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City of Los Angeles
FY 2011-12 First Financial Status Report

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City Administrative Officer

October 11, 2011

FY 2011-12 First FSR Summary

- 2010-11 Close-out

- 2011-12 Expenditures

- 2011-12 Revenue

- Four Year Outlook and Future Budget Outlook



2010-11 Close-out

- Budget deficits addressed
 - Operational Plans C.F. No. 10-0600-S48
 - Alternative Plan to the Public Private Partnership C.F. No. 10-0139-S2

- Revenue at year-end where we expected

- Reversions to Reserve Fund higher than expected

- Reserve Fund balance to start FY2011-12 solid



2010-11 Close-out: Revenue Review

- ❑ Revenue down a total of \$5.2 million or one-tenth of one percent of budget.
- ❑ Property tax receipts were 1% above revised estimate, but 0.6% below prior year.
- ❑ TOT represents 13.8% growth from 2009-10.
- ❑ Most of the decreases related to Departmental Receipts, specifically revenue shortfalls in street services, police and fire.

Fiscal Year 2010-11 General Fund Revenue Review \$ Millions

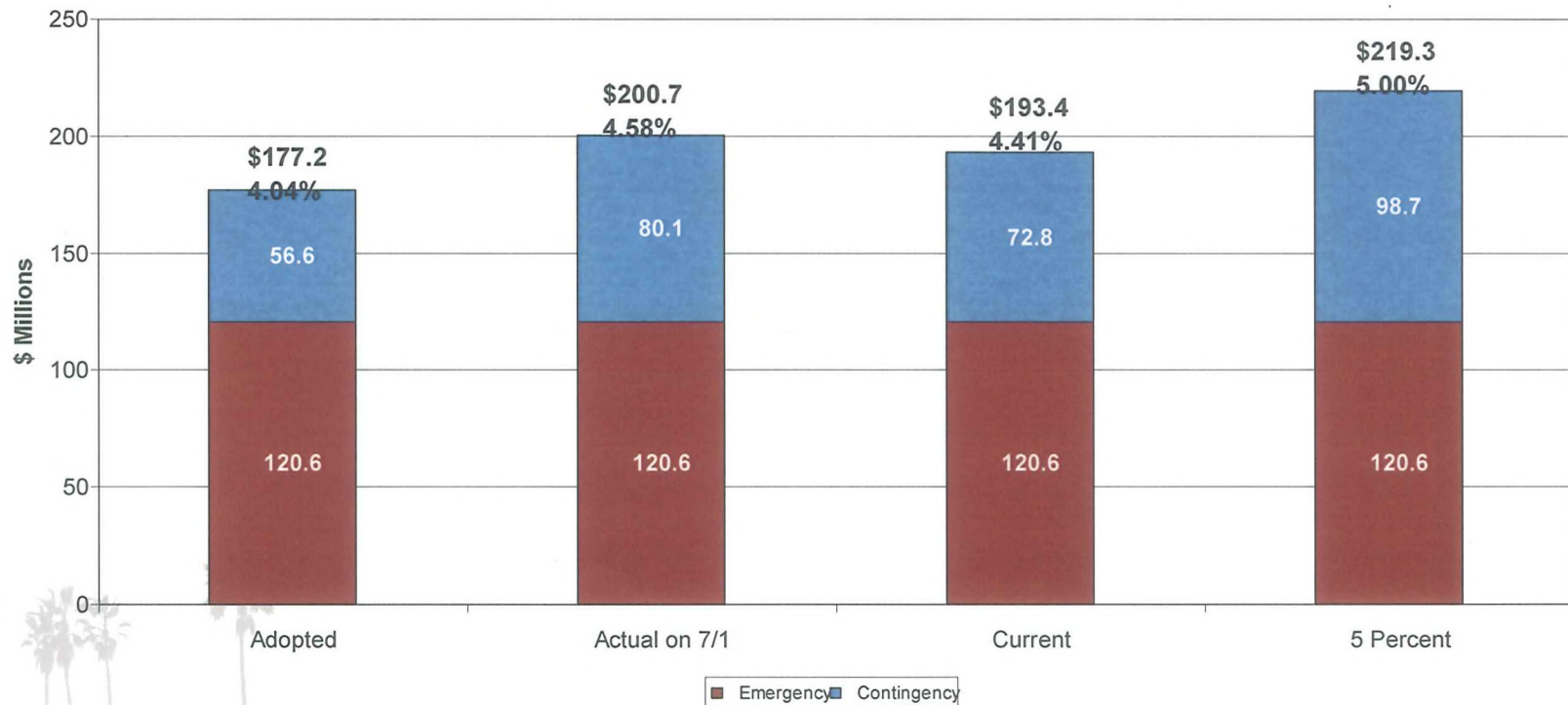
Revenue Sources	Variance from Revised Budget
Increases from Revised Budget	
Property Tax	\$ 10.00
Utility Users Tax	3.2
Sales Tax	5.0
Transient Occupancy Tax	7.6
Grant Receipts	2.3
Other Increases	1.0
Decreases from Revised Budget	
Licenses, Permits, Fees, and Fines	\$ (18.80)
Business Tax	(5.7)
Documentary Transfer Tax	(1.6)
Franchise Income	(4.2)
Telecommunications Fund	(2.0)
Other Decreases	(2.0)
Total Variance from Revised Budget	\$ (5.20)



2010-11 Close-out: Reserve Fund

- ❑ Higher than projected departmental savings resulted in a Reserve Fund balance on July 1, 2011 that exceeded the 2011-12 adopted budget by \$23.5 million
- ❑ The current Reserve Fund Balance is nearly \$193.4 million (4.41% of the General Fund), after providing for transfers included in the 2010-11 Year End FSR and other transactions.
- ❑ Meeting the 5 percent requirement established by the City's Financial Policies would require a balance of \$219.3 million, or an increase of \$25.9 million.

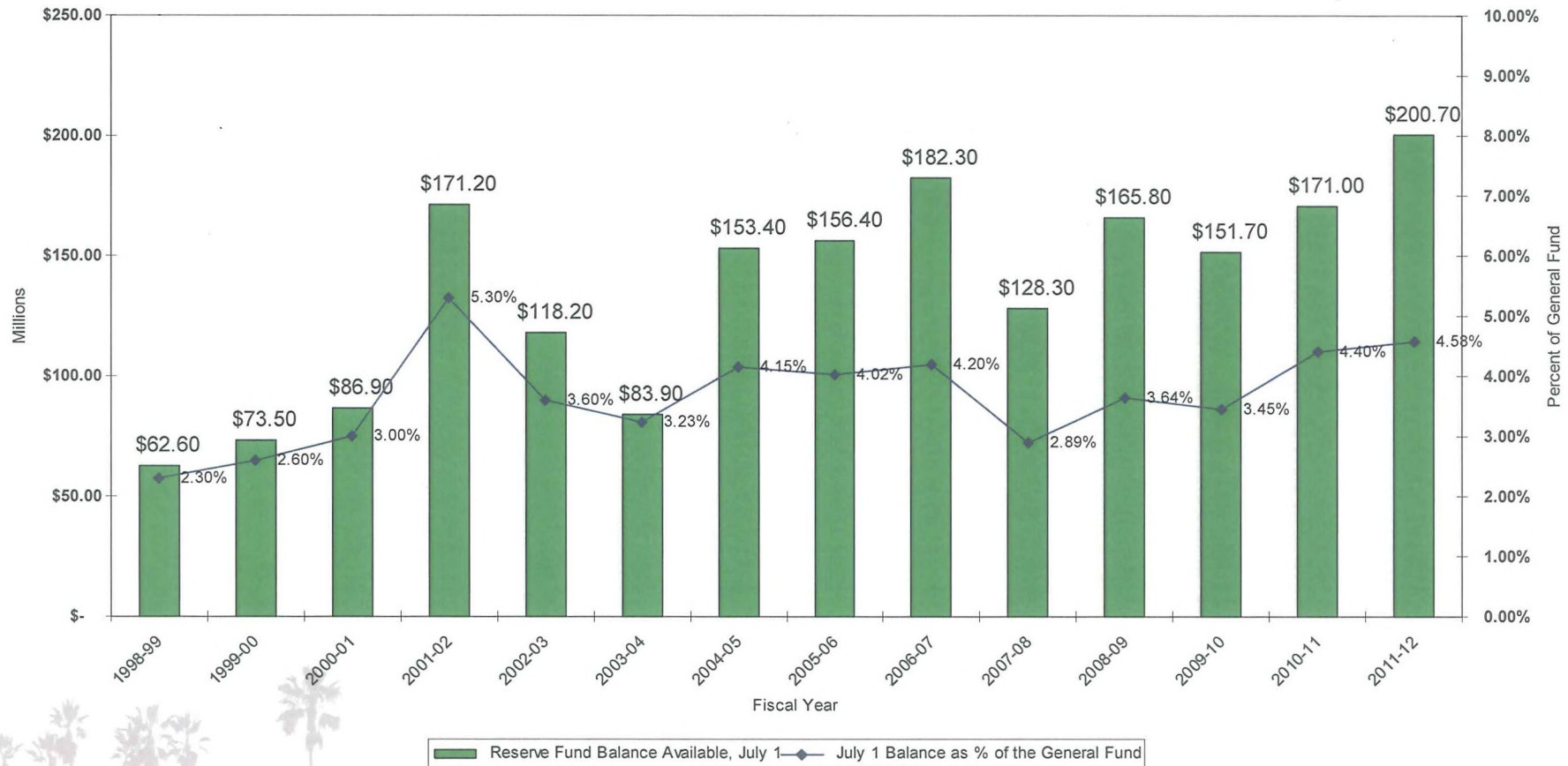
Status of Reserve Fund for FY 2011-12



2010-11 Close-out: Reserve Fund

- Multi-year comparison of the Reserve Fund balance available on July 1 demonstrates that this is the largest Reserve Fund in dollar value the City has had, though not as a percent of the General Fund.

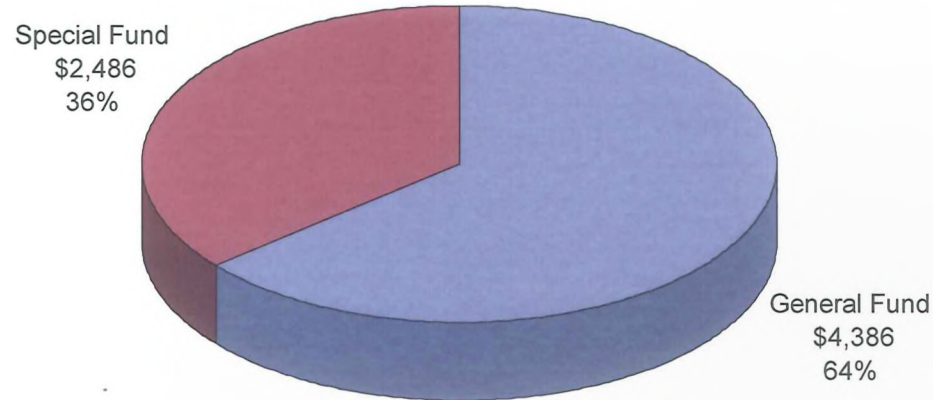
Reserve Fund Balance FY 1998-99 to 2011-12



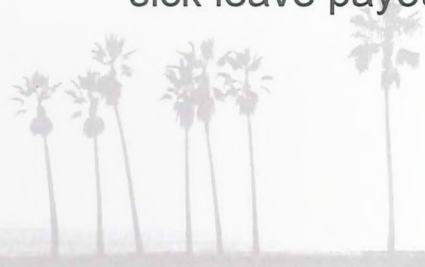
2011-12 – Expenditures

- City began the fiscal year with a budget close to \$6.9 billion.

Fiscal Year 2011-12 Budget \$6,872 Million



- **Budgetary Adjustments:** Due to employee bargaining unit agreements post-budget adoption, department salary expenditures increased with the elimination of furloughs. Mayor and Council approved budgetary adjustments by appropriating savings from:
 - Increased employee contributions towards retiree health benefits (which reduced City contribution for sworn and civilian retirement systems by \$44 million and \$53 million respectively)
 - Savings in Civilian FLEX benefits negotiated by the Joint Labor Management Benefits Committee (which resulted in a surplus in the Human Resources Benefits of \$8 million)
 - Savings realized in the department's budget from delayed salary step increases, reduced sick leave payouts and reduced overtime cash payouts (approximately \$13 million)

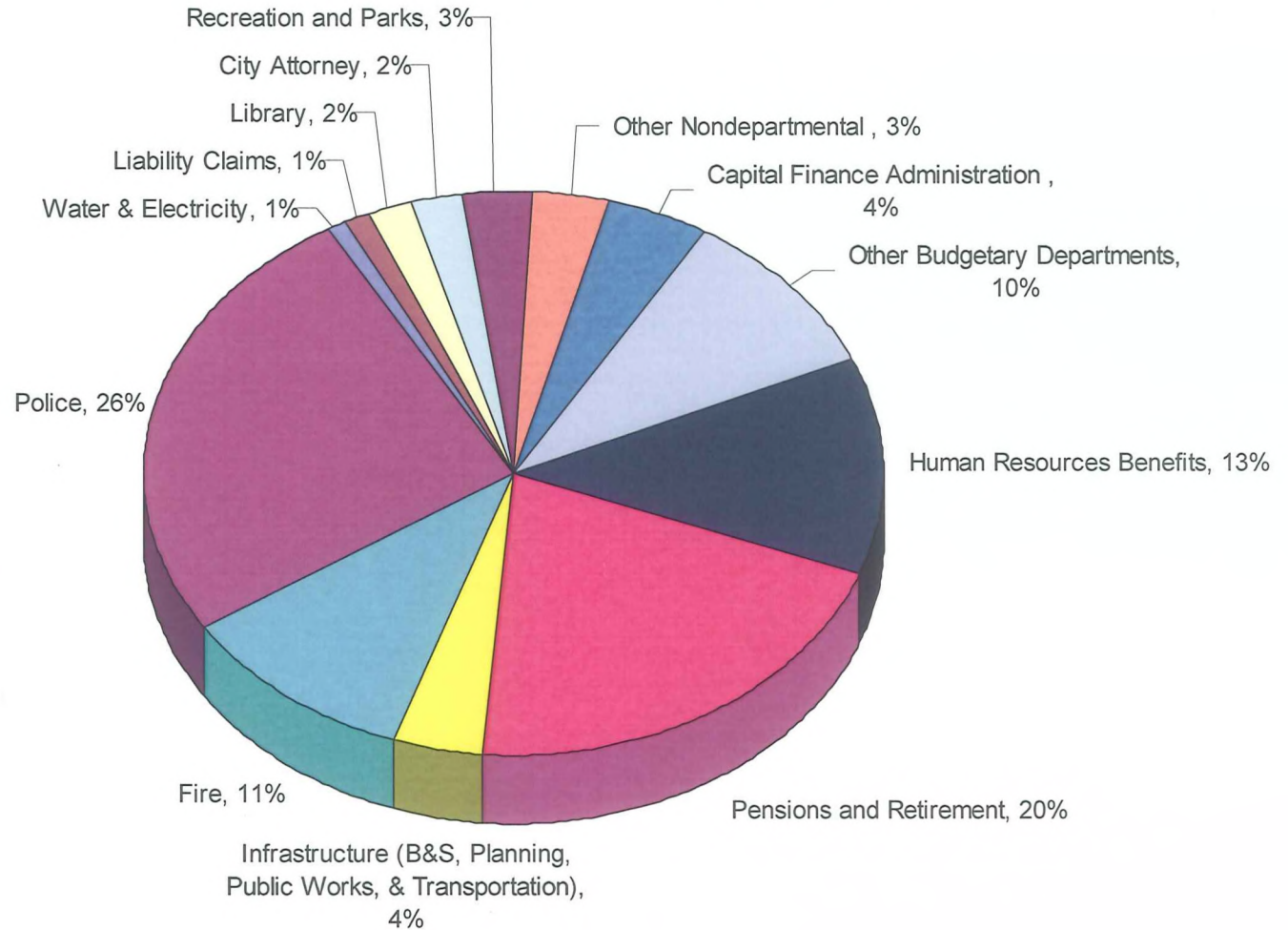


2011-12 Expenditures: General Fund \$4,386 Million

□ Public Safety continues to be a priority for the City, with the Police and Fire Departments accounting for more than a third (37%) of total General Fund Appropriations.

□ The next largest appropriation is to Pensions and Retirement (20%) which almost equals the collective amount budgeted for all other City departments (21%).

FY2011-12 General Fund Appropriations



2011-12 – Expenditures: Department Budgets

- ❑ Three departments are projecting shortfalls within their budgets as high as \$13.3 million:
 - Animal Services Department (\$0.3 m)
 - Fire Department (\$5 - \$8 m)
 - Police Department (\$5 m)

- ❑ Recommendation for Fire and Police to develop operational plan to address deficit by 2nd FSR.
 - Other departments are not currently reporting any deficits at this time. Too early to use surpluses to offset deficits elsewhere.

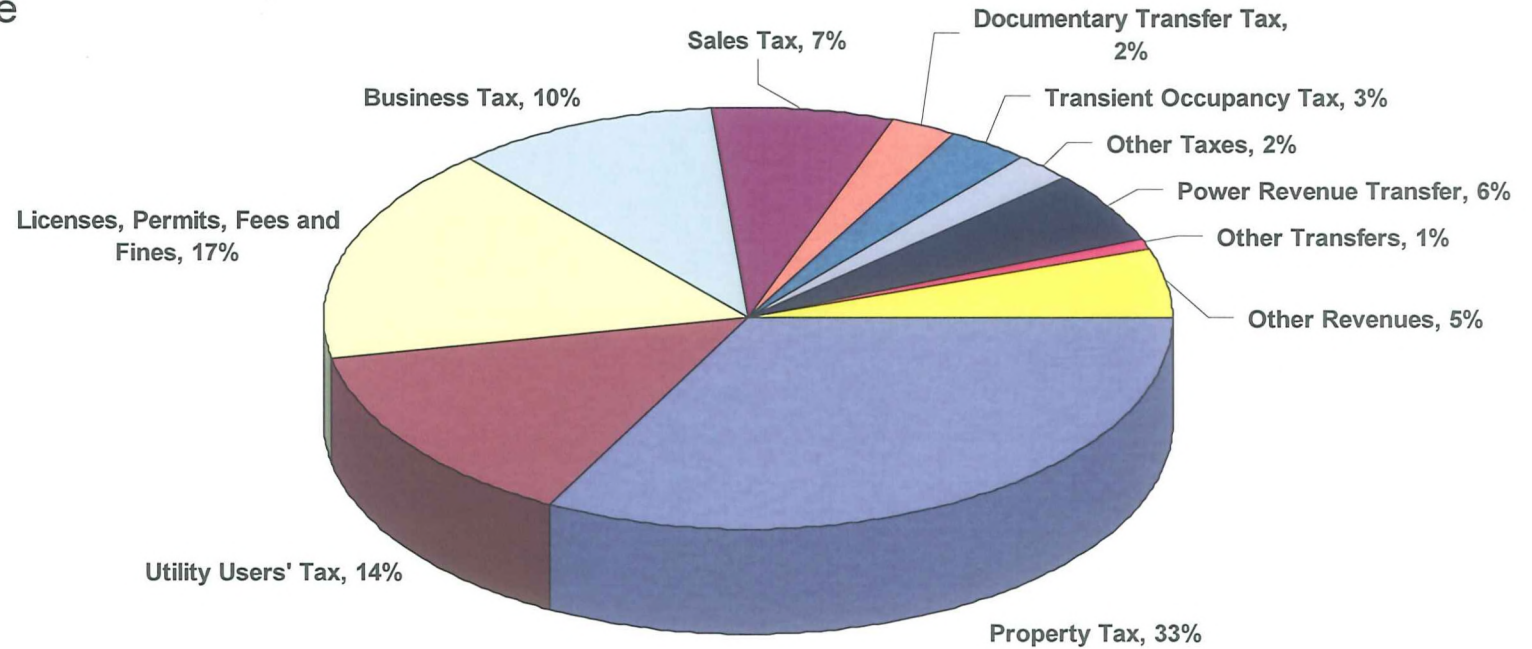
- ❑ Continuing negotiations with the Engineers and Architects Association and other bargaining units will likely affect the projections made in this report.



2011-12 Revenue: General Fund \$4,386 Million

- No single source of income comprises more than a third of the City's revenue base.

FY2011-12 General Fund Revenue Sources



FY 2011-12 Adopted Budget – General Fund \$4,386 Million

- The budget reflects conservative revenue projections with less than a 2% growth from the 2010-11 revised estimate.

<i>In \$ Thousands</i>	2010-11 Revised Estimate	2011-12 Adopted Budget	Variance from 2010-11 Revised Estimate	Variance as % of 2010-11 Revised Estimate
Property Tax	\$1,424,143	\$1,436,363	\$12,220	0.9%
Utility Users' Tax	624,898	627,832	2,934	0.5%
Licenses, Permits, Fees and Fines	710,068	725,092	15,024	2.1%
Business Tax	424,036	439,219	15,183	3.6%
Sales Tax	291,656	306,239	14,583	5.0%
Documentary Transfer Tax	102,000	107,000	5,000	4.9%
Residential Development Tax	1,500	1,905	405	27.0%
Transient Occupancy Tax	127,193	136,200	9,007	7.1%
Parking Users' Tax	84,000	88,200	4,200	5.0%
State Motor Vehicle License Fees	13,792	14,700	908	6.6%
All Other	495,253	494,003	(1,250)	-0.3%
Subtotal General Fund	\$4,298,539	\$4,376,753	\$78,214	1.8%
Transfer from Reserve Fund	3,617	8,939	5,322	
Total General Fund	\$4,302,156	\$4,385,692	\$83,536	1.9%



2011-12 Revenue: Receipts through August 2011

- No deficit in Citywide revenue is currently projected.

- Fiscal year 2011-12 receipts through August remain very close to budget.

Fiscal Year 2011-12 General Fund Receipts

At August 31, 2011

\$ Thousands

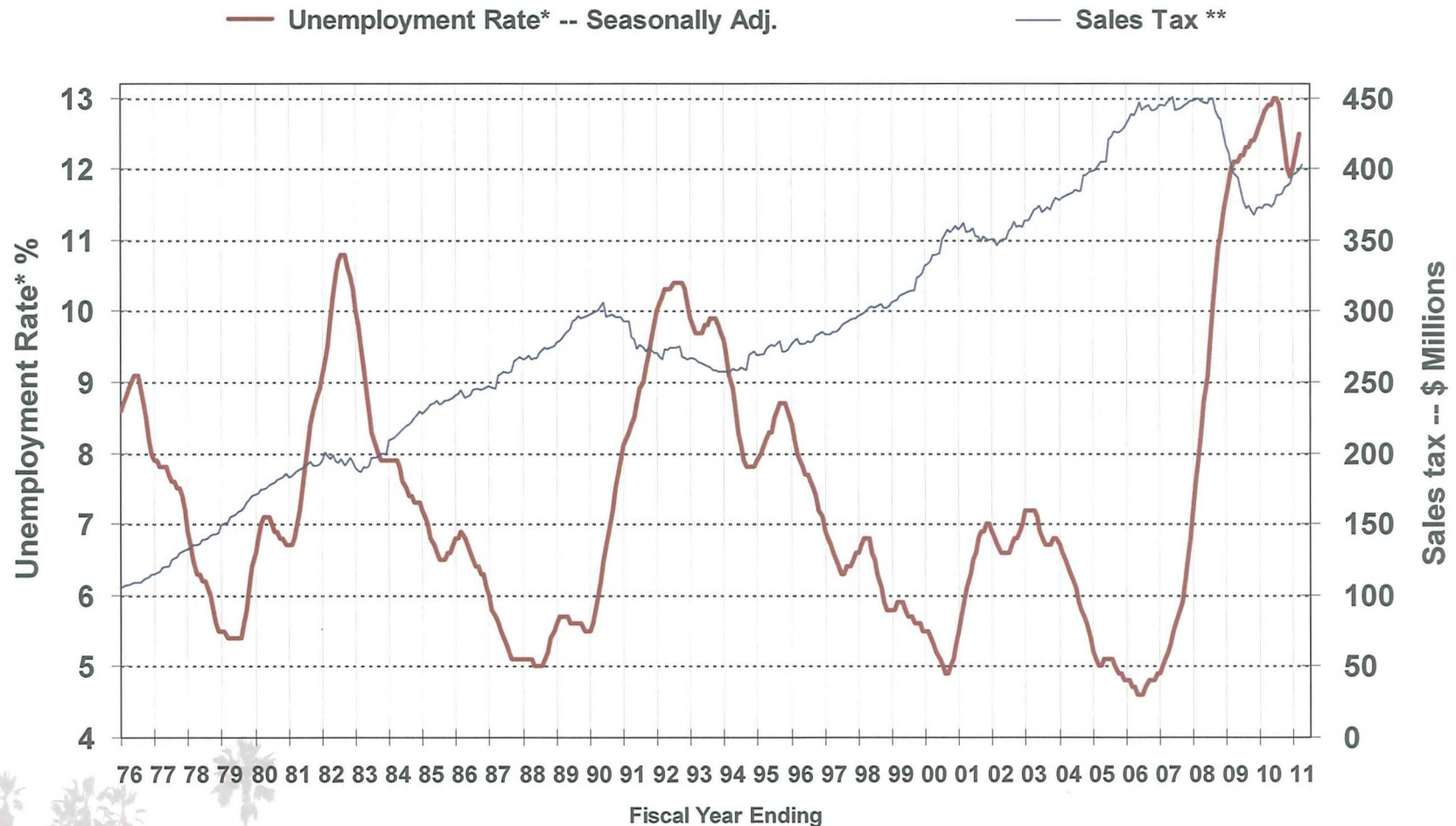
	Budget	Plan* @ Aug 31	Receipts @ Aug 31	Variance (Rcpts Less Rev Plan)
Property Tax	\$1,436,363	\$81,571	\$78,436	(\$3,135)
Utility Users' Tax	627,832	103,563	104,641	1,078
Licenses, Permits, Fees and Fines	725,092	63,292	58,358	(4,934)
Business Tax	439,219	11,764	11,409	(355)
Sales Tax	306,239	46,979	47,758	779
Documentary Transfer Tax	107,000	19,584	18,804	(780)
Power Revenue Transfer	254,000	0	0	0
Transient Occupancy Tax	136,200	24,356	28,212	3,856
Parking Fines	136,879	22,800	22,332	(468)
Parking Users' Tax	88,200	15,448	15,804	356
Franchise Income	48,100	10,016	9,833	(183)
Water Revenue Transfer	0	0	0	0
State Motor Vehicle License Fees	14,700	2,450	8,552	6,102
Grant Receipts	9,820	1,636	694	(942)
Tobacco Settlement	9,500	0	0	0
Transfer from Telecommunications Fund	4,915	0	0	0
Residential Development Tax	1,905	316	234	(82)
Special Parking Revenue Transfer	16,509	0	0	0
Subtotal General Fund	\$4,362,473	\$403,775	\$405,066	\$1,291
Interest Income	14,280	2,380	10,480	8,100
Transfer from Reserve Fund	8,939	0	0	0
Total General Fund	\$4,385,692	\$406,155	\$415,546	\$9,391



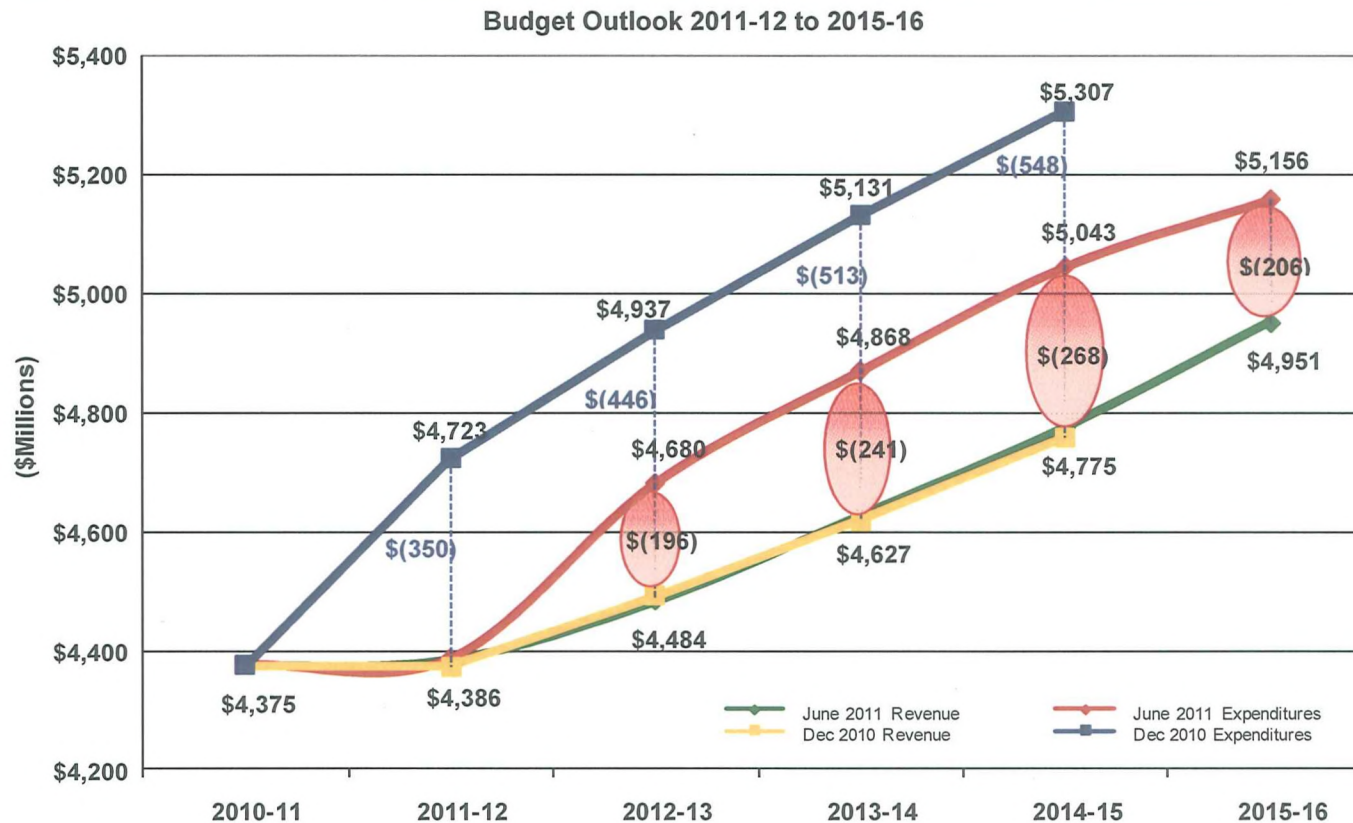
2011-12 Revenue: Economic Concerns

- Downside risks to economy-sensitive revenues due to stalled retail sales and rising unemployment

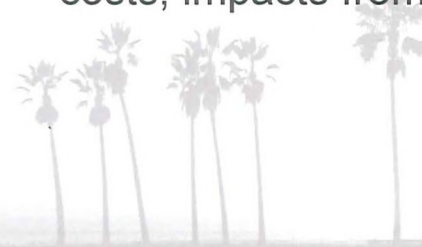
City 1% Sales Tax and Local Unemployment Rate*



Four Year Outlook and Future Budget Outlook



- ❑ Updated in June to reflect new terms with bargaining units represented by the Coalition reported a budget gap of \$196 million for 2012-13.
- ❑ Gap is expected to increase to between \$200 million and \$250 million due to increased pension costs, impacts from business tax reductions, and litigation.



Four Year Outlook and Future Budget Outlook

- ❑ *The City must remain committed to the four pillars it has established to help guide it through this uncertainty.*

I Responsible Fiscal Management	II Focus on Core Services	III Alternative Service Delivery Models	IV Sustainable Workforce
<ul style="list-style-type: none">• Stable Reserve Fund• Reduce or Eliminate General Fund Subsidies• Maximize Flexible Funding• Strengthen & Streamline Central Administration Functions & Contracting Process• Pursue New Revenue	<ul style="list-style-type: none">• Re-evaluate Discretionary Programs• Consolidate Services• Evaluate and Redesign Core Services	<ul style="list-style-type: none">• Partner with Non-profits, Foundations and Private Sector• Maximize City Assets• Strengthen Core Functions	<ul style="list-style-type: none">• Reduce the Size of the Workforce• Reduce Healthcare and Workers' Compensation Costs• Control Pensions and Retiree Health Costs• Align Compensation• Eliminate Furloughs through Concessions





For additional budget information and online budget documents
please visit:

cao.lacity.org

budget.lacity.org

controller.lacity.org/AdoptedBudget/index.htm

