



City of Los Angeles

CAO Overview of the Proposed 2014-15 Budget

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City Administrative Officer
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Summary

- The Mayor's proposed 2014-15 Budget stays the course by complying with the City's financial policies and moving toward eliminating the structural deficit by 2018-19.
- The 2014-15 deficit of \$242 million is addressed with a combination of ongoing (54%) and one-time (46%) solutions.
- The five-year outlook projects deficits through 2017-18 and a \$21 million surplus in 2018-19.
- There are some gaps in the Proposed 2014-15 Budget that will have to be addressed.



Budget at a Glance

TOTAL PROPOSED 2014-15 CITY GOVERNMENT

	Appropriations (\$ Millions)	Authorized Positions
<u>I. Proprietary Departments</u>		
Airports	\$ 4,554.2	3,584
Harbor	\$ 938.8	994
Water and Power	\$ 7,999.4	9,996
<i>Total</i>	<i>\$ 13,492.4</i>	<i>14,574</i>
<u>II. General City Budget</u>		
General Fund	\$ 5,117.5	21,799*
Special Funds	\$ 2,982.6	10,058
<i>Total</i>	<i>\$ 8,100.1</i>	<i>31,857</i>
<u>III. Grants and other Non-Budgeted Funds</u>		
	<i>Total</i> \$ 1,333.6	-
	Grand Total \$ 22,926.1	46,431

*Sworn staff represents 61 percent of General Fund positions.



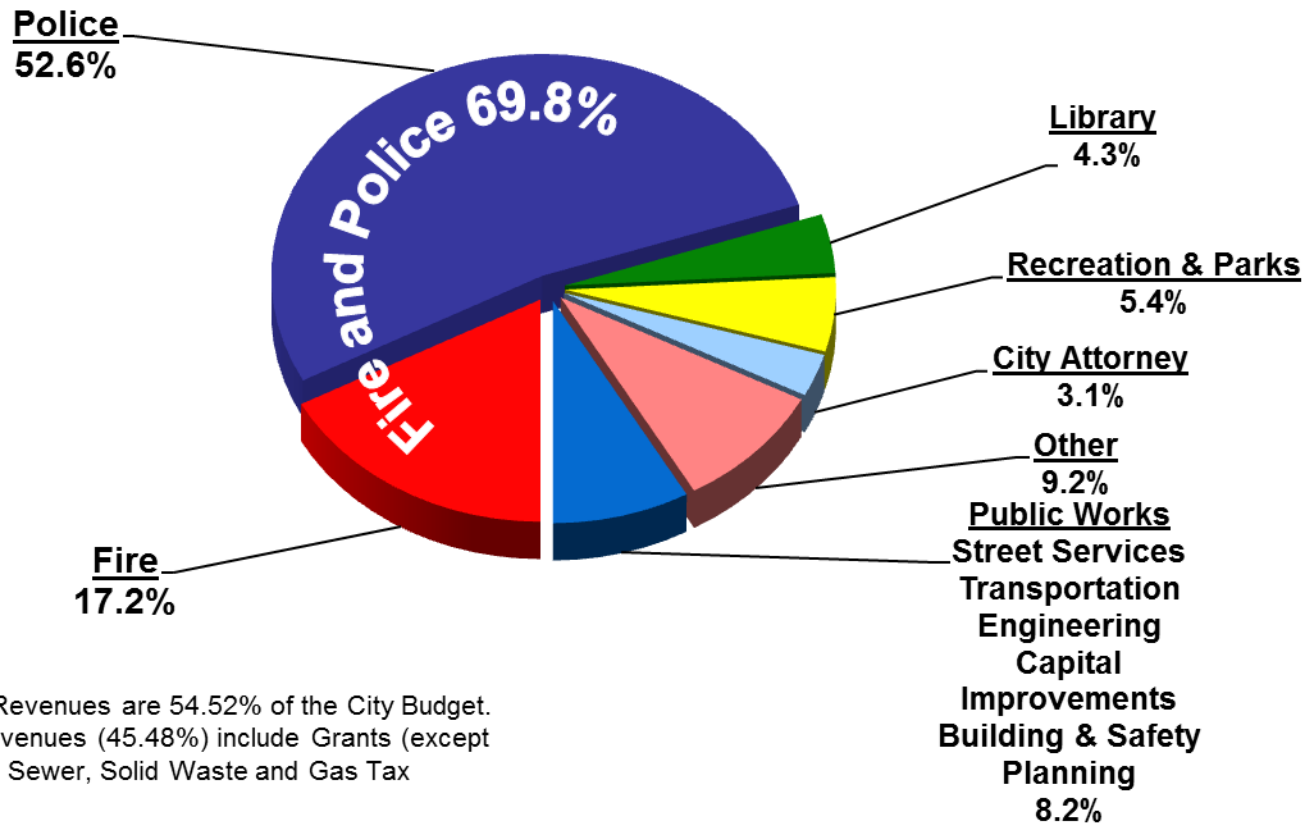
Budget at a Glance

Budget Component	Budget (\$ Millions)			Authorized Positions		
	Adopted 2013-14	Proposed 2014-15	Percent Change	Adopted 2013-14	Proposed 2014-15	Percent Change
General Fund	\$ 4,866.9	\$ 5,117.5	5.1%	21,873	21,799	-0.3%
Special Funds	\$ 2,819.6	\$ 2,982.6	5.8%	10,020	10,058	0.4%
Total	\$ 7,686.5	\$ 8,100.1	5.4%	31,893	31,857	-0.1%



Budget at a Glance

2014-15 Budget Unrestricted Revenues \$4.4 Billion

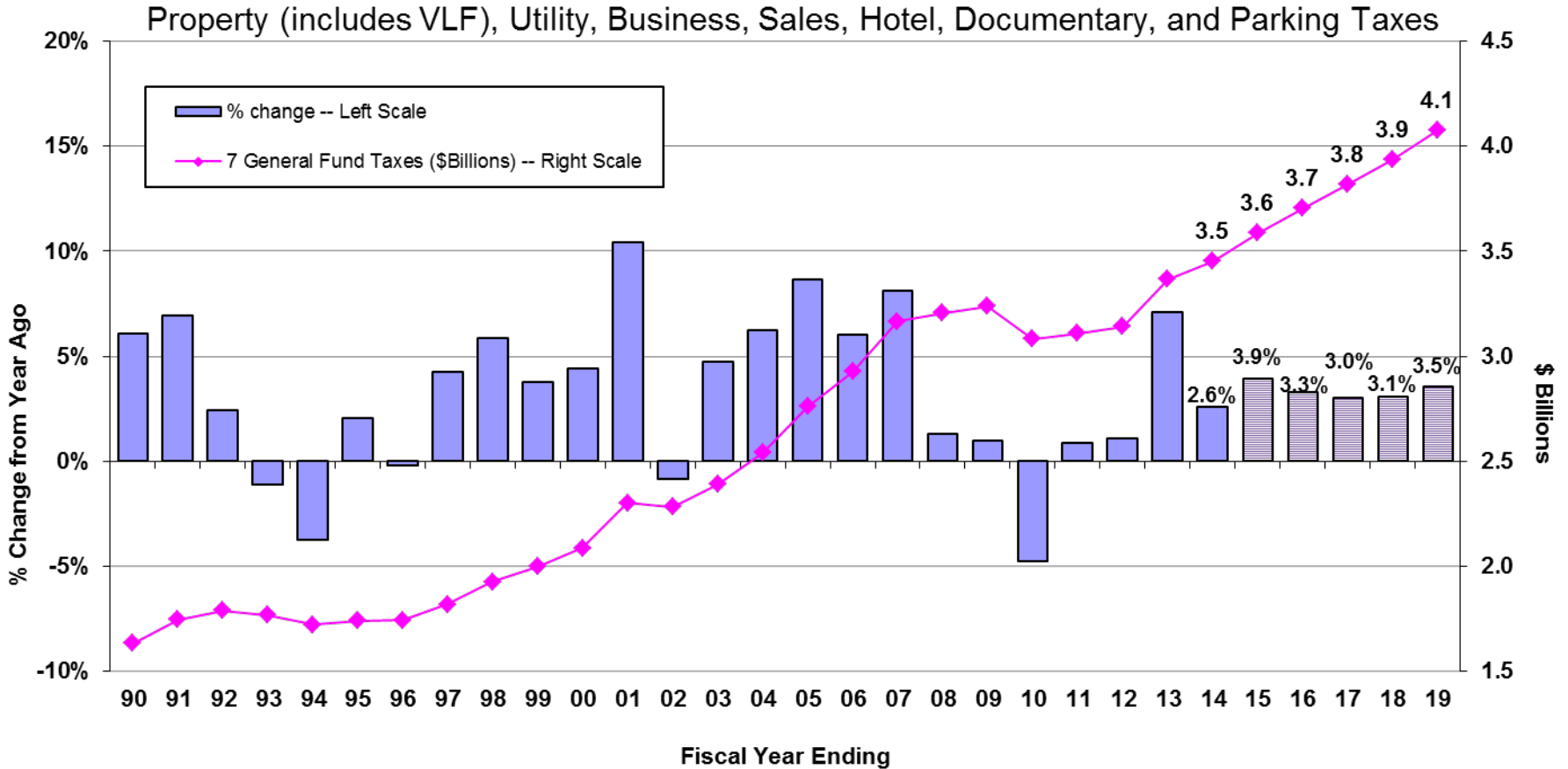


Unrestricted Revenues are 54.52% of the City Budget. Restricted Revenues (45.48%) include Grants (except Police Dept.), Sewer, Solid Waste and Gas Tax Receipts.



Revenues

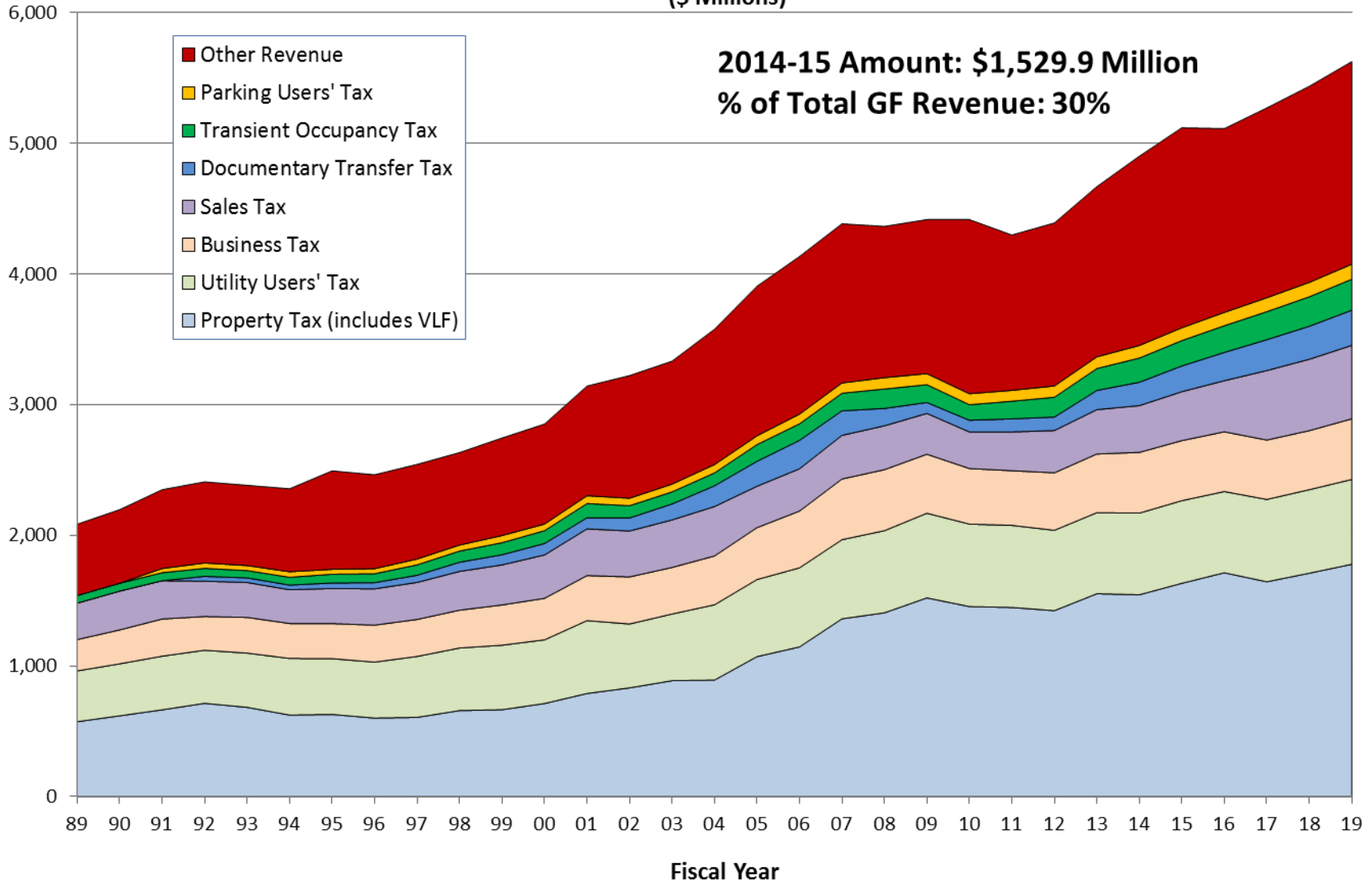
Seven General Fund Taxes with Business Tax Reform



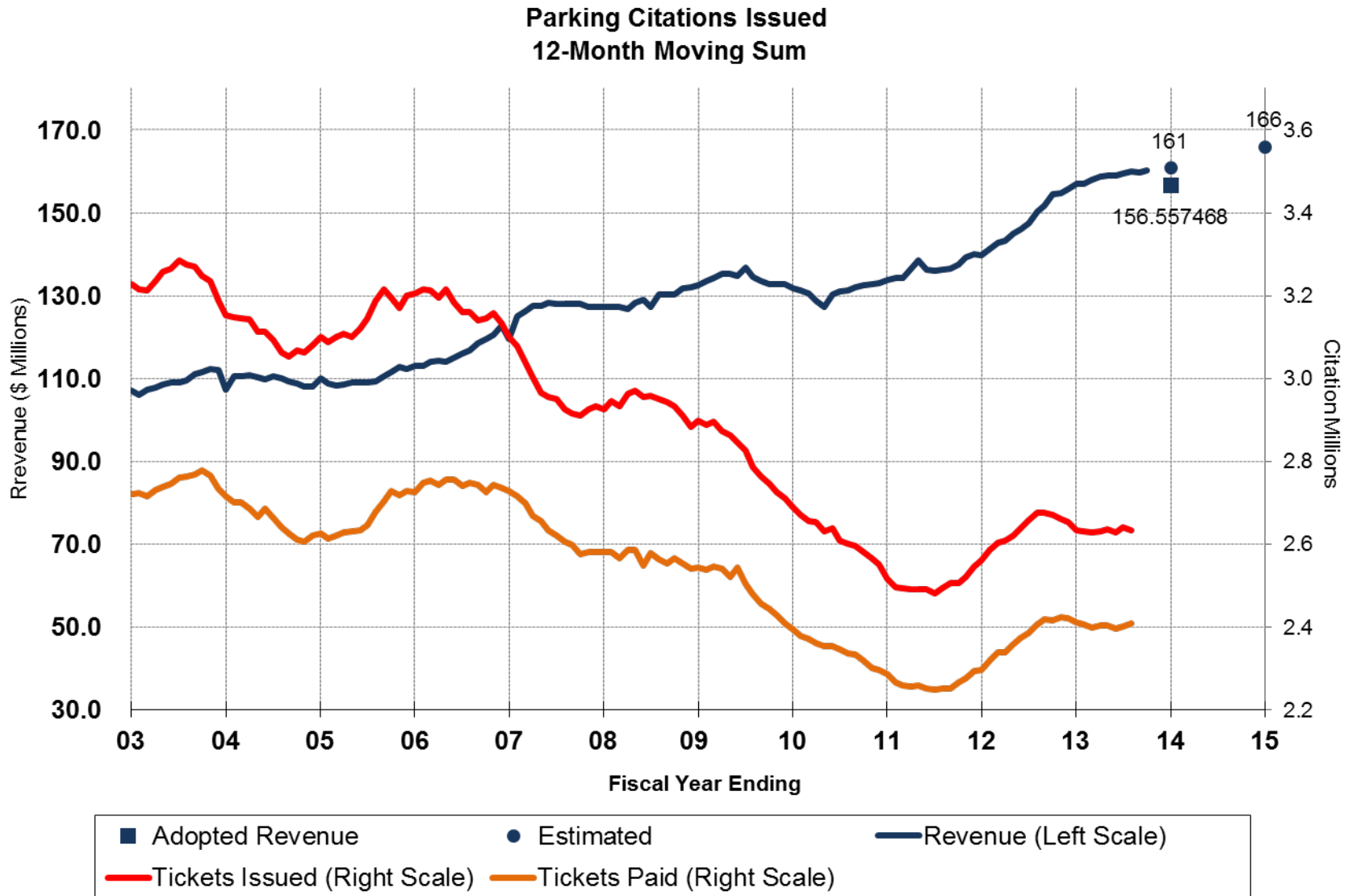
Revenues

General Fund Revenue - Other

(\$ Millions)

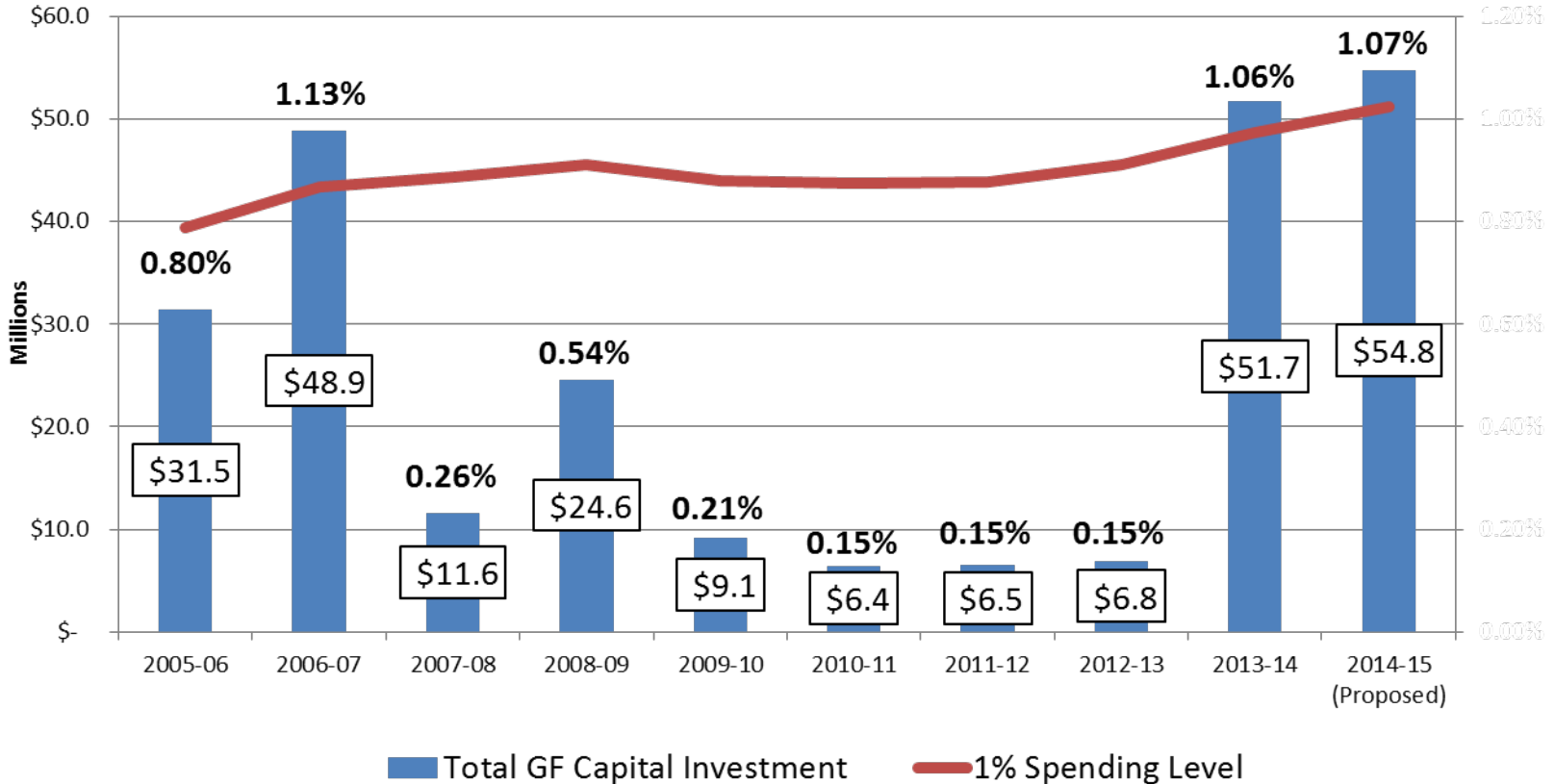


Revenues



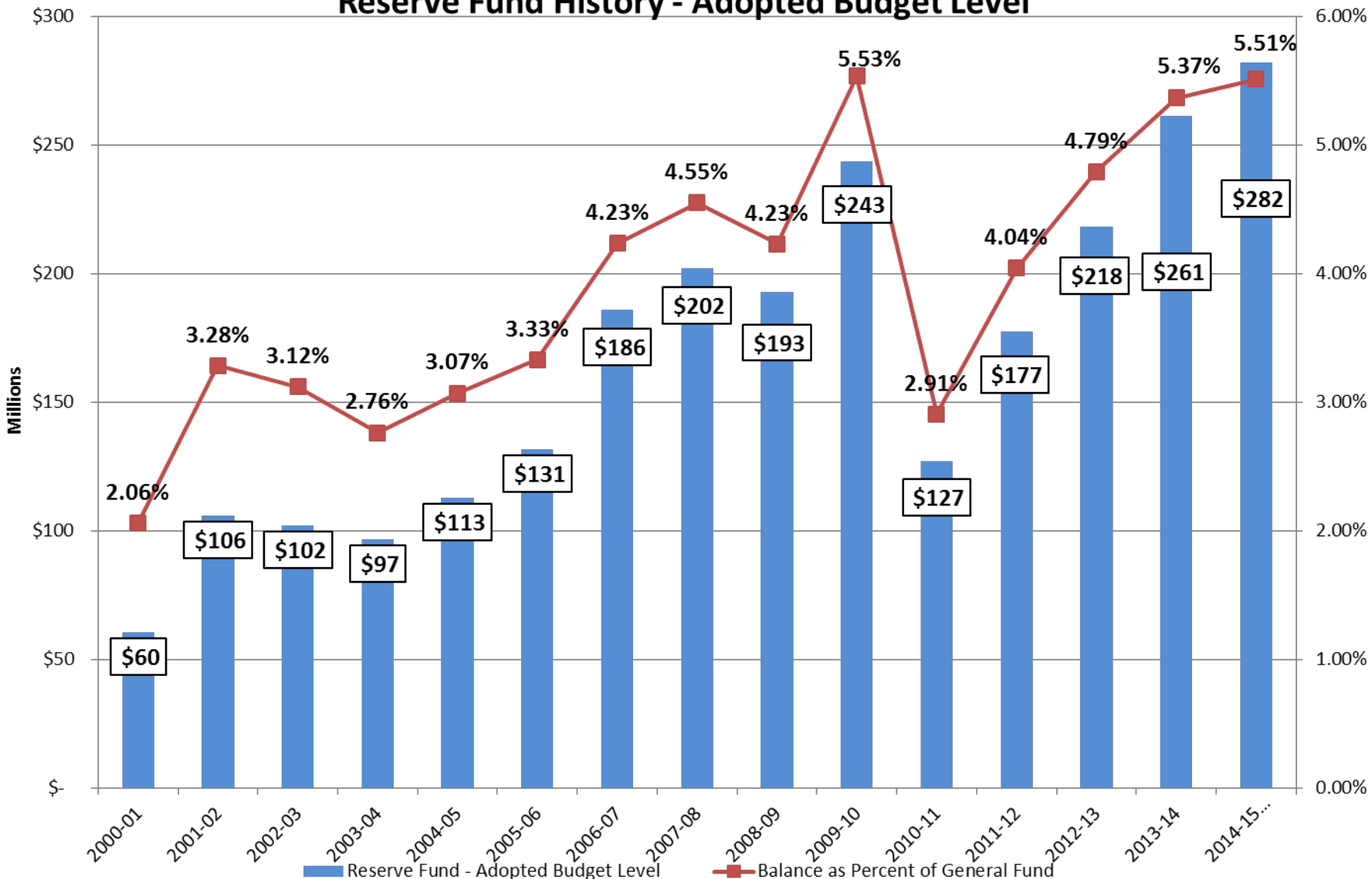
Capital Investment

Capital Investment as Percentage of General Fund Revenue



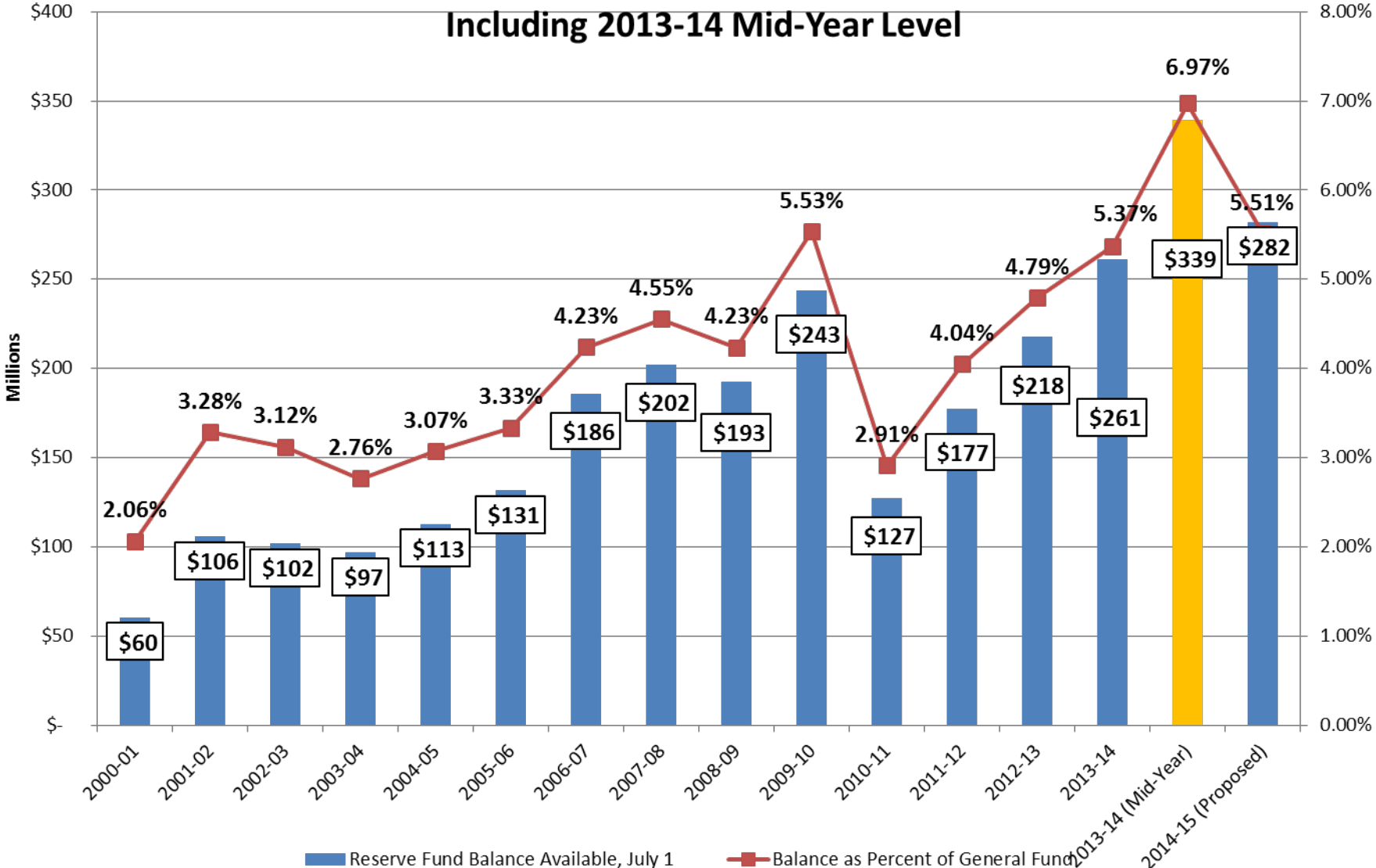
Reserve Fund

Reserve Fund History - Adopted Budget Level



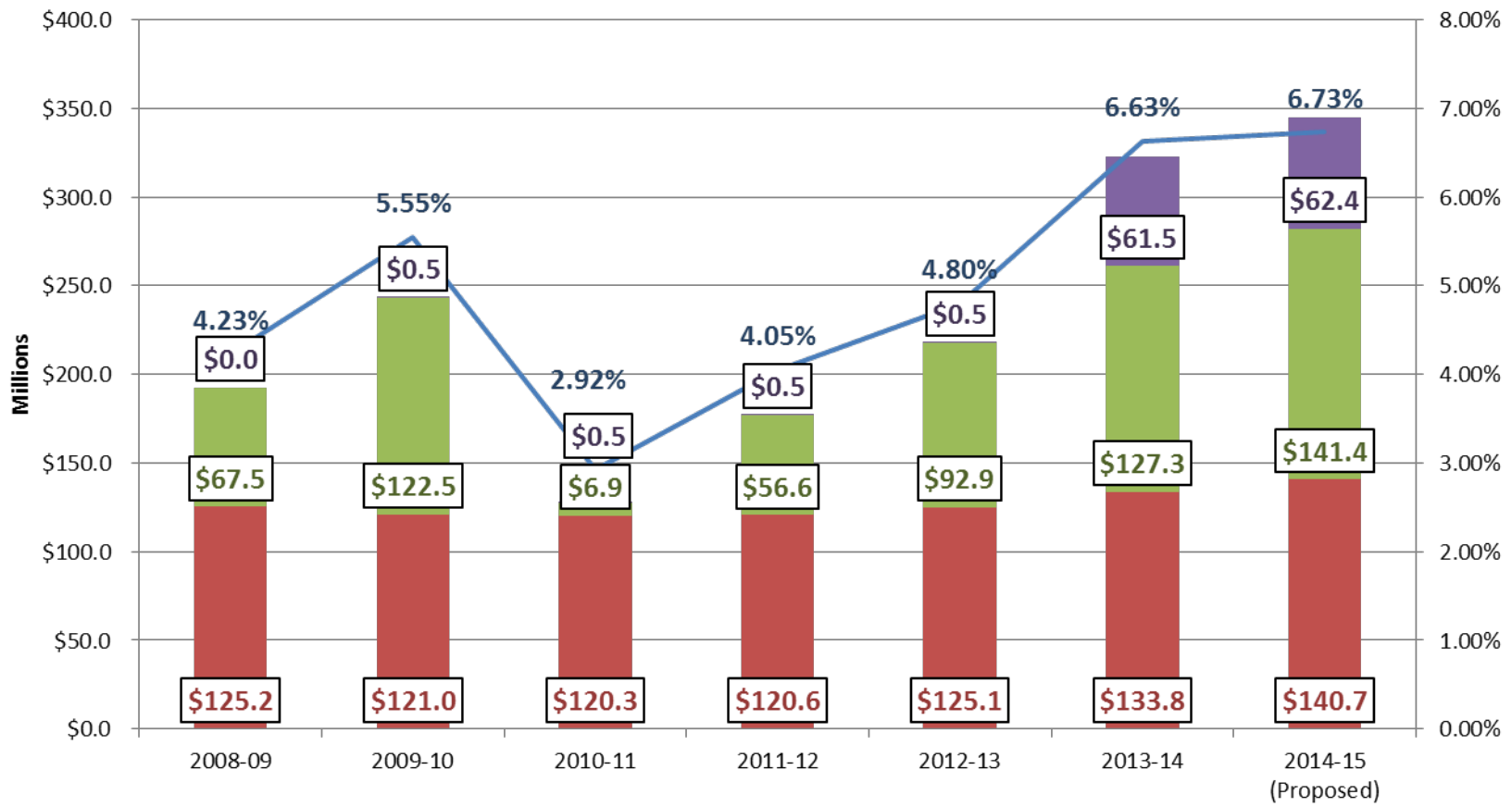
Reserve Fund

Reserve Fund History - Adopted Budget Level Including 2013-14 Mid-Year Level



Reserve Fund

Adopted Budget Reserve Fund and Budget Stabilization Fund

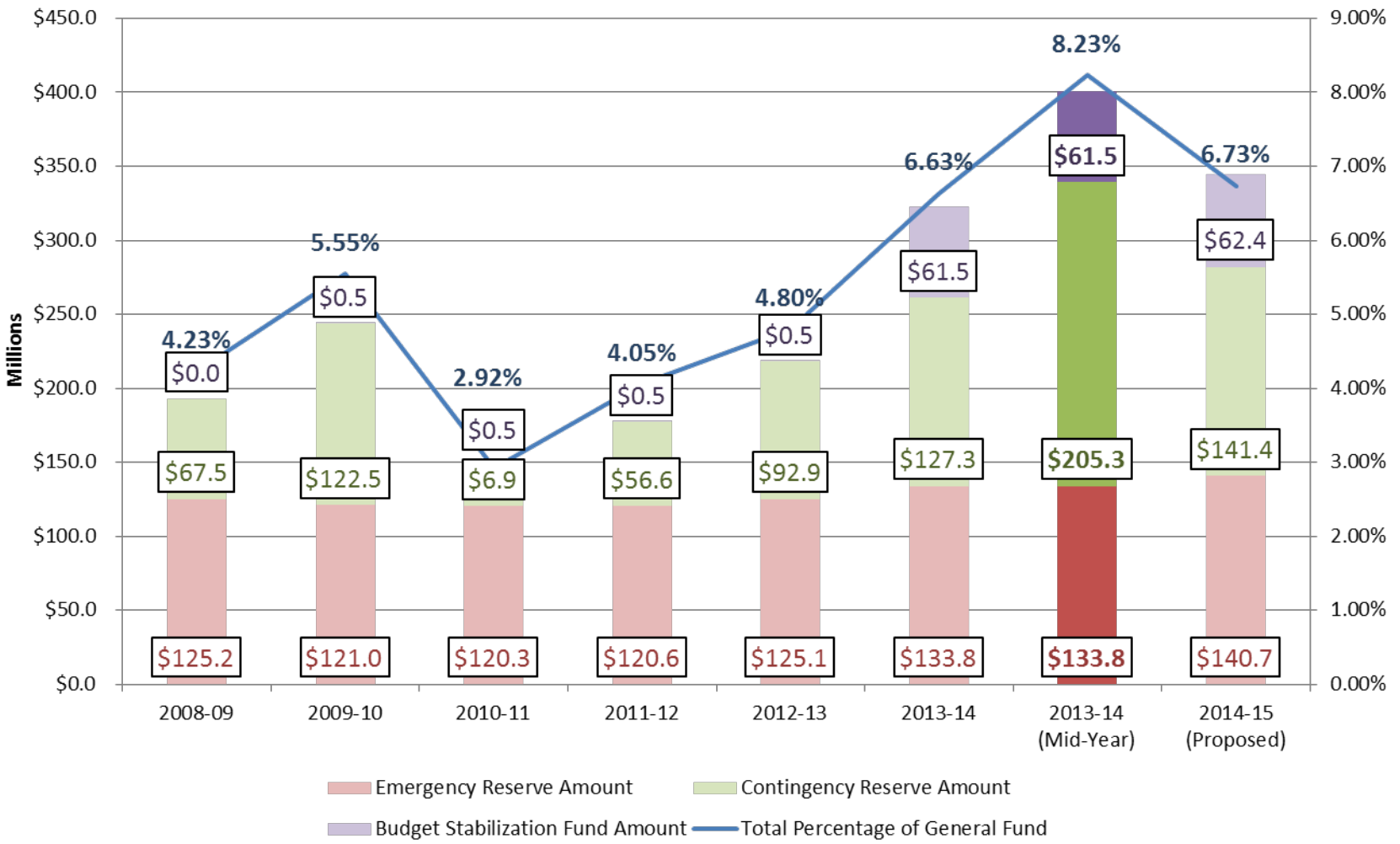


■ Emergency Reserve Amount ■ Contingency Reserve Amount
■ Budget Stabilization Fund Amount — Total Percentage of General Fund



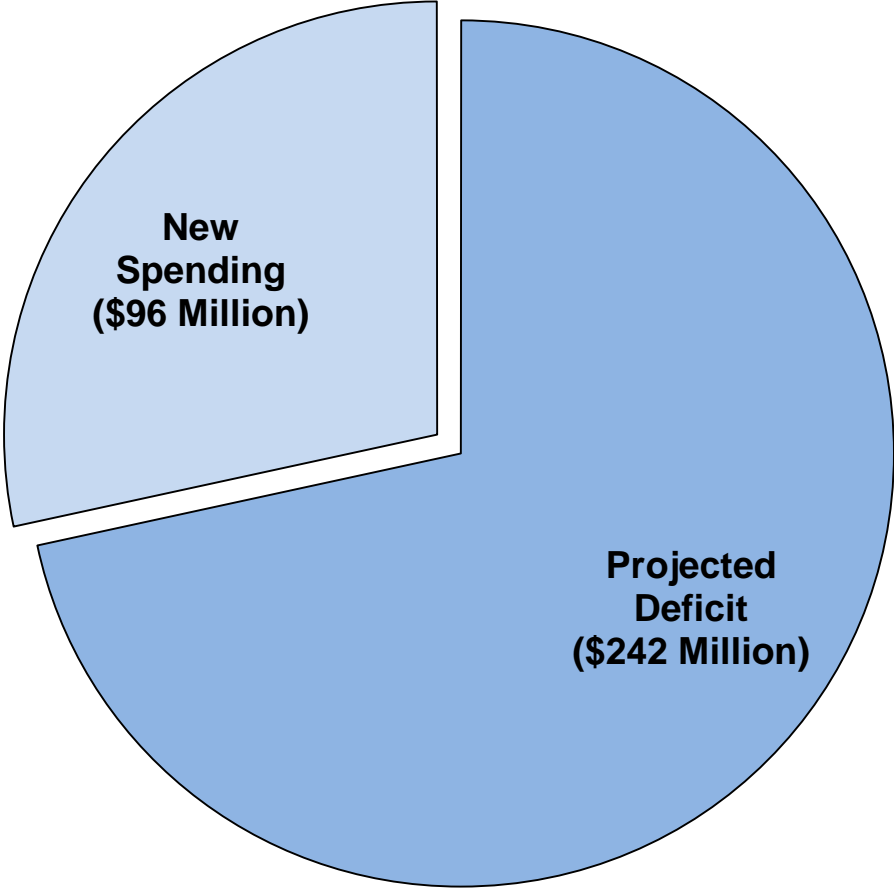
Reserve Fund

Adopted Budget Reserve Fund and Budget Stabilization Fund Including 2013-14 Mid-Year Level



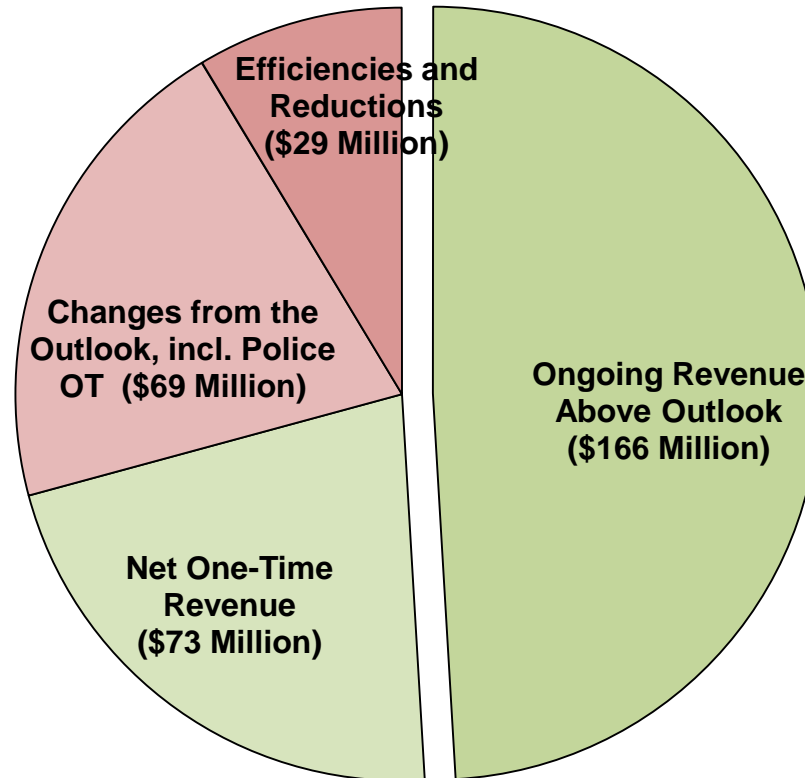
Addressing the Deficit

**Proj. Deficit of \$242 Mil. + New Spending of \$96 Mil.=
Total Shortfall of \$338 Mil.**



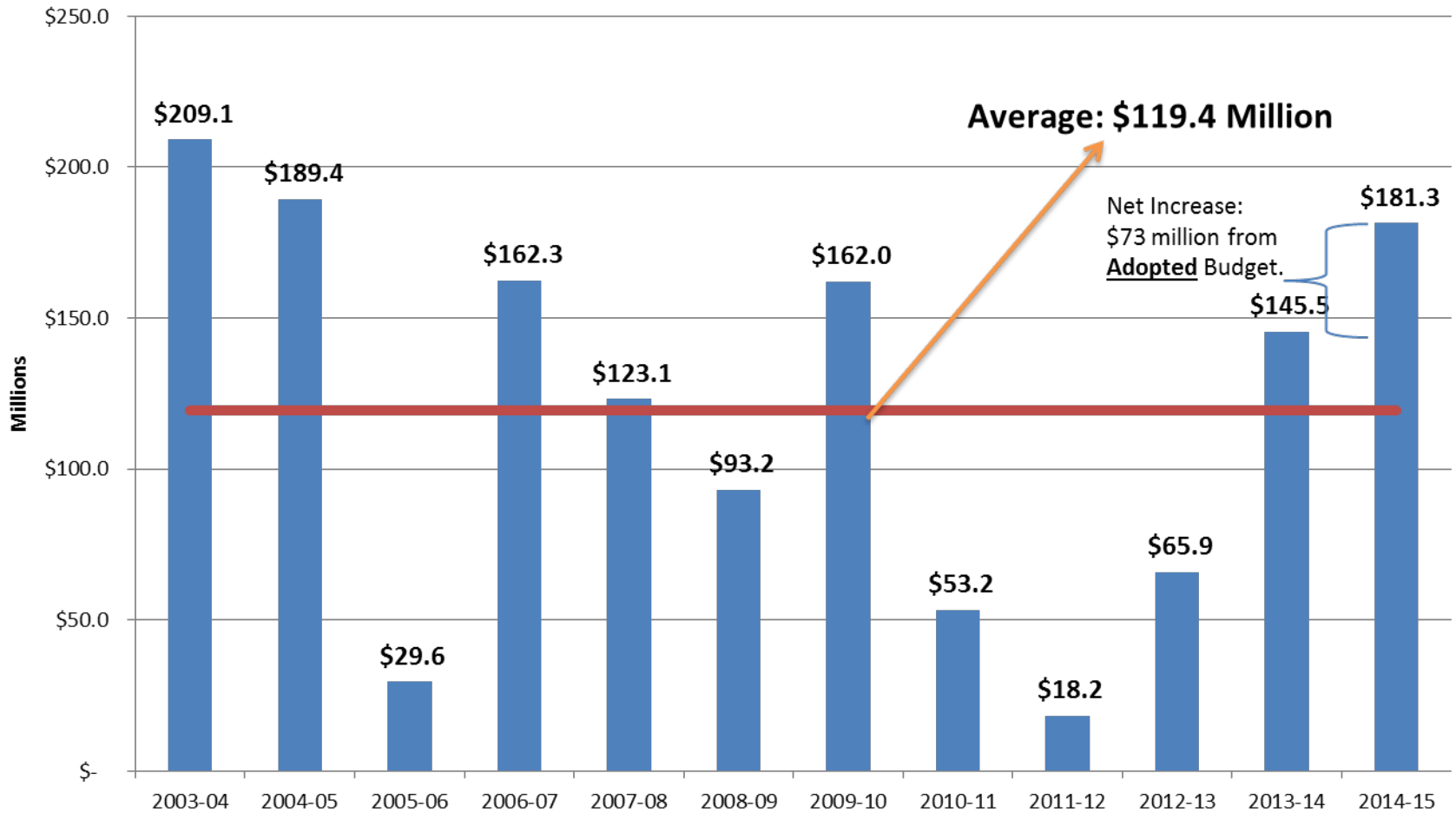
Addressing the Deficit

\$166 Million in Ongoing Revenues



One-Time Revenues

One-Time Revenue Included in Proposed Budget 2003-2015



Addressing the Deficit

2014-15 Deficit: \$242 million

	Ongoing	One-Time	Total
Revenue	\$ 165.59	\$ 73.34	\$ 238.93*
Adjustments from Outlook:			
<i>Police Overtime</i>	-	65.00	65.00
<i>Other Savings, including pensions and benefits</i>	4.47	-	4.47
Departmental Efficiencies / Reductions	29.19	-	29.19
Program and Funding Realignment	(4.54)	-	(4.54)
Service Investments	(65.07)	(25.97)	(91.04)
Total	\$ 129.63	\$ 112.37	\$ 242.00
Ongoing to One-Time Solutions	54%	46%	

*Revenue amounts represent variance from the 2013 Budget Outlook to Proposed 2014-15 Budget and do not reflect full change in revenue from the Adopted 2013-14 Budget to the Proposed 2014-15 Budget.

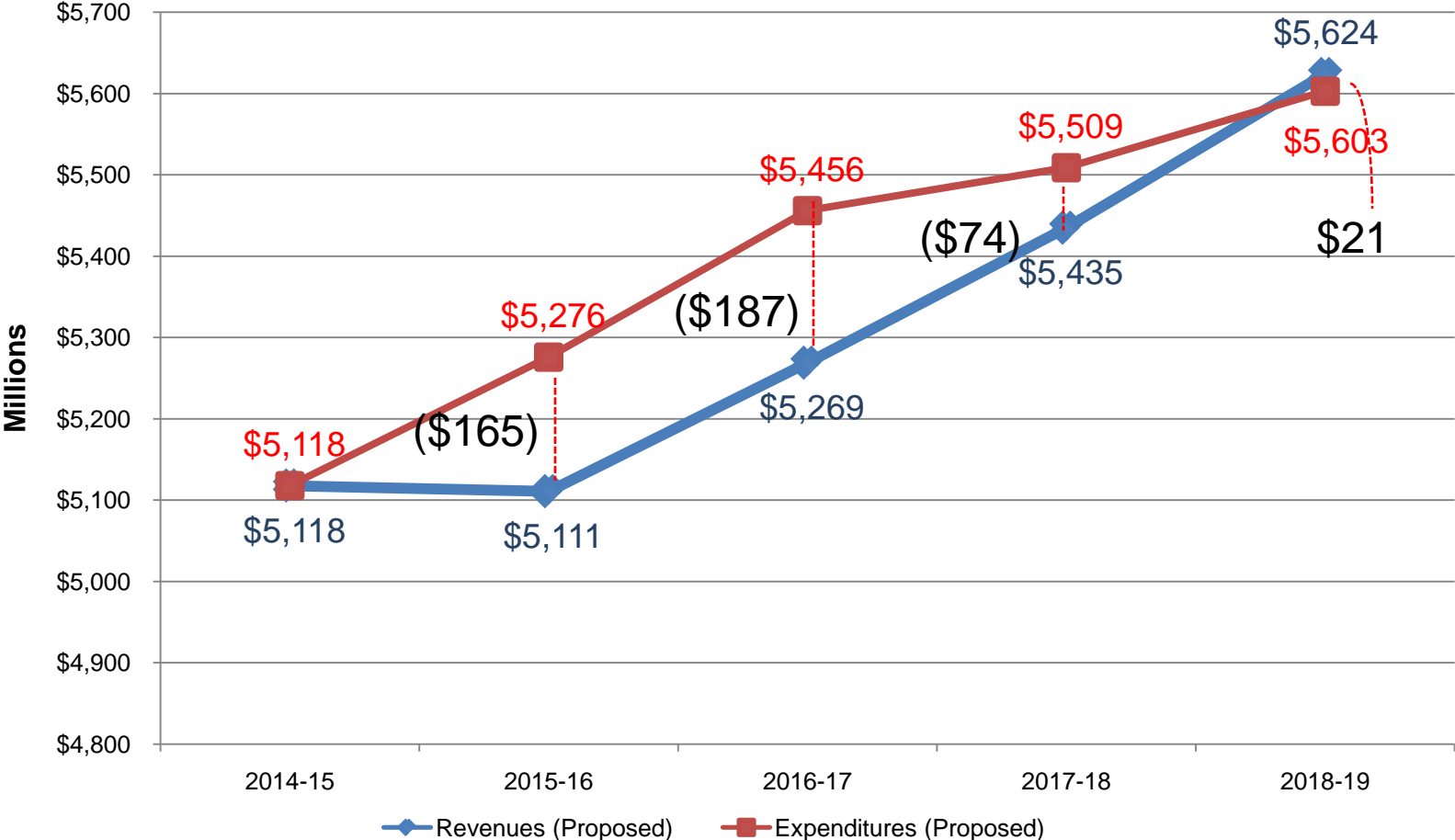


Budget Outlook

	2014-15 Proposed	2015-16	2016-17	2017-18	2018-19
ESTIMATED GENERAL FUND REVENUE					
General Fund Base	\$4,867	\$5,118	\$5,111	\$5,269	\$5,435
Revenue Growth	\$251	(\$6)	\$158	\$166	\$188
Total Revenue	\$5,118	\$5,111	\$5,269	\$5,435	\$5,624
<i>General Fund Revenue Percent Increase</i>	5.1%	-0.1%	3.1%	3.2%	3.5%
ESTIMATED GENERAL FUND EXPENDITURES					
General Fund Base	\$4,867	\$5,118	\$5,276	\$5,456	\$5,509
Incremental Changes to Base:	\$251	\$159	\$180	\$53	\$94
Subtotal Expenditures	\$5,118	\$5,276	\$5,456	\$5,509	\$5,603
<i>Expenditure Growth Percent Increase</i>	5.1%	3.1%	3.4%	1.0%	1.7%
TOTAL BUDGET (GAP)/SURPLUS	-	(\$165)	(\$187)	(\$74)	\$21

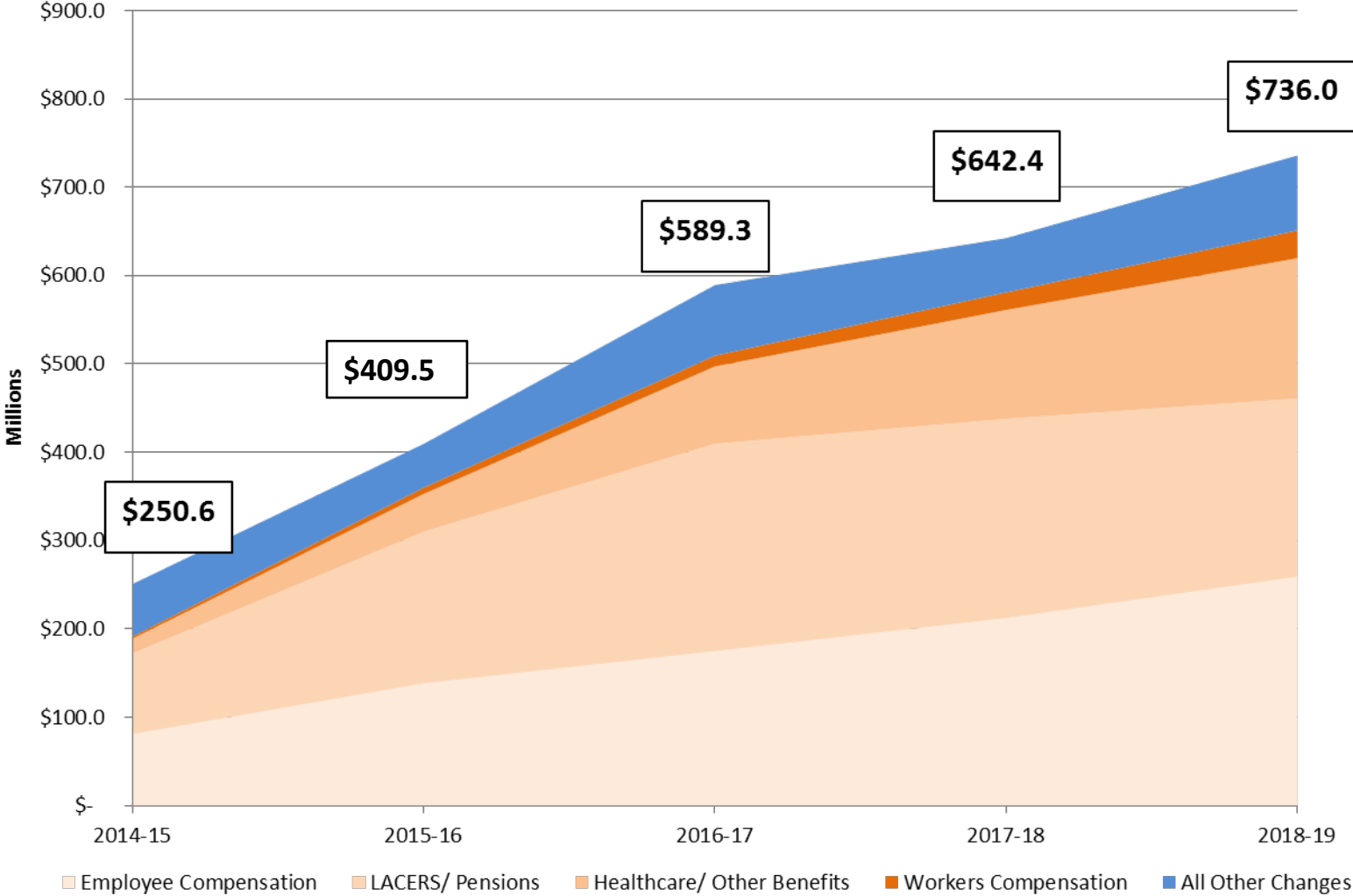


Four Year Budget Outlook 2014-15 to 2018-19 Expenditure Growth



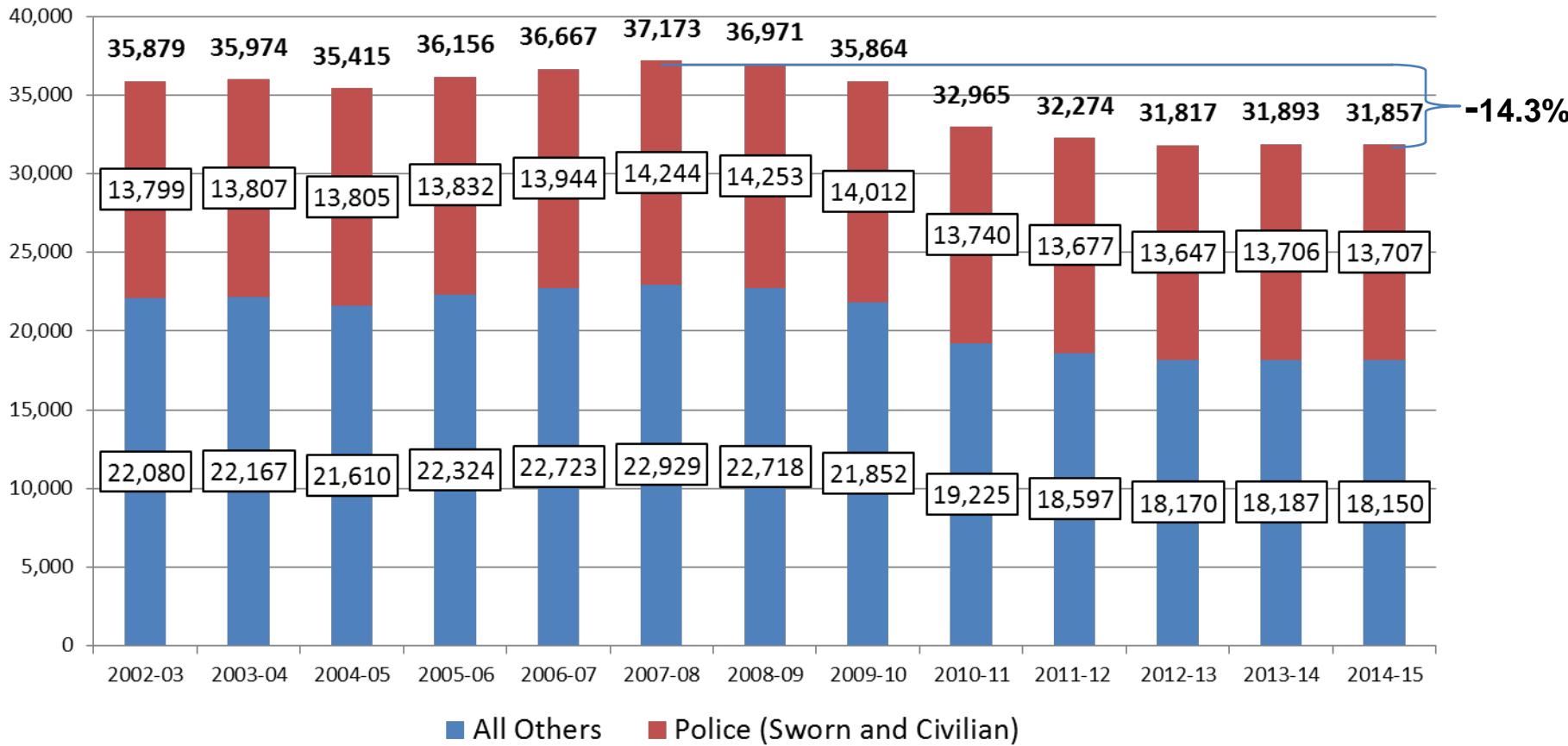
Budget Outlook

Cumulative Expenditure Increases by Major Categories Projections, 2014-2019



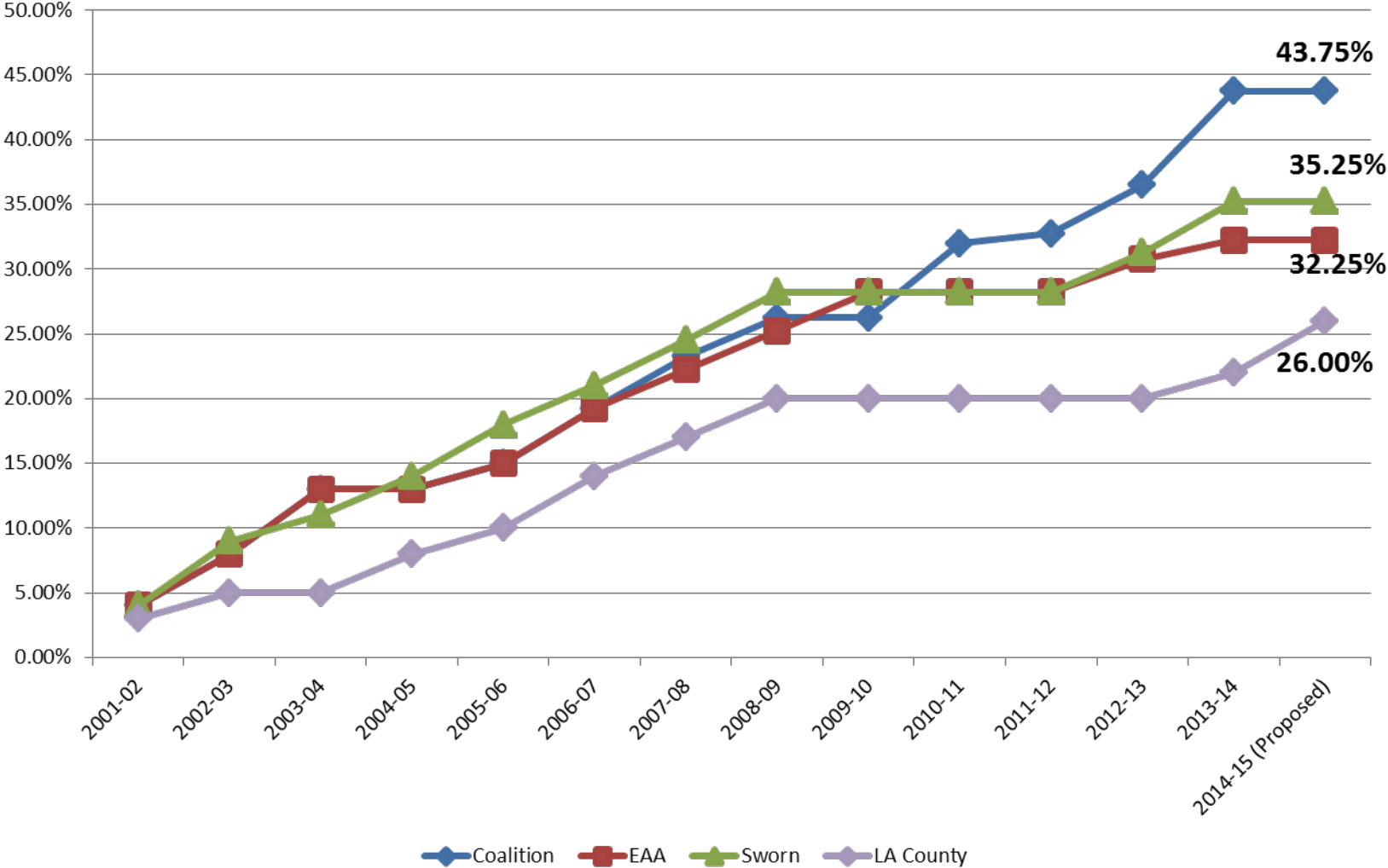
Workforce Sustainability

Authorized City Staffing (Not Including Proprietary Departments)



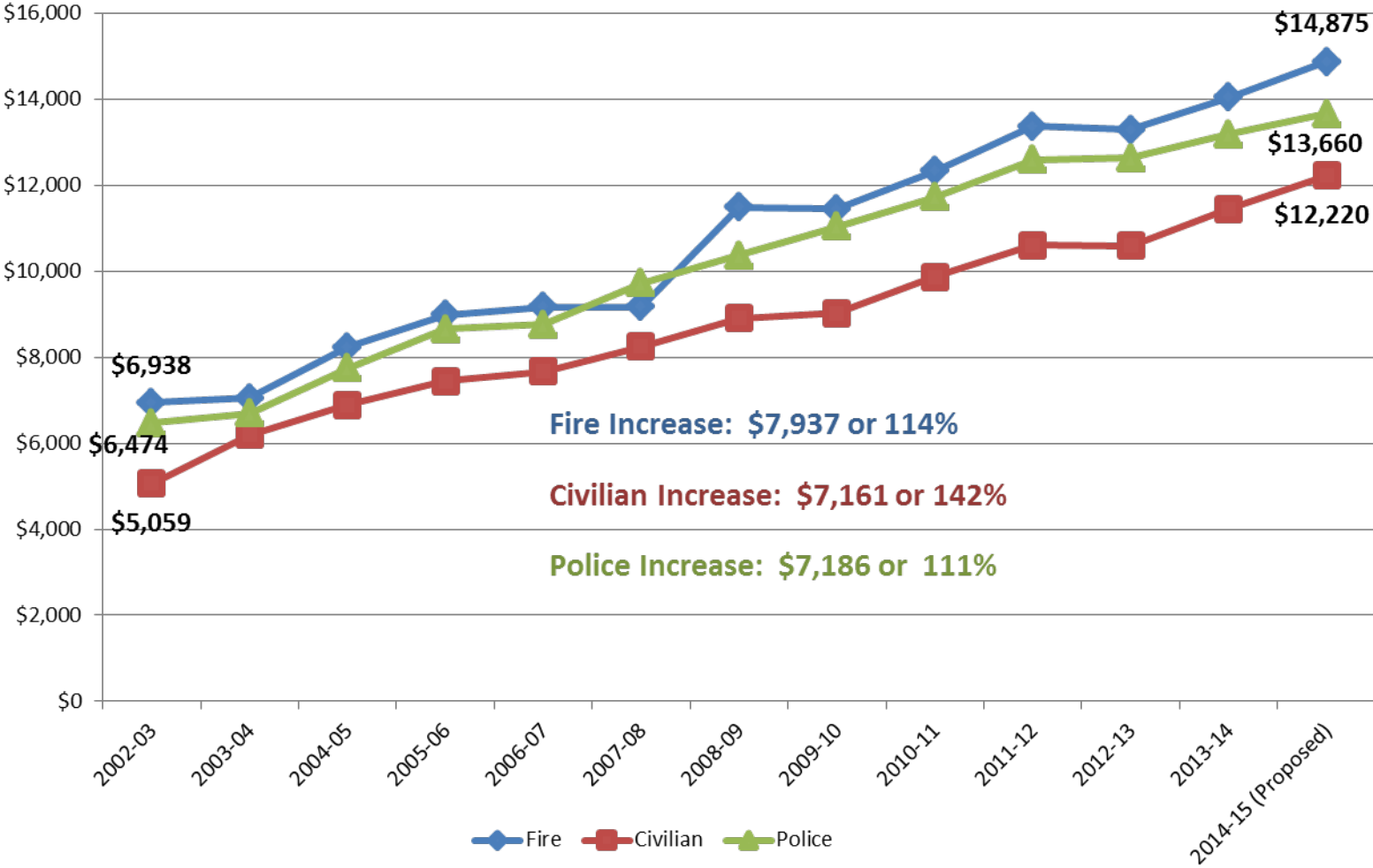
Workforce Sustainability

Cumulative Base Wage Movement



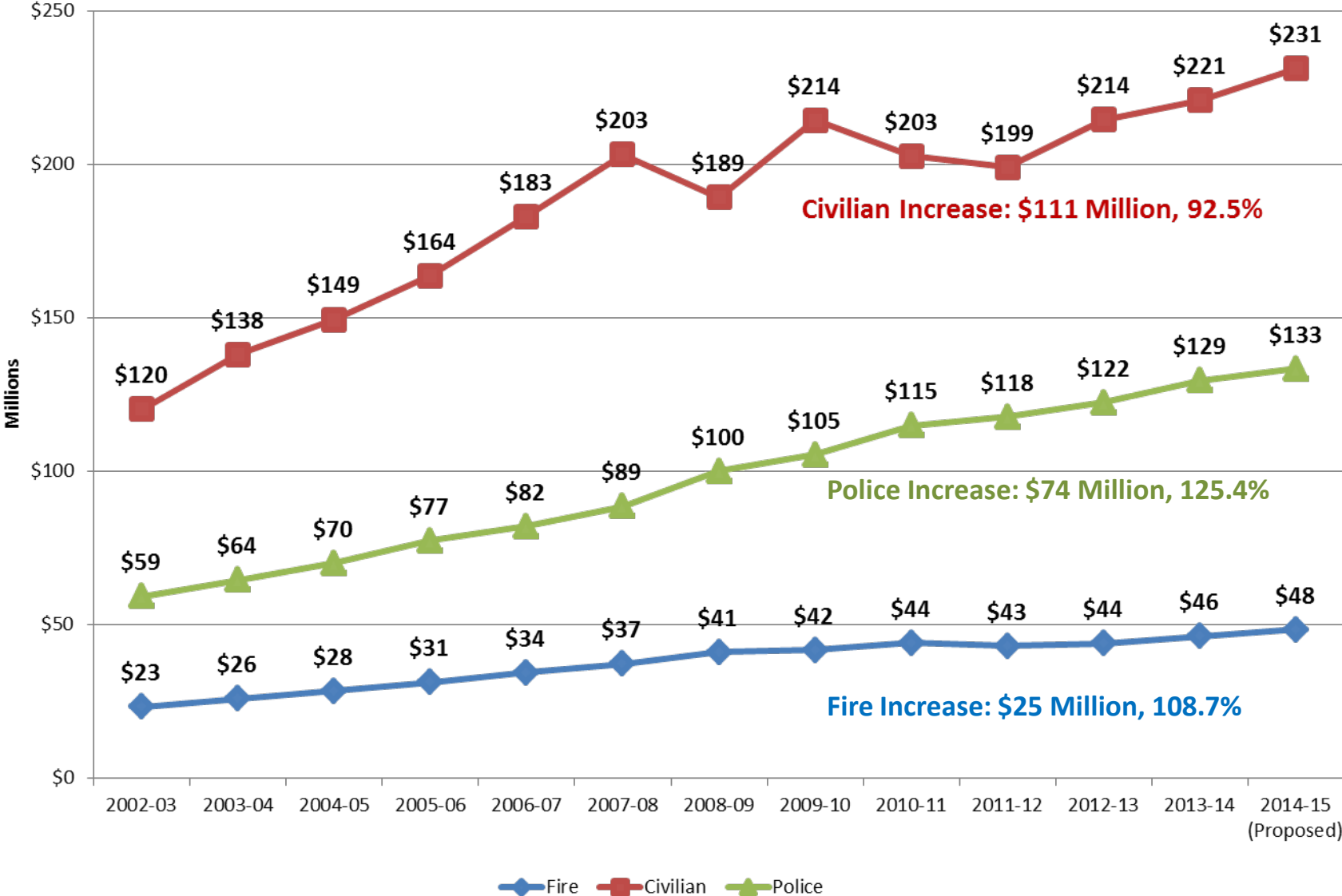
Workforce Sustainability

Health and Welfare Rates Per Employee 2002-2015



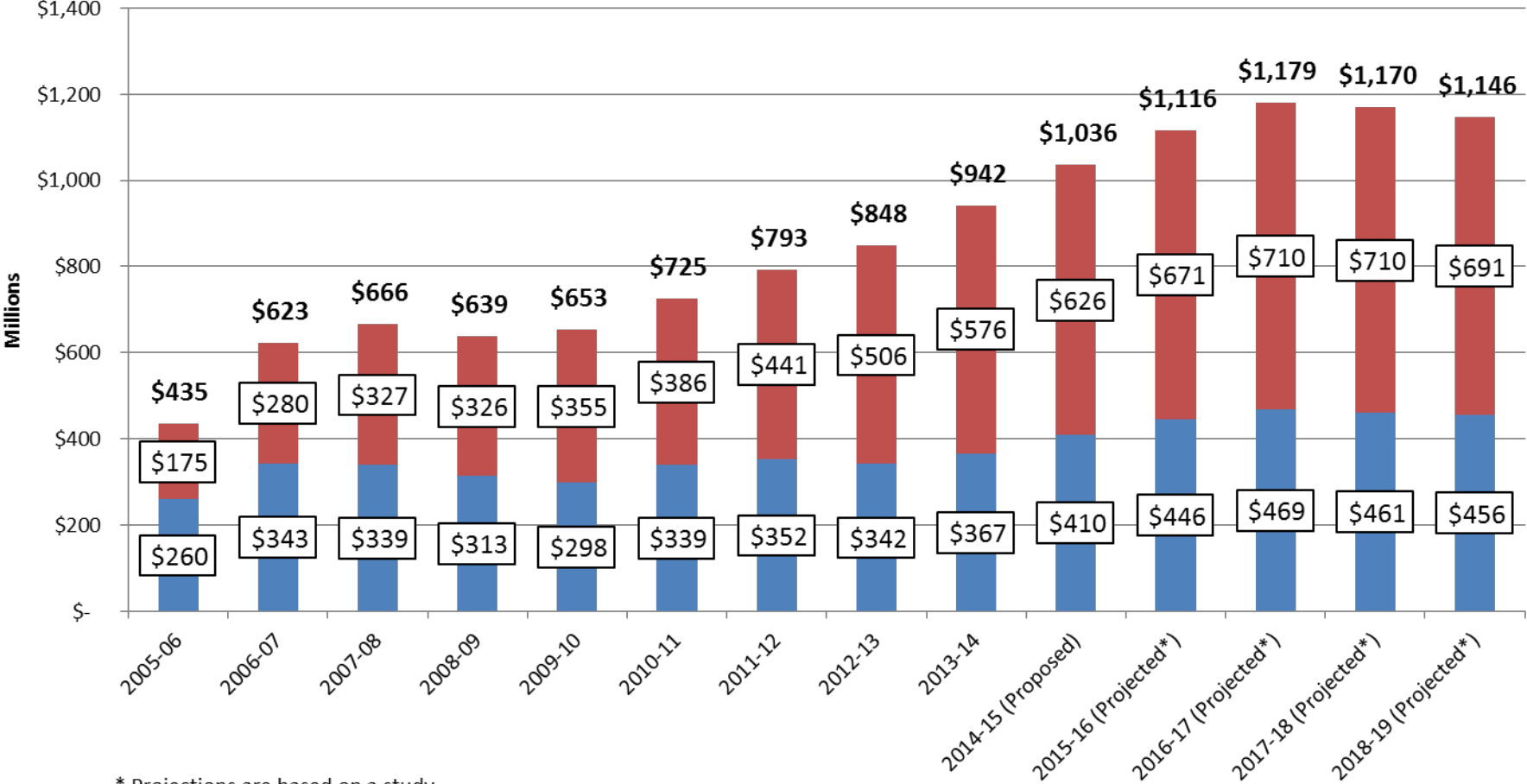
Healthcare Costs

Annual Health and Welfare Expenditures



Pensions

City Contributions to Retirement Systems (LACERS and Pensions) Actual Amounts 2005-14; Proposed 2014-15; Projected 2015-19*



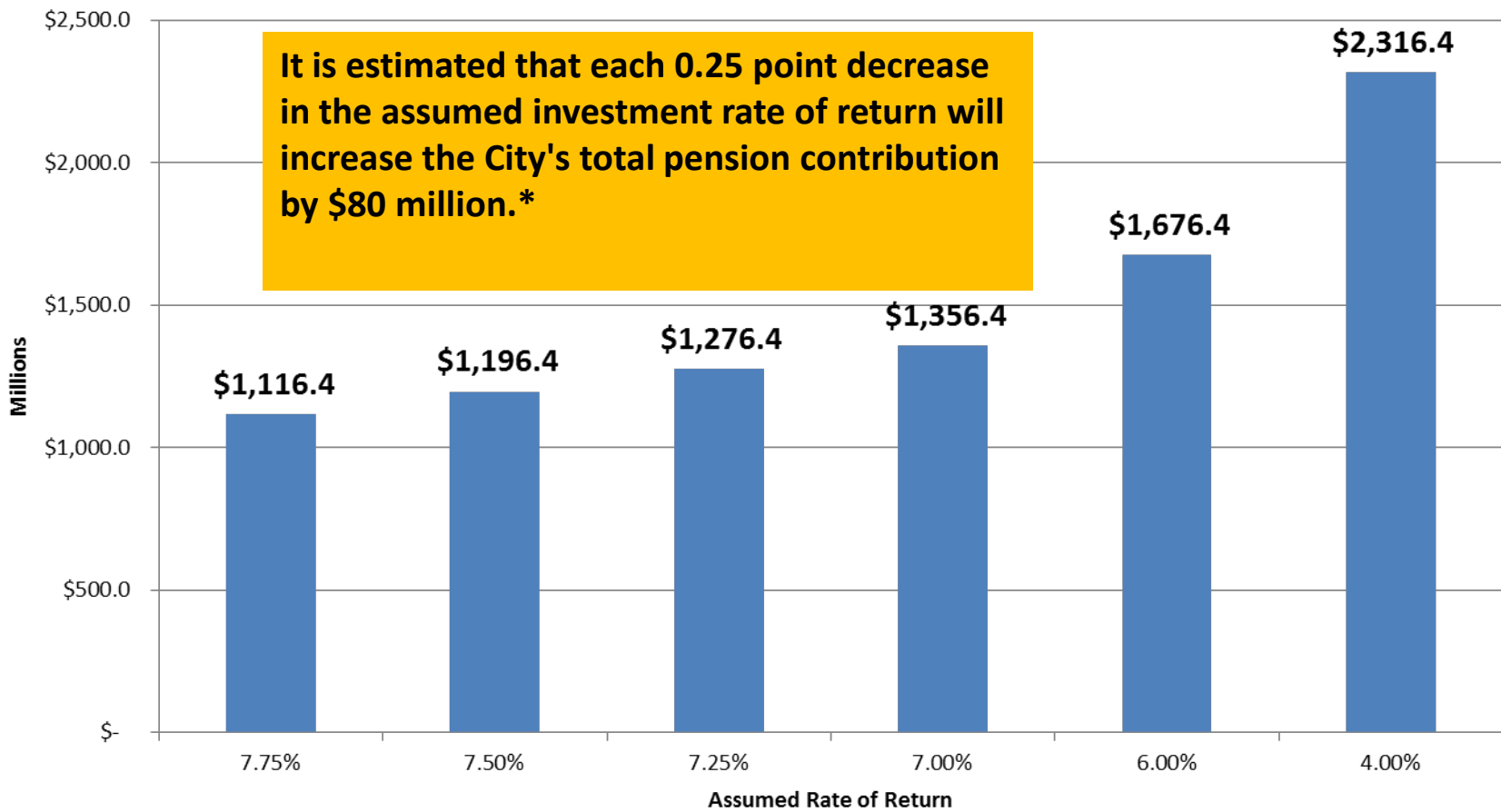
* Projections are based on a study commissioned by the CAO.

■ LACERS ■ Pensions



Pensions

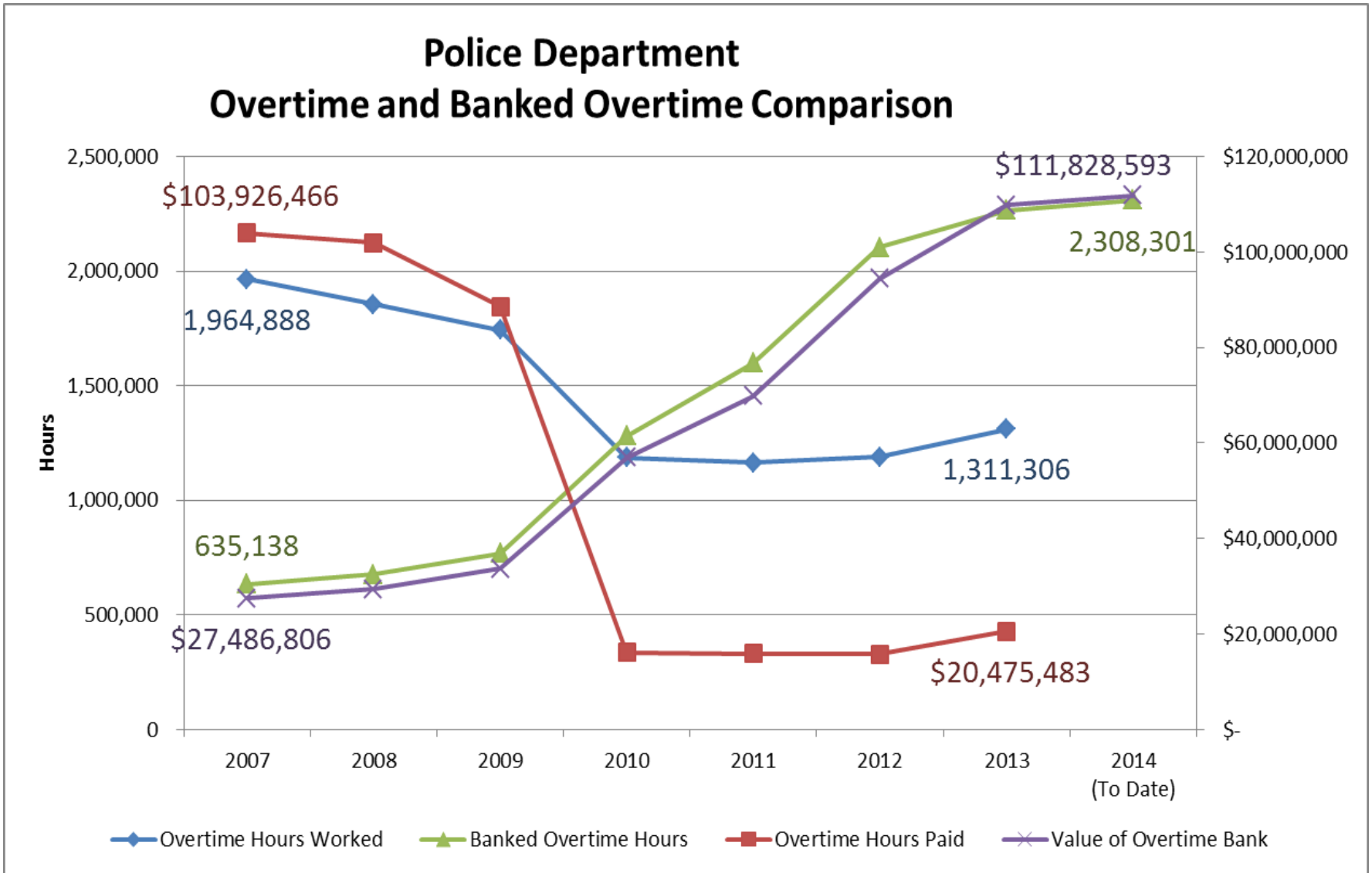
Projected 2015-16 Pension Contribution Based on Assumed Investment Rate of Return*



* Projected contributions based on a study commissioned by the CAO, and analysis by the CAO.



Police Overtime



CAO Recommendations

- Comply with capital investment, Reserve Fund, and Budget Stabilization Fund policies.
- New revenues identified should first be put toward addressing known gaps in the budget: Police overtime and Fire ambulance augmentation.
- If other additions are made, they should be accompanied by deletions of equal value or new sources of revenues.
- Do not include speculative revenue or engage in deficit borrowing.
- Services should only be restored or enhanced through ongoing sources of funds. Should services be restored or enhanced, also account for support services.

