

BUDGET AND FINANCE COMMITTEE REPORT relative to a review of idle special purpose funds.

Recommendations for Council action:

1. INSTRUCT the City Administrative Officer (CAO), with the assistance of the City Attorney, to report on the following:
 - a. Recommendations to repurpose certain idle funds within each respective funding category (i.e. arts, economic development, housing, etc.) for the funds recommended in Attachment A of the Controller's report (dated March 29, 2018, attached to Council file No. 18-0270) as *Funds should be repurposed for other priorities within this category.*
 - b. Recommendations to instruct the related departments to use certain idle funds, recommended in Attachment A of the Controller's report as *Money should be used to pay Reserve Fund loan*, to repay their outstanding reserve fund loans.
 - c. Determination of eligible uses for certain idle funds, recommended in Attachment A of the Controller's report as *Departments should identify eligible uses for these funds*, to be used within departments' budgets or for other Council priorities.
 - d. Recommendations on the process to consolidate certain idle funds into the Affordable Housing Trust Fund, for those funds recommended in Attachment A of the Controller's report as *Consolidate into Affordable Housing Trust Fund.*
2. REQUEST the City Attorney to report to the Budget and Finance Committee on the purpose and eligible uses of certain idle funds, any legal implications for changing the use of these funds, and on how the City can best use these funds moving forward. These idle funds are listed in Attachment A of the Controller's report with the following recommendation: *Need to determine disposition of funds.*
3. REQUEST the Controller to close the idle funds listed in Attachment A of the Controller's report with the recommendation, *Close fund*, once all necessary actions have been completed.
4. INSTRUCT the relevant departments to report to the Budget and Finance Committee with expenditure plans for certain idle funds listed in Attachment A of the Controller's report with the following recommendation: *Money should be used consistent with the original fund purpose.*

Fiscal Impact Statement: Neither the CAO nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: Yes.

For: Historic Highland Park Neighborhood Council

SUMMARY

At a regular meeting held on June 11, 2018, the Budget and Finance Committee considered a report from the Controller, dated March 29, 2018, relative to a review of idle special purpose funds.

The Controller reports that the City's treasury is made up of 830 individual special funds in addition to its General Fund. Each of the special funds was created with a specific purpose and restrictions and totals about \$8.7 billion as of June 30, 2017 (roughly 90 percent of the City's overall treasury). However, the Controller's report focuses on the \$28 million in 123 special funds that have remained unspent over a minimum period of four years and have become idle funds. The Controller further reports that the idle special funds are administered by 18 different departments, with the Mayor's Office, Los Angeles Housing and Community Investment Department, and the CAO administering the largest amounts of these funds. The Controller's report has categorized the funds by type of fund and with recommendations regarding how the funds might possibly be spent.

The Controller's Director of Financial Analysis and Reporting provided an overview of the Controller's report. In response to questions from the Committee, the Director reported that the idle special funds could only be converted to non-discretionary funds if they were paying back a reserve funds loan. Most of the funds will require forensic accounting or legislative action by the City (after consultation with the City Attorney) to apply them towards other uses. The Director advised the Committee that if was the goal of Council to determine how to transfer these funds to the General Fund, it would be a long process, however, if the goal were to use the funds for similar purposes for which they were intended, that would be much easier.

The Committee and the Director discussed the common misconception by the public and the press that these idle special funds can simply be spent on whatever the City sees fit, such homeless services, etc., however some of the funds have balances as small as \$100, and some funds are extremely specific and limited in the scope of how they can legally be spent.

Upon further discussion, the Committee Chair recommended the approval of Recommendation Nos. 2, 3, and 4 from the Controller's report, and approval of Recommendation No. 1 of the report as amended to instruct the CAO, with the City Attorney, to report on the various recommendations and to remove the references to Council's deliberation of the Mayor's proposed FY 2018-19 (inasmuch as those deliberations have already occurred and the City's FY 2018-19 Budget has been adopted).

After consideration, and after providing an opportunity for public comment, the Budget and Finance Committee approved the recommendations of the Controller 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
KORETZ:	YES
BLUMENFIELD:	YES
BONIN:	ABSENT

REW 6/14/18 FILE NO. 18-0270

-NOT OFFICIAL UNTIL COUNCIL ACTS-