

REVENUE FORECAST REPORT

FISCAL YEARS 2021-22



RON **GALPERIN**
LA CONTROLLER

SUMMARY

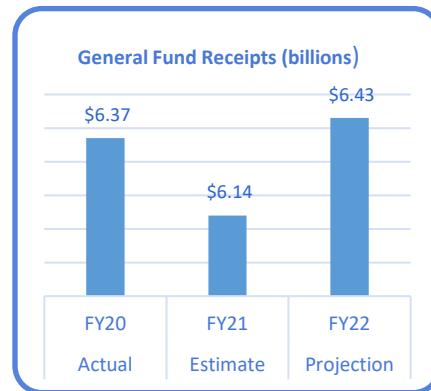
This Revenue Forecast Report for the City of Los Angeles provides revenue estimates for fiscal years 2020-21 and 2021-22 in advance of the City's upcoming budget process. Also included are the estimated requirements for debt service and General Fund cash flow borrowing. The Forecast is issued pursuant 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 departments, consultation with local economic experts and academics, and historical as well as recent trends.

Financial Outlook

Current Year: 2020-21

The current fiscal year has seen the brunt of a dramatic economic slowdown. Safer-at-home orders at some level have been in place since before the fiscal year began and are anticipated to remain in place through most, if not all, of the remaining four months. This enforced shutdown of large sectors of the economy has resulted in the first significant decrease in City revenues since the Great Recession.



Overall, we estimate that actual General Fund revenues will fall by 3.7% from the prior fiscal year, to a total of \$6.14 billion. In the context of the budget, this means the General Fund will have a \$549 million shortfall.

Next Year: 2021-22

Our projection for the upcoming year is based on the assumption that state and local safer-at-home orders will be loosened over time beginning this summer, and the 2021-22 fiscal year will bring forth the beginning of the recovery for the local economy as well as the City's revenues.

For the General Fund, the year is expected to see 4.7 percent revenue growth over the current fiscal year estimate, led by recoveries in most of the economically-sensitive revenues. This \$6.43 billion would be \$289 million more than 2020-21, and \$54 million more than 2019-20.

Debt

The estimated City debt service requirement for 2021-22 is \$568.1 million, which is \$5.9 million more than 2020-21, excluding debt service on the Tax and Revenue Anticipation Notes (TRAN). A total of \$119.3 million of this amount is for principal and interest payments on the City's \$772 million in outstanding General Obligation Bonds (GOB). GOBs are general obligations of the City payable from ad valorem taxes levied on all of the taxable property of the City. The remaining debt service covers the Municipal Improvement Corporation of Los Angeles (MICLA), Wastewater, Solid Waste Resources, Site-Specific Tax, and Judgment Obligation Bonds.

In total, debt service is projected to be 4.97 percent of projected 2021-22 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 2021-22 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.

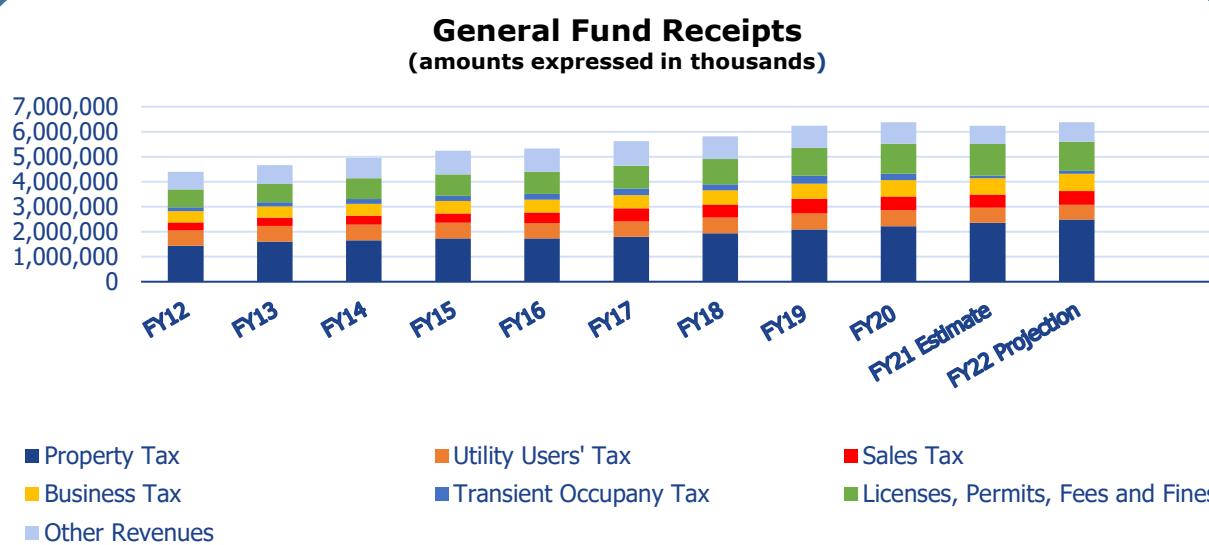
DISCUSSION

Revenue Projections for 2020-21 and 2021-22

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

Controller's March 1, 2021		Estimated Receipts	% Change	
2020-21 Approved Budget	2020-21 Estimate		2020-21 Estimate/ 2020-21 Budget	Projected/ 2020-21 Estimate
(a)	(b)	(c)	(b) / (a)	(c) / (b)
\$ 6,687,342	\$ 6,138,255	\$ 6,427,702	-8.21%	4.72%

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.



This year's estimates and projections are based on the assumption that the existing state and local safer-at-home orders and associated restrictions on public activities will continue in place for most, if not all, of the remaining four months of the fiscal year. Looking into the following year, it is assumed that the current orders will be gradually loosened beginning this summer, and the portions of the economy impacted by the related restrictions will begin to recover during fiscal year 2021-22.

The City is estimated to realize General Fund revenues in the current fiscal year of approximately \$6.14 billion (excluding the \$125 million transfer from COVID 19 Federal Relief Fund, which was immediately passed through to repay a loan from the Building and Safety Building Permit Enterprise Fund). This is \$549.1 million (8.2 percent) lower than the \$6.69 billion 2020-21 Approved Budget.

Total 2021-22 General Fund revenues are projected to be \$6.43 billion, an increase of \$289.4 million (4.7 percent) over 2020-21 estimates. It should be noted that the estimate does not include discretionary one-time transfers from the Reserve Fund or other funds identified during the budget process.

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

To the extent that the primary assumptions relative to the pandemic are not realized, the City's revenues in fiscal year 2021-22 would likely be significantly lower. If, for instance, the City faces another wave of COVID-19 cases next winter as we faced this past winter, revenues could fall another 2 percent below the current year trend. This would represent a swing of more than \$400 million from where this report projects fiscal year 2021-22 revenues.

It should also be noted that these estimates do not directly include any of the significant emergency relief funding that has been provided by the state and federal governments during the pandemic. The largest of these funding packages, the CARES Act, provided more than \$700M to the City at the end of fiscal year 2019-20. This funding, as well as all of the funding provided in the current year, was accounted for within special purpose funds created for these programs, and has not had a direct impact on General Fund revenue.

The complete list of estimated City receipts for 2020-21 and 2021-22 is presented in Schedule 1.

Economy-Sensitive General Fund Revenues

The seven major revenue sources considered “Economy-Sensitive” include 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 2020-21 Approved Budget, and the Controller’s estimates for 2020-21 and 2021-22.

EXHIBIT 2

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

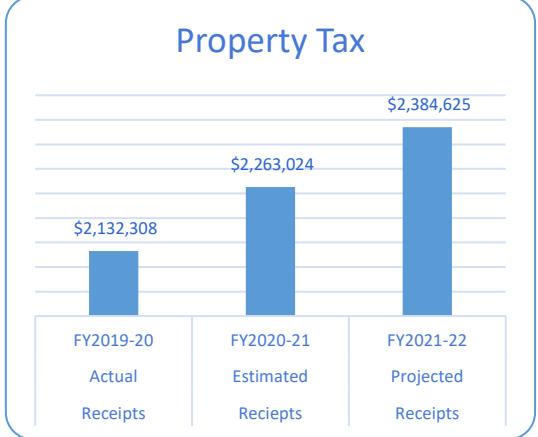
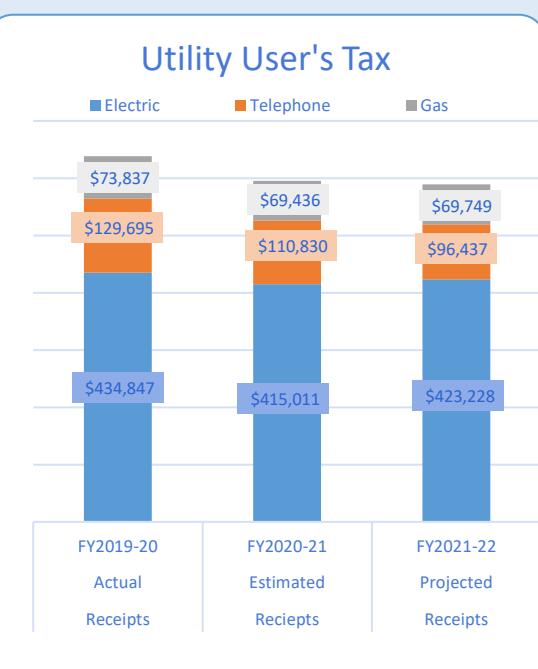
Tax Receipts	Approved Budget 2020-21	Controller's March 1, 2021			% Change over 2020-21	
		Estimated Receipts		Approved Budget 2021-22	2020-21 (b) / (a)	2021-22 (c) / (a)
		2020-21 (b)	2021-22 (c)			
Property	\$ 2,297,080	\$ 2,263,024	\$ 2,394,625	-1.48%	4.25%	
Utility Users'	614,620	595,277	589,414	-3.15%	-4.10%	
Business	686,540	662,000	700,226	-3.57%	1.99%	
Sales	557,055	520,573	556,000	-6.55%	-0.19%	
Transient Occupancy	244,860	94,001	116,882	-61.61%	-52.27%	
Documentary Transfer	215,835	217,717	215,515	0.87%	-0.15%	
Parking Users'	102,000	59,929	114,604	-41.25%	12.36%	
Total Economy-Sensitive Revenues	\$ 4,717,990	\$ 4,412,521	\$ 4,687,266	-6.47%	-0.65%	

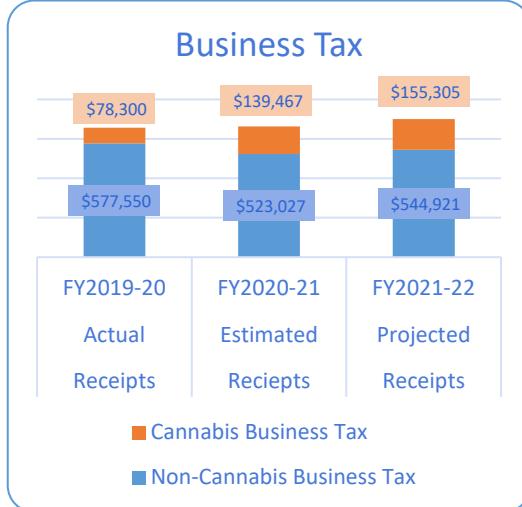
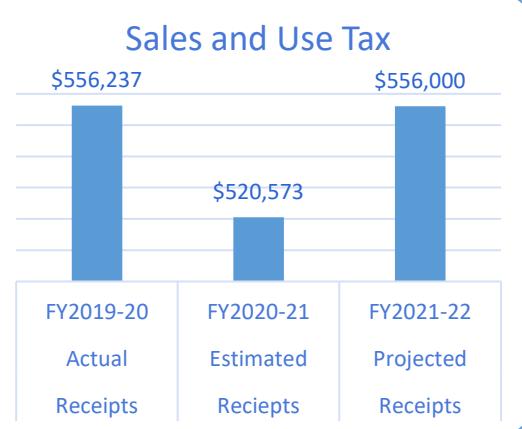
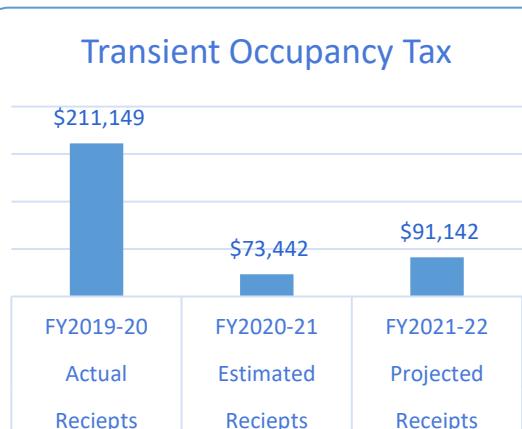
Note: Property Tax revenue include Miscellaneous Other Property Tax receipts previously included in License, Permits, Fees and Fines and excludes the ex-CRA Property Tax Increment.

General Fund economy-sensitive revenues are estimated to finish fiscal year 2020-21 6.47 percent less than the Approved Budget, and by fiscal year 2021-22 are projected to still be 0.65 percent short of the original 2020-21 target. Exhibit 3 presents explanations of the estimates of General Fund economy-sensitive revenues for 2020-21 and 2021-22.

EXHIBIT 3

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

Property Tax																								
	<ul style="list-style-type: none"> Fiscal Year 2020-21 Total property tax receipts are estimated \$2.26 billion which is \$130.7 million (6.1%) above the prior year, mainly due to growth in assessed valuations. Fiscal Year 2021-22 Total property tax receipts are projected to increase by \$131.6 million (5.8%) and reach \$2.39 billion. 	 <table border="1"> <caption>Property Tax Receipts</caption> <thead> <tr> <th>Year</th> <th>Receipts</th> </tr> </thead> <tbody> <tr> <td>FY2019-20</td> <td>\$2,132,308</td> </tr> <tr> <td>FY2020-21</td> <td>\$2,263,024</td> </tr> <tr> <td>FY2021-22</td> <td>\$2,384,625</td> </tr> </tbody> </table>			Year	Receipts	FY2019-20	\$2,132,308	FY2020-21	\$2,263,024	FY2021-22	\$2,384,625												
Year	Receipts																							
FY2019-20	\$2,132,308																							
FY2020-21	\$2,263,024																							
FY2021-22	\$2,384,625																							
Utility Users' Tax (Electric, Telephone, and Gas)	<ul style="list-style-type: none"> Fiscal Year 2020-21 Electric users' tax receipts are estimated to be \$415.0 million based on DWP estimates. Telephone users' tax receipts are estimated to be \$110.8 million based on current trends. Gas users' tax receipts are estimated to be \$69.4 million based on current trends. Fiscal Year 2021-22 Electric users' tax receipts are estimated to be \$423.2 million (1.98% growth) based on DWP estimates. Telephone users' tax receipts are estimated to be \$96.4 million (13.0% reduction) based on prior year trends. Gas users' tax receipts are estimated to be \$69.7 million, roughly flat from year to year. 	 <table border="1"> <caption>Utility User's Tax Receipts</caption> <thead> <tr> <th>Year</th> <th>Electric</th> <th>Telephone</th> <th>Gas</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>FY2019-20</td> <td>\$434,847</td> <td>\$129,695</td> <td>\$73,837</td> <td>\$697,379</td> </tr> <tr> <td>FY2020-21</td> <td>\$415,011</td> <td>\$110,830</td> <td>\$69,436</td> <td>\$695,277</td> </tr> <tr> <td>FY2021-22</td> <td>\$423,228</td> <td>\$96,437</td> <td>\$69,749</td> <td>\$689,314</td> </tr> </tbody> </table>			Year	Electric	Telephone	Gas	Total	FY2019-20	\$434,847	\$129,695	\$73,837	\$697,379	FY2020-21	\$415,011	\$110,830	\$69,436	\$695,277	FY2021-22	\$423,228	\$96,437	\$69,749	\$689,314
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FY2021-22	\$423,228	\$96,437	\$69,749	\$689,314																				

<p>Business Tax</p> <ul style="list-style-type: none"> Fiscal Year 2020-21 Business Tax receipts are estimated to be \$662.5 million. Non-cannabis Business tax receipts are estimated to decrease by \$54.6 million (9.5%) based on economic estimates, while cannabis Business Tax is estimated to grow by \$61.2 million based on recent trends. Fiscal Year 2021-22 Non-cannabis Business tax receipts are estimated to grow by 4.2% based on six months of reduced activity and six months of recovery. Cannabis Business Tax is estimated to grow by 11.4% based on conservative estimates of new permit approvals and business growth. 	<p>Business Tax</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Receipts</th> <th>Category</th> </tr> </thead> <tbody> <tr> <td>FY2019-20</td> <td>\$577,550</td> <td>Actual</td> </tr> <tr> <td>FY2020-21</td> <td>\$523,027</td> <td>Estimated</td> </tr> <tr> <td>FY2021-22</td> <td>\$544,921</td> <td>Projected</td> </tr> </tbody> </table> <p>Legend: Cannabis Business Tax (Orange), Non-Cannabis Business Tax (Blue)</p>	Year	Receipts	Category	FY2019-20	\$577,550	Actual	FY2020-21	\$523,027	Estimated	FY2021-22	\$544,921	Projected
Year	Receipts	Category											
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FY2020-21	\$523,027	Estimated											
FY2021-22	\$544,921	Projected											
<p>Sales Tax</p> <ul style="list-style-type: none"> Fiscal Year 2020-21 Sales and use taxes are estimated to fall by \$35.7 million (6.4%) based on current year trends. Fiscal Year 2021-22 Sales and use taxes are projected to recover quickly, growing by 6.8% and getting back to long term growth trends by the end of the fiscal year. 	<p>Sales and Use Tax</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Receipts</th> <th>Category</th> </tr> </thead> <tbody> <tr> <td>FY2019-20</td> <td>\$556,237</td> <td>Actual</td> </tr> <tr> <td>FY2020-21</td> <td>\$520,573</td> <td>Estimated</td> </tr> <tr> <td>FY2021-22</td> <td>\$556,000</td> <td>Projected</td> </tr> </tbody> </table>	Year	Receipts	Category	FY2019-20	\$556,237	Actual	FY2020-21	\$520,573	Estimated	FY2021-22	\$556,000	Projected
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FY2020-21	\$520,573	Estimated											
FY2021-22	\$556,000	Projected											
<p>Transient Occupancy Tax (TOT)</p> <ul style="list-style-type: none"> Fiscal Year 2020-21 TOT is currently coming in around 75% less than pre-recession levels, and is estimated to finish the fiscal year 65% under the prior year, which was already lower due to the first months of the pandemic. Fiscal Year 2021-22 TOT is projected to grow by 24.1% year over year, based on hospitality industry forecast and an assumed slow start to the recovery in this sector. 	<p>Transient Occupancy Tax</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Receipts</th> <th>Category</th> </tr> </thead> <tbody> <tr> <td>FY2019-20</td> <td>\$211,149</td> <td>Actual</td> </tr> <tr> <td>FY2020-21</td> <td>\$73,442</td> <td>Estimated</td> </tr> <tr> <td>FY2021-22</td> <td>\$91,142</td> <td>Projected</td> </tr> </tbody> </table>	Year	Receipts	Category	FY2019-20	\$211,149	Actual	FY2020-21	\$73,442	Estimated	FY2021-22	\$91,142	Projected
Year	Receipts	Category											
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TOT – Short-term Rental**• Fiscal Year 2020-21**

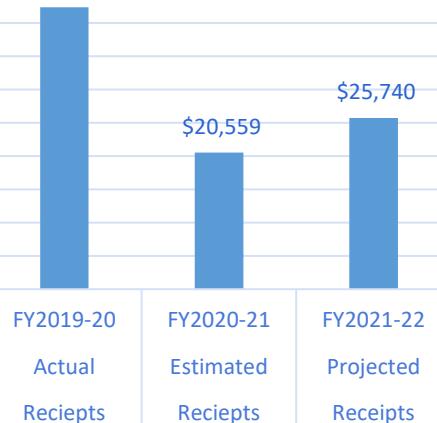
The short-term rental market has not been reduced quite as much as the hotel market, but receipts are still estimated to fall by 51.5% from FY2019-20.

• Fiscal Year 2021-22

The projected \$5.2 million growth is based on the same assumptions as used for the rest of TOT.

TOT - Short Term Rental

\$42,390

**Documentary Transfer Tax****• Fiscal Year 2020-21**

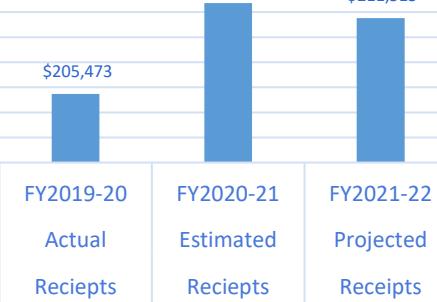
Documentary Transfer Tax is estimated to grow by 6.0% based on current year trends.

• Fiscal Year 2021-22

The FY2021-22 projection assumes that receipts will remain high but fall slightly as high prices further limit the number of sales.

Documentary Transfer Tax

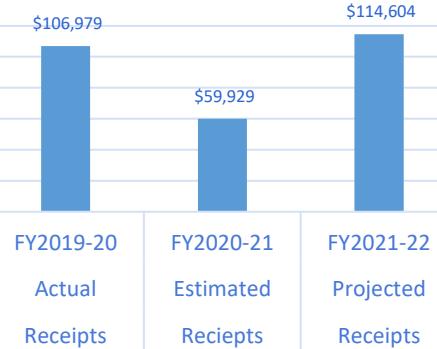
\$212,717

**Parking Users' Tax****• Fiscal Year 2020-21**

Parking users' tax is estimated to finish the year 44.0% below the prior year based on current year trends.

• Fiscal Year 2021-22

The projected \$114.6 million is based on the assumption that the repeal of gathering restrictions will generate business activity which results in increased parking.

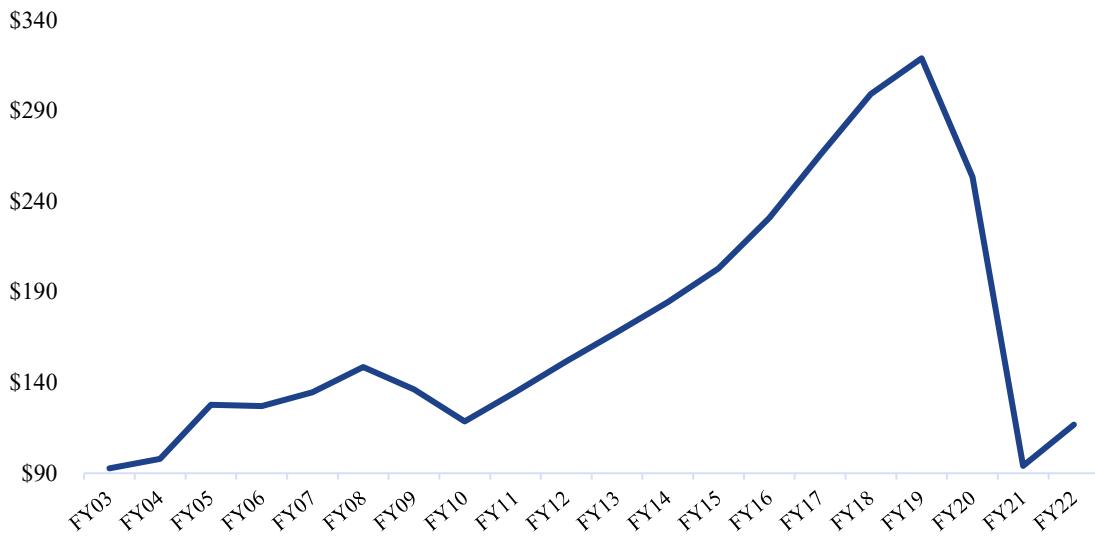
Parking Users' Tax

Spotlight: Transient Occupancy Tax

Transient Occupancy Tax (also known as Hotel Tax or TOT) is levied on rooms rented for 30 days or less, and is paid by guests. TOT revenue is correlated with room rates, occupancy and hotel room supply, though in recent years it has been impacted by the rapid growth of online home-sharing platforms. This revenue category experienced the most dramatic impact from COVID-19, since travel and hospitality virtually stopped, and will be the last to fully recover. CBRE Hotels research forecasts an average national occupancy level of 44.4 percent during first half of 2021, and then 55.7 percent during the year's second half, but occupancy levels for Los Angeles may be much lower.

As shown in the chart below, TOT revenue dipped in the aftermath of the September 11 terrorist attacks, then rebounded by more than 30 percent by 2004-05, only to decline again during the Great Recession in 2008-09 and 2009-10. During next nine years we have experienced an average year-over-year growth of 11.4 percent. That growth was completely reversed in two fiscal years. The actual receipts in 2019-20 were \$253.5 million which is 20.5 percent or \$65.4 million lower than 2018-19, and 2020-21 will see a 65 percent drop from there before beginning to recover in 2022.

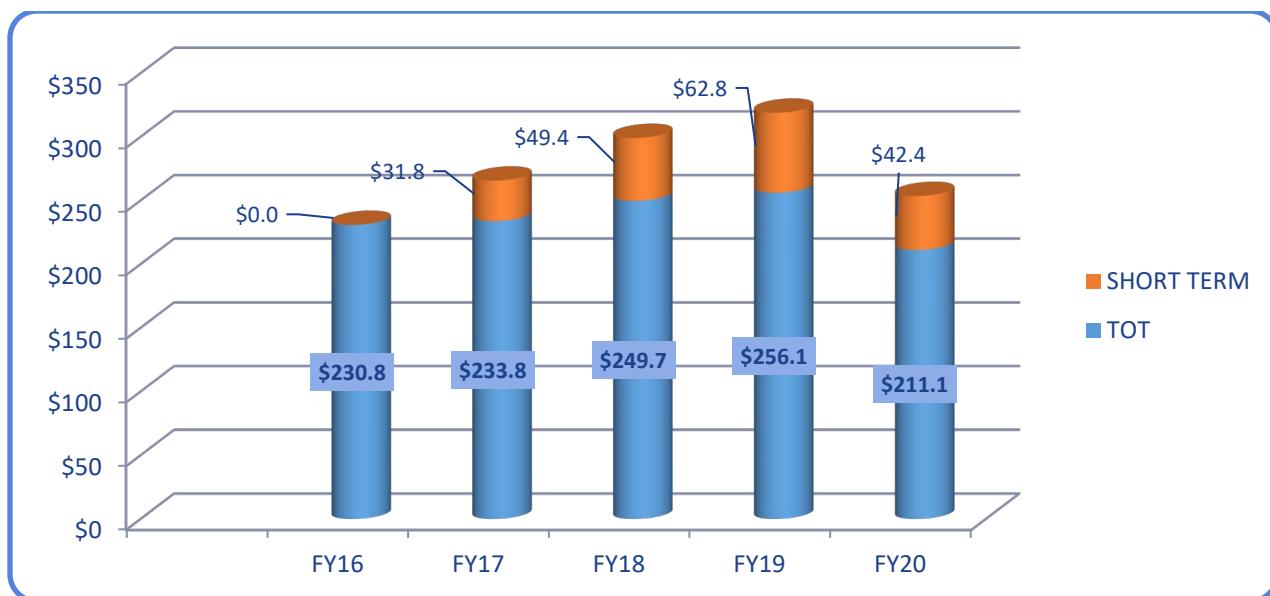
**Transient Occupancy Tax Receipts
Fiscal Years 2003 to 2020**



The 2016-17 fiscal year was the first time the City collected short-term rental TOT revenue based on the collection agreement with Airbnb. A collection agreement with another short-term rental site was subsequently adopted.

While in 2016-17 traditional hotel tax receipts represented \$233.8 million (88 percent) of total TOT revenue, in 2019-20 it was 83 percent or \$211.1 million, with average 3 year negative trend of 2.7 percent.

Meanwhile short term rental receipts grew from \$31.8 million (12 percent of total TOT revenue) in 2016-17 to \$42.4 million (17 percent) in 2019-20. See the Chart below.



In the first six months receipts of the current year for both categories are much lower than 2019-20 actual collected revenues. Short-term rental receipts are down by 67.5 percent, and regular hotel tax revenue 74.5 percent. We have assumed that by the end of the year both revenues will recover to shrink the difference to 51.5 percent for short-term rental revenues, and 65.2 percent for regular TOT revenue. Estimated receipts are \$20.6 million and \$73.4 million respectively.

In 2021-22, regular TOT revenue is projected to be \$91.4 million based on estimated increase of 24.1% in occupancy and short-term rentals \$25.7 million based on estimated increase of 25.2 percent in demand of rooms per Hotel Management forecast.

Licenses, Permits, Fees and Fines

For purposes of analysis, Licenses, Permits, Fees and Fines (LPFF) revenues, which represents 20 percent of the Approved Budget General Fund receipts, and 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 (23.6 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 2020-21 and projected 2021-22 LPFF revenues by category.

EXHIBIT 4

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

	Controller March 1, 2021		
	2019-20 Actuals	Estimated Receipts	
		FY 2020-21	FY 2021-22
Licenses, Permits, Fees and Fines*	\$ 323,730	\$ 241,097	\$ 245,181
Emergency Ambulance	94,074	70,000	78,000
Services to Proprietary Departments	174,577	162,790	178,916
Reimbursement from Other Funds**	605,916	675,834	661,043
Total Licenses, Permits, Fees and Fines	\$ 1,198,297	\$ 1,149,721	\$ 1,163,140

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

In 2020-21, total LPFF is estimated to be \$1,274.7 million, \$60.6 million (\$185.6 million without COVID 19 Federal Relief Fund transfer) below budget. For purposes of discussion, comparison, and budget balancing, we have excluded the \$125 million transfer from the COVID 19 Federal Relief Fund which was used to repay a 2019-20 loan from the Building and Safety Building Permit Enterprise Fund. After excluding this amount the total is \$1,149.7 million, \$48.6 million below the 2019-20 total. We expect shortfalls in all categories but most notably in permits and fees (\$74.5 million) due to substantial reduction in services provided, and related costs reimbursements for various departments (\$48.9 million excluding the COVID 19 Federal Relief Fund transfer), mainly attributable to vacancies. The 2021-22 LPFF, projected to \$1,163.1 million, is 1.17 percent above the 2020-21 estimated actuals excluding the \$125 million transfer, and 12.89 percent below the 2020-21 Approved Budget.

Other Significant Revenues

Exhibit 5 depicts other revenues such as Franchise Income, Parking Fines, Power Revenue Transfer, and Ex-CRA Tax Increment. The 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)

	Approved Budget	% Change over 2020-21				
		Estimated Receipts		Approved Budget		
		FY 2021	2020-21	2021-22	2020-21	2021-22
		(a)	(b)	(c)	(b) / (a)	(c) / (a)
Franchise Income	\$ 81,226	\$ 77,135	\$ 76,743	-5.04%	-5.52%	
Parking Fines	140,477	94,583	100,704	-32.67%	-28.31%	
Power Revenue Transfer	224,100	218,400	219,050	-2.54%	-2.25%	
Ex-CRA Tax Increment	95,900	103,623	99,097	8.05%	3.33%	

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. Current year Franchise income revenue is estimated to be \$77.1 million, and 2021-22 is projected to be \$76.7 million based on departmental estimates.

The Parking Fines estimates are based on 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 \$218.4 million this fiscal year. The 2021-22 forecast of \$219.1 million is based on average of low and high estimates provided by DWP.

Ex-CRA Tax Increment current year and 2021-22 revenue are projected based on trend analysis.

Special Purpose Fund Revenues

Special Purpose Fund revenues represent 30.5 percent of total 2020-21 Adopted Budget receipts, while Available Balances, which are projected cash balances at the beginning of the fiscal year, represent 6.0 percent of the Adopted Budget revenues. Schedule I presents a breakdown of 2019-20 actual, 2020-21 estimated and 2021-22 projected revenues by budgeted Special Funds. Available Balances are excluded from this report.

Based on departmental estimates, 2020-21 total Special Fund revenues are estimated to be \$3.19 billion, \$24.5 million below budget. 2021-22 Special Fund revenues are projected to be \$3.03 billion, a decrease of \$163.4 million or 5.1 percent under 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 2011-12 through 2020-21.

EXHIBIT 6

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
2011-12	--	--	400,000	400,000
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

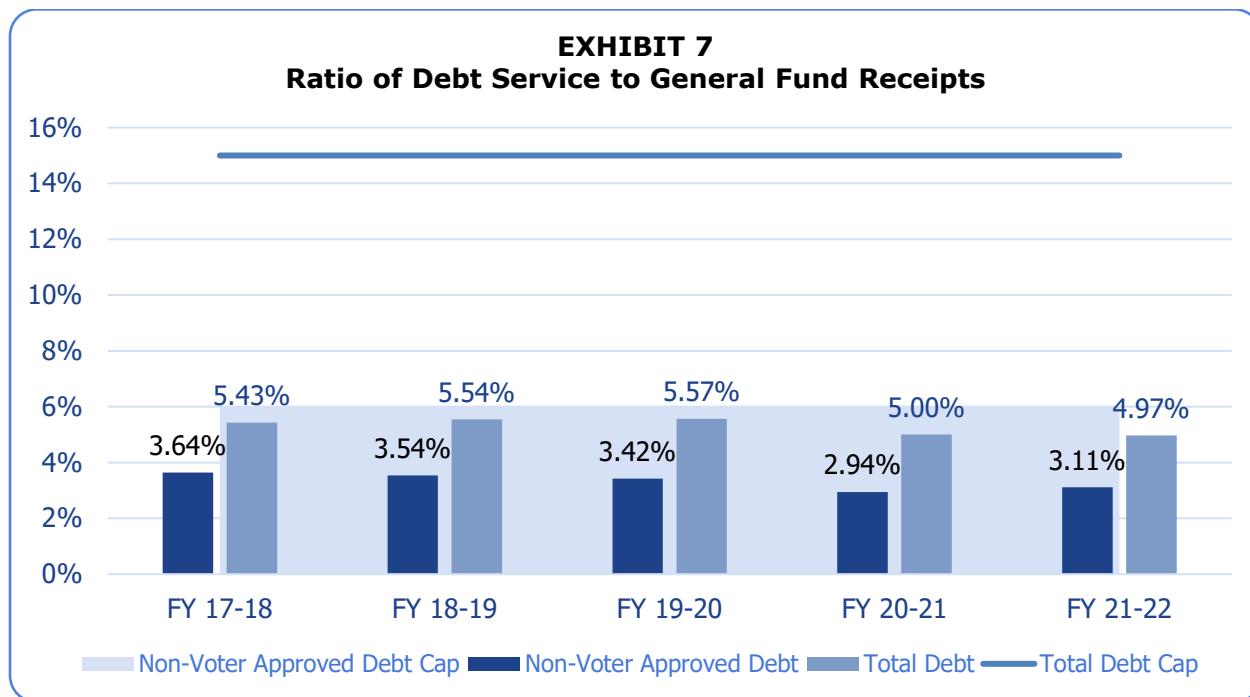
Annually, the Controller estimates an amount of borrowing needed to meet City short-term cash flow requirements in the first half of the next fiscal year. The Controller's Office will work with the Mayor and City Administrative Officer (CAO), as in prior years, to determine the amount of borrowing required as better information becomes available. The cash flow borrowing requirement in 2021-22 will likely be between \$450 million to \$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 2017-18 to FY 2019-20 ratios are based on actual General Fund receipts. FY 2020-21 and FY 2021-22 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 2020-21, the City has the capacity to issue additional non-voter approved debt with an annual debt service requirement of up to \$191.5 million or 3.06 percent of General Fund receipts. Assuming long term debt at five percent interest, this would equate to approximately \$3 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 \$191.5 million, the City has the capacity to issue voter approved debt with an annual debt service requirement of no more than \$434.7 million. Again, assuming long term debt at five percent interest, this would equate to more than \$6 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		Non-Voter Approved	Voter Approved	Total
	Approved	Approved	Total		Approved	Approved	Total
2011-12	\$ 207,383	\$ 188,246	\$ 405,692	\$ 4,396,040	4.72%	4.28%	9.00%
2012-13	210,809	188,707	395,629	4,676,009	4.51%	4.04%	8.55%
2013-14	218,868	184,844	399,516	4,960,718	4.41%	3.73%	8.14%
2014-15	221,428	152,477	403,712	5,247,997	4.22%	2.91%	7.13%
2015-16	202,603	138,054	373,905	5,338,014	3.80%	2.59%	6.39%
2016-17	202,444	120,166	340,657	5,628,790	3.60%	2.13%	5.73%
2017-18	211,576	104,429	322,610	5,819,502	3.64%	1.79%	5.43%
2018-19	220,999	124,563	316,005	6,236,881	3.54%	2.00%	5.54%
2019-20	217,708	136,815	345,562	6,374,231	3.42%	2.15%	5.57%
2020-21	184,293	128,979	313,272	6,263,255	2.94%	2.06%	5.00%
2021-22	199,693	119,550	319,243	6,427,702	3.11%	1.86%	4.97%

(1) All years with capitalized interest have been adjusted upwards to reflect bond proceeds to pay for capitalized interest. For 2011-12; 2012-13; and 2013-14, the adjustments are \$2,942,063; \$4,928,625; \$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 2020-21 and 2021-22 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)

Bonds	Outstanding Balance, 6/30/2021			Debt Service Requirement		
	Principal	Interest	Total	2020-21	2021-22	
MICLA ⁽²⁾	\$ 1,394,165	\$ 421,952	\$ 1,816,117	\$ 183,948	\$ 199,085	
General Obligation	627,460	144,547	772,007	128,456	119,325	
Site-Specific Tax Revenue	4,206	648	4,854	868	833	
Solid Waste Resources Revenue	164,495	36,569	201,064	28,696	23,953	
Wastewater System	2,529,940	1,482,823	4,012,763	220,319	224,950	
<i>Subtotal</i>	<i>4,720,266</i>	<i>2,086,539</i>	<i>6,806,805</i>	<i>562,287</i>	<i>568,146</i>	
Tax and Revenue Anticipation Notes	--	--	--	66,734	-	
Total	4,720,266	2,086,539	6,806,805	629,021	568,146	

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 2021, the balance of the MICLA and Wastewater System commercial paper notes was \$275 million and \$105 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 \$1,761,305,000 in TRAN were issued on July 07, 2020, with final maturity of June 24, 2021. The amount of interest to be paid in 2021-22 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 2021-22, which are estimated at \$119.3 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.

EXHIBIT 10

GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS FOR FISCAL YEAR 2021-22

	Principal	Interest	Total Requirement
GOB - Series 2011-B	32,480,000	1,576,250	34,056,250
GOB - Series 2012-A	22,735,000	3,214,475	25,949,475
GOB - Series 2016-A	16,775,000	2,852,387	19,627,387
GOB - Series 2017-A	4,320,000	2,182,208	6,502,208
GOB - Series 2017-B	7,035,000	1,426,375	8,461,375
GOB - Series 2018-A	13,815,000	8,802,027	22,617,027
GOB - Series 2018-B	-	1,733,250	1,733,250
GOB - Series 2018-C	-	378,015	378,015
Total	\$ 97,160,000	\$ 22,164,987	\$119,324,987

SCHEDULE I

Office of the Controller
Actual and Estimated Receipts for Fiscal Years 2020-21 and 2021-22

	Actual 2019-20	Estimated 2020-21	Projected 2021-22
Property Tax:			
Property Tax 1%	\$ 1,626,597,968	\$ 1,723,969,000	\$ 1,826,696,000
Property Tax - VLF Replacement	505,709,883	539,055,000	567,929,000
Total Property Tax	2,132,307,851	2,263,024,000	2,394,625,000
Property Tax - Ex-CRA Tax Increment	84,054,103	119,623,000	123,080,000
Utility Users' Tax:			
Electric Users' Tax	434,846,854	415,011,000	423,228,000
Telephone Users' Tax	129,695,196	110,830,000	96,437,000
Gas Users' Tax	73,837,306	69,436,000	69,749,000
Total Utility Users' Tax	638,379,356	595,277,000	589,414,000
Licenses, Permits, Fees and Fines:			
Licenses, Permits, Fees, and Fines	323,729,607	241,097,000	245,181,000
Emergency Ambulance	94,073,671	70,000,000	78,000,000
Services to Proprietary Departments	174,576,623	162,790,000	178,916,000
Reimbursements from Other Funds	605,916,431	675,834,000	661,043,000
Total Licenses, Permits, Fees and Fines	1,198,296,332	1,149,721,000	1,163,140,000
Business Tax	655,849,445	662,000,000	700,226,000
Sales Tax	556,237,401	520,573,000	556,000,000
Documentary Transfer Tax	205,473,078	217,717,000	215,515,000
Power Revenue Transfer	229,913,000	218,400,000	219,050,000
Transient Occupancy Tax	211,148,453	73,442,000	91,142,000
Transient Occupancy Tax - Short-term Rental	42,390,237	20,559,000	25,740,000
Parking Fines	114,864,937	94,583,000	100,704,000
Parking Users' Tax	106,978,833	59,929,000	114,604,000
Franchise Income	84,020,392	77,135,000	76,743,000
Grant Receipts	18,398,366	13,295,000	12,732,000
Interest	46,428,690	34,705,000	26,288,000
State Motor Vehicle License Fees	3,197,538	3,198,000	3,198,000
Tobacco Settlement	10,177,953	10,583,000	10,709,000
Residential Development Tax	4,821,344	4,491,000	4,792,000
Special Parking Revenue Transfer	31,294,008	-	-
Total General Fund Receipts	\$ 6,374,231,316	\$ 6,138,255,000	\$ 6,427,702,000

SCHEDULE II

Special Fund Receipts:	Actual 2019-20	Estimated 2020-21	Projected 2021-22
Accessible Housing Fund	\$ 7,253,446	\$ 15,676,000	\$ 15,676,000
Affordable Housing Trust Fund	2,991,695	1,933,000	2,437,000
Arts and Cultural Facilities and Services Fund	26,174,885	22,230,000	15,870,000
Arts Development Fee Trust Fund	5,880,162	3,460,000	3,500,000
Building and Safety Permit Enterprise Fund	228,803,560	156,751,000	211,801,000
Cannabis Regulation Special Revenue Fund	7,765,053	25,056,000	22,125,000
Central Recycling and Transfer Fund	7,650,474	4,707,000	4,590,000
City Employees' Retirement Fund	98,264,257	113,251,000	113,806,000
City Employees Ridesharing Fund	2,979,693	2,848,000	2,600,000
City Ethics Commission Fund	3,332,855	2,675,000	1,082,000
City Tax Levy (Debt Service)	124,186,039	128,456,000	119,325,000
Citywide Recycling Trust Fund	27,472,914	22,579,000	19,625,000
Code Compliance Fund	1,220,063	1,500,000	1,500,000
Code Enforcement Trust Fund	39,872,357	38,582,000	38,492,000
Community Development Trust Fund	23,781,910	20,449,000	16,729,000
Community Services Administration Grant Fund	1,685,806	1,334,000	2,038,000
Convention Center Revenue Fund	31,318,192	2,563,000	25,801,000
Disaster Assistance Trust Fund	6,911,060	39,532,000	52,169,000
El Pueblo de Los Angeles Historical Monument Re	4,572,048	1,428,000	3,041,000
Forfeited Assets	4,019,250	1,716,000	--
Greater Los Angeles Convention & Visitors Bureau	19,504,617	9,100,000	13,100,000
HOME Investment Partnerships Program Fund	4,859,695	6,819,000	7,937,000
Household Hazardous Waste Special Fund	1,812,410	5,284,000	3,422,000
Housing Opportunities for Persons with AIDS Fund	349,962	445,000	499,000
Landfill Maintenance Special Fund	-	-	--
Local Public Safety Fund	46,110,084	44,046,000	44,046,000
Local Transportation Fund	5,103,502	2,589,000	2,589,000
Measure M Local Return Fund	56,215,542	57,340,000	57,157,000
Measure R Traffic Relief and Rail Expansion Fund	49,501,985	49,906,000	49,842,000
Mobile Source Air Pollution Reduction Trust Fund	5,354,309	5,813,000	5,264,000
Multi-Family Bulky Item Fund	7,932,225	7,428,000	8,649,000
Municipal Housing Finance Fund	11,173,476	8,847,000	9,562,000
Neighborhood Empowerment Fund	3,549,030	2,761,000	2,706,000
Older Americans Act Fund	2,149,622	1,694,000	1,694,000
Park and Recreational Sites and Facilities Fund	3,218,002	2,688,000	2,688,000
Planning Case Processing Revenue Fund	25,759,262	22,476,000	28,905,000
Proposition A Local Transit Assistance Fund	150,594,469	163,647,000	146,998,000
Proposition C Anti-Gridlock Transit Improvement I	79,949,641	80,741,000	80,733,000
Rent Stabilization Trust Fund	21,904,591	21,628,000	22,095,000
Sewer Construction and Maintenance Fund	779,254,620	1,250,654,000	984,654,000
Sidewalk Repair Fund	15,485,497	14,592,000	14,592,000
Solid Waste Resources Revenue Fund	349,222,248	297,460,000	326,144,000
Special Gas Tax Street Improvement Fund	97,195,137	102,412,000	109,487,000
Special Gas Tax Road Maintenance and Rehabilitat	74,546,229	73,349,000	80,212,000
Special Parking Revenue Fund	34,765,601	58,516,000	38,521,000
Staples Arena Special Fund	3,473,329	52,000	5,446,000
Stormwater Pollution Abatement Fund	35,556,949	69,477,000	63,710,000

Continued.....

SCHEDULE II

	Actual 2019-20	Estimated 2020-21	Projected 2021-22
Special Receipts: (Continued)			
Street Damage Restoration Fee Fund	\$ 63,883,767	\$ 56,229,000	\$ 55,125,000
Street Lighting Maintenance Assessment	63,260,422	68,015,000	73,698,000
Supplemental Law Enforcement Services	10,939,426	8,443,000	8,443,000
Telecommunications Development Account	18,611,504	18,106,000	17,875,000
Traffic Safety Fund	3,620,778	1,509,000	1,541,000
Workforce Innovation Opportunity Act	10,624,998	12,720,000	18,418,000
Zoo Enterprise Trust	16,948,426	6,647,000	13,308,000
Allocations fr. Other Gov'tal Agencies	66,261,877	52,930,000	56,435,000
Total Special Receipts	2,794,828,947	3,191,089,000	3,027,702,000

SCHEDULE III

Office of the Controller General Fund Receipts

Last 20 Fiscal Years and Estimates for Fiscal Years 2020-21 and 2021-22 (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
2000-01	588,307	557,401	357,222	344,605	108,538	431,628	753,640	3,141,341
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	1,933,300	633,000	536,000	544,000	293,000	998,753	853,389	5,791,442
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 (Estimated)	2,382,647	595,277	520,573	662,000	94,001	1,149,721	734,036	6,138,255
2021-22 (Projected)	2,517,705	589,414	556,000	700,226	116,882	1,163,140	784,335	6,427,702

(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; \$119,623 in 2020-21; and \$123,080 in 2021-22.

(b) Other Revenues include transfers from the Reserve Fund except for 2008-09 and 2012-13 through 2013-14, 2019-20.