

# OVERVIEW OF THE 2019-20 ADOPTED BUDGET

PRESENTED BY:

JACOB WEXLER, CHIEF OF THE FINANCE GROUP  
OFFICE OF THE CITY ADMINISTRATIVE OFFICER



2019-20 Adopted Budget  
Neighborhood Council Budget Day, June 29, 2019

# SUMMARY

- Budget Overview
- Revenues
- Expenditures
- Financial Policy Compliance
- Four-Year Budget Outlook
- Budget Process



# BUDGET OVERVIEW

Budget Component	Budget (\$ Millions)			Authorized Positions		
	Adopted 2018-19	Adopted 2019-20	Percent Change	Adopted 2018-19	Adopted 2019-20	Percent Change
General Fund	\$ 6,190.6	\$ 6,569.7	6.1%	24,101	24,603	2.1%
Special Funds	\$ 3,709.2	\$ 4,140.4	11.6%	12,059	12,428	3.1%
<b>Total</b>	<b>\$ 9,899.8</b>	<b>\$ 10,710.1</b>	<b>8.2%</b>	<b>36,160</b>	<b>37,031</b>	<b>2.4%</b>



# REVENUES: MAJOR GENERAL FUND CHANGES

General Fund revenues increased by \$379 million (6.1%) from the 2018-19 Adopted Budget to the 2019-20 Adopted Budget. Major changes include:

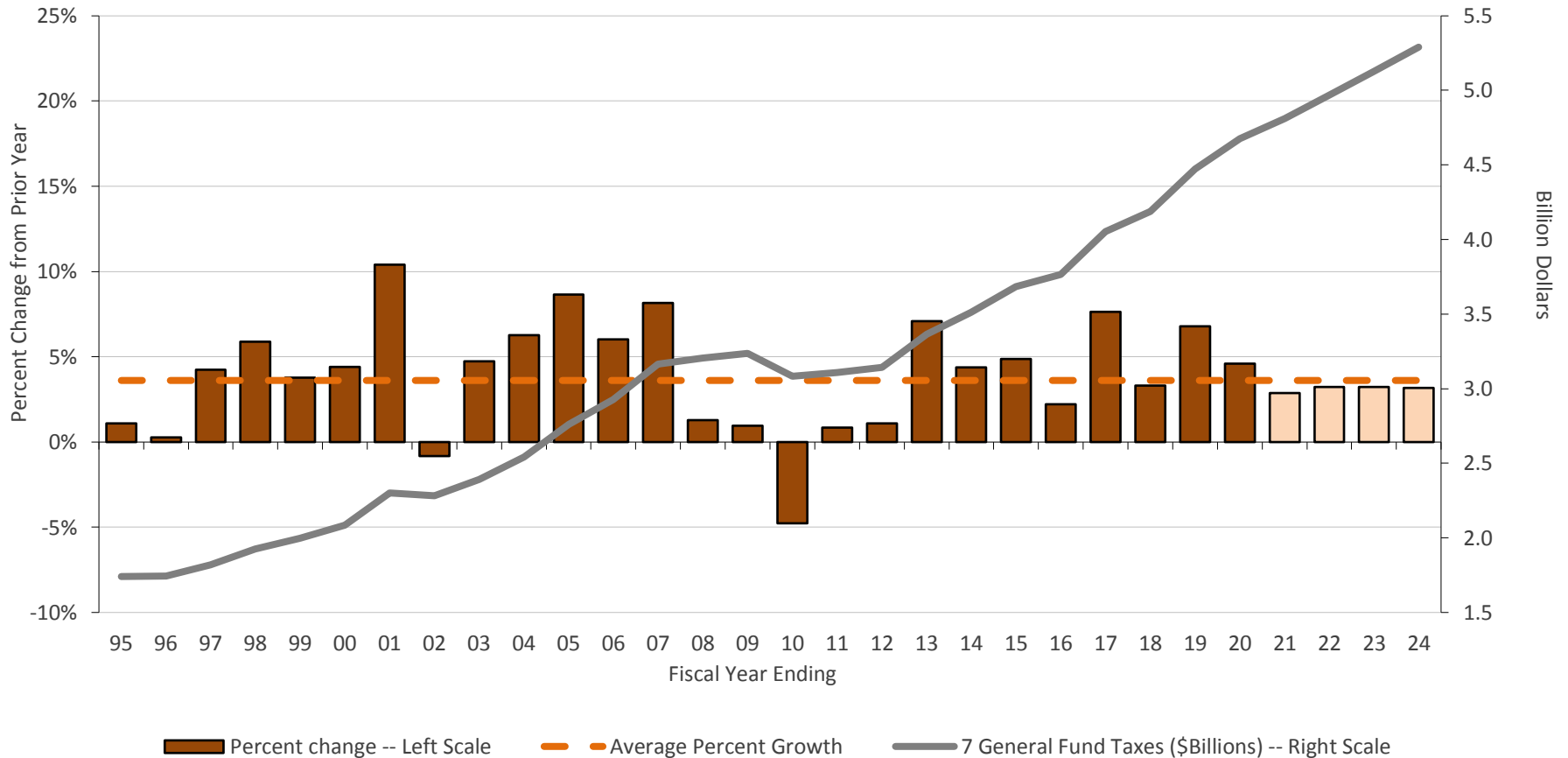
Source	Amount (Millions)	
Property Tax	\$154.1	Assumes 6% growth
License, Permits, Fees, and Fines	\$98.8	From increased special fund reimbursements, increased LAPD/MTA reimbursements, and new or increased tobacco, ambulance, and e-payable receipts.
Electricity Users Tax	\$35.8	Based on DWP estimates, adjusted to reflect uncollectable receipts.
Communications Users Tax	(\$25.2)	Continued decline due to loss of subscriptions and price competition
Sales Tax	\$31.8	Continued 3.6% growth, with additional increases from cannabis and a court decision on out-of-state e-sales.
Business Tax	\$67.2	4.2% growth, bolstered by \$66.7 million in total receipts from cannabis, of which \$14.2 is one-time.
Transient Occupancy Tax	\$4.5	\$2.1 growth from hotels; \$2.4 growth in short-term rentals, which assumes continued growth tempered by implementation of the new Home-Sharing Policy.
Documentary Transfer Tax	(\$2.6)	While this can be highly volatile, we expect stability next year.
Parking Fines	(\$18.1)	Parking fines continue to decline.



# REVENUES: LEVELS

## GROWTH OF SEVEN GENERAL FUND TAXES

*(Property (includes VLF), Utility Users, Business, Sales, Transient Occupancy, Documentary, and Parking Occupancy)*



**2019-20 Adopted Budget**  
**Neighborhood Council Budget Day, June 29, 2019**

# REVENUES: CAVEATS AND ESTIMATE LIMITATIONS

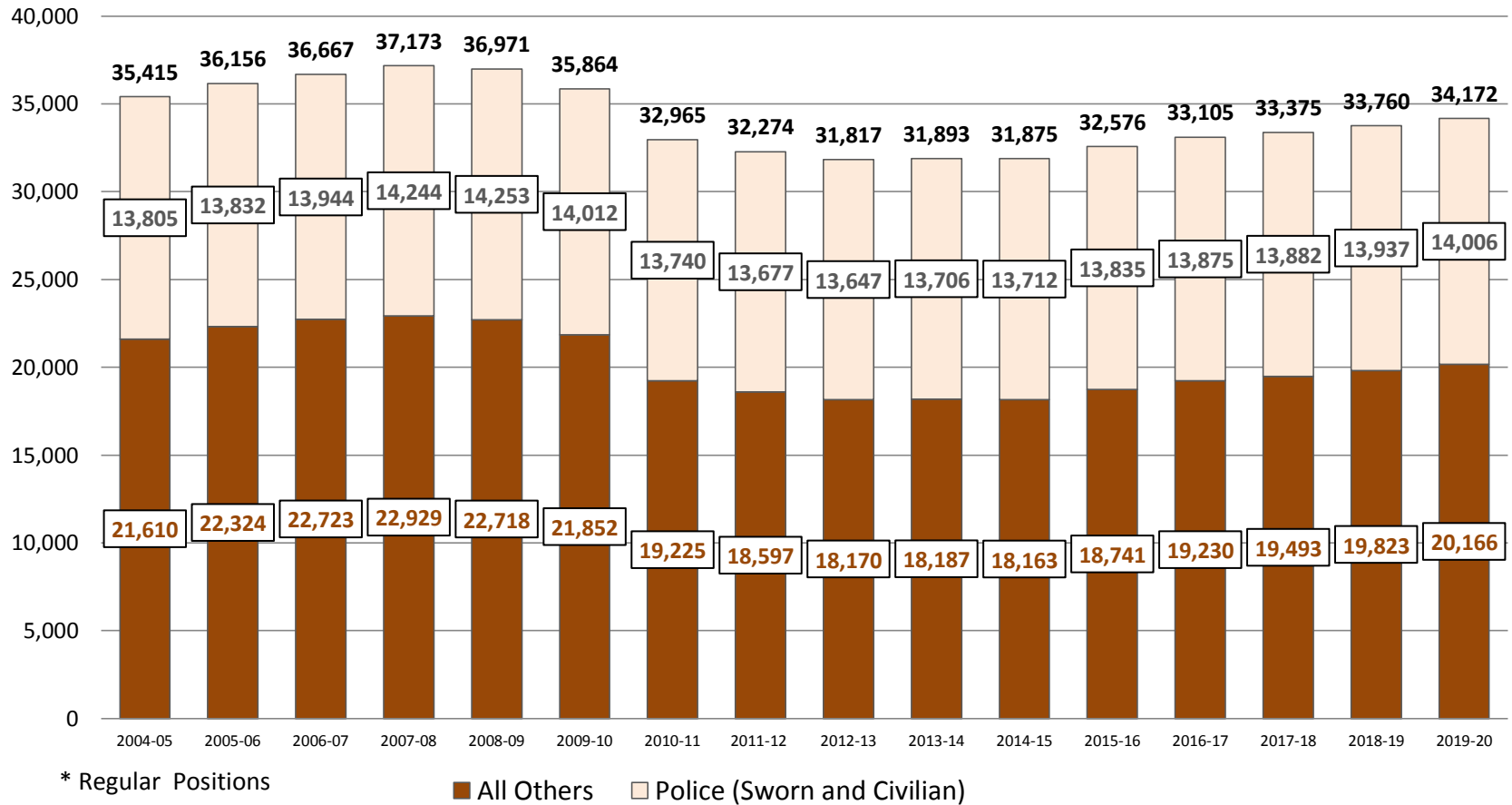
Estimates for the following revenue sources are based on our best estimates, but are uncertain:

- Cannabis receipts, in both Business and Sales Tax – Due to the lack of historical data.
- Short-Term Rentals – Due to the unknown impact of the implementation of the Home-Sharing Policy in July 2019.
- Gas Tax – Short in 2018-19 and continues to be unpredictable.



# EXPENDITURES: STAFFING

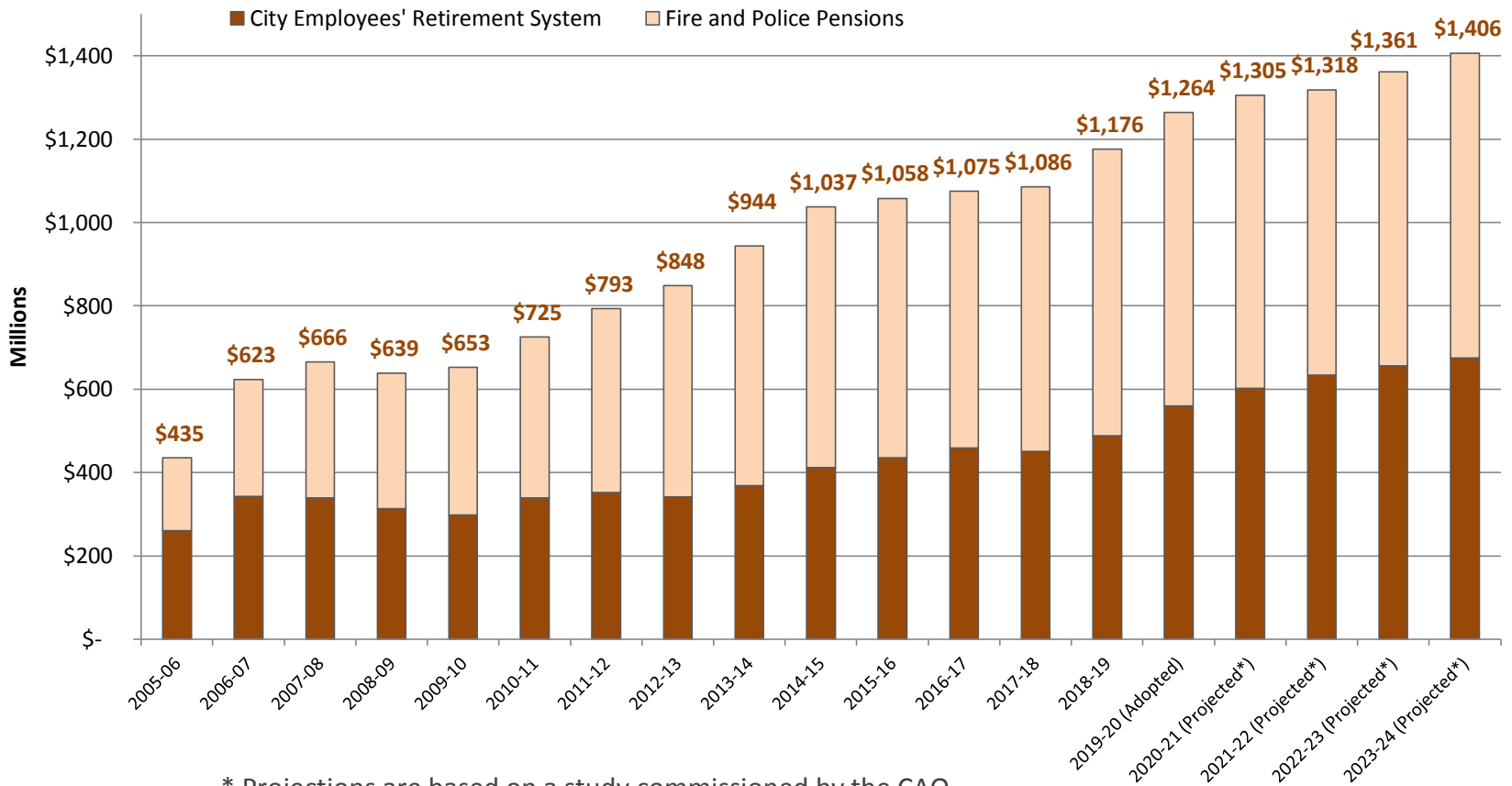
## AUTHORIZED CITY STAFFING\* (Not Including Proprietary Departments)



# EXPENDITURES: PENSIONS COSTS

## GENERAL FUND CONTRIBUTIONS TO LACERS AND LAFPP

(Actual Amounts 2005-18; Adopted 2018-20, Projected 2020-24\*)



\* Projections are based on a study commissioned by the CAO.

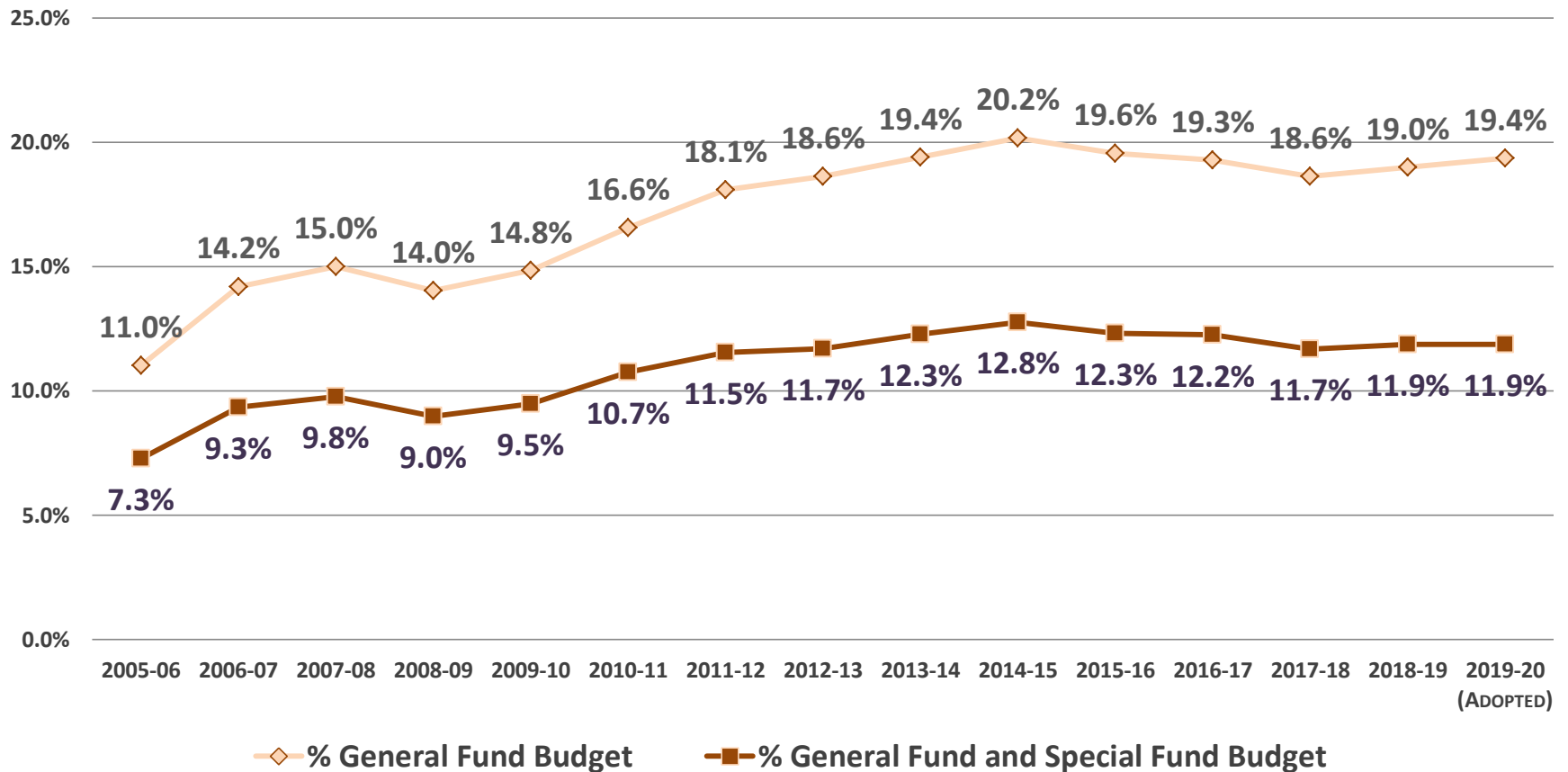


2019-20 Adopted Budget  
 Neighborhood Council Budget Day, June 29, 2019



# EXPENDITURES: PENSIONS COSTS

## PERCENT OF BUDGET USED FOR LACERS/LAFPP CONTRIBUTION



2019-20 Adopted Budget  
 Neighborhood Council Budget Day, June 29, 2019

# EXPENDITURES: AREAS FOR CONSIDERATION

## Potential Areas of Expenditure Risk:

- No funding is included for either sworn or civilian employee compensation adjustments if they are approved through ongoing negotiations.
- Infrastructure needs exceed available funds, even as the budget complies with the capital policy and adds special funding for clean water and mobility projects.



# FINANCIAL POLICY COMPLIANCE

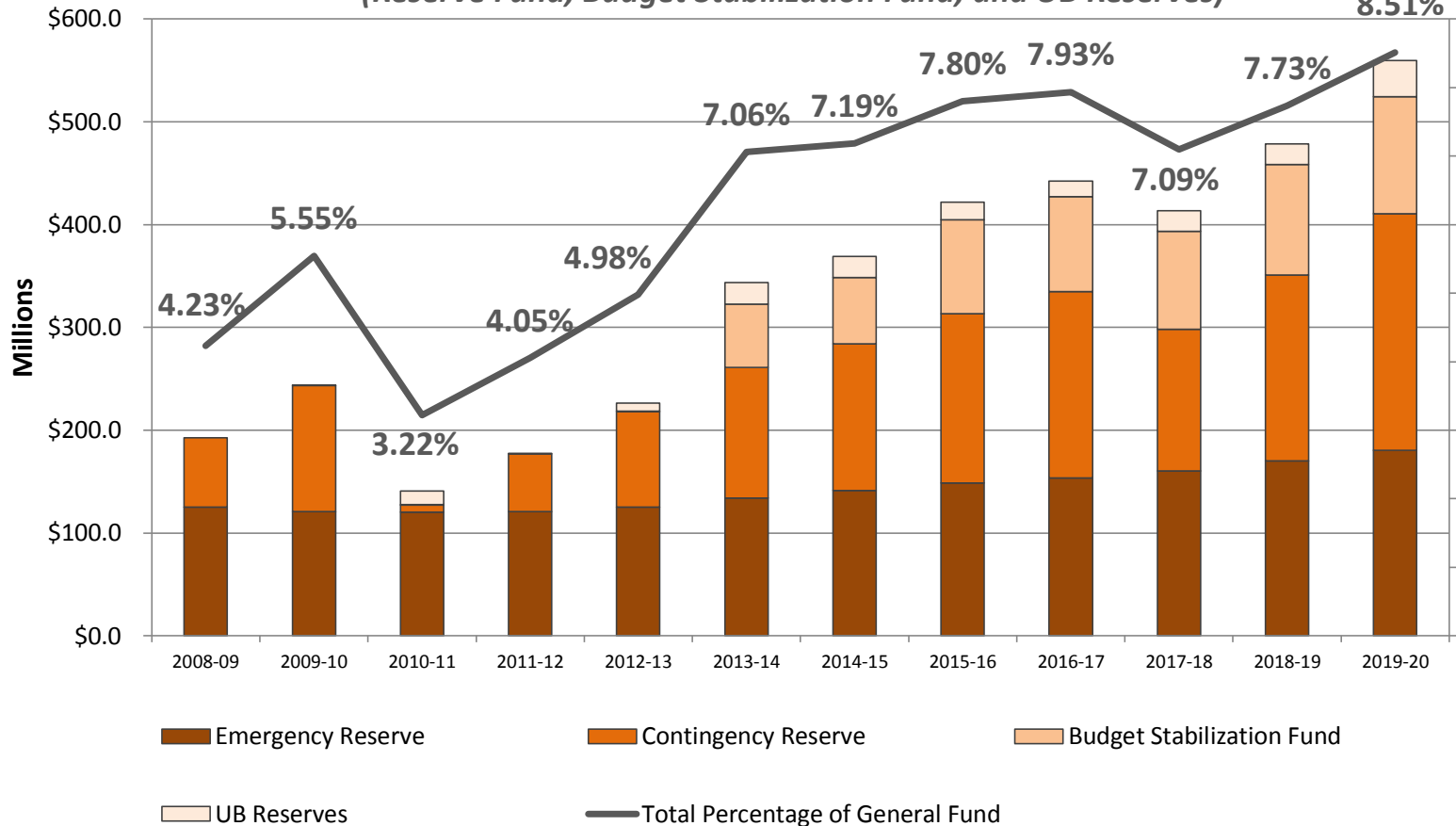
Policy		Compliance
Reserve Fund at least 5% of General Fund	✓	July 1 at \$410 million, or 6.25%
Budget Stabilization Fund contribution if growth of seven economically sensitive taxes is over 3.4%		5.9% in growth offset by \$80 million, \$7 million contribution to Fund and \$73 million for capital investment. <ul style="list-style-type: none"> <li>• Non-compliant if growth threshold is 3.4% (\$111 million)</li> <li>• Compliant if growth threshold is 4.5% (\$62 million)</li> </ul>
Capital investment at 1% of General Fund	✓	Investment of 1.11% or \$73 million
All one-time revenues used for one-time expenditures	✓	\$63 million in one-time revenues for \$141 million in one-time expenditures
Debt service ceiling: 6% for non-voter approved and 15% for non-voter and voter approved of general receipts	✓	<ul style="list-style-type: none"> <li>• 3.92% for non-voter approved</li> <li>• 5.90% for non-voter and voter approved</li> <li>• Projected to remain below limits until at least 2026-27</li> </ul>



# FINANCIAL POLICY COMPLIANCE

## ADOPTED BUDGET RESERVES

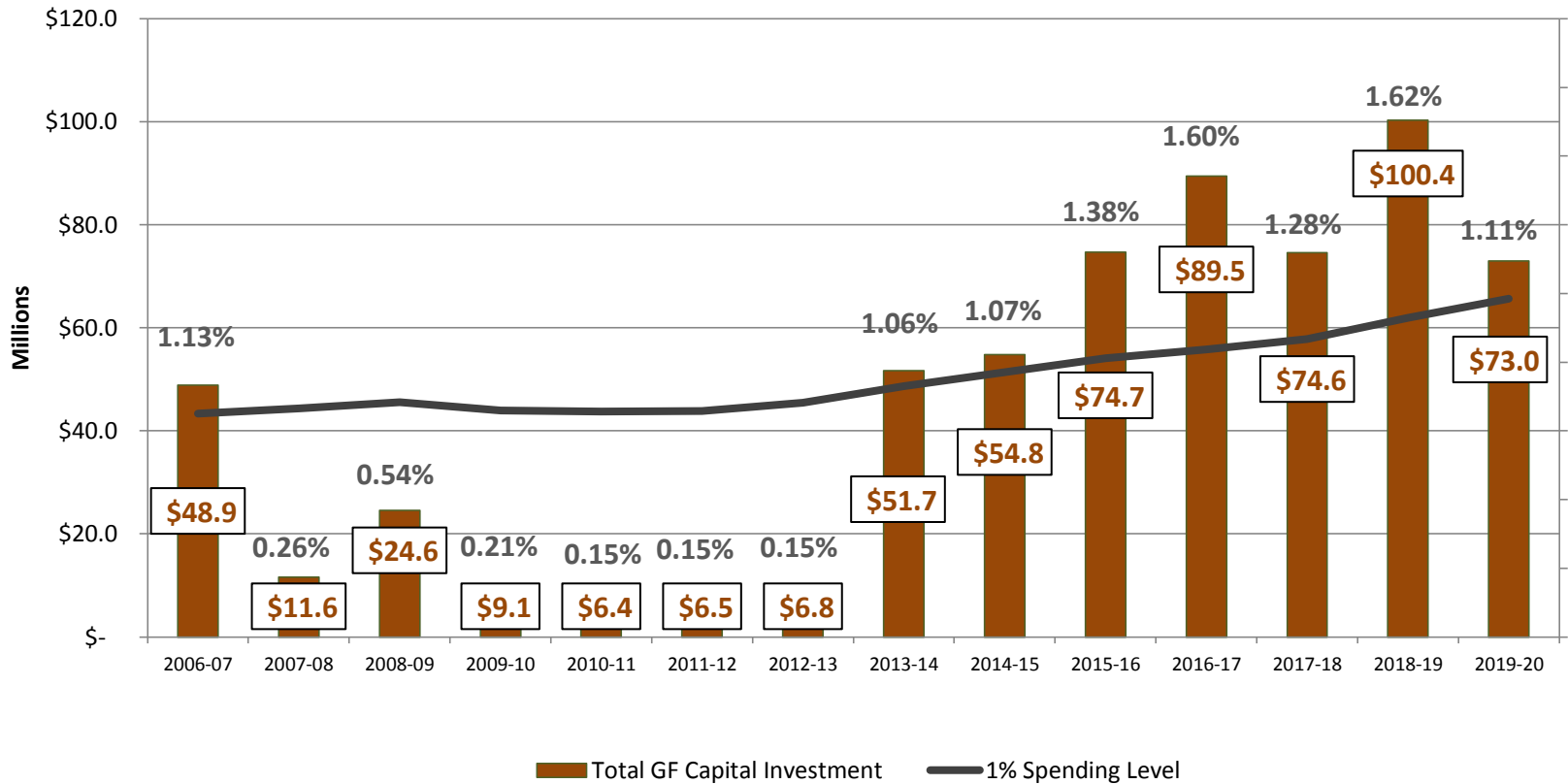
(Reserve Fund, Budget Stabilization Fund, and UB Reserves)



2019-20 Adopted Budget  
 Neighborhood Council Budget Day, June 29, 2019

# FINANCIAL POLICY COMPLIANCE

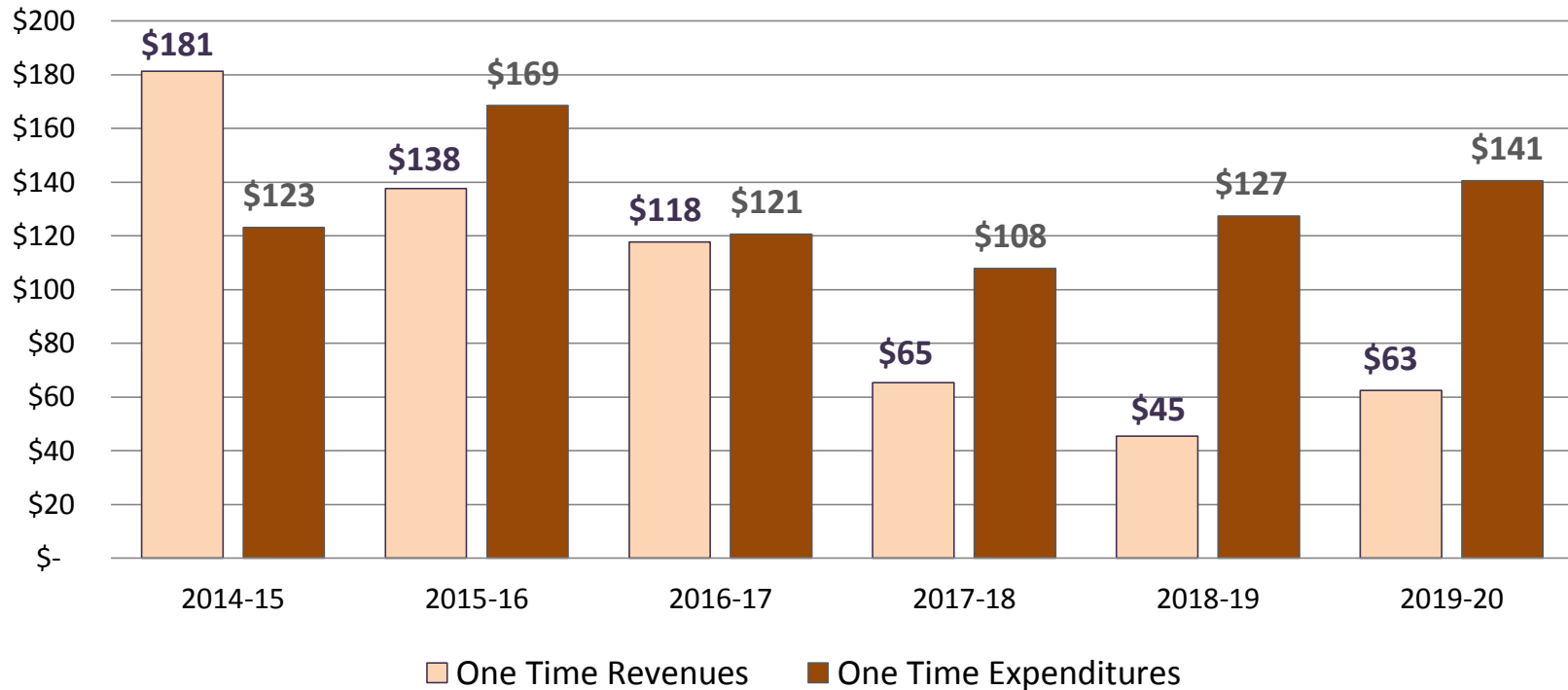
## CAPITAL INVESTMENT AS PERCENTAGE OF GENERAL FUND REVENUE



2019-20 Adopted Budget  
 Neighborhood Council Budget Day, June 29, 2019

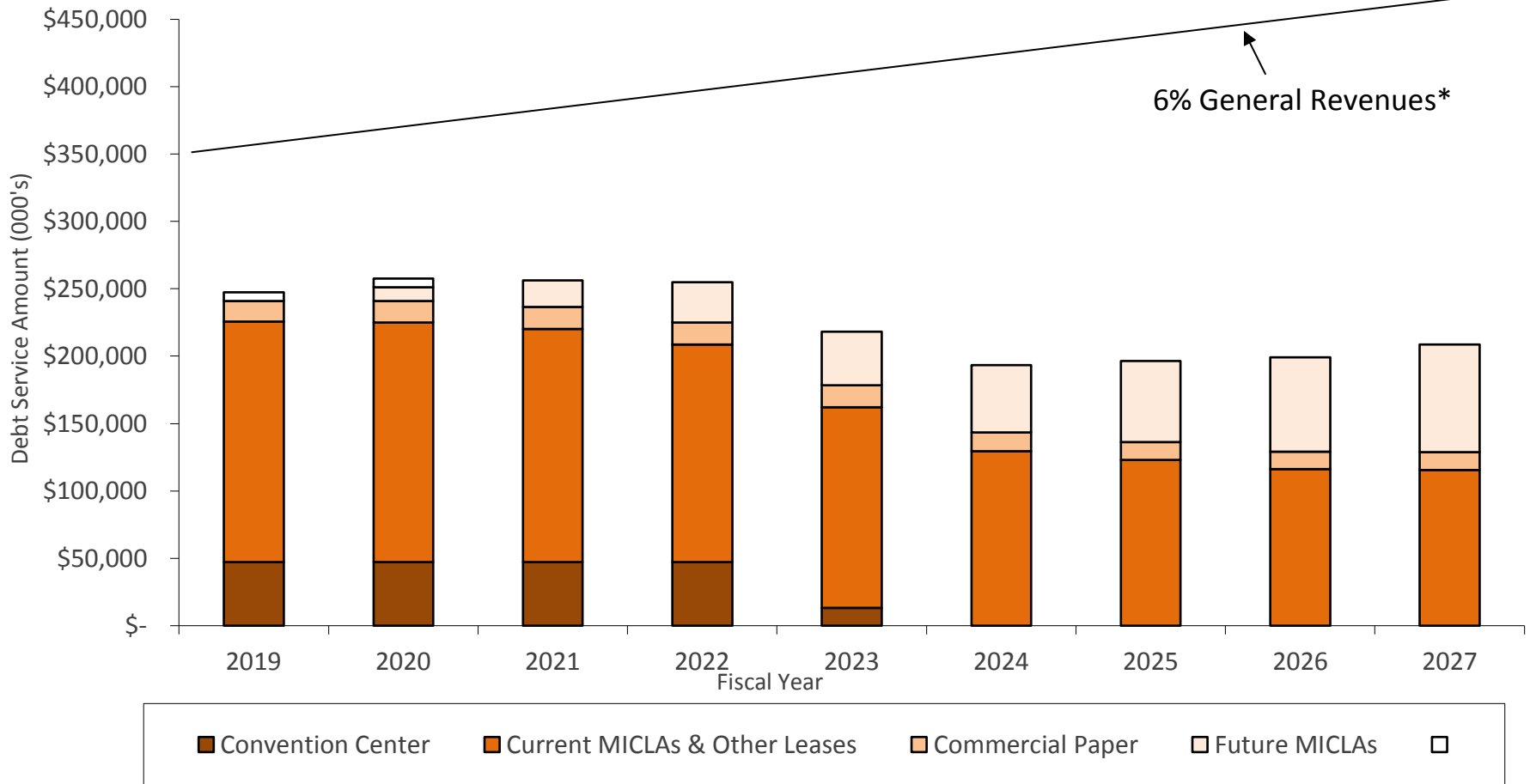
# FINANCIAL POLICY COMPLIANCE

## ONE-TIME REVENUES VS. ONE-TIME EXPENDITURES ADOPTED BUDGETS



# FINANCIAL POLICY COMPLIANCE

## NON-VOTER APPROVED DEBT

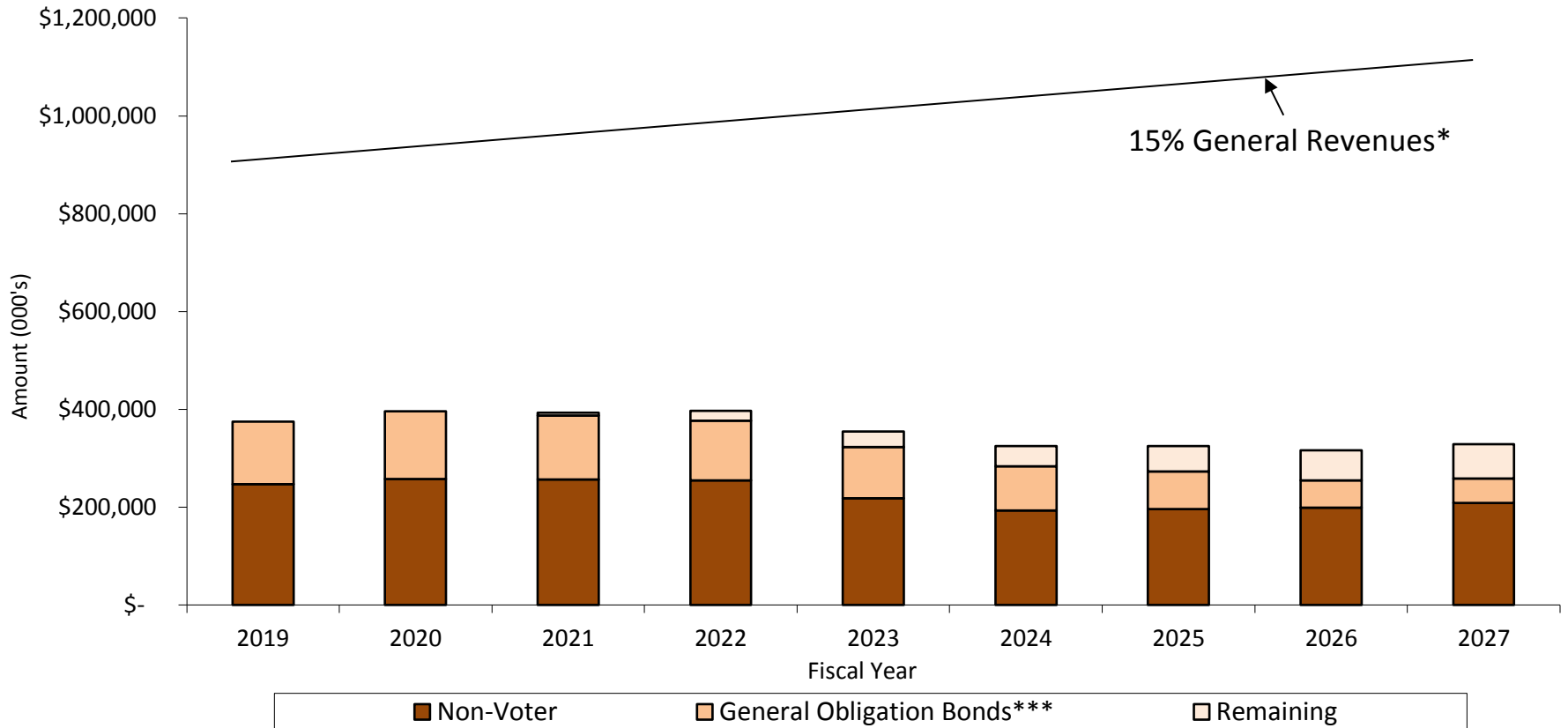


\*Projected revenue growth from 2020-21 through 2023-23 is 2.2%, 2.7%, 2.9%, and 2.8% respectively. Projected revenue growth from 2024-25 through 2026-27 is 2.9%.



# FINANCIAL POLICY COMPLIANCE

## VOTER APPROVED AND NON-VOTER APPROVED DEBT



\*Projected revenue growth from 2020-21 through 2023-23 is 2.2%, 2.7%, 2.9%, and 2.8% respectively. Projected revenue growth from 2024-25 through 2026-27 is 2.9%.  
 \*\*Includes Judgment Obligation Bonds, Convention Center, MICLA bond issuances, and MICLA Commercial Paper and refundings.  
 \*\*\*Voter approved debt.

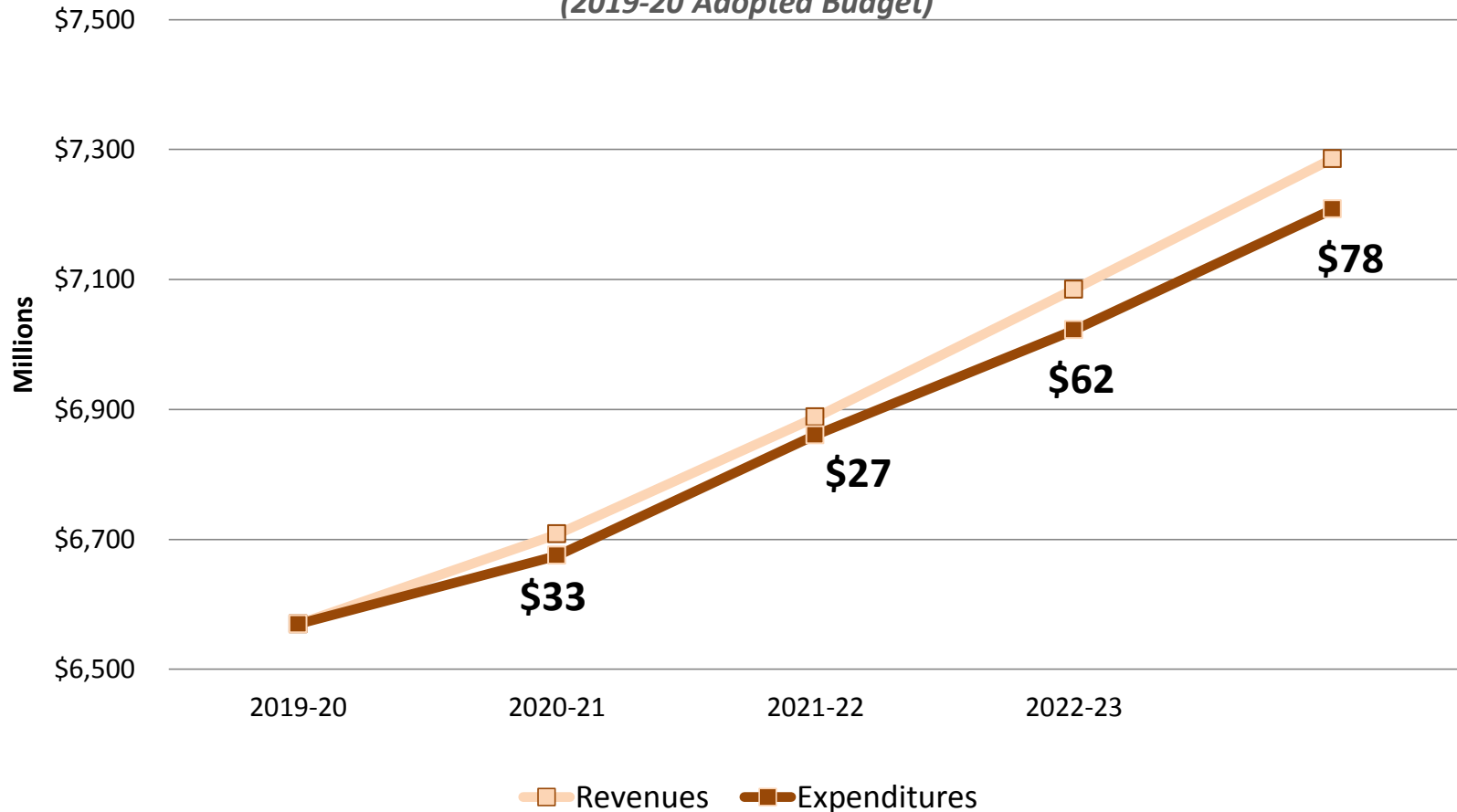




# THE OUTLOOK

## FOUR-YEAR BUDGET OUTLOOK

*(2019-20 Adopted Budget)*



# BUDGET PROCESS



**2019-20 Adopted Budget**  
**Neighborhood Council Budget Day, June 29, 2019**

# FOR MORE INFORMATION

<http://cao.lacity.org/budget/index.htm>



**2019-20 Adopted Budget**  
**Neighborhood Council Budget Day, June 29, 2019**