

**BUDGET AND FINANCE COMMITTEE REPORT relative to the First Financial Status Report (FSR) for Fiscal Year (FY) 2017-18.**

**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 First FSR for FY 2017-18, dated October 27, 2017 (attached to Council file [C.F.] No. 17-0600-S113), with the exception of Recommendation No. 1.
2. APPROVE recommendation No. 1 of the First FSR for FY 2017-18 as amended to HOLD and DEFER action on the line item in Attachment 5 (FY 2017-18 Budget Adjustments - Special Fund Reappropriations) relative to the transfer of \$1,600,000 for HOPE Teams and Summer Night Lights programs from Fund No. 339/70 Police Department Grant Fund 70N170, Police to Fund No. 100/70, Police Department 001092, Overtime Sworn, until a breakdown is provided by the Los Angeles Police Department (LAPD) on how the \$1.6 million is being divided between the two programs.
3. AMEND Recommendation No. 3 of the First FSR for FY 2017-18 to reflect the Revised Attachment 7 (Budget and Adjustments - Transfer Between Accounts within Departments and Funds).
4. AMEND Recommendation No. 25 of the First FSR for FY 2017-18 relative to the Department of General Services (GSD), to reapprove the use of \$36,970,000 in Municipal Improvement Corporation of Los Angeles (MICLA) financing provided in the FY 2017-18 Adopted Budget for the Citywide Fleet Replacement as noted in Attachment 13.
5. AMEND Recommendation No. 26B of the First FSR for FY 2017-18 relative to the LAPD to authorize an increase to the FY 2017-18 MICLA budget authority for the LAPD helicopter from \$4,000,000 to 4,653,320; and subsequently reapprove \$4,653,320 in MICLA funding for the acquisition of a LAPD helicopter.
6. TRANSFER / APPROPRIATE \$80,000 within the General City Purposes Fund No. 100/56 from the Special Events Fee Subsidy - Citywide line item to the Heritage Month Celebration and Special Events line item, to fund previously approved Council actions (C.F. No. 13-0757-S5).
7. TRANSFER / APPROPRIATE \$50,000 from the Council Fund No. 100/28, Council General Fund Account No. 1010 to a new line item in the General City Purposes Fund No. 100/56, entitled National League of Cities 2018 Summit in Los Angeles, to support the City's hosting of this national convention.
8. TRANSFER / APPROPRIATE \$90,000 from the AB 1290 Fund No. 53P, Account No. 281213 (Council District 13 Redevelopment Projects - Services) to the Project Restore Trust Fund, No. 869/40, Account No. 0392, to support restoration efforts of Project Restore.
9. TRANSFER / APPROPRIATE \$32,863 from the Capital Improvement Expenditure

Program, City Facilities Maintenance account to reimburse the GSD for routine office maintenance and repairs as follows:

- a. \$19,718 to GSD Fund No. 100140, Account No. 1014 (Salaries Construction)
  - b. \$13,145 to GSD Fund No. 100140, Account No. 3180 (Construction Division Materials and Supplies)
10. TRANSFER / APPROPRIATE \$500,000 from AB 1290 Fund No. 53P, Account No. 281209 (Council District 9 Redevelopment Projects - Services) to Council Fund 100/28, Account No. 1070 (Salaries As-Needed), to support operational expenditures.
  11. AUTHORIZE the City Engineer to immediately negotiate and execute a Pre-qualified On-call (PQOC) consultant agreement from the Public Works - Bureau of Engineering's Environmental Documentation Consultant Services List, for an amount of up to \$100,000, for specialized environmental consultant services to review and provide comments on the draft program Environmental Impact Report (EIR) on the Santa Susana Field Laboratory; and, INSTRUCT the CAO to identify a source of funds within 30 days for this purpose.
  12. DIRECT the City Engineer to issue a Notice to Proceed to the selected PQOC Environmental Documentation consultant prior to the appropriation of the \$100,000 into a new Santa Susana Draft Program EIR account within the Engineering Special Services Fund so that the consultant can immediately begin their review of the draft program environmental impact report on the Santa Susana Field Laboratory.
  13. TRANSFER \$389,381 from the Unappropriated Balance Fund No. 100/58, Account No. 580196, Reserve for Mid-Year Adjustments, to the Engineering Special Services Fund No. 682/50, Account No. 50MVBP, Environmental Impact Report - Trap/Neuter/Return for the Trap/Neuter/Return Program EIR.
  14. TRANSFER \$65,000 in General Fund source of funds from the Public Works - Bureau of Contract Administration Fund No. 100/76, Account No. 001010, Salaries General, to the Unappropriated Balance Fund No. 100/58, Account No. 580196, Reserve for Mid-Year Adjustments.
  15. TRANSFER \$65,000 in General Funds source of funds from the Unappropriated Balance Fund No. 100/58, Account No. 580196, Reserve for Mid-Year Adjustments, to the Public Works - Board Fund No. 100/74, Account No. 001010, Salaries General to fill an Environmental Affairs Officer position in the Office of Petroleum and Natural Gas Administration and Safety (Petroleum Administrator).
  16. INSTRUCT City departments with current FY 2017-18 budgetary shortfalls that affect any necessary programs to notify Council in writing regarding the reason for the shortfall and an explanation stating why the department is unable absorb the shortfall.
  17. INSTRUCT the CAO to report with estimates regarding the fiscal impact of the 2018 Federal budget on the City's FY 2017-18 Budget.
  18. INSTRUCT the CAO to identify the remaining funding (\$110,619) for the

Trap/Neuter/Return Program EIR that was cut from the Department of Animal Services (DAS) budget in FY 2016-17.

19. REQUEST the City Attorney to prepare and submit a comprehensive report to the Budget and Finance Committee that: a) provides a range of potential liability within the fiscal year and in upcoming fiscal years, and b) a breakdown of the types of liability for the current year and previous year (such as whether liabilities occurred through settlements, judgments, or other factors), as previously requested under Motion (Krekorian - Cedillo) (C.F. No. 15-1432).
20. INSTRUCT the Los Angeles Department of Transportation (LADOT) to report in 30 days relative to quarterly data for the past five years for parking enforcement, including the number of part-time staffing compared to full-time staffing, and the number of citations written by both categories. Also include in the report data on the number of special events in the last five years and the impact on parking enforcement, and additionally, delineate specifically what are the barriers to hiring more parking enforcement staff for special events.
21. INSTRUCT the LADOT to report on the current backlog for the Parking Preferential District and Oversize Vehicle Sign Posting programs, and the number of staff and the deployment for the Oversize Vehicle Sign Posting program (e.g. how many staff deployed in the Valley, etc.).
22. INSTRUCT the Los Angeles Department of Building and Safety (LADBS) to report on its position vacancy rate and provide details on the specific job classifications reflected in that rate.
23. INSTRUCT the CAO to report on the discrepancy between the surplus amount of \$700,000 in the Department of Aging's (Aging) budget as stated in the CAO's First FSR for FY 2017-18 versus the amount \$167,000 as reported by Aging.
24. INSTRUCT the Personnel Department (Personnel) to report on the percentage of funding spent for LAPD and Los Angeles Fire Department (LAFD) non-sworn personnel background checks versus other City departments.
25. AUTHORIZE the CAO to make technical corrections as necessary to those transactions included in the First FSR for 2017-18 and the above recommendations to implement Mayor and Council intentions.

Fiscal Impact Statement: The CAO reports that a total of \$29.73 million in expenditure shortfalls and unbudgeted expenses are identified in this First FSR. Transfers, appropriations, and other adjustments totaling approximately \$136 million are recommended in Sections 1 and 2 of the First FSR. This includes reauthorization of approximately \$81.09 million in MICLA bonds for the acquisition of vehicles and equipment.

Debt Impact Statement: The CAO reports that the issuance of MICLA bonds is a General Fund obligation. The issuance of \$81,085,973 in MICLA bonds for the acquisition of LAPD replacement vehicles (\$2,805,653), one LAPD helicopter (\$4,653,320), LAFD replacement vehicles (\$20,000,000), GSD vehicles (\$36,970,000), and Public Works - Bureau of Sanitation Clean Street vehicles (\$16,657,000) will require the City to borrow a total of approximately

\$107.57 million, including \$26.48 million in interest, over a 10-year period at an estimated 5.5 percent interest rate. During the life of the bonds, the estimated average annual debt service is \$10.76 million over the 10-year period.

Actual interest rates may differ as rates are dependent on market conditions at the time of issuance. The CAO cannot fully predict future interest rates.

In accordance with the City's Debt Management Policy, the City has an established debt ceiling to guide in evaluating the affordability for future debt. The debt ceiling for non-voted direct debt as a percentage of General Fund revenues is 6.0 percent. The City is currently at 4.29 percent. The issuance of the debt from this re-authorization will not impact the City's debt capacity for non-voted approved debt as the issuance of debt for annual ongoing capital equipment acquisitions is already included in the debt ratio.

Community Impact Statement: None submitted.

### SUMMARY

At its regular meeting held on October 30, 2017, the Budget and Finance Committee considered the CAO's First FSR for FY 2017-18 dated October 27, 2017 (attached to C.F. No. 17-0600-S113). The CAO reports that the First FSR summarizes the closeout of the 2016-17 budget and provides an update on the current-year (FY 2017-18) budget, including projected departmental deficits, trends in revenue, the Reserve Fund, and other current issues of concern and the potential impact to the City. The First FSR for FY 2017-18, includes a thorough discussion of the CAO's recommendations and other budget-related items.

The Assistant CAO and the CAO's budget and debt finance specialist provided the Committee with an introduction to the First FSR, highlighted positive developments such as a strong Reserve Fund at approximately \$354 million (six percent of the General Fund) and revenue tracking above plan for this fiscal year, and discussed areas of concern such as a projected year-end shortfall of \$25.7 million due to unfunded expenditures, higher than estimated liability claims, and overpayment of related costs in the previous fiscal year. Additionally, the CAO noted that actions within the budget at the Federal level could complicate the City's budget. As a result, the CAO cautioned the Council against using Reserves, and recommended that departments manage any deficits within their own budgets. The Vice Chair expressed concern that core programs could be cut without Council's knowledge as a result of departments managing deficits within their budgets, and recommended that departments notify Council in writing of any budgetary shortfalls affecting necessary programs and provide the reason for the shortfall and an explanation of why the department is unable absorb the shortfall.

During further discussion of the First FSR, at the request of the Committee, representatives from the Board of Public Works - Petroleum Administrator, DAS, City Attorney, Public Works - Bureau of Engineering, Aging, LADBS, Public Works - Bureau of Sanitation, LADOT, Information Technology Agency, LAPD, LAFD, Department of City Planning, and Personnel responded to questions relative to the First FSR and their respective departments. In particular, the Committee was concerned that \$500,000 appropriated to the DAS for the Trap/Neuter/Return Program EIR had been swept and requested an explanation from DAS and BOE. The Committee instructed CAO to restore \$389,381 of the \$500,000 and identify a source for the remaining amount.

The Committee requested various reports in response to its questions to the departments as detailed in the recommendations above. Additionally, the CAO, CLA, and Committee Vice Chair submitted amendments to the First FSR which were read into the record (and attached to the Council file) and are also detailed above. The CAO advises that Recommendation Nos. 16, 17, 22, and 23 above can be addressed in the CAO's next FSR.

After further consideration, and after providing an opportunity for public comment, the Committee approved the recommendations by the CAO contained in the First FSR for FY 2017-18 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:	YES
KORETZ:	ABSENT
BLUMENFIELD:	YES
BONIN:	YES

REW 11/1/17 FILE NO. 17-0600-S113

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**