

BUDGET AND FINANCE COMMITTEE REPORT relative to the Year-End (Fourth) 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 Year-End (Fourth) FSR for FY 2017-18, dated June 1, 2018 (attached to Council file [C.F.] No. 17-0600-S119).
2. TRANSFER / APPROPRIATE \$1,300,000 from Council Fund No. 100/28, Account No. 1010 (Salaries General) to the following to better align with current expenditure patterns:
 - a. \$1,000,000 to Council Fund No. 100/28, Account No. 1070 (Salaries As Needed).
 - b. \$300,000 to Council Fund No. 100/28, Account No. 6010 (Office and Administration Expenses).
3. TRANSFER / APPROPRIATE \$250,000 from AB 1290 Fund No. 53P, Account No. 281210 (Council District 10 Redevelopment Projects - Services) to Council Fund No. 100/28, Account No. 1070 (Salaries As-Needed) to support operational expenditures.
4. TRANSFER / APPROPRIATE \$75,000 from AB 1290 Fund No. 53P, Account No. 281201 (Council District 1 Redevelopment Projects - Services) to Council Fund No. 100/28, Account No. 1070 (Salaries As-Needed) to support operational expenditures.
5. TRANSFER the year-end surplus of \$348,938 in the City Clerk's budget to the 2018-2019 line item in the Unappropriated Balance for Neighborhood Council outreach activities.
6. AUTHORIZE the CAO to make technical correction as necessary to those transactions included in the Year-End (Fourth) FSR for FY 2017-18 to implement Mayor and Council intentions.

Fiscal Impact Statement: The CAO reports that a total of \$50.63 million in projected over-expenditures and unbudgeted expenses are identified in the Year-End FSR. Transfers, appropriations, and other adjustments totaling approximately \$175.3 million are recommended in Sections 1, 2, 5 and 6 of the Year-End FSR for FY 2017-18. This includes approximately \$33.47 million in transfers to the Unappropriated Balance, Reserve for Mid-Year Adjustments account, \$8.27 million in Reserve Fund loans and appropriations, and \$44.9 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 4, 2018, the Budget and Finance Committee considered the CAO's Year-End (Fourth) FSR for FY 2017-18, dated June 1, 2018 (attached to C.F. No. 17-0600-S119). The CAO reports that the Year-End (Fourth) FSR provides an update on the

current-year budget - including changes to the projected year-end over-expenditures, trends in revenue, the Reserve Fund, and current issues of concern and their potential impact to the City. Recommendations totaling approximately \$175.3 million for appropriations, transfers, and other budgetary adjustments are included in its report.

The CAO's Budget and Debt Finance Specialist (CAO representative) provided the Committee with a brief overview of the Mid-Year FSR, and responded to related questions. The CAO representative discussed the status of the Reserve Fund which is currently at \$339.6 million or 5.83 percent of the General Fund Budget and total reserves which are at \$35.7 million or 7.48 percent, due to fiscal prudence during this fiscal year.

The CAO representative also reported over-expenditures in the amount of \$50.63 million due to shortfalls involving: Los Angeles Fire Department (LAFD) (mutual aid deployment, wild fires, delayed Intergovernmental Transfer Program reimbursements), delayed Road Maintenance and Rehabilitation Act (SB1) revenue, Public Works - Bureau of Street Services (BSS) (shortfall in Pavement Preservation Program), Los Angeles Police Department (LAPD) (sworn overtime expenditures), and Department of General Services (higher petroleum costs). However, the actions in the Year-End FSR will address the total over-expenditures of \$50.63 million with transfers from the Unappropriated Balance for Mid-Year Adjustments, Reserve Fund loans, and other mitigation measures.

During further consideration of the Year-End FSR, the Chief Legislative Analyst submitted into the record an amendment proposing various transfers/appropriations from Council Fund 100/28, Account 1010 - Salaries General to various accounts within the Fund to better align with current expenditure patterns, and transfers/appropriations from the AB 1290 Fund for Council Districts 1 and 10 to support those Districts' operational expenditures. The Committee Chair also recommended an amendment to the Year-End FSR to transfer a surplus in the amount of \$348,938 in the City Clerk's budget to the line item in the Unappropriated Balance for Neighborhood Council election outreach activities.

Lastly, representatives from the following agencies and departments were asked to address the Committee and respond to questions relative to the Year-End FSR and their respective departments: LAFD, LAPD, BSS, Public Works - Bureau of Engineering, and Los Angeles Housing and Community Investment Department.

After further consideration, and after providing an opportunity for public comment, the Committee approved the recommendations contained in the Year-End (Fourth) FSR for FY 2017-18, as amended above. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE



MEMBER	VOTE
KREKORIAN:	YES
ENGLANDER:	ABSENT
KORETZ:	YES
BLUMENFIELD:	YES
BONIN:	YES

REW 6/4/18 FILE NO.17-0600-S119

-NOT OFFICIAL UNTIL COUNCIL ACTS-