BUDGET AND FINANCE COMMITTEE REPORT and ORDINANCE FIRST
CONSIDERATION relative to establishing accounts within the Reserve Fund and establishing
a new Budget Stabilization Fund.

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

1. PRESENT and ADOPT the accompanying ORDINANCE amending the Los Angeles
Administrative Code regarding the Reserve Fund and adding a new Article 4.1 to
Chapter 6 of Division 5 of the Los Angeles Administrative Code regarding a Budget
Stabilization Fund.

2. REQUEST the City Attorney to prepare and present an amended Ordinance to Council
to incorporate changes discussed in the Budget and Finance Committee that reflect in
more detail the Budget Stabilization Fund Policy adopted by Council on June 7, 2013.

Fiscal Impact Statement: None submitted by the City Attorney. Neither the City Administrative
Officer (CAO) nor the Chief Legislative Analyst (CLA) has completed a financial analysis of
this report.

Community Impact Statement: None submitted.

SUMMARY

At its regular meeting of February 24, 2014, the Budget and Finance Committee considered a
City Attorney report and a draft Ordinance relative to establishing two accounts within the
Reserve Fund - the Contingency Reserve Account and the Emergency Reserve Account, and
to add a new Article 4.1 to Chapter 6 of Division 5 of the Los Angeles Administrative Code
regarding a Budget Stabilization Fund (BSF). In June of 2013, the City Attorney was
requested, with the assistance of the CAO and CLA, to prepare and present an ordinance to
codify the revised Proposed Financial Policy for the BSF, as well as other related ordinances
necessary to fully implement this Policy.

As previously reported by the CAO and CLA, the City Charter established the Reserve Fund
which holds unrestricted cash set aside outside the budget for unforeseen expenditures,
emergencies or natural disasters. Charter Section 344 requires the Controller to transfer
surplus general revenues and other unspent appropriations from the General Fund to the
Reserve Fund at the end of the fiscal year. In March 2011, voters passed Charter
Amendment P which codified the establishment of the Contingency Reserve Account and
Emergency Account within the Reserve Fund. Charter Amendment P also established the
BSF in the City Treasury and authorized the requirements for transfers or expenditures from
the BSF to be established by ordinance.

During Committee discussion, representatives of the CLA and City Attorney provided an
overview of the matter and responded to related questions from Committee members. After
further consideration and having provided an opportunity for public comment, the Committee
recommended that Council adopt an Ordinance to establish accounts within the Reserve
Fund and a new Budget Stabilization Fund and that City Attorney prepare an amended
Ordinance for Council to incorporate changes discussed in Committee that reflect in more detail the Budget Stabilization Fund Policy adopted by Council on June 7, 2013. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE

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