

# CITY OF LOS ANGELES

CALIFORNIA



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February 17, 2010

To All Interested Parties:

The City Council adopted the action(s), as attached, under Council file No.  
09-0600-S158, at its meeting held February 12, 2010.

  
City Clerk  
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TO THE COUNCIL OF THE  
CITY OF LOS ANGELES

Your **BUDGET AND FINANCE** Committee

reports as follows:

BUDGET AND FINANCE COMMITTEE REPORT relative to budgetary cash flow.

Recommendation for Council action:

NOTE and FILE the City Controller's report relative to budgetary cash flow inasmuch as the report is submitted for information and no Council action is necessary.

Fiscal Impact Statement: Not applicable

Community Impact Statement: None submitted

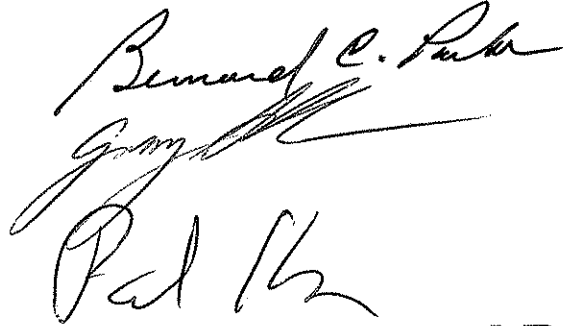
SUMMARY

At its meeting of February 1, 2010, the Budget and Finance Committee considered the City Controller's report relative to budgetary cash flow. The Controller reports that based upon expenditures from the first 14 pay periods, additional revenue shortfalls, and despite the beginning of the ERIP and other cost saving measures, it is anticipated that the City will face a \$199 million General Fund shortfall by June 30, 2010. Closing this gap will require not only immediate but far reaching action. Additionally, the Controller reports that any budget balancing action must take effect immediately in order to reduce or eliminate the shortfall for this fiscal year. The City Charter requires that the budget be balanced each year. Maintaining a deficit of this size eliminates the possibility of balancing the budget under prevailing conditions. The City could tap its entire \$189 million Reserve Fund as it currently stands, and still fail to completely eliminate the budget shortfall. The Controller reports that using the Reserve Fund may appear to be the most easily available option to balance the budget but doing so would have serious negative consequences. To deplete the majority of the Reserve Fund this year would leave the City with no margin for error and a total inability to respond to further revenue shortfalls. The Controller reports that if the Reserve Fund were drastically reduced or virtually eliminated, it would impair the City's ability to issue Tax and Revenue Anticipation Notes (TRAN) to meet cash needs for the City's 2010-11 fiscal year either by increasing the cost of borrowing or, worse yet, jeopardizing the City's ability to obtain the loan in the first place.

Following its discussion, the Budget and Finance Committee recommended to note and file the Controller's report inasmuch as the report is submitted for information and no Council action is necessary. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
PARKS:	YES
SMITH:	YES
ROSENDAHL:	YES
HUIZAR:	YES
KORETZ:	YES

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**ADOPTED**

FEB 12 2010

**LOS ANGELES CITY COUNCIL**

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**