



RON GALPERIN  
CONTROLLER

March 1, 2017

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

**SUBJECT: REVENUE FORECAST REPORT**

In accordance with City Charter Section 311(c), I am submitting my revenue forecast for fiscal years 2016-17 and 2017-18. Also included are the 2017-18 debt service and General Fund cash flow borrowing requirements.

The City's total annual budget for 2016-17 is \$8.8 billion. Two-thirds of this (\$5.6 billion) is General Fund revenue, most of which comes from taxes. One third (\$3.2 billion) is special fund revenue, which comes from a variety of fees, grants, and other restricted funding sources, and can only be used for specific purposes.

The annual Revenue Forecast Report provides updated estimates of current year General Fund and special fund revenues and projects those revenues for the following year as well. This information is then used as the basis for decision-making in the budget process.

In order to develop our forecast, the Controller's Office collected revenue projections from City departments, reviewed recent economic reports, and met with a number of local economists, including those from Beacon Economics, HousingEcon.com, CBRE Hotels Consulting, and UCLA Anderson School of Management. While forecasts necessarily involve some uncertainty, this forecast represents our best estimates based on the information available. Seeking to promote responsible fiscal policy, we provide a relatively conservative forecast of revenues.

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This Office estimates that General Fund receipts for the current year will be \$5.549 billion, a 4.0 percent increase over 2015-16 total revenue. Because the Adopted Budget assumed 4.5 percent growth, this is \$28 million less than what was anticipated. Higher than budgeted revenues from the Ex-Community Redevelopment Agency (CRA) Tax Increment, Property Tax, and Transient Occupancy Tax are offset by the projected shortfalls in Licenses, Permits, Fees and Fines; Utility Users' Tax - Electric; the Power Revenue Transfer; and Parking Fines.

For 2017-18, we project General Fund receipts to be \$5.562 billion, just \$13 million (0.2 percent) more than the 2016-17 estimate. This number would have been higher if not for one-time revenue of \$99 million from 2016-17 which is not included in the 2017-18 projection. Adjusting for this one-time revenue, total revenue growth is projected to 2.0 percent. Increases in Property Tax, Utility Users' Tax – Electric, Transient Occupancy Tax, and Sales Tax are offset by projected drops in the Power Revenue Transfer and Licenses, Permits, Fees, and Fines.

New revenue sources are on the horizon, such as monies related to Measure M and recreational marijuana. Other potential revenues, such as billboards, have also been the subject of conversation. Each of these will necessitate significant policy decisions.

In order to balance revenues against the projected growth in expenditures in 2017-18, the City will need protect its current General Fund revenue while seeking other new and expanded sources. These could include collections improvements and tax and regulatory enforcement, potentially through data-sharing agreements as I discussed in my 2015 audit titled "Smart Data Sharing: A Path to New Revenue". The City should also revisit the numerous revenue ideas that have been provided through the years by labor, the Commission on Revenue Efficiency (CORE), the neighborhood councils, and City departments.

The tight revenue situation suggests the need to avoid actions which restrict or reduce General Fund revenue – such as proposed carve-outs of Transient Occupancy Tax for affordable housing, Gas Franchise revenue for community benefits, or Multi-Family Trash Franchise revenue for special purpose funding. While the proposed uses for these monies are well-intentioned, restricting these revenues would make them unavailable in times of need. Keeping them in the General Fund provides flexibility while still allowing the Council to fund these important programs.

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As for special funds, receipts are projected to grow by 8.3 percent in 2016-17, to a total of \$2.565 billion. For 2017-18, growth is expected to slow, but still show a relatively strong growth of 3.5 percent, for a total of \$2.654 billion.

We must examine the potential use of special funds to see how they might be used more strategically. This is not only a way of increasing General Fund revenue (from reimbursements), but in many cases these funds can be used to augment services paid for by the General Fund. An example of this is the Street Damage Restoration Fee (SDRF) which, along with the General Fund and the Gas Tax, funds the pavement preservation program. If the SDRF is increased to fully recover the costs of cutting into our streets, the City will be able to maintain more streets, while requiring fewer resources from the General Fund.

While this report focuses on revenue, it is crucial that we consider expenditures as well. As illustrated in the Comprehensive Annual Financial Report (CAFR), issued by my office in February, expenditure growth exceeded revenue growth in 2015-16, increasing the structural deficit. Given the estimates contained in this report, a second year of this imbalance may well occur. As General Fund revenue is projected to increase by only 0.2 percent next year, while expenditures are projected to increase by 2.2 percent, fiscal discipline and prioritization of needs are of the utmost importance.

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

Sincerely,

A handwritten signature in dark ink, appearing to read "Ron Galperin", with a stylized, cursive script.

RON GALPERIN  
Los Angeles City Controller

Attachment

cc: Honorable Members of the Los Angeles City Council  
Sharon Tso, Chief Legislative Analyst  
Richard Llewellyn, Interim City Administrative Officer



# SUMMARY

This Revenue Forecast Report for the City of Los Angeles forecasts fiscal years 2016-17 and 2017-18 revenue in advance of the upcoming budget process. Also included are the 2017-18 debt service requirement and the General Fund cash flow borrowing requirement. The Forecast is issued pursuant to the Controller's City Charter mandate to monitor and report on all matters relating to the City's fiscal health, to keep the City's official financial records, and to supervise expenditures of the City.

Open data for City financials is available online at ControlPanelLA ([ControllerData.LACity.org](http://ControllerData.LACity.org)), including monthly updated information on General and Special Fund revenues. Economic presentations provided by local economists to the Controller in the development of this Financial Forecast Report are also available at [LAController.org](http://LAController.org).

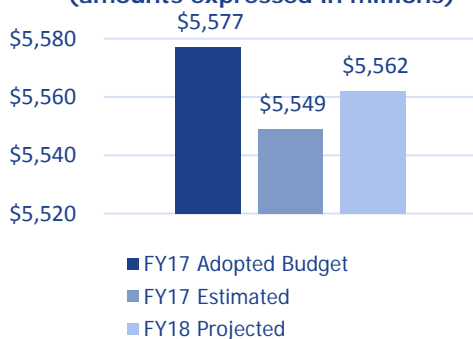
## Financial Outlook

Local economists, with which we consulted, forecast that economic growth in Los Angeles will continue to be moderate. With a local unemployment rate of 5.1 percent as of October 2016, Los Angeles is approaching what economists term "full employment". As the labor market tightens, personal income and wages, along with consumer spending and housing demand, are anticipated to rise.

*With an unemployment rate of 5.1 percent, Los Angeles is approaching "full employment".*

The forecast assumes that possible changes to federal policies on the financial markets, taxes, regulations, trade and immigration would take place thoughtfully and gradually. However, many of the changes under consideration pose undetermined risks, particularly if they are implemented by Washington injudiciously. Overall, however, the outlook for Los Angeles remains positive due to its location, size and amenities.

**General Fund Receipts**  
(amounts expressed in millions)



With this environment and assumptions in mind, the City is currently estimated to realize General Fund revenues in the current fiscal year of approximately \$5.549 billion, \$28 million or 0.5 percent lower than the 2016-17 Adopted Budget total General Fund revenue of \$5.577 billion. Total 2017-18 revenues are projected to \$5.562 billion, \$13 million or 0.2 percent more than the current year estimate.

The biggest factor holding the 2017-18 growth down is one-time revenue in 2016-17 which is not present in the 2017-18 projection.

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**Current Fiscal Year One-Time Revenue**  
**(amount expressed in thousands)**

2016-17 Total Revenue	\$	5,548,527
Less: One-Time Revenue		(99,133)
Adjusted 2016-17 Revenue	\$	5,449,394
Percentage Change		-1.8%

As you can see, before any natural growth is taken into account, the 2017-18 revenue is 1.8 percent below the 2016-17 level. This means that the projected natural growth of 2.0 percent barely exceeds the gap caused by the one-time revenue. While this was not unexpected, the challenge it creates is still significant.

## Debt

The estimated City debt service requirement for 2017-18 is \$569.6 million. Of this amount, the total General Obligation Bond (GOB) debt service requirement for principal and interest is estimated at \$120.6 million. GOBs are general obligations of the City payable from ad valorem taxes levied on all of the taxable property of the City. Taxes levied for the GOB debt service requirement are separate from the General Fund property tax revenue. The remaining debt service covers the Municipal Improvement Corporation of Los Angeles (MICLA); and Wastewater, Solid Waste Resources, Site-Specific Tax, and Judgment Obligation Bonds.

In total, debt service is projected to be 5.95 percent of projected 2017-18 General Fund receipts, well under the 15 percent limit set by the City's Debt Policy.

## General Fund Cash Flow

Annually, the Controller estimates an amount of borrowing needed to meet City short-term cash flow requirements in the first half of the next fiscal year. Based on revenue and expenditure patterns, the likely cash flow borrowing requirement in 2017-18 is \$400 million, the same amount borrowed this fiscal year.

# DISCUSSION

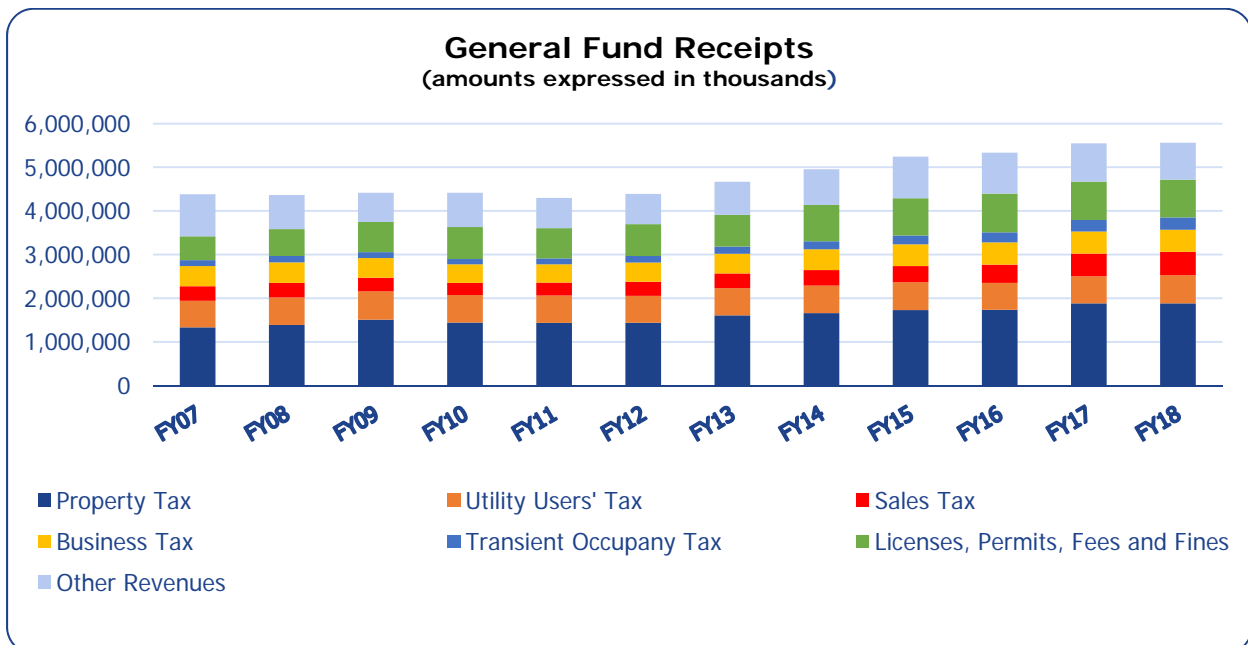
## General Fund Revenue Projections for 2016-17 and 2017-18

### EXHIBIT 1

#### TOTAL GENERAL FUND REVENUE (dollar amounts expressed in thousands)

	Adopted Budget	Controller's March 1, 2017 Estimated Receipts		% Change		
		2016-17	2017-18	2016-17 Estimate/ 2016-17 Budget (b) / (a)	2017-18 Projected/ 2016-17 Estimate (c) / (b)	2017-18 Projected/ 2016-17 Budget (c) / (a)
	2016-17 (a)	2016-17 (b)	2017-18 (c)			
General Fund Revenue	\$ 5,576,435	\$ 5,548,527	\$ 5,561,663	-0.50%	0.24%	-0.26%

The City's General Fund revenue comes from a wide variety of sources. The largest single source is Property Tax, which represents just under one third of all General Fund revenue. Other significant revenue sources include Licenses, Permits, Fees and Fines, Utility Users Tax, Sales Tax, Business Tax, Transient Occupancy Tax, Power Revenue Transfer, and Documentary Transfer Tax. The chart below shows the City's major revenue sources over the past ten years.



The City is estimated to realize General Fund revenues in the current fiscal year of approximately \$5.549 billion, \$28 million or 0.5 percent below the 2016-17 Adopted Budget of \$5.577 billion. This Office bases these estimates on information received from departments, consultation with local economic experts and academics, and recent trends.

Total 2017-18 General Fund revenues are projected to \$5.562 billion, an increase of \$13 million over the 2016-17 estimate, but a decrease of nearly \$15 million compared to the 2016-17 Adopted Budget. It should be noted that the Controller's 2017-18 General Fund revenue estimates do not account for discretionary one-time transfers from the Reserve Fund, the Special Parking Revenue Fund or other funds identified during the budget process.

The complete list of estimated City receipts for 2016-17 and 2017-18 is presented in Schedule 1.



## Economy-Sensitive General Fund Revenues

The seven major revenue sources labeled “Economy-Sensitive” include Property Tax, Utility Users’ Tax, Business Tax, Sales Tax, Transient Occupancy Tax, Documentary Transfer Tax, and Parking Users’ Tax. Together, they represent 72 percent of General Fund revenues in the 2016-17 Adopted Budget.

Exhibit 2 presents the City’s economy-sensitive General Fund receipts in the 2016-17 Adopted Budget, and the Controller’s estimates for 2016-17 and 2017-18.

### EXHIBIT 2

#### GENERAL FUND ECONOMY-SENSITIVE REVENUES (dollar amounts expressed in thousands)

	Adopted Budget	Controller's March 1, 2017 Estimated Receipts		% Change over 2016-17 Adopted Budget	
	2016-17	2016-17	2017-18	2016-17	2017-18
	(a)	(b)	(c)	(b) / (a)	(c) / (a)
Property Tax	\$ 1,786,069	\$ 1,790,998	\$ 1,818,864	0.28%	1.84%
Utility Users' Tax	634,000	619,277	645,265	-2.32%	1.78%
Business Tax	502,300	504,000	504,000	0.34%	0.34%
Sales Tax	520,020	520,336	535,946	0.06%	3.06%
Transient Occupancy Tax (TOT)	240,800	237,766	251,081	-1.26%	4.27%
TOT Short-term Rental	5,769	27,046	32,455	368.82%	462.58%
Documentary Transfer Tax	202,184	206,376	214,631	2.07%	6.16%
Parking Users' Tax	111,000	111,000	111,000	0.00%	0.00%
<b>Total Economy-Sensitive Revenues</b>	<b>\$ 4,002,142</b>	<b>\$ 4,016,799</b>	<b>\$ 4,113,242</b>	<b>0.37%</b>	<b>2.78%</b>

General Fund economy-sensitive revenues are estimated to increase in 2017-18 by 2.8 percent above the 2016-17 Adopted Budget. Exhibit 3 provides an explanation of the estimates of General Fund economy-sensitive revenues for 2016-17 and 2017-18.

## EXHIBIT 3

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

Fiscal Year 2016-17	Fiscal Year 2017-18
<b>Property Tax</b> <ul style="list-style-type: none"> <li>• It is estimated that property tax receipts will be \$4.9 million above the budgeted amount to \$1.791 billion. Higher than anticipated one percent secured property tax revenue is primarily offset by increased refunds.</li> <li>• One percent secured property tax receipts is estimated to increase by 5.6% from prior year actual revenue.</li> <li>• A total of \$63.6 million in property tax receipts in lieu of sales tax (triple flip) was received as budgeted. This represents the last year of triple flip revenue distributed to cities, with no additional revenue to be received beyond 2016-17.</li> </ul>	<ul style="list-style-type: none"> <li>• Total property tax receipts are projected to increase by \$27.9 million over the 2016-17 estimate to \$1.819 billion.</li> <li>• The estimate reflects 6.0% assumed growth in secured levy based on projected improvement in the housing market.</li> <li>• The one percent secured property tax receipts is projected to \$1.383 billion, a \$68.5 million or 5.2% increase from the 2016-17 estimate.</li> <li>• The vehicle license fee (VLF) swap is projected to \$435.8 million, a \$23.0 million increase from the 2016-17 estimates.</li> <li>• The increase of \$91.5 million in secured and VLF receipts is offset by the elimination of \$63.6 million in one-time triple flip revenue.</li> </ul>
<b>Utility Users' Tax</b> <ul style="list-style-type: none"> <li>• The estimated utility users' tax (UUT) receipts of \$619.3 million are broken down as follows: \$360.0 million electric users', \$190.5 million telephone users', and \$68.8 million gas users'.</li> <li>• Electric users' tax receipts are estimated based on collection trend and reflects the approved rate increase.</li> <li>• The telephone users' tax receipts are estimated at \$4.8 million above budget based on actual collection trend through the first seven months of the year. The decline in this category has slowed with implementation of AB1717 which imposes UUT on prepaid wireless services.</li> <li>• Natural gas prices has remained low as expected in the current fiscal year. Gas users' tax receipts are estimated to be \$2.5 million above budget based on collection to date and slightly higher usage during the winter months.</li> </ul>	<ul style="list-style-type: none"> <li>• The estimated UUT receipts of \$645.3 million are broken down as follows: \$390.0 million electric users', \$185.3 million telephone users', and \$70.0 million gas users'.</li> <li>• Electric users' tax receipts are projected to increase by 8.0% from the 2016-17 estimate and reflects the approved rate increase.</li> <li>• The telephone users' tax receipts are projected to continue its declining trend with a 2.7% reduction from the 2016-17 estimate.</li> <li>• The gas users' tax receipts are estimated at slightly above the 2016-17 estimate. Gas prices are projected to remain flat.</li> </ul>

Fiscal Year 2016-17	Fiscal Year 2017-18
<b>Business Tax</b> <ul style="list-style-type: none"> <li>• Current fiscal year business tax receipts will be slightly above budget based on 2.0% economic growth in renewal revenue, offset by \$15.3 million due to business tax rate reduction, for a net total of \$504.0 million, or \$1.7 million above budget.</li> </ul>	<ul style="list-style-type: none"> <li>• Business tax receipts are projected to remain flat in 2017-18. The third and final year of the City's business tax rate reduction program is anticipated to offset the assumed 2.5% economic growth.</li> </ul>
<b>Sales Tax</b> <ul style="list-style-type: none"> <li>• It is anticipated that sales and use taxes will total \$520.3 million, slightly above budget.</li> <li>• Current year budgeted amount reflects full-year restoration of one percent sales tax due to unwinding of the triple flip.</li> </ul>	<ul style="list-style-type: none"> <li>• Sales and use tax receipts are estimated to total \$535.9 million, a 3.0% increase over the 2016-17 estimated receipts based on consultation with local economists.</li> </ul>
<b>Transient Occupancy Tax (TOT)</b> <ul style="list-style-type: none"> <li>• Current fiscal year receipts are estimated at \$237.8 million, \$3.0 million or 1.2% below budget. Receipts during the first seven months of the year are 1.7% below plan (excluding budgeted receipts from short-term rentals).</li> </ul>	<ul style="list-style-type: none"> <li>• It is projected that TOT revenues will total \$251.1 million, a 5.6% increase over the 2016-17 estimated receipts based on consultation with local economists.</li> </ul>
<b>TOT – Short-term Rental</b> <ul style="list-style-type: none"> <li>• Office of Finance (Finance) estimates receipts from the tax collection agreement with Airbnb at \$27.0 million, \$21.3 million above budget. Remittances started in September and collection through January of the current fiscal year has totaled \$13.5 million.</li> </ul>	<ul style="list-style-type: none"> <li>• Finance projects short-term rental TOT receipts at \$32.4 million based on the average of the actual amounts collected to date.</li> </ul>
<b>Documentary Transfer Tax</b> <ul style="list-style-type: none"> <li>• It is estimated that current fiscal year receipts will be \$4.2 million above budgeted amount to \$206.4 million. This represents 4.0% above prior year actual receipts based on consultation with local economists.</li> </ul>	<ul style="list-style-type: none"> <li>• Documentary transfer tax receipts are expected to grow 4.0% over the 2016-17 estimate to \$214.6 million based on consultation with local economists.</li> </ul>
<b>Parking Users' Tax</b> <ul style="list-style-type: none"> <li>• Finance estimates that parking users' tax receipts will meet the adopted budget amount of \$111.0 million.</li> </ul>	<ul style="list-style-type: none"> <li>• Finance projects that parking users' tax receipts will remain flat at \$111.0 million next fiscal year.</li> </ul>

## **Licenses, Permits, Fees and Fines**

Licenses, Permits, Fees and Fines effectively represents miscellaneous General Fund revenues. These include everything from ambulance services, animal licenses, and engineering permits, to returned-check fees, special fund reimbursements, and payments for services provided to other agencies. In all, this category comprises more than 16 percent of total budgeted General Fund revenue. This presents a challenge when forecasting revenue, as the miscellaneous category is extremely difficult to project due to the many uncorrelated revenue streams making trend analysis impossible. Some years, many of these individual revenues are increasing, but one or two large revenues are decreasing, making the net change small. If the smaller revenues are less consistent in the following year, a significant negative change can occur that would be impossible to predict at the aggregate level. Fiscal year 2016-17 provides an excellent illustration of this problem, as actual receipts are trending almost \$45 million under the \$923 million budget.

As a partial solution, we have identified two broad revenue categories within Licenses, Permits, Fees and Fines: Services to Proprietary Departments; and Reimbursements from Other Funds. These two categories represent more than \$600 million in annual revenue, nearly 70 percent of the broader category. More importantly, as coherent groupings, they are much more predictable than the broader Licenses, Permits, Fees and Fines category.

“Services to Proprietary Departments” represents funds remitted to the City in payment for services that City departments have provided to Water and Power, the Port, and Airports. “Reimbursement from Other Funds” consists most of reimbursement from City special funds of General Fund overhead costs such as benefits, utilities, and centralized services like payroll. We recommend that the Mayor and the CAO consider using this breakdown, or other similar options, in the budget documents for 2017-18. In Exhibit 4, the budgeted and estimated 2016-17 and projected 2017-18 amounts are broken down in this way.

**EXHIBIT 4****LICENSES, PERMITS, FEES AND FINES**  
(amounts expressed in thousands)

	Adopted Budget	Controller March 1, 2017 Estimated Receipts	
		FY 2016-17	FY 2017-18
Licenses, Permits, Fees and Fines	\$ 297,491	\$ 277,760	\$ 254,631
Services to Proprietary Departments	136,144	146,076	132,789
Reimbursement from Other Funds	489,847	454,650	478,049
Total Licenses, Permits, Fees and Fines	\$ 923,482	\$ 878,486	\$ 865,469

One of the major determining factors for the Reimbursements from Other Funds category is the indirect cost rates. The City calculates special funds' reimbursements of General Fund costs by using the federally-approved annual cost allocation plan (CAP) indirect cost rates. These rates are used in new or renewal applications, contracts, and billings for Federal grant activities and exclude costs disallowed by Federal regulations and/or auditors.

While these rates must legally be used for calculating overhead for Federal grant programs, payments wholly within the City do not. In an effort to seek out additional General Fund revenue, this Office is exploring the development of special overhead rates which expand recovery of General Fund costs that may be excluded due to Federal regulations but may be eligible otherwise. We look forward to discussing this possibility in the near future.

Recently, the Los Angeles Police Department was awarded a five-year, \$370 million contract to provide police services on an overtime basis to the Metropolitan Transit Authority. While this agreement is anticipated to generate \$74 million in annual revenue to the City, this is not included in our estimates, as it will necessarily be offset by the expenditures required to deliver the service.

## **Other Significant Revenues**

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

### **EXHIBIT 5**

#### **OTHER SIGNIFICANT REVENUES (amounts expressed in thousands)**

	Adopted	Controller March 1, 2017		% Change over FY2017	
	Budget	Estimated Receipts		Adopted Budget	
	FY 2017	FY 2017	FY 2018	FY 2017	FY 2018
	(a)	(b)	(c)	(b) / (a)	(c) / (a)
Franchise Income	\$ 42,180	\$ 44,647	\$ 59,022	5.85%	39.93%
Parking Fines	152,000	140,900	140,900	-7.30%	-7.30%
Power Revenue Transfer	291,000	264,427	245,000	-9.13%	-15.81%
Ex-CRA Tax Increment	54,594	92,941	64,300	70.24%	17.78%

Franchise income is collected from City franchisees, including distributors of natural gas; cable TV operators; and others such as official police garages and taxicabs. It is estimated that 2016-17 revenue will be \$2.5 million or 5.9 percent above budget. The projected 2017-18 revenue are projected to increase by \$14.4 million over the 2016-17 estimate to \$59 million. Slightly lower than anticipated cable franchise income is offset by an increase of \$15.6 million in new Trash Franchise Fee. The City's Exclusive Franchise System for Commercial and Multi-Family Solid Waste Collection Program established a franchise system and fees for private haulers operating in the City, which will become effective during 2017-18.

Parking Fines are based on Department of Transportation (DOT) estimates. DOT anticipates that 2016-17 revenue will be \$11.1 million or 7.3 percent lower than the \$152 million budgeted amount and remain at that level in

2017-18. Parking Fine revenue has decreased noticeably every year since 2013, the last time citation amounts were increased.

The Power Revenue Transfer is set as a percentage of prior-year gross operating power revenue realized by the Department of Water and Power (DWP). DWP anticipates 2016-17 revenue to \$264.4 million, \$26.6 million below the budgeted amount, and 2017-18 revenue to \$245.0 million, or \$19.4 million below the 2016-17 estimate.

Current year Ex-CRA Tax Increment revenue is estimated at \$93 million, \$38 million above the \$54.6 million budget. Actual receipts through January exceed the plan by \$10 million. In addition, the City received a distribution of \$28.9 million from sale of property. It is projected that 2017-18 revenue will total \$64.3 million, a decrease of nearly \$29 million from the 2016-17 estimate. It is difficult to determine whether any distribution related to sale of property will occur next fiscal year.

## **General Fund Cash Flow**

### **Current and Prior Year Experience**

Due to the timing difference between receipts and expenditures, the Controller annually requests issuance of Tax and Revenue Anticipation Notes (TRAN) to ensure that the General Fund has sufficient cash to cover expenditures during the first half of the fiscal year. The Controller also has the ability to initiate Reserve Fund and interfund borrowing during the year for cash flow purposes. Exhibit 6 illustrates cash flow borrowings for 2007-08 through 2016-17.

**EXHIBIT 6**

**GENERAL FUND CASH FLOW BORROWINGS  
FOR FISCAL YEARS 2007-08 THROUGH 2016-17  
(amounts expressed in thousands)**

Fiscal Year	Total Annual Cash Flow Borrowings			
	Reserve Fund	Other Funds	TRAN	Total
2007-08	\$ 42,243	\$ 70,000	\$ 250,000	\$ 362,243
2008-09	--	116,000	350,000	466,000
2009-10	100,000 <sup>(1)</sup>	150,000	400,000	650,000
2010-11	--	--	450,000	450,000
2011-12	--	--	400,000	400,000
2012-13	--	--	425,000	425,000
2013-14	--	--	400,000	400,000
2014-15	--	--	350,000	350,000
2015-16	50,000 <sup>(2)</sup>	--	350,000	400,000
2016-17	--	--	400,000	400,000

## Notes:

(1) The \$100 million Reserve Fund borrowing was needed as gap funding until Council authorized other fund borrowing.

(2) The \$50 million Reserve Fund borrowing was short term until Property Tax receipts were received.

## **Fiscal Year 2017-18 Tax Revenue Anticipation Notes (TRAN)**

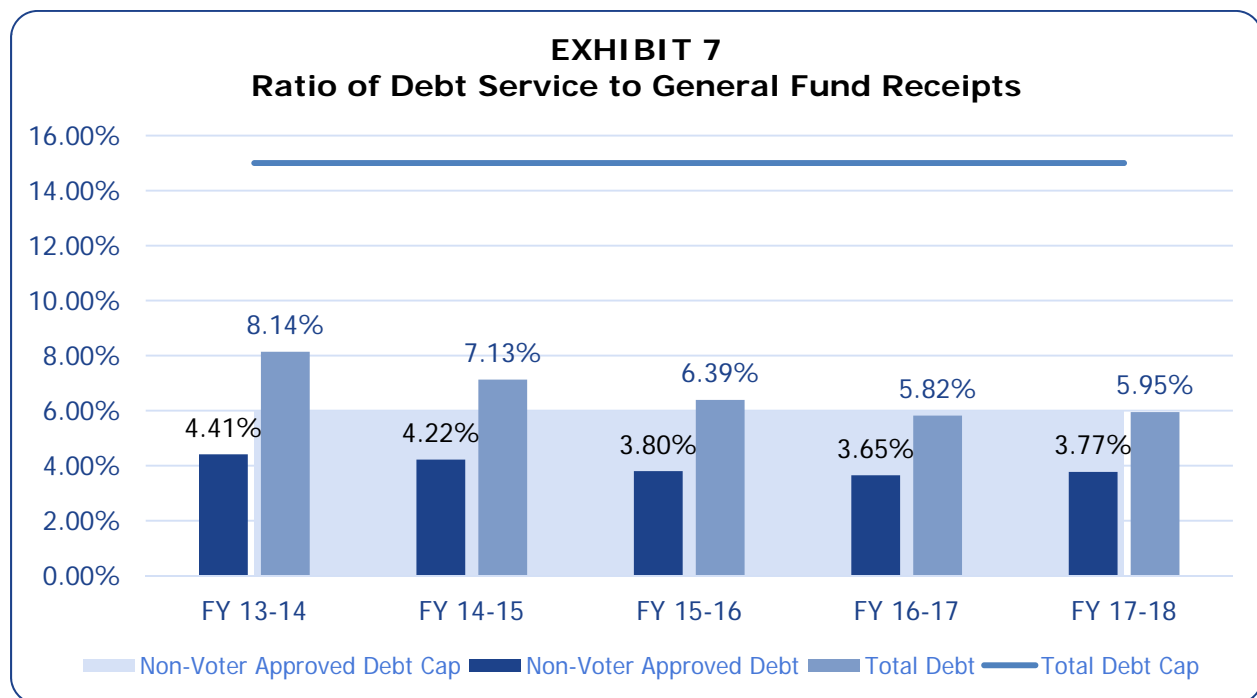
Annually, the Controller estimates an amount of borrowing needed to meet City short-term cash flow requirements in the first half of the next fiscal year. The Controller's Office will work with the Mayor and City Administrative Officer (CAO), as in prior years, to determine the amount of borrowing required and its source, as better information becomes available. However, given revenue and expenditure patterns, the likely cash flow borrowing requirement in 2017-18 is \$400 million, the same amount borrowed in the current fiscal year.



## Debt

### City Debt Policy

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



Note: FY 2013-14 to FY 2015-16 ratios are based on actual General Fund receipts. FY 2016-17 and FY 2017-18 ratios are based on estimated and projected receipts.

The City's debt policy established maximum levels for voter and non-voter approved debt. Exhibit 8 below illustrates the City's capacity to issue voter and non-voter approved debt. The maximum debt service level for non-voter approved debt is not to exceed six percent of General Fund revenues (with certain exceptions). As you can see, the City has managed its debt issuance very conservatively, with debt service well below the policy limits. Based on the current ratio of debt service to total projected receipts in 2017-18, the City has the capacity to issue additional non-voter approved debt with an annual debt service requirement of no more than \$124.0 million or 2.23 percent of General Fund receipts.

The City's total debt service level for voter and non-voter approved debt shall not be greater than 15 percent of General Fund revenues. After the \$124.0 million, the City has the capacity to issue voter approved debt with an annual debt service requirement of no more than \$379.4 million. A small amount of this capacity will be consumed by the issuance of general obligation bonds associated with Proposition HHH, which was approved by Los Angeles voters in November 2016.

## EXHIBIT 8

### CITY DEBT POLICY

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

Fiscal Year	Debt Service Requirement			General Fund Receipts <sup>(1)</sup>	Ratio of Debt Service to Total Receipts		
	Non-Voter Approved	Voter Approved	Total		Non-Voter Approved	Voter Approved	Total
2007-08	\$ 170,802	\$ 196,743	\$ 367,545	\$ 4,383,567	3.90%	4.49%	8.38%
2008-09	185,067	191,308	376,375	4,435,145	4.17%	4.31%	8.48%
2009-10	210,288	191,756	402,044	4,435,433	4.74%	4.32%	9.06%
2010-11	206,825	198,867	405,692	4,304,950	4.80%	4.62%	9.42%
2011-12	207,383	188,246	395,629	4,396,040	4.72%	4.28%	9.00%
2012-13	210,809	188,707	399,516	4,676,009	4.51%	4.04%	8.55%
2013-14	218,868	184,844	403,712	4,960,718	4.41%	3.73%	8.14%
2014-15	221,428	152,477	373,905	5,247,997	4.22%	2.91%	7.13%
2015-16	202,603	138,054	340,657	5,338,014	3.80%	2.59%	6.39%
2016-17	202,444	120,166	322,610	5,548,527	3.65%	2.17%	5.82%
2017-18	209,692	121,124	330,816	5,561,663	3.77%	2.18%	5.95%

(1) All years with capitalized interest have been adjusted upwards to reflect bond proceeds to pay for capitalized interest. For 2007-08; 2008-09; 2009-10; 2010-11; 2011-12; 2012-13; and 2013-14; the adjustments are \$16,841,679; \$16,082,240; \$16,082,240; \$4,060,169; \$2,942,063; \$4,928,625; and \$3,308,633; respectively. In addition, receipts for all fiscal years include revenues from the Staples Center.

## City Indebtedness

Exhibit 9 provides the outstanding balances of City debts along with 2016-17 and 2017-18 estimated debt service requirements based on the amount of current outstanding debt.

### EXHIBIT 9

#### OUTSTANDING DEBT AND DEBT SERVICE REQUIREMENTS <sup>(1)</sup> (amounts expressed in thousands)

	Outstanding Balance, 6/30/2017			Debt Service Requirement	
	Principal	Interest	Total	FY 2016-17	FY 2017-18
MICLA <sup>(2)</sup>	\$ 1,497,666	\$ 565,959	\$ 2,063,625	\$ 193,189	\$ 200,438
General Obligation	720,435	149,286	869,721	119,638	120,601
Judgment Obligation	22,545	2,005	24,550	9,033	9,028
Site-Specific Tax Revenue Bonds	6,106	1,892	7,998	750	749
Solid Waste Resources Revenue Bonds	178,720	26,713	205,433	39,607	38,904
Wastewater System	2,458,600	1,570,597	4,029,197	199,572	199,851
<i>Subtotal</i>	<i>4,884,072</i>	<i>2,316,452</i>	<i>7,200,524</i>	<i>561,789</i>	<i>569,571</i>
Tax and Revenue Anticipation Notes <sup>(3)</sup>	--	--	--	38,049	--
<b>Total</b>	<b>\$ 4,884,072</b>	<b>\$ 2,316,452</b>	<b>\$ 7,200,524</b>	<b>\$ 599,838</b>	<b>\$ 569,571</b>

Notes:

(1) Long-term debt does not include short-term commercial paper notes. However, the goal is to replace commercial paper with long term debt. As of January 2017, the balance of the MICLA and Wastewater System commercial paper notes is \$158 million and \$0, respectively.

(2) Includes debt service requirement supported by assessment on real property approved by the electorate of \$522,963 in 2017-18.

(3) A total of \$1,447,680,000 in TRAN were issued on July 7, 2016, with final maturity of June 29, 2017. The amount of interest to be paid in 2017-18 will depend upon the size of the TRAN and interest rates at the time of sale. The size of the TRAN will depend upon the amount of cash needed for cash flow and budgetary decisions on advance funding of City pensions and retirement contributions.

Source: Official Statements

The City strategically structures its various debt service schedules with the goal of stability. This means that, when one issuance is paid off and retired, payments are accelerated for other issuances. By scheduling the payments

this way, the City avoids large swings in debt service which can have negative budgetary impacts.

## General Obligation Bond Payments

Exhibit 10 lists the City's General Obligation Bonds (GOB) debt service requirements for principal and interest for 2017-18. The total principal and interest requirements for 2017-18 are estimated at \$120.6 million. GOBs are general obligations of the City payable from ad valorem taxes levied upon all of the taxable property in the City. Taxes levied for the GOB debt service requirement are separate from the General Fund property tax revenue. The City issues GOB debt for capital improvement projects, including the acquisition of property and the construction of new facilities and improvements to existing facilities.

### EXHIBIT 10

#### GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS FOR FISCAL YEAR 2017-18

	Principal	Interest	Total Requirement
GOB - Series 2005-B Refunding	\$ 7,500,000	\$ 1,154,500	\$ 8,654,500
GOB - Series 2006-A	3,510,000	1,531,238	5,041,238
GOB - Series 2008-A	5,050,000	2,110,000	7,160,000
GOB - Series 2009-A	8,825,000	338,500	9,163,500
GOB - Series 2009-B	--	2,951,963	2,951,963
GOB - Series 2011-A	5,850,000	585,000	6,435,000
GOB - Series 2011-B	32,900,000	8,802,750	41,702,750
GOB - Series 2012-A	22,905,000	8,655,275	31,560,275
GOB - Series 2016-A	3,570,000	4,361,322	7,931,322
<b>Total</b>	<b>\$ 90,110,000</b>	<b>\$ 30,490,548</b>	<b>\$120,600,548</b>

# SCHEDULE I

## Office of the Controller Estimated Receipts for Fiscal Years 2016-17 and 2017-18

	Estimated 2016-17	Projected 2017-18
Property Tax:		
Property Tax 1%	\$ 1,314,623,000	\$ 1,383,108,000
Property Tax - Sales Tax Replacement	63,637,000	--
Property Tax - VLF Replacement	412,738,000	435,756,000
Total Property Tax	1,790,998,000	1,818,864,000
Property Tax - Ex-CRA Tax Increment	92,941,000	64,300,000
Utility Users' Tax:		
Electric Users' Tax	360,000,000	390,000,000
Telephone Users' Tax	190,527,000	185,265,000
Gas Users' Tax	68,750,000	70,000,000
Total Utility Users' Tax	619,277,000	645,265,000
Licenses, Permits, Fees and Fines:		
Licenses, Permits, Fees, and Fines	277,760,000	254,631,000
Services to Proprietary Departments	146,076,000	132,789,000
Reimbursements from Other Funds	454,660,000	478,049,000
Total Licenses, Permits, Fees and Fines	878,496,000	865,469,000
Business Tax	504,000,000	504,000,000
Sales Tax	520,336,000	535,946,000
Documentary Transfer Tax	206,376,000	214,631,000
Power Revenue Transfer	264,427,000	245,000,000
Transient Occupancy Tax	237,766,000	251,081,000
Transient Occupancy Tax - Short-term Rental	27,046,000	32,455,000
Parking Fines	140,900,000	140,900,000
Parking Users' Tax	111,000,000	111,000,000
Franchise Income	44,647,000	59,022,000
Grant Receipts	10,430,000	10,430,000
Interest	20,206,000	23,957,000
State Motor Vehicle License Fees	1,806,000	1,806,000
Tobacco Settlement	9,017,000	9,017,000
Residential Development Tax	5,020,000	5,020,000
Special Parking Revenue Transfer	28,342,000	23,500,000
Transfer from Reserve Fund	35,496,000	--
<b>Total General Fund Receipts</b>	<b>\$ 5,548,527,000</b>	<b>\$ 5,561,663,000</b>

# SCHEDULE I

<b>Special Receipts:</b>	<b>Estimated 2016-17</b>	<b>Projected 2017-18</b>
Affordable Housing Trust Fund	\$ 2,137,000	\$ 1,162,000
Arts and Cultural Facilities and Services Fund	19,337,000	22,259,000
Arts Development Fee Trust Fund	2,103,000	1,960,000
Building and Safety Permit Enterprise Fund	172,179,000	144,162,000
Central Recycling and Transfer Fund	5,488,000	6,090,000
City Employees' Retirement Fund	107,568,000	105,938,000
City Employees Ridesharing Fund	3,402,000	3,310,000
City Ethics Commission Fund	2,578,000	3,473,000
City Levy (Debt Service)	122,495,000	118,382,000
Citywide Recycling Trust Fund	23,796,000	23,850,000
Code Enforcement Trust Fund	39,994,000	40,498,000
Community Development Trust Fund	20,930,000	20,930,000
Community Services Administration Grant Fund	1,837,000	1,837,000
Convention Center Revenue Fund	28,618,000	27,342,000
Disaster Assistance Trust Fund	27,452,000	660,000
El Pueblo de Los Angeles Historical Monument Revenue Fund	4,794,000	4,860,000
Greater Los Angeles Convention & Visitors Bureau Fund	20,454,000	21,400,000
HOME Investment Partnerships Program Fund	5,625,000	5,625,000
Household Hazardous Waste Special Fund	3,666,000	3,393,000
Housing Opportunities for Persons with AIDS Fund	411,000	411,000
Landfill Maintenance Special Fund	2,417,000	--
Local Public Safety Fund	42,180,000	44,289,000
Local Transportation Fund	3,012,000	3,160,000
Measure R Traffic Relief and Rail Expansion Fund	45,902,000	46,435,000
Mobile Source Air Pollution Reduction Trust Fund	4,740,000	5,190,000
Multi-Family Bulky Item Fund	6,667,000	7,380,000
Municipal Housing Finance Fund	3,229,000	4,828,000
Neighborhood Empowerment Fund	6,062,000	6,062,000
Older Americans Act Fund	2,427,000	2,427,000
Park and Recreational Sites and Facilities Fund	2,000,000	2,000,000
Planning Case Processing Revenue Fund	32,768,000	35,700,000
Proposition A Local Transit Assistance Fund	147,573,000	153,027,000
Proposition C Anti-Gridlock Transit Improvement Fund	80,726,000	81,441,000
Rent Stabilization Trust Fund	14,735,000	14,430,000
Sewer Construction and Maintenance Fund	879,632,000	989,952,000
Sidewalk Repair Fund	23,329,000	23,306,000
Solid Waste Resources Revenue Fund	293,169,000	313,185,000
Special Gas Tax Street Improvement Fund	87,224,000	94,390,000
Special Parking Revenue Fund	53,482,000	58,737,000
Special Police Communications/911 System Tax Fund	52,000	--
Staples Arena Special Fund	3,939,000	3,939,000
Stormwater Pollution Abatement Fund	34,660,000	36,852,000
Street Damage Restoration Fee Fund	10,583,000	10,583,000
Street Lighting Maintenance Assessment Fund	62,966,000	53,397,000
Supplemental Law Enforcement Services Fund	6,550,000	6,407,000
Telecommunications Development Account Fund	18,629,000	17,249,000
Traffic Safety Fund	4,710,000	4,349,000
Workforce Innovation Opportunity Act Fund	11,875,000	15,829,000
Zoo Enterprise Trust Fund	21,379,000	21,956,000

Continued....

# SCHEDULE I

	Estimated 2016-17	Projected 2017-18
<b>Special Receipts: (Continued)</b>		
Allocations From Other Sources:		
Animal Sterilization Trust Fund	\$ 555,000	\$ 555,000
ARRA Neighborhood Stabilization	8,000	51,000
ATSAC	--	14,000
Bus Bench Advertising Fund	166,000	166,000
Business Improvement District Trust Fund	839,000	839,000
City Attorney Consumer Protection Fund	3,564,000	3,564,000
City Planning Long Range Planning Fund	3,386,000	3,386,000
City Planning Systems Development Fund	9,998,000	9,995,000
Coastal Transportation Corridor Fund	--	659,000
Construction Services Trust Fund	1,237,000	--
CRA Non-Housing Bond Proceeds	922,000	744,000
Enterprise Zone Tax Credit	504,000	427,000
Federal Emergency Shelter Grant	135,000	135,000
Foreclosure Registry Program	2,180,000	308,000
Housing Production Revolving Fund	682,000	750,000
Housing Small Grants & Awards Fund	20,000	--
HUD Connections Grant Fund	14,000	14,000
Industrial Development Authority Fund	44,000	4,000
Innovation Fund	542,000	67,000
Integrated Solid Waste Management Fund	100,000	100,000
LA Performance Partnership Pilot Fund	136,000	110,000
LA Regional Initiative for Social Enterprise	396,000	445,000
LEAD Grant 11 Fund	1,038,000	--
Los Angeles Regional Agency Trust Fund	99,000	99,000
Low and Moderate Income Housing	4,035,000	4,950,000
Micla 2016 Streetlights Construction	4,244,000	4,244,000
Neighborhood Stabilization Fund	90,000	11,000
Neighborhood Stabilization Prog 3-WSRA	250,000	99,000
Off-Site Sign Periodic Inspection Fund	835,000	835,000
Permit Parking Program Revenue Fund	1,664,000	1,664,000
Pershing Square Project	528,000	523,000
Section 108 Loan Guarantee Fund	467,000	482,000
Street Banners Trust Fund	324,000	99,000
Temporary Assistance for Needy Families	1,043,000	1,327,000
Traffic Safety Education Program	348,000	54,000
Transportation Expedited Fee Trust Fund	347,000	347,000
Transportation Regulation & Enforcement Fund	890,000	890,000
Used Oil Collection Fund	574,000	565,000
Ventura\Cahuenga Blvd. Corridor Specific Plan	410,000	344,000
Warner Center Transportation Trust Fund	267,000	267,000
West LA Transportation Improv. and Mitigation	409,000	408,000
Workforce Innovation Fund	158,000	--
Total Special Receipts	2,564,929,000	2,653,583,000
<b>Estimated Receipts for 2016-17 and 2017-18</b>	<b>\$ 8,113,456,000</b>	<b>\$ 8,215,246,000</b>

# SCHEDULE II

**Office of the Controller  
General Fund Receipts  
Last Ten Fiscal Years and Estimates for Fiscal Years 2016-17 and 2017-18  
(amounts expressed in thousands)**

Fiscal Year	Property Tax <sup>(a)</sup>	Utility Users' Tax	Sales Tax	Business Tax	Transient Occupancy Tax	Licenses, Permits, Fees and Fines	Other Revenues <sup>(b)</sup>	Total General Fund Receipts
2006-07	\$ 1,334,172	\$605,270	\$335,885	\$ 464,330	\$ 134,557	\$ 545,931	\$ 964,734	\$ 4,384,879
2007-08	1,389,255	628,319	335,562	466,997	148,523	614,891	779,314	4,362,861
2008-09	1,509,073	647,823	311,938	451,495	136,323	689,633	668,912	4,415,197
2009-10	1,442,270	631,048	280,096	424,830	118,500	735,306	783,441	4,415,491
2010-11	1,434,152	628,069	296,608	418,374	134,796	691,280	693,753	4,297,032
2011-12	1,438,152	615,034	323,247	439,802	151,722	727,538	693,061	4,388,556
2012-13	1,609,228	620,448	338,970	448,832	167,824	724,702	757,229	4,667,233
2013-14	1,660,180	627,437	356,503	475,397	184,382	831,974	817,691	4,953,564
2014-15	1,726,824	639,391	371,031	497,329	202,897	851,507	955,180	5,244,159
2015-16	1,737,472	614,702	417,541	509,765	230,818	887,442	937,337	5,335,077
2016-17 (Estimated)	1,883,939	619,277	520,336	504,000	264,812	878,496	877,667	5,548,527
2017-18 (Projected)	1,883,164	645,265	535,946	504,000	283,536	865,469	844,283	5,561,663

(a) Includes Ex-CRA Property Tax Increment receipts of \$22,666; \$58,830; \$70,197; \$52,363; \$55,696; \$92,941; and \$64,300; in 2011-12; 2012-13; 2013-14; 2014-15; 2015-16; 2016-17; and 2017-18; respectively.

(b) Other Revenues include transfers from the Reserve Fund except for 2008-09 and 2012-13 through 2014-15.