

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: November 22, 2022

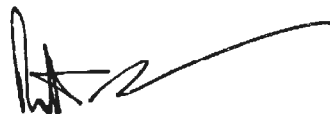
CAO File No. 0220-06028-0000

Council File No. 22-0600-S85

Council District: All

To: Paul Krekorian, President of the City Council and
Chair of the Budget and Finance Committee

From: Matthew W. Szabo, City Administrative Officer
Office of the City Administrative Officer



Reference: Motion Number 22

Subject: **Disposition of Funds Identified in the City Controller's May 3, 2022
Correspondence on Special Purpose Funds**

RECOMMENDATION

That the City Council, subject to the approval of the Mayor:

1. Authorize the Controller to transfer the remaining cash balance in Fund 441, Furtherance of International Earthquake, to the Reserve Fund.
2. Authorize the Controller to transfer the remaining cash balance in Fund 59E, 2016 Urban Areas Security Initiative Homeland Security Grant, to the Reserve Fund.
3. Authorize the Controller to transfer \$1,282 in Fund 418, Improvement Assessment Revolving Fund, to the Reserve Fund.
4. Instruct the Department of Street Lighting to execute the administrative actions that are necessary to close Fund 418, Improvement Assessment Revolving, insofar as the recommendations in this report will reduce the balance of this inactive Fund to \$0.
5. Instruct the City Clerk to execute the administrative actions that are necessary to close Fund 441, Furtherance of International Earthquake, insofar as the recommendations in this report will reduce the balance of this inactive Fund to \$0.
6. Instruct the Department of Disability to execute the administrative actions that are necessary to close Fund 473, Computerized Information Center for the Disabled, insofar as the recommendations in the 2022-23 First Financial Status report will reduce the balance of this inactive Fund to \$0.
7. Authorize the Office of the City Administrative Office to make technical corrections as necessary to those transactions included in this report to implement the intent of those transactions.

SUMMARY

Background

On March 16, 2022, the Controller issued a report entitled “Maximizing the Use of L.A.’s Special Funds.” In this report, the Controller identified 187 special funds with a cumulative balance of \$54.9 million in which there had been no spending for at least two years. In the report, the Controller stated that the City should review these funds to determine which the City could close or repurpose. During its deliberations on the 2022-23 Budget, the Budget and Finance Committee requested the Controller’s Office to provide a budget memo on the special fund balances that the City could transfer to the General Fund. For its response, the Controller’s Office worked with departments to review the balances in these funds and recommended transferring \$219,230 in nine funds to the General Fund, and then closing these nine funds.

As part of the adoption of the 2022-23 Budget, the City Council instructed the Office of the City Administrative Officer (CAO) to prepare the following reports regarding the use of the available balances that the Controller identified:

1. On the availability and use of the special funds that the Controller identified.
2. On the use of the \$219,230 to partially offset the cost of four resolution authority positions that the motion (Koretz, Rodriguez) proposed and that consist of two Fiscal Systems Specialist IIs, one Fiscal Systems Specialist I, and one Senior Management Analyst I in the Controller’s Office to support the Human Resources and Payroll (HRP) Project.

Findings

As requested, the CAO has worked with the administering department for each of the nine funds that the Controller identified in its budget memo to understand each funds intended uses and to identify actions for its disposition. In total, we found that the cumulative current balance in these nine funds as of October 20, 2022 is \$1,270,920. In this report, we recommend transactions to transfer the \$99,931 available for transfer from these special funds into the Reserve Fund.

We account for the remaining \$1,170,989 as follows:

- \$1,045,164: Must remain in the funds. Of this, \$500,000 must remain in Fund 418 pursuant to the requirements of the funding and \$543,537 must remain in Fund 593 to pay disallowed costs.
- \$70,094: The Financial Status Report included a transfer of these funds within the Department of Disability to support eligible uses.
- \$49,049: Departments will use these funds to repay Reserve Fund loans without further approval.
- \$1,144: Economic and Workforce Development will reprogram this amount for eligible uses early in 2023.
- \$5,538: Economic and Workforce Development will use this amount to reimburse the General Fund for related costs it incurred in support of the grant.

In total, we have identified \$154,538 that will return to the General Fund or Reserve Fund either through transactions that are already underway or that we recommend in this report. This compares to the Controller’s recommendation to transfer \$219,230 to the General Fund.

The chart below reflects the funds, cash balances, amounts recommended by the Controller's Office for transfer, the Controller's notes on the recommended amounts, and CAO recommendation or anticipated departmental action.

Fund Name	Amount Recommended to be Transferred in Controller's Memo	Cash Balance as of 10/20/2022	Controller's Notes	CAO Recommendation or Anticipated Departmental Action	CAO Recommended Amount
418 - Improvement Assessment Revolving	\$1,282	\$501,282	According to the ordinance, cash in excess of \$500,000 goes to the Reserve Fund. \$1,282 represents that amount. The remaining \$500,000 is to be used for street improvement assessment projects.	The excess funds of \$1,282 should be swept into the Reserve Fund.	\$1,282
41C - Electronic Animal Identification Device	\$158	\$0	Per the ordinance, any balance in the fund returns to the General Fund. The amount represents the entire cash balance.	In March, the Department submitted a memo to the Controller's Office to close this fund. By May, the necessary transactions directed by the Controller's Office were prepared and submitted to complete the closure.	\$0
441 - Furtherance of International Earthquake	\$98,578	\$98,578	According to the City Clerk, funding was provided through a budget appropriation and could be swept subject to City Council approval.	Funds are available to be swept with the proper Council approval. Per the Department, the fund has not been used since 2014 and there are no pending projects for these funds.	\$98,578
473 - Computerized Information Center for the Disabled	\$70,094	\$70,094	This is an old fund from the 1980s. Fund was administered by the Mayor's Office. Subsequently, the role was transferred to Personnel and now to the Department of Disability (C.F. 97-1469). According to the department, there is no longer a need for the fund as the Department is funded through the General Fund.	The First Financial Status Report includes a recommendation to transfer the funds to an operating appropriation account. The funding will be used for the Durable Medical Equipment (DME) program, which provides medical equipment such as canes, wheelchairs to people experiencing homelessness.	\$0

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59E - 2016 Urban Areas Security Initiative Homeland Security Grant	\$71	\$71	The purposes of the fund was completed and the grant closed out with the grantor. The Mayor's Office supports transferring the balance to the General Fund.	The Mayor's Office of Public Safety (MOPS) concurs with the action to transfer the balance of 2016 UASI Grant funds to the General Fund pending receipt of the formal closeout letter from grantor. MOPS will query grantor for timeline of closeout letter.	\$71
58Y - Retail Career Development	\$8,648	\$9,792	This amount is used to repay their Reserve Fund loan. (There is \$1,144 for department to use that remains idle.)	Department will transfer \$8,648 to repay pending Reserve Fund loan; retain \$1,144 balance reprogramming early in 2023.	\$0
59P - LA County Probation/Workforce Development Aging and Community Services (WDACS)	\$456	\$458	This amount is used to repay their Reserve Fund loan.	Payment in process.	\$0
59W - LA County Anti-Recidivism Coalition	\$280	\$5,818	This amount is used to repay their Reserve Fund loan. (There is \$5,551 for department to use that remains idle.)	Department will use \$280 to repay pending Reserve Fund loan and transfer the \$5,538 balance to the General Fund to repay related costs.	\$0
593 - Audit Repayment	\$39,663	\$584,827	This amount is used to repay their Reserve Fund loan. (There is \$542,967 for department to use remains idle.)	Department will use \$39,663 to repay the Reserve Fund loan, retain the \$545,164 balance to be used to pay disallowed costs.	\$0
Total	\$219,230	\$1,270,920		Total Recommended Transfers	\$99,931

In response to the request to transfer funding to the Controller's Office to offset the costs of four proposed resolution authority positions to support the HRP Project, this Office does not support taking any action at this time. We approved the four positions as substitute authority positions on September 7, 2022, and the Controller has adequate funding in its Salaries – General Account to cover the necessary costs. Therefore, no further action is required.

FISCAL IMPACT STATEMENT

The actions in this report will move \$99,931 from special funds to the Reserve Fund.

FINANCIAL POLICIES STATEMENT

The actions recommended in this report comply with the City's Financial Policies. Specifically, the actions are consistent with Fiscal Policy Section, policy number 30, which states that special fund administrators must regularly evaluate and manage the balances within the funds to ensure that they are spent timely to achieve the funds' intents.