



Preliminary Financial Report

October 17, 2018

**A review of the Fiscal year ended June 30, 2018,
including revenues, expenditures, reserves
and bonded indebtedness**



RON GALPERIN

LA CONTROLLER





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CONTROLLER

October 17, 2018

Honorable Eric Garcetti, Mayor
Honorable Members of the Los Angeles City Council

**SUBJECT: PRELIMINARY FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

I am submitting my Preliminary Financial Report (Report) on financial operations for the City of Los Angeles for the fiscal year that ended June 30, 2018. This Report is the first year-end review of the City's finances providing information and analysis of revenues and expenditures, reserves and bonded indebtedness. Later this fiscal year, my office will issue the City's Comprehensive Annual Financial Report (CAFR) for Fiscal Year (FY) 2018 which is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and externally audited by a firm of certified public accountants.

Accompanying this report is an online interactive tool for exploring revenues and expenditures, including exhibits and schedules that can be found at lacontroller.org/PFR2018. As always, the City's open data – including financial figures - is available at lacontroller.org, which also includes information on Special Fund uses and balances, historical Reserve Fund starting balances, and budget appropriations, adjustments, expenditures and revenues. At the end of the month, my office will release a report that will provide recommendations for managing and consolidating all of the City's Special Funds through a proposed list of policies and procedures.

The substance and timing of this report make it an important tool for the City leadership to use in helping to assess the City's finances. Knowledge and understanding of the revenue and expenditure trends, the condition of the City's reserves, and the City's outstanding debt, all of which are discussed as part of the Report, are critical to responsible financial management.

FY 2018 ended with a number of positive notes, including:

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- General Fund revenue increased by 3.4 percent from FY 2017 to an all-time high of \$5.8 billion, thanks in large part to record highs in receipts from Property Taxes, Business Taxes, Sales Taxes, and Transient Occupancy Taxes;
- Debt service requirements continued to fall due to strategic refinancing, hitting their lowest total since FY 2004; and
- Liability claims expenditures fell by 46 percent, though at \$108 million they were still much higher than historical norms.

While there were positive elements, a number of concerns are also evident:

- Documentary Transfer Tax receipts, one of the City's most volatile and economically sensitive revenues, declined for the first time since 2009;
- For the third straight year, total expenditures exceeded actual revenues.
- The Reserve Fund began the new FY at only 5.6 percent of budgeted General Fund revenue, the lowest percentage of General Fund revenue since 2013. This is above the 5 percent policy threshold, but allows for very little flexibility to address economic challenges or new policy priorities.

Signs of a slowing economy are evident, which exemplifies why the City should increase the General Fund percentage contributed to the Reserve and Budget Stabilization Funds, and should continue to exercise budgetary prudence when considering additional increases in staffing and related expenditures.

My staff and I wish to express our appreciation to all City departments and offices for their help and cooperation in the preparation of this Report and in helping to effectuate a smooth fiscal year-end closing. 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
Los Angeles City Controller

Attachment

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

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SUMMARY

The Preliminary Financial Report is organized in four distinct sections:

1. Revenues and Expenditures: A discussion of the fiscal year that just ended, including trend analysis, notable changes from prior years, and financial performance relative to the Adopted Budget
2. Reserve Fund: A discussion of the current condition of the City's Reserve Fund, and analysis of the various factors influencing that figure
3. Budget Stabilization Fund: A discussion of the Fund policy and how actual figures compare to the policy
4. Bonded Indebtedness: A statement of the City's total bonded indebtedness and debt service requirements; as well as comparisons to City policies and legal limitations.

Revenues and Expenditures

During the 2017-18 fiscal year, revenue grew by 3.4 percent in the General Fund and 4.1 percent in budgeted special funds. This was led by all-time high receipts from Property Tax, Business Tax, Sales Tax, and Transient Occupancy Tax. Combining General Fund and Special Fund revenue, total revenue increased by 3.9 percent over 2016-17.

Total expenditures grew as well, at a rate of 3.6 percent, due in large part to salaries and benefits, which accounted for almost 75 percent of that increase.

Revenues have been growing at a relatively strong pace for a number of years, but signs of weakening are present, including the first decline in Documentary Transfer Tax since fiscal year 2009. Expenditures, however, are projected to continue growing at the current pace or more, with open employment contracts for many City employees as well as projected increases in health care costs and retirement contributions.

Combining these projected increases with the constant demands for greater service levels and new initiatives, and ever-increasing deferred maintenance, the City will face significant challenges if and when revenues begin to turn downward.

Reserve Fund

The key to preparing for future downturns is to increase the City's reserves during years of strong growth. In the last ten fiscal years, with a combination of strong revenue growth and fiscal restraint, the City's combined reserves (the Reserve Fund and the Budget Stabilization Fund) rose from 3.4 percent to its 9.4 percent peak in 2015-16, but has since declined to 7.2 percent of the 2018-19 Adopted General Fund Budget.

Since 2015, efforts to balance the budget, fund new priorities and cover unanticipated expenditures have cut into these reserves. While this amount is above the City's policy goals, the decline in reserves does not correlate to the significant economic growth the City has experienced during this period. Importantly, the current balance in the Reserve Fund leaves only \$36 million available to meet unanticipated needs without dropping below the City's 5 percent Reserve Fund policy.

Budget Stabilization Fund (BSF)

The Budget Stabilization Fund is the City's mechanism for accumulating excess tax revenues in growth years in order to mitigate shortfalls in lean years. The June 30, 2018 balance in the BSF was \$96.4 million. As in prior years, deposits into the BSF were reduced in order to meet other City Financial Policies, notably the capital improvement funding requirement.

Five years after the formal adoption of the Budget Stabilization Policy, it is now time to review how the Policy is working, re-evaluate the revenues and thresholds it is based on, and revise it to better achieve its stated goals.

Bonded Indebtedness

Both total bonded indebtedness and the City's debt service payments continued to fall, with debt service reaching 5.43 percent of General Fund revenue, the lowest annual total since 2004, due largely to refunding of older debt issuances into lower interest rates. As municipal debt interest rates have already begun to rise, refunding in this manner will likely be less common over the next few years.

This low level of debt service (less than 6 percent of General Fund revenue, compared to a 15 percent policy ceiling) could open the possibility of debt financing much needed improvements in City infrastructure, including information technology needs noted in the Controller's recent audit Information Technology, Disaster Preparedness, Recovery, and Continuity. Bonded indebtedness should not be viewed as a solution to cash flow or operating budget issues, but should instead be treated as a tool for long term investment in the City's future.

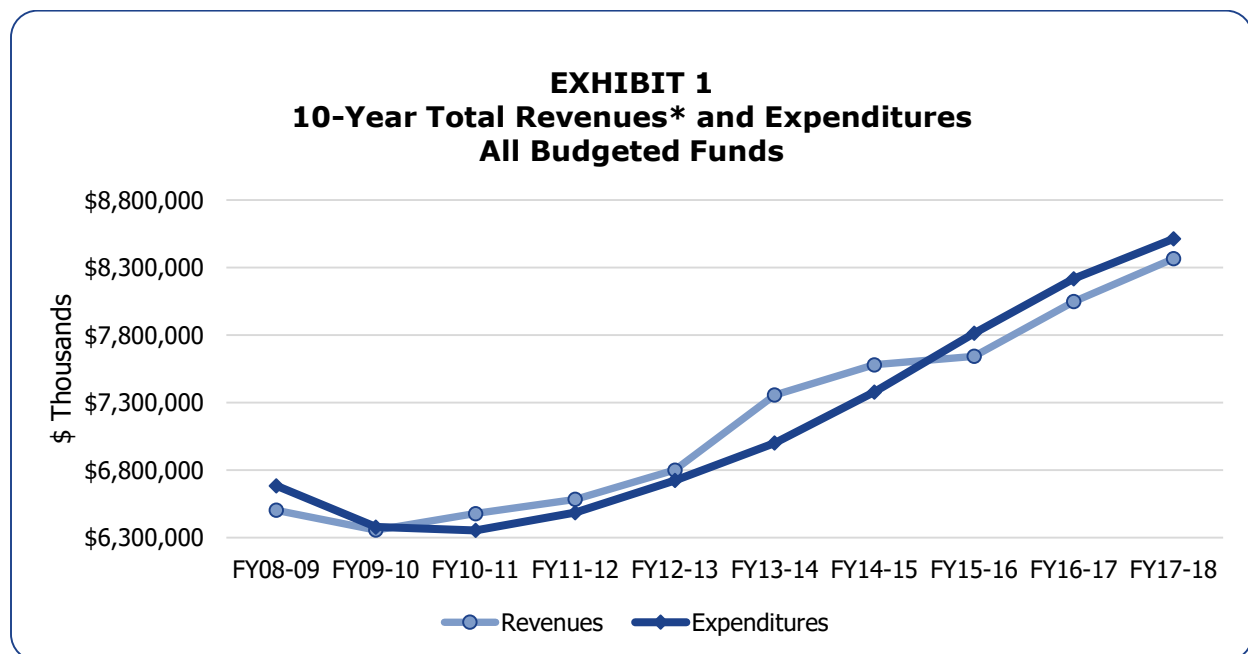
DISCUSSION

This Preliminary Financial Report focuses on the cash basis financial information of the City for 2017-18, providing information on revenues and expenditures, the Reserve Fund, the Budget Stabilization Fund, and bonded indebtedness. An interactive presentation, along with all of the source data used in the report, is available at www.lacontroller.org.

Audited financial statements, prepared in conformity with Generally Accepted Accounting Principles (GAAP), will be presented in the City's Comprehensive Annual Financial Report (CAFR) later this fiscal year.

Section I: Revenues and Expenditures

Total Revenues for 2017-18 were \$8.37 billion, an increase of 3.9 percent over 2016-17, while total expenditures increased by 3.6 percent to \$8.51 billion. This was the third consecutive year that expenditures have exceeded revenues. Exhibit 1 below shows the ten-year history of total revenues and expenditures. Since 2009-10, revenues have grown a total of 31.6 percent, while expenditures have grown 33.5 percent. While short periods of negative overall cash flow are to be expected due to major project expenditure patterns and unexpected changes in revenue, extended periods can reflect a structural imbalance which is unsustainable in the long run.

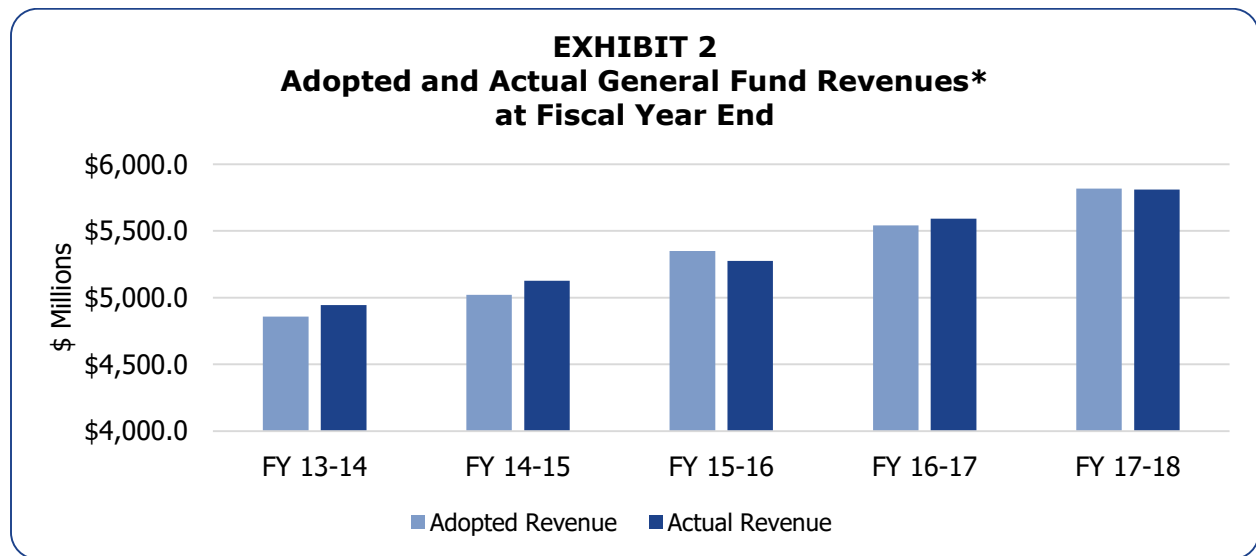


*Excluding transfers from the Reserve and Budget Stabilization Funds

The 2017-18 Adopted Budget totaled \$9.29 billion, of which \$5.83 billion was in the General Fund and \$3.46 billion was in Special Funds. At fiscal year-end, total General Fund and Special Funds receipts (excluding available balances) were 2.6 percent less than budgeted, while total expenditures (including encumbrances) were 8.4 percent less than budgeted. Detail of budgeted and actual receipts and expenditures is presented in Schedules III and IV.

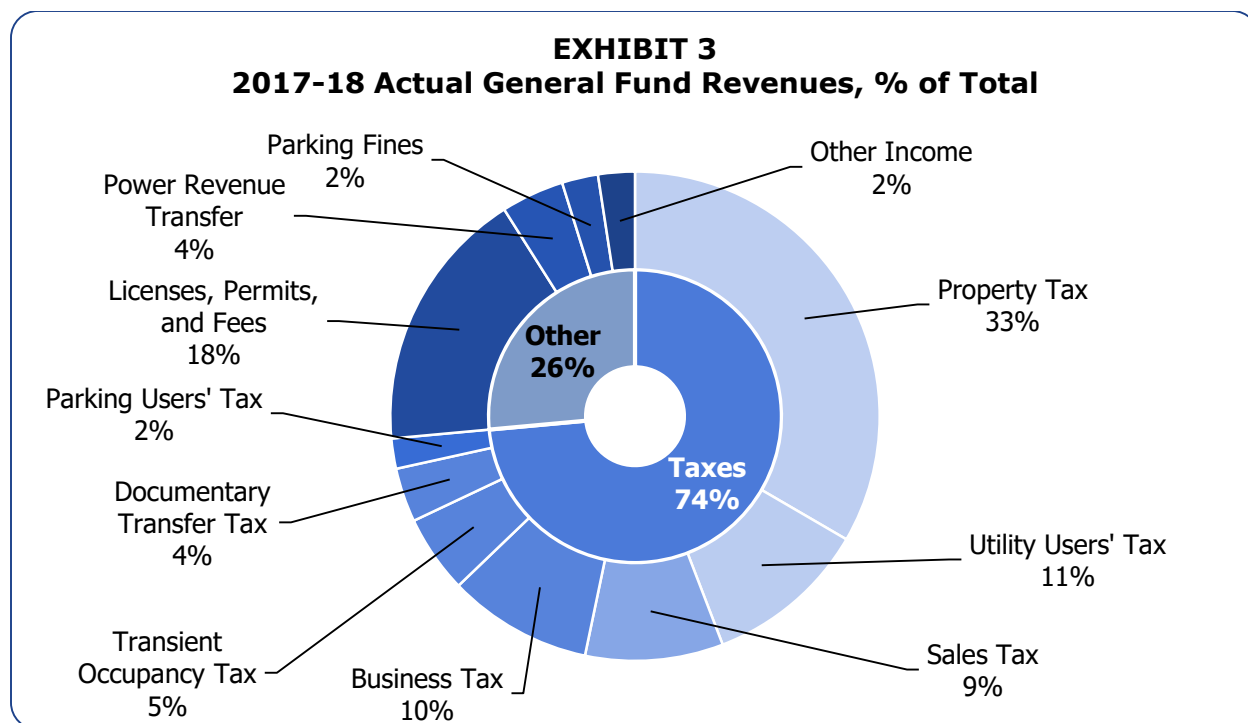
General Fund Revenues

Actual 2017-18 General Fund receipts, excluding transfers from the Reserve Fund, totaled \$5.81 billion, \$6.9 million (0.1 percent) less than the Adopted Budget revenue and \$217 million (3.9 percent) more than 2016-17. Exhibit 2 below presents a comparison between adopted and actual General Fund receipts by fiscal year.



*Excluding transfers from the Reserve and Budget Stabilization Funds

The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those legally required to be accounted for in other funds. General Fund revenues are derived from such sources as taxes, licenses, permits, fees, fines, intergovernmental revenues, charges for services, special assessments, and interest income. Exhibit 3 presents 2017-18 actual General Fund revenues by percentage.



General Fund revenues that exceeded the Adopted Budget included Property Tax (\$32.4 million or 1.7 percent above budget), Business Tax (\$35.6 million or 6.9 percent), and Transient Occupancy Tax (\$17.0 million or 6.0 percent).

Property Tax receipts exceeded expectations due to strong growth in assessed property values and \$14.3 million in higher than budgeted ex-CRA tax increment revenue and surplus property sales.

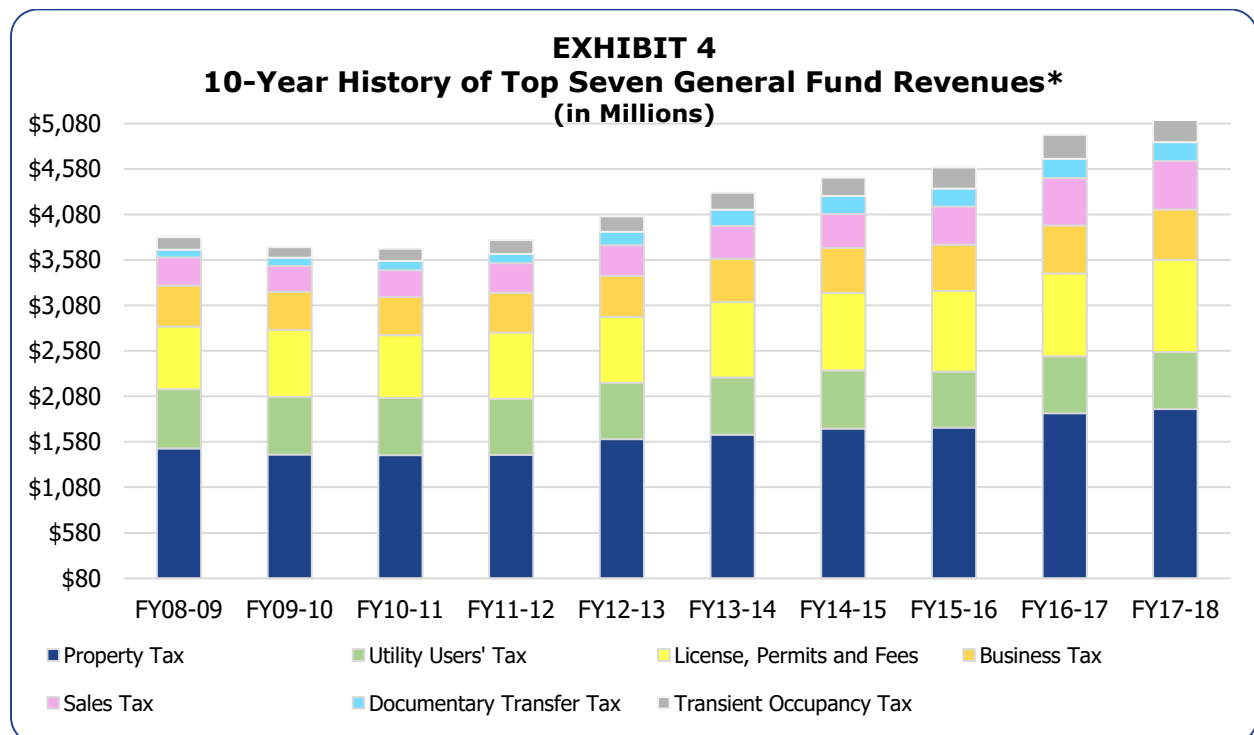
While the budget assumed modest growth for Business Tax receipts due to moderate projected economic growth, Business Tax revenue ended the year \$35.6 million (6.9 percent) above projections, boosted by new cannabis business taxes and an unanticipated one-time \$20 million increase in payments made through the Office of Finance's Voluntary Business Tax Disclosure program.

Transient Occupancy Tax (TOT) receipts include revenue collected from short-term rentals under a negotiated tax collection agreement that is in its second year. TOT revenue has exceeded budget by \$17 million (6.0 percent), almost entirely due to \$17.8 million in greater than estimated receipts from short-term rentals.

These higher than expected revenues were largely offset by shortfalls in Licenses, Permits, Fees and Fines (\$31.5 million), Documentary Transfer Tax (\$11.3 million) and Utility Users' Tax (\$35.3 million).

The delay in the implementation of the new billboard leasing and modernization revenue and linkage fees largely explained lower than budgeted Licenses, Permits, Fees and Fines. Higher than expected sales volume was offset by the reduction in sale prices, resulting in \$11.3 million or 5.2 percent shortfall in Documentary Transfer Tax receipts. The Electric Users' Tax, ending the year \$20.5 million short of projections, was negatively impacted by Department of Water and Power's prior billing system issues, with higher accounts receivable under the customer care and billing settlement. Telephone Users' Tax receipts lagged budget by \$14.3 million attributable to changes in services and market competition.

Exhibit 4 below displays a 10-year history of the top seven General Fund receipts, excluding transfers from the Power Revenue Fund. Revenues have steadily increased from 2011-12. In 2017-18, these revenues exceeded prior year actual receipts by \$216 million or 4.4 percent.



*Excluding Power Revenue Transfer

While Property Tax, License, Permits, Fees and Fines, Business Tax, Sales Tax and Transient Occupancy Tax receipts were the highest collected in the past ten years, the year-over-year percentage growth trended lower in 2017-18. Property Tax percentage growth declined from 9 percent to 2.4 percent in the current year. Sales Tax receipts grew by 1.8 percent from the prior fiscal year compared to 24.6 percent increase in 2016-17. Transient Occupancy Tax revenue experienced double digit growth of 12.6 percent in 2017-18, but this is down from 15.1 percent in 2016-17. Business Tax, an exception, continued its steady rise with 5 percent increase in 2017-18, compared to 3.6 percent increase last fiscal year.

Utility Users' Tax receipts have declined an average of 0.4 percent during this period. It showed slight improvement in the last two fiscal years, increasing by 1.6 percent and 0.2 percent in 2016-17 and 2017-18, respectively.

Documentary Transfer Tax receipts, considered one of the most volatile General Fund tax receipts, recorded robust growth in the aftermath of the economic recession. However, actual 2017-18 receipts experienced a negative growth for the first time in the last decade, decreasing by 1.1 percent from the prior fiscal year.

Appropriations, Expenditures & Encumbrances

Overall, total actual expenditures were 8.4 percent lower than the 2017-18 Adopted Budget. Capital Improvement Expenditure Program (CIEP) expenditures were 25.3 percent lower than budget, offset by 21.4 percent greater than expected Liability Claims payout primarily for the telephone users' tax class action settlement.

Year-over-year total actual expenditures grew by 3.6 percent. Salaries increased by 5.0 percent, largely attributed to cost of living adjustments for both sworn and a majority of civilian employees; more filled civilian employee positions than the prior fiscal year; as well as fire mutual aid deployment and three major wildfires in the City. Liability Claims were below prior year expenditures by \$93.0 million or 46 percent due to large legal judgments and settlements payments in 2016-17. However, at almost 2 percent of the General Fund, this amount is large enough to warrant significant attention from City leadership.

Total contributions to Library and Recreation and Parks, which increased by a total of \$22.1 million or 6.6 percent, are made pursuant to Charter requirements and were earmarked for library program enhancements, and recreational facility improvements and utility costs. Higher health benefits rates for civilian and sworn employees (\$27.7 million), as well as workers' compensation costs (\$13.1 million) contributed to a total of \$42.8 million in additional Human Resources Benefits expenses. Capital improvement expenditures rose by 33.7 percent as the City increased various infrastructure investments.

Exhibit 5 below breaks out summarized categories of budgetary and actual expenditures and encumbrances accounts for 2016-17 and 2017-18. Encumbrances, for commitments such as payroll, contracts, and purchase orders, are included in the total for a more accurate representation on what was spent and/or obligated during the year. Detailed information by department can be found in Schedule IV.

EXHIBIT 5
Total Expenditures, Including Encumbrances - All Budgeted Funds
(in Millions)

	Adopted FY 17-18 Budget	Actual FY17-18 Expenditures	Actual FY 16-17 Expenditures
Salaries			
Sworn Fire	\$ 588.3	\$ 595.1	\$ 564.4
Sworn Police	1,229.2	1,244.3	1,181.2
Civilian	1,676.7	1,638.3	1,567.8
Total Salaries	3,494.2	3,477.7	3,313.4
Other Departmental Expenses	515.5	623.5	613.0
Total Budgetary Departments	4,009.7	4,101.2	3,926.4
Nondepartments			
Library	167.8	167.8	157.9
Recreation and Parks	189.2	190.6	178.4
City Employees' Retirement	102.2	102.9	107.6
Tax and Revenue Anticipation Notes	1,114.6	1,100.0	1,085.7
Capital Improvement Expenditure Program	371.6	277.5	207.5
Human Resources Benefits	682.8	691.3	648.5
Liability Claims	89.1	108.2	200.8
Bond Redemption & Interest/JO Bond/Other Debt	373.3	358.5	340.2
Prop A Local Transit Assistance	233.9	139.2	94.2
Wastewater Special Purpose	521.5	444.5	427.5
Other Nondepartments and Special Purpose Funds	1,436.4	831.0	843.7
Total	\$ 9,292.1	\$ 8,512.7	\$ 8,218.4

Note: Contributions for Library and Recreation and Parks are for salaries and expense accounts. Total Expenditures, including encumbrances, are funded by the General Fund and budgeted Special Funds.

The City ended the fiscal year with a total of \$450.1 million in encumbrances, \$198.4 million in salaries and \$251.8 million in expense accounts.

Encumbered funds for salaries are earmarked for the last pay period of the fiscal year and unspent funds are immediately released after payroll is made. Funds encumbered for expense accounts are continued across fiscal years to ensure that cash is available to cover the expenditure when it is made. Schedule V provides a listing of General Fund encumbrances by department.

The General Fund Encumbrance Policy provides that encumbered funds that remain unspent for a period longer than one fiscal year shall be disencumbered every fiscal year, with the exception of capital project funds.

The main purpose of the City's General Fund Encumbrance Policy was to timely disencumber funds. Prior-year encumbrances, unless they met certain exemptions, such as legal obligations or for capital projects, would be automatically disencumbered. Exemptions to the Policy are made subject to Mayor and Council approval. As part of the 2017-18 Year-End Financial Status Report, a total of \$44.9 million was exempted from disencumbrances, an increase of nearly \$4.0 million from prior year exemptions.

Unencumbered General funds revert to the Reserve Fund at year end. As such, exemptions to the automatic disencumbrance policy reduce reversions, thereby reducing the cash available in the Reserve Fund to pay for emergencies and contingencies. Section II below discusses the status of the Reserve Fund in more detail.

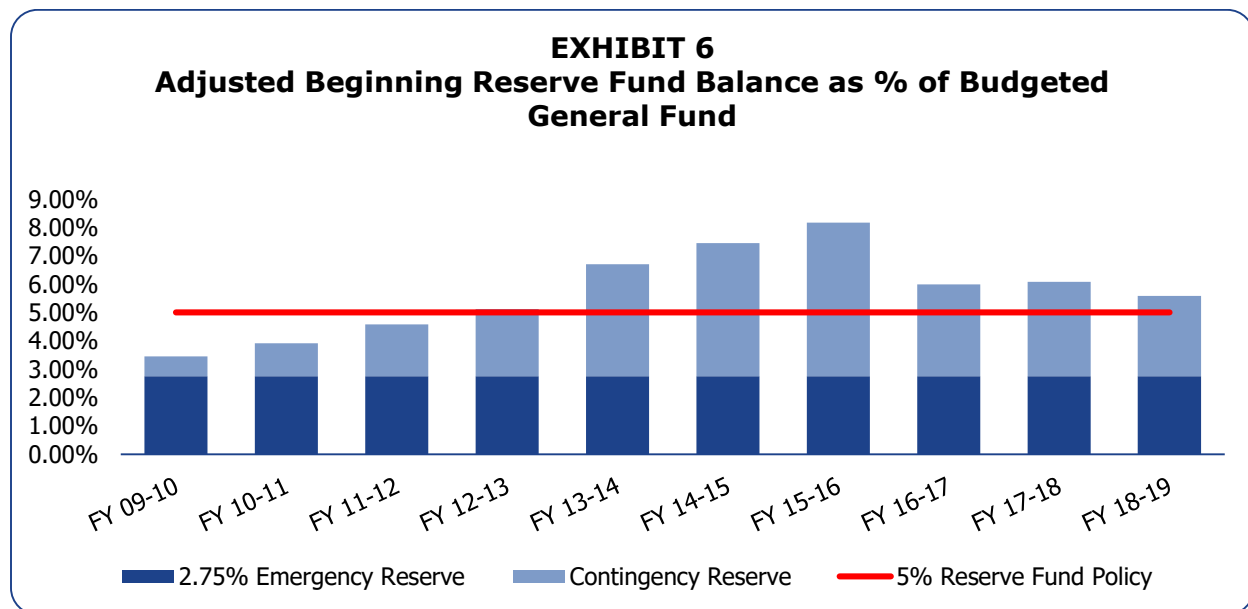
Section II: Reserve Fund

The Reserve Fund is established to ensure that funds are available for unanticipated expenditures and revenue shortfalls in the General Fund. It is an important measure of the City’s fiscal health, and is vital to cash flow, bond ratings, and the ability to manage unanticipated financial challenges.

The City’s Reserve Fund Policy (CF 98-0459) sets a Reserve Fund cash balance goal equal to 5.0 percent of budgeted General Fund receipts. Exhibit 6 below displays the past ten years of beginning Emergency and Contingency Reserve Fund balances compared to the five percent Reserve Fund policy.

The Emergency Reserve Account is fixed at 2.75 percent of the adopted General Fund receipts. A finding of urgent economic necessity is required to use funds from the Emergency Account. The Emergency Reserve was established as Council policy in 2007 (C.F. 07-0600) and added to the Charter in 2011.

The Contingency Reserve Account is defined to include all monies in the Reserve Fund over and above the amount required to be allocated to the Emergency Account. Contingency Reserve Account funds can be a source of additional funding to cover unanticipated expenses or revenue shortfalls.



Failure to maintain the City's Reserve Fund at an adequate level not only exposes the City to significant risk in the event of an emergency, but can also have negative financial impacts due to increased cost of borrowing. Just as growing the Reserve Fund has resulted in upgrades in past years, dropping below the 5.0 percent policy would be viewed negatively by the rating agencies.

Reserve Fund Status

After the 2017-18 accounting close, budgetary appropriations, return of advances, and reappropriations, the fiscal year-start adjusted Reserve Fund balance was \$345.8 million or 5.59 percent of General Fund receipts anticipated in the 2018-19 Adopted Budget, \$36.2 million above the 5.0 percent the Reserve Fund Policy goal.

As shown in Exhibit 7, below, the fiscal year-start Reserve Fund balance grew at a high pace from 2014-15 to 2015-16. The percentage has since decreased over the last three fiscal years, though still above the policy minimum. The 2018-19 year-start Reserve Fund is \$5.1 million lower than the \$351 million assumed in the Adopted Budget, primarily due to lower than anticipated revenues and higher than normal reappropriations and year-end borrowing.

EXHIBIT 7
Adopted and Actual Beginning Reserve Fund Balances
Percentages and Actual Cash Balances (In Millions)

	Adopted Budget	Actual	Amount
2014-15	5.53%	7.45%	\$383.0
2015-16	5.79%	8.18%	\$442.5
2016-17	6.01%	5.99%	\$334.2
2017-18	5.12%	6.08%	\$354.5
2018-19	5.67%	5.59%	\$345.8

Adjustments to the Reserve Fund Cash Balance

At the end of each fiscal year and the beginning of the next, a number of transactions are required to accurately reflect the status of the Reserve Fund through the closing of the City's books. Exhibit 8 details the year-end and year-start adjustments to the Reserve Fund Cash Balance, comparing Adopted Budget versus actual.

EXHIBIT 8
Reserve Fund Cash Balance
Adopted and Actual
(In Millions)

	Adopted FY 18-19 Budget	Actual Balance	Difference
Contingency Reserve:			
a. Balance Before Year-End Reversions/Borrowings	\$ 194.8	\$ 208.0	\$ 13.2
b. Reversion of Uncommitted Balances	88.4	131.2	42.8
c. Unallocated Revenue	17.9	--	(17.9)
d. Advances Under CF# 17-0600-S115	--	(0.2)	(0.2)
e. Advances Under Charter Section 261 (i)	(45.0)	(63.1)	(18.1)
Total Contingency Reserve, Year End	256.1	275.9	19.8
Emergency Reserve, Year End	160.2	160.2	--
Total Reserve Fund, Ending 6/30/18	\$ 416.3	\$ 436.1	\$ 19.8
f. Return of Advances for Unfunded Encumbrances	20.0	15.0	(5.0)
g. Transfer to Budget	(5.8)	(5.8)	--
h. Reappropriations*	(70.6)	(90.5)	(19.9)
i. Transfer to Budget Stabilization Fund	(9.0)	(9.0)	--
Total Reserve Fund, Year Start Adjusted 7/1/18	\$ 350.9	\$ 345.8	\$ (5.1)
Emergency Reserve, Year Start Adjusted	\$ 170.2	\$ 170.2	\$ --
Contingency Reserve, Year Start Adjusted	180.7	175.6	(5.1)

*Reappropriations were authorized by the 2017-18 Adopted Budget Resolution and other Council actions.

Following are descriptions of the line item changes to the Reserve Fund listed in Exhibit 8:

Reserve Fund Cash Balance (June 30, 2018)

As of June 30, 2018, after closing the City's General Ledger, the recorded Reserve Fund balance was \$345.8 million. This was \$5.1 million less than the amount anticipated in the 2018-19 Adopted Budget. The Reserve Fund cash balance is adjusted by the following factors to arrive at the year-end balance:

a. Balance Before Year-End Reversions/Borrowings

The amount of cash available in the Contingency Reserve prior to adjustments for year-end reversions, unallocated revenues, and borrowings. It does not include cash in the Emergency Reserve.

b. Reversion of Uncommitted Balances

General Fund appropriations are reverted to the Reserve Fund at fiscal year-end. Appropriation authority annually granted to City departments by the Mayor and Council are committed throughout the year in the form of encumbrances and expenditures. Remaining or uncommitted balances are reverted to the Reserve Fund to the extent they are supported by cash.

In 2017-18, the budget estimated \$88.4 million in reversions. The uncommitted balance at year end was \$170.4 million. Excluding unfunded appropriations, a total of \$131.2 million reverted prior to reappropriations.

For a detailed breakdown of uncommitted balances by department, please see Schedule VII.

c. Unallocated Revenue (Excess Receipts)

Unallocated revenue occurs when revenues exceed the total budget appropriation. While the Adopted Budget assumed \$17.9 million in surplus receipts would revert to the Reserve Fund in 2017-18, none were realized, resulting in a reduction of the Reserve Fund balance.

d. Advances Under CF 17-0600-S115

Council File 17-0600-S115 authorized the Controller to borrow from the Reserve Fund at year-end to balance departmental budgets where needed in order to facilitate the closing of the City's General Ledger. The Controller is authorized to increase appropriations within established limits without getting itemized Mayor and Council approval, a process that would delay the closing of the City's General Ledger. Advances totaling \$267,270 were made for the Fire, General Services and Personnel departments.

e. Advances Under Charter Section 261(i) for Unfunded Encumbrances and Expenditures

Under Charter Section 261(i), the Controller transfers funds from the Reserve Fund as a loan to any fund that becomes depleted due to tardy receipt of revenue. The 2018-19 Adopted Budget estimated \$45.0 million in year-end advances. Actual advances were \$63.1 million, consisting of \$48.1 million in unfunded expenditures and \$15.0 million in unfunded encumbrances (see Schedule VIII for a breakdown by department).

Unfunded expenditures generally occur when expenditures occur prior to receipts (e.g. grants on reimbursement basis) and/or due to billing delays. When the funding source reimburses the costs, departments are able to repay the advances. If funding is not available, departments may request Mayor and Council approval to write-off the advances. Unfunded encumbered amounts represent a technical adjustment at year-end and are reversed at the start of the new fiscal year as documented in item (f), below.

Reserve Fund Cash Balance (2018-19 Year-Start)

The 2017-18 year-end Reserve Fund cash balance is not the same as the 2018-19 year-start cash balance. The following technical adjustments are made after the close of the prior fiscal year.

f. Return of Advances for Unfunded Encumbrances

Advances for unfunded encumbrances are reversed at the start of the following fiscal year, as discussed in item (e), above.

g. Transfer to Budget

The 2018-19 Adopted Budget authorized a \$5.8 million transfer from the Reserve Fund as a source of revenue to the General Fund budget.

h. Reappropriations

The 2018-19 Adopted Budget and other Council actions (C.F. 17-0600-S119 and 18-0596) provided that certain uncommitted balances earmarked for specific programs would be reappropriated in the subsequent year if not expended by the year-end. See Schedule VII for reappropriations by department.

Actual reappropriations of \$90.5 million were \$19.9 million above the \$70.6 million budget, primarily due to \$7.3 million in higher than estimated reversions for General Funded construction projects and \$11.8 million for various departmental contracts and programs.

i. Transfer to Budget Stabilization Fund

The 2018-19 Adopted Budget transferred \$9.0 million into the Budget Stabilization Fund.

Section III: Budget Stabilization Fund

The Budget Stabilization Fund (BSF) was added to the City's Charter in 2011. The purpose of this fund is to set aside revenues during periods of robust economic growth or when revenue projections are exceeded to help smooth out years when revenue is stagnant or is in decline.

The June 30 Fund balance was \$96.4 million. Exhibit 9 below displays the adopted and prior year cash balance and adjustments of the BSF. As further explained below, the Adopted Budget included a deposit of \$9.0 million into the Fund.

EXHIBIT 9
Budget Stabilization Fund
(In Thousands)

	FY16-17	FY 17-18	FY 18-19
	Actual	Actual	Estimate
Cash Balance, July 1	\$ 92,670	\$ 94,739	\$ 96,443
Transfer from Reserve Fund	1,000	422	9,000
Interest Income	1,069	1,282	1,200
<i>Cash Balance, June 30</i>	<u><u>\$ 94,739</u></u>	<u><u>\$ 96,443</u></u>	<u><u>\$ 106,643</u></u>

The Budget Stabilization Fund Policy (CF 13-0455) (Policy) provides that when the combined growth of the seven economically sensitive General Fund tax revenues (property tax, utility users' tax, business tax, sales tax, transient occupancy tax, parking users' tax, and documentary transfer tax) is anticipated to exceed 3.4 percent, the excess shall be deposited into the Fund. The Fund Ordinance permits the excess revenue to be appropriated to comply with the City's Capital Improvement Expenditure Program (CIEP) and Reserve Fund policies. Withdrawals from the BSF can only be made in certain circumstances, and are limited to 25 percent of the available balance.

The combined growth of the seven major tax receipts in the 2018-19 Adopted Budget was \$249.6 million or 6.0 percent. The tax growth above 3.4 percent was \$108.2 million, of which \$100.0 million was budgeted for capital expenditures and \$9.0 million was transferred to the Fund.

The Adopted Budget has transferred money into the BSF each year since the Policy was adopted. However, not once has this budgetary transfer been equal to the amount of economically sensitive revenue growth above the 3.4 percent threshold. Instead, the BSF Policy has been met by using the available revenue to meet or exceed the CIEP Policy, as specifically allowed in the BSF Policy.

While this action is clearly consistent with the specific language in the Policy, this trend has a muting effect on the BSF and, should a time come when budget stabilization is necessary, there will not be sufficient funds in the BSF to meet that need. 25 percent of the current available balance, the Policy's limit on withdrawals, would only provide \$26 million, less than 0.5 percent of the annual budget.

When the BSF Policy was adopted, it included provisions for revisiting the revenue thresholds every five years. It has now been six years since the Policy was adopted, and it is clear that more than just the thresholds should be revisited. We recommend a full review of the Policy and how it has been applied, with revisions where appropriate. Some areas to be explored should be:

- Which revenue sources should be included: Some of the sources included in the current policy do not behave as "economically sensitive", making both positive and negative shifts less obvious. While this is a positive feature of the City's overall revenue structure, including sources such as Utility Users Tax and Property Tax in the calculation makes the BSF less effective.
- The appropriate definition of "growth": There has been much discussion of whether "growth" in the policy context refers to total growth or whether one-time receipts should be excluded. This should be clarified.
- Rules for accessing the funds for budget balancing: As noted above, the current 25 percent limit effectively renders the BSF too small to be an effective budget balancing tool.

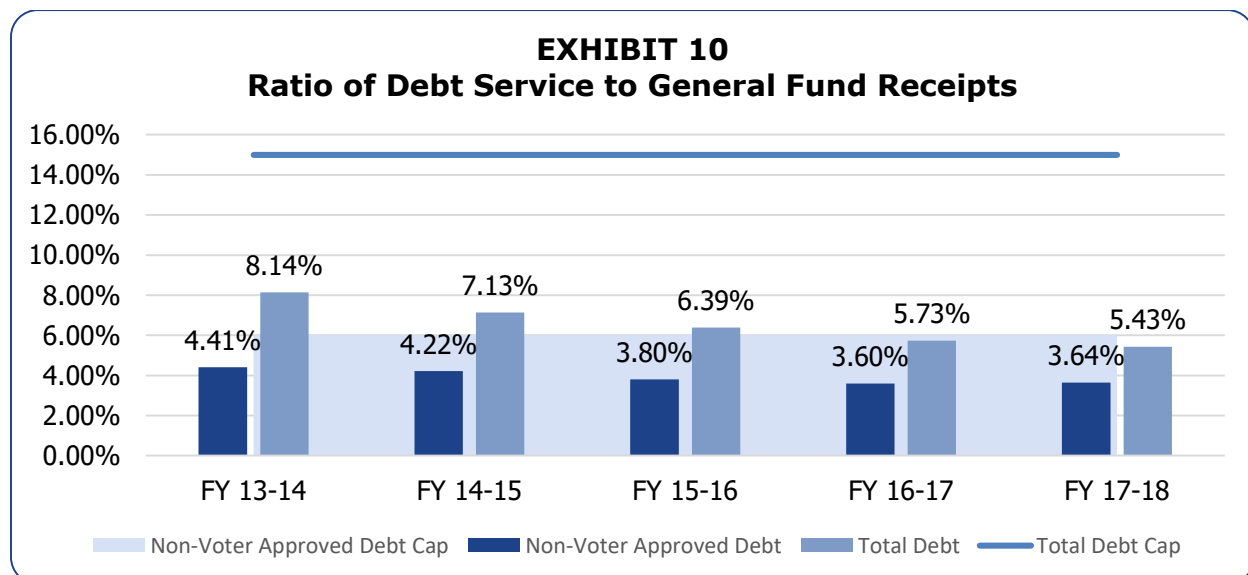
Whatever the result, we recommend completing this review prior to the adoption of the 2019-20 budget next Spring.

Section IV: Bonded Indebtedness

The City’s Debt Management Policy establishes guidelines for the structure and management of the City’s debt obligations. These guidelines include target and ceiling levels for certain debt ratios to be used for planning purposes. The two most significant ratios are a non-voter-approved debt service cap as a percent of General Fund revenues of 6.0 percent and a total debt service cap as a percent of General Fund revenues of 15 percent.

Exhibit 10, below, illustrates the City’s compliance with these debt management policies the past five years. The actual ratio of Debt Service to General Fund Receipts was 5.43 percent in 2017-18. As evidenced by the ratio’s downward trend, the City has taken full advantage of low interest rates to refinance higher rate bonds. As shown on Schedule IX, Statement of General Obligation Bonded Debt, bonds totaling \$114.4 million issued prior to 2009 were refunded during the year and majority of the \$700.2 million outstanding General Obligation debt were issued when benchmark interest rates were at historic lows.

This chart shows very clearly the responsibility the City has exhibited when it comes to debt management. Consistently falling debt service obligations have put the City in a position to consider major projects, as well as making strategic financing agreements available when these present financial advantages.



This significant amount of debt capacity also indicates an opportunity to invest in large-scale long-term infrastructure projects, including information technology (IT) infrastructure modernization, as identified in the Controller’s Information Technology Disaster Preparedness, Recovery, and Continuity audit. IT systems perform an increasingly critical role in the City’s every day and public safety operations, and the audit emphasized the immediate need for new investments in IT infrastructure.

SCHEDULES

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SCHEDULE I

Cash Condition Statement of Receipts and Disbursements - All Funds and Cash Balance by Fund Type For the Fiscal Year Ended June 30, 2018

Cash Balance, July 1, 2017	\$ 9,663,716,872
Add - Outstanding Warrants, July 1, 2017	104,265,486
Cash in the Treasury, July 1, 2017	9,767,982,358
Add - Receipts during the year ⁽¹⁾	19,960,852,955
Total Available	29,728,835,313
Less - Disbursements during the Year ⁽¹⁾	19,988,245,211
Cash in the Treasury, June 30, 2018	9,740,590,102
Less - Outstanding Warrants, June 30, 2018	137,168,679
Cash Balance, June 30, 2018 ⁽²⁾	\$ 9,603,421,423

June 30, 2018 Cash Balances by Fund Type:

General Fund	\$ 1,044,907,809
Special Revenue	2,648,807,811
Debt Service	129,462,813
Capital Projects	496,069,463
Proprietary - Enterprise	5,015,020,426
Pension Trust	15,152,500
Agency	391,169,280
Cash in the Treasury, June 30, 2018	\$ 9,740,590,102
Less - Outstanding Warrants, June 30, 2018	137,168,679
Cash Balance, June 30, 2018 ⁽²⁾	\$ 9,603,421,423

⁽¹⁾ Receipts exclude interfund operating transfers. Disbursements include checks paid and wire transfers to depository banks by the City Treasurer.

⁽²⁾ Excludes cash with fiscal agents, petty cash, other revolving funds, and time deposits held for safekeeping by the City Treasurer totalling \$146,042,413.

The City Charter provides that the cash in the Treasury "resides" in various Funds created by the City Charter and legislative actions. Although the Treasury has a large cash balance at June 30, 2018, that cash is not available to the General Fund (except for limited General Fund balances) for general government activities of the City.

SCHEDULE II

Reserve Fund Statement of Receipts and Disbursements For the Fiscal Year Ended June 30, 2018

Cash Balance Ending June 30, 2017		\$ 414,879,761
Receipts:		
Return of Advances Under Charter Section 261(i) for:		
Unfunded Expenditures	\$ 26,611,782	
Unfunded Encumbrances	10,883,154	
Return of Loans from Other Funds	16,638,872	
Transfer of Power Revenue Surplus	241,848,000	
Transfer of Special Parking Revenue Surplus	32,847,909	
Early Reversion of Unencumbered Balance	2,759,424	
Year-End Reversion of Unencumbered Balance	131,208,580	
Miscellaneous	4,874,287	467,672,008
Total Available Cash		882,551,769
Disbursements:		
Transfer to Budget	9,107,662	
Transfer to General Fund of Power Revenue Surplus	241,848,000	
Transfer to General Fund of Special Parking Revenue Surplus	30,999,909	
Transfer to Budget Stabilization Fund	422,000	
Transfers to Other Funds	18,293,694	
Loans to Other Funds	27,301,665	
Reappropriations of Prior Year Funds for Capital Improvements and Other Departmental Accounts	55,157,821	
Advances Under Charter Section 261(i) for:		
Unfunded Expenditures	48,119,649	
Unfunded Encumbrances	14,954,397	
Advances for Unfunded Expenditures per CF17-0600-S115	267,270	446,472,067
Cash Balance Ending June 30, 2018		<u>\$ 436,079,702</u>

The Mayor and City Council adopted the Reserve Fund Policy (C.F. 98-0459) on August 4, 1998 to create two accounts in the Reserve Fund, the Contingency Reserve and the Emergency Reserve. On March 8, 2011, Charter Amendment P was approved prescribing the establishment and the method of accessing the Contingency and Emergency Reserve accounts. As of June 30, 2018, the total Contingency account is \$275,851,702 and the Emergency account is \$160,228,000.

SCHEDULE III

**Statement of Receipts - Budget and Actual
(Cash Basis)
All Annually Budgeted Funds
Fiscal Years Ended June 30, 2018 and 2017**

	FY 2018 Adopted Budget	FY 2018 Actual Receipts	FY 2017 Actual Receipts	8FY 2018 Receipts Increase (Decrease)
General Fund Receipts:				
Property Tax:				
Property Tax 1%	\$ 1,396,427,000	\$ 1,411,983,560	\$ 1,314,873,955	\$ 97,109,605
Property Tax - Sales Tax Replacement	--	--	63,637,287	(63,637,287)
Property Tax - Vehicle License Fee Replacement	437,328,000	439,849,209	412,737,649	27,111,560
Total Property Tax	1,833,755,000	1,851,832,769	1,791,248,891	60,583,878
Property Tax - Ex-CRA Tax Increment	74,168,000	88,507,320	103,262,043	(14,754,723)
Utility Users' Tax:				
Electric Users' Tax	407,000,000	386,524,833	356,616,517	29,908,316
Telephone Users' Tax	185,600,000	171,300,445	194,481,399	(23,180,954)
Gas Users Tax	68,600,000	68,028,046	73,733,233	(5,705,187)
Total Utility Users' Tax	661,200,000	625,853,324	624,831,149	1,022,175
Licenses, Permits, Fees and Fines	1,046,994,015	1,015,490,009	913,232,633	102,257,376
Business Tax	518,900,000	554,521,397	528,076,215	26,445,182
Sales Tax	528,670,000	529,756,845	520,404,118	9,352,727
Documentary Transfer Tax	219,096,000	207,814,930	210,069,625	(2,254,695)
Power Revenue Transfer	242,500,000	241,848,000	264,427,000	(22,579,000)
Transient Occupancy Tax	282,100,000	299,107,810	265,653,159	33,454,651
Parking Fines	140,900,000	138,766,393	140,772,515	(2,006,122)
Parking Users' Tax	112,900,000	115,937,182	111,161,383	4,775,799
Franchise Income	58,123,000	56,869,182	42,929,803	13,939,379
State Motor Vehicle License Fees	1,806,000	2,127,491	1,805,785	321,706
Grant Receipts	19,762,428	8,547,824	11,593,579	(3,045,755)
Tobacco Settlement	9,084,000	10,952,059	9,173,622	1,778,437
Residential Development Tax	4,800,000	6,545,400	5,254,814	1,290,586
Special Parking Revenue Transfer	38,632,909	30,999,909	28,341,817	2,658,092
Interest	23,957,000	24,916,474	21,055,645	3,860,829
Transfer from Reserve Fund	9,107,662	9,107,662	35,496,041	(26,388,379)
Total General Fund Receipts	5,826,456,014	5,819,501,980	5,628,789,837	190,712,143

Continued...

SCHEDULE III

Statement of Receipts - Budget and Actual (Continued) (Cash Basis) All Annually Budgeted Funds Fiscal Years Ended June 30, 2018 and 2017

	FY 2018 Adopted Budget	FY 2018 Actual Receipts	FY 2017 Actual Receipts	FY 2018 Receipts Increase (Decrease)
Special Fund Receipts:				
Affordable Housing Trust Fund	\$ 11,162,180	\$ 7,071,133	\$ 5,052,607	\$ 2,018,526
Arts & Cultural Facilities & Services Trust Fund	22,757,572	22,220,468	19,529,823	2,690,645
Arts Development Fee Trust Fund	1,960,000	5,107,657	3,027,546	2,080,111
Building & Safety Permit Enterprise Fund	144,845,604	210,979,349	215,178,961	(4,199,612)
Central Recycling and Transfer Fund	6,100,000	9,840,932	5,984,398	3,856,534
City Employees' Retirement Fund (1)	102,213,802	102,886,161	107,568,091	(4,681,930)
City Employees Ridesharing Fund	3,310,000	3,156,742	3,202,028	(45,286)
City Ethics Commission Fund	3,053,968	3,053,968	2,578,154	475,814
City Tax Levy (Debt Service)	122,623,642	127,048,173	118,306,726	8,741,447
Citywide Recycling Trust Fund	25,350,000	31,087,141	29,479,532	1,607,609
Code Enforcement Trust Fund	39,728,095	41,555,877	39,748,746	1,807,131
Community Development Trust Fund	19,407,771	18,651,506	21,114,330	(2,462,824)
Community Services Administration Grant Fund	1,837,449	1,654,305	1,736,755	(82,450)
Convention Center Revenue Fund	27,656,632	39,447,610	34,770,502	4,677,108
Disaster Assistance Trust Fund	753,000	4,239,472	27,759,192	(23,519,720)
El Pueblo de Los Angeles Historical Monument Fund	4,859,619	5,114,577	5,190,637	(76,060)
Forfeited Assets Trust Fund of Police Dept	--	1,695,768	4,746,487	(3,050,719)
Greater Los Angeles Visitors & Convention Bureau Fund	21,700,000	23,011,424	20,437,133	2,574,291
HOME Investment Partnerships Program Fund	6,450,646	1,738,410	4,406,011	(2,667,601)
Household Hazardous Waste Fund	3,393,000	5,395,020	2,532,075	2,862,945
Housing Opportunities for Persons with AIDS Fund	565,450	336,862	233,872	102,990
Landfill Maintenance Fund	--	10,542	5,228,223	(5,217,681)
Local Public Safety Fund	43,585,631	43,819,134	42,117,124	1,702,010
Local Transportation Fund	11,492,084	8,529,793	4,494,429	4,035,364
Measure M Local Return Fund	39,100,000	42,398,849	--	42,398,849
Measure R Traffic Relief and Rail Expansion Fund	45,400,000	47,813,591	47,981,047	(167,456)
Mobile Source Air Pollution Reduction Trust Fund	4,750,000	5,750,136	5,286,418	463,718
Multi-Family Bulky Item Fund	7,380,000	7,162,527	7,291,617	(129,090)
Municipal Housing Finance Fund	4,827,722	6,172,879	4,411,195	1,761,684
Neighborhood Empowerment Fund	2,595,396	2,665,713	6,136,000	(3,470,287)
Older Americans Act Fund	2,824,648	1,908,008	2,108,022	(200,014)
Park & Recreational Sites & Facilities Fund	2,500,000	3,977,800	3,504,200	473,600
Planning Case Processing Revenue Fund	35,700,000	25,813,620	28,866,248	(3,052,628)
Proposition A Local Transit Assistance Fund	149,432,903	149,173,971	141,277,652	7,896,319
Proposition C Anti-Gridlock Transit Improvement Fund	76,893,531	82,777,740	78,346,371	4,431,369
Rent Stabilization Trust Fund	14,429,625	15,231,547	14,655,243	576,304
Road Maintenance and Rehab Program	--	15,116,259	--	15,116,259

SCHEDULE III

Statement of Receipts - Budget and Actual - (Continued) (Cash Basis) All Annually Budgeted Funds Fiscal Years Ended June 30, 2018 and 2017

Special Fund Receipts: (Continued)	FY 2018 Adopted Budget	FY 2018 Actual Receipts	FY 2017 Actual Receipts	FY 2018 Receipts Increase (Decrease)
Sewer Construction & Maintenance Fund	\$ 999,789,050	\$ 709,398,634	\$ 690,444,552	\$ 18,954,082
Sidewalk Repair Fund	13,749,370	13,896,866	23,304,000	(9,407,134)
Solid Waste Resources Revenue Fund	312,904,849	318,575,318	320,571,535	(1,996,217)
Special Gas Tax Street Improvement Fund:				
State Gas Tax - Section 2103	15,919,497	15,739,387	10,758,677	4,980,710
State Gas Tax - Section 2105	23,428,615	21,933,017	22,649,326	(716,309)
State Gas Tax - Section 2106	14,154,964	13,176,960	13,214,436	(37,476)
State Gas Tax - Section 2107	30,266,380	28,564,472	28,735,667	(171,195)
State Gas Tax - SB1	28,096,617	4,594,723	--	4,594,723
Surface Transportation Program	10,000,000	12,612,146	12,083,174	528,972
Interest on Gas Tax Funds	320,000	107,968	169,201	(61,233)
Other Receipts	--	34,519	249,402	(214,883)
Federal Grants	--	244,946	104,503	140,443
Special Parking Revenue Fund	52,577,091	44,263,808	54,113,286	(9,849,478)
Special Police/911 System Tax Fund	--	--	90,514	(90,514)
Staples Arena Special Fund	4,184,998	1,860,008	6,443,407	(4,583,399)
Stormwater Pollution Abatement Fund	35,901,568	33,257,096	34,894,223	(1,637,127)
Street Damage Restoration Fee Fund	8,310,000	7,403,253	10,209,740	(2,806,487)
Street Lighting Maintenance Assessment Fund	53,121,977	54,940,841	57,374,817	(2,433,976)
Supplemental Law Enforcement Services Fund	6,410,354	9,496,138	9,158,943	337,195
Telecommunications Liquidated Damages and Lost Franchise Fees Fund	18,400,000	18,237,118	18,466,696	(229,578)
Traffic Safety Fund	5,590,000	3,298,298	4,254,730	(956,432)
Workforce Investment Act Fund	16,663,434	13,074,626	11,555,007	1,519,619
Zoo Enterprise Trust Fund	21,279,709	24,324,054	21,670,459	2,653,595
Allocations from Other Governmental Agencies and Sources	90,636,679	83,811,054	41,031,042	42,780,012
Total Special Fund Receipts	2,772,345,122	2,556,459,914	2,455,834,732	100,625,182
Available Balances*	693,324,603	940,193,337	680,467,122	259,726,215
Total Receipts	\$ 9,292,125,739	\$ 9,316,155,231	\$ 8,765,091,691	\$ 551,063,540

*Available Balances includes July 1st cash balance less restricted cash, liabilities, and fund balance reserved for encumbrances.

(1) Retirement contributions from Airport, Harbor, LACERS and LAFPP for civilian employees.

SCHEDULE IV

**Statement of Budget Appropriations, Expenditures and Encumbrances
Budget and Actual (Cash Basis) - All Annually Budgeted Funds
Fiscal Years Ended June 30, 2018 and 2017**

	Adopted Budget FY 2018	Final Appropriation FY 2018	Expenditures & Encumbrances FY 2018	Expenditures & Encumbrances FY 2017	FY 2018 Expenditures & Encumbrances Increase (Decrease)
Aging	\$ 6,383,468	\$ 5,862,692	\$ 5,244,186	\$ 4,907,937	\$ 336,249
Animal Services	23,510,372	23,393,302	22,989,150	22,327,396	661,754
Building & Safety	113,419,110	115,024,124	100,105,252	98,073,970	2,031,282
Cannabis Regulation	789,796	1,696,200	1,284,322	--	1,284,322
City Administrative Officer	15,993,721	18,232,826	16,054,012	17,769,135	(1,715,123)
City Attorney	132,317,890	140,123,701	138,884,251	130,277,498	8,606,753
City Clerk	11,866,290	11,721,807	11,372,747	24,701,850	(13,329,103)
City Ethics Commission	3,111,141	3,110,467	3,072,292	2,785,788	286,504
Economic and Workforce Development	21,121,460	18,849,500	15,585,176	16,185,508	(600,332)
Controller	18,254,672	18,994,293	17,551,396	17,198,694	352,702
Council	27,285,780	45,134,221	34,870,033	32,289,041	2,580,992
Cultural Affairs	13,130,438	15,485,186	11,922,351	11,385,071	537,280
Disability	3,433,542	3,440,698	3,378,042	2,985,567	392,475
El Pueblo	1,553,116	1,838,116	1,757,954	1,726,932	31,022
Emergency Management	3,125,610	3,119,705	3,029,538	3,050,015	(20,477)
Employee Relations Board	418,062	418,062	396,444	338,678	57,766
Finance	38,775,325	39,217,757	37,386,324	37,760,225	(373,901)
Fire	657,373,170	706,283,076	691,555,969	650,278,782	41,277,187
General Services	243,540,401	320,040,029	278,799,910	269,134,759	9,665,151
Information Technology Agency	92,504,244	96,733,875	90,873,382	89,689,284	1,184,098
Housing and Community Investment	79,693,423	82,405,726	70,752,286	65,999,293	4,752,993
LA Convention & Tourism Development	1,580,844	1,580,844	1,507,721	1,487,220	20,501
Mayor	7,147,393	51,223,202	46,964,065	44,484,105	2,479,960
Neighborhood Empowerment	2,812,028	2,926,987	2,921,657	2,384,353	537,304
Personnel	59,805,272	60,291,069	57,845,243	57,795,055	50,188
City Planning and Development	52,113,390	49,108,975	44,097,435	41,308,942	2,788,493
Police	1,578,265,278	1,605,178,411	1,589,107,118	1,514,370,959	74,736,159
Public Accountability	2,374,111	2,360,198	1,138,775	--	1,138,775
Public Works:					
Board Office	20,235,935	24,877,232	24,507,290	22,302,105	2,205,185
Contract Administration	37,525,950	35,292,511	33,543,629	31,938,455	1,605,174
Engineering	87,645,337	92,731,303	87,704,554	86,273,759	1,430,795
Sanitation	272,526,423	275,013,136	262,525,772	247,979,383	14,546,389

Continued ...

SCHEDULE IV

Statement of Budget Appropriations, Expenditures and Encumbrances (Continued) Budget and Actual (Cash Basis) - All Annually Budgeted Funds Fiscal Years Ended June 30, 2018 and 2017

	Adopted Budget FY 2018	Final Budget FY 2018	Expenditures & Encumbrances FY 2018	Expenditures & Encumbrances FY 2017	FY 2018 Expenditures & Encumbrances Increase (Decrease)
Street Lighting	\$ 34,017,036	\$ 39,544,483	\$ 34,514,317	\$ 32,069,059	\$ 2,445,258
Street Services	165,513,522	184,409,281	183,088,861	173,593,204	9,495,657
Transportation	158,499,980	165,770,393	154,252,091	152,027,776	2,224,315
Zoo	22,012,376	21,376,785	20,608,628	19,265,139	1,343,489
Total - Budgetary Departments	<u>4,009,675,906</u>	<u>4,282,810,173</u>	<u>4,101,192,173</u>	<u>3,926,144,937</u>	<u>175,047,236</u>
Library	167,786,809	167,786,809	167,786,809 ⁽¹⁾	157,909,299	9,877,510
Recreation & Parks	189,243,216	190,606,749	190,606,749 ⁽¹⁾	178,363,168	12,243,581
City Employees' Retirement	102,213,802	102,886,161	102,886,161 ⁽¹⁾	107,568,091	(4,681,930)
Tax and Revenue					--
Anticipation Notes	1,114,644,814	1,100,644,814	1,099,999,911	1,085,728,613	14,271,298
Bond Redemption and Interest	122,623,642	124,699,327	124,699,327	119,638,157	5,061,170
Capital Finance Administration	241,643,420	226,672,828	224,790,988	211,486,829	13,304,159
Capital Improvement					--
Expenditure Program	371,572,614	397,193,492	277,539,687	207,499,721	70,039,966
General City Purposes	139,764,373	87,760,756	77,374,811	70,229,724	7,145,087
Human Resources Benefits	682,788,227	693,645,273	691,253,411	648,486,758	42,766,653
Judgment Obligation Bonds					--
Debt Service	9,028,175	9,028,175	9,025,799	9,032,119	(6,320)
Liability Claims	89,090,000	118,929,757	108,184,456	200,768,055	(92,583,599)
Prop. A Local Transit Assistance	233,881,616	232,914,991	139,233,682	94,222,852	45,010,830
Prop. C Anti-Gridlock Transit Improv.	26,927,366	30,914,123	22,584,040	22,815,087	(231,047)
Special Parking Revenue	55,769,006	55,210,460	40,474,297	33,881,610	6,592,687
Unappropriated Balance	101,969,996	43,256,973 ⁽²⁾	--	--	--
Wastewater Special Purpose	521,469,820	514,954,543	444,516,253	427,490,160	17,026,093
Water and Electricity	44,000,000	44,000,000	44,000,000	41,800,000	2,200,000
Other Special Purpose Funds	1,068,032,937	1,099,199,867	646,549,371	675,288,161	(28,738,790)
Total - Nondepartmental	<u>5,282,449,833</u>	<u>5,240,305,098</u>	<u>4,411,505,752</u>	<u>4,292,208,404</u>	<u>119,297,348</u>
Total	<u>\$ 9,292,125,739</u>	<u>\$ 9,523,115,271</u>	<u>\$ 8,512,697,925</u>	<u>\$ 8,218,353,341</u>	<u>\$ 294,344,584</u>

⁽¹⁾ Amount disbursed by allocation to the Departments controlling their own funds.

⁽²⁾ Total final appropriation was \$165,784,681 of which \$122,527,708 was transferred to various departments and is included in Departmental appropriations.

SCHEDULE V

Year-End Encumbrances - General Fund Fiscal Years Ended June 30, 2014 through 2018

	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Aging	\$ 784,210	\$ 331,483	\$ 371,789	\$ 315,531	\$ 161,250
Animal Services	1,800,501	1,875,667	1,713,291	1,271,556	1,394,863
Building & Safety	5,932,923	5,944,753	5,002,186	3,960,132	3,294,285
Cannabis Regulation	360,822	--	--	--	--
City Administrative Officer	2,233,672	3,107,043	2,463,169	1,127,602	1,309,876
City Attorney	11,473,579	11,310,126	9,207,977	9,526,075	11,087,451
City Clerk	809,323	4,310,888	669,342	1,683,310	720,336
City Ethics Commission	316,888	276,579	315,814	139,448	138,048
Controller	2,541,274	2,289,028	3,098,761	2,556,710	1,499,609
Council	3,375,782	2,959,455	2,520,957	2,554,853	1,665,359
Cultural Affairs	3,021,741	3,243,454	3,133,274	2,303,287	2,199,868
Disability	866,616	644,134	431,779	216,976	258,144
Economic and Workforce Dev.	1,183,336	1,636,312	1,323,056	1,360,037	1,129,510
El Pueblo	137,589	133,099	120,970	117,597	157,544
Emergency Management	332,152	183,676	159,098	141,610	116,562
Employee Relations Board	39,117	36,586	67,321	88,547	86,341
Finance	5,299,590	4,873,424	5,344,706	3,295,203	3,071,822
Fire	42,828,994	45,453,527	45,173,866	37,386,972	26,407,276
General Services	45,432,867	40,569,206	41,970,416	21,984,759	24,849,609
Housing and Community Investment	9,392,273	8,078,260	5,449,042	3,829,539	3,127,697
Information Technology Agency	24,418,012	22,864,624	24,183,678	23,215,666	23,601,772
LA Convention and Tourism Dev.	148,048	151,719	228,853	131,233	64,468
Mayor	11,747,680	14,658,839	16,418,766	9,820,185	7,943,498
Neighborhood Empowerment	446,659	254,688	275,218	123,554	150,373
Personnel	5,770,070	5,563,317	5,410,007	5,081,908	4,733,395
Planning	10,026,493	9,981,878	7,475,840	5,360,855	3,753,530
Police	113,346,282	121,096,407	104,286,647	89,026,952	82,092,065
Public Accountability	344,990	--	--	--	--
PW - Board	3,750,894	3,580,627	3,890,116	3,045,885	2,030,197
PW - Contract Administration	2,590,063	2,559,687	2,044,906	1,551,032	1,666,982
PW - Engineering	5,499,304	5,457,167	5,443,971	4,337,551	3,373,336
PW - Sanitation	21,191,936	18,192,313	15,809,074	12,652,168	11,083,791
PW - Street Lighting	2,721,343	3,152,679	2,413,648	1,274,009	1,072,567
PW - Street Services	23,064,413	25,985,714	27,693,135	26,701,862	30,316,392
Transportation	12,998,471	11,949,762	8,957,349	8,593,874	7,651,949
Zoo	1,477,920	1,502,820	1,891,435	1,237,437	1,088,442
Capital Finance Administration	55,752	1,416,375	2,494,560	2,762,860	759,019
Capital Improvement Expenditure	19,505,236	5,404,514	10,544,965	12,061,546	5,252,948
General City Purposes	24,974,004	22,061,502	22,013,723	20,781,898	15,310,731
Human Resources Benefits	5,435,001	5,582,252	7,430,661	10,377,626	28,765,902
Liability Claims	1,311,033	250,000	854,281	--	--
Water and Electricity	21,156,989	19,133,921	22,594,145	20,514,285	18,887,409
Total Encumbrances ⁽¹⁾	\$ 450,143,842	\$ 438,057,505	\$ 420,891,792	\$ 352,512,130	\$ 332,274,216
Encumbrances for Salaries	\$ 198,377,756	\$ 186,672,989	\$ 173,265,077	\$ 144,836,428	\$ 122,549,034
Encumbrances for Other Accounts	251,766,086	251,384,516	247,626,715	207,675,702	209,725,182
Total	\$ 450,143,842	\$ 438,057,505	\$ 420,891,792	\$ 352,512,130	\$ 332,274,216

(1) Includes prior years' encumbrances not yet liquidated.

SCHEDULE VI

General Fund Unencumbered Balances Reverted to the Reserve Fund at June 30, 2014 through 2018

	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Aging	\$ 148,607	\$ 126,548	\$ 197,797	\$ 14,852	\$ 12,168
Animal Services	395,167	1,296,050	495,130	1,764,011	186,937
Building & Safety	814,895	320,592	162,811	838,521	548,604
Cannabis Regulation	411,878	--	--	--	--
City Administrative Officer	2,220,114	2,954,160	1,750,541	3,174,664	2,520,971
City Attorney	334,439	391,549	1,425,512	1,364,781	1,619,650
City Clerk	536,663	2,427,061	918,755	5,544,629	885,618
Controller	1,616,514	938,180	992,877	1,113,290	2,226,264
Council	10,558,823	9,007,805	9,090,656	8,832,811	8,744,784
Cultural Affairs	--	--	--	61,000	--
Disability	87,444	191,686	60,264	180,989	13,847
Economic and Workforce Dev.	634,988	563,268	297,820	160,264	177,762
Emergency Management	90,285	556	87,034	162,354	116,395
Employee Relations Board	25,287	123,246	111,375	70,788	121,785
Finance	1,884,501	1,321,727	2,176,247	1,945,926	1,105,956
Fire	10,052,426	9,308,319	13,743,624	8,447,093	5,480,671
General Services	18,719,988	14,492,122	8,999,105	16,295,534	9,164,321
Housing and Community Investment	890,579	70,054	275,000	353,663	680,380
Information Technology Agency	5,613,781	3,313,922	3,004,658	2,476,791	1,826,827
Mayor	5,228,110	5,350,654	3,543,677	4,226,179	3,575,376
Personnel	1,043,032	1,762,868	1,808,192	1,944,038	3,439,978
Planning	272,595	1,018,316	974,522	1,582,486	1,946,792
Police	11,864,577	3,854,077	12,170,000	9,587,960	19,675,589
Public Accountability	1,221,423	--	--	--	--
PW - Board	111,616	68,775	33,674	182,260	360,589
PW - Contract Administration	252,155	1,822,375	1,400,836	1,798,471	1,483,592
PW - Engineering	200,755	228,067	110,646	166,336	1,661,504
PW - Sanitation	12,368	175	307,039	--	--
PW - Street Lighting	--	--	310	33,611	--
PW - Street Services	4,766,801	10,871,416	17,144,109	18,228,586	669,104
Transportation	1,405,715	2,829,748	3,729,517	4,659,728	431,713
Capital Finance Administration	1,895,715	10,220,101	35,161,953	11,131,178	11,276,525
Capital Improvement Expenditure	40,393,813	27,438,422	17,988,413	33,153,320	36,803,824
General City Purposes	8,345,127	9,518,504	6,728,616	5,813,293	6,473,206
Human Resources Benefits	2,998,986	3,574,301	5,056,107	24,208,459	10,593,479
Liability Claims	8,014,261	251,866	30,655	43,611	180,066
Non-departmental General	647,279	306	5,000,014	13	9,347,146
Unappropriated Balance	26,719,847	14,180,227	76,634,787	9,941,824	13,415,085
Water and Electricity	--	2,539,426	1,088,979	--	1,121,894
Total	\$ 170,430,554	\$ 142,376,469	\$ 232,701,252	\$ 179,503,314	\$ 157,888,402
Less: Unfunded Appropriations	(39,221,974)	--	(115,684,030)	--	--
Net Cash Balances Reverted	\$ 131,208,580	\$ 142,376,469	\$ 117,017,222	\$ 179,503,314	\$ 157,888,402

SCHEDULE VII

General Fund 2017-18 Year-End Uncommitted Balances and 2018-19 Adopted Budget Reappropriations

Department	Uncommitted Balance	Reappropriation Amounts
Aging	\$ 148,607	\$ --
Animal Services	395,167	55,000 *
Building & Safety	814,895	--
Cannabis Regulation	411,878	--
City Administrative Officer	2,220,114	1,275,000 *
City Attorney	334,439	250,000 *
City Clerk	536,663	--
Controller	1,616,514	500,000
Council	10,558,823	10,558,823
Disability	87,444	--
Economic and Workforce Development	634,988	--
Emergency Management	90,285	--
Employee Relations Board	25,287	13,645 *
Finance	1,884,501	90,374 *
Fire	10,052,426	6,737,129 *
General Services	18,719,988	14,293,655
Housing and Community Investment	890,579	--
Information Technology Agency	5,613,781	1,965,000 *
Mayor	5,228,110	5,228,110
Personnel	1,043,032	250,000 *
Planning	272,595	--
Police	11,864,577	606,518 *
Public Accountability	1,221,423	--
PW - Board	111,616	--
PW - Contract Administration	252,155	--
PW - Engineering	200,755	--
PW - Sanitation	12,368	--
PW - Street Services	4,766,801	177,758
Transportation	1,405,715	--
Capital Finance Administration	1,895,715	--
Capital Improvement Expenditure Program	40,393,813	40,393,813
General City Purposes	8,345,127	7,418,167
Human Resources Benefits	2,998,986	--
Liability Claims	8,014,261	--
Non-departmental General	647,279	--
Unappropriated Balance	26,719,847	644,368 *
Total Uncommitted Balances and Reappropriations	170,430,554	90,457,360
Less: Unfunded Appropriations	(39,221,974)	
Total Net Reversion and Reappropriation Amounts	\$ 131,208,580	\$ 90,457,360

*Includes reappropriations approved pursuant to Council Files 17-0600-S119 and 18-0596

SCHEDULE VIII

Year-End Advances From The Reserve Fund For Unfunded Expenditures & Encumbrances as of June 30, 2018

Department	Expenditures	Encumbrances	Total
Council File 17-0600-S115 Advances			
Fire	\$ 235,645	\$ --	\$ 235,645
General Service	27,501	--	27,501
Personnel	4,124	--	4,124
Total	<u>267,270</u>	<u>--</u>	<u>267,270</u>
Charter Section 261(i) Advances			
Aging	186,713	67,871	254,584
Building & Safety	259,963	80,248	340,211
City Administrative Officer	31,574	--	31,574
City Attorney	805,593	--	805,593
Economic and Workforce Development	1,727,788	767,163	2,494,951
Emergency Management	110,000	--	110,000
Fire	1,725,271	--	1,725,271
General Services	2,417,814	3,450,466	5,868,280
Housing and Community Investment	1,195,131	5,916,091	7,111,222
Information Technology Agency	618,173	18,622	636,795
Mayor	1,265,410	--	1,265,410
Personnel	261,168	71,378	332,546
Planning	116,190	15,273	131,463
Police	26,552,356	3,184,433	29,736,789
PW - Board	358,958	4,886	363,843
PW - Contract Administration	255,926	--	255,926
PW - Engineering	2,810,032	71,413	2,881,445
PW - Sanitation	1,348,303	64,650	1,412,953
PW - Street Lighting	2,061,863	51,914	2,113,777
PW - Street Services	3,015,725	699,095	3,714,820
Transportation	--	2,540	2,540
General City Purpose	30,000	--	30,000
Liability Claims	965,700	488,355	1,454,055
Total Charter Section 261(i) Advances	<u>48,119,649</u>	<u>14,954,397</u>	<u>63,074,047</u>
TOTAL	<u>\$ 48,386,920</u>	<u>\$ 14,954,397</u>	<u>\$ 63,341,317</u>

SCHEDULE IX

Statement of General Obligation Bonded Debt Fiscal Year Ended June 30, 2018

Purpose	Outstanding July 1, 2017	Issued	Matured	Refunded	Outstanding June 30, 2018
Series 2005-B - Advance refunding of a portion of Series 1999-B, 2000-A and 2001-A	\$ 26,840,000	\$ --	\$ --	\$ 26,840,000	\$ --
Series 2006-A - Acquisition and improvement of Fire/Paramedic, Animal Shelter, 911-Police-Fire-Paramedic Facilities and finance Water Quality Improvement projects	35,100,000	--	--	35,100,000	--
Series 2008-A - Acquisition and improvement of Stormwater Pollution Abatement projects	52,500,000	--	--	52,500,000	--
Series 2009-A - Acquisition and improvement of Stormwater Pollution Abatement projects	12,875,000	--	8,825,000	--	4,050,000
Series 2009-B - Acquisition and improvement of Stormwater Pollution Abatement projects	52,950,000	--	--	--	52,950,000
Series 2011-A - Acquisition and improvement of Stormwater Pollution Abatement projects	17,550,000	--	5,850,000	--	11,700,000
Series 2011-B - Advance refunding of Series 1999-A and 2001-A and a portion of Series 2002-A and Series 2003-A	192,505,000	--	32,900,000	--	159,605,000
Series 2012-A - Advance refunding of a portion of Series 2004-A and 2005-A	186,300,000	--	22,905,000	--	163,395,000
Series 2016-A - Advance refunding of a portion of Series 2008-A and 2009-A and 2011-A	143,815,000	--	3,570,000	--	140,245,000
Series 2017-A - Proposition HHH Affordable Housing Projects	--	86,370,000	--	--	86,370,000
Series 2017-B - Advance refunding of a portion of Series 2005-B , 2006-A and 2008-A	--	81,895,000	--	--	81,895,000
Total	\$ 720,435,000	\$ 168,265,000	\$ 74,050,000	\$ 114,440,000	\$ 700,210,000

SCHEDULE X

Ratio of Debt Service Requirements to General Fund Receipts Fiscal Year-Ended June 30

Fiscal Year	Debt Service Requirements			General Fund Receipts ⁽¹⁾	Ratio		
	Non-Voter Approved	Voter Approved	Total		Non-Voter Approved	Voter Approved	Total
2009	\$ 185,066,947	\$ 191,308,437	\$ 376,375,384	\$ 4,435,145,176	4.17%	4.31%	8.48%
2010	210,288,273	191,756,276	402,044,549	4,435,433,454	4.74%	4.32%	9.06%
2011	206,824,552	198,867,524	405,692,076	4,304,949,490	4.80%	4.62%	9.42%
2012	207,383,076	188,246,265	395,629,341	4,396,039,813	4.72%	4.28%	9.00%
2013	210,809,036	188,706,822	399,515,858	4,676,009,369	4.51%	4.04%	8.55%
2014	218,868,185	184,843,509	403,711,694	4,960,717,972	4.41%	3.73%	8.14%
2015	221,427,809	152,476,915	373,904,724	5,247,996,736	4.22%	2.91%	7.13%
2016	202,602,933	138,053,738	340,656,671	5,338,013,880	3.80%	2.59%	6.39%
2017	202,443,961	120,166,189	322,610,150	5,628,789,837	3.60%	2.13%	5.73%
2018	211,576,458	104,428,612	316,005,070	5,819,501,980	3.64%	1.79%	5.43%

⁽¹⁾ General Fund receipts have been adjusted upwards to reflect bond proceeds to pay capitalized interest.