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## **CITY CONTROLLER WENDY GREUEL RELEASES CITY'S ECONOMIC FORECAST FOR 2010-2011**

*City is projected to generate \$141.3 million less in 2010-11 than it did in 09-10*

(Los Angeles) – With the City of Los Angeles facing a \$212 million budget deficit, the City's chief accountant, City Controller Wendy Greuel, today, released the economic forecast for the City of Los Angeles for the upcoming fiscal year 2010-11. Every year the Controller meets with leading local economists, reviews the economic forecasts of UCLA, the State Department of Finance, the State Legislative Analyst Office and the Los Angeles County Economic Development Corporation to compile a projected economic forecast for the coming year.

“While we believe that the City will see a modest economic recovery in the coming year, it would best be described as slow and gradual,” said City Controller Greuel. “Overall, we expect the City to receive \$6.146 billion in revenue next year, which is \$141 million less than the \$6.287 billion the City is expected to receive this year.”

The Controller provides this economic forecast to the Mayor and City Council each year so they can have all of the relevant fiscal information as they create the City's budget for the following year.

“The Mayor and City Council cannot – and should not - count on an increase in tax revenue to help balance the City's budget next year,” said City Controller Greuel. “While we anticipate tax revenue for the current year to be dramatically lower in almost every category, we project that 4 of the 7 tax revenue streams will actually increase next year. Unfortunately the anticipated decrease in property tax will outweigh any other revenue increase.”

With the City facing such a large deficit this year and a projected \$484 million deficit next year, the Controller urged the Mayor and City Council to act quickly, but strategically as they make the necessary cuts to balance the City's budget.

“I know that the cuts that the Mayor and City Council will be making in the coming weeks and months will be difficult and drastic. City government will look dramatically different in five years, both in its size and scope of the services provided,” said City Controller Greuel. “The City needs to first identify which specific core functions it plans on providing to Angelenos and then shift our resources to meet those needs, not the other way around. For instance, furloughing or laying off employees in revenue generating positions seems counter-productive as the City explores opportunities to generate additional revenue. The services provided by City government should not be driven by what positions employees were able to transfer into, but by a clear policy on the City's priorities given the current - and looming - budget deficits.”



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Some of the highlights of the report include:

- The City's General Fund is projected to receive \$4.19 billion in revenues, which would be a nearly 5% drop from the City's adopted 2009-10 budget.
- For fiscal year 2009-10, the Controller anticipates that property tax receipts are expected to increase .7% percent, however the 6 other economy-sensitive taxes are all expected to decline by at least 3.22%.
- For the next fiscal year 2010-11, the Controller expects that revenue from the Utility Users', Sales, Transient Occupancy and Documentary Transfer Taxes will increase, while revenue from Property and Business taxes and Licenses Permits, Fees and Fines will decrease.
- The Controller anticipates the City needing to borrow \$550 million in Tax and Revenue Anticipation Notes (TRANS) next year to cover cash flow. The City borrowed \$400 million for cash flow during the current fiscal year.
- The City will have to pay just under \$175 million in bond obligations next year, an increase of \$7.2 million from the current year.
- The City will be required to pay \$399 million in debt service next year, which is a 59% increase from 10 years ago.

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