

BUDGET AND FINANCE COMMITTEE REPORT relative to the Second Financial Status Report (FSR) for Fiscal Year (FY) 2016-17.

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

1. REAPPROPRIATE \$5,000.00 from various special funds as noted in Attachment 3 of the Second FSR for FY 2016-17 (attached to Council file [C.F.] No. 16-0600-S169).
2. APPROPRIATE \$100,508.00 to the department accounts as specified in Attachment 4 of the Second FSR for FY 2016-17 (attached to C.F. No. 16-0600-S169).
3. TRANSFER \$27,761,537.81 between accounts within various departments and funds specified in the Revised Attachment 5 of the Second FSR for FY 2016-17 (attached to C.F. No. 16-0600-S169).
4. TRANSFER \$4,383,538.15 between various departments and funds as specified in the Revised Attachment 6 of the Second FSR for FY 2016-17 (attached to C.F. No. 16-0600-S169).
5. APPROPRIATE \$32,163,071.84 from the Unappropriated Balance to various departments and funds as specified in the Revised Attachment 7 of the Second FSR for FY 2016-17 (attached to C.F. 16-0600-S169).
6. AUTHORIZE a technical correction to Recommendation No. 6 of a November 2, 2016 Council action (C.F. No. 16-1189) which authorizes the City Attorney, or designee to execute vendor agreements with various contractual service providers, to include University Corp., doing business as Strength United, which was referenced in the City Attorney transmittal, but inadvertently omitted from the Recommendation.
7. AUTHORIZE the Controller to disencumber \$107,977.28 from FY 2015-16 encumbered balances for Contract No. C-127532, Convention and Tourism Development, General Fund No. 100/48, Account No. 003040, Contractual Services, and revert \$107,977.28 to Fund No. 725, Los Angeles Convention Center Revenue Fund, and appropriate \$107,977.28 therefrom to the Convention and Tourism Development Department Fund No. 100/48, Account No. 003040, Contractual Services, FY 2016-17.
8. AUTHORIZE the modification of the FY 2015-16 Adopted Budget, Municipal Improvement Corporation of Los Angeles authorization for the Los Angeles Convention Center South Hall Lighting project, to change the scope of work to include an energy efficient Light Emitting Diode retrofit for all three exhibit halls, with no change to the amount of funding.
9. AUTHORIZE the City Attorney to process a payment in the amount of \$16,000,000 for attorneys' fees payable in two installments: \$8,000,000 due on or before December 31, 2016 and \$8,000,000 due on or before March 31, 2017. Each payment shall be made via wire transfer to: Reiman, Dane & Colfax, PLLC, 1225 19th Street North West, Suite 600, Washington, D.C. 20036-2456, in the matter of Independent Living Center of Southern

California, et al. v. City of Los Angeles, et al. from the Liability Claims Fund No. 100/59, Account No. 009798, Miscellaneous as noted in the Revised Attachment 7 (of the Second FSR for FY 2016-17, attached to C.F. No. 16-0600-S169), in compliance with C.F. No. 12-0014-S23.

10. REAFFIRM the recitals and findings made in the previously adopted Resolution declaring the intention to reimburse and/or refund the City's General Fund expenditures or other City fund expenditures to be incurred in connection with a portion of the settlement of Independent Living Center of Southern California, et al. v. City of Los Angeles, et al. in a maximum amount not to exceed \$25,500,000 from proceeds of bonds which may be issued in the future for such purposes.
11. AUTHORIZE the City Attorney to pay \$12,018,346.84 for Court-ordered attorney's fees/costs and class representative awards in the matter entitled Mark Willits, Judy Griffin, Brent Pilgreen, and Communities Actively Living Independent & Free (CALIF) v. City of Los Angeles, Case No. CV 10-5782 CBM (RZx), as well as settlement of separate personal injury lawsuits brought by five individuals (amount already included in the total amount).
12. AUTHORIZE the City Attorney to process a payment in the amount of \$12,018,346.84 via wire transfer to Schneider Wallace Cottrell Konecky Wotkyns LLP, 2000 Powell Street, Suite 1400, Emeryville, CA 94608 relative to the above matter; wire transfer shall be made from Fund No. 100/59, Public Works, Street Services Liability Payouts Account No. 009795 as noted in the Revised Attachment 7 of the Second FSR for FY 2016-17 (attached to C.F. 16-0600-S169).
13. AMEND the Revised Attachment 5 of the Second FSR for FY 2016-17 (attached to C.F. No. 16-0600-S169) to add the following transfer between accounts for the Fire Department Fund No. 100/38: transfer \$400,000 from Account No. 001012, Salaries Sworn, to Account No. 003070, Brush Clearance, for required contract brush clearance in High Fire Hazard Severity Zones.
14. AUTHORIZE the City Administrative Officer (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 a total of \$81.68 million in expenditure shortfalls and unbudgeted expenses are identified in this Second FSR for FY 2016-17. Transfers, appropriations, and other adjustments totaling approximately \$64.5 million are recommended in Sections 1 through 4 of the Second FSR for FY 2016-17. This includes appropriations of \$32.1 million from the Unappropriated Balance.

Community Impact Statement: None submitted.

SUMMARY

At a regular meeting held on December 5, 2016, the Budget and Finance Committee considered the CAO's Second FSR for FY 2016-17 dated December 2, 2016 (attached to C.F. 16-0600-S169). The CAO reports that the Second FSR for FY 2016-17 provides an update on the

current-year budget—including changes to projected departmental deficits, early trends in revenue, the Reserve Fund, and current issues of concern and their potential impact to the City. Recommendations totaling approximately \$64.5 million for appropriations, transfers, and other budgetary adjustments are included in this report.

The Assistant CAO and the CAO's budget and debt finance specialist provided the Committee with an introduction to the Second FSR for FY 2016-17. They reported that this FSR includes necessary transactions to ensure departments have sufficient funds to cover financial obligations. CAO staff further reported a large increase in the expenditure deficit from \$15.73 million since the last FSR to a current deficit of \$81.68 million as a result of unanticipated liability claims and a recently approved labor agreement. Shortfalls were noted in the Liability Claims Account, the Human Resources Benefit Fund, Attorney Conflicts fund, and a large increase to the Fire Department's shortfall. CAO staff also advised the Committee that combined, the Reserve Fund and Budget Stabilization Fund represent 6.9 percent of the General Fund budget, however, that figure only represents \$16 million above the 5 percent threshold and is not enough to cover all existing deficits. As a result, CAO recommends departments make adjustments within their existing resources to mitigate shortfalls, that any new spending proposals be withdrawn and instead submitted as part of the FY 2017-18 budget process, and that Council and Mayor consider a Judgment Obligation Bond to finance the current aggregate of large liability payouts.

During further discussion the CAO's budget and debt finance specialist noted, and read into the record, technical corrections to: Recommendation No. 3 to reflect a revised transfer amount of \$27,761,537.81 between accounts as reflected in a Revised Attachment 5, Recommendation No. 4 to reflect a Revised Attachment 6 to correct the Los Angeles Police Department account to which a transfer of \$1,345,595 will be made, and Recommendation No. 5 to reflect a Revised Attachment 7 to correct the department number for the Board of Public Works. Additionally, Revised Attachment 5 is to be amended to add the following transfer between accounts for the Fire Department Fund No. 100/38: transfer \$400,000 from Account No. 00102, Salaries Sworn, to Account No. 003070, Brush Clearance, for required contract brush clearance in High Fire Hazard Severity Zones.

After further consideration and after providing an opportunity for public comment, the Committee approved the recommendations by the CAO contained in the Second FSR for FY 2016-17 as amended by the CAO's technical corrections. 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
MARTINEZ:	ABSENT
BLUMENFIELD:	YES
BONIN:	ABSENT

REW
12/5/16
FILE NO. 16-0600-S169

-NOT OFFICIAL UNTIL COUNCIL ACTS-