

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

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

1. APPROVE the recommendations of the City Administrative Officer (CAO) as detailed in the Year-End (Fourth) FSR for FY 2016-17 dated May 31, 2017 (attached to Council file [C.F.] No. 16-0600-S178).
2. AMEND Recommendation No. 3 of the Year-End FSR to reflect the Revised Attachment 5 (attached to C.F. No. 16-0600-S178).
3. AMEND Recommendation No. 5 of the Year-End FSR to reflect the Revised Attachment 7 (attached to C.F. No. 16-0600-S178).
4. INSTRUCT City departments to immediately transfer all department and grant revenue per the 2016-17 Revised Revenue budget, to include all estimated related cost and direct cost reimbursements through June 30, 2017.
5. TRANSFER \$500,000 in AB 1290 funding (Council District 14) as follows:
 - a. \$150,000 to the Council Fund As-Needed Salaries account to support operational expenses.
 - b. \$350,000 to the Council District Community Services (Council District 14) account for community services and events in Council District 14.
6. AUTHORIZE the Controller to reappropriate funds in the amount of \$13,440 to the Neighborhood Empowerment Fund No. 44B-47, Account No. 471082 for moving costs accrued between 2015 and 2016, pursuant to C.F. No. 16-1251.
7. AUTHORIZE the CAO to make technical corrections as necessary to those transactions included in the Year-End FY 2016-17 FSR and Addendum to implement Mayor and Council intentions.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that a total of \$20.8 million in expenditure shortfalls and unbudgeted expenses are identified in this Year-End Financial Status Report. Transfers, appropriations, and other adjustments totaling approximately \$130.4 million are recommended in Sections 1, 2, 7, and 10 of its report. This includes \$7.3 million in transfers to the Unappropriated Balance, 2016-17 Budgetary Shortfalls account; approximately \$6.8 million in Reserve Fund reappropriations; and \$40.6 million in prior year Financial Management System encumbrances exempted from the General Fund Encumbrance Policy.

Community Impact Statement: None submitted.

SUMMARY

At its regular meeting held on June 5, 2017, the Budget and Finance Committee considered the CAO's Year-End (Fourth) FSR for FY 2016-17 dated May 31, 2017. 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 Year-End 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 \$130.4 million for appropriations, transfers and other budgetary adjustments are included in the FSR. Further, the recommendations in this FSR will address all previously identified shortfalls and institute actions consistent with the recommendations of the 2017-18 Adopted Budget. The CAO report, attached to the Council file, provides background regarding the recommendations included in the Year-End FSR and other budget-related items.

The CAO and the CAO's Finance Specialist provided the Committee with an overview of the Year-End FSR and responded to related questions from the Committee. Additionally, the CAO submitted amendments relative to Recommendation No. 3 of the Year-End FSR to revise Attachment 5 (which includes a recommendation to transfer funds within City Clerk's accounts to offset a shortfall), Recommendation No. 5 of the Year-End FSR to revise Attachment No. 7 (which includes various changes), and an instruction to all City departments to immediately transfer all department and grant revenue per the 2016-17 revised Revenue Budget.

Additionally, the Chief Legislative Analyst submitted an amendment to the Year-End FSR relative to various transfers of Council District 14 AB 1290 funds, and reappropriation of funds within Neighborhood Empowerment Accounts for its moving expenses incurred in 2015 and 2016.

Discussion of the FSR continued with the City Clerk addressing the Committee and responding to its questions regarding shortfalls in the City Clerk's Elections Account.

After further consideration and after providing an opportunity for public comment, the Committee approved the recommendations of the CAO contained in the Year-End FSR for FY 2016-17 as amended. 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
MARTINEZ:	YES
BLUMENFIELD:	YES
BONIN:	YES

REW 6/5/17 FILE NO. 16-0600-S178