



KENNETH MEJIA  
CONTROLLER

March 1, 2023

Honorable Karen Bass, Mayor  
Honorable Members of the City Council

**SUBJECT: REVENUE FORECAST REPORT**

New budget year, new City leadership, new priorities – but Los Angeles faces some of the same issues that have limited our ability to meet long-standing fiscal challenges.

Each year, in accordance with City Charter Section 311(c), my office submits a Revenue Forecast Report, which includes information gathered from City departments, recent regional economic reports and meetings with local economists. This report covers updated revenue estimates for the remainder of the current fiscal year, ending June 30, 2023, and projections for fiscal year 2024. Although forecasts inherently involve uncertainty, this report offers our best estimates and seeks to promote responsible budgeting in the fiscal year ahead.

**This fiscal year**

The City's adopted budget fiscal year 2023, totals \$11.76 billion. General Fund Revenues represent 63% of that (\$7.45 billion), while the rest, close to \$4.31 billion, comes from numerous special purpose funds and available balances. Our updated estimate of General Fund receipts for the current fiscal year is \$7.50 billion, 0.7% more than the budgeted amount and 7.8% above the last fiscal year, after adjusting for ARPA transfer of \$639.5 million. This means the General Fund is projected to end the fiscal year with a \$52 million revenue surplus.

**Next fiscal year**

The local economy saw significant recovery from the effects of the pandemic during this fiscal year. Economists differ on the likelihood of a recession during fiscal year 2024. Continuing strong employment and consumer spending have led many to alter their forecasts to suggest a potential "soft landing" without a recession or only a mild one. Much depends on whether inflation continues to abate and how harshly the Fed reacts. Our projection for the upcoming year assumes that the economy will slow down in fiscal year 2024, but no recession.

For fiscal year 2024, General Fund revenue is projected to grow by only \$62 million, a modest 0.8% growth overall, actually below the rate of inflation and the increase in City costs. Two of our three largest revenue sources will see modest growth: property tax by 4.44%; business taxes by 3.08%. Meanwhile, sales tax will slightly decrease by 0.35%. We anticipate the transient occupancy tax and parking occupancy tax revenues to grow by 3.49% and 3.25% respectively. However, documentary transfer tax revenue to the General Fund is expected to drop by 3.90% due to higher interest rates that have already affected this market-sensitive source of revenue.

### **Trouble ahead**

Just as the pandemic has waned, the flow of emergency Federal relief has abated as well. The impact of higher interest rates has already dampened property sales which will mean lower revenues from the documentary transfer tax in the upcoming year and slower growth in property tax revenue in following years. How much reduction depends on how high interest rates are pushed as well as the overall strength of the local economy.

Expenses are on track to increase considerably next fiscal year. Mayor Karen Bass has embarked on an ambitious effort to meet the homelessness emergency through her “Inside Safe” program. The scope of that effort to fund temporary housing and spur construction of additional permanent housing is unknown, but will undoubtedly require major funding.

The City continues to operate with chronically high levels of staff vacancies. While this mitigates expenses, it is unsustainable across nearly every one of the City’s mission critical services. Not only is performance hampered by staff shortages, but vital training and staff development have been shortchanged since the 2008 Great Recession, despite a dramatic loss of institutional skills through two rounds of early retirement incentive programs. Failure to invest in the skills and effectiveness of the workforce will further degrade efficiency and effectiveness of city services to the community.

Existing deferred commitments to staff compensation as well as upcoming contract negotiations taking place in an inflationary job market put increased pressure on the City’s ability to live within its means. Moreover, the poor performance of pension investments in the current economic climate will trigger ongoing increases in pension obligations, which already consume fully 15% of the City’s General Fund budget.

Finally, the City of Los Angeles has for decades deferred maintenance and investment in vital infrastructure. The results are increasingly visible in our streets, sidewalks, and parks, while silent decay is taking its toll on the support systems that will come under increased pressure from climate change. Postponing capital investment will only mean higher costs (and risks) in the future.

Honorable Karen Bass, Mayor  
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March 1, 2023  
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### **The Long View**

These four pressures: funding new priorities, restoring staff capacity, negotiating sustainable compensation levels and investing in 21st Century infrastructure cannot be solved in a single budget year. They will require long-term strategic collaboration between the Mayor, Council, labor and the people of Los Angeles. The Controller's Office pledges our commitment to link arms to make the City's budget more transparent and help frame the needed community dialogue to ensure it more effectively reflects the vital priorities of a changing city.

The voters of Los Angeles expressed their choices for change in the last election. It will be our shared responsibility not to be trapped by business as usual if we are to deliver on their expectations. Taking the long view and the high road will be essential to making a more equitable, livable and resilient city for our four million residents.

Sincerely,

A handwritten signature in blue ink that reads "Kenneth Mejia". The signature is fluid and cursive, with the first name "Kenneth" and last name "Mejia" clearly legible.

KENNETH MEJIA  
Los Angeles Controller

Attachment

cc: Sharon M. Tso, Chief Legislative Analyst  
Matthew W. Szabo, City Administrative Officer

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# REVENUE FORECAST REPORT

For Fiscal Years 2023-2024



kenneth  
**mejia**  
LA CITY CONTROLLER

# SUMMARY

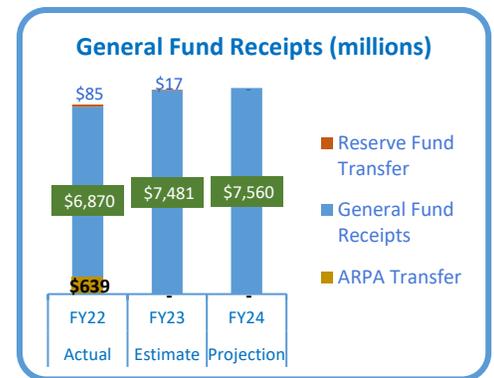
This Revenue Forecast Report for the City of Los Angeles provides revenue estimates for fiscal years 2022-23 and 2023-24 in advance of the City’s upcoming budget process. Also included are the estimated requirements for debt service and General Fund cash flow borrowing. The Forecast is issued pursuant to the Controller’s City Charter mandate to monitor and report on all matters relating to the City’s fiscal health, to keep the City’s official financial records, and to supervise City expenditures.

This Office based these estimates on information received from City departments, consultation with local economic experts and academics, and historical as well as recent trends.

## Financial Outlook

### Current Year: 2022-23

The current fiscal year budget assumes that the City will continue economic recovery from the pandemic-related downturn and return to a steadier state. The Budget reflects that the City will continue investing in its communities most impacted by the pandemic with enhanced perception and commitment to incorporate equity and diversity into how services are delivered, continue to invest in the mitigation of homelessness, and invest in public safety. The economy has remained resilient despite earlier fears of an imminent recession. However, uncertainty about California’s 2023 economic outlook abounds, and mainly depends on national economic policy. Our Estimates were based on current trends with no recession scenario.



Overall, we estimate that actual General Fund revenues will total \$7.5 billion, exceeding the budget by \$52.0 million (0.7 percent), and the prior fiscal year by \$542.7 million or 7.8 percent (excluding the ARPA transfer of \$639.5 million).

### Next Year: 2023-24

The future remains uncertain, and it is difficult to predict the direction of the economy. Our projection for the upcoming year is based on the assumption that the economy will slow down in 2023-24 fiscal year, but no recession.

For the General Fund, the year is expected to see 0.8 percent revenue growth over the current fiscal year estimate. This \$7.6 billion would be \$62.1 million more than 2022-23, and \$604.8 million more than 2021-22 (excluding the

ARPA transfer of \$639.5 million). However, as of the date of this report, the perception of where federal monetary policy is headed and the impact on national economy is changing almost daily. Should the national economy fall into a recession within the next fiscal year, the City may realize less General Fund revenue than we estimate.

## **Debt**

The estimated debt service requirement for 2023-24 on the City's long-term debt is \$553.5 million, which is \$3.3 million more than 2022-23 due to new General Obligation Bonds, Series 2022-A. A total of \$138.0 million of this sum is for principal and interest payments on the City's \$1.0 billion in outstanding General Obligation Bonds (GOB). The remaining debt service covers the Municipal Improvement Corporation of Los Angeles (MICLA), the Wastewater system, the Solid Waste Resources Programs, and Site-Specific Tax Revenue Debt.

In total, debt service is projected to be 4.01 percent of projected 2023-24 General Fund receipts, well under the 15 percent limit set by the City's Debt Policy.

## **General Fund Cash Flow**

Annually, the Controller estimates an amount of borrowing needed to meet the City's short-term cash flow requirements in the first half of the following fiscal year. Based on revenue and expenditure patterns, the likely cash flow borrowing requirement in 2023-24 is between \$350 and \$450 million.

In addition to borrowing via the Tax and Revenue Anticipation Notes (TRAN), the Controller is authorized to enter into short-term borrowing from the Reserve Fund when cash flow is required. However, this can cause concern when the Reserve Fund balance is close to the five percent target set by the City's financial policies. In order to balance this concern against cash flow needs and legal caps on the TRAN, the Controller will work closely with the City Administrative Officer to determine the most appropriate amount to borrow, and to explore alternatives to the TRAN, including leveraging internal sources of funds, especially in light of the high current interest rate environment.

# DISCUSSION

This Revenue Forecast Report for the City of Los Angeles provides revenue estimates for fiscal years 2022-23 and 2023-24 in advance of the City’s upcoming budget process. Also included are the estimated requirements for debt service and General Fund cash flow borrowing. The Forecast is issued pursuant to the Controller’s City Charter mandate to monitor and report on all matters relating to the City’s fiscal health, to keep the City’s official financial records, and to supervise City expenditures.

This Office based these estimates on information received from City departments, consultation with local economic experts and academics, and historical as well as recent trends.

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**EXHIBIT 1**  
**TOTAL GENERAL FUND REVENUE**  
**(dollar amounts expressed in thousands)**

Controller’s March 1, 2023					
Estimated Receipts			% Change		
2022-23 Adopted Budget	2022-23 Estimate	2023-24 Projection	2022-23 Estimate/ 2022-23 Budget	2023-24 Projected/ 2022-23 Estimate	
(a)	(b)	(c)	(b) / (a)	(c) / (b)	
General Fund Receipts	\$ 7,446,048	\$ 7,498,050	\$ 7,560,224	0.70%	0.83%

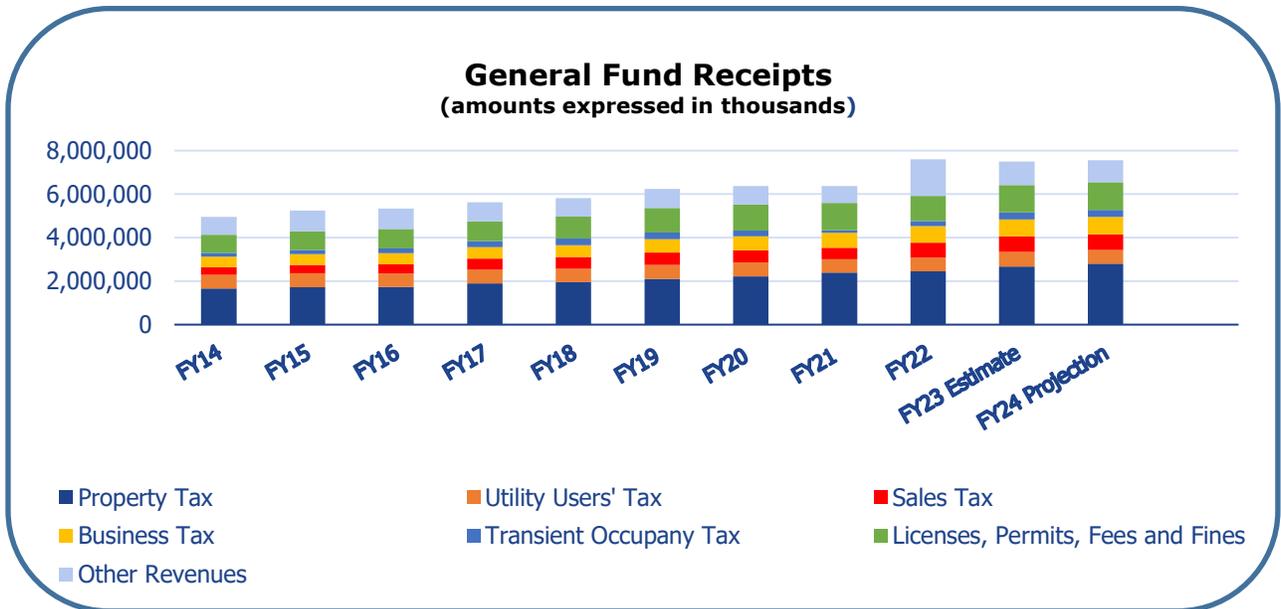
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The City is estimated to realize General Fund revenues in the current fiscal year of approximately \$7.5 billion (including \$16.6 million from Reserve Fund). This is \$52.0 million (0.7 percent) above the \$7.4 billion 2022-23 Adopted Budget.

Total 2023-24 General Fund revenues are projected to be \$7.6 billion, an increase of \$78.8 million (1.1 percent) over 2022-23 estimates after adjusting for Reserve Fund transfer.

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 the aforementioned variety of funds.

The complete list of estimated City receipts for 2022-23 and 2023-24 is presented in Schedule 1.



## Economy-Sensitive General Fund Revenues

The seven major revenue sources considered “Economy-Sensitive” are property tax, utility users’ tax, business tax, sales tax, transient occupancy tax, documentary transfer tax, and parking users’ tax. Together, they represent more than 70 percent of General Fund revenues.

Exhibit 2 presents the City’s economy-sensitive General Fund receipts in the 2022-23 Adopted Budget, and the Controller’s estimates for 2022-23 and 2023-24.

### EXHIBIT 2

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

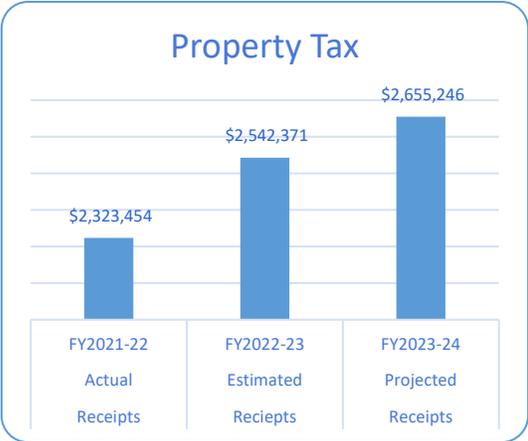
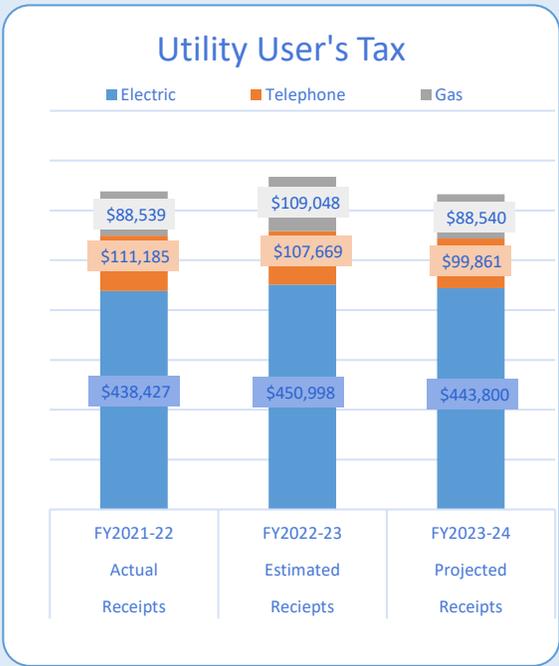
Tax Receipts	Adopted Budget 2022-23 (a)	Controller's March 1, 2023 Estimated Receipts		% Change over 2022-23 Adopted Budget	
		2022-23 (b)	2023-24 (c)	2022-23 (b) / (a)	2023-24 (c) / (a)
		Property	\$ 2,535,005	\$ 2,542,371	\$ 2,655,246
Utility Users'	614,100	667,715	632,201	8.73%	2.95%
Business	786,900	785,265	809,454	-0.21%	2.87%
Sales	704,760	714,690	712,188	1.41%	1.05%
Transient Occupancy	263,220	308,170	318,911	17.08%	21.16%
Documentary Transfer	298,540	222,889	214,196	-25.34%	-28.25%
Parking Users'	111,270	118,525	122,377	6.52%	9.98%
<b>Total Economy-Sensitive Revenues</b>	<b>\$ 5,313,795</b>	<b>\$ 5,359,625</b>	<b>\$ 5,464,573</b>	<b>0.86%</b>	<b>2.84%</b>

Note: Property Tax revenue excludes the ex-CRA Property Tax Increment.

General Fund economy-sensitive revenues are estimated to finish fiscal year 2022-23 0.9 percent higher than the Adopted Budget, and by fiscal year 2023-24 are projected to be 2.8 percent above the original 2022-23 target. Exhibit 3 presents explanations of the estimates of General Fund economy-sensitive revenues for 2022-23 and 2023-24.

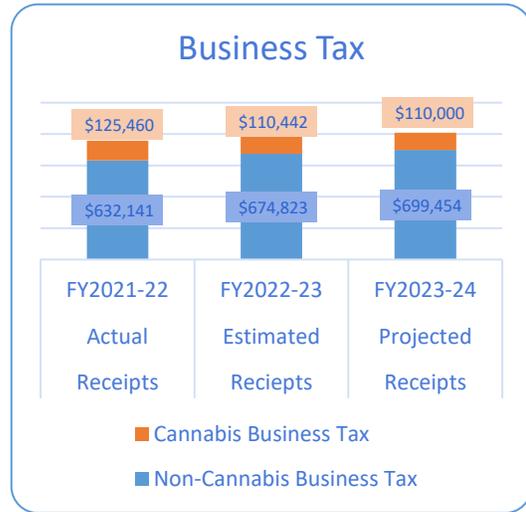
**EXHIBIT 3**

**GENERAL FUND ECONOMY-SENSITIVE REVENUES  
YEAR-TO-YEAR CHANGES  
(amounts expressed in thousands)**

<p><b>Property Tax</b></p> <ul style="list-style-type: none"> <li> <b>Fiscal Year 2022-23</b>                      Total property tax receipts are estimated to be \$2.5 billion, which is \$219 million (9.4%) above the prior year, mainly due to high volume of sales transactions in fiscal year 2022 resulting in higher growth in assessed valuations.                 </li> <li> <b>Fiscal Year 2023-24</b>                      Total property tax receipts are projected to increase by \$112.9 million (4.4%) and reach \$2.7 billion.                 </li> </ul>	 <table border="1"> <caption>Property Tax Receipts</caption> <thead> <tr> <th>Fiscal Year</th> <th>Receipts (Thousands)</th> </tr> </thead> <tbody> <tr> <td>FY2021-22 (Actual)</td> <td>\$2,323,454</td> </tr> <tr> <td>FY2022-23 (Estimated)</td> <td>\$2,542,371</td> </tr> <tr> <td>FY2023-24 (Projected)</td> <td>\$2,655,246</td> </tr> </tbody> </table>	Fiscal Year	Receipts (Thousands)	FY2021-22 (Actual)	\$2,323,454	FY2022-23 (Estimated)	\$2,542,371	FY2023-24 (Projected)	\$2,655,246												
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<p><b>Utility Users' Tax (Electric, Telephone, and Gas)</b></p> <ul style="list-style-type: none"> <li> <b>Fiscal Year 2022-23</b>                      Utility User's Tax receipts were estimated based on current trends. Electric users' tax receipts are estimated to be \$451.0 million. Telephone users' tax receipts are estimated to be \$107.7 million. Gas users' tax receipts are estimated to be \$109.0 million.                 </li> <li> <b>Fiscal Year 2023-24</b>                      Electric users' tax receipts are estimated to be \$443.8 million, per average of DWP low and high projections. Telephone users' tax receipts are estimated to be \$99.9 million (7.3% reduction) based on prior year trends. Gas users' tax receipts are estimated to be \$88.5 million back to normal trend.                 </li> </ul>	 <table border="1"> <caption>Utility User's Tax Receipts</caption> <thead> <tr> <th>Fiscal Year</th> <th>Electric (Thousands)</th> <th>Telephone (Thousands)</th> <th>Gas (Thousands)</th> <th>Total (Thousands)</th> </tr> </thead> <tbody> <tr> <td>FY2021-22 (Actual)</td> <td>\$438,427</td> <td>\$111,185</td> <td>\$88,539</td> <td>\$638,151</td> </tr> <tr> <td>FY2022-23 (Estimated)</td> <td>\$450,998</td> <td>\$107,669</td> <td>\$109,048</td> <td>\$667,715</td> </tr> <tr> <td>FY2023-24 (Projected)</td> <td>\$443,800</td> <td>\$99,861</td> <td>\$88,540</td> <td>\$632,201</td> </tr> </tbody> </table>	Fiscal Year	Electric (Thousands)	Telephone (Thousands)	Gas (Thousands)	Total (Thousands)	FY2021-22 (Actual)	\$438,427	\$111,185	\$88,539	\$638,151	FY2022-23 (Estimated)	\$450,998	\$107,669	\$109,048	\$667,715	FY2023-24 (Projected)	\$443,800	\$99,861	\$88,540	\$632,201
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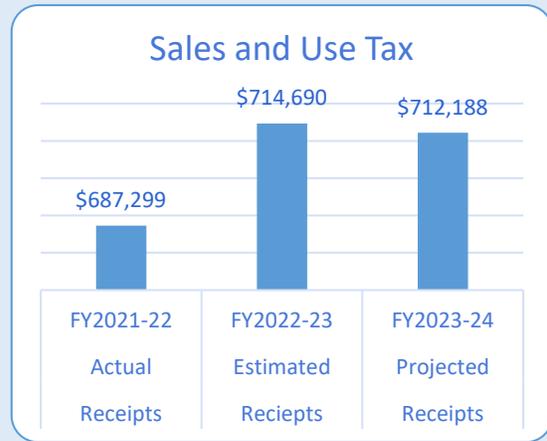
**Business Tax**

- Fiscal Year 2022-23**  
 Business Tax receipts are estimated to be \$785.3 million. Non-cannabis Business tax receipts are estimated to increase by \$42.7 million (6.8%) based on year to date collection, while cannabis Business Tax is estimated to decrease by \$15.0 million (-12.0%) based on current trends.
- Fiscal Year 2023-24**  
 Business Tax Receipts are projected \$809.5 million. Non-cannabis Business tax receipts are estimated to grow by 3.7% based on estimated increase of current year total business taxes over last years' total. Cannabis Business Tax is estimated to stay flat.



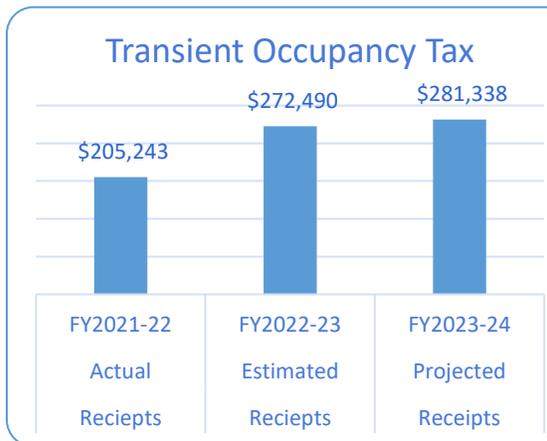
**Sales Tax**

- Fiscal Year 2022-23**  
 Sales and use taxes are estimated to grow by 4.0% (or \$27.4 million) based on current year trends.
- Fiscal Year 2023-24**  
 Sales and use taxes are projected to decrease by 0.4% based on UCLA "Taxable Sales" projection for 2023 and 2024.



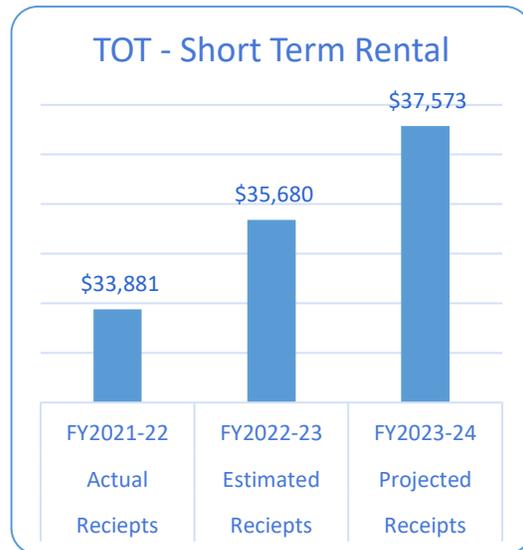
**Transient Occupancy Tax (TOT)**

- Fiscal Year 2022-23**  
 TOT is estimated to finish the fiscal year 6.4% above the pre-pandemic fiscal year 2019 and 29.1% above the fiscal year 2020 receipts based on current year trends.
- Fiscal Year 2023-24**  
 TOT is projected to grow by 3.3% year to date growth over fiscal year 2020 first half receipts.



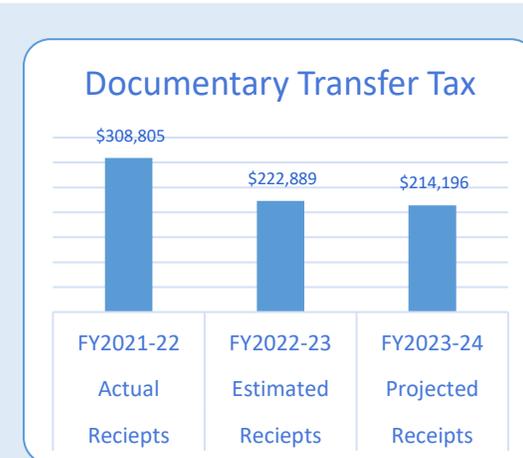
**TOT – Short-term Rental**

- **Fiscal Year 2022-23**  
Short-term rental receipts are estimated to end the fiscal year at around \$35.7 million, which is 43.2% below the fiscal year 2019 pre-pandemic levels.
- **Fiscal Year 2023-24**  
Projected \$37.6 million assuming 5.3% increase year over year, 40.2% below fiscal year 2019.



**Documentary Transfer Tax**

- **Fiscal Year 2022-23**  
Documentary Transfer Tax is estimated to decrease by 27.8% based on current year trends.
- **Fiscal Year 2023-24**  
The FY2023-24 projection assumes that receipts will decline 3.9%, based on projected decrease in price per sq. foot in Los Angeles compared to last year.



**Parking Users' Tax**

- **Fiscal Year 2022-23**  
Parking users' tax is estimated to be \$118.5 million based on current year trends.
- **Fiscal Year 2023-24**  
Projection assumes 3.3% increase same as regular TOT.

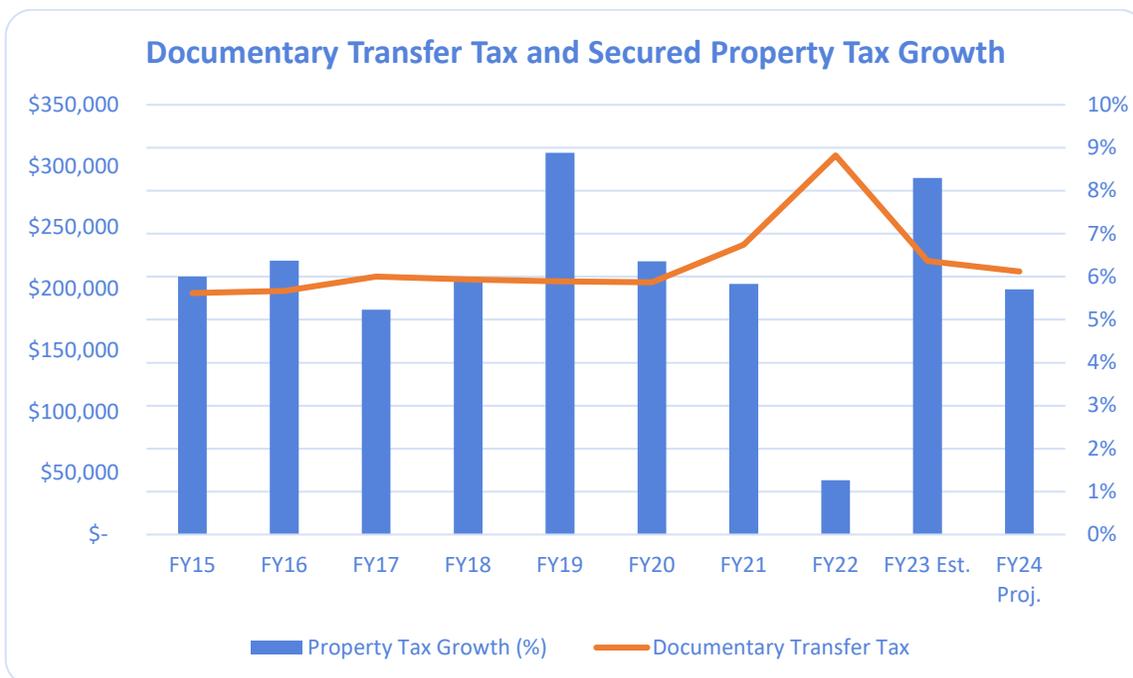


## Spotlight: Documentary Transfer Tax

The City’s General Fund derives more than one third of revenues from the Property Taxes, mainly secured, which is a one percent tax on the assessed valuation of all real property in the City, subject to various exemptions and adjustments. There is a second revenue derived from taxes on real estate, the Real Property Transfer Tax, commonly known as the Documentary Transfer Tax, which is a \$4.50 (per \$1000) tax imposed on all documents that convey real property within the City. The revenue is due to the City upon execution of the transfer.

Property Tax is a stable source of revenue, consistently but slowly growing every year with only very rare decreases. In contrast, Documentary Transfer Tax, as a transaction-based tax, is historically the most volatile of the City’s major tax revenues, subject to fluttering in response to changes in the local real estate market. Because the bases and mechanisms for these two taxes are significantly different, they behave quite differently in response to the local economy.

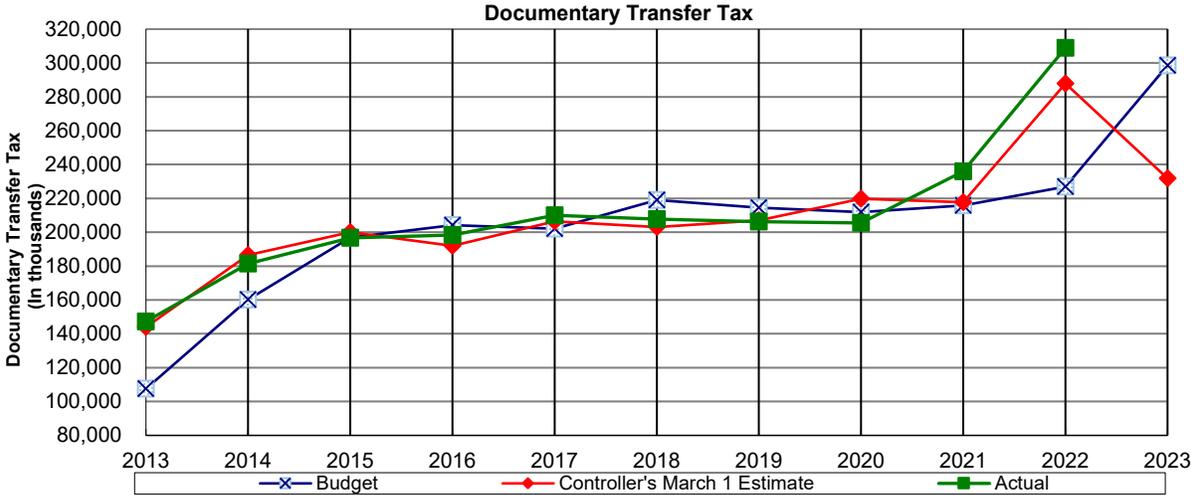
There is a built-in connection between these two taxes. In most years, more than 50 percent of property tax growth is due to property transfers since properties get reappraised upon change of ownership. Hence, high levels of property sales can be a huge driver of property tax growth. Below chart shows the correlation and changes of above taxes.



As the chart below shows, Documentary Transfer Tax stabilized from fiscal years 2015 to 2020 and then accelerated to its all-time highs during the pandemic, with both home prices and sales volumes growing.

After a two-year housing boom spurred largely by record-low borrowing costs, the Los Angeles real estate market is cooling down, reflecting the tightened credit environment with high mortgage rates. According to California Association of Realtor’s January 2023 home sales and price data, Los Angeles County home median price is slightly down 2.8 percent from last year. Tight inventory has prevented the home prices from huge decline. However, the sales of existing homes are significantly down 38.2 percent compared to previous year, resulting in lower estimated fiscal year 2023 Documentary Transfer tax revenue.

Based on current trends, we estimate the Documentary Transfer Tax to end the fiscal year 2023 at \$222.9 million, which is \$75.7 million or 25.3 percent below budget, and \$85.9 million or 27.8 percent less than last year. Our projection for the fiscal year 2024 is \$214.2 million, assuming an additional 4 percent decline in prices.



### Measure ULA

Effective April 1, 2023, a new special documentary transfer tax, United to House LA (Measure ULA) will be imposed on residential and commercial real-property sales and transfers within the City of Los Angeles where the consideration or value is greater than \$5 million. The new tax, which is in addition to the current transfer tax, imposes a 4.00% tax on real property sales or transfers at over \$5 million but less than \$10 million, and a 5.5% tax on real property sales and transfers valued at \$10 million or more.

Revenue generated by the new tax is intended to be used to fund affordable housing and tenant assistance programs, including development, construction, acquisition, rehabilitation, and operation of housing. While the voters passed Measure ULA in the November 2022 election, the constitutionality of the Measure is currently being challenged in court. At this point, we cannot predict the litigation outcome or estimate ULA revenue. It is also unclear at this point what impact (if any) the measure will have on the overall real estate market in the City of Los Angeles, and the existing General Fund Documentary Transfer tax revenue.

## **Licenses, Permits, Fees and Fines**

Licenses, Permits, Fees and Fines (LPFF) revenues, which represents 17.1 percent of the Adopted Budget General Fund receipts, are broken into four sub-categories: LPFF, Services to Proprietary Departments, Ambulance Billing, and Reimbursements from Other Funds.

City department services to proprietary departments, such as fire protection, construction inspection, and City Attorney legal services for Airports, Water and Power, and Harbor make up the “Services to Proprietary Departments” category.

The largest category, “Reimbursement from Other Funds”, consists of special fund reimbursements for costs that are paid for by the General Fund for central services such as payroll, leasing and fleet, and fringe benefits such as health insurance and retirement, as well as reimbursements to the City from other governmental agencies such as Metro and LAUSD, for services like policing and election administration.

Ambulance Billing represents cost recovery for emergency transport provided by the Fire Department. The remaining revenues (24.5 percent) consist of fees for special services such as animal licenses, engineering permits, fire brush clearance fees, as well as numerous other smaller revenues.

Exhibit 4 presents the actual receipts for 2021-22, estimated 2022-23 and projected 2023-24 LPFF revenues by category.

**EXHIBIT 4****LICENSES, PERMITS, FEES AND FINES  
(amounts expressed in thousands)**

	2021-22 Actuals	Controller March 1, 2023 Estimated Receipts	
		FY 2022-23	FY 2023-24
Licenses, Permits, Fees and Fines	\$ 307,747	\$ 313,113	\$ 340,627
Emergency Ambulance	100,749	136,000	106,000
Services to Proprietary Departments	159,456	172,100	165,543
Reimbursement from Other Funds	586,311	642,933	659,292
Total Licenses, Permits, Fees and Fines	<b>\$ 1,154,263</b>	<b>\$ 1,264,146</b>	<b>\$ 1,271,462</b>

In 2022-23, total LPFF is estimated to be \$1,264.1 million, \$8.8 million below budget, and \$109.9 million or 9.5 percent above the 2021-22 actual receipts. We expect shortfalls in related costs reimbursements from various departments (\$37.2 million) due to vacancies, and fees for special services (\$11.8 million) mainly due to reduction in the services to LACMTA. Meanwhile we estimate above the budget performance for Ambulance Billings \$40.6 million due to increase in transport volume and fees, and anticipated receipts of prior year service fees from Department of Health Care Services. Services to proprietary departments is expected to end \$0.4 million below the budget. 2023-24 LPFF revenue is projected to be \$1,271.5 million, which is 0.6 percent above the 2022-23 estimated revenue, and 10.2 percent above 2021-22 actual receipts.

**Other Significant Revenues**

Exhibit 5 depicts other revenues such as Franchise Income, Parking Fines, Power Revenue Transfer, and Ex-CRA Tax Increment. These revenue estimates are provided by various departments responsible for administration of the program(s) and/or collection and transmittal of the receipts to the General Fund.

## EXHIBIT 5

**OTHER SIGNIFICANT REVENUES**  
(amounts expressed in thousands)

	<b>Adopted Budget</b>		<b>Estimated Receipts</b>		<b>% Change over 2022-23</b>	
	<b>FY 2023</b>		<b>2022-23</b>		<b>Adopted Budget</b>	
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(b) / (a)</b>	<b>(c) / (a)</b>	
Franchise Income	\$ 119,831	\$ 153,044	\$ 141,621	27.72%	18.18%	
Parking Fines	130,000	118,728	120,488	-8.67%	-7.32%	
Power Revenue Transfer	229,721	232,043	230,650	1.01%	0.40%	
Ex-CRA Tax Increment	153,800	132,000	143,726	-14.17%	-6.55%	

Franchise income is collected from City franchisees, including distributors of natural gas, cable TV operators, and others such as official police garages. RecyclA, the solid waste collection franchise system for commercial, industrial and large multi-family buildings, was implemented during 2017-18 and is now the largest element of Franchise Income. Franchise income for fiscal year 2022-2023 is estimated to be \$153.0 million, and 2023-24 is projected to be \$141.6 million.

The Parking Fines estimates are based on the actual collection trend.

The Department of Water and Power (DWP) provides a portion of certain revenue from the prior year to the City as Power Revenue Transfer. DWP has approved a transfer of \$232.0 million this fiscal year. The 2023-24 forecast of \$230.7 million is based on average of low and high estimates provided by DWP.

Ex-CRA Tax Increment current year and 2023-24 revenue is projected based on trend analysis.

## Special Purpose Fund Revenues

Special Purpose Fund revenues represent 29.4 percent of total 2022-23 Adopted Budget receipts, while Available Balances, which are projected cash balances at the beginning of the fiscal year, represent 7.3 percent of Adopted Budget revenues. Schedule II presents a breakdown of 2021-22 actual, 2022-23 estimated and 2023-24 projected revenues by budgeted Special Funds. Available Balances are excluded from this report.

Based on departmental estimates, 2022-23 total Special Fund revenues will end the fiscal year just \$4.0 million above the budget at \$3,454.1 million. Special Fund revenues for 2023-24 are projected to be \$4.1 million less than current year estimates at \$3,450.0 million.

## General Fund Cash Flow Borrowing

### Current and Prior Year Experience

Due to the timing difference between receipts and expenditures, the Controller annually requests issuance of Tax and Revenue Anticipation Notes (TRAN) to ensure that the General Fund has sufficient cash to cover expenditures during the first half of the fiscal year. The Controller also has the ability to initiate Reserve Fund and interfund borrowing during the year for cash flow purposes.

#### EXHIBIT 6

##### GENERAL FUND CASH FLOW BORROWINGS FOR FISCAL YEARS 2013-14 THROUGH 2022-23 (amounts expressed in thousands)

Fiscal Year	Total Annual Cash Flow Borrowings			
	Reserve Fund	Other Funds	TRAN	Total
2013-14	-	-	400,000	400,000
2014-15	-	-	350,000	350,000
2015-16	50,000	(1)	-	350,000
2016-17	-	-	400,000	400,000
2017-18	50,000	(1)	-	400,000
2018-19	35,000	(1)	-	400,000
2019-20	-	-	450,000	450,000
2020-21	-	25,000	550,000	575,000
2021-22	-	-	600,000	600,000
2022-23	-	30,000	300,000	330,000

Notes:

(1) Short term borrowing until Property Tax receipts were received.

Exhibit 6 illustrates cash flow borrowings for 2013-14 through 2022-23.

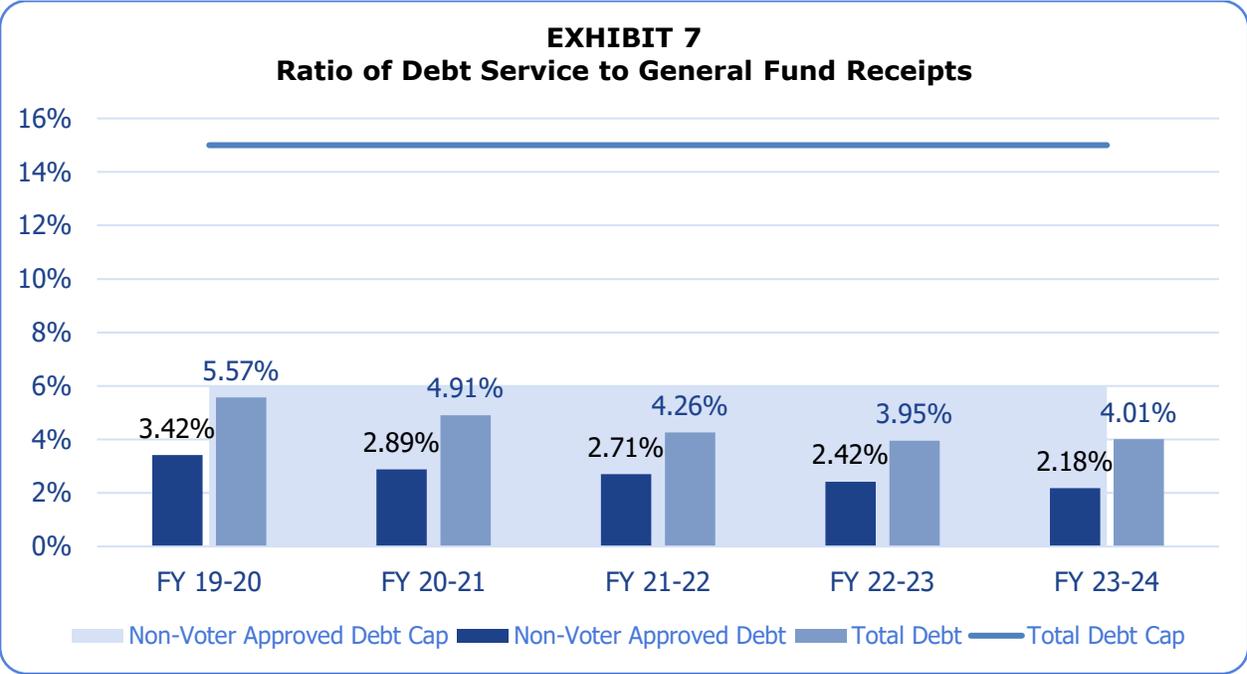
Annually, the Controller estimates an amount of borrowing needed to meet City short-term cash flow requirements in the first half of the next fiscal year. The Controller's Office will work with the Mayor and City Administrative Officer (CAO), as in prior years, to determine the amount of borrowing required as better information becomes available. The cash flow borrowing requirement in 2023-24 will likely be between \$350 and \$450 million.

As the amount borrowed for cash flow needs is sometimes insufficient to meet General Fund cash flow needs, the Controller is authorized to enter into short-term borrowing from the Reserve Fund. However, this can cause concern when the Reserve Fund balance is close to the five percent target set by the City's financial policies. In order to balance this concern against cash flow needs and legal caps on the TRAN, the Controller's Office will work closely with the City Administrative Officer to determine the most appropriate amount to borrow and to explore options other than the TRAN, including internal sources of funds, particularly in light of the current high interest rate environment.

# Debt and Debt Service Requirements

## City Debt Policy

Exhibit 7 below illustrates the City’s debt service in relation to General Fund receipts and demonstrates compliance with the City’s debt management policies.



Note: FY 2019-20 to FY 2021-22 ratios are based on actual General Fund receipts. FY 2022-23 and FY 2023-24 ratios are based on estimated and projected receipts.

The City’s debt policy established maximum levels for voter and non-voter approved debt. The maximum debt service level for non-voter approved debt is not to exceed six percent of General Fund revenues (with certain exceptions). As you can see, the City has managed its debt issuance very conservatively, with debt service well below the policy limits. Based on the current ratio of debt service to total projected receipts in 2022-23 , the City has the capacity to issue additional non-voter approved debt with an annual debt service requirement of up to \$268.6 million or 3.6 percent of General Fund receipts.

The City’s total debt service level for voter and non-voter approved debt shall not be greater than 15 percent of General Fund revenues. After the \$268.6

million, the City has the capacity to issue voter approved debt with an annual debt service requirement of no more than \$559.3 million.

### EXHIBIT 8

#### CITY DEBT POLICY

**Shall not exceed 6% of General Fund revenue for non-voter approved debt and 15% for voter approved and non-voter approved combined (dollar amounts expressed in thousands)**

Fiscal Year	Debt Service Requirement			General Fund Receipts <sup>(1)</sup>	Ratio of Debt Service to Total Receipts		
	Non-Voter Approved	Voter Approved	Total		Non-Voter Approved	Voter Approved	Total
2013-14	218,868	184,844	403,712	4,960,718	4.41%	3.73%	8.14%
2014-15	221,428	152,477	373,905	5,247,997	4.22%	2.91%	7.13%
2015-16	202,603	138,054	340,657	5,338,014	3.80%	2.59%	6.39%
2016-17	202,444	120,166	322,610	5,628,790	3.60%	2.13%	5.73%
2017-18	211,576	104,429	316,005	5,819,502	3.64%	1.79%	5.43%
2018-19	220,999	124,562	345,561	6,236,881	3.54%	2.00%	5.54%
2019-20	217,708	136,815	354,523	6,374,231	3.42%	2.15%	5.57%
2020-21	184,293	128,979	313,272	6,369,977	2.89%	2.02%	4.91%
2021-22	206,059	117,845	323,904	7,594,790	2.71%	1.55%	4.26%
2022-23	181,243	114,744	295,987	7,498,050	2.42%	1.53%	3.95%
2023-24	164,591	138,016	302,607	7,560,224	2.18%	1.83%	4.01%

(1) All years with capitalized interest have been adjusted upwards to reflect bond proceeds to pay for capitalized interest. For fiscal year 2013-14, the adjustments is \$3,308,633. In addition, receipts through fiscal year 2015-16 include revenues from the Staples Center.

## City Indebtedness

Exhibit 9 provides the outstanding balances of City debts along with 2022-23 and 2023-24 estimated debt service requirements based on the amount of current outstanding debt.

### EXHIBIT 9

#### OUTSTANDING DEBT AND DEBT SERVICE REQUIREMENTS <sup>(1)</sup> (amounts expressed in thousands)

Bonds	Outstanding Balance, 6/30/2023			Debt Service Requirement	
	Principal	Interest	Total	2022-23	2023-24
MICLA	\$ 1,273,404	\$ 383,313	\$ 1,656,717	\$ 180,348	\$ 163,737
General Obligation	1,039,680	347,477	1,387,157	114,744	138,016
Site-Specific Tax Revenue	2,906	220	3,126	895	854
Solid Waste Resources Revenue	128,455	24,497	152,952	24,159	24,159
Wastewater System	2,432,330	1,399,610	3,831,940	230,099	226,711
<i>Subtotal</i>	<i>4,876,775</i>	<i>2,155,117</i>	<i>7,031,892</i>	<i>550,245</i>	<i>553,477</i>
Tax and Revenue Anticipation Notes <sup>(2)</sup>	--	--	--	61,556	--
<b>Total</b>	<b>\$ 4,876,775</b>	<b>\$ 2,155,117</b>	<b>\$ 7,031,892</b>	<b>\$ 611,801</b>	<b>\$ 553,477</b>

Notes:

(1) Long-term debt does not include short-term commercial paper notes. However, the goal is to replace commercial paper with long term debt. As of January 2023, the balance of the MICLA and Wastewater System commercial paper notes was \$300 million and \$139 million, respectively.

(2) A total of \$1,573,870,000 in TRAN were issued on July 01, 2022, with final maturity of June 29, 2023. The amount of interest to be paid in 2023-24 will depend upon the size of the TRAN and interest rates at the time of sale. The size of the TRAN will depend upon the amount of cash needed for cash flow and budgetary decisions on advance funding of City pensions and retirement contributions.

Source: Official Statements

The City strategically structures its various debt service schedules with the goal of stability. This means that, when one issuance is paid off and retired, payments are accelerated for other issuances. By scheduling the payments this way, the City avoids large swings in debt service which can have negative budgetary impacts.

### General Obligation Bond Payments

Exhibit 10 lists the City’s General Obligation Bonds (GOB) debt service requirements for principal and interest for 2023-24, which are estimated at \$138.0 million. GOBs are general obligations of the City payable from ad valorem taxes levied upon all of the taxable property in the City. Taxes levied for the GOB debt service requirement are separate from the General Fund property tax revenue. The City issues GOB debt for capital improvement projects, including the acquisition of property and the construction of new facilities and improvements to existing facilities. In fiscal year 2022-23 City issued GOB, Series 2022-A Social Bonds.

**EXHIBIT 10**

**GENERAL OBLIGATION BONDS  
DEBT SERVICE REQUIREMENTS  
FOR FISCAL YEAR 2023-24**

	<b>Principal</b>	<b>Interest</b>	<b>Total Requirement</b>
GOB - Series 2016-A	16,310,000	2,053,310	18,363,310
GOB - Series 2017-A	4,320,000	1,966,208	6,286,208
GOB - Series 2017-B	4,510,000	786,500	5,296,500
GOB - Series 2018-A	13,815,000	7,910,269	21,725,269
GOB - Series 2018-B	-	1,733,250	1,733,250
GOB - Series 2018-C	-	378,015	378,015
GOB - Series 2021-A	10,600,000	4,715,024	15,315,024
GOB - Series 2021-B	22,040,000	330,000	22,870,000
GOB - Series 2022-A	19,475,000	26,573,686	46,048,686
<b>Total</b>	<b>\$ 91,070,000</b>	<b>\$ 46,946,262</b>	<b>\$ 138,016,262</b>

# SCHEDULE I

## Office of the Controller Actual and Estimated Receipts for Fiscal Years 2022-23 and 2023-24

	Actual 2021-22	Estimated 2022-23	Projected 2023-24
Property Tax:			
Property Tax 1%	\$ 1,762,904,090	\$1,942,556,000	\$2,021,391,000
Property Tax - VLF Replacement	560,550,306	599,815,000	633,855,000
<b>Total Property Tax</b>	<b>2,323,454,396</b>	<b>2,542,371,000</b>	<b>2,655,246,000</b>
Property Tax - Ex-CRA Tax Increment	120,478,909	132,000,000	143,726,000
Utility Users' Tax:			
Electric Users' Tax	438,426,892	450,998,000	443,800,000
Telephone Users' Tax	111,184,519	107,669,000	99,861,000
Gas Users' Tax	88,539,383	109,048,000	88,540,000
<b>Total Utility Users' Tax</b>	<b>638,150,794</b>	<b>667,715,000</b>	<b>632,201,000</b>
Licenses, Permits, Fees and Fines:			
Licenses, Permits, Fees, and Fines	307,747,809	313,113,000	340,627,000
Emergency Ambulance	100,748,861	136,000,000	106,000,000
Services to Proprietary Departments	159,455,650	172,100,000	165,543,000
Reimbursements from Other Funds	586,310,525	642,933,000	659,292,000
<b>Total Licenses, Permits, Fees and Fines</b>	<b>1,154,262,845</b>	<b>1,264,146,000</b>	<b>1,271,462,000</b>
Business Tax	757,600,932	785,265,000	809,454,000
Sales Tax	687,299,139	714,690,000	712,188,000
Documentary Transfer Tax	308,805,255	222,889,000	214,196,000
Power Revenue Transfer	225,015,000	232,043,000	230,650,000
Transient Occupancy Tax	205,242,776	272,490,000	281,338,000
Transient Occupancy Tax - Short-term Rental	33,881,371	35,680,000	37,573,000
Parking Fines	110,272,732	118,728,000	120,488,000
Parking Users' Tax	101,055,281	118,525,000	122,377,000
Franchise Income	105,970,815	153,044,000	141,621,000
Grant Receipts	40,527,176	116,436,000	73,733,000
Interest	28,514,253	53,954,000	68,977,000
State Motor Vehicle License Fees	4,532,452	3,900,000	3,900,000
Tobacco Settlement	11,809,694	11,861,000	12,005,000
Residential Development Tax	4,865,873	5,239,000	5,589,000
Special Parking Revenue Transfer	8,476,580	30,426,000	23,500,000
Transfer from Reserve Fund	85,090,146	16,648,000	--
American Rescue Plan Transfer	639,483,245	--	--
<b>Total General Fund Revenue</b>	<b>\$ 7,594,789,663</b>	<b>\$ 7,498,050,000</b>	<b>\$ 7,560,224,000</b>

# SCHEDULE II

<b>Special Fund Receipts:</b>	<b>Actual 2021-22</b>	<b>Estimated 2022-23</b>	<b>Projected 2023-24</b>
Accessible Housing Fund	\$ 30,298,253	\$ 19,569,000	\$ 19,569,000
Affordable Housing Trust Fund	7,196,204	5,000	2,018,000
Arts and Cultural Facilities and Services Fund	21,994,304	21,715,000	26,681,000
Arts Development Fee Trust Fund	2,418,980	2,751,000	1,850,000
Building and Safety Permit Enterprise Fund	194,449,776	222,062,000	199,379,000
Cannabis Regulation Special Revenue Fund	36,735,472	19,510,000	19,510,000
Central Recycling and Transfer Fund	5,426,543	5,157,000	4,570,000
City Employees' Retirement Fund	107,831,838	116,119,000	156,849,000
City Employees Ridesharing Fund	1,625,453	1,278,000	2,526,000
City Ethics Commission Fund	4,080,284	4,159,000	6,725,000
City Planning Systems Development Fund	10,198,658	10,654,000	9,925,000
City Tax Levy (Debt Service)	110,521,079	114,744,000	138,016,000
Citywide Recycling Trust Fund	29,078,345	39,485,000	33,263,000
Code Compliance Fund	1,190,930	1,218,000	1,218,000
Code Enforcement Trust Fund	79,693,804	53,592,000	54,488,000
Community Development Trust Fund	22,247,027	19,528,000	9,957,000
Community Services Administration Grant Fund	2,863,165	2,321,000	1,625,000
Convention Center Revenue Fund	23,878,897	28,118,000	28,791,000
Disaster Assistance Trust Fund	35,329,689	115,636,000	59,448,000
El Pueblo de Los Angeles Historical Monument Revenue Fund	4,640,256	5,073,000	5,316,000
Forfeited Assets	3,611,391	3,027,000	--
Greater Los Angeles Convention & Visitors Bureau Trust Fund	18,395,711	20,248,000	27,249,000
HOME Investment Partnerships Program Fund	3,996,373	6,666,000	8,201,000
Household Hazardous Waste Special Fund	7,191,457	3,562,000	3,626,000
Housing Opportunities for Persons with AIDS Fund	531,132	18,599,000	841,000
Local Public Safety Fund	54,377,418	56,290,000	58,269,000
Local Transportation Fund	2,820,433	4,194,000	4,320,000
Measure M Local Return Fund	72,592,003	68,258,000	69,482,000
Measure R Traffic Relief and Rail Expansion Fund	63,433,761	60,021,000	61,332,000
Measure W Local Return Fund	36,723,814	36,840,000	32,200,000
Mobile Source Air Pollution Reduction Trust Fund	5,220,635	5,200,000	5,200,000
Multi-Family Bulky Item Fund	7,806,227	9,635,000	11,674,000
Municipal Housing Finance Fund	11,488,420	12,173,000	11,119,000
Neighborhood Empowerment Fund	2,897,827	3,915,000	3,923,000
Older Americans Act Fund	2,149,219	2,406,000	1,309,000
Park and Recreational Sites and Facilities Fund	3,246,575	3,098,000	3,100,000
Planning Case Processing Revenue Fund	25,162,574	25,501,000	26,103,000
Planning Long Range Planning Fund	13,510,103	10,930,000	10,758,000
Proposition A Local Transit Assistance Fund	230,539,916	222,746,000	205,272,000
Proposition C Anti-Gridlock Transit Improvement Fund	101,610,697	94,485,000	97,319,000
Rent Stabilization Trust Fund	22,562,814	21,989,000	22,032,000
Sewer Construction and Maintenance Fund	1,005,544,009	1,068,403,000	1,074,607,000
Sidewalk Repair Fund	22,971,512	17,924,000	17,924,000
Solid Waste Resources Revenue Fund	309,179,567	308,801,000	345,007,000
Special Gas Tax Street Improvement Fund	95,747,704	114,913,000	119,831,000
Special Gas Tax Road Maintenance and Rehabilitation Fund	80,717,567	85,999,000	97,812,000
Special Parking Revenue Fund	51,661,283	32,907,000	41,733,000
Staples Arena Special Fund	8,036,736	3,855,000	3,553,000
Stormwater Pollution Abatement Fund	32,508,920	31,228,000	30,520,000

Continued.....

# SCHEDULE II

	<b>Actual 2021-22</b>	<b>Estimated 2022-23</b>	<b>Projected 2023-24</b>
<b>Special Receipts: (Continued)</b>			
Street Damage Restoration Fee Fund	\$ 55,124,156	\$ 68,150,000	\$ 68,150,000
Street Lighting Maintenance Assessment	70,412,737	72,488,000	79,434,000
Supplemental Law Enforcement Services	9,947,676	9,128,000	9,128,000
Telecommunications Development Account	6,094,269	6,638,000	6,073,000
Traffic Safety Fund	1,310,265	942,000	962,000
Workforce Innovation Opportunity Act	9,308,676	11,629,000	18,633,000
Zoo Enterprise Trust	34,961,203	24,045,000	33,425,000
Allocations fr. Other Gov'tal Agencies	105,703,908	104,585,000	58,154,000
<b>Total Special Receipts</b>	<b>\$ 3,320,797,649</b>	<b>\$ 3,454,112,000</b>	<b>\$ 3,449,999,000</b>

# SCHEDULE III

**Office of the Controller  
General Fund Receipts  
Last 20 Fiscal Years and Estimates for Fiscal Years 2022-23 and 2023-24  
(amounts expressed in thousands)**

Fiscal Year	Property Tax <sup>(a)</sup>	Utility Users' Tax	Sales Tax	Business Tax	Transient Occupancy Tax	Licenses, Permits, Fees and Fines	Other Revenues <sup>(b)</sup>	Total General Fund Receipts
2002-03	663,440	510,339	363,787	356,041	92,652	467,577	878,182	3,332,018
2003-04	717,801	576,251	377,890	373,248	97,989	462,600	970,296	3,576,075
2004-05	1,029,161	589,858	316,561	396,794	127,751	496,598	948,582	3,905,305
2005-06	1,121,848	604,947	323,555	434,529	126,989	477,231	1,043,559	4,132,658
2006-07	1,334,172	605,270	333,885	464,330	134,557	545,931	964,734	4,382,879
2007-08	1,389,255	628,319	335,562	466,997	148,523	614,891	779,314	4,362,861
2008-09	1,509,073	647,823	311,938	451,495	136,323	689,633	668,912	4,415,197
2009-10	1,442,270	631,048	280,096	424,830	118,500	735,306	783,441	4,415,491
2010-11	1,434,152	628,069	296,608	418,374	134,796	691,280	693,753	4,297,032
2011-12	1,438,840	615,034	323,247	439,802	151,722	727,538	693,061	4,389,244
2012-13	1,609,228	620,448	338,970	448,832	167,824	724,702	757,229	4,667,233
2013-14	1,660,180	627,437	356,503	475,397	184,382	831,974	817,691	4,953,564
2014-15	1,726,824	639,391	371,031	497,329	202,897	851,507	955,180	5,244,159
2015-16	1,737,472	614,702	417,541	509,765	230,818	887,442	937,337	5,335,077
2016-17	1,894,511	624,831	520,404	528,076	265,653	913,233	882,082	5,628,790
2017-18	1,947,640	625,853	529,757	554,521	299,108	1,008,190	854,433	5,819,502
2018-19	2,093,018	644,151	581,443	603,123	318,888	1,121,228	875,030	6,236,881
2019-20	2,216,362	638,379	556,237	655,849	253,539	1,198,296	855,569	6,374,231
2020-21	2,389,397	615,238	524,618	692,386	110,427	1,257,516	780,395	6,369,977
2021-22	2,443,933	638,151	687,299	757,601	239,124	1,154,263	1,674,419	7,594,790
2022-23	2,674,371	667,715	714,690	785,265	308,170	1,264,145	1,083,694	7,498,050
(Estimated)								
2023-24	2,798,972	632,201	712,188	809,454	318,911	1,271,462	1,017,036	7,560,224
(Projected)								

(a) Includes Ex-CRA Property Tax Increment receipts of \$22,666 in 2011-12; \$58,839 in 2012-13; \$70,197 in 2013-14; \$52,363 in 2014-15; \$55,696 in 2015-16; \$103,262 in 2016-17; \$88,507 in 2017-18; \$73,971 in 2018-19; \$84,054 in 2019-20; \$128,042 in 2020-21; \$120,479 in 2021-22; \$132,000 in 2022-23; \$143,726 in 2023-24

(b) Other Revenues include transfers from the Reserve Fund except for 2008-09 and 2012-13 through 2013-14, 2019-20 and 2020-21. Fiscal year 2021-22 includes transfer from American Rescue Plan of \$639,483.

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