

BUDGET AND FINANCE COMMITTEE REPORT relative to the Third Financial Status Report (FSR) for Fiscal Year 2021-22.

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

1. APPROVE the recommendations of the City Administrative Officer (CAO) as detailed in the Third FSR for Fiscal Year 2021-22, dated March 17, 2022, attached to the Council file, as amended to incorporate the changes as detailed in Recommendation Nos. 2-3 below.
2. SUBSTITUTE Recommendation No. 10 in the CAO report dated March 17, 2022, with the following:
  - a. AUTHORIZE the Controller to decrease appropriations (\$383,961) within the Community Investment for Families Department No. 100/21, Salaries, General, Account No. 001010; and decrease appropriations within the Community Services Block Grant Trust Fund No. 428/21, Community Investment for Families Department, Account No. 21V121 by a like amount.
3. SUBSTITUTE Recommendation No. 18.b. in the CAO report dated March 17, 2022, with the following:
  - a. REDUCE appropriations in the total amount of \$6,000,000 in the Bureau of Street Services Fund No. 100/86 within Account No. 001010, Salaries General (\$3,500,000), Account No. 001090, Overtime General (\$2,000,000), and Account No. 003030, Construction Expense (\$500,000).

Fiscal Impact Statement: The CAO reports that a total of \$80.28 million in projected over-expenditures and \$0.75 million in additional General Fund appropriation is required to supplement special fund revenue shortfalls are identified in the Mid-Year (Third) Financial Status Report. Transfers, appropriations, and other budgetary adjustments totaling approximately \$183.38 million are recommended in Sections 1, 2, 5, 6, and 7 of this report. This includes \$6.78 million in transfers from the Unappropriated Balance Reserve for Mid-Year Adjustments Account, \$92.67 million in transfers from the Reserve Fund, and \$3.13 million in Reserve Fund loans.

Financial Policies Statement: The CAO reports that the recommendations in this report comply with the City's Financial Policies as the recommended transactions use current revenues and balances to pay for current operations.

Debt Impact Statement: The CAO reports that the issuance of Municipal Improvement Corporation of Los Angeles (MICLA) Bonds is a General Fund obligation. The issuance of MICLA for the acquisition of capital equipment for the Fire and Police Departments would cause the City to borrow \$2,974,772 at an approximate 5.5 percent interest rate over 10 years. The total estimated debt service for the acquisition of Police and Fire capital equipment is \$3,947,000, including interest of \$972,000. During the life of the bonds, the estimated average annual debt service is \$395,000 over 10 years. Actual interest rates may differ as rates are dependent on market conditions at the time of issuance. We cannot fully predict what interest rates will be in the future. In accordance with the City's Debt Management Policy, the City has an established debt ceiling to guide in evaluating the affordability for future debt. The debt ceiling for non-voted direct debt as a percentage of General Fund revenues is 6.0 percent. The City is currently at 3.35 percent for 2021-22. The issuance of debt for these projects will not impact the City's debt capacity for non-voter approved debt as the issuance of debt for these projects is already included in the debt ratio.

Community Impact Statement: None submitted

SUMMARY

At the special meeting held on March 21, 2022, the Budget and Finance Committee considered a CAO report relative to the Third FSR for Fiscal Year 2021-22.

A representative from the CAO provided an overview of the report and representatives from multiple departments answered questions posed by the Councilmembers. After an opportunity for public comment was held, the Committee recommended to approve the CAO recommendations as amended, to make two technical accounting information corrections in the Third FSR, as detailed above. 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
BLUMENFIELD	YES
DE LEON	ABSENT
RODRIGUEZ	YES
PRICE	YES

AS 3/21/22  
COUNCIL FILE 21-0600-S112

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**