

October 11, 2017



# City of Los Angeles

## PRELIMINARY FINANCIAL REPORT

*A Review of the Fiscal Year ended June 30, 2017,  
including Revenues, Expenditures, Reserves, and  
Bonded Indebtedness*



**RON | GALPERIN**  
Los Angeles City Controller

[controller.lacity.org](http://controller.lacity.org)





RON GALPERIN  
CONTROLLER

October 11, 2017

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

**SUBJECT: PRELIMINARY FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2017**

I am submitting my Preliminary Financial Report (Report) on financial operations for the City of Los Angeles for the fiscal year-ended June 30, 2017. 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, the Office of the Controller will issue the City's Comprehensive Annual Financial Report (CAFR) for 2016-17, 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, with ten years data including exhibits and schedules to be found at [pfr.controlpanel.la](http://pfr.controlpanel.la). As always, open data for all of the City financials is available online at ControlPanelLA ([ControllerData.LACity.org](http://ControllerData.LACity.org)) – including information on Special Fund uses and balances, historical Reserve Fund starting balances, and budget appropriations, adjustments, expenditures and revenues.

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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.

2016-17 ended with a number of positive notes, including:

- General Fund revenue increased by 6 percent over 2015-16 to an all-time high of \$5.6 billion;
- Debt service requirements continued to fall due to strategic refinancing, hitting their lowest total since 2004; and,
- Health care costs increased by only 6.4 percent, compared to a nationwide average of more than 20 percent.

However, there are a number of items of concern:

- Liability claims payouts exceeded \$200 million driven by settlement of a large class-action lawsuit and a number of large liability cases;
- The two major General Fund revenues coming from DWP, the Power Revenue Transfer and the Electricity Users Tax, finished the year a cumulative \$51 million less than budgeted;
- Total Salaries increased by 4 percent over the prior year due to net hiring and scheduled pay increases; and,
- The City's two pension systems, LACERS and LAFPP, have both revised their assumed investment returns down from 7.5 percent to 7.25 percent, which is projected to increase required contributions by more than \$100 million annually beginning in 2018-19.

Increases in salaries and pension costs will place constraints on the City's ability to increase spending in future years, especially if revenues do not continue to grow at such a strong rate. The City should further increase the General Fund percentage contributed to the Reserve and Budget Stabilization

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Honorable Members of the Los Angeles City Council  
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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 having helped 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](mailto:matthew.crawford@lacity.org).

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Galperin". The signature is fluid and cursive, with a large initial "R" and a long, sweeping underline.

RON GALPERIN  
Los Angeles City Controller

Attachment

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



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# SUMMARY

The Preliminary Financial Report is organized in four distinct sections:

- 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 Budget
- Reserve Fund: A discussion of the current condition of the City's Reserve Fund, and analysis of the various factors influencing that figure.
- Budget Stabilization Fund: A discussion of the BSF policy and how actual figures compare to the policy
- 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 2016-17 fiscal year, revenue grew by 6.0 percent in the General Fund and 3.6 percent in budgeted special funds. This was led by all-time high receipts from Property Tax, Business Tax, Sales Tax, Transient Occupancy Tax, and building permit fees. Combining General Fund and Special Fund revenue, total revenue increased by 4.0 percent over 2015-16.

Total expenditures grew as well, at a rate of 5.2 percent, due in large part to salary increases and a spike in liability payouts due to several very large legal settlements. While the \$200.8 million total for Liability Claims expenditures is not likely to be matched in 2017-18, it clearly indicates that the City needs to project much higher levels than have been experienced in the past.

City employee health benefit subsidies increased by 6.4 percent, compared to a nationwide average of more than 20 percent. While it is clear that City efforts to rein in health care costs have been relatively successful compared to the overall market, 6.4 growth is still significant, and continued efforts are needed to contain future increases.

As we look forward into the new fiscal year, the City is at a point where it will need to be mindful of the potential challenges which lie ahead. We must not assume that the revenue growth we've experienced over the last few years will continue indefinitely, and we must make financial decisions impacting the future with this in mind.

**Reserve Fund**

The key to preparing for future downturns is to increase the City's reserves during years of strong growth. From 2009 to 2015, with a combination of strong revenue growth and fiscal restraint, the City built its reserves (the Reserve Fund and the Budget Stabilization Fund) from 3.4 percent of the Adopted General Fund Budget, to just short of 10 percent of the Adopted General Fund Budget.

Since 2015, efforts to balance the budget, fund new priorities and cover unanticipated expenditures have cut into these reserves, which have dipped to less than 8 percent. 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 over the last two years. This mismatch may make the City less able to weather the next economic downturn without significant cuts in services.

**Budget Stabilization Fund**

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, 2017 balance in the BSF was \$94.7 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.

**Bonded Indebtedness**

Both total bonded indebtedness and the City's debt service payments continued to fall, with debt service reaching 5.73 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 begin 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 2016-17, providing information on the General Fund, budgeted Special Funds, 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](http://www.lacontroller.org).

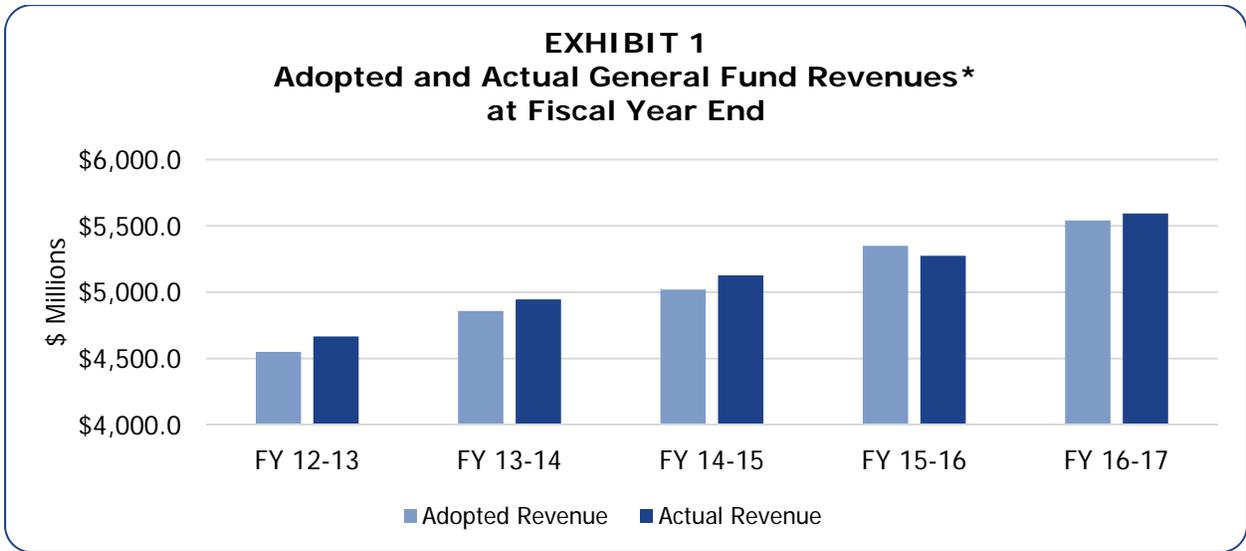
Audited financial statements, prepared in conformity with Generally Accepted Accounting Principles (GAAP), will be presented in the City's Comprehensive Annual Financial Report (CAFR) later this fiscal year.

## **Section I: Revenues and Expenditures**

The Adopted Budget establishes the funding priorities of the Mayor and City Council against anticipated revenues and is required to be balanced, with the City's planned expenditures equal to anticipated revenue. The 2016-17 Adopted Budget totaled \$8.78 billion, of which \$5.57 billion was from the General Fund and \$3.21 billion from Special Funds. At the year end, total receipts were within 1.0 percent of the budget, while total expenditures (including encumbrances) were 6.4 percent less than authorized. Detail of budgeted and actual receipts and expenditures is presented in Schedules III and IV.

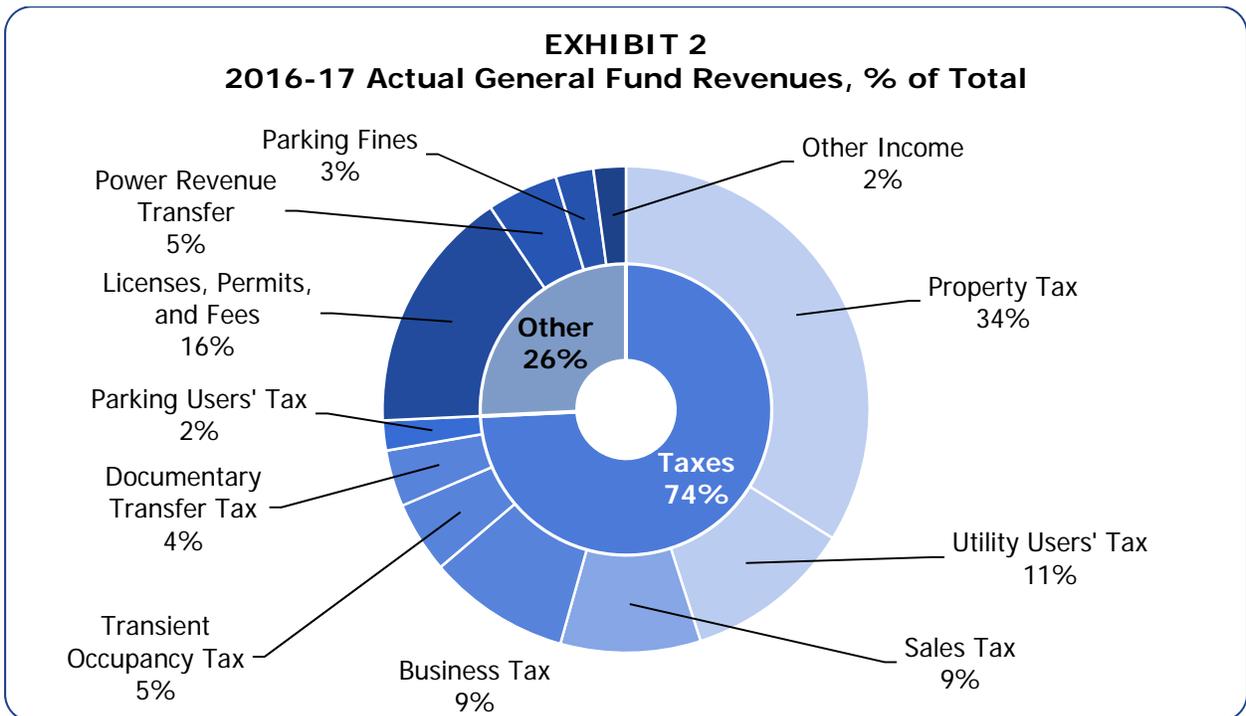
### **General Fund Revenues**

Actual 2016-17 General Fund receipts, excluding transfers from the Reserve Fund, totaled nearly \$5.59 billion, \$52.4 million above the Adopted Budget revenue and \$319 million more than 2015-16. Exhibit 1 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 2 presents 2016-17 actual General Fund revenues by percentage.



General Fund revenues that primarily exceeded budget were Property Tax (\$53.8 million), Business Tax (\$25.8 million), Documentary Transfer Tax (\$7.9 million) and Transient Occupancy Tax (\$19.1 million) receipts.

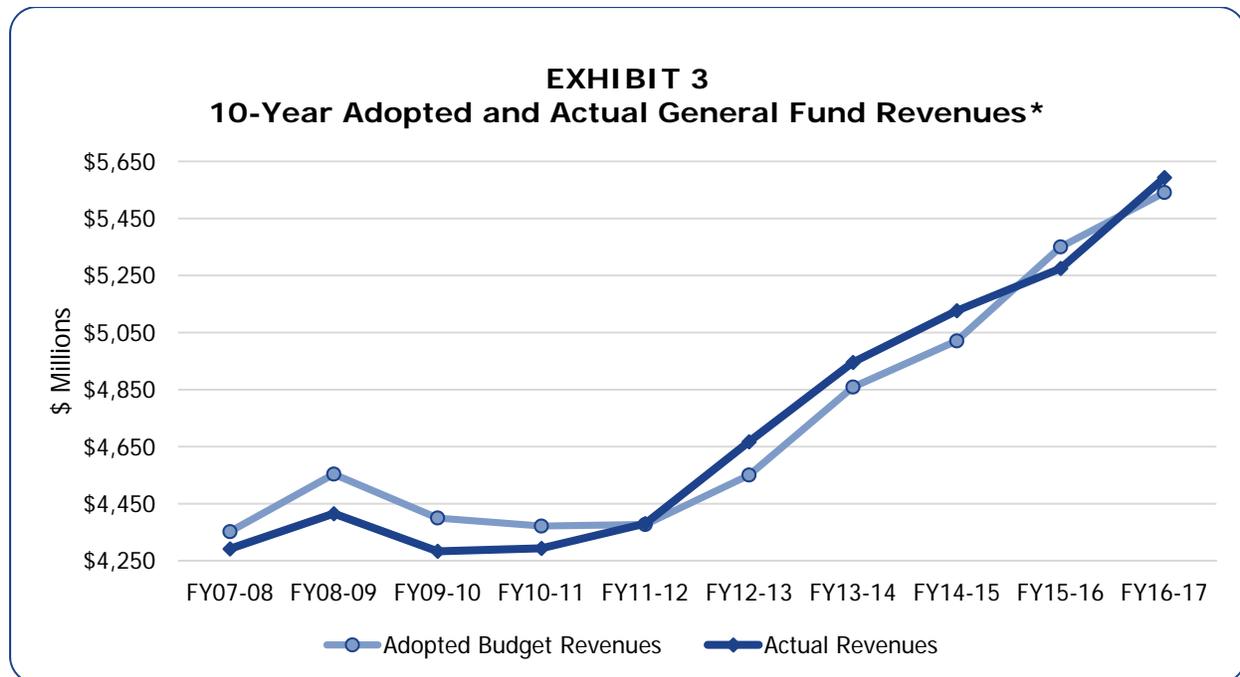
While the budget assumed modest growth for Business Tax receipts due to reduced tax rates and moderate projected economic growth, Business Tax revenue ended the year 5.1 percent higher than projected. The real estate market continued to show strength, with rising prices offsetting a slight reduction in volume, which correlated to better than expected Documentary Transfer Tax revenue. Sale of ex-CRA properties, which are one-time revenues, and reduced Recognized Obligation Payments, which are ongoing, contributed to the additional ex-CRA Property Tax increment revenue.

Transient Occupancy Tax (TOT) receipts included the first year of revenue collected from Airbnb under a negotiated tax collection agreement executed in July 2016. Leaving out the unanticipated \$26 million from that agreement, base TOT was actually short of projected growth by \$7 million or 2.9 percent.

These higher than expected revenues were largely offset by shortfalls in Electric Users' Tax (\$25.4 million) and the Power Revenue Transfer (\$26.6 million). The Electric Users' Tax was short of the Budget due to lower than anticipated sales caused by a mild summer and conservation efforts. The Power Revenue Transfer was also negatively impacted by sales, but was further reduced in anticipation of the resolution of continuing litigation.

Exhibit 3 below presents a 10-year comparison of the City's adopted and actual General Fund receipts, excluding Reserve Fund and Budget Stabilization Fund transfers. Actual receipts exceeded the Adopted Budget from 2011-12 through 2016-17, averaging about 2.0 percent above budget (except in 2015-16 due mostly to misinterpretation of the timing of Property Tax - Sales Tax Replacement or "triple flip" revenue).

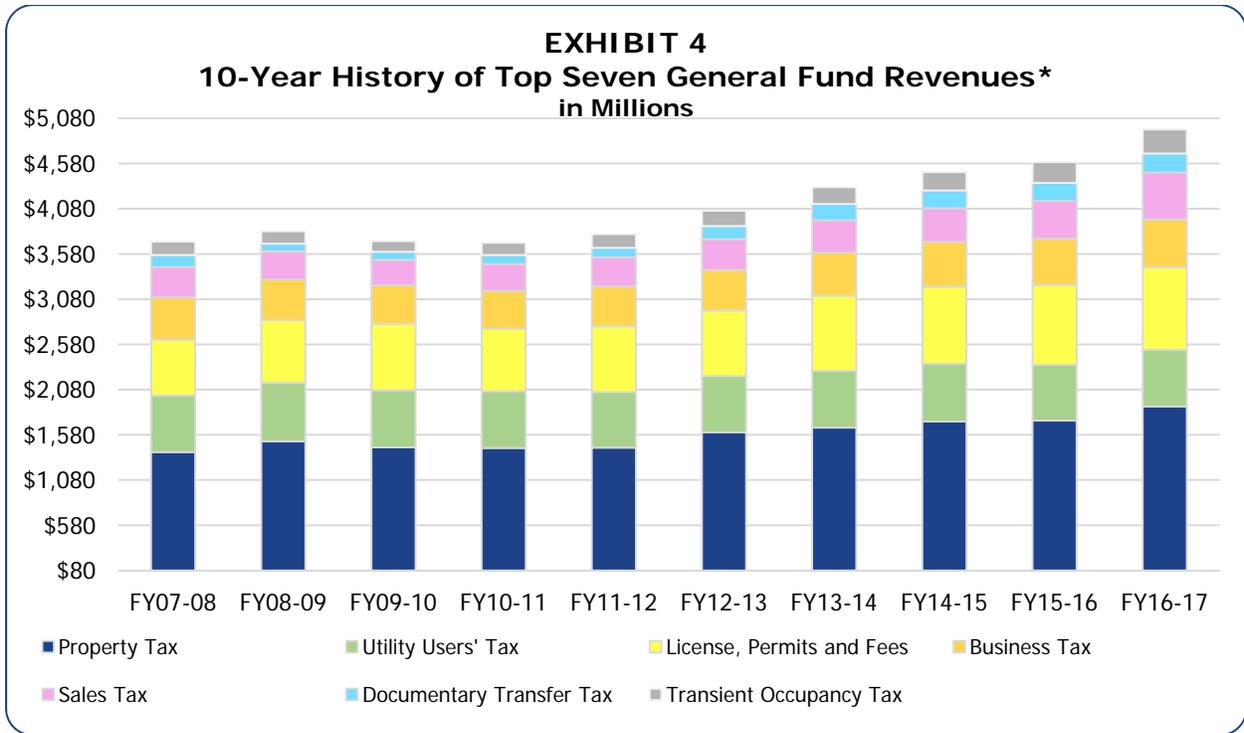
From 2007-08 to 2016-17, General Fund revenue increased by 30 percent, even after taking into account the impact of the economic recession of 2008-2010. During the recovery, General Fund revenue has averaged 4.5 percent growth annually, with 6.0 percent growth from 2015-16 to 2016-17.



\*Excluding transfers from the Reserve and Budget Stabilization Funds

Exhibit 4 below displays a 10-year history of the top seven General Fund receipts, excluding transfers from the Power Revenue Fund. While revenues declined from 2008-09 to 2010-11, reflecting the impact of the recession, they have since rebounded.

Except Utility Users’ Tax revenues, Property Tax, License, Permits and Fees, Business Tax, Sales Tax, Documentary Tax, and Transient Occupancy Tax receipts, were the highest collected in the past ten years. For instance, the City realized \$210 million in Documentary Transfer Tax receipts, an increase of \$126 million or 150 percent from \$84 million in 2008-09. Business Tax receipts increased by \$110 million from 2010-11 or 26 percent despite the impact of the City’s business tax rate reduction program. Excluding 2013-14, Transient Occupancy Tax revenue has experienced average growth of 12 percent since 2010-11, and a 15 percent increase in 2016-17.



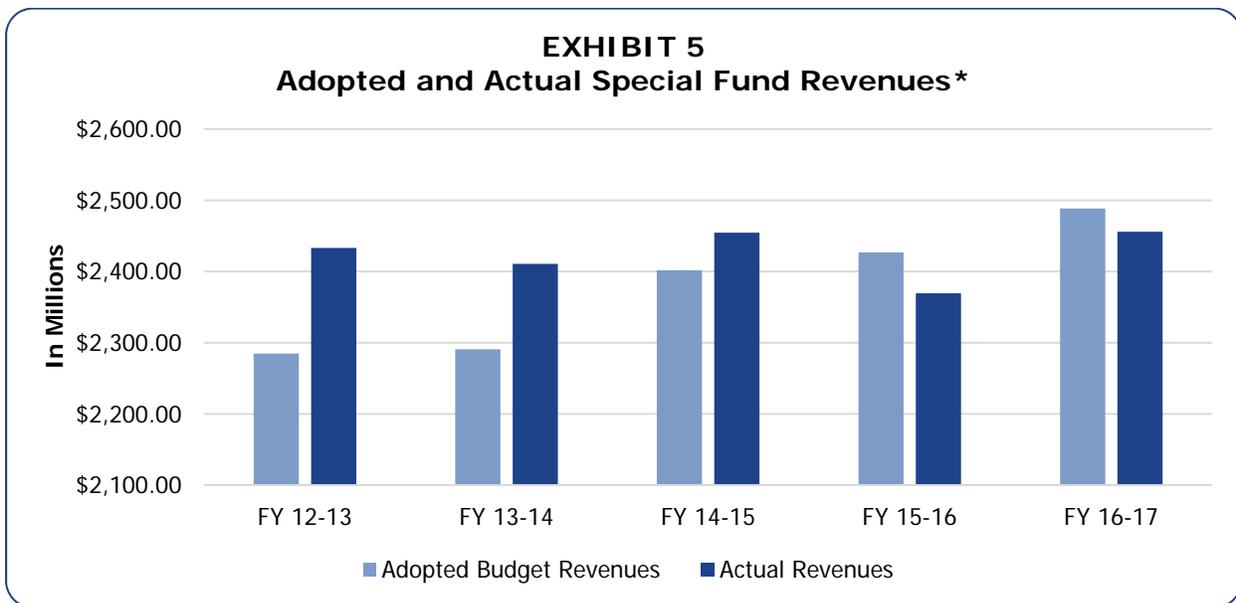
\*Excluding Power Revenue Transfer

**Special Purpose Fund Revenues**

In addition to the General Fund, the City’s budget includes numerous Special Funds. These Special Funds are restricted in use due to law, grant requirements, or City policy.

The City Budget anticipated \$2.488 billion in 2016-17 Special Fund revenues while actual receipts totaled \$2.455 billion, \$33 million less than the Adopted Budget. For a detailed breakdown of Special Fund receipts, please see Schedule III.

Actual 2016-17 Special Fund revenue grew by \$87 million or 3.6 percent from 2015-16. However, this amount was almost identical to the 2014-15 total, as 2015-16 saw abnormally low receipts in the Special Funds. A five-year historical comparison of Special Fund receipts is shown in Exhibit 5.



\*Excluding available balances

As a reference, Exhibit 6 presents the 2015-16 and 2016-17 adopted and actual revenues for selected Special Funds with the highest receipts.

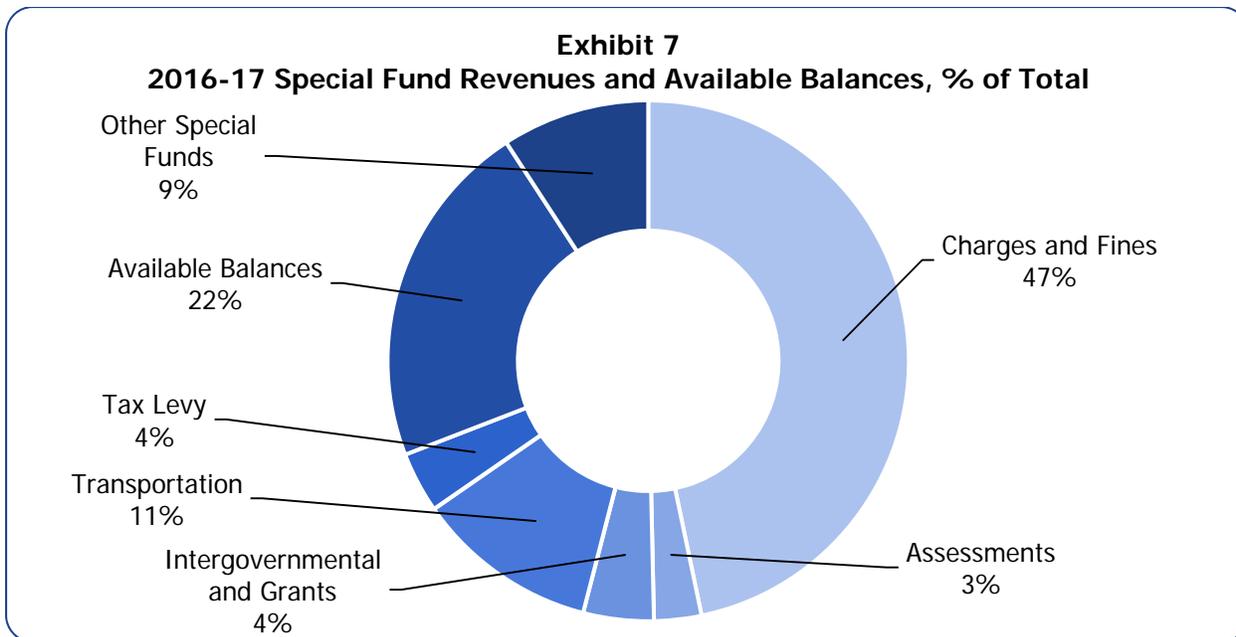
**Exhibit 6  
Top Eight Special Fund Revenues  
Adopted Budget and Actual  
(In Millions)**

	<b>Adopted 2016-17 Budget</b>	<b>Actual 2016-17 Revenues</b>	<b>Actual 2015-16 Revenues</b>
Sewer Construction and Maintenance	\$ 766.2	\$ 690.4	\$ 650.8
Solid Waste Resources Revenue	307.6	320.6	342.3
Building & Safety Permit Enterprise	145.2	215.2	183.8
Proposition A Local Transit Assistance	142.9	141.3	157.5
City Tax Levy (Debt Service)*	122.5	118.3	122.3
City Employees' Retirement**	106.5	107.6	102.9
Special Gas Tax Street Improvement	92.2	88.0	99.4
Proposition C Anti-Gridlock Transit Improvement	75.2	78.3	75.5

\*Revenues are from property tax levy to pay for General Obligation Bonds of the City.

\*\* City Employees' Retirement Fund revenues are from Airport, Harbor and retirement systems for civilian employee retirement contributions.

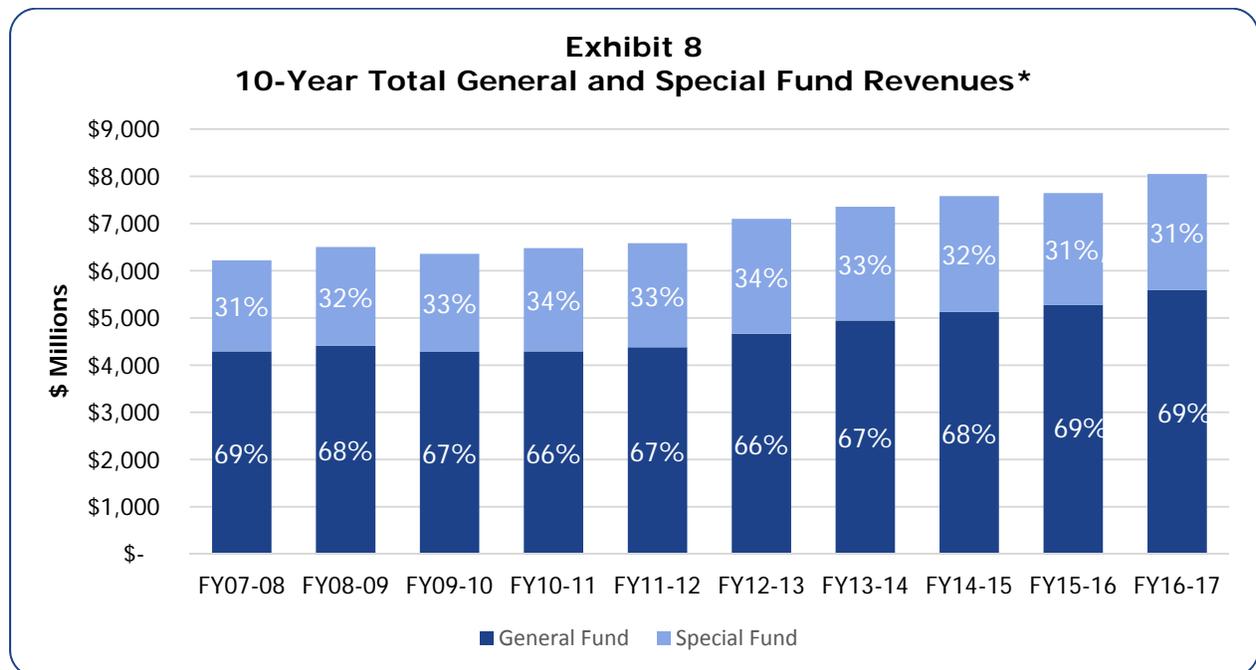
Special Fund revenues are derived from various sources such as specific taxes, fees, grants or other revenue sources that are designated to finance particular functions and activities of the City. Exhibit 7 breaks out actual 2016-17 Special Fund receipts by percentage.



In addition to estimated receipts, Available Balances are allocated to fund eligible program costs consistent with the Special Funds' purposes and restrictions. They represent projected cash balances at the beginning of the fiscal year, after estimating prior year revenues and setting aside funds for expected prior year expenses and encumbrances. Actual July 1 Available Balances in 2016-17 was \$680.5 million, \$31.5 million or 4.4 percent less than the \$711.9 million assumed in the Adopted Budget.

For the past five fiscal years, Available Balances averaged 21 percent of total Special Fund revenues programmed in the City Budget.

Excluding Available Balances, the proportion between the General Fund and Special Fund receipts have stayed relatively stable, about two-thirds to one-third. Exhibit 8 displays a ten-year trend of total General Fund and Special Fund revenues, including percentages of total receipts.



\*General Fund revenues exclude transfers from the Reserve and Budget Stabilization Funds. Special Fund revenues exclude Available Balances.

**Appropriations, Expenditures & Encumbrances**

Overall, total actual expenditures were 6.4 percent lower than the 2016-17 Adopted Budget. However, Liability Claims exceeded its budget by more than 100 percent due to unbudgeted legal settlements and payouts. Human Resources Benefits costs exceeded the Adopted Budget by \$19 million mainly due to reversal of a 1.5 percent employee contribution assumed for the Civilian FLEX program, in addition to higher than projected expenditures for Workers' Compensation costs.

Year-over-year total actual expenditures grew by 5.2 percent. Salaries increased by 4.1 percent, largely attributed to cost of living adjustments for sworn employees and more filled civilian employee positions than the prior fiscal year. Liability Claims exceeded prior year expenditures by nearly \$91 million or 82 percent due to large legal judgments and settlements. Contributions to Library and Recreation and Parks are made pursuant to Charter requirements and were earmarked for library technology and program enhancements, and recreational facility improvements and utility costs, respectively. Higher dental and medical benefits rates for civilian and sworn employees contributed to additional Human Resources Benefits expenses. Debt service payment savings of \$11 million were achieved primarily due to refunding of higher interest rate bonds.

Exhibit 9 below breaks out summarized categories of budgetary and actual expenditures and encumbrances accounts for 2015-16 and 2016-17. 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.

Schedule IV presents a breakdown of total expenditures and encumbrances by department and non-department.

**EXHIBIT 9**  
**Total Expenditures - All Budgeted Funds**  
**(in Millions)**

	<b>Adopted FY 16-17 Budget</b>	<b>Actual FY16-17 Expenses*</b>	<b>Actual FY 15-16 Expenses*</b>
<b>Salaries</b>			
Sworn Fire	\$ 559.6	\$ 564.4	\$ 552.2
Sworn Police	1,161.0	1,181.2	1,133.4
Civilian	1,606.2	1,567.8	1,491.1
<b>Total Salaries</b>	<b>3,326.8</b>	<b>3,313.4</b>	<b>3,176.7</b>
Others Departmental Expenses	521.7	613.0	602.4
<b>Total Budgetary Departments</b>	<b>3,848.5</b>	<b>3,926.4</b>	<b>3,779.1</b>
<b>Nondepartments</b>			
Library	157.9	157.9	147.6
Recreation and Parks	176.6	178.4	166.3
City Employees' Retirement	106.5	107.6	102.9
Tax and Revenue Anticipation Notes	1,095.6	1,085.7	1,063.3
Capital Improvement Expenditure Program	276.1	207.5	229.4
Human Resources Benefits	629.5	648.5	616.0
Liability Claims	68.5	200.8	110.0
Bond Redemption & Interest/JO Bond/Other Debt	361.7	340.2	351.2
Prop A Local Transit Assistance	200.6	94.2	110.9
Wastewater Special Purpose	491.0	427.5	390.1
Other Nondepartments and Special Purpose Funds	1,364.5	843.7	747.7
<b>Total</b>	<b>\$ 8,777.0</b>	<b>\$ 8,218.4</b>	<b>\$ 7,814.5</b>

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 \$438.1 million in encumbrances, \$186.7 million in salaries and \$251.4 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. In contrast, 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.

Encumbrances for expense accounts grew slightly by \$3.8 million or 1.5 percent. For comparison, 2015-16 encumbrances went up by \$40 million or 19.0 percent from 2014-15. During 2016-17, the City Council instructed City departments to reduce expense accounts as part of efforts to mitigate previously mentioned budgetary shortfalls such as Liability Claims and Human Resources Benefits.

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 2016-17 Year-End Financial Status Report, a total of \$40.6 million was exempted from disencumbrance. This is slightly less than the \$42.9 million exempted in 2015-16 but still above the \$25.6 million exempted in 2014-15.

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.

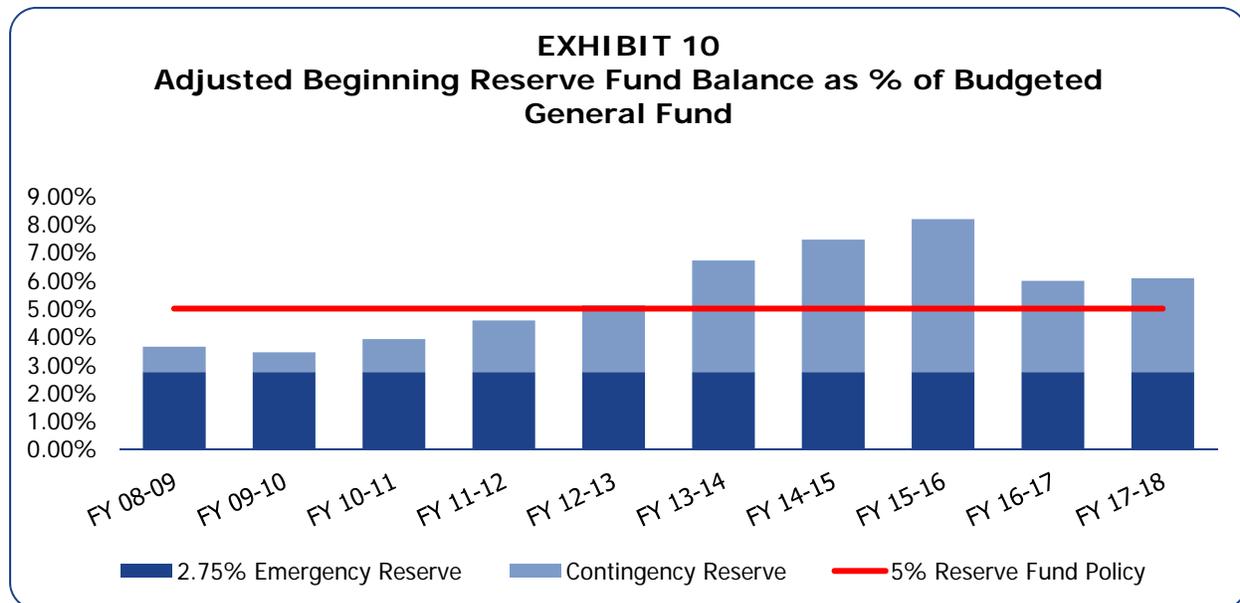
## **Section II: Reserve Fund**

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 10 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**

The Reserve Fund balance at year start 2016-17 was \$334.2 million or 5.99 percent of 2016-17 General Fund receipts. During the fiscal year, the Mayor and City Council approved \$85.8 million in transfers from the Reserve Fund for various purposes. A significant portion of that amount was \$62.2 million to pay for legal settlements, along with \$9.7 million in advances to be reimbursed by Special Funds upon receipt of grants or other revenues.

Facing the possibility that the Reserve Fund would fall below the 5 percent policy goal, the City considered issuance of a \$60 million Judgment Obligation Bond (JOB) in order to reimburse the Reserve for the liability payouts. The City was able to solve the budgetary shortfalls without further Reserve Fund transfer, and revenues performed better than expected in the latter part of the fiscal year, making the JOB unnecessary.

After the 2016-17 accounting close, budgetary appropriations, return of advances, and reappropriations, the fiscal year-start adjusted Reserve Fund balance was \$354.5 million or 6.08 percent of General Fund receipts anticipated in the 2017-18 Adopted Budget, \$63.2 million above the 5.0 percent the Reserve Fund Policy goal.

As shown in Exhibit 11, below, the year-start Reserve Fund balance grew at a high pace from 2013-14 to 2015-16. While this level of growth has not been sustained over the last two years, the 2017-18 year-start Reserve Fund exceeded the 5.12 percent assumed in the Adopted Budget by nearly 1.0 percent, primarily due to excess revenues and uncommitted appropriations.

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**EXHIBIT 11**  
**Adopted and Actual Beginning Reserve Fund Balances**  
**Percentages and Actual Cash Balances (In Millions)**

	<b>Adopted Budget</b>	<b>Actual</b>	<b>Amount</b>
2013-14	5.37%	6.71%	\$326.6
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

### 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 12 details the year-end and year-start adjustments to the Reserve Fund Cash Balance, comparing Adopted Budget versus actual.

**EXHIBIT 12**  
**Reserve Fund Cash Balance**  
**Adopted and Actual**  
**(In Millions)**

	Adopted FY 17-18 Budget	Actual Balance	Difference
Contingency Reserve:			
a. Balance Before Year-End Reversions/Borrowings	\$ 137.4	\$ 136.7	\$ (0.7)
b. Reversion of Uncommitted Balances	118.6	142.4	23.8
c. Unallocated Revenue	9.1	30.2	21.1
d. Advances Under CF# 16-0600-S175	--	-- *	--
e. Advances Under Charter Section 261 (i)	(45.0)	(47.8)	(2.8)
Total Contingency Reserve, Year End	220.1	261.5	41.4
Emergency Reserve, Year End	153.3	153.3	--
Total Reserve Fund, Ending 6/30/17	<b>\$ 373.4</b>	<b>\$ 414.8</b>	<b>\$ 41.4</b>
f. Return of Advances for Unfunded Encumbrances	20.0	10.9	(9.1)
g. Transfer to Budget	(9.1)	(9.1)	--
h. Reappropriations*	(85.7)	(61.7)	24.0
i. Transfer to Budget Stabilization Fund	(0.4)	(0.4)	--
Total Reserve Fund, Year Start Adjusted 7/1/17	<b>\$ 298.2</b>	<b>\$ 354.5</b>	<b>\$ 56.3</b>
Emergency Reserve, Year Start Adjusted	\$ 160.2	\$ 160.2	\$ --
Contingency Reserve, Year Start Adjusted	138.0	194.3	56.3

\*Advance authorized by C.F. 16-0600-S175 was \$3,290. 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 13:

**Reserve Fund Cash Balance (June 30, 2017)**

As of June 30, 2017, after closing the City's General Ledger, the recorded Reserve Fund balance was \$414.8 million. This was \$41.4 million more than the amount anticipated in the 2017-18 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

This category represents 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

This category represents General Fund appropriations that 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 2016-17, the budget estimated \$118.6 million in reversions. The actual amount reverted at the end of the fiscal year was \$142.4 million 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. Surplus receipts of \$30.2 million in 2016-17 reverted to the Reserve Fund and exceeded the estimate by \$21.1 million. This amount is less than the \$52 million surplus previously discussed in Section I, General

Fund Revenues, due to additional appropriations authorized during the year totaling \$20.4 million and other accounting adjustments.

d. Advances Under CF 16-0600-S175

Council File 16-0600-S175 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. An advance of \$3,290 was made for the Fire Department at year close.

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 2017-18 Adopted Budget estimated \$45.0 million in year-end advances whereas actual advances were \$47.8 million, consisting of \$36.9 million in unfunded expenditures and \$10.9 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 (2017-18 Year-Start)**

The 2016-17 year-end Reserve Fund cash balance is not the same as the 2017-18 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 2017-18 Adopted Budget authorized a \$9.1 million transfer from the Reserve Fund as a source of revenue to the General Fund budget.

h. Reappropriations

The 2017-18 Adopted Budget and other Council actions (C.F. 16-0600-S178, 17-0643 and 17-0689) provided that certain uncommitted balances earmarked for specific functions would be automatically reappropriated in the subsequent year if not expended by the year-end. See Schedule VII for reappropriations by department.

Actual reappropriations of \$61.7 million were \$24 million below the \$85.7 million budget, primarily due to lower than estimated CIEP reversions. Only \$27 million in General Funded CIEP projects was reappropriated from the Reserve Fund, \$33 million less than the \$60 million in the Adopted Budget. The \$33 million reverted to the Special Funds from which they were appropriated.

i. Transfer to Budget Stabilization Fund

The 2017-18 Adopted Budget transferred \$422,000 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 \$94.7 million. Exhibit 13 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 \$422,000 into the Fund.

**EXHIBIT 13**  
**Budget Stabilization Fund**  
**(In Thousands)**

	<b>FY15-16</b>	<b>FY 16-17</b>	<b>FY 17-18</b>
	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>
Cash Balance, July 1	\$ 64,774	\$ 92,670	\$ 94,635
Transfer from Reserve Fund	26,940	1,000	422
Interest Income	956	1,069	1,200
Total Receipts	92,670	94,739	96,257
Transfer to Budget	-	-	-
<b>Cash Balance, June 30</b>	<b>\$ 92,670</b>	<b>\$ 94,739</b>	<b>\$ 96,257</b>

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 2017-18 Adopted Budget was \$217.3 million or 5.5 percent. The tax growth above 3.4 percent

was \$83 million, of which \$74.6 million was budgeted for capital expenditures; \$8.0 million for budgetary contingencies in the Unappropriated Balance; and \$422,000 was transferred to the Fund.

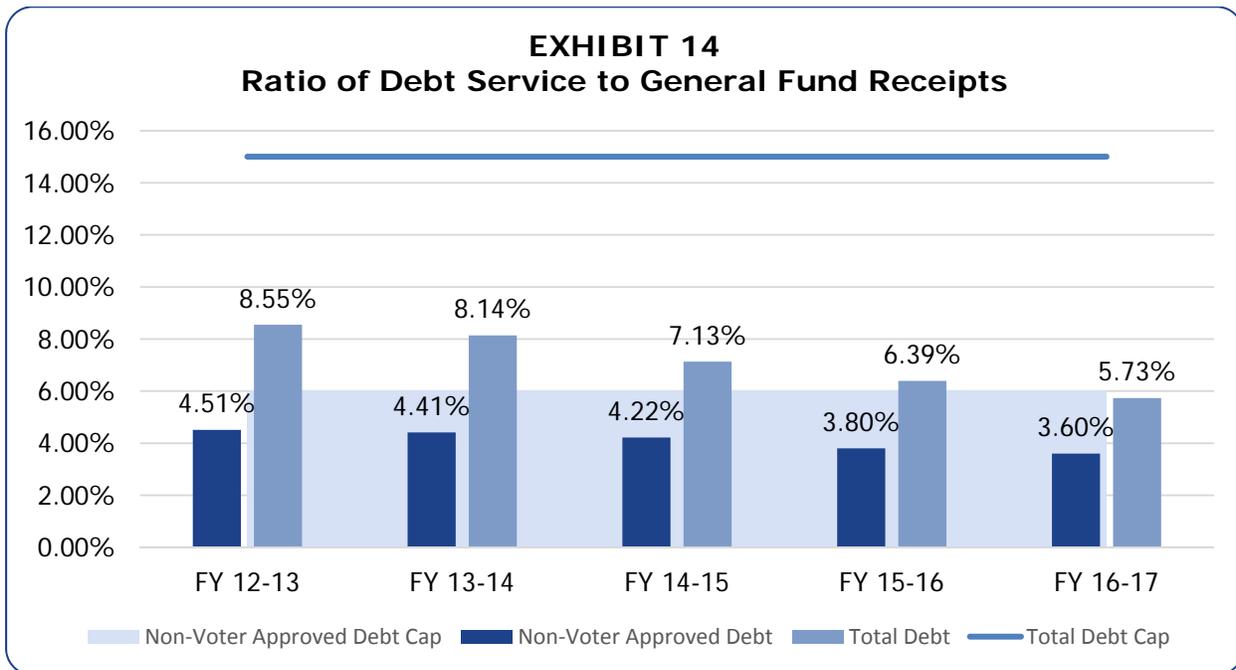
Since the Policy was adopted, the Fund has increased from an initial deposit of \$500,000 to \$95 million in the Adopted Budget. In 2014-15 and 2015-16, revenues above the 3.4 percent threshold were largely utilized to meet the CIEP Policy, as permitted by the Fund Ordinance.

It will be a challenge to consistently grow the Fund if the Fund Ordinance allows the excess revenue to be allocated for CIEP. Funding the City's infrastructure needs, which are vast and significant, may take precedence over the Fund. The Fund was intended to provide resources to help maintain service levels during lean years and to smooth the impact of an economic downturn. In order for the City to achieve its goal of setting aside revenue during periods of economic growth, we recommend that transfers to the Fund be considered separately from the CIEP Policy and to re-visit details of the Policy, potentially including a) which revenue sources are included in the calculation, b) the appropriate definition of "growth", c) instances when the required deposit may be reduced, and d) rules for accessing the funds for budget balancing or one-time uses.

## **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 14, 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 5.73 percent in 2016-17. As evidenced by the ratio’s downward trend, the City has taken full advantage of low interest rates to refinance higher rate bonds. For instance, Schedule IX shows that \$658.5 million of \$720.4 million outstanding General Obligation debt were issued from 2008 to 2016, when benchmark interest rates were at historic lows.



This significant amount of debt capacity may indicate an opportunity to invest in large-scale long-term infrastructure projects, such as information technology modernization.

# 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, 2017

Cash Balance, July 1, 2016	\$ 9,507,464,745
Add - Outstanding Warrants, July 1, 2016	107,706,625
Cash in the Treasury, July 1, 2016	9,615,171,370
Add - Receipts during the year <sup>(1)</sup>	19,375,455,877
Total Available	28,990,627,247
Less - Disbursements during the Year <sup>(1)</sup>	19,222,644,889
Cash in the Treasury, June 30, 2017	9,767,982,358
Less - Outstanding Warrants, June 30, 2017	104,265,486
Cash Balance, June 30, 2017 <sup>(2)</sup>	<u>\$ 9,663,716,872</u>

June 30, 2017 Cash Balances by Fund Type:

General Fund	\$ 1,016,319,382
Special Revenue	2,511,824,845
Debt Service	128,734,963
Capital Projects	449,324,260
Proprietary - Enterprise	5,331,680,330
Pension Trust	19,377,924
Agency	310,720,654
Cash in the Treasury, June 30, 2017	\$ 9,767,982,358
Less - Outstanding Warrants, June 30, 2017	104,265,486
Cash Balance, June 30, 2017 <sup>(2)</sup>	<u>\$ 9,663,716,872</u>

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

<sup>(2)</sup> Excludes cash with fiscal agents, petty cash, other revolving funds, and time deposits held for safekeeping by the City Treasurer totalling \$143,328,677.

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, 2017, 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, 2017

Cash Balance Ending June 30, 2016		\$ 475,360,638
Receipts:		
Return of Advances Under Charter Section 261(i) for:		
Unfunded Expenditures	\$ 25,564,380	
Unfunded Encumbrances	22,203,585	
Return of Loans from Other Funds	8,023,963	
Transfer of Power Revenue Surplus	264,427,000	
Transfer of Special Parking Revenue Surplus	28,341,817	
Early Reversion of Unencumbered Balance	4,314,565	
Year-End Reversion of Unencumbered Balance	142,376,469	
Unallocated Revenue	30,193,298	
Miscellaneous	5,173,924	<u>530,619,001</u>
Total Available Cash		1,005,979,639
Disbursements:		
Transfer to Budget	35,496,041	
Transfer to General Fund of Power Revenue Surplus	264,427,000	
Transfer to General Fund of Special Parking Revenue Surplus	28,341,817	
Transfer to Budget Stabilization Fund	1,000,000	
Transfers to Other Funds	119,694,008	
Loans to Other Funds	50,799,921	
Reappropriations of Prior Year Funds for Capital Improvements and Other Departmental Accounts	43,570,763	
Advances Under Charter Section 261(i) for:		
Unfunded Expenditures	36,883,884	
Unfunded Encumbrances	10,883,154	
Advances for Unfunded Expenditures per CF16-0600-S175	<u>3,290</u>	<u>591,099,878</u>
Cash Balance Ending June 30, 2017		<u>\$ 414,879,761</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, 2017, the total Contingency account is \$261,527,761 and the Emergency account is \$153,352,000.

# SCHEDULE III

**Statement of Receipts - Budget and Actual  
(Cash Basis)  
All Annually Budgeted Funds  
Fiscal Years Ended June 30, 2017 and 2016**

	<b>FY 2017 Adopted Budget</b>	<b>FY 2017 Actual Receipts</b>	<b>FY 2016 Actual Receipts</b>	<b>FY 2017 Receipts Increase (Decrease)</b>
General Fund Receipts:				
Property Tax:				
Property Tax 1%	\$ 1,309,741,000	\$ 1,314,873,955	\$ 1,257,498,766	\$ 57,375,189
Property Tax - Sales Tax Replacement	63,568,000	63,637,287	36,710,370	26,926,917
Property Tax - Vehicle License Fee Replacement	412,760,000	412,737,649	387,566,541	25,171,108
Total Property Tax	<u>1,786,069,000</u>	<u>1,791,248,891</u>	<u>1,681,775,677</u>	<u>109,473,214</u>
Property Tax - Ex-CRA Tax Increment	54,594,000	103,262,043	55,695,899	47,566,144
Utility Users' Tax:				
Electric Users' Tax	382,000,000	356,616,517	360,304,680	(3,688,163)
Telephone Users' Tax	185,700,000	194,481,399	188,005,526	6,475,873
Gas Users Tax	66,300,000	73,733,233	66,391,557	7,341,676
Total Utility Users' Tax	<u>634,000,000</u>	<u>624,831,149</u>	<u>614,701,763</u>	<u>10,129,386</u>
Licenses, Permits, Fees and Fines	923,482,295	913,232,633	887,441,575	25,791,058
Business Tax	502,300,000	528,076,215	509,764,903	18,311,312
Sales Tax	520,020,000	520,404,118	417,541,388	102,862,730
Documentary Transfer Tax	202,184,000	210,069,625	198,437,662	11,631,963
Power Revenue Transfer	291,000,000	264,427,000	266,957,000	(2,530,000)
Transient Occupancy Tax	246,569,000	265,653,159	230,817,628	34,835,531
Parking Fines	152,000,000	140,772,515	147,883,939	(7,111,424)
Parking Users' Tax	111,000,000	111,161,383	111,144,216	17,167
Franchise Income	42,180,000	42,929,803	43,092,592	(162,789)
State Motor Vehicle License Fees	1,596,590	1,805,785	1,596,590	209,195
Grant Receipts	12,056,599	11,593,579	12,368,342	(774,763)
Tobacco Settlement	9,106,000	9,173,622	8,919,407	254,215
Transfer From Telecommunications Development Account	--	--	5,223,022	(5,223,022)
Residential Development Tax	4,740,000	5,254,814	4,365,690	889,124
Special Parking Revenue Transfer	28,341,817	28,341,817	56,071,889	(27,730,072)
Interest	19,700,000	21,055,645	20,965,250	90,395
Transfer from Reserve Fund	35,496,041	35,496,041	60,312,889	(24,816,848)
Total General Fund Receipts	<u>5,576,435,342</u>	<u>5,628,789,837</u>	<u>5,335,077,321</u>	<u>293,712,516</u>

Continued...

# SCHEDULE III

## Statement of Receipts - Budget and Actual (Continued) (Cash Basis) All Annually Budgeted Funds Fiscal Years Ended June 30, 2017 and 2016

	FY 2017 Adopted Budget	FY 2017 Actual Receipts	FY 2016 Actual Receipts	FY 2017 Receipts Increase (Decrease)
<b>Special Fund Receipts:</b>				
Affordable Housing Trust Fund	\$ 69,129,467	\$ 5,052,607	\$ 37,864,239	\$ (32,811,632)
Arts & Cultural Facilities & Services Trust Fund	19,314,295	19,529,823	16,803,918	2,725,905
Arts Development Fee Trust Fund	1,947,000	3,027,546	2,625,014	402,532
Building & Safety Permit Enterprise Fund	145,157,726	215,178,961	183,834,311	31,344,650
Central Recycling and Transfer Fund	6,090,000	5,984,398	6,542,884	(558,486)
City Employees' Retirement Fund (1)	106,456,869	107,568,091	102,940,315	4,627,776
City Employees Ridesharing Fund	3,195,656	3,202,028	3,319,559	(117,531)
City Ethics Commission Fund	2,578,154	2,578,154	2,452,515	125,639
City Tax Levy (Debt Service)	122,494,656	118,306,726	122,293,028	(3,986,302)
Citywide Recycling Trust Fund	22,350,000	29,479,532	26,436,967	3,042,565
Code Enforcement Trust Fund	42,882,250	39,748,746	42,491,430	(2,742,684)
Community Development Trust Fund	21,910,312	21,114,330	21,305,392	(191,062)
Community Services Administration Grant Fund	1,460,392	1,736,755	1,750,353	(13,598)
Convention Center Revenue Fund	25,481,784	34,770,502	36,029,198	(1,258,696)
Disaster Assistance Trust Fund	27,679,792	27,759,192	17,678,049	10,081,143
El Pueblo de Los Angeles Historical Monument Fund	4,815,768	5,190,637	4,967,863	222,774
Forfeited Assets Trust Fund of Police Dept	--	4,746,487	5,356,523	(610,036)
Greater Los Angeles Visitors & Convention Bureau Fund	18,523,077	20,437,133	17,757,095	2,680,038
HOME Investment Partnerships Program Fund	5,624,723	4,406,011	4,193,711	212,300
Household Hazardous Waste Fund	3,393,000	2,532,075	3,372,171	(840,096)
Housing Opportunities for Persons with AIDS Fund	411,006	233,872	295,044	(61,172)
Landfill Maintenance Fund	4,935,261	5,228,223	3,259,261	1,968,962
Local Public Safety Fund	42,828,631	42,117,124	40,603,741	1,513,383
Local Transportation Fund	2,668,562	4,494,429	2,644,444	1,849,985
Measure R Traffic Relief and Rail Expansion Fund	46,065,000	47,981,047	45,174,524	2,806,523
Mobile Source Air Pollution Reduction Trust Fund	4,740,000	5,286,418	5,218,493	67,925
Multi-Family Bulky Item Fund	6,580,000	7,291,617	7,235,131	56,486
Municipal Housing Finance Fund	2,912,000	4,411,195	4,910,657	(499,462)
Neighborhood Empowerment Fund	6,062,479	6,136,000	5,841,739	294,261
Older Americans Act Fund	2,827,098	2,108,022	1,886,911	221,111
Park & Recreational Sites & Facilities Fund	3,000,000	3,504,200	2,705,913	798,287
Planning Case Processing Revenue Fund	25,824,050	28,866,248	22,015,458	6,850,790
Proposition A Local Transit Assistance Fund	142,921,411	141,277,652	157,480,472	(16,202,820)
Proposition C Anti-Gridlock Transit Improvement Fund	75,234,558	78,346,371	75,537,384	2,808,987
Rent Stabilization Trust Fund	12,582,640	14,655,243	14,470,883	184,360
Sewer Construction & Maintenance Fund	766,225,381	690,444,552	650,773,744	39,670,808

# SCHEDULE III

## Statement of Receipts - Budget and Actual - (Continued) (Cash Basis) All Annually Budgeted Funds Fiscal Years Ended June 30, 2017 and 2016

Special Fund Receipts: (Continued)	FY 2017 Adopted Budget	FY 2017 Actual Receipts	FY 2016 Actual Receipts	FY 2017 Receipts Increase (Decrease)
Sidewalk Repair Fund	23,306,000	23,304,000	2,928,060	20,375,940
Solid Waste Resources Revenue Fund	307,581,889	320,571,535	342,277,351	(21,705,816)
Special Gas Tax Street Improvement Fund:				
State Gas Tax - Section 2103	16,040,000	10,758,677	20,327,056	(9,568,379)
State Gas Tax - Section 2105	22,346,000	22,649,326	22,216,699	432,627
State Gas Tax - Section 2106	13,122,000	13,214,436	13,033,703	180,733
State Gas Tax - Section 2107	28,552,000	28,735,667	28,949,182	(213,515)
Surface Transportation Program	11,300,000	12,083,174	13,648,865	(1,565,691)
Interest on Gas Tax Funds	300,000	169,201	483,408	(314,207)
Other Receipts	34,000	249,402	34,779	214,623
Federal Grants	500,000	104,503	694,010	(589,507)
Special Parking Revenue Fund	52,664,798	54,113,286	25,518,493	28,594,793
Special Police/911 System Tax Fund	--	90,514	153,780	(63,266)
Staples Arena Special Fund	3,938,585	6,443,407	115,022	6,328,385
Stormwater Pollution Abatement Fund	34,701,221	34,894,223	45,806,500	(10,912,277)
Street Damage Restoration Fee Fund	10,583,017	10,209,740	9,684,478	525,262
Street Lighting Maintenance Assessment Fund	52,214,330	57,374,817	52,165,219	5,209,598
Supplemental Law Enforcement Services Fund	6,407,000	9,158,943	8,536,576	622,367
Telecommunications Liquidated Damages and Lost Franchise Fees Fund	19,650,000	18,466,696	13,899,667	4,567,029
Traffic Safety Fund	5,054,000	4,254,730	5,100,274	(845,544)
Workforce Investment Act Fund	19,046,097	11,555,007	11,657,559	(102,552)
Zoo Enterprise Trust Fund	20,526,113	21,670,459	20,874,201	796,258
Allocations from Other Governmental Agencies and Sources	44,406,315	41,031,042	31,119,357	9,911,685
<b>Total Special Fund Receipts</b>	<b>2,488,576,363</b>	<b>2,455,834,732</b>	<b>2,369,292,573</b>	<b>86,542,159</b>
Available Balances	711,949,569	680,467,122	720,021,495	(39,554,373)
<b>Total Receipts</b>	<b>\$ 8,776,961,274</b>	<b>\$ 8,765,091,691</b>	<b>\$ 8,424,391,389</b>	<b>\$ 340,700,302</b>

<sup>(1)</sup> 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, 2017 and 2016**

	Adopted Budget FY 2017	Final Appropriation FY 2017	Expenditures & Encumbrances FY 2017	Expenditures & Encumbrances FY 2016	FY 2017 Expenditures & Encumbrances Increase (Decrease)
Aging	\$ 6,012,577	\$ 5,842,739	\$ 4,907,937	\$ 3,936,957	\$ 970,980
Animal Services	23,982,367	23,716,220	22,327,396	22,235,490	91,906
Building & Safety	104,564,555	105,972,482	98,073,970	87,458,722	10,615,248
City Administrative Officer	17,919,939	20,948,390	17,769,135	17,270,823	498,312
City Attorney	119,145,001	131,047,123	130,277,498	124,215,956	6,061,542
City Clerk	25,853,005	27,116,707	24,701,850	9,626,031	15,075,819
City Ethics Commission	2,977,195	2,956,339	2,785,788	2,836,758	(50,970)
Economic and Workforce Development	20,095,275	20,185,170	16,185,508	15,854,083	331,425
Controller	18,233,294	18,072,215	17,198,694	17,171,229	27,465
Council	24,307,322	41,244,553	32,289,041	30,939,285	1,349,756
Cultural Affairs	12,387,660	13,441,441	11,385,071	10,385,965	999,106
Disability	3,229,297	3,141,521	2,985,567	2,701,071	284,496
El Pueblo	1,770,493	1,770,220	1,726,932	1,644,484	82,448
Emergency Management	2,618,575	3,314,164	3,050,015	3,027,843	22,172
Employee Relations Board	424,485	420,264	338,678	349,237	(10,559)
Finance	37,564,028	38,943,221	37,760,225	36,835,001	925,224
Fire	633,220,936	660,530,087	650,278,782	619,706,894	30,571,888
General Services	243,730,070	302,140,698	269,134,759	313,208,628	(44,073,869)
Information Technology Agency	90,308,264	93,289,195	89,689,284	97,032,173	(7,342,889)
Housing and Community Investment	64,872,877	73,739,769	65,999,293	64,496,245	1,503,048
LA Convention & Tourism Development	1,591,167	1,577,644	1,487,220	1,484,857	2,363
Mayor	6,982,560	48,624,336	44,484,105	43,040,138	1,443,967
Neighborhood Empowerment	2,546,078	2,467,861	2,384,353	2,882,158	(497,805)
Personnel	60,590,577	60,147,529	57,795,055	56,347,901	1,447,154
City Planning and Development	45,608,752	46,165,954	41,308,942	34,152,356	7,156,586
Police	1,485,553,257	1,526,004,243	1,514,370,959	1,444,983,934	69,387,025
Public Works:					
Board Office	18,054,427	22,918,206	22,302,105	21,883,524	418,581
Contract Administration	37,228,196	35,679,056	31,938,455	29,765,232	2,173,223
Engineering	86,492,282	93,217,914	86,273,759	78,822,648	7,451,111
Sanitation	256,947,054	263,722,834	247,979,383	231,721,222	16,258,161
Street Lighting	31,584,181	37,455,667	32,069,059	30,521,746	1,547,313
Street Services	181,569,603	189,825,013	173,593,204	162,061,053	11,532,151

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, 2017 and 2016

	Adopted Budget FY 2017	Final Budget FY 2017	Expenditures & Encumbrances FY 2017	Expenditures & Encumbrances FY 2016	FY 2017 Expenditures & Encumbrances Increase (Decrease)
Transportation	\$ 160,165,036	\$ 162,856,291	\$ 152,027,776	\$ 141,296,853	\$ 10,730,923
Zoo	20,381,263	20,495,935	19,265,139	19,227,525	37,614
Total - Budgetary Departments	<u>3,848,511,648</u>	<u>4,098,991,001</u>	<u>3,926,144,937</u>	<u>3,779,124,022</u>	<u>147,020,915</u>
Library	157,909,299	157,909,299	157,909,299 <sup>(1)</sup>	147,623,777	10,285,522
Recreation & Parks	176,641,855	178,363,168	178,363,168 <sup>(1)</sup>	166,347,015	12,016,153
City Employees' Retirement	106,456,869	107,568,091	107,568,091 <sup>(1)</sup>	102,940,315	4,627,776
Tax and Revenue					--
Anticipation Notes	1,095,628,745	1,085,728,613	1,085,728,613	1,063,266,583	22,462,030
Bond Redemption and Interest	122,494,656	122,494,656	119,638,157	137,526,469	(17,888,312)
Capital Finance Administration	230,140,425	221,395,879	211,486,829	204,605,587	6,881,242
Capital Improvement					--
Expenditure Program	276,145,149	208,728,751	207,499,721	229,441,541	(21,941,820)
General City Purposes	167,735,746	81,405,120	70,229,724	65,460,597	4,769,127
Human Resources Benefits	629,485,100	650,645,100	648,486,758	615,950,631	32,536,127
Judgment Obligation Bonds					--
Debt Service	9,032,425	9,032,425	9,032,119	9,031,011	1,108
Liability Claims	68,450,000	204,829,807	200,768,055	110,013,225	90,754,830
Prop. A Local Transit Assistance	200,613,808	209,378,028	94,222,852	110,850,322	(16,627,470)
Prop. C Anti-Gridlock Transit Improv.	27,858,368	35,105,402	22,815,087	20,911,149	1,903,938
Special Parking Revenue	48,386,434	48,097,581	33,881,610	30,211,963	3,669,647
Unappropriated Balance	42,747,945	14,380,228 <sup>(2)</sup>	--	--	--
Wastewater Special Purpose	490,986,961	490,103,101	427,490,160	390,066,263	37,423,897
Water and Electricity	41,800,000	41,800,000	41,800,000	40,978,000	822,000
Other Special Purpose Funds	1,035,935,841	1,106,765,002	675,288,161	590,159,439	85,128,722
Total - Nondepartmental	<u>4,928,449,626</u>	<u>4,973,730,251</u>	<u>4,292,208,404</u>	<u>4,035,383,887</u>	<u>256,824,517</u>
Total	<u>\$ 8,776,961,274</u>	<u>\$ 9,072,721,252</u>	<u>\$ 8,218,353,341</u>	<u>\$ 7,814,507,909</u>	<u>\$ 403,845,432</u>

<sup>(1)</sup> Amount disbursed by allocation to the Departments controlling their own funds.

<sup>(2)</sup> Total final appropriation was \$238,509,537 of which \$224,129,309 was transferred to various departments and is included in Departmental appropriations.

# SCHEDULE V

## Year-End Encumbrances - General Fund Fiscal Years Ended June 30, 2013 through 2017

	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Aging	\$ 331,483	\$ 371,789	\$ 315,531	\$ 161,250	\$ 179,047
Animal Services	1,875,667	1,713,291	1,271,556	1,394,863	1,008,306
Building & Safety	5,944,753	5,002,186	3,960,132	3,294,285	2,975,012
City Administrative Officer	3,107,043	2,463,169	1,127,602	1,309,876	1,405,732
City Attorney	11,310,126	9,207,977	9,526,075	11,087,451	10,310,467
City Clerk	4,310,888	669,342	1,683,310	720,336	3,051,150
City Ethics Commission	276,579	315,814	139,448	138,048	103,804
Controller	2,289,028	3,098,761	2,556,710	1,499,609	1,833,498
Council	2,959,455	2,520,957	2,554,853	1,665,359	1,750,981
Cultural Affairs	3,243,454	3,133,274	2,303,287	2,199,868	1,921,003
Disability	644,134	431,779	216,976	258,144	183,422
Economic and Workforce Dev. <sup>(1)</sup>	1,636,312	1,323,056	1,360,037	1,129,510	1,405,085
El Pueblo	133,099	120,970	117,597	157,544	107,082
Emergency Management	183,676	159,098	141,610	116,562	116,817
Employee Relations Board	36,586	67,321	88,547	86,341	93,590
Finance	4,873,424	5,344,706	3,295,203	3,071,822	2,558,257
Fire	45,453,527	45,173,866	37,386,972	26,407,276	25,706,809
General Services	40,569,206	41,970,416	21,984,759	24,849,609	26,180,452
Housing and Community Investment <sup>(2)</sup>	8,078,260	5,449,042	3,829,539	3,127,697	2,099,118
Information Technology Agency	22,864,624	24,183,678	23,215,666	23,601,772	21,480,392
LA Convention and Tourism Development	151,719	228,853	131,233	64,468	996,740
Mayor	14,658,839	16,418,766	9,820,185	7,943,498	10,179,527
Neighborhood Empowerment	254,688	275,218	123,554	150,373	126,385
Personnel	5,563,317	5,410,007	5,081,908	4,733,395	4,698,696
Planning	9,981,878	7,475,840	5,360,855	3,753,530	3,246,937
Police	121,096,407	104,286,647	89,026,952	82,092,065	62,515,136
PW - Board	3,580,627	3,890,116	3,045,885	2,030,197	1,662,500
PW - Contract Administration	2,559,687	2,044,906	1,551,032	1,666,982	1,218,785
PW - Engineering	5,457,167	5,443,971	4,337,551	3,373,336	3,634,041
PW - Sanitation	18,192,313	15,809,074	12,652,168	11,083,791	11,800,493
PW - Street Lighting	3,152,679	2,413,648	1,274,009	1,072,567	1,291,895
PW - Street Services	25,985,714	27,693,135	26,701,862	30,316,392	20,418,735
Transportation	11,949,762	8,957,349	8,593,874	7,651,949	7,184,939
Zoo	1,502,820	1,891,435	1,237,437	1,088,442	1,305,802
Capital Finance Administration	1,416,375	2,494,560	2,762,860	759,019	272,208
Capital Improvement Expenditure Program	5,404,514	10,544,965	12,061,546	5,252,948	4,074,272
General City Purposes	22,061,502	22,013,723	20,781,898	15,310,731	14,187,346
Human Resources Benefits	5,582,252	7,430,661	10,377,626	28,765,902	22,820,854
Liability Claims	250,000	854,281	--	--	125,000
Water and Electricity	19,133,921	22,594,145	20,514,285	18,887,409	17,932,384
<b>Total Encumbrances <sup>(3)</sup></b>	<b>\$ 438,057,505</b>	<b>\$ 420,891,792</b>	<b>\$ 352,512,130</b>	<b>\$ 332,274,216</b>	<b>\$ 294,162,699</b>
Encumbrances for Salaries	\$ 186,672,989	\$ 173,265,077	\$ 144,836,428	\$ 122,549,034	\$ 112,395,989
Encumbrances for Other Accounts	251,384,516	247,626,715	207,675,702	209,725,182	181,766,710
<b>Total</b>	<b>\$ 438,057,505</b>	<b>\$ 420,891,792</b>	<b>\$ 352,512,130</b>	<b>\$ 332,274,216</b>	<b>\$ 294,162,699</b>

<sup>(1)</sup> CF 13-0948 abolished the Community Development Department (CDD), and transferred the administration and economic development functions from CDD to the Economic and Workforce Development Department.

<sup>(2)</sup> CF 13-0600-S131 redesignated the Housing Department as the Housing and Community Investment Department (HCID) and transferred the administration of human services programs and commissions from the CDD to HCID.

<sup>(3)</sup> Includes prior years' encumbrances not yet liquidated.

# SCHEDULE VI

## General Fund Unencumbered Balances Reverted to the Reserve Fund at June 30, 2013 through 2017

	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Aging	\$ 126,548	\$ 197,797	\$ 14,852	\$ 12,168	\$ 66,936
Animal Services	1,296,050	495,130	1,764,011	186,937	259,299
Building & Safety	320,592	162,811	838,521	548,604	99,907
Capital Finance Administration	10,220,101	35,161,953	11,131,178	11,276,525	3,782,641
Capital Improvement Expenditure Program	27,438,422	17,988,413	33,153,320	36,803,824	16,351,334
City Administrative Officer	2,954,160	1,750,541	3,174,664	2,520,971	1,709,220
City Attorney	391,549	1,425,512	1,364,781	1,619,650	267,497
City Clerk	2,427,061	918,755	5,544,629	885,618	1,663,932
City Ethics	938,180	--	--	--	--
Controller	9,007,805	992,877	1,113,290	2,226,264	1,224,801
Council	--	9,090,656	8,832,811	8,744,784	7,360,932
Cultural Affairs	--	--	61,000	--	1,602
Disability	191,686	60,264	180,989	13,847	302,349
Economic and Workforce Development <sup>(1)</sup>	563,268	297,820	160,264	177,762	7,422
Emergency Management	556	87,034	162,354	116,395	34,784
Employee Relations Board	123,246	111,375	70,788	121,785	71,121
Finance	1,321,727	2,176,247	1,945,926	1,105,956	49,421
Fire	9,308,319	13,743,624	8,447,093	5,480,671	2,367,164
General City Purposes	9,518,504	6,728,616	5,813,293	6,473,206	5,783,045
General Services	14,492,122	8,999,105	16,295,534	9,164,321	7,043,182
Housing and Community Investment <sup>(2)</sup>	70,054	275,000	353,663	680,380	--
Human Resources Benefits	3,574,301	5,056,107	24,208,459	10,593,479	5,810,158
Information Technology Agency	3,313,922	3,004,658	2,476,791	1,826,827	820,746
Liability Claims	251,866	30,655	43,611	180,066	1,965
Los Angeles Convention Center					
Mayor	5,350,654	3,543,677	4,226,179	3,575,376	753,171
Non-departmental General	306	5,000,014	13	9,347,146	9,264,440
Personnel	1,762,868	1,808,192	1,944,038	3,439,978	3,143,539
Planning	1,018,316	974,522	1,582,486	1,946,792	2,255,678
Police	3,854,077	12,170,000	9,587,960	19,675,589	12,922,155
PW - Board	68,775	33,674	182,260	360,589	236,739
PW - Contract Administration	1,822,375	1,400,836	1,798,471	1,483,592	1,236,444
PW - Engineering	228,067	110,646	166,336	1,661,504	3,318,722
PW - Sanitation	175	307,039	--	--	--
PW - Street Lighting	--	310	33,611	--	--
PW - Street Services	10,871,416	17,144,109	18,228,586	669,104	71,644
Transportation	2,829,748	3,729,517	4,659,728	431,713	881,377
Unappropriated Balance	14,180,227	76,634,787	9,941,824	13,415,085	6,403,648
Water and Electricity	2,539,426	1,088,979	--	1,121,894	--
Total	\$ 142,376,469	\$ 232,701,252	\$ 179,503,314	\$ 157,888,402	\$ 95,567,015
Less: Unfunded Appropriations	--	(115,684,030)	--	--	--
Net Cash Balances Reverted	\$ 142,376,469	\$ 117,017,222	\$ 179,503,314	\$ 157,888,402	\$ 95,567,015

<sup>(1)</sup> CF 13-0948 abolished the Community Development Department (CDD), and transferred the administration and economic development functions from CDD to the Economic and Workforce Development Department.

<sup>(2)</sup> CF 13-0600-S131 redesignated the Housing Department as the Housing and Community Investment Department (HCID) and transferred the administration of human services programs and commissions from the CDD to HCID.

# SCHEDULE VII

## General Fund 2016-17 Year-End Uncommitted Balances and 2017-18 Adopted Budget Reappropriations

Department	Uncommitted Balance	Reappropriation Amounts
Aging	\$ 126,548	\$ --
Animal Services	1,296,050	--
Building & Safety	320,592	--
Capital Finance Administration	10,220,101	--
Capital Improvement Expenditure Program	27,438,422	27,438,422
City Administrative Officer	2,954,160	--
City Attorney	391,549	400,000
City Clerk	2,427,061	--
Controller	938,180	500,000
Council	9,007,805	9,007,805
Cultural Affairs	--	--
Disability	191,686	--
Economic and Workforce Development	563,268	--
Emergency Management	556	--
Employee Relations Board	123,246	--
Finance	1,321,727	--
Fire	9,308,319	--
General City Purposes	9,518,504	3,686,632
General-Nondepartmental	306	--
General Services	14,492,122	9,025,940
Housing and Community Investment	70,054	--
Human Resources Benefits	3,574,301	--
Information Technology Agency	3,313,922	--
Liability Claims	251,866	--
Mayor	5,350,654	5,350,654
Personnel	1,762,868	--
Planning	1,018,316	--
Police	3,854,077	--
PW - Board	68,775	--
PW - Contract Administration	1,822,375	--
PW - Engineering	228,067	--
PW - Sanitation	175	--
PW - Street Lighting	--	--
PW - Street Services	10,871,416	--
Transportation	2,829,748	--
Unappropriated Balance	14,180,227	47,677
Water and Electricity	2,539,426	--
Total Uncommitted Balances and Reappropriations	<u>142,376,469</u>	<u>55,457,130</u>
Less: Unfunded Appropriations	--	--
Year-Start Reappropriations (Not in Adopted Budget)*	--	6,268,673
Total Net Reversion and Reappropriation Amounts	<u>\$ 142,376,469</u>	<u>\$ 61,725,803</u>

\*C.F. 16-0600-S178, 17-0643, and 17-0689

# SCHEDULE VIII

## Year-End Advances From The Reserve Fund For Unfunded Expenditures & Encumbrances as of June 30, 2017

Department	Expenditures	Encumbrances	Total
Council File 16-0600-S175 Advances			
Fire	\$ 3,290	\$ --	\$ 3,290
Total Council File 16-0600-S175 Advances	3,290	--	3,290
Charter Section 261(i) Advances			
Aging	175,257	51,706	226,963
Building & Safety	335,360	70,050	405,410
City Administrative Officer	180,132	--	180,132
City Attorney	688,946	39,674	728,620
Economic and Workforce Development	2,143,715	732,879	2,876,594
Emergency Management	421,286	--	421,286
Fire	1,830,367	--	1,830,367
Finance	16,204	48,796	65,000
General Services	3,123,709	2,078,570	5,202,279
Housing and Community Investment	4,421,972	3,178,852	7,600,824
Information Technology Agency	652,738	--	652,738
Liability Claims	994,893	--	994,893
Mayor	780,720	--	780,720
Personnel	167,801	--	167,801
Plannning	--	55,187	55,187
Police	12,687,407	3,695,412	16,382,819
PW - Board	1,076,447	428,500	1,504,947
PW - Contract Administration	834,294	--	834,294
PW - Engineering	2,770,828	118,260	2,889,088
PW - Sanitation	1,574,433	--	1,574,433
PW - Street Lighting	915,130	344,841	1,259,971
PW - Street Services	590,776	40,427	631,203
Transportation	501,469	--	501,469
Total Charter Section 261(i) Advances	36,883,884	10,883,154	47,767,038
TOTAL	\$ 36,887,174	\$ 10,883,154	\$ 47,770,328

# SCHEDULE IX

## Statement of General Obligation Bonded Debt Fiscal Year Ended June 30, 2017

Purpose	Outstanding July 1, 2016	Issued	Matured	Refunded	Outstanding June 30, 2017
Series 2005-B - Advance refunding of a portion of Series 1999-B, 2000-A, and 2001-A	\$ 44,425,000	\$ --	\$ 17,585,000	\$ --	\$ 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	38,610,000	--	3,510,000	--	35,100,000
Series 2008-A - Acquisition and improvement of Stormwater Pollution Abatement projects	65,650,000	--	5,050,000	8,100,000	52,500,000
Series 2009-A - Acquisition and improvement of Stormwater Pollution Abatement projects	70,600,000	--	8,825,000	48,900,000	12,875,000
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	93,600,000	--	5,850,000	70,200,000	17,550,000
Series 2011-B - Advance refunding of Series 1999-A and 2001-A and a portion of Series 2002-A and Series 2003-A	215,340,000	--	22,835,000	--	192,505,000
Series 2012-A - Advance refunding of a portion of Series 2004-A and 2005-A	209,210,000	--	22,910,000	--	186,300,000
Series 2016-A - Advance refunding of a portion of Series 2008-A and 2009-A, and 2011-A	--	143,815,000	--	--	143,815,000
<b>Total</b>	<b>\$ 790,385,000</b>	<b>\$ 143,815,000</b>	<b>\$ 86,565,000</b>	<b>\$ 127,200,000</b>	<b>\$ 720,435,000</b>

# SCHEDULE X

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

Fiscal Year	Debt Service Requirements			General Fund Receipts <sup>(1)</sup>	Ratio		
	Non-Voter Approved	Voter Approved	Total		Non-Voter Approved	Voter Approved	Total
2008	170,801,748	196,742,647	367,544,395	4,383,566,846	3.90%	4.49%	8.39%
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%

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

# SCHEDULE XI

## Statement of Legal Debt Margin As of June 30, 2017

### TAXABLE PROPERTY AND BONDING CAPACITY

Assessed Valuation <sup>(1)</sup>	<u>\$ 532,915,238,673</u>
Debt Limit (15% of Assessed Value)	\$ 79,937,285,801 <sup>(2)</sup>
General Obligation Bonds:	
Bonds Outstanding	<u>(720,435,000) <sup>(3)</sup></u>
Legal Debt Margin	<u>\$ 79,216,850,801 <sup>(4)</sup></u>

<sup>(1)</sup> Certified by Los Angeles County Auditor-Controller, August 2016.

<sup>(2)</sup> Section 43605 of the Government Code of the State of California provides that a City shall not incur bonded indebtedness for public improvements which exceeds 15% of the assessed value of all real and personal property of the City.

<sup>(3)</sup> 0.90% of Debt Limit

<sup>(4)</sup> 99.10% of Debt Limit