

COMMUNICATION FROM CHAIR AND MEMBER, BUDGET AND FINANCE COMMITTEE
relative to the First Financial Status Report (FSR) for Fiscal Year (FY) 2013-14.

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

1. APPROVE the recommendations of the City Administrative Officer (CAO) contained in the First FSR dated October 17, 2013, attached to the Council file.
2. AUTHORIZE the Controller to take the necessary actions, including the transfer of funds from the Reserve for Economic Uncertainties, to reimburse Council District (CD) 11 in the amount of \$86,769 for airport-related community outreach services during FY 2012-13, pursuant to Contract No. C-111206, a Memorandum of Understanding between the City Council and Department of Airports (LAWA). Reimbursements from LAWA were budgeted in FY 2012-13 as a Council Revenue Receipt for budget balancing purposes and the intent of this line item was to reimburse CD 11 costs upon receipt of funds.
3. AUTHORIZE the Controller to transfer \$325,000 from the AB1290 Fund 53P, Account No. 28214 (CD 14) as follows:
 - a. General City Purposes, Council District Community Services 100/56, Account No. 0714 - \$25,000
 - b. Council Fund 100/28, Salaries As Needed Account No. 1070 - \$300,000
4. INSTRUCT the CAO to report with details on the amount budgeted and the amount actually expended for petroleum in each of the past five years.
5. INSTRUCT the Planning Department to report on the status of the Valley Community Plans.
6. INSTRUCT the Los Angeles Police Department (LAPD) to explore piggybacking for Lexis Nexis using contracts previously executed by the City Attorney and the Office of Finance.
7. INSTRUCT the CAO to report with a comprehensive review of options for buying down LAPD banked sworn overtime, possibly through the issuance of debt.
8. INSTRUCT the LAPD to report on the status of purchasing 276 non-patrol vehicles.
9. INSTRUCT the CAO to include in the next FSR a description of the new Managed Hiring process.
10. INSTRUCT the CAO to report on the status of Proposition O funding and the use of surplus funds.

Fiscal Impact Statement: The CAO reports that based on preliminary estimates, \$25.3 million in expenditure shortfalls and major unbudgeted expenses are identified in this report. Transfers, appropriations and other adjustments totaling approximately \$86.4 million are recommended in Sections 1 and 2. Included in these recommendations is re-authorization of \$56.6 million in MICLA financing in accordance with the 2013-14 Adopted Budget. Appropriations and reappropriations from the Reserve Fund totaling \$2.46 million are recommended for public safety-related items and to meet contractual obligations. Appropriations of approximately \$01.94 million are recommended from various line items in the Unappropriated Balance. No adjustment to budgeted revenue is recommended at this time.

Debt Impact Statement: The CAO reports that the issuance of MICLA bonds is a General Fund obligation. The re-authorization to use MICLA financing provided for in the 2013-14 Adopted Budget will cause the City to borrow approximately \$62,808,000 (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. We cannot fully predict what interest rates will be in the future. The total estimated debt service is \$80,579,000 which includes the borrowing amount and interest (\$17,771,000). During the life of the bonds, the estimated average annual debt service is \$8,058,000 over 10 years.

Community Impact Statement: None submitted.

SUMMARY

At its meeting of October 21, 2013, the Budget and Finance Committee considered the CAO's First FSR dated October 17, 2013. The CAO reports that the First FSR provides an update on the current-year budget deficit, revenue shortfall and reserve fund status, and it highlights current issues of concern and the potential impact to the City. In addition, it provides an update on department revenues and expenditures, which includes recommendations totaling approximately \$86.4 million for appropriations, transfers and other budgetary adjustments, and status reports on the City's spending and savings efforts. The First FSR, attached to the Council file, includes a thorough discussion of the CAO's recommendations and other budget related items.

During discussion of this matter, the CAO presented an overview of the First FSR and responded to related questions from Committee members. Department representatives responded to questions relative to their respective departments. A representative of the Chief Legislative Analyst recommended amendments to address current expenditures patterns and to provide technical recommendations relative to previously approved Council actions.

After further consideration and having provided an opportunity for public comment, the Budget and Finance Committee Chair and Member recommended to approve the CAO recommendations contained in the First 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:	ABSENT
KORETZ:	ABSENT
BLUMENFIELD:	YES
BONIN:	ABSENT

-NOT OFFICIAL UNTIL COUNCIL ACTS-