

Since the beginning of Fiscal Year (FY) 2009-10, the Council has been engaged in efforts to address the budget deficit created by the concept of Shared Responsibility and Sacrifice as proposed by the Mayor in April 2009. Since that time, the Council has worked diligently to address the shortfall, including the elimination of positions and departments, deferred capital projects, renegotiated employee contracts, and implemented an early retirement plan to removed 2,400 positions from the city payroll. Further options under consideration include public-private partnerships, improving debt and revenue collection, and ongoing dialogue with our labor partners.

Despite these efforts, City revenues have continued to erode. Now, it has been reported by the General Manager of the Department of Water and Power (DWP) that the DWP may be unable to make the remaining \$73.5 million of an anticipated \$220 million transfer from the Power Revenue Fund. This prompted the Controller to issue a memo on April 5, 2010 seeking a Reserve Fund transfer to meet the City's immediate cash flow needs.

Cash flow problems in FY 2009-10 is not a new issue. In fact, staff from the City Administrative Officer, Controller's Office, Mayor's Office and the Chief Legislative Analyst had already begun to meet to evaluate strategies to address this concern. Further, the Council and Controller have taken a number of proactive measures to enhance the Reserve Fund, although it has been regularly discussed that it would be necessary to drawn down the Reserve Fund to balance the current year budget. However, it was always contemplated that the City would receive the \$220 million Power Revenue Fund transfer. Not receiving the full transfer places a greater and unexpected pressure on the Reserve Fund.

On April 6, 2010, Council approved a motion (CF 10-0234) requesting the Board of Water and Power Commissioners to fulfill their transfer commitment. If the balance of the Power Revenue Fund transfer is not received, it will compel the City to drain its Reserve Fund and could trigger further reductions in staff and services. While a swift and appropriate resolution to the Power Revenue Fund transfer issue is still possible, interim action may be necessary to ensure the immediate cash flow needs of the City are met. These actions should be included in the City Administrative Officer's next financial status report which will be released later this week and is expected to be heard in Budget and Finance Committee on April 12, 2010.

I THEREFORE MOVE that the City Administrative Officer be instructed to recommend an appropriate Reserve Fund transfer to meet current cash flow needs in the upcoming Fourth Financial Status Report.

PRESENTED BY


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SECONDED BY

