

**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 Mid-Year (Second) Financial Status Report (FSR) for Fiscal Year (FY) 2012-13.

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

1. APPROVE recommendations of the City Administrative Officer (CAO) contained in the Mid-Year (Second) FSR dated February 6, 2013, attached to the Council file.
2. APPROVE revised Attachments 3 and 4 of the Mid-Year FSR, attached to the Council file, which include technical corrections for the Bureau of Sanitation.
3. AUTHORIZE the Controller to process the Fire Department's revision of FY 2011-2012 Year-End Reversion Worksheet submitted on November 29, 2012. The process requires the reversal of receivable in the Reserve Fund and decreasing the year-end reverted amount up to \$126,163.35.
4. AUTHORIZE the Controller to make the following transfers:
  - a. \$20,000 from the General City Purposes (GCP) Fund 100/56, Special Fee Subsidy Account No. 000860, CD 3 to GCP Fund 100/56, Community Services Account No. 000703, CD 3.
  - b. \$400,000 from AB 1290 Fund 53P, Account No. 281214, CD 14 to Council Fund 100/28, Salaries As Needed Account 001070, CD 14.
  - c. \$100,000 from CLARTS Community Amenities Trust Fund 47S to GCP Fund 100/56, Community Services Account No. 000714, CD 14.
5. INSTRUCT the Chief Legislative Analyst to submit technical corrections, as necessary, to accomplish the intent of the above actions and AUTHORIZE the Controller to make such transfers.
6. INSTRUCT the Department of Cultural Affairs to report to Council Offices on a biannual basis relative to the Arts Development Fee.
7. INSTRUCT the Department of General Services to report back on factors used by other governmental entities in estimating fuel/petroleum costs for budgetary purposes to compare to the City's method.

Fiscal Impact Statement: The CAO reports that based on preliminary estimates, \$9.6 million in expenditure shortfalls and major unbudgeted expenses are identified in this report. No adjustment to budgeted revenue is recommended at this time. Transfers, appropriations and other adjustments totaling approximately \$96.8 million are recommended in Sections 1 and 2.

Included in these recommendations is the re-authorization of \$22.4 million in Municipal Improvement Corporation of Los Angeles (MICLA) financing as per the 2012-13 Adopted Budget.

Debt Impact Statement: The CAO reports that the issuance of MICLA bonds is a General Fund obligation. In connection with the reauthorization to use MICLA financing provided for in the adopted budget, it is estimated that the City will need to borrow a total of \$24,973,000 (includes cost of equipment, costs of issuance, and debt service reserve fund) at a five percent interest rate. Actual interest rates may differ as rates are dependent on market conditions at the time of issuance. The CAO cannot predict what interest rates will be in the future. The total estimated debt service is \$32,039,000 which includes the borrowing amount and interest (\$7,066,000). During the life of the bonds, the estimated average annual debt service is \$3,204,000 over 10 years.

Community Impact Statement: None submitted.

### SUMMARY

At its meeting of February 11, 2012, the Budget and Finance Committee considered the CAO's Mid-Year (Second) FSR dated February 6, 2013. The Mid-Year FSR provides an update on the current-year budget, including the projected departmental deficits, trend in revenues, the Reserve Fund, and issues of concern and their potential impact to the City. Recommendations totaling approximately \$96.8 million for appropriations, transfers and other budgetary adjustments are included in this report.

The CAO reports that in the First FSR, a deficit of \$16.6 million was reported. The deficit was due to departmental expenditure shortfalls and unbudgeted expenses. Solutions adopted as part of the First FSR, the Managed Hiring Committee and other measures implemented to control General Fund spending have reduced the deficit to \$9.6 million. The current shortfall is attributed to the Fire Department and the Office of the City Attorney.

During discussion of this matter, CAO representatives presented an overview of the Mid-Year FSR and responded to related questions from Committee members. Department representatives responded to questions relative to their respective departments. After further consideration and discussion, the Committee recommended to approve the CAO recommendations contained in the Mid-Year FSR and the amendments and instructions as reflected above. 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:	YES
ROSENDAHL:	YES
KORETZ:	YES

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