

BUDGET AND FINANCE COMMITTEE REPORT relative to the Third (Mid-Year) Financial Status Report (FSR) and Addendum Report for Fiscal Year (FY) 2014-15.

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

1. APPROVE the recommendations of the City Administrative Officer (CAO) contained in the Mid-Year FSR dated March 3, 2015, attached to the Council file, and amended as follows:
 - a. Amend Recommendation No. 3 of the Mid-Year FSR to reflect the Revised Attachment 5, attached to CAO Addendum Report dated March 20, 2015 on the Council file.
 - b. Amend Recommendation No. 4 of the Mid-Year FSR to reflect the Revised Attachment 6, attached to CAO Addendum Report dated March 20, 2015 on the Council file.
 - c. Amend Recommendation No. 5 of the Mid-Year FSR to reflect the Revised Attachment 7, attached to CAO Addendum Report dated March 20, 2015 on the Council file.
 - d. Relative to Recommendation No. 11 of the Mid-Year FSR regarding funding for the Figueroa Plaza Tower Recovery/Renovation work, substitute the existing recommendation with the following language:

Transfer \$2,250,000 within the General Services Department Fund No. 100/40, from Account 003230, Petroleum, to Account 003040, Contractual Services, under the Miscellaneous Figueroa Plaza expense line item specifically for building lifecycle investment items as part of the 221 Figueroa Plaza Tower Recovery/Renovation Work. This work requires the approval of the Building Lifecycle/Betterment Working Group for items costing up to \$500,000 and consideration and approval of the Municipal Facilities Committee for all higher cost items of \$500,001 or more.
2. INSTRUCT the Los Angeles Fire Department (LAFD), with the assistance of the Personnel Department, CAO and Chief Legislative Analyst, to develop and report back with a short term and long term plan to expedite the hiring of firefighter recruits prior to proceeding with a June 2015 class.
3. TRANSFER \$84,500 from Los Angeles Department of Building and Safety (LADBS) Enterprise Fund 48R/08/08L601 to Information Technology Agency 48R/08/08L132 in order to replace one of two Time Warner Cable lines to City Hall which is no longer operable. This second line would prevent saturation and improve the performance of the LADBS network.
4. TRANSFER \$380,000 from Fund 41M/43, Code Enforcement Trust Fund 43L411 to 48R/08/08L601 to allow LADBS to establish an interface between its Code Enforcement Information Systems with the Foreclosure Registry Program.

5. AUTHORIZE the CAO to make technical corrections as necessary to those transactions included in this report to implement Mayor and Council intentions.

Fiscal Impact Statement: The CAO reports that approximately \$72.41 million in expenditure shortfalls and major unbudgeted expenses are identified in the Mid-Year FSR. The actions in this report reduce the deficit to \$22.74 million. Transfers, appropriations and other adjustments totaling approximately \$133 million are recommended in Sections 1 and 2. This includes \$14.41 million in Reserve Fund appropriations/reappropriations, \$5.6 million in MICLA reauthorizations and transfers, and transfer of \$18 million to the UB, Reserve for Economic Uncertainties to offset citywide shortfalls.

Debt Impact Statement: The CAO reports that the issuance of lease revenue bonds is a General Fund obligation. The re-authorization to use debt financing provided for in the Adopted Budget will cause the City to borrow approximately \$5.6 million (includes cost of capital improvements for the Convention Center, costs of issuance, and debt service reserve fund) at a 5 percent interest rate. The total estimated debt service is \$9 million which includes the borrowing amount and interest (\$3.4 million). During the life of the bonds, the estimated average annual debt service is \$450,000 over 20 years. The CAO notes that actual interest rates may differ as rates are dependent on market conditions at the time of issuance.

In accordance with the City's Debt Management Policy, the City has set debt ceilings to use as a guide in evaluating the affordability for future debt. The debt ceiling for non-voter direct debt service as percent of General Fund Revenues is six percent. The City is currently at 4.6 percent.

Community Impact Statement: None submitted.

SUMMARY

At its meeting of March 23, 2015, the Budget and Finance Committee considered the CAO's Mid-Year FSR for FY 2014-15 dated March 3, 2015 and the Addendum report dated March 20, 2015. The CAO reports that its Office monitors the budget and transmits periodic reports to the Mayor and Council detailing the City's current financial condition. The Mid-Year FSR provides an update on the current-year budget including changes to projected departmental deficits, trends in revenues, the Reserve Fund, and current issues of concern and their potential impact to the City. Recommendations totaling approximately \$133 million for appropriations, transfers and other budgetary adjustments are included in this report. The CAO report, attached to the Council file, provides a thorough discussion regarding the recommendations included in the Mid-Year FSR and other budget related items.

The CAO subsequently released an Addendum report that includes amendments subsequent to the release of the Mid-Year FSR, as well as changes that were required pursuant to Motion (Krekorian - Koretz) which was approved by Council on March 20, 2015 (Council File no. 14-0600-S257). The Motion expedited various Mid-Year FSR transactions under separate action in order for departments to meet payroll or avoid service impacts.

During Committee discussion, representatives from the Departments of Police, Fire, Transportation, Finance, Planning, and the City Attorney's Office responded to questions from Committee members relative to their respective departments. After lengthy consideration and having provided an opportunity for public comment, the Budget and Finance Committee

recommended to approve the CAO recommendations contained in the Mid-Year FSR as amended in the CAO's Addendum report. Additionally the Committee recommended to instruct the LAFD to report back with a plan to expedite the hiring of firefighter recruits prior to proceeding with a June 2015 class. Finally, the Committee recommended two transfers for LADBS. 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
KORETZ:	YES
BLUMENFIELD:	YES
BONIN:	YES

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-NOT OFFICIAL UNTIL COUNCIL ACTS-