

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0116-00001-0000

Date: October 26, 2015

To: Budget and Finance Committee
Attn: Richard Williams, Office of the City Clerk

From: Miguel A. Santana, City Administrative Officer

Subject: **ADDENDUM TO THE 2015-16 FIRST FINANCIAL STATUS REPORT (CF 15-0600-S88)**

The City Administrative Officer issued the First Financial Status Report (FSR) on October 23, 2015. This addendum to the First FSR includes new recommendations for requests. These recommendations include the following:

- The Information Technology Agency (ITA) is requesting a re-approval of the use of \$819,327 million Municipal Improvement Corporation of Los Angeles (MICLA) funding approved in 2012-13 as part of a multi-year Obsolete Equipment Replacement project. This project was initiated in 2008 to replace, improve, and upgrade aging routers and switches that connect users to the City's network and fiber optic backbone. In 2012-13, the City data network management priorities changed when a number of critical network core outages occurred and ITA reassigned staff to address the issues at hand. As a result, network projects were reassigned and ITA did not have the necessary staff to continue the effort. ITA has been successful in filling positions required to perform this work and is now able to continue the replacement project
- The Los Angeles Police Department is requesting authority to reprogram \$30,000 within the Supplemental Police Account 28 (SPA-28) from the purchase of a "Confidential Information System" to the purchase of specialized surveillance equipment. SPA funding is authorized annually per Section 5.2 of the Los Angeles Administrative Code and requires the authorization of the Mayor and Council. The Council and Mayor approved SPA-28 in January 2015 (C.F. 14-1630).
- The Gang Alternative Program (GAP) is a program formerly funded with Community Development Block Grant public services funding. Funding was provided in the 2015-16 Budget for a number of public service programs for which grant funds are no longer available. At the time, the information available suggested that the contract for GAP had expired and would not be continued. However, the program is continuing and requires one-time funding similar to other public service programs which received 2015-16 funding. The GAP program provides gang prevention classes to 4th and 6th graders as well as parent training classes. Funding required through June 30, 2016 is approximately \$100,000. A portion of funding in the amount of \$70,000 has been

identified from the Unappropriated Balance, Reserve for Mid-Year Adjustments account to ensure continuation of the program for this fiscal year. The balance of funding will be identified at a later date. The Council, during consideration of the 2015-16 Budget, requested that permanent funding sources be identified for these public service programs.

- Amend Recommendation No. 4 of the First FSR relative to transfers between various departments and funds to reflect a Revised Attachment 8 as transfers relative to the Council were discussed in the report but inadvertently omitted in Attachment 8.
- The Mayor's Office and the Department of Transportation are collaborating on various projects that will require that the Mayor's Office incur contract expenditures, namely the Challenge Grant and a few community outreach events. It is recommended that \$120,000 be transferred from the Department of Transportation Trust Fund, Great Streets-Reseda account to the Mayor's Office Contractual Services account.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Relative to the Information Technology Agency, re-approve the use of \$819,327 in MICLA financing included in the 2012-13 Budget for Obsolete Equipment Replacement for the purchase of hardware components only, including routers, switches, and ancillary parts as noted in Attachment 16 of this Addendum;
2. Authorize the Los Angeles Police Department to reprogram \$30,000 within the Supplemental Police Account 28 (SPA-28) of the Forfeited Asset Trust Fund from the purchase of a "Confidential Information System" to the purchase of specialized surveillance equipment;
3. Relative to the Gang Alternative Program,
 - a) Transfer \$70,000 from the Unappropriated Balance Fund No. 100/58, Account 580196, Reserve for Mid-Year Adjustments to the Housing and Community Investment Department (HCID) to fund the Gang Alternative Program (GAP) for fiscal year 2015-16;
 - b) Authorize the General Manager, HCID, or designee to negotiate and execute a contract with GAP for parent and youth gang prevention services; and,
 - c) Instruct the General Manager, HCID, or designee to prepare the necessary Controller instructions that may be required to effectuate the intent of this action, and authorize the Controller to implement the instructions.
4. Amend Recommendation No. 4 of the First Financial Status Report to read as follows:

Transfer **\$6,916,081.79** between various departments and funds as specified in **Revised Attachment 8**; and,

5. Transfer \$120,000 from the Department of Transportation Trust Fund No. 840; Account 94L496, Great Streets – Reseda, to the Mayor's Office Fund No. 100/46, 003040, Contractual Services account.

DEBT IMPACT STATEMENT

The issuance of MICLA bonds is a General Fund obligation. The re-authorization to use MICLA financing provided for in the Adopted Budget will cause the City to borrow approximately \$860,000 (includes equipment, costs of issuance, and debt service reserve fund) at a 5 percent interest rate. The total estimated debt service is \$1.11 million which includes the borrowing amount and interest (\$254,000). During the life of the bonds, the estimated average annual debt service is \$111,400 over 10 years. 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.

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 4.46 percent. The issuance of the debt from this re-authorization will not impact the City's debt capacity for non-voter approved debt as the issuance of debt for routine capital equipment is already included in the debt ratio.

FISCAL IMPACT STATEMENT

Sufficient funds are available to cover the recommended actions in this Addendum. Adoption of these recommendations will reduce the Unappropriated Balance, Reserve for Mid-Year Adjustments Account by \$70,000.

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Attachments