

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: December 8, 2016

TO: Honorable Members of the Los Angeles City Council

FROM: Sharon M. Tso *SMT/STO* Chief Legislative Analyst Assignment No.16-12-0974
CF 16-1322

SUBJECT: Ordinance on procedural changes to the issuance of judgment obligation bonds

On December 7, 2016, the City Council approved instructions requesting that the City Attorney draft an ordinance to amend the procedures related to debt issuances, as detailed in Los Angeles Administrative Code (LAAC) Section 11.27 et. seq. as follows:

- a. Clarify that, in addition to stipulated settlements entered as judgments pursuant to State law, the City may also issue Judgment Obligation Bonds to pay for other stipulated settlements entered as judgments in court pursuant to Federal or other similar laws.
- b. Expand the time for the City Council to make a decision to reimburse the City from a future Judgment Obligation Bond and the related required findings.
- c. Expand the type of eligible settlements beyond those derived from a mediation process in a manner that is more consistent with current legal practices on how settlements may be reached.

As part of its action, the City Council instructed the Chief Legislative Analyst to report on the advantages and disadvantages of the proposed amendments to the procedural ordinance. We have discussed the proposed changes with the City Attorney and completed our review of the draft ordinance filed on December 7, 2016.

The City Attorney's cover memo attached to the draft ordinance on file states that the proposed amendments would "clarify and expand" the types of settlements and judgments that may be financed through judgment obligation bonds and this clarification and expansion is more consistent with current legal practices. Current law restricts the use of judgment obligation bonds to finance settlement agreements that "resulted from a mediation process." According to the City Attorney, settlement agreements are occasionally reached outside of the formal mediation process, therefore a change is proposed to remove this restriction. The proposed ordinance also makes technical changes to the language in LAAC Section 11.27(a), such as changing the phrases that describe judgments as being "against the City" and "imposed upon the City" to the phrase "judgment entered by the Court" to more accurately reflect how court actions are taken on judgments.

The City Attorney's memo describes other changes in the draft ordinance that provide more procedural flexibility for the City Council to make certain findings. For example, current

law requires the City Council to “find at the time of approval” of a settlement or judgment that the City intends to pay that settlement or judgment using a judgment obligation bond. The proposed revision to this section of the law will allow the City Council to make the decision about using a judgment obligation bond “on or about” the time of approving the settlement or judgment, in order to provide the City Council with greater scheduling flexibility.

Based on our review of the draft ordinance, and discussions with the City Attorney, we find no disadvantages in the proposed amendments to the Los Angeles Administrative Code relative to judgment obligation bonds. None of the proposed changes will restrict, or otherwise diminish, the City Council and Mayor’s authority to choose if and when to use this financing mechanism for future settlements and judgments. We, therefore, recommend approval of the proposed changes to the judgment obligation bond procedures, as proposed by the City Attorney in its report dated December 7, 2016.