

**BUDGET AND FINANCE COMMITTEE REPORT** relative to a comprehensive review of the City's special funds.

Recommendations for Council action:

1. INSTRUCT departments listed on Attachment G of the joint Controller and City Administrative Officer (CAO) report, attached to the Council file, and the Office of Finance to reconcile the disbursement of interest earnings for the funds listed and conduct a complete review of interest earnings distribution on all funds, and provide a report to the Office of the Controller, CAO, Chief Legislative Analyst, and the Budget and Finance Committee on the results of the review on all funds.
2. INSTRUCT departments to work with the Office of the Controller to determine the funds that should be closed and complete the necessary steps.
3. REQUEST the Office of the City Attorney to prepare the necessary ordinance(s) to legally delete closed funds upon receipt of the list from the Office of the Controller.
4. INSTRUCT departments to report on their off-budget special funds upon development of a reporting schedule and format by the Offices of the CAO and Controller.
5. INSTRUCT departments to work with the Office of the CAO to evaluate off-budget special funds and identify those that may be brought on to the City's budget.
6. INSTRUCT the Office of the City Clerk to report back on including executed grant agreements in the Council File Management System.

Fiscal Impact Statement: The Controller and CAO report that adoption of the above recommendations would result in no immediate impact to the General Fund. The Controller's Office, as part of the annual audit work plan, will undertake more in-depth reviews of a number of funds which may identify opportunities to offset the General Fund burden in the future. Currently, the CAO is reviewing the list of funds for potential balances that may be included as part of the 2014-15 budget.

Community Impact Statement: None submitted.

## SUMMARY

At its meeting of April 7, 2014, the Budget and Finance (BF) Committee considered a joint Controller and CAO report dated March 19, 2014 relative to a comprehensive review of the City's special funds. The Controller and CAO report that on July 29, 2013, the BF Committee requested that the Offices of the Controller and CAO provide an in-depth report on special funds. This request followed discussions during the 2013-14 Budget process regarding the \$42.6 million that had accumulated in the Transportation Grant Fund since 1996 due to reimbursements not being transferred to the General Fund.

The Controller and CAO report that it took significant effort over the course of several months working with all City departments to capture and review the information related to a total of 970 special funds to prepare this report. This is the first comprehensive report that covers all existing special funds and provides information on their creation, purpose, source of funds, eligible uses, and available cash balances. The joint report, attached to the Council file, includes this information and a report from the Controller's Office providing insights on the special funds data as well as immediate and future steps to resolve the issues identified therein.

The City Controller addressed the BF Committee and provided a powerpoint presentation on the matter. During the subsequent discussion, the Controller responded to related questions from Committee members. The Committee Chair requested that recommendation no. 1 of the joint report be amended to add CAO, CLA and BF Committee to the report recipients. After further consideration and having provided an opportunity for public comment, the BF Committee recommended approval of the recommendations contained in the joint report dated March 19, 2014 as amended in Committee and reflected above. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE

<b><u>MEMBER</u></b>	<b><u>VOTE</u></b>
KREKORIAN:	YES
ENGLANDER:	YES
KORETZ:	YES
BLUMENFIELD:	YES
BONIN:	ABSENT

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**-NOT OFFICIAL UNTIL COUNCIL ACTS-**