



RON GALPERIN
CONTROLLER

March 1, 2022

Honorable Mayor Eric Garcetti
Honorable Members of the City Council

Re: Revenue Forecast Report

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, 2022, and projections for fiscal year 2023. 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 this fiscal year, FY 22, totals \$11.48 billion. Two-thirds of that, \$7.5 billion, consists of General Fund revenues, while the rest, close to \$3.98 billion, comes from numerous special purpose funds and available balances. Our updated estimate of General Fund receipts for the current fiscal year is \$7.55 billion, 0.6% more than the budgeted amount and 7.1% above the last fiscal year. This means the General Fund is projected to end the fiscal year with a \$42 million revenue surplus. We anticipate that transient occupancy tax revenues will increase by 97% over last fiscal year, parking occupancy tax revenues will increase by 73%, sales tax revenues will increase by 24% and documentary transfer tax receipts will rise by 22%. Utility user's tax receipts continue to fall this fiscal year by 4%, and revenues from licenses, permits, fees and fines will fall by 3.5%.

Next fiscal year

While the economy is continuing to recover from the ongoing public health crisis, my office is cautiously optimistic that the direct economic impacts of the pandemic — business closures,

event cancellations and travel restrictions — will be largely absent in FY 23. Although it is possible that anti-inflation actions by the Federal Reserve could influence revenues to some degree, any economic slowdown would likely impact FY 24 revenues more than FY 23.

General Fund receipts for FY 23 are projected to be \$7.09 billion, which is 6.1% less than the current year estimates and 5.6% under the budgeted amount. This drop will be attributable to the loss of one-time American Rescue Plan Act (ARPA) funds, which will all be received by the City this year, FY 22. However, adjusting for this inevitability, General Fund revenue growth will be approximately 3.9%.

Trouble ahead

Although the economy should continue to bounce back, the loss of ARPA funds spells trouble for next fiscal year's budget. This concern is compounded by the fact that the extraordinary growth in transient occupancy, parking occupancy, sales and documentary transfer tax receipts will likely stabilize in the coming fiscal year, while property and business tax growth will remain moderate at around 4%.

Expenses are also on track to increase considerably next fiscal year. The hundreds of millions of dollars in one-time ARPA funding used to create homelessness and equity programs will not be available, leaving questions as to where the money will come from to continue them. And nearly all City employees will receive a cost of living salary increase in July 2022 that was deferred in the worst days of the pandemic. New collective bargaining agreements will be negotiated next fiscal year as well.

Based on these factors, among others, **I strongly urge the City to refrain from adding any new, unaffordable expenditures in the coming budget as the money simply will not be there to do so.** Additionally, the City should not contemplate using Reserve Fund dollars to pay for non-emergency expenditures. While Los Angeles justifiably tapped into these funds during the pandemic, the City must now stay focused on maintaining its reserves so they remain ready to assist in times of crisis.

Sincerely,



RON GALPERIN
L.A. Controller

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

REVENUE FORECAST REPORT

FOR FISCAL YEARS 2022-2023



RON  **GALPERIN**
LA CONTROLLER

SUMMARY

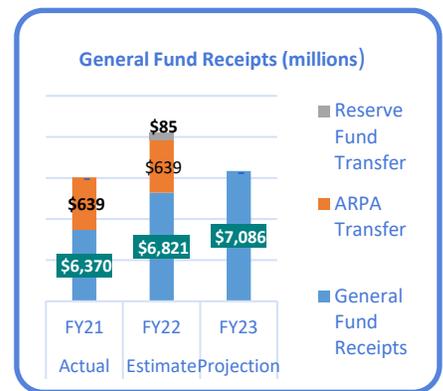
This Revenue Forecast Report for the City of Los Angeles provides revenue estimates for fiscal years 2021-22 and 2022-23 in advance of the City's upcoming budget process. Also included are the estimated requirements for debt service and General Fund cash flow borrowing. The Forecast is issued pursuant 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: 2021-22

The current fiscal year budget was structured on the assumptions of economic recovery. While it seems the pandemic's grip on the economy is loosening, the economic picture still remains far from normal. The changes that it set in motion have proven both more persistent and more pervasive than once expected.



Overall, we estimate that actual General Fund revenues will total \$7.55 billion, exceeding the budget by \$42.4 million (0.57 percent), and the prior fiscal year \$451.1 million or 7.08 percent (excluding the ARPA transfer of \$639.5 million and the Reserve Fund transfer of \$85.1 million). The sources leading this strong recovery are Transient Occupancy Tax (up 97% or \$107.6 million), Sales Tax (up 24% or \$123.9 million), and Documentary Transfer Tax, which is projected to exceed last year's record high by \$51.9 million or 22%.

Next Year: 2022-23

Our projection for the upcoming year is based on the assumption that the economy will continue expanding in 2022-23 fiscal year, even though it is hard to get a clear picture of the post-pandemic economy.

For the General Fund, the year is expected to see 3.88 percent revenue growth over the current fiscal year estimate as economically-sensitive revenues continue to recover. This \$7.09 billion would be \$264.5 million more than 2021-22, and \$715.6 million more than 2020-21. Unfortunately, due to the ARPA and Reserve Fund transfers in 2021-22, this will be felt in the budget as a drop of \$460.0 million, just over six percent of General Fund revenue.

Debt

The estimated debt service requirement for 2022-23 on the City's long-term debt is \$551.2 million, which is \$21.4 million less than 2021-22 due to refunding of certain MICLA and General Obligation Bonds. A total of \$114.7 million of this sum is for principal and interest payments on the City's \$739 million in outstanding General Obligation Bonds (GOB). The remaining debt service covers the Municipal Improvement Corporation of Los Angeles (MICLA), the Wastewater and Solid Waste Resources Programs, and Site-Specific Tax Revenue Debt.

In total, debt service is projected to be 4.17 percent of projected 2022-23 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 2022-23 is between \$450 and \$550 million.

In addition to the 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 internal sources of funds.

DISCUSSION

This Revenue Forecast Report for the City of Los Angeles provides revenue estimates for fiscal years 2021-22 and 2022-23 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.

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

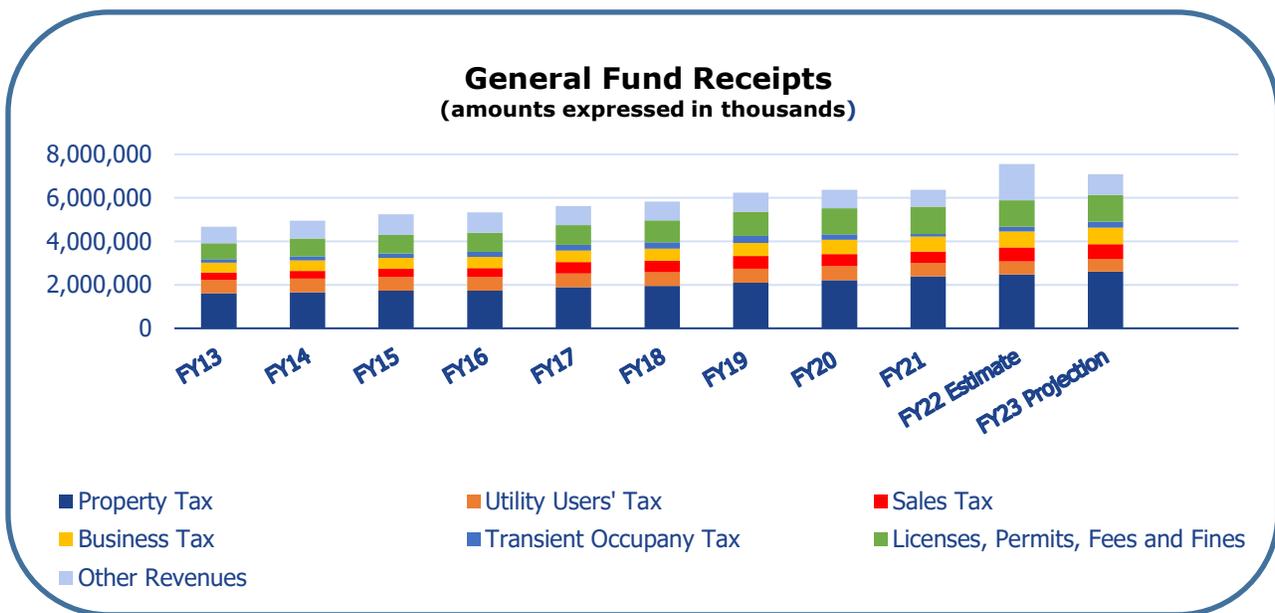
	Controller's March 1, 2022			% Change	
	Estimated Receipts			2021-22	2022-23
	2021-22 Approved Budget (a)	2021-22 Estimate (b)	2022-23 Estimate (c)	Estimate/ 2021-22 Budget (b) / (a)	Projected/ 2021-22 Estimate (c) / (b)
General Fund Receipts	\$ 6,778,683	\$ 6,821,105	\$ 7,085,596	0.63%	3.88%
ARPA Transfer	639,450	639,450	-	100.00%	-100.00%
Reserve Fund Transfer	85,090	85,090	-	100.00%	-100.00%
Total General Fund Revenue	7,503,223	7,545,645	7,085,596	0.57%	-6.10%

The City is estimated to realize General Fund revenues in the current fiscal year of approximately \$7.55 billion (including the \$639.5 million transfer from American Rescue Plan Act Fund, and \$85.1 million from Reserve Fund). This is \$42.4 million (0.57 percent) above the \$7.50 billion 2021-22 Adopted Budget.

Total 2022-23 General Fund revenues are projected to be \$7.09 billion, an increase of \$264.5 million (3.88 percent) over 2021-22 estimates after adjusting for the ARPA and Reserve Fund transfers. Unfortunately, due to the ARPA and Reserve Fund transfers in 2021-22, this will be felt in the budget as a drop of \$460.0 million, just over six percent of General Fund revenue.

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 2021-22 and 2022-23 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 2021-22 Adopted Budget, and the Controller’s estimates for 2022-22 and 2022-23.

EXHIBIT 2

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

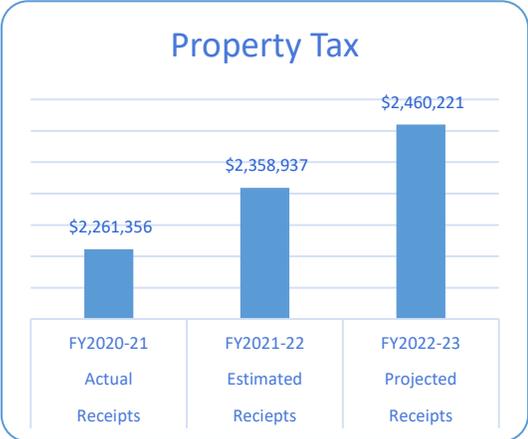
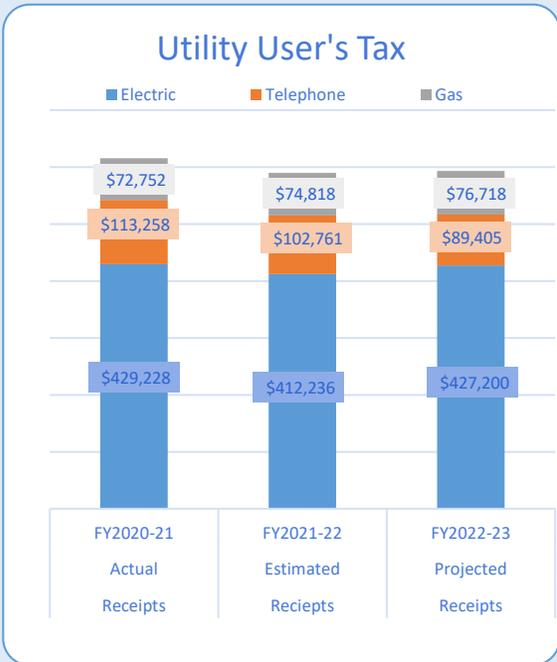
Tax Receipts	Adopted Budget 2021-22 (a)	Controller's March 1, 2022 Estimated Receipts		% Change over 2021-22 Adopted Budget	
		2021-22	2022-23	2021-22	2022-23
		(b)	(c)	(b) / (a)	(c) / (a)
Property	\$ 2,400,250	\$ 2,358,937	\$ 2,460,221	-1.72%	2.50%
Utility Users'	605,050	589,815	593,323	-2.52%	-1.94%
Business	716,600	735,142	765,915	2.59%	6.88%
Sales	606,610	648,517	671,864	6.91%	10.76%
Transient Occupancy	183,300	218,030	264,802	18.95%	44.46%
Documentary Transfer	227,005	287,860	287,860	26.81%	26.81%
Parking Users'	99,337	102,041	112,245	2.72%	12.99%
Total Economy-Sensitive Revenues	\$ 4,838,152	\$ 4,940,342	\$ 5,156,230	2.11%	6.57%

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

General Fund economy-sensitive revenues are estimated to finish fiscal year 2021-22 2.11 percent higher than the Adopted Budget, and by fiscal year 2022-23 are projected to be 6.57 percent above the original 2021-22 target. Exhibit 3 presents explanations of the estimates of General Fund economy-sensitive revenues for 2021-22 and 2022-23.

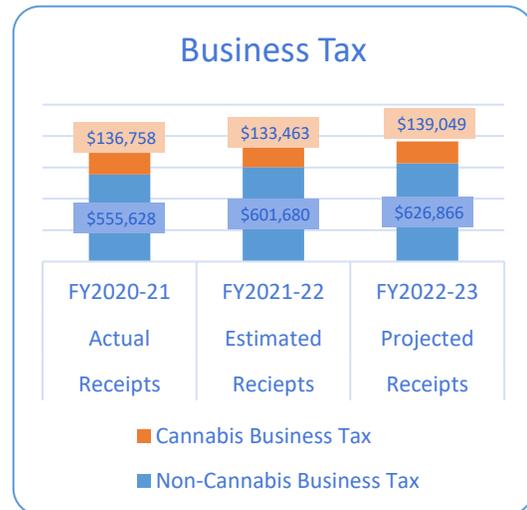
EXHIBIT 3

**GENERAL FUND ECONOMY-SENSITIVE REVENUES
YEAR-TO-YEAR CHANGES**

<p>Property Tax</p> <ul style="list-style-type: none"> Fiscal Year 2021-22 Total property tax receipts are estimated to be \$2.36 billion, which is \$97.6 million (4.3%) above the prior year, mainly due to growth in assessed valuations. Fiscal Year 2022-23 Total property tax receipts are projected to increase by \$101.3 million (4.3%) and reach \$2.46 billion. 	 <table border="1"> <caption>Property Tax Receipts</caption> <thead> <tr> <th>Fiscal Year</th> <th>Receipts</th> </tr> </thead> <tbody> <tr> <td>FY2020-21 (Actual)</td> <td>\$2,261,356</td> </tr> <tr> <td>FY2021-22 (Estimated)</td> <td>\$2,358,937</td> </tr> <tr> <td>FY2022-23 (Projected)</td> <td>\$2,460,221</td> </tr> </tbody> </table>	Fiscal Year	Receipts	FY2020-21 (Actual)	\$2,261,356	FY2021-22 (Estimated)	\$2,358,937	FY2022-23 (Projected)	\$2,460,221								
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<p>Utility Users' Tax (Electric, Telephone, and Gas)</p> <ul style="list-style-type: none"> Fiscal Year 2021-22 Utility User's Tax receipts were estimated based on current trends. Electric users' tax receipts are estimated to be \$412.2 million. Telephone users' tax receipts are estimated to be \$102.8 million. Gas users' tax receipts are estimated to be \$74.8 million. Fiscal Year 2022-23 Electric users' tax receipts are estimated to be \$427.2 million (3.63% 3 years average growth). Telephone users' tax receipts are estimated to be \$89.4 million (13.0% reduction) based on prior year trends. Gas users' tax receipts are estimated to be \$76.7 million (2.54% 3 years average growth). 	 <table border="1"> <caption>Utility User's Tax Receipts</caption> <thead> <tr> <th>Fiscal Year</th> <th>Electric</th> <th>Telephone</th> <th>Gas</th> </tr> </thead> <tbody> <tr> <td>FY2020-21 (Actual)</td> <td>\$429,228</td> <td>\$113,258</td> <td>\$72,752</td> </tr> <tr> <td>FY2021-22 (Estimated)</td> <td>\$412,236</td> <td>\$102,761</td> <td>\$74,818</td> </tr> <tr> <td>FY2022-23 (Projected)</td> <td>\$427,200</td> <td>\$89,405</td> <td>\$76,718</td> </tr> </tbody> </table>	Fiscal Year	Electric	Telephone	Gas	FY2020-21 (Actual)	\$429,228	\$113,258	\$72,752	FY2021-22 (Estimated)	\$412,236	\$102,761	\$74,818	FY2022-23 (Projected)	\$427,200	\$89,405	\$76,718
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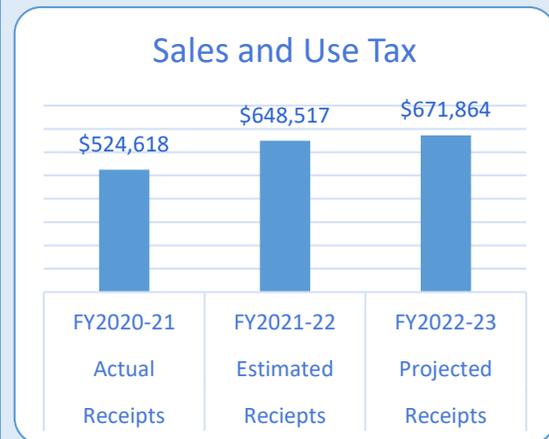
Business Tax

- Fiscal Year 2021-22**
 Business Tax receipts are estimated to be \$735.1 million. Non-cannabis Business tax receipts are estimated to increase by \$46.1 million (8.3%) based on year to date collection, while cannabis Business Tax is estimated to decrease by **\$3.3** million based on current trends.
- Fiscal Year 2022-23**
 Non-cannabis Business tax receipts are estimated to grow by 4.2% based on 3 years average growth rate.
 Cannabis Business Tax is estimated to grow by the same rate.



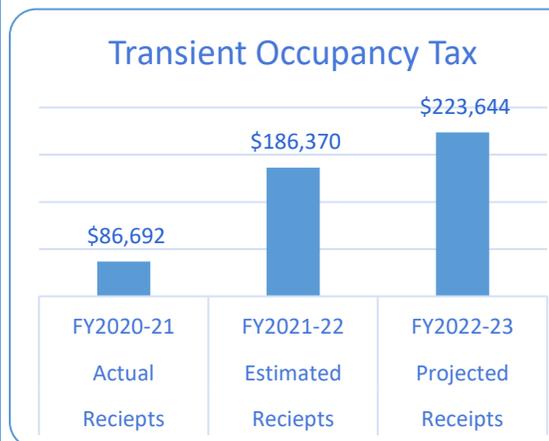
Sales Tax

- Fiscal Year 2021-22**
 Sales and use taxes are estimated to grow by \$123.9 million (23.6%) based on current year trends.
- Fiscal Year 2022-23**
 Sales and use taxes are projected to grow by 3.6% based on UCLA projection for 2022 and 2023.



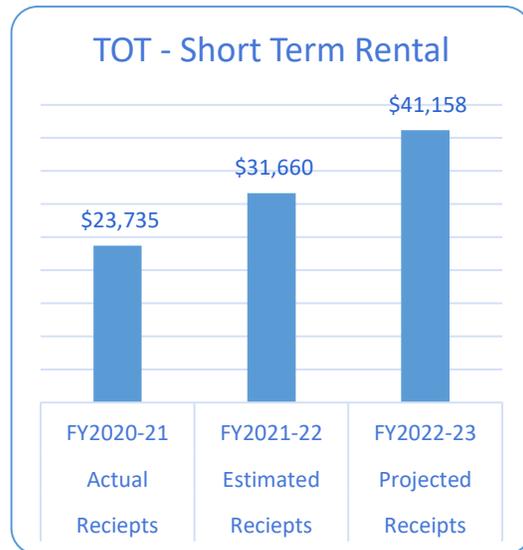
Transient Occupancy Tax (TOT)

- Fiscal Year 2021-22**
 TOT is estimated to finish the fiscal year 27.2% under the fiscal year 2019 total and 11.7% under the fiscal year 2020 total, which was already lower due to the first months of the pandemic.
- Fiscal Year 2022-23**
 TOT is projected to grow by 20.0% year over year, and end around 12.7% below pre-pandemic levels.



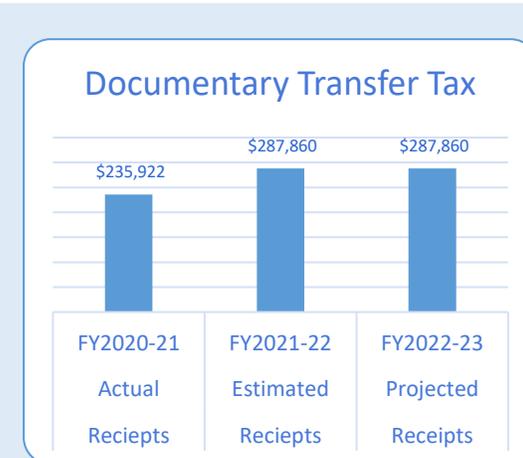
TOT – Short-term Rental

- Fiscal Year 2021-22**
Short-term rental receipts are estimated to end the fiscal year at around 49.6% below the FY2018-19 pre-pandemic levels.
- Fiscal Year 2022-23**
Projected \$41.2 million assuming 30.0% increase year over year, 34.4% below fiscal year 2019.



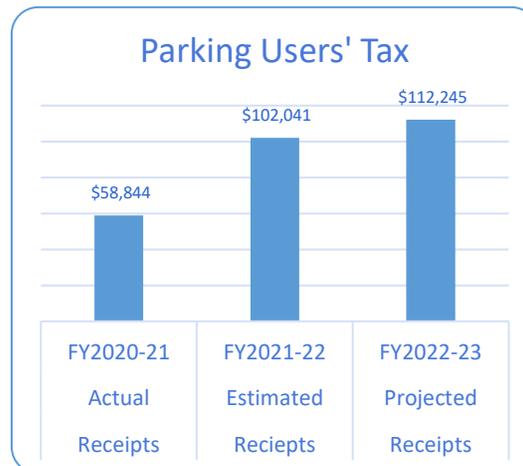
Documentary Transfer Tax

- Fiscal Year 2021-22**
Documentary Transfer Tax is estimated to grow by 22.0% based on current year trends.
- Fiscal Year 2022-23**
The FY2022-23 projection assumes that receipts will remain at the same level, as rising prices and interest rates limit the number of sales.



Parking Users' Tax

- Fiscal Year 2021-22**
Parking users' tax is estimated to be \$102.0 million based on current year trends.
- Fiscal Year 2022-23**
The projected growth is 10.0% to \$112.2 million.

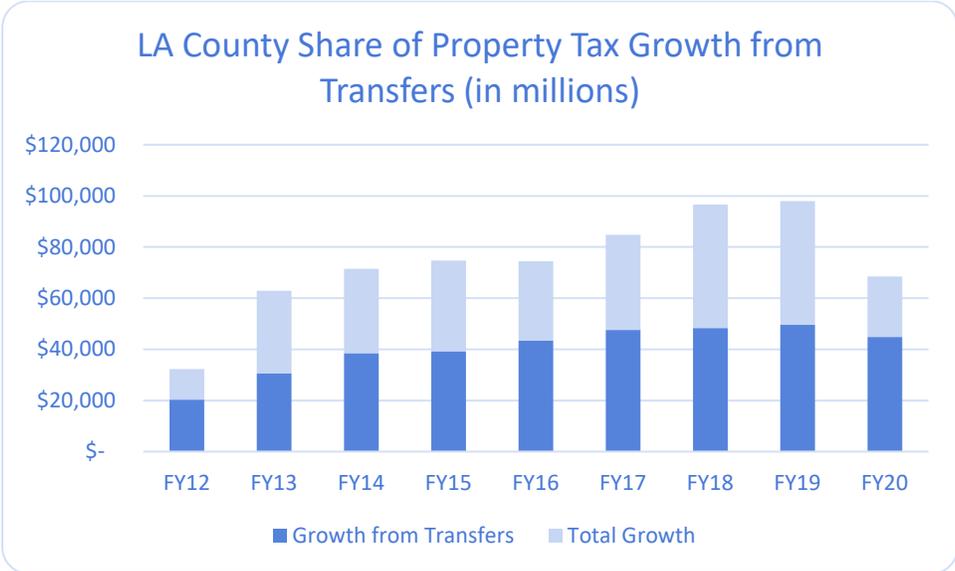


Spotlight: Documentary Transfer Tax

The City has two significant revenue sources derived from taxes on real estate. The first is Secured Property Tax, which is a one percent tax on the assessed valuation of all real property in the City, subject to various exemptions and adjustments. This revenue comes into the City primarily in December and April. The second is the Real Property Transfer Tax, commonly known as the Documentary Transfer Tax, which is a 4.5 percent tax on the value of real property applied when the property is transferred from one owner to another. The revenue is due to the City upon execution of the transfer.

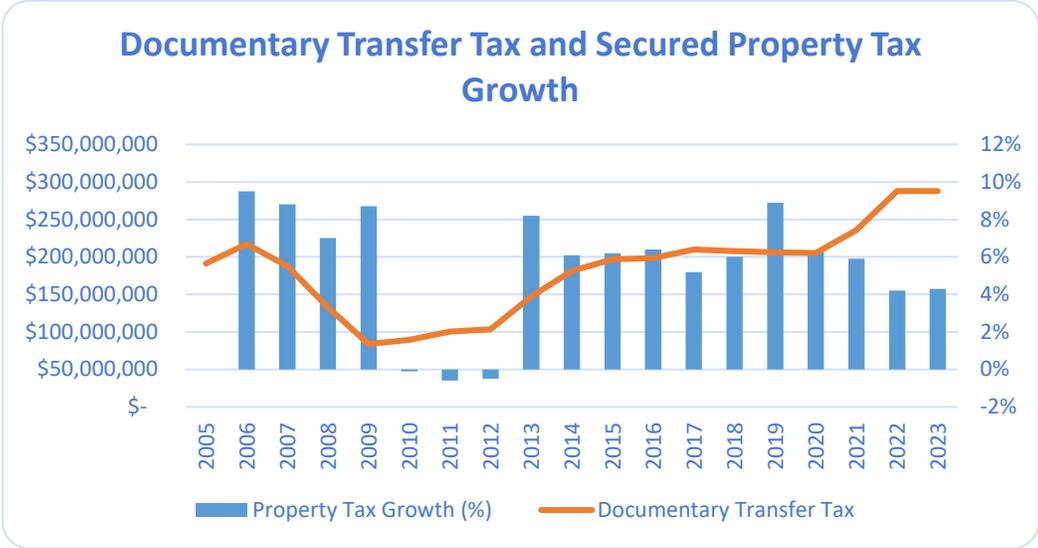
Because the bases and mechanisms for these two taxes are significantly different, they behave quite differently in response to the local economy. Property Tax is a stable source of revenue, consistently but slowly growing every year with only very rare decreases. Documentary Transfer Tax, as a transaction-based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

However, there is an inherent connection between the two taxes. In most years, more than 50 percent of property tax growth is due to property transfers. When properties are sold, they are reassessed, and the following year’s property taxes are then based on the new sales price. Especially for properties that have not changed hands for a long time, this can be a huge difference. As you can see from the chart below, high levels of property sales can be a huge driver of property tax growth.



Because of this link, an active, rising real estate market results in strong future growth in Property Tax revenue. Due to the immediate receipt of Documentary Transfer Tax and the long process of reassessment, billing, and receipt of Property Tax, this cause and effect is delayed, with Property Tax responding up to two years after changes in Documentary Transfer Tax.

As you can see from the chart, Documentary Transfer Tax fell by more than 60% around the beginning of the great recession. Secured Property Tax, however, maintained strong growth for two more years before falling off in 2010. Then, once the real estate market recovered, Property Tax regained its previous rate of growth.



Looking to the pandemic, we see a divergence of these two sources over the past two fiscal years. Documentary Transfer Tax has pushed up to all-time highs during the pandemic, with both home prices and sales volumes growing. But Property Tax has not yet responded, growing just under 6% in 2021 and just over 4% in 2022. Based on the pattern from the last economic recovery, we would expect Property Tax to have a strong year in 2023. Projecting extraordinary growth in the City’s largest revenue source comes with significant risk however. Accordingly, our estimate for 2023 is a more moderate 4.3%.

Projecting Documentary Transfer Tax is even more difficult, given its historical volatility and transactional nature. While trend analysis of the last few years would seem to indicate another record year, a 10 to 20 percent drop in the number of real estate transactions could result in a reduction of as much as

\$50 million. Given the anticipated increase in interest rates and the wider economic impact those rates may have, this does not seem impossible. However, absent any solid evidence that this is starting to happen, our projection is that prices will continue to rise, but increasing interest rates will begin to have an impact on the number of transactions.

Licenses, Permits, Fees and Fines

Licenses, Permits, Fees and Fines (LPFF) revenues, which represents 16.6 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 (23.1 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 budgeted and estimated 2021-22 and projected 2022-23 LPFF revenues by category.

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

	2020-21 Actuals	Controller March 1, 2022 Estimated Receipts	
		FY 2021-22	FY 2022-23
Licenses, Permits, Fees and Fines	\$ 273,859	\$ 289,422	\$ 290,605
Emergency Ambulance	80,385	90,000	90,000
Services to Proprietary Departments	168,710	182,052	184,013
Reimbursement from Other Funds*	609,562	651,444	673,023
Total Licenses, Permits, Fees and Fines	\$ 1,132,516	\$ 1,212,918	\$ 1,237,641

* FY2020-21 Reimbursement from Other funds excludes the \$125 million transfer from COVID 19 Federal Relief Fund

In 2021-22, total LPFF is estimated to be \$1,212.9 million, \$31.9 million below budget, and \$80.4 million or 7.1 percent above the 2020-21 actual receipts (excluding the \$125 million transfer from the COVID 19 Federal Relief Fund). We expect shortfalls in services to proprietary departments (\$8.3 million) and related costs reimbursements from various departments (\$37.0 million) due to reduction in services provided and vacancies. Meanwhile we estimate above the budget performance for fees for special services, net increase of \$2.1 million due to one-time revenues (reimbursements from other agencies \$7.6 million, miscellaneous revenues \$6.3 million), and Ambulance Billings \$11.3 million due to increase in pandemic response and fees. 2022-23 LPFF revenue is projected to be \$1,237.6 million, which is 2.04 percent above the 2021-22 estimated actuals, and 9.3 percent above 2020-21 actual receipts (excluding the \$125 million transfer).

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)

	Adopted Budget		Estimated Receipts		% Change over 2021-22	
	FY 2022		2022-23		Approved Budget	
	(a)	(b)	(c)	(b) / (a)	(c) / (a)	
Franchise Income	\$ 94,657	\$ 96,571	\$ 96,600	2.02%	2.05%	
Parking Fines	123,621	111,443	118,655	-9.85%	-4.02%	
Power Revenue Transfer	225,819	225,015	225,200	-0.36%	-0.27%	
Ex-CRA Tax Increment	111,990	122,910	141,370	9.75%	26.23%	

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 2021-2022 is estimated to be \$96.6 million, and 2022-23 is projected to be roughly the same.

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 \$225.0 million this fiscal year. The 2022-23 forecast of \$225.2 million is based on average of low and high estimates provided by DWP.

Ex-CRA Tax Increment current year and 2022-23 revenue is projected based on trend analysis.

Special Purpose Fund Revenues

Special Purpose Fund revenues represent 29.0 percent of total 2021-22 Adopted Budget receipts, while Available Balances, which are projected cash balances at the beginning of the fiscal year, represent 5.6 percent of Adopted Budget revenues. Schedule II presents a breakdown of 2020-21 actual, 2021-22 estimated and 2022-23 projected revenues by budgeted Special Funds. Available Balances are excluded from this report.

Based on departmental estimates, 2021-22 total Special Fund revenues are estimated to be \$3.28 billion, \$59.7 million below budget. 2022-23 Special Fund revenues are projected to be \$3.47 billion, an increase of \$188.3 million or 5.74 percent over current year estimated revenues.

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 illustrates cash flow borrowings for 2012-13 through 2021-22.

GENERAL FUND CASH FLOW BORROWINGS FOR FISCAL YEARS 2011-12 THROUGH 2020-21 (amounts expressed in thousands)

Fiscal Year	Total Annual Cash Flow Borrowings			
	Reserve Fund	Other Funds	TRAN	Total
2012-13	--	--	425,000	425,000
2013-14	--	--	400,000	400,000
2014-15	--	--	350,000	350,000
2015-16	50,000	(1)	350,000	400,000
2016-17	--	--	400,000	400,000
2017-18	50,000	(1)	400,000	450,000
2018-19	35,000	(1)	400,000	435,000
2019-20	--	--	450,000	450,000
2020-21	--	25,000	550,000	575,000
2021-22	--	-	600,000	600,000

Notes:

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

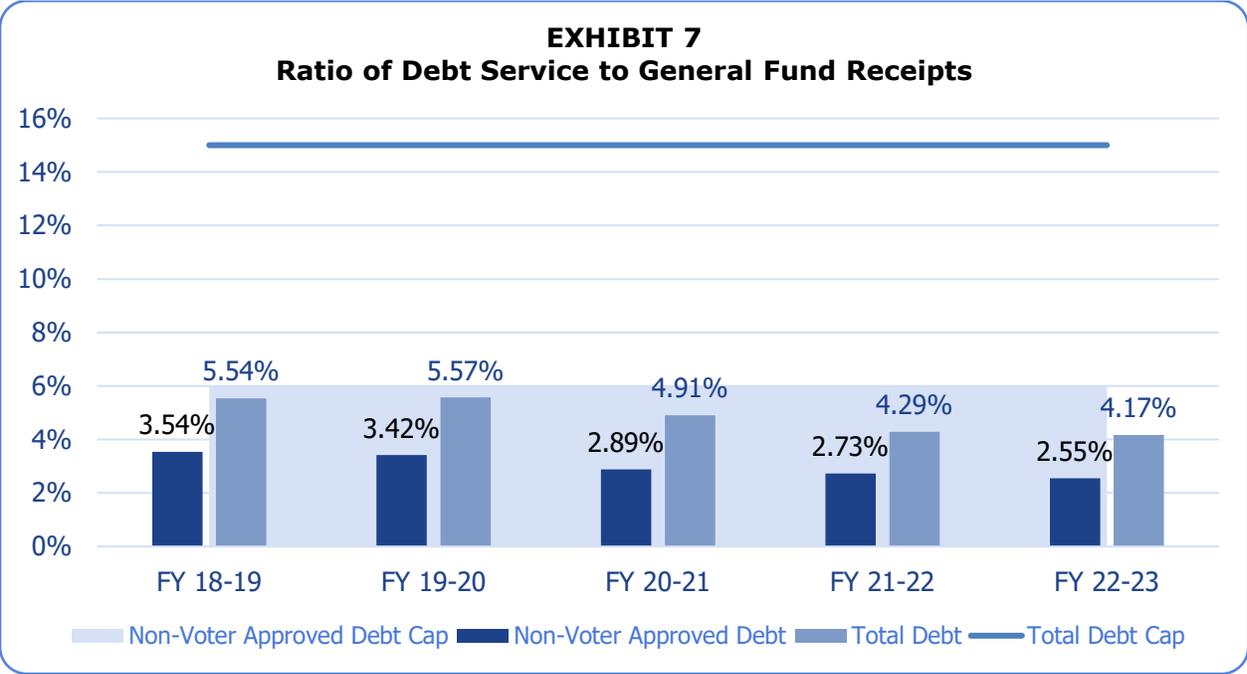
Annually, the Controller estimates an amount of borrowing needed to meet City short-term cash flow requirements in the first half of the next fiscal year. The Controller's Office will work with the Mayor and City Administrative Officer (CAO), as in prior years, to determine the amount of borrowing required as better information becomes available. The cash flow borrowing requirement in 2022-23 will likely be between \$450 and \$550 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.

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 2018-19 to FY 2020-21 ratios are based on actual General Fund receipts. FY 2021-22 and FY 2022-23 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 2021-22 (excluding the ARPA transfer), the City has the capacity to issue additional non-voter approved debt with an annual debt service requirement of up to \$246.7 million or 3.27 percent of General Fund receipts. Assuming long term debt at five percent interest, this would equate to almost \$4 billion in additional debt capacity.

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 \$246.7 million, the City has the capacity to issue voter approved debt with an annual debt service requirement of no more than \$561.3 million. Again, assuming long term debt at five percent interest, this would equate to more than \$8 billion in additional voter-approved debt capacity.

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 ⁽¹⁾	Ratio of Debt Service to Total Receipts		
	Non-Voter Approved	Voter Approved	Total		Non-Voter Approved	Voter Approved	Total
2012-13	210,809	188,707	399,516	4,676,009	4.51%	4.04%	8.55%
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	7,545,645	2.73%	1.56%	4.29%
2022-23	180,973	114,744	295,717	7,085,596	2.55%	1.62%	4.17%

(1) All years with capitalized interest have been adjusted upwards to reflect bond proceeds to pay for capitalized interest. For 2012-13 and 2013-14, the adjustments are \$4,928,625 and \$3,308,633 respectively. In addition, receipts for all fiscal years include revenues from the Staples Center.

City Indebtedness

Exhibit 9 provides the outstanding balances of City debts along with 2021-22 and 2022-23 estimated debt service requirements based on the amount of current outstanding debt.

EXHIBIT 9

OUTSTANDING DEBT AND DEBT SERVICE REQUIREMENTS ⁽¹⁾ (amounts expressed in thousands)

	Outstanding Balance, 6/30/2022			Debt Service Requirement	
	Principal	Interest	Total	2021-22	2022-23
Bonds					
MICLA ⁽²⁾	\$1,398,707	\$ 438,359	\$1,837,066	\$ 205,451	\$ 180,078
General Obligation	739,015	176,103	915,118	117,845	114,744
Site-Specific Tax Revenue	3,606	415	4,021	833	895
Solid Waste Resources Revenue	147,015	30,096	177,111	23,953	24,159
Wastewater System	2,542,100	1,499,134	4,041,234	224,487	231,293
<i>Subtotal</i>	<i>4,830,443</i>	<i>2,144,107</i>	<i>6,974,550</i>	<i>572,569</i>	<i>551,169</i>
Tax and Revenue Anticipation No	--	--	--	72,516	-
Total	4,830,443	2,144,107	6,974,550	645,085	551,169

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 2022, the balance of the MICLA and Wastewater System commercial paper notes was \$176 million and \$200 million, respectively.

(2) Includes debt service requirement supported by assessment on real property approved by the electorate of \$225,500 in 2021-22.

(3) A total of \$1,854,090,000 in TRAN were issued on July 01, 2021, with final maturity of June 23, 2022. The amount of interest to be paid in 2022-23 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 2022-23, which are estimated at \$114.7 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 2021-22 City Issued GOB Series 2021-A Social and Series 2021-B Refunding Bonds.

EXHIBIT 10

GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS FOR FISCAL YEAR 2022-23

	Principal	Interest	Total Requirement
GOB - Series 2016-A	16,535,000	2,470,329	19,005,329
GOB - Series 2017-A	4,320,000	2,076,908	6,396,908
GOB - Series 2017-B	7,025,000	1,074,875	8,099,875
GOB - Series 2018-A	13,815,000	8,325,410	22,140,410
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	6,633,898	17,233,898
GOB - Series 2021-B	36,475,000	3,281,006	39,756,006
Total	\$ 88,770,000	\$ 25,973,691	\$ 114,743,691

SCHEDULE I

Office of the Controller Actual and Estimated Receipts for Fiscal Years 2021-22 and 2022-23

	Actual 2020-21	Estimated 2021-22	Projected 2022-23
Property Tax:			
Property Tax 1%	\$ 1,722,300,329	\$1,798,387,000	\$1,863,847,000
Property Tax - VLF Replacement	539,055,364	560,550,000	596,374,000
Total Property Tax	2,261,355,693	2,358,937,000	2,460,221,000
Property Tax - Ex-CRA Tax Increment	128,041,768	122,910,000	141,370,000
Utility Users' Tax:			
Electric Users' Tax	429,228,230	412,236,000	427,200,000
Telephone Users' Tax	113,258,513	102,761,000	89,405,000
Gas Users' Tax	72,751,587	74,818,000	76,718,000
Total Utility Users' Tax	615,238,330	589,815,000	593,323,000
Licenses, Permits, Fees and Fines:			
Licenses, Permits, Fees, and Fines	273,858,831	289,422,032	290,605,329
Emergency Ambulance	80,385,493	90,000,000	90,000,000
Services to Proprietary Departments	168,709,597	182,052,590	184,012,939
Reimbursements from Other Funds	734,561,607	651,443,707	673,023,097
Total Licenses, Permits, Fees and Fines	1,257,515,528	1,212,918,329	1,237,641,365
Business Tax	692,385,975	735,142,000	765,915,000
Sales Tax	524,617,828	648,517,000	671,864,000
Documentary Transfer Tax	235,921,876	287,860,000	287,860,000
Power Revenue Transfer	218,355,000	225,015,000	225,200,000
Transient Occupancy Tax	86,691,904	186,370,000	223,644,000
Transient Occupancy Tax - Short-term Rental	23,734,687	31,660,000	41,158,000
Parking Fines	93,346,791	111,443,000	118,655,000
Parking Users' Tax	58,844,334	102,041,000	112,245,000
Franchise Income	84,302,921	96,571,000	96,600,000
Grant Receipts	43,689,725	57,381,000	38,189,000
Interest	27,111,971	25,503,000	27,197,000
State Motor Vehicle License Fees	2,941,578	4,532,000	4,532,000
Tobacco Settlement	11,488,518	11,025,000	11,160,000
Residential Development Tax	4,392,264	4,988,000	5,322,000
Special Parking Revenue Transfer	-	8,477,000	23,500,000
Transfer from Reserve Fund	-	85,090,000	--
Transfer from American Rescue Plan	-	639,450,000	-
General Fund Receipts	6,369,976,691	7,545,645,329	7,085,596,365
American Rescue Plan Transfer	639,450,464		--
Total General Fund Revenue	\$ 7,009,427,155	\$ 7,545,645,329	\$ 7,085,596,365

SCHEDULE II

Special Fund Receipts:	Actual 2020-21	Estimated 2021-22	Projected 2022-23
Accessible Housing Fund	\$ 15,681,241	\$ 30,291,000	\$ 30,291,000
Affordable Housing Trust Fund	2,300,019	2,623,000	2,304,000
Arts and Cultural Facilities and Services Fund	22,183,438	22,111,000	26,609,000
Arts Development Fee Trust Fund	2,651,266	3,755,000	2,750,000
Building and Safety Permit Enterprise Fund	169,312,823	217,757,000	221,625,000
Cannabis Regulation Special Revenue Fund	20,569,744	26,351,000	30,865,000
Central Recycling and Transfer Fund	5,055,157	4,616,000	4,814,000
City Employees' Retirement Fund	97,388,939	129,048,000	116,039,000
City Employees Ridesharing Fund	2,364,658	1,302,000	2,496,000
City Ethics Commission Fund	3,459,569	4,080,000	4,269,000
City Tax Levy (Debt Service)	122,037,914	117,620,000	112,514,000
Citywide Recycling Trust Fund	26,460,577	24,921,000	63,120,000
Code Compliance Fund	1,127,872	1,104,000	1,104,000
Code Enforcement Trust Fund	38,871,846	76,985,000	53,592,000
Community Development Trust Fund	19,809,636	20,555,000	20,555,000
Community Services Administration Grant Fund	2,361,665	2,406,000	2,406,000
Convention Center Revenue Fund	13,546,062	20,412,000	28,097,000
Disaster Assistance Trust Fund	37,147,584	52,811,000	112,266,000
El Pueblo de Los Angeles Historical Monument Revenue Fund	4,482,004	3,437,000	3,095,000
Forfeited Assets	2,917,250	2,010,000	-
Greater Los Angeles Convention & Visitors Bureau Trust Fund	8,498,246	14,100,000	14,100,000
HOME Investment Partnerships Program Fund	5,180,226	6,790,000	9,015,000
Household Hazardous Waste Special Fund	2,456,733	6,608,000	3,733,000
Housing Opportunities for Persons with AIDS Fund	488,383	584,000	902,000
Local Public Safety Fund	46,287,541	47,525,000	50,875,000
Local Transportation Fund	31,154	2,873,000	2,571,000
Measure M Local Return Fund	58,607,245	70,861,000	72,760,000
Measure R Traffic Relief and Rail Expansion Fund	51,125,663	62,168,000	64,017,000
Measure W Local Return Fund	36,052,327	36,506,000	32,100,000
Mobile Source Air Pollution Reduction Trust Fund	5,784,611	5,297,000	5,297,000
Multi-Family Bulky Item Fund	7,539,836	8,131,000	9,609,000
Municipal Housing Finance Fund	10,306,277	9,698,000	9,355,000
Neighborhood Empowerment Fund	2,634,592	2,877,000	3,218,000
Older Americans Act Fund	2,063,730	2,135,000	2,135,000
Park and Recreational Sites and Facilities Fund	2,936,636	3,038,000	3,100,000
Planning Case Processing Revenue Fund	21,990,151	26,020,000	31,410,000
Proposition A Local Transit Assistance Fund	172,861,964	174,575,000	146,538,000
Proposition C Anti-Gridlock Transit Improvement Fund	83,866,276	97,401,000	97,402,000
Rent Stabilization Trust Fund	22,927,728	22,028,000	22,190,000
Sewer Construction and Maintenance Fund	792,583,756	1,007,379,000	1,148,467,000
Sidewalk Repair Fund	14,605,812	22,964,000	22,964,000
Solid Waste Resources Revenue Fund	307,277,310	300,212,000	305,050,000
Special Gas Tax Street Improvement Fund	98,602,035	113,212,000	128,839,000
Special Gas Tax Road Maintenance and Rehabilitation Fund	73,246,111	83,262,000	91,431,000
Special Parking Revenue Fund	61,824,274	60,019,000	60,019,000
Staples Arena Special Fund	59,851	5,271,000	6,022,000
Stormwater Pollution Abatement Fund	39,138,366	67,719,000	66,559,000

Continued.....

SCHEDULE II

Special Receipts: (Continued)	Actual 2020-21	Estimated 2021-22	Projected 2022-23
Street Damage Restoration Fee Fund	\$ 57,080,632	\$ 60,125,000	\$ 68,150,000
Street Lighting Maintenance Assessment	69,889,116	76,431,000	77,455,000
Supplemental Law Enforcement Services	9,728,614	8,425,000	8,425,000
Telecommunications Development Account	18,381,689	15,320,000	11,673,000
Traffic Safety Fund	977,892	1,437,000	1,468,000
Workforce Innovation Opportunity Act	9,417,179	12,304,000	15,704,000
Zoo Enterprise Trust	25,693,398	25,087,000	27,124,000
Allocations fr. Other Gov'tal Agencies	131,798,992	98,909,000	68,077,000
Total Special Receipts	2,861,673,612	3,277,346,000	3,465,612,000

SCHEDULE III

**Office of the Controller
General Fund Receipts
Last 20 Fiscal Years and Estimates for Fiscal Years 2021-22 and 2022-23
(amounts expressed in thousands)**

Fiscal Year	Property Tax ^(a)	Utility Users' Tax	Sales Tax	Business Tax	Transient Occupancy Tax	Licenses, Permits, Fees and Fines	Other Revenues ^(b)	Total General Fund Receipts
2001-02	622,393	488,778	351,062	360,336	93,901	473,162	831,956	3,221,588
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 (Estimated)	2,481,847	589,815	648,517	735,142	218,030	1,212,918	1,659,376	7,545,645
2022-23 (Projected)	2,601,591	593,323	671,864	765,915	264,802	1,237,641	950,460	7,085,596

(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; \$122,910 in 2021-22; \$141,370 in 2022-23.

(b) Other Revenues include transfers from the Reserve Fund except for 2008-09 and 2012-13 through 2013-14, 2019-20. Fiscal years 2021-22 includes transfer from American Rescue Plan of \$639,450.