

**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 Year-End (Third) 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 Year-End (Third) FSR dated May 30, 2013, attached to the Council file.
2. INSTRUCT the City Clerk to place on the Council Agenda for the first regular Council meeting on or after **JULY 1, 2013**, the instructions contained in CAO recommendation numbers 7, 8, 13, 21, 60, and 68.
3. INSTRUCT the City Clerk to place on the Council Agenda for the first regular Council meeting on or after **JULY 1, 2013**, the following instruction:
  - a. Reappropriate unspent funds totaling \$500,000 from the Unappropriated Balance, Account No. 000134, Fire - Third Party Review of Resource Deployment, in the same amount and into the same account as exists on June 30, 2013, for a third-party review of the Fire Department's deployment of resources.

Authorize the CAO to negotiate and execute a personal services contract for a third-party review of the Fire Department's deployment of resources, subject to the approval of the City Attorney.
  - b. Reappropriate an amount not to exceed \$34,180.89 from the unencumbered balance remaining in the Fire Department Fund 100/38, Account No. 006020, Operating Supplies, in the same amount and into the same account as exists on June 30, 2013, for the Remote Automated Weather Station.
  - c. Reappropriate an amount not to exceed \$25,540 from the unencumbered balance remaining in the Fire Department Fund 100/38, Account No. 006020, Operating Supplies, in the same amount and into the same account as exists on June 30, 2013, for Fire Stations in Council District 7.
4. INSTRUCT the City Clerk to place on the Council Agenda for the first regular Council meeting on or after **JULY 1, 2013**, the following instruction:

Reappropriate unspent funds totaling \$20,000 from General City Purposes Fund 56, Account No. 000202, National League of Cities, in the same amount and into the same account as exists on June 30, 2013.

5. AUTHORIZE the Controller to make the following transfers:
  - a. \$53,000 from the Street Furniture Fund 43D/50, CD 1 to Council Fund 100/28, Salaries As Needed Account No. 001070, CD 1.
  - b. \$275,000 from AB 1290 Fund 53P, Account No. 281214, CD 14 to Council Fund 100/28, Salaries As Needed Account No. 001070, CD 14.
  - c. \$288,000 from Street Furniture Fund 43D/50, CD 7 (\$150,000), AB 1290 Fund 53P, Account No. 281207, CD 7 (\$22,000) and General City Purposes Fund 100/56, Community Services Account, CD 7 (\$116,000) to Council Fund 100/28, Salaries As Needed Account No. 001070, CD 7.
6. APPROPRIATE \$68,056 from the Unappropriated Balance – Reserve for Economic Uncertainties to Council Fund 100/28, Salaries As Needed Account No. 1070 for reimbursements received from the U.S. Geological Survey for CD 12 staff costs during FY 2011-12 that reverted to the Reserve Fund.
7. 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.
8. INSTRUCT the Bureau of Street Services, to work with the CAO and Controller, to review accounting procedures within the Bureau and report back to the Budget and Finance Committee in 30 days and, monthly thereafter, on steps implemented to resolve any accounting issues.

Fiscal Impact Statement: The CAO reports that based on preliminary estimates, \$4.28 million in expenditure shortfalls and major unbudgeted expenses are identified in this report. Transfers, appropriations and other adjustments totaling approximately \$84 million are recommended in Sections 1 and 2. Included in these recommendations is the re-authorization of \$9.8 million in Municipal Improvement Corporation of Los Angeles (MICLA) financing.

Debt Impact Statement: The CAO reports that the issuance of MICLA bonds is a General Fund obligation. The re-authorization to use MICLA financing is provided for in the Adopted Budget. It is estimated that the City will need to borrow a total of \$11,076,000 (includes cost of equipment, costs of issuance, and debt service reserve fund) at a 5 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 \$14,210,000 which includes the borrowing amount and interest (\$3,134,000). During the life of the bonds, the estimated average annual debt service is \$1,421,000 over 10 years.

Community Impact Statement: None submitted.

## SUMMARY

At its meeting of June 3, 2013, the Budget and Finance Committee considered the CAO's Year-End (Third) FSR dated May 30, 2013. The Year-End FSR provides an update on the current-year budget, including the projected departmental deficits, the Reserve Fund, and issues of concern and their potential impact to the City. Recommendations totaling approximately \$84

million for appropriations, transfers and other budgetary adjustments are included in the report. Additionally, the CAO states that in the Mid-Year FSR, a deficit of \$9.6 million was reported. The deficit was due to departmental expenditure shortfalls and unbudgeted expenses in the Fire Department and Office of the City Attorney. Solutions adopted as part of the Mid-Year FSR, the Managed Hiring Committee and other measures implemented to control General Fund spending have reduced the deficit to \$4.28 million. The current deficit is attributed to the Fire Department and a shortfall in Traffic Safety Fund revenues and is addressed by the recommendations in the Year-End FSR.

The CAO's year-end report details two different halves to FY 2012-13. The uncertainty surrounding layoffs, economic recovery, sequestration, and the Fiscal Cliff that defined the first six months of the year has given way to the certainty that the City of Los Angeles will end the year in a stronger financial position than when it started. Due to a combination of continued fiscal discipline and a steady rebound in its General Fund revenues, 2012-13 has proven to be the turning point for the City on its road to recovery. The CAO concludes that, after four years of fiscal crisis, austerity and sacrifice, the budget for the City of Los Angeles is within reach of structural balance.

During discussion of this matter, CAO representatives presented an overview of the Year-End FSR and responded to related questions from Committee members. Representatives of the Fire Department and Bureau of Street Services responded to questions relative to their respective departments. After further consideration and discussion, the Committee recommended to approve the CAO recommendations contained in the Year-End 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:	ABSENT
KORETZ:	YES
LABONGE:	ABSENT

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