

OVERVIEW

OF THE

2017-18 PROPOSED BUDGET



2017-18 Proposed Budget
April 26, 2017

Richard H. Llewellyn, Jr.
Interim City Administrative Officer

SUMMARY

- Budget Overview
- Financial Policy Compliance
- Expenditures: Key investments and concerns
- Revenues: Levels and concerns
- Four-Year Budget Outlook



BUDGET OVERVIEW

TOTAL PROPOSED 2017-18 CITY GOVERNMENT

	Appropriations (\$ Millions)	Authorized Positions*
<u>I. Proprietary Departments</u>		
Airports	\$ 5,795.2	3,927
Harbor	\$ 1,169.0	999
Water and Power	\$ 8,436.2	10,650
Total \$	15,400.4	15,576
<u>II. General City Budget</u>		
General Fund	\$ 5,779.3	22,964 **
Special Funds	\$ 3,453.5	10,355
Total \$	9,232.8	33,319
<u>III. Grants and other Non-Budgeted Funds</u>		
Total \$	1,299.1	-
Grand Total \$	25,932.3	48,895

* Regular positions.

** Sworn staff represents 59 percent of General Fund positions.



BUDGET OVERVIEW

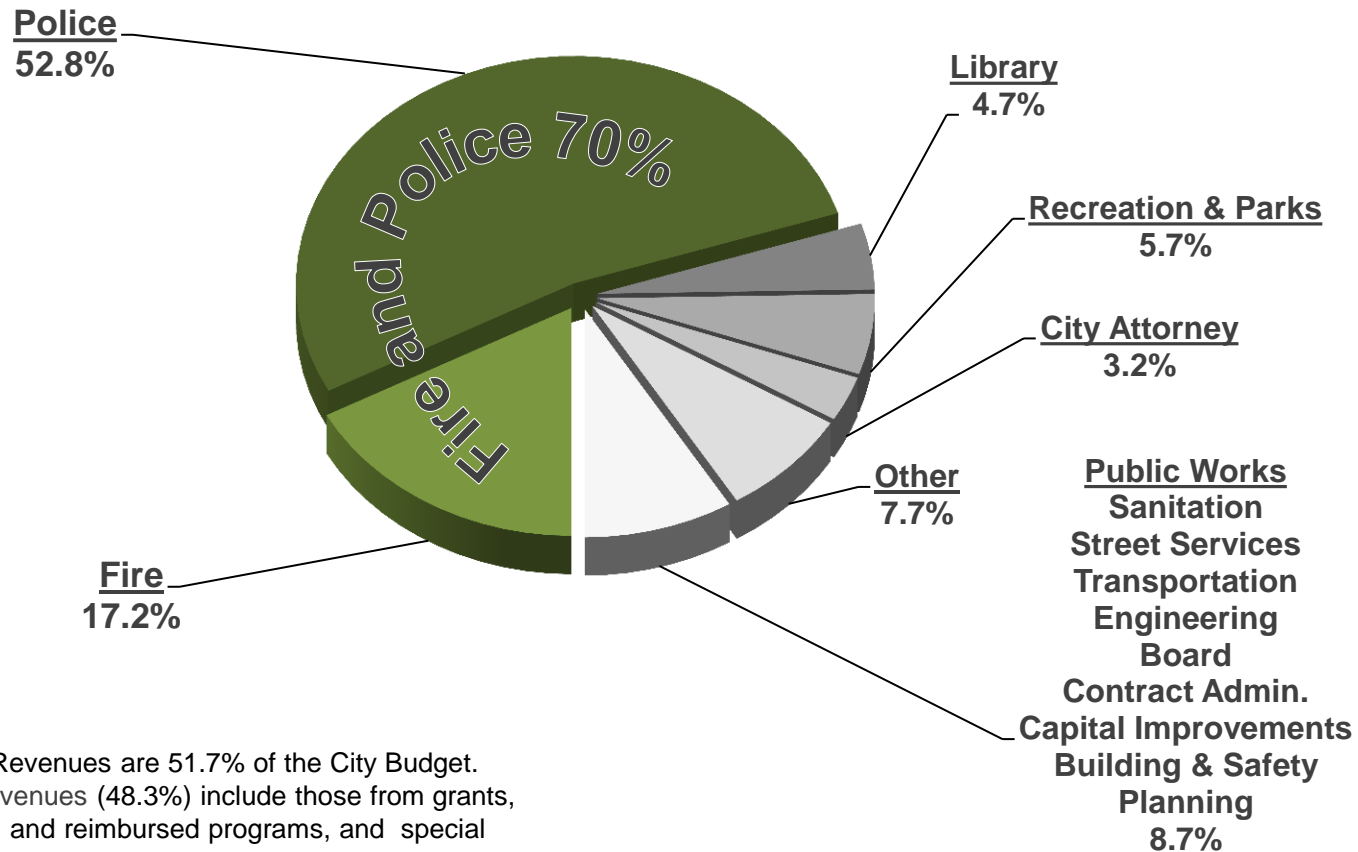
Budget Component	Budget (\$ Millions)			Authorized Positions		
	Adopted 2016-17	Proposed 2017-18	Percent Change	Adopted 2016-17	Proposed 2017-18	Percent Change
General Fund	\$ 5,576.4	\$ 5,779.3	3.6%	22,866	22,964	0.4%
Special Funds	\$ 3,200.6	\$ 3,453.5	7.9%	10,239	10,355	1.1%
Total	\$ 8,777.0	\$ 9,232.8	5.2%	33,105	33,319	0.6%



BUDGET SUMMARY

UNRESTRICTED REVENUE (\$4.8 BILLION)

(2017-18 Proposed Budget)



Unrestricted Revenues are 51.7% of the City Budget. Restricted Revenues (48.3%) include those from grants, fee supported and reimbursed programs, and special funds.



FINANCIAL POLICY COMPLIANCE

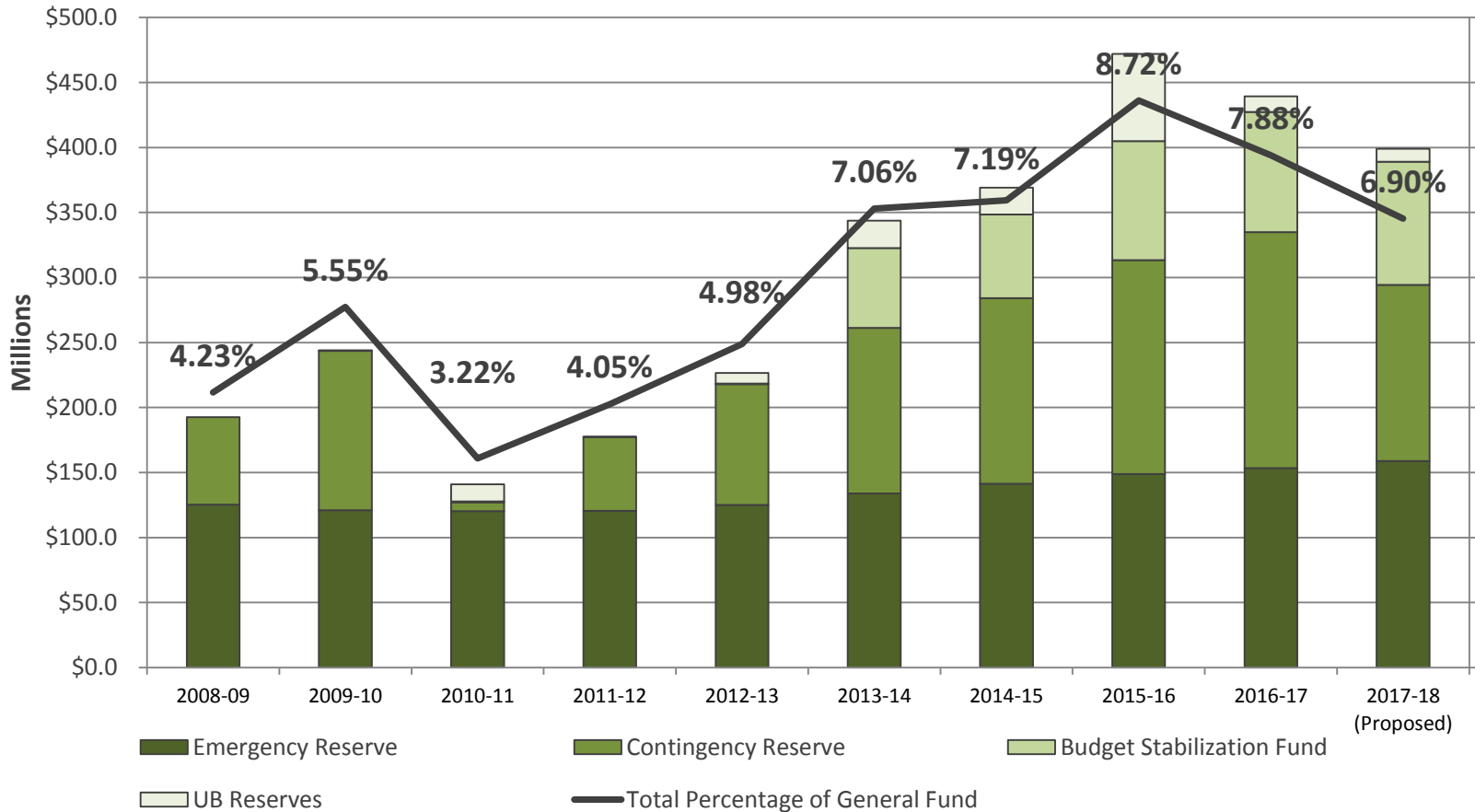
Policy		Compliance
Reserve Fund at least 5% of General Fund	✓	July 1 at \$294 million, or 5.09%
Budget Stabilization Fund contribution if growth of seven economically sensitive taxes is over 3.4%	✓	\$75 million in tax growth used for infrastructure
Capital investment at 1% of General Fund	✓	Investment of 1.29% or \$75 million
All one-time revenues used for one-time expenditures	✓	\$31 million in one-time revenues for \$70 million in one-time expenditures
Debt service ceiling from non-voter approved debt of 6% of General Revenues	✓	4.32% in Proposed Budget, and expected to remain below 6% throughout 7-year projections



FINANCIAL POLICY COMPLIANCE

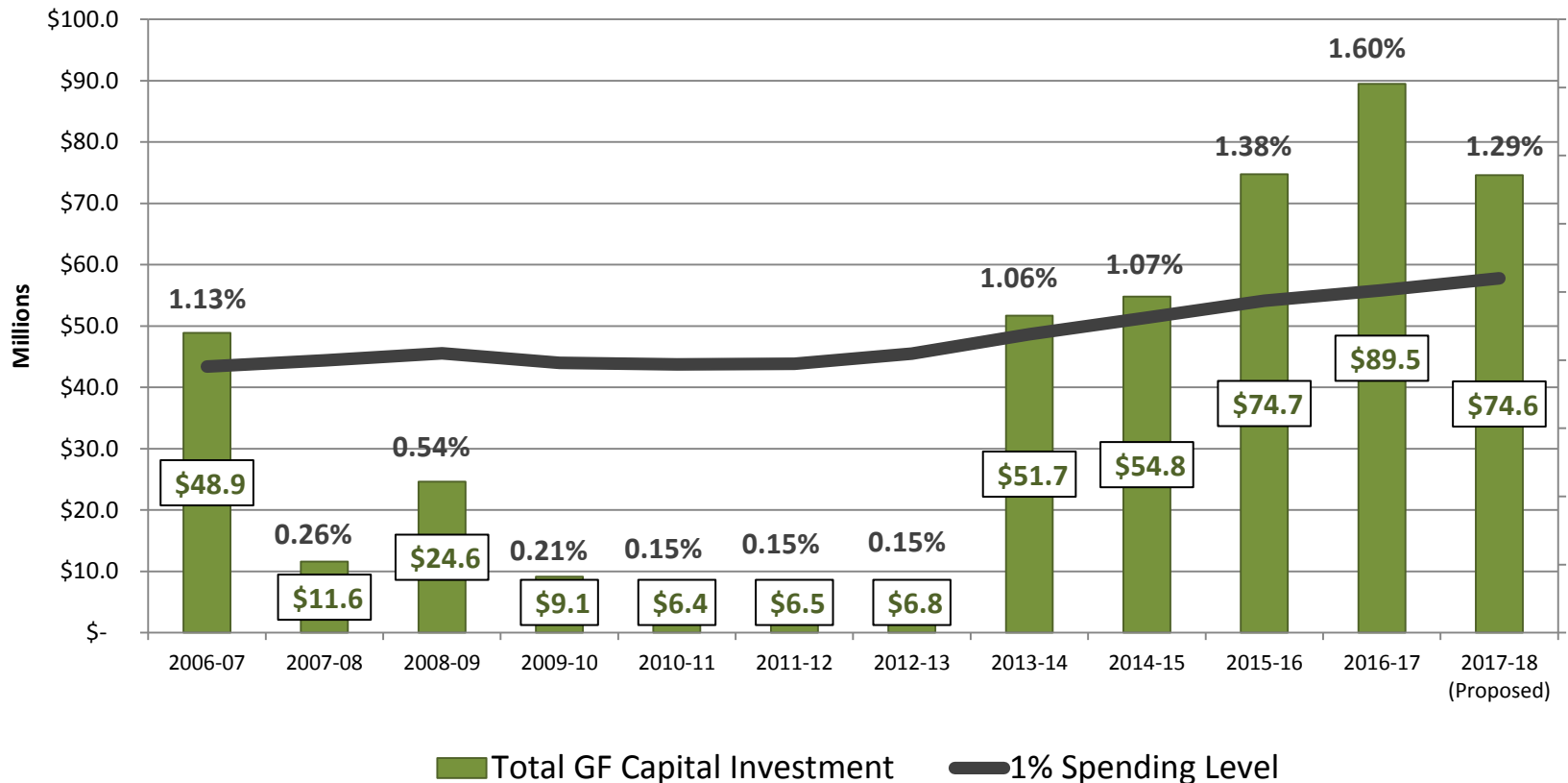
BUDGET RESERVES

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



FINANCIAL POLICY COMPLIANCE

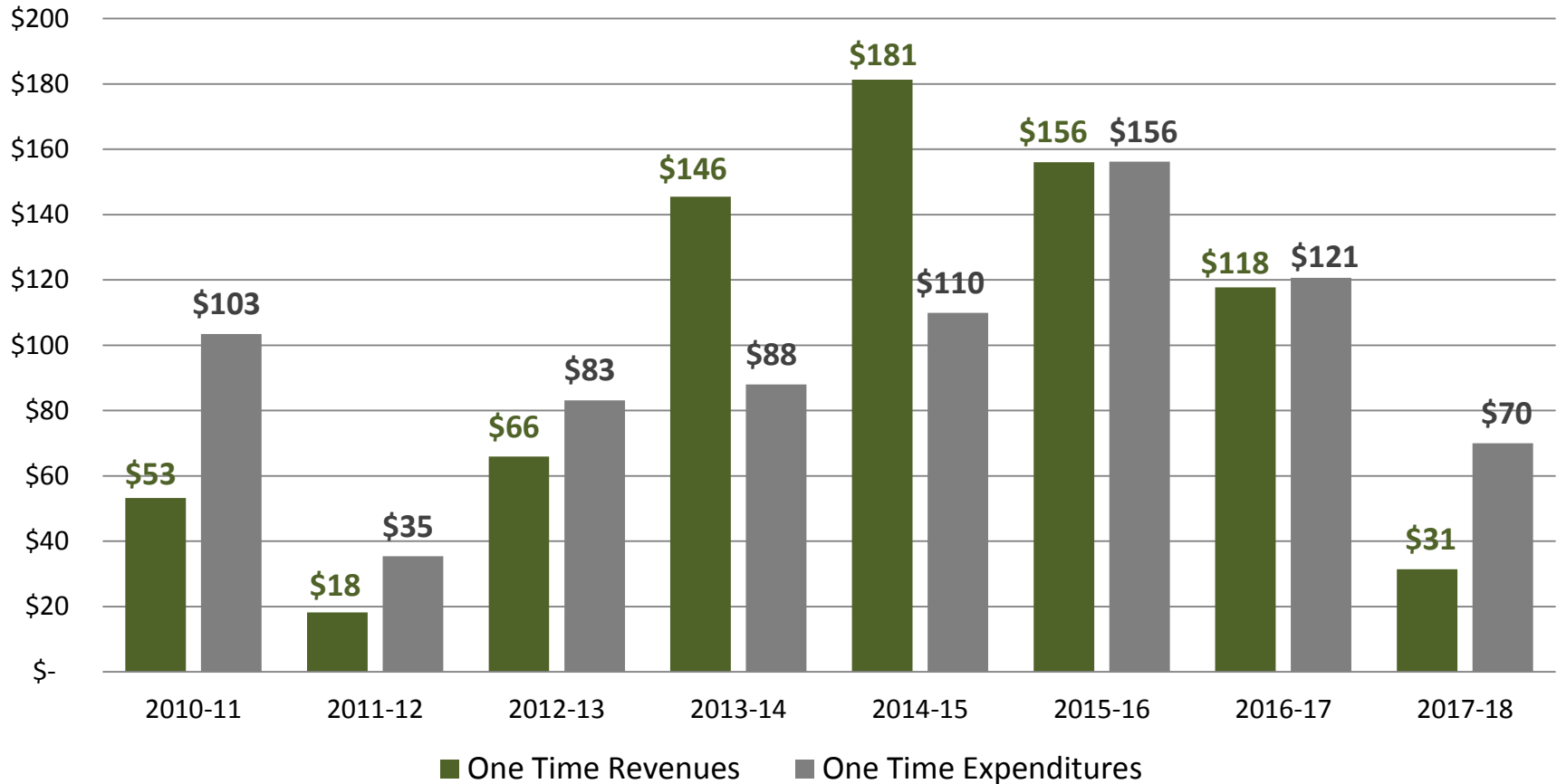
CAPITAL INVESTMENT AS PERCENTAGE OF GENERAL FUND REVENUE



FINANCIAL POLICY COMPLIANCE

ONE-TIME REVENUES VS. ONE-TIME EXPENDITURES

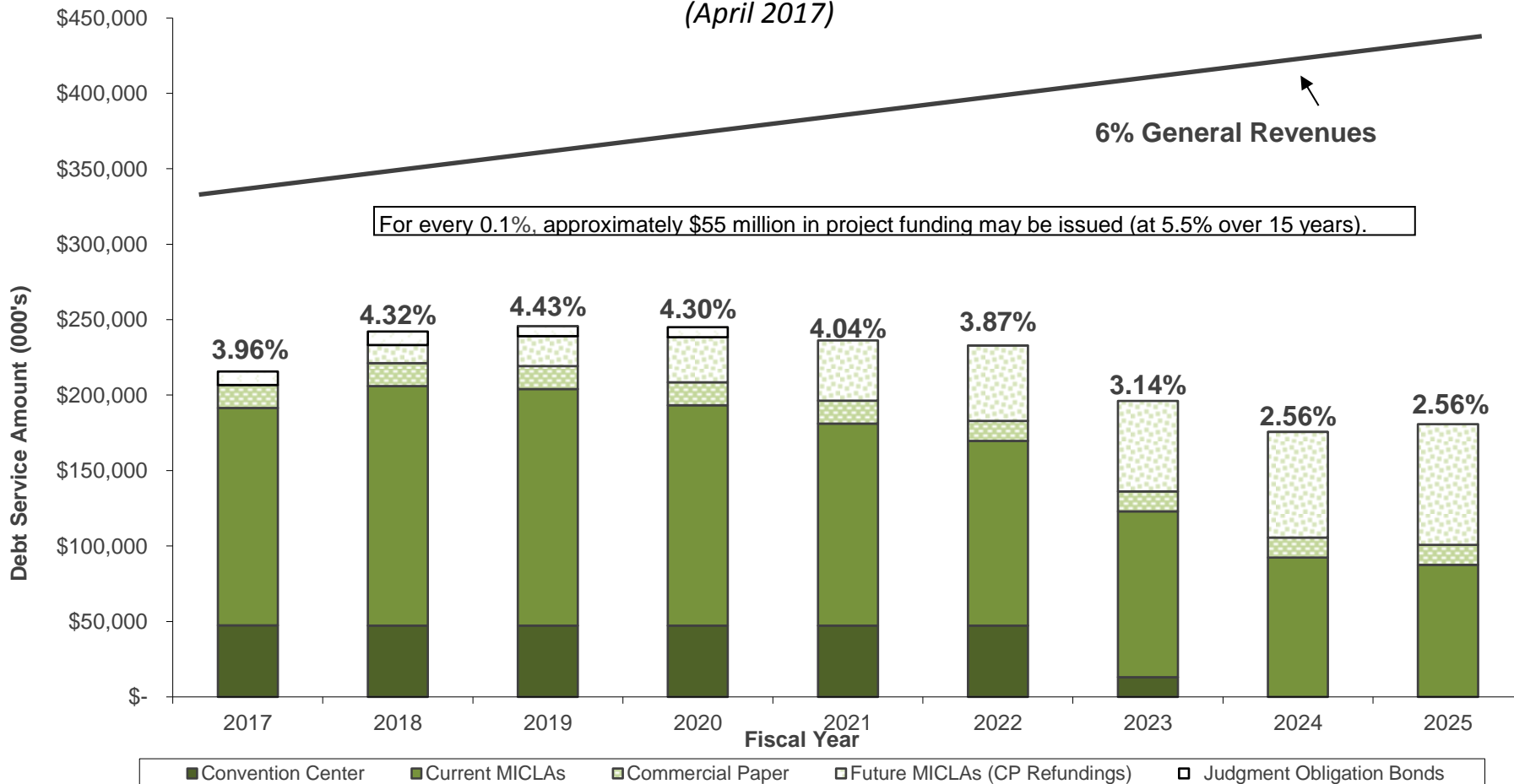
(Proposed Budget)



FINANCIAL POLICY COMPLIANCE

NON-VOTER APPROVED DEBT

(April 2017)



EXPENDITURES: KEY INVESTMENTS

- **Addressed Obligations**

- \$40 million for increased liabilities
- Employee-related cost increases: \$120 million for salaries, \$17 million for pensions, \$12 for workers' comp, and \$42 for health and other benefits
- \$35.9 million for Accessible Housing Program, per settlement
- \$31 million for Sidewalks
- \$121 million for LAPD overtime
- Continuation of Police and Fire hiring
- \$131 million commitment to fighting homelessness (does not include sale of surplus property)

- **New Programs**

- \$89.1 for homeless housing and facilities from Measure HHH
- \$42.0 for roads and infrastructure from Measure M
- \$23.4 for road reconstruction from increased Gas Tax (SB 1)
- \$0.8 for Department of Cannabis Regulation

- **Increased Services**

- 24 positions and \$0.8 million to reduce community plan cycle to six years
- \$2 million for graffiti abatement
- \$2.9 million for one Clean Streets Team and two HOPE Teams



EXPENDITURES: CONCERNS

Potential Areas of Expenditure Shortfall

- \$53 million in achievable but significant expenditure reductions
- \$40 million increase for Liability Claims is a positive step, but still below actual expenditures in 2015-16 and 2016-17.

Limited Sources Available in Case of Shortfall

- Reserve Fund at 5.09% on July 1, 2017, just above policy level and projected to drop to 4.63% by June 30, 2018.
- \$10 million in Unappropriated Balance – Reserve for Mid-Year Adjustments provides only limited protection.



REVENUES: LEVELS

General Fund revenues increased by \$202.8 million from 2016-17 to 2017-18. Major changes include:

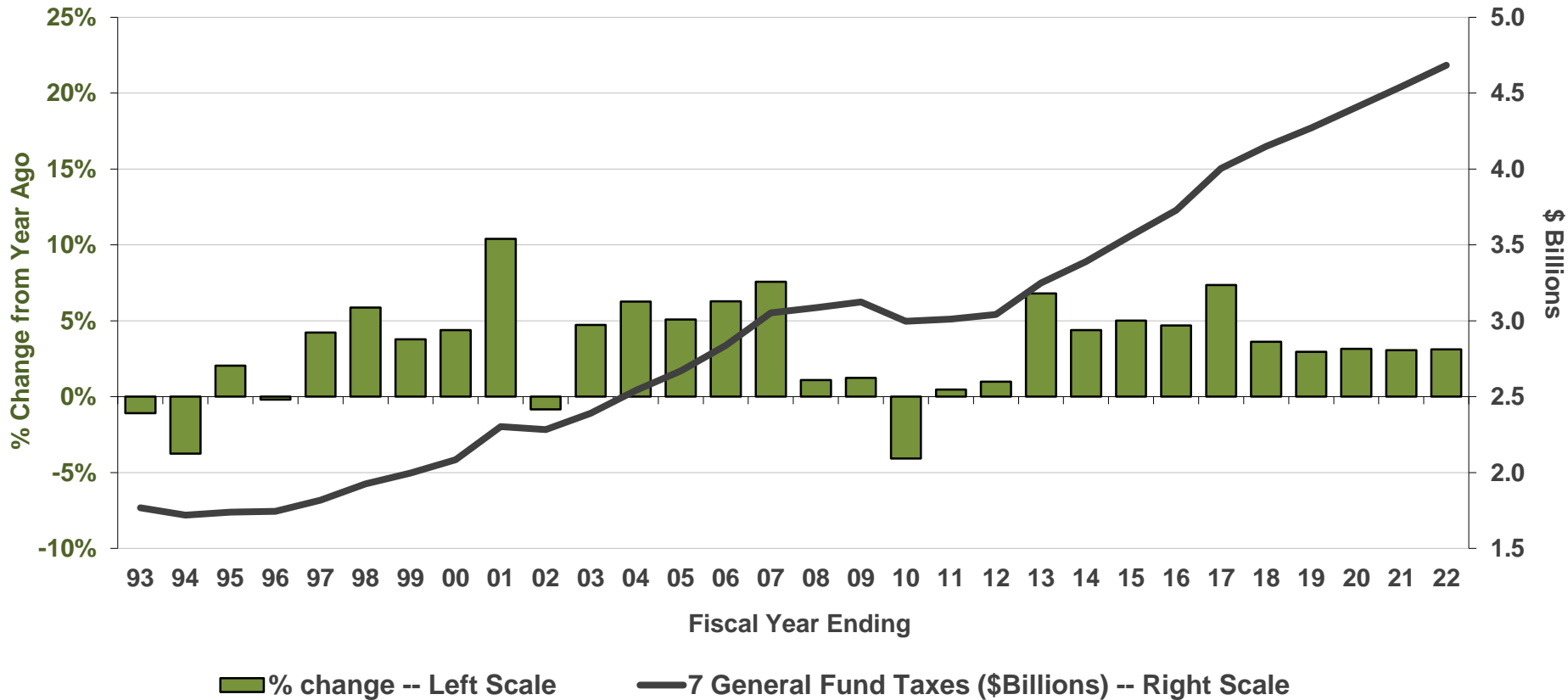
Source	Amount (Millions)	
Property Tax	\$44.6	Assumes 5.8% growth from 2016-17 Revised
License, Permits, Fees, and Fines	\$102.9	\$52 million for LAPD/MTA contract, \$31 million from special fund reimbursements, and \$12 million from billboard leases
Electric Users Tax	\$25.0	Estimate provided by the Department of Water and Power
Transient Occupancy Tax	\$35.5	\$33.7 from Short-term rentals
Power Revenue Transfer	(\$48.5)	Estimate assumed in the proposed Department of Water and Power budget
Franchise Income	\$15.6	\$15.6 million from solid waste collection franchise



REVENUES: LEVELS

SEVEN GENERAL FUND TAXES

(Property (includes VLF), Utility, Business, Sales, Hotel, Documentary, and Parking Taxes)



REVENUES: CONCERNS

Revenues that are dependent on currently pending policy decisions:

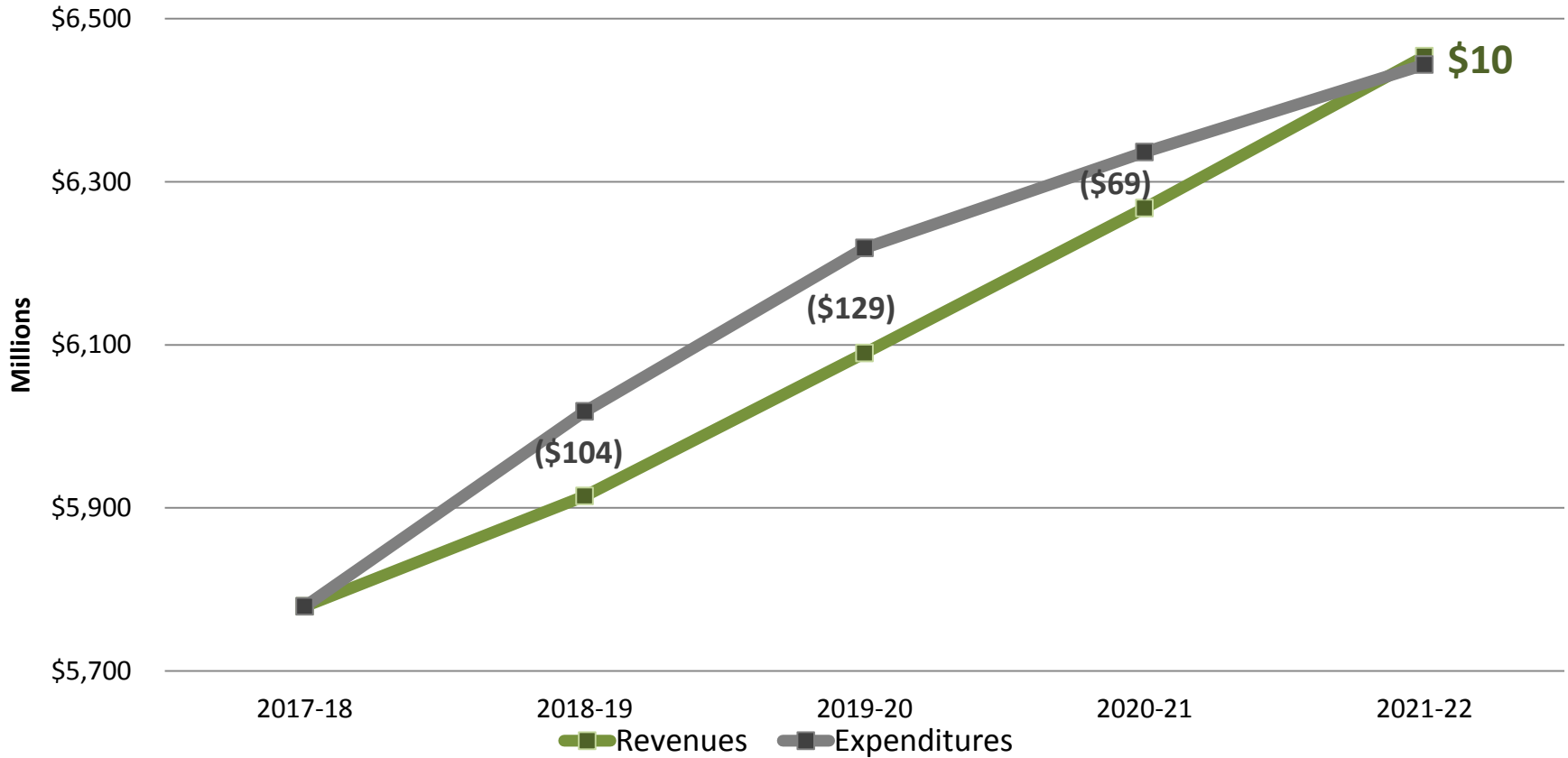
- \$12 million – Billboards
- \$34 million – AirBnB
- \$8.1 million – Gas Franchise Fees
- \$15.6 million – Solid Waste Franchise
- \$10 million – Linkage Fee (to the Affordable Housing Trust Fund)



THE OUTLOOK

FOUR-YEAR BUDGET OUTLOOK

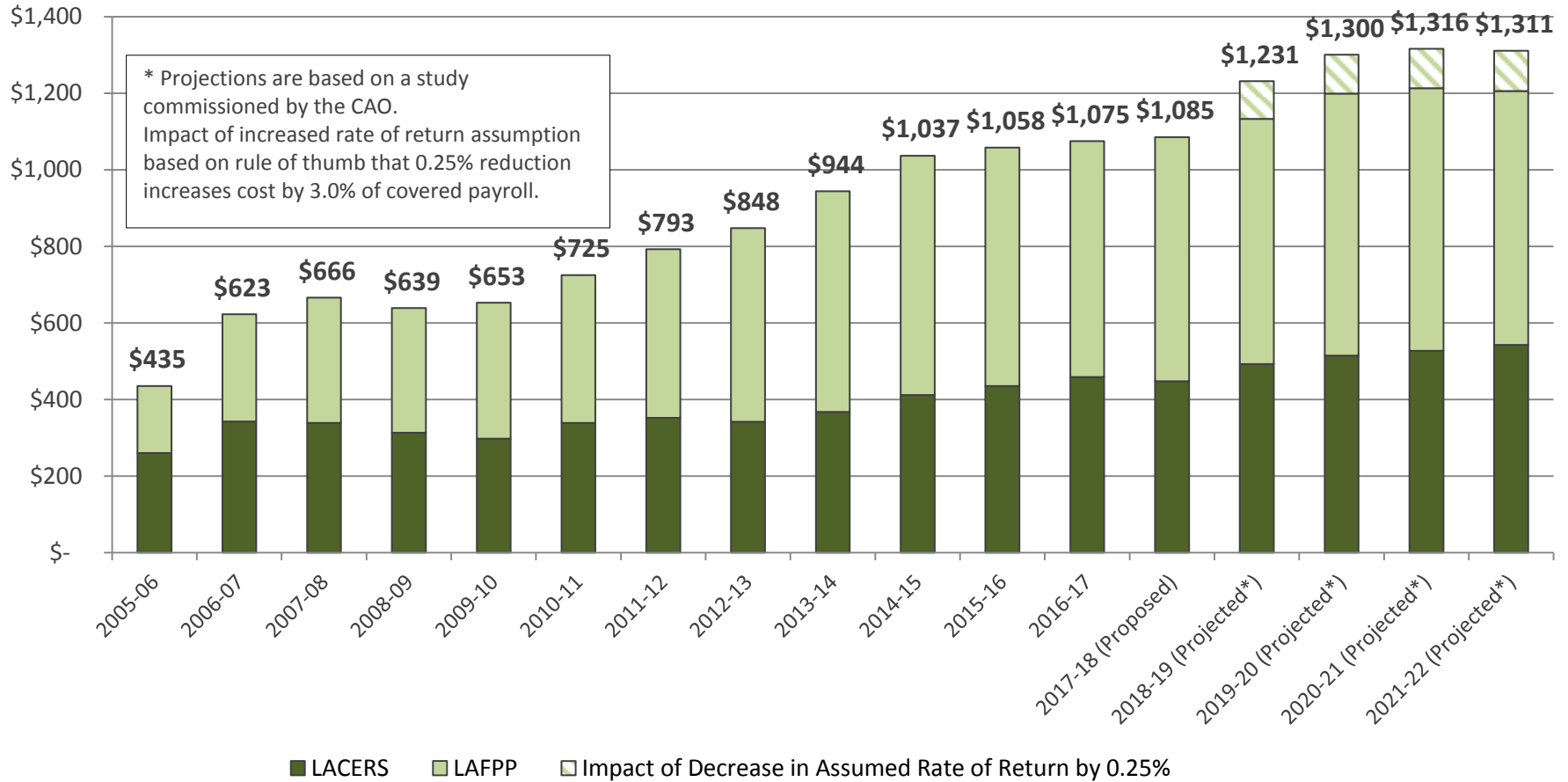
(2017-18 Proposed Budget)



THE OUTLOOK: PENSIONS COSTS

GENERAL FUND CONTRIBUTIONS TO LACERS AND LAFPP

(Actual Amounts 2005-17; Proposed 2017-18; Projected 2018-22*)



THE OUTLOOK: PENSIONS COSTS

PERCENT OF GENERAL FUND USED FOR LACERS/LAFPP CONTRIBUTION

