YES

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