

Module 1: City Budget and Department Structure

Neighborhood Council Budget Advocates
August 2020

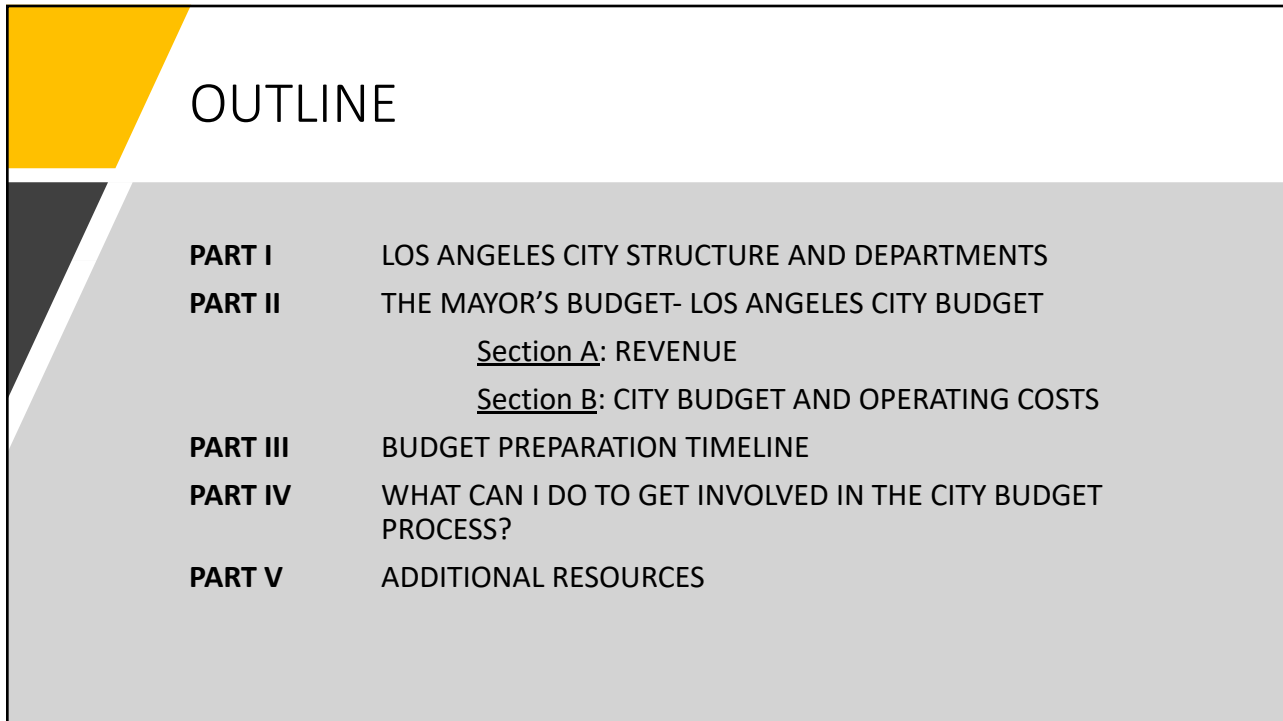
Produced by Albert J. Farias, MPH, PhD
Email any questions to chair@voicesnc.org

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Objectives

- (1) City Government
 - Develop an understanding of the city government structure
 - Identify city and non-city departments and their respective roles
 - Recognize of acronyms
- (2) City Budget
 - Explain the budget process timeline
 - Understand the city expenditures and revenues
 - Identify and locate important budget documents
 - Overview of governing financial policies
- (2) Angelinos' role in the city budget
 - Define the role of the budget advocates, budget representatives,
 - Define the role of NC board members and stakeholders

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OUTLINE

PART I	LOS ANGELES CITY STRUCTURE AND DEPARTMENTS
PART II	THE MAYOR'S BUDGET- LOS ANGELES CITY BUDGET <u>Section A:</u> REVENUE <u>Section B:</u> CITY BUDGET AND OPERATING COSTS
PART III	BUDGET PREPARATION TIMELINE
PART IV	WHAT CAN I DO TO GET INVOLVED IN THE CITY BUDGET PROCESS?
PART V	ADDITIONAL RESOURCES

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PART I: Los Angeles City Structure and Departments

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Los Angeles City Structure and Departments

But first....

Population

Table 1 summarizes City, County, and State of California (the "State") population statistics, estimated as of January 1 of each year.

Table 1
CITY, COUNTY, AND STATE POPULATION STATISTICS

	City of Los Angeles	Annual Growth Rate ⁽¹⁾	County of Los Angeles	Annual Growth Rate ⁽¹⁾	State of California	Annual Growth Rate ⁽¹⁾
2000 ⁽¹⁾	3,694,742	-	9,519,330	-	33,873,086	-
2005 ⁽¹⁾	3,769,131	0.40%	9,816,153	0.62%	35,869,173	1.18%
2010 ⁽¹⁾	3,792,621	0.12	9,818,605	0.00	37,253,956	0.77
2015 ⁽¹⁾	3,954,715	0.85	10,155,753	0.69	38,952,462	0.91
2016	3,981,283	0.67	10,185,851	0.30	39,214,803	0.67
2017	4,015,087	0.85	10,226,920	0.40	39,504,609	0.74
2018	4,038,313	0.58	10,254,658	0.27	39,740,508	0.60
2019	4,040,079	0.04	10,253,716	(0.01)	39,927,315	0.47

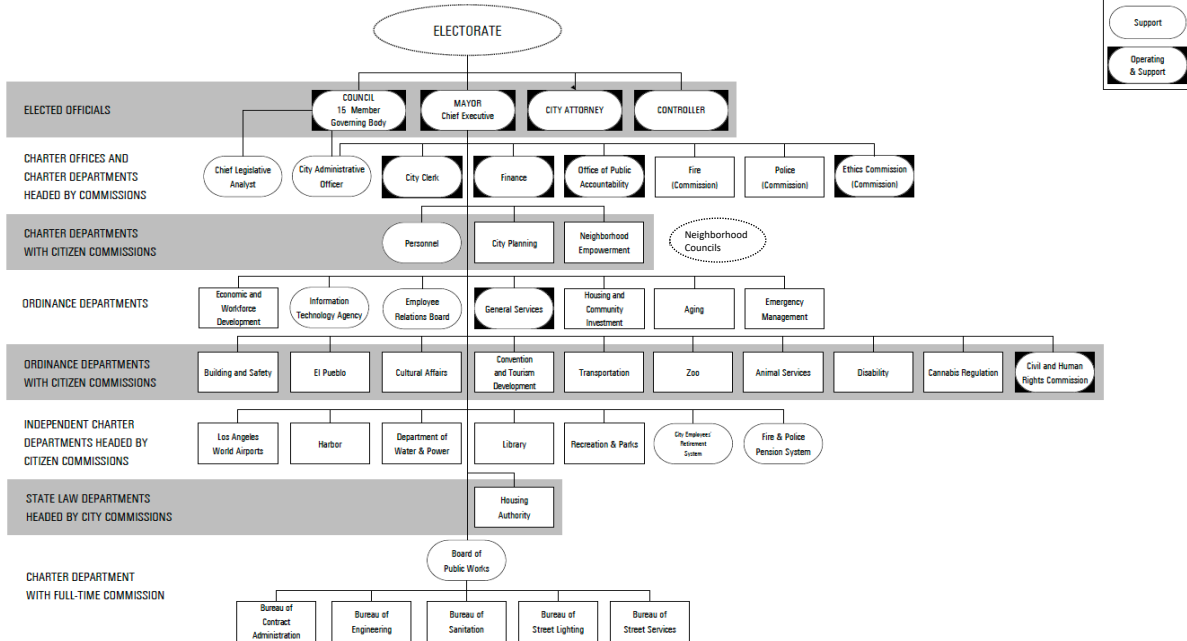
⁽¹⁾ For five-year time series, figures represent average annual growth rate for each of the five years.

Sources: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 and 2010 Census Counts, Sacramento, California, November 2012. State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2019, with 2010 Census Benchmark, Sacramento, California, May 2019.

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ORGANIZATION OF THE CITY OF LOS ANGELES

Proposed as of July 1, 2020



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City Structure and Departments

The City of Los Angeles is a Mayor-Council-Commission form of government.

The Power of the Electorate

- The Mayor, City Controller, and City Attorney are elected by City residents every four years.
 - Fifteen City Council members representing fifteen districts are elected by the people for four-year terms, for a maximum of three terms.
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City Structure and Departments

City Departments and Bureaus in the City of Los Angeles

- Approximately 44 City Departments Headed by General Managers that are appointed by the Mayor, subject to confirmation by the City Council.
- 5 Bureaus (Contract Administration, Engineering, Sanitation, Street lighting, Street Services)

System of Neighborhood Councils (NCs) was created under the new City Charter, effective July 2000. The goal of the NCs is to promote public participation in City governance and decision-making processes to create a government more responsive to local needs. Supported by the Department of Neighborhood Empowerment (DONE).

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City Structure and Departments

Positions appointed by the Mayor

Members of City Boards & Commissions, subject to the approval of the City Council.

City Administrative Officer

City Clerk

Director of Finance

City Treasurer

Deputies to Elected Officials

Chief Legislative Analyst

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City Structure and Departments

Free-standing Boards of Commissions

- Commission for Children, Youth, and Their Families
 - Human Relations Commission
 - Quality and Productivity Commission
 - Commission on the Status of Women
-

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City Structure and Departments

Departments written explicitly in the City Charter

Fire Department

Police Department

Department of Public Works

Planning Department, the City Planning Commission (CPC), and Area
Planning Commission (APC)

Library Department

Department of Recreation and Parks

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City Structure and Departments

Proprietary Departments

Los Angeles World Airports (LAWA)

Department of Water and Power (DWP)

Port of Los Angeles (Harbor Department)

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City Structure and Departments

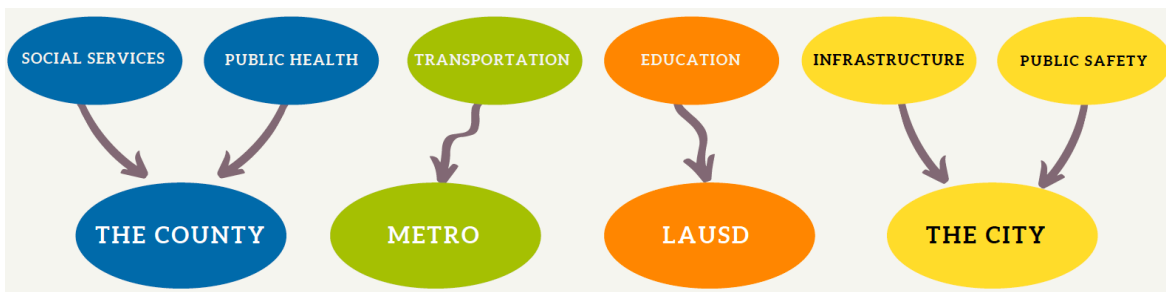
Non-Charter Departments

- | | |
|----------------------------------|-------------------------------|
| Aging | Animal Services |
| Building and Safety | Community Development |
| Cultural Affairs | Disability |
| El Pueblo de Los Angeles | Emergency Preparedness |
| Environmental Affairs | General Services |
| Housing and Community Investment | Information Technology Agency |
| Transportation | Zoo |

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Joint Authorities and Regional Governments

- Who is responsible*?



*Oversimplification: The Mayor serves on the Metro board

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PART II: The Mayor's Budget- Los Angeles City Budget

Part A: Revenue

Part B: City Budget and Operating Costs

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Los Angeles City Budget

- Assigns dollars to what the city will do with its revenues.
- Allocates resources – the clearest explanation of what the City government values
- Reflects the city's priorities

More than where the money gets spent, the Budget:

- Projects revenues
- Assesses fees the City charges for services it provides
- Times expenses to be sure City does not get ahead of revenue
- Makes adjustments throughout the year
- Plans for the long term
- Determines where new revenue will come from

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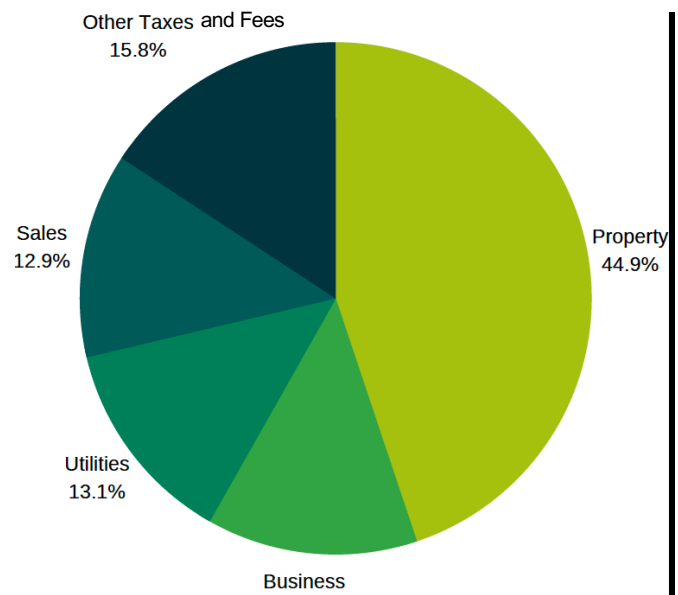
Part II Section A: City Revenue

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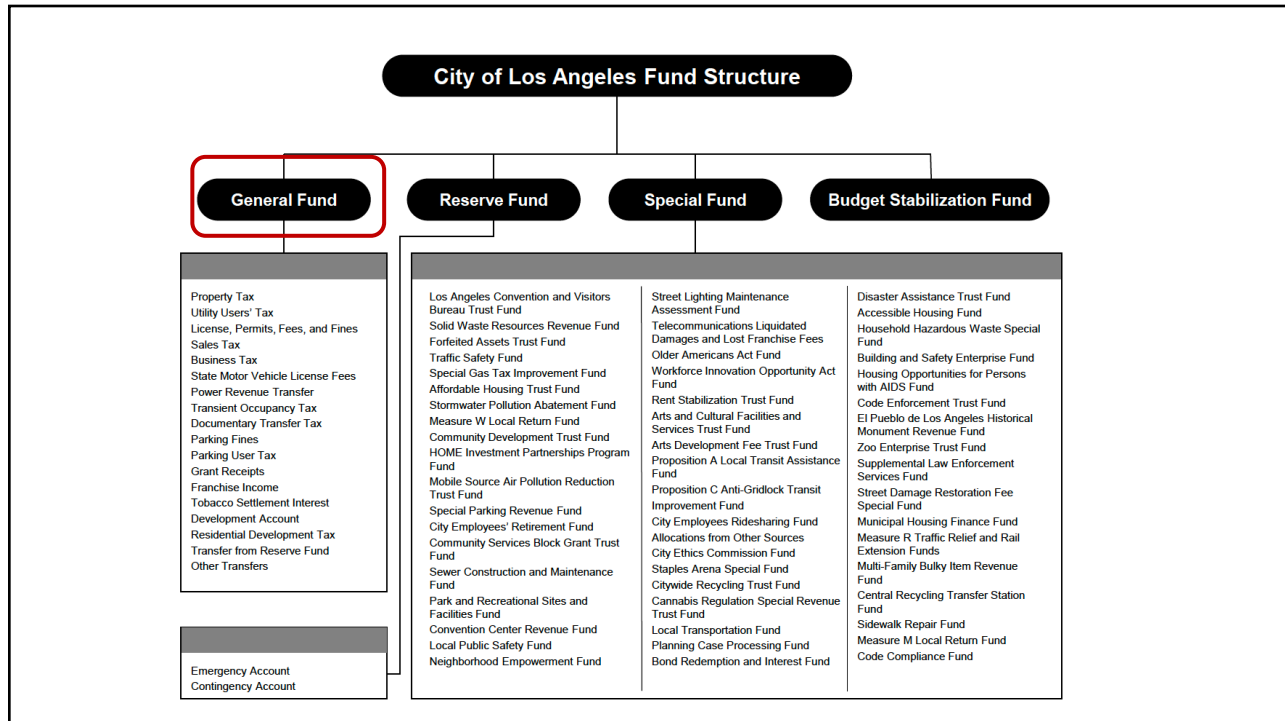
Revenue Sources

City revenue sources from 2019

Source: http://cao.lacity.org/budget20-21/2020-21Revenue_Outlook.pdf



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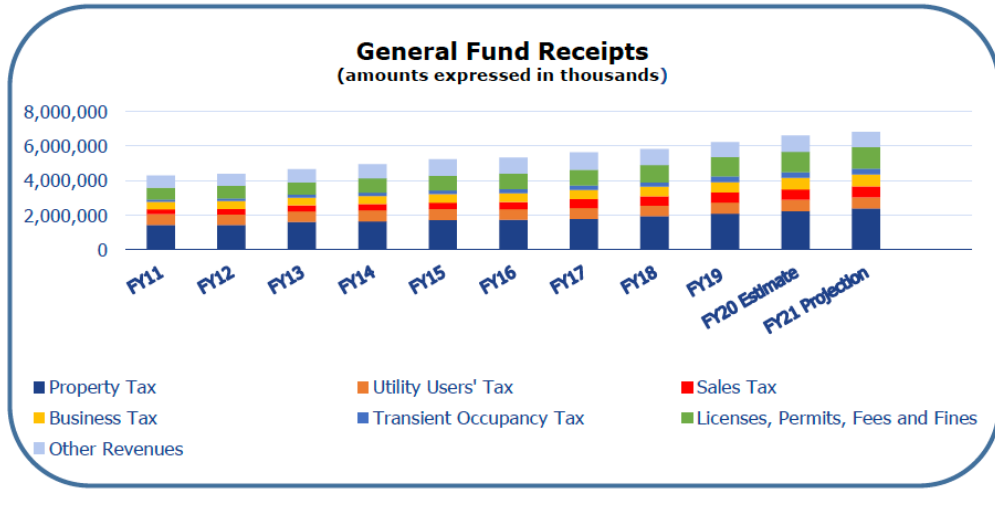
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General Fund

- Primary operating fund of the City
- Revenues derived from sources of taxes, licenses, permits, fees, fines, intergovernmental revenues, charges for services, special assessments, interest income, and other resources for discretionary funding.

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



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General Fund Revenue

- Total adopted General Fund revenue for 2019-20 was \$6.57 Billion (5.3% above 2018-19 receipts)
- General Fund revenue estimate reduced \$108.5 B (-1.7%) to \$6.46 B in 2019-20, reflecting the impact of the COVID-19 pandemic and Safer at Home order on revenue-generating services and other deviations

Source: http://cao.lacity.org/budget20-21/2020-21Revenue_Outlook.pdf

General Fund Revenue Summary Fiscal Year 2020-21 (Thousand Dollars)

2019-20			2020-21
Adopted	Revised		Proposed
2,115,611	2,154,955	Property Tax	2,297,080
1,613,059	1,649,245	Property Tax 1%	1,758,000
502,552	505,710	VLF Replacement	539,080
100,386	89,513	Redirection of ex-CRA Tax Increment	95,900
1,226,882	1,231,352	Departmental Receipts	1,335,289
233,729	218,099	Licenses, Permits, Fees and Fines	224,394
173,269	162,759	Proprietary Reimbursements	180,131
199,445	221,653	Other Agency Reimbursements	258,123
618,067	611,243	Special Fund Reimbursements	669,278
4,373	17,598	Other Revenues	3,364
652,165	640,990	Utility Users Tax	614,620
447,440	440,255	Electricity Users Tax	434,820
63,325	74,135	Gas Users Tax	66,400
141,400	126,600	Communication Users Tax	113,400
657,150	627,850	Business Tax	686,540
589,790	586,469	Sales Tax	557,055
326,620	272,670	Transient Occupancy Tax	244,860
235,600	229,913	Power Revenue Transfer	224,100
211,960	214,010	Documentary Transfer Tax	215,835
123,785	119,431	Parking Fines	140,477
121,900	102,000	Parking Occupancy Tax	102,000
80,240	82,708	Franchise Income	81,226
57,313	31,294	Special Parking Revenue Transfer	27,721
36,700	42,661	Interest	34,613
15,729	17,327	Grants Receipts	12,521
10,952	10,615	Tobacco Settlement	10,615
5,020	4,341	Residential Development Tax	3,693
1,946	3,198	State Motor Vehicle License Fees	3,198
\$ 6,569,750	\$ 6,461,296	Total General Fund Revenue	\$ 6,687,342

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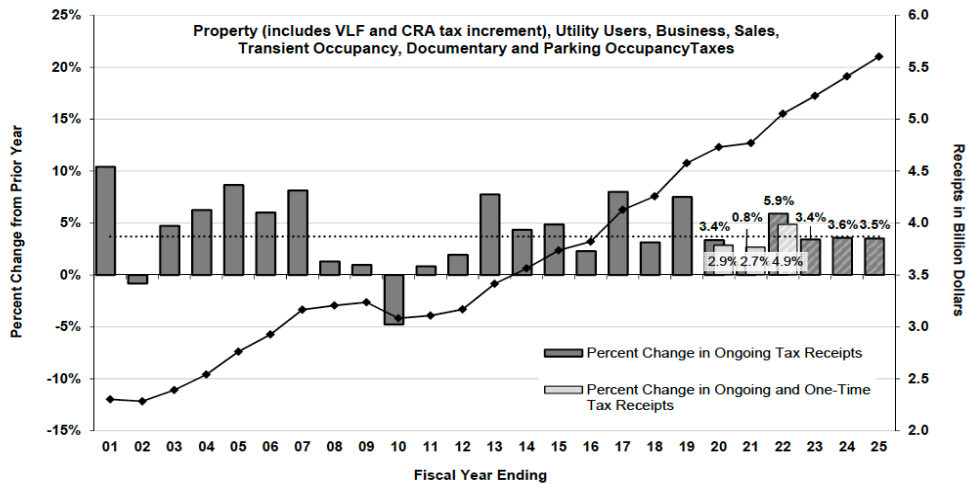
Revenues: Seven General Fund Tax Revenues Sources

More than 70% of the General Fund revenue consists of seven major taxes considered “Economy-Sensitive”

1. Property Tax
2. Utility Users’ Tax (Electricity, Gas, Communication)
3. Business Tax
4. Sales Tax
5. Transient Occupancy Tax
6. Documentary Transfer Tax
7. Parking Users’ Tax

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Growth of Seven General Fund Taxes



Major General Fund taxes currently account for more than 70 percent of all General Fund revenue, while the balance includes fees and fines, cost reimbursements, transfers from other funds, franchise revenue, interest income and other miscellaneous receipts. Since 1990, growth in the seven General Fund taxes has averaged 3.7 percent annually, which includes periods of high economic growth during the real estate and tech booms, as well as the subsequent declines during the busts. Growth in fiscal years 2015-16 through 2017-18 reflect the impact of delayed sales tax replacement revenue and overlapping sales tax revenue with the unwinding of the triple flip. Fiscal year 2018-19 growth includes new business tax receipts from cannabis-related business activity.

Estimated growth for 2019-20 ongoing tax receipts has been lowered in anticipation of the COVID-19 pandemic's projected impact on transient occupancy and parking occupancy receipts. Ongoing tax receipts for 2020-21 are projected to grow by less than one percent, reflecting the impact of the projected recession. Budgeted growth for 2019-20 revised and 2020-21 proposed receipts include the one-time impact of deferred tax payments. Outgoing years assume moderate growth in line with the historical average for City receipts.

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Revenue: Seven General Fund Taxes

- Average percent growth since 1990 = 3.7%
- FY 2019 Receipts: About \$ 4.3 Billion

http://cao.lacity.org/budget20-21/2020-21Revenue_Outlook.pdf

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

Tax Receipts	Adopted Budget 2019-20 (a)	Controller's March 1, 2020 Estimated Receipts		% Change over 2019-20 Adopted Budget	
		2019-20	2020-21	2019-20	2020-21
		(b)	(c)	(b) / (a)	(c) / (a)
Property	\$ 2,115,611	\$ 2,151,292	\$ 2,301,647	1.69%	8.79%
Utility Users'	652,165	657,297	644,656	0.79%	-1.15%
Business	657,150	664,306	689,992	1.09%	5.00%
Sales	589,790	604,188	626,543	2.44%	6.23%
Transient Occupancy	326,620	320,917	331,969	-1.75%	1.64%
Documentary Transfer	211,960	219,682	224,076	3.64%	5.72%
Parking Users'	121,900	123,093	126,617	0.98%	3.87%
Total Economy-Sensitive Revenues	\$ 4,675,196	\$ 4,740,775	\$ 4,945,500	1.40%	5.78%

Note: Property Tax revenue excludes Ex-CRA Property Tax Increment receipts.

General Fund economy-sensitive revenues are estimated to increase in 2020-21 by 5.8 percent over the 2019-20 Adopted Budget. Exhibit 3 presents explanations of the estimates of General Fund economy-sensitive revenues for 2019-20 and 2020-21.

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Revenue Receipt Details: Actual FY 2015-16 thru 2020-21 Proposed

• http://cao.lacity.org/budget20-21/2020-21Revenue_Outlook.pdf

GENERAL RECEIPTS BY TAX

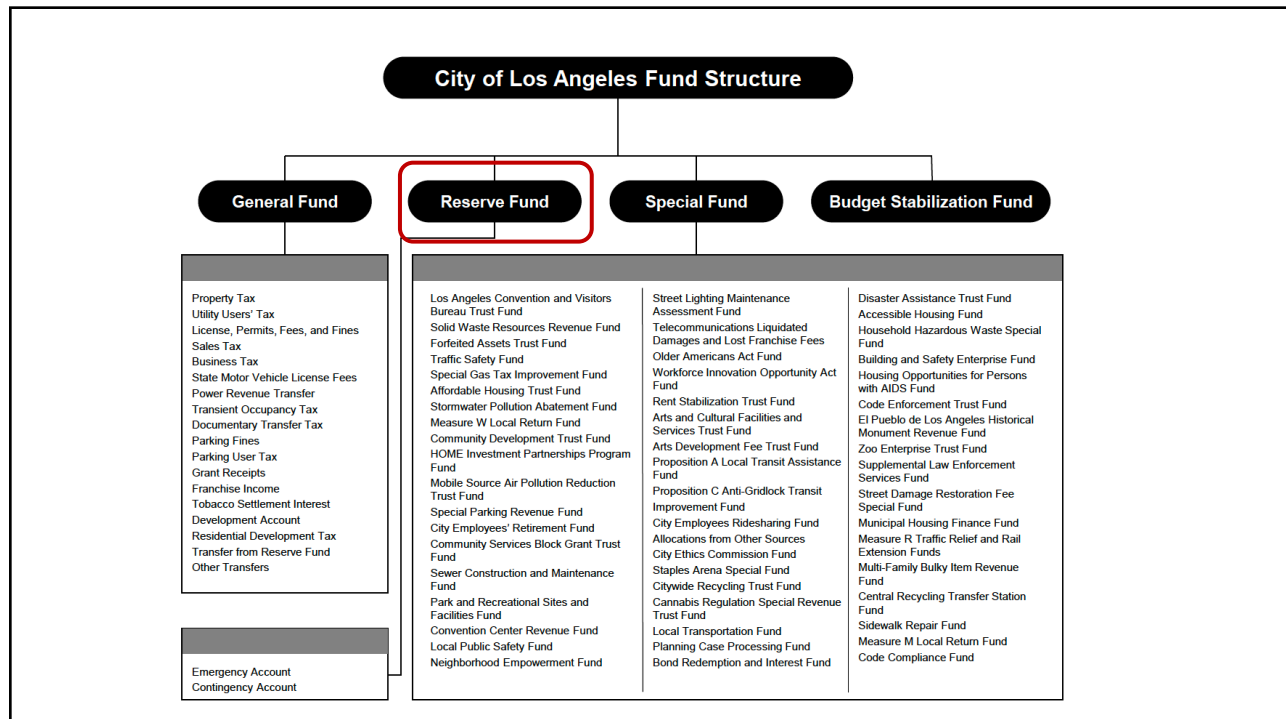
Pages 18-82

DETAIL OF DEPARTMENT RECEIPTS

Pages 83-229

***To get a better understanding of revenues by other specific taxes and departments of interest please visit the above website**

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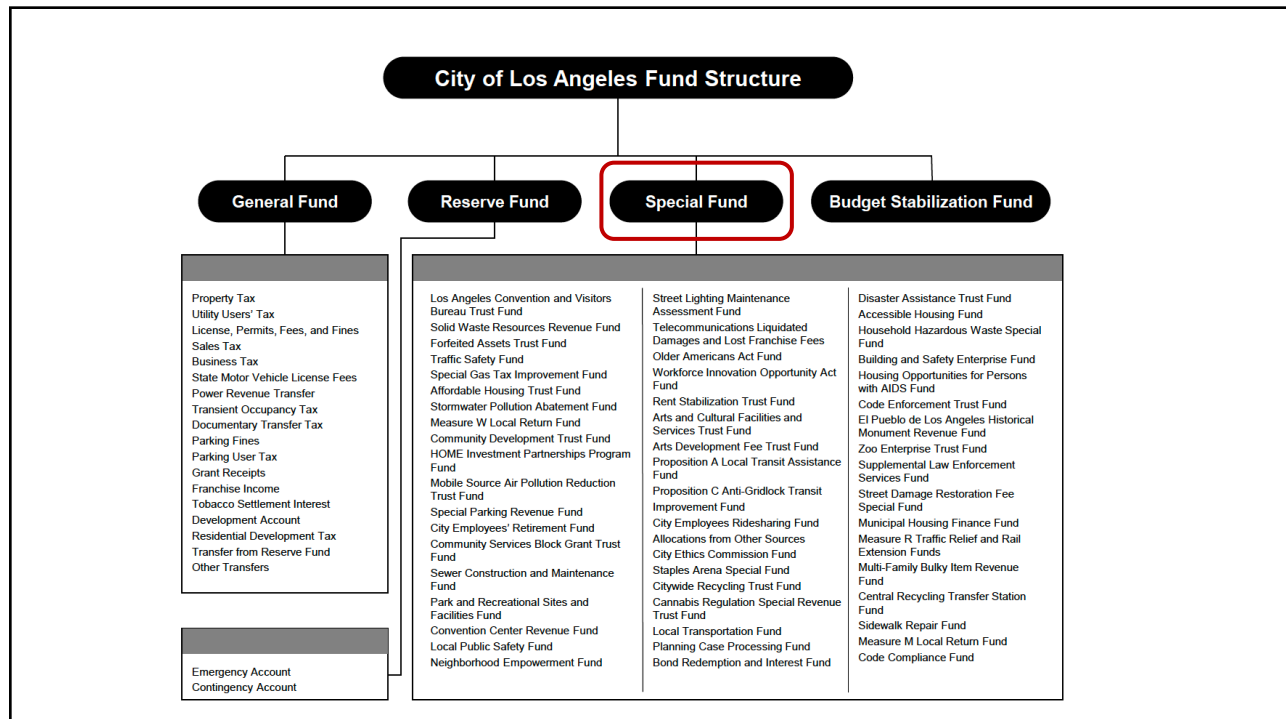


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Reserve Fund

- Account in which unrestricted cash is set aside outside the budget for unforeseen expenditures and emergencies.
- Funds can be transferred into the budget for purposes as necessary.
- Unreserved and undesignated fund balance from General Fund is transferred to Reserve Fund at the end of the fiscal year.
- The City’s Financial Policies establish a minimum Reserve Fund balance of 5% of General Fund revenues.
- Two accounts established within the Reserve Fund:
 - Emergency Reserve Account
 - Contingency Reserve Account

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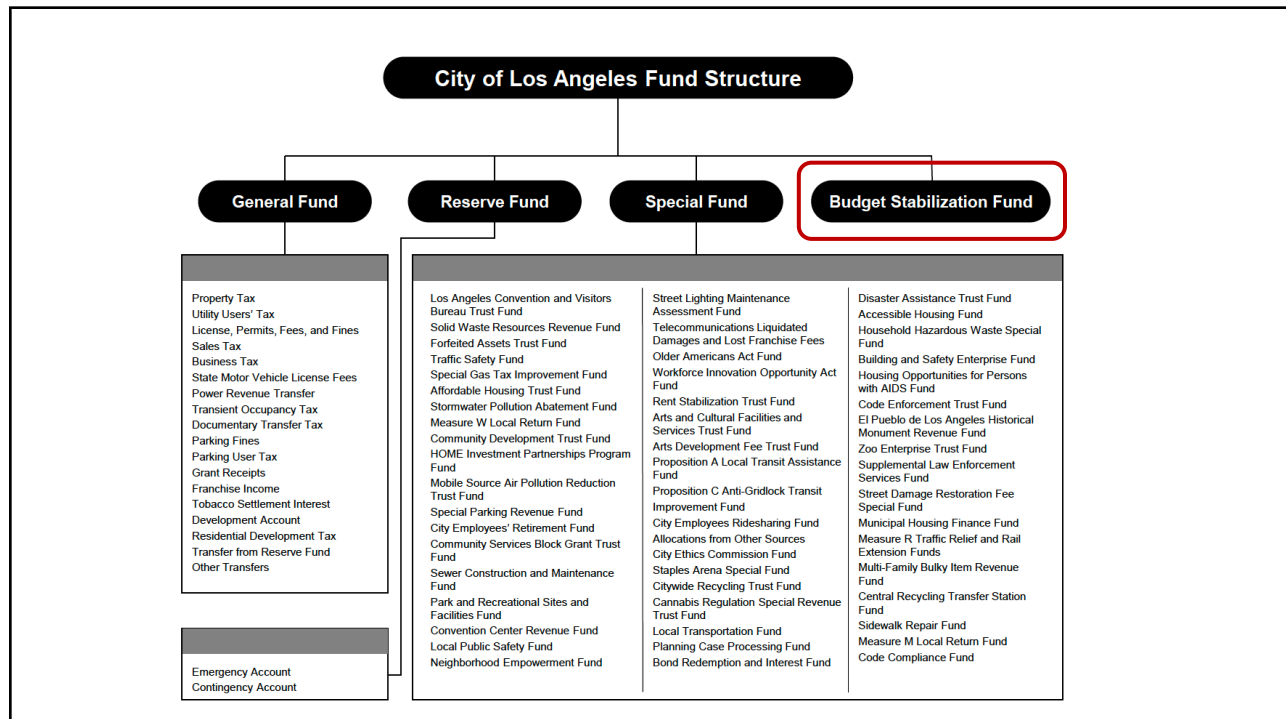


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Special Fund

- Used to account for revenues derived from specific taxes, fees, governmental grants, or other revenue sources that are designated to finance particular functions and activities and cannot be used for anything other than their designated purpose.
- Examples of special funds:
 - The Sewer Enterprise Fund
 - Solid Waste Resources Revenue Fund
 - Building and Safety Permit Fund
 - Proposition C Anti-Gridlock Transit Improvement Fund

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Budget Stabilization Fund (BSF)

- Purpose: to set aside money 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.

Source: <http://cao.lacity.org/Reports/BUDGET%20STABILIZATION%20FUND%20POLICY.pdf>

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Budget Stabilization Fund (BSF)

- Deposits
 - Occur when the anticipated combined growth of seven general fund tax revenue sources are greater than 3.4% growth. When met, amount of deposit will be the difference between anticipated growth and the growth at 3.4%.
- Withdrawals

<u>Projected Growth Rate</u>	<u>Maximum Transfer From The BSF</u>
3.4% or higher	0% of BSF Balance
Greater than or equal to 3.3%, but less than 3.4%	5% of BSF Balance
Greater than or equal to 3.2%, but less than 3.3%	10% of BSF Balance
Greater than or equal to 3.1%, but less than 3.2%	15% of BSF Balance
Greater than or equal to 3.0%, but less than 3.1%	20% of BSF Balance
Less than 3%	25% of BSF Balance

Source: <http://cao.lacity.org/Reports/BUDGET%20STABILIZATION%20FUND%20POLICY.pdf>
https://clkrep.lacity.org/onlinedocs/2013/13-0455_ord_182928.pdf

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Part II Section B: City Budget and Operating Costs

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City Budget 2020-21

- 70.3% of unrestricted revenue allocated to Police and Fire Department
- 7.7% allocated to public works activities

DEPARTMENTAL SHARE OF UNRESTRICTED REVENUES

	2019-20			2020-21		
	\$ Millions			\$ Millions		
Police	\$ 2,778.4	52.4%		\$ 2,892.3	53.8%	
Fire	870.9	16.4%	68.8%	889.1	16.5%	70.3%
Public Works Activities:						
Sanitation	\$ 59.5	1.1%		\$ 99.7	1.9%	
Street Services	86.1	1.6%		94.9	1.8%	
Transportation	181.3	3.4%		131.0	2.4%	
Engineering	42.0	0.8%		30.7	0.6%	
Capital Improvements	25.4	0.5%		8.9	0.1%	
Board of Public Works	24.7	0.5%		18.6	0.3%	
Contract Administration	13.5	0.3%		9.1	0.2%	
Building and Safety	3.7	0.1%		5.7	0.1%	
Planning	23.6	0.4%	8.7%	13.6	0.3%	7.7%
Library*	\$ 250.3	4.7%		\$ 249.9	4.6%	
Recreation and Parks*	296.1	5.6%		326.1	6.1%	
Zoo	12.6	0.2%		13.3	0.2%	
Cultural Affairs	--	0.0%	10.5%	--	0.0%	10.9%
Animal Services	\$ 42.7	0.8%		\$ 37.6	0.7%	
City Attorney	174.4	3.3%		164.8	3.1%	
Controller	47.3	0.9%		42.0	0.8%	
CAO and Finance	88.8	1.7%		76.6	1.4%	
Mayor	20.5	0.4%		15.0	0.3%	
Council	48.7	0.9%		46.8	0.9%	
City Clerk	24.3	0.5%		17.1	0.3%	
Convention Center	57.2	1.1%		52.9	1.0%	
Unappropriated Balance	107.7	2.0%		87.9	1.6%	
Emergency Management	5.4	0.1%		6.0	0.1%	
Others	19.4	0.3%	12.0%	49.2	0.9%	11.1%
	<u>\$ 5,304.5</u>		<u>100.0%</u>	<u>\$ 5,378.8</u>		<u>100.0%</u>

Source Page 50; http://cao.lacity.org/budget20-21/2020-21Proposed_Budget.pdf

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City Department Operations

Every City Department's Operations are organized by three major categories

1) Budget

- Salaries (e.g. general, as-needed, overtime)
- Expenses (e.g. printing, travel, contractual services, transportation, office and admin, operating supplies)
- Equipment (e.g. transportation equipment, furniture, office, technical equipment)
- Special (e.g. communication services, training expenses)

2) Related and Indirect Costs

- Pensions and retirement
- Water and Electricity
- Other Department related costs
- Human Resources Benefits
- Capital Finance and Wastewater
- Bond Interest and Redemption
- Building Services
- Liability Claims
- Other

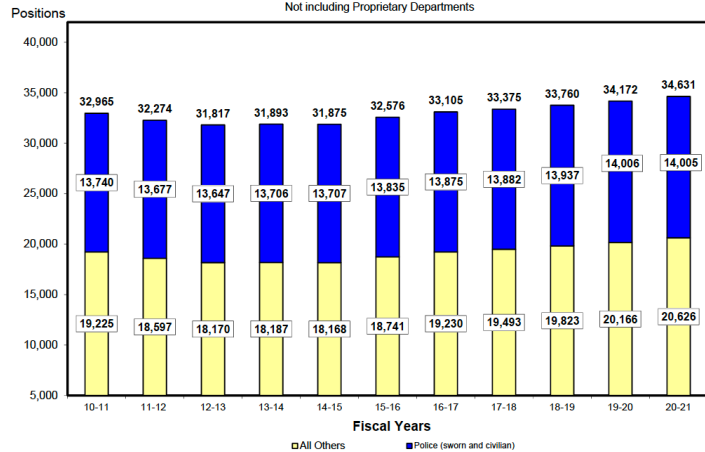
3) Sources of funds

- General fund
- Other funds

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AUTHORIZED CITY STAFFING

Not including Proprietary Departments



- Roughly 40% of all authorized city staff are police officers
- Salaries, pensions and retirement account for a large proportion of City Department operating costs

Authorized City Staffing includes all regular position authorities, excluding Commissioner position authorities. In addition to the regular position authorities reflected in the chart, the 2020-21 Proposed Budget includes 2,542 resolution authorities. This exhibit does not include positions in the Department of Airports, Los Angeles City Employees' Retirement System, Harbor Department, Department of Pensions, and Department of Water and Power.

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Operating/Expenditure Cost Details: Actual FY 2018-19 thru 2020-21 Budget

DETAIL OF DEPARTMENT RECEIPTS

Pages 45-188

***To gain a better understanding of departmental operating costs, expenditures and other taxes for specific departments of interest, please visit the website below**

Source Page 50; http://cao.lacity.org/budget20-21/2020-21Proposed_Budget.pdf

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Part III: Budget Preparation Timeline

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General Budget Timeline

The City's Fiscal Year Runs From July 1-June 30



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Actual Budget Timeline

BUDGET CALENDAR	
Fiscal Year 2020-21 Budget Preparation	
2019	
June 29	Neighborhood Council Community Budget Day.
September 13	Mayor's budget policy letter released to departments.
September 17	Office of the City Administrative Officer (CAO) releases budget instructions to departments.
September – October	Mayor's Office holds meetings with select departments to discuss potential budget proposals.
November 14	Municipal Facilities Capital Improvement Expenditure Project requests due to the CAO from departments. Physical Plant Capital Improvement Expenditure Project requests due to the CAO from departments.
November 22	Departmental budget requests due to Mayor's Office and CAO.
2020	
February – March	Budget hearings are held with Departments, Mayor's Office, and CAO to discuss budget requests.
March 2	Charter deadline for City Controller to submit revenue estimates to the Mayor, with copies to the City Council and CAO.
March – April	Mayor's Office and CAO finalize development of the Proposed Budget.
April 20	Charter deadline for the Mayor to submit the Proposed Budget to the City Council.
April – May	The City Council's Budget and Finance Committee reviews the budget and makes recommendations to Council.
May	Public hearings and the City Council consideration of the budget and the Committee's recommendations.
June 1	Charter deadline for the City Council to adopt budget as proposed by the Mayor or as modified by Council.
June 2 – 8 (approx.)	Mayor has five working days after receipt of budget from the City Council to review any changes made and to approve or veto any items so changed.
June 9 – 15 (approx.)	The City Council has five working days after receipt of budget from Mayor to consider any Mayor's vetoes and may sustain or override each veto by a two-thirds vote. Budget is adopted after this process is completed.

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Guiding Financial Policies

Budget priorities Primary Outcomes 2020-2021

- Make Los Angeles the best run big city in America
 - Promote good jobs for Angelenos all across Los Angeles
 - Create a more livable and sustainable city
 - Ensure our communities are the safest in the nation
- Each City Department develops performance measures through services provided directly to Angelenos
 - Ability to track metrics over time

Source: pages 17-27 http://cao.lacity.org/budget20-21/2020-21Proposed_Budget.pdf

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Budget priority outcome measures: Example

Performance Measures

	2016-17	2017-18	2018-19	2019-20 Estimated	2020-21 Projected
Priority Outcome: Promote good jobs for Angelenos all across Los Angeles					
Goal: Promote good jobs for Angelenos all across Los Angeles					
<u>Economic and Workforce Development</u>					
Economic Development					
Number of New Jobs Created Through Business Source Centers	1,364	1,069	1,162	1,100	1,200
Adult Workforce Development					
Number of WIOA-Funded Adults Placed in Jobs	12,500	12,973	13,751	10,000	12,000
Youth Workforce Development					
Number of HireLA's Youth Placed in Employment	15,500	16,834	17,648	18,500	20,000
<u>Bureau of Contract Administration</u>					
Contract Compliance					
Percent of Hours Worked by Local Hires at PLA Projects	39	37	36	30	30

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Part IV: What can I do to get involved in the City budget process?

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The role of Budget Advocates (BAs)

Role of BAs

- Learn about the City Departments; review all resources available
- Learn the intricacies of the City Budget
- Participate actively on a team meeting/committee with Department staff to understand more or question services the Department provides.

Outreach

- Communicate Regularly with Budget Representatives and Neighborhood Council board members in your region
- Identify what your your stakeholders think the City's or a Department's priorities should be – what should be done more or less of
- Bring regional concerns/priorities to the body of BAs
- Utilize media, websites, and town halls to reach Neighborhood Councils and stakeholders
- Work on essential activities including committee focused issues, writing, editing, publishing

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The role of Budget Advocates (BAs)

- Function as Neutral Observers
 - Meet with General Managers and department budget staff
 - Share the concerns of our neighborhoods
 - Offer ways Budget Advocates and Neighborhood Councils may help with the work of City Departments.
 - Make recommendations and advocate for or against items in department budgets
 - Produce and publish papers for distribution to the Mayor, the City Council, the Departments and Neighborhood Councils
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The Role of the Budget Representatives

- Identify Neighborhood Council and stakeholder priorities for city services
 - Communicate regularly with the assigned Budget Advocates for your region
 - Solicit Neighborhood Council and stakeholder budgetary priorities
 - Develop resolutions and community impact statements on budget items with your Neighborhood Council
-

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The Role of a NC Board Member

- Develop resolutions at the beginning of each fiscal year outlining your NC's budgetary priorities
 - Monitor city council files and submit community impact statements pertaining to items on the Budget and Finance Committee agendas
 - Reach out to your budget advocate for timely updates
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The Role as a Stakeholder

- Communicate your needs for services to [your local neighborhood council](#) by attending their monthly meetings or by email or telephone
 - Volunteer to be a budget representative or run for a local neighborhood council board position (elections are every 2 years- odd years)
 - Expect the Budget Advocate to present reports on BA activities
 - Consider supporting resolutions or community impact statements regarding the City Budget
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Join us on Social Media!

ncbala.com

 @labudgetadvocates

 City of Los Angeles Budget Advocates

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Part V: Additional Resources

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Additional Resources

City Administrative Officer

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

Neighborhood Council Budget Advocates

<http://ncbala.com/videos/>

City Structure

<https://my.lww.org/sites/default/files/leagues/los-angeles/structureofacity.pdf>
