



RON GALPERIN
CONTROLLER

March 1, 2019

Honorable Eric Garcetti, Mayor
Honorable Members of the City Council

Re: Revenue Forecast Report

In accordance with City Charter Section 311(c), I submit my revenue forecast for fiscal years 2018-19 and 2019-20. Also included are the 2019-20 debt service requirements.

The City's adopted budget for 2018-19 totals \$9.9 billion. Two-thirds, or \$6.19 billion, is General Fund revenue, while the balance, \$3.71 billion, is special purpose funds revenue. The forecast provides updated revenue estimates for the current fiscal year, and projects them for the next, so as to better inform the City's budget decisions.

To develop our forecast, the Controller's Office collected revenue projections from City departments, reviewed recent economic reports and projections, and met with local economists from Beacon Economics and UCLA Anderson School of Management. Although forecasts necessarily involve a modicum of uncertainty, this report represents our best estimates based on the totality of the information available to us. Seeking to promote responsible budgeting in the year ahead, this report aims to provide modest revenue forecasting.

Unlike previous reports, we present this forecast in the form of ranges — giving each category of revenue both a more conservative and a more optimistic estimate. This is consistent with best practices for revenue forecasting and provides a more nuanced approach to predicting the City's likely receipts. We believe this also introduces another layer of context to our analysis.

Projected expenses to outpace revenue growth

General Fund receipts for the current year are estimated to be between \$6.14 and \$6.21 billion, a 5.5 to 6.7 percent increase over 2017-18. Higher than anticipated revenues from the property and business taxes are offset, however, by projected shortfalls in the hotel tax, the telephone users tax and parking fines. Receipts from billboards anticipated in the current budget have not materialized as the City has yet to act on a revised policy.

For fiscal year 2019-20, General Fund receipts are projected to be between \$6.29 and \$6.39 billion, 2.4 to 2.9 percent more than 2018-19. The revenues driving the current year's growth should continue to increase, but be partially offset again by reductions in the telephone users tax and parking fines.

While the projected General Fund growth will continue next year, it likely will be eclipsed by the estimated 4.4 percent increase in expenditures in 2019-20, which is mainly attributable to the cost of employee salaries and benefits. Short-term fixes and small adjustments can bolster the City's bottom line now; however, any unanticipated economic stress would put L.A. in a much more precarious financial situation going forward.

In order to strengthen the overall balance sheet, the City must work diligently to boost and diversify its revenue. City leaders need to deliver on promised revenue streams, such as from billboards, while carefully considering the implications of policy actions that may result in greater General Fund spending.

One new revenue source stems from the statewide legalization of cannabis and the development of a local regulatory structure. In the current year, cannabis businesses are projected to remit almost \$40 million in business taxes to Los Angeles, in addition to sales tax receipts. This amount could potentially expand, if the City is able to move forward more expediently in its efforts to permit new cannabis businesses and better enforce against illegal sales.

Need for budgetary restraint

A noteworthy concern highlighted in this report is the City's regular use of the Reserve Fund to balance the budget. As a matter of practice, my office's revenue forecasts do not contemplate using the Reserve Fund in this manner, although the City has done so in 15 of the last 20 years. We urge the City not to employ this strategy on a consistent basis, as it does not comport with sound fiscal policy. More than a decade after the Great Recession began, the Reserve Fund has increased significantly to more than \$350 million. But using the City's reserves to balance the budget in growth years means that less money will be available when the economy contracts.

My report also raises the issue of special purpose funds, as most recently detailed in our February 13, 2019, [report](#). This fiscal year, special fund revenue is estimated to be \$2.81 billion, \$250 million higher than last year. For 2019-20, we project that special fund revenue will continue to grow by \$383 million — a 13.7 percent increase — to \$3.19 billion overall, led by strong growth in Sewer Construction and Maintenance, Proposition A and Solid Waste Resources Fund receipts.

Growth is also notable in the Street Damage Restoration Fee Fund, which was the subject of a 2014 audit by my office. We discovered that the City needed to update its fee calculations to better recover the cost of damages from cuts and excavations utility companies make to City streets. Because of changes made through our partnership with the City Council, Street Damage Restoration Fee Fund receipts are projected to grow to \$40.2 million this year and \$70.5 million next year — 10 times the revenue L.A. recovered for the fee in 2018.

Overall, special fund receipts have been increasing faster than General Fund receipts for years. As a result, the funds' cash balances have swelled. This gives the City an opportunity to address at least some of its most pressing priorities using special funds, instead of the General Fund. With resources allocated in the budget, which we believe should be aided by new special funds management policies, my office is researching ways to access and utilize available special funds, and will continue to work with the Mayor and Council to identify the best options for including them in the 2019-20 budget.

An online interactive tool for exploring the revenue forecast, with 10 years of data, can be found at lacontroller.org/revenue. Open data for all City financials is available online at ControlPanelLA.

Should you have any questions or require additional information, please contact Matthew Crawford, Director of Financial Analysis and Reporting, at (213) 978-7203 or matthew.crawford@lacity.org.

Sincerely,



RON GALPERIN
L.A. Controller

Attachment

cc: Sharon M. Tso, Chief Legislative Analyst
Richard H. Llewellyn, City Administrative Officer

Revenue Forecast Report

City of
Los Angeles

2019 - 2020



2009 - 2010



2016 - 2017



2017 - 2018



2018 - 2019



RON GALPERIN
LA CONTROLLER

SUMMARY

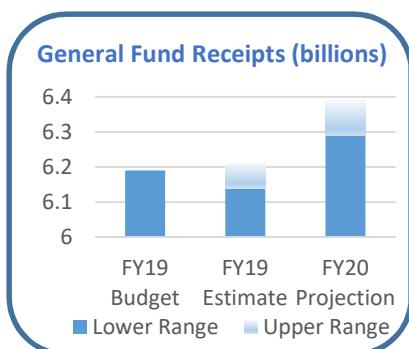
This Revenue Forecast Report for the City of Los Angeles provides revenue estimates for fiscal years 2018-19 and 2019-20 in advance of the upcoming budget process. Also included are the estimated requirements for debt service and General Fund cash flow borrowing. The Forecast is issued pursuant to the Controller's City Charter mandate to monitor and report on all matters relating to the City's fiscal health, to keep the City's official financial records, and to supervise City expenditures.

An online interactive tool for exploring the Forecast, with 10 years of data may be found at lacontroller.org/revenue. Open data for all City financials is available online at ControlPanelLA (ControllerData.LACity.org), including information updated monthly on General and Special Fund revenues. Economic presentations provided by local economists to the Controller in the development of this Revenue Forecast Report are also available at LAController.org.

Financial Outlook

According to local economists, with whom we consulted, key indicators do not point to any dramatic economic circumstances, such as a recession, in 2019. The seasonally adjusted unemployment rate in Los Angeles County, 4.8 percent as of December 2018, is now considered at or close to full-employment. Steady job gains have correlated to a modest rise in personal income, strong consumer confidence and positive growth in taxable sales. Housing permits for single and multi-family housing are up from last year, and commercial market rents have increased as vacancies have declined. In addition, the inflation forecast is modest, reflected in still historically-low long term interest rates.

It should be noted that some risks to the economy have increased. Home prices continue to rise but sales have softened due to decreasing affordability. As Los Angeles is a major gateway to international trade, trade disputes may negatively impact the local economy. With the tightening of the Los Angeles labor market, a modest slowdown in job growth is expected.



With this environment and assumptions in mind, we currently estimate 2018-19 General Fund revenues to be between \$6.14 billion and \$6.21 billion, within one percent above or below the \$6.19 billion 2018-19 Adopted Budget. Total 2019-20 General Fund revenues are projected to be between \$6.29 billion and \$6.39 billion, \$146.3 million (2.4 percent) to \$175.3 million (2.8 percent) more than the 2018-19 estimates.

Debt

The estimated City debt service requirement for 2019-20 is \$618.1 million, which is \$15.5 million more than 2018-19, excluding debt service on the Tax and Revenue Anticipation Notes (TRAN). A total of \$138.3 million of this amount is for principal and interest payments on the City's \$1.14 billion in outstanding General Obligation Bonds (GOB). GOBs are general obligations of the City payable from ad valorem taxes levied on all of the taxable property of the City. The remaining debt service covers the Municipal Improvement Corporation of Los Angeles (MICLA); Wastewater, Solid Waste Resources, Site-Specific Tax, and Judgment Obligation Bonds.

In total, debt service is projected to be 5.5 percent of projected 2019-20 General Fund receipts, well under the 15 percent limit set by the City's Debt Policy.

General Fund Cash Flow

Annually, the Controller estimates an amount of borrowing needed to meet City short-term cash flow requirements in the first half of the next fiscal year. Based on revenue and expenditure patterns, the likely cash flow borrowing requirement in 2019-20 is between \$450 million and \$500 million.

In addition to the TRAN, the Controller is authorized to enter into short-term borrowing from the Reserve Fund when cash flow is needed. However, this can cause concern when the Reserve Fund balance is close to the five percent target set by the City's financial policies. In order to balance this concern against cash flow needs and legal caps on the TRAN, the Controller will work closely with the City Administrative Officer to determine the most appropriate amount to borrow, and to explore alternatives to the TRAN, including internal sources of funds.

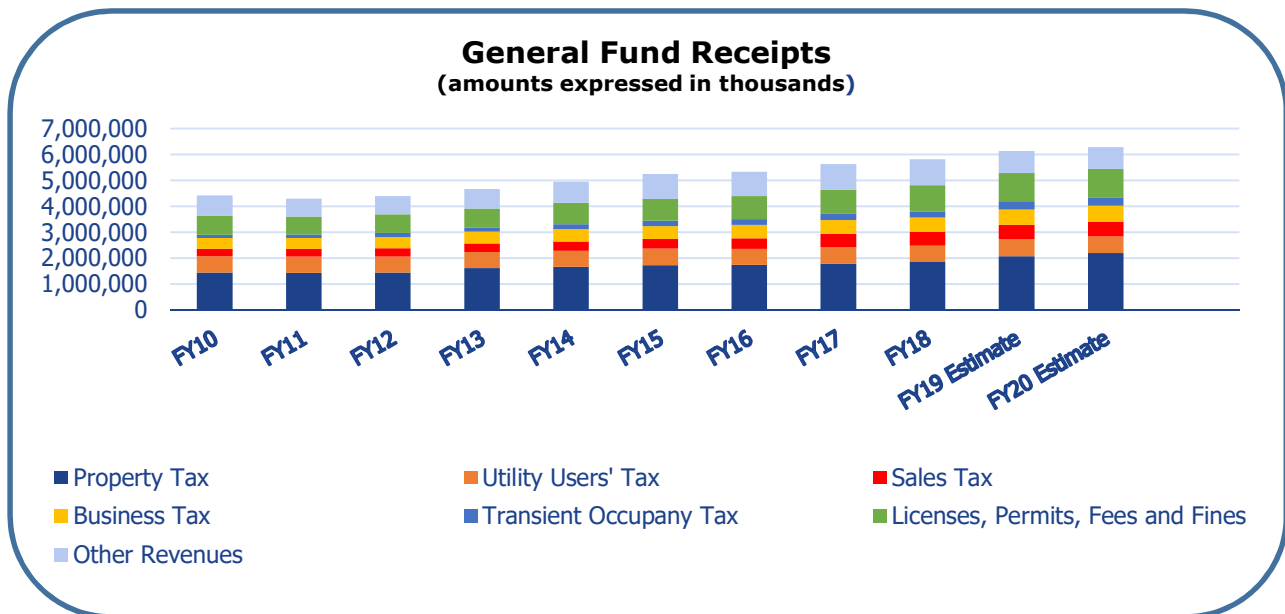
DISCUSSION

Revenue Projections for 2018-19 and 2019-20

EXHIBIT 1
TOTAL GENERAL FUND REVENUE
 (dollar amounts expressed in thousands)

Controller's March 1, 2019					% Change	
Estimated Receipts						
Adopted Budget 2018-19	2018-19 Low Estimate	2018-19 High Estimate	2019-20 Low Estimate	2019-20 High Estimate	2018-19 Low Estimate / 2018-19 Budget	2019-20 High Projected / 2018-19 High Estimate
(a)	(b)	(c)	(d)	(e)	(b) / (a)	(e) / (c)
\$ 6,190,596	\$ 6,141,828	\$ 6,211,944	\$ 6,288,134	\$ 6,387,285	-0.79%	2.82%

The City's General Fund revenue comes from a wide variety of sources, the largest of which is property tax, which represents just under one third of all General Fund revenue. Other major revenue sources include utility users' tax, sales tax, business tax, transient occupancy tax, the power revenue transfer, documentary transfer tax, and licenses, permits, fees and fines. The chart below illustrates this diversity.



The City is estimated to realize General Fund revenues in the current fiscal year of approximately \$6.142 billion to \$6.212 billion. This represents a range of \$48 million (0.8 percent) below to \$21 million (0.3 percent) above the \$6.191 billion 2018-19 Adopted Budget.

Total 2019-20 General Fund revenues are projected to be between \$6.288 billion and \$6.387 billion, an increase of \$146 million (2.4 percent) to \$175 million (2.9 percent) over the 2018-19 estimates. It should be noted that the estimate does not include discretionary one-time transfers from the Reserve Fund or other funds identified during the budget process.

This Office based both of these estimates on information received from departments, consultation with local economic experts and academics, and historical as well as recent trends.

The complete list of estimated City receipts for 2018-19 and 2019-20 is presented in Schedule 1.

Economy-Sensitive General Fund Revenues

The seven major revenue sources considered "Economy-Sensitive" include property tax, utility users' tax, business tax, sales tax, transient occupancy tax, documentary transfer tax, and parking users' tax. Together, they represent more than 70 percent of General Fund revenues.

Exhibit 2 presents the City's economy-sensitive General Fund receipts in the 2018-19 Adopted Budget, and the Controller's low and high estimates for 2018-19 and 2019-20.

EXHIBIT 2

GENERAL FUND ECONOMY-SENSITIVE REVENUES

(dollar amounts expressed in thousands)

Tax Receipts	Adopted Budget 2018-19 (a)	Controller's March 1, 2019 Estimated Receipts				% Change over 2018-19 Adopted Budget	
		2018-19		2019-20		2018-19	2019-20
		Low	High	Low	High	Low	High
		(b)	(c)	(d)	(e)	(b) / (a)	(e) / (a)
Property	\$ 1,968,809	\$ 1,988,325	\$ 2,003,875	\$ 2,098,534	\$ 2,115,750	0.99%	7.46%
Utility Users'	641,570	653,000	660,000	649,000	660,000	1.78%	2.87%
Business	590,000	594,000	607,000	617,000	630,000	0.68%	6.78%
Sales	557,990	554,000	558,000	565,000	577,000	-0.72%	3.41%
Transient Occupancy	322,160	315,000	327,000	325,000	343,000	-2.22%	6.47%
Documentary Transfer	214,548	207,000	211,000	207,000	211,000	-3.52%	-1.65%
Parking Users'	118,400	115,000	120,000	122,000	128,000	-2.87%	8.11%
Total Economy-Sensitive Revenues	\$4,413,477	\$4,426,325	\$4,486,875	\$4,583,534	\$4,664,750	0.29%	5.69%

Note: Property Tax revenue include Miscellaneous Other Property Tax receipts previously included in License, Permits, Fees and Fines and excludes the ex-CRA Property Tax Increment.

General Fund economy-sensitive revenues are estimated to increase in 2019-20 by as much as 5.69 percent above the 2018-19 Adopted Budget. Exhibit 3 presents explanations of the low and high estimates of General Fund economy-sensitive revenues for 2018-19 and 2019-20.

EXHIBIT 3

GENERAL FUND ECONOMY-SENSITIVE REVENUES
YEAR-TO-YEAR CHANGES

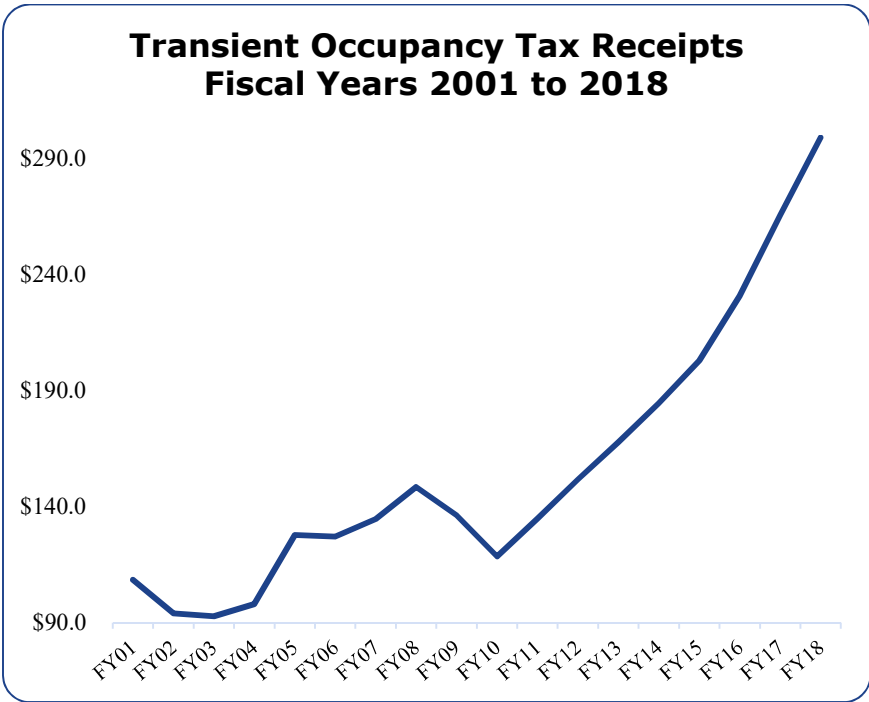
	Fiscal Year 2018-19	Fiscal Year 2019-20
Property Tax	<p>\$1.988 - \$2.004 billion</p> <ul style="list-style-type: none"> Total property tax receipts will be \$20 (1.0 percent) to \$35 million (1.8%) above the budgeted amount, mainly due to higher than anticipated prior year secured property tax revenue. Uncertainty due to supplemental property taxes and delinquency rates contribute to the size of the range. The estimates reflect growth in total property tax receipts of between 6.9% to 7.8% over 2017-18. 	<p>\$2.099 - \$2.116 billion</p> <ul style="list-style-type: none"> Total property tax receipts are projected to increase by \$110 (5.8%) to \$112 million (5.9%) over the 2018-19 estimates. Uncertainty due to supplemental property taxes and delinquency rates contribute to the size of the range.
Utility Users' Tax (Electrical, Telephone, and Gas)	<p>\$653 - \$660 million</p> <ul style="list-style-type: none"> Electric users' tax receipts are estimated to be \$423 to \$427 million and reflect the approved rate increase. The lower estimate is based on DWP's projections, and would be 9.4% above 2017-18 (2.9% over budget). The upper estimate is based on current collection trends, and would be 10.5% over 2017-18 (4% over budget). Telephone users' tax receipts are estimated to be \$156 to \$157 million, \$9.6 to \$10.6 million below budget based on actual collection trend through the first six months of the year. The estimate is 8.3% to 8.9% less than 2017-18. Gas users' tax receipts are estimated to be \$74 to \$76 million, \$11 to \$13 million above budget based on collection to date. The estimate is 8.8% to 11.8% more than 2017-18. 	<p>\$649 - \$660 million</p> <ul style="list-style-type: none"> Electric users' tax receipts are estimated to be \$432 to \$437 million and reflect the approved rate increase. This represents 2.1% to 2.3% growth over the current year. Telephone users' tax receipts are estimated to be \$143 to \$147 million, representing a reduction of 6.4% to 8.3% based on long term trends. Gas users' tax receipts are estimated to be \$74 to \$76 million, roughly equal to the current year. Restricted supply and severe weather contribute to this level of receipts.
Business Tax	<p>\$594 - \$607 million</p> <ul style="list-style-type: none"> Business tax receipts are estimated to grow 7.1% to 9.5% over 2017-18. The estimates include approximately \$40 million in cannabis-related revenues. 	<p>\$617 - \$630 million</p> <ul style="list-style-type: none"> The forecast reflects 3.8% historical economic growth and \$41 million in cannabis-related revenues. No assumption is made regarding additional cannabis businesses which

	<ul style="list-style-type: none"> • The lower estimate is based on 3.8% historical growth trends in base business tax. • The upper estimate is based on year-to-date collection trends. 	<p>may be permitted by the City and begin business during the fiscal year.</p>
Sales Tax	<p>\$554 - \$558 million</p> <ul style="list-style-type: none"> • Sales and use taxes are estimated to be at or just below budget. The estimate assumes 4.6% to 5.3% growth, or \$24 to \$28 million over 2017-18. • Estimates are based on trend analysis, which is complicated due to changing allocation methodology and schedule at the State level. 	<p>\$565 - \$577 million</p> <ul style="list-style-type: none"> • Sales and use tax receipts are estimated to grow by \$11 million to \$19 million. • The lower estimate assumes 2.0% growth based on consultation with local economists. • The higher estimate assumes 3.4% growth based on historical trend.
Transient Occupancy Tax (TOT)	<p>\$256 - \$261 million</p> <ul style="list-style-type: none"> • Current fiscal year receipts are estimated to be \$9 to \$14 million below budget, though still 2.5% to 4.5% greater than 2017-18. 	<p>\$266 - \$277 million</p> <ul style="list-style-type: none"> • TOT – Hotels is estimated to grow between 4.0% and 6.1% over the 2018-19 estimated receipts. • The lower estimate is based on historical trends. • The upper estimate is based on consultation with local hospitality industry experts.
TOT – Short-term Rental	<p>\$59 - \$66 million</p> <ul style="list-style-type: none"> • Receipts from tax collection agreements are estimated to be \$7 to \$14 million above budget, 19.4% to 33.6% greater than 2017-18. • The large range in estimates is due to lack of historical data, as these agreements have been in place for less than two years. 	<p>\$59 - \$66 million</p> <ul style="list-style-type: none"> • No growth is projected for TOT – short-term rental receipts in 2019-20 due to uncertainty regarding the impact of the home-sharing ordinance recently adopted by the City Council.
Documentary Transfer Tax	<p>\$207 - \$211 million</p> <ul style="list-style-type: none"> • Current fiscal year receipts are estimated to be \$3.5 to \$7 million (1.6% to 3.3%) below budget. • The estimates is based on historical trends of the average number of deeds and average price per deed. 	<p>\$207 - \$211 million</p> <ul style="list-style-type: none"> • No growth is projected in 2019-20. • Documentary Transfer Tax is a volatile revenue source, and can drop significantly before other signs of economic stress appear, making projections in an uncertain economy difficult.
Parking Users’ Tax	<p>\$115 - \$120 million</p> <ul style="list-style-type: none"> • Current year receipts are estimated to be \$3.4 million below- to \$1.6 million above budget based on collections to date. • This represents \$1 million below to \$4 million above 2017-18. 	<p>\$122 - \$128 million</p> <ul style="list-style-type: none"> • 2019-20 parking users’ tax receipts are estimated to grow by 5.0% to 6.7% over the 2018-19 estimates. • The lower estimate is based on historical trends, while the upper estimate includes additional receipts from new large hotels.

Spotlight On: Transient Occupancy Tax

Transient Occupancy Tax (TOT) revenue is levied on rooms rented for 30 days or less, and is paid by guests. TOT revenue is correlated with room rates, occupancy and hotel room supply, though in recent years it has been impacted by the rapid growth of online home-sharing platforms.

As shown in the chart below, TOT revenue dipped in the aftermath of the September 11 terrorist attacks, then rebounded by more than 30 percent by 2004-05, only to decline again during the Great Recession in 2008-09 and 2009-10. During the subsequent economic recovery, we have experienced an average year-over-year growth of 12.3 percent. Actual receipts in 2017-18 were \$299.1 million.



The 2016-17 fiscal year was the first time the City collected short-term rental TOT revenue based on the collection agreement with Airbnb. Traditional hotel tax receipts represented \$231.5 million (88 percent) of total TOT revenue, while \$31.8 million was collected from Airbnb. Regular hotel tax receipts increased by less than million over the prior fiscal year.

A collection agreement with another short-term rental site was subsequently adopted.

In 2017-18, regular hotel tax receipts grew by \$18 million but their share of overall revenue declined to 83.5 percent. Meanwhile, short-term rental TOT receipts grew by \$17.6 million (55 percent) to \$49.4 million. The latter represented 16.5 percent of total revenue, the first full year of its collection.

In the first seven months of the current year, short-term rental receipts were up 39.6 percent while regular hotel tax revenue was flat.

Based on recent trends, current year regular TOT revenue is estimated to be \$256 million to \$261 million, which would be \$9 million to \$14 million below the Adopted Budget. Current year short-term rental TOT revenue is estimated to be \$59 million to \$66 million, which would be \$7 million to \$14 million above the Adopted Budget.

In 2019-20, regular TOT revenue is projected to be \$266 million to \$277 million based on historical trends and consultation with local economists. As the impact of the recently adopted Home Sharing Ordinance (effective July 1, 2019) is unknown at this time, 2019-20 short-term rental receipts are projected to remain flat.

Licenses, Permits, Fees and Fines

For purposes of analysis, Licenses, Permits, Fees and Fines (LPFF) revenues, which represents 18 percent of the Adopted Budget General Fund receipts, are broken into four sub-categories: LPFF, Services to Proprietary Departments, Ambulance Billing, and Reimbursements from Other Funds.

City department services to proprietary departments, such as fire protection, construction inspection, and City Attorney legal services for Airports, Water and Power, and Harbor make up the "Services to Proprietary Departments" category. The "Reimbursement from Other Funds" category consists of special fund reimbursements for costs that are paid for by the General Fund for central services such as payroll, leasing and fleet, and fringe benefits such as health insurance and retirement, as well as reimbursements to the City from other governmental agencies such as Metro and LAUSD, for services like policing and election administration. Ambulance Billing represents cost recovery for emergency transport provided by the Fire Department. The remaining revenues consist of fees for special services such as animal licenses, engineering permits, fire brush clearance fees, as well as numerous other smaller revenues.

Exhibit 4 presents the budgeted and estimated 2018-19 and projected 2019-20 LPFF revenues by category.

EXHIBIT 4

LICENSES, PERMITS, FEES AND FINES
(amounts expressed in thousands)

	Adopted Budget	Controller March 1, 2019 Estimated Receipts	
		FY 2018-19	FY 2019-20
Licenses, Permits, Fees and Fines*	\$ 220,357	\$ 215,718	\$ 190,923
Emergency Ambulance	73,475	76,475	76,475
Services to Proprietary Departments	177,267	172,759	175,655
Reimbursement from Other Funds	649,646	626,894	656,837
Total Licenses, Permits, Fees and Fines	\$ 1,120,745	\$ 1,091,846	\$ 1,099,890

*LPFF Adopted Budget excludes Miscellaneous Other Property Tax

In 2018-19, total LPFF is estimated to \$1,091.8 million or \$28.9 million below budget. The shortfall is largely due to unrealized billboard lease revenue and reduced related costs reimbursements for various departments such as Housing and Community Investment and Building and Safety, attributable to staff vacancies. The 2019-20 LPFF, projected to \$1,099.9 million, is relatively flat.

Other Significant Revenues

Exhibit 5 depicts other revenues such as Franchise Income, Parking Fines, Power Revenue Transfer, and Ex-CRA Tax Increment. The revenue estimates are provided by various departments responsible for administration of the program(s) and/or collection and transmittal of the receipts to the General Fund.

EXHIBIT 5

OTHER SIGNIFICANT REVENUES
(amounts expressed in thousands)

	Adopted Budget FY 2019 (a)	2018-19		2019-20		% Change over 2018-19 Adopted Budget	
		Low	High	Low	High	2018-19	2019-20
		(b)	(c)	(d)	(e)	Low	High
						(b) / (a)	(e) / (a)
Franchise Income	\$ 78,816	\$ 77,000	\$ 78,000	\$ 77,000	\$ 78,000	-2.30%	-1.04%
Parking Fines	141,900	129,000	130,000	122,000	126,000	-9.09%	-11.21%
Power Revenue Transfer	238,000	232,557	232,557	227,000	232,000	-2.29%	-2.52%
Ex-CRA Tax Increment	97,252	87,193	90,759	96,210	100,144	-10.34%	2.97%

Franchise income is collected from City franchisees, including distributors of natural gas, cable TV operators, and others such as official police garages and taxicabs. RecycLA, the solid waste collection franchise system for commercial, industrial and large multi-family buildings, was partially implemented during the prior fiscal year and is now the largest element of Franchise Income. Current year Franchise income revenue is estimated to be \$77 million to \$78 million, while 2018-19 is projected to remain flat.

The low end of Parking Fines estimates are based on Department of Transportation (DOT) estimates while the higher estimates are based on historical trends.

The Department of Water and Power (DWP) provides a portion of certain revenue from the prior year to the City as Power Revenue Transfer. DWP has approved a transfer of \$232.6 million this fiscal year. The 2019-20 forecast of \$227 million to \$232 million was provided by DWP.

Ex-CRA Tax Increment current year and 2019-20 revenue are projected based on trend analysis.

Special Purpose Fund Revenues

Special Purpose Fund revenues represent approximately 30 percent of total 2018-19 Adopted Budget receipts, while Available Balances, which are projected cash balances at the beginning of the fiscal year, represent 7.5 percent of the Adopted Budget revenues. Schedule I presents a breakdown of 2017-18 actual, 2018-19 estimated and 2019-20 projected revenues by budgeted Special Fund. Available Balances are excluded from this report.

Based on departmental estimates, 2018-19 total Special Fund revenues are estimated to be \$2.993.4 billion, \$25.1 million above budget. 2019-20 Special Fund revenues are projected to be \$3.178 billion, an increase of \$184.9 million or 6.2 percent over current year estimated revenues.

General Fund Cash Flow Borrowing

Current and Prior Year Experience

Due to the timing difference between receipts and expenditures, the Controller annually requests issuance of Tax and Revenue Anticipation Notes (TRAN) to ensure that the General Fund has sufficient cash to cover expenditures during the first half of the fiscal year. The Controller also has the ability to initiate Reserve Fund and interfund borrowing during the year for cash flow purposes. Exhibit 6 illustrates cash flow borrowings for 2009-10 through 2018-19.

EXHIBIT 6

GENERAL FUND CASH FLOW BORROWINGS FOR FISCAL YEARS 2009-10 THROUGH 2018-19 (amounts expressed in thousands)

Fiscal Year	Total Annual Cash Flow Borrowings			
	Reserve Fund	Other Funds	TRAN	Total
2009-10	\$ 100,000	⁽¹⁾ \$ 150,000	\$ 400,000	\$ 650,000
2010-11	--	-	450,000	450,000
2011-12	--	--	400,000	400,000
2012-13	--	--	425,000	425,000
2013-14	--	--	400,000	400,000
2014-15	--	--	350,000	350,000
2015-16	50,000	--	350,000	400,000
2016-17	--	⁽²⁾	400,000	400,000
2017-18	50,000	--	400,000	450,000
2018-19	35,000	⁽²⁾	400,000	435,000

Notes:

(1) This amount served as gap funding until Council authorized other fund borrowing.

(2) Short term borrowing until Property Tax receipts were received.

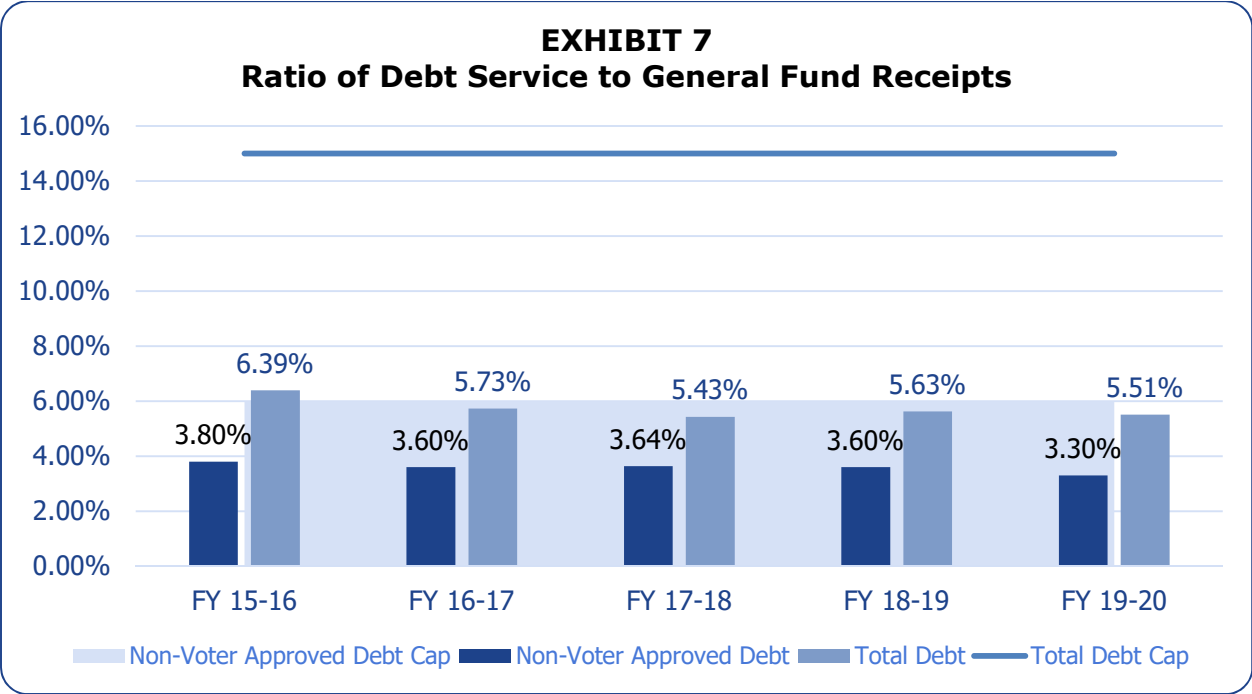
Annually, the Controller estimates an amount of borrowing needed to meet City short-term cash flow requirements in the first half of the next fiscal year. The Controller's Office will work with the Mayor and City Administrative Officer (CAO), as in prior years, to determine the amount of borrowing required as better information becomes available. The cash flow borrowing requirement in 2018-19 will likely be between \$400 million to \$450 million.

As the amount borrowed for cash flow needs is sometimes insufficient to meet General Fund cash flow needs, the Controller is authorized to enter into short-term borrowing from the Reserve Fund. However, this can cause concern when the Reserve Fund balance is close to the five percent target set by the City's financial policies. In order to balance this concern against cash flow needs and legal caps on the TRAN, the Controller's Office will work closely with the City Administrative Officer to determine the most appropriate amount to borrow and to explore options other than the TRAN, including internal sources of funds.

Debt and Debt Service Requirements

City Debt Policy

Exhibit 7 below illustrates the City’s debt service in relation to General Fund receipts and demonstrates compliance with the City’s debt management policies.



Note: FY 2015-16 to FY 2016-17 ratios are based on actual General Fund receipts. FY 2018-19 and FY 2019-20 ratios are based on estimated and projected receipts.

The City’s debt policy established maximum levels for voter and non-voter approved debt. The maximum debt service level for non-voter approved debt is not to exceed six percent of General Fund revenues (with certain exceptions). As you can see, the City has managed its debt issuance very conservatively, with debt service well below the policy limits. Based on the current ratio of debt service to total projected receipts in 2019-20, the City has the capacity to issue additional non-voter approved debt with an annual debt service requirement of up to \$169.8 million or 2.70 percent of General Fund receipts. Assuming long term debt at five percent interest, this would equate to more than \$30 billion in additional debt capacity.

The City's total debt service level for voter and non-voter approved debt shall not be greater than 15 percent of General Fund revenues. After the \$169.8 million, the City has the capacity to issue voter approved debt with an annual debt service requirement of no more than \$427 million. Again assuming long term debt at five percent interest, this would equate to almost \$80 billion in additional voter-approved debt capacity.

EXHIBIT 8

CITY DEBT POLICY

Shall not exceed 6% of General Fund revenue for non-voter approved debt and 15% for voter approved and non-voter approved combined (dollar amounts expressed in thousands)

Fiscal Year	Debt Service Requirement			General Fund Receipts ⁽¹⁾	Ratio of Debt Service to Total Receipts		
	Non-Voter Approved	Voter Approved	Total		Non-Voter Approved	Voter Approved	Total
2009-10	\$ 210,288	\$ 191,756	\$ 402,044	\$ 4,435,433	4.74%	4.32%	9.06%
2010-11	206,825	198,867	405,692	4,304,950	4.80%	4.62%	9.42%
2011-12	207,383	188,246	395,629	4,396,040	4.72%	4.28%	9.00%
2012-13	210,809	188,707	399,516	4,676,009	4.51%	4.04%	8.55%
2013-14	218,868	184,844	403,712	4,960,718	4.41%	3.73%	8.14%
2014-15	221,428	152,477	373,905	5,247,997	4.22%	2.91%	7.13%
2015-16	202,603	138,054	340,657	5,338,014	3.80%	2.59%	6.39%
2016-17	202,444	120,166	322,610	5,628,790	3.60%	2.13%	5.73%
2017-18	211,576	104,429	316,005	5,819,502	3.64%	1.79%	5.43%
2018-19	220,999	124,563	345,562	6,141,828	3.60%	2.03%	5.63%
2019-20	207,208	138,867	346,075	6,288,134	3.30%	2.21%	5.51%

(1) All years with capitalized interest have been adjusted upwards to reflect bond proceeds to pay for capitalized interest. For 2009-10; 2010-11; 2011-12; 2012-13; and 2013-14, the adjustments are \$16,082,240; \$4,060,169; \$2,942,063; \$4,928,625; \$3,308,633; respectively. In addition, receipts for all fiscal years include revenues from the Staples Center.

City Indebtedness

Exhibit 9 provides the outstanding balances of City debts along with 2018-19 and 2019-20 estimated debt service requirements based on the amount of current outstanding debt.

EXHIBIT 9

OUTSTANDING DEBT AND DEBT SERVICE REQUIREMENTS ⁽¹⁾ (amounts expressed in thousands)

Bonds	Outstanding Balance, 6/30/2019			Debt Service Requirement	
	Principal	Interest	Total	2018-19	2019-20
MICLA ⁽²⁾	\$ 1,333,411	\$ 468,585	\$ 1,801,996	\$ 211,772	\$ 200,441
General Obligation	930,210	212,478	1,142,688	124,036	138,339
Judgment Obligation	6,190	305	6,495	9,027	6,495
Site-Specific Tax Revenue	5,306	1,217	6,523	726	800
Solid Waste Resources Revenue	223,635	53,629	277,264	42,906	47,503
Wastewater System	2,718,855	1,745,372	4,464,227	214,147	224,525
<i>Subtotal</i>	<i>5,217,607</i>	<i>2,481,586</i>	<i>7,699,193</i>	<i>602,614</i>	<i>618,103</i>
Tax and Revenue Anticipation Notes ⁽³⁾	--	--	--	59,412	--
Total	\$ 5,217,607	\$ 2,481,586	\$ 7,699,193	\$ 662,026	\$ 618,103

Notes:

(1) Long-term debt does not include short-term commercial paper notes. However, the goal is to replace commercial paper with long term debt. As of January 2019, the balance of the MICLA and Wastewater System commercial paper notes was \$363 million and \$0, respectively.

(2) Includes debt service requirement supported by assessment on real property approved by the electorate of \$528,000 in 2019-20.

(3) A total of \$1,540,950,000 in TRAN were issued on July 10, 2018, with final maturity of June 27, 2019. The amount of interest to be paid in 2019-20 will depend upon the size of the TRAN and interest rates at the time of sale. The size of the TRAN will depend upon the amount of cash needed for cash flow and budgetary decisions on advance funding of City pensions and retirement contributions.

Source: Official Statements

The City strategically structures its various debt service schedules with the goal of stability. This means that, when one issuance is paid off and retired, payments are accelerated for other issuances. By scheduling the payments this way the City avoids large swings in debt service which can have negative budgetary impacts.

General Obligation Bond Payments

Exhibit 10 lists the City's General Obligation Bonds (GOB) debt service requirements for principal and interest for 2019-20, which are estimated at \$138.3 million. GOBs are general obligations of the City payable from ad valorem taxes levied upon all of the taxable property in the City. Taxes levied for the GOB debt service requirement are separate from the General Fund property tax revenue. The City issues GOB debt for capital improvement projects, including the acquisition of property and the construction of new facilities and improvements to existing facilities.

EXHIBIT 10

GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS FOR FISCAL YEAR 2019-20

	Principal	Interest	Total Requirement
GOB - Series 2011-A	\$ 5,850,000	\$ 117,000	\$ 5,967,000
GOB - Series 2011-B	32,705,000	5,522,375	38,227,375
GOB - Series 2012-A	22,885,000	6,365,525	29,250,525
GOB - Series 2016-A	11,385,000	3,450,780	14,835,780
GOB - Series 2017-A	4,320,000	2,376,500	6,696,500
GOB - Series 2017-B	14,495,000	3,033,375	17,528,375
GOB - Series 2018-A	13,815,000	9,907,227	23,722,227
GOB - Series 2018-B	-	1,733,250	1,733,250
GOB - Series 2018-C	-	378,015	378,015
Total	\$105,455,000	\$ 32,884,047	\$138,339,047

SCHEDULE I

	Actual 2017-18	2018-19 Estimated		2019-20 Projected	
		Low	High	Low	High
Property Tax:					
Property Tax 1%	\$ 1,411,983,560	\$ 1,506,589,000	\$ 1,522,139,000	\$ 1,594,873,000	\$ 1,608,234,000
Property Tax - Miscellaneous	7,300,000	8,296,000	8,296,000	8,296,000	8,296,000
Property Tax - VLF Replacement	439,849,209	473,440,000	473,440,000	495,365,000	499,221,000
Total Property Tax	1,859,132,769	1,988,325,000	2,003,875,000	2,098,534,000	2,115,751,000
Property Tax - Ex-CRA Tax Increment	88,507,320	87,193,000	90,759,000	96,210,000	100,144,000
Utility Users' Tax:					
Electric Users' Tax	386,524,833	423,000,000	427,000,000	432,000,000	437,000,000
Telephone Users' Tax	171,300,445	156,000,000	157,000,000	143,000,000	147,000,000
Gas Users' Tax	68,028,046	74,000,000	76,000,000	74,000,000	76,000,000
Total Utility Users' Tax	625,853,324	653,000,000	660,000,000	649,000,000	660,000,000
Licenses, Permits, Fees and Fines:					
Licenses, Permits, Fees, and Fines	213,426,168	215,718,000	215,718,000	190,923,000	190,923,000
Emergency Ambulance	84,670,636	76,475,000	76,475,000	76,475,000	76,475,000
Services to Proprietary Departments	162,643,819	172,759,000	172,759,000	175,655,000	175,655,000
Reimbursements from Other Funds	547,449,385	626,894,000	626,894,000	656,837,000	656,837,000
Total Licenses, Permits, Fees and Fines	1,008,190,009	1,091,846,000	1,091,846,000	1,099,890,000	1,099,890,000
Business Tax	554,521,397	594,000,000	607,000,000	617,000,000	630,000,000
Sales Tax	529,756,845	554,000,000	558,000,000	565,000,000	577,000,000
Documentary Transfer Tax	207,814,930	207,000,000	211,000,000	207,000,000	211,000,000
Power Revenue Transfer	241,848,000	232,557,000	232,557,000	227,000,000	232,000,000
Transient Occupancy Tax	299,107,810	315,000,000	327,000,000	325,000,000	343,000,000
Parking Fines	138,766,393	129,000,000	130,000,000	122,000,000	126,000,000

SCHEDULE I

Office of the Controller Actual and Estimated Receipts for Fiscal Years 2018-19 and 2019-20

	Actual 2017-18	2018-19 Estimated		2019-20 Projected	
		Low	High	Low	High
Parking Users' Tax	115,937,182	115,000,000	120,000,000	122,000,000	128,000,000
Franchise Income	56,869,182	77,000,000	78,000,000	77,000,000	78,000,000
Grant Receipts	8,547,824	7,000,000	9,000,000	7,000,000	9,000,000
Interest	24,916,474	36,000,000	36,000,000	35,000,000	35,000,000
State Motor Vehicle License Fees	2,127,491	2,000,000	2,000,000	2,000,000	2,000,000
Tobacco Settlement	10,952,059	10,000,000	10,000,000	10,000,000	10,000,000
Residential Development Tax	6,545,400	5,000,000	7,000,000	5,000,000	7,000,000
Special Parking Revenue Transfer	30,999,909	32,116,000	32,116,000	23,500,000	23,500,000
Transfer from Reserve Fund	9,107,662	5,791,000	5,791,000	--	--
Total General Fund Receipts	\$ 5,819,501,980	\$ 6,141,828,000	\$ 6,211,944,000	\$ 6,288,134,000	\$ 6,387,285,000

SCHEDULE II

Special Fund Receipts:	Actual 2017-18	Estimated 2018-19	Projected 2019-20
Affordable Housing Trust Fund	\$ 7,071,133	\$ 2,769,000	\$ 1,740,000
Arts and Cultural Facilities and Services Fund	22,220,468	25,967,000	28,395,000
Arts Development Fee Trust Fund	5,107,657	3,400,000	3,150,000
Building and Safety Permit Enterprise Fund	210,979,349	200,473,000	199,657,000
Central Recycling and Transfer Fund	9,840,932	11,619,000	12,159,000
City Employees' Retirement Fund	102,886,161	111,550,000	121,485,000
City Employees Ridesharing Fund	3,156,742	3,093,000	3,141,000
City Ethics Commission Fund	3,053,968	3,409,000	3,618,000
City Tax Levy (Debt Service)	127,048,173	126,988,000	138,339,000
Citywide Recycling Trust Fund	31,087,141	29,178,000	33,117,000
Code Enforcement Trust Fund	41,555,877	41,701,000	41,820,000
Community Development Trust Fund	18,651,506	24,533,000	16,350,000
Community Services Administration Grant Fund	1,654,305	1,791,000	1,591,000
Convention Center Revenue Fund	39,447,610	29,184,000	29,183,000
Disaster Assistance Trust Fund	4,239,472	887,000	13,032,000
El Pueblo de Los Angeles Historical Monument Re	5,114,577	5,060,000	4,994,000
Forfeited Assets	1,695,768	4,125,000	--
Greater Los Angeles Convention & Visitors Burea	23,011,424	25,000,000	26,000,000
HOME Investment Partnerships Program Fund	1,738,410	5,494,000	7,475,000
Household Hazardous Waste Special Fund	5,395,020	3,797,000	3,783,000
Housing Opportunities for Persons with AIDS Fur	336,862	618,000	445,000
Landfill Maintenance Special Fund	10,542	3,000	--
Local Public Safety Fund	43,819,134	46,006,000	47,570,000
Local Transportation Fund	8,529,793	6,133,000	4,142,000
Measure M Local Return Fund	42,398,849	49,558,000	50,563,000
Measure R Traffic Relief and Rail Expansion Func	47,813,591	48,310,000	49,270,000
Mobile Source Air Pollution Reduction Trust Fund	5,750,136	5,250,000	5,250,000
Multi-Family Bulky Item Fund	7,162,527	11,038,000	8,045,000
Municipal Housing Finance Fund	6,172,879	5,709,000	6,861,000
Neighborhood Empowerment Fund	2,665,713	2,427,000	2,427,000
Older Americans Act Fund	1,908,008	1,940,000	1,940,000
Park and Recreational Sites and Facilities Fund	3,977,800	3,500,000	3,500,000
Planning Case Processing Revenue Fund	25,813,620	30,001,000	32,695,000
Proposition A Local Transit Assistance Fund	149,173,971	168,900,000	244,620,000
Proposition C Anti-Gridlock Transit Improvement	82,777,740	78,748,000	79,287,000
Rent Stabilization Trust Fund	15,231,547	15,328,000	14,786,000
Sewer Construction and Maintenance Fund	709,398,634	952,622,000	1,034,931,000
Sidewalk Repair Fund	13,896,866	18,899,000	18,617,000
Solid Waste Resources Revenue Fund	318,575,318	377,181,000	327,373,000
Special Gas Tax Street Improvement Fund	97,008,138	105,058,000	114,832,000
Special Gas Tax Road Maintenance and Rehabilit	15,116,259	68,863,000	71,679,000
Special Parking Revenue Fund	44,263,808	51,388,000	48,152,000
Staples Arena Special Fund	1,860,008	4,368,000	4,300,000
Stormwater Pollution Abatement Fund	33,257,096	33,465,000	32,256,000

Continued.....

SCHEDULE II

	Actual 2017-18	Estimated 2018-19	Projected 2019-20
Special Receipts: (Continued)			
Street Damage Restoration Fee Fund	\$ 7,403,253	\$ 40,251,000	\$ 70,478,000
Street Lighting Maintenance Assessment	54,940,841	67,663,000	74,902,000
Supplemental Law Enforcement Services	9,496,138	7,833,000	7,833,000
Telecommunications Development Account	18,237,118	17,251,000	17,812,000
Traffic Safety Fund	3,298,298	3,308,000	3,733,000
Workforce Innovation Opportunity Act	13,074,626	11,903,000	18,209,000
Zoo Enterprise Trust	24,324,054	23,207,000	25,248,000
Allocations fr. Other Gov'tal Agencies	83,811,054	76,633,000	67,469,000
Total Special Receipts	2,556,459,914	2,993,380,000	3,178,254,000

SCHEDULE III

**Office of the Controller
General Fund Receipts
Last 20 Fiscal Years and Estimates for Fiscal Years 2018-19 and 2019-20
(amounts expressed in thousands)**

Fiscal Year	Property Tax ^(a)	Utility Users' Tax	Sales Tax	Business Tax	Transient Occupancy Tax	Licenses, Permits, Fees and Fines	Other Revenues ^(b)	Total General Fund Receipts
1998-99	\$ 501,292	\$493,531	\$306,360	\$ 308,013	\$ 92,149	\$ 394,323	\$ 648,578	\$ 2,744,246
1999-00	527,810	487,439	331,710	317,340	98,306	420,475	667,521	2,850,601
2000-01	588,307	557,401	357,222	344,605	108,538	431,628	753,640	3,141,341
2001-02	622,393	488,778	351,062	360,336	93,901	473,162	831,956	3,221,588
2002-03	663,440	510,339	363,787	356,041	92,652	467,577	878,182	3,332,018
2003-04	717,801	576,251	377,890	373,248	97,989	462,600	970,296	3,576,075
2004-05	1,029,161	589,858	316,561	396,794	127,751	496,598	948,582	3,905,305
2005-06	1,121,848	604,947	323,555	434,529	126,989	477,231	1,043,559	4,132,658
2006-07	1,334,172	605,270	333,885	464,330	134,557	545,931	964,734	4,382,879
2007-08	1,389,255	628,319	335,562	466,997	148,523	614,891	779,314	4,362,861
2008-09	1,509,073	647,823	311,938	451,495	136,323	689,633	668,912	4,415,197
2009-10	1,442,270	631,048	280,096	424,830	118,500	735,306	783,441	4,415,491
2010-11	1,434,152	628,069	296,608	418,374	134,796	691,280	693,753	4,297,032
2011-12	1,438,840	615,034	323,247	439,802	151,722	727,538	693,061	4,389,244
2012-13	1,609,228	620,448	338,970	448,832	167,824	724,702	757,229	4,667,233
2013-14	1,660,180	627,437	356,503	475,397	184,382	831,974	817,691	4,953,564
2014-15	1,726,824	639,391	371,031	497,329	202,897	851,507	955,180	5,244,159
2015-16	1,737,472	614,702	417,541	509,765	230,818	887,442	937,337	5,335,077
2016-17	1,791,249	624,831	520,404	528,076	265,653	913,233	985,344	5,628,790
2017-18	1,933,300	633,000	536,000	544,000	293,000	998,753	853,389	5,791,442
2018-19	2,075,518	653,000	554,000	594,000	315,000	1,091,846	858,464	6,141,828
(Estimated*)								
2019-20	2,194,744	649,000	565,000	617,000	325,000	1,099,890	837,500	6,288,134
(Projected*)								

(a) Includes Ex-CRA Property Tax Increment receipts of \$22,666 in 2011-12; \$58,839 in 2012-13; \$70,197 in 2013-14; \$52,363 in 2014-15; \$55,696 in 2015-16; \$103,262 in 2016-17; \$88,507 in 2017-18; \$87,193 in 2018-19; and \$96,210 in 2019-20.

(b) Other Revenues include transfers from the Reserve Fund except for 1999-00, 2008-09 and 2012-13 through 2013-14.

*2018-19 and 2019-20 Low Estimated and Projected