

BUDGET AND FINANCE COMMITTEE REPORT relative to formally recognizing funds relative to a settlement agreement involving Attorneys General vs. GE Funding Capital Market Services, Inc.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. RECOGNIZE \$682,480 in settlement funds as revenue to be received in Fiscal Year (FY) 2012-13.
2. AUTHORIZE the Controller to deposit these funds into the City's General Fund.

Fiscal Impact Statement: Based on the transmittal from the Los Angeles Housing Department (LAHD) dated April 12, 2013, the City Administrative Officer (CAO) reports that there is no impact to the General Fund. The LAHD included the \$682,480 in settlement funds stemming from the Attorneys General case against GE Funding Capital Market Services, Inc. in its calculation for FY 2013-14 revenues to the Municipal Housing Finance Fund.

Community Impact Statement: None submitted.

SUMMARY

At a regular meeting held on February 24, 2014, the Budget and Finance (BF) Committee considered a report from the LAHD dated April 12, 2013, and a report from the CAO dated May 15, 2013, relative to authorization to accept settlement funds in the amount of \$682,480.29 from a settlement agreement among Attorneys General of 26 states and GE Funding Capital Market Services, Inc. (GEFCMS) related to certain Guaranteed Investment Contracts provided by GEFCMS and its affiliates. The CAO reports that the multistate settlement resolves allegations that GEFCMS engaged in anti-competitive conduct in the municipal bond derivatives industry. The settlement is one component of a \$70 million coordinated state and federal law enforcement and regulatory action involving the U.S. Department of Justice, the Securities and Exchange Commission and the Internal Revenue Service. The City's share of the funds was based on a formula developed by the Attorneys General with the assistance of their independent economic expert. The City Attorney and LAHD's outside bond counsel supported the recommendation to accept the settlement and, in conjunction with this advice, LAHD issued election to participate and executed release forms and received the settlement check within the mandated response deadlines. The CAO and LAHD reports, attached to the Council file, include additional details.

At a regular meeting held on May 15, 2013, the Chair and Member of the Housing, Community and Economic Development Committee considered the LAHD and CAO reports and recommended that Council approve the recommendations in the CAO report.

During the BF Committee discussion, representatives of LAHD, CAO and the City Attorney provided background information and responded to related questions from Committee members. After further consideration, the BF committee recommended that Council approve the recommendations in the CAO report as amended to authorize the deposit of the funds into the City's General Fund. 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:	YES

-NOT OFFICIAL UNTIL COUNCIL ACTS-