BUDGET AND FINANCE COMMITTEE REPORT relative to the First Financial Status Report (FSR) for Fiscal Year (FY) 2019-20.

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 2019-20, dated October 24, 2019 (attached to Council file (C.F.) No. 19-0600-S168)

2. INCREASE the amount to be transferred from the Unappropriated Balance Fund No. 100/58, Mutual Aid Overtime, Account No. 580274, to the Los Angeles Fire Department Fund No. 100/38, Overtime Sworn, Account No. 001092, from $1,500,000 to $3,000,000.

3. TRANSFER / APPROPRIATE the following amounts for sidewalk repairs in Council District (CD) 14:

| From: CD 14 Real Property Trust Fund No. 696-14 | Amount |
| Pipeline Franchise Revenue portion on the CD Real Property Trust Fund No. 696-14 | $787,832 |
| CD 14 portion of the Street Furniture Revenue Fund No. 43D/50 | $289,194 |
| Total: | $522,974 |

| To: Street Services, Fund No. 100/86, as follows: |
| Account 001010 (Salaries General) | $250,000 |
| Account 001090 (Overtime General) | $1,140,000 |
| Account 003030 (Construction Expense) | $160,000 |
| Account 006020 (Operating Supplies) | $50,000 |
| Total: | $1,600,000 |

4. TRANSFER / APPROPRIATE $20,000 in the AB1290 Fund No. 53P, Account No. 281214 (CD 14 Redevelopment Projects-Services) to the Board of Public Works Fund No. 100/74, Account No. 3040 (Contractual Services) for ongoing maintenance of trees at Eagle Rock Park, Hollenbeck Park, and Arroyo Seco Avenue 60 Park, coordinated by the Office of Community Beautification under Contract No. C-124590 (Los Angeles Conservation Corps).

5. TRANSFER / APPROPRIATE $286,873 from the Capital Improvement Expenditure Program, Fund No. 100/54, Account No. 00K046 (City Facilities Maintenance and Improvement) to General Services, Fund No. 100/40 for various Council related expenditures for maintenance, improvements and equipment, as follows:
a. $81,384 to Account No. 001014 (Salaries, Construction Projects).

b. $165,000 to Account No. 003040 (Contractual Services).

c. $40,489 to Account No. 003180 (Construction Materials).

6. AUTHORIZE the 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 the First FSR identifies a total of $148,093,000 in projected over-expenditures and unbudgeted expenses. Sections 1 and 2 of the subject CAO report recommend transfers, appropriations, and other adjustments totaling approximately $114,068,000. This includes approximately $32,006,000 in MICLA reauthorizations.

**Debt Impact Statement:** The CAO reports that the issuance of MICLA Bonds is a General Fund obligation. The acquisition of capital equipment for the Fire and Police Departments would cause the City to borrow $27,795,323 at an approximate 5.5 percent interest rate over 10 years. The financing of capital improvements to the LACC would cause the City to borrow $4,366,000 at an approximate 5.5 percent interest rate over 20 years. The total estimated debt service for the acquisition of capital equipment and LACC capital improvements is $44,182,000, including interest of $12,020,000. During the life of the bonds, the combined estimated average annual debt service over the first 10 years is $4,053,000 and $365,000 for the following 10 years.

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

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 3.92 percent for 2019-20. The issuance of debt for these projects will not impact the City's debt capacity for non-voter approved debt as the issuance of debt for this project is already included in the debt ratio.

**Community Impact Statement:** None Submitted.

**SUMMARY**

At its regular meeting held on October 28, 2019, the Budget and Finance Committee considered the CAO's First FSR for FY 2019-20 dated October 24, 2019 (attached to C.F. No. 19-0600-S168). The CAO reports that the First FSR summarizes the closeout of FY 2018-19 budget and provides an update on the current year budget, including projected department overexpenditure, trends in revenue, the Reserve Fund, and current issues of concern and the potential impact on the City.

The CAO's finance specialist provided the Committee with an introduction to the First FSR. During further discussion of the First FSR, at the request of the Committee, representatives from the Department of Cannabis Regulation, Los Angeles Housing and Community Investment Department, Economic and Workforce Development Department,
and the Bureau of Sanitation responded to questions relative to the First FSR and their respective departments. Additionally, the CAO and the CLA submitted amendments to the First FSR, detailed above.

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 2019-20 as amended. This matter is now forwarded to Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE

MEMBER VOTE
KREKORIAN: YES
PRICE: YES
KORETZ: ABSENT
BLUEMNFIELD: YES
BONIN: ABSENT

MM 10/28/19 Council file No. 19-0500-S168

-NOT OFFICIAL UNTIL COUNCIL ACTS-