

2006-2007

**CONTROLLER'S**  
**Preliminary**  
**FINANCIAL**  
**REPORT**



*Fiscal Year Ended June 30, 2007*

*CITY OF LOS ANGELES*

**Laura N. Chick, Controller**

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September 18, 2007

Honorable Antonio Villaraigosa, Mayor  
Honorable Members of the Los Angeles City Council

**SUBJECT: PRELIMINARY FINANCIAL REPORT FISCAL YEAR 2006-07**

I am submitting my Preliminary Financial Report of financial operations for the City of Los Angeles for fiscal year 2006-07.

After closing the City's General Ledger for fiscal year 2006-07, the available cash balance in the Reserve Fund after considering the fiscal year 2007-08 budgeted transfers and reappropriations was \$113.7 million. This is \$88.1 million less than was originally anticipated. The adopted budget for fiscal year 2007-08 projected an Emergency Reserve of \$122.0 million and a Contingency Reserve of \$79.8 million; the actual Emergency Reserve was \$113.7 million and the Contingency Reserve was \$0.0.

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Reserve Fund Cash Balance  
Available July 1, 2007  
(In Millions)

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|   | Adopted<br>FY 07-08<br>Budget | Year-End<br>Actual | Difference       |
|---|-------------------------------|--------------------|------------------|
| Cash Balance, Ending 6/30/07 and Beginning 7/1/07 | \$ 283.6                      | \$ 224.2           | \$ (59.4)        |
| Return of advances for Unfunded Encumbrances      | 14.0                          | 17.0               | 3.0              |
| Reappropriations                                  | (10.0)                        | (41.7)             | (31.7)           |
| Transfer to 2007-08 Budget                        | <u>(85.8)</u>                 | <u>(85.8)</u>      | <u>--</u>        |
| Total Reserve Fund, 7/1/07                        | 201.8                         | 113.7              | (88.1)           |
| Emergency Reserve                                 | <u>(122.0)</u>                | <u>(113.7)</u>     | <u>8.3</u>       |
| Total Contingency Reserve, 7/1/07                 | \$ <u>79.8</u>                | \$ <u>--</u>       | \$ <u>(79.8)</u> |

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At the beginning of the new fiscal year, the Reserve Fund was \$88.1 million less than what was projected in the budget. A \$25 million loan to the Municipal Improvement Corporation of Los Angeles (MICLA) for Figueroa Plaza was reimbursed in August 2007 from MICLA bond funds. The loan repayment increased the Reserve Fund to \$138.7 million, creating an Emergency Reserve of \$122.0 million and a Contingency Reserve of \$16.7 million. This Reserve Fund amount reflects the \$85.8 million transfer to support the General Fund budget. The actual timing of the transfer is determined by the Controller subject to the cash condition of the Reserve Fund. We will monitor both the General Fund and the Reserve Fund before we consider making the transfer.

The attached report addresses certain issues in detail, and includes supporting schedules that show the cash position of the City along with the status of the General Fund and bonded indebtedness.

General Fund revenues were \$44 million more than the Adopted Budget, but \$28 million less than the Year-End Revised Estimate. Overall, General Fund receipts were 6.1 percent more than last year. Eighty-five percent of the increase in General Fund receipts is attributed to Property Taxes, which increased 18.9 percent. Reflected in the 18.9 percent is \$44 million scheduled to be received in fiscal year 2005-06 but was actually received in fiscal year 2006-07. The General Fund continued to benefit from high property values as a result of the previous robust real estate market. The lingering decline in the real estate market has not yet negatively impacted the City's Property Tax revenue, but has impacted Documentary Transfer Tax revenue, which declined 13.4 percent from the prior year. Gains were realized in Licenses, Permits, and Fees; Business Tax; Interest Income; and Sales Tax revenues.

The City's budget will be subjected to increasing costs and revenue uncertainties. In fiscal year 2007-08 and future years, these uncertainties are anticipated to include:

- **Reserve Fund:** After the return of a \$25 million loan, the Emergency Reserve will reach \$122.0 million as required under the City's Reserve Fund policy, which is 2.75 percent of the City's General Fund revenues. The Contingency Reserve stands at \$16.7 million, in effect the Contingency Reserve is short of the budget by \$63.1 million.
- **Telephone Users Tax:** Telecommunication companies are questioning the legality of the City's Telephone Users Tax on various legal grounds. The City Attorney and City Administrative Officer are keeping the Mayor and Council

apprised of the case. The Mayor has also convened a task force to review the implications and to make funding recommendations should the City lose most or a substantial portion of this revenue source.

- **Employee Related Issues:** Salary adjustments, health/dental costs and workers' compensation costs are unknown for future years. Potential volatility in these areas and the magnitude of their annual expenditure require that they be closely monitored.
- **Civilian Retirement and Fire & Police Pension Systems:** The City's contribution to the two systems has increased for several years and is expected to increase in the future based on current information. Each system has an annual actuarial valuation generated in the Fall and the valuations for 2007-08 will provide information on future City contributions. The impact, if any, of instability in the stock and credit markets on future contributions is unknown at this time.
- **Documentary Transfer Tax:** The City's Documentary Transfer Tax (tax on the sale of property) receipts have increased year-over-year by approximately 20 percent for fiscal years 2002 through 2006. However, in fiscal year 2007, Documentary Transfer Tax receipts were 13.4 percent less than the previous fiscal year. A prolonged decline in home sales and/or a decline in prices could significantly affect future Documentary Transfer Tax revenues. The depth of the real estate downturn and its impact on property values and the Documentary Transfer Tax are uncertain.
- **Water Revenue Transfer:** The City held the Water Transfer in abeyance beginning in fiscal year 2006-07. The State Supreme Court found that metered charges for consumption of water by a public agency fall within the "property related" fees subject to Proposition 218. The City has filed an action in the Los Angeles Superior Court to determine whether the annual Water Revenue Transfer to the City complies with all applicable provisions of State law. The Water Revenue transfers to the City will resume if there is a final favorable judicial decision.

The City's financial health is subject to changes in the economy and the level of employment opportunities nationally and locally. The depth of the sub-prime mortgage crisis, and how it will affect the economy is uncertain. Additionally, higher energy costs, uncertainty in the stock and credit markets and their impact on the local economy are major concerns. As discussed above, the City faces financial

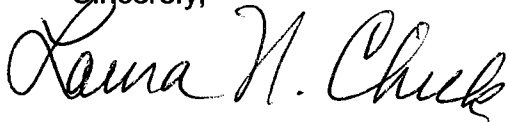
Honorable Antonio Villaraigosa  
Honorable Members of the Los Angeles City Council  
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challenges that could threaten some of its revenue sources, while also facing some uncertainty on the expenditure side. It is important that the Mayor, Council, and departments redouble their efforts to monitor receipts and expenditures during the year, and take timely corrective action as needed. Extreme caution should be exercised when making decisions involving the use of the Reserve Fund.

Later this fiscal year, I will issue the City's Comprehensive Annual Financial Report (CAFR). The CAFR will contain a complete accounting of all City funds with audited financial statements prepared in accordance with generally accepted accounting principles.

My staff and I express our appreciation to all City departments and offices for their help and cooperation in the preparation of this report and a smooth year-end closing.

Sincerely,

A handwritten signature in cursive script that reads "Laura N. Chick". The signature is written in black ink and is positioned to the left of the typed name.

LAURA N. CHICK  
City Controller

Attachments

|   |
|---|
| <b>Reserve Fund Balance (June 30, 2007)</b> |
|---|

When the City's General Ledger for fiscal year 2006-07 closed, the Reserve Fund balance was \$224.2 million, which was \$59.4 million less than the budgeted amount. Table I below shows the comparison between the actual Reserve Fund balances and those anticipated in the fiscal year 2007-08 budget.

| Table I   |  |                 |                   |
|---|--|-----------------|-------------------|
| Reserve Fund Balance as of June 30, 2007<br>(In Millions) |  |                 |                   |
|   | Adopted FY<br>2007-08<br><u>Budget</u> | <u>Actual</u>   | <u>Difference</u> |
| Contingency Reserve:                                      |  |                 |                   |
| Balance Before Year-End Reversions/Borrowings             | \$ 53.2                                | \$ 8.7          | \$ (44.5)         |
| Reversion of Unencumbered Balances                        | 77.5                                   | 88.7            | 11.2              |
| Reversion of Unallocated Revenue                          | 72.4                                   | 64.0            | (8.4)             |
| Advances Under Charter Section 261(i)                     | <u>(28.0)</u>                          | <u>(45.7)</u>   | <u>(17.7)</u>     |
| Total Contingency Reserve                                 | 175.1                                  | 115.7           | (59.4)            |
| Emergency Reserve   | <u>108.5</u>                           | <u>108.5</u>    | <u>--</u>         |
| Total Reserve Fund, 6/30/07                               | <u>\$ 283.6</u>                        | <u>\$ 224.2</u> | <u>\$ (59.4)</u>  |

### Balance Before Year-End Reversions/Borrowings

This category represents the amount of cash available in the Contingency Reserve after closing the General Ledger and prior to adjustments for fiscal year 2006-07 year-end reversions and borrowings. It does not include cash in the Emergency Reserve.

### Reversion of Unencumbered Balances

This category refers to fiscal year 2006-07 General Fund appropriations that reverted to the Reserve Fund because the funds were not encumbered or expended during the year. The Mayor and Council grant *appropriation authority*<sup>1</sup> to City departments each year. Those appropriations are consumed throughout the year in the form of

<sup>1</sup> **An appropriation authority** is the legal authority to incur obligations and expend an amount of funds for a stated purpose.

*encumbrances*<sup>2</sup> and *expenditures*<sup>3</sup>. The *total appropriation authority*<sup>4</sup> minus encumbrances and expenditures represents the unencumbered balance at year-end. Like unallocated revenue, unencumbered balances from General Fund appropriations revert to the Reserve Fund each year. When the fiscal year 2007-08 budget was adopted in June 2007, the City anticipated an unencumbered balance of \$77.5 million. The actual year-end unencumbered balance was \$88.7 million or \$11.2 million more than the budget. Table II is a summary of General Fund unencumbered balances for fiscal year 2006-07 by department.

| <u>Department</u>                               | <u>Amount</u>  |
|---|----------------|
| Aging   | \$ 2,245       |
| Animal Services                                 | 1,024,688      |
| Building and Safety                             | 245,556        |
| Capital Finance Administration                  | 4,826,389      |
| Capital Improvement Expenditure Program         | 23,849,261     |
| City Administrative Officer                     | 528,339        |
| City Attorney                                   | 1,004,962      |
| City Clerk                                      | 948,899        |
| City Ethics                                     | 1,031          |
| Commission on the Status of Women               | 14,912         |
| Commission for Children, Youth & their Families | 201,622        |
| Controller                                      | 4,714,966      |
| Council   | 5,510,624      |
| Cultural Affairs                                | 61,743         |
| Disability                                      | 75,191         |
| Emergency Preparedness                          | 33,166         |
| Employee Relations Board                        | 79,965         |
| Environmental Affairs                           | 5,929          |
| Finance   | <u>519,539</u> |
| Subtotal  | \$43,649,027   |

(Table continued on next page)

<sup>2</sup> **An encumbrance** is an obligation or commitment to pay for a good or service. An example of an encumbrance is ordering a car.

<sup>3</sup> **An expenditure** is an actual payment. Using the example in footnote 2, an example of an expenditure is writing the check to pay for the car.

<sup>4</sup> **Total appropriation authority** includes the adopted budget and actions taken by Mayor and Council during the year to amend the adopted budget.

Table II (Continued)

Year-End Reversions to Reserve Fund  
As of June 30, 2007

| <u>Department</u>                      | <u>Amount</u>        |
|--|----------------------|
| Fire                                   | \$ 2,008,574         |
| Non-Departmental – General             | 4,253,277            |
| General City Purposes                  | 1,215,763            |
| General Services                       | 6,001,597            |
| Human Relations Commission             | 49,340               |
| Human Resources Benefits               | 61                   |
| Information Technology Agency          | 1,538,465            |
| Liability Claims                       | 4,760,112            |
| Los Angeles Housing                    | 8,000                |
| Mayor                                  | 1,154,995            |
| Personnel                              | 1,330,527            |
| Planning                               | 1,014,173            |
| Police                                 | 3,072,539            |
| Public Works – Board                   | 214,162              |
| Public Works – Contract Administration | 1,939,785            |
| Public Works – Engineering             | 348,934              |
| Public Works – Sanitation              | 761,485              |
| Public Works – Street Services         | 3,634,467            |
| Transportation                         | 572,268              |
| Treasurer                              | 27,886               |
| Unappropriated Balance                 | 11,175,972           |
| Water and Electricity                  | <u>4,929</u>         |
| Total                                  | <u>\$ 88,736,338</u> |

The adopted budget provides that amounts earmarked for specific functions will be automatically reappropriated if not expended in a given year. Of the total \$88.7 million that reverted to the Reserve Fund, \$41.7 million was reappropriated in the fiscal year 2007-08 budget. The reappropriated amount is \$31.7 million more than the \$10 million included in the budget. These reappropriations include the Capital Improvement Expenditure Program (CIEP) - \$23.8 million, Unappropriated Balance - \$5.5 million and other technical adjustments. The CIEP reappropriations require a separate Council action, so the actual reappropriation may vary from \$23.8 million.

While \$88.7 million reverted, \$231.9 million in non-salary accounts remained encumbered. This \$231.9 million compares to \$178.6 million encumbered at June 30, 2006.

**Reversion of Unallocated Revenue (Excess Receipts)**

Excess receipts, receipts that are not appropriated during the year, revert to the City's Reserve Fund at year-end. At fiscal year-end 2006-07, excess receipts of \$64.0 million reverted to the Reserve Fund as unallocated revenue. Upon adoption of the budget for fiscal year 2007-08, the Mayor and Council anticipated the receipt of \$72.4 million in unallocated revenues. Actual receipts were \$8.4 million less than the budgeted amount of unallocated revenue.

**Advances Under Charter Section 261(i) for Unfunded Encumbrances and Expenditures**

Under Charter Section 261(i), the Controller transfers funds from the Reserve Fund as a loan to any fund that becomes depleted due to tardy revenue receipts. The fiscal year 2007-08 budget anticipated \$28 million in year-end loans from the Reserve Fund. The actual loans, in accordance with this Charter section, were \$45.7 million, \$28.7 million for unfunded expenditures and \$17.0 million for unfunded encumbrances (see Table III). The unfunded expenditures generally occur due to: 1) an imbalance between the timing of receipts in relation to expenditures, and/or; 2) billing delays. Departments typically repay Reserve Fund advances as they are reimbursed by their funding source, or seek Mayor and Council forgiveness for repayment. Such actions reduce the availability of funds in the Reserve Fund in the following year. The unfunded encumbered amounts represent a technical adjustment at year-end, mainly for grant contracts, and are reversed at the start of the new fiscal year.

The following table (Table III) provides a listing of departments that received year-end advances:

| Department                    | Expenditure          | Encumbrance          | Total                |
|-------------------------------|----------------------|----------------------|----------------------|
| Charter Section 261(i)        |                      |                      |                      |
| Aging                         | \$ 61,490            | \$ 25,345            | \$ 86,835            |
| Building & Safety             | 341,074              | 78,861               | 419,935              |
| City Administrative Officer   | --                   | 17,438               | 17,438               |
| City Attorney                 | 97,379               | --                   | 97,379               |
| Community Development         | 596,955              | 3,130,475            | 3,727,430            |
| Disability                    | --                   | 7,022                | 7,022                |
| El Pueblo                     | --                   | 157,928              | 157,928              |
| Fire                          | 176,749              | --                   | 176,749              |
| General Services              | 7,872,254            | 5,192,253            | 13,064,507           |
| General City Purposes         | 84,753               | 318,628              | 403,381              |
| Housing                       | --                   | 5,782,088            | 5,782,088            |
| Information Technology Agency | 548,674              | --                   | 548,674              |
| Mayor                         | 401,518              | --                   | 401,518              |
| Planning                      | 56,969               | 39,957               | 96,926               |
| Police                        | 6,212,694            | 450                  | 6,213,144            |
| PW – Board                    | 352,040              | 545,000              | 897,040              |
| PW – Contract Administration  | 430,365              | --                   | 430,365              |
| PW – Engineering              | 1,268,854            | --                   | 1,268,854            |
| PW – Street Lighting          | 528,921              | 604,922              | 1,133,843            |
| PW – Street Services          | 9,418,037            | 1,102,355            | 10,520,392           |
| Transportation                | <u>206,732</u>       | <u>45,976</u>        | <u>252,708</u>       |
| Total                         | <u>\$ 28,655,458</u> | <u>\$ 17,048,698</u> | <u>\$ 45,704,156</u> |

### Emergency Reserve

To arrive at the total June 30, 2007 Reserve Fund cash balance of \$224.2 million, the Emergency Reserve of \$108.5 million is added to the \$115.7 million Contingency Reserve balance.

## RESERVE FUND BALANCE (July 1, 2007)

This fiscal year, the adopted budget projected the following with respect to the Reserve Fund balance:

- A beginning cash balance of \$283.6 million;
- Return of Reserve Fund advances (loans) for unfunded encumbrances amounting to \$14.0 million;
- Reappropriations amounting to \$10.0 million; and
- Current year budget transfer amounting to \$85.8 million

The actual Reserve Fund beginning cash balance was \$59.4 million less than the estimate in the fiscal year 2007-08 budget. The beginning cash balance is adjusted by adding the return of Advances for Unfunded Encumbrances offset by increased Reappropriations, the budgeted Transfer to the 2007-08 Budget and the budgeted Emergency Reserve. This resulted in an Emergency Reserve of \$113.7 million and a Contingency Reserve of \$0.0.

Table IV

Reserve Fund Cash Balance  
Available July 1, 2007  
(In Millions)

|   | Adopted<br>FY 07-08<br>Budget | Beginning<br>Actual | Difference       |
|---|-------------------------------|---------------------|------------------|
| Cash Balance, Ending 6/30/07 and Beginning 7/1/07 | \$ 283.6                      | \$ 224.2            | \$ (59.4)        |
| Return of Advances for Unfunded Encumbrances      | 14.0                          | 17.0                | 3.0              |
| Reappropriations                                  | (10.0)                        | (41.7)              | (31.7)           |
| Transfer to 2006-07 Budget                        | <u>(85.8)</u>                 | <u>(85.8)</u>       | <u>--</u>        |
| Total Reserve Fund, 7/1/07                        | 201.8                         | 113.7               | (88.1)           |
| Emergency Reserve                                 | <u>(122.0)</u>                | <u>(113.7)</u>      | <u>8.3</u>       |
| Total Contingency Reserve, 7/1/07                 | <u>\$ 79.8</u>                | <u>\$ --</u>        | <u>\$ (79.8)</u> |

Late in fiscal year 2006-07, an advance of \$25 million was made from the Reserve Fund to help with the City's acquisition of Figueroa Plaza. The \$25 million was repaid in August, as the Figueroa Plaza project was funded through the Municipal Improvement Corporation of Los Angeles (MICLA). After the repayment, the

Emergency Reserve is the budgeted \$122.0 million, while the Contingency Reserve is \$16.7 million.

The \$85.8 million transfer from the Reserve Fund to the fiscal year 2007-08 budget is the smallest transfer in five years. However, even making this transfer to the General Fund at this time would seriously deplete cash in the Reserve Fund. Since the budget authorizes the Controller to make the transfer based upon the cash condition of the Reserve Fund, we will continue to monitor both the General Fund and the Reserve Fund before deciding on when to make the transfer.

### City's Reserve Fund

The Mayor and City Council established (C.F. 98-0459) the Reserve Fund Policy and instructed the Controller to establish the following accounts within the Reserve Fund:

- **Contingency Reserve:** This account was created as the source of funds for programs approved in the current budget year that experienced unanticipated expenses or revenue shortfalls. Funding for new programs or positions created outside of the current year budget is not allowed.
- **Emergency Reserve:** This account was created as the source of funds upon a determination of "urgent economic necessity" by Mayor and Council based on a significant economic downturn, earthquake, or other natural disaster.

In the 2007-08 Budget, the Mayor and Council amended the Reserve Fund policy increasing the Emergency Reserve from 2.5 percent to 2.75 percent of General Fund receipts, while preserving the overall goal of the total Reserve Fund at 5 percent of General Fund receipts. At the beginning of fiscal year 2007-08, the Reserve Fund was at \$224.2 million. After reappropriations, and annual budget transfer (\$85.8 million), the Reserve Fund balance was \$113.7 million. As a result, the Contingency Reserve account is \$0.0 and the Emergency Reserve is adjusted down to \$113.7 million, which is \$8.3 million short of the City's 2.75 percent policy. Even with the return of the \$25 million advance, the Contingency Reserve balance will be \$16.7 million, before consideration of any loans or appropriations already made this fiscal year.

Rebuilding and maintaining the Reserve Fund poses a great challenge. With the uncertain impact of declining real estate sales, defaulting sub-prime mortgages, uncertainty in the stock and credit markets, as well as concerns about Documentary Transfer Tax, the Telephone Users' Tax, and the Water Revenue Transfer, it is imperative that the City restore the Reserve Fund to its budgeted level. The expenditure side of the budget is of no less a concern with employee salary increases being negotiated and with potential for volatility in health/dental and workers' compensation costs.

### Maintenance of Reserve Fund

We are challenged with maintaining an adequate Reserve Fund, while providing an acceptable level of services to the public. The total Reserve Fund is low and extreme caution is necessary because the total Reserve Fund does not provide an adequate cushion for unexpected drops in revenue given the issues facing the City, the State and the nation at this time. As proposed in my "Interim Year-End Closing Report" of August 8, 2007, immediate action should be taken to: 1) Accelerate repayment of Reserve Fund loans, and 2) Evaluate fiscal year 2007-08 reappropriations, Transfer to Budget, and fiscal year 2006-07 year end encumbrances to determine if they could be adjusted downward to increase the Contingency Reserve. Those short term steps are critical in addressing the Reserve Fund shortfall.

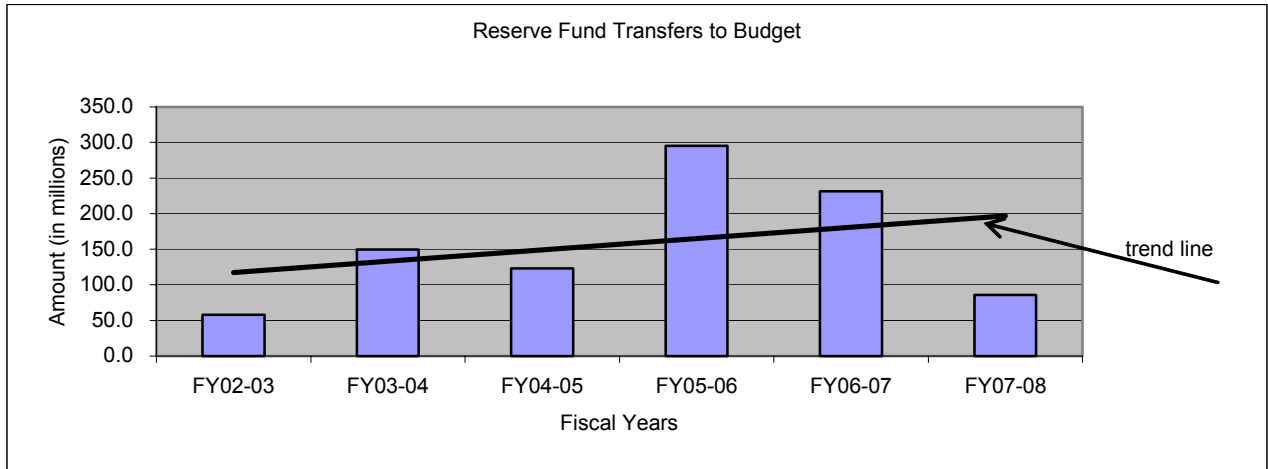
Table V shows that this year, the City's Reserve Fund transfer to the budget is the smallest in five years. Since Fiscal Year 2002-03 the City increasingly used the Reserve Fund as a "one-time-revenue source." The Reserve Fund balance was increased one year and that balance was carried over to the next year to help increase the Reserve Fund and to help balance the next year's budget. For 2007-08 the Mayor and Council took steps to return to a budget based upon using current year revenues to support current year expenditures. Reducing reliance on "one-time-revenues" is a positive step for the City.

Table V

#### Beginning Reserve Fund Balances (In Millions)

|                              | <u>FY07-08</u>  | <u>FY06-07</u>  | <u>FY05-06</u>  | <u>FY04-05</u>  | <u>FY03-04</u>  | <u>FY02-03</u>  |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Transfer to Budget           | <u>\$ 85.8</u>  | <u>\$ 231.3</u> | <u>\$ 295.3</u> | <u>\$ 122.9</u> | <u>\$ 149.6</u> | <u>\$ 58.0</u>  |
| Reserve Fund Balance, July 1 |                 |                 |                 |                 |                 |                 |
| After Transfer to Budget     |                 |                 |                 |                 |                 |                 |
| Contingency Reserve          | \$ --           | \$ 70.3         | \$ 79.6         | \$ 83.9         | \$ 52.1         | \$ 57.2         |
| Emergency Reserve            | <u>113.7</u>    | <u>108.5</u>    | <u>78.9</u>     | <u>61.0</u>     | <u>61.0</u>     | <u>61.0</u>     |
| Total                        | <u>\$ 113.7</u> | <u>\$ 178.8</u> | <u>\$ 158.5</u> | <u>\$ 144.9</u> | <u>\$ 113.1</u> | <u>\$ 118.2</u> |

The following graph shows that the fiscal year 2007-08 Reserve Fund contribution to the General Fund declined almost to the level of fiscal year 2002-03.



Given the current state of the Reserve Fund, even the relatively small transfer of \$85.8 million may be optimistic. There are two overriding issues with the \$85.8 million; one is cash flow while the second is budget. Cash flow is an issue in the first six months of the fiscal year as the City is short on revenue versus expenditures. This is reversed in the second half. We address the first six months by timing the Transfer to Budget, borrowing from the Reserve Fund, borrowing from other City funds and Tax and Revenue Anticipation Notes borrowing. Since the Reserve Fund is below expectations this year, we can do the Transfer to Budget and borrow less than anticipated from the Reserve Fund or not do the Transfer to Budget and borrow from the Reserve Fund. But the fact remains that for the first six months, there will not be enough cash in the Reserve Fund to meet the cash flow needs of the General Fund as anticipated. As a result we will have to increase our interfund borrowing. We are preparing a report requesting authorization for such borrowing in accordance with Charter Section 340(b).

The second issue related to the \$85.8 million is the budget. If revenues do not significantly exceed the budget revenue projections during the year, or if expenditures are not below appropriations, or if there is not a combination of the two, it will be necessary to make the \$85.8 million Transfer to Budget to support the General Fund by June 30, 2008. The difficult decision for the City becomes: “Do we support the General Fund while reducing the Reserve Fund or do we reduce the General Fund to maintain the Reserve Fund.” In prior years, Departments, the CAO, the Mayor and Council have all made difficult decisions so that the City has been able to live within its means while still building a strong Reserve Fund. Given uncertainties facing the City, especially the Utility Users Tax on Telephones, it is important that we retain a healthy Reserve Fund this year.

While the economy is still growing at a healthy pace, economists are concerned about the sub-prime mortgage crisis and how it affects consumers’ attitude about the economy. Consumer spending drives the economy and cut-backs in consumer spending could reduce revenue to the City. With constricting credit markets

increasing the cost of capital, uncertainty in the stock market, and potential revenue and expenditure issues facing the City, a healthy Reserve Fund will be invaluable in helping the City maintain its firm financial standing this and future fiscal years.

## RECOMMENDATIONS

That the Mayor and Council:

1. Exercise extreme caution when making decisions involving the use of the Reserve Fund;
2. Review the \$41.7 million in reappropriations to determine if all are necessary;
3. Review the \$231.8 million in encumbrances to determine if they are necessary;
4. Review the \$85.8 million Transfer to Budget;
5. Instruct departments listed in Table III to report to the City Administrative Officer and the Controller on plans to accelerate repayment of Reserve Fund advances for unfunded expenditures;
6. Instruct invoicing and paying departments involved in unfunded expenditures (Table III) to review their procedures to identify methods to improve their invoicing and paying processes; and
7. Reinforce adopted Council Policy (CF 99-1794-S1) that all departments whenever they request a loan or advance from the Reserve Fund, provide a schedule of all current outstanding loans, including special fund expenditures, the amount and Council File number, the date that the loan was approved, the purpose of the loan, current balance and the estimated date of repayment.

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**City of Los Angeles**

**Cash Condition  
Statement of Receipts and Disbursements - All Funds  
For the Fiscal Year Ended June 30, 2007**

|   |                                |
|---|--------------------------------|
| Cash Balance, July 1, 2006                          | \$ 6,839,895,157               |
| Add - Outstanding Warrants, July 1, 2006            | <u>140,005,891</u>             |
| Cash in the Treasury, July 1, 2006                  | 6,979,901,048                  |
| Add - Receipts during the year <sup>(1)</sup>       | <u>14,806,758,131</u>          |
| Total Available                                     | 21,786,659,179                 |
| Less - Disbursements during the Year <sup>(1)</sup> | <u>14,852,756,046</u>          |
| Cash in the Treasury, June 30, 2007                 | 6,933,903,133                  |
| Less - Outstanding Warrants, June 30, 2007          | <u>271,311,991</u>             |
| Cash Balance, June 30, 2007 <sup>(2)</sup>          | <u><u>\$ 6,662,591,142</u></u> |

(1) Receipts exclude interfund operating transfers. Disbursements include checks paid and wire transfers to depository banks by the City Treasurer.

(2) Excludes cash with fiscal agents, petty cash, other revolving funds, and time deposits held for safekeeping by the City Treasurer.

**City of Los Angeles**  
**Reserve Fund**  
**Statement of Receipts and Disbursements**  
**For the Fiscal Year Ended June 30, 2007**

|  |              |                |
|--|--------------|----------------|
| Cash Balance, July 1, 2006                           |              | \$ 432,399,335 |
| Receipts:  |              |                |
| Return of Advances Under Charter Section 261(i) for: |              |                |
| Unfunded Expenditures                                | \$ 9,052,744 |                |
| Unfunded Encumbrances                                | 14,006,907   |                |
| Return of Loans from Other Funds                     | 42,700,121   |                |
| Transfer of Power Revenue Surplus                    | 174,747,200  |                |
| Mid-Year Reversion of Unencumbered Balance           | 8,554,164    |                |
| Year-End Reversion of Unencumbered Balance           | 88,736,339   |                |
| Unallocated Revenue:                                 |              |                |
| Revenue Overage                                      | 38,971,967   |                |
| Transfer from MICLA                                  | 24,735,710   |                |
| Others   | 252,284      |                |
| Miscellaneous  | 5,413,971    | 407,171,407    |
| Total Available Cash and Receipts                    |              | 839,570,742    |
| Disbursements:                                       |              |                |
| Transfer to Budget                                   | 231,304,000  |                |
| Transfer to General Fund of Power Revenue Surplus    | 174,747,200  |                |
| Transfers to Other Funds                             | 67,796,866   |                |
| Loans to Other Funds                                 | 63,026,893   |                |
| Reappropriations of Prior Year Funds                 |              |                |
| for Capital Improvement Projects                     |              |                |
| and Other Departmental Accounts                      | 32,799,384   |                |
| Advances Under Charter Section 261(i) for:           |              |                |
| Unfunded Expenditures                                | 28,655,458   |                |
| Unfunded Encumbrances                                | 17,048,699   | 615,378,500    |
| Cash Balance, June 30, 2007                          |              | \$ 224,192,242 |

Note: The Reserve Fund Policy was adopted by Council (File 98-0459) on August 4, 1998 to create two accounts in the Reserve Fund, the Contingency Reserve and the Emergency Reserve. As of June 30, 2007, the total Contingency account is \$115,724,242 and the Emergency account is \$108,468,000.

City of Los Angeles

Schedule of Cash Balances by Fund Types  
June 30, 2007

**Governmental Funds:**

**General Funds**

|                            |    |             |                |
|----------------------------|----|-------------|----------------|
| General                    | \$ | 415,524,588 |                |
| Reserve                    |    | 224,192,242 |                |
| VLF-Funded Police Officers |    | 24,778,429  |                |
| Stores Revolving           |    | 10,177,264  |                |
| Other General Funds        |    | 16,954,250  | \$ 691,626,773 |

**Special Revenue Funds**

|  |             |
|--|-------------|
| MICLA Special Revenue Funds                                | 304,030,567 |
| Recreation and Parks                                       | 201,949,316 |
| Transportation Grants                                      | 192,474,725 |
| Special Parking Revenue                                    | 115,219,153 |
| Proposition A Local Transit Assistance (PALTA)             | 106,118,199 |
| Building and Safety Permit Enterprise                      | 74,362,724  |
| Solid Waste Resources Revenue Bond 2006A Acquisition       | 53,859,981  |
| Citywide Recycling Trust                                   | 40,922,767  |
| Seismic Bond Reimbursement                                 | 40,133,972  |
| Fire Hydrant Installation and Main Replacement             | 36,915,008  |
| Special Gas Tax Street Improvement                         | 36,321,493  |
| City of Los Angeles Affordable Housing                     | 28,542,818  |
| Subventions and Grants                                     | 25,667,792  |
| Solid Waste Resources Revenue                              | 23,628,317  |
| Proposition C Anti-Gridlock Transit Improvement            | 21,653,230  |
| Coastal Transportation Corridor Trust                      | 21,325,294  |
| Automated Traffic Surveillance and Control (ATSAC) Trust   | 19,977,540  |
| Municipal Sports Account                                   | 18,004,784  |
| Sanitation Equipment Charge Revenue Bond 2005A Acquisition | 17,890,334  |
| Street Lighting Maintenance Assessment                     | 17,098,729  |
| Systematic Code Enforcement Fee Trust                      | 16,637,820  |
| Disaster Assistance Trust                                  | 15,519,332  |
| LAPD Training and Evaluation Management System II          | 11,997,928  |
| Alternative Fuel Program                                   | 11,993,106  |
| West LA Transportation Improvement & Mitigation            | 11,556,504  |
| Matching Campaign Funds Trust                              | 10,675,113  |
| General Fund - Various Program                             | 9,839,273   |
| Zoo Enterprise Trust                                       | 9,016,706   |
| One Stop Permit Center                                     | 8,957,119   |
| Police Department Grant                                    | 8,753,745   |
| Rent Stabilization Trust                                   | 8,517,244   |
| U.S. Department of Justice Asset Forfeiture                | 8,395,610   |
| Supplemental Law Enforcement Services                      | 8,068,744   |
| Warner Center Transportation Improvement Trust             | 7,929,277   |
| Stormwater Pollution Abatement                             | 7,699,090   |
| Department of Neighborhood Empowerment                     | 7,591,280   |
| Sanitation Equipment Charge Revenue Bond 2003B Acquisition | 7,572,053   |
| Griffith Observatory Trust                                 | 7,253,058   |
| LACDB-Section 108 Guarantee                                | 6,462,124   |
| Community Development Trust                                | 6,265,382   |
| Urban Development Action Grant (UDAG) Revenue              | 6,247,713   |
| California State Asset Forfeiture                          | 5,983,086   |

Continued...

City of Los Angeles

Schedule of Cash Balances by Fund Types - (Continued)  
June 30, 2007

**Governmental Funds - Special Revenue Funds (Continued)**

|  |    |                    |                  |
|--|----|--------------------|------------------|
| Special Police Communications/911 System Tax | \$ | 5,785,020          |                  |
| Engineering Special Service                  |    | 5,679,628          |                  |
| Other Special Revenue Funds                  |    | <u>211,688,370</u> | \$ 1,822,181,068 |

**Debt Service Funds**

|                          |  |                  |             |
|--------------------------|--|------------------|-------------|
| General Obligation Bonds |  | 174,719,653      |             |
| Other Debt Service Funds |  | <u>4,267,609</u> | 178,987,262 |

**Capital Projects Funds**

|   |  |                   |             |
|---|--|-------------------|-------------|
| GOB Series 1989-A, 1990-B, 1992-A, 1993-A, 1994-A<br>1995-A, & 1999-B Library/Police/Fire/Public Works/<br>Recreation & Parks/Zoo |  | 25,624,046        |             |
| GOB Series 2000-A Library   |  | 7,123,237         |             |
| GOB Series 2001-A Library/Zoo/ Animal Shelter/Fire  |  | 31,056,957        |             |
| GOB Series 2002-A Zoo/ Animal Shelter/Fire/Police 911   |  | 68,381,464        |             |
| GOB Series 2003-A Animal Shelter/Fire/Police 911  |  | 92,111,742        |             |
| GOB Series 2004-A Police 911  |  | 250,796,103       |             |
| GOB Series 2005-A Storm Water/Fire  |  | 84,034,041        |             |
| GOB Series 2006-A Storm Water/Fire/Police 911/Animal Shelter  |  | 71,554,137        |             |
| Recreation and Parks Grant  |  | 39,248,445        |             |
| Proposition K Projects  |  | 57,449,060        |             |
| Proposition K Maintenance   |  | 20,129,393        |             |
| Other Capital Projects Funds  |  | <u>30,401,863</u> | 777,910,488 |

**Proprietary Funds - Enterprise**

|  |  |                   |               |
|--|--|-------------------|---------------|
| Airport Revenue                          |  | 514,313,319       |               |
| Harbor Revenue                           |  | 301,838,057       |               |
| Power Revenue                            |  | 523,353,505       |               |
| Water Revenue                            |  | 160,883,850       |               |
| Passenger Facility Charge Fund - LAWA    |  | 339,380,247       |               |
| Passenger Facility Charge Fund - Ontario |  | 55,074,713        |               |
| Airport Revenue Fund - Ontario           |  | 21,708,094        |               |
| Airport Insurance Trust Fund - LAWA      |  | 90,879,582        |               |
| China Shipping Mitigation                |  | 47,173,462        |               |
| Harbor Emergency                         |  | 92,274,812        |               |
| Sewer Construction and Maintenance       |  | 54,075,734        |               |
| Sewer Operations and Maintenance         |  | 76,005,357        |               |
| Sewer Capital                            |  | 17,628,365        |               |
| Los Angeles Convention Center            |  | 3,984,945         |               |
| Construction (Bond) Funds                |  | 408,875,862       |               |
| Bond Debt Service Funds                  |  | 305,429,127       |               |
| Other Enterprise Funds                   |  | <u>29,419,052</u> | 3,042,298,083 |

**Pension Trust**

|   |  |                |            |
|---|--|----------------|------------|
| City Employees Retirement                                       |  | 1,411,929      |            |
| Fire and Police Pension   |  | 68,690,839     |            |
| Water and Power Employees' Retirement/Disability/Death Benefits |  | 1,980,304      |            |
| Other Pension Trust Funds                                       |  | <u>265,215</u> | 72,348,287 |

Continued...

**City of Los Angeles**

**Schedule of Cash Balances by Fund Types - (Continued)  
June 30, 2007**

|   |    |                         |
|---|----|-------------------------|
| <b>Agency Funds</b>   |    |                         |
| Building and Safety Trust                                     | \$ | 22,223,704              |
| General Demand  |    | 76,470,934              |
| General Payroll Reimbursement                                 |    | 6,733,723               |
| Department of Water and Power Payroll                         |    | 2,458,662               |
| Department of Water and Power Disbursement                    |    | 95,418,128              |
| Department of Water and Power Plan Benefit                    |    | 26,706,694              |
| Public Works Trust  |    | 60,828,485              |
| Parking Violation Trust                                       |    | 13,091,912              |
| Internal Revenue Code Section 501(c) Employee Benefits Trust  |    | 19,494,128              |
| Other Agency Funds  |    | 25,124,802              |
|   |    | <u>\$ 348,551,172</u>   |
| <br><b>Total Cash Balance - All Fund Types <sup>(1)</sup></b> |    |                         |
|   |    | 6,933,903,133           |
| <br><b>Less - Outstanding Warrants:</b>                       |    |                         |
| General Demands   |    | 76,470,934              |
| General Payroll and Reimbursement                             |    | 6,598,945               |
| Department of Water and Power Payroll                         |    | 2,458,662               |
| Department of Water and Power Disbursement                    |    | 95,418,128              |
| Department of Water and Power Plan Benefit                    |    | 26,706,694              |
| Fire and Police Pension Funds                                 |    | 63,658,628              |
|   |    | <u>271,311,991</u>      |
| <br><b>Total Cash Balance in the Treasury, June 30, 2007</b>  |    |                         |
|   |    | <u>\$ 6,662,591,142</u> |

<sup>(1)</sup> Excludes cash with fiscal agents, petty cash, other revolving funds, and time deposits held for safekeeping by the City Treasurer.

City of Los Angeles

Statement of Receipts - Budget and Actual  
(Non-GAAP Budgetary Basis)  
All Annually Budgeted Funds  
Fiscal Years Ended June 30, 2007 and 2006

|   | Budget         | Actual         |                |
|---|----------------|----------------|----------------|
|   |                | 2007           | 2006           |
| <b>General Receipts:</b>                                |                |                |                |
| Property Tax  |                |                |                |
| Property Tax 1%   | \$ 917,246,000 | \$ 951,390,158 | \$ 823,938,138 |
| Property Tax - Educational Revenue<br>Augmentation Fund | --             | --             | (48,424,113)   |
| Subtotal  | 917,246,000    | 951,390,158    | 775,514,025    |
| Property Tax - Sales Tax Replacement                    | 112,625,000    | 112,093,653    | 88,936,666     |
| Property Tax - Vehicle License Fee Replacement          | 268,500,000    | 270,688,590    | 257,397,598    |
| Total Property Tax                                      | 1,298,371,000  | 1,334,172,401  | 1,121,848,289  |
| Utility Users Tax                                       | 613,448,000    | 605,269,257    | 604,946,846    |
| Licenses, Permits, Fees and Fines                       | 526,841,101    | 545,931,369    | 477,231,304    |
| Sales Tax   | 338,097,000    | 333,884,625    | 323,555,436    |
| Business Tax  | 421,720,000    | 464,330,066    | 434,529,359    |
| Power Revenue Transfer                                  | 175,000,000    | 174,747,200    | 157,894,300    |
| Parking Fines   | 122,328,000    | 119,501,898    | 113,060,176    |
| Transient Occupancy Tax                                 | 133,600,000    | 134,556,978    | 126,989,004    |
| Documentary Transfer Tax                                | 192,500,000    | 188,057,469    | 217,147,404    |
| Parking Users Tax                                       | 82,350,000     | 78,323,376     | 74,097,353     |
| Franchise Income  | 50,946,000     | 47,081,031     | 53,919,639     |
| Water Revenue Transfer                                  | 31,600,000     | --             | 27,914,300     |
| Interest  | 44,060,000     | 49,534,189     | 38,063,905     |
| State Motor Vehicle License Fees                        | 25,000,000     | 26,434,438     | 23,676,183     |
| Grant Receipts  | 17,061,246     | 15,815,567     | 12,117,367     |
| Tobacco Settlement                                      | 10,473,000     | 9,770,085      | 9,334,180      |
| Transfer From Telecommunications<br>Development Account | 5,364,000      | 5,363,735      | 1,470,578      |
| Residential Development Tax                             | 4,250,000      | 4,411,700      | 4,347,623      |
| Transfer from Reserve Fund                              | 231,304,000    | 231,304,000    | 295,265,091    |
| Transfer from Business Tax Reform Fund                  | 14,390,000     | 14,390,000     | 15,250,000     |
| Total General Receipts                                  | 4,338,703,347  | 4,382,879,384  | 4,132,658,337  |
| <b>Special Receipts:</b>                                |                |                |                |
| Sewer Construction & Maintenance Fund                   | 676,067,670    | 692,671,463    | 504,585,926    |
| Special Gas Tax Street Improvement Fund:                |                |                |                |
| State Gas Tax - Section 2105                            | 25,000,000     | 24,132,218     | 24,126,421     |
| State Gas Tax - Section 2106                            | 15,000,000     | 14,101,238     | 14,073,665     |
| State Gas Tax - Section 2107                            | 34,000,000     | 32,273,755     | 32,162,831     |
| Surface Transportation Program                          | 11,733,039     | 7,835,243      | 14,476,797     |
| Interest on Gas Tax Funds                               | 470,000        | 1,526,505      | 566,389        |
| Other Receipts  | 32,000         | 3,544,002      | 120,401        |
| Federal Aid and Urban Project                           | --             | --             | 376,113        |
| Traffic Congestion Relief AB 2928                       | 16,500,000     | 33,772,796     | 12,689,910     |

Continued...

City of Los Angeles

Statement of Receipts - Budget and Actual  
(Non-GAAP Budgetary Basis)  
All Annually Budgeted Funds - (Continued)  
Fiscal Years Ended June 30, 2007 and 2006

|  | Budget         | Actual         |                |
|--|----------------|----------------|----------------|
|  |                | 2007           | 2006           |
| <b>Special Receipts: (Continued)</b>                               |                |                |                |
| City Tax Levy (Debt Service)                                       | \$ 168,362,865 | \$ 179,416,867 | \$ 175,127,475 |
| Proposition A Local Transit Assistance Fund                        | 108,944,677    | 98,571,807     | 98,166,564     |
| Building & Safety Permit Enterprise Fund                           | 116,695,000    | 124,706,668    | 132,466,234    |
| Solid Waste Resources Revenue Fund                                 | 117,061,000    | 124,037,043    | 92,931,517     |
| Proposition C Anti-Gridlock Transit Improvement Fund               | 74,380,250     | 52,904,601     | 53,177,632     |
| Street Lighting Maintenance Assessment Fund                        | 45,568,668     | 46,756,102     | 43,329,099     |
| Community Development Trust Fund                                   | 29,299,163     | 35,187,947     | 36,992,700     |
| Local Public Safety Fund   | 39,000,000     | 36,904,001     | 36,511,430     |
| Special Parking Revenue Fund                                       | 37,921,466     | 48,543,062     | 42,126,819     |
| Stormwater Pollution Abatement Fund                                | 31,470,600     | 32,589,446     | 31,208,032     |
| City Employees' Retirement Fund <sup>(1)</sup>                     | 50,316,928     | 50,317,374     | 43,705,507     |
| Code Enforcement Trust Fund  | 30,704,000     | 31,661,910     | 29,158,456     |
| Convention Center Revenue Fund                                     | 22,875,000     | 26,521,429     | 24,406,329     |
| Special Police/911 System Tax Fund                                 | 18,536,976     | 19,742,265     | 20,807,558     |
| Zoo Enterprise Trust Fund  | 18,456,676     | 20,957,956     | 21,714,114     |
| Fines - State Vehicle Code   | 17,520,000     | 13,448,417     | 14,977,424     |
| Workforce Investment Act Fund                                      | 12,958,951     | 13,339,976     | 14,152,634     |
| Citywide Recycling Trust Fund                                      | 17,210,000     | 21,377,240     | 18,607,668     |
| Rent Stabilization Trust Fund                                      | 12,624,000     | 10,790,374     | 10,721,895     |
| Arts & Cultural Facilities & Services Trust Fund                   | 10,394,000     | 10,464,669     | 9,176,612      |
| Los Angeles Convention & Visitors Bureau Trust Fund                | 10,277,000     | 10,353,767     | 9,763,109      |
| Neighborhood Empowerment Fund                                      | 6,960,661      | 6,976,361      | 8,546,178      |
| Business Tax Reform Fund   | (1,856,167)    | (1,627,319)    | 10,952,550     |
| Affordable Housing Trust Fund                                      | 26,139,757     | 17,898,501     | 13,446,961     |
| HOME Investment Partnerships Program Fund                          | 8,404,039      | 7,809,900      | 6,802,561      |
| Mobile Source Air Pollution Reduction Trust Fund                   | 4,788,600      | 5,336,690      | 4,916,973      |
| Supplemental Law Enforcement Services Fund                         | 5,800,000      | 7,980,318      | 5,899,356      |
| Efficiency and Police Hiring Fund                                  | 1,679,000      | 267,106        | 4,362,253      |
| Telecommunications Liquidated Damages and Lost Franchise Fees Fund | 4,236,265      | 5,010,504      | 12,405,670     |
| Staples Arena Special Fund   | 3,580,000      | 4,108,655      | 5,542,332      |
| Major Projects Review Trust Fund                                   | 1,880,000      | 3,037,260      | 2,813,324      |
| El Pueblo de Los Angeles Historical Monument Fund                  | 3,741,331      | 3,495,460      | 3,406,412      |
| City Employees Ridesharing Fund                                    | 2,791,558      | 2,996,358      | 2,897,121      |
| Municipal Housing Finance Fund                                     | 2,000,000      | 1,965,138      | 1,724,775      |
| Arts Development Fee Trust Fund                                    | 1,380,000      | 3,270,569      | 1,656,708      |
| City Ethics Commission Fund  | 2,339,705      | 2,266,705      | 2,166,152      |
| Landfill Maintenance Fund  | 4,853,300      | 3,638,892      | 3,008,478      |
| Local Transportation Fund  | 2,379,653      | 2,989,773      | 2,219,002      |
| Household Hazardous Waste Fund                                     | 1,817,000      | 2,407,974      | 2,053,793      |
| Community Services Administration Grant                            | 2,012,278      | 1,373,366      | 1,408,767      |

Continued...

City of Los Angeles

Statement of Receipts - Budget and Actual  
(Non-GAAP Budgetary Basis)  
All Annually Budgeted Funds - (Continued)  
Fiscal Years Ended June 30, 2007 and 2006

|  | Budget                         | Actual                         |                                |
|--|--------------------------------|--------------------------------|--------------------------------|
|  |                                | 2007                           | 2006                           |
| <b>Special Receipts: (Continued)</b>             |                                |                                |                                |
| Older Americans Act Fund                         | \$ 1,594,186                   | \$ 2,298,325                   | \$ 2,236,445                   |
| Park & Recreational Sites & Facilities Fund      | 2,550,000                      | 2,624,991                      | 2,597,600                      |
| Street Damage Restoration Fee Fund               | 2,086,500                      | 3,796,395                      | 3,907,165                      |
| Local Law Enforcement Block Grant Fund           | --                             | --                             | 116,470                        |
| Housing Opportunities for Persons with AIDS Fund | 309,300                        | 309,300                        | 339,357                        |
| Procurement Reengineering Trust Fund             | --                             | --                             | 9,443                          |
| Disaster Assistance Trust Fund                   | (11,900,550)                   | (7,381,876)                    | 10,700,756                     |
| AB 2800 Senior Services Grant                    | 85,624                         | 63,418                         | 47,395                         |
| Bicycle License Fund                             | 62,219                         | 349                            | 716                            |
| Business Improvement District Trust Fund         | 280,578                        | 280,578                        | 271,492                        |
| Bus Bench Advertising Trust Fund                 | 143,338                        | 143,338                        | 143,338                        |
| City Planning Systems Development Fund           | 5,209,596                      | 5,087,571                      | 4,678,925                      |
| Coastal Transportation Corridor Trust Fund       | 288,704                        | 161,169                        | --                             |
| Cultural Affairs Trust Fund                      | 135,000                        | 138,491                        | --                             |
| Curbside Recycling Trust Fund                    | 1,640,633                      | 1,338,823                      | 1,397,819                      |
| Environmental Affairs Trust Fund                 | --                             | --                             | 82,085                         |
| Fire Hydrant Installation and Replacement Fund   | 636,503                        | 636,503                        | 636,503                        |
| First and Broadway Child Care Fund               | 196,152                        | 402,193                        | 383,413                        |
| General Services Trust                           | 359,786                        | 367,514                        | 432,049                        |
| Integrated Solid Waste Management Fund           | 2,487,872                      | 233,699                        | 273,352                        |
| Judgment Obligation Bond Proceeds                | 1,150,333                      | 1,150,333                      | --                             |
| Pershing Square Project                          | 570,950                        | 569,821                        | 575,914                        |
| Street Banners Trust Fund                        | 63,946                         | 63,946                         | 66,891                         |
| Targeted-Destination Ambulance Services Fund     | --                             | --                             | 270,505                        |
| Used Oil Collection Fund                         | 512,377                        | 374,561                        | 507,382                        |
| UDAG Miscellaneous Revenue                       | 343,606                        | 896,853                        | --                             |
| Ventura/Cahuenga Blvd Corridor Sp Plan Rev Fund  | 687,150                        | 60,912                         | --                             |
| Warner Center Transportation Trust Fund          | 88,785                         | 534,911                        | 62,536                         |
| West LA Transportation Improvement & Mitigation  | 86,024                         | 81,272                         | --                             |
| Total Special Receipts                           | <u>1,863,975,521</u>           | <u>1,913,885,742</u>           | <u>1,688,374,178</u>           |
| Available Balances                               | <u>470,535,639</u>             | <u>430,536,083</u>             | <u>439,382,007</u>             |
| <b>Total Receipts</b>                            | <u><u>\$ 6,673,214,507</u></u> | <u><u>\$ 6,727,301,209</u></u> | <u><u>\$ 6,260,414,522</u></u> |

(1) Retirement contributions from Harbor and Airport departments.

City of Los Angeles

Statement of Budget Appropriations, Expenditures and Encumbrances  
 Budget and Actual (Non-GAAP Budgetary Basis) - All Annually Budgeted Funds  
 Fiscal Years Ended June 30, 2007 and 2006

|   | Budget<br>Appropriations<br>2006-07 | Final<br>Appropriations<br>2006-07 | Expenditures &<br>Encumbrances<br>2006-07 | Expenditures &<br>Encumbrances<br>2005-06 |
|---|-------------------------------------|------------------------------------|---|---|
| Aging   | \$ 3,456,203                        | \$ 4,437,504                       | \$ 4,199,921                              | \$ 3,840,160                              |
| Animal Services   | 20,216,998                          | 19,611,891                         | 18,626,819                                | 16,391,174                                |
| Building & Safety   | 77,970,012                          | 83,087,316                         | 78,255,974                                | 69,767,337                                |
| City Administrative Officer                               | 13,568,367                          | 14,054,987                         | 13,429,715                                | 14,107,892                                |
| City Attorney   | 97,952,083                          | 109,388,234                        | 108,685,806                               | 99,961,036                                |
| City Clerk  | 25,070,962                          | 28,409,400                         | 27,513,341                                | 12,583,273                                |
| City Ethics Commission                                    | 2,769,659                           | 2,670,604                          | 2,363,354                                 | 1,944,379                                 |
| Commission for Children, Youth and<br>Their Families      | 1,477,990                           | 1,533,531                          | 1,332,934                                 | 1,559,298                                 |
| Commission on the Status of Women                         | 543,731                             | 744,510                            | 730,589                                   | 741,328                                   |
| Community Development                                     | 23,754,149                          | 36,240,912                         | 29,272,040                                | 30,097,349                                |
| Controller  | 22,725,528                          | 22,689,494                         | 17,931,807                                | 15,246,835                                |
| Council   | 26,411,978                          | 31,010,986                         | 25,785,792                                | 22,914,710                                |
| Cultural Affairs  | 9,943,791                           | 10,112,684                         | 9,803,655                                 | 9,650,979                                 |
| Disability  | 1,870,375                           | 2,029,041                          | 1,956,411                                 | 1,823,345                                 |
| El Pueblo De Los Angeles<br>Historical Monument Authority | 2,041,325                           | 2,013,118                          | 1,892,966                                 | 1,968,702                                 |
| Emergency Preparedness                                    | 1,456,276                           | 2,249,549                          | 1,582,648                                 | 1,454,418                                 |
| Employee Relations Board                                  | 368,439                             | 368,439                            | 300,059                                   | 382,969                                   |
| Environmental Affairs                                     | 3,093,736                           | 3,068,935                          | 3,022,169                                 | 3,087,022                                 |
| Finance   | 24,929,960                          | 25,483,533                         | 24,868,590                                | 22,571,557                                |
| Fire  | 509,409,920                         | 520,705,046                        | 515,473,649                               | 482,970,311                               |
| General Services  | 251,514,430                         | 344,784,745                        | 307,595,553                               | 280,525,551                               |
| Human Relations Commission                                | 1,303,380                           | 1,300,137                          | 1,250,888                                 | 1,109,256                                 |
| Information Technology Agency                             | 115,822,650                         | 121,536,945                        | 117,706,308                               | 107,559,665                               |
| Los Angeles Housing                                       | 45,966,740                          | 47,786,519                         | 44,065,123                                | 38,133,072                                |
| Los Angeles Convention Center                             | 21,812,529                          | 25,196,879                         | 24,525,984                                | 23,857,580                                |
| Mayor   | 8,667,327                           | 13,299,329                         | 11,029,075                                | 9,264,270                                 |
| Neighborhood Empowerment                                  | 4,351,973                           | 4,145,731                          | 4,114,200                                 | 4,012,524                                 |
| Personnel   | 65,157,330                          | 65,031,714                         | 63,827,159                                | 56,503,019                                |
| Planning  | 26,949,792                          | 27,974,445                         | 26,699,222                                | 23,386,464                                |
| Police  | 1,185,861,776                       | 1,218,886,558                      | 1,210,602,304                             | 1,139,488,077                             |
| Public Works:   |                                     |                                    |   |   |
| Board Office  | 20,650,446                          | 26,632,066                         | 26,402,335                                | 24,087,103                                |
| Contract Administration                                   | 28,466,345                          | 35,168,812                         | 30,141,241                                | 26,907,704                                |
| Engineering   | 80,092,006                          | 92,195,877                         | 85,580,247                                | 80,854,007                                |
| Sanitation  | 239,539,273                         | 242,449,113                        | 235,348,059                               | 216,052,585                               |
| Street Lighting   | 20,673,554                          | 24,608,297                         | 21,200,146                                | 19,900,540                                |
| Street Services   | 170,222,496                         | 191,116,769                        | 179,311,384                               | 167,600,971                               |
| Transportation  | 143,713,078                         | 149,878,098                        | 147,033,162                               | 132,102,827                               |
| Treasurer   | 5,013,732                           | 4,934,815                          | 4,927,582                                 | 4,744,567                                 |
| Zoo   | 19,319,276                          | 18,896,199                         | 17,786,753                                | 16,970,970                                |
| <b>Total - Budgetary Departments</b>                      | <b>3,324,129,615</b>                | <b>3,575,732,762</b>               | <b>3,446,174,964</b>                      | <b>3,186,124,826</b>                      |

Continued...

City of Los Angeles

Statement of Budget Appropriations, Expenditures and Encumbrances  
 Budget and Actual (Non-GAAP Budgetary Basis) - All Annually Budgeted Funds - (Continued)  
 Fiscal Years Ended June 30, 2007 and 2006

|                                      | Budget<br>Appropriations<br>2006-07 | Final<br>Appropriations<br>2006-07 | Expenditures &<br>Encumbrances<br>2006-07 | Expenditures &<br>Encumbrances<br>2005-06 |
|--------------------------------------|-------------------------------------|------------------------------------|---|---|
| Library                              | \$ 65,732,558                       | \$ 65,732,558                      | \$ 65,732,558 <sup>(1)</sup>              | \$ 61,423,673                             |
| Recreation & Parks                   | 133,140,481                         | 132,777,859                        | 132,777,859 <sup>(1)</sup>                | 123,958,874                               |
| City Employees' Retirement           | 50,316,928                          | 50,317,374                         | 50,317,374 <sup>(1)</sup>                 | 43,705,507                                |
| Fire & Police Pension                | 500,000                             | 500,000                            | 500,000 <sup>(1)</sup>                    | 500,000                                   |
| Fire and Police Pensions Tax Revenue |                                     |                                    |   |   |
| Anticipation Notes Fund              | 655,040,643                         | 655,040,643                        | 650,790,313                               | 442,693,267                               |
| Bond Redemption and Interest         | 168,362,865                         | 169,890,488                        | 169,890,484                               | 166,345,529                               |
| Capital Finance Administration       | 150,598,092                         | 150,592,092                        | 145,754,020                               | 148,722,480                               |
| Capital Improvement                  |                                     |                                    |   |   |
| Expenditure Program                  | 353,494,277                         | 363,124,255                        | 206,806,375                               | 166,399,645                               |
| General City Purposes                | 85,724,644                          | 63,488,003                         | 62,214,571                                | 63,177,835                                |
| Human Resources Benefits             | 416,073,368                         | 440,584,110                        | 440,584,110                               | 398,740,438                               |
| Judgment Obligation Bonds            |                                     |                                    |   |   |
| Debt Service                         | 7,088,834                           | 7,088,834                          | 7,085,888                                 | 7,884,452                                 |
| Liability Claims                     | 42,000,000                          | 38,291,450                         | 33,493,282                                | 36,206,912                                |
| Proposition A Local Transit          |                                     |                                    |   |   |
| Assistance Trust                     | 158,634,241                         | 167,388,234                        | 96,450,778                                | 70,641,559                                |
| Proposition C Anti-Gridlock          |                                     |                                    |   |   |
| Transit Improvement                  | 75,761,148                          | 89,343,553                         | 47,416,867                                | 14,044,875                                |
| Special Parking Revenue              | 58,695,272                          | 57,875,672                         | 24,363,453                                | 23,369,508                                |
| Unappropriated Balance               | 46,597,484                          | 13,898,924 <sup>(2)</sup>          | --  | --  |
| Wastewater Special Purpose           | 382,172,923                         | 376,826,982                        | 314,110,633                               | 302,141,000                               |
| Water and Electricity                | 38,006,015                          | 38,987,706                         | 38,987,706                                | 24,742,074                                |
| Other Special Purpose Funds          | 461,145,119                         | 487,767,217                        | 335,166,923                               | 293,954,607                               |
| Total - Nondepartmental              | <u>3,349,084,892</u>                | <u>3,369,515,954</u>               | <u>2,822,443,194</u>                      | <u>2,388,652,235</u>                      |
| Total                                | <u>\$ 6,673,214,507</u>             | <u>\$ 6,945,248,716</u>            | <u>\$ 6,268,618,158</u>                   | <u>\$ 5,574,777,061</u>                   |

<sup>(1)</sup> Amount disbursed by allocation to the Departments controlling their own funds.

<sup>(2)</sup> Total final appropriations was \$183,980,792 of which \$170,081,868 was transferred to various departments and is included in Departmental appropriations.

City of Los Angeles

Schedule of Year-End Encumbrances - General Fund  
Fiscal Years Ended June 30, 2003 through 2007

|  | 2007                  | 2006                  | 2005                  | 2004                  | 2003                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Aging  | \$ 477,317            | \$ 452,999            | \$ 364,681            | \$ 312,991            | \$ 527,574            |
| Animal Services  | 2,226,292             | 1,991,474             | 1,168,528             | 943,549               | 776,118               |
| Building & Safety  | 4,610,538             | 4,118,761             | 3,869,642             | 3,648,040             | 3,118,430             |
| City Administrative Officer                                      | 1,353,015             | 1,981,173             | 1,122,314             | 1,433,423             | 840,090               |
| City Attorney  | 10,651,035            | 9,991,179             | 7,452,892             | 6,657,756             | 8,566,759             |
| City Clerk   | 4,176,130             | 3,033,653             | 2,856,742             | 1,878,122             | 2,617,756             |
| City Ethics Commission   | 212,829               | 162,282               | 148,367               | 144,714               | 85,805                |
| Commission for Children, Youth<br>and Their Families             | 239,622               | 197,274               | 169,997               | 226,124               | 102,966               |
| Commission on the Status of Women                                | 45,444                | 68,132                | 60,846                | 43,618                | 43,548                |
| Community Development  | 3,258,874             | 3,198,618             | 3,863,244             | 3,803,850             | 2,929,987             |
| Controller   | 2,800,833             | 2,537,531             | 1,981,395             | 1,928,986             | 2,080,198             |
| Council  | 2,054,386             | 1,799,493             | 1,578,623             | 1,548,816             | 1,523,299             |
| Cultural Affairs   | 1,830,084             | 1,552,500             | 1,772,623             | 1,925,097             | 1,974,272             |
| Disability   | 165,620               | 219,035               | 207,025               | 202,547               | 206,398               |
| El Pueblo  | 201,989               | 189,773               | --                    | --                    | --                    |
| Emergency Preparedness   | 109,783               | 85,833                | 70,371                | 67,178                | 56,507                |
| Employee Relations Board   | 26,447                | 49,983                | 51,929                | 16,052                | 29,319                |
| Environmental Affairs  | 397,658               | 466,216               | 394,407               | 399,436               | 415,203               |
| Finance <sup>(1)</sup>   | 2,198,472             | 1,818,084             | 2,529,784             | 4,216,471             | 1,772,360             |
| Fire   | 46,714,418            | 30,896,600            | 26,700,113            | 29,229,399            | 21,991,998            |
| General Services   | 43,894,817            | 32,333,301            | 31,662,156            | 22,837,958            | 19,253,575            |
| Human Relations Commission                                       | 112,585               | 160,529               | 56,152                | 93,227                | 173,525               |
| Information Technology Agency                                    | 23,691,808            | 16,949,364            | 13,497,395            | 10,964,155            | 18,121,816            |
| Los Angeles Housing  | 5,792,943             | 4,962,246             | 4,661,440             | 4,166,177             | 4,362,586             |
| Los Angeles Convention Center                                    | 1,903,181             | 1,966,799             | 1,702,355             | 1,778,411             | 2,344,495             |
| Mayor  | 813,105               | 621,733               | 985,809               | 559,061               | 1,022,192             |
| Neighborhood Empowerment   | 464,979               | 571,451               | 545,653               | 336,663               | 333,305               |
| Personnel  | 11,012,980            | 11,688,119            | 9,302,157             | 5,778,640             | 4,308,872             |
| Planning   | 4,248,338             | 3,368,820             | 2,093,486             | 1,943,734             | 1,793,045             |
| Police   | 106,482,347           | 94,080,542            | 74,616,468            | 61,787,131            | 49,209,071            |
| PW - Board Office <sup>(2)</sup>                                 | 3,242,422             | 2,983,779             | 2,089,002             | 2,039,195             | 1,123,173             |
| PW - Financial Management &<br>Personnel Services <sup>(2)</sup> | --                    | --                    | --                    | 436,259               | 331,787               |
| PW - Contract Administration                                     | 2,039,969             | 1,790,096             | 1,621,840             | 1,405,355             | 1,179,614             |
| PW - Engineering   | 5,820,846             | 5,968,563             | 5,723,800             | 6,180,667             | 5,652,021             |
| PW - Sanitation  | 24,800,489            | 19,947,520            | 15,490,564            | 15,299,090            | 13,514,195            |
| PW - Street Lighting   | 2,166,523             | 1,767,266             | 2,031,083             | 1,776,069             | 1,668,818             |
| PW - Street Services   | 20,614,302            | 18,104,879            | 14,306,522            | 11,284,082            | 11,654,493            |
| Transportation   | 14,906,909            | 12,883,239            | 10,506,855            | 9,964,086             | 7,975,467             |
| Treasurer <sup>(1)</sup>   | 1,484,359             | 391,181               | 824,266               | 2,143,542             | --                    |
| Zoo  | 1,830,215             | 1,417,284             | 1,659,702             | 1,573,686             | 1,372,905             |
| Capital Finance Administration                                   | 125,371               | 48,845                | 76,573                | --                    | --                    |
| Capital Improvement Expenditure Program                          | 14,826,231            | 7,611,318             | 8,343,578             | 11,498,099            | 8,509,424             |
| General City Purposes  | 12,506,262            | 9,559,337             | 9,360,898             | 14,929,856            | 20,287,575            |
| Human Resources Benefits   | 3,074,148             | 2,563,947             | 8,763,662             | 6,567,909             | 1,928,253             |
| Liability Claims   | 2,916,574             | --                    | 180,000               | 1,780,000             | 3,621,000             |
| Water and Electricity  | 15,011,447            | 11,890,707            | 11,747,100            | 8,459,610             | 7,614,200             |
| <b>Total Encumbrances <sup>(3)</sup></b>                         | <b>\$ 407,533,936</b> | <b>\$ 328,441,458</b> | <b>\$ 288,212,039</b> | <b>\$ 264,208,831</b> | <b>\$ 237,013,994</b> |
| Encumbrances for Salaries  | \$ 175,643,985        | \$ 149,806,041        | \$ 130,724,236        | \$ 123,169,933        | \$ 94,603,740         |
| Encumbrances for Other Accounts                                  | 231,889,951           | 178,635,417           | 157,487,803           | 141,038,898           | 142,410,254           |
| <b>Total</b>   | <b>\$ 407,533,936</b> | <b>\$ 328,441,458</b> | <b>\$ 288,212,039</b> | <b>\$ 264,208,831</b> | <b>\$ 237,013,994</b> |

<sup>(1)</sup> The Office of Finance and Treasurer's Office merged in fiscal year 2000-01 but were segregated in fiscal year 2003-04.

<sup>(2)</sup> In fiscal year 2001-02, the functions of the Bureaus of Accounting and Management Employee Services were consolidated under the Director of Public Works. On October 26, 2001, the Board of Public Works renamed the Office the Bureau of Financial Management and Personnel Services (BFMPS). In fiscal year 2004-05, the functions of BFMPS were transferred to the Board Office.

<sup>(3)</sup> Includes prior years' encumbrances not yet liquidated.

City of Los Angeles

Statement of Receipts - Budget and Actual  
(Non-GAAP Budgetary Basis) - General Fund  
Fiscal Year Ended June 30, 2007

|   | <b>Budget<br/>Estimates<br/>2006-2007</b> | <b>Actual<br/>Receipts<br/>2006-2007</b> | <b>Variance<br/>Over<br/>(Under)</b> | <b>Variance<br/>Rate</b> |
|---|---|--|--------------------------------------|--------------------------|
| General Receipts:                                 |   |  |                                      |                          |
| Property Tax                                      |   |  |                                      |                          |
| Property Tax - 1%                                 | \$ 917,246,000                            | \$ 951,390,158                           | \$ 34,144,158                        | 3.7%                     |
| Property Tax - Sales Tax Replacement              | 112,625,000                               | 112,093,653                              | (531,347)                            | -0.5%                    |
| Property Tax - Vehicle License<br>Fee Replacement | <u>268,500,000</u>                        | <u>270,688,590</u>                       | <u>2,188,590</u>                     | 0.8%                     |
| Total Property Tax                                | 1,298,371,000                             | 1,334,172,401                            | 35,801,401                           | 2.8%                     |
| Utility Users Tax                                 | 613,448,000                               | 605,269,257                              | (8,178,743)                          | -1.3%                    |
| Licenses, Permits, Fees and Fines                 | 526,841,101                               | 545,931,369                              | 19,090,268                           | 3.6%                     |
| Sales Tax   | 338,097,000                               | 333,884,625                              | (4,212,375)                          | -1.2%                    |
| Business Tax                                      | 421,720,000                               | 464,330,066                              | 42,610,066                           | 10.1%                    |
| Power Revenue Transfer                            | 175,000,000                               | 174,747,200                              | (252,800)                            | -0.1%                    |
| Parking Fines                                     | 122,328,000                               | 119,501,898                              | (2,826,102)                          | -2.3%                    |
| Transient Occupancy Tax                           | 133,600,000                               | 134,556,978                              | 956,978                              | 0.7%                     |
| Documentary Transfer Tax                          | 192,500,000                               | 188,057,469                              | (4,442,531)                          | -2.3%                    |
| Parking Users Tax                                 | 82,350,000                                | 78,323,376                               | (4,026,624)                          | -4.9%                    |
| Franchise Income                                  | 50,946,000                                | 47,081,031                               | (3,864,969)                          | -7.6%                    |
| Water Revenue Transfer                            | 31,600,000                                | --                                       | (31,600,000)                         | -100.0%                  |
| Interest  | 44,060,000                                | 49,534,189                               | 5,474,189                            | 12.4%                    |
| State Motor Vehicle License Fees                  | 25,000,000                                | 26,434,438                               | 1,434,438                            | 5.7%                     |
| Grant Receipts                                    | 17,061,246                                | 15,815,567                               | (1,245,679)                          | -7.3%                    |
| Tobacco Settlement                                | 10,473,000                                | 9,770,085                                | (702,915)                            | -6.7%                    |
| Transfer From Telecommunications                  |   |  |                                      |                          |
| Development Account                               | 5,364,000                                 | 5,363,735                                | (265)                                | 0.0%                     |
| Residential Development Tax                       | 4,250,000                                 | 4,411,700                                | 161,700                              | 3.8%                     |
| Transfer from Business Tax Reform Fund            | 14,390,000                                | 14,390,000                               | --                                   | 0.0%                     |
| Transfer from Reserve Fund                        | <u>231,304,000</u>                        | <u>231,304,000</u>                       | <u>--</u>                            | 0.0%                     |
| Total General Receipts                            | <u>\$ 4,338,703,347</u>                   | <u>\$ 4,382,879,384</u>                  | <u>\$ 44,176,037</u>                 | 1.0%                     |

City of Los Angeles

General Fund  
Schedule of Unencumbered Balances Reverted  
to the Reserve Fund at June 30, 2003 through 2007

|   | 2007                 | 2006                  | 2005                 | 2004                 | 2003                  |
|---|----------------------|-----------------------|----------------------|----------------------|-----------------------|
| Aging   | \$ 2,245             | \$ 362,694            | \$ 323,498           | \$ 133,932           | \$ 17,205             |
| Animal Services   | 1,024,688            | 872,917               | 1,276,584            | 140,480              | 203,618               |
| Building & Safety   | 245,556              | 735,617               | 313,577              | 96,107               | 176,878               |
| Capital Finance Administration                                      | 4,826,389            | 3,224,601             | 2,416,946            | 6,328,376            | 6,049,072             |
| Capital Improvement Expenditure Program                             | 23,849,261           | 22,588,391            | 12,499,215           | 16,321,464           | 13,205,538            |
| City Administrative Officer   | 528,339              | 463,212               | 421,239              | 233,435              | 16,232                |
| City Attorney   | 1,004,962            | 1,229,122             | 465,620              | 14,582               | 573,001               |
| City Clerk  | 948,899              | 1,756,749             | 3,837,122            | 138,014              | 155,256               |
| City Ethics   | 1,031                | --                    | 635                  | --                   | --                    |
| Commission for Children, Youth<br>and Their Families                | 201,622              | 148,412               | 96,698               | 89,092               | 121,374               |
| Commission on the Status of Women                                   | 14,912               | 35,143                | 14,511               | 237                  | 16,096                |
| Community Development   | --                   | --                    | --                   | 25,821               | 95,786                |
| Controller  | 4,714,966            | 1,879,922             | 40,792               | 188,785              | 83,758                |
| Council   | 5,510,624            | 3,894,812             | 2,907,809            | 3,141,741            | 4,483,952             |
| Cultural Affairs  | 61,743               | --                    | --                   | 9                    | 2,295                 |
| Disability  | 75,191               | 9,006                 | 61,412               | 95,175               | 88,456                |
| Emergency Preparedness  | 33,166               | 15,829                | 56,701               | 28,732               | 10,756                |
| Employee Relations Board  | 79,965               | 21,263                | 25,625               | 42,044               | 9,733                 |
| Environmental Affairs   | 5,929                | 112,639               | 10,914               | 49,880               | 1,307                 |
| Finance <sup>(1)</sup>  | 519,539              | 517,018               | 232,265              | 489,419              | 2,107,532             |
| Fire  | 2,008,574            | 1,874,148             | 2,698,157            | 4,787,266            | 1,437,456             |
| General City Purposes   | 1,215,763            | 2,046,812             | 4,177,195            | 2,965,729            | 24,083,336            |
| General Services  | 6,001,597            | 10,393,776            | 6,378,219            | 4,479,868            | 5,775,537             |
| Human Relations Commission  | 49,340               | 138,668               | 20,796               | 82,530               | 60,362                |
| Human Resources Benefits  | 61                   | --                    | 19,864,568           | 380,696              | 3,582                 |
| Information Technology Agency                                       | 1,538,465            | 3,712,906             | 1,136,965            | 1,897,352            | 915,639               |
| Liability Claims  | 4,760,112            | 72,669                | 15,762,621           | 1,904,042            | 4,147,537             |
| Los Angeles Convention Center                                       | --                   | 1,784                 | --                   | 26,517               | --                    |
| Los Angeles Housing   | 8,000                | 187,053               | 135,200              | 208,808              | 129,165               |
| Mayor   | 1,154,995            | 454,965               | 346                  | 80,170               | 91,011                |
| Neighborhood Empowerment  | --                   | --                    | 804                  | 2,500                | 386,508               |
| Non-departmental General  | 4,253,277            | 3,979,282             | 2,747,283            | 5,059,986            | 5,453,872             |
| Personnel   | 1,330,527            | 5,606,286             | 821,002              | 585,951              | 166,958               |
| Planning  | 1,014,173            | 554,850               | 384,965              | 40,441               | 171,567               |
| Police  | 3,072,539            | 8,538,166             | 4,182,575            | 1,065,344            | 1,133,185             |
| PW - Board Office <sup>(3)</sup>                                    | 214,162              | 369,256               | 102,419              | 80,489               | 71,590                |
| PW - Contract Administration  | 1,939,785            | 300,754               | 890,343              | 2,040,539            | 1,805,326             |
| PW - Engineering  | 348,934              | 3,056                 | 10,948               | 1,090,858            | 3,841,787             |
| PW - Financial Management &<br>Personnel Services <sup>(2)(3)</sup> | --                   | --                    | --                   | 20,403               | 17,906                |
| PW - Sanitation   | 761,485              | 4,833,765             | 1,122,465            | 2,062,240            | 1,244,119             |
| PW - Street Lighting  | --                   | 2,572                 | 39                   | --                   | 80,000                |
| PW - Street Services  | 3,634,467            | 1,507,757             | 2,316,389            | 225,065              | 97,614                |
| Transportation  | 572,268              | 1,682,245             | 1,091,289            | 516,929              | 138,529               |
| Treasurer <sup>(1)</sup>  | 27,886               | 50,748                | 227,320              | 342,545              | --                    |
| Unappropriated Balance  | 11,175,972           | 17,107,716            | 8,548,753            | 20,886,282           | 31,721,361            |
| Water and Electricity   | 4,929                | 4,887                 | 353                  | 16,652               | 7,186                 |
| Zoo   | --                   | --                    | 3,429                | --                   | --                    |
| <b>Net Unencumbered Balances Reverted</b>                           | <b>\$ 88,736,338</b> | <b>\$ 101,291,468</b> | <b>\$ 97,625,606</b> | <b>\$ 78,406,527</b> | <b>\$ 110,398,978</b> |

(1) The Office of Finance and Treasurer's Office merged in fiscal year 2000-01 but were segregated in fiscal year 2003-04.

(2) In fiscal year 2001-02, the functions of the Bureaus of Accounting and Management-Employees Services were consolidated under the Director of Public Works. On October 26, 2001, the Board of Public Works renamed the Office the Bureau of Financial Management and Personnel Services.

(3) In fiscal year 2004-05, the resources and functions of the Bureau of Financial Management and Personnel Services were transferred to the Board of Public Works.

**City of Los Angeles**

**Reserve Fund  
Schedule of Cash Balances  
June 30, 1998 through 2007**

|         |       |                |
|---------|-------|----------------|
| 2006-07 | ..... | \$ 224,192,242 |
| 2005-06 | ..... | 432,399,335    |
| 2004-05 | ..... | 460,036,919    |
| 2003-04 | ..... | 278,010,435    |
| 2002-03 | ..... | 295,520,331    |
| 2001-02 | ..... | 232,086,754    |
| 2000-01 | ..... | 107,048,396    |
| 1999-00 | ..... | 59,181,301     |
| 1998-99 | ..... | 69,591,870     |
| 1997-98 | ..... | 13,692,542     |

City of Los Angeles

Schedule of Year-End Advances From The Reserve Fund  
For Unfunded Expenditures  
June 30, 2007

**CHARTER SECTION 261(i) Advances**

|  |    |                   |
|--|----|-------------------|
| Aging                                  | \$ | 61,490            |
| Building & Safety                      |    | 341,074           |
| City Attorney                          |    | 97,379            |
| Community Development Department       |    | 596,955           |
| Fire                                   |    | 176,749           |
| Information Technology Agency          |    | 548,674           |
| General City Purpose                   |    | 84,754            |
| General Services                       |    | 7,872,253         |
| Mayor                                  |    | 401,518           |
| Planning                               |    | 56,969            |
| Police                                 |    | 6,212,694         |
| Public Works - Board                   |    | 352,040           |
| Public Works - Contract Administration |    | 430,365           |
| Public Works - Engineering             |    | 1,268,854         |
| Public Works - Street Lighting         |    | 528,921           |
| Public Works - Street Services         |    | 9,418,037         |
| Transportation                         |    | 206,732           |
|  |    | <hr/>             |
| Total                                  | \$ | <u>28,655,458</u> |

**City of Los Angeles**

**REVENUE TRENDS  
(Non-GAAP Budgetary Basis)**

|                                     | <u>2006-07</u>                 |                   | <u>2005-06</u>                 |                   | <u>1997-98</u>                 |                   |
|-------------------------------------|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|-------------------|
|                                     | <u>Amount</u>                  | <u>%</u>          | <u>Amount</u>                  | <u>%</u>          | <u>Amount</u>                  | <u>%</u>          |
| Taxes <sup>(1)</sup>                | \$ 3,465,543,115               | 55                | \$ 3,234,916,190               | 56                | \$ 2,042,577,629               | 49                |
| Licenses, Permits and Fees          | 645,264,544                    | 10                | 554,719,183                    | 10                | 394,206,243                    | 10                |
| Intergovernmental                   | 422,427,260                    | 7                 | 366,429,909                    | 6                 | 635,479,301                    | 15                |
| Charges for Services                | 952,357,518                    | 15                | 901,024,785                    | 15                | 562,002,897                    | 14                |
| Special Assessments                 | 43,898,783                     | 1                 | 40,547,980                     | 1                 | 17,722,659                     | 1                 |
| Interest                            | 94,261,665                     | 1                 | 76,591,539                     | 1                 | 69,745,752                     | 2                 |
| Program Income                      | --                             | --                | --                             | --                | 15,222,030                     | 1                 |
| Other                               | 266,961,041                    | 4                 | 165,729,238                    | 3                 | 391,812,917                    | 8                 |
| Transfer to General Fund            | 406,051,200                    | 7                 | 481,073,691                    | 8                 | --                             | 0                 |
| <b>Total Revenue <sup>(2)</sup></b> | <b><u>\$ 6,296,765,126</u></b> | <b><u>100</u></b> | <b><u>\$ 5,821,032,515</u></b> | <b><u>100</u></b> | <b><u>\$ 4,128,769,428</u></b> | <b><u>100</u></b> |

<sup>(1)</sup> Major tax revenue sources included are Property Tax, Utility Users Tax, Sales Tax and Business Tax.

<sup>(2)</sup> Does not include available balances at July 1.

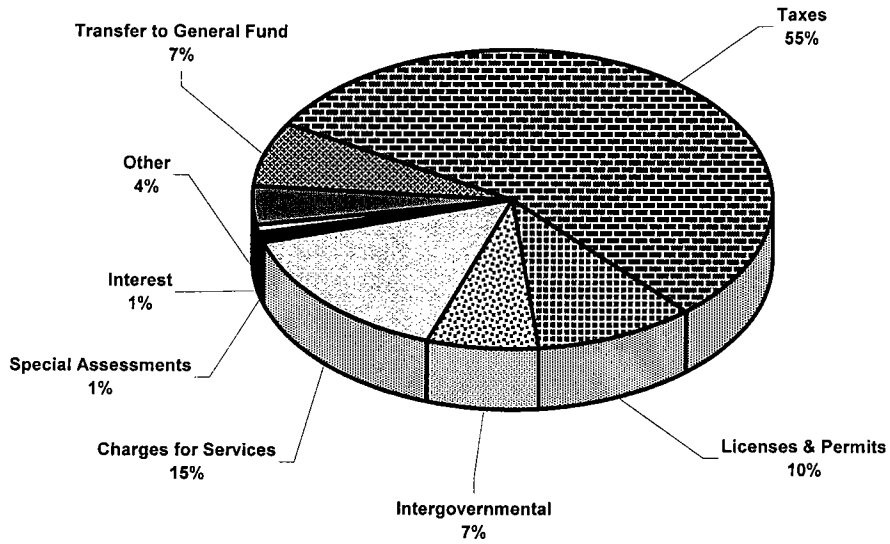
**EXPENDITURE TRENDS  
(Non-GAAP Budgetary Basis)**

|  | <u>2006-07</u>                 |                   | <u>2005-06</u>                 |                   | <u>1997-98</u>                 |                   |
|--|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|-------------------|
|  | <u>Amount</u>                  | <u>%</u>          | <u>Amount</u>                  | <u>%</u>          | <u>Amount</u>                  | <u>%</u>          |
| General Government                             | \$ 1,334,307,182               | 23                | \$ 1,254,086,233               | 25                | \$ 1,087,884,817               | 30                |
| Protection of Persons<br>and Property          | 1,766,558,572                  | 31                | 1,660,577,703                  | 32                | 1,150,149,044                  | 31                |
| Public Works (Maintenance<br>and Improvements) | 328,573,139                    | 6                 | 314,485,733                    | 6                 | 194,670,864                    | 5                 |
| Health and Sanitation                          | 388,101,127                    | 7                 | 368,466,742                    | 7                 | 196,437,190                    | 5                 |
| Cultural and Recreational<br>Services          | 291,708,284                    | 5                 | 273,552,902                    | 5                 | 228,184,110                    | 6                 |
| Community Development                          | 143,603,034                    | 3                 | 121,676,888                    | 2                 | 70,555,802                     | 2                 |
| Pension & Retirement<br>Systems Contributions  | 716,524,829                    | 12                | 510,183,242                    | 10                | 114,777,609                    | 3                 |
| Capital Outlay                                 | 121,718,564                    | 2                 | 99,514,652                     | 2                 | 169,075,142                    | 5                 |
| Bond Redemption & Interest                     | 367,548,947                    | 6                 | 351,665,666                    | 7                 | 249,149,374                    | 7                 |
| Transportation                                 | 284,667,396                    | 5                 | 212,195,884                    | 4                 | 207,096,253                    | 6                 |
| <b>Total Expenditures <sup>(3)</sup></b>       | <b><u>\$ 5,743,311,074</u></b> | <b><u>100</u></b> | <b><u>\$ 5,166,405,645</u></b> | <b><u>100</u></b> | <b><u>\$ 3,667,980,205</u></b> | <b><u>100</u></b> |

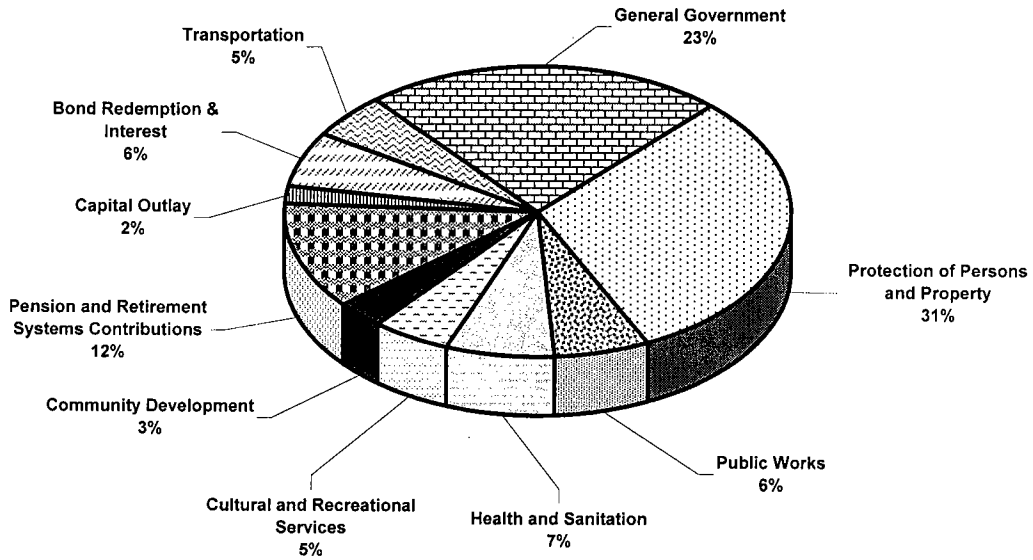
<sup>(3)</sup> Does not include encumbrances at year-end.

City of Los Angeles  
Fiscal Year 2006-07

REVENUE SOURCES



EXPENDITURES



**City of Los Angeles**

**Statement of General Obligation Bonded Debt  
Fiscal Year Ended June 30, 2007**

| <b>Purpose</b>  | <b>Outstanding<br/>07/01/06</b> | <b>Issued</b> | <b>Matured</b> | <b>Outstanding<br/>06/30/07</b> |
|---|---------------------------------|---------------|----------------|---------------------------------|
| Series 1998-A - Advance refunding of a portion of outstanding General Obligation Bonds Series 1989-A, 1990-B, 1991-A, 1992-A and 1995-A           | \$ 99,065,000                   | \$ --         | \$ 1,490,000   | \$ 97,575,000                   |
| Series 1999-A - Advance refunding of a portion of outstanding General Obligation Series 1992-A, 1993-A, 1994-A and 1995-A                         | 90,120,000                      | --            | 12,290,000     | 77,830,000                      |
| Series 1999-B - Acquisition and improvement of Library Facilities and Zoo Facilities <sup>(a)</sup>   | 12,000,000                      | --            | 3,000,000      | 9,000,000                       |
| Series 2000-A - Acquisition and improvement of Library Facilities <sup>(a)</sup>  | 23,250,000                      | --            | 4,650,000      | 18,600,000                      |
| Series 2000-B - Advance refunding of a portion of outstanding General Obligation Bonds Series 1993-A, 1994-A, and 1995-A                          | 12,615,000                      | --            | 12,615,000     | --                              |
| Series 2001-A - Acquisition and improvement of Animal Shelter, Library, Zoo and Fire/Paramedic Facilities and Emergency Helicopter <sup>(a)</sup> | 110,705,000                     | --            | 10,065,000     | 100,640,000                     |
| Series 2002-A - Acquisition and improvement of Animal Shelter, Zoo, Fire/Paramedic, and 911-Police-Fire-Paramedic Facilities                      | 222,870,000                     | --            | 13,110,000     | 209,760,000                     |
| Series 2002-B - Advance refunding of a portion of outstanding General Obligation Bonds Series 1993-A, 1999-B, 2000-A and 2001-A                   | 70,310,000                      | --            | 375,000        | 69,935,000                      |
| Series 2003-A - Acquisition and improvement of Fire/Paramedic, Animal Shelter, and and 911-Police-Fire-Paramedic Facilities                       | 210,035,000                     | --            | 11,665,000     | 198,370,000                     |
| Series 2003-B - Advance refunding of outstanding General Obligation Bonds Series 1993-A, 1993-B and 1993-C  | 51,885,000                      | --            | 10,660,000     | 41,225,000                      |
| Series 2004-A - Acquisition and improvement of 911-Police/Fire & Paramedic Facilities   | 342,515,000                     | --            | 18,025,000     | 324,490,000                     |

Continued...

**City of Los Angeles**

**Statement of General Obligation Bonded Debt - (Continued)  
Fiscal Year Ended June 30, 2007**

| <b>Purpose</b>   | <b>Outstanding<br/>7/1/06</b> | <b>Issued</b>        | <b>Matured</b>        | <b>Outstanding<br/>6/30/07</b> |
|--|-------------------------------|----------------------|-----------------------|--------------------------------|
| Series 2005-A - Acquisition and improvement of Fire Station and Fire/Paramedic/Emergency Rescue Helicopter Facilities & finance Water Quality Improvement projects | \$ 126,800,000.               | \$ --                | \$ 6,340,000.         | \$ 120,460,000                 |
| Series 2005-B - Advance refunding of a portion of outstanding General Obligation Bonds Series 1999-B, 2000-A and 2001-A  | 73,080,000                    | --                   | 90,000                | 72,990,000                     |
| Series 2006-A - Acquisition and improvement of Fire/Paramedic, Animal Shelter, 911-Police-Fire-Paramedic Facilities and finance Water Quality Improvement projects | --                            | 71,023,000           | --                    | 71,023,000                     |
| <b>Total</b>   | <u>\$ 1,445,250,000</u>       | <u>\$ 71,023,000</u> | <u>\$ 104,375,000</u> | <u>\$ 1,411,898,000</u>        |

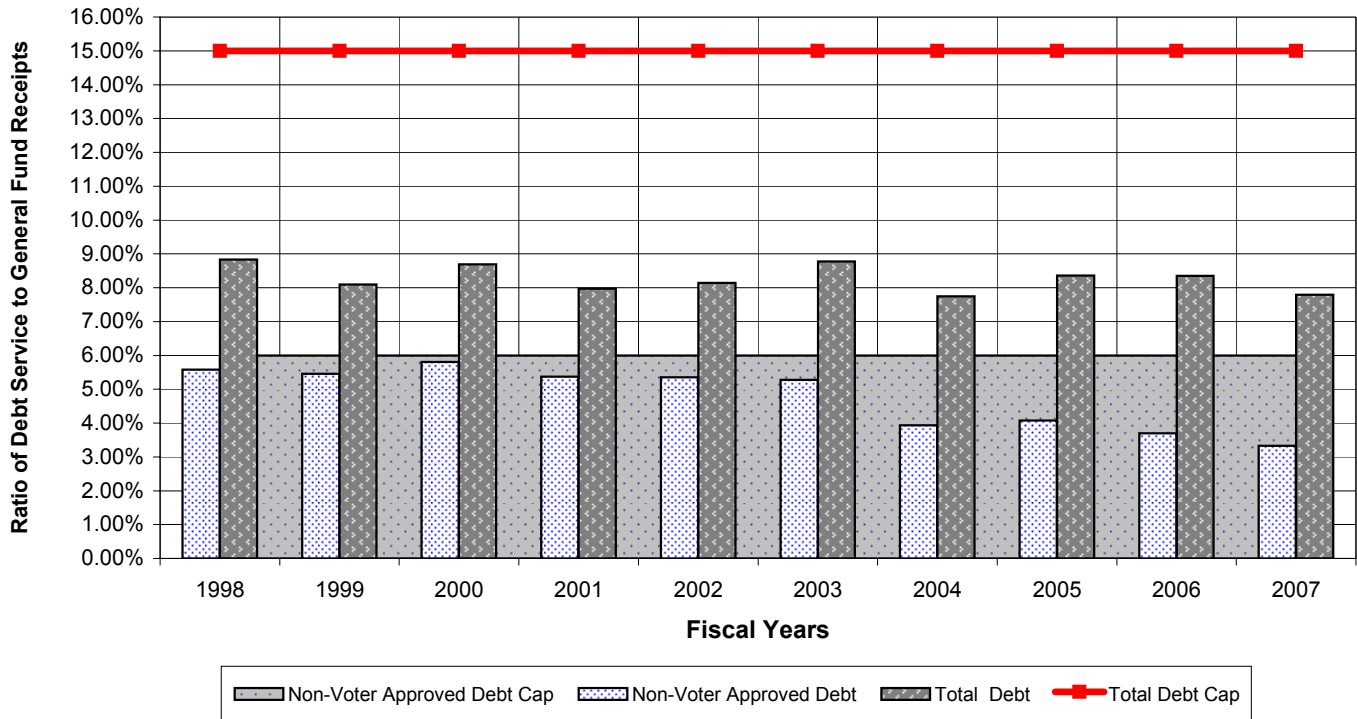
(a) Outstanding balance as of 7/1/06 was adjusted to reflect refunded bonds inadvertently excluded in fiscal year 2005-06 payments.

**City of Los Angeles**

**Ratio of Debt Service Requirements  
To General Fund Receipts  
Last Ten Fiscal Years**

| Fiscal Year<br>Ended<br>June 30 | Debt Service Requirements |                   |                | General Fund<br>Receipts (1) | Ratio of Debt Service Requirements<br>to General Fund Receipts |                   |       |
|---------------------------------|---------------------------|-------------------|----------------|------------------------------|--|-------------------|-------|
|                                 | Non-Voter<br>Approved     | Voter<br>Approved | Total          |                              | Non-Voter<br>Approved  | Voter<br>Approved | Total |
| 1998                            | \$ 147,213,998            | \$ 85,744,827     | \$ 232,958,825 | \$ 2,637,448,813             | 5.58%  | 3.25%             | 8.83% |
| 1999                            | 150,298,343               | 72,352,494        | 222,650,837    | 2,751,246,782                | 5.46%  | 2.63%             | 8.09% |
| 2000                            | 166,311,227               | 82,241,888        | 248,553,115    | 2,860,424,266                | 5.81%  | 2.88%             | 8.69% |
| 2001                            | 169,203,130               | 82,013,874        | 251,217,004    | 3,150,528,837                | 5.37%  | 2.60%             | 7.97% |
| 2002                            | 172,708,476               | 89,972,564        | 262,681,040    | 3,227,337,646                | 5.35%  | 2.79%             | 8.14% |
| 2003                            | 176,440,604               | 117,084,741       | 293,525,345    | 3,342,647,835                | 5.28%  | 3.50%             | 8.78% |
| 2004                            | 141,008,595               | 136,739,299       | 277,747,894    | 3,585,316,653                | 3.93%  | 3.81%             | 7.74% |
| 2005                            | 159,823,544               | 167,281,520       | 327,105,064    | 3,912,975,296                | 4.08%  | 4.28%             | 8.36% |
| 2006                            | 152,991,584               | 192,483,903       | 345,475,487    | 4,136,531,029                | 3.70%  | 4.65%             | 8.35% |
| 2007                            | 145,884,298               | 195,720,003       | 341,604,301    | 4,386,747,690                | 3.33%  | 4.46%             | 7.79% |

(1) General Fund receipts have been adjusted upwards to reflect bond proceeds to pay for capitalized interest.



Note: The 6% non-voter approved debt cap can only be exceeded in two instances:  
 (a) There is a guaranteed new revenue stream for the debt payments and the additional debt will not cause the debt service ratio to exceed 7.5%, or  
 (b) There is no guaranteed revenue stream for the debt but the 6% ratio shall only be exceeded for one fiscal year.

**City of Los Angeles**

**Statement of Legal Debt Margin  
As of June 30, 2007**

TAXABLE PROPERTY AND BONDING CAPACITY

|                                    |   |
|------------------------------------|---|
| Assessed Valuation <sup>(1)</sup>  | <u>\$ 349,620,575,879</u>               |
| Debt Limit (15% of Assessed Value) | 52,443,086,382 <sup>(2)</sup>           |
| General Obligation Bonds:          |   |
| Bonds Outstanding                  | <u>(1,411,898,000) <sup>(3)</sup></u>   |
| Legal Debt Margin                  | <u>\$ 51,031,188,382 <sup>(4)</sup></u> |

<sup>(1)</sup> Certified by Los Angeles County Auditor-Controller, August 2006

<sup>(2)</sup> Per debt limit provided in Section 43605 of the Government Code of the State of California

<sup>(3)</sup> 2.69% of Debt Limit

<sup>(4)</sup> 97.31% of Debt Limit