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April 23, 2019

The Honorable Members of the Budget and Finance Committee  
City Clerk  
City Hall, Room 395  
Attention: Andrew Choi

**OFFICE OF FINANCE FISCAL YEAR 2019-20 PROPOSED BUDGET**

Dear Honorable Members:

We would like to thank the Mayor and the City Council (Council) for their demonstrated support of the Office of Finance's (Finance) vision of serving as a national leader in municipal tax and treasury services and as a citywide model in professional excellence and financial management.

In addition to collecting revenues associated with fees, permits, and taxes, Finance plays an important role in implementing Council's policies. For example, Finance's recent Request for Proposals for Banking Services required that proposers comply with and adhere to the City's Responsible Banking Ordinance. Similarly, Finance has assisted the Department of Cannabis Regulation (DCR) with permitting, business tax collection and auditing of new cannabis firms including the Phase II Social Equity businesses.

With the funding provided in Fiscal Year 2018-19, Finance was able to:

- Modernize LATAx (the City's system of record for collecting taxes and permits) using more up-to-date computer programming languages to assist with maintenance and potential future cloud migration to ensure system stability and resilience;
- Collect over \$558 million in Business Taxes, \$292 million in Transient Occupancy Taxes, and \$93 million in Parking Occupancy Taxes to-date and we are on track to meet or exceed revenue expectations of \$590 million, \$270 million, and \$118 million, respectively;

- Collect over \$30 million in business taxes from the Cannabis industry with over \$12 million paid in cash;
- Significantly reduce wait time for customers visiting public counters by launching Phase I of a new electronic queuing system and deploying appropriate staff during peak periods;
- Redesign correspondence to taxpayers using behavioral science insights to improve comprehension and increase responsiveness; and
- Launch a new, modern delinquent accounts database to replace Finance's antiquated legacy system that was utilizing technology dating back to the 1980s.

With the Mayor and Council's support, we will continue to realize progress in creating a positive and cohesive organizational culture, delivering responsive and informative customer service, ensuring secure, resilient, and user-friendly technology systems, and establishing citywide best practices for payments and receivables.

For Fiscal Year 2019-20, Finance respectfully requests that:

- Funding be approved for additional Pondera licenses to facilitate recovery of additional revenue from tax discovery efforts. These licenses cost \$95,000 and the anticipated additional revenue is \$500,000;
- Funding that was placed in the Unappropriated Balance to cover expenses associated with the transition from Wells Fargo to two or more banks be expeditiously transferred to applicable budgetary accounts once the contracts are in place and we know the extent of costs associated with the transition. Doing so will greatly reduce the likelihood of overlapping costs for an extended period; and
- We explore the possibility of using cannabis funding for Finance's equipment purchases utilized for cash collection. Cannabis funds have already been provided to pay for Finance's security needs related to collecting cash payments from the industry and doing so would free up a like amount in the General Fund.

For Fiscal Year 2020-21, Finance will be requesting funds to either upgrade LATAX hardware nearing the end of its life cycle or to move the system to the cloud after conducting a cost-benefit analysis of the approaches in the current year.

The Honorable Members of the Budget and Finance Committee

April 23, 2019

Page 3

Thank you for the opportunity to address your Committee. The Mayor and Council have provided a foundation for success that we look forward to continuing. We appreciate your consideration and are pleased to answer any questions you may have.

Sincerely,



Claire Bartels

Director of Finance / City Treasurer

cc: Matthew Szabo, Office of the Mayor  
Miguel Sangalang, Office of the Mayor  
Andrew Kaplan, Office of the Mayor  
Richard H. Llewellyn, Jr., City Administrative Officer  
Zara Bukirin-Garcia, Office of the City Administrative Officer  
Andrea Galvin, Office of the Chief Legislative Analyst  
Office of Finance Executive Staff