APPENDIX – STUDIES AND REVIEWS

1 – Asset Management Forecast Model Report – Moss Adams

1.1 City of Los Angeles Pension Model User Guide
1.2 Power point presentation

2 – Pension Fund Report – Navigant Consulting and Commissioner Wayne Moore

2.1 – City Pension Management Fund Study
2.2 – Power point presentation
2.3 – Report by Commissioner Wayne Moore

3 – Payment in Lieu of Taxes (PILOT) Program – Blue Sky Consulting

3.1 – Feasibility of a PILOT Program for the City of Los Angeles.
3.2 – Bob Hope Exemption and Golf Courses in City & County of Los Angeles (Appendix C in Blue Sky report)
3.3 – Power point presentation

4 – Special Purpose Funds

4.1 - Los Angeles City Controller Ron Galperin Report: “In the Balance: Report on the City’s Special Funds” (February 13, 2019)
4.2 – Commission Letter to Budget Committee Chair Paul Krekorian Endorsing the Controller’s Report

5 – Tax Incentive Agreement

5.1 – Executive Summary, City Controller’s Audit on Developer Tax Incentives: “Incentive Agreements: Tax Breaks and Subvention Deals, dated August 10, 2018.

6 – Vacant Property Tax – Blue Sky Consulting

6.1 – Feasibility of A Vacant and Unoccupied Property Parcel Tax for the City of Los Angeles
6.2 – Councilmember Mike Bonin’s Motion for Empty Homes Penalty

7 – Windfall Rent Tax – BAE

7.1 – Windfall Rent Tax for Los Angeles: Tax Scenarios and Implementation Considerations
7.2 – Power point presentation

For copies of the studies and reviews supporting the Commission on Revenue Generation’s recommendations and considerations visit: cao.lacity.org/Reports/crg.final.pdf

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City Of Los Angeles
Office Of The City Administrative Officer

ASSET MANAGEMENT EXPENSE MODEL

PURPOSE

To provide the City of Los Angeles (the City) with a functioning asset management expense forecasting model supported by the most recent, verifiable, and defendable financial data and assumptions available.

SCOPE

The scope of this project was to review and update the Retirement Asset Management Expense Model (the Model) for two of the City's pension funds; the Los Angeles Fire and Police Pension (LAFPP) and the Los Angeles City Employee's Retirement System (LACERS). The focus of the project was to deliver accurate financial data, calculations, and expanded forecasting capabilities by performing the following steps:

1. Review the provided asset management expense model's calculations, assumptions, and data for accuracy.
2. Update the Model to include historical, traceable, and verifiable financial data from 2018; audited pension financial statements; 2018 actuarial reports; and 2019 budget documents
3. Insert additional capabilities into the Model, including:
    - Adjustable variables:
        - Forecasted asset class allocation
        - Forecasted asset class growth rate
        - Forecasted management fees; global and by asset class
        - Forecast internal administration cost; global and by pension
        - Adjustable discount rate for net present value
        - Effective year of forecasted changes
    - Expanded Outputs:
        - Forecasted asset growth over baseline, net of expenses
        - Summary compounded asset growth, compared to baseline historic projections
        - Summary forecasted reduction of the unfunded liability, compared to baseline historic projections
        - Thirty-year forward looking detail forecast data by year, compared to baseline historic projections
        - Sensitivity analysis to show both a favorable and adverse scenario
4. Finalize Model as a protected Excel workbook, which functions as a tool for the City to forecast asset management expenses based on adjustable inputs within the overall retirement asset financial framework.

USER GUIDE

The purpose of the Model is to compare historical baseline pension growth assumptions to adjustable forecast assumptions. The **Detail Summary** tab includes all of the Model's assumptions for baseline and forecasted calculations, including:

- Inputs for a global reduction in management fees and administrative costs, which are located in cells B3:C4. Beginning year input (cell B5) sets the date at which the model will implement the forecasted fee changes.
- Variables are located in columns I through M under the yellow "inputs" heading and outlined with bold borders. The totals of the variable summaries (excluding Forecast Internal Administration Cost) auto-calculate and are locked for work paper protection. See Financial Sources, Assumptions, and Calculations for further detail.

  Forecast Management Fees and Forecast Internal Administrative Cost cells are locked in the Model to ensure global inputs are protected. Cells K16, K28, L10:L15, and L22:27 can be unlocked and used for detail adjustment of forecast management fees by asset class and administration cost by pension.
- All locked cells are colored grey, and are not editable for work paper and calculation protection.
- Informational and baseline assumptions are locked to ensure forecast modeling consistency. All information and baseline assumptions have been sourced from the best available and verifiable financial information. See Financial Sources, Assumptions, and Calculations for further detail.
- The output summary begins on Row 39. See Financial Sources, Assumptions, and Calculations for further detail.

Tabs 2 through 4 include all Model calculation detailed for granular forecasting detail review. Each tab simulates the Model under favorable, base, and moderately stressed market environments. See Financial Sources, Assumptions, and Calculations for further detail. Model calculation detail tabs are locked for work paper protection.

NOTE: This model is based on specific historical financial information and assumptions outlined in the Financial Sources, Assumptions, and Calculations section; therefore, it is limited to those assumptions defined therein. For instance, the baseline management fee expense by asset class utilized in this model was limited to 2018-2019 budgetary fund expense information and applied to actual 2018 management fees incurred. As such, the baseline management fee percentage by asset class is an assumption based on the most verifiable and traceable financial detail available, reconciling to total actual 2018 management fees incurred according to the pension systems' audited financial statements. See the Financial Sources, Assumptions, and Calculations for further information.

FINANCIAL SOURCES, ASSUMPTIONS, AND CALCULATIONS

The Asset Management Expense Forecasting Model was developed to include the best available and verifiable financial information; however, to increase functionality for detail forecasting parameters, certain assumptions had to be included within the calculations. The following defines the financial sources, assumptions, and calculations presented and used in the forecasting model.

Locked Historical Forecasting Data and Assumptions

General Definitions

- **Asset Classes.** Asset classes are segmented and categorized to be consistent with pension and CAFR reporting for LAFPP and LACERS, respectively.

Locked Informational Detail (intended for informational purposes – no impact on Model calculations)

- **2018 Asset Class Allocation** – The 2018 summarized asset class allocation, as a percentage of the total assets under management, is consistent with pension and CAFR reporting for LAFPP and LACERS, respectively.
- **2018 Growth Rate.** The 2018 growth rate, reported by summarized asset class, is consistent with pension and CAFR reporting for LAFPP and LACERS, respectively. Summarized equities growth rate amount is calculated based on the 2018 domestic and international equities asset ratio. The "by asset class" rate is reported net of management fees due to a lack of financial detail available within reports. However, the total growth rate amount is reported prior to fees and expenses and calculated as percentage of total investment income reported within the 2018 Statement of Changes in Net Position for each pension system.
- **2018 Management Fee.** The management fees are reported as a percentage of each category's assets under management. These "by asset class" rates are an assumption based upon the 2018-2019 estimated expenses reported within 2019-2020 final budget board reports and are categorized according to the summarized asset classes for consistency. No actual management fee "by asset class" breakdown appeared to be available within either pension system's audited financial statements or actuarial reports. However, we calculated management fees "by asset class" based on total management fees reported within the 2018 Statement of Changes in Net Position for each pension system. As a result, we have the best available projection of management fee rate "by asset class," while still calculating based upon the total audited management fee amounts for 2018. See 2018 Management Fees Applied to Investment Policy Allocation (cells F16 and F28).

Locked Baseline Detail (included in Model calculations)

- **Average Retirement Assets Under Management.** Average assets under management by category were calculated based on the total average assets under management (Total Average AUM) amounts reported within the 2018 Statement of Changes in Net Position for each pension system, multiplied by the 2018 Asset Class Allocation. The "by asset class" numbers are informational and are not utilized for the Model's calculations. Only the Total Average AUM amount is used in the Model's calculation.
- **2018 Internal Administration Cost by Asset Class.** Internal administration costs by category were estimated based on the total administrative expenses reported within the 2018 Statement of Changes in Net Position for each pension system, multiplied by the 2018 Asset Class Allocation. The "by asset class" numbers are informational and are not utilized for the Model's calculations. Only the total internal administration cost rate amount is used in the Model's calculation.
- **Investment Policy Target Allocation.** Allocation amounts used in the analysis are consistent with pension and CAFR reporting for LAFPP and LACERS, respectively. The target allocation policy was also confirmed and consistent with each pension system's actuarial reports. Allocation amounts were then categorized into summarized asset classes for consistency and used in the calculations within the Model. These amounts were used as the baseline assumption for asset

class mix within the Model's calculations. See 2018 Management Fees Applied to Investment Policy Allocation.

- **2018 Management Fees Applied to Investment Policy Allocation.** Applies the 2018 Management Fees to the Investment Policy Target Allocation percentages to create a total weighted blend of estimated management fee expenses that would be incurred under the target policy allocation. This allows a consistent look forward comparison and calculation. These amounts are used as the baseline assumption for management fee expenses within the Model's calculations.
- **Arithmetic Long Term Expected Real Rate of Return, Including inflation.** Expected return rates were pulled and are consistent with reported actuarial expected rates of return for each pension system. Expected return rates were then categorized into summarized asset classes for consistency and calculations within the Model. These amounts were used as the baseline assumption for the expected rate of return on assets within the Model's calculations.

Average Retirement Assets Under Management	2018 Asset Class Allocation	2018 Growth Rate*	2018 Internal Administration Cost by Asset Class	2018 Management Fee (Percent of Assets)**	Investment Policy Target Allocation	Arithmetic Long Term Expected Real Rate of Return, Including inflation
10,462,460,397	53.0%	12.9%	0.053%	0.242%	50.0%	9.5%
3,855,317,954	19.5%	1.2%	0.020%	0.195%	22.0%	4.5%
1,954,308,640	9.9%	18.7%	0.010%	1.731%	12.0%	10.500%
1,652,279,123	8.4%	5.5%	0.008%	1.038%	10.0%	7.4%
917,932,846	4.7%	13.0%	0.005%	0.324%	5.0%	6.8%
898,192,355	4.6%	-0.2%	0.005%	0.083%	1.0%	2.8%
19,740,491,315	**100.0%**	**10.398%**	**0.101%**	**0.443%**	**100.0%**	**8.107%**
					0.492%	**2018 Management Fees a**

See Arithmetic Long Term Expected Real Rate of Return, Including Inflation under Column H of Model

Adjustable Forecasting Model Variables

- **Forecast Internal Administration Cost.** This variable allows the customization of total forecasted internal administration expenses as a global percentage reduction and can also be adjusted as a percentage of retirement assets. Forecasted Internal Administration Cost "by asset class" is informational and calculated based on the Forecast Allocation percentages. Only the total by pension system is adjustable.
- **Forecast Management Fees.** These variables allow the customization of forecasted management fee expenses by asset class, as a percentage of assets under management. This variable is directed by a global variable as percentage reduction and can also be adjusted at the detail level by asset class. The total is weighted by the forecasted management fees according to the inputted Forecast Allocation percentages.
- **Global Reduction in Pension Fee – Beginning in Year.** – This input allows the customization of which year the global reduction inputs will be effective. For instance, if you would like to forecast the total savings of a 5% reduction in administrative expenses beginning in year 2022, the Model will not calculate any reduction in cost until 2022.

Global Reduction in Pension Fee	% Reduction in Management Fees	% Reduction in Administrative Costs
LAFPP Reduction	0.00%	0.00%
LACERS Reduction	0.00%	0.00%
Beginning in Year	2019	

- **Forecast Allocation.** These variables allow the customization of forecasted asset class allocation blend. If the blend does not equal 100%, the total cells will highlight red.
- **Forecast Growth Rate.** This variable allows the customization of forecasted growth rate by asset class. The cells weight the total forecasted growth rate according to the inputted Forecast Allocation percentages. The forecast asset growth inputted is used for both baseline and forecast model scenarios to ensure a comparative analysis.

Inputs			
Forecast Allocation	Forecast Growth Rate	Forecast Internal Administration Cost	Forecast Management Fees
50.00%	9.5%	0.050%	0.242%
22.00%	4.5%	0.022%	0.195%
12.00%	10.5%	0.012%	1.731%
10.00%	7.4%	0.010%	1.038%
5.00%	6.8%	0.005%	0.324%
1.00%	2.8%	0.001%	0.083%
100.00%	**8.107%**	**0.101%**	**0.492%**
pplied to Investment Policy			

- **Discount Rate (NPV).** This variable allows for the customization of the discount rate used for the net present value calculation utilized to estimate the forecasted reduction in unfunded liability. As of 2018, the City's actuaries utilized a discount rate of 7.25% for both pension systems.

Locked Input Summary				Input
Forecast Allocation	Forecast Growth Rate	Forecast Internal Administration Cost	Forecast Management Fees	Discount Rate (NPV)
100%	8.216%	0.108%	0.563%	7.25%

Forecasted Output/Results

- **15 Year Compound Asset Growth with Fee Reduction** – This output summarizes the total expected growth difference between total compounded asset growth for the baseline and forecasted models, looking forward 15 years. This assumes the reinvestment of all forecasted savings in asset management cost reductions (management fee and internal expenses). The output includes a comparison in favorable (forecast growth rate + 1%), base (forecast growth rate), and moderately stressed (forecast growth rate – 1%) scenarios.
- **15 Year Forecasted Reduction in Unfunded Liability** – This output summarizes the expected reduction in unfunded liability under the forecasted model, compared to the baseline model, looking forward 15 years. The reduction is measured as the net present value of forecasted increase in growth, compared to baseline, by year for 15 years. However, this calculation has not been vetted or reconciled with the City's actuarial calculations. As such, the reported amount is an estimated reduction based on the net present value of savings applied to asset growth. The output includes a comparison in favorable, base, and moderately stressed scenarios.
- **30 Year Compound Asset Growth with Fee Reduction** – This output summarizes the total expected growth difference between total compounded asset growth for the baseline and

forecasted models, looking forward 30 years. This assumes the reinvestment of all forecasted savings in asset management cost reductions (management fee and internal expenses). The output includes a comparison in favorable, base, and moderately stressed scenarios.

- **30 Year Forecasted Reduction in Unfunded Liability** – This output summarizes the expected reduction in unfunded liability under the forecasted model, compared to the baseline model, looking forward 30 years. The reduction is measured as the net present value of forecasted increase in growth, compared to baseline, by year, for 30 years. However, this calculation has not been vetted or reconciled with the City's actuarial calculations. As such, the reported amount is an estimated reduction based on the net present value of savings applied to asset growth. The output includes a comparison in favorable, base, and moderately stressed scenarios.

	+1% Forecast Growth	+0% Forecast Growth	-1% Forecast Growth
Outputs:	**Favorable**	**Base**	**Mod. Stressed**
Baseline Asset Growth, Net of Expenses	8.544%	7.544%	6.544%
Forecasted Asset Growth Rate, Net of Forecast Expens	8.544%	7.544%	6.544%
Annual Forecasted Net Growth over Baseline	**0.000%**	**0.000%**	**0.000%**
15 Year Compound Asset Growth with Fee Reduction	-	-	-
30 Year Compound Asset Growth with Fee Reduction	-	-	-
15 Year Expected reduction in Unfunded Liability	-	-	-
30 Year Expected reduction in Unfunded Liability	-	-	-

- **Model Detail by Year** – See Excel tabs 2, 3, and 4 for Model detail by year under favorable, base, and moderately stressed environments, respectively. Detail tables show all Model detail calculations, modeled to look similar to the City's original model. Columns L and M show compound asset growth and annual savings by year, respectively.

Detail Summary	Favorable Forecast	Base Input Forecast	Moderately Stressed Forecast

MOSSADAMS

City of Los Angeles
Office Of The City Administrative Officer
Asset Management Expense Model
Exit Meeting – Wednesday, Sep 18th

Robert Loffink – Director, Financial Services Consulting
Lawrence Stepovich, CPA – Manager, Business Consulting Services

Agenda

- Project Overview
- Scope
- The Forecast Model and Its individual components
- How It Works

Project Overview

PURPOSE

To provide the City of Los Angeles with a functioning asset management expense forecasting tool supported by the most recent, verifiable, and defendable financial data and assumptions available.

SCOPE

The Commission on Revenue Generation is tasked with developing recommendations to the Mayor and City Council that will provide a level of revenue sufficient to provide high quality services to the residents of Los Angeles.

As a part of this engagement, Moss Adams, LLP reviewed a spreadsheet provided by the Revenue Commission and performed a complete analysis of the inputs, calculations, and output of the spreadsheet. Further, we converted the spreadsheet into a analytical tool that can be used to model various scenarios and potential cost saving opportunities.

Detailed Scope

The scope of this project was to review and update the retirement asset management expense model (the Model) for two of the City's pension funds; the Los Angeles Fire and Police Pension (LAFPP) and the Los Angeles City Employee's Retirement System (LACERS). The focus of the project was to deliver accurate financial data, calculations, and expanded forecasting capabilities performing the following steps:

1. Reviewed the provided asset management expense model's calculations, assumptions, and data for accuracy.
2. Updated the Model to include historical, traceable, and verifiable financial data from 2018; audited pension financial statements; 2018 actuarial reports; and 2019 budget documents
3. Inserted additional capabilities into the Model, including:
   - **ADJUSTABLE VARIABLES:**
     - Forecasted asset class allocation
     - Forecasted asset class growth rate

Detailed Scope (Cont.)

- Forecasted management fees; global and by asset class
- Forecast internal administration cost; global and by pension
- Adjustable discount rate for net present value
- Effective year of forecasted changes

○ **EXPANDED OUTPUTS:**

- Forecasted asset growth over baseline, net of expenses
- Summary compounded asset growth, compared to baseline historic projections
- Summary forecasted reduction of the unfunded liability, compared to baseline historic projections
- Thirty-year forward looking detail forecast data by year, compared to baseline historic projections
- Sensitivity analysis to show both a favorable and adverse scenario

4. Finalized model as a protected Excel workbook that functions as a tool for the City of LA to forecast asset management expenses based on adjustable inputs within the overall retirement asset financial framework.

The Forecast Model

Global Expense Reduction Inputs	Percent Reduction in Management Fees	Percent Reduction in Administrative Costs
LAFPP Reduction	0.00%	0.00%
LACERS Reduction	0.00%	0.00%
Beginning in Year	2019	

LAFPP		Locked Historical						Adjustable Variables			
Asset Classes	Average Retirement Assets Under Management	2018 Asset Class Allocation	2018 Growth Rate*	2018 Internal Administration Cost by Asset Class	2018 Management Fee (Percent of Assets)**	Investment Policy Target Allocation	Arithmetic Long Term Expected Real Rate of Return, Including inflation	Forecast Allocation	Forecast Growth Rate	Forecast Internal Administration Cost	Forecast Management Fees
Stocks	10,462,460,397	53.0%	12.9%	0.053%	0.242%	50.0%	9.5%	50.00%	9.5%	0.050%	0.242%
Bonds	3,855,317,954	19.5%	1.2%	0.020%	0.195%	22.0%	4.5%	22.00%	4.5%	0.022%	0.195%
Private Equity	1,954,308,640	9.9%	18.7%	0.010%	1.731%	12.0%	10.500%	12.00%	10.5%	0.012%	1.731%
Real Estate	1,652,279,123	8.4%	5.5%	0.008%	1.038%	10.0%	7.4%	10.00%	7.4%	0.010%	1.038%
Commodities	917,932,846	4.7%	13.0%	0.005%	0.324%	5.0%	6.8%	5.00%	6.8%	0.005%	0.324%
Cash Equivalents	898,192,355	4.6%	-0.2%	0.005%	0.083%	1.0%	2.8%	1.00%	2.8%	0.001%	0.083%
Total Average AUM	**19,740,491,315**	**100.0%**	**10.398%**	**0.101%**	**0.443%**	**100.0%**	**8.107%**	**100.00%**	**8.107%**	**0.101%**	**0.492%**
						0.492%	**2018 Management Fees applied to Investment Policy**				

LACERS		Locked Historical						Adjustable Variables			
Asset Classes	Average Retirement Assets Under Management	2018 Asset Class Allocation	2018 Growth Rate*	2018 Internal Administration Cost by Asset Class	2018 Management Fee (Percent of Assets)**	Investment Policy Target Allocation	Arithmetic Long Term Expected Real Rate of Return, Including inflation	Forecast Allocation	Forecast Growth Rate	Forecast Internal Administration Cost	Forecast Management Fees
Domestic and International Equities	8,173,375,567	59.3%	12.8%	0.071%	0.240%	46.0%	9.6%	46.00%	9.6%	0.055%	0.240%
Domestic and International Bonds	1,865,898,191	13.5%	-0.3%	0.016%	0.140%	13.8%	4.0%	13.75%	4.0%	0.016%	0.140%
Private Equity	1,396,428,567	10.1%	13.9%	0.012%	1.968%	14.0%	12.0%	14.00%	12.0%	0.017%	1.968%
Real Assets	627,247,743	4.6%	5.9%	0.005%	1.835%	13.0%	6.6%	13.00%	6.6%	0.015%	1.835%
Short-Term Investments	363,444,437	2.6%	0.0%	0.003%	0.033%	1.0%	3.0%	1.00%	3.0%	0.001%	0.033%
Credit Opportunities	1,355,581,995	9.8%	1.8%	0.012%	0.169%	12.3%	6.9%	12.25%	6.9%	0.015%	0.169%
Total Average AUM	**13,781,976,500.0**	**100.0%**	**9.920%**	**0.119%**	**0.462%**	**100.0%**	**8.371%**	**100.00%**	**8.371%**	**0.119%**	**0.665%**
						0.665%	**2018 Management Fees applied to Investment Policy**				

	Locked Historic Summary							Locked Input Summary				Input
Combined Summary	Average Retirement Assets Under Management	2018 Asset Class Allocation	2018 Growth Rate	2018 Internal Administration Cost by Asset Class	2018 Management Fee Applied to Investment Policy Allocation (Percent of Assets)**	Investment Policy Target Allocation	Arithmetic Long Term Expected Real Rate of Return, Including inflation	Forecast Allocation	Forecast Growth Rate	Forecast Internal Administration Cost	Forecast Management Fees	Discount Rate (NPV)
Total Combined	33,522,467,815	100.0%	10.202%	0.108%	0.563%	100%	8.216%	100%	8.216%	0.108%	0.563%	7.25%

	+1% Forecast Growth	+0% Forecast Growth	-1% Forecast Growth
Output Results:	Favorable	Base	Mod. Stressed
Baseline Asset Growth, Net of Expenses	8.544%	7.544%	6.544%
Forecasted Asset Growth Rate, Net of Forecast Expenses:	8.544%	7.544%	6.544%
Annual Forecasted Net Growth over Baseline	**0.000%**	**0.000%**	**0.000%**
15 Year Compound Asset Growth with Fee Reduction	-	-	-
30 Year Compound Asset Growth with Fee Reduction	-	-	-
15 Year Expected reduction in Unfunded Liability	-	-	-
30 Year Expected reduction in Unfunded Liability	-	-	-

Net Pension Liability as of 6/30/2018	
LAFPP Unfunded Pension Liability	$ 1,254,270,000
LACERS Unfunded Pension Liability	$ 5,709,348,000
Total Unfunded Pension Liability	**$ 6,963,618,000**

*Individual growth rate net of fees, total percentage prior to fees, due to lack of financial detail

**Applied fee rates projections based on reported Budget management fee detail.

Global Input Criteria

- Global Input fields were created to allow for overall fee changes on a percentage basis.
- Here we have broken out both management fees and internal administrative costs.
- Further we have added a beginning year to show what year the anticipated savings are expected to start.

Global Expense Reduction Inputs	Percent Reduction in Management Fees	Percent Reduction in Administrative Costs
LAFPP Reduction	0.00%	0.00%
LACERS Reduction	0.00%	0.00%
Beginning in Year	2019	

Historical Data

We show the key historical data that serves as the basis for the forecast for each pension.

LAFPP		Locked Historical					
Asset Classes	**Average Retirement Assets Under Management**	**2018 Asset Class Allocation**	**2018 Growth Rate***	**2018 Internal Administration Cost by Asset Class**	**2018 Management Fee (Percent of Assets)****	**Investment Policy Target Allocation**	**Arithmetic Long Term Expected Real Rate of Return, Including inflation**
Stocks	10,462,460,397	53.0%	12.9%	0.053%	0.242%	50.0%	9.5%
Bonds	3,855,317,954	19.5%	1.2%	0.020%	0.195%	22.0%	4.5%
Private Equity	1,954,308,640	9.9%	18.7%	0.010%	1.731%	12.0%	10.500%
Real Estate	1,652,279,123	8.4%	5.5%	0.008%	1.038%	10.0%	7.4%
Commodities	917,932,846	4.7%	13.0%	0.005%	0.324%	5.0%	6.8%
Cash Equivalents	898,192,355	4.6%	-0.2%	0.005%	0.083%	1.0%	2.8%
Total Average AUM	**19,740,491,315**	**100.0%**	**10.398%**	**0.101%**	**0.443%**	**100.0%**	**8.107%**

LACERS		Locked Historical					
Asset Classes	**Average Retirement Assets Under Management**	**2018 Asset Class Allocation**	**2018 Growth Rate***	**2018 Internal Administration Cost by Asset Class**	**2018 Management Fee (Percent of Assets)****	**Investment Policy Target Allocation**	**Arithmetic Long Term Expected Real Rate of Return, Including inflation**
Domestic and International Equities	8,173,375,567	59.3%	12.8%	0.071%	0.240%	46.0%	9.6%
Domestic and International Bonds	1,865,898,191	13.5%	-0.3%	0.016%	0.140%	13.8%	4.0%
Private Equity	1,396,428,567	10.1%	13.9%	0.012%	1.968%	14.0%	12.0%
Real Assets	627,247,743	4.6%	5.9%	0.005%	1.835%	13.0%	6.6%
Short-Term Investments	363,444,437	2.6%	0.0%	0.003%	0.033%	1.0%	3.0%
Credit Opportunities	1,355,581,995	9.8%	1.8%	0.012%	0.169%	12.3%	6.9%
Total Average AUM	**13,781,976,500.0**	**100.0%**	**9.920%**	**0.119%**	**0.462%**	**100.0%**	**8.371%**

Additional Variables

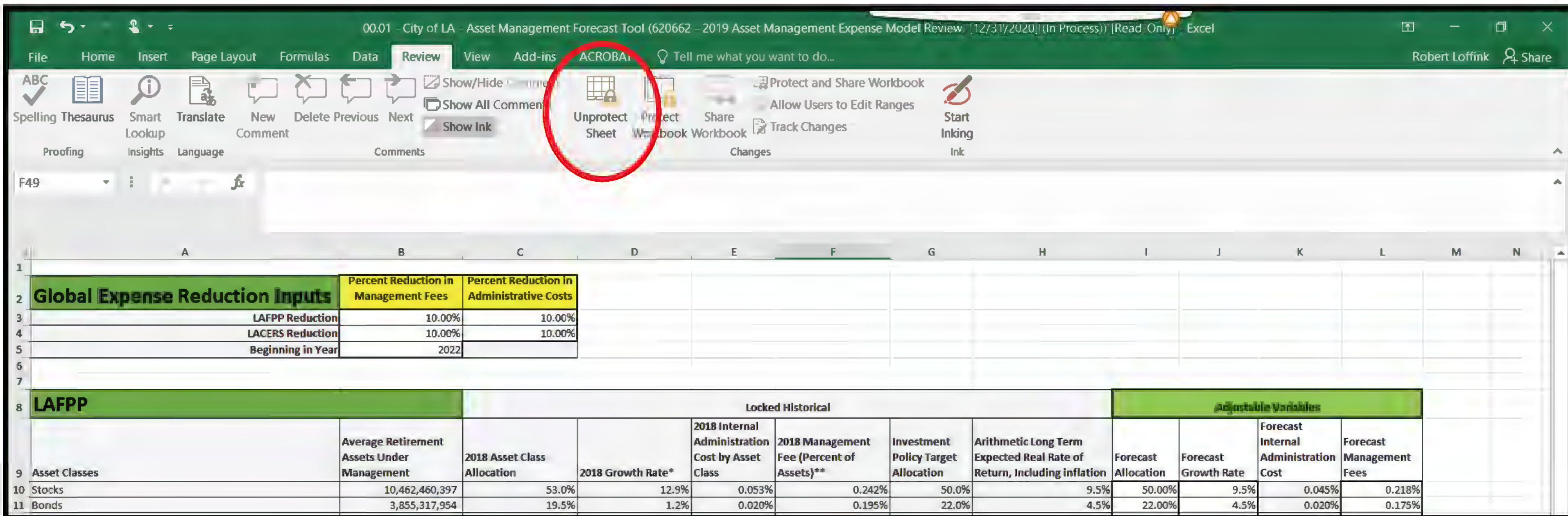
- We also give you the ability to alter individual variables for a more detailed analysis.
- To protect the model these tables have been password protected as long as the Global Input Criteria are being used. However, a copy of the model can be saved and the additional variables adjusted if warranted by the analysis.
- Password to adjust additional variables = Dodgers1

Adjustable Variables			
Forecast Allocation	Forecast Growth Rate	Forecast Internal Administration Cost	Forecast Management Fees
50.00%	9.5%	0.050%	0.242%
22.00%	4.5%	0.022%	0.195%
12.00%	10.5%	0.012%	1.731%
10.00%	7.4%	0.010%	1.038%
5.00%	6.8%	0.005%	0.324%
1.00%	2.8%	0.001%	0.083%
100.00%	**8.107%**	**0.101%**	**0.492%**

Adjustable Variables			
Forecast Allocation	Forecast Growth Rate	Forecast Internal Administration Cost	Forecast Management Fees
46.00%	9.6%	0.055%	0.240%
13.75%	4.0%	0.016%	0.140%
14.00%	12.0%	0.017%	1.968%
13.00%	6.6%	0.015%	1.835%
1.00%	3.0%	0.001%	0.033%
12.25%	6.9%	0.015%	0.169%
100.00%	**8.371%**	**0.119%**	**0.665%**

Inputting the Password

To input the password, click on the ‘Review Tab’ and then click on the ‘Unprotect Sheet’ icon. You will then be prompted to enter the password.



Summation of the Total Assets Under Management

- The totals are then summed up for all fund types across both pensions. These totals have all been properly waited and are then used to forecast the total impact.
- The totals are then discounted by the actuarially derived discount rate to the get net present value of the future impact in today's dollars.

Locked Historic Summary							
Combined Summary	**Average Retirement Assets Under Management**	**2018 Asset Class Allocation**	**2018 Growth Rate**	**2018 Internal Administration Cost by Asset Class**	**2018 Management Fee Applied to Investment Policy Allocation (Percent of Assets)****	**Investment Policy Target Allocation**	**Arithmetic Long Term Expected Real Rate of Return, Including inflation**
Total Combined	33,522,467,815	100.0%	10.202%	0.108%	0.563%	100%	8.216%

Locked Input Summary				Input
Forecast Allocation	**Forecast Growth Rate**	**Forecast Internal Administration Cost**	**Forecast Management Fees**	**Discount Rate (NPV)**
100%	8.216%	0.108%	0.563%	7.25%

Output Detail

- The output shows the impact of the changes in both absolute dollars if the savings were reinvested over a 15 and 30 year timeframe and then those results are adjusted to todays dollars using the actuarially derived discount rate.
- We have also added a favorable and stressed forecast to show the sensitivity.

	+1% Forecast Growth	+0% Forecast Growth	-1% Forecast Growth
Output Results:	**Favorable**	**Base**	**Mod. Stressed**
Baseline Asset Growth, Net of Expenses	8.544%	7.544%	6.544%
Forecasted Asset Growth Rate, Net of Forecast Expenses:	8.544%	7.544%	6.544%
Annual Forecasted Net Growth over Baseline	**0.000%**	**0.000%**	**0.000%**
15 Year Compound Asset Growth with Fee Reduction	-	-	-
30 Year Compound Asset Growth with Fee Reduction	-	-	-
15 Year Expected reduction in Unfunded Liability	-	-	-
30 Year Expected reduction in Unfunded Liability	-	-	-

Net Pension Liability as of 6/30/2018		
LAFPP Unfunded Pension Liability	$	1,254,270,000
LACERS Unfunded Pension Liability	$	5,709,348,000
Total Unfunded Pension Liability	**$**	**6,963,618,000**

How It Works

As you can see below, a reduction of both management fees and administrative costs of 10% on both pensions that takes affect in 2022 would result in actual cash of $5.4 Billion over 30 years and when you discount that back to today that would be approximately a $1.14 Billion reduction in the net pension liability.

Global Expense Reduction Inputs	Percent Reduction in Management Fees	Percent Reduction in Administrative Costs
LAFPP Reduction	10.00%	10.00%
LACERS Reduction	10.00%	10.00%
Beginning in Year	2022	

	+1% Forecast Growth	+0% Forecast Growth	-1% Forecast Growth
Output Results:	Favorable	Base	Mod. Stressed
Baseline Asset Growth, Net of Expenses	8.544%	7.544%	6.544%
Forecasted Asset Growth Rate, Net of Forecast Expenses:	8.611%	7.611%	6.611%
Annual Forecasted Net Growth over Baseline	0.067%	0.067%	0.067%
15 Year Compound Asset Growth with Fee Reduction	926,043,207	806,694,770	701,828,380
30 Year Compound Asset Growth with Fee Reduction	7,102,136,694	5,389,456,962	4,079,325,667
15 Year Expected reduction in Unfunded Liability	409,008,076	360,033,391	316,699,905
30 Year Expected reduction in Unfunded Liability	1,451,474,491	1,143,679,351	902,176,832

User Guide

We have also provided a user guide that gives detailed explanations of the inputs and instructions on how to use the model.

City Of Los Angeles
Office Of The City Administrative Officer

ASSET MANAGEMENT EXPENSE MODEL

PURPOSE

To provide the City of Los Angeles (the City) with a functioning asset management expense forecasting tool supported by the most recent, verifiable, and defendable financial data and assumptions available.

SCOPE

The scope of this project was to review and update the retirement asset management expense model (the Model) for two of the City's pension funds; the Los Angeles Fire and Police Pension (LAFPP) and the Los Angeles City Employee's Retirement System (LACERS). The focus of the project was to deliver accurate financial data, calculations, and expanded forecasting capabilities performing the following steps:

1. Reviewed the provided asset management expense model's calculations, assumptions, and data for accuracy.
2. Updated the Model to include historical, traceable, and verifiable financial data from 2018; audited pension financial statements; 2018 actuarial reports; and 2019 budget documents
3. Inserted additional capabilities into the Model, including:
   - Adjustable variables:
     - Forecasted asset class allocation
     - Forecasted asset class growth rate

Questions?

THANK YOU

APPENDIX – STUDIES AND REVIEWS

2 – Pension Fund Report – Navigant Consulting and Commissioner Wayne Moore

2.1 – City Pension Management Fund Study

2.2 – Power point presentation

2.3 – Report by Commissioner Wayne Moore

NAVIGANT
A Guidehouse Company

City Pension Fund Management Study

FINAL

Prepared for:

The City of Los Angeles
Office of the Chief Legislative Analyst

Submitted by:
Navigant, A Guidehouse Company
333 South Hope St.
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Los Angeles, 90071

(213) 545-8010
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Reference No.: C-134694
January 27, 2020

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DISCLAIMER

This report was prepared by Navigant Consulting, Inc., n/k/a Guidehouse Inc. ("Navigant"),[1] for the Los Angeles City Administrative Officer (CAO). The work presented in this report represents Navigant's professional judgment based on the information available at the time this report was prepared. Navigant is not responsible for the reader's use of, or reliance upon, the report, nor any decisions based on the report. NAVIGANT MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED. Readers of the report are advised that they assume all liabilities incurred by them, or third parties, as a result of their reliance on the report, or the data, information, findings and opinions contained in the report.

[1] On October 11, 2019, Guidehouse LLP completed its previously announced acquisition of Navigant Consulting Inc. In the months ahead, we will be working to integrate the Guidehouse and Navigant businesses. In furtherance of that effort, we recently renamed Navigant Consulting Inc. as Guidehouse Inc.

EXECUTIVE SUMMARY

Background

The Los Angeles City (City) Administrative Officer (CAO) retained Navigant Consulting, Inc., n/k/a Guidehouse Inc. (Navigant) to assess the management practices of Los Angeles' two City-sponsored pension funds, the Los Angeles City Employees' Retirement System (LACERS) and the Los Angeles Fire and Police Pension Plan (LAFPP), on behalf of the Los Angeles City Commission on Revenue Generation (Commission).[2] The Commission is tasked with maximizing the City's General Fund revenue by providing recommendations to the Mayor and City Council. As part of this effort, the Commission wanted to analyze LACERS and LAFFP's management fees and the funds' investment policy structure to identify methods for reducing costs and unfunded actuarial accrued liabilities (UAAL).

As of 2018, LACERS' actuarial valuation included a UAAL of $5.9 billion and LAFFP's actuarial valuation, of $1.5 billion. Accordingly, the City budget included general funds of $398 million to amortize LACERS' UAAL and $225 million to amortize LAFPP's UAAL. This study identifies recommendations for reducing costs to minimize these numbers by assessing the potential for in-sourcing and implementing broader cost reduction or revenue generation strategies. The list below provides more information about these concepts, based on the Commission's requests.

- **In-sourcing:** In the initial request for bids (RFB), the Commission stated that the in-sourcing, or the movement of asset management services to internal staff, for pension funds can lower costs and increase beneficial control of assets. Specifically, the Commission noted that international funds, such as Ontario Teacher's Pension Plan (OTPP) and Norges Bank in Norway, and large, domestic funds, such as California Public Employees' Retirement System (CalPERS), have successfully reduced investment management costs by restructuring responsibilities between their external managers and internal staff. This study examines the potential for in-sourcing, given the information outlined by the Commission and LACERS and LAFPP's unique conditions.

- **Other Cost Reduction Strategies:** The Commission also requested that Navigant examine broader asset management practices and identify opportunities for cost savings. The RFB did not identify specific items, so Navigant has taken a broad approach for identifying other cost reduction strategies.

- **Benefits of Commission-Proposed Strategies**: The Commission asked Navigant to quantify the potential benefits of five cost reduction and/or revenue generation strategies for each of the funds. The study includes a discussion of the costs, returns, and net benefits of each of the selected strategies as they relate to LACERS and LAFPP.

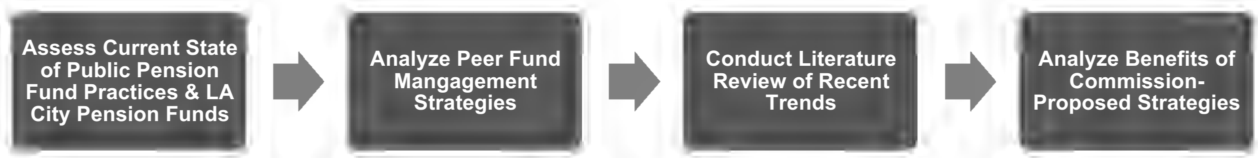
Study Approach

This study examines current investment management costs and asset management strategies to identify methods for reducing costs (or generating revenue) for each respective system and thereby, maximizing the City's General Fund. Navigant used a four-step approach to achieve this goal. The four steps include: (1) assess the current state of public pension fund practices and LACERS and LAFPP, (2) compare LACERS and LAFPP's costs and management structure to a range of peers, (3) conduct a literature review of recent cost reduction strategy trends for public pension plans, and (4) analyze the costs and

[2] On October 11, 2019, Guidehouse LLP completed its previously announced acquisition of Navigant Consulting, Inc. In the months ahead, we will be working to integrate the Guidehouse and Navigant businesses. In furtherance of that effort, we recently renamed Navigant Consulting Inc. as Guidehouse Inc.

benefits of Commission-proposed strategies. The steps culminated in recommendations and a corresponding roadmap for implementation. Figure ES-1 below outlines the study approach.

Figure ES-1. Study Analysis Approach



Source: Navigant

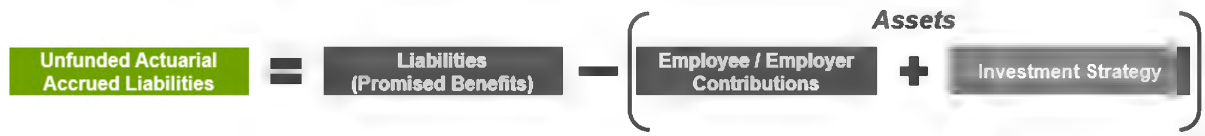
Current State of Public Pension Fund Practices and Los Angeles City Pension Funds

As the first step in the analysis, this section provides broad context about public pension fund management structures and then details LACERS and LAFPP's management practices, including their organizational structure, governance, investment strategy, and costs from the past five years.

Public Pension Fund Management Practices

LACERS and LAFPP administer employer-sponsored defined benefit (DB) plans to its staff. In these plans, employers assume liability for paying a defined benefit amount based on a retirees' employment tenure, earnings, and other factors. LACERS and LAFPP's respective oversight boards generate funding for these benefits by investing employee and employer contributions until an employee is ready to retire, using a defined investment strategy. However, if the employee-employer contributions plus the returns from investing fall short of the funds' liabilities, employers must cover the remaining costs, also known as unfunded actuarial accrued liabilities (UAAL), from other funding sources. Figure ES-2 below illustrates how UAAL is determined.

Figure ES-2. Defined Benefit Plan Structure



Source: LACERS and LAFPP Interviews

In Los Angeles, the City funds the UAAL using the General Fund. For this reason, the City has an interest in reducing UAAL to maximize the General Fund. There are two methods for reducing UAAL: (1) the City can use either employee-employer contributions or (2) LACERS and LAFPP's respective boards can adjust their investment strategies. However, the City determines employee-employer contributions based on negotiated bargaining agreements, making it challenging to implement changes easily.[3] Due to this information, Navigant's study focuses on identifying cost reduction strategies as they relate to investment strategies for the two funds' respective boards to implement.

[3] Notably, LAFPP's employee-employer contribution guidelines are included in the City charter, however LACERS' employee-employer contribution guidelines are not. This means that the City has more flexibility in adjusting LACERS' employee-employer contributions in comparison to LAFPP's employee-employer contributions.

For the purposes of this report, Navigant divides investment strategy into three components: (1) asset allocation, (2) asset management and procurement, and (3) reporting and transparency. Asset allocation determines how funds distribute money in various asset classes. Procurement policies dictate how funds manage its asset allocation and the procedures used to procure internal or external managers to manage the fund. Finally, reporting and transparency consists of the policies for monitoring fund costs and performance over time. Figure ES-3 below provides a high-level overview of these components.

Figure ES-3. Investment Strategy Study Components

Source: Navigant

Los Angeles City Employee Retirement System (LACERS) and Los Angeles Fire and Police Pension Fund (LAFPP)

The City of Los Angeles established LAFPP and LACERS as individual City departments through City Charters in 1899 and 1937, respectively. [4,5] The two funds provide retirement benefits and services to employees of the City. Specifically, LACERS administers benefits for most civilian employees while LAFPP, for sworn members of the Police and Fire Departments and the Port and Airport.[6] The two funds serve over 39,000 active members and 29,000 retirees and their beneficiaries. Together, they manage roughly $20 billion in assets each. As of recent reporting, LACERS combined funded status was 70.1% and LAFPP, 86.9% in 2018. Table ES-1**Error! Reference source not found.** provides an overview of key LA Pension Fund components.

Table ES-1. LA Pension Fund Overview

Components	Description
Organization	Both funds have roughly 100 full time employees each, grouped into three main functional areas: (1) administrative services, (2) investments, and (3) pensions or benefit services. Staff focus on providing services and overseeing investment management. Notably, LACERS and LAFPP staff do not directly manage asset investments, as both funds use a fully outsourced asset management structure.

[4] Los Angeles City Employee Retirement System, About Us, https://www.lacers.org/aboutlacers/about-us.html

[5] LAFPP, 2018 Annual Report, June 30, 2018, https://www.lafpp.com/sites/main/files/file-attachments/lafpp-2018-annual-report-final-web.pdf?1549066280

[6] LACERS does not provide benefits to employees of the Department of Power and Water. These employees have a separate pension fund.

Components	Description
Governance	Both funds are governed by their own oversight boards, pursuant to the City Charter and several California laws, including the California Constitution.[7] Specifically, the boards establish policies, rules, and regulations for the organization, including asset allocation, risk tolerance, and performance benchmarks. The General Manager assumes responsibility for implementing these policies and procedures.
Investment Strategy	*Asset Allocation:* LACERS and LAFPP have similar asset allocations in their investment policies. The funds allocate a large portion (greater than 50%) of assets to equities and an almost equal portion (approximately 20% each) of assets to alternatives and fixed income. The two funds diverge in their asset allocations of cash, as LACERS allocates 5% of its fund to cash and LAFPP, less than 1%. Staff noted that they understand that equities and alternatives have higher costs, but they have chosen to invest in these assets due to high returns, especially compared to fixed income.[8] *Asset Management:* Neither LACERS nor LAFPP manages any of its assets internally; they instead procure external managers to conduct research and manage asset investments, like other similarly-sized organizations.[9] The two funds have historically followed this asset management approach, citing challenges with hiring staff and implementing the technological infrastructure required to manage assets internally due to Civil Service requirements and infrastructural costs.[10] Instead, the oversight boards, working closely with fund staff, develop investment policies, which serve as a guide for their external managers. *Reporting & Transparency:* LACERS and LAFPP formally monitor asset returns on a quarterly basis, using well-defined benchmarks. The benchmarks for the funds include qualitative and quantitative components. The qualitative components consist of assessing external managers' organizations. Although not explicitly stated, the qualitative component appears to measure managers' stability and credibility. To complement this analysis, the quantitative components consist of assessing external managers' investment performance against defined thresholds, including industry-wide markers. If managers do not meet stated assessments, they may be placed on a watch list and terminated if performance does not improve.

[7] Los Angeles City Employees' Retirement System, Board Manual, January 2019, http://www.lacers.org/aboutlacers/board/board-governance-files/Board%20Manual.pdf#page=6

[8] Interview with LACERS and LAFPP staff.

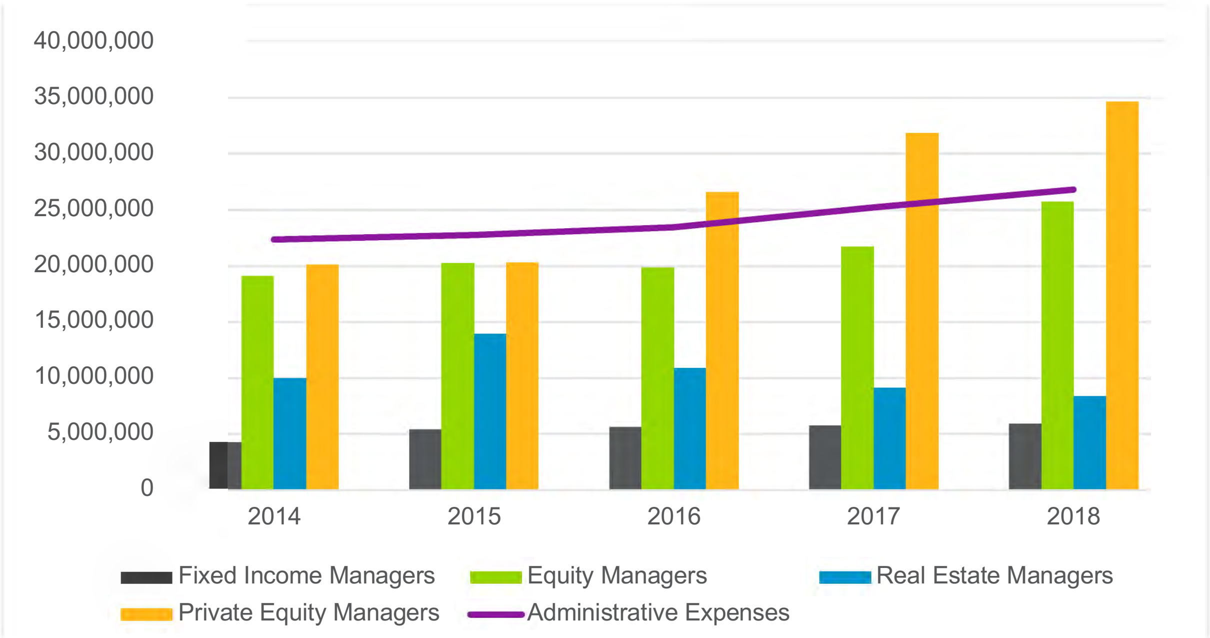
[9] Size refers to assets under management.

[10] Interview with LACERS staff.

Pension Fund Costs

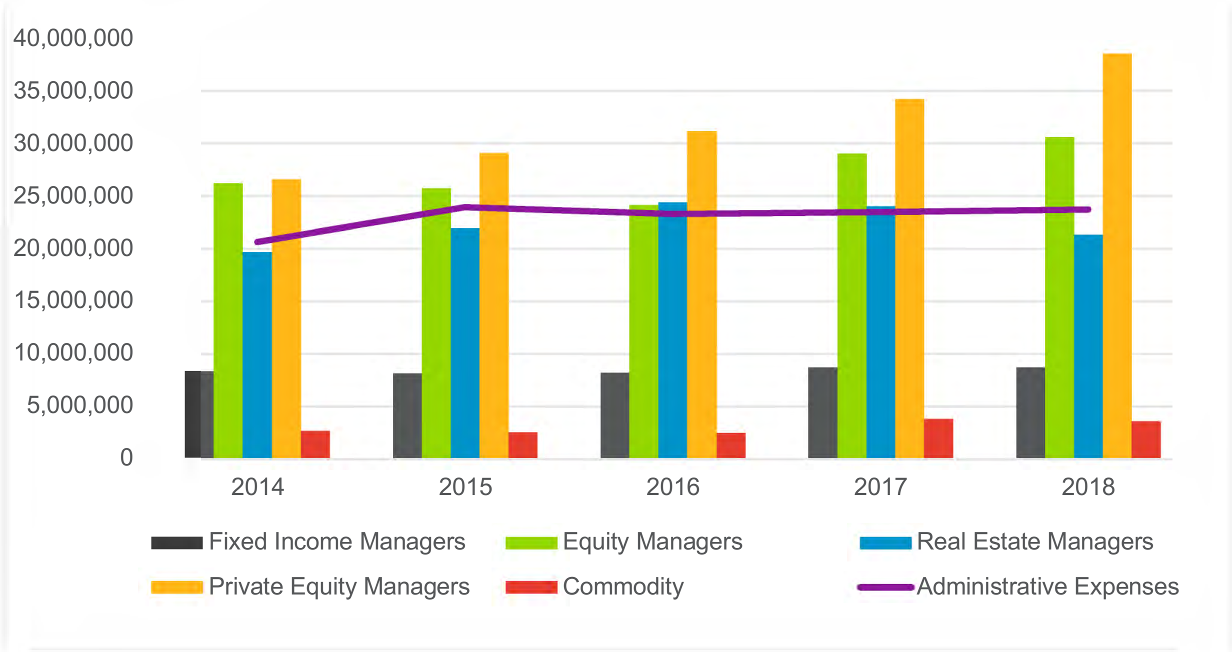
Public pension funds, including LACERS and LAFPP, accrue internal and external management costs, based on their asset management practices. Internal costs include expenses related to the day to day administration of the funds, such as staff salaries, while external costs include expenses tied to external managers. Given that LACERS and LAFPP engage external managers to manage the investments of all their assets, external fees for the two funds comprise the largest proportion of costs. LACERS has spent $24.1 M and LAFPP, $22.9 M on average annually over the past five years on internal administrative costs (e.g., salaries and technology infrastructure). In contrast, LACERS has spent $63.9 M and LAFPP has spent $92.7 M on average annually over the same time frame on external management costs. The bulk of the external costs have been for equity and private equity managers for both funds. This makes sense, since both funds have the most assets allocated to equities and private equity investments tend to cost significantly more due to the research required prior to investing. Figure ES-4 and Figure ES-5 below show the external costs for LACERS and LAFPP, respectively.

Figure ES-4. LACERS External vs. Internal Administrative Costs, 2014 - 2018



Source: LACERS Staff

Figure ES-5. LAFPP External vs. Internal Administrative Costs, 2014 - 2018



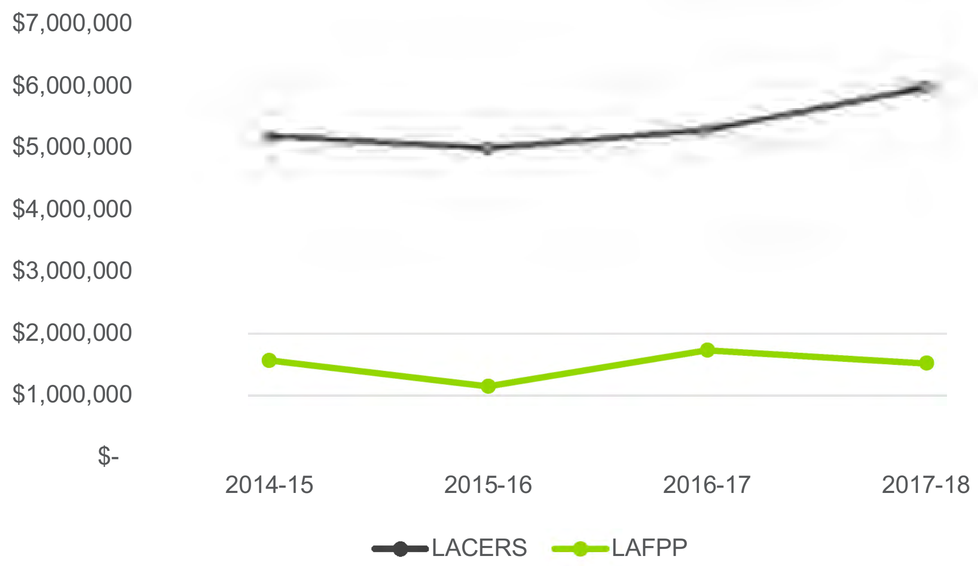
Source: LAFPP Staff

As shown above, costs have increased for almost all asset classes in each of the past five years, while internal management costs have remained stable. On average, total costs have increased 9% annually for LACERS and 5% annually for LAFPP, indicating a steady upwards trend in the short term. However, costs in 2018 equate to less than one half of one percent of total assets and assets for both funds have increased over this period due to positive returns.

Unfunded Actuarial Accrued Liabilities (UAAL)

Given the Commission's focus on UAAL, Navigant analyzed recent historical data to understand trends in UAAL. The two funds have trended oppositely over the past five years. LACERS' UAAL has increased slightly from $5.18 billion to $5.96 billion, while LAFPP's UAAL has decreased slightly from $1.57 billion to $1.52 billion from 2014 to 2018. When looking at individual years, UAAL decreased from fiscal year (FY) 2014-15 to FY 2015-16 and increased from FY 2015-16 to FY 2016-17 for both funds. LACERS' UAAL then increased from FY 2016-17 to FY 2017-18, while LACERS' UAAL decreased that year. The fluctuations in trends suggest that LACERS and LAFPP may be able to implement cost reduction strategies to further hedge against fluctuations in asset returns. Furthermore, a slight cost reduction or revenue generation increase may result in significant reductions in UAAL overtime. For example, a 1% decrease in costs or increase in returns can result in a $59 M reduction in FY 2017-18 UAAL for LACERS and $15 M reduction for LAFPP in the same year. Figure ES-6 Figure ES-4 below shows the UAAL trends from 2014 to 2018.

Figure ES-6. UAAL, 2014 – 2018 (Thousands, USD)



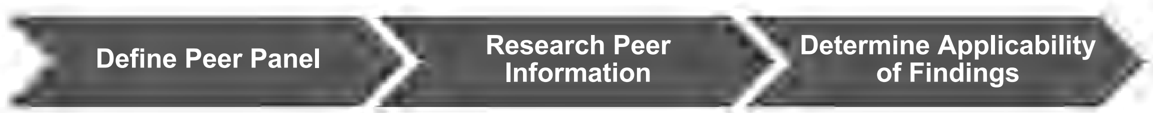
Source: LACERS and LAFPP Data Request

Peer Fund Management Analysis

As part of its analysis, Navigant compared LACERS and LAFPP's investment strategy – including its asset allocation and management approach -- to a range of peer funds. This analysis aims to determine how the two funds compare to peer funds and to identify how approaches may differ amongst funds of different sizes. It also serves to contextualize the funds' practices, providing further insight into the relative benefits, costs, and challenges associated with various asset management strategies.

The analysis consisted of three main steps: (1) defining the peer panel, (2) researching peer information, and (3) determining the applicability of the findings. These steps resulted in a list of peers, research about each peer fund, and strategies that LACERS and LAFPP may adopt based on the research. Figure ES-7 below provides an overview of the analysis approach.

Figure ES-7. Peer Management Analysis Methodology



Source: Navigant

The final peer panel consisted of six public pension funds and one sovereign wealth fund. Navigant included Norway's Government Pension Fund Global, a sovereign wealth fund, since the Commission included the fund in its RFB. This fund offers insights relevant to public pension funds, despite having a slightly different structure. Table ES-2 lists the final peer panel, background information including the fund's total asset value, full-time employees (FTEs), and in-source percentage, and the rationale for each fund's inclusion in the peer panel.

Table ES-2. Peer Panel Overview

Fund	Assets (USD$ B)	FTEs	In-Source Percentage	Rationale for Inclusion
Norway's Government Pension Fund Global (GPFG)	902.8	953	96% of fund	Commission Interest; Internal Management
California Public Employees' Retirement System (CalPERS)	354.0	Unknown	70% of fund	Commission Interest; Internal Management; Proximity
Ontario Teachers' Pension Plan (OTPP)	146.4	1,200	80% of fund	Commission Interest; Internal Management
New York City Employees' Retirement System (NYCERS)	65.5	Unknown	Unknown Percent	Size, City Structure
Los Angeles County Employees Retirement Association (LACERA)	56.3	Unknown	No Assets In-sourced	Size, Proximity
New York City Fire Pension Fund (NYC Fire)	22.3	96	Unknown Percent	Size, City Structure
San Diego City Employees' Retirement System (SDCERS)	17.0	115	No Assets In-sourced	Size, City Structure, Proximity

Source: Fund staff and annual reports

The peer comparison analysis yielded several applicable findings related to overall fund management and cost saving strategies. In particular, the analysis illustrated that the LACERS and LAFPP management strategies closely align with peers and have met or exceeded peer fund performance over the past 10 years. However, there are still opportunities to reduce costs across all asset classes. In terms of cost reduction strategies, the research yielded a few high-level takeaways, listed below.

- LACERS and LAFPP should continue to assess the links between a portfolio's basic asset allocation, its investment expenses, and its overall performance in its forward-looking strategy. As stated previously, shifting their asset allocation can affect both costs and returns. Furthermore, they should continue to account for asset allocation strategies that may reduce costs, such as indexing.

- In-sourcing asset management will be a challenge for LACERS and LAFPP due to their size (measured in assets under management) and their ability to attract, hire, and retain top-tier investment professionals. Furthermore, their current outsourcing strategy aligns with peers of like size.

- LACERS and LAFPP may consider reducing the number of external managers it hires moving forward. LACERS has significantly more (up to four times more than peers) external managers than its peers, based on publicly available information. By reducing managers, LACERS may be able to achieve greater cost-savings by moving greater asset volumes to a smaller number of managers and negotiating better costs.

- Reporting and transparency can help all stakeholders, including its oversight boards, taxpayers, and the City, monitor costs. This includes reporting all relevant fee information in a clear and easily accessible manner. Funds should report both base and performance fees, so stakeholders can understand the complete costs of investing.
- Streamlining external management and relying on low-cost passive managers and indexing can help reduce costs further. LACERS and LAFPP should continue to closely monitor the performance of their investment managers against public benchmarks and consider moving assets into lower-cost index funds if managers cannot regularly outperform market baselines.

Cost Reduction Strategy Literature Review

In addition to developing a peer panel comparison, Navigant conducted a literature review on recent cost reduction strategies employed by public pension funds. The review consisted of collecting secondary research from academic studies, market analyses from third-parties (e.g. nonprofits and finance organizations), and case studies from peers excluded in the full peer panel comparison. The analysis is intended to identify strategies that LACERS and LAFPP do not currently employ but may be applicable to the funds.

Navigant organized its findings into the three investment strategies of interest: (1) asset allocations, (2) asset management and procurement, and (3) reporting and transparency. Table ES-3 below outlines the strategies from the analysis.

Table ES-3. Literature Review Cost Reduction Strategies

Category	Cost Reduction Strategies
Asset Allocation	• Use Managed Custody Accounts (MCA) to reduce costs and increase investing flexibility. Under an MCA, pension funds negotiate fees at the platform level for aggregated assets; investors can then nimbly invest in various products. San Bernardino County Employees Retirement Association (SBCERA) established this investment strategy to increase direct investments and reduce fees. The CIO then implemented this strategy at Texas Tech University Endowment. The CIO has stated that they have been able to reduce costs while getting managers' best ideas incorporated into their portfolio.[11] • Simplify system's investment portfolio and reduce fund managers. Three funds, including South Carolina Retirement Investment Commission (SCRSIC), CalPERS, and Pennsylvania Treasury recently enacted or directed their respective pension funds to simplify their portfolios and reduce the number of external managers.

[11] Hickey III, Thomas A., Fross, Stuart E., Nee, Kenneth C., Generating Returns Through Better Relationships: How Managed Custody Accounts Benefit Managers and Investors, Journal of Security Operations & Custody, February 2, 2016, https://www.foley.com/en/insights/publications/2017/02/generating-returns-through-better-relationships-ho

Category	Cost Reduction Strategies
Asset Management & Procurement	• Adopt specific policies with respect to acceptable fee limits, including establishing a fee budget at the fund level.[12,13] Both the American Federation of Teachers and the Pennsylvania Treasury recently made these recommendations to their respective pension plans. Furthermore, establish fee budgets at the organizational level is a procurement policy best practice.[14] • Explore non-traditional fee structures, such as low fixed fees (rather than performance fees), to mitigate unexpected costs.[15] For example, Orange County Employees Retirement System (OCERS) believes that a base fee is appropriate to provide enough operating income for external managers. OCERS fee policy follows this philosophy closely, assigning fees between the market cost of passive management and 40 percent of fixed fees. • Explore opportunities to pool investments with other pension funds to gain economies of scales. For instance, OCERS developed a mini investment pool by selecting an emerging markets equity manager with a comingled pool, so other public pensions can invest with reduced fees.[16] Furthermore, the pension funds of England and Wales pooled their assets to achieve greater economies of scale and negotiating power.[17]

[12] American Federation of Teachers, The Big Squeeze: How Money Managers' Fees Crush State Budgets and Workers' Retirement Hopes, 2017, http://www.aft.org/sites/default/files/bigsqueeze_may2017.pdf.

[13] Treasury Department Commonwealth of Pennsylvania, Final Report and Recommendations: Public Pension Management and Asset Investment Review Commission, December 13, 2018, http://jsg.legis.state.pa.us/resources/documents/ftp/act5/pdf/PPMAIRC-FINAL.pdf

[14] EY, Five things Getting the basics right in procurement, 2016, https://www.ey.com/Publication/vwLUAssets/EY-best-practice-guide-five-things-in-procurement/$File/EY-best-practice-guide-five-things-in-procurement.pdf

[15] Miller, Gerard, Managing Against Escalating Pension Investment Fees, Government Finance Review, February 2014, https://www.gfoa.org/sites/default/files/GFR_FEB_14_18.pdf.

[16] Orange County Employees Retirement System, Curbing the Costs of Pension Fund Investment Management, May 2014, https://gfoa.org/sites/default/files/FINAL%20-%20Curbing%20the%20Cost%20of%20Public%20Pension%20Portfolio%20Fee%20Management.pdf

[17] Northern Trust, The Local Government Pension Scheme: Beyond Asset Pooling, May 2018, https://www.northerntrust.com/documents/white-papers/asset-servicing/lgps-beyond-asset-pooling.pdf

Category	Cost Reduction Strategies
Reporting & Transparency	• Adopt comprehensive fee-reporting standards in line with the Institutional Limited Partners Association's (ILPA) Fee Transparency Initiative.[18] According to the ILPA, reporting should include partnership expenses, offsets to fees and expenses, and fees with respect to portfolio companies and investments.[19] South Carolina Retirement System (SCRS) collects detailed information on management fees, portfolio companies, other fund-level fees, and accrued performance fees, rather than relying on external manager invoices alone.[20] • Develop investment policy statements that are transparent and accessible. The Pew Charitable Trusts study recommends including information about asset allocation and objectives with risk and returns. [21] For instance, the Missouri State Employee Retirement System (MOSERS) investment policy consists of detailed descriptions about how alternative investments are used to achieve risk and return objectives. • Report results both net and gross of fees by asset class, including for long-term performance results. A recent Pew Charitable Trusts study recently made this recommendation to public pension funds to help stakeholders understand investment performance over time. [22] • Monitor the age of all fee schedules and manager relationships, reviewing them regularly and considering these facts when negotiating. A recent report from the Pennsylvania Treasury recommended that the state's pension funds adopt this practice to minimize fees.[23]

Cost-Savings Analysis of Select Strategies

In addition to identifying cost-savings strategies generally, the Commission tasked Navigant with assessing the potential benefits of implementing five specific strategies selected by its members. The goal of this assessment was to quantify costs, returns, and net benefits to understand how the strategies may impact the two funds.

Table ES-4. Commission on Revenue Generation Selected Strategies

No.	Strategy	Strategy Definition
1	Establish Separate Accounts for Indexed Fixed Income and Equities Investments	Separating investment accounts could give the city beneficial ownership and control over its assets, including the ability to lower costs, exercise proxy voting rights, and increase securities lending revenues. Notably, both LACERS and LAFPP stated they

[18] The Pew Charitable Trusts, Making State Pension Investments More Transparent.

[19] Institutional Limited Partners Association, Reporting Template Guidance Version 1.1, October 2016, https://ilpa.org/wp-content/uploads/2016/10/ILPA-Reporting-Template-Guidance-Version-1.1.pdf

[20] The Pew Charitable Trusts, Making State Pension Investments More Transparent.

[21] The Pew Charitable Trusts, Making State Pension Investments More Transparent.

[22] The Pew Charitable Trusts, Making State Pension Investments More Transparent.

[23] Treasury Department Commonwealth of Pennsylvania, Final Report and Recommendations: Public Pension Management and Asset Investment Review Commission.

		already use separate accounts for their indexed fixed income and equities investments, following industry best practice.
2	Leverage Co-Investing for Private Equity Investments	Co-investing alongside current private equity managers offers the opportunity to participate in private equity ventures with no management fee or carried interest obligation.
3	Establish Cash Overlay Program	Implementing a cash overlay program would generate additional revenue and thereby reduce cash management costs.
4	Increase Manager Diversity	According to years of research, increasing manager diversity in the investment portfolio would produce better financial results across all industries.
5	Invest in Ongoing Research and Peer Reviews	Investing in ongoing research and peer reviews would ensure that the best in-class management strategies are employed.

Source: Commission on Revenue Generation, 2019

To assess each strategy, Navigant identified a baseline investment amount, researched potential costs and returns, and modeled net savings. This research included gathering information directly from LACERS and LAFPP and leveraging publicly available information from case studies and other public pension fund reports. In the cases where information about costs and returns was not readily available, Navigant provides a qualitative discussion about the strategy. The sections below provides a high-level overview of the various strategies and their benefits.

1. *Establish Separate Accounts for Indexed Fixed Income and Equities Investments*

   A separate account is a professionally managed investment portfolio that consists of funds contributed by a single investor. Investing in a separate account is an alternative to investing in a commingled fund, a professionally managed investment portfolio that pools and invests capital contributed by a group of investors. Because separate accounts are managed on behalf of a single investor, they can offer greater flexibility and can provide an investor with greater control and customization of its investment strategy.[24]

   Both LACERS and LAFPP currently employ separate accounts for their indexed fixed income and equities investments. They have used this structure for decades, following industry best practice. Therefore, LACERS and LAFPP cannot derive additional benefits from these strategies.

2. *Leverage Co-Investing for Private Equity Investments*

   Private equity co-investing involves investing capital into a company directly with a general partner, typically a professional private equity manager.[25] Co-investing represents a departure from the typical private equity structure, in which investors contribute capital to a pooled fund that is invested *on their behalf* by a general partner. Because co-investing features investment *in partnership with* (rather than outsourced to) a general partner, co-investing generally has reduced fees. The fee reduction potential of co-investing is amplified for large-scale investors, like public pension funds, who can provide blocks of capital large enough to unlock new investment

[24] James Chen, "Separate Account,*"* Investopedia*,* https://www.investopedia.com/terms/s/separateaccount.asp.
[25] James Chen, "Private Equity," *Investopedia*, https://www.investopedia.com/terms/p/privateequity.asp.

opportunities for general partners. However, there are several challenges with co-investing, including finding deals, conducting due diligence prior to investing in deals, and increasing risk due to decreasing diversification (e.g. since funds would place more money in a small number of large-scale deals).

Navigant found that this strategy may result in significant savings by reducing the two components of private equity fees: (1) management fees, as a percent of assets under management annually, and (2) carried interest fees, as a percent of returns above a pre-negotiated benchmark over the life of the investment. Typically, these fees follow a “2 and 20” structure, meaning investors pay 2% of assets under management for management fees and 20% of returns over a pre-defined benchmark for carried interest fees.[26] Co-investing may help reduce these fees to 0 – 1% and 0 – 10%, respectively. [27] For LACERS and LAFPP this means a potential reduction of $6 - $14 M annually on management fees and 17.5% - 35% on carried interest fees over the lifetime of their current investments, if they moved approximately 35% of their current private equity investments into co-investments.[28]

3. *Establish a Cash Overlay Program*

Cash overlay programs involve investing a portion of a fund’s cash in short-term investments and/or derivative contracts, such as futures. This allows investors to invest based on the direction of market prices while eliminating the need to buy the underlying assets, like individual stocks.[29] As such, a cash overlay program unlocks the potential for marginal returns while reducing the need to sacrifice liquidity through the purchase of securities.[30] Neither LACERS nor LAFPP currently operate a cash overlay program, although LACERS had a program before the economic downturn in 2009.

The two funds may achieve additional revenue generation of $8 - $100 million annually by investing 0.5% - 2% of its total assets in an externally managed cash overlay program, assuming the funds achieve between 0.05 – 0.6% returns on the total fund.[31] The potential returns on the cash overlay program are notably higher than LACERS’ historic program and reflect the assumptions from recent LACERA, Fresno County Employees Retirement Association (FCERA), and LACERS. Given the potential for significant revenue additions that do not unduly threaten

[26] Elvis Picardo, “Two and Twenty,” Investopedia, https://www.investopedia.com/terms/t/two_and_twenty.asp; LACERS and LAFPP interviews.

[27] Torey Cover Capital Partners, “LACERS Private Equity Program 2020 Strategic Plan,” 20, http://www.lacers.org/aboutlacers/board/BoardDocs/2019/Investment/2019-11-12%20INVESTMENT%20CMTE/ITEM_IV.pdf.

[28] Navigant’s calculations assumed that LACERS and LAFPP would move approximately 35% of their current private equity investments to co-invested private equity investments. This assumption stems from a recent LACERS report about coinvesting, which can be found here: http://www.lacers.org/aboutlacers/board/BoardDocs/2019/Investment/2019-11-12%20INVESTMENT%20CMTE/ITEM_IV.pdf.

[29] James Chen, “Futures,” *Investopedia*, https://www.investopedia.com/terms/f/futures.asp.

[30] “Cash Management: Los Angeles City Employees’ Retirement System,” NEPC, 11-2, http://www.lacers.org/aboutlacers/board/BoardDocs/2018/Investment/2018-04-10%20INVESTMENT%20CMTE/ITEM%20VII%20-%20PRESENTATION%20BY%20NEPC%20ON%20CASH%20MGMT%20REVIEW.pdf.

[31] These assumptions are based on three recent reports from LACERS, Fresno County CERA, and LACERA. The reports can be found here: http://www.lacers.org/aboutlacers/board/BoardDocs/2018/Investment/2018-04-10%20INVESTMENT%20CMTE/ITEM%20VII%20-%20PRESENTATION%20BY%20NEPC%20ON%20CASH%20MGMT%20REVIEW.pdf; http://www2.co.fresno.ca.us/9200/Attachments/Agendas/2018/20181003/20181003-6A-PerformanceEconomicSummaryReport-Compiled.pdf; https://www.lacera.com/about_lacera/boi/meetings/2019-04-10_boi_agnd.pdf.

fund liquidity, both LACERS and LAFPP should consider further exploring how cash overlay programs might align with and enhance current investment policies and procedures. Like other investment strategies, LACERS and LAFPP should weigh the risks, costs, and returns associated with implementing a cash overlay program before moving forward.

4. *Increase Manager Diversity*

This strategy involves increasing manager diversity as a method for increasing returns, based on a growing body of evidence that illustrates that increasing diversity improves business performance.[32] The basic idea underpinning this strategy is that business performance improves when management teams feature input and representation from diverse and heterogeneous groups in terms of gender, ethnic, and cultural diversity. This research stems from a variety of industries and is not focused specifically on the public pension industry.

There is currently a lack of publicly available data on public pension fund investment manager diversity, including both the portion of minority-owned or controlled external management firms and performance of these firms. In general, public pension funds have aimed to increase diversity through Emerging (and Diverse) Manager Programs. These programs aim to increase the portion of small and diverse external management firms within their portfolio by allocating a defined portion of assets to these firms. However, exact definitions of emerging managers included within these programs varies significantly.[33] Currently, LACERS and LAFPP operate Emerging Manager Programs and allocate approximately 2% and 10% of funds to the programs, respectively. Both funds define emerging managers based on size in assets under management.

Due to the inconclusive evidence related to Emerging Manager Programs, diversity within these programs, and the general lack of publicly-available information related to asset manager diversity and performance, Navigant could not quantify the net benefits of this strategy. However, Navigant recommends that both funds track data and metrics around diversity-related initiatives and continue increasing manager diversity, given it is a best practice.

5. *Invest in Ongoing Research and Peer Reviews*

Investing in peer research and reviews is a useful way for pension fund administrators to identify areas for improvement. Research and peer reviews may include benchmarking costs, performance, and services, research on cutting-edge investment strategies, and fund-specific research (e.g., modeled investment strategies). LACERS and LAFFP currently invest in regular research and peer reviews through two forums: (1) peer benchmarking reports and (2) investment consultant reports. The list below provides more details about each of these forums.

- **Benchmarking Reports:** Both funds use CEM Benchmarking to understand how their costs, services, and performance compares to like-sized peer pension funds. With over 400 funds participating, CEM benchmarking is seen as an industry-leader in providing peer review research for pension funds. Furthermore, NYC Retirement Systems released a statement, saying "CEM is the only vendor capable of providing comprehensive investment cost benchmarking services that utilize actual cost and

[32] Hunt, Vivian, et. al., Delivering through Diversity, January 2018, McKinsey & Company, https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity.

[33] "Public pension funds' definition of emerging manager still a work in progress", March 21, 2012, Pensions & Investments, https://www.pionline.com/article/20120321/ONLINE/120329976/public-pension-funds-definition-of-emerging-manager-still-a-work-in-progress

performance data collected from large U.S. pension funds," highlighting the benefits of their study.[34]

- **Investment Consultant Reports**: LACERS and LAFPP retain investment consultants to produce ongoing research and other advisory services. The funds stated that these consultants are generally "non-discretionary," meaning they do not manage any of the funds' outsourced investments and focus purely on advisory.[35] As of 2018, LACERS and LAFPP spent $1.49 M, and $0.84 M on investment consultants, respectively.[36]

Although conducting ongoing peer reviews and research are best practice, the precise net benefits from these efforts is unclear due to a lack of publicly available information quantifying the benefits. Navigant suggests continuing to purchase CEM benchmarking reports and conducting ongoing research and peer reviews, while also beginning to track benefits gained from these studies, where possible. Over time this will allow LACERS and LAFPP to understand how these reports have contributed to overall performance.

Recommendations and Action Plan

Based on the peer benchmarking and the literature review above, Navigant developed recommendations and a subsequent action plan for LACERS and LAFPP. These recommendations consider LACERS and LAFPP's unique regulatory environment and current or recent initiatives. For example, the two funds have already implemented a few of the cost reduction investment strategies from the literature review and therefore, Navigant did not include these in the recommendations. Furthermore, Navigant developed the recommendations at a high-level; many of the suggestions are intended to be a starting point and require further examination before implementation.

Navigant developed recommendations across three categories to align with its peer research and literature review. These categories include: (1) asset allocation, (2) asset management and procurement, and (3) reporting and transparency. In general, LACERS and LAFPP align with their peers' practices in these areas; however, both funds can enhance procurement policies and reporting and transparency to further educate external stakeholders and manage external manager costs. Therefore, Navigant's recommendations focus on these categories. Table ES-5 and Figure ES-8 below provides an overview of Navigant's recommendations and action plan.

Table ES-5. Study Recommendations

Category	Recommendations
Asset Allocation	1. Explore the adoption of alternative fee structures, such as Managed Custody Accounts (MCA) 2. Consider reducing the number of external managers by benchmarking the number of external managers used by peers 3. Continue to assess the feasibility of co-investing for private equity investments 4. Continue to assess the feasibility of establishing a cash overlay program

[34] NYC Retirement Systems eyes CEM Benchmarking in cost analysis search, March 22, 2018, Pensions & Investments, https://www.pionline.com/article/20180322/ONLINE/180329954/nyc-retirement-systems-eyes-cem-benchmarking-in-cost-analysis-search.

[35] LACERS and LAFPP interviews.

[36] LACERS and LAFPP data requests.

Procurement / Fee Policies	3. Adopt specific policies with respect to acceptable fee limits 4. Establish a fee budget at the fund level for all investment managers 5. Explore opportunities to pool investments with LACERS and other CA pension funds
Reporting / Transparency	6. Adopt comprehensive fee reporting (e.g. itemized list of fees, including performance and non-performance). 7. Expand reporting to include 20-year results and include full performance reporting (e.g. by asset and net/gross) 8. Post all performance reports, including historical information (20 year +), in an easily-accessible manner 9. Track age of fee schedules and review every 2 years and track age of manage relationships; use information during negotiations to reduce costs 10. Monitor portfolio-wide manager diversity, including the number of diverse managers, to track progress over time. 11. Monitor benefits of investing in ongoing research and peer reviews to understand the impact of these investments over time.

Source: Navigant

Navigant also developed a corresponding action plan with three timelines for the recommendations above. The action plan considers the level of effort and priority for the recommendations. Specifically, near-term recommendations represent easy-to-implement actions and mid-term recommendations represent actions that require further study. Finally, the long-term recommendations consider the potential outcomes from the near-term and mid-term actions. Figure ES-8 below provides an overview of the action plan.

Figure ES-8. Recommendations and Action Plan

Near-Term

6 Months – 2 Years

- Enhance reporting and transparency by:
  - Tracking fee schedule age to leverage for negotiations
  - Expanding access to historical reports (e.g. 20+ years)
  - Providing detailed performance (e.g. net / gross of fees) and itemized lists of manager fees, including performance-based fees
  - Monitoring portfolio-wide manager diversity and performance
  - Monitoring benefits of investing in ongoing research and peer reviews
- Control costs by adopting fee policies, including:
  - Adopting acceptable fee limit policies
  - Establishing a fund-level fee limit budget

Mid-Term

3 Years – 5 Years

- Conduct studies to explore the feasibility of:
  - Adopting alternative fee structures (e.g. establishing Managed Custody Accounts, and hurdles for performance based fees)
  - Pooling investments with other public pension funds to increase economies of scale and reduce costs
  - Simplify investment strategy and reduce the number of total external managers
  - Co-investing a portion of private equity investments
  - Establishing a cash overlay program

Long-Term

5+ Years

- Implement cost-saving strategies based on the outcome of the feasibility reports
- Assess success of near-term reporting and transparency and cost control efforts

Source: Navigant

1. BACKGROUND

The Los Angeles City (City) Administrative Officer (CAO) retained Navigant Consulting, Inc., n/k/a Guidehouse Inc. (Navigant) to assess the management practices of Los Angeles' two City-sponsored pension funds, the Los Angeles City Employees' Retirement System (LACERS) and the Los Angeles Fire and Police Pension Plan (LAFPP), on behalf of the Los Angeles City Commission on Revenue Generation (Commission).[37] The Commission is tasked with maximizing the City's General Fund revenue by providing recommendations to the Mayor and City Council. As part of this effort, the Commission wanted to analyze LACERS and LAFFP's management fees and the funds' administration structure to identify methods for reducing costs. In particular, the City has an interest in reducing the funds' Unfunded Actuarial Accrued Liabilities (UAAL) and increasing beneficial control of fund assets.

The two pension funds provide benefits to over 70,000 retirees and their beneficiaries. Together, they manage nearly $40 billion in assets on behalf of most of the City's Civil Service employees and sworn officers (e.g., firefighters and police officers).[38] The funds currently employ a defined benefit (DB) plan structure, meaning they provide predetermined benefits to retirees and their beneficiaries based on factors such as the retirees' earning history and years of service. In this structure, employers are liable for paying the funds' UAAL, or the difference between the fund's assets and the aforementioned benefit liabilities. As of 2018, LACERS' actuarial valuation included a UAAL of $5.9 billion and LAFFP's actuarial valuation, of $1.5 billion. Accordingly, the City budget included general funds of $398 million to amortize LACERS' UAAL and $225 million to amortize LAFPP's UAAL.

For this study, Navigant identified recommendations for reducing costs to minimize these numbers by assessing the potential for in-sourcing and implementing broader cost reduction strategies. The study scope, as requested by the Commission, addresses the focus areas described below:

- **In-sourcing:** In the initial request for bids (RFB), the Commission stated that the in-sourcing, or the movement of asset management services to internal staff, for pension funds can lower costs and increase beneficial control of assets. Specifically, the Commission noted that international funds, such as Ontario Teacher's Pension Plan (OTPP) and Norges Bank in Norway, and large, domestic funds, such as California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS), have successfully reduced investment management costs by restructuring responsibilities between their external managers and internal staff. This study examines the potential for in-sourcing, given the information outlined by the Commission and LACERS and LAFPP's unique conditions.

- **Other Cost Reduction Strategies:** The Commission also requested that Navigant examine broader asset management practices and identify opportunities for cost savings. The RFB did not identify specific items, so Navigant has taken a broad approach for identifying other cost reduction strategies.

- **Benefits of Commission-Proposed Strategies**: The Commission asked Navigant to quantify the potential benefits of five cost reduction and/or revenue generation strategies for each of the funds. The study includes a discussion of the costs, returns, and net benefits of each of the selected strategies as they relate to LACERS and LAFPP.

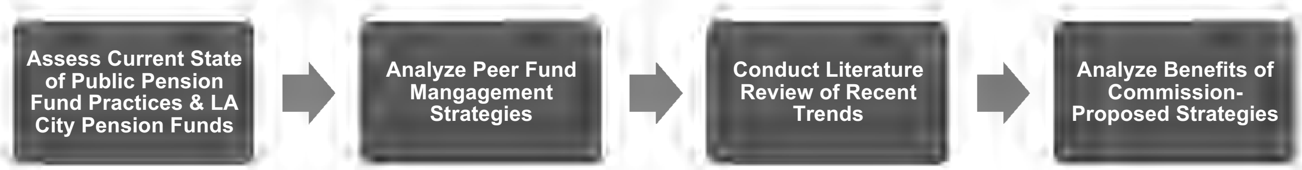
[37] On October 11, 2019, Guidehouse LLP completed its previously announced acquisition of Navigant Consulting, Inc. In the months ahead, we will be working to integrate the Guidehouse and Navigant businesses. In furtherance of that effort, we recently renamed Navigant Consulting Inc. as Guidehouse Inc.

[38] Notably, the funds do not administer benefits for employees of the Department of Water and Power (DWP). These employees have a separate pension fund.

1.1 Study Approach

The goal of this study is to identify methods for reducing UAAL costs and increasing beneficial control of fund assets for each respective system, thereby maximizing the City's General Fund. Navigant examined current investment management costs and asset management strategies, using a four-step approach to achieve the study's goal. The four steps include: (1) assess the current state of public pension fund practices and LACERS and LAFPP, (2) compare LACERS and LAFPP's costs and management structure to a range of peers, (3) conduct a literature review of recent cost reduction strategy trends for public pension plans, and (4) analyze the costs and benefits of Commission-proposed strategies. The steps culminated in recommendations and a corresponding roadmap for implementation. Figure 1-1**Error! Reference source not found.** below outlines the study approach.

Figure 1-1. Study Analysis Approach



Source: Navigant

The list below provides details on each step.

1. **Assess Current State:** Understand overarching public pension fund management practices as well as specific practices employed by LACERS and LAFPP. This assessment includes analyzing the cost of current management practices. The goal of this step is to lay the foundation for the funds' management to use as a point of comparison in Steps 2 and 3.

2. **Analyze Peer Strategies:** Compare costs and management strategies to selected peers to identify potential improvement areas. The goal of this step is to determine if costs and strategies align with peers across a range of sizes.

3. **Conduct Literature Review of Recent Trends:** Review recent reports about cost saving strategies to further identify methods for mitigating costs. The goal of this step is to identify additional strategies to those identified in Step 2.

4. **Analyze the Costs and Benefits of Commission-Proposed Strategies:** Determine the potential net benefits of implementing five Commission-proposed strategies, including incorporating separate accounts, co-investing, and a cash overlay program into current investment strategies as well as investing in manager diversity and ongoing research and peer reviews.

These steps culminated in the development of recommendations and a corresponding roadmap**.** Specifically, Navigant identified the applicability of strategies from Steps 1, 2, 3, and 4 to develop recommendations for implementing selected strategies, translating the findings from the previous steps into a final action plan.

1.2 Report Structure

The report structure aligns with the study approach, with one chapter for each of the steps outlined above:

- **Section 2** provides an overview of public pension fund management practices and LACERS and LAFPP's management structures and associated costs.
- **Section 3** provides an outline of the peer selection methodology and the results of the comparison, including the applicability of the findings to LACERS and LAFPP.
- **Section 4** provides cost reduction strategies from the broader literature review that had not been previously identified.
- **Section 5** provides a cost-benefit analysis of five Commission-proposed strategies.
- **Section 6** provides a synthesis of findings from the previous steps, details high-level recommendations, and outlines an action plan for implementing the recommendations.

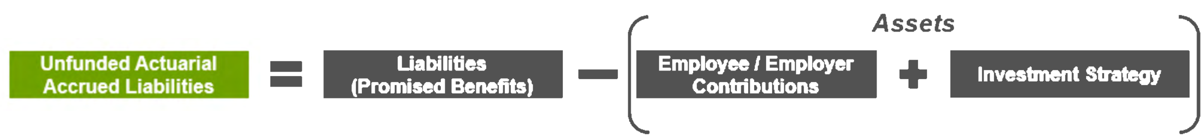
2. CURRENT STATE OF PUBLIC PENSION FUND PRACTICES AND LOS ANGELES CITY PENSION FUNDS

The City of Los Angeles sponsors two pension funds (Funds): (1) the Los Angeles City Employee Retirement System (LACERS) and (2) the Los Angeles Fire and Police Pension (LAFPP).[39] This section provides broad context about public pension fund and then details LACERS and LAFPP's management practices, including organizational structure, governance, investment strategy, and a summary of costs from the past five years. This latter information is based on interviews with staff, data from each of the funds, and publicly available information (e.g., annual reports). Since the two funds have broad similarities, the section discusses the funds in parallel.

2.1 Public Pension Fund Management Practices

As outlined in Section 1, LACERS and LAFPP administer employer-sponsored defined benefit (DB) plans to its staff on behalf of the City of Los Angeles. In these plans, employers assume liability for paying a defined benefit amount based on a retirees' employment tenure, earnings, and other factors. Since each of the funds' respective oversight boards dictate the investment policies of the two funds, the boards are responsible for generating funding for these benefits by investing employee and employer contributions until an employee is ready to retire, using a defined investment strategy. However, if the employee contributions plus the returns from investing fall short of the funds' liabilities, employers must cover the remaining costs, also known as unfunded actuarial accrued liabilities (UAAL), from other funding sources. Figure 2-1 below illustrates how UAAL is determined.

Figure 2-1. Defined Benefit Plan Structure



Source: LACERS and LAFPP Interviews

In Los Angeles, the City funds the UAAL using the General Fund. For this reason, the City has an interest in reducing UAAL to maximize the General Fund. There are two methods for reducing UAAL: (1) the City can use either employee-employer contributions or (2) LACERS and LAFPP's respective boards can adjust their investment strategies. However, the City determines employee-employer contributions based on negotiated bargaining agreements, making it challenging to implement changes easily. Given this information, Navigant's study focuses on identifying cost reduction strategies as they relate to investment strategies.

2.1.1 Investment Strategies

For the purposes of this report, Navigant divides investment strategy into three broad components: (1) asset allocation, (2) asset management and procurement, and (3) reporting and transparency. Asset allocation determines how funds distribute money in various asset classes. Procurement policies dictate how funds manage its asset allocation and the procedures used to procure internal or external managers to manage the fund. Finally, reporting and transparency consists of the policies for monitoring fund costs and performance over time. Figure 2-2 below provides a high-level overview of these components.

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[39] Notably, the City of Los Angeles does not sponsor the Los Angeles Department of Water and Power (LADWP) pension fund.

Figure 2-2. Investment Strategy Study Components

Source: Navigant

2.1.1.1 Asset Allocation

In general, pension funds invest in three types of asset classes: (1) fixed income, (2) equities, and (3) alternative investments, or alternatives. Most funds also keep a portion of their assets in cash. Fixed income investments include investments that provide fixed payments on fixed time schedules, such as bonds. These assets are viewed as low cost, low risk, and low return vehicles. Equities include investments in stocks or shares of companies. These assets are viewed as medium cost, medium risk, and medium to high return. Finally, alternatives include all other assets, such as hedge funds, private equity, and real estate. These assets are viewed as high cost, high risk, and high reward. As evidenced by the definitions, asset classes vary greatly in terms of costs, risks, and returns. Therefore, funds must balance these factors to achieve the optimal outcome, reducing risk and minimizing costs while maximizing returns.

In recent years, public pension funds, like LACERS and LAFPP, have shifted away from fixed income assets towards equities and alternatives.[40,41] This shift has meaningful implications on risk, returns, costs, and by extension, UAAL. Notably, recent research about the costs and benefits of higher alternative and equity allocations compared to fixed income allocations remains inconclusive. Most recent data analyses indicate that some pension funds have realized high returns from alternative investments, while others have only realized high investment costs. In short, "there is no one-size-fits-all approach to investments."[42] This means that asset allocations and management strategies used by industry peers may not necessarily apply to LACERS and LAFPP's unique conditions.

2.1.1.2 Asset Management

Asset management consists of both a fund's overarching asset management strategy as well as its policies for contracting with managers to implement investments. A fund's asset management strategy ultimately dictates how it manages its asset allocation. Asset management structures and procurement policies may vary in terms of feasibility, cost, and benefits.

A fund can manage its assets with internal (in-sourced) or external (outsourced) managers or a hybrid of the two. Almost all funds use external managers to administer investments for at least some of its assets;

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[40] Pew, State Public Pension Funds' Investment Practices and Performance: 2016 Data Update, September 26, 2018, https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2018/09/state-public-pension-funds--investment-practices-and--performance-2016-data-update.

[41] Fitch Ratings, US State and Local Pension Investments: Concerns Grow with Riskier Allocations, Lower Returns, May 6, 2019.

[42] Pew Center, Public Pensions Investments and Governance: How systems invest is critical to meeting pension obligations over long term, April 21, 2017, https://www-aws.pewtrusts.org/en/research-and-analysis/articles/2017/04/public-pensions-investments

however, not all funds use internal managers. In general, a funds' management structure depends on its size. Larger funds tend to in-source greater portions of its assets, while smaller funds tend to outsource greater portions of its assets. This trend occurs because larger funds tend to have greater ability to hire qualified staff, implement required technology, and manage associated risks. Section **Error! Reference source not found.** provides more information about this trend.

Since almost all funds hire external managers to some extent, each fund has a procurement policy, which dictates how the fund selects and contracts with managers. For example, LACERS' procurement policies outline the criteria and weights used to select managers. Furthermore, its policy also includes information about the types of investment vehicles LACERS can use when contracting with external managers. Given that these policies are wide-reaching, they can significantly affect costs.

2.1.1.3 Reporting and Transparency

Finally, funds monitor asset allocation and management performance over time through regular reports. These reports are critical for helping stakeholders understand a fund's success. For example, a fund's oversight board and City stakeholders can use these reports to adjust funds' investment strategy and asset management practices. Although the Government Finance Officers Association (GFOA) posts best practices for reporting and transparency, funds often interpret and implement these practices differently. Therefore, it is important to review funds' policies in this area to ensure all stakeholders -- a fund's oversight board, City stakeholders, and taxpayers -- can view track changes and performance and help hold funds accountable.

2.2 Los Angeles City Employee Retirement System (LACERS) and Los Angeles Fire and Police Pension Fund (LAFPP)

The City of Los Angeles established LAFPP and LACERS as individual City departments through City Charters in 1899 and 1937, respectively. [43,44] The two funds provide retirement benefits and services to employees of the City. Specifically, LACERS administers benefits for most civilian employees while LAFPP, for sworn members of the Police and Fire Departments and the Port and Airport.[45] The two funds serve over 39,000 active members and 29,000 retirees and their beneficiaries. Together, they manage roughly $20 billion in assets each. As of recent reporting, LACERS combined funded status was 70.1% and LAFPP, 86.9%. Table 2-1 provides key highlights about LACERS and LAFPP.

Table 2-1. Fund Membership and Asset Overview

Category	LACERS (2019)	LAFPP (2018) *
Members		
Active Members	26,042	13,442
Retirees and Beneficiaries	19,379	10,506
Fund Assets		
Total Assets	$17.7 Billion	$22.3 Billion
Funded Status (% of Total Assets)	70.1%	86.9%
Unfunded Actuarial Accrued Liabilities	$6.59 Billion	$3.25 Billion

[43] Los Angeles City Employee Retirement System, About Us, https://www.lacers.org/aboutlacers/about-us.html
[44] LAFPP, 2018 Annual Report, June 30, 2018, https://www.lafpp.com/sites/main/files/file-attachments/lafpp-2018-annual-report-final-web.pdf?1549066280
[45] LACERS does not provide benefits to employees of the Department of Power and Water. These employees have a separate pension fund.

Source: LACERS 2019-20 Fiscal Year Strategic Plan; LAFPP 2018 Annual Report
**2018 was the most recent annual report publicly available for LAFPP*

2.2.1 Organization Overviews

The two funds have similar organizational structures. Both funds have roughly 100 full time employees grouped into three main functional areas: (1) administrative services, (2) investments, and (3) pensions or benefit services. At a high level, the funds and their employees aim to serve members and retirees by providing services, such as benefit payments and guidance, while maximizing fund returns to ensure future benefits payments.

Notably, LACERS and LAFPP staff do not directly manage asset investments, as both funds use a fully outsourced asset management structure. Both funds stated that they a fully outsourced asset management structure, because the City classifies fund staff as "Civil Service" employees. This means that positions follow a specific career ladder with defined paygrades for each step. The structure makes it difficult to hire qualified investment management staff, because private investment management firms can provide significantly higher compensation. Therefore, internal investment management consists of overseeing external fund managers and both staff capabilities and technological infrastructure align with this structure. The peer benchmarking in Section 3 discusses staffing and infrastructure practices as it relates to management structure further.

2.2.2 Governance

Both funds are governed by their own oversight boards, pursuant to the City Charter and several California laws, including the California Constitution.[46] Specifically, the boards establish policies, rules, and regulations for the organization, including investment strategies, risk tolerance, and performance benchmarks. The resulting policies and procedures are documented for stakeholders and the public to reference. The General Manager assumes responsibility for implementing these policies and procedures. Section 2.2.3 provides more details about each funds' current policies as they relate to fund management.

The two funds have similar board compositions; they reflect the three main fund stakeholders: beneficiaries, taxpayers, and the City. Both boards include a combination of appointed and elected members, although most members for both boards are appointed by the Mayor. For LACERS, the Board consists of four Mayor-appointed commissioners and three member-elected commissioners. Current commissioners for LACERS include four former or current City employees and local professionals from a variety of businesses.[47] Meanwhile, LAFPP's Board consists of five appointed and four member-elected commissioners. Current commissioners for LAFPP includes former sworn officers and local professionals, including two owners of investment management firms. Figure 2-3 below provides a high-level overview of the LACERS and LAFPP governance structure.

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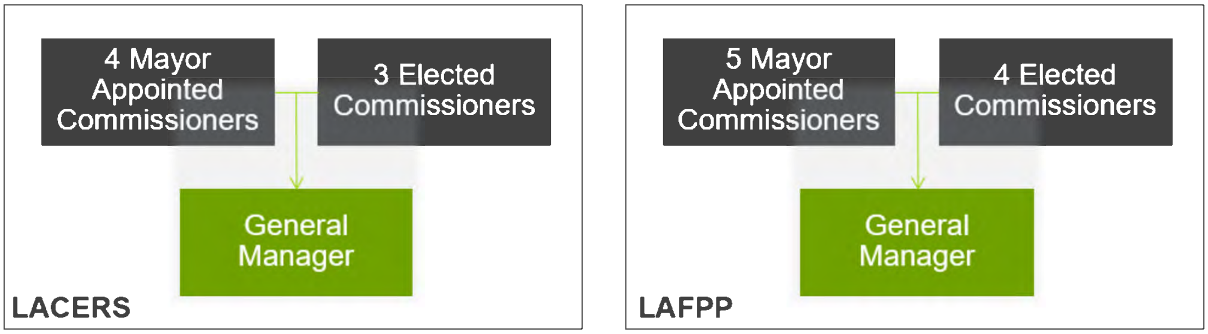
[46] Los Angeles City Employees' Retirement System, Board Manual, January 2019, http://www.lacers.org/aboutlacers/board/board-governance-files/Board%20Manual.pdf#page=6

[47] Los Angeles City Employees' Retirement System, Board of Administration, https://www.lacers.org/aboutlacers/board/index.html

Figure 2-3. LACERS Governance Structure



Source: LACERS, Board of Administration; LAFPP, Board of Commissioners

2.2.3 Investment Strategies

As stated above, the two Boards direct and oversee the fund's investment management, such as setting the investment policy, performance benchmarks, and guidelines for procuring external investment managers. These policies guide overall investment practices and help ensure that the two funds meet long-term investment goals. The sections below provide more details about LACERS investment strategies in accordance with the three areas outlined in Section 2.1.1, asset allocation, asset management, and reporting and transparency.

Asset Allocation

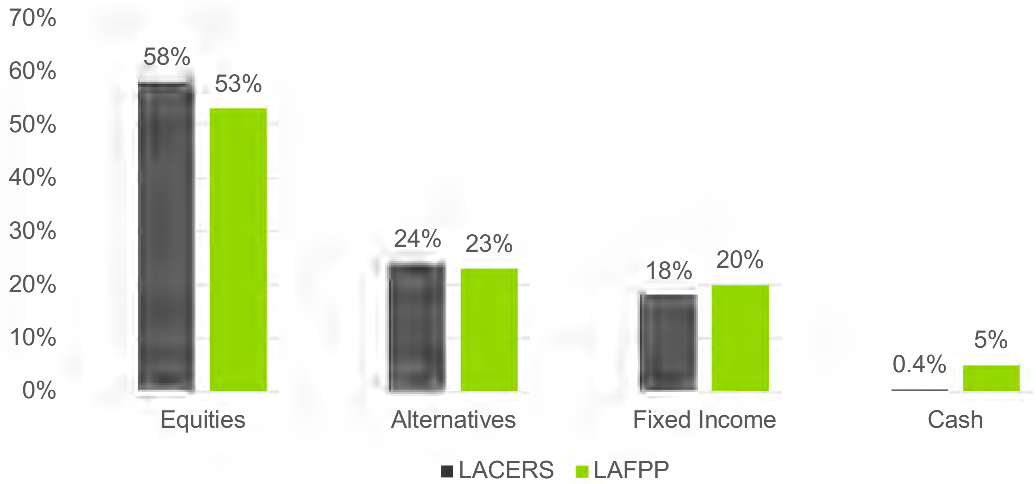
In general, LACERS' and LAFPP's asset allocations consider several overarching factors, including a projection of assets, liabilities, benefit payments and contributions, market risk and return, economic conditions, and funding status.[48,49] LACERS and LAFPP have similar asset allocations in their investment policies. Specifically, the funds allocate a large portion (greater than 50%) of assets to equities and an almost equal portion (approximately 20% each) of assets to alternatives and fixed income. The two funds diverge in their asset allocations of cash, as LACERS allocates 5% of its fund to cash and LAFPP, less than 1%. Staff noted that they understand that equities and alternatives have higher costs, but they have chosen to invest in these assets due to high returns, especially compared to fixed income.[50] Figure 2-4 below illustrates the two funds' asset allocations.

[48] Los Angeles City Employees' Retirement System, Board Manual.

[49] LAFPP, Investment Guidelines Policy, https://www.lafpp.com/sites/main/files/file-attachments/section-iii-board-investment-policies.pdf

[50] Interview with LACERS and LAFPP staff.

Figure 2-4. LACERS and LAFPP Asset Allocation



Source: LACERS Board Manual, LAFPP Investment Policies

In terms of rebalancing to meet asset targets, both plans employ a flexible allocation policy. This means that funds rebalance their assets to match target ranges rather than a specific target number. Additionally, LACERS adopted a Tactical Asset Allocation Plan (TAAP) in 2019, which defines different justifications the fund may use to deviate from its current allocation policy. The goal of this plan is to provide flexibility to take advantage of potentially favorable market conditions and/or protect against unfavorable conditions.[51]

Asset Management

Neither LACERS nor LAFPP manages any of its assets internally; they instead procure external managers to conduct research and manage asset investments, like other similarly-sized organizations.[52] The two funds have historically followed this asset management approach, citing challenges with hiring staff and implementing the technological infrastructure required to manage assets internally due to Civil Service requirements and infrastructural costs.[53] Instead, the oversight boards, working closely with fund staff, develop investment policies, which serve as a guide for their external managers. These policies establish rules for external managers and include methods for controlling investments, including asset allocation and performance monitoring procedures.

Importantly, staff noted that this arrangement allows the two funds to allocate some risk to external managers.[54] For instance, one LACERS staff member shared a recent incident that involved an external manager incorrectly moving funds from one account to another, which resulted in exorbitant fees. Since the external manager made the mistake, the managers' firm offset the fee costs. However, if LACERS had managed the assets associated with the funds internally, it would be solely responsible for paying the

[51] LACERS, Board Manual.

[52] Size refers to assets under management.

[53] Interview with LACERS staff.

[54] Interview with LACERS and LAFPP staff.

fees.[55] In this way, the external management structure provides an inherent risk reduction, although it comes at a cost.

Reporting and Transparency

LACERS and LAFPP formally monitor asset returns on a quarterly basis, using well-defined benchmarks. The benchmarks for the funds include qualitative and quantitative components. The qualitative components consist of assessing external managers' organizations. Although not explicitly stated, the qualitative component appears to measure managers' stability and credibility. To complement this analysis, the quantitative components consist of assessing external managers' investment performance against defined thresholds, including industry-wide markers. In most cases, the funds use similar thresholds, especially for equities and fixed income assets; however, the funds deviate on their policies for alternatives. For example, the LACERS measures its private equity performance against a threshold of Russell 3000 plus 30 basis points, while LAFPP measures its performance against the S&P 500 Index plus 2.5%. Table 2-2 below provides an overview of the two funds' quantitative asset class benchmarks.

Table 2-2. Quantitative Asset Class Benchmarks

Asset Class Category	Asset Class	LACERS	LAFPP
Equities	Domestic Equity	Russell 3000	Russell 3000
	Non-US Equity	MSCI ACWI ex-US*	MSCI ACWI ex-US*
Fixed Income	Fixed Income	Bloomberg BC US Aggregate	Bloomberg BC US Aggregate
Alternatives	Credit Opportunities	15% Bloomberg BC US High Yield Capped + 45% Credit Suisse Leveraged Loans Index + 20% JP Morgan EMBI-GD + 20% JP Morgan GBI EM-GD	Not Applicable
	Private Equity	Russell 3000 + 30 basis points	S&P 500 Index plus 2.5%
	Private Real Estate	NFI-ODCE + 80 basis points	Real Estate Custom Index
	Public Real Assets	US Consumer Price Index + 5%	Real Estate Custom Index
	Commodities	Not Applicable	Commodities Custom Index
Cash	Cash	90-Day Treasury Bill	None

Source: LACERS Board Manual; LAFPP Investment Policies
**Morgan Stanley Capital International All Country World Index ex US*

Neither fund provides a detailed explanation for its chosen benchmarks in its investment policies, making it challenging to interpret the stringency of the thresholds. However, the funds' benchmarks align with industry standard indices for fixed income and equity investments.[56] These benchmarks generally represent large market changes. In contrast, both LACERS and LAFPP use a diverse set of benchmarks for alternative investments, which is common for these types of investments.[57]

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[55] Interview with LACERS staff.

[56] Aubrey, Jean-Pierre and Crawford, Caroline V., How Do Fees Affect Plans' Ability to Beat Their Benchmarks?, Center for Retirement Research at Boston College, August 2018, http://crr.bc.edu/wp-content/uploads/2018/07/slp_61.pdf.

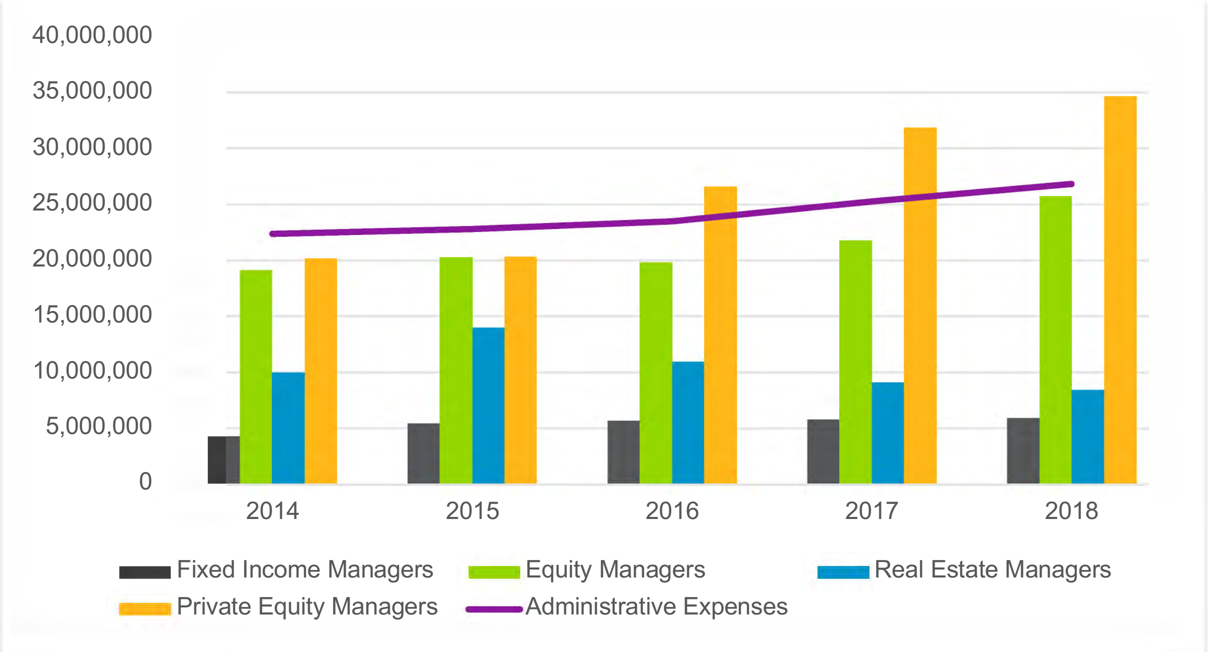
[57] Aubrey, Jean-Pierre and Crawford, Caroline V., How Do Fees Affect Plans' Ability to Beat Their Benchmarks?

The benchmarks allow the two funds to regularly monitor their external managers. If a manager fails to meet the benchmarks and/or the qualitative assessment, the funds place the manager on a watch list. The funds monitor these lists annually to determine if managers should stay or be removed from the list. Both boards have the discretion to determine final termination of managers.

2.2.4 Pension Fund Costs

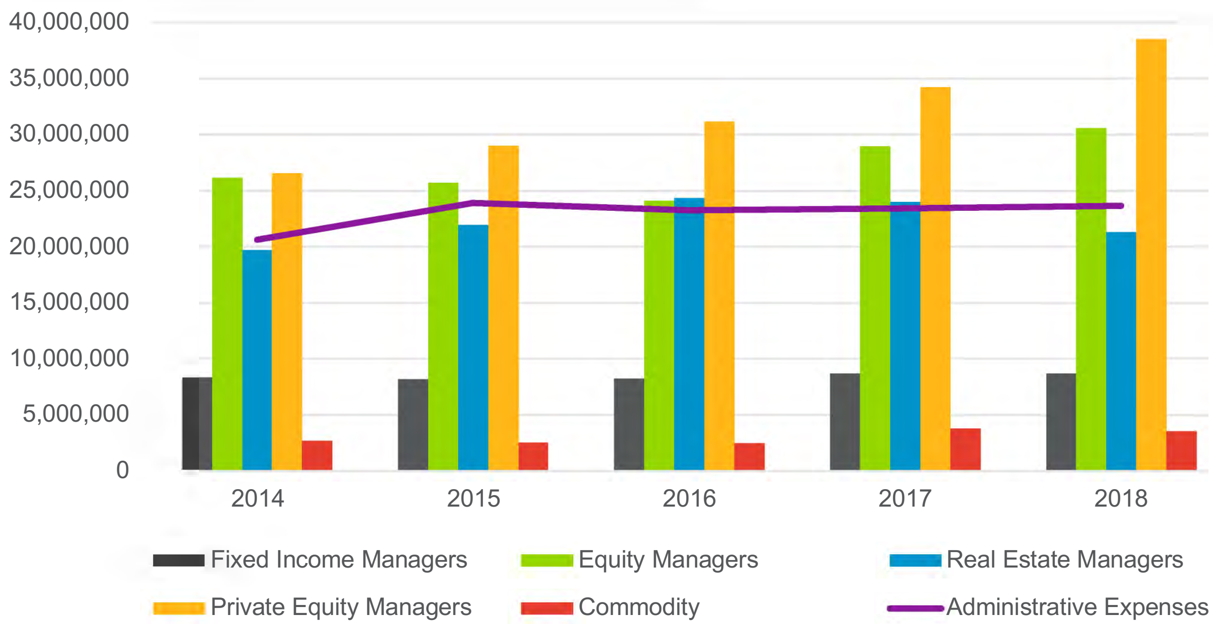
All public pension funds, including LACERS and LAFPP, accrue internal and external management costs. Internal costs include expenses related to the day to day administration of the funds, such as staff salaries, while external costs include expenses tied to external managers. Given that LACERS and LAFPP engage external managers to manage the investments of all its assets, external fees for the two funds comprise the largest proportion of costs. LACERS has spent $24.1 M and LAFPP $22.9 M on average annually over the past five years on internal administrative costs (e.g., salaries and technology infrastructure). In contrast, LACERS has spent $63.9 M and LAFPP has spent $92.7 M on average annually over the same time frame on external management costs. The bulk of the external costs have been for equity and private equity managers for both funds. This is reasonable given that both funds have the most assets allocated to equities and private equity investments tend to cost significantly more due to the research required prior to investing. Figure 2-5 and Figure 2-6 below show the external costs for LACERS and LAFPP, respectively.

Figure 2-5. LACERS External vs. Internal Administrative Costs 2014 - 2018



Source: LACERS Staff

Figure 2-6. LAFPP External vs. Internal Administrative Costs 2014 – 2018



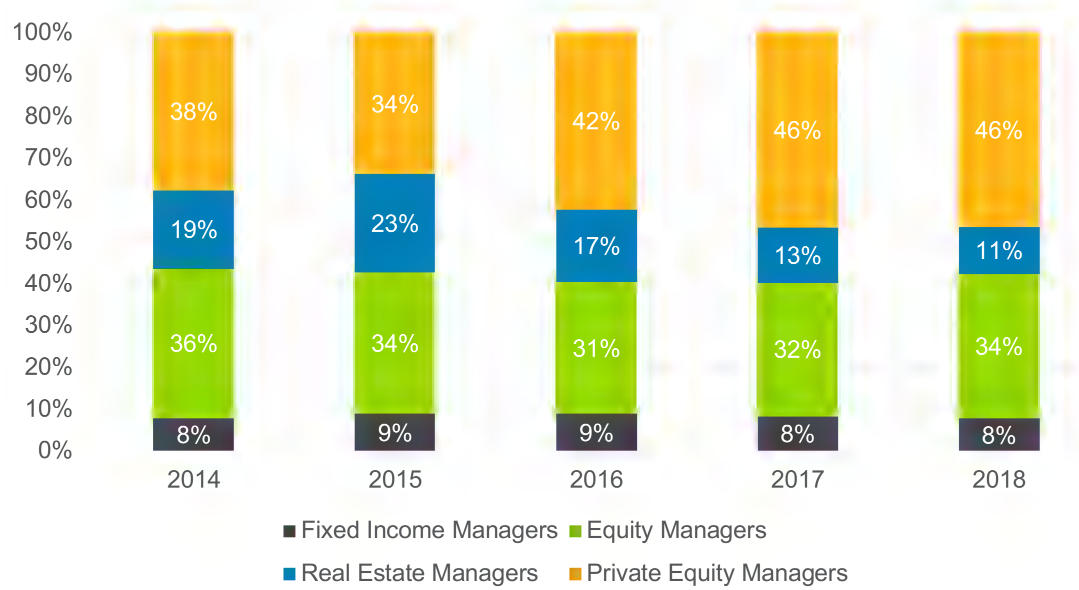
Source: LAFPP Staff

As shown above, costs have increased for almost all asset classes in each of the past five years, while internal management costs have remained stable. On average, total costs have increased 7% annually for LACERS and 5% annually for LAFPP, indicating a steady upwards trend in the short term. However, costs in 2018 equate to less than one half of one percent of total assets and assets for both funds have increased over this period due to positive returns. The sections below provide further discussion of internal and external management costs.

2.2.4.1 External Management Costs

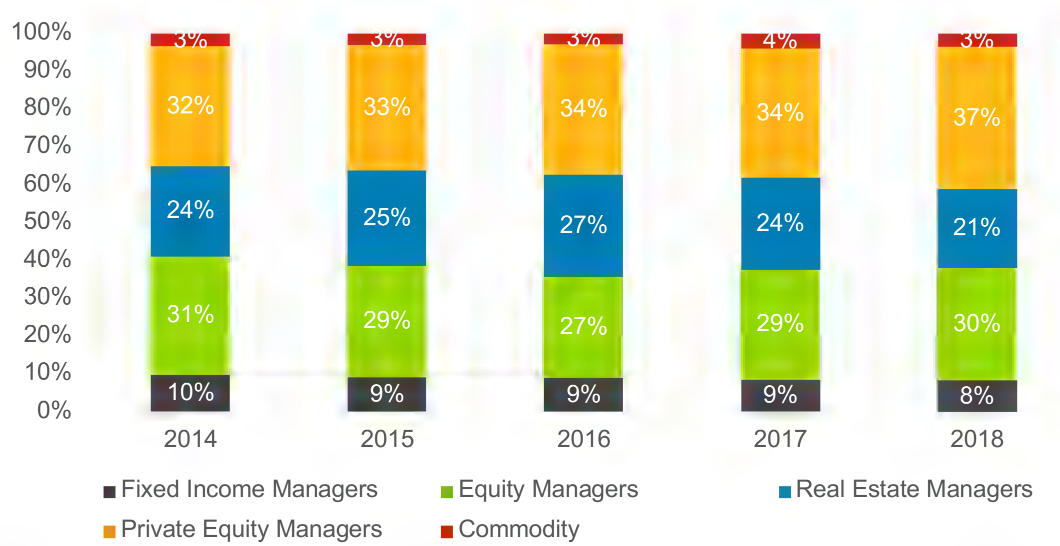
In addition to analyzing the absolute costs of external management, Navigant assessed how costs for different assets have changed in relation to each other over the past five years. In doing so, Navigant found that LACERS and LAFPP external management costs have shifted slightly from real estate to private equity investments. The portion of costs to fixed income, equity, and commodity investments have remained consistent in recent years. Figure 2-7 and Figure 2-8 below show the allocation of external management costs over time.

Figure 2-7. LACERS External Management Cost Allocation (2014 – 2018)



Source: LACERS data

Figure 2-8. LAFPP External Management Cost Allocation (2014 – 2018)



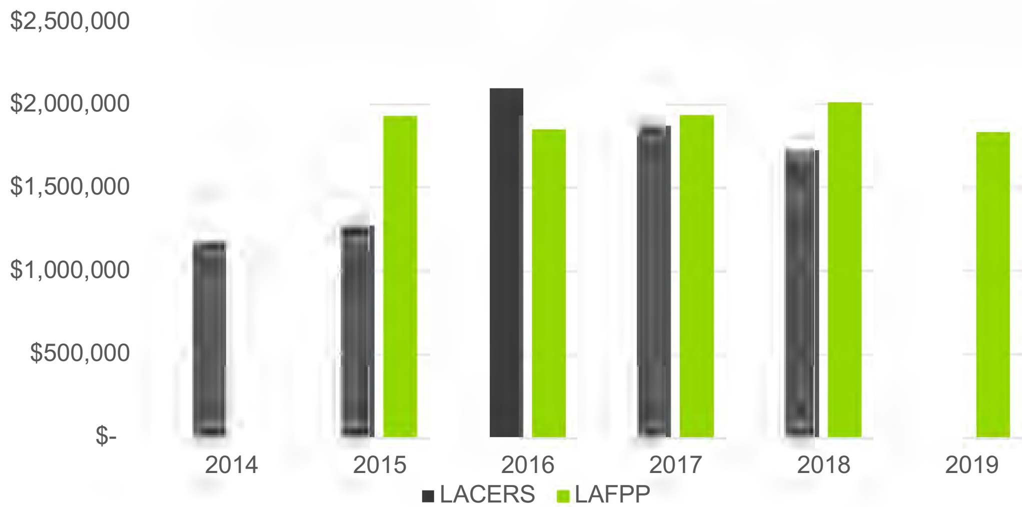
Source: LAFPP data

Notably, the funds costs have only shifted in the alternative investments category. The shift in cost allocation may be the result of increasing costs for private equity managers and investment policies that favor private equity investments over real estate investments. This shift helps illustrate how the funds adapt to market changes over time.

2.2.4.2 Internal Management Costs

Navigant also assessed internal management costs related to investments. These costs include salaries, benefits, and other administrative expenses related to internal investment staff. The costs represent a subset of the costs shown in Figure 2-5 above. Unlike external investment costs, internal expenses fluctuate annually rather than trending in one direction or the other. Figure 2-9 illustrates the changes in costs from 2014 – 2019 based on LACERS and LAFPP data.

Figure 2-9. LACERS and LAFPP Internal Administrative Expenses Related to Investments (2014 – 2019)



Source: LACERS data (note that this excluded 2019 data); LAFPP data (note that this excluded 2014 data)

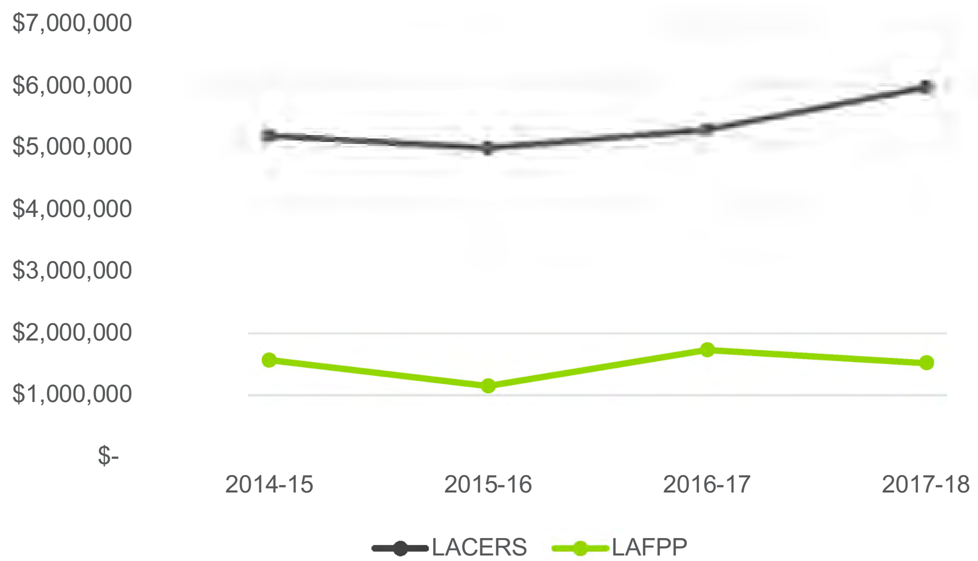
The graphic shows that costs vary by year. For instance, LACERS costs peaked in 2016 and have since declined. Its internal costs have fluctuated significantly, ranging from $1.17 million and $2.10 million over the period reviewed. LACERS cited that costs increased from 2015 to 2016 due to a reclassification of employee benefits and investment related legal expenses as administrative costs.

In contrast, LAFPP's costs declined from 2015 to 2016, increased from 2016 to 2018, and decreased again in 2019. However, costs have stayed between $1.83 million and $2.00 million each year. This shows that internal administrative expenses have remained stable.

2.2.5 Unfunded Actuarial Accrued Liabilities (UAAL)

Given the Commission's focus on UAAL, Navigant analyzed recent historical data to understand trends. The two funds have trended oppositely over the past five years. LACERS' UAAL has increased slightly from $5.18 billion to $5.96 billion, while LAFPP's UAAL has decreased slightly from $1.57 billion to $1.52 billion from 2014 to 2018. When looking at individual years, UAAL decreased from fiscal year (FY) 2014-15 to FY 2015-16 and increased from FY 2015-16 to FY 2016-17 for both funds. LACERS' UAAL then increased from FY 2016-17 to FY 2017-18, while LACERS' UAAL decreased that year. The fluctuations in trends suggest that LACERS and LAFPP may be able to implement cost reduction strategies to further hedge against fluctuations in asset returns. Furthermore, a slight cost reduction or revenue generation increase may result in significant reductions in UAAL overtime. For example, a 1% decrease in costs or increase in returns can result in a $59 M reduction in FY 2017-18 UAAL for LACERS and $15 M reduction for LAFPP in the same year. Figure 2-10 below shows the UAAL trends from 2014 to 2018.

Figure 2-10. UAAL Thousands, USD (2014 – 2018)



Source: LACERS and LAFPP Data Request

3. PEER FUND MANAGEMENT ANALYSIS

As part of its analysis, Navigant compared LACERS and LAFPP's investment strategy – including its asset allocation and management approach -- to a range of peer funds. This analysis aims to determine how the two funds compare to peer funds and to identify how approaches may differ amongst funds of different sizes. It also serves to contextualize the funds' practices, providing further insight into the relative benefits, costs, and challenges associated with various asset management strategies.

The analysis consisted of three main steps: (1) defining the peer panel, (2) researching peer information, and (3) determining the applicability of the findings. These steps resulted in a list of peers, research about each peer fund, and strategies that LACERS and LAFPP may adopt based on the research. Figure 3-1 below provides an overview of the analysis approach.

Figure 3-1. Peer Management Analysis Methodology

Source: Navigant

Appendix A provides detailed case studies on each of the peers included in this study.

3.1 Peer Panel Definition

Navigant used a range of selection criteria to construct its peer panel. Criteria included fund size (measured in assets under management), experience managing assets in-house, similarities in fund structure and context, and Commission interest, based on the information provided by the Commission in the RFB. For example, Navigant included city-level and California-based pension funds, since they must abide by California statues, like LACERS and LAFPP. Likewise, Navigant included Norges Bank (Norway's Government Pension Fund Global), CalPERS, and OTTP, since the Commissioners called out each of these funds in the RFB.

The final peer panel consisted of six public pension funds and one sovereign wealth fund. Navigant included Norway's Government Pension Fund Global, a sovereign wealth fund, since the Commission included the fund in its RFP background. This fund offers insights relevant to public pension funds, despite having a slightly different structure. Table 3-1 lists the final peer panel, background information, and the rationale for each fund's inclusion.

Table 3-1. Peer Panel Overview

Fund	Assets (USD$ B)	FTEs	In-Source Percentage	Rationale for Inclusion
Norway's Government Pension Fund Global (GPFG)	902.8	953	96% of fund	Commission Interest; Internal Management
California Public Employees' Retirement System (CalPERS)	354.0	Unknown	70% of fund	Commission Interest; Internal

				Management; Proximity
Ontario Teachers' Pension Plan (OTPP)	146.4	1,200	80% of fund	Commission Interest; Internal Management
New York City Employees' Retirement System (NYCERS)	65.5	Unknown	Unknown Percent	Size, City Structure
Los Angeles County Employees Retirement Association (LACERA)	56.3	Unknown	No Assets In-sourced	Size, Proximity
New York City Fire Pension Fund (NYC Fire)	22.3	96	Unknown Percent	Size, City Structure
San Diego City Employees' Retirement System (SDCERS)	17.0	115	No Assets In-sourced	Size, City Structure, Proximity

Source: Fund staff and annual reports

The table above shows the diversity of selected funds and rationales for their selection. Navigant selected a range of funds to understand how cost reduction may relate to various inherent structures, given that there is there is "no one size fits all approach" to fund management, as noted in Section 1.

3.2 Peer Research

After selecting the peer panel, Navigant analyzed peer management strategies along the following parameters: (1) overall asset allocations, (2) returns and costs by asset class, and (3) cost reductions strategies, including asset in-sourcing. Each parameter served a specific purpose. The first parameter provided contextual information about the funds' investment structures and strategies. The second parameter provided information about the funds' performance and ability to manage costs. Finally, the third parameter provided overarching information about cost reduction methods.

3.2.1 Asset Allocation

A fund's asset allocation plays a critical role in the success of its investment strategies, as it fundamentally shapes its investment performance in terms of both costs and returns. In its 2018 Annual Report, for example, LAFPP states that "the single most important decision [its] Board can make in the management of the investment program is the determination of the System's asset allocation. The allocation of the System's assets among various asset classes influences both the expected investment return and the amount of investment risk undertaken."[58]

The importance of asset allocation stems from the unique attributes of each asset type. Equity investments, for example, "aim to deliver long-term investment growth and value-added performance."[59] In other words, public stocks and private equity investments are expected to deliver strong returns over time. Fixed-income investments, on the other hand, provide "security and steady income" while hedging

[58] LAFPP, "2018 Annual Report," 88.
[59] Ontario Teachers' Pension Plan (OTPP), "2018 Annual Report," 25.

"against interest rate risks" and providing fund stability."[60] Put another way, these investments are expected to deliver stable performance but not particularly high returns. Given these differences, a portfolio's relative asset weighting will strongly influence a portfolio's overall return.

As stated above, each of these asset classes also have differing costs, based on the difficulty of vetting the investments. For instance, investors generally conduct research on various companies and markets before investing in equities. In contrast, investors can easily invest in bonds without conducting large amounts of research, since the return amount and timeframe are fixed. Once more these differences will strongly influence a portfolio's overall costs. Table 3-2 below depicts overall asset allocation for all funds examined in this report.

Table 3-2. Peer Asset Allocations (FY 2017-18)

Fund	Equities (%)	Fixed Income (%)	Alternatives (%)	Cash / Short Term (%)
GPFG	66.7	31.6	2.6	0.0
CalPERS	48.9	22.5	25.3	3.3
OTPP	17.0	41.0	74.0	-32.0
NYCERS	47.8	34.3	15.5	2.4
LACERA	46.3	26.8	26.9	0.0
LAFPP	53.0	19.5	22.9	4.6
LACERS	57.8	17.5	24.3	0.4
NYC Fire	41.8	24.1	31.9	2.2
SDCERS	44.5	22.9	30.4	2.2
Average	**47.1**	**26.7**	**28.2**	**-1.9**

Most peer funds similar in size to LACERS and LAFPP, including NYCERS, LACERA, NYC Fire, and SDCERS, have similar asset allocations. They generally allocate 40 – 50% of assets to equities, 20 – 30% to fixed income, 20 – 30% to alternatives, and less than 5% to cash or short-term investments. Importantly, the asset allocations vary within a 10% range, showing the range of allocations funds employ. Both LACERS and LAFPP generally align with their similarly sized peers, although they tend to have slightly more assets allocated to equities and slightly fewer assets allocated to fixed income and alternatives. Furthermore, LAFPP allocates a larger portion of its assets to cash and short-term investments than all other peers.

In contrast to the small to mid-sized funds, larger funds tend to have allocations that fluctuate more widely. For instance, GPFG only allocates 3% of its funds to alternatives, while OTPP allocates 74% to this asset class. These variances are likely driven by differences in the funds' goals and unique regulatory conditions, as both GPFG and OTPP are international funds. For example, GPFG is a sovereign wealth fund rather, while OTPP is a pension fund.

3.2.2 Fund Performance

As expected, returns and costs vary for each of the funds based on their asset allocations. In examining returns, funds have achieved an 8% return rate on average in the most recently available investing year. Most funds have exceeded this average except for GPFG. Table 3-3 depicts the performance of each

[60] Ibid.

fund, overall and by asset class, over the last full year for which data is available across funds (July 1, 2017 – June 30, 2018).

Table 3-3. Investment Performance by Asset Class (FY 2017-2018)[61]

Fund	Overall	US Equities	Non-US Equities	Global Equities	Fixed Income	Private Equity	Real Estate
GPFG	1.72	-	-	2.44	0.25	-	2.25
CalPERS	8.60	-	-	11.50	0.40	16.10	8.00
OTPP	2.50	-	-	-3.60	2.80	19.50	5.80
NYCERS	8.56	14.71	11.15	-	1.29	17.83	12.19
LACERA	9.00	14.10	8.80	-	0.80	21.20	8.20
LAFPP	9.75	16.25	7.79	-	1.01	18.65	5.50
LACERS	9.04	15.26	9.45	-	-0.38	13.93	5.70
NYC Fire	9.30	14.92	10.34	-	1.51	21.90	10.28
SDCERS	8.20	16.30	7.00	11.30	-0.30	11.40	9.50
Average	**8.02**	**15.26**	**9.09**	**8.41**	**0.57**	**17.29**	**7.70**

Across the funds, the strongest investment performance came from private equity (17.29% average return), US stocks (15.26% average return), and international stocks (9.09% average return). Fixed income averaged a return of only 0.57%, again demonstrating that a portfolio's asset weighting can drastically influence its overall return. This analysis provides further support for LACERS' and LAFPP's strategy in the short term to allocate more assets toward public equities and away from fixed income investments.

Given the importance of taking a long-term perspective when examining asset performance, Navigant reviewed historical returns. This analysis showed that funds achieved an average return of 6.69% over 10 years and slightly higher returns over shorter time increments. Table 3-4 below shows the historical returns by fund.

Table 3-4. Investment Performance Over Time (% Return)[62]

Fund	1 Yr.	3 yr.	5 yr.	10 yr.
GPFG	-	6.20	8.10	6.92
CalPERS	8.60	6.70	8.10	5.60
OTPP	2.50	7.10	8.00	10.10
NYCERS	8.56	7.82	8.69	7.08
LACERA	9.00	7.40	8.50	6.30
LAFPP	9.75	7.84	8.95	6.90
LACERS	9.04	7.36	8.46	6.71
NYC Fire	9.30	7.74	8.89	7.11
SDCERS	8.20	7.50	8.40	6.90
Average	**8.05**	**7.30**	**8.45**	**7.07**

[61] Note that OTPP reports returns in calendar years instead of fiscal years. All other funds report in fiscal years.
[62] Note that OTPP reports returns in calendar years instead of fiscal years. All other funds report in fiscal years.

LACERS and LAFPP slightly outperformed the peer panel averages in almost every time increment. Furthermore, the two funds exceeded or came close to their expected returns of 7.25% in the shorter-term timeframes. In the longer-term timeframe of 10 years, LACERS and LAFPP came close to meeting their expected returns. These facts illustrate that the funds' asset allocations generally align with stated goals of maximizing returns.

3.2.3 Fund Costs

Navigant also assessed the costs of administering investments to understand how asset allocations affect cost. By minimizing costs, funds boost net returns. Navigant examined LACERS and LAFPP costs in comparison to peers to understand if the funds can further reduce costs. Specifically, this assessment involved assessing costs as a percent of assets by class to compare costs across the funds. Table 3-5 below provides an overview of the expenses by peer and asset class.

Table 3-5. Expenses as a Percent of Assets by Class (FY 2017-18)

Fund	Fixed Income	Equities	Alternatives	Private Equity
GPFG	--	--	--	--
CalPERS	--	0.02%	0.76%	2.49%
OTPP	0.03%	0.18%	0.29%	1.12%
NYCERS	0.08%	0.16%	1.11%	0.50%
LACERA	0.21%	0.20%	1.33%	1.74%
LAFPP	0.20%	0.26%	1.24%	1.74%
LACERS	0.20%	0.26%	1.04%	1.98%
NYC Fire	0.42%	0.25%	0.82%	2.17%
SDCERS	0.11%	0.35%	0.84%	0.70%
Average	**0.18%**	**0.21%**	**0.93%**	**1.56%**

Note that "—" means information was not publicly available.

The table above shows that LACERS and LAFPP pay slightly more per asset than its peers for each asset class. Although larger funds generally have greater economies of scale, which should reduce costs, there does not appear to be a strong correlation between cost per asset and fund size. This suggests that there may be opportunities for LACERS and LAFPP to learn from peers of all sizes to reduce costs further.

In addition to returns, Navigant assessed the proportion of costs allocated to each asset class to understand how asset allocations and cost allocations relate. Table 3-6 below provides an overview of this analysis.

Table 3-6. Percent of External Management Expenses by Asset Class (FY 2017-2018)

Fund	Public Equity	Fixed Income	Alt. Investments
GPFG	-	-	-

Fund	Public Equity	Fixed Income	Alt. Investments
CalPERS	6	-	94
OTPP	15	6	79
NYCERS	27	10	62
LACERA	18	11	70
LAFPP	30	8	62
LACERS	34	8	58
NYC Fire	11	14	75
SDCERS	35	5	59
Average	22	9	70

Note that "—" means information was not publicly available.

As the table shows, there are significant differences in the costs associated with different types of investments. Private equity and real estate assets, for example, are high-cost assets that generally require significant base and/or performance-based fees. As a result, all funds examined devote the largest share of expenses to their alternative investment holdings and the smallest share to their fixed income holdings, although alternative investments do not comprise the largest portion of their funds.

LACERS' and LAFPP's expense breakdowns closely follow their respective asset allocations. Both funds exceed peer averages for public equity expenses and maintain lower-than-average expenses from fixed-income and alternative investments. Overall, both funds exceed their peer average for external management expenses as a percentage of assets, aligning with its small to mid-sized peers.

3.2.4 Cost Reduction Strategies

After assessing the costs, Navigant investigated cost reduction strategies employed by the peers. In general, peers cost reduction strategies fell into three major categories, which align to the investment strategies outlined above: adjusting asset allocations, in-sourcing and adjusting asset management strategies, and using best practices to monitor and control costs.

3.2.4.1 Asset Allocations

Due to the varied costs associated with assets of different classes, funds can realize large savings by shifting assets away from higher-cost investments like private equity, hedge funds, and private real estate toward lower-cost investments, like stocks and fixed-income investments. However, funds risk missing the high-return investment opportunities that these asset classes can deliver. As shown above, LACERS and LAFPP's asset allocations generally align with peers in terms of costs and returns.

Other cost saving asset allocation strategies include moving away from active managers to lower-cost passive management and indexing strategies within equities. This step is particularly compelling when factoring in the growing acceptance that, over time, "there is no established correlation between high fees and high performance in modern investment management."[63] That is to say, there is no evidence that higher-cost active managers can regularly outperform market indexes. As such, there is an argument to be made that funds should invest in low-cost passive strategies and index funds rather than shell out high fees for active management.

[63] Commonwealth of Pennsylvania, Final Report and Recommendations," 19.

3.2.4.2 Asset Management and In-Sourcing

The Commission identified in-sourcing as a particular area of study interest. The research shows that shifting investments away from external management to internal management can be an effective strategy to reduce expenses and boost net returns; however, the feasibility and effectiveness of this strategy depends greatly on fund size. Table 3-7 lays out each firm's breakdown of internal versus external asset management, listing funds from largest to smallest.

Table 3-7. Portion of Assets Managed Internally vs. Externally (% of assets)[64]

Fund	Internal	External
GPFG	94	6
CalPERS	75	25
OTPP	80	20
NYCERS*	-	-
LACERA	0	100
LAFPP	0	100
LACERS	0	100
NYC Fire*	-	-
SDCERS	0	100

*Note that "—" means information was not publicly available.

The table above shows that only the three largest funds examined in this report rely on significant levels of internal asset management. This makes sense, given that pension funds below a certain size may not have the resources or expertise necessary to manage assets in-house. For such institutions, shifting investments in-house, and absorbing the necessary staffing and organizational changes, could end up costing more than maintaining external management practices. Furthermore, a 2018 study on public pension management conducted by the Pennsylvania state government found that "internal investment management has generally been restricted to investors larger than $25 billion" in assets under management."[65] Given these considerations, and that LACERS and LAFPP manage only approximately $17 billion and $22 billion, respectively, moving to in-source investment management activities is likely not attractive or feasible for either LACERS or LAFPP.

For instance, a key part of in-sourcing asset management is hiring talent to handle the investments, meaning a fund must ensure that its salary and benefits are competitive with those of other sophisticated investment institutions, including Wall Street firms.[66] Numerous stakeholders emphasized that attracting and hiring investment managers would be a significant challenge, particularly given the civil service structure relevant to both LACERS and LAFPP.

However, the two funds may consider reducing the number of external managers procured. For instance, CalPERS recently decided to reduce the number of external managers it hires and stated that it reduced costs by $922.5 million over five years.[67] Navigant found that the number of external managers ranged

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[64] NYCERS and NYC Fire state that their assets "are managed predominantly by external investment managers," suggesting some role for internal management. They do not cite specific breakdowns.

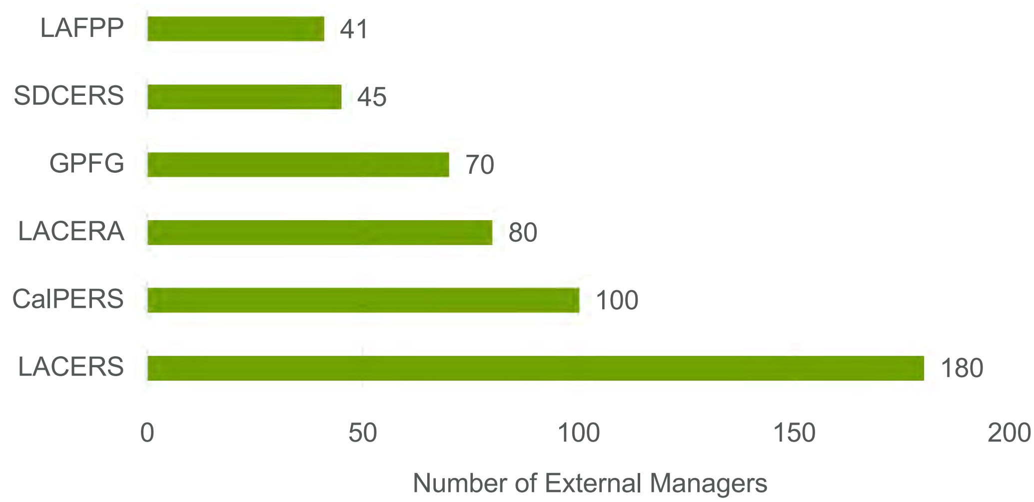
[65] Commonwealth of Pennsylvania, Final Report and Recommendations: Public Pension Management and Asset Investment Review Commission, December 13, 2018, 237, http://jsg.legis.state.pa.us/resources/documents/ftp/act5/pdf/PPMAIRC-FINAL.pdf.

[66] OTPP, "2018 Annual Report," 6.

[67] CalPERS, CalPERS Cuts Costs and Saves Pension Fund $922.5 Million Over a Five-Year Span, November 22, 2016, https://www.calpers.ca.gov/page/newsroom/calpers-news/2016/calpers-cuts-costs-and-saves.

from 41 – 180 for peers included in the study. LAFPP had the lowest number of external managers at 41 managers, while LACERS had the highest at 180 managers. Although the number of managers procured may depend on asset management practices, the numbers show that for like-sized, mostly in-sourced funds, LACERS has significantly more external managers. This represents opportunities to review procurement allowances. Figure 3-2 below shows the number of external managers by fund for peers that had publicly available information.

Figure 3-2. Number of External Managers by Fund[68]



Source: News Reports; Annual Reports

3.2.4.3 Reporting and Transparency

Lastly, it is important to consider the role that reporting and transparency play in ensuring that portfolios perform cost-effectively. When external management expenses are not presented in a clear and comprehensive manner on a regular basis, pension stakeholders cannot evaluate the true cost-effectiveness of their investments. Based on peer research, reporting should include performance both net and gross of returns, historical performance by asset class, and itemized breakdowns of internal and external expenses. These items should all be clearly labeled and easily accessible to the public, given that pension fund performance affects taxpayers and City stakeholders in addition to beneficiaries.

It is particularly important that funds include all management fees – including performance-based fees – in their annual and semi-annual reporting. Failing to do so and reporting only base management fees risks skewing objective analysis and misrepresenting a portfolio's net-of-fees performance. Norges Bank, for example, includes both management fees excluding performance-based fees and management fees including performance-based fees in its annual reporting. All public funds can take this step to better facilitate the evaluation and comprehension of their financial data.[69]

[68] Funds not included in the graphic did not have publicly available information on external managers.

[69] Norges Bank Investment Management, "Government Pension Fund Global Annual Report 2018," 142, https://www.nbim.no/contentassets/02bfbbef416f4014b043e74b8405fa97/annual-report-2018-government-pension-fund-global.pdf.

3.3 Applicability to LACERS and LAFPP

The peer comparison analysis yielded several applicable findings related to overall fund management and cost saving strategies. In particular, the analysis illustrated that the LACERS and LAFPP management strategies closely align with peers and have met or exceeded peer fund performance over the past 10 years. However, there are still opportunities to reduce costs across all asset classes, as shown by the cost comparison tables. In terms of cost reduction strategies, the research yielded a few high-level takeaways, listed below.

- LACERS and LAFPP should continue to assess the key links between a portfolio's basic asset allocation, its investment expenses, and its overall performance in its forward-looking strategy. As stated previously, shifting assets around can affect both costs and returns. Furthermore, it should continue to account for asset allocation strategies that may reduce costs, such as indexing.

- In-sourcing asset management will be a challenge for LACERS and LAFPP, given their size (measured in assets under management) and their ability to attract, hire, and retain top-tier investment professionals. Furthermore, their current outsourcing strategy aligns with peers of like size.

- LACERS and LAFPP may consider reducing the number of external managers it hires moving forward. LACERS in particular has significantly more (up to four times more than peers) external managers than its peers, based on publicly available information. By reducing managers, LACERS may be able to achieve greater cost-savings by moving greater asset volumes to a smaller number of managers and negotiating better costs.

- Reporting and transparency can help all stakeholders, including its oversight boards, taxpayers, and the City monitor costs. This includes reporting all relevant fee information in a clear and easily accessible manner. Funds should report both base and performance fees, so stakeholders can understand the complete costs of investing.

- Streamlining external management and relying on low-cost passive managers and indexing can help reduce costs further. LACERS and LAFPP should continue to closely monitor the performance of their investment managers against public benchmarks and consider moving assets into lower-cost index funds if managers cannot regularly outperform market baselines.

4. COST REDUCTION STRATEGY LITERATURE REVIEW

In addition to developing a peer panel comparison, Navigant conducted a literature review on recent cost reduction strategies employed by public pension funds. The review consisted of collecting secondary research from academic studies, market analyses from third-parties (e.g. nonprofits and finance organizations), and case studies from peers excluded in the full peer panel comparison. The analysis is intended to identify strategies that LACERS and LAFPP do not currently employ but may be applicable to the funds. This section provides an overview of the research conducted and the subsequent analysis.

4.1 Cost Reduction Strategies Overview

Navigant identified cost reduction methods for each of the three investment strategy categories. The categories include (1) investment strategy, (2) procurement policies, and (3) reporting and transparency. These categories cover a wide range of management practices that may help reduce operational costs, especially those that may result from external management fees.

4.1.1 Asset Allocation

A fund's overall asset allocation relates directly to costs as emphasized above. However, a fund's asset allocation vehicles also relate directly to costs, because different vehicles have differing costs. Asset allocation vehicles refer to the products used by investment managers (e.g. within fixed income, managers can use vehicles, such as bonds and certificates of deposits). By adjusting asset allocations to different vehicles, such as indexing, or direct investments, funds may be able to reduce costs, while maintaining its high-level asset allocation targets. The list below outlines best practices in investment strategies.

- Use Managed Custody Accounts (MCA) to reduce costs and increase investing flexibility. Under an MCA, pension funds negotiate fees at the platform level for aggregated assets; investors can then nimbly invest in various products. San Bernardino County Employees Retirement Association (SBCERA) established this investment strategy to increase direct investments and reduce fees. The CIO then implemented this strategy at Texas Tech University Endowment. The CIO has stated that they have been able to reduce costs while getting managers' best ideas incorporated into their portfolio.[70]
- Simplify system's investment portfolio and reduce fund managers. Three funds, including South Carolina Retirement Investment Commission (SCRSIC), CalPERS, and Pennsylvania Treasury recently enacted or directed their respective pension funds to simplify their portfolios and reduce their managers.

Navigant found other strategies for reducing costs through the investment strategy changes, however LACERS and LAFPP have already explored or begun to explore these opportunities. The list below outlines these strategies.

- Consider indexing equities and fixed income investments to reduce costs. The Institute for Pension Fund Integrity recently conducted a study comparing pension fund performance to passive index investment portfolios and found that less than 10 percent of the 52 funds studied

[70] Hickey III, Thomas A., Fross, Stuart E., Nee, Kenneth C., Generating Returns Through Better Relationships: How Managed Custody Accounts Benefit Managers and Investors, Journal of Security Operations & Custody, February 2, 2016, https://www.foley.com/en/insights/publications/2017/02/generating-returns-through-better-relationships-ho

outperformed the passive portfolio.[71] Notably, in 2013, CalPERS took actions to move a larger portion of its fund to passive investments due to the low underperformance of its active investments, as stated previously.[72]

- Establish a loose asset reallocation strategy to take advantage of potential market opportunities as they arise. A recent report from Boston College's Center for Retirement Research found that a loose approach to asset allocation (e.g. staying within target ranges rather than sticking to a specific target number), improved plan performance modestly from 2001 – 2017.[73]
- Leverage co-investments for private equity assets to reduce fees. In these types of arrangements, public pensions invest alongside a fund manager, which help reduce costs. The SCRSIC recently allocated $31 billion to embark on a co-investment venture.[74]

4.1.2 Asset Management & Procurement Policies

Procurement policies govern how funds choose and enter into contracts with external managers and consultants. Given that external managers and consultants play a significant role in how funds perform and pay for investments, it is critical that policies ensure that funds meet their investment and cost-management goals. The list below provides the practices identified from the research.

- Adopt specific policies with respect to acceptable fee limits, including establishing a fee budget at the fund level.[75,76] Both the American Federation of Teachers and the Pennsylvania Treasury recently made these recommendations to their respective pension plans. Furthermore, establish fee budgets at the organizational level is a procurement policy best practice.[77]
- Explore non-traditional fee structures, such as low fixed fees (rather than performance fees), to mitigate unexpected costs.[78] For example, Orange County Employees Retirement System (OCERS) believes that a base fee is appropriate to provide sufficient operating income for external managers. OCERS fee policy follows this philosophy closely, assigning fees between the market cost of passive management and 40 percent of fixed fees.
- Explore opportunities to pool investments with other pension funds to gain economies of scales. For instance, OCERS developed a mini investment pool by selecting an emerging markets equity

[71] Institute for Pension Fund Integrity, Public Pension Performance: Comparing Pension Investments to Passive Index Portfolios, August 13, 2019, http://ipfiusa.org/2019/08/13/public-pension-performance-comparing-pension-investments-to-passive-index-portfolios/

[72] Tuchman, Mitch, Pensions: CalPERS embraces indexing, October 3, 2013, MarketWatch, https://www.marketwatch.com/story/pensions-calpers-embraces-indexing-2013-10-03.

[73] Aubry, Jean-Pierre and Wandrei, Kevin, Maintaining Target Allocations: Effects on Plan Performance, April 2019, Center for Retirement Research at Boston College, https://crr.bc.edu/wp-content/uploads/2019/04/SLP64__.pdf

[74] Fortune, Mark, South Carolina Seeks Shaved Fees through Co-Investments; Considers Simplified Asset Allocation, Markets Group, April 22, 2019, http://institutional-allocator.com/south-carolina-seeks-shaved-fees-through-co-investments-considers-simplified-asset-allocation/

[75] American Federation of Teachers, The Big Squeeze: How Money Managers' Fees Crush State Budgets and Workers' Retirement Hopes, 2017, http://www.aft.org/sites/default/files/bigsqueeze_may2017.pdf.

[76] Treasury Department Commonwealth of Pennsylvania, Final Report and Recommendations: Public Pension Management and Asset Investment Review Commission, December 13, 2018, http://jsg.legis.state.pa.us/resources/documents/ftp/act5/pdf/PPMAIRC-FINAL.pdf

[77] EY, Five things Getting the basics right in procurement, 2016, https://www.ey.com/Publication/vwLUAssets/EY-best-practice-guide-five-things-in-procurement/$File/EY-best-practice-guide-five-things-in-procurement.pdf

[78] Miller, Gerard, Managing Against Escalating Pension Investment Fees, Government Finance Review, February 2014, https://www.gfoa.org/sites/default/files/GFR_FEB_14_18.pdf.

manager with a comingled pool, so other public pensions can invest with reduced fees.[79] Furthermore, the pension funds of England and Wales pooled their assets to achieve greater economies of scale and negotiating power.[80]

4.1.3 Reporting and Transparency

Reporting and transparency allow policymakers, stakeholders, and the public to understand and track performance over time. Although the Governmental Accounting Standards Board and the Government Finance Officers Association provide guidance for reporting, pension funds often interpret and implement the standards differently, according to a recent Pew Charitable Trusts Study.[81]

- Adopt comprehensive fee-reporting standards in line with the Institutional Limited Partners Association's (ILPA) Fee Transparency Initiative.[82] According to the ILPA, reporting should include partnership expenses, offsets to fees and expenses, and fees with respect to portfolio companies and investments.[83] South Carolina Retirement System (SCRS) collects detailed information on management fees, portfolio companies, other fund-level fees, and accrued performance fees, rather than relying on external manager invoices alone.[84]

- Develop investment policy statements that are transparent and accessible. The Pew Charitable Trusts study recommends including information about asset allocation and objectives with risk and returns. [85] For instance, the Missouri State Employee Retirement System (MOSERS) investment policy consists of detailed descriptions about how alternative investments are used to achieve risk and return objectives.

- Report results both net and gross of fees by asset class, including for long-term performance results. A recent Pew Charitable Trusts study recently made this recommendation to public pension funds to help stakeholders understand investment performance over time. [86]

- Monitor the age of all fee schedules and manager relationships, reviewing them regularly and considering these facts when negotiating. A recent report from the Pennsylvania Treasury recommended that the state's pension funds adopt this practice to minimize fees.[87]

4.2 Applicability to LACERS and LAFPP

The analysis in this section is intended to provide a high-level overview of potential cost-reduction strategies employed by other public pension funds. From this perspective, the strategies above present

[79] Orange County Employees Retirement System, Curbing the Costs of Pension Fund Investment Management, May 2014, https://gfoa.org/sites/default/files/FINAL%20-%20Curbing%20the%20Cost%20of%20Public%20Pension%20Portfolio%20Fee%20Management.pdf

[80] Northern Trust, The Local Government Pension Scheme: Beyond Asset Pooling, May 2018, https://www.northerntrust.com/documents/white-papers/asset-servicing/lgps-beyond-asset-pooling.pdf

[81] The Pew Charitable Trusts, Making State Pension Investments More Transparent, February 2016, https://www.pewtrusts.org/-/media/assets/2016/02/making_state_pension_investments_more_transparent.pdf.

[82] The Pew Charitable Trusts, Making State Pension Investments More Transparent.

[83] Institutional Limited Partners Association, Reporting Template Guidance Version 1.1, October 2016, https://ilpa.org/wp-content/uploads/2016/10/ILPA-Reporting-Template-Guidance-Version-1.1.pdf

[84] The Pew Charitable Trusts, Making State Pension Investments More Transparent.

[85] The Pew Charitable Trusts, Making State Pension Investments More Transparent.

[86] The Pew Charitable Trusts, Making State Pension Investments More Transparent.

[87] Treasury Department Commonwealth of Pennsylvania, Final Report and Recommendations: Public Pension Management and Asset Investment Review Commission.

opportunities for cost reduction, however all strategies listed in this section require additional, detailed reviews to determine if LACERS and LAFPP should implement them. For example, the ability to adopt the increased reporting and transparency strategies will require dedicated staff time and Navigant does not have enough information to determine if LACERS and LAFPP can dedicate this time. Section 5 provides more details about Navigant’s recommendations for next steps.

5. COST-SAVINGS ANALYSIS OF SELECT STRATEGIES

In addition to identifying cost-savings strategies generally, the Commission tasked Navigant with assessing the potential benefits of implementing five specific strategies selected by its members. The goal of this assessment was to quantify costs, returns, and net benefits to understand how the strategies may impact the two funds. Table 5-1 below outlines the strategies selected by the Commission.

Table 5-1. Commission on Revenue Generation Selected Strategies

No.	Strategy	Commission Description
1	Establish Separate Accounts for Indexed Fixed Income and Equities Investments[88]	Separating investment accounts could give the city beneficial ownership and control over its assets, including the ability to lower costs, exercise proxy voting rights, and increase securities lending revenues. Notably, both LACERS and LAFPP stated they already use separate accounts for their indexed fixed income and equities investments, following industry best practice.
2	Leverage Co-Investing for Private Equity Investments	Co-investing alongside current private equity managers offers the opportunity to participate in private equity ventures with no management fee or carried interest obligation.
3	Establish Cash Overlay Program	Implementing a cash overlay program would generate additional revenue and thereby reduce cash management costs.
4	Increase Manager Diversity	According to years of research, increasing manager diversity in the investment portfolio would produce better financial results across all industries.
5	Invest in Ongoing Research and Peer Reviews	Investing in ongoing research and peer reviews would ensure that the best in-class management strategies are employed.

Source: Commission on Revenue Generation, 2019

To assess each strategy, Navigant identified a baseline investment amount, researched potential costs and returns, and modeled net savings. This research included gathering information directly from LACERS and LAFPP and leveraging publicly available information from case studies and other public pension fund reports. In the cases where information about costs and returns was not readily available, Navigant provides a qualitative discussion about the strategy. The sections below outline the findings for each of the strategies in Table 5-1.

5.1 Separate Accounts for Indexed Fixed Income and Equities Investments

A separate account is a professionally managed investment portfolio that consists of funds contributed by a single investor. Investing in a separate account is an alternative to investing in a commingled fund, a professionally managed investment portfolio that pools and invests capital contributed by a group of investors. Because separate accounts are managed on behalf of a single investor, they can offer greater

[88] One of the Commissioners from the Commission on Revenue Generation suggested that an alternative strategy the City may investigate is the feasibility and benefits of establishing a joint separate account for LACERS and LAFPP's investments to increase economies of scale and thereby, reducing costs. This strategy was not included in this study's scope of work but may be of future interest.

flexibility and can provide an investor with greater control and customization of its investment strategy.[89] Moreover, because investors generally contribute significant amounts of capital to separate accounts, they are often able to negotiate more favorable management fee structures, thereby reducing expenses and boosting net investment returns. Furthermore, investors may also receive tax benefits by using separate accounts instead of comingled accounts.[90] Notably, the Commission requested Navigant investigate this strategy as it relates to indexed fixed income and equities investments.

Both LACERS and LAFPP currently use separate accounts for their indexed fixed income and equities investments.[91] The two funds stated that using separate accounts for these investments is an industry-wide best practice in interviews. Furthermore, the funds emphasized that they and peers have used this strategy for decades.

5.1.1 Costs & Returns

As stated above, separate accounts provide reduced investment fees as well as tax benefits for investors. For investment fees, managers often charge an ongoing wrap fee of 1-3% of assets under management for separate accounts. In contrast, typical mutual fund investments may include a variety of costs, such as an asset-based fee and sales and transaction costs, which may result in higher expenses compared to separate accounts.[92,93] Additionally, separately managed accounts allow for tax-loss harvesting by allowing investors to recognize tax losses when rebalancing. For example, if an investor loses money on an investment and rebalances its portfolio to adjust its holdings, it can recognize the tax loss, while earning the same return. Tax loss harvesting can result in savings of 1.93% per year, based on historical data analysis from the Aperio Research Group.

For indexed fixed income and equities, returns are expected to be the same as indexed income and equities not in separate accounts. These returns will align with market risk and returns, since funds are indexed to match a chosen market. For example, if a fund is indexed to the Standard and Poor's 500 Index (S&P 500), the fund would have achieved 15.81% in returns over the past three years, the same returns of the overall S&P 500.[94]

5.1.2 Net Benefits

Given that LACERS and LAFPP already use separate accounts for its indexed equities and fixed income investments, LACERS and LAFPP cannot derive any additional benefits from this strategy. For this reason, Navigant did not calculate projected costs, returns, and net benefits.

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[89] James Chen, "Separate Account," Investopedia, https://www.investopedia.com/terms/s/separateaccount.asp.

[90] Geddes, Patrick and Tymoczko, Robert, "Indexed ETFs vs. Indexed Separately Managed Accounts: A User's Guide", Aperio Research, 2019, https://www.aperiogroup.com/Resources/Papers/ETFs%20vs%20SMAs-A%20Users%20Guide.Paper.pdf.

[91] LACERS and LAFPP Staff Interviews.

[92] Clark Capital Management Group, Separately Managed Accounts or Mutual Funds?, https://www.ccmg.com/separately-managed-accounts-smas-mutual-funds/.

[93] Charles Schwab, Managed Accounts Select, https://www.schwab.com/public/schwab/investment_advice/managed_accounts.

[94] Returns shown gross of expenses. S&P 500 returns based on Yahoo Finance 3-Year Daily Total Return on January 21, 2020 from https://finance.yahoo.com/quote/SPY/performance/.

5.2 Co-Investing for Private Equity Investments

Private equity co-investing involves investing capital into a company directly with a general partner, typically a professional private equity manager.[95] Co-investing represents a departure from the typical private equity structure, in which investors contribute capital to a pooled fund that is invested *on their behalf* by a general partner. Because co-investing features investment *in partnership with* (rather than outsourced to) a general partner, co-investing generally has reduced fees. The fee reduction potential of co-investing is amplified for large-scale investors, like public pension funds, who can provide blocks of capital large enough to unlock new investment opportunities for general partners. For this reason, co-investing can enable substantial savings for sophisticated investors.

Like any investment strategy, co-investment also introduces its own risks and challenges, including finding deals, conducting due diligence, and managing increased risk due to decreased investment diversification. The list below explains these challenges further.

- **Finding Deals:** Investors may face challenges identifying and sourcing high-quality co-investment deals, because "demand for [private equity] co-investment vastly outstrips opportunities provided by [General Partners]" and "access to fee-free co-investment appears likely to grow even more difficult."[96]

- **Due Diligence Requirements:** Co-investments require significant due diligence from staff or external consultants, creating additional costs and challenges. Such evaluations help ensure that investors know key information about the investment they are entering into, including whether the investment is aligned with their fund's goals, selection criteria, and existing portfolio.[97] If pension staff members do not have sufficient time to conduct this research, or if staff lacks the experience and expertise necessary to properly evaluate investments, the fund risks an overreliance on general partners' recommendations, which may or may not meet fund standards.[98]

- **Increased Diversification Risk:** A limited co-investment strategy may result in a small number of large-scale deals, which may expose an investor to an undesired level of risk concentration. According to McKinsey's 2019 Global Private Markets Review, "a portfolio with just three co-investments … has a one-in-eight chance of losing money, an outcome seldom suffered by a diversified PE fund. But with a portfolio of 12 positions, the odds of losing money fall to one in 50."[99]

Currently, each fund allocates approximately 10% of its total portfolio to private equity assets. Moreover, each fund plans to increase its exposure to private equity over time. However, neither LACERS nor LAFPP currently operates a private equity co-investment program. Table 5-3 below shows each fund's current and target asset allocations to private equity as of June 30, 2018.

Table 5-2. Current and Target Private Equity (PE) Allocations

	LACERS	LAFPP

[95] James Chen, "Private Equity," *Investopedia*, https://www.investopedia.com/terms/p/privateequity.asp.

[96] "Private Markets Come of Age: McKinsey Global Private Markets Review 2019," McKinsey & Company, 3, 36, https://www.mckinsey.com/~/media/McKinsey/Industries/Private%20Equity%20and%20Principal%20Investors/Our%20Insights/Private%20markets%20come%20of%20age/Private-markets-come-of-age-McKinsey-Global-Private-Markets-Review-2019-vF.ashx; LAFPP Interview.

[97] "Agenda: A Regular Meeting of the Board of Investments, Wednesday, December 11, 2019," LACERA, 61, https://www.lacera.com/about_lacera/boi/meetings/2019-04-10_boi_agnd.pdf.

[98] "Opening Doors of Opportunity: An Investors' Guide to Co-Investments," Callan Institute, 5, https://www.callan.com/wp-content/uploads/2019/04/Callan-4Q18-Hedge-Fund-Monitor.pdf.

[99] "Private Markets Come of Age: McKinsey Global Private Markets Review 2019," 36.

Current PE Allocation (% of Assets Under Management)	10.3%	9.9%
Target PE Allocation (% of Assets Under Management)	14%	12%

Source: LAFPP data, January 1, 2020
Note: The table represents the current private equity allocations. These funds are not currently co-invested.

LACERS and LAFPP staff expressed divergent views on the benefits associated with operating co-investment programs. LACERS staff have an interest in pursuing co-investments and asserted that Board action could result in the establishment of a LACERS co-investment program within the next two years. LAFPP staff, on the other hand, expressed a less sanguine view of co-investing, citing the limited number of co-investment opportunities the fund would have access to and the due diligence-related challenges discussed above.

5.2.1 Costs & Returns

Private equity costs include two components: (1) management fees, as a percent of assets under management annually, and (2) carried interest fees, as a percent of returns above a pre-negotiated benchmark over the life of the investment. According to industry research, these costs generally follow a "2 and 20" structure. This means that private equity managers charge investors management fees of 2% of assets under management annually and a carried interest fee of 20% of returns over a benchmark or set percentage of returns.[100] LACERS' and LAFPP's current private equity cost structures aligns with this structure, based on interviews and actual management fee data. Tables 5-4 and 5-5 below show the management fees for LACERS' and LAFPP's current private equity investments from 2014 – 2018.

Table 5-3. LACERS Private Equity (PE) Management Fees 2014 - 2018

	FY2014	FY2015	FY2016	FY2017	FY2018
PE Portfolio Value (Thousands $)	1,262,331	1,338,298	1,420,494	1,578,649	1,746,527
Management Fees (Thousands $)	20,145	20,317	26,614	31,837	34,644
Management Fees (% of Assets Under Management)	2%	2%	2%	2%	2%

Source: LACERS data, December 23, 2019

[100] Elvis Picardo, "Two and Twenty," Investopedia, https://www.investopedia.com/terms/t/two_and_twenty.asp.

Table 5-4. LAFPP Private Equity (PE) Management Fees 2014 - 2018

	FY2014	FY2015	FY2016	FY2017	FY2018
PE Portfolio Value (Thousands $)	1,495,000	1,623,000	1,715,000	1,930,000	2,210,000
Management Fees (Thousands $)	26,575	29,048	31,141	34,215	38,526
Management Fees (% of Assets Under Management)	2%	2%	2%	2%	2%

Source: LAFPP data, January 1, 2020

Notably, the data above does not include carried interest fees. While California Government Code Section 7514.7 requires LACERS and LAFPP to "disclose specific fee, expense, and other information for private markets funds committed to on and after January 1, 2017," data on funds committed to prior to 2017 is not required by law and is therefore incomplete or non-existent.[101] Moreover, private equity investments are long-term strategies that tend to last between 10-15 years, and therefore, LACERS and LAFPP have not paid carried interest fees on many of its private equity investments yet, given these investments are relatively new.

As stated previously, LACERS and LAFPP public pension funds may achieve significant savings from co-investing compared to the "2 and 20" structure. Recent reports cite co-investment management fees of 0 – 1% of assets under management and carried interest fees of 0 – 10% of returns over a set benchmark. The precise fees will vary based on what a pension fund can negotiate.

In terms of returns, private equity co-investment is expected to have the same returns associated with traditional private equity investments, since the nature of the investments are the same. In general, these private equity investments yield high returns. For example, LAFPP's 2018 Annual Report, noted that private equity returned 18.65% during Fiscal Year 2017-2018, thereby outperforming all other asset classes. Likewise, LACERS achieved double digit returns of 11.9% on its private equity investments in the same year.[102]

5.2.2 Net Benefits

As stated previously, the major benefit of co-investment is fee reductions, since co-investing results in reduced or eliminated management and carried interest fees. Navigant modeled these benefits based on data and information from LACERS and LAFPP. Specifically, Navigant identified a potential investment amount and projected costs, returns, and net benefits based on this amount. These calculations do not include the potential impact on internal staff time, since there was no publicly available data about how much additional staff time is required for due diligence.

For the investment assumption, Navigant assumed funds would shift approximately 35% of their current private equity investment to co-investing. This proportion aligns with a recent study conducted for LACERS that recommended a similar level of investment for co-investing.[103] With regard to cost, Navigant

[101] "Disclosure Report of Fees, Expenses, and Carried Interest of Alternative Investment Vehicles for the Fiscal Year Ending June 30, 2019 Pursuant to Government Code Section 7514.7" LACERS, 1, http://www.lacers.org/aboutlacers/board/BoardDocs/2019/Board/2019-12-10_BOARD/ITEM_IXI.pdf.

[102] LACERS data request.

[103] Torey Cover Capital Partners, "LACERS Private Equity Program 2020 Strategic Plan," 20, http://www.lacers.org/aboutlacers/board/BoardDocs/2019/Investment/2019-11-12%20INVESTMENT%20CMTE/ITEM_IV.pdf.

assumed that co-investment management fees would range between 0% and 1% annually and that carried interest fees on co-investments would range from 0% - 10%. Both these assumptions are based on conversations with LACERS staff, assumptions included in the LACERS private equity study cited above, and publicly-available information.[104,105] Finally, the team assumed that returns would remain the same as current private equity investments. This means LACERS and LAFPP would not receive additional gains in private equity returns from co-investing. **Error! Reference source not found.** below provides an overview of the assumptions and the resulting benefits. Table 2-1

Table 5-5. Co-Investment Net Benefits

	LACERS	LAFPP
Investment (Thousands $)	$612,475	$773,665
Costs* (Thousands $)	MF: $0 - $6,125 CIF: 0% - 10% of returns over benchmark	MF: $0 - $7,737 CIF: 0%- 10% of returns over benchmark
Returns Thousands ($)	NA (No additional returns)	NA (No additional returns)
Net Annual Benefit (Thousands $)	MF: $6,000 – $12,125+ CIF: 17.5 – 35% savings relative to current payments**	MF: $5,745 - $13,485+ CIF: 17.5 – 35% savings over current payments**

Source: LACERS and LAFPP Interviews; LACERS Co-Investing Report
**MF: Management Fee; CIF: Carried Interest Fee; Benchmark refers to the set amount of returns that the funds would not pay a carried interest fee on. In the LACERS Co-Investing Report cited above, the consultant used an illustrative benchmark of 8%. This means LACERS would pay carried interest fees on any returns above 8%.*
***Private equity investments generally range from 10-15 years.*

As shown in the table above, under these assumptions each fund could achieve potential savings between $6 million and $14 million annually from reduced management fees alone, if LACERS and LAFPP co-invested 35% of their current private equity investments. For carried interest fees, Navigant concluded that LACERS and LAFPP could reduce carried interest fees by 17.5% -- 35% on their total private equity portfolio under these assumptions. Private equity investments are relatively new for the two funds, so Navigant did not quantify the dollar amount tied to carried interest fee savings due to the lack of available data on current and previous payments.

Given the potential for significant cost savings that preserve access to the high returns generally offered by private equity investment, both LACERS and LAFPP should consider exploring how co-investing strategies might align with and enhance current investment policies and procedures in more detail. When considering these investments, both funds must weigh the risks and challenges that come with co-investing, as discussed above.

5.3 Cash Overlay Program

In the context of public pension funds, cash overlay programs involve investing a portion of a fund's cash in short-term investments and/or derivative contracts, such as futures. This allows investors to invest

[104] Torey Cover Capital Partners, "LACERS Private Equity Program 2020 Strategic Plan," 20.
[105] Auerbach, Andrea, "Ready, Steady, Co-Invest," March 2019, Cambridge Associates, https://www.cambridgeassociates.com/research/co-investment-framework/

based on the direction of market prices while eliminating the need to buy the underlying assets, like individual stocks.[106] As such, a cash overlay program unlocks the potential for marginal returns while reducing the need to sacrifice liquidity through the purchase of securities.[107]

Like all investment strategies, cash overlay programs can also expose a fund to new investment risks. If a fund uses its cash holdings to buy long futures contracts, for example, it exposes itself to losses and capital calls associated with futures contracts investments, which can then impair a fund's ability to meet its other needs. In short, any investment vehicle with the potential to amplify gains has a reciprocal potential to amplify losses.[108]

Neither LACERS nor LAFPP currently operates a cash overlay program. LAFPP has not previously operated a cash overlay program and does not currently plan to establish one.[109] In contrast, LACERS staff operated a small-scale internal cash overlay program prior to the global economic downturn that began in 2007, when interest rates exceeded 5% and spreads between short-term investment instruments and money market rates regularly exceeded 20 basis points. LACERS staff noted that the strategy generated approximately $300,000 per year but stressed that equivalent performance would be difficult to achieve in the today's low interest rate context.[110]

5.3.1 Costs & Returns

Costs for cash overlay programs vary based on whether the program is internally or externally managed. For internal programs, LACERS indicated that its former cash overlay program resulted in roughly one day of work for a full-time employee in addition to transaction costs. For external programs, managers charge funds a proportion of assets under management. These costs tend to range from .01% to 0.06% of assets under management, with costs decreasing as investments increase, based on the submissions from a recent request for proposals (RFP) from LACERA. [111]

Returns from cash overlay programs result from the securitization of funds that would not otherwise be invested. Cash overlay programs stand out in that they do not fundamentally shift a fund's investment strategy. Rather, they aim to "squeeze out" incremental returns by allocating relatively small amounts of capital toward existing asset allocation strategies.[112] For example, LACERS noted it achieved roughly $300,000 in additional returns and recent studies cited returns of 0.05% to 0.6% on total assets under management for these programs.[113] However, with the "relatively lower … return forecasts across assets"

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106 James Chen, "Futures," *Investopedia*, https://www.investopedia.com/terms/f/futures.asp.

107 "Cash Management: Los Angeles City Employees' Retirement System," NEPC, 11-2, http://www.lacers.org/aboutlacers/board/BoardDocs/2018/Investment/2018-04-10%20INVESTMENT%20CMTE/ITEM%20VII%20-%20PRESENTATION%20BY%20NEPC%20ON%20CASH%20MGMT%20REVIEW.pdf.

108 James Chen, "Futures."

109 LAFPP interview

110 Interest rates decrease short-term investment returns. In a low interest rate market, short-term investment returns decrease and vice versa.

111 "Agenda: A Regular Meeting of the Board of Investments, Wednesday, April 10, 2019," LACERA, 118, https://www.lacera.com/about_lacera/boi/meetings/2019-04-10_boi_agnd.pdf.

112 Ibid., 104-6.

113 LACERS Interview; "Cash Management: Los Angeles City Employees' Retirement System," NEPC; "Agenda: A Regular Meeting of the Board of Investments, Wednesday, April 10, 2019," LACERA;
"Existing Manager Presentation: Parametric," Verus Investments, 1,
http://www2.co.fresno.ca.us/9200/Attachments/Agendas/2018/20181003/20181003-6A-PerformanceEconomicSummaryReport-Compiled.pdf

over the next several years, the addition of these incremental revenue streams may nonetheless present an important opportunity for public pension funds to maintain reasonably high total fund returns.[114]

5.3.2 Net Benefits

Navigant modeled benefits for an externally managed cash overlay program based on data and information from LACERS, LAFPP, and other publicly-available sources. Specifically, Navigant identified a potential investment amount and projected costs, returns, and net benefits based on this amount. These calculations do not include the potential impact on internal staff time, since there was no publicly available data about how much additional staff time is required for due diligence.

With regard to investment assumptions, Navigant assumed that funds would invest between 0.5% and 2% of total assets under management in an externally managed cash overlay program. This range aligns with recent internal cash overlay studies at LACERS, LACERA, and the Fresno County Employees' Retirement Association.[115] For the cost assumption, Navigant assumed that the funds would pay 0.06% of assets under management annually. This assumption is based on the recent LACERA RFP responses and the assumed amount of investment in our calculations.[116] Finally, the team assumed total fund returns would equal between 0.05% and 0.6% based on the studies cited previously. notably **Error! Reference source not found.** below provides an overview of the assumptions and the resulting benefits.

Table 5-6. Cash Overlay Net Benefits

	LACERS	LAFPP
Investment (Thousands $)	$88,465 - $353,860	$111,640 - $446,560
Costs* (Thousands $)	$55 - $210	$65 - $270
Returns (Thousands $)	$8,845 - $106,160	$11,165 - $133,970
Net Annual Benefit (Thousands $)	**$8,635 - $106,105**	**$10,895 - $133,905**

Source: LACERS and LAFPP Interviews; LACERS, Fresno County CERA, and LACERA

The table above shows that LACERS and LAFPP may achieve benefits of over $8 - $100 million annually, by investing 0.5% - 2% of its total assets in an externally managed cash overlay program. The potential returns on the cash overlay program are notably higher than LACERS' historic program and reflect the assumptions from the recent reports cited previously, including a recent consultant report specifically for LACERS. Given the potential for significant revenue additions that do not unduly threaten fund liquidity, both LACERS and LAFPP should consider further exploring how cash overlay programs might align with and enhance current investment policies and procedures. Like other investment strategies, LACERS and LAFPP should weigh the risks, costs, and returns associated with implementing a cash overlay program before moving forward.

[114] Ibid.

[115] "Cash Management: Los Angeles City Employees' Retirement System," NEPC; "Agenda: A Regular Meeting of the Board of Investments, Wednesday, April 10, 2019," LACERA; "Existing Manager Presentation: Parametric," Verus Investments, 1, http://www2.co.fresno.ca.us/9200/Attachments/Agendas/2018/20181003/20181003-6A-PerformanceEconomicSummaryReport-Compiled.pdf.

[116] For blocks of capital between $0 and $400 million, both Parametric Portfolio Associates, LLC, and NISA Investment Advisors, LLC, indicated that they would charge 0.06% of assets under management annually in the LACERA RFP responses. Agenda: A Regular Meeting of the Board of Investments, Wednesday, April 10, 2019," LACERA, 118.

5.4 Increase Manager Diversity

This strategy involves increasing manager diversity as a method for increasing returns, based on a growing body of evidence that illustrates that increasing diversity improves business performance.[117] The basic idea underpinning this strategy is that business performance improves when management teams feature input and representation from diverse and heterogeneous groups, including gender, ethnic, and cultural diversity. Notably, this research stems from business across a variety of industries.

There is currently a lack of publicly available data on public pension fund investment manager diversity, including both the portion of minority-owned or controlled external management firms and performance of these firms. In general, public pension funds have aimed to increase diversity through Emerging (and Diverse) Manager Programs. These programs aim to increase the portion of small and diverse external management firms within their portfolio by allocating a defined portion of assets to these firms. However, exact definitions of emerging managers included within these programs varies significantly, based on local and state laws.[118] Some programs define emerging managers based on asset size, since diverse managers have historically fallen below mainstream investor thresholds.[119] Others use gender (women-owned) or ethnicity (minority-owned) specific definitions. The lack of standardized definitions for programs makes it challenging to compare their performance over time and thus, challenging to quantify the impact of diversity on portfolio performance.

Neither fund provides publicly available information about the diversity of its external managers. However, both LACERS and LAFPP currently operate emerging manager programs and allocate approximately 2% and 10% of funds to the programs, respectively. Both funds define emerging managers based on size in assets under management.

5.4.1 Costs & Returns

Given the lack of data about their external managers' diversity, Navigant used emerging manager programs as a proxy for estimating costs for diverse manager performance. In terms of costs, both LACERS and LAFPP stated they pay approximately the same in fees to emerging managers as non-emerging managers. Although some emerging managers may offer discounts to investors, since they may have less market experience, both LACERS and LAFPP stated that this has not been their experience.

In terms of returns, a recent report authored by a professor at Harvard Business School, found that "for most asset classes, diverse-owned firms exhibit returns that are not significantly different relative to non-diverse firms; however, they have low levels of representation in every asset class."[120] This fact mirrors LACERS and LAFPP's experience with their emerging manager program performance. Specifically, the two funds stated that some managers outperform their benchmarks and their non-emerging managers; however, the inverse is also true.

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[117] Hunt, Vivian, et. al., Delivering through Diversity, January 2018, McKinsey & Company, https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity.

[118] "Public pension funds' definition of emerging manager still a work in progress", March 21, 2012, Pensions & Investments, https://www.pionline.com/article/20120321/ONLINE/120329976/public-pension-funds-definition-of-emerging-manager-still-a-work-in-progress

[119] Cai, Angela, US Public Pension Fund Diversity Initiatives: Practices, Rationales, and Constitutionality, Fall 2014, DePaul Business and Commercial Law Journal.

[120] Lerner, Josh, et. al., 2018 Diverse Asset Management Firm Assessment Final Report January 2019, January 2019, Bella Private Markets,https://static1.squarespace.com/static/5c194ef4506fbe01692524d6/t/5d000b78b7d0520001e5c8eb/1560284031151/2018+Firm+Assessment+FINAL.pdf

5.4.2 Net Benefits

Due to the information on costs and returns above and the general lack of publicly-available information related to asset manager diversity and performance, Navigant could not quantify the net benefits of this strategy. However, Navigant recommends that both funds track data and metrics around diversity-related initiatives and continue increasing manager diversity, given it is a best practice.

5.5 Ongoing Research and Peer Reviews

Investing in peer research and reviews is a useful way for pension fund administrators to identify areas for improvement. Research and peer reviews may include benchmarking costs, performance, and services, research on cutting-edge investment strategies, and fund-specific research (e.g., modeled investment strategies). Investing in rigorous peer reviews and analysis can help fund managers understand key differences between funds, access detailed cost and performance data, continuously improve investment and administrative processes, and save time and effort by learning from peers and industry best practices.[121]

LACERS and LAFFP currently invest in regular research and peer reviews through two forums: (1) peer benchmarking reports and (2) investment consultant reports. The list below provides more details about each of these forums.

- **Benchmarking Reports:** Both funds use CEM Benchmarking to understand how their costs, services, and performance compares to like-sized peer pension funds. With over 400 funds participating, CEM benchmarking is seen as an industry-leader in providing peer review research for pension funds. Furthermore, NYC Retirement Systems released a statement, saying "CEM is the only vendor capable of providing comprehensive investment cost benchmarking services that utilize actual cost and performance data collected from large U.S. pension funds," highlighting the benefits of their study.[122]

- **Investment Consultant Reports**: LACERS and LAFPP retain investment consultants to produce ongoing research and other advisory services. The funds stated that these consultants are generally "non-discretionary," meaning they do not manage any of the funds' outsourced investments and focus purely on advisory.[123] As of 2018, LACERS and LAFPP spent $1.49 M, and $0.84 M on investment consultants, respectively.[124]

5.5.1 Costs & Returns

The benchmarking and investment consultant reports have defined costs. The CEM Benchmarking reports costs $30,000 - $35,000 per report, or $60,000 - $70,000 every five years, assuming the funds purchase one report every other year. Investment consultants cost significantly more. One study stated that investment consultants charge retainer fees ranging from $25,000 to $150,000 plus additional

[121] "Pension Administration Benchmarking Service," CEM Benchmarking, https://www.cembenchmarking.com/pabs.html.

[122] NYC Retirement Systems eyes CEM Benchmarking in cost analysis search, March 22, 2018, Pensions & Investments, https://www.pionline.com/article/20180322/ONLINE/180329954/nyc-retirement-systems-eyes-cem-benchmarking-in-cost-analysis-search.

[123] LACERS and LAFPP interviews.

[124] LACERS and LAFPP data requests.

expenses, depending on the size of the fund and types of services included.[125] From 2014 to 2018, LACERS spent approximately $1.4 M and LAFPP, $700,000 annually.

Although peer reviews and research are best practice, there was no publicly-available data about the returns generated from ongoing peer reviews and research for pension funds in general. Moreover, there was no publicly-available data about returns from this strategy for LACERS and LAFPP. This makes it challenging to understand how the peer reviews and research impact the two funds.

5.5.2 Net Benefits

Although conducting ongoing peer reviews and research are best practice, the precise net benefits from these efforts is unclear. Navigant suggests continuing to purchase CEM benchmarking reports and conducting ongoing research and peer reviews, while also beginning to track benefits gained from these studies, where possible. Over time this will allow LACERS and LAFPP to understand how these reports have contributed to overall performance.

5.6 Strategy Applicability to LACERS and LAFPP

As shown by the analysis above, the applicability of the Commission-proposed strategies to LACERS and LAFPP varies. For example, LACERS and LAFPP already use separate accounts for indexed fixed income and equities investments and therefore, the strategy as a cost reduction method is not viable. Additionally, Navigant concluded that it could not calculate the precise price costs and returns for increasing manager diversity and investing in ongoing research and peer reviews. However, Navigant suggests continuing to track data and explore opportunities to reduce costs or generate returns from these strategies, as they are best practice. Table 5-7 below outlines the high-level conclusions for each strategy.

Table 5-7. Commission-Proposed Strategy Applicability to LACERS and LAFPP

No.	Strategy	Potential Benefit
1	Establish Separate Accounts for Indexed Fixed Income and Equities Investments	**No potential benefit** – LACERS and LAFPP already use separate accounts.
2	Leverage Co-Investing for Private Equity Investments	**Potential benefit** – Based on high-level estimates LACERS and LAFPP may achieve benefits from co-investing and cash overlay programs. However, both funds need to conduct additional research about how these strategies align with their current investment policies. Notably, LACERS has already begun looking into both these opportunities.
3	Establish Cash Overlay Program	
4	Increase Manager Diversity	**Inconclusive** – LACERS and LAFPP already have emerging manager programs (which help to increase diversity). Data on costs and returns on these programs are mixed. However, Navigant considers this strategy to be a best practice, and

[125] Jarvis, William F., Understanding the Cost of Investment Management, October 2015, Common Fund Institute, https://www.caia.org/sites/default/files/understanding_the_cost_of_investment_management.pdf.

		recommends tracking manager diversity data in the future and continuing to invest in this strategy.
5	Invest in Ongoing Research and Peer Reviews	**Inconclusive** – LACERS and LAFPP already invest in research. There was no publicly available data on how additional research can contribute to savings. However, Navigant considers this strategy to be a best practice, and recommends tracking research and peer review benefits and continuing to invest in this strategy.

Source: Navigant

6. RECOMMENDATIONS AND ACTION PLAN

Based on the peer benchmarking and the literature review above, Navigant developed recommendations and a subsequent action plan for LACERS and LAFPP. These recommendations consider LACERS and LAFPP's unique regulatory environment and current or recent initiatives. For example, the two funds have already implemented a few of the cost reduction investment strategies from the literature review and therefore, Navigant did not include these in the recommendations. Furthermore, Navigant developed the recommendations at a high-level; many of the suggestions are intended to be a starting point and require further examination before implementation. This section outlines the final list of recommendations and resulting action plan.

6.1 Recommendations

Navigant developed recommendations across three categories to align with its peer research, literature review, and assessment of Commission-proposed strategies. These categories include: (1) asset allocation, (2) procurement policies, and (3) reporting and transparency. In general, LACERS and LAFPP align with their peers' practices in these areas; however, both funds can adjust its asset allocations and enhance procurement policies and reporting and transparency to further educate external stakeholders and manage external manager costs.

Notably, Navigant recommended that LACERS and LAFPP should not pursue an in-sourced asset management at LACERS and LAFPP, because the research showed that in-sourcing as a cost reduction strategy works best for larger pension funds. For instance, the Pennsylvania study stated that "scale and governance are crucial considerations for the internal management decision…[and] internal investment management has generally been restricted to funds larger than $25 billion." The peer panel provides further evidence of this fact, as larger funds have greater portions of internal asset management, while smaller funds have little to no assets in-sourced. Furthermore, Navigant excluded other investment strategy recommendations, such as increasing indexing and exploring the use of certain investment vehicles, because LACERS and LAFPP have already looked into these cost reducing mechanisms.

In addition to providing recommendations, Navigant also developed an action plan by dividing each of the recommendations into three timelines: (1) six months to two years, or near-term, (2) three years to five years, or medium-term, and (3) over five years, or long-term. The team developed these timelines based on priority and level of effort of each recommendation. Table 6-1 outlines the recommendations, their level of effort, and suggested timeline.

Table 6-1. Recommendations and Action Plan

Category	Recommendation	Example	Level of Effort	Timeline
Asset Allocation	Explore the adoption of alternative fee structures, such as Managed Custody Accounts (MCA) to reduce costs and increase investing flexibility.	San Bernardino County established MCAs to allow for direct investment and reduce fees. In this structure, funds would negotiate fees at the platform level on an aggregate assets under management basis and allow the investors to nimbly invest in various products (e.g. co-investments and direct investments). Additionally, Orange County Employees Retirement System (OCERS) believes that a base fee is appropriate to provide sufficient operating income for external managers. OCERS fee policy follows this philosophy closely assigning fees between the market cost of passive management and 40 percent of fixed fees.	High	Long-Term
Asset Allocation	Consider reducing the number of external managers by benchmarking the number of external managers used by peers.	CalPERS reduced the number of its external money managers from 159 to 212 in a 9-month period, because it was "paying too much in external management fees compared to peers" based on a CEM benchmarking study	High	Long-Term
Asset Allocation	Continue to assess the feasibility of co-investing for private equity investments	Based on high-level estimates, LACERS and LAFPP may achieve significant benefits from co-investing a portion of its current private equity allocation.	High	Medium-Term

Asset Allocation	Continue to assess the feasibility of establishing a cash overlay program	Based on high-level estimates, LACERS and LAFPP may achieve benefits from establishing a cash overlay program for a small portion of its current portfolio.	High	Medium-Term
Asset Management / Procurement	Do not pursue in-sourcing asset management as a cost reduction strategy, because in-sourcing works best for larger pension funds.	A recent study by the Pennsylvania Treasury stated that in-sourcing is generally restricted to funds larger than $25 billion in assets under management. Furthermore, the Peer Panel in this study shows that smaller funds tend not to in-source asset management.	NA	NA
Asset Management / Procurement	Adopt specific policies with respect to acceptable fee limits	American Federation of Teachers recommended this to public teachers' pensions	Medium	Near-Term
Asset Management / Procurement	Establish a fee budget at the fund level for all investment managers	The State of Pennsylvania recently recommended this to its state pension funds. This recommendation will help the funds curb costs.	High	Medium-Term
Asset Management / Procurement	Explore opportunities to pool investments with LACERS and other CA pension funds	OCERS-CALAPRS issued a joint-RFP to increase economies of scale. Additionally, the pension funds for England and Wales recently established a pooling structure to achieve economies of scale.	High	Medium-Term
Reporting / Transparency	Adopt comprehensive fee reporting (e.g. itemized list of fees, including performance and non-performance).	South Carolina Retirement System / Missouri State Employees Retirement System collects detailed fees. This raises the bar on transparency and allows overseers to better measure and manage costs.)	Low	Near-Term

Reporting / Transparency	Expand performance reporting to include 20-year results and include full performance reporting (e.g. by asset and net/gross)	Georgia, Kentucky, Louisiana, Missouri, and NY release 20-year data on performance returns by asset. This provides stakeholders with long-term results that are more aligned with the long-term investment strategies that funds follow.	Low	Near-Term
Reporting / Transparency	Post all performance reports, including historical information, in an easily-accessible manner for all stakeholders to access	Recent industry reports emphasize the importance of posting historical information about performance for stakeholders to more easily track costs and returns over time.	Medium	Near-Term
Reporting / Transparency	Track age of fee schedules and review every 2 years and track age of manage relationships; use information during negotiations to reduce costs	The State of Pennsylvania recently recommended this to its state pension funds. This recommendation will help the funds curb costs.	High	Medium-Term
Reporting / Transparency	Monitor portfolio-wide manager diversity, including the number of diverse managers and performance over time to understand impact and to track progress over time.	There is a lack of data about manager diversity and diverse manager performance over time, making it challenging to quantify the potential benefits of increasing diversity and to understand the progress on diversity within the two funds.	Medium	Near-Term
Reporting / Transparency	Monitor benefits of investing in ongoing research and peer reviews to understand impact over time.	There is a lack of publicly-available data about the quantifiable benefits of investing in ongoing research and peer reviews, making it challenging to understand the impact of these strategies.	Medium	Near-Term

6.2 Action Plan

Navigant divided recommendations into near-term, mid-term, and long-term timeframes. Near-term recommendations include easy to implement actions, such as enhancing reporting and transparency. Mid-term recommendations include actions that require further cost-benefit and feasibility analyses. Finally, long-term recommendations include actions for assessing the success of near and mid-term actions. Figure 6-1 outlines Navigant's action plan.

Figure 6-1. Action Plan for Implementing Recommendations

Near-Term	Mid-Term	Long-Term
6 Months – 2 Years	**3 Years – 5 Years**	**5+ Years**

• Enhance reporting and transparency by:
  ◦ Tracking fee schedule age to leverage for negotiations
  ◦ Expanding access to historical reports (e.g. 20+ years)
  ◦ Providing detailed performance (e.g. net / gross of fees) and itemized lists of manager fees, including performance-based fees
  ◦ Monitoring portfolio-wide manager diversity and performance
  ◦ Monitoring benefits of investing in ongoing research and peer reviews
• Control costs by adopting fee policies, including:
  ◦ Adopting acceptable fee limit policies
  ◦ Establishing a fund-level fee limit budget
	• Conduct studies to explore the feasibility of:
	  ◦ Adopting alternative fee structures (e.g. establishing Managed Custody Accounts, and hurdles for performance based fees)
	  ◦ Pooling investments with other public pension funds to increase economies of scale and reduce costs
	  ◦ Simplify investment strategy and reduce the number of total external managers
	  ◦ Co-investing a portion of private equity investments
	  ◦ Establishing a cash overlay program
		• Implement cost-saving strategies based on the outcome of the feasibility reports
		• Assess success of near-term reporting and transparency and cost control efforts

Source: Navigant

APPENDIX A. DETAILED PEER CASE STUDIES

Navigant examined asset allocation practices, asset management strategies, cost reduction strategies, and other relevant information for seven peer funds (six public pension funds and one sovereign wealth fund). The next sections present these in-depth case studies in order of largest to smallest (measured in assets under management):

- Norway's Government Pension Fund Global (GPFG)
- California Public Employees' Retirement System (CalPERS)
- Ontario Teachers' Pension Plan (OTPP)
- New York City Employees' Retirement System (NYCERS)
- Los Angeles County Employees Retirement Association (LACERA)
- New York City Fire Pension Funds (NYC Fire)
- San Diego City Employees' Retirement System (SDCERS)

A.1 Norway's Government Pension Fund Global (GPFG)

A.1.1 Background

The Government Pension Fund Global (GPFG) is a public fund established to preserve the long-term stability of Norway's oil wealth.[129] The GPFG manages approximately $1 trillion in assets. Norges Bank, Norway's central bank, manages the funds.

Notably, the GPFG is a sovereign wealth fund, not a pension fund for retirement assets.[130] As a result, many indicators used in this study (Total Members, Unfunded Actuarial Accrued Liability, Funded Ratio, etc.) are not relevant. Nonetheless, the fund provides insights relevant to US public pension plans. Additionally, because the fund uses a January 1 – December 31 Fiscal Year, detailed data on investment performance and expenses from the July 1, 2017 – June 30, 2018 period were re-constructed using quarterly investment reports from 2017 and 2018 (see Footnote 9).

Peer Fund Qualitative Overview (2017-18)[126]	
Total Members	-
Assets Under Mgmt. (Thousands USD)	917,070,000[127]
Unfunded Actuarial Accrued Liability (Thousands USD)	-
Funded Ratio (Assets as % of Obligations)	-
Internal Management (% of Funds Under Mgmt.)	94%[128]
External Mgmt. Expenses (Thousands USD)	183,480
External Mgmt. Expenses (% of Assets)	0.02%

A.1.2 Asset Allocation & Investment Performance

The GPFG's asset allocation stands out for its simplicity and its reliance on equity holdings. For example, it allocates almost two-thirds of its assets to equities. In contrast, it allocates less than five percent of its assets to alternatives and cash or short-term investments. Table A-1 below depicts the fund's overall asset allocation breakdown.

Table A-1. GPFG High Level Asset Allocation

Equities (%)	Fixed Income (%)	Alternatives (%)	Cash / Short Term (%)
66.7	31.6	2.6	-

Source: 2017 and 2018 Annual Reports

Unlike other funds examined in this report, the GPFG does not maintain high levels of alternative asset holdings. The fund only maintains three asset classes – a large share of global public equities, a large share of government bonds, and a small share of private real estate investments. This asset allocation reflects the limited investment mandate established by Norway's Ministry of Finance, which sets the

[126] Because the fund uses a January 1 – December 31 Fiscal Year, detailed data on investment performance and expenses from the July 1, 2017 – June 30, 2018 period were re-constructed using quarterly investment reports from 2017 and 2018. These reports are available at the following site: https://www.nbim.no/en/publications/reports/.

[127] Approximate value. The precise conversion between Norwegian Kroner and US Dollars depends on the relative strength of each currency, which fluctuates according to market demand.

[128] Norges Bank Investment Management, "Strategy 2017-2019," February 8, 2017, 6, https://www.nbim.no/contentassets/f6e98d63856e476cbd5d8aea20d534ff/norges-bank-investment-management_strategyplan-2017-2019.pdf.

[129] Norges Bank, "About the fund," https://www.nbim.no/en/the-fund/about-the-fund/.

[130] "Government Pensions Fund Global / Norges Bank Investment Management," https://www.top1000funds.com/asset_owner/government-pension-fund-global-norges-bank-investment-management/.

fund's overall strategy.[131] According to that mandate, Norges Bank may only invest GPFG funds "in listed equities, bonds, and unlisted real estate" assets.[132]

Furthermore, the fund also stands out for dedicating a significant majority of its assets (66.7%) to public equities. This asset allocation reflects a high-risk, high-reward strategy that leaves the fund's returns subject to stock market fluctuations. This contrasts with the Ontario Teachers' Pension Plan (OTPP), which seeks to hedge against these fluctuations by allocating a smaller portion of its fund to equities. Norges Bank plainly states that its public equities allocation demonstrates a "willingness to take market risk in order to achieve satisfactory long-term returns."[133] This asset allocation has led to an average return of six percent since inception. below depicts the fund's performance over time.

Table A-2. GPFG Historical Performance

1 Yr. (%)	3 Yr. (%)	5 Yr. (%)	10 Yr. (%)	Since Inception (%)
--	6.2	8.1	6.9	5.9

Source: GPFG 2018 Annual Report

A.1.3 Asset Management Considerations

Given the Commission's focus on in-sourcing and cost reduction, this section provides additional details about GPFG's asset management practices as it relates to those areas. GPFG employs a largely in-sourced asset management strategy and a low-alternative investment allocation policy, two unique components of the fund. The list below provides further discussion of these items.

- **In-Sourcing:** Norges Bank aims to maximize in-house management of GPFG assets. Norges notes that the deployment of internal resources helps maintain profitability and that the fund has moved to in-source investment activities that were previously outsourced.[134] However, Norges also relies on some external asset management. The fund states that "external management mandates are awarded in areas where it is not appropriate to build up internal expertise, but where we believe that local knowledge is needed to ensure the best possible management. These mandates are mainly in emerging markets, small companies in developed markets, and environment-related investments."[135] Thus, Norges does not view in-house management as a one-size-fits-all strategy and selectively allocates funds to external managers.

  Given Norges Bank's tendency toward internal asset management, they employ a sizable internal workforce, as expected for a large fund with significant amounts of in-sourcing. Including employees at subsidiaries established to manage unlisted real estate investments, the GPFG is administered by 371 investment professionals and 622 total employees around the world.

- **Alternative Investments:** As noted above, Norway's Ministry of Finance does not currently permit GPFG to maintain significant alternative investment assets. Thus, the fund's only

[131] Norges Bank Investment Management, "Strategy 2020-2022," 5, https://www.nbim.no/contentassets/e67c709ab52541bab4b449bddc019319/strategy-plan-2020-2022-norges-bank-investment-management.pdf.

[132] Norges Bank Investment Management, "Government Pension Fund Global: Annual Report 2018," 25, https://www.nbim.no/contentassets/02bfbbef416f4014b043e74b8405fa97/annual-report-2018-government-pension-fund-global.pdf.

[133] Norges Bank, "Annual Report 2018," 6.

[134] Norges Bank, "Review of Norges Bank's management of the Government Pension Fund Global," December 15, 2017, 4, https://www.nbim.no/contentassets/e67c709ab52541bab4b449bddc019319/strategy-plan-2020-2022-norges-bank-investment-management.pdf; Norges Bank, "Strategy 2020-2022," 4.

[135] Norges Bank, "Review of Norges Bank's management of the Government Pension Fund Global," 3.

alternative investments are a relatively small portion of its portfolio (2.6%) invested in private real estate. Importantly, the fund's management recently proposed adjusting its mandate so that it can invest a small portion (1%) of its equity portfolio into private equities.[136] This proposal, if accepted by the Ministry of Finance, would represent a notable reformulation of the fund's current investment strategy.

[136] Rachel Fixsen, "Norway's sovereign fund seeks to allocate €6.3bn to private equity," *Investment & Pensions Europe*, August 29, 2019, https://www.ipe.com/countries/norway/norways-sovereign-fund-seeks-to-allocate-63bn-to-private-equity/www.ipe.com/countries/norway/norways-sovereign-fund-seeks-to-allocate-63bn-to-private-equity/10032993.fullarticle.

A.2 California Public Employees' Retirement System (CalPERS)

A.2.1 Background

The California Public Employees' Retirement System (CalPERS) manages retirement assets on behalf of nearly 2 million current and retired state employees. It is the largest public pension fund in the United States.

Like the Ontario Teachers' Pension Plan, CalPERS has worked to reduce investment expenses by in-sourcing significant portions of its assets.[138] However, in employing this model, CalPERS has encountered challenges that US pension funds are likely to come across in striving to emulate the Canadian pension model. This case study provides more details about its in-sourcing and other cost reduction efforts.

Peer Fund Qualitative Overview (2017-18)[137]	
Total Members	1,958,888
Assets Under Mgmt. (Thousands USD)	354,000,000
Unfunded Actuarial Accrued Liability (Thousands USD)	138,864,000
Funded Ratio (Assets as % of Obligations)	70%
Internal Management (% of Funds Under Mgmt.)	75%
External Mgmt. Expenses (Thousands USD)	720,637
External Mgmt. Expenses (% of Assets)	0.20%

A.2.2 Asset Allocation & Investment Performance

CalPERS maintains a relatively standard asset allocation, with near-peer-average holdings across all asset classes. Specifically, it allocates approximately 50 percent of its fund to public equities, 20 percent to fixed income, 25 percent to alternatives and less than 5 percent to cash and short-term investments. Table X below depicts the fund's overarching asset allocation.

Table A-3. CalPERS High Level Asset Allocation

Public Equities (%)	Fixed Income (%)	Alternatives (%)	Cash / Short Term (%)
48.9	22.5	25.3	3.3

Source: 2017 – 18 Comprehensive Annual Financial Report

This asset allocation has resulted in almost nine percent in the past year. However, this year represents the highest returns of the periods examined. For instance, over the past 10 years, CalPERS achieved a roughly six percent return, three percent lower than its most recent returns. This may be the result of changing asset allocations and other management strategies. Table A-4 below depicts the fund's performance over time.

Table A-4. CalPERS Historical Performance

1 Yr. (%)	3 Yr. (%)	5 Yr. (%)	10 Yr. (%)	Since Inception (%)
8.6	6.7	8.1	5.6	-

Source: 2017-18 Comprehensive Annual Financial Report

[137] California Public Employees' Retirement System (CalPERS), "2017-18 Comprehensive Annual Financial Report," https://www.calpers.ca.gov/docs/forms-publications/cafr-2018.pdf.

[138] Mark Anderson, "CalPERS bringing private equity in-house," *Sacramento Business Journal*, May 21, 2018, https://www.bizjournals.com/sacramento/news/2018/05/21/calpers-bringing-private-equity-in-house.html.

A.2.3 Asset Management Considerations

Given the Commission's focus on in-sourcing and cost reduction, this section provides additional details about CalPERS' asset management practices as it relates to those areas. CalPERS employs a largely in-sourced asset management strategy and an investment allocation policy favorable to alternative investments, two unique components of the fund. The list below provides further discussion of these items.

- **In-Sourcing:** As noted above, CalPERS has worked to shift investments "from external managers to internal managers when possible, reducing external management fees, and decreasing the number of outside consultants and advisors."[139] Due to this policy, CalPERS now manages the majority of its public equity investments (80%) and fixed-income investments (90%) internally. However, in this process, the fund has faced significant challenges in competing for highly-capable investment professionals. In a 2019 interview, CalPERS chief investment officer Yu Ben Meng noted that CalPERS "simply does not have the organizational structure nor the compensation options capable of matching what top-tier managers can secure in the private sector."[140]

  To overcome these organizational challenges, CalPERS has established affiliate companies to manage $20 billion in assets outside of publicly-traded stock markets (e.g. private equity). By establishing separate organizations to manage its private equity investments, CalPERS allows itself to "be the sole investor" in the two organizations "rather than being one of many investors in private equity funds under the present model."[141] Moreover, because employees at CalPERS-affiliated companies would not be state employees, they would not be subject to salary limits for public employees, an important financial consideration for attracting highly-trained employees. This unique structure highlights the further challenges in in-sourcing asset management. CalPERS has succeeded in significantly reducing external expenses by reducing external asset managers and moving to manage assets internally. CalPERS' investment fees and expenses decreased by approximately $280 million between 2010 and 2017.[142]

- **Alternative Investments:** Despite a sustained, years-long effort to reduce costs, CalPERS has not stepped away alternative investments. In fact, CalPERS has doubled down on illiquid alternatives, particularly in private equity. In early 2019, CalPERS began "moving to create two new ventures that could invest up to $20 billion outside of publicly traded stock markets."[143] By establishing separate organizations to manage private equity investments, CalPERS unlocks the ability to "be the sole investor … rather than being one of many."[144] would allow CalPERS to access exclusive high-return opportunities while eliminating the significant fees demanded by more traditional external private equity managers, thereby giving the fund "more flexibility and buying power in the growing private equity market."[145]

[139] Ibid.

[140] Arleen Jacobius, "CalPERS not alone on private equity shift," *Pensions & Investments,* April 1, 2019, https://www.pionline.com/article/20190401/PRINT/190409988/calpers-not-alone-on-private-equity-shift.

[141] Venteicher, "CalPERS moving forward."

[142] CalPERS, "CalPERS Investment Office Saves Millions in Expenses over Six-Year Period; More Cost Effective than Peers," May 16, 2017, https://www.calpers.ca.gov/page/newsroom/calpers-news/2017/investment-office-saves-millions-over-six-years.

[143] Wes Venteicher, "CalPERS moving forward with $20 billion expansion of its private equity investments," *The Sacramento Bee,* March 18, 2019, https://www.sacbee.com/news/politics-government/the-state-worker/article228101409.html.

[144] Ibid.

[145] Ibid.

A.3 Ontario Teachers' Pension Plan (OTPP)

A.3.1 Background

The Ontario Teachers' Pension Plan (OTPP) is a large Canadian pension fund that manages retirement assets on behalf of 327,000 active and retired teachers.[149] The fund embodies the "Canadian Pension Model," which consists of two key components: (1) diversified portfolios and (2) in-house asset management to minimize investment expenses.[150] Various other public pension funds – including those examined in this report – have looked to OTPP's practices for strategic guidance.

Importantly, OTPP is the only fund examined in this report for which performance and expense data are drawn from calendar year 2018 (as opposed to July 1, 2017 – June 30, 2018). Given this discrepancy, readers should note the relevant market contexts when comparing OTPP's performance to the performance of other funds examined in this report.

Peer Fund Qualitative Overview (2017-18)[146]	
Total Members	327,000
Assets Under Mgmt. (Thousands USD)	144,000,000[147]
Unfunded Actuarial Accrued Liability (Thousands USD)	0
Funded Ratio (Assets as % of Obligations)	104%
Internal Management (% of Funds Under Mgmt.)	80%[148]
External Mgmt. Expenses (Thousands USD)	405,000
External Mgmt. Expenses (% of Assets)	0.28%

A.3.2 Asset Allocation & Investment Performance

Two key considerations stand out in OTPP's asset allocation: the large share of fixed income investments and the large share of alternative investments. OTPP allocates the majority of its fund to alternative investments, followed by fixed income, and finally public equity. It also allocates a significant portion of its assets to money markets (noted as short-term investments below). Table A-5 below depicts the fund's overarching asset allocation.

Table A-5. OTPP High Level Asset Allocation

Public Equities (%)	Fixed Income (%)	Alternatives (%)	Cash / Short Term (%)
17.0	41.0	74.0	-32.0[151]

Source: 2018 Annual Report

[146] Ontario Teachers' Pension Plan (OTPP), "2018 Annual Report: All the Right Elements," https://www.otpp.com/documents/10179/803025/Ontario+Teachers%27%20Pension+Plan+2018+Annual+Report/3cf8ee83-e3d0-40a6-a3d7-954ff32695c9.

[147] Approximate value. The precise conversion between Canadian Dollars and US Dollars depends on the relative strength of each currency, which fluctuates according to market demand.

[148] Wafra, "The Evolution of Pension Management: Building In-House Capabilities," 10, https://www.wafra.com/wp-content/uploads/2019/06/The-Evolution-of-Pension-Management_Building-In-House-Capabilities.pdf.

[149] Ontario Teachers' Pension Plan, "About Ontario Teachers," https://www.otpp.com/corporate/about-teachers.

[150] World Bank Group, "The Evolution of the Canadian Pension Model: Practical Lessons for Building World-class Pension Organizations," 8, http://documents.worldbank.org/curated/en/780721510639698502/pdf/121375-The-Evolution-of-the-Canadian-Pension-Model-All-Pages-Final-Low-Res-9-10-2018.pdf.

[151] OTPP's money market investment practices provide funding for investments in other asset classes.

OTPP's large share of fixed income investments reflects two factors. The first is the evolution of the fund's asset allocation over time. Prior to updating its investment management practices to reduce costs and diversify risk, OTPP pursued a 100% externally-managed fixed income portfolio.[152] As such, OTPP's large present-day fixed income allocation may reflect long-term reverberations of past investment policy, especially given that OTPP's shift toward new investment practices has been gradual.[153] The second factor is management's views on the current state of the global economy. In an October 9, 2019, interview, OTPP chief investment officer Ziad Hindo stated, "We are in the 10th or 11th year of the economic expansion. …You need fixed income. You need it because of a recession. You need it because of the trade war and tensions."[154] Put another way, OTPP believes its fixed income assets provide the fund with stability, a safeguard against stock market volatility and a potential economic downturn.

In terms of OTPP's alternative investments, these investments primarily consist of private equity holdings (18%). They also include substantial shares of real estate holdings (15%), infrastructure investments (9%), and credit investments (8%). Like OTPP's fixed income investments, the fund's alternative investments reflect a desire to guard against the volatility of public capital markets.[155] By shifting assets to private markets, which are less accessible to other investors and therefore less exposed to the whims of the market, OTPP aims to eliminate short-term volatility and losses. Other large Canadian pension plans share OTPP's "large appetite for illiquid alternative investments."[156]

OTTP's asset allocation has generally led to strong performance over the past 10 years. Table A-6 below shows the fund's performance over time. OTPP's strong long-term performance suggests why other funds have looked to OTPP for strategic guidance.

Table A-6. OTPP Historical Performance

1 Yr. (%)	4 Yr. (%)	5 Yr. (%)	10 Yr. (%)	Since Inception (%)
2.5	7.1	8.0	10.1	9.7

Note: The fund was established in 1990.
Source: 2018 Annual Report

A.3.3 Asset Management Considerations

Given the Commission's focus on in-sourcing and cost reduction, this section provides additional details about OTTP's asset management practices as it relates to those areas. OTPP employs a largely in-sourced asset management strategy, also known as the "Canadian Pension Model." The list below provides further discussion of its in-sourcing and staffing.

In-Sourcing: As noted above, a central element of OTPP's investment strategy is managing assets in-house. Approximately 80% of OTPP's assets are currently managed internally. By building strong internal investment teams, OTPP avoids paying the high fees and expenses generally demanded by external asset managers. The fund also benefits from access to private markets, which are generally reserved for sophisticated and institutional investors, without having to pay the high fees and expenses demanded by external asset managers. Notably, OTPP still utilizes external management for portion (20%) of its assets. For these assets, the fund's strategy

[152] Wafra, "The Evolution of Pension Management," 10.

[153] World Bank Group, "The Evolution of the Canadian Pension Model," 51.

[154] Zane Schwartz, "Ontario Teachers' has a $200-billion plan to survive the trade war," *Financial Post*, https://business.financialpost.com/technology/ontario-teachers-has-a-200-billion-plan-to-survive-the-trade-war.

[155] Amy Whyte, "Canadian Fund Dive Deeper into Alternatives, *Institutional Investor.* https://www.institutionalinvestor.com/article/b1flvk8lphjh44/Canadian-Funds-Dive-Deeper-Into-Alternatives.

[156] "U.S. Pensions Aim to Be More Like Canadian Funds," *Institutional Investor*, https://www.institutionalinvestor.com/article/b1505py0f5mpb1/us-pensions-aim-to-be-more-like-canadian-funds.

is to "selectively allocat[e] capital to key external managers in order to access specialized talent and investment opportunities where it is not efficient or practical to maintain the equivalent in-house."[157]

In terms of internal management, OTPP re-emphasized its commitment to internal management strategies with the launch of the Teachers' Innovation Platform, which specializes in "late-stage venture capital and growth equity investments in technology companies" in early 2019.[158] The World Bank notes that pension funds generally begin "the move to internal investments with more liquid investments such as public equities, then mov[e] to in-house … investment in alternative asset classes."[159] The advent of the Teachers' Innovation Platform therefore suggests the advanced nature of OTPP's internal investment capabilities.

OTPP's strategies to minimize external management costs and guard against market volatility are not cost free. To attract top talent capable of managing significant quantities of internal assets, OTPP must ensure that its salaries and benefits are competitive with those of other sophisticated investment institutions, including Wall Street firms. OTPP emphasizes that culture, compensation, and talent are "crucial" to the fund achieving its mission.[160] Specifically, OTPP cites the need to recruit highly-skilled staff globally, in Canada, Europe, and Asia.[161] To achieve this goal, "Canadian pension funds have ensured their pay is competitive with Bay Street, Toronto's version of Wall Street. They pay a base salary, annual bonus, and long-term performance award."[162]

OTPP's commitment to in-house management is the fund's most notable cost-reduction strategy. The fund regularly asserts its firm commitment to cost-effectiveness and states that "managing assets in-house … is a cost-effective means to implement Ontario Teachers' strategies."[163] However, the fund's "substantial investments in private assets and commitment to active management result in higher costs than if assets were deployed in lower-cost public securities and passive mandates" – a straightforward acknowledgement of the cost tradeoff that the fund faces in attempting to outperform public markets.[164]

[157] OTPP, "2018 Annual Report," 23.

[158] Kirk Falconer, "Ontario Teachers' unveils tech-focused VC, growth equity platform," *PE Hub*, https://www.pehub.com/canada/2019/04/ontario-teachers-unveils-tech-focused-vc-growth-equity-platform/.

[159] World Bank Group, "The Evolution of the Canadian Pension Model," 51.

[160] OTPP, "2018 Annual Report," 6.

[161] Ibid.

[162] "Maple revolutionaries," *The Economist, https://www.economist.com/finance-and-economics/2012/03/03/maple-revolutionaries.*

[163] OTPP, "2018 Annual Investment Report," 22.

[164] Ibid.

A.4 New York City Employees' Retirement System (NYCERS)

A.4.1 Background

The New York City Employees' Retirement System (NYCERS) is a public pension fund that manages retirement assets on behalf of more than 350,000 active and retired city employees. Like the City of Los Angeles, New York City has separate pension funds for different departments and employees. For instance, it has a separate pension fund for its firefighters, police officers, and teachers. These funds operate autonomously, similar to LACERS and LAFPP.

Notably, NYCERS' assets are predominately managed by external investment managers and has a strict policy on hedge fund holdings within its alternative investment asset allocations.[166] The sections below discuss these items further.

Peer Fund Qualitative Overview (2017-18)[165]	
Total Members	381,817
Assets Under Mgmt. (Thousands USD)	65,450,206
Unfunded Actuarial Accrued Liability (Thousands USD)	22,589,354
Funded Ratio (Assets as % of Obligations)	71%
Internal Management (% of Funds Under Mgmt.)	-
External Mgmt. Expenses (Thousands USD)	180,526
External Mgmt. Expenses (% of Assets)	0.28%

A.4.2 Asset Allocation & Investment Performance

NYCERS allocates most of its investments to public equities and fixed income. The allocation's most notable factor is its relative shortage of alternative asset holdings, which is can be explained, at least partially, by the fund's decision to divest hedge fund holdings. Table A-7 depicts the fund's overarching asset allocation.

Table A-7. NYCERS High Level Asset Allocation

Public Equities (%)	Fixed Income (%)	Alternatives (%)	Cash / Short Term (%)
47.8	34.3	15.5	2.4

Source: 2018 Comprehensive Annual Financial Report

The fund has maintained a return of seven to eight percent in each period studied. Despite having a relatively small alternative investment allocation and most of its fund predominately outsourced, the fund has outperformed most of its peers in this particular study. Table A-8 below depicts the fund's performance over time.

Table A-8. NYCERS Historical Performance

1 Yr. (%)	3 Yr. (%)	5 Yr. (%)	10 Yr. (%)	Since Inception (%)
8.6	7.8	8.7	7.1	-

Source: 2018 Comprehensive Annual Financial Report

[165] New York City Employees' Retirement System (NYCERS), "2018 Comprehensive Annual Financial Report," https://www.nycers.org/comprehensive-annual-financial-report.
[166] New York City Comptroller, "Pension / Investment Management," https://comptroller.nyc.gov/services/financial-matters/pension/overview/.

A.4.3 Asset Management Considerations

Given the Commission's focus on in-sourcing and cost reduction, this section provides additional details about NYCERS's asset management practices as it relates to those areas. NYCERS employs largely outsourced asset management strategy and has strict provisions when it comes to alternative investments. The list below provides further discussion of its in-sourcing and staffing.

- ***In-Sourcing:*** As noted above, NYCERS does not generally in-source its investment management activities. This may be a function of the fund's scale (in terms of assets under management). According to a 2018 report on public pension management conducted by Pennsylvania's state government, "Internal investment management has generally been restricted to investors larger than $25 billion."[167] In other words, economies of scale are relevant when deciding whether to in-source or outsource asset management.

  Both NYC Fire and NYCERS have previously come under fire for its mostly outsource investment management strategy. For example, in the past five years, the New York Times and the New Yorker authored reports titled, "*Is Wall Street Robbing New York City's Pension Funds*" and "*New York City Pension System Is Strained by Costs and Politics*."[168,169] Both articles highlighted New York City's growing external management costs and the challenges with changing its structure to reduce costs and UAAL. Most notably, the New York City Pension Funds do not appear to have changed its investment or governance strategy, likely due to political challenges.

- ***Alternative Investments:*** As noted above, NYCERS' trustees voted in April 2016 to "liquidate its hedge fund holdings."[170] The decision resulted from the fund's hedge fund investments underperforming benchmarks while maintaining unjustifiably-high fees.[171] The situation demonstrates NYCERS' attentiveness to the cost-effectiveness of its assets and a willingness to take action to ensure that investments meet their benchmarks while imposing only reasonable fees and expenses on the fund's management.

  Notably, the fund did not decide to liquidate its private equity investments, which comprise approximately 15% of the fund's total assets. This consideration suggests that fund management and trustees did not conclude that private equity assets were similarly underperforming while racking up costs. With the decision to liquidate hedge fund holdings, NYCERS established a trajectory toward private equity acting as the only alternative asset in the fund's portfolio.

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[167] Public Pension Management and Asset Investment Review Commission, "Final Report and Recommendations," December 2018, 237, https://www.psers.pa.gov/About/Investment/Documents/PPMAIRC%202018/2018-PPMAIRC-FINAL.pdf.

[168] Davies, Dan, Is Wall Street Really Robbing New York City's Pension Funds, April 20, 2015, The New Yorker, https://www.newyorker.com/business/currency/is-wall-street-really-robbing-new-york-citys-pension-funds.

[169] Chen, David W and Walsh, Mary Williams, New York City Pension System Is Strained by Costs and Politics, August 3, 2014, The New York Times, https://www.nytimes.com/2014/08/04/nyregion/new-york-city-pension-system-is-strained-by-costs-and-politics.html.

[170] Robert Steyer, "NYCERS pulls the plug on hedge funds," *Pensions & Investments,* April 18, 2016, https://www.pionline.com/article/20160418/PRINT/304189975/nycers-pulls-the-plug-on-hedge-funds.

[171] Ibid.

A.5 Los Angeles County Employees Retirement Association (LACERA)

A.5.1 Background

Peer Fund Qualitative Overview (2017-18)[172]	
Total Members	171,824
Assets Under Mgmt. (Thousands USD)	56,300,000
Unfunded Actuarial Accrued Liability (Thousands USD)	13,144,496
Funded Ratio (Assets as % of Obligations)	80%
Internal Management (% of Funds Under Mgmt.)	0%
External Mgmt. Expenses (Thousands USD)	287,650
External Mgmt. Expenses (% of Assets)	0.51%

The Los Angeles County Employees Retirement Association (LACERA) is a public pension fund that manages retirement assets on behalf of approximately 172,000 current and retired county employees. LACERA is the closest (in distance) to LACERS and LAFPP. It also has reciprocity with LACERS and CalPERS, meaning that employees from one system can move to the other to preserve and enhance their benefits.

Notably, LACERA is the largest fund examined in this report to rely on external management for 100 percent of its assets.[173] However, the fund has recently evaluated establishing an internal team to manage some co-investment activities.[174]

A.5.2 Asset Allocation & Investment Performance

LACERA maintains an asset allocation that is relatively similar with the peer funds in this report, with near-peer-average holdings across all asset classes. It specifically allocates almost 50 percent of its assets in public equities and approximately 25 percent to fixed income and alternative investments. It allocates no assets to cash or short-term investments. Table A-9 below depicts the fund's overarching asset allocation.

Table A-9. LACERA High Level Asset Allocation

Public Equities (%)	Fixed Income (%)	Alternatives (%)	Cash / Short Term (%)
46.3	26.8	26.9	-

Source: It Adds Up: 2018 Annual Report

With this asset allocation, the fund slightly outperformed peer averages in near-term periods, including in the past one, three, and five years. However, the fund slightly underperformed the peer average over a 10-year period. This may reflect recent adjustments in asset allocations and/or broader market changes. Table A-10 below shows the fund's performance over time.

172 Los Angeles County Employees Retirement Association (LACERA), "It All Adds Up: 2018 Annual Report," https://www.lacera.com/investments/Annual_Report/cafr/cafr.pdf.

173 The New York City Employees' Retirement System states only that their assets "are managed predominantly by external investment managers," suggesting some role for internal management. The fund did not state a specific internal-external breakdown.

174 Los Angeles County Employees Retirement Association (LACERA), "Agenda: A Regular Meeting of the Equity: Public/Private Committee and Board of Investments*," November 8, 2018, https://www.lacera.com/about_lacera/boi/meetings/equity/2018-11-08-equity_agnd.pdf.

Table A-10. LACERA Historical Performance

1 Yr. (%)	3 Yr. (%)	5 Yr. (%)	10 Yr. (%)	Since Inception (%)
9.0	7.4	8.5	6.3	-

Source: It Adds Up: 2018 Annual Report

A.5.3 Asset Management Considerations

Given the Commission's focus on in-sourcing and cost reduction, this section provides additional details about NYCERS's asset management practices as it relates to those areas. LACERA employs an entirely outsourced asset management strategy. The list below provides further discussion of its in-sourcing and staffing.

- ***In-Sourcing:*** LACERA does not currently manage any assets in-house.[175] However, in 2018 LACERA considered "the costs and benefits of managing co-investments internally" and determined that doing so would result in savings of $350 million over 15 years.[176] The fund also notes that the move would lead to "enhanced investment culture and image," suggesting the association between sophisticated pension funds and internal asset management. However, LACERA estimates that shifting assets toward internal management would require increasing levels of investment, legal, and accounting staff over time."[177] Notably, they also concluded that "LACERA has the necessary experience and resources internally to develop and manage an in-house co-investment program," suggesting that it has the ability to attract top-tier investment professionals at public pension funds with generally stringent salary systems. The fund specifically cites its team's knowledge of "direct and co-investment skills" and "how to build and manage diversified portfolios."[178] Nonetheless, more than a year later, the fund's assets remain entirely externally managed.

[175] Email from LACERA staff.
[176] LACERA, "Agenda," 13.
[177] Ibid., 26.
[178] Ibid.

A.6 New York City Fire Pension Fund (NYC Fire)

A.6.1 Background

Similar to LAFPP, the New York City Fire Pension Fund (NYC Fire) is a public pension fund that manages retirement assets on behalf of its nearly 28,000 retired and active firefighters. Its assets "are managed predominantly by external investment managers, like its sister portfolio, NYCERS."[180] Furthermore, like LACERS and LAFPP, NYC Fire and NYCERS operate separately and provide benefits and services to different employees for New York City.

Peer Fund Qualitative Overview (2017-18)[179]	
Total Members	27,677
Assets Under Mgmt. (Thousands USD)	15,531,200
Unfunded Actuarial Accrued Liability (Thousands USD)	9,042,978
Funded Ratio (Assets as % of Obligations)	64%
Internal Management (% of Funds Under Mgmt.)	-
External Mgmt. Expenses (Thousands USD)	90,109
External Mgmt. Expenses (% of Assets)	0.58%

Like NYCERS and the other New York City pension funds, NYC Fire has been criticized for its underfunding of its pension plans and its externally outsourced asset management strategy. However, the fund has yet to adjust its in-sourcing and outsourcing policy. This case study provides additional details about the asset management challenges NYC Fire and other New York City pension funds have faced.

A.6.2 Asset Allocation & Investment Performance

NYC Fire's asset allocation closely resembles the average peer panel allocations in this study. It allocates approximately 40 percent of its assets to public equities, 25 percent to fixed income, and 30 percent to alternatives. It also allocates less than five percent of its assets to cash or short-term investments. below shows NYCERS' overarching asset allocation. Table A-11 below shows NYC Fire's asset allocation.

Table A-11. NYC Fire High Level Asset Allocation

Public Equities (%)	Fixed Income (%)	Alternatives (%)	Cash / Short Term (%)
41.8	24.1	31.92	2.23

Source: Comprehensive Annual Financial Report

The asset allocation above has led to relatively high performance in the past year. The fund has also slightly outperformed the peer averages in this study over the past decade. Table A-12 below depicts the fund's performance over time.

Table A-12. NYC Fire Historical Performance

1 Yr. (%)	3 Yr. (%)	5 Yr. (%)	10 Yr. (%)	Since Inception (%)
9.3	7.7	8.9	7.1	-

[179] New York City Fire Pension Funds, "Comprehensive Annual Financial Report:," https://www1.nyc.gov/assets/fdny/downloads/pdf/about/fire-pension-fund-cafr.pdf.
[180] New York City Comptroller, "Pension / Investment Management,"

A.6.3 Asset Management Considerations

Given the Commission's focus on in-sourcing and cost reduction, this section provides additional details about NYC Fire's asset management practices as it relates to those areas. NYC Fire employs an entirely outsourced asset management strategy. The list below provides further discussion of its in-sourcing.

- ***In-Sourcing:*** As noted above, NYC Fire generally outsources its investment management activities, like its similarly sized peers. Both NYC Fire and NYCERS have previously come under fire for its mostly outsource investment management strategy. For example, in the past five years, the New York Times and the New Yorker authored reports titled, "*Is Wall Street Robbing New York City's Pension Funds*" and "*New York City Pension System Is Strained by Costs and Politics*."[181,182] Both articles highlighted New York City's growing external management costs and the challenges with changing its structure to reduce costs and UAAL. Most notably, the New York City Pension Funds do not appear to have changed its investment or governance strategy, likely due to political challenges.

[181] Davies, Dan, Is Wall Street Really Robbing New York City's Pension Funds, April 20, 2015, The New Yorker, https://www.newyorker.com/business/currency/is-wall-street-really-robbing-new-york-citys-pension-funds.

[182] Chen, David W and Walsh, Mary Williams, New York City Pension System Is Strained by Costs and Politics, August 3, 2014, The New York Times, https://www.nytimes.com/2014/08/04/nyregion/new-york-city-pension-system-is-strained-by-costs-and-politics.html.

A.7 San Diego City Employees' Retirement System (SDCERS)

A.7.1 Background

Peer Fund Qualitative Overview (2017-18)[183]	
Total Members	20,786
Assets Under Mgmt. (Thousands USD)	8,082,180
Unfunded Actuarial Accrued Liability (Thousands USD)	2,915,532
Funded Ratio (Assets as % of Obligations)	78%
Internal Management (% of Funds Under Mgmt.)	0%
External Mgmt. Expenses (Thousands USD)	35,586
External Mgmt. Expenses (% of Assets)	0.44%

The San Diego City Employees' Retirement System (SDCERS) is a small public pension fund that manages retirement assets on behalf of approximately 21,000 active and retired city employees. Unlike LACERS, LAFPP, NYCERS, and NYC Fire, SDCERS provides benefits to all city employees, including general policy, fire, lifeguard, and elected officials. Notably, SDCERS is the smallest fund examined in this report and does not in-source any of its fund management.[184]

In general, SDCERS and the City of San Diego have been focused on other, non-asset management related, cost reduction strategies over the past decade. Specifically, voters passed a proposition to replace Civil Service employee pensions (e.g. defined benefit plans) with 401(k) style programs (e.g. defined contribution plans). However, this change has come under fire by unions and the California Supreme Court recently ruled that the measure was illegal.[185] This proposition has dominated the news about SDCERS and therefore, there is notably less information about its asset management strategy.

A.7.2 Asset Allocation & Investment Performance

SDCERS maintains a similar asset allocation to its peer in this study. It currently allocates almost 45 percent of its assets to equities, 20 percent to fixed income, and 30 percent to alternatives. It also allocates less than five percent of its portfolio to cash and short-term investments. Table A-13 below depicts the fund's overarching asset allocation.

Table A-13. SDCERS High Level Asset Allocation

Public Equities (%)	Fixed Income (%)	Alternatives (%)	Cash / Short Term (%)
44.5	22.9	30.4	2.2

Source: SDCERS Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018

In the short term, SDCERS has achieved an eight percent return on its investments. It has maintained a similar level of return over the past decade. Table A-14 below depicts the fund's performance over time.

[183] San Diego City Employees' Retirement System (SDCERS), "Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018," https://www.sdcers.org/Investments/Annual-Reports/Current-Year-(1)/SDCERS-FY-2018-CAFR.aspx.

[184] Public Pension Management and Asset Investment Review Commission, "Final Report and Recommendations," 237.

[185] Lewis, Scott, The City Flipped on Prop. B – But it Doesn't Change Much Yet, Voice of San Diego, June 10, 2019, https://www.voiceofsandiego.org/topics/government/the-city-flipped-on-prop-b-but-it-doesnt-change-much-yet/.

Table A-14. SDCERS Historical Performance

1 Yr. (%)	3 Yr. (%)	5 Yr. (%)	10 Yr. (%)	Since Inception (%)
8.2	7.5	8.4	6.9	-

Source: SDCERS Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018

A.7.3 Asset Management Considerations

Given the Commission's focus on in-sourcing and cost reduction, this section provides additional details about SDCERS' asset management practices as it relates to those areas. SDCERS employs an entirely outsourced asset management strategy. The list below provides further discussion of its in-sourcing.

- ***In-Sourcing:*** As stated above, SDCERS relies on external management for 100% of its assets.[186] Navigant found little information about SDCERS asset management strategy and/or plans to change it. As mentioned previously, this may be the result of San Diego's focus on Proposition B and adjusting fundamental aspects of its pension plan.

[186] Email from SDCERS staff.

CITY PENSION FUND MANAGEMENT STUDY ADDITIONAL SCOPE

DRAFT FINDINGS

JANUARY 13, 2020

NAVIGANT
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EXECUTIVE SUMMARY

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STUDY BACKGROUND & SCOPE

The Commission on Revenue Generation (Commission) asked Navigant to assess the potential savings of select strategies as an add-on to Navigant's initial City Pension Management Study. These strategies include:

City Pension Add-On Study Scope

No.	Strategy	Commission Description
1	Establish Separate Accounts for Indexed Fixed Income and Equities Investments	Separate accounts vs. co-mingled accounts would give the city beneficial ownership and control over their assets for lowering costs, exercising proxy voting rights and increasing securities lending revenues.
2	Leverage Co-Investing for Private Equity Investments	Co-investing alongside current private equity managers offers opportunity to participate in private equity ventures with no management fee or carried interest obligation.
3	Establish Cash Overlay Program	Implementing a cash overlay program to generate additional revenue and thereby reduce cash management costs.
4	Increase Manager Diversity	Increase manager diversity in the investment portfolio, in accordance with 20 years of research which concludes that more diverse management teams produce better financial results across all industries.
5	Invest in Ongoing Research and Peer Reviews	Invest in ongoing research and peer reviews to insure that the best in-class management strategies are employed.

Source: Commission on Revenue Generation, Pension Fund Forecasting Analytical Tool

SAVINGS ANALYSIS APPROACH

Navigant used a three-step approach to determine potential savings for each strategy on the Commission's proposed list.

Gather Data

(1) Research costs and savings data

(2) Review LACERS and LAFPP data related to each strategy

(3) Interview LACERS and LAFPP to supplement data collection

Determine Savings

(1) Identify baseline for each strategy

(2) Identify costs and savings from research based on realistic investments

(3) Determine or discuss potential savings

Develop Conclusions

(1) Based on the outputs from Step 2, identify viable strategies for LACERS and LAFPP to pursue

This approach resulted in a *range* of potential outcomes for strategies, where possible. In some cases, Navigant was not able to quantify savings and instead, provided a qualitative discussion of the strategy.

ANALYSIS CONCLUSIONS

Navigant developed high-level conclusions for each proposed strategy. Based on its study, Navigant suggests the funds explore co-investing and cash overlay programs further to identify how the strategies align to their current investment policies.

<table>
<tr><th>No.</th><th>Strategy</th><th>Potential Benefit</th></tr>
<tr><td>1</td><td>Establish Separate Accounts for Indexed Fixed Income and Equities Investments</td><td><u>No</u> potential benefit – LACERS and LAFPP already use separate accounts.</td></tr>
<tr><td>2</td><td>Leverage Co-Investing for Private Equity Investments</td><td rowspan="2">Potential benefit – Based on high-level estimates LACERS and LAFPP may achieve benefits from co-investing and cash overlay programs. However, both funds need to conduct additional research about how these strategies align with their current investment policies. Notably, LACERS has already begun looking into both these opportunities.</td></tr>
<tr><td>3</td><td>Establish Cash Overlay Program</td></tr>
<tr><td>4</td><td>Increase Manager Diversity</td><td>Inconclusive – LACERS and LAFPP already have emerging manager programs (which help to spur diversity). Data on costs and returns on these programs are mixed.</td></tr>
<tr><td>5</td><td>Invest in Ongoing Research and Peer Reviews</td><td>Inconclusive – LACERS and LAFPP already invest in research. There was no publicly available data on how additional research can contribute to savings.</td></tr>
</table>

DETAILED ANALYSIS

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STUDY BACKGROUND & SCOPE

The Commission on Revenue Generation (Commission) asked Navigant to assess the potential savings of select strategies as an add-on to Navigant's initial City Pension Management Study. These strategies include:

City Pension Add-On Study Scope

No.	Strategy	Commission Description
1	Establish Separate Accounts for Indexed Fixed Income and Equities Investments	Separate accounts vs. co-mingled accounts would give the city beneficial ownership and control over their assets for lowering costs, exercising proxy voting rights and increasing securities lending revenues.
2	Leverage Co-Investing for Private Equity Investments	Co-investing alongside current private equity managers offers opportunity to participate in private equity ventures with no management fee or carried interest obligation.
3	Establish Cash Overlay Program	Implementing a cash overlay program to generate additional revenue and thereby reduce cash management costs.
4	Increase Manager Diversity	Increase manager diversity in the investment portfolio, in accordance with 20 years of research which concludes that more diverse management teams produce better financial results across all industries.
5	Invest in Ongoing Research and Peer Reviews	Invest in ongoing research and peer reviews to insure that the best in-class management strategies are employed.

Source: Commission on Revenue Generation, Pension Fund Forecasting Analytical Tool

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SAVINGS ANALYSIS APPROACH

Navigant used a three-step approach to determine potential savings for each strategy on the Commission's proposed list.

Gather Data

(1) Research costs and savings data

(2) Review LACERS and LAFPP data related to each strategy

(3) Interview LACERS and LAFPP to supplement data collection

Determine Savings

(1) Identify baseline for each strategy

(2) Identify costs and savings from research based on realistic investments

(3) Determine or discuss potential savings

Develop Conclusions

(1) Based on the outputs from Step 2, identify viable strategies for LACERS and LAFPP to pursue

This approach resulted in a *range* of potential outcomes for strategies, where possible. In some cases, Navigant was not able to quantify savings and instead, provided a qualitative discussion of the strategy.

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1. SEPARATE ACCOUNTS

Separate accounts for indexed equities and fixed income will **not** provide additional savings, given that both LACERS and LAFPP already use separate accounts for these investments.

Savings Modeling Assumptions

- Baseline: LACERS and LAFPP use separate accounts for its indexed equities and fixed income to the extent possible.
- Investment: NA
- Costs: NA
- Returns: NA

	LACERS	LAFPP
Investment (Thousands $)	LACERS already uses separate accounts for indexed equities and fixed income.	LAFPP already uses separate accounts for indexed equities and fixed income.
Costs* (Thousands $)	NA	NA
Returns Thousands ($)	NA	NA
Net Annual Benefit (Thousands $)	NA	NA

Source: LACERS and LAFPP Interviews

2. CO-INVESTING

Co-Investing may result in significant savings for LACERS and LAFPP, depending on the amount invested and lifetime returns on investments.* For instance, if LACERS and LAFPP co-invested 35% of their current private equity investments, they could save over $5 M on management fees and 10-20% on current carried interest fees.**

Savings Modeling Assumptions

- Baseline: LACERS and LAFPP currently pay a *management fee* of 2% of assets under management and a *carried interest fee* of 20% on returns over a specific benchmark.
- Investment: We assumed LACERS and LAFPP would move 35% of its assets to co-investments, based on a recent LACERS report.
- Costs: Fees for the two cost components may vary.
  - Management Fee (MF): 0% - 1%.
  - Carried Interest Fees (CIF): 0% 10%.
- Returns:
  - Assumed to have the same returns as current private equity investments.

	LACERS	LAFPP
Investment (Thousands $)	$612,475	$773,665
Costs* (Thousands $)	MF: $0 - $6,125 CIF: 0% - 10% of returns over benchmark	MF: $0 - $7,737 CIF: 0%- 10% of returns over benchmark
Returns Thousands ($)	NA (No additional returns)	NA (No additional returns)
Net Annual Benefit (Thousands $)	MF: $6,000 – $12,125+ CIF: 10-20% savings over current payments**	MF: $5,745 - $13,485+ CIF: 10-20% savings over current payments**

*Private equity investments generally range from 10-15 years.
**Navigant did not calculate CIF payments due to the lack of historic data available from LACERS and LAFPP on these payments, given these types of investments are relatively new.

Source: LACERS and LAFPP Interviews; LACERS Co-Investing Report

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3. CASH OVERLAY PROGRAM

A cash overlay program can result in upwards of $8-10 million dollars annually for LACERS and LAFPP, respectively based on data from recent LACERS, Fresno County CERA, and LACERA reports.

Savings Modeling Assumptions

- Baseline: LACERS and LAFPP currently do not have a cash overlay program.
- Investment: 0.5% - 2.0% of total assets under management (AUM).
- Costs: 0.06% of AUM (of asset class).
- Returns: 0.05 – 0.60% of total AUM.

	LACERS	LAFPP
Investment (Thousands $)	$88,465 - $353,860	$111,640 - $446,560
Costs* (Thousands $)	$55 – $210	$65 – $270
Returns Thousands ($)	$8,845 - $106,160	$11,165 - $133,970
Net Annual Benefit (Thousands $)	**$8,635 – $106,105**	**$10,895 – $133,905**

Source: LACERS and LAFPP Interviews; LACERS, Fresno County CERA, and LACERA

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4. INCREASE MANAGER DIVERSITY

Research on the potential savings and increased returns from emerging manager programs is inconclusive, based on LACERS and LAFPP's historical experience and recent industry news.

Emerging Manager Program Background: Consistent with California law, LACERS and LAFPP do not grant preferential treatment on the basis of race, gender…etc. when selecting external investment managers. CA funds, like LACERS and LAFPP, instead define firms by their size – e.g. small and emerging -- and have developed programs to allocate a portion of its funds to these managers.

- As of 2018, LACERS allocated 2.4% of its total AUM to emerging managers.
- As of 2018, LAFPP allocated 10.8% of its total AUM to emerging managers. LAFPP has one of the largest emerging manager programs in the country, according to staff and its website.

Potential Cost Savings: Although some research suggests funds may receive reduced fees (to offset the increased risk of investing with a newer manager or for being an early investor in funds), this has not been the experience for LACERS and LAFPP. The two funds pay roughly the same in fees to emerging managers as non-emerging managers. This suggests there are no cost savings for LACERS and LAFPP from this strategy.

Potential Return Generation: Although some research suggests that funds may receive higher returns by investing with emerging managers (due to their nimbleness and innovativeness), both LACERS and LAFPP have stated this has not been their experience overall. They both noted that *some* emerging managers may outperform their non-emerging manager counterparts, but others do not. This fact is supported by recent developments from CalPERS and Ohio PERS and their decisions to cut portions of their emerging manager programs due to underperformance.

Source: LACERS and LAFPP Interviews; CalPERS; Ohio PERS; Emerging Manager Principles from CalSTRS; Current Fund Terms for Small/Emerging Managers

5. INVEST IN ONGOING RESEARCH

Navigant agrees that investing in peer reviews and ongoing research are best practice and based on its research, LACERS and LAFPP have already invested in both of these areas.

Ongoing Research Background: LACERS and LAFPP currently invest in ongoing research and peer reviews through two forums: (1) CEM Benchmarking and (2) investment consultant reports.

- CEM Benchmarking: With over 400 funds participating, CEM benchmarking is seen as an industry-leader in providing peer review research for pension funds. Furthermore, NYCRS released a statement, saying "CEM is the only vendor capable of providing comprehensive investment cost benchmarking services that utilize actual cost and performance data collected from large U.S. pension funds,“ highlighting the benefits of their study.
- Investment Consultant Reports: Both funds use investment consultants to provide ongoing research (in addition to other advisory services). To date, the funds spend $1.49 M, and $0.84 M on investment consultants, respectively.

Potential Cost Savings and Return Generation: Navigant agrees that investing in peer reviews and ongoing research are best practice and based on its research, LACERS and LAFPP have already invested in both of these areas. Research on the exact amount of benchmarking and research needed to generate cost savings and higher returns is not readily available.

Source: LACERS and LAFPP Interviews; NYCRS

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ANALYSIS CONCLUSIONS

Navigant developed high-level conclusions for each proposed strategy. Based on its study, Navigant suggests the funds explore co-investing and cash overlay programs further to identify how the strategies align to their current investment policies.

No.	Strategy	Potential Benefit
1	Establish Separate Accounts for Indexed Fixed Income and Equities Investments	**No potential benefit** – LACERS and LAFPP already use separate accounts.
2	Leverage Co-Investing for Private Equity Investments	**Potential benefit** – Based on high-level estimates LACERS and LAFPP may achieve benefits from co-investing and cash overlay programs. However, both funds need to conduct additional research about how these strategies align with their current investment policies. Notably, LACERS has already begun looking into both these opportunities.
3	Establish Cash Overlay Program	
4	Increase Manager Diversity	**Inconclusive** – LACERS and LAFPP already have emerging manager programs (which help to spur diversity). Data on costs and returns on these programs are mixed.
5	Invest in Ongoing Research and Peer Reviews	**Inconclusive** – LACERS and LAFPP already invest in research. There was no publicly available data on how additional research can contribute to savings.

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REDUCING THE COSTS OF INVESTMENTS

REPORT BY COMMISSIONER WAYNE MOORE

Recommendation:

Reducing the costs of investments made by the City's 2 pension funds could increase total fund assets by $413 – $497 million, reduce unfunded liabilities by $253 to $300 million and reduce annual general fund amortization costs by $20 and $25 million. The Revenue Commission recommends the Mayor request the Los Angeles Fire and Police Pension Board and the Los Angeles City Employees Retirement System Board of Administration adopt plans to reduce their combined costs of investments by at least 10% within 5 years and issue a joint annual report on progress towards reaching that goal.

Background:

Over the next decade, institutional investors such as the City's two pension funds - Los Angeles City Employee Retirement System (LACERS) and Los Angeles Fire and Police Pension Board (LAFPP) - face a low investment return environment. Horizon Actuarial Services, LLC, in its 2019 Survey of Capital Market Assumptions, stated that the 10-year median annualized returns assumption was 6.6%, which is well below the City's actuarial assumption of 7.25%. While these assumptions are not predictive, they do drive institutional investors to accept higher risks and increased costs in search of higher investment returns to meet their return objectives. Alternatively, reducing costs and portfolio risks can help investors meet return objectives.

By reducing the costs of investment, net investment returns increase, which help close the gap between low return expectations and the required actuarial return objective. This also reduces the need for overall portfolio investment risk taking. Furthermore, reducing investment costs increase fund balances in the long term, decreasing the City's unfunded accrued actuarial pension liabilities (UAAL) and the annual cost of fully amortizing them. As of June 30, 2018 the City's UAAL for LACERS and LAFPP was $18.5 billion. The Fiscal Year 2019-20 City budget included $658 million for fully amortizing the UAAL. These annual amortization costs are funded through the City's general fund.

The Revenue Commission, with the help of Moss Adams, developed an Asset Management Cost Forecasting and Analytical Tool that allows users to assess the investment related costs of various asset allocation schemes and measure the impact on overall investment portfolio returns and projected fund balances. Investment-related costs include administration, consulting services, asset management fees and expenses, as well as performance fees. Administrative costs (labor and non-labor), consulting costs, and some asset management fees, expenses and performance fees are captured in the City's financial statements. However, some management expenses are netted from payments and distributions while some performance fees, such as carried interest, are not reported in the City's financial statements and are therefore not completely transparent.

REDUCING THE COSTS OF INVESTMENTS

REPORT BY COMMISSIONER WAYNE MOORE

Using the Asset Management Cost Forecasting and Analytical Tool, the Revenue Commission estimates that if investment-related costs were 10% less, i.e. 0.559% of assets under management vs. 0.621), over 10 years the City could increase total fund assets by $413 – $497 million, reduce unfunded liabilities by $253 to $300 million and reduce annual amortization costs by $20 and $25 million after using the following assumptions:

1. The June 30, 2018 total LACERS and LAFPP assets of $33.5 billion
2. The weighted administrative and management fees of both funds was 0.621% of total assets under management based on June 30, 2018 financial statements,
3. Forecasted investment returns of 6.25%, 7.25% and 8.25 %,

Reducing the cost of investing is a continuing, dynamic and intentional process. As asset allocations change and assets under management increase, opportunities to reduce costs also increase. The Revenue Commission engaged Navigant consultants to review current literature a and practices in cost reduction strategies. Some cost reduction strategies worth considering include:

1. Managing some assets directly with in-house management staff.
2. Creating a City of Los Angeles separate account for indexed equities and fixed-income investments. Separate accounts vs. co-mingled accounts would give the city beneficial ownership and control over their assets for lowering costs, exercising proxy voting rights and increasing securities lending revenues.
3. Co-investing alongside current private equity managers offers opportunities to participate in private equity ventures with no management fee or carried interest obligation, although with increased risk.
4. Implementing a cash overlay program to generate additional revenue and thereby reducing the opportunity costs of maintaining cash reserves.
5. Increasing manager diversity and inclusion in the investment portfolio, in accordance with 25 years of research which concludes that more diverse management teams produce better financial results across all industries.
6. Investing in ongoing research and peer reviews to insure that the best in-class investment management strategies are employed at the optimal cost vs. performance metrics.

APPENDIX – STUDIES AND REVIEWS

3 – Payment in Lieu of Taxes (PILOT) Program – Blue Sky Consulting

3.1 – Feasibility of a PILOT Program for the City of Los Angeles.

3.2 – Bob Hope Exemption and Golf Courses in City & County of Los Angeles (Appendix C in Blue Sky report)

3.3 – Power point presentation

Blue Sky
CONSULTING GROUP

FINAL DRAFT

FEASIBILITY OF A PILOT PROGRAM FOR THE CITY OF LOS ANGELES

September 11, 2019

Prepared by

Joel Schwartz and Matthew Newman

Blue Sky Consulting Group

Contents

ACKNOWLEDGEMENTS

This report was prepared by Joel Schwartz and Matthew Newman for the City of Los Angeles Revenue Commission. The analysis presented and the conclusions of this report are those of the authors.

EXECUTIVE SUMMARY

Nonprofit organizations with a charitable purpose are generally exempt from property taxes. Nevertheless, these organizations benefit from municipal services, such as fire protection, policing, and street maintenance. A number of cities around the country have implemented Payment in Lieu of Tax (PILOT) programs, in which nonprofits are asked to make a voluntary payment to the city in order to offset some of the costs of these city services.

This report estimates the potential revenues that could be generated from a PILOT program in the City of Los Angeles and identifies the design features the City may want to consider should it proceed with implementation of a PILOT program.

Overview of PILOT Programs

In 2012, the most recent year for which national data are available, approximately 800 localities received PILOT payments totaling about $110 million.[1] Most revenue is concentrated in a few cities and is paid by a few large nonprofits. Boston has the oldest and largest PILOT program in the country, collecting about $34 million in 2018.[2]

PILOTs are typically justified based on the fact that nonprofits benefit from public services and impose costs on host cities for those services. In addition, interest in PILOTs may reflect a shift in public attitudes regarding what constitutes a charitable mission and whether nonprofits provide direct benefits to residents of their host cities. On the other hand, nonprofit organizations have argued that government grants nonprofits a tax exemption because they work for the public good and give up their rights to profit, privacy, and political activism.

Establishing a PILOT Program in the City of Los Angeles

A PILOT program simply consists of requested voluntary contributions to a municipality from selected non-profit organizations. Although requesting PILOT payments from affordable housing developments is explicitly prohibited by state law, there are no other statutory prohibitions on establishing a PILOT program. And, although a requested PILOT payment is based on the amount of a non-profit's property tax bill, any amounts requested are not property tax payments; as such, the program can be implemented by the City of Los Angeles directly, and need not be run through the county assessor's office (although publicly available assessed value data would be required).

[1] Adam H Langley, Daphne A Kenyon, and Patricia C Bailin, "Payments in Lieu of Taxes by Nonprofits: Which Nonprofits Make PILOTs and Which Localities Receive Them" (Lincoln Institute of Land Policy, 2012).

[2] "Fiscal Year 2018 PILOT Contributions" (City of Boston, December 7, 2018), https://www.boston.gov/sites/default/files/imce-uploads/2018-11/fy18_pilot_contributions_revised_on_november_30_2018_final_print.pdf.

Potential PILOT Revenues in the City of Los Angeles

Based on property tax roll data provided by the Los Angeles County Assessor's Office, 4,746 parcels are fully or partially exempt from property tax. The exempt assessed value of these parcels is $17.24 billion, which is about 2.7% of the $630 billion in total assessed value of property in the City of Los Angeles.[3] If these parcels paid property tax in the same way as non-exempt parcels, about $172 million would be collected, of which about 26%, or $45 million, would go to the City of Los Angeles.[4]

Property tax exemption data for the City of Los Angeles show that most of the exempt property, by assessed value, is concentrated in a small number of organizations. For example, out of the approximately 1,860 organizations with exempt property, the top 10 account for 62% of total assessed value, the top 50 account for 79%, and the top 100 account for 85%. If, following Boston's example, Los Angeles were to use a $15 million assessed value threshold for including nonprofit organizations in the PILOT program, 96 organizations representing 84% of the total assessed value of exempt organizations would be included in the program.

Most PILOT programs ask for a contribution that is substantially less than the amount that these organizations would pay if they were not exempt from property taxes. This reflects a recognition that these exempt organizations provide important services for the local community (and the reality that most organizations would be unlikely to look favorably on a request to pay the full amount of taxes they would owe without their property tax exemption).

Boston asks that PILOT participants pay 25% of what the organization would owe in property taxes were it not exempt.[5] An organization can reduce this 25% commitment by up to half (i.e., reduce it to 12.5%) by documenting the value of benefits the organization provides to the residents of the city.[6] In practice, nearly all organizations take advantage of this option, reducing their cash PILOT payment request to 12.5% of what their full non-exempt property tax payment would be.[7]

Table EX-1 shows potential revenues from a PILOT program for three participation scenarios. For each scenario, the table shows the results under four cash payment percentages ranging from 12.5% to 50% of what the organizations would owe were they not exempt. In addition, the

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[3] The assessed value is based on the acquisition value or cost of property at the time it was originally purchased, and is adjusted annually for inflation (not to exceed 2%) and for the value of any improvements.

[4] The remainder would go to other overlapping jurisdictions, such as the Los Angeles Unified School District, the Metropolitan Water District, etc.

[5] Boston Municipal Research Bureau, *Boston's New PILOT Program Completes First Year*, January 4, 2013, https://bmrb.org/wp-content/uploads/2014/11/sr131PILOT.pdf.

[6] https://www.boston.gov/departments/assessing/payment-lieu-tax-pilot-program

[7] For each organization included in Boston's program, information such as the amount of the requested PILOT payment, the community benefits credit, and the amount of any cash contribution is posted on the PILOT program website.

results in the table are based on a 65% participation rate, similar to the rate for Boston. Potential revenues range from $2.5 million to $12.4 million per year across the various scenarios. Note that although Table EX-1 shows the results with a 65% collection rate for PILOT cash payment requests, this collection rate has not been tested beyond the effective 12.5% cash payment request in Boston's program. Collection rates for the higher percentage payment requests in Table EX-1 might be lower, which would result in lower actual revenues than listed in the table.

TABLE EX-1: POTENTIAL REVENUES FROM A PILOT PROGRAM UNDER VARIOUS SCENARIOS

		Potential Revenue, by PILOT Percentage Requested (millions)			
Participation Scenario	**Number of Organizations**	**12.5%**	**25%**	**33%**	**50%**
All nonprofits with $15 million or more in exempt property	97	$3.1	$6.2	$8.3	$12.4
Nonprofits with $15 million or more in exempt property, excluding religious and social service organizations	57	$2.6	$5.3	$7.0	$10.6
Nonprofits with $15 million or more in exempt property, excluding religious and social service organizations and private, nonprofit K-12 schools	38	$2.5	$5.0	$6.6	$10.0

Strategies for developing a PILOT program and encouraging voluntary PILOT payments

Although establishing a PILOT program is not administratively complex, research into PILOT programs in other jurisdictions suggested a number of guidelines that can help smooth the process of developing and implementing a PILOT and increase the chances for success.

Make the case to potential contributing organizations. PILOTs represent a unique form of municipal revenue in that they are a voluntary payment. Securing participation from affected organizations therefore requires that the municipality make a strong case that the revenue is needed and that it is fair and appropriate for nonprofits to contribute. This could involve determining the value of municipal services enjoyed by nonprofits, making a case that added revenue is needed, and extensive outreach by city leaders.

Develop an inclusive program development process. In developing its modern PILOT program, Boston convened a broad and inclusive task force. The task force developed program guidelines that were perceived as fair and reasonable. The entire process was also transparent, with open meetings and all deliberative materials posted on the city's web site.

Establish a partnership rather than confrontation between local government and nonprofits. When Boston revised its PILOT program in 2011 a key factor in the program's success was the emphasis on partnership, rather than confrontation, between the city and its nonprofits. PILOT programs that have been more confrontational have also been less successful.

Pursue transparency. Boston's PILOT program is designed with clear expectations that apply equally to all participants. In addition, information about each institution's participation is posted on the city's PILOT web site. As a result, participating nonprofits know that the PILOT program applies fairly to all participating institutions, and the program promotes nonprofits' accountability to their host communities for demonstrating the benefits they provide in exchange for their tax-exempt status.

Integrate community service by nonprofits into the PILOT process. Nonprofits may prefer to provide community services, rather than cash payments. On the other hand, cities may prefer cash, which provides the greatest flexibility over deployment of resources. In an attempt to serve both of these goals, Boston has been incorporating planning and prioritization of requests for PILOT services into its regular budgeting and policy processes so as to maximize the value of nonprofits' services to the community.

Determining whether to proceed with a PILOT program

A PILOT program can provide modest additions to municipal revenues by encouraging voluntary financial contributions from large nonprofits. Because participation is voluntary, the most challenging part of a PILOT program is the political process of gaining support from key stakeholders. City leaders need to be supportive of and engaged in the PILOT development process in order to lay the groundwork for a program that will provide an ongoing revenue stream over the long term, while maintaining and enhancing collaborative relationships between the City and its major nonprofits. However, once a PILOT program structure is agreed upon and enacted, the program is relatively straightforward to administer.

INTRODUCTION

Nonprofit organizations with a charitable purpose are generally exempt from property taxes. Nevertheless, these organizations benefit from municipal services, such as fire protection, policing, and street maintenance. A number of cities around the country have implemented Payment in Lieu of Tax (PILOT) programs, in which nonprofits are asked to make a voluntary payment to the city in order to offset some of the costs of these city services.

This report estimates the potential revenues that could be generated from a PILOT program in the City of Los Angeles as well as the design features the City may want to consider should it proceed with implementation of a PILOT program. Specifically, this report addresses the following topics:

- A review of the literature on PILOT programs in other cities
- An estimate of potential PILOT revenues under various scenarios for the City of Los Angeles, including an estimate of the assessed value of property owned by nonprofits that qualifies for an exemption
- A discussion of PILOT program design features and strategies to encourage voluntary PILOT payments from nonprofit organizations

In this report, PILOT refers to voluntary payments to a local government by a private entity that is otherwise exempt or partially exempt from property taxes. PILOTs do not include payments by public entities, non-voluntary payments, such as fees, or PILOTs that *reduce* property taxes for entities that are not tax-exempt, such as PILOTs that are sometimes included in economic development incentive packages to encourage for-profit businesses to locate in a given city.

OVERVIEW OF PILOT PROGRAMS AROUND THE UNITED STATES

The most recent nationwide study of PILOTs was published in 2012. The Lincoln Institute of Land Policy surveyed 599 U.S. cities and towns with the largest nonprofit sectors, of which 171 responded, and collected additional ad hoc PILOT data from web sites, news stories and published reports.[8] The report drew the following conclusions:

- At least 218 localities in 28 states received PILOTs between 2000 and 2012 worth about $93 million per year. The study concluded that this is "likely to be a significant undercount of the true number of localities receiving these payments nationally…[but] is likely to be much closer to the true dollar value received nationally."

[8] Adam H Langley, Daphne A Kenyon, and Patricia C Bailin, "Payments in Lieu of Taxes by Nonprofits: Which Nonprofits Make PILOTs and Which Localities Receive Them" (Lincoln Institute of Land Policy, 2012).

For example, based on comprehensive data from the Massachusetts Department of Revenue[9] the estimated number of localities receiving PILOTs in the U.S. in 2012 was about 800, and the actual revenue was about $110 million per year.

- 80% of cities receiving PILOTs and 73% of nonprofits making PILOTs are in the northeast, accounting for 83% of national PILOT revenue. The city of Palo Alto was the only city in California identified as receiving a nonprofit PILOT and Stanford University was the only nonprofit identified as making a PILOT payment. No other PILOTs were identified in western states.[10]
- The 10 cities that received the largest PILOT payments accounted for 73% of total PILOT revenue.
- The 10 organizations with the largest PILOT payments accounted for 52% of total PILOT revenue.
- About 67% of PILOT revenue comes from higher education institutions and 25% comes from hospitals. The remaining 8% of PILOT revenue comes from a range of other nonprofit sectors, including housing, health care (other than hospitals), education (other than higher education), arts and culture, religious institutions, and social services organizations. Although hospitals and higher education account for only 1% of nonprofits registered with the IRS, they account for 51% of total revenues and 42% of all assets among nonprofits.
- In 70% of cities receiving PILOTs, PILOT payments make up less than 0.25% of total city revenues. Another 18% of cities receive between 0.25% and 1% of total revenues from PILOTs.
- Boston, which has the oldest and largest PILOT program, received $19.4 million in PILOT payments from 33 nonprofits in 2012, which was 0.58% of the city's total general revenue and 1.45% of property tax revenue. Other major cities with PILOT programs include Baltimore, New Haven, Philadelphia, Pittsburgh,[11] and Providence.

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[9] Massachusetts Department of Revenue. *A study of charitable and educational property tax exemptions: FY2003 impact of MGL 59 5 cl3*, Division of Local Services (December 2003).

[10] As will be discussed later in this report:

- Stanford's payments to the City of Palo Alto appear to be more like a fee for service contract, rather than a PILOT payment to cover the cost of generalized municipal services.
- A number of low-income housing developments in California used to make PILOT payments to municipal governments, but such PILOT agreements were statutorily prohibited as of January 1, 2015.

[11] Pittsburgh's program ended in 2013.

A survey in 2017 by the Cornell University Department of City and Regional Planning found that of 837 local governments surveyed in New York State, 34% said they received PILOT payments from tax-exempt properties.[12]

A survey and interview study of PILOTs in Illinois found that among 59 cities, nine, or 15%, had current PILOTs. The study found that PILOTs were generally considered a last resort after other revenue options, such as user fees, have been exhausted.[13]

Boston's PILOT Program

Boston receives the largest total PILOT revenues of any city in the nation, but is also unusual in that it relies more heavily on property tax revenues than most other large cities (it does not receive any revenue from sales, income, or payroll taxes). At the same time, Boston has a relatively small land area and is home to many large nonprofits.[14] Boston receives nearly two-thirds of its revenues from real estate property taxes and 52% of city land is exempt from property taxation (including government-owned land in addition to nonprofits).[15]

In the 2018 fiscal year, Boston received $33.6 million in PILOT payments from 33 nonprofits (out of 47 nonprofits from which PILOT payments were requested).[16] This represented 1.0% of total city revenue, and 1.6% of property tax revenue.[17]

Boston has the oldest PILOT program in the country and has collected PILOTs from nonprofits since 1925. In its current form, based on new guidelines adopted in 2011, the program asks tax-exempt nonprofit institutions to make a voluntary PILOT contribution equal to 25% of what the institution would pay if its property were taxable; the first $15 million of value is exempt from the 25% computation. Institutions may reduce the requested cash payment by up to 50% by

[12] Mildred Warner et al., "Fiscal Stress Survey: Overriding the Property Tax Cap; Leveraging Nonprofits" (Cornell University, Department of City and Regional Planning, 2018), http://s3.amazonaws.com/mildredwarner.org/attachments/000/000/610/original/ab073883aacebce730dc043f0ee54097.

[13] Fred Mayhew and Tammy R. Waymire, "From Confrontation to Congruence: The Potential Role of Payments in Lieu of Taxes in the Economic Development Conversation," *Public Budgeting & Finance* 35, no. 2 (June 2015): 19–39, https://doi.org/10.1111/pbaf.12060.

[14] Ronald Rakow, "Payments in Lieu of Taxes: The Boston Experience," *Land Lines*, January 2013, https://www.lincolninst.edu/publications/articles/payments-lieu-taxes.

[15] "Mayor's PILOT Task Force: Final Report and Recommendations" (City of Boston, December 2010), https://www.cityofboston.gov/images_documents/PILOT_%20Task%20Force%20Final%20Report_WEB%20_tcm3-21904.pdf.

[16] "Fiscal Year 2018 PILOT Contributions" (City of Boston, December 7, 2018), https://www.boston.gov/sites/default/files/imce-uploads/2018-11/fy18_pilot_contributions_revised_on_november_30_2018_final_print.pdf.

[17] 2018 Fiscal Year revenues are from City of Boston, "Revenue Budget - FY20 Revenue Budget - Analyze Boston," accessed April 14, 2019, https://data.boston.gov/dataset/revenue-budget/resource/c5421df1-a23a-491b-b7b2-e7b110b65f8a.

providing proof of qualifying community benefits.[18] The explicit program guidelines and annual reports of PILOT contributions make Boston's PILOT program among the most transparent in the nation.

PILOT Programs in Other Major Cities

Pittsburgh's PILOT program collected $2.6 million from 46 nonprofits in 2011.[19] The amount contributed by each organization was negotiated behind closed doors and kept confidential. The program ended in 2013 and Pittsburgh officials are currently trying to negotiate new PILOT agreements.[20]

Baltimore's PILOT program collected $5.4 million from 15 nonprofit colleges and hospitals in 2011.[21] The funds were part of a six-year agreement between the city and the nonprofits for total payments of $20.6 million from 2010 to 2016.[22] In 2016, Baltimore signed a new agreement with 14 nonprofits for $60 million over 10 years, or $6 million per year.[23]

Other PILOT programs have fewer participants and most revenue comes from a one or a few large nonprofits. Examples include New Haven and Providence, where most of the PILOT revenue comes from Yale University and Brown University, respectively.

PILOT Programs in California

PILOT programs in California are relatively rare. Until 2015, some nonprofit low-income housing projects in California made PILOT payments to municipal governments. However, PILOTs for low-income housing projects were prohibited by state laws that came into effect on January 1, 2015. The legal status of PILOTs in California is discussed in more detail below.

Stanford University has contracted with the City of Palo Alto for fire protection services since 1976.[24] The Lincoln Institute report characterizes this as a PILOT, although neither Stanford nor

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[18] "Fiscal Year 2018 PILOT Contributions."

[19] Langley et al., *Payments in Lieu of Taxes by Nonprofits: Which Nonprofits Make PILOTs and Which Localities Receive Them.*

[20] A. Murray, "Mayor working on nonprofit fund, but deal still out of reach for now," *Pittsburgh Post-Gazette*, April 14, 2019, https://www.post-gazette.com/local/city/2019/04/14/Mayor-Peduto-OnePGH-report-pittsburgh-raise-critical-needs-tax-exempt-organizations/stories/201904110090

[21] Langley et al., *Payments in Lieu of Taxes by Nonprofits: Which Nonprofits Make PILOTs and Which Localities Receive Them.*

[22] Rollin Hu, "Hopkins avoiding taxes is civic disengagement," *The Johns-Hopkins Newsletter,* November 8, 2018, https://www.jhunewsletter.com/article/2018/11/hopkins-avoiding-taxes-is-civic-disengagement.

[23] Yvonne Wenger, "City enters $60 million, 10-year agreement with Baltimore institutions to help fund public services," *Baltimore Sun*, May 31, 2016, https://www.baltimoresun.com/maryland/baltimore-city/bs-md-ci-mou-20160531-story.html.

[24] City of Palo Alto, "Attachment A: Fifth Amendment to Fire Services Contract (1976 Agreement)," August 20, 2018, https://www.cityofpaloalto.org/civicax/filebank/documents/66411.

Palo Alto use that term and the payments are structured more like a fee-for-service contract. According to the Lincoln Institute report, Stanford paid $7.1 million to Palo Alto in 2009 to provide fire protection services to the Stanford campus and the Stanford Linear Accelerator (SLAC). Since 2012, Stanford has contracted with Menlo Park to provide fire services for SLAC, and recently renegotiated its contract for campus fire protection with Palo Alto.[25] Because this is a direct payment for a specific service, Stanford's relationship with Palo Alto and Menlo Park is somewhat different from PILOTs in other parts of the country, which are justified as paying for the general costs of municipal services that benefit nonprofits.

On July 15, 2019, the Pasadena City Council adopted a policy that authorizes the City Manager "to negotiate a Public Benefit Payment as part of a Development Agreement, when such an agreement is requested by a tax-exempt institution in conjunction with a new or amended Master Plan."[26] The city had already negotiated a Public Benefit Payment as part of a development agreement with ArtCenter College of Design. Under this agreement, ArtCenter will pay $50,000 per year for each of four new buildings. The payments would begin once the buildings are built and receive a Certificate of Occupancy from the city, for a total of $200,000 per year in ongoing payments. The payments will last for the 20-year life of the development agreement.

The Public Benefit Payment would only be assessed for developments that include housing, for example, when a college or university builds additional student housing. Going forward, Pasadena can negotiate similar payments with other non-profits that wish to expand their housing facilities under a development agreement. Such agreements are relatively uncommon for Pasadena, which has instituted seven in its history and three with nonprofits.[27]

[25] Kevin Kelly, "Palo Alto: Stanford Inks New Fire Contract with City," *The Mercury News*, August 22, 2018, https://www.mercurynews.com/2018/08/22/palo-alto-stanford-inks-new-fire-contract-with-city/.

[26] Pasadena City Manager, "Proposed Policy Regarding Public Benefit Payments Related to Development Agreements With Tax-Exempt Institutions," July 15, 2019, http://ww2.cityofpasadena.net/councilagendas/2019%20Agendas/Jul_15_19/AR%2018.pdf. Development Agreements are voluntary, but developers sometimes enter into them because they provide assurances that city regulations related to a project will not change during the term of the agreement.

[27] "Facing a Pass It or Lose It Deadline, Council Approves New 'Payment in Lieu of Taxes' Policy," *Pasadena News Now*, July 16, 2019, http://www.pasadenanow.com/main/facing-a-pass-it-or-lose-it-deadline-council-passes-new-payment-in-lieu-of-taxes-policy/#.XVJY7pNKh24.

Reasons for Implementing PILOT Programs

Efforts to collect some form of PILOT payments are typically justified based on the following factors: [28]

Tax equity. Nonprofit institutions benefit from and impose municipal costs for fire and police protection, sanitation, street sweeping, and other public services that are financed in part by real estate property taxes. As a result, other taxes must be higher than they otherwise would be if all real estate properties were taxed.[29]

Need for funds. Funds are needed for strained government budgets. Although PILOT revenues generally make up a small fraction of city budgets, they are not insignificant. For example, in 2009 the $15.7 million that Boston received in PILOTs was more than enough to fund snow removal for the entire winter or to fund about half the budget for the library system.[30]

Changing attitudes about what constitutes a charitable mission. Interest in PILOTs may stem from increasing skepticism about the benefits provided by certain large non-profits. For example, one researcher wrote that interest in PILOTS "may also reflect a more fundamental shift in attitudes towards charities as no longer automatically deserving the benefits and trust to which they have become accustomed."[31] This same author noted that cities seeking new revenue sources appear to be more likely to adopt a "quid-pro-quo rationale, under which charities are expected to show that they provide something to the community in exchange for their exemption."

Nonprofit hospitals, in particular have come under scrutiny because they "differ from every other nonprofit institution in that they are part of an integrated network of profit-making enterprises such as pharmacies and insurance companies, many hospitals outsource key mission-specific departments to for-profit companies, and often fail to act 'charitably' when

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[28] Kirsten Grønbjerg and Kellie McGiverin-Bohan, "Local Government Interest in and Justifications for Collecting Payments-in-Lieu of (Property) Taxes from Charities," *Nonprofit Policy Forum 7*, no. 1 (January 1, 2016), https://doi.org/10.1515/npf-2015-0043; Evelyn Brody, Mayra Marquez, and Katherine Toran, "The Charitable Property-Tax Exemption and PILOTs" (Urban Institute Center for Nonprofits and Philanthropy, August 2012); Daphne A Kenyon, "Evaluating Payments in Lieu of Taxes According to Desirable Features of a Tax System," *National Tax Association Proceedings*, 2010, 203–10.

[29] Note, however, that although the property tax exemption for nonprofits reduces revenue from real estate taxes, the relationship between the exemption and taxes outside the nonprofit sector is less direct in California, due to Proposition 13. In most of the U.S., local governments set property tax rates at levels intended to generate a given amount of revenue. Exemptions mean that property tax rates need to be higher for non-exempt properties in order to raise a given amount of revenue, which is unpopular. However, in California, property tax rates are fixed at a maximum of one percent of a property's assessed value and cannot be increased, regardless of the fraction of a city's property that is exempt.

[30] Kenyon, "Evaluating Payments in Lieu of Taxes According to Desirable Features of a Tax System."

[31] Grønbjerg and McGiverin-Bohan, "Local Government Interest in and Justifications for Collecting Payments-in-Lieu of (Property) Taxes from Charities."

they pursue bad debts."[32] Another key factor "is whether people perceive the organization in question as being charitable: the public views a museum differently from a soup kitchen."[33] Nonprofits whose benefits mainly accrue to people outside the local community, such as nonprofits with a national or international focus, can also be judged as imposing costs without providing offsetting local benefits.[34]

The nonprofit tax exemption has also been criticized because it effectively provides the most benefits to those nonprofits with the most valuable real estate, rather than those providing the greatest public benefits. It also does not benefit nonprofits that rent rather than own real estate.[35]

Opposition to PILOTs

On the other hand, some organizations have argued that PILOTs are not justified. The National Council of Nonprofits has countered the claim that nonprofits are not paying their fair share. Brody et al. (2012) summarize a conference presentation by the Council: "…government already struck a deal—the social compact—that grants nonprofits tax exemption in return for dedicating their work to the public good and giving up their rights to profit, privacy, and politics…charitable nonprofits must invest all surplus funds back into their communities, must open their books through IRS Form 990 and other disclosures, and may not support candidates against the politicians that are making aggressive, yet legally unsupportable, demands for payments."[36] The Massachusetts Nonprofit Network argues that PILOT payments reduce the financial health of nonprofits, reducing their ability to provide valuable services that would otherwise have to be provided by local governments.[37]

Structure of PILOT Programs

The Lincoln Institute study found that local governments take a variety of approaches to collect PILOTs. Among 92 localities with data on collection methods, the study identified four general approaches:[38]

- **Long-term contracts.** 58% of local governments in the survey use long-term contracts in which nonprofits formally agree to specific annual payments for a given number of years, sometimes with an annual percentage increase above a base level.

[32] Brody, Marquez, and Toran, "The Charitable Property-Tax Exemption and PILOTs."
[33] Ibid.
[34] Ibid.
[35] Kenyon, "Evaluating Payments in Lieu of Taxes According to Desirable Features of a Tax System."
[36] Brody, Marquez, and Toran, "The Charitable Property-Tax Exemption and PILOTs."
[37] "Payments In Lieu of Taxes (PILOT): Frequently Asked Questions" (Massachusetts Nonprofit Network, June 2011), http://www.massnonprofitnet.org/wp-content/uploads/2011/06/PILOT-FAQs.pdf.
[38] Langley et al., *Payments in Lieu of Taxes by Nonprofits: Which Nonprofits Make PILOTs and Which Localities Receive Them*. The percentages reported sum to more than 100% because some local governments use more than one method.

- **Routine annual payments.** 34% of local governments have a less formal process of routine annual payments that are relatively stable from year to year. In these cases, the local government often sends an annual letter to nonprofits requesting PILOT payments.
- **Voluntary property tax payments.** In 12% of cases, some nonprofits voluntarily pay property taxes, even though they qualify for an exemption.
- **Irregular one-time payments.** In 11% of cases, some nonprofits make one-time payments to local governments as gifts or to support specific priorities.

Factors Affecting Desirability and Success of PILOT Programs

The desirability of a PILOT program from the standpoint of a municipality depends on a number of factors, including the fraction of land area and value of property owned by nonprofits and the fraction of government revenues generated by property taxes.[39] These factors affect the amount of revenue that could potentially be generated by PILOTs overall and relative to total municipal revenues.

Experts who have studied PILOTs conclude that certain specific guidelines can help smooth the process of developing and implementing a PILOT and increase the chances for success. These guidelines generally focus on collaboration and transparency, inclusive program development processes, and developing trust and a sense of partnership between city officials and a city's major nonprofits. These specific strategies for developing a PILOT program and encouraging voluntary PILOT payments in the City of Los Angeles are discussed further beginning on page 25 of this report.

The development and implementation of PILOT programs can be contentious. In some localities, PILOTs are negotiated on a case-by-case basis, leading to the view that they can be arbitrary and secretive.[40] Some municipalities have also used their permitting authority to apply pressure on nonprofits to agree to PILOTs, for example by delaying or denying building permits or by mounting legal challenges to the tax-exempt status of some nonprofits.[41]

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[39] Brody, Marquez, and Toran, "The Charitable Property-Tax Exemption and PILOTs."

[40] Ibid.; Kirsten Grønbjerg and Kellie McGiverin-Bohan, "Indiana Government Officials and Nonprofit Property Taxes," *Indiana Local Government Officials and the Nonprofit Sector Briefing Series*, Spring 2013, 6.

[41] Brody, Marquez and Toran; Austin Aldag et al., "Linking Fiscal Stress & Social Equity: A Municipal Toolbox" (Department of City and Regional Planning, Cornell University, December 2017), http://s3.amazonaws.com/mildredwarner.org/attachments/000/000/593/original/ca0bdaca10e5e0c4f95c6dece e929511; "Nonprofit Hospital Cuts Big New PILOT Deal in Erie, Pennsylvania," Non Profit News/Nonprofit Quarterly, October 25, 2011, https://nonprofitquarterly.org/2011/10/25/nonprofit-hospital-cuts-big-new-pilot-deal-in-erie-pennsylvania/; "Residents Allege That Princeton University Bought a Zoning Approval with a PILOT," Non Profit News/Nonprofit Quarterly, January 6, 2012, https://nonprofitquarterly.org/2012/01/06/residents-allege-that-princeton-university-bought-a-zoning-approval-with-a-pilot/

Nonprofits are also concerned that agreeing to a PILOT might erode the traditional presumption that they should be exempt from taxes and habituate local governments to look to nonprofits to close budget deficits.[42] Indeed, some governments have stripped nonprofit organizations of their exemption: "For example, Illinois last month reaffirmed a decision by the city of Urbana to strip a local hospital of its property-tax exemption. The state says the hospital doesn't provide enough free care to the poor to deserve the exemption."[43] In Pittsburgh, nonprofits set up the Pittsburgh Public Services Fund, but specifically avoided the term PILOT. "[T]hese nonprofits did not want to suggest that they were anything other than tax exempt."[44]

Legal Issues in the Implementation of PILOTs in California

There do not appear to be explicit legal or regulatory barriers to implementing a PILOT in California. Until 2015, some nonprofit low-income housing projects in California made PILOT payments to municipal governments. These payments became controversial in 2012 when the Ventura County Assessor threatened to revoke the property tax exemption for five nonprofit housing developments that were making PILOT payments.[45]

In order to maintain their property tax welfare exemption, low-income housing projects must "certify that the funds that would have been necessary to pay property taxes are used to maintain the affordability of, or reduce rents otherwise necessary for, the units occupied by lower income households."[46] Based on State Board of Equalization (BOE) opinion letters issued in 2011 and 2003, the Ventura County Assessor concluded that funds used to make PILOT payments could otherwise have been used to reduce rents for the low-income housing facilities and that the required certification was therefore not possible.

In response to the controversy over the potential revocation of tax-exempt status for low-income housing projects, BOE issued a new opinion in 2013 reversing its previous opinions, stating "as long as the developer has maintained rents in accord with those required by section 214, subdivision (g)(2)(A) [of the Revenue and Taxation Code] … and has a reasonable belief that its PILOT payments will be used to support or benefit the low income housing development, in our view, such developer can make the Section 214(g)(2)(B) certification in good faith."[47]

Concerns over the legal status of the property tax exemption for low-income housing in relation to PILOT payments were rendered moot when California adopted two measures, AB 1760 (Chau) and SB 1203 (Jackson) in 2014. Effective January 1, 2015, these bills prohibit a local government from entering into a PILOT agreement with an owner of a low-income housing

[42] Brody, Marquez, and Toran, "The Charitable Property-Tax Exemption and PILOTs."
[43] Lipman, "The Value of a Tax Break."
[44] Brody, Marquez, and Toran, "The Charitable Property-Tax Exemption and PILOTs."
[45] "Property Tax Legislation 2014" (California State Board of Equalization, 2014).
[46] California Revenue and Taxation Code, Section 214(g)(2)(B).
[47] California State Board of Equalization, "Payment in Lieu of Taxes Agreements," March 20, 2013.

project and render null and void any previous such agreements. SB 1203 also prohibits an escape or supplemental assessment from being levied on owners of low-income housing projects on the basis that payments made under a PILOT agreement were, or are being, used in a manner incompatible with the certification requirement in Revenue and Taxation Code 214(g)(2)(B).

Legislative concern over PILOTs during the 2013-14 session was also reflected in two more expansive draft legislative proposals. According to the California League of Cities, "[t]he first approach would make all PILOT agreements, existing and future, unlawful. It would also limit development impact fees that could be imposed on a development claiming the welfare exemption to fees imposed on all other residential developments. The second proposal sought to clarify that PILOT agreements are not inconsistent with the welfare exemption and that such agreements may be entered into if the local agency performs a study to demonstrate that the fees are reasonably related to the cost of the services for which payment is sought.[48] Although these two proposals were not enacted, they show that the Legislature was considering more general restrictions on PILOTs.

The issues discussed above were focused on low-income housing developments and depended in part on whether these developments could both make PILOT payments and also legally certify that they were acting in accordance with Revenue and Taxation Code 214(g)(2)(B). On the other hand, the ambiguous status of the PILOTs is these cases also resulted from legal interpretations by county assessors and BOE regarding more general issues of the extent to which agreeing to make PILOT payments could affect the tax exempt status of the payor, and, in the case of BOE's 2003 and 2013 opinion letters, whether local governments have the constitutional or statutory authority to enact PILOTs.[49]

Economic Effects of PILOTs

Although PILOTs can directly raise additional revenue for local governments, they may also impact the local economy. A recent econometric study of the effects of PILOTs on nonprofit activity in Massachusetts concluded "PILOTs appear to discourage nonprofit activity: a one percentage point higher PILOT rate is associated with 0.8% lower real property ownership by local nonprofits, 0.2% lower total assets, and 0.2% lower revenues of local nonprofits."[50] While a PILOT program is unlikely to cause large nonprofits to move out of Los Angeles, it is important to consider how the structure of a PILOT program might affect the financial health of local nonprofits and the location decisions of nonprofits considering locating in Los Angeles.

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[48] "League of California Cities - Legislature Eyeing Payment in Lieu of Taxes Program," accessed April 13, 2019, https://www.cacities.org/Top/News/News-Articles/2014/February/Legislature-Eyeing-Payment-in-Lieu-of-Taxes-Progra.

[49] See the Appendix for additional details on BOE's opinion letters regarding PILOTs.

[50] Fan Fei, James R. Hines, and Jill R. Horwitz, "Are PILOTs Property Taxes for Nonprofits?" *Journal of Urban Economics* 94 (July 1, 2016): 109–23, https://doi.org/10.1016/j.jue.2016.06.002.

ESTIMATING POTENTIAL REVENUE FROM A PILOT PROGRAM

Estimating how much revenue a PILOT program might generate requires completing the following steps:

1. Identify parcels exempt from property tax and calculate the total assessed value for these properties[51]
2. Calculate the amount of property tax revenue that would be collected by the City of Los Angeles, but for the exemption
3. Determine an exemption threshold (i.e., identify which organizations are too small to be included)
4. Determine how much exempt nonprofits will be asked to pay (as a percentage of what they would owe without the exemption)

1. Parcels exempt from property tax

Nonprofit organizations in California can qualify for a partial or full exemption from the property tax. Three types of exemptions are available: church, religious, and welfare. The church and religious exemptions apply to property used for religious worship and other religious activities. The welfare exemption applies to a broad range of charitable activities, including, but not limited to, education, health care, museums, foundations, social services, youth programs, community centers, and low-income housing.

In order to estimate the assessed value of parcels exempt from property taxes, we analyzed property tax roll data provided by the Los Angeles County Assessor's Office.[52] Out of about 800,000 parcels in the City of Los Angeles, there are 4,746 parcels, owned by approximately 1,860 individual organizations,[53] that were fully or partially exempt from property tax in 2019 and could potentially be included in a PILOT program.[54]

[51] The assessed value is based on the acquisition value or cost of property, and is adjusted annually for inflation (not to exceed 2%) and for the value of any improvements.

[52] See the *Data and Methods* appendix for details on how we obtained and analyzed property assessment data.

[53] This is an estimate. The same organization can be spelled and abbreviated in various ways from parcel to parcel. We tried to identify and combine parcels with the same owner. Nevertheless, some parcels may be miscategorized. See the *Data and Methods* appendix for additional details.

[54] This does not include government parcels and low-income housing parcels, which also do not pay property tax. I

2. Property tax revenue loss to the City of Los Angeles due to the exemption

The total assessed value exempt from property tax for the 4,746 parcels described above is $17.24 billion,[55] which is about 2.7% of the $630 billion in total assessed value of property in the City of Los Angeles.[56] Figure 1 shows the number of exempt organizations by exemption type, and value of exempt property by exemption type.[57] As the figure shows, organizations with welfare-exempt parcels make up about one-third of organizations with exempt property, but the welfare exemption accounts for 89% of the total assessed value of exempt parcels.

If the 4,746 exempt parcels, representing $17.24 billion in assessed value, paid 1% per year in property taxes, the total amount of property tax collected would be $172.4 million. [58] However, only a portion of this revenue would go to the City of Los Angeles. The remainder would go to other government entities whose jurisdictions overlap the City of Los Angeles, such as Los Angeles County, the Los Angeles Unified School District, Metropolitan Water District, Los Angeles Community College District, Los Angeles County Flood Control District, etc.

For each parcel, the fraction of property tax going to the City of Los Angeles is determined by the Tax Rate Area (TRA) in which the parcel is located. This percentage can vary in different areas of the City, but is typically about 26.3%. If exempt parcels paid property taxes in the same way as non-exempt parcels, the amount of property tax that would go to the City of Los Angeles can be calculated as follows:

$$LA\_Share = Exemption\_Amount * Tax\_Rate * LA\_TRA\_Percent$$

where *Exemption_Amount* is the dollar amount of the property tax exemption for that parcel, *Tax_Rate* is the 1% property tax rate, and *LA_TRA_Percent* is the percentage of the property tax payment that would go to the City of Los Angeles for that parcel, based on the TRA in which it is located.

Based on this calculation, the revenue loss to the City of Los Angeles due to the nonprofit property tax exemption is the sum of *LA_Share* for each exempt parcel. This works out to $45.3 million for the exempt parcels described in Figure 1.

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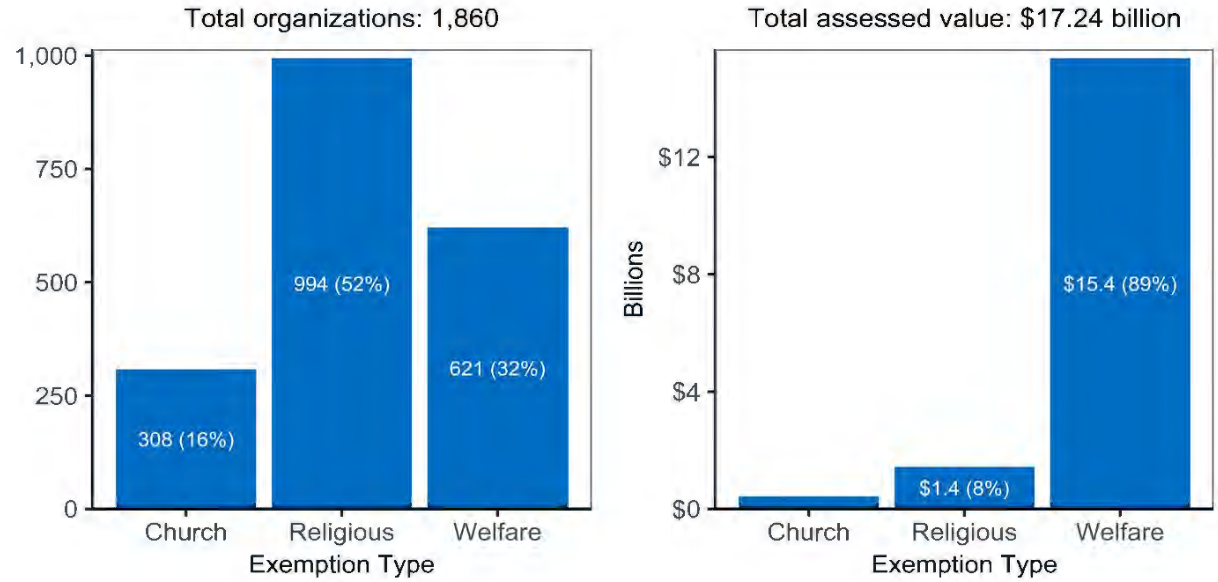
[55] The *total* assessed value for the 4,746 parcels that have a partial or full exemption is $17.93 billion. That is, the non-exempt portion of the assessed value is $0.69 billion, and the nonprofits that own these parcels pay property tax on the non-exempt portion. Note also that a few nonprofit landowners also own one or more parcels that do not have a property tax exemption and are not included in these figures.

[56] For comparison, the assessed value of low-income housing properties exempt from property taxes is $5.2 billion. The assessed value of government parcels exempt from property tax is $3.8 billion.

[57] The number of organizations in each bar adds to more than the total number of organizations listed at the top of the figure, because some organizations own parcels in more than one exemption category.

[58] The actual property tax rate can be higher than 1% if a jurisdiction has voted to impose additional special taxes or fees, however, 1% of assessed value is the relevant property tax rate for structuring a PILOT program.

FIGURE 1: NUMBER OF EXEMPT ORGANIZATIONS AND ASSESSED VALUE OF EXEMPT PROPERTY, BY EXEMPTION TYPE



3. Exemption threshold

A key dimension for considering which organizations should be asked to participate in a PILOT program is the amount of the total property tax exemption for a given organization. Organizations with a larger exemption are generally those with more land and greater wealth, suggesting that they are more likely to have the financial wherewithal to make PILOT payments. Furthermore, focusing on larger property owners reduces the number of organizations that might be asked to participate in the PILOT program; this makes the program administratively less complex and potentially more feasible, while still including most of the total exempt real estate in terms of assessed value.

PILOT programs in other cities have tended to focus on a few large organizations. For example, Boston's program, which collects more revenue by far than any PILOT program in the country, requested PILOTs of 47 organizations for fiscal year 2018, of which 33 made cash contributions totaling $33.6 million.[59] Pittsburgh's PILOT program collected $2.6 million from 46 organizations in 2011,[60] but the program ended in 2013 and Pittsburgh officials are currently trying to

[59] https://www.boston.gov/sites/default/files/imce-uploads/2018-11/fy18_pilot_contributions_revised_on_november_30_2018_final_print.pdf

[60] Langley, et. al, *Payments in Lieu of Taxes by Nonprofits: Which Nonprofits Make PILOTs and Which Localities Receive Them*, Lincoln Institute of Land Policy, 2012.

negotiate new PILOT agreements.[61] Most other urban PILOT programs receive payments from 15 or fewer organizations.[62]

Property tax exemption data for the City of Los Angeles show that most of the exempt property, by assessed value, is concentrated in a small number of organizations. For example, out of the approximately 1,860 organizations with exempt property, the top 10 account for 62% of total assessed value, the top 50 account for 79%, and the top 100 account for 85%. Figure 2 shows the cumulative percentage of exempt organizations vs. the cumulative percentage of total assessed value. Moving from left to right, the first few percent of organizations account for the vast majority of the assessed value.

Boston's PILOT program includes non-religious nonprofits with an assessed value of at least $15 million. Boston assesses property at its estimated current market value while California has an acquisition value-based system. Nevertheless, valuations for the largest nonprofits in Boston are similar to the highest assessed values for Los Angeles properties. For example, the highest-valued university in Boston has an assessed value of $2.1 billion, as compared to $2.3 billion in exempt property value for the highest-valued university in Los Angeles. Similarly, Boston's highest-valued hospital has an assessed value of $1.8 billion, as compared with $1.8 billion for a comparable hospital system in Los Angeles.

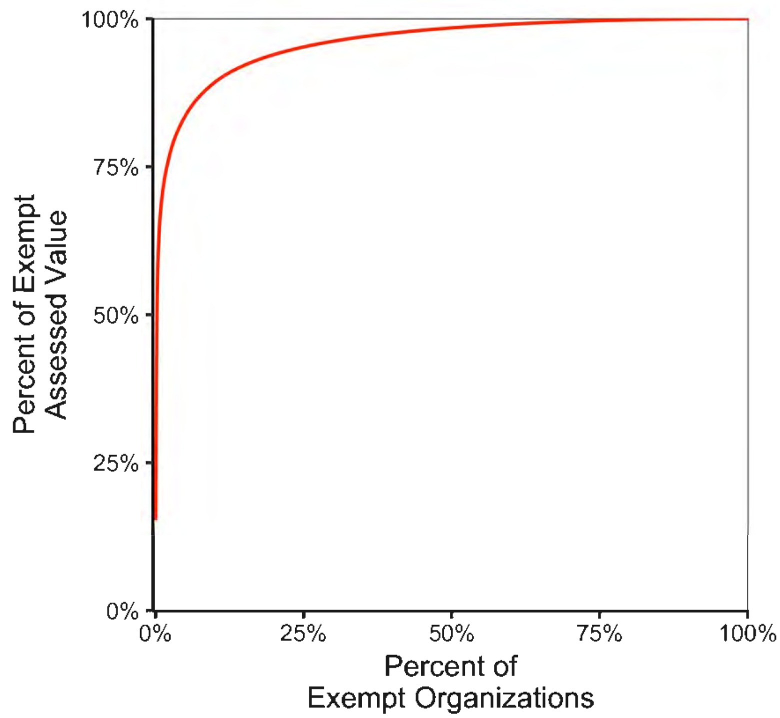
If, following Boston's example, Los Angeles were to use a $15 million assessed value threshold for including nonprofit organizations in the PILOT program, 97 organizations representing 84% of the total assessed value of exempt organizations would be included in the program. The more than 1,700 organizations under $15 million in exempt assessed value, most of which are churches and other religious organizations, account for the remaining 16% of total assessed value of exempt organizations.

Boston does not include religious or social service organizations in its PILOT program, based on the presumption that the benefits of these organizations' charitable activities accrue mainly to local residents. If Los Angeles were to exclude such organizations, then 57 organizations representing 72% of total assessed value would be included in the program. Of these 57 organizations, 20 are private, nonprofit K-12 schools. Boston requests PILOT payments from four such schools in its program, but none of them have elected to participate. If Los Angeles were to exclude K-12 schools, 37 organizations remain, representing 68% of total assessed value.

[61] A. Murray, "Mayor working on nonprofit fund, but deal still out of reach for now," *Pittsburgh Post-Gazette*, April 14, 2019, https://www.post-gazette.com/local/city/2019/04/14/Mayor-Peduto-OnePGH-report-pittsburgh-raise-critical-needs-tax-exempt-organizations/stories/201904110090

[62] Langley, et. al., *Payments in Lieu of Taxes by Nonprofits: Which Nonprofits Make PILOTs and Which Localities Receive Them.*

FIGURE 2: CUMULATIVE PERCENTAGE OF EXEMPT ORGANIZATIONS VS. CUMULATIVE PERCENTAGE OF EXEMPT ASSESSED VALUE



4. Determining how much exempt organizations will be asked to pay

Although exempt organizations could be asked to pay any amount in voluntary payments in lieu of property taxes, most PILOT programs ask for a contribution that is substantially less than the amount that these organizations would pay if they were not exempt from property taxes. This reflects a recognition that these exempt organizations provide important services for the local community and the reality that most organizations would be unlikely to look favorably on a request to pay the full amount of taxes they would owe without their property tax exemption.

Boston asks that PILOT participants pay 25% of what the organization would owe in property taxes were it not exempt. Boston arrived at this figure based on an estimate of the cost of city services, such as policing, fire protection, street maintenance, etc. that directly benefit nonprofits.[63] An organization can reduce this 25% commitment by up to half (i.e., reduce it to 12.5%) by documenting the value of benefits the organization provides to the residents of

[63] Boston Municipal Research Bureau, *Boston's New PILOT Program Completes First Year*, January 4, 2013, https://bmrb.org/wp-content/uploads/2014/11/sr131PILOT.pdf.

Boston.[64] In practice, nearly all organizations take advantage of this option, reducing their cash PILOT payment request to 12.5% of what their full non-exempt property tax payment would be.[65]

POTENTIAL PILOT PROGRAM REVENUE

Table 1 shows potential revenues from a PILOT program under three participation scenarios: 1) all non-profits with $15 million or more in exempt property, 2) excluding religious organizations, and 3) excluding religious and organizations and non-profit K-12 schools. For each scenario, the table shows the results under four cash payment percentages ranging from 12.5% to 50% of what the organizations would owe were they not exempt. In addition, the results reflect an estimate that 65% of total requested PILOT payments would actually be collected, based on collection rates observed in Boston.[66]

Potential revenues range from $2.5 million to $12.4 million per year across the various scenarios. This is about 0.02% - 0.12% of total projected City of Los Angeles revenue for 2019-20 and 0.1% - 0.6% of projected property tax revenue.[67] Note that although Table 1 shows results with a 65% collection rate for PILOT cash payment requests, this collection rate has not been tested beyond the effective 12.5% cash payment request in Boston's program. Collection rates for the higher percentage payment requests in Table 1 might be lower, which would result in lower actual revenues than listed in the table.

TABLE 1: POTENTIAL REVENUES FROM A PILOT PROGRAM UNDER VARIOUS SCENARIOS

		Potential Revenue, by PILOT Percentage Requested (millions)			
Participation Scenario	**Number of Organizations**	**12.5%**	**25%**	**33%**	**50%**
All nonprofits with $15 million or more in exempt property	97	$3.1	$6.2	$8.3	$12.4
Nonprofits with $15 million or more in exempt property, excluding religious and social service organizations	57	$2.6	$5.3	$7.0	$10.6
Nonprofits with $15 million or more in exempt property, excluding religious and social service organizations and private, nonprofit K-12 schools	37	$2.5	$5.0	$6.6	$10.0

64 https://www.boston.gov/departments/assessing/payment-lieu-tax-pilot-program

65 Based on annual PILOT program reports available at https://www.boston.gov/departments/assessing/payment-lieu-tax-pilot-program#previous-years.

66 https://www.boston.gov/sites/default/files/imce-uploads/2017-08/fy2017_pilot_results_0.pdf

67 http://openbudget.lacity.org/#!/year/default

Compared with Boston's program, potential revenues are substantially lower, even though assessed values are similar. (The total assessed value of the 47 organizations in Boston's PILOT program was $13.9 billion in 2018; over the three scenarios in Table 1, the range of total assessed value is $11.7 billion to $14.5 billion.) There are two reasons for this: First, the City of Boston receives 100% of all property taxes paid within its jurisdiction. On the other hand, the City of Los Angeles receives only about 26% of property taxes collected, with the remainder going to other overlapping jurisdictions. Second, in Boston, the property tax rate for determining PILOT requests is about 3.2%, compared with a 1% property tax rate in California.[68]

In 2020, California voters may be asked to approve a "split roll" property tax assessment system in which assessed values for commercial properties would be based market value, rather than acquisition value.[69] Nothing in the measure would alter the exemption for nonprofits. As a result, it is likely that, should the split roll become law, it would not have a significant impact on a PILOT program.

STRATEGIES FOR DEVELOPING A PILOT PROGRAM AND ENCOURAGING VOLUNTARY PILOT PAYMENTS

A PILOT program is different from most other revenue collection mechanisms municipalities may engage in. Specifically, as a voluntary program, a PILOT requires cooperation from organizations that are asked to contribute. As such, it needs to be built on a foundation that encourages participation, is believed to be fair and justified, and addresses the political circumstances of the organizations that are being asked to participate. Research suggests a number of guidelines that can help smooth the process of developing and implementing a PILOT and increase the chances for success. These guidelines generally focus on collaboration and transparency. The following section presents recommendations based on the policy literature and interviews with officials who have operated PILOT programs.

Making the case to potential contributing organizations. PILOTs represent a unique form of municipal revenue in that they are a voluntary payment. Securing participation from affected organizations therefore requires that the municipality make a strong case that the revenue is needed and that it is fair and appropriate for nonprofits to contribute. This could involve

[68] The property tax rate in Boston varies from year to year. The current rate for commercial property is 2.5%. However, PILOT payments are still calculated based on a rate of 3.19% that obtained when the PILOT program was implemented. Boston's property tax rate history is available at https://www.boston.gov/sites/default/files/2019_taxrates_history.pdf.

[69] https://oag.ca.gov/system/files/initiatives/pdfs/19-0008%20%28The%20California%20Schools%20and%20Local%20Communities%20Funding%20Act%20of%202020%29.pdf

determining the value of municipal services enjoyed by nonprofits, making a case that added revenue is needed, and extensive outreach by city leaders.

Northeastern cities and towns, where PILOTs are most common, tend to rely more heavily on property tax for revenue, when compared with California cities.[70] For example, about 70% of Boston's revenues come from property taxes, compared with about 20% for the City of Los Angeles.[71] In addition, more than half the land area in the City of Boston is tax exempt (40.4% public land and 11.4% private, nonprofit land).[72] In the City of Los Angeles, about 12% of the land area is owned by government agencies and 1% of land area consists of exempt or partially exempt parcels owned by nonprofits (including affordable housing developments).

An inclusive program development process. In developing its modern PILOT program, Boston convened a broad and inclusive task force. The task force included representatives from local universities, nonprofit hospitals, the business community, the city council, public sector unions, and community organizations. The task force developed program guidelines that were perceived as fair and reasonable.[73] The entire process was also transparent, with open meetings and all deliberative materials posted on the city's web site. Interviews with officials knowledgeable about this process indicted that it was an important component of developing support for the PILOT program.

Partnership rather than confrontation between local government and nonprofits. When Boston revised its PILOT program in 2011, "A key component of the program's initial success was the emphasis on promoting a sense of partnership between the city and its institutions. Based on its prior experience, the city understood that a more confrontational approach would not be effective in the short or long term."[74]

Before the program revision in 2011, Boston sometimes included PILOT payment requests as part of the approval process for zoning changes or permitting for nonprofit expansions or renovations. The perceived threat of permit delays and the lack of transparency in the PILOT and permitting process created a contentious relationship between the city and its nonprofits. Pittsburgh likewise had a contentious relationship with its large nonprofits. Pittsburgh's PILOT

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[70] Langley, et. al., *Payments in Lieu of Taxes by Nonprofits: Which Nonprofits Make PILOTs and Which Localities Receive Them.*

[71] https://www.boston.gov/sites/default/files/imce-uploads/2019-04/v1_02-_19_a_summary-budget.pdf and http://openbudget.lacity.org/#!/year/default.

[72] https://bmrb.org/bostons-tax-exempt-property-snapshot/

[73] Ronald Rakow, "Payments in Lieu of Taxes: The Boston Experience," *Land Lines*, January 2013, https://www.lincolninst.edu/publications/articles/payments-lieu-taxes; Mayor's PILOT Task Force, *Final Report & Recommendations*, 2010, https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/report-kidder-et-al.pdf.

[74] Rakow, "Payments in Lieu of Taxes: The Boston Experience."

program closed down in 2013 and in that same year the city sued a major nonprofit hospital in a failed effort to strip it of its charity status.[75]

Transparency. Boston's PILOT program is designed with clear expectations that apply equally to all participants. In addition, information about each institution's participation – including the amount of the requested PILOT payment, the community benefits credit, and the amount of any cash contribution – is posted on the city's PILOT web site. Transparency has at least two benefits. First, participating nonprofits know that the PILOT program applies fairly to all participating institutions. Second, it promotes nonprofits' accountability to their host communities for demonstrating the benefits they provide in exchange for their tax-exempt status.[76] In contrast, in Pittsburgh's now-defunct PILOT program, nonprofits contributed to a special fund, but the amount contributed by each organization was negotiated behind closed doors and kept confidential.[77] In Boston, the PILOT level of 25% of what non-exempt organizations pay was based on an estimate of the cost of essential city services that directly benefit nonprofits.

Integrate community service by nonprofits into the PILOT process. Interviewees reported that in the Boston PILOT program, nonprofits prefer to provide community services, rather than cash payments. On the other hand, the city prefers cash, which provides the greatest flexibility over deployment of city resources. In an attempt to serve both of these goals, Boston has been incorporating planning and prioritization of requests for PILOT services into its regular budgeting and policy processes so as to maximize the value of nonprofits' services to the community. "Through careful planning, directing institutional resources to priority areas reduces the city's financial commitment and makes it easier for the city to forgo cash in favor of institutionally preferred services. This planning process is also beneficial to the institutions, as they are better able to budget for their PILOT service commitments."[78]

In Boston's program, nonprofits have in practice claimed the full 50% PILOT payment reduction by tallying their community benefits, making the effective PILOT payment 12.5%, rather than 25% of what they would pay if they were not exempt. Nevertheless, the community benefit component has two major advantages: First, it provides a public forum for nonprofits to detail the direct benefits they provide to the local community. Second, it gives the city an opportunity to nudge nonprofits in the direction of providing services that most directly serve local

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[75] Murray, "Mayor working on nonprofit fund, but deal still out of reach for now."

[76] Rakow, "Payments in Lieu of Taxes: The Boston Experience." https://www.lincolninst.edu/publications/articles/payments-lieu-taxes.

[77] Langley, et. al., *Payments in Lieu of Taxes by Nonprofits: Which Nonprofits Make PILOTs and Which Localities Receive Them*

[78] Rakow, "Payments in Lieu of Taxes: The Boston Experience."

residents. A nonprofit institution might balk at writing a big check to its host city, but might be more amenable to funding a program that serves a key urban policy goal, such as improved health care, housing, or education. A community benefits component of a PILOT program can thus create a virtuous cycle between the city and its nonprofits.

Boston's Mayor recently created an Office of Strategic Partnerships "designed to catalyze, coordinate and facilitate partnerships between the City and philanthropy, nonprofits and other partners from diverse sectors across the community."[79] One of the OSP's roles is to create a framework for PILOT community benefit contributions. The City of Los Angeles could likewise include a community benefit coordination function in the administration of a PILOT program.

DETERMINING WHETHER TO PROCEED WITH A PILOT

A PILOT program can provide modest additions to municipal revenues by encouraging voluntary financial contributions from large nonprofits. For the City of Los Angeles, estimated PILOT revenues would be on the order of $2.5 million to $12.4 million per year. Because participation is voluntary, the most challenging part of a PILOT program is the process of gaining support from key stakeholders. City leaders would need to be supportive of and engaged in the PILOT development process in order to lay the groundwork for a program that will provide an ongoing revenue stream over the long term, while maintaining and enhancing collaborative relationships between the City and its major nonprofits. However, once a PILOT program structure is agreed upon and enacted, the program is relatively straightforward to administer.

[79] Mayor Walsh announces Casey Brock-Wilson as director of the Office of Strategic Partnerships for the City of Boston, July 17, 2017, https://area-info.net/mayor-walsh-announces-casey-brock-wilson-as-director-of-the-office-of-strategic-partnerships-for-the-city-of-boston/

APPENDIX 1. BOARD OF EQUALIZATION OPINIONS ON LOW-INCOME HOUSING PILOTS

In 2003, in response to an inquiry from the Imperial County Assessor regarding PILOT agreements for low-income housing, the California State Board of Equalization (BOE) issued the following opinion:[80]

> Is a county permitted by law to enter into a PILOT Agreement with a property owner?
>
> No. We believe that there is no constitutional or statutory authority to enter into a PILOT Agreement as proposed by H [the property owner]. We further believe that if H were to enter into a PILOT agreement it would risk losing its property tax welfare exemption.

Later in the opinion, BOE wrote:

> The proposed PILOT Agreement specified that the payment would be a tax. Therefore, we believe that the proposed PILOT Agreement would constitute a waiver of the welfare exemption for the years in question pursuant to Article XIII, section 6.[81] So long as H qualifies for the welfare exemption, payment of the property taxes or payment in lieu of a tax would be considered a waiver of the welfare exemption. In essence, H is requesting a partial welfare exemption, for which there is no provision in the law.
>
> Under Article XIII, section 1 all property in this State is taxable unless exempted by law. Thus, absent a welfare exemption a welfare exemption the property would be taxable. The law provides several specific payments in lieu of property taxes, which are each authorized by the Constitution or a statute. There is no constitutional or statutory provisions that would authorize a PILOT Agreement as described in your request and we believe that a specific constitutional or statutory provision would be required to authorize such an agreement.

In 2013, BOE reversed this opinion, writing:[82]

> This is in response to questions raised regarding whether a low-income housing developer (developer or claimant) subject to a payment in lieu of taxes (PILOT) agreement with a local government can properly make the certification required by Revenue and Taxation Code section 214, subdivision (g)(2)(B)…[which] requires that property tax savings be used to

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[80] California State Board of Equalization, "Low Income Housing – Proper Valuation and Legality of Payment In Lieu of Taxes Agreement," 2003.

[81] Article XIII Section 6 of the California Constitution states: "The failure in any year to claim, in a manner required by the laws in effect at the time the claim is required to be made, an exemption or classification which reduces a property tax shall be deemed a waiver of the exemption or classification for that year," https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=CONS&division=&title=&part=&chapter=&article=XIII

[82] California State Board of Equalization, "Payment in Lieu of Taxes Agreements."

> "maintain the affordability of" or "reduce rents otherwise necessary for" the low-income housing units. As discussed below, as long as the developer has maintained rents in accord with those required by section 214, subdivision (g)(2)(A)…and has a reasonable belief that its PILOT payments will be used to support or benefit the low income housing development, in our view, such developer can make the Section 214(g)(2)(B) certification in good faith.
>
> This memorandum sets forth the Legal Department's opinion and clarifies all prior opinions or memoranda on this issue…To the extent inferences contrary to the specific guidance provided herein can be drawn from those prior opinions, such inferences are expressly disapproved and must be disregarded.

The opinion later states,

> …given the legislative history of section 214, subdivision (g) and the extreme difficulty of doing a dollar-for-dollar tracking of property tax savings to determine whether property tax savings are used to "maintain affordability" of lower-income-household units, where a PILOT agreement exists with local government, the Section 214(g)(2)(B) certification requirement can be made in good faith if rents actually meet or are lower than the restrictions set forth in the agreement referred to in Section 214(g)(2)(A), and if the developer has a reasonable belief that its PILOT payment will go directly to support or benefit the low income-household units.

APPENDIX 2. DATA AND METHODS

This appendix provides details on the identification of parcels that are exempt from property taxes.

Property Assessment Data

The Los Angeles County Assessor provided an electronic copy of the Secured Basic File Abstract, which lists all parcels in Los Angeles County. For each parcel, the data file includes the address and owner(s), the assessed value (including separate assessments of the land and any improvements (e.g., buildings) on the property), and the Tax Rate Area (TRA). The Assessor's Office also provided a separate file listing all parcels that are exempt from the property tax, including the type of exemption, the amount of the exemption, and the owner(s) of each parcel.

Identifying All Parcels Owned by A Given Organization

Choices regarding the structure and feasibility of a PILOT program depend in part on the number of property owners that would need to participate in order to raise a given amount of revenue. Many property owners own multiple parcels. However, the way the owner's name is recorded in the County Assessor's database can vary from parcel to parcel. For example, the University of Southern California's name appears as "University of So Calif," "University of Southern Calif," "Univ of So Calif," "University of Southern CA," and "University of Southern Cal" (in addition to its full name) on different parcels. A number of organizations that own more than one parcel sometimes appeared with "Inc" (incorporated) at the end of their name, and sometimes did not.

We used a number of text search strategies to identify these and other variations and recode each owner to a single common name for purposes of our analysis. We also performed a visual inspection and corrected any remaining cases of a single owner recorded with different name variations. We placed special focus on high-value parcels and large organizations in order to ensure that parcels and owners that account for the vast majority of potential PILOT revenues are correctly categorized.[83]

Identifying Low-Income Housing Developments

Low-income housing developments are not explicitly identified as such in the Assessor's data. In order to identify low-income housing parcels, we used a number of strategies, including: (1) identifying residential properties based on zoning and use codes in the Assessor's data for each parcel, and (2) searching exempt parcels for those in which the owner's name included housing-

[83] Note that it is possible that some parcels with the same owner but different names in the Assessor's data were not captured by this process. However, the impact of any such omissions is likely not material.

related words, such as “Home”, “Terrace”, “Towers”, “House”, “Arms”, “Apartments”, “Casa”, etc. or “Limited Partnership” (or abbreviations of and variations on that term). We then manually checked ambiguous parcels via internet searches to ensure that they were actually low-income housing developments and removed any parcels that were incorrectly identified as low-income housing developments through this process. We also manually reviewed owner names for exempt parcels to identify parcels miscategorized by the automated search strategy. Nevertheless, it is possible that some low-income housing developments were not identified.

APPENDIX 3. ASSESSED VALUE ANALYSIS FOR PROPERTY OWNED BY NONPROFIT GOLF COURSES

Private, nonprofit golf courses in California are not exempt from property taxes. However, Proposition 6 (1960) amended the California Constitution to require that county assessors assess the value of private, nonprofit golf course properties based only on their value when used as a golf course, rather than based on their highest and best use in the general market for land.[84] This resulted in golf courses having much lower assessed values per acre than surrounding land used for housing or commercial buildings. Over time, the assessed values of nonprofit golf courses therefore also did not increase along with the values of surrounding land. As a result, private, nonprofit golf courses in the City of Los Angeles have assessed values per acre that are 1% to 46% of the average assessed value per acre for other properties in their zip code.[85]

The total assessed value of the dozen private, nonprofit golf courses in the City of Los Angeles[86] is $257 million and generates about $680,000 per year in property tax revenue for the City. If golf courses were assessed and paid property taxes at the average rate per acre in their zip codes, these values would be, respectively, $2.7 billion and $7.1 million.[87] However, changing assessment practices for nonprofit golf courses would require amending California's Constitution.

We are not aware of any PILOT programs that request or receive PILOT payments from golf courses. Proposition 6 has combined with Proposition 13 to keep assessed values for private, nonprofit golf courses very low, and these golf courses pay property tax based on these low assessed values. The City could explore requesting voluntary payments from golf courses in addition to the property taxes that they already pay. The City could estimate what golf courses' property taxes would be if Proposition 6 had not been adopted and ask them to pay a percentage of this amount. For example, the City could ask them to pay 25% of the $7.1 million estimated above, which would be about $1.8 million.

The "split roll" property tax initiative measure that may be on the ballot in 2020 would treat golf courses as commercial property that would be subject to reassessment. However, they would still be assessed only for their value as golf courses, rather than based on their highest and best use.

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84 https://repository.uchastings.edu/cgi/viewcontent.cgi?referer=https://www.google.com/&httpsredir=1&article=1613&context=ca_ballot_props

85 Based on assessed land values of surrounding properties and excluding the assessed value of improvements.

86 This includes the Annandale Golf Club, which is mainly in Pasadena, but has one small parcel in a Tax Rate Area that includes payments to the City of Los Angeles.

87 Based on assessed land values of surrounding properties and excluding the assessed value of improvements.

APPENDIX 4. ACTION PLAN FOR DEVELOPING A PILOT PROGRAM

If the City of Los Angeles wishes to develop a PILOT program for nonprofits, the City should consider taking the following steps:

Develop support among city officials. A successful PILOT program will depend on support from both city officials and major nonprofits. Unlike cities in the northeast, where PILOTs are more common, the concept of voluntary PILOT payments will likely be unfamiliar to many city officials. The Revenue Commission should begin with outreach to educate key city officials regarding the nature of and potential revenues from a PILOT program, and the recommended best practices for developing a successful program.

Develop the fiscal and policy case for a PILOT program. The City should be prepared to make a strong case that it is fair and appropriate for nonprofits to contribute financially to city services. The City should therefore assess the cost of city services that benefit nonprofits. In addition, the City should assess potential synergies between the types of services nonprofits provide and the City's needs and policy priorities.

Outreach by city officials to the business community, community leaders, and major nonprofits. Key city officials, including the mayor and city council members, should begin informal discussions with business and community leaders and major nonprofits on the need for and basic goals of a PILOT program and identify areas of agreement and concern that should inform the structure and ground rules for a more formal program development process.

Once city officials, community leaders, and nonprofits are informed about and engaged with the concept of a PILOT program, the City should begin an explicit PILOT program development process.

Convene a task force to develop recommendations on PILOT program structure. The Mayor and City Council should convene a Task Force charged with developing specific recommendations on PILOT program structure and implementation. The Task Force should have broad representation among City officials, the business community, community leaders, and nonprofits. The Task Force's charge should include making recommendations on PILOT program structure, an explicit goal for PILOT revenues, how PILOT payments should be calculated, and how the City and participating nonprofits should enact PILOT agreements. The goal of the Task Force is to provide an inclusive, collaborative and transparent forum to develop specific recommendations that are generally perceived as fair and reasonable by key stakeholders (and in so doing, generate support for the PILOT program).

Program adoption. If, based on the Task Force recommendations, the City Council elects to proceed with a PILOT program, the City Council would then adopt a resolution containing program goals, requirements, and policies, and direct staff to begin program implementation.

Program implementation and administration. The most difficult part of a PILOT program is generating support from participating non-profits through an extensive engagement process among city officials and non-profit leaders. Actual program administration is likely to require no more than one or two full-time-equivalent staff to request and collect PILOT payments, review participants' community benefit documentation and provide general program outreach, and maintain a web site with program information.

Because collection of PILOTs is similar to collection of other revenue sources, it would be logical to add these positions to the Office of Finance. Based on the average cost per employee including benefits, furniture and equipment, and all other direct and indirect costs, we estimate the cost of the PILOT program could be up to approximately $420,000 annually.[88] This cost would include the cost for maintaining the PILOT program website (which could simply be added to the existing site developed and maintained by the Office of Finance).

Costs for the program equal to approximately 3 to 6 months of operations (or $105,000 to $210,000) would be needed to establish the program (including the website) in advance of the collection of pilot revenue. Note that these costs could potentially be somewhat lower than those estimated here depending on the complexity of the program that is ultimately adopted and the number of participating non-profits.

Timeline. The timeline for development and implementation of a PILOT program is somewhat fluid, as it depends on the rate at which sufficient political support can be developed among key City officials and community leaders. Based on Boston's experience, the task force process alone could take up to two years. The entire process of program development and implementation could take as much as three years or more.

[88] Based on Office of Finance 2018-19 budget: http://cao.lacity.org/budget18-19/2018-19Proposed_Budget.pdf.

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Feasibility of A Payment in Lieu of Tax (PILOT) Program for the City of Los Angeles

Prepared for the City of Los Angeles
Revenue Commission

September 18, 2019

Presented by
Joel Schwartz and Matthew Newman
Blue Sky Consulting Group

Payment in Lieu of Tax (PILOT) Program

- Nonprofits are generally exempt from property tax, but benefit from municipal services
- PILOT: Government asks non-profits to make a voluntary monetary payment to offset the cost of city services
- Roughly 800 local governments, mainly in the northeast, have implemented PILOTs
- These PILOTs raised roughly $110 million in 2012 (most recent national data available)
  - Top 10 cities accounted for 73% of total PILOT revenue
  - Top 10 organizations accounted for 52% of total PILOT revenue
  - The vast majority of PILOT revenue came from universities (67%) and hospitals (25%)

Largest PILOT Programs

- Boston PILOT produces the most revenue
  - Program was redesigned in 2011 after two-year public task force process
  - 33 organizations make cash payments, out of 47 from which payments were requested
  - Revenue: $19.4 million in 2012; $33.9 million in 2018 (1% of total city revenue)
- Baltimore concluded an agreement in 2016 with 14 nonprofits
  - Agreed to pay a total of $60 million over ten years (average of $6 million/year)
- Pittsburgh in 2011 received payments totaling $2.6 million from 45 organizations, but program was contentious and is now defunct

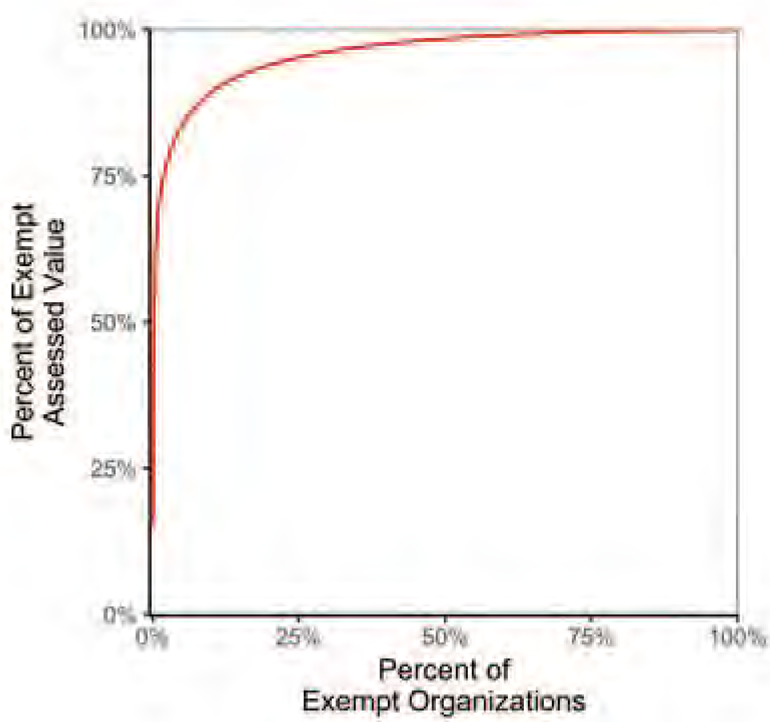
Estimating Potential Revenue from a PILOT

- Identify parcels exempt from property tax and calculate the total assessed value for these properties
- Calculate the amount of property tax revenue that would be collected by the City of Los Angeles if there were no exemption
- Determine an exemption threshold (i.e., identify which organizations are too small to be included)
- Determine how much exempt nonprofits will be asked to pay (as a percentage of what they would owe without the exemption)

Value of Exempt Property and Forgone Tax Revenue

- Obtained property assessment data from Los Angeles County Assessor
- About 4,700 exempt or partially exempt parcels owned by nearly 2,000 individual organizations; $17.2 billion in exempt assessed value
  - Excludes low-income housing developments, because PILOTs are prohibited by law for these entities.
- Exempt value is about 2.7% of total assessed property value in City of Los Angeles
- At 1% property tax rate, would provide $172 million in property taxes if not exempt, of which about $45 million (26%) would go to the City of Los Angeles

Which Organizations Should Be Asked to Participate?



- Organizations with larger property tax exemptions are generally wealthier and more likely to have the financial wherewithal to make PILOT payments
- Focusing on larger organizations also reduces administrative complexity
- Top 10 out of 1,860 organizations account for 62% of total property value exempt from property tax. Top 100 account for 85%.

Developing PILOT Revenue Scenarios

- Boston's PILOT program
  - Includes non-religious nonprofits with an assessed value of at least $15 million
    - 47 organizations asked to make PILOT payments, of which 33 actually participate
  - Requested payment is 25% of what organization would owe without exemption
  - Organizations can reduce this by up to half by documenting benefits to the residents of Boston. In practice, organizations claim full benefit, so requested cash payment is 12.5% of what organization would owe were it not exempt.
  - Overall, about 65% of requested cash payment is actually collected
- City of Los Angeles: $15 million threshold includes 97 organizations representing 84% of exempt assessed value
  - Mainly universities, hospitals, museums, large religious institutions, foundations, and private K-12 schools.

PILOT Revenue Scenarios for Los Angeles

		Potential Revenue, by PILOT Percentage Requested (millions)			
Participation Scenario	**Number of Organizations**	**12.5%**	**25%**	**33%**	**50%**
All nonprofits with $15 million or more in exempt property	97	$3.1	$6.2	$8.3	$12.4
Nonprofits with $15 million or more in exempt property, excluding religious and social service organizations	57	$2.6	$5.3	$7.0	$10.6
Nonprofits with $15 million or more in exempt property, excluding religious and social service organizations and private, nonprofit K-12 schools	38	$2.5	$5.0	$6.6	$10.0

Scenarios assume collection rate is 65% of amount requested

Strategies for Encouraging Voluntary PILOT Payments

- Make the case that the revenue is needed and that it is fair and appropriate for nonprofits to contribute
  - Cost of municipal services that benefit nonprofits
- An inclusive program development process
- Partnership between city and nonprofits, rather than confrontation
- Program transparency
- Integrate community benefits

Action Plan

- Develop the fiscal and policy case for a PILOT program
- Outreach by city officials to the business community, community leaders, and major nonprofits
- Convene a task force to develop recommendations on PILOT program structure
- Program adoption, implementation, and administration

APPENDIX – STUDIES AND REVIEWS

4 – Special Purpose Funds

4.1 - Los Angeles City Controller Ron Galperin Report: "In the Balance: Report on the City's Special Funds" (February 13, 2019)

4.2 – Commission Letter to Budget Committee Chair Paul Krekorian Endorsing the Controller's Report

RON GALPERIN
CONTROLLER

February 13, 2019

Honorable Eric Garcetti, Mayor
Honorable Michael Feuer, City Attorney
Honorable Members of the Los Angeles City Council

Re: In the Balance: Financial Report on the City's Special Funds

My latest report details the City's 705 special purpose funds (special funds), which had a total balance of $4.1 billion, as of June 30, 2018. These funds were created by Council action or ordinance to pay for specific purposes or projects. They fund varied City projects and operations, including grant programs, capital projects, fee-supported activities, debt service and much more.

While special funds make up roughly half of the City's treasury, 591 special funds are not included in the adopted budget, and currently there are no uniform policies or procedures for creating, using, reviewing, repurposing or closing them - resulting in considerable sums going unspent that could otherwise be put to good use on City services.

Accompanying today's report and recommendations is a webpage featuring easily accessible charts and graphs to help explore and better understand both the funds generally and individually. The visualizations - along with a dashboard to help simplify searches - is located at lacontroller.org/specialfunds. Detailed are the function of each special fund, which City department administers the fund and its cash balance. Users can also browse through idle funds by our recommendations for follow-up.

The City's special fund policies need reform

- Right now, the City's approach to special fund management is extraordinarily decentralized. Each department manages its own funds and largely applies its own rules, with no overarching policy that instructs departments on what to do. This means that a significant segment of City finances lacks a true mechanism for oversight and transparency, leading to under-spending each year.
- Some City departments oversee numerous funds; some oversee fewer. The City Clerk, for example, administers 105 special funds and the Economic and Workforce Development Department has 77, while the Personnel Department has six and Animal Services three.
- In fiscal year 2018, 382 special funds used less than half of their available cash, and half of those funds did not show any expenditures. A lack of spending may be justified for certain funds, depending on the fund's age and objective. But even when funds are old and empty or long ago completed their purpose, departments are not required to close them.
- For three or more years, 188 special funds with more than $31 million sat dormant with no expenditures. Fifty-three of these funds have zero balances and could be closed right away. The money in these and other idle funds could - and should - be used for essential City services, including street improvements, programs to alleviate homelessness, economic development and public safety.

My office has studied and reported on the opportunities and challenges of special funds before, starting in 2014. Most recently, in March 2018, we highlighted the large number of idle funds at the City. Since that report, City departments have closed nine funds, freeing up $1.2 million, but much more must be done.

The City's issues with special funds are not entirely unique to Los Angeles, but the magnitude of the problem certainly is. My office has reviewed special fund policies in other jurisdictions, such as the City of Denver, along with the states of Virginia and New Mexico, all of which have had challenges with special fund management. The recommendations in this report reflect some of the solutions currently applied by other governmental entities.

Recommendations

My report urges the City to adopt a comprehensive, multi-pronged policy to better manage special funds, including:

- Apply standard procedures and checklists when creating new funds;
- Create funds with "sunset" clauses that require funds to either justify their continued existence after a certain period or be closed;
- Eliminate old and outdated encumbrances and appropriations;
- Mandate annual revenue and expenditure plans for each fund; and
- Adopt new procedures and timelines to close out idle funds.

I urge the City Council and Mayor to adopt the recommendations in this report. Establishing clear protocols to manage special funds, and to review and close idle ones, will give the City access to untapped resources that will benefit all Angelenos.

Respectfully submitted,

RON GALPERIN
L.A. Controller

IN THE BALANCE

Financial Report on the City's Special Funds

RON GALPERIN

LA CONTROLLER

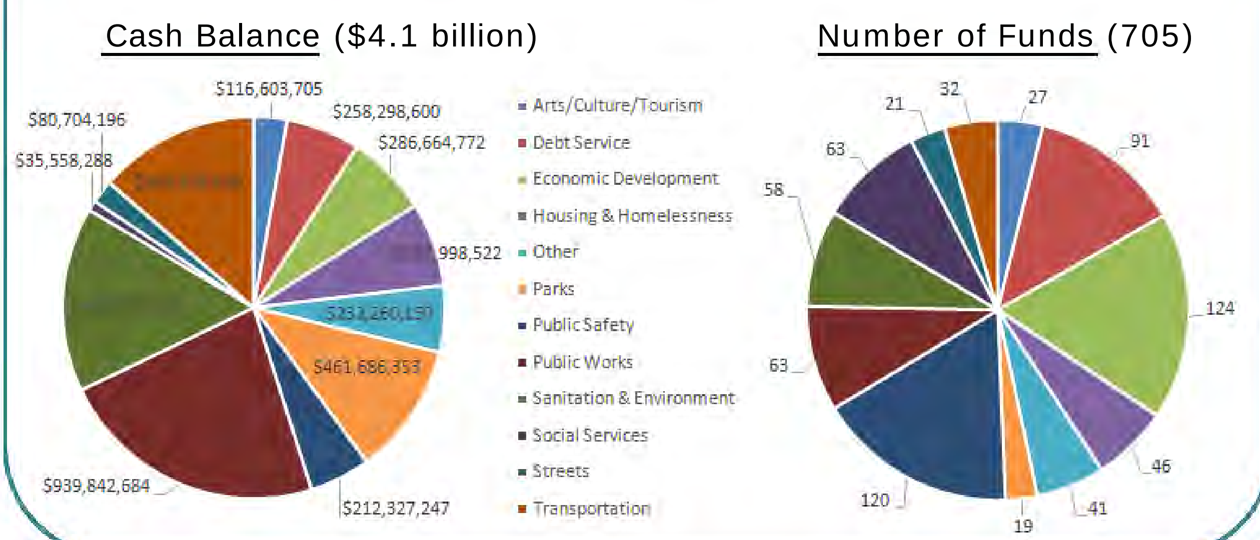
Executive Summary

Los Angeles' treasury stood at nearly $10 billion at the close of the last fiscal year. The 846 different funds that make up the treasury include the City's General Fund, the Reserve Fund, various debt service, proprietary, and pension funds, and 705 special purpose funds.

Special purpose funds may be created by charter, ordinance, or other Council action, and are crucial to funding many of the City's priorities. Unlike the General Fund, which can be used for any City purpose, each special purpose fund comes with its own rules and limitations.

No city in America has as many distinct funds as Los Angeles, and the extent of the City's dependence on these special funds has given rise to a unique set of challenges in budgetary and financial management.

EXHIBIT 1
Special Purpose Funds by Function



The management of special funds is largely decentralized, as it is spread across every department of the City. Some departments, such as the City Clerk (105 funds) and Economic and Workforce Development (77 funds) manage many funds, while others, such as Animal Services (3 funds) and Personnel (6 funds) manage only a few. Each department manages its funds in its own way, specific to its unique operating needs, the requirements of the individual funds, and the knowledge and capabilities of its staff.

While the City has established policies and procedures to ensure that accounting transactions are done correctly, there is no City-wide policy specific to special fund management. In addition, only 114 of the 705 special purpose funds are programmed in the Adopted Budget. This combined lack of policy and centralized oversight creates inconsistency and inefficiency, and limits transparency.

More than 80% of special purpose funds, containing more than $2 billion, are managed outside of the Annual Budget.

Other special fund management practices that lead to problems include:

- New funds are often created with limited information and guidance about how they should operate;
- Special fund appropriations and encumbrances in special funds never expire, remaining active until the managing department either uses or cancels them (thereby carrying balances over from year to year);
- Billings and reimbursements between the special funds and the General Fund are completed as staff time permits, with little or no oversight and follow-up except in the case of the largest funds; and
- Reserve Fund loans to special funds are not monitored sufficiently, leading to extremely old loans and many write-offs.

Almost 300 of the 705 special purpose funds were unused in fiscal year 2018

Structurally, this has created an environment where proper oversight and accountability in the special funds is difficult, with very little opportunity for true transparency, resulting in chronic under-spending of these funds. Of the 705 special funds, 382 utilized less than half of their available cash resources in fiscal year 2018, with half of those funds showing zero expenditures.

Special funds are created to accomplish a specific purpose or project and, once that purpose or project is completed, they should theoretically be closed. However, there is no formal requirement compelling departments to complete the various accounting transactions and documents necessary to close the fund. This results in many funds retaining active status, and more often than not, carrying over cash balances for many years even after the related activity has ended.

As of June 30, 2018, there were 188 funds with *no expenditures* in the last three years, which we have identified in a previous report as "Idle Funds." More than just creating accounting clutter, these funds contained more than $31 million in available funds which could, and should, be used to provide projects and services to the people of Los Angeles.

More than $31 million sits idle in special funds with no expenditures in more than three years.

To address these issues and develop a plan to improve the management of special funds, this Office conducted a series of focus groups with various City departments regarding special fund management. These focus groups identified a list of the current challenges and opportunities to create effective fund management, accounting, and oversight in managing the City's special funds. Some of the solutions proposed by the focus groups included dashboards, standardized checklists for opening and closing a fund, Controller's Office review of fund proposals prior to the creation of a new fund, automated closing of old encumbrances, and automated tracking of outstanding reimbursements to the General Fund.

In 2006, the City Council adopted a joint City Administrative Officer/Chief Legislative Analyst report (C.F. 04-1822-S5) containing recommendations requiring that the Controller be given the opportunity to review proposals for new funds prior to Council consideration. As part of our proposed policy recommendations regarding the management of special funds, this Office has included the enforcement of those instructions as approved and adopted in the prior Council action.

In addition to proposing a Special Fund Management Policy, this report provides comprehensive data regarding special fund financial activity for fiscal year 2018, covering all 846 funds, detailing fund purpose, cash balance, revenues, and expenditures. We have also revised and expanded the Special Fund Report at controllerdata.lacity.org, which now includes financial information updated on a daily basis, usage restrictions, interest and reimbursement policies, and departmental contact information for every City fund, to serve as an internal management tool and increase public transparency in our special fund management.

Special Fund management can be improved with new policies and procedures proposed here, expanded oversight through reporting, and improved transparency on the ControlPanel website.

Summary of Recommendations

The following is a summary of recommendations made in the report (full recommendations may be found on page 23):

- Standardized procedures and checklists for new fund creation;
- A sunset clause requirement for all special purpose funds;
- Automatic expiration of old appropriations and encumbrances;
- Annual revenue and expenditure plans; and
- Policies and Procedures to close idle funds.

This Office recognizes that these special purpose funds hold billions of dollars that if managed properly, can be used to more fully achieve the City's goals. As we review or close idle funds, we may be able to add additional resources to the City budget, where it can be spent on important priorities such as public safety, homelessness, street repairs, and infrastructure.

Fiscal Year 2018 Overview

As of June 30, 2018, the City's treasury was divided into a total of 846 funds, with a cash balance of $9.58 billion. Of that total number, 705 of those funds were considered Special Purpose Funds, and contained $4.1 billion of the total cash balance. The remaining funds were Proprietary Department Funds (115 funds containing $4.6 billion), Pension and Retirement Operating Funds (21 funds containing $21.5 million), and General Funds (which include five funds totaling $833.4 million: the General Fund, Reserve Fund, Budget Stabilization Fund, and two Tax Revenue Anticipation Notes (TRAN) Funds).

This report focuses on **Special Purpose Funds.**

In Fiscal Year 2018, the 705 special purpose funds brought in $5.1 billion in revenue and made $4.9 billion in expenditures, increasing the total cash balance in the funds from $3.9 billion on July 1 to $4.1 billion on June 30.

A detailed report showing each special purpose fund, including its function, cash balance, revenue, and expenditure for fiscal year 2018 is included in this report as Schedule 2.

EXHIBIT 2

Top Ten Funds by Total Revenue

(In Millions)

1.	Sewer Construction and Maintenance	$ 679.5
2.	IRS S. 501 Employee Benefits Trust	390.3
3.	Solid Waste Resources	318.7
4.	Recreation and Parks	284.3
5.	Sewer Operations and Maintenance	274.5
6.	Building and Safety Permit Enterprise	210.9
7.	Library	170.1
8.	Sewer Capital	162.9
9.	Proposition A Local Transit	149.3
10.	Special Gas Tax Street Improvement	97.0

The special purpose funds with the largest annual revenue are funds associated with Sanitation, Recreation and Parks, Building and Safety, and the Library Department. It should be noted that Recreations and Parks and Library revenues are primarily operating transfers from the General Fund. The IRS Section 501 Employee Benefits Trust Fund shown second on the list is used to collect City and employee premium payments to pay for employee benefits such as health care.

EXHIBIT 3

Top Ten Funds by Total Expenditures

(In Millions)

1.	Sewer Construction and Maintenance	$ 613.7
2.	IRS S. 501 Employee Benefits Trust	379.7
3.	Solid Waste Resources	342.5
4.	Sewer Operations and Maintenance	308.2
5.	Recreation and Parks	261.8
6.	Sewer Capital	200.3
7.	Proposition A Local Transit	183.4
8.	Library	171.2
9.	Building and Safety Permit Enterprise	160.4
10.	Wastewater Bonds 2017A Construction	146.5

While the list of the top funds sorted by total expenditures is very similar to the list sorted by total revenues, there are a few differences. Comparing these two tables can provide valuable insight into fund usage.

While the total cash balance across all special purpose funds increased only $187 million from June 30, 2017 to June 30, 2018, a number of funds saw their cash balance increase by large amounts. Exhibit 4 lists the largest increases, along with a general explanation for the increases.

EXHIBIT 4
Funds with Largest Growth in Cash Balance
(In Millions)

Fund	Growth	Explanation
GO Bonds 2017A HHH Construction	$ 82.8	New Bond Issuance
Sewer Construction and Maintenance	65.9	Higher fee revenues, lower expenditures
Building and Safety Permit Enterprise	59.5	Higher than anticipated fee revenues
Sixth Street Viaduct Improvement	57.6	Federal Grant Receipts
Wastewater System CP Construction	49.9	New Debt Issuance
General Demand	39.0	Higher than usual payments pending
Measure M Local Return	37.4	First year of new sales tax receipts
Building and Safety Trust	27.4	High permit activity
Recreation and Parks	22.6	High receipts, lower expenditures
GO Bonds 2017B Debt Service	19.0	New Bond Issuance

During the year, the City closed 22 special funds, but opened 16 new funds, slightly continuing a five year downward trend in the total number of funds. In Exhibit 5 you will note the large drop in funds from 2014 to 2016, which corresponds directly with the timing of this Office's last comprehensive report on special funds (released in March of 2014). Clearly, transparency in reporting is a valuable tool in the effort to reduce the number of unnecessary funds.

EXHIBIT 5
Total Number of Funds at June 30 since 2004

Analysis and Findings

Through our analysis of the funds and the more subjective input from the focus group sessions, we have identified three main problem areas:

1. Fund Creation;
2. Management, Accounting, and Oversight; and
3. Fund Closure

1. Fund Creation

Funds are often created with little review and consideration of structure, policies and procedures, or whether a new fund should even be created.

The current process for creating a new special fund is varied and inconsistent. Any department can request creation of a new fund in a report to the Mayor and Council, or funds can be proposed and approved via Council Motion. Fund creation can also be recommended by the City Administrative Officer (CAO) as part of their review of departmental requests, and Council has an additional opportunity to add creation of a new fund when considering a departmental request. Some funds are formally established by ordinance, often adding them to the Administrative Code. Others are authorized by simple Council approval. In fact, there are a number of funds which seem to have been established with no formal Council approval at all, though this seems to be an older practice which has not been used in recent years.

While this variation in how funds are authorized is not specifically a problem, it does result in wide variation in the level of detail and information provided to the Controller in the authorization to create the new fund. Funds created by ordinance usually contain much higher levels of detail, including management provisions, advice on interest earnings, and detail on fund usage requirements. Without the legal requirements of an ordinance, many funds have been authorized and created with little more than a title. As these funds age, questions about use restrictions and fund disposition become extremely difficult to resolve.

Consistent with the Council instructions from 2006, we will begin requiring a standardized "New Special Fund Creation Form" (Attachment B) be completed prior to creation of a new special fund.

Departments requesting creation of a new special fund will be required to complete and submit the form to the Controller for review. The Controller will review the form and return it to the department with approval and/or recommended changes. The department will then submit the approved form to Council along with their request to create the new fund. The form would allow for a thorough review of the advisability of approving the new fund, and provide crucial information regarding how the fund should be managed once it is created.

The new "All City Funds" report is a powerful tool both for public transparency and internal financial management.

If and when the new fund is approved, the information in the form will then be used to populate the fund information in the Financial Management System (FMS), as well as the more comprehensive, updated-daily, and publicly available, "All City Funds" report on the Controller's Open Data Website at controllerdata.lacity.org/Audits-and-Reports/All-City-Funds/beu2-uv2p/data. Not only will this data be available for public consumption, it will also become a powerful research tool for City staff as part of their continuous management of the special funds.

2. **Management, Accounting, and Oversight**
   The practices, procedures, and decentralized nature of special funds contribute greatly to under-spending, inefficient fund management, and risk.

Once a fund is created, the policies, procedures, and restrictions detailed at its creation become effective. Depending on the level of detail originally provided, and whether the new fund has been identified to be included in the City's Budget documents, fund management may be highly restricted or operate with wide discretion. A fund authorized by ordinance will likely be well defined and documented, with detailed procedures and restrictions for fund use, whereas a fund authorized by a single Council instruction may be managed almost completely within the confines and discretion of the managing department.

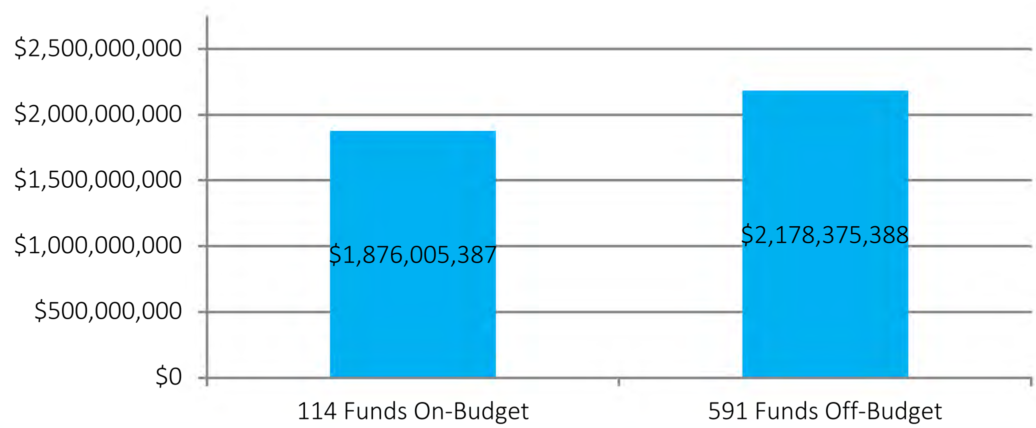
Proper fund management, accounting and oversight is key to ensuring that these funds are administered correctly and are used in the way in which they were intended. Proper fund management includes: designating whether funds will be shown “on- or off-budget,” how the fund will be used, how encumbrances, reimbursements, interest earnings and reserve fund loans will be managed.

A. On-Budget vs. Off-Budget

Of the 705 special purpose funds, 114 are considered “on-budget,” meaning annual appropriations are authorized through the budget process and the funds are included in the City’s Adopted Budget document. The other 591 funds are not included in the City’s Adopted Budget, and are considered “off-budget.” Spending authority for these funds must still be authorized by the City Council, but these are handled on a case-by-case basis throughout the year, and often with much less discussion and examination than occurs during the normal budget process.

Generally, on-budget funds are larger funds with ongoing and predictable revenue streams, often funding City personnel and other continuous operations. Off-budget funds tend to be smaller, with one-time, inconsistent, or unpredictable revenue streams. While the fund counts are heavily weighted toward off-budget funds, the overall cash balance is divided somewhat evenly, with on-budget funds holding 46 percent of the cash and off-budget funds holding 54 percent.

EXHIBIT 6
On- and Off-Budget Funds



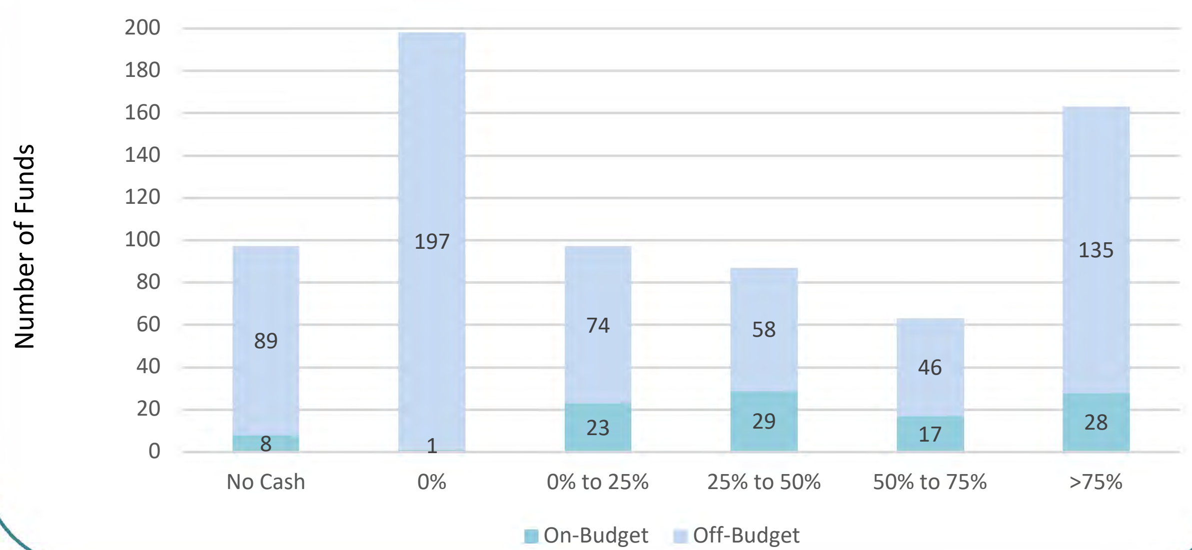
Currently there is no established policy as to which funds will be presented and budgeted as part of the Adopted Budget, or how to determine whether a new fund should be considered as “on- or off-budget.” This decision is made on an ad-hoc basis as new funds are created, with the vast majority of new funds remaining outside of the annual budget process (off-budget).

Because the factors that lead to a fund being included in the Adopted Budget vary based on the unique nature of the fund creation itself, setting a tightly-defined rule would prove to be difficult. In the future, as Council authorizes the creation of a new special fund, the fund’s status relative to whether it is to be considered on or off budget should be indicated as the fund is established and based on objective criteria.

B. <u>Fund Usage</u>

Between beginning cash balances and monies received during the year as revenue, special funds had $9 billion in available resources in fiscal year 2018. Out of that amount, less than $5 billion was spent.

EXHIBIT 7
Percent of Cash Resources Expended in Fiscal Year 2018



Those funds that are shown as on-budget performed better in terms of spending. Comparing their spending to authorized budgets, we see that, while still spending noticeably less than authorized, the extreme lack of spending is less common. It should be noted, however, that some on-budget special funds often provide exceedingly conservative revenue estimates, meaning that even fully utilizing their budgeted expenditure authority does not use all available resources. For one extreme example, the Building and Safety Enterprise Fund projected revenue of $144.8 million in the Fiscal Year 2018 Adopted Budget, but by year end had collected more than $210 million.

The most evident solution to this chronic underspending is transparency. To the extent that available resources and underspending trends can be readily identified and brought to the attention of decision makers at multiple levels, funds which have languished or been forgotten should be brought back into the light, encouraging discussion and solutions.

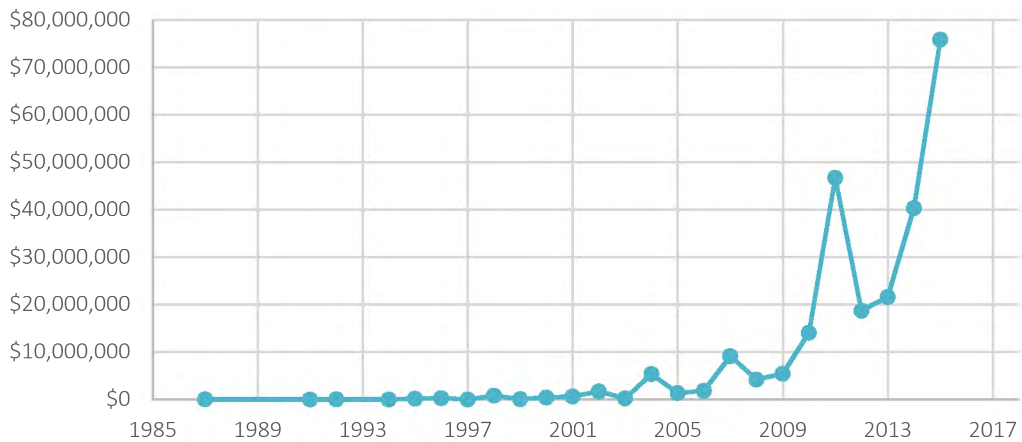
C. <u>Encumbrances</u>

One issue that may contribute this chronic underspending is prior-year encumbrances. In the General Fund, uncommitted appropriations lapse at the end of the year, and encumbrances are subject to a policy whereby encumbrances more than one year old are eliminated unless the department requests an exception. Special funds are not subject to these restrictions – appropriations and encumbrances remain available until they are used or eliminated. Functionally, this means that unused appropriations and encumbrances within special funds can remain on the books for many years. As of June 30, 2018, the City still had encumbrances from the 1980s totaling $33,000.

The problem with this is two-fold. When encumbrances are created, they represent actual or anticipated cash in the fund. If the encumbrance remains after the original purpose goes away, this may represent money that could be spent on new or more important priorities. Alternatively, old encumbrances are often not backed by cash at all. Because of this disconnect between encumbrances and cash, it is very difficult to determine whether old encumbrances are still being held for active project, actually represent potentially available resources, or are just accounting relics.

EXHIBIT 8

Open Service Contract Encumbrances Older than 2017



Looking at Exhibit 8, there is a very clear aging trend, with one large outlier in 2011 and smaller outliers in 2007 and 2004. The 2011 outlier is driven largely by one large encumbrance, $28.6 million within the Section 108 Loan Guarantee Fund for the District Square Retail Project Development. We are working with EWDD to get a better understanding of this project to determine whether this encumbrance is still needed eight years after it was established.

The proposed special fund management policy includes a process of regularly reviewing and removing old encumbrances. Similar to the General Fund encumbrance policy, which eliminates encumbrances after one year, we propose to eliminate open special fund encumbrances after three years for most funds, and five years for capital project funds. These longer timelines reflect the reality that special funds are often created specifically to deal with multi-year projects and programs. Of course, just like the General Fund encumbrance policy, departments will have an annual opportunity to request and justify exceptions to the rule by Council action.

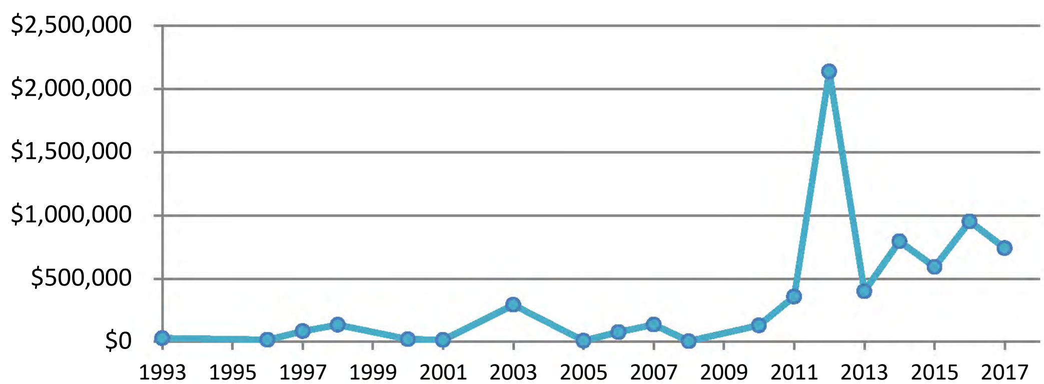
D. <u>General Fund Overhead Reimbursements</u>

Another problem caused by the failure to close out old special fund appropriations and encumbrances relates to General Fund Overhead Reimbursements. Whenever a special fund is paying for staff time, the General Fund pays for the salaries, benefits, and other overhead costs up front, and is later reimbursed by that special fund. For many on-budget funds, this process is done automatically on a periodic basis (monthly or quarterly). However, for off-budget funds this depends on interfund billings, which can often lag far behind the original expenditure date.

Employee benefits and other overhead costs such as electricity and building security are even more problematic. Many funds, especially fee supported funds, are supposed to reimburse based on the full overhead rates, as determined by the annually-updated (and federally approved) Cost Allocation Plan (CAP). Other funds, such as grant funds, may be limited due to grant restrictions, administrative caps, or just overall fund availability. Debt-financed funds are also subject to their own rules and policies.

Ultimately, it is the managing department which is responsible for following all applicable rules and transferring the appropriate amount to the General Fund. Unlike salaries, there is no clear accounting action to identify unpaid overhead reimbursements. Using accounting conventions, it is possible to determine the total amount that departments have appropriated for overhead reimbursement but not transferred. However, because of the variation in allowable reimbursements, program changes, and regular underspending of planned salaries, accountability for making the correct transfers is difficult.

EXHIBIT 9
Outstanding Special Fund Appropriations for General Fund Reimbursement



Similar to Exhibit 8, Exhibit 9 shows a slight trend, with one significant outlier. In this case, the Street Damage Restoration Fee Fund appropriated $2.1 million for related cost reimbursement in 2012, but never made the transfer due to a shortfall of funds at the time. As with many of these old appropriations, further research is needed, followed by a practical discussion of whether to hold special funds accountable for the related costs they incurred in years long past.

Comprehensively addressing the issue of old and unreimbursed overhead costs will be a significant undertaking requiring additional resources and potentially new or modified system tools. To mitigate the problem prospectively, specific overhead reimbursement terms are included in the new intake form, and will be posted on open data. This way, at a minimum, the policy on what should be reimbursed will be clear in the future.

E. Interest Earnings

Interest earnings present another area of concern. Based on Controller instructions when funds are created, the Office of Finance allocates the treasury's investment earnings across every fund that has been identified as "interest-bearing" based on proportional cash balances. Everything that does not get allocated to special funds becomes General Fund revenue, available for budgetary programming. Of the 705 special purpose funds, 561 funds are currently identified as interest bearing, and they earned $46.7 million in interest in fiscal year 2018, while the General Fund earned $24.9 million.

Special purpose funds earned $46.7 million in interest in fiscal year 2018, almost twice as much as the General Fund earned.

The City does not have a current policy on how to determine whether a fund should be interest bearing or not. Most grant funds, and all debt service funds, are required by external rules to keep their interest within their fund. But for fee-supported funds, capital project funds, and many of the other categories, there are no delineated rules. As a result, most new funds are identified as interest bearing as a matter of practice.

Once a fund is earning interest, the next question is what can be done with that interest. For some grant funds, the interest can be immediately reinvested to provide more services. For others, permission from the grantor must be requested and approved. For geographically-restricted and project-specific funds, managing interest earnings can be quite complicated, and is handled completely outside the City's centralized financial systems. One illustration of the result of this situation is that the 123 idle funds identified in the Controller's March 2018 Idle Funds report earned more than $250,000 in interest in fiscal year 2018.

To begin to address these issues, we are proposing a set of guidelines for determining whether a fund should be interest bearing. Key to this policy is changing the default from "yes" to "no" – unless there is a strong justification for a new fund to keep its interest, that interest should go to the General Fund, generating more unrestricted revenue to meet City priorities and reducing the amount allocated to underused special funds. In addition, specific rules for allocating and spending interest earnings will be included in the new intake form.

F. Reserve Fund Loans

One additional issue regarding the lack of oversight over special funds is the repayment of outstanding loans from the Reserve Fund. There are two primary types of loans, which arise in two very different ways. The more intentional type of loan is explicitly authorized by the Mayor and Council, for a stated purpose and amount, often with specific language as to how and when the loan should be repaid. These loans are usually authorized to front-fund grant or capital programs which are funded by reimbursement agreements. When the program is approved, money is loaned from the Reserve Fund so the department can begin the program or project, and the money is repaid when the reimbursements are received.

As of June 30, 2018, special funds owed more than $30 million in outstanding Reserve Fund loans.

As of June 30, 2018, there were 14 outstanding Reserve Fund Loans of this type, totaling $14.0 million. Although $14 million may not sound significant, nine of those loans, representing half of the total amount due, are more than 15 years old.

The other type of Reserve Fund loan is authorized by Charter Section 261(i), which allows the Controller to initiate a loan when a special fund has insufficient cash at the end of the fiscal year to cover the expenditures that have been recorded. This occurs regularly due to the timing of reimbursement grant receipts, and departments repay a large portion of these loans within the following fiscal year.

However, when the department responsible for repayment of these loans does not process the necessary documents in a timely manner, these loans have a tendency to linger, leading to loss of institutional knowledge and documentation. Eventually these loans are often written off as uncollectible. As of June 30, 2018, there were $16.1 million in Charter Section 261(i) loans older than one year that remained unpaid.

EXHIBIT 10
Reserve Fund Loans to Special Funds under Charter Section 261(i)
Greater than One Year Old as of June 30, 2018

Department	Total
Police	$11,024,152
Sanitation	1,157,781
Mayor's Office	894,028
Engineering	837,304
Board of Public Works	759,577
Street Services	513,917
Economic & Workforce Development	449,588
Contract Administration	182,101
General Services	139,108
Information Technology Agency	80,395
Personnel	33,249
Aging	29,740
City Administrative Officer	8,150
Fire	504
Grand Total	**$16,109,594**

Processing loans from the Reserve Fund to the special funds is typically not a problem; these loans arise legitimately and serve a useful purpose. However, when these loans are allowed to remain outstanding for years without review or resolution, the likelihood that the Reserve Fund will be repaid becomes small. In order to minimize the number and amount of old loans being written off, the loans should be reviewed regularly and repaid where at all possible.

3. Fund Closure

Once a funds' initial purpose is completed, or activity stops, funds become idle, and there is little incentive for departments to close them out.

When the operational need for a special fund is completed, for instance when a capital project is delivered or a grant program ends, there is almost always accounting work to be done to close out the projects. However, with no pressure to complete this work, and no real cost incurred by leaving a fund open too long, unneeded funds often remain open long after their purpose is gone. Over time, this results in a loss of institutional knowledge and documentation, making future clean-up efforts even more difficult and resulting in money sitting needlessly unused for years on end.

Leaving special funds open long after they have ceased to be used also contributes to the large overall number of funds, as new funds are added but old funds are not removed. Not only is the number of old and inactive funds a transparency and financial reporting problem, it creates significant risks of fraud or other financial non-compliance.

The reasons for funds staying open longer than necessary are numerous, but can be boiled down to one basic statement: there is little to no incentive for departments to perform the steps required to close a fund. Before a fund can be closed, all remaining accounting entries – appropriations, encumbrances, receivables, liabilities – must be zeroed out, any remaining cash must be spent or transferred out, and interest accrual must be stopped so the fund does not regenerate a balance. Because the end result of this process is removing the fund from the City's centralized financial reporting, this process represents a great deal of work for very little benefit from the departmental point of view.

A. Idle Funds

In March 2018, this Office provided a first analysis of fund inactivity. In that analysis, we identified 123 funds with a total cash balance of more than $28 million which had not seen any expenditure for more than three years as of June 30, 2017. Since that time, nine of the funds have been closed, $823,075 was transferred out to partially repay a 30-year-old Reserve Fund loan, and $377,542 was transferred out of idle funds to be used for other priorities.

In addition to this activity, we have been working with the Offices of the City Clerk and the City Attorney on disposition of inactive Business Improvement District (BID) funds and site-specific assessment funds. This process will take time, and we have added policy language which will assist in avoiding these issues in the future.

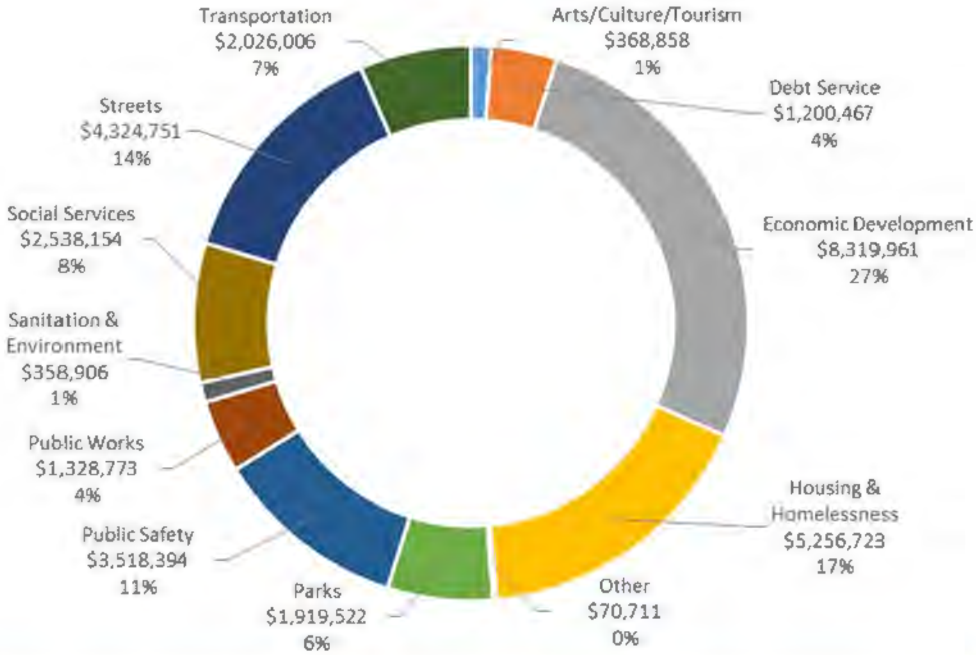
For this report, we have updated this list to be current as of June 30, 2018. The list now contains 188 funds with a total of $31 million. A detailed listing of these funds is provided in Schedule 6. The changes between the March 2018 report and the current list are described in Exhibit 11 below.

EXHIBIT 11
Idle Funds List – Changes from March 2018 Report

Number of Funds	*Cash Balance*	*Description*
123	**$28,217,153**	**Prior Idle Funds Total**
	265,452	Interest Earnings and other Revenue
(9)	0	Funds Closed in 2018
	(823,075)	Paid Reserve Fund Loan; Fund still idle
(4)	(5,704,688)	Activity occurred in 2018; Funds no longer idle
	(377,542)	Cash transferred out of fund; Ready to close
78	9,653,927	Newly Idle Funds
188	**$31,231,228**	**New Idle Funds Total**

There are idle funds in every one of the City's functional categories. As shown in Exhibit 12, Economic Development funds have the greatest total cash balance held in idle funds, with Housing & Homelessness and Streets representing the next two greatest amounts.

EXHIBIT 12
Idle Funds by Function



As in the March report, we have provided recommendations for follow-up on the idle funds based on some general categories. Detailed recommendations are provided by fund in Schedule 6.

EXHIBIT 13
Idle Funds Recommendations

Number of Funds	Cash Balance	Recommendation
89	$27,405,419	Department should identify eligible uses for these funds
53	$2,223,455	Close fund
31	$0	Fund closure in progress
14	$1,341,339	Initiate escheatment process
1	$261,015	Money should be used to repay Reserve Fund loan
188	**$31,231,228**	

In Exhibit 13, the two most common recommendations are “identify eligible uses” and “close fund.” For the 89 funds in the “identify eligible uses” category, departments should review fund documentation and allowable uses and either make spending plans or transfer cash balances out and begin the process of fund closure.

Of special note are the seven Business Improvement District (BID) funds on the idle list. Each of these represent monies left over after these BIDs expired. The Controller’s Office has been working with the offices of the City Clerk and the City Attorney to determine how this money should be handled. Pursuant to State law, these funds can be escheated to the General Fund if the City is unable to return them to the original payees, but further City action is required before this can proceed.

For the 53 funds we recommend closing, we propose a new process whereby the Controller will take the lead in initiating fund closure. Instead of asking the departments to dedicate resources to a process that provides little benefit to them, the Controller will take responsibility for the accounting transactions needed. This will need to be done with departmental approval, but will save department staff time and ensure that the work gets done in a timely manner. In cases where the managing department believes the fund should not be closed, we will request the department to provide a justification and an expenditure plan for any available cash balances. Once all questions are answered and issues are resolved, we will report back to Council on exactly which funds will be closed, how much money will be transferred out, and any other issues that need to be resolved before the funds can be closed.

The Controller will assist departments in closing funds by performing accounting “clean-up” actions in a centralized manner, making this process more efficient.

With this new process, we hope to jointly identify funds that should be closed, and facilitate closure of those in the most efficient way. Over time, as the number of old and idle funds decreases, this process should become less necessary.

Conclusion

The City's fund structure has grown extensive and complicated over many years. The oldest special fund currently active is the Street Lighting Maintenance Assessment Fund, which was established in 1935. The sheer number and wide variation in funds creates difficulties, inefficiencies, and risk, and the lack of annual review and reporting allows these issues to remain unaddressed.

Some of these issues will be relatively easy to address, with simple fixes and improved processes yielding great results. Other pieces will be much more difficult, requiring long-term attention and follow-up, and potentially new management tools.

We believe this report represents a turning point in the management of these funds, allowing specific issues to be addressed, standardizing policies and procedures and streamlining best practices. This cannot be the end though – without periodic review and discussion and continual improvement, problems that were first identified more than ten years ago will still be problems ten years from now. We look forward to working with departments and city leadership to ensure that improvement continues.

Recommendations

That the City Council, subject to the concurrence of the Mayor:

1. Adopt the proposed Special Purpose Fund Management Policy which is included as Attachment A.

2. Instruct all Council-controlled departments and offices, prior to the creation of a new special fund, to complete the New Special Fund Creation Form included as Attachment B and submit the form to the Office of the Controller. The Controller will subsequently review the form and submit recommendations to Council on fund creation and structure.

3. Authorize the Controller to work with departments to identify all actions required to close out idle funds and report back to Council for the necessary authorities to effectuate such action.

4. Request the Controller and instruct the Office of Finance to initiate the escheatment process for unclaimed Special Funds of three years or more, in accordance with the authority of the State Government Code and the City of Los Angeles Administrative Code.

5. Request the Controller and instruct the Office of Finance to begin the escheatment process when unspent funds remain unclaimed for at least six (6) months after the project or program is completed.

6. Instruct the City Clerk, subject to the approval of the City Attorney as to form and legality, to prepare relevant ordinances to disestablish inactive Business Improvement Districts and their associated funds in accordance with State Law.

7. Request the Controller and instruct all Council-controlled departments and offices to report on ways to reduce the overall number of funds combining similar funds into a single funds where possible.

ATTACHMENTS AND SCHEDULES

Attachments

Attachment A: Special Purpose Funds Policy

Attachment B: New Special Fund Creation Form

Schedules

Schedule 1: General Governmental Funds

Schedule 2: Special Purpose Revenue Funds

Schedule 3: Proprietary Department Funds

Schedule 4: Pension and Retirement Funds

Schedule 5: Special Purpose Funds Expending Less than 50 percent of Cash Resources in Fiscal Year 2018

Schedule 6: Idle Funds

Schedule 7: On- Budget Funds – Budget, Revenue, and Expenditures by Budgetary Schedule and Fund

Schedule 8: Service Contract Encumbrances

Schedule 9: Special Fund Appropriations for General Fund Reimbursements Prior to 2017

ATTACHMENT A

SPECIAL PURPOSE FUNDS MANAGEMENT POLICY

OBJECTIVE

- The purpose of the City's Special Purpose Funds Management Policy is to establish guidelines for administration and implementation of the City's Special Purpose Funds. This policy is intended to be included as part of the City's existing Financial Policies.

ESTABLISHMENT OF NEW SPECIAL FUNDS

I. DEPARTMENTAL SPECIAL FUND CREATION FORM

Departments shall complete and submit a Departmental Special Fund Creation Form (Attachment B) to the Controller's Office prior to submitting a report to the City Council requesting authority to open a new special fund. This shall allow the Controller an opportunity to review the need to create a new fund as well as to document the structure of the proposed new fund. Departments shall address the following areas in the Departmental Special Fund Creation Form:

A. Identification of the specific revenue source
B. Fund purpose and eligible uses
C. Estimated annual revenues and expenditures
D. Impact to the General Fund
E. How unspent funds should be used once the original purpose is completed
F. Justification for the creation of a new fund
G. Contact information for future inquiries about the fund

II. SUNSET CLAUSE

All newly created funds will automatically include a sunset clause. Depending on the purpose of the fund, with deviations requiring Mayor and Council approval at the time the fund is approved, the sunset periods should be as follows:

New Funds

A. Operation and maintenance activities – 5 years
B. Debt Service Funds – Transaction end date plus 1 year
C. Grants, Capital Projects – later of 5 years or project end date plus 1 year

BUDGETARY POLICIES

I. Funds with multi-year operating costs shall forecast revenues and expenditures over at least a five year period. This multi-year operating cost projection shall be prepared and updated by departments each year. This forecast shall be submitted annually to the Controller and the City Administrative Officer and considered as part of the budget process for the next fiscal year.

II. Reserve Fund loans made pursuant to Charter Section 261(i) shall be repaid as soon as possible but no later than one year from the date of the loan. Reimbursements to other funds for salaries and related costs shall be processed within one-year of incurring the costs.

SPECIAL FUNDS APPROPRIATIONS

I. Departments should review open appropriations on an annual basis to determine whether they are still needed, and eliminate those that are no longer necessary. Appropriations within special funds will expire after the sunset date specified upon fund creation unless the sunset date is modified.

SPECIAL FUNDS ENCUMBRANCES

I. Any encumbered special funds that remain unspent according to the following sunset clause dates shall be reverted to the funding source:

<u>Encumbrance Sunset Clause</u>

A. Capital Projects – encumbrance date plus 5 years
B. All Others – encumbrance date plus 3 years

II. The City Controller and the CAO will provide departments with the list of encumbrances subject to automatic disencumbrance on an annual basis, and requests for exceptions will be submitted to the City Council for review and approval.

III. The City Controller, the City Attorney and the CAO are authorized to implement this Policy and to ensure funds are used in a timely manner by departments. If necessary, legal opinions by the City Attorney on the use of funds and accounting instructions by the Controller's Office shall be prepared for Mayor and City Council approval.

UNSPENT SPECIAL FUNDS

I. Upon completion or abandonment of the purpose for which a fund was created, the department shall close out all open accounting entries within one year, including encumbrances, non-cash assets, and liabilities, and notify the Office of Finance to cease interest earnings allocation to the fund if applicable. The disposition of unspent special funds shall be dictated by the following, in order of precedence:

A. Grant or other agreements relating to the original source of funds
B. City administrative code sections or other Council actions dictating disposition of funds

C. Fund usage information maintained by the Controller
D. Pursuant to Charter Section 344, any funds remaining after review of the above shall be transferred to the Reserve Fund.

II. When a fund reaches the sunset date specified upon its creation and the date has not been subsequently modified by Council action, the Controller shall be authorized to close any encumbrances or other open accounting entries, notify the Office of Finance to cease interest earnings allocation to the fund, and provide a report to City Council detailing any additional actions needed to close the fund and transfer any remaining cash balance to the Reserve Fund.

III. If unspent funds are legally required to be returned to their original owner if not used, such repayment must be made within six (6) months of the determination being made.

IV. If the rightful owner of unspent funds cannot be identified, departments shall begin the escheatment process pursuant to California Government Code Section 50050-50055 where applicable.

MONITORING AND REPORTING

I. The City Controller is responsible for monitoring and reporting on all Special Purpose Funds and reporting such funds to the Mayor and City Council. In this capacity, the City Controller shall issue at least one status report on Special Funds to the Mayor and City Council during each fiscal year. The Special Purpose Funds report shall include summarized reports of financial activity for each fund, a list of funds with no activity, and information on new funds created during the previous fiscal year.

II. The City Controller shall maintain a report showing all City funds, creation authority, sunset date, authorized uses, financial information, and other applicable fund information, and ensure that this report is easily accessible to both City staff and the general public.

ATTACHMENT B

DEPARTMENTAL SPECIAL FUND CREATION FORM

Requesting Department:	Department No:	Administering Department:
Contact Name and Title:		
Phone:	Email:	
Fund Name:		
Council District (s):		
Source of Funds:		
Fund Purpose and Eligible Uses (be as complete as possible, and include any specific restrictions or exclusions):		
Estimated Revenues and Expenditures (included time frames, e.g. annually, one-time):		
General Fund Impact (e.g. salary and overhead reimbursement, loans, subsidies) -- include estimates:		
How are unspent funds to be used after the original purpose is complete (if applicable):		
Justification -- Why is a new special fund needed?		

Approved by Controller	Name	Title	Date
______________________________			

SCHEDULE 1

GENERAL GOVERNMENTAL FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
100 - General Fund - General Budget	Other	General	To account for municipal activities not authorized or covered by special funds.	$459,459,150	$6,956,763,727	$6,838,538,744	-$116,590,756	$461,093,377	Yes
101 - Reserve	Other	General	Funding for unanticipated expenditures and revenue shortfalls in the General Fund.	$261,527,761	$2,123,110	$99,571,021	$111,771,852	$275,851,702	No
102 - Budget Stabilization	Other	General	Records over budget savings when revenues are strong to protect services during revenue downturns	$94,739,387	$1,703,599	$0	$0	$96,442,986	No
121 - 2008 TRAN Proceeds	Other	City Administrative Officer	For the purposes of depositing and disbursing the sale of note proceeds for each TRAN issuance.	$14,600,000	$1,485,713,430	$1,485,711,440	-$14,601,990	$0	Yes
P15 - TRAN Debt Service	Debt Service	City Administrative Officer	For receiving and disbursing monies required for repayment of Tax and Revenue Anticipation Notes	$0	$1,499,999,911	$1,499,999,911	$0	$0	No
5 FUNDS			**TOTAL**	**$830,326,298**	**$9,946,303,777**	**$9,923,821,116**	**-$19,420,895**	**$833,388,065**	

SCHEDULE 2

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
105 - Innovation	Economic Development	City Administrative Officer	Funds loans for projects to improve the quality, efficiency & effectiveness of City services; accounts for gifts	$1,225,696	$1,012,979	$542,318	-$25,000	$1,671,357	29
10A - Housing and Community Investment Department General Fund Program	Housing & Homelessness	Housing and Community Investment	To record receipts and disbursements of City General Purpose Funds that are intended to fund various programs and activities	$5,125,695	$18,439,666	$13,151,672	$0	$10,413,690	No
10B - Gang Injunction Curfew Settlement	Public Safety	Economic and Workforce Development	To track receipts and disbursements related to the Gang Injunction Curfew Settlement Agreement funded by the City General Fund	$1,910,000	$2,739,536	$707,669	-$111,922	$3,829,945	No
10C - LA Regional Initiative for Social Enterprise - City General Fund Homeless Program	Housing & Homelessness	Economic and Workforce Development	To track receipts and disbursements related to the Los Angeles Regional Initiative for Social Enterprise funded by the General City Purpose Fund	$1,024,025	$2,016,361	$1,609,676	$0	$1,430,710	No
10D - Accessible Housing	Housing & Homelessness	Housing and Community Investment	To track receipts and disbursements related to the implementation of Accessible Housing Program to carry out the requirements of Settlement Agreement of US District Court Case CV12-0551.	$1,356,285	$11,055,114	$3,111,015	$221,094	$9,521,478	No
154 - GO Bonds Election 1989 Branch Library Facilities Construction	Arts/Culture/Tourism	Engineering	Receive and disburse monies from GO Bonds to pay for costs associated with the Branch Library Facilities Projects	$1,071	$12	$0	$0	$1,083	No
155 - GO Bonds Election 1989 Police Facilities Construction	Public Safety	Engineering	Receive and disburse monies from GO Bonds to pay for costs associated with the Police Facilities Projects	$74,340	$805	$0	$0	$75,145	No
156 - GO Bonds Election 1989 Fire Safety Improvements Construction	Public Safety	Engineering	Receive and disburse monies from GO Bonds to pay for costs associated with the Fire Safety Improvement Projects	$191,838	$2,077	$0	$0	$193,916	No
15A - GO Bonds Series 2000A Library Facilities Construction	Arts/Culture/Tourism	Engineering	General Obligation Bond financing for costs associated with the Branch Library Facilities Projects	$758,284	$723	$715,233	$0	$43,775	No
15E - GO Bonds Series 2001A Library Facilities Construction	Arts/Culture/Tourism	Engineering	Sale of bonds for Branch Library Facilities Projects	$1,131,270	$8,852	$324,429	$0	$815,694	No
15F - GO Bonds Series 2001A Zoo Improvement Projects Construction	Parks	Engineering	Sale of bonds for Zoo improvement projects	$431,305	$3,375	$123,691	$0	$310,989	No
15G - GO Bonds Series 2001A Animal Shelter Facilities Construction	Social Services	Engineering	Sale of bonds for Animal shelter facilities	$316,892	$2,460	$94,728	$0	$224,624	No
15H - GO Bonds Series 2001A Fire/Paramedic Emergency Helicopter Facilities Construction	Public Safety	Engineering	Fire/Paramedic emergency helicopter facilities	$4,689,271	$36,599	$1,374,543	$0	$3,351,327	No
15K - GO Bonds Series 2002A Zoo Improvement Projects Construction	Parks	Engineering	Sale of bonds for Zoo improvement projects	$1,689,678	$18,295	$0	$0	$1,707,972	No
15L - GO Bonds Series 2002A Animal Shelter Facilities Construction	Social Services	Engineering	Sale of bonds for Animal Shelter Facilities	$644,972	$6,983	$1,253	-$11	$650,691	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
15M - GO Bonds Series 2002A Fire/Paramedic Emergency Helicopter Facilities Construction	Public Safety	Engineering	Sale of bonds for Fire/Paramedic Projects	$846,294	$9,163	$0	$0	$855,457	No
15N - GO Bonds Series 2002A 911-Police-Fire-Paramedic Projects Construction	Public Safety	Engineering	Sale of bonds for 911-Police-Fire-Paramedic Projects	$701,926	$5,913	$0	-$231,724	$476,115	No
15S - GO Bonds Series 2003A Animal Shelter Facilities Construction	Social Services	Engineering	Sale of bonds for Animal Shelter Facilities	$4,858,420	$51,934	$76,875	-$28,357	$4,805,123	No
15T - GO Bonds Series 2003A Fire/Paramedic Emergency Helicopter Facilities Construction	Public Safety	Engineering	Sale of bonds for Fire/Paramedic Emergency Helicopter Projects	$17,052,603	$184,631	$397	$0	$17,236,837	No
15U - GO Bonds Series 2003A 911-Police-Fire-Paramedic Projects Construction	Public Safety	Engineering	Sale of bonds for 911-Fire-Paramedic Facilities Project	$2,394,005	$20,298	$1,042,705	-$109,672	$1,261,927	No
163 - GO Bonds Series 1991A Fire Safety Improvement Projects Construction	Public Safety	City Administrative Officer	For the purpose of receiving and disbursing bond proceeds	$134,267	$1,454	$0	$0	$135,721	No
168 - GO Bonds Series 1992A Police Facilities Construction	Public Safety	Engineering	Receive and disburse monies from GO Bonds to pay for costs associated with the Police Facilities Projects	$367,857	$3,983	$0	$0	$371,840	No
16A - GO Bonds Series 2004A 911-Police-Fire-Paramedic Projects Construction	Public Works	Engineering	Sale of bonds for 911-Police-Fire Paramedic Facilities Projects	$8,252,857	$80,783	$2,002,145	-$744,733	$5,586,763	No
16D - GO Bonds Series 2005A Fire/Paramedic Emergency Helicopter Facilities Construction	Public Safety	Engineering	Sale of bonds for the construction of Fire/Paramedic, Emergency Helicopter Facilities Projects	$20,992,075	$226,016	$280,731	-$59,081	$20,878,279	No
16F - GO Bonds Series 2005A Clean Water Projects Construction	Sanitation & Environment	Engineering	Sale of bonds for the purposes of implementing clean water, ocean, river, beach, bay, storm water clean-up projects	$134,021	$1,091	$0	-$43,513	$91,600	No
16H - GO Bonds Series 2005B Excess Earnings	Debt Service	Office of Finance	To hold money that the Treasurer finds to be earnings in excess of the yield on the Bonds	$0	$0	$0	$0	$0	No
16J - GO Bonds Series 2006A Fire/Paramedic Emergency Helicopter Facilities Construction	Public Safety	Engineering	Sale of bonds for the Construction of Fire/Paramedic, Emergency Helicopter Facilities Projects	$23,532,064	$236,509	$7,361,157	$653,828	$17,061,244	No
16K - GO Bonds Series 2006A Animal Shelter Facilities Construction	Social Services	Engineering	Sale of bonds for Construction of Animal Shelter Facilities	$9,966,012	$96,154	$4,283,211	$437,943	$6,216,898	No
16L - GO Bonds Series 2006A 911-Police-Fire-Paramedic Projects Construction	Public Safety	Engineering	Sale of bonds for the completion of 911-Police-Fire-Paramedic Projects	$923,941	$7,355	$397,588	-$7,011	$526,697	No
16M - GO Bonds Series 2006A Clean Water Projects Construction	Sanitation & Environment	Engineering	Sale of bonds for the purposes of implementing clean water, ocean, river, beach, bay, storm water clean-up projects	$183,755	$1,254	$10,356	-$80,487	$94,166	No
16P - GO Bonds Series 2006A Excess Earnings	Debt Service	Office of Finance	To hold money that the Treasurer finds to be earnings in excess of the yield on the Bonds	$0	$0	$0	$0	$0	No
16Q - GO Bonds Series 2008A Clean Water Projects Construction	Sanitation & Environment	Engineering	Sale of bonds for the purposes of implementing clean water, ocean, river, beach, bay, storm water clean-up projects	$7,654,020	$86,082	$2,212,522	-$341,825	$5,185,754	No
16S - GO Bonds Series 2008A Excess Earnings	Debt Service	Office of Finance	To hold money that the Treasurer finds to be earnings in excess of the yield on the Bonds	$0	$0	$0	$0	$0	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
16T - GO Bonds Series 2009 Clean Water Projects Construction	Sanitation & Environment	Engineering	Sale of bonds for the purposes of implementing clean water, ocean, river, beach, bay, storm water clean-up projects	$46,056,098	$2,289,774	$18,889,198	-$44,993	$29,411,681	No
16U - GO Bonds Series 2009 Excess Earnings	Debt Service	Office of Finance	To hold money that the Treasurer finds to be earnings in excess of the yield on the Bonds	$0	$0	$0	$0	$0	No
16V - GO Bonds Series 2011A Clean Water Projects Construction	Sanitation & Environment	Engineering	Sale of bonds for the purposes of implementing clean water, ocean, river, beach, bay, storm water clean-up projects	$60,095,497	$602,885	$6,453,415	-$346,843	$53,898,124	No
16W - GO Bonds Series 2011A Excess Earnings	Debt Service	Office of Finance	To hold money that the Treasurer finds to be earnings in excess of the yield on the Bonds	$0	$0	$0	$0	$0	No
16X - GO Bonds Series 2011B Excess Earnings	Debt Service	Office of Finance	To hold money that the Treasurer finds to be earnings in excess of the yield on the Bonds	$0	$0	$0	$0	$0	No
16Y - GO Bonds Series 2012A Excess Earnings	Debt Service	Office of Finance	To hold money that the Treasurer finds to be earnings in excess of the yield on the Bonds	$0	$0	$0	$0	$0	No
172 - GO Bonds Series 1993A Fire Safety Improvement Projects Construction	Public Safety	Engineering	Fire Safety Improvement Projects	$188,946	$2,046	$0	$0	$190,992	No
173 - GO Bonds Series 1993A Police Facilities Construction	Public Safety	Engineering	Construction of Police Facilities	$295,107	$3,195	$0	$0	$298,302	No
17A - GO Bonds Series 2017A (Taxable) Proposition HHH Construction	Housing & Homelessness	City Administrative Officer	Prop HHH Projects	$0	$87,267,884	$4,512,513	$0	$82,755,370	No
17B - GO Bonds Refunding Series 2017B (Tax-Exempt) Excess Earnings	Debt Service	Office of Finance	To hold money that the Treasurer finds to be earnings in excess of the yield on the Bonds	$0	$0	$0	$0	$0	No
17C - GO Bonds Series 2018A (Taxable) Proposition HHH Construction	Housing & Homelessness	City Administrative Officer	Sale of bonds for Proposition HHH Projects	$0	$0	$0	$0	$0	No
17D - GO Bonds Refunding Series 2018B (Tax-Exempt) Excess Earnings	Debt Service	Office of Finance	To hold money that the Treasurer finds to be earnings in excess of the yield on the Bonds	$0	$0	$0	$0	$0	No
183 - GO Bonds Series 1994A Police Facilities Construction	Public Safety	Engineering	Construction of Police Facilities	$202,817	$2,196	$0	$0	$205,013	No
186 - GO Bonds Series 1995A Police Facilities Construction	Public Safety	Engineering	Construction of Police Facilities	$151,055	$1,635	$0	$0	$152,690	No
198 - GO Bonds Series 1999B Branch Library Facilities Construction	Arts/Culture/Tourism	Engineering	Construction of branch library facilities	$568,879	$1,042	$488,846	$0	$81,075	No
205 - Recreation and Parks Grant	Parks	Recreation and Parks	Track various grant receivables for the Department of Recreation and Parks	$83,105,529	$21,794,442	$25,870,250	$102,180	$79,131,901	No
206 - Special Gas Tax Street Improvement	Streets	Street Services	Finance street improvements within the public right-of-way	$12,652,248	$97,008,138	$97,237,631	-$252,992	$12,169,764	5
207 - Local Transportation	Transportation	Transportation	Receive apportionments from the Transportation Development Act Article 3 funds for bicycle and pedestrian facilities	$3,625,812	$8,529,793	$4,383,290	-$641	$7,771,673	34
208 - Sewer Construction and Maintenance	Public Works	Sanitation	Receive funds for the Sewer Construction and Maintenance funds group	$31,602,358	$679,548,790	$613,652,432	$40,938	$97,539,654	14
209 - Recreation and Parks Sites and Facilities	Parks	Recreation and Parks	Acquisition and development of park and recreational sites and facilities	$14,237,000	$3,977,800	$254,148	-$200	$17,960,452	15
212 - Equestrian Facilities Trust	Parks	Recreation and Parks	Acquisition, construction of new equestrian facilities and maintenance of bridle trails on public properties identified by the City Engineer.	$850,357	$31,800	$0	$0	$882,156	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
214 - Vacated Fire Department Facilities	Other	Engineering	For construction or replacement of capital improvements related to Fire Department facilities	$175,851	$0	$100,000	$100,000	$175,851	No
240 - Housing Production Revolving	Housing & Homelessness	Housing and Community Investment	Used for housing rehabilitation and community development for low and moderate income.	$9,063,999	$1,435,569	$583,161	-$4,438	$9,911,968	29
26A - MICLA Series 2006A Police Facility Construction	Public Safety	Engineering	Sale of bonds for the construction of a new Police Headquarters facility	$5,007	$0	$0	-$5,007	$0	No
26G - MICLA Revenue Bonds Series 2009D Construction	Public Works	Controller's Office	For the purpose of receiving and expending monies from the MICLA Series 2009-D Bonds	$2,272,525	$31,707	$1,507,117	-$136,573	$660,543	No
26J - MICLA Revenue Bonds Series 2010B Acquisition	Economic Development	Controller's Office	For the purpose of receiving and expending money from the sale of the MICLA series 2010-B Bonds	$859,481	$13,711	$0	$0	$873,192	No
26K - MICLA Revenue Bonds Series 2010C Construction	Economic Development	Controller's Office	For the purpose of receiving and expending money from the sale of the MICLA series 2010-C Bonds	$2,481,656	$21,590	$1,980,970	$140,480	$662,756	No
26S - MICLA Taxable Lease Revenue Refunding Bonds Series 2015A	Debt Service	Controller's Office	For recording accounting transactions for the Series 2015-A MICLA to refunding Convention Center bonds	$0	$0	$0	$0	$0	No
26T - MICLA 2016 Streetlights Accounting	Debt Service	City Administrative Officer	For the purpose of recording accounting transactions resulting from MICLA financing	$0	$0	$0	$0	$0	No
26U - MICLA 2016 Streetlights Construction	Streets	City Administrative Officer	For the acquisition and installation of LED and/or high voltage conversion projects	$7,011,207	$33,994	$4,692,842	-$816,147	$1,536,212	No
26V - MICLA Lease Series 2016A (Capital Equipment) Accounting	Debt Service	Controller's Office	For recording accounting transactions for the Series 2016-A MICLA to finance costs of acquisition of capital equipment for City use	$0	$0	$0	$0	$0	No
26W - MICLA Lease Series 2016B (Real Property) Accounting	Debt Service	Controller's Office	For recording accounting transactions for the Series 2016-B MICLA to finance costs of acquisition of capital equipment for City use	$0	$0	$0	$0	$0	No
26X - MICLA Lease Series 2016B (Real Property) Construction	Public Works	City Administrative Officer	For receiving and expending a portion of MICLA 2016-B	$36,070,315	$378,743	$3,926,106	$0	$32,522,951	No
26Y - MICLA 2017 Streetlights Construction	Streets	City Administrative Officer	For the purposes of receiving and expending the new money received from MICLA 2017 Streetlights Financing	$39,228,910	$400,965	$12,555,944	$1,900,001	$28,973,933	29
27A - MICLA Lease Series 2018B (Real Property) Accounting	Debt Service	Controller's Office	For recording accounting transactions for the Series 2018-A MICLA to finance costs of acquisition of capital equipment for City use	$0	$62,866,237	$62,866,237	$0	$0	No
27B - MICLA Lease Series 2018A (Capital Equipment) Accounting	Debt Service	Controller's Office	For recording accounting transactions for the Series 2018-B MICLA to finance costs of acquisition of capital equipment for City use	$0	$36,616,532	$36,616,532	$0	$0	No
290 - MICLA AO Series 2002F Acquisition	Public Safety	City Administrative Officer	For the purpose of receiving and disbursing money from the MICLA AO bond financing to pay costs of additional portions of the ECCCS.	$1,707,524	$14,509	$1,104,362	-$43,648	$574,022	No
298 - MICLA Lease Revenue Commercial Paper Notes	Other	City Administrative Officer	For the purpose of receiving and disbursing note proceeds	$12,530,548	$4,589,703	-$8,630,382	-$1,125,563	$24,625,070	No
299 - ARRA MICLA Commercial Paper Notes	Transportation	City Administrative Officer	For the purpose of receiving and disbursing note proceeds	$143,370	$0	$0	-$143,370	$0	No
29A - MICLA Lease Revenue Commercial Paper Notes, Tax-Exempt A-1	Arts/Culture/Tourism	City Administrative Officer	For the purpose of receiving and disbursing Convention Center Tax-Exempt Note proceeds	$0	$0	$0	$0	$0	No
29B - MICLA Lease Revenue Commercial Paper Notes, Tax-Exempt B-1	Arts/Culture/Tourism	City Administrative Officer	For the purpose of receiving and disbursing Convention Center Taxable Note proceeds	$452,758	$4,147,940	$4,092,014	$88,197	$596,880	No
300 - Library	Arts/Culture/Tourism	Library	Financial support of the Library	$29,813,071	$170,057,790	$171,214,437	-$2,014,065	$26,642,359	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
301 - Municipal Sports Account	Arts/Culture/Tourism	Recreation and Parks	Support adult sports, including establishing tournaments, and funding other sporting supplies	$27,748,654	$28,924,419	$27,352,581	$11,233	$29,331,725	No
302 - Recreation and Parks	Parks	Recreation and Parks	Establish, construct, maintain, operate and control all parks, recreational facilities, museums, observatories, sports center, land, water and facilities in the City.	$262,479,260	$284,346,514	$261,783,212	$28,660	$285,071,221	No
303 - Industrial/Commercial Revolving Loan Fund	Economic Development	Mayor's Office	Job training	$2,440,278	$32,915	$0	$0	$2,473,193	No
304 - Sidewalk and Tree Maintenance Assessment	Public Works	Street Services	To assess and perform sidewalk maintenance (cleaning) and landscaping maintenance	$2,193,556	$142,977	$114,678	-$267,420	$1,954,436	No
305 - Subventions and Grants	Economic Development	Board of Public Works	For Deposits received from Grants, Special Events, Constituents, and Projects.	$39,267,246	$9,951,469	$8,081,699	$1,555,501	$42,692,517	No
306 - Traffic Safety	Public Safety	Street Services	To fund traffic safety and street capital improvement projects	$0	$3,298,298	$3,298,298	$0	$0	4
307 - Rental Housing Production	Housing & Homelessness	Housing and Community Investment	For the development of low and moderate income rental housing.	$1,324,380	$67,127	$0	$0	$1,391,507	No
311 - Fifth Year Economic Planning Grant	Economic Development	Mayor's Office	To plan, refine, expand and implement various programs to increase private employment and investment	$43,564	$0	$0	-$43,564	$0	No
329 - Funded Improvement Revolving	Public Works	Engineering	To finance completion of improvements in areas in the FFunded Improvement classification. A separate Funded Improvement Account shall be established for each zone change area placed in the F Funded Improvement Classification	$296	$0	$0	$0	$296	No
335 - Fire Department Grant	Public Safety	Fire	Fire Department will incur expenses and make payments from this fund	$3,287,451	$1,789,512	$2,442,347	-$20,441	$2,614,176	No
336 - Fire Hydrant Installation and Main Replacement	Public Safety	Fire	For fire hydrant installation and upgrades, water main replacement	$2,655,464	$35,820	$62,085	$0	$2,629,199	No
337 - Cultural Affairs Grant	Arts/Culture/Tourism	Cultural Affairs	To accept all grant monies received by outside agencies, as well as City matching funds.	$665,669	$194,390	$366,275	$0	$493,784	No
339 - Police Department Grant	Public Safety	Police	For the receipt and expenditure of Grants-in-Aid to the Police Department from the Federal Government.	$2,941,020	$14,416,552	$16,342,296	$4,826,469	$5,841,746	No
342 - Telecommunications Liquidated Damages and Lost Franchise Fees	Other	Information Technology Agency	For public, educational and government access programming and other telecommunications in the City	$35,882,260	$18,237,118	$17,729,543	-$266,908	$36,122,927	20
346 - Repair and Demolition	public Works	Building and Safety	To repair or demolish nuisance, blighted or substandard buildings or structures	$1,639,384	$622,225	$800,185	$46,186	$1,507,611	29
347 - Street Lighting Maintenance Assessment	Streets	Street Lighting	Finance street lighting maintenance or improvements in or along public streets, alleys and other public places in the City.	$17,709,391	$54,940,841	$69,226,767	$27	$3,423,493	19
356 - Urban Development Action Grant Revenue	Economic Development	Economic and Workforce Development	Process transactions and monitor fund balances	$2,625,244	$35,507	-$3,837	$0	$2,664,588	No
358 - Neighborhood Facility Match CRA Contract	Economic Development	Economic and Workforce Development	To issue loans and grants to Council approved Neighborhood Facilities Projects	$713	$10	$0	$0	$723	No
361 - 1979 Criminal Justice Mini-Block Plan	Public Safety	Mayor's Office	Acceptance of the Mini-Block Grant to fund various programs administered by the City	$5,949	$0	$0	-$5,949	$0	No
363 - Special Parking Revenue	Transportation	Transportation	Parking lot construction, purchase and maintenance; parking meter purchase and maintenance.	$38,078,311	$82,896,717	$50,796,645	-$32,813,915	$37,364,467	11

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
364 - Major City Planning Grant	Public Safety	Mayor's Office	Development of a Criminal Justice Plan and coordination efforts with Region and State California Council on Criminal Justice	$226,719	$0	$0	$0	$226,719	No
368 - City Attorney Grants	Other	City Attorney	Tracks grant funds from various sources to support the activities and programs of the City Attorney	$447,606	$5,561,994	$5,522,002	$92,997	$580,595	No
385 - Proposition A Local Transit	Transportation	Transportation	Requires that Local Return Funds be used exclusively to benefit public transit, relating to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs.	$273,023,976	$149,266,971	$183,413,979	-$277,437	$238,599,532	26
392 - Emergency Operations	Public Safety	Emergency Management	To fund programs as approved by the Chairman of the Emergency Operations Board	$477,437	$903,024	$721,200	$350	$659,611	Yes
393 - Oil Environmental Impact Statement Critique	Economic Development	Mayor's Office	To enter into study project agreements exploring oil development on the outer continental shelf	$6,413	$0	$0	$0	$6,413	No
395 - Area Plan for the Aging Title 7	Social Services	Aging	To provide senior and family caregiver services and programs in the City of Los Angeles	$7,354,545	$14,205,875	$16,458,196	$72,428	$5,174,652	No
396 - Project Heavy - San Fernando Valley	Social Services	Mayor's Office	To fund Project HEAVY to divert young offenders away from the Criminal Justice System	$11,129	$0	$0	$0	$11,129	No
397 - Office of Small Business Assistance Grant	Economic Development	Mayor's Office	Implementation of a City Minority Enterprise program	$82,965	$0	$0	-$82,965	$0	No
398 - Project Heavy - Central City	Social Services	Mayor's Office	To fund Project HEAVY to divert young offenders away from the Criminal Justice System	$40,092	$0	$0	-$40,092	$0	No
403 - Project Heavy - West LA	Social Services	Mayor's Office	To fund Project HEAVY to divert young offenders away from the Criminal Justice System	$5,506	$0	$0	$0	$5,506	No
404 - Produce-Flower Market Economic Development Administration Title IX	Economic Development	Mayor's Office	To prevent economic loss to the Central Business District area of the City	$13,419	$0	$0	-$13,419	$0	No
40B - Local Law Enforcement Block Grant	Public Safety	Mayor's Office	Record disbursements of the grant award from the Department of Justice Local Law Enforcement Block Grant	$2,845,967	$0	$2,845,967	$2,845,967	$2,845,967	No
40C - State One-Stop	Economic Development	City Clerk	Retention and disbursement of business registration fees collected from the garment industry	$2,621	$35	$0	$0	$2,655	No
40E - Zoo Enterprise	Parks	Zoo	All revenues from the operations of and appropriations to the Zoo for the management of the Zoo	$6,468,802	$24,344,054	$22,915,453	-$4,340	$7,893,063	44
40F - Community Based Services Program AB2800	Social Services	Aging	Assist seniors and functionally impaired adults to live independently in their community	$261,015	$0	$0	$0	$261,015	No
40J - Fire Department Special Training	Public Safety	Fire	Retention and disbursement of monies from rentals, grants and other special fees collected	$2,582,458	$2,209,156	$1,009,937	$2,998	$3,784,676	No
40K - Fire Department Revolving Training	Public Safety	Fire	Disbursement of funds from CA Firefighter Joint Apprenticeship Committee reimbursement grants	$962,171	$808,715	$481,351	$568	$1,290,104	No
40L - LA Bridges Grant	Public Works	Economic and Workforce Development	Disbursement of grant funds from the Local Law Enforcement Block Grant for L.A. Bridges program	$17,172	$231	$0	$0	$17,403	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
40Q - Downtown Center BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$812,666	$6,447,910	$6,521,352	-$270	$738,955	No
40R - Century Corridor BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$161,400	$983,713	$946,306	$0	$198,806	No
40S - Figueroa Corridor BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$186,036	$1,510,889	$1,480,830	$0	$216,094	No
40T - Larchmont Village BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$15,592	$135,230	$131,676	$0	$19,146	No
40X - Los Feliz Village BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$19,495	$100,619	$57,609	$25	$62,529	No
410 - Other Programs for the Aging	Social Services	Aging	To fund the Senior Community Employment Training Program (Also known as Title V)	$675,556	$1,739,321	$1,693,812	$0	$721,065	No
417 - Motion Picture Coordination	Arts/Culture/Tourism	General Services	Reimburse GSD security overtime and Project Restore use fees for movie productions	$4,056	$30,308	$27,908	$0	$6,456	No
418 - Improvement Assessment Revolving	Streets	Street Lighting	For street improvement assessments-warrant purchases, diagrams, progress payments to contractors	$500,000	$583,060	$580,994	-$2,066	$500,000	No
419 - Library Service	Arts/Culture/Tourism	Library	Depository of all federal and state grants issued by the State Library of California	$61,597	$172,652	$194,669	-$971	$38,609	No
41A - Street Damage Restoration Fee	Streets	Street Services	To receive money collected pursuant to the Street Damage Restoration Fee Ordinance for street repair	$1,499,721	$7,403,253	$10,931,761	$2,600,000	$571,214	47
41C - Electronic Animal Identification Device	Social Services	Animal Services	For the implantation of animal electronic identification devices, or microchips	$144	$3	$0	$0	$147	No
41D - Hollywood Problem Solving Partnership	Public Safety	Mayor's Office	To assist law enforcement and local community entities to analyze and identify responses to crime	$1,828	$0	$0	$0	$1,828	No
41F - Welfare to Work	Economic Development	Economic and Workforce Development	For disbursement of the Federal Welfare to Work Act Program	$170,679	$2,302	$0	$0	$172,981	No
41H - First Responder Grant	Public Safety	Mayor's Office	For the development of the First Responder Training Program	$26,866	$0	$0	$0	$26,866	No
41J - Local Coastal Program Grant	Public Works	Planning	For planning and financial assistance of the Land Use Plan and Local Implementation Plan	$66,907	$0	$0	$0	$66,907	No
41L - Unified Program	Sanitation & Environment	Fire	For the United Hazardous Waste and Hazardous Materials Management Regulatory Program.	$1,350,794	$274,392	$400,388	$757,224	$1,982,022	No
41M - Systematic Code Enforcement Fee	Housing & Homelessness	Housing and Community Investment	To inspect residential rental properties subject to safety and health code compliance	$40,661,707	$41,555,877	$42,058,503	-$448,153	$39,710,929	42
41R - LA Bridges Forfeited Assets	Public Safety	Economic and Workforce Development	For the L.A. Bridges gang intervention program	$27,810	$375	$0	$0	$28,184	29
41S - Tarzana BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$32,074	$43,151	$33,170	$0	$42,055	No
41T - LA Downtown Industrial BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$434,104	$2,204,422	$2,334,088	$0	$304,438	No
41U - Historic Core BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$235,167	$1,884,639	$1,230,033	$0	$889,773	No
41V - Toy District BID	economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$49,839	$672	$0	$0	$50,511	No
41Y - Standards and Training for Corrections	Public Safety	Police	Furtherance of state mandated standards and training of local correctional and probation officers	$387,313	$138,691	$206,454	$0	$319,549	No
420 - Library Education	Arts/Culture/Tourism	Library	Records the settlement from the Public Library Foundation of California	$133,685	$1,803	$0	$0	$135,488	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
424 - Community Development	Housing & Homelessness	Housing and Community Investment	Tracks funds from the Community Development Block Grant for Neighborhood Development	$2,173,223	$64,886,077	$60,748,860	-$4,097,746	$2,212,694	8
428 - Community Services Block Grant	Social Services	Housing and Community Investment	Tracks funds from the Community Services Block Grant for anti-poverty services and programs	$2,071,856	$5,417,263	$6,902,189	-$4,184	$582,747	13
429 - Greater Los Angeles Visitors	Arts/Culture/Tourism	City Administrative Officer	Fund used to budget and pay for annual Los Angeles Tourism and Convention Board services	$6,232,928	$23,011,242	$23,455,210	-$1,903,681	$3,885,280	1
42E - Community Facilities District 3 Cascade Business Park	Debt Service	City Administrative Officer	Receive special tax proceeds levied on non-exempt real property in Community Facilities District 3	$718,021	$592,155	$578,672	$0	$731,504	No
42H - Juvenile Justice and Delinquency Prevention	Social Services	Mayor's Office	Funding for the Juvenile Justice and Delinquency Prevention Program	$54,866	$0	$0	$0	$54,866	No
42J - Senior Human Services Program	Social Services	Aging	To fund the senior services program	$1,882,724	$480,196	$513,965	$13,804	$1,862,758	No
42M - Studio City BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$66,625	$499,708	$335,243	$0	$231,090	No
42N - Canoga Park BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$32,625	$247,074	$150,651	$0	$129,048	No
42P - Reseda BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$5,072	$70	$0	$0	$5,142	No
42R - Jefferson Park BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$45,848	$618	$0	$0	$46,466	No
42S - Granada Hills BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$148,042	$131,754	$242,277	$0	$37,519	No
42U - LA Community Development Bank Section 108 Guarantee	Economic Development	Economic and Workforce Development	Establishment of a fund for the L.A. Community Development Bank within the City's financial system	$131,943	$1,780	$0	$0	$133,723	No
42V - Economic Development Initiative Grant	Economic Development	Economic and Workforce Development	Establishment of a fund for the L.A. Community Development Bank within the City's financial system	$2,831	$38	$0	$0	$2,869	No
42X - Hollywood Media BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$110,011	$1,076,973	$1,185,700	$0	$1,284	No
431 - Comprehensive Employment and Training Act Trust	Economic Development	Economic and Workforce Development	Supplement job training, provide emergency housing assistance for homeless job training participants	$369	$6	$0	$0	$375	No
434 - Venice Area Surplus Real Property	Other	City Council	Construction of Venice Beach Bike Park and Venice Beach LAPD Substation Project	$2,134,078	$0	$50,882	$0	$2,083,196	No
436 - Special Reward	Public Safety	City Clerk	Holds funds for rewards for information leading to the identification and apprehension of criminal suspects	$0	$0	$0	$0	$0	No
437 - Runyon Canyon Acquisition	Public Works	Recreation and Parks	To collect proceeds from the sale of real property located in Mount Olympus Drive and purchase real property located in Runyon Canyon.	$818,535	$11,042	$0	-$825,620	$3,957	No
438 - Construction Services	Public Works	City Administrative Officer	For the design, construction and equipping of the City's One-Stop Permit Center	$365,646	$1,679	-$1,152,746	-$1,520,072	$0	No
43D - Street Furniture Revenue	Streets	Street Services	To provide transit shelters, automatic self-cleaning toilets, newsstands and public amenity kiosks	$7,596,232	$3,256,617	$1,322,292	$0	$9,530,558	No
43E - Chatsworth BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$63,432	$85,543	$144,948	$206	$4,233	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
43F - Community Development Department Section 108 Loan Guarantee	Housing & Homelessness	Economic and Workforce Development	To stimulate economic and housing development in certain impacted areas	$168,817	$2,192	$17,253	$3,077	$156,833	No
43G - Healthy Alternatives to Smoking	Social Services	City Administrative Officer	For acquisition of park land and development of recreational facilities in under-served areas	$1,208,489	$16,301	$0	$0	$1,224,790	No
43J - Sherman Oaks BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$13,970	$121,421	$105,042	$0	$30,349	No
43K - Proposition K Projects	Public Works	City Administrative Officer	Eighty-two percent of Prop K assessments are to be deposited into this fund for capital costs	$103,198,188	$21,611,830	$16,491,688	$2,732,996	$111,051,326	No
43L - Proposition K Maintenance	Public Works	City Administrative Officer	Fifteen percent of Prop K assessments are to be deposited into this fund for maintenance expenses	$13,499,142	$3,869,965	$5,168,195	$70,900	$12,271,811	No
43M - Proposition K Administration	Public Works	City Administrative Officer	Three percent of Prop K assessments are to be deposited into this fund for administrative costs	$4,884,228	$805,029	$560,086	$0	$5,129,171	No
43N - Proposition K Bonds Matching Funds	Public Works	City Administrative Officer	For receipt of money from City and non-City sources that serve as matching money contributions	$280,516	$3,784	$0	$0	$284,300	No
43P - Landscaping District 96-1 Assessment Bonds Series 2000	Public Works	City Administrative Officer	For projects as provided in the Bond indenture or added by the Council public hearing process	$2,745,748	$37,112	$284,144	$0	$2,498,717	No
43S - Bus Bench Advertising Program	Streets	Street Services	To acquire and install advertising-free bus benches in specific portions of the City	$0	$0	$0	$0	$0	No
43U - Street Banners Revenue	Streets	Street Lighting	Receipt, retention & disbursement of all fees paid for street banner install or sales of street banners.	$457,329	$286,472	$364,084	$101	$379,818	29
43W - Warner Center Air Quality	Sanitation & Environment	Planning	To disburse payments pursuant to Section 18 of the Warner Center Specific Plan	$291,336	$3,930	$0	$0	$295,266	No
43Y - Youth Opportunities Grant	Economic Development	Economic and Workforce Development	Provide high-poverty communities within empowerment zones resources to increase long-term employment	$74,589	$1,006	$0	$0	$75,595	No
440 - Rent Stabilization	Housing & Homelessness	Housing and Community Investment	Rent stabilization programs	$14,715,555	$15,231,547	$15,440,094	-$484,999	$14,022,009	23
441 - Furtherance of International Earthquake Conference	Public Safety	City Clerk	To enhance the general understanding and awareness of earthquakes and how to best plan and prepare.	$98,578	$0	$0	$0	$98,578	No
442 - Coral Tree Trimming	Public Works	Street Services	For the trimming of Coral trees along San Vicente Blvd in the Brentwood area	$0	$0	$0	$0	$0	No
443 - Job Training Partnership Act	Social Services	Economic and Workforce Development	Tracks Job Training Partnership Act grants for supporting public-private partnerships for training	$14,939	$202	$0	$0	$15,141	No
444 - Curbside Recycling	Sanitation & Environment	Sanitation	For the Citywide implementation of curbside recycling programs and activities.	$56,052	$756	$55,340	$0	$1,468	No
445 - Senior Transportation 12th District	Transportation	City Clerk	Tracks funds to develop programs for transportation for seniors residing within Council District 12	$0	$0	$0	$0	$0	No
447 - Coastal Transportation Corridor	Transportation	Transportation	Coastal Transportation Services	$16,994,165	$2,691,475	$1,983,376	-$317,629	$17,384,635	29
44A - Workforce Investment Act	Economic Development	Economic and Workforce Development	To provide employment and training opportunities for disadvantage residents of the City	$1,237,426	$16,436	-$39,383	$0	$1,293,244	22
44B - Department of Neighborhood Empowerment	Economic Development	Neighborhood Empowerment	For the deposit and disbursement of funds for department's operations & for neighborhood councils	$661,338	$2,665,713	$2,859,290	$0	$467,761	18

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Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
44C - At Risk Youth Employability Services	Economic Development	Economic and Workforce Development	Provide opportunities for full-time employment through educational and vocational development	$21	$0	$0	$0	$21	No
44D - US Department of Justice Asset Forfeiture	Public Safety	Police	Public Safety	$9,622,980	$1,075,249	$4,279,491	-$36,507	$6,382,231	3
44E - US Treasury Asset Forfeiture	Public Safety	Police	Public Safety	$955,496	$28,489	$166,529	$0	$817,456	3
44F - California State Asset Forfeiture	Public Safety	Police	Public Safety	$1,945,895	$592,029	$581,766	$0	$1,956,158	3
44G - City of Los Angeles Affordable Housing	Housing & Homelessness	Housing and Community Investment	For development and preservation of affordable housing	$37,350,709	$7,071,133	$5,019,915	-$57,399	$39,344,528	6
44H - CalWorks Youth Jobs	Economic Development	Economic and Workforce Development	For CalWorks Youth Program and for the Workforce Development Division in the Economic Workforce Development Department	$180,500	$2,435	$0	$0	$182,935	No
44J - WIlmington Commercial BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$1,659	$54,475	$22,600	$0	$33,534	No
44K - Chinatown BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$258,691	$1,705,467	$1,302,942	$0	$661,216	No
44L - Lincoln Heights Industrial Zone BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$28,588	$71,896	$96,453	$0	$4,032	No
44M - Encino BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$46,225	$120,374	$21,610	$0	$144,989	No
44R - Targeted Destination Ambulance Services	Public Safety	Fire	Enhancing paramedic services in the community	$2,298,040	$748,397	$976,412	$95,337	$2,165,363	No
44S - Landscaping District 96-1 Assessment Bonds Series 2001	Public Works	City Administrative Officer	For projects as provided in the Bond requirements or added by the Council's public hearing process	$1,359,062	$17,667	$471,972	$0	$904,758	No
44T - El Pueblo Cultural Improvement	Arts/Culture/Tourism	El Pueblo	Purchase of equipment and furnishings in support of ongoing cultural enrichment programs	$254,332	$1,931	$0	$0	$256,262	No
44V - LA Bridges Department of Justice Grant	Social Services	Economic and Workforce Development	For youth employment opportunities under Operations Healthy Neighborhoods and L.A. Bridges Program	$12,927	$174	$0	$0	$13,101	29
44Y - Brownfields Training Demonstration Grant	Social Services	Economic and Workforce Development	For workplace development including education, career mobility and workforce productivity	$3,632	$49	$0	$0	$3,681	No
44Z - Traffic Congestion Relief Act	Streets	Street Services	To relieve congestion on freeways and streets by speeding up project delivery time	$3,257,378	$43,939	$0	$0	$3,301,317	No
45B - Vermont/Western Station Neighborhood Area Specific Plan Parks First	Parks	City Administrative Officer	For acquisition and development of parks and open space in the Vermont/Western Station Neighborhood area	$1,766,621	$1,318,546	$62,209	$0	$3,022,958	No
45C - Traffic Safety Education Program	Streets	Housing and Community Investment	Develop and enhance the ability of Community Based Organizations to positively influence traffic safety behaviors in communities	$31,534	$333,591	$284,034	-$46,929	$34,163	29
45D - High Risk/High Need Services Program	Economic Development	Economic and Workforce Development	Funding for the High Risk, High Needs program	$2,066,766	$257,118	$185,035	-$13,732	$2,125,118	No
45E - Green Retrofit Program	Sanitation & Environment	General Services	Purchase and installation of energy efficient measures in City buildings and facilities	$85,435	$1,076	$17,975	$0	$68,536	No
45F - Rewarding Youth Achievement	Social Services	Economic and Workforce Development	Assisting high school students in youth opportunity empowerment zones to enhance college enrollment	$36,072	$486	$0	$0	$36,558	No
45J - Hollywood Entertainment BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$1,377,621	$3,515,786	$4,613,260	$0	$280,146	No

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Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
45K - Highland Park BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$434,140	$437,443	$426,304	$0	$445,279	No
45L - Miscellaneous Sources	Economic Development	Economic and Workforce Development	For advancing job opportunities to the local community including a job training program	$393,322	$465,975	$422,300	$10,339	$447,336	No
45M - Career Criminal Apprehension	Public Safety	Mayor's Office	Funding for the Career Criminal Apprehension Program	$67,764	$914	$0	$0	$68,678	No
45T - Alternative Fuel Program	Sanitation & Environment	Sanitation	Purchase of alternative fuel refuse collection vehicles, infrastructure and training	$12,991,755	$175,247	$0	$0	$13,167,002	No
45V - Intellectual Property	Other	City Clerk	For the purpose of establishing, maintaining and developing the City's Intellectual Property	$1,047,349	$5,751	$1,250	$0	$1,051,850	No
45W - Proposition 12 Per Capita Grant	Parks	Recreation and Parks	For the receipt and disbursement of funds pursuant to CA Proposition 12	$276,419	$3,729	$0	$0	$280,147	No
45X - Juvenile Accountability Incentive Block Grant	Public Safety	Mayor's Office	For juvenile crime prevention, education and job training programs	$103,953	$0	$0	$0	$103,953	No
468 - Porter Ranch Land Use/Transportation Specific Plan	Transportation	Planning	Financing City costs to prepare a Porter Ranch Land Use/ Transportation Specific Plan	$18,795	$0	$0	$0	$18,795	No
46A - Landscaping District 96-1 Assessment Bond Series 2002	Public works	City Administrative Officer	For projects as provided in the Bond requirements or added by the Council public hearing process	$935,804	$11,729	$108,152	$0	$839,380	No
46D - Citywide Recycling	Sanitation & Environment	Sanitation	Pay for commercial and multi-family recycling programs designed to divert refuse from landfills.	$35,993,728	$31,087,141	$30,275,808	$137,421	$36,942,481	32
46F - Off-site Sign Periodic Inspection Fee	Public Works	Building and Safety	The establishment of an off-site sign inspection fee and the carrying out of periodic inspections	$684,445	$16,889	$553,062	$0	$148,271	29
46G - Illegal Dumping Reward Program	Sanitation & Environment	City Clerk	Payment of rewards to persons who have provided information of persons committing illegal dumping	$0	$0	$0	$0	$0	No
46H - Sunset and Vine BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$100,863	$1,498,689	$1,553,402	$0	$46,151	No
46J - Brentwood Village BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$11,706	$74,590	$80,706	$0	$5,591	No
46K - Community Facilities District 4 Playa Vista	Debt Service	City Administrative Officer	For receiving the special tax levied on non-exempt real property in Community Facilities District 4	$4,996,496	$6,734,619	$6,383,327	$0	$5,347,787	No
46L - Proposition 12 Urban Open Space and Recreation Program	Parks	Recreation and Parks	For the administration of Proposition 12 Roberti-Z'Berg - Harris Urban Open Space and Recreation Program	$643,942	$8,686	$0	$0	$652,628	No
46N - LAUSD Outreach Program	Public Works	Mayor's Office	For the administration of a minority contracting outreach program	$0	$0	$0	$0	$0	No
46S - Insurance Premiums	Other	City Administrative Officer	To fund insurance premiums for all insurance coverage purchased by the City	$4,407,439	$4,490,164	$2,976,570	-$1,690,143	$4,230,891	Yes
46T - Attorney Conflict Panel	Other	City Administrative Officer	To pay for private legal counsel to represent the City as needed	$1,954,422	$5,086,217	$3,495,655	$0	$3,544,984	Yes
46V - Ombudsman Initiative Program	Social Services	Aging	Receipt, retention and disbursement of funds from CA Department of Aging for the Ombudsman Initiative Program	$1	$416,594	$412,243	$0	$4,352	No
46W - Little Tokyo BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$55,394	$214,848	$259,828	$3	$10,416	No
46X - CalHome	Housing & Homelessness	Housing and Community Investment	Mortgage assistance for low income home buyers in the City	$776,698	$393,125	$0	$0	$1,169,823	No

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Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
46Y - City Planning Grants	Public Works	Planning	For development of an infill housing methodology and various land use planning activities	$430,564	$1,210,443	$1,159,172	$0	$481,835	No
473 - Computerized Information Center for the Disabled	Social Services	Disability	Computerized Information Center for the Disabled	$70,094	$0	$0	$0	$70,094	No
476 - Crenshaw Loan	Economic Development	Mayor's Office	To provide loan assistance program to independent local business tenants	$146,524	$0	$0	$0	$146,524	No
477 - Drug Abuse Resistance Education	Public Safety	Mayor's Office	To establish a regional training center to provide drug use education training for law enforcement	$2,000	$0	$0	$0	$2,000	No
47A - Byzantine-Latino Quarter BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$11,473	$135,298	$78,035	$0	$68,736	No
47B - Greater Leimert Park Village/Crenshaw Corridor BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$6,786	$246,463	$242,131	$0	$11,118	No
47F - Community Development Department/Economic Development Administration Brownfields Grant	Economic Development	Economic and Workforce Development	Implementation and public financing for the Marlton Square mixed-use development	$0	$0	$0	$0	$0	No
47H - Neighborhood Traffic Management	Transportation	Transportation	Formulation and implementation of neighborhood traffic management plans	$3,010,151	$394,411	$94,631	-$163,153	$3,146,778	No
47M - Century City Neighborhood Traffic Management	Streets	Street Services	Alleviation of existing neighborhood traffic within the Century City North and Century City South	$924,718	$12,474	$0	$0	$937,192	No
47N - Homeland Security Assistance	Public Safety	Mayor's Office	To fund the purchase of homeland security equipment and other necessary expenditures	$1,734,378	$0	$0	$0	$1,734,378	No
47R - Central Los Angeles Recycling and Transfer Station	Sanitation & Environment	Sanitation	To pay for waste transport services contracts and landfill disposal fees	$9,595,011	$9,840,932	$8,479,597	$0	$10,956,346	45
47S - Central Los Angeles Recycling and Transfer Station Community Amenities	Sanitation & Environment	City Clerk	Financing community amenities within the City of L.A. Council District 14	$1,633,755	$793,000	$1,169,804	$0	$1,256,951	No
47T - Proposition 40 Per Capita	Parks	Recreation and Parks	For the acquisition, development and rehabilitation of local park and recreation land and facilities	$507,325	$6,843	$0	$0	$514,168	No
47V - Black Market Cigar Prosecution	Public Safety	City Attorney	For prosecution and investigation of criminal cases related to Black Market cigarettes	$73,288	$6,344	$5,402	$0	$74,229	No
47W - Proposition 40 Clean Water, Clean Air, Safe Neighborhood Parks and Coastal Protection Act	Sanitation & Environment	Economic and Workforce Development	Environmental improvement: clean water, clean air and parks.	$394,370	$5,255	$9,792	$0	$389,833	No
47X - Housing and Urban Development Connections Grant	Housing & Homelessness	Housing and Community Investment	To conduct an 18-month study on the connection of housing and HIV, and related actions	$126	$82,975	$89,466	$6,491	$126	29
47Y - Health Insurance Counseling and Advocacy Program	Social Services	Aging	To fund delivery of the Health Insurance Counseling and Advocacy Program on an annual basis.	$217,751	$639,074	$666,419	-$12,568	$177,837	No
480 - Arts and Cultural Facilities and Services	Arts/Culture/Tourism	Cultural Affairs	To provide publicly accessible works of art, arts and cultural facilities and services	$6,095,091	$22,220,468	$20,906,337	$13,625	$7,422,848	24
484 - Automated Traffic Surveillance and Control	Transportation	Transportation	Accelerate construction of an automated traffic surveillance control system in the Ventura & Victory area	$6,802,930	$4,910,471	$2,597,977	$14,000	$9,129,424	29
486 - Granada Hills - Knollwood District Plan	Transportation	Planning	To finance roadway improvements and transportation study for the Granada Hills-Knollwood District	$47,122	$636	$0	$0	$47,758	No

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Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
488 - Landfill Closure and Post-Closure	Sanitation & Environment	Sanitation	To defray the cost of closure of City landfills and post-closure maintenance.	$8,007,119	$1,042,240	$367,087	$0	$8,682,273	No
489 - Essential Public Utilities Assessment	Public Works	Engineering	To furnish essential public utilities to residential properties	$419,254	$0	$0	$0	$419,254	No
48A - South Park BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$144,192	$2,422,184	$2,376,797	$0	$189,579	No
48C - EPA Underground Storage Tank Fields Grant	Sanitation & Environment	Mayor's Office	To remediate former gas stations located in South and East Los Angeles and Wilmington	$1,470	$0	$0	$0	$1,470	No
48D - Ending Chronic Homelessness	Housing & Homelessness	Economic and Workforce Development	To provide employment services to chronically homeless individuals with mental illness	$15,397	$208	$0	$0	$15,605	No
48E - Griffith Park 2004	Parks	Recreation and Parks	Only for Griffith Park capital improvements	$103,199	$1,392	$0	$0	$104,591	No
48G - Local Housing	Housing & Homelessness	Housing and Community Investment	To fund various housing projects	$134,634	$119,499	$0	$0	$254,133	No
48H - Los Angeles Regional Agency	Sanitation & Environment	Sanitation	Deposit of membership fees from a Joint Power Agreement with other LA County municipalities	$275,283	$140,218	$195,887	$0	$219,615	29
48J - LAUSD Grants	Social Services	Economic and Workforce Development	Implementation of the School Policing Partnership Program and the Educational Clinic Program	$10,699	$144	$0	$0	$10,843	No
48K - Community Technology Centers	Social Services	Economic and Workforce Development	Implementation of the Boyle Heights Community Technology Center Program	$16,492	$222	$0	$0	$16,714	No
48L - Enterprise Zone Tax Credit Voucher Program	Economic Development	Economic and Workforce Development	Receipt, retention and disbursement of service fees related to the Enterprise Zone Tax Credit Voucher Program	$622,067	$8,093	$25,738	$2,697	$607,119	No
48M - Bradley Landfill Community	Sanitation & Environment	City Clerk	To finance health studies and to educate the community on the impact of the Bradley landfill	$380,020	$5,126	$0	$0	$385,146	No
48N - Efficiency Projects and Police Hiring	Public Safety	City Clerk	To finance efficiency projects in Council controlled departments and hiring of police officers	$11,220	$152	$0	$0	$11,372	No
48R - Building and Safety Building Permit Enterprise	Public Works	Building and Safety	To support building permit and new construction related functions.	$239,466,545	$210,979,349	$160,445,410	$8,970,901	$298,971,385	40
48V - Los Angeles World Airports Job Training	Economic Development	Economic and Workforce Development	Administration of the LAX Job Training and First Source Hiring Programs	$428	$7	$0	$0	$435	No
48W - Healthcare Career Ladder Training	Economic Development	Economic and Workforce Development	For Workforce Investment Act training programs	$67,140	$906	$0	$0	$68,046	No
48X - Council District 9 Public Benefits	Public Safety	City Clerk	For the support of police and community activities within Council District 9	$15,396	$1,761,444	$0	$0	$1,776,841	No
492 - Special Fire Safety and Paramedic Communications Equipment	Public Safety	City Administrative Officer	For the purposes of receiving and disbursing special tax funds to pay for lease payments and expenses or costs incurred incident to the authorization, issuance or sale of the bonds.	$77,812	$0	$0	-$202	$77,610	No
49A - Small Business Administration Community Development Department Programs	Public Works	Economic and Workforce Development	Funding for proposed 636 Maple Avenue inter-modal parking structure and staging area for MTA buses	$207	$4	$0	$0	$210	No
49C - Permit Parking Program Revenue	Transportation	Transportation	Implementation, maintenance and enforcement of Vehicle Permitting Programs	$14,240,306	$3,816,404	$2,768,303	-$62,446	$15,225,961	29
49D - BEGIN Grant Program	Housing & Homelessness	Housing and Community Investment	Home purchase and rehabilitation assistance for persons and families of low and moderate income	$456,884	$119,540	$60,000	-$2,753	$513,671	No
49F - Council District 8 Public Benefits	Public Safety	City Clerk	For the support of police and community activities in Council District 8	$569,074	$7,595	$0	$0	$576,669	No

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Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
49H - South Los Angeles Industrial Tract BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$115,802	$756,865	$364,177	$0	$508,490	No
49J - Arts District BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$183,220	$3,793	$0	$0	$187,013	No
49L - East Hollywood BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$289,997	$242,694	$303,241	$0	$229,449	No
49M - Colorado Boulevard Specific Plan	Public Works	Transportation	For parking, transit or pedestrian amenities in the Colorado Boulevard Specific Plan	$71,623	$10,730	$0	$0	$82,353	No
49N - Housing and Community Investment Department Small Grants and Awards	Housing & Homelessness	Housing and Community Investment	For development and expansion of innovative public sector initiatives to preserve affordable rentals	$1,353,262	$443,968	$316,956	-$2,335	$1,477,938	No
49R - North Hollywood Transit BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$199,872	$652,694	$799,124	$0	$53,442	No
49S - Re-entry Employment Options Demonstration Project	Social Services	Economic and Workforce Development	For the re-entry employment options demonstration project and related actions	$56,984	$768	$0	$0	$57,752	No
49W - Sylmar BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$73,014	$985	$0	$0	$73,999	No
49X - Westchester BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$143,397	$325,981	$354,824	$0	$114,554	No
49Y - Capital Projects Bond Reserve	Debt Service	Engineering	Bond Reserve Fund	$212,966	$2,952	$0	$0	$215,918	No
504 - Focused Attack Linking Community Organizations and Neighborhoods (FALCON) Narcotics Abatement Programs	Public Safety	Mayor's Office	Funding for the Focused Attack Linking Community Organizations and Neighborhoods (FALCON) Narcotic Abatement Program	$42,129	$0	$0	-$42,129	$0	No
505 - Special Revenue - Community Redevelopment Agency	Economic Development	Economic and Workforce Development	For the Community Area Revitalization Effort (CARE) and other community development projects	$129,233	$3,182	$0	$0	$132,416	No
508 - Solid Waste Resources	Sanitation & Environment	Sanitation	For the City's solid waste collection, recycling and disposal activities.	$184,088,526	$318,690,318	$342,514,027	$1,485,238	$161,750,054	2
509 - Revenue Certificates of Participation Sanitation Equipment Acquisition	Sanitation & Environment	Sanitation	For the implementation of the City's automated waste collection and recycling programs.	$555,051	$4,704	$529,216	$0	$30,539	No
50B - Council District 11 Public Benefits	Public Safety	City Clerk	For the support of police and community activities in CD 11	$0	$0	$0	$0	$0	No
50C - Council District 6 Public Benefits	Public Safety	City Clerk	For the support of police and community activities in Council District 6	$196,183	$48,095	$0	$0	$244,278	No
50D - Multi-Family Bulky Item Program	Sanitation & Environment	Sanitation	Support activities associated with the Multi-Family Bulky Item Collection Program	$5,348,144	$7,162,527	$8,521,329	$0	$3,989,342	50
50F - Potrero Canyon Trust	Parks	Engineering	Completion of the Potrero Canyon Park Restoration Park	$31,173,916	$3,144,469	$353,668	$0	$33,964,717	No
50J - Proposition 1B Infrastructure Bond	Streets	Street Services	For local public streets, roads and other Proposition 1B eligible activities	$0	$0	$0	$0	$0	No
50K - Gang Reduction and Youth Development	Public Safety	Mayor's Office	For implementation of a Citywide Gang Reduction and Youth Development Zones across the City	$44,227	$0	$0	$0	$44,227	No
50L - Historic Waterfront San Pedro BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$329,514	$1,269,514	$674,548	$0	$924,480	No
50M - Lincoln Heights Business and Community Benefit District	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$1,272,171	$697,726	$537,807	$0	$1,432,090	No
50N - Gang Prevention Coordination	Public Safety	Mayor's Office	For implementation of a Citywide Gang Reduction and Youth Development Zones across the City	$5,300	$0	$0	$0	$5,300	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
50Q - Century City BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$261,073	$1,056,234	$1,261,795	$0	$55,511	No
50R - Council District 10 Public Benefits	Public Safety	City Clerk	For the support of police and community activities in Council District 10	$238,021	$4,067	$0	$0	$242,088	No
50T - Neighborhood Stabilization Program	Housing & Homelessness	Housing and Community Investment	Implementation of the City's Neighborhood Stabilization Program	$1,930,297	$426,117	$1,018,200	$337	$1,338,551	29
50W - 2008 California Gang Reduction and Prevention Program	Public Safety	Mayor's Office	To reduce youth gang involvement in the Boyle Heights and Hollenbeck areas	$18,310	$247	$0	$0	$18,557	No
50Y - Transportation Review Fee	Transportation	Transportation	For the enhancement of development review-related information technology systems	$646,798	$332,434	$273,839	$0	$705,393	No
511 - Stormwater Pollution Abatement	Sanitation & Environment	Sanitation	For storm water treatment and abatement activities.	$22,992,529	$37,307,096	$40,929,289	$2,400,000	$21,770,336	7
515 - Operation Cul-de-sac	Public Safety	Mayor's Office	Reduce crime by barricading streets to create an artificial community in high-crime neighborhoods	$4,559	$0	$0	-$4,559	$0	No
516 - Arts Development Fee	Arts/Culture/Tourism	Cultural Affairs	Provide cultural/artistic facilities, services and amenities available to development projects and employees.	$15,290,441	$5,107,657	$1,989,570	$40,694	$18,449,221	25
517 - Federal Emergency Shelter Grant	Housing & Homelessness	Housing and Community Investment	To provide homeless persons with basic shelter and essential supportive services	$174,228	$5,126,621	$5,086,425	$0	$214,424	29
51D - Panorama City BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$73,430	$1,191	$0	$0	$74,621	No
51E - Graffiti Technology and Recovery	Public Safety	City Clerk	To finance graffiti technology and recovery, including funding of Graffiti Reward Program	$251,801	$17,439	$0	$0	$269,240	No
51F - Community Facilities District 8 Special Tax	Debt Service	City Administrative Officer	Establishment and receipt of a special tax in Community Facilities District Number 8	$187,995	$366,066	$332,084	$0	$221,977	No
51G - ARRA Workforce Investment Act	Economic Development	Economic and Workforce Development	Funding for Work Investment Act Programs	$255,250	$3,443	$0	$0	$258,693	No
51H - ARRA Community Services Block Grant	Economic Development	Economic and Workforce Development	Funding for various community-based human and economic development programs and related actions	$7	$0	$0	$0	$7	No
51J - Department of Education Youth Programs	Social Services	Economic and Workforce Development	For improvement of the education program at the Ramona Opportunity High School	$3,817	$52	$0	$0	$3,869	No
51L - 2006 Ramona Gardens Gang Reduction and Youth Development (GYRD)	Public Safety	Mayor's Office	For the Ramona Gardens Gang Reduction and Youth Development Program	$14,491	$0	$0	$0	$14,491	No
51N - ARRA Community Development Block Grant	Housing & Homelessness	Housing and Community Investment	Development of viable communities including housing for persons with moderate income along with social services	$6,318	$83	$0	$0	$6,402	No
51Q - Measure R Local Return	Transportation	Transportation	For the receipt and disbursement of Measure R half-cent sales tax revenues	$51,164,024	$48,257,667	$56,903,833	-$164,706	$42,353,152	49
51R - Measure R Bus Operations	Transportation	Transportation	For the receipt and disbursement of Measure R half-cent sales tax revenues	$0	$0	$0	$0	$0	49
51S - ARRA Energy Efficiency and Conservation Block Grant	Sanitation & Environment	Housing and Community Investment	For Energy Efficiency Programs through the Energy Efficiency Working Group	$1,052	$1,267	$0	$0	$2,319	No
51W - Solid Waste Resources Revenue Bonds 2009A Acquisition	Sanitation & Environment	Sanitation	To receive and disburse money from the sale of Solid Waste Resources Revenue Bonds, Series 2009-A	$0	$0	$0	$0	$0	No
51X - ARRA Transportation Projects	Transportation	City Administrative Officer	For ARRA transportation related projects, to record front funded expenditures and related actions	$19,957	$30,378	-$9,967	$0	$60,303	No

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Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
520 - Boys and Girls Club of Venice Juvenile Justice and Delinquency Prevention	Social Services	Mayor's Office	For the People Who Care Youth Center under the Juvenile Justice and Delinquency Prevention Program	$2,718	$0	$0	-$2,718	$0	No
521 - Central City West Housing	Housing & Homelessness	Housing and Community Investment	To provide affordable housing in the Central City West Specific Plan Area	$2,943,057	$147,134	$0	$0	$3,090,190	No
522 - Central City West Transportation Impact	Transportation	Transportation	For the mitigation of transportation impacts throughout the Central City West Specific Plan	$1,896,905	$25,587	$0	$0	$1,922,493	No
523 - Ventura/Cahuenga Boulevard Corridor Plan	Transportation	Transportation	For the mitigation of transportation impacts in the Ventura Cahuenga Boulevard Corridor Plan	$6,106,496	$816,901	$332,061	-$203,318	$6,388,019	29
525 - City Employees Ridesharing	Transportation	Personnel	For ridesharing that reduces City employee private vehicle usage in commuting to and from work	$2,195,812	$3,156,742	$2,671,895	$0	$2,680,660	28
526 - Household Hazardous Waste Trust	Sanitation & Environment	Sanitation	For support of the City's Household Hazardous Waste program activities.	$913,108	$137,484	$54,870	$0	$995,722	No
527 - Local Enforcement Agency	Sanitation & Environment	Building and Safety	For the enforcement of permits the City issues for landfills and accompanying inspection program	$38,376	$57,521	$54,542	-$5,811	$35,544	No
528 - Mobile Source Air Pollution Reduction	Sanitation & Environment	Transportation	For Air Pollution Reduction Projects	$5,408,688	$5,750,136	$4,736,418	-$249,888	$6,172,518	10
52C - ARRA National Endowment for the Arts	Arts/Culture/Tourism	Cultural Affairs	To preserve jobs within LA-based art organizations and promote the arts	$1,105	$16	$0	$0	$1,121	No
52D - Planning Case Processing	Public Works	Planning	Funding for expenditures relating to the City's planning processes	$9,593,662	$25,813,620	$28,744,730	$113,303	$6,775,854	35
52F - Planning Long Range Planning	Other	Planning	Funding for general plan maintenance related functions	$9,567,657	$9,289,391	$7,193,953	-$189	$11,662,906	29
52H - Recreation and Parks - Golf	Parks	Recreation and Parks	Revenues generated through golf operations will be utilized to cover direct/indirect golf expenses	$15,877,664	$24,812,586	$24,232,198	$90,083	$16,548,135	No
52J - ARRA Neighborhood Stabilization Program II	Housing & Homelessness	Housing and Community Investment	For the Neighborhood Stabilization Program II (NSP II)	$4,740,317	$657,321	$693,554	$3,041	$4,707,125	No
52L - ARRA Energy Commission Recovery Act	Economic Development	Economic and Workforce Development	To establish the L.A. Green Building Retrofit Pre-Apprenticeship Academy	$9,747	$131	$0	$0	$9,878	No
52M - ARRA Los Angeles Community College District Workforce Investment Act Grants	Social Services	Economic and Workforce Development	To provide training, placement and supportive services to unemployed individuals in South L.A.	$13,761	$185	$0	$0	$13,946	No
52P - ARRA Energy Efficiency and Conservation Block Grant - Housing	Housing & Homelessness	Housing and Community Investment	Funding to perform energy efficient retrofits of multifamily affordable housing	$0	$0	$0	$0	$0	No
52Q - ARRA LA County Temporary Assistance for Needy Families Grant Summer Program	Social Services	Economic and Workforce Development	For the 2010 Summer Youth Employment Plan	$46,909	$633	$0	$0	$47,541	No
52R - Department of Labor Federal Earmark	Social Services	Economic and Workforce Development	For the Youth Opportunity Movement Program	$9,866	$132	$0	$0	$9,998	No
52S - Board of Community and Family Commissioners	Social Services	Housing and Community Investment	Tracks funds used to support the programs and activities of the Community & Family Commission	$13,041	$175	$0	$0	$13,216	No
52T - Vermont/Western Childcare Trust	Social Services	Recreation and Parks	Tracks donations for development of child care programs or facilities in Vermont and Western Station	$652,257	$68,945	$0	$0	$721,202	No
52V - Board of Commissioners on the Status of Women	Economic Development	Housing and Community Investment	Tracks donations to support the activities of the Commission on the Status of Women	$35,572	$5,451	$16,717	$0	$24,306	No
52W - Board of Human Relations Commissioners	Housing & Homelessness	Housing and Community Investment	Tracks donations to support the activities of the Board of Human Relations Commissioners	$6,450	$76	$2,865	$0	$3,660	No

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Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
52Y - 2010 Summer Night Lights Glassell Park	Public Safety	Mayor's Office	Tracks Department Of Justice grant funds used for the Summer Night Lights Program at Glassell Park Recreation Center	$0	$0	$0	$0	$0	No
531 - Lopez Canyon Community Amenities	Sanitation & Environment	City Clerk	To finance community amenities in the vicinity of the Lopez Canyon Landfill	$482,664	$141,856	$9,372	$0	$615,148	No
534 - City Ethics Commission	Other	Ethics	To finance the operations of the City Ethics Commission	$108,484	$3,053,968	$3,068,987	$0	$93,465	30
537 - Environmental Affairs Trust	Sanitation & Environment	Sanitation	To support the protection, preservation & restoration of the environmental quality of the City.	$1,301,297	$305,502	$445,578	$765,341	$1,926,562	No
53B - ARRA Energy Efficiency and Conservation Block Grant - Mayor/CAO/Public Works	Sanitation & Environment	Housing and Community Investment	Tracks Energy Efficiency and Conservation Block Grant (EECBG) funds for programs to improve energy efficiency and combat climate change	$0	$0	$0	$0	$0	No
53J - 2009 CalEMA Gang Reduction, Intervention and Prevention Program (CALGRIP) Grant	Public Safety	Mayor's Office	To track CalEMA CALGRIP grant funds for gang reduction/youth development in the Rampart Gang Reduction Youth Development zone	$34,735	$0	$0	-$34,735	$0	No
53K - 2010 CalEMA Gang Reduction, Intervention and Prevention Program (CALGRIP) Grant	Public Safety	Mayor's Office	To track CalEMA CALGRIP grant funds for gang reduction/youth development in three Gang Reduction Youth Development zones	$15,199	$0	$0	-$15,199	$0	No
53M - LA Metropolitan Transit Authority Grant Projects	Transportation	Aging	Track Metropolitan Transportation Authority grant funds for Department of Aging transportation projects	$819	$203,296	$119,520	-$83,354	$1,241	No
53N - 2009 Boyle Heights Gang Reduction and Youth Development (GYRD) Zone	Public Safety	Mayor's Office	Track Department Of Justice grant funds for the Boyle Heights Gang Reduction Youth Development zone	$0	$0	$0	$0	$0	No
53P - State AB1290	Economic Development	City Clerk	Track the City's share of AB190 funds, including transfer of existing funds from the Community Redevelopment Agency	$55,611,822	$18,800,090	$7,292,842	$0	$67,119,070	No
53Q - Lead Grant 9	Housing & Homelessness	Housing and Community Investment	Track federal Housing and Urban Development grant funds for Lead Hazard Reduction	$0	$0	$0	$0	$0	No
53R - 2009 Congressionally Selected Grant Program	Public Safety	Mayor's Office	Track Department Of Justice grant funds for the Los Angeles Violence Training Academy	$3,005	$0	$0	$0	$3,005	No
53S - Westwood BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$169,326	$1,378,738	$1,426,334	$0	$121,730	No
53T - Neighborhood Stabilization Program Three - Dodd-Frank Wall Street Reform and Consumer Protection Act	Housing & Homelessness	Housing and Community Investment	Tracks U.S. Department of Housing and Urban Development grant funds for the Neighborhood Stabilization Program	$1,940	$57,487	$35,362	-$22,557	$1,508	29
53U - Los Angeles Tourism Marketing District BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$4,333,318	$26,844,499	$26,781,292	-$151	$4,396,374	No
53W - Community Challenge Planning Grant	Housing & Homelessness	Economic and Workforce Development	Tracks U.S. Department of Housing and Urban Development Office of Sustainable Housing grant funds for the Northeast L.A. Collaborative project	$20,381	$275	$0	$0	$20,655	No
540 - Proposition C Anti-gridlock Improvements	Transportation	Transportation	Transit services improvement and operations; reduce traffic congestion.	$40,150,562	$82,777,740	$87,811,619	$551,228	$35,667,911	27
542 - Jeopardy Balance the Odds Youth Program	Public Safety	City Clerk	To finance the Balancing the Odds gang prevention program in Pacoima	$26,524	$358	$0	$0	$26,883	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
54A - 2011 CalEMA Gang Reduction, Intervention and Prevention Program (CALGRIP) Grant	Public Safety	Mayor's Office	To track California Emergency Management Agency's (CalEMA) Gang Reduction, Intervention and Prevention Program (CALGRIP) grant funds for gang reduction/youth development in the Rampart Gang Reduction Youth Development zone	$139,405	$0	$52,218	-$87,187	$0	No
54B - 2011 Justice Assistance Grant	Public Safety	Mayor's Office	To track Department Of Justice grant funds for 9 Community Law Enforcement and Recovery (CLEAR) program sites	$0	$0	$0	$0	$0	No
54D - State Housing and Community Development Disaster Recovery Initiative	Housing & Homelessness	Housing and Community Investment	To track State Housing and Community development recovery funds for the 2008 Sayre Wildfire	$25,257	$12,040	$0	$0	$37,297	No
54F - California Housing Finance Agency Innovation	Housing & Homelessness	Housing and Community Investment	Record receipts for a grant award from California Housing Finance Agency Mortgage Assistance Corporation (CalHFA MAC) for L.A.'s Mortgage Modification Program.	$0	$0	$0	$0	$0	No
54G - ARRA State Energy Program	Economic Development	Housing and Community Investment	Record receipts for LA's share of the American Recovery and Reinvestment Act (ARRA) Energy Efficiency and Conservation Block Grant	$1,999	$25	$0	$0	$2,025	No
54J - 2010 State Homeland Security Program Grant	Public Safety	Mayor's Office	Record receipts and disbursements for Homeland Security grant funds for Los Angeles Fire Department.	$0	$0	$0	$0	$0	No
54K - Healthy Homes I	Housing & Homelessness	Housing and Community Investment	Record receipts and disbursements of the federal HUD [Department of Housing and Urban development?] Healthy Homes Production Program Grant.	$0	$0	$0	$0	$0	No
54L - State Housing and Community Development Infill Infrastructure Grant Program	Housing & Homelessness	Housing and Community Investment	Record receipts and disbursements for the State's Infill Infrastructure Grant Program.	$66,813	$1,143	$0	$0	$67,956	No
54M - 2011 Urban Areas Security Initiative Homeland Security Grant	Public Safety	Mayor's Office	Record receipts & disbursements for Fiscal Year 2011 Urban Area Security Initiative Homeland Security Grant.	$6,155	$15	$0	-$6,151	$19	No
54N - California Disability Employment Initiative Project	Social Services	Economic and Workforce Development	Track grant funds from State Employment Development Department and incentives from Social Security's Ticket-to-Work Program	$136,865	$74,274	$88,915	$3,576	$125,801	No
54P - California Department of Corrections and Rehabilitation New Start Program	Social Services	Economic and Workforce Development	Track grant funds from the Department of Corrections and Rehabilitation for services to ex-offenders	$6,471	$86	$0	$0	$6,557	No
54Q - 2012 CalEMA Gang Reduction, Intervention and Prevention Program (CALGRIP) Grant	Public Safety	Mayor's Office	Track grant funds from state Emergency Management Agency for 2012 California Gang Reduction, Intervention and Prevention Program	$5,894	$0	$0	$0	$5,894	No
54R - Workforce Innovation Fund	Public Works	Economic and Workforce Development	Track grant funds from the U.S. Department of Labor's Workforce Innovation Fund program	$73,930	$159,221	$160,171	-$46,118	$26,861	No
54S - Lead Grant 10	Housing & Homelessness	Housing and Community Investment	Track funds from the U.S. Department of Housing and Urban Development's Lead Hazard Reduction Grant	$0	$0	$0	$0	$0	No
54T - National Emergency Grant - Multi Sector	Economic Development	Economic and Workforce Development	Track Workforce Investment Act grant funds from the South Bay Workforce Investment Board	$520,555	$7,022	$0	$0	$527,577	No

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54V - 2010 Legislative Pre-Disaster Mitigation Grant	Public Safety	Mayor's Office	Track funds for Federal Emergency Management Agency's Pre-Disaster Mitigation grant from CA's Emergency Management Agency	$0	$0	$0	$0	$0	No
54W - Sixth Street Viaduct Improvement Project	Public Works	Engineering	Cash flow for the Sixth Street Viaduct Improvement Project	$4,209,774	$74,518,113	$51,933,458	$35,051,771	$61,846,200	No
550 - City Attorney Consumer Protection Proceeds	Public Safety	City Attorney	To track grant funds for witness expenses and other expenses in consumer protection cases	$21,824,016	$7,005,992	$5,989,656	$31,025	$22,871,377	29
551 - General Fund - Various Programs	Public Safety	Economic and Workforce Development	To track funds for LA Bridges, Project Hope in Youth and other youth intervention programs	$1,878,963	$3,958,111	$4,287,586	$190,440	$1,739,928	No
552 - Transfer of Floor Area Ratio Public Benefit	Economic Development	City Clerk	To track public benefit payments in possession of or received by LA's Community Redevelopment Agency	$12,886,476	$5,284,412	$0	$0	$18,170,889	No
553 - Residential Property Maintenance	Economic Development	General Services	Retains some City rental income to maintain publicly owned residential properties	$61,909	$64,438	$45,723	$0	$80,624	No
554 - Special Police Communications/911 System Tax	Public Safety	Police	For the purpose of receiving and disbursing funds to pay for lease payments, administration expenses, trustee fees, arbitrage fees etc.	$2,461,745	$53,229	$2,331,121	$0	$183,853	33
556 - Integrated Solid Waste Management	Sanitation & Environment	Sanitation	To support the conservation of resources and encourage reducing, reusing, and recycling products.	$32,370,921	$5,791,445	$9,510,996	$0	$28,651,370	No
558 - Landfill Maintenance	Sanitation & Environment	Sanitation	To defray the cost of closure and post-closure maintenance of City-owned landfills.	$795,430	$10,542	-$101,119	-$795,430	$111,661	38
55A - California Public Utilities Commission - Gas Company	Housing & Homelessness	Housing and Community Investment	L.A. Better Buildings Challenge	$353	$5	$0	$0	$357	No
55C - Bicycle Plan	Transportation	Transportation	To track funds received by Planning or Transportation Departments for bicycle improvement projects	$1,474,616	$220,870	$56,500	$0	$1,638,985	No
55D - Proposition 1C Transit Oriented Development	Parks	Housing and Community Investment	To track housing proceeds from state Housing and Community Department to supplement MacArthur Park Phase A Project	$1,766	$1,574,558	$1,574,128	$0	$2,196	No
55E - 2012 Urban Areas Security Initiative Homeland Security Grant	Public Safety	Mayor's Office	Track receipts & disbursements for FY2012 Urban Area Security Initiative Homeland Security Grant	$19,762	$0	$19,737	-$25	$0	No
55J - Low and Moderate Income Housing	Housing & Homelessness	Housing and Community Investment	Record funds for transition of housing assets of Los Angeles Community Redevelopment Agency (CRA/LA) to the Housing Department	$43,983,503	$9,844,425	$10,065,665	$141,830	$43,904,093	29
55K - 2012 Community-Based Violence Prevention Demonstration Program Grant	Public Safety	Mayor's Office	Record funds for Department Of Justice's Office of Juvenile Justice & Delinquency Prevention Proyecto Palabra grant	$55,127	$386,534	$423,997	$2,612	$20,275	No
55L - Solid Waste Resources Revenue Bonds 2013A Acquisition	Sanitation & Environment	Sanitation	To receive and disburse money from the sale of Solid Waste Resources Revenue Bonds, Series 2013-A	$14,371,838	$171,411	$14,503,149	$0	$40,100	No
55M - B2W 25% Workforce Investment Act Dislocated Worker Additional Assistance	Economic Development	Economic and Workforce Development	To track Workforce Investment Act 25% Dislocated Worker Additional Assistance Fund grant	$156,619	$2,115	-$500	$0	$159,233	No
55N - 2012 Justice Assistance Grant	Public Safety	Mayor's Office	To track Department Of Justice grant funds for 9 Community Law Enforcement and Recovery (CLEAR) program sites	$0	$0	$0	$0	$0	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
55P - 2013 CalEMA Gang Reduction, Intervention and Prevention Program (CALGRIP) Grant	Public Safety	Mayor's Office	To track California Board of State and Community Corrections grant award for LA California Gang Reduction, Intervention and Prevention Program	$68,752	$0	$0	$0	$68,752	No
55Q - Clean Up Green Up	Sanitation & Environment	Planning	To track contributions received by the Planning Department for the Clean Up Green Up Program	$1,323	$19	$0	$0	$1,342	No
55R - Code Compliance	Other	Office of Finance	Tracks funds for the pilot Administrative Citation Enforcement program	$858,831	$1,211,565	$1,043,516	$0	$1,026,880	No
55S - Crenshaw/Mid-City Corridors Proposition 1C	Housing & Homelessness	Economic and Workforce Development	Tracks Prop 1C grant funds for affordable housing in the Crenshaw/Mid-City Corridors	$217,359	$3,390,167	$3,605,647	$0	$1,879	No
55T - Cornfield Arroyo Seco Specific Plan Floor Area Payment	Parks	Planning	For the Arroyo Seco Specific Plan, to provide community benefits to the Plan area	$0	$0	$0	$0	$0	No
55W - Melrose BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$202,416	$447,057	$500,529	$0	$148,945	No
55X - 2012-13 Securing the Cities Grant	Public Safety	Mayor's Office	To record receipts and disbursements of grant funds from the U.S. Department of Homeland Security	$11	$1,616,590	$1,352,375	-$263,859	$367	No
55Y - 2013 Urban Areas Security Initiative Homeland Security Grant	Public Safety	Mayor's Office	To record receipts and disbursements of grant funds from the U.S. Department of Homeland Security	$46,818	$15,249,437	$15,205,910	-$89,771	$574	No
560 - Residential Sound Insulation Program	Sanitation & Environment	Board of Public Works	To track FAA grant funds for a program to provide sound insulation for residential units near LAX	$0	$0	$0	$0	$0	No
561 - Home Investment Partnership Program	Housing & Homelessness	Housing and Community Investment	To track monies arising from Housing Urban Development's HOME program for low income housing	$4,381,364	$40,841,609	$30,964,675	-$1,364,866	$12,893,432	9
562 - Rental Rehabilitation Program	Housing & Homelessness	Housing and Community Investment	To track monies arising from Housing Urban Development's Rental Rehabilitation Program for low income housing	$41,171	$557	$0	$614	$42,342	No
564 - Older Americans Act Title VII	Social Services	Aging	To track funds for Title VII Older American Social Services grant funds	$29,246	$92,318	$119,828	$0	$1,736	No
565 - Toberman Settlement House - Juvenile Justice and Delinquency Prevention Program	Social Services	Mayor's Office	To fund a Juvenile Justice and Delinquency Prevention Program through the Toberman Settlement House	$18	$0	$0	-$18	$0	No
567 - Household Hazardous Waste	Sanitation & Environment	Sanitation	To support the City's household hazardous waste program activities.	$2,996,050	$5,395,020	$3,431,290	$0	$4,959,779	39
568 - Bureau of Engineering Equipment and Training	Public Works	Engineering	For the purchase of equipment and training for the Development Services Program in Bureau Of Engineering	$17,339,037	$2,563,139	$1,623,922	$50	$18,278,303	No
569 - Housing Opportunities for Persons with AIDS	Housing & Homelessness	Housing and Community Investment	To develop housing projects and other services for persons with AIDS	$211,847	$14,848,142	$14,867,580	$54,312	$246,721	41
56A - United States Agency for International Development Technical Assistance	Other	Mayor's Office	To record receipts and disbursements of grant funds from the U.S. Agency for International Development	$2,292	$0	$0	$0	$2,292	No
56B - Arts District BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$128,082	$1,134,248	$1,057,585	$0	$204,745	No
56C - Council District 5 Avenue of the Stars Community Amenities	Public Works	City Clerk	For improvements to address neighborhood concerns for the area specified in the ordinance	$102,229	$0	$0	$0	$102,229	No
56D - 2013 Abuse in Later Life Program	Social Services	Mayor's Office	Funds projects that support a comprehensive approach to addressing elder abuse in communities	$2	$159,737	$152,316	-$7,423	$0	No

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Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
56E - Temporary Assistance for Needy Families	Social Services	Economic and Workforce Development	To track receipts and disbursements related to the implementation of a youth work experience program, including opportunities to gain work experience and participate in personal development workshops	$1,328,353	$5,750,205	$4,410,389	-$184,935	$2,483,234	29
56F - Trade Adjustment Assistance - Community College and Career Training	Social Services	Economic and Workforce Development	For receipt and disbursement of grant funds	$122,021	$43,793	$1,253	-$109,725	$54,835	No
56G - 2013 Justice Assistance Grant	Public Safety	Mayor's Office	City elected to partially fund CLEAR program - part of Mayor's Gang Reduction Strategy	$45,426	$95	$42,327	-$3,194	$0	No
56H - 2013 Second Chance Act Juvenile Reentry Grant	Public Safety	Mayor's Office	Support the development and implementation of comprehensive strategies to improve the juvenile offender reentry process and reduce recidivism	$0	$0	$0	$0	$0	No
56J - California Career Pathways	Social Services	Economic and Workforce Development	For the receipt and disbursement of grant funds	$0	$0	$0	$0	$0	No
56K - Linked Learning Initiative	Social Services	Economic and Workforce Development	For the receipt and disbursement of grant funds	$279	$180,524	$765	-$119,292	$60,746	No
56L - EWDD Summer Youth Program - Other Sources	Social Services	Economic and Workforce Development	For the receipt and disbursement of grants and donations for the Summer Youth Program	$994,886	$677,748	$788,632	-$172,065	$711,936	No
56M - Engineering Internship Partnership Program	Economic Development	Economic and Workforce Development	For the receipt and disbursement of grant funds	$0	$0	$0	$0	$0	No
56N - 901 Olympic North Hotel	Economic Development	City Administrative Officer	For the receipt, retention and disbursement of all monies apportioned by the City as subvention payments for the Courtyard By Marriot and Residence Inn Hotel Project located at 901 W. Olympic St.	$542,989	$4,466,799	$4,080,548	$0	$929,240	No
56P - Council District 12 Northwest Valley Project Mitigation	Economic Development	City Clerk	For the receipt, retention and disbursement of funds paid by the Developer of the Village at Westfield Topanga Development and other contributions	$303,385	$3,898	$24,990	$0	$282,292	No
56Q - Village at Westfield Topanga Public Benefits Trust	Economic Development	City Clerk	For the receipt, retention and disbursement of funds paid by the Developer of the Village at Westfield Topanga Development and other contributions	$3,310,389	$44,654	$0	$0	$3,355,043	No
56R - Village at Westfield Topanga Trust	Economic Development	City Administrative Officer	For the receipt, retention and disbursement of all monies paid by the City as subvention payments for the Village at Westfield Topanga Development Project	$3,198,447	$2,225,538	$2,585,621	$0	$2,838,364	No
56S - 2014 CalEMA Gang Reduction, Intervention and Prevention Program (CALGRIP) Grant	Public Safety	Mayor's Office	For the receipt and disbursement of grant funds	$654	$0	$0	-$654	$0	No
56T - Department of Justice Second Chance Act	Social Services	Economic and Workforce Development	To record the receipts and disbursements of grant funds for the operation of a Second Chance Act Technology Careers Training Demonstration Project for Incarcerated Juveniles	$1,896	$60,827	$103,114	$40,941	$550	No
56V - Foreclosure Registry Program	Housing & Homelessness	Housing and Community Investment	For the receipt, retention and disbursement of funds related to the Foreclosure Registry Program	$8,725,596	$2,565,753	$5,238,100	-$142,337	$5,910,912	29

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56W - Athens Services Community Benefits	Sanitation & Environment	City Clerk	Financing health care, environmental, and transportation projects, programs and services in the Sun Valley, Shadow Hills, Stonehurst, La Tuna Canyon, and nearby neighborhoods	$458,550	$190,278	-$50,952	$0	$699,780	No
56Y - 2014 Urban Areas Security Initiative Homeland Security Grant	Public Safety	Mayor's Office	For the receipt and disbursement of grants funds from the Governor's Office of Emergency Services	$538,772	$10,545,676	$10,841,186	-$243,237	$25	No
570 - Community Programs for Restoration	Public Safety	Mayor's Office	To track funds from the Department Of Justice's Assistance for Community Programs for Restoration grant	$0	$0	$0	$0	$0	No
573 - Warner Center Transportation Improvement Trust	Transportation	Transportation	To track monies collected by the Department Of Transportation for the implementation of the Warner Center Specific Plan	$12,176,347	$471,884	$249,900	-$12,108	$12,386,224	29
574 - Local Public Safety	Public Safety	Controller's Office	Public safety primarily police and fire services	$201,493	$43,819,134	$43,585,631	$0	$434,996	17
575 - Minority Business Development Agency Minority Business Center - Los Angeles	Economic Development	Mayor's Office	To track grant funds from the US Department of Commerce's Minority Business Department Agency to operate the LA Minority Business Center	$15,130	$0	$0	$0	$15,130	No
577 - Warner Center Cultural Affairs Trust	Arts/Culture/Tourism	Cultural Affairs	Provide cultural/artistic facilities, services and amenities available to Warner Center Specific Plan Projects.	$228,090	$3,077	$0	$0	$231,167	No
579 - Sidewalk Vending Trust	Economic Development	Economic and Workforce Development	To establish and regulate special sidewalk vending districts across the City	$30,853	$0	$0	$0	$30,853	No
57A - Workforce Investment Act 25 Percent New Direction for the Workforce	Economic Development	Economic and Workforce Development	Track grants and disbursements for the operation of a New Direction for the Workforce program	$202,127	$2,558	$5,711	$10	$198,984	No
57B - 2014 Justice Assistance Grant	Social Services	Mayor's Office	For the receipts and disbursement of grant funds	$575,575	$5,823	$381,079	-$48,291	$152,028	No
57C - LA Regional Initiative for Social Enterprise Program	Economic Development	Economic and Workforce Development	Track grants and disbursements for the operation of LA:RISE program	$66,545	$1,415,320	$1,480,603	$8,799	$10,060	29
57D - CRA/LA Excess Non-Housing Bond Proceeds	Economic Development	Economic and Workforce Development	For the receipt, retention and disbursement of Excess Bond Proceeds transferred by the E608	$82,645,827	$3,020,551	$5,911,508	$611,848	$80,366,718	29
57E - Supplemental Nutrition Assistance Program - Education	Social Services	Aging	To record receipts and disbursements for U.S. Department of Agriculture's East Smart Living program	$1	$0	$0	$0	$1	No
57F - Sidewalk and Curb Repair	Streets	Board of Public Works	To track revenues deposited and used for administration, inspection, design and construction associated with pedestrian facilities	$11,309,979	$13,896,866	$19,974,425	$0	$5,232,420	No
57G - 2015 Juvenile Accountability Block Grant	Social Services	Mayor's Office	For the receipts and disbursement of grant funds	$1	$0	$0	-$1	$0	No
57H - Legal Fees Reimbursement	Other	City Attorney	For the receipts, retention and disbursement of funds in fulfillment of the obligation to defend and indemnify the City	$827,010	$2,773,794	$2,397,178	$0	$1,203,627	No
57J - Metropolis Hotel Project Trust	Economic Development	City Administrative Officer	For the receipt, retention and disbursement of all monies apportioned by the City as hotel development incentive payments for the development of Metropolis Hotel Project	$1,337,470	$2,253,888	$2,386,734	$0	$1,204,624	No
57K - City Health Commission	Social Services	City Clerk	For the receipt, retention and disbursement of funds to offset the operation costs of the City Health Commission	$9,944	$212	$8,800	$0	$1,355	No
57L - Council District 14 Public Benefits	Other	City Clerk	Tracks gifts and contributions made to assist in police and community activities within CD 14	$0	$0	$0	$0	$0	No

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57M - 2015 CalEMA Gang Reduction, Intervention and Prevention Program (CALGRIP) Grant	Public Safety	Mayor's Office	For the receipt and disbursement of grant funds	$720,975	$1,004,319	$959,813	-$735,434	$30,047	No
57N - 2014 Arrest Policies Grant	Public Safety	Mayor's Office	To provide funding for the Domestic Abuse Response Team (DART) and Sexual Assault Response Team (SART)programs	$13	$392,462	$388,699	-$3,776	$0	No
57P - Department of Transportation Expedited Fee	Transportation	Transportation	For receipt, retention and disbursement of funds received by the Department Of Transportation to offset addition expenses in expediting study or review for projects contributing.	$31,640	$74,765	$72,359	$0	$34,046	29
57Q - Bridge Improvement Program Cash Flow	Public Works	Board of Public Works	To track cash flow on a revolving basis from both the State and Federal as reimbursement for the Bridge Improvement Program	$4,058,760	$11,546,379	$11,859,249	$0	$3,745,890	No
57R - Lead Grant 11	Housing & Homelessness	Housing and Community Investment	Track funds from the U.S. Department of Housing and Urban Development's Lead Hazard Reduction Grant	$152,454	$920,563	$728,919	-$333,901	$10,197	29
57S - River Revitalization Enhanced Infrastructure Financing District	Economic Development	Economic and Workforce Development	To track funding and disbursements relative to the feasibility of creating an Enhanced Infrastructure Financing District (EIFD) projects	$364	$5	$0	$0	$369	No
57T - Greek Theatre	Arts/Culture/Tourism	Recreation and Parks	Track receipts and disbursement relative to the Greek Theatre operations	$3,231,052	$6,172,402	$5,225,391	$12,622	$4,190,685	No
57V - Pacific Palisades BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$23,030	$126,100	$136,176	$0	$12,954	No
57W - Workforce Innovation Opportunity Act	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$3,469,704	$42,335,599	$44,040,169	$279,306	$2,044,439	22
57X - South Park II BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$39,844	$24,773	$50,455	$0	$14,162	No
57Y - 2015 Mayor's Fund DART Grant	Public Safety	Mayor's Office	Tracks Domestic Abuse Response Team (DART) program funds to combat domestic violence	$131,605	$1,323	$74,666	$0	$58,262	No
583 - Para los Ninos	Social Services	Mayor's Office	To fund youth intervention programs selected through the state Juvenile Justice Delinquency Program (JJDP)	$1	$0	$0	-$1	$0	No
586 - Used Oil Collection Program	Sanitation & Environment	Sanitation	To collect grants & other monies to implement a used oil collection, recycling and disposal program.	$2,182,306	$2,208,980	$1,018,559	$0	$3,372,727	29
587 - Section 108 Loan Guarantee Program	Housing & Homelessness	Housing and Community Investment	To stimulate economic and housing development in impacted areas after the civil unrest.	$217	$4	$0	$0	$221	No
588 - City Planning Systems Development	Economic Development	Planning	To implement and finance automated systems technologies to support Planning Department functions	$9,023,317	$9,974,814	$8,237,914	$5,254	$10,765,472	29
589 - Los Angeles Recycling Market Development Zone	Sanitation & Environment	Mayor's Office	To track grant funds from the California Integrated Waste Management Board for recycling programs	$1,224	$18	$0	$0	$1,242	No
58A - Central Avenue Historic BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$167,923	$455,065	$188,847	$0	$434,141	No
58B - 2016 Juvenile Accountability Block Grant	Public Safety	Mayor's Office	Track funds for the State's Juvenile Accountability grant for the Rampart Community Law Enforcement site	$37	$0	$0	$0	$37	No
58C - 2015 Justice Assistance Grant	Public Safety	Mayor's Office	For the receipts and disbursement of grant funds	$1,602,276	$19,482	$1,072,167	$14,046	$563,638	No

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Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
58D - Grand Hope Park Trust	Parks	Recreation and Parks	For accept of funding from Los Angeles Community Redevelopment Agency (CRA/LA) for the operations, maintenance and repair of Grand Hope Park as set forth in the Ground Lease	$833,044	$11,237	$0	$0	$844,281	No
58E - Los Angeles Performance Partnership Pilot	Economic Development	Economic and Workforce Development	To track grant funds from U.S. Department of Education	$34,890	$392,490	$265,556	-$24,815	$137,009	29
58F - 2015 Corporation for National and Community Service Grant	Economic Development	Mayor's Office	For the receipt and disbursement of grants funds from the Corporation for National and Community Service	$152,389	$1,998	$0	$0	$154,387	No
58G - Hollywood Redevelopment Project Area	Economic Development	Economic and Workforce Development	For the receipt, retention, administration and disbursement of Community Improvement Fees	$4,329,600	$1,063,305	-$50,000	$0	$5,442,905	No
58H - 2015 Urban Areas Security Initiative Homeland Security Grant	Public Safety	Mayor's Office	For the receipt and disbursement of grants funds from the Governor's Office of Emergency Services	$2,726,689	$21,650,624	$19,039,155	-$1,256,440	$4,081,718	No
58J - Industrial-Commercial Revolving Loan Fund	Economic development	Economic and Workforce Development	To track receipts and disbursements related to the City's former Economic Development Agency's Revolving Loan Funds.	$930,027	$1,212,545	$0	$0	$2,142,572	No
58K - 2015 Sexual Assault Justice Initiative	Public Safety	Mayor's Office	For the receipts and disbursement of grant funds	$10,762	$66,083	$187,431	$110,632	$46	No
58L - Resilient Cities Initiative Grant	Economic Development	Mayor's Office	For the receipts and disbursement of grant funds	$217	$4	$53,316	$53,316	$220	No
58N - Library Budget Reserve	Arts/Culture/Tourism	Library	To be used to stabilize revenue during economic downturns and to provide for any necessary capital improvements pursuant to Library Resolution No. 2015-49(C-39)	$4,025,172	$66,147	$0	$2,000,000	$6,091,319	No
58P - Bloomberg Philanthropies Innovation Deliver Team Program Grant	Economic Development	Mayor's Office	To track grant from Bloomberg Philanthropies, the Bloomberg Family Foundation, Inc. that support inclusive neighborhood revitalization and implementation of multi-disciplinary community activities.	$0	$0	$0	$0	$0	No
58Q - Pershing Square Park and Garage	Parks	Recreation and Parks	Track receipts and disbursement relative to Pershing Square Park and Garage operations	$9,735,024	$5,612,739	$4,360,097	$7,942	$10,995,607	No
58R - South Park Open Space Maintenance Trust	Other	City Clerk	For the receipt, retention and disbursement of the South Park Open Space Maintenance Program fees collected by the City Clerk.	$0	$364,169	$234,937	$0	$129,232	No
58S - 2016 CalTrans Transitional Employment Services	Transportation	Mayor's Office	For the receipts and disbursement of funding under the Cooperative Agreement with Caltrans on Transitional Employment Services Litter Abatement Program for parolees and probationers within Caltrans Right of Way 60 mile radius	$25,204	$3,705,690	$3,430,116	-$68,238	$232,541	No
58T - Venice Beach BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$1,679,690	$1,824,248	$1,768,396	-$5,931	$1,729,610	No
58V - Development Services Trust	Public Works	Building and Safety	The temporarily increase of One-Stop Permit Center surcharge fee to pay for the development and implementation of a Citywide development services system known as BuildLA	$20,448,430	$8,062,747	$4,322,753	$1,445,756	$25,634,179	No
58W - 2016 Justice Assistance Grant	Public Safety	Mayor's Office	For the receipts and disbursement of FY16 JAG grant funds	$1,870,502	$21,760	$6,675	-$197,500	$1,688,087	No

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Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
58X - 2015 State Homeland Security Grant Program	Public Safety	Mayor's Office	For the receipt and disbursement of grant funds from the US Department of Homeland Security to the California Governor's Office of Emergency Services, in turn allocates to the County of Los Angeles as s sub-grantee.	$0	$270,016	$110,801	$31,373	$190,588	No
58Y - Retail Career Development	Economic Development	Economic and Workforce Development	To track receipts and disbursements related to Career Opportunities in Retail from the Chicago Cook workforce Partnership	$65,703	$181,419	$224,441	$3,824	$26,505	No
591 - Older Americans Act Title IV	Social Services	Aging	To track Title IV funds to provide relief to senior citizens affected by the Northridge earthquake	$4,434	$61	$0	$0	$4,494	No
592 - 1994 Economic Development Administration Planning Grant	Economic Development	Mayor's Office	To track grant funds from the Economic Development Administration for Northridge earthquake recovery	$289,638	$0	$0	$0	$289,638	No
593 - Audit Repayment	Social Services	Economic and Workforce Development	To repay Department of Labor grant funds for expenses that were disallowed following a federal audit	$751,020	$10,130	$14,200	$14,200	$761,150	No
596 - Transportation Regulation and Enforcement	Transportation	Transportation	Enforcement of Transportation Regulations for Taxicabs	$717,988	$903,429	$991,784	-$15,958	$613,675	29
597 - Fund for Senior Services	Social Services	Aging	To track donations from the Combined Federal Campaign for Meals-on-Wheels programs	$659,394	$9,735	$102,378	$0	$566,751	No
599 - Senior Cityride Program	Social Services	Aging	To track local grant funds for Cityride programs for seniors	$367,628	$3,275,761	$3,306,953	$0	$336,436	No
59A - LA Community College District California Career Pathway Grant	Economic Development	Economic and Workforce Development	To track receipts and disbursements related to the Los Angeles Community College District CA Career Pathway Trust grant program	$0	$105,306	$6,477	-$63,663	$35,166	No
59B - Neighborhood Council	Other	City Clerk	For Neighborhood Councils operations	$231,355	$4,129,330	$4,178,778	$597,752	$779,658	No
59C - Measure M Local Return	Transportation	Transportation	For the receipt and disbursement of Measure M one-half-cent sales tax increase approved by Los Angeles County voters on November 8, 2016.	$0	$42,398,849	$5,231,071	$210,705	$37,378,483	52
59D - Wilshire Grant Hotel Project	Economic Development	City Administrative Officer	For the receipt, retention and disbursement of all monies apportioned by the Mayor and City Council as hotel development incentive payments for the development of the Wilshire Grand Hotel Project.	$0	$9,566,368	$0	$0	$9,566,368	No
59E - 2016 Urban Areas Security Initiative Homeland Security Grant	Public Safety	Mayor's Office	For the receipt and disbursement of grants funds from the Governor's Office of Emergency Services	$0	$12,124,447	$10,687,398	$1,015,207	$2,452,257	29
59F - MediCal Intergovernmental Transfer Program	Public Safety	Fire	Provides emergency medical and ambulance transport and health care services	$0	$35,825,455	$21,146,781	$0	$14,678,674	29
59G - Hit and Run Reward Program	Public Safety	City Clerk	For the payment rewards to persons who have provided information leading to the hit-and-run offenders.	$0	$5,000	$5,000	$0	$0	No
59H - Warner Center Mobility	Economic Development	Planning	To receive, retain and disburse monies constituting Mobility Fees per Ordinance No. 182766, the Warner Center 2035 Plan	$0	$0	$0	$0	$0	No
59J - Warner Center Cultural Amenities	Arts/Culture/Tourism	Planning	To receive, retain and disburse funds required to be collected and deposited per Ordinance No. 182766, the Warner Center 2035 Plan	$0	$0	$0	$0	$0	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
59K - Grand Avenue Hotel Project	Economic Development	City Administrative Officer	For the receipt, retention and disbursement of all monies apportioned by the Mayor and City Council as hotel development incentive payments for the development of the Grand Avenue Hotel Project.	$0	$0	$0	$0	$0	No
59L - 2016 Safe and Thriving Communities Grant	Public Safety	Mayor's Office	For the receipt and disbursement of grants funds from the Department of Justice's Office of Juvenile Justice and Delinquency Prevention	$0	$92,269	$94,171	$5,350	$3,448	No
59M - OVW Training and Services for Women with Disabilities	Social Services	Mayor's Office	Track Department of Justice grant funds for the Violence Against Women with Disabilities Program	$0	$65,205	$70,438	$5,237	$3	No
59N - LA County LA RISE Measure H	Economic Development	Economic and Workforce Development	To track receipts and disbursements related to the L.A. County Los Angeles Regional Initiative for Social Enterprise (LA RISE) Measure H program	$0	$2,109,641	$1,285,463	$78,206	$902,384	No
59P - LA County Probation/WDACS	Economic Development	Economic and Workforce Development	To track receipts and disbursements related to the L.A. County Probation/ Workforce Development Aging and Community Services (WDACS) program	$0	$0	$17,143	$17,143	$0	No
59Q - LA County Workforce Innovation Opportunity Act	Economic Development	Economic and Workforce Development	To track receipts and disbursements related to the L.A. County Workforce Innovation and Opportunity Act (WIOA) program	$0	$66,298	$34,662	$8,538	$40,174	No
59R - Department of Labor Youth Reentry Grant	Social Services	Economic and Workforce Development	To track receipts and disbursements for the US Department of Labor youth reentry programs	$0	$112,620	$115,908	$65,627	$62,338	No
59S - 2018 Proposition 47 Board of State Community Corrections Grant	Social Services	Mayor's Office	Track grant funds for California Board of State Community Corrections Proposition 47 Grant program	$0	$19,999	$844	$400,844	$419,999	No
59T - City of Los Angeles Housing Impact	Housing & Homelessness	Housing and Community Investment	For the receipt and use of Linkage Fee monies	$0	$0	$0	$0	$0	No
59V - Road Maintenance and Rehabilitation Program	Streets	Board of Public Works	For the receipt, retention and disbursement of funds received by the City of Los Angeles following the enactment of the Road Repair and Accountability Act of 2017	$0	$15,116,259	$1,376,355	$6,213	$13,746,118	No
59W - LA County Anti-recidivism Coalition	Public Safety	Economic and Workforce Development	To track receipts and disbursements related to the L.A. County Anti-Recidivism Coalition program	$0	$184,618	$6,839	$6,839	$184,618	No
59X - LA County Juvenile Justice Crime Prevention Act	Public Safety	Economic and Workforce Development	To track receipts and disbursements related to the LA County Juvenile Justice Crime Prevention Act program	$0	$206,954	$95,444	$51,277	$162,787	No
59Y - LA County Performance Partnership Pilot	Public Safety	Economic and Workforce Development	To track receipts and disbursements related to the LA County P3 Probation program	$0	$0	$0	$0	$0	No
608 - Seismic Bond Reimbursement	Public Works	City Administrative Officer	To receive Federal and State funds as reimbursement for projects in the City's Seismic Bond Program	$14,975,011	$1,961,674	$10,413,854	$54,575	$6,577,407	No
60A - LA County Department of Probation Grants	Economic Development	Economic and Workforce Development	To track receipts and disbursements related to the LA County Department of Probation grants	$0	$0	$0	$0	$0	No
60C - Victim Service	Social Services	City Attorney	For the receipts, retention and disbursement of undistributed restitution funds from the Superior Court to be utilized to pay for expenses incurred by victims of crimes prosecuted by the City Attorney's Office	$0	$0	$0	$0	$0	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
60D - City Attorney Community Justice Initiative	Social Services	City Attorney	For the receipts, retention and disbursement of local and federal funding as well as of gifts, contributions and bequests for the support of the City Attorney's Community Justice Initiative	$0	$5,500	$100,000	$100,000	$5,500	No
60F - 2017 Urban Areas Security Initiative Homeland Security Grant	Public Safety	Mayor's Office	For the receipt and disbursement of grants funds from the Governor's Office of Emergency Services	$0	$0	$0	$0	$0	No
60G - Cambria Hotel Project	Economic Development	City Administrative Officer	For the receipt, retention and disbursement of all monies apportioned by the Mayor and City Council as hotel development incentive payments for the development of the Cambria Hotel Project.	$0	$0	$0	$0	$0	No
60H - 2016 Complex Coordinated Terrorist Attacks Grant	Public Safety	Mayor's Office	For the receipt and disbursement of grants funds from the U.S. Department of Homeland Security Federal Emergency management Agency	$0	$0	$0	$0	$0	No
60J - Bridge Improvement Program	Public Works	Engineering	For the Bridge Improvement Program	$0	$0	$0	$0	$0	No
613 - Westwood Village BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$26,652	$360	$0	$0	$27,011	No
618 - Shoshone Ave and Rinaldi Street Drainage District	Sanitation & Environment	Sanitation	For street drainage improvement projects in the Shoshone Ave and Rinaldi Street Drainage District	$165,443	$0	$26,771	$0	$138,672	No
619 - Winnetka Ave/Devonshire Street Drainage District	Sanitation & Environment	Sanitation	For street drainage improvement projects in the Winnetka Ave/Devonshire Street Drainage District	$0	$0	$0	$0	$0	No
61A - Grand Canal/Linnie Canal Improvements	Public Works	Street Lighting	To track funds for infrastructure development in the Grand Canal Court and Linnie Canal Court area	$37,831	$0	$30,196	$0	$7,635	No
61B - Grand Canal/Carroll Canal Improvements	Public Works	Street Lighting	To track funds for infrastructure development in the Grand Canal Court and Carroll Canal Court area	$37,491	$0	$29,679	$0	$7,812	No
61C - Grand Canal/Howland Canal Improvements	Public Works	Street Lighting	To track funds for infrastructure development in the Grand Canal Court and Howland Canal Court area	$27,600	$0	$25,766	$0	$1,834	No
61D - Grand Canal Rehabilitation from Washington to Ballona Lagoon	Public Works	Street Lighting	To track funds for improvements in the Grand Canal Court area, Washington Blvd to Ballona Lagoon	$9,253	$0	$0	$0	$9,253	No
61F - Howland Canal Court Improvement District	Public Works	Street Lighting	To track funds for improvements to Howland Canal Court, between Dell Ave and Eastern Canal	$124,110	$0	$0	$0	$124,110	No
61H - Linnie Canal Court Improvement District	Public Works	Street Lighting	To track funds for improvements to Linnie Canal Court, between Dell Ave and Eastern Canal	$105,105	$0	$0	$0	$105,105	No
61K - Oxford Avenue and Hobart Boulevard Lighting District	Streets	Street Lighting	To track funds for improvements to the Oxford Avenue and Hobart Boulevard Lighting District	$59,827	$0	$0	$0	$59,827	No
61L - Hortense Street and Irvine Avenue Lighting District	Streets	Street Lighting	To track funds for improvements to the Hortense Street and Irvine Avenue Lighting District	$9,804	$0	$0	$0	$9,804	No
61M - Ottoman Street Near Arleta Avenue Lighting District	Streets	Street Lighting	To track funds for improvements to the Ottoman Street Lighting District	$16,611	$0	$0	$0	$16,611	No
61N - Wilton Drive and Ridgewood Place Lighting District	Streets	Street Lighting	To track funds for improvements to the Wilton Drive and Ridgewood Place Lighting District	$147,076	$0	$0	$0	$147,076	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
61P - Windsor Square Lighting District	Streets	Street Lighting	To track cash assessments and proceeds from the sale of bonds for the proposed improvements	$134,678	$0	$0	$0	$134,678	No
623 - Terra Balle/Fenton Ave Street Drainage District	Sanitation & Environment	Sanitation	For street drainage improvement projects in the Terra Balla/Fenton Ave. Street Drainage District	$76,219	$0	$2,763	$0	$73,457	No
624 - Mason Avenue and Lassen Street Drainage District Planned Local Drainage Facilities	Sanitation & Environment	Sanitation	For street drainage improvement projects in the Mason Avenue and Lassen Street Drainage District	$0	$0	$0	$0	$0	No
625 - Vanalden Channel Drainage District Planned Local Drainage Facilities	Sanitation & Environment	Sanitation	For street drainage improvement projects in the Vanalden Channel Drainage District	$0	$0	$0	$0	$0	No
629 - Sunland Boulevard/Appearson Street Drainage District	Sanitation & Environment	Sanitation	For street drainage improvement projects in the Sunland Boulevard/Appearson Street Drainage District	$754	$0	$754	$0	$0	No
643 - Mortgage Credit Certificate Program	Housing & Homelessness	Housing and Community Investment	To track funds for the Mortgage Credit Certificate program, and other low-income housing programs	$231,980	$20,425	$7,785	$0	$244,620	No
645 - Fire Safety Improvements Assessment District One Administration	Public Safety	City Administrative Officer	For the purposes of receiving the annual administrative assessment payments to pay for trustee fees and expenses incurred in the administration of the District.	$898,436	$0	$0	-$898,436	$0	No
647 - Downtown Property Owners Management District	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$418,164	$4,049,402	$3,960,198	$0	$507,368	No
648 - Wilshire Center BID	Economic Development	City Clerk	To collect and disburse assessments for the approved programs and activities of the BID	$285,242	$574,949	$565,634	-$1,091	$293,467	No
649 - Infrastructure Grant	Economic Development	Mayor's Office	To track grant funds from the Department of Commerce's Infrastructure Investment Grant Program	$891,269	$12,022	$0	$0	$903,291	No
651 - Juvenile Crime Prevention Demonstration Grant	Public Safety	Economic and Workforce Development	To track grant funds for the Office of Child Abuse Prevention's Juvenile Crime Prevention Program	$80,020	$1,079	$0	$0	$81,100	29
654 - Operation ABC	Social Services	Mayor's Office	To track grant funds from the Department of Alcoholic Beverage Control for the Operation ABC Los Angeles Program	$500,465	$0	$500,465	$500,465	$500,465	No
655 - Transportation Grants	Transportation	Transportation	To track grant funds from the MTA and other funding sources to implement 20 predetermined transportation projects	$72,367,677	$42,168,477	$48,806,702	-$270,057	$65,459,395	29
659 - Business Improvement District Trust	Economic Development	City Clerk	To provide financial assistance to business groups to help establish a Business Improvement District	$2,719,331	$2,833,240	$3,038,694	$0	$2,513,877	29
663 - D.J. Kulick Youth Demonstration Project	Social Services	Economic and Workforce Development	To track Title IV grant funds for a program to improve the hiring prospects of out-of-school youth.	$15,542	$210	$0	$0	$15,752	No
664 - City, County Collaborative Anti-Gang Initiative	Public Safety	Mayor's Office	To track DOJ grant funds for Community Oriented Policing Services (COPS) Community Law Enforcement and Recovery Program	$617,809	$0	$617,808	$617,808	$617,809	No
667 - Supplemental Law Enforcement Services	Public Safety	Mayor's Office	To track County grant funds for police services including anti-gang and community crime prevention	$21,630,072	$9,496,138	$13,291,807	$13,291,807	$31,126,210	46
668 - Narcotics Enforcement Surveillance Team	Public Safety	Mayor's Office	To track grant funds for the LAPD's Narcotics Enforcement Surveillance Team Program	$2,475,162	$0	$2,475,162	$2,475,162	$2,475,162	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
670 - Police Department Revolving Training	Public Safety	Police	To cover expenses associated with officer training, including travel, rentals, and equipment	$2,760,593	$1,500,000	$1,635,531	$0	$2,625,062	No
678 - Bradley/Milken Family Youth Center	Social Services	Economic and Workforce Development	To track grant funds to support the operations of the Tom Bradley/Milken Youth and Family Center	$3,650	$49	$0	$0	$3,699	No
681 - West Los Angeles Transportation Improvement and Mitigation	Transportation	Transportation	For transportation infrastructure investment and mitigation projects in the Westwood/West LA area	$5,003,782	$1,119,146	$405,432	-$14,603	$5,702,893	29
682 - Engineering Special Services	Public Works	Engineering	To provide engineering support services to proprietary departments, developers and grant projects	$48,883,526	$10,086,928	$12,249,968	-$328,121	$46,392,365	No
683 - Council District 1 Real Property	Public Works	City Clerk	Holds money from property sales within the Council District for services, property purchases, and other projects	$162,972	$90,423	$58,000	$0	$195,395	No
684 - Council District 2 Real Property	Public Works	City Clerk	Holds money from property sales within the Council District for services, property purchases, and other projects	$827,607	$92,789	$243,000	$0	$677,397	No
685 - Council District 3 Real Property	Public Works	City Clerk	Holds money from property sales within the Council District for services, property purchases, and other projects	$147,288	$970,538	$0	$0	$1,117,826	No
686 - Council District 4 Real Property	Public Works	City Clerk	Holds money from property sales within the Council District for services, property purchases, and other projects	$467,255	$101,158	$88,740	$0	$479,673	No
687 - Council District 5 Real Property	Public Works	City Clerk	Holds money from property sales within the Council District for services, property purchases, and other projects	$463,962	$167,974	$150,000	$0	$481,936	No
688 - Council District 6 Real Property	Public Works	City Clerk	Holds money from property sales within the Council District for services, property purchases, and other projects	$137,802	$108,713	$110,000	$0	$136,515	No
689 - Council District 7 Real Property	Public Works	City Clerk	Holds money from property sales within the Council District for services, property purchases, and other projects	$166,072	$94,791	$100,000	$0	$160,863	No
690 - Council District 8 Real Property	Public Works	City Clerk	Holds money from property sales within the Council District for services, property purchases, and other projects	$455,315	$182,776	$0	$0	$638,092	No
691 - Council District 9 Real Property	Public Works	City Clerk	Holds money from property sales within the Council District for services, property purchases, and other projects	$130,518	$104,990	$130,000	$0	$105,508	No
692 - Council District 10 Real Property	Public Works	City Clerk	Holds money from property sales within the Council District for services, property purchases, and other projects	$204,622	$112,095	$187,647	$0	$129,070	No
693 - Council District 11 Real Property	Public Works	City Clerk	Holds money from property sales within the. Council District for services, property purchases, and other projects	$175,825	$158,547	$173,853	$0	$160,519	No
694 - Council District 12 Real Property	Public Works	City Clerk	Holds money from property sales within the Council District for services, property purchases, and other projects	$160,258	$109,779	$161,528	$0	$108,508	No
695 - Council District 13 Real Property	Public Works	City Clerk	Holds money from property sales within the Council District for services, property purchases, and other projects	$108,069	$84,561	$93,496	$0	$99,134	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
696 - Council District 14 Real Property	Public Works	City Clerk	Holds money from property sales within the Council District for services, property purchases, and other projects	$48,207	$117,466	$0	$0	$165,672	No
697 - Council District 15 Real Property	Public Works	City Clerk	Holds money from property sales within the Council District for services, property purchases, and other projects	$1,378,529	$657,486	$438,169	$0	$1,597,846	No
698 - Parks Assessment	Parks	City Administrative Officer	For receipt of the L.A. Lighting District 96-1 (Proposition K) assessment collections.	$4,732,621	$66,547	$0	-$3,000,000	$1,799,169	No
699 - Sunshine Canyon Community Amenities	Public Works	City Clerk	To finance community amenities within the vicinity of the Sunshine Canyon landfill.	$19,731,131	$2,877,005	$1,867,701	$0	$20,740,436	No
706 - Printing Revolving	Other	General Services	For printing services for Departments and City officials	$1,453,301	$5,460,639	$5,460,717	$112	$1,453,335	No
707 - Stores Revolving	Other	General Services	Operations support to departments	$13,010,419	$34,555,975	$42,675,548	$15,083	$4,905,929	No
70F - General Wastewater System Construction Project	Sanitation & Environment	Sanitation	To track funds used to construct the City's wastewater system	$101,919	$0	$0	$0	$101,919	No
70K - Wastewater System Revenue Bond 2010A Construction	Sanitation & Environment	Sanitation	To track funds used to finance improvements to the City's wastewater collection and treatment	$272,912	$9,405	$261,359	$0	$20,958	No
70Q - Wastewater System Revenue Bond 2010B Construction	Sanitation & Environment	Sanitation	To track funds used to finance improvements to the City's wastewater collection and treatment	$0	$0	$0	$0	$0	No
70W - Wastewater System Commercial Paper A Construction	Sanitation & Environment	Sanitation	To track funds used to finance improvements to the City's wastewater collection and treatment	$141,491	$50,000,000	$0	-$141,491	$50,000,000	No
70X - Wastewater System Commercial Paper B Construction	Sanitation & Environment	Sanitation	To track funds used to finance improvements to the City's wastewater collection and treatment	$21,487	$0	$0	$0	$21,487	No
70Y - Wastewater System Commercial Paper A Rebate	Debt Service	Sanitation	Holds earnings from investment of Wastewater commercial paper sale above federal arbitrage limits	$0	$22,287	$0	$141,491	$163,779	No
724 - LA Convention and Exhibition Center Authority Earthquake Reserve	Arts/Culture/Tourism	Convention and Tourism Development	For earthquake reserve purpose	$40,373	$0	$0	-$40,373	$0	No
725 - LA Convention Center Revenue	Arts/Culture/Tourism	Convention and Tourism Development	For the operations and maintenance of the Convention Center	$6,383,474	$39,447,610	$36,699,378	-$2,683,294	$6,448,411	16
737 - El Pueblo de Los Angeles Historical Monument	Arts/Culture/Tourism	El Pueblo	For the operation and maintenance of the El Pueblo de Los Angeles Historical Monument	$985,949	$5,399,577	$5,207,772	-$51,904	$1,125,851	43
73B - Wastewater System Revenue Bonds 1998A and B Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$334,517	$0	$0	$0	$334,517	No
73Q - Wastewater System Revenue Bonds 2003A Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$15,780	$0	$0	$0	$15,780	No
74A - Wastewater System Revenue Bonds 2005A Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$15,463	$0	$0	$0	$15,463	No
74H - Wastewater System Revenue Bonds 2009A Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
74P - Wastewater System Revenue Bonds 2010A Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
74Q - Wastewater System Revenue Bonds 2010B Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
74R - Wastewater System Revenue Bonds 2010A Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
74T - Wastewater System Revenue Bonds 2012A Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
74X - Wastewater System Revenue Bonds 2012A Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
74Y - Wastewater System Revenue Bonds 2012B Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
75A - Wastewater System Revenue Bonds 2012C Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
75B - Wastewater System Revenue Bonds 2012D Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
75C - Wastewater System Revenue Bonds 2012D Construction	Sanitation & Environment	Sanitation	To track funds used to finance improvements to the City's wastewater collection and treatment	$0	$0	$0	$0	$0	No
75D - Wastewater System Revenue Bonds 2013A Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
75E - Wastewater System Revenue Bonds 2013A Construction	Sanitation & Environment	Sanitation	To track funds used to finance improvements to the City's wastewater collection and treatment	$0	$0	$0	$0	$0	No
75F - Wastewater System Revenue Bonds 2013A Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
75G - Wastewater System Revenue Bonds 2013B Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
75H - Wastewater System Revenue Bonds 2015A Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
75J - Wastewater System Revenue Bonds Refunding 2015B Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
75K - Wastewater System Revenue Bonds Refunding 2015C Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
75L - Wastewater System Revenue Bonds Refunding 2015D Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
75M - Wastewater System Revenue Bonds Refunding 2015A Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
75N - Wastewater System Revenue Bonds 2017A (Green Bonds) Construction	Sanitation & Environment	Sanitation	To track funds used to finance improvements to the City's wastewater collection and treatment	$262,000,000	$2,981,175	$146,549,303	$0	$118,431,872	No
75P - Wastewater System Revenue Bonds 2017A Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
75Q - Wastewater System Revenue Bonds Refunding 2017B Rebate	Debt Service	Sanitation	Holds earnings from the investment of Wastewater bond sale earnings above federal arbitrage limits	$0	$0	$0	$0	$0	No
760 - Sewer Operations and Maintenance	Sanitation & Environment	Sanitation	For operation and maintenance costs of the City's wastewater system	$90,700,956	$274,544,591	$308,190,767	-$2,354,074	$54,700,706	14
761 - Sewer Capital	Sanitation & Environment	Sanitation	For capital improvements to the City's sewer system	$56,152,095	$162,915,991	$200,324,952	$6,106	$18,749,240	14
765 - Wastewater System Revenue Bond Emergency	Sanitation & Environment	Sanitation	Holds some wastewater bond sale earnings, for emergency use in case other funds are depleted	$5,026,186	$0	$0	-$8,726	$5,017,461	No
811 - Deferred Compensation Plan Investment	Other	Personnel	Holds assets to meet the requirements of the City's Deferred Compensation Plan for investment purposes only	$31	$0	$0	$0	$31	No
812 - Article XIII B Section 5 - Gann Initiative	Other	City Administrative Officer	To appropriate unappropriated monies at fiscal year-end to assure their continued availability	$0	$0	$0	$0	$0	No
813 - Bureau of Engineering / Assessment - Special Assessment Dep	Public Works	Engineering	Unable to Determine	$343,981	$0	$0	$0	$343,981	No
814 - Grant Receipts	Other	Office of Finance	To track grant payments received under the Grants Coordination and Procedures Guide	$0	$0	$0	$0	$0	No
815 - Municipal Housing Finance	Housing & Homelessness	Housing and Community Investment	For the administration of the Housing Bond Financing Program	$3,831,065	$6,172,879	$4,800,791	$293,489	$5,496,643	48
816 - Industrial Development Authority	Economic Development	Economic and Workforce Development	For the operating expenses of the Industrial Development Authority	$43,492	$609	$10,978	$406	$33,529	29
817 - Settlements and Judgments	Other	Controller's Office	To deposit and disburse garnished funds for orders from levy agencies or collection authorities	$29,460	$0	$0	-$9	$29,451	No
820 - Building and Safety Trust	Public Works	Building and Safety	Funds collected for the Los Angeles Unified School District (LAUSD), State of California, and cash bonds are deposited in this trust fund	$28,912,274	$232	$0	$27,359,323	$56,271,829	No
821 - Cash Bond Trust	Other	Office of Finance	Cash bond deposit received from vendors against violations and accidents	$434,600	$0	$0	$0	$434,600	No
823 - Federal Withholding Tax Trust	Other	Controller's Office	To deposit amounts withheld from employees' salaries for payment of state taxes	$351,530	$0	$0	-$64,298	$287,232	No
824 - General Demand	Other	Controller's Office	To record payment of checks issued	$31,462,049	$0	$0	$38,956,800	$70,418,849	No
825 - General Payroll Reimbursement	Other	Controller's Office	Departmental funds will be connected with the Controller's financial system to issue employees' and vendors' checks.	$4,813,799	$0	$0	$446,342	$5,260,141	No
829 - Insurance Trust	Other	Personnel	Holds funds used for insurance payments to carriers on behalf of sworn employees	$2,223,759	$0	$0	-$1,253,610	$970,149	No
831 - Library Trust	Arts/Culture/Tourism	Library	For the operational costs and to purchase new materials for the Los Angeles Library system	$4,811,432	$661,158	$643,114	$69	$4,829,545	No
834 - Public Works Trust	Public Works	Board of Public Works	To record required deposits from permittees in the form of cash, surety bond, etc.	$105,501,981	$3,214,780	$3,129,164	$6,027,223	$111,614,820	No
837 - Sales Tax Trust	Other	Controller's Office	To pay annual sale tax for recovered receipts to State Board of Equalizations	$298,901	$0	$0	-$761	$298,141	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
839 - State Withholding Tax Trust	Other	Controller's Office	To deposit amounts withheld from employees' salaries for payment of state taxes	$205,156	$0	$0	-$9,065	$196,091	No
840 - Department of Transportation Trust	Transportation	Transportation	To receive deposits from persons desiring supplemental traffic control services from the Department of Transportation (DOT)	$6,914,960	$3,155,679	$3,293,046	$277,910	$7,055,503	No
842 - Animal Sterilization	Social Services	Animal Services	To provide assistance for pet sterilization for citizens who meet established eligibility requirements	$4,263,611	$3,001,474	$2,366,418	-$1,768,333	$3,130,334	29
843 - General Services Department Trust	Economic Development	General Services	Tracks funds received from or paid to entities besides the City for the General Services Department	$1,563,853	$8,299,451	$7,482,872	$346,153	$2,726,585	29
844 - Cultural Affairs Department	Arts/Culture/Tourism	Cultural Affairs	Accepts contributions to support cultural programs and activities	$2,080,785	$318,866	$485,288	-$468,368	$1,445,995	No
845 - Legislative Representation Trust	Other	City Council	Funds legislative representation for proprietary departments in Sacramento, Washington DC, and other locations	$453,827	$1,598	$6,016	$0	$449,408	No
848 - Fire Department Trust	Public Safety	Fire	To augment established programs and activities of the Fire Department	$1,427,136	$517,700	$216,294	$0	$1,728,541	No
849 - Mayor's Office for the Disabled	Social Services	Disability	For the production and distribution of informational material for Mayor's Office for the Disabled	$86,509	$28,365	$41,254	$0	$73,620	No
851 - Unclaimed Money Seized Incidental to Arrest	Public Safety	Police	Tracks unclaimed monies seized and booked into evidence in connection with criminal arrests	$2,470,758	$0	$0	$1,182,584	$3,653,342	No
852 - County of Los Angeles	Other	Controller's Office	Used to record property tax receipts prior to allocation to other funds.	$0	$0	$0	$0	$0	No
853 - Parking Violation Trust	Transportation	Transportation	Tracks monies for fines and forfeitures from parking violations	$12,337,640	$0	$0	$182,582	$12,520,222	No
858 - Santa Monica Mountains Conservancy Trust	Sanitation & Environment	Recreation and Parks	To collect proceeds from sale of real property owned by the City and located in the Santa Monica Mountains (SMM) for open space conservation within the SMM.	$60,928	$0	$0	$0	$60,928	No
859 - Animal Welfare	Social Services	Animal Services	To augment core Animal Services activities; for land and capital improvements; and equipment purchases	$2,951,306	$705,613	$589,808	$0	$3,067,111	No
863 - Narcotics Analysis Laboratory	Public Safety	Police	Tracks fees for narcotics analysis	$1,129,493	$209,194	$343,816	-$90,523	$904,348	No
864 - Venice Coastal Parking Impact	Transportation	Transportation	Tracks funds to be used for parking mitigation measures in the Venice area	$973,153	$85,137	$150,000	$0	$908,290	No
867 - Hiring Hall Trust	Other	General Services	For payment of benefits to Craft Workers hired on a temporary basis through a Hiring Hall procedure	$3,928,985	$0	$0	-$51,867	$3,877,118	No
869 - Project Restore	Public Works	General Services	For the restoration of City Hall and other facilities as part of Project Restore	$2,224,332	$491,913	$797,531	$0	$1,918,714	No
870 - Vandalism and Graffiti Reward	Public Safety	City Clerk	Tracks funds for payment of awards to persons providing information on graffiti or vandalism	$32,469	$0	$18,000	$0	$14,469	No
872 - Disaster Assistance Trust	Public Safety	City Administrative Officer	For emergency disaster response and recovery costs.	$12,794,281	$4,239,472	$4,395,434	-$3,633	$12,634,686	37
874 - City Attorney Forfeited Assets	Other	City Attorney	To track the City Attorney's share of federal proceeds from forfeited property	$68,081	$918	$5,838	$0	$63,161	No
875 - Matching Campaign Trust	Other	Ethics	To partially finance campaigns for elective City offices.	$12,700,322	$3,412,158	$0	$0	$16,112,480	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
876 - Pershing Square Special Trust	Debt Service	City Administrative Officer	To track funds used for community improvements in the Pershing Square Community Facilities District	$1,091,109	$668,736	$522,963	$0	$1,236,882	29
879 - E Bernani Scholarship Trust	Other	City Clerk	To finance a portion of the educational expenses of qualified residents attending Mission College.	$69,769	$942	$0	$0	$70,711	No
880 - Domestic Violence Trust	Public Safety	Housing and Community Investment	For the promotion of Education, Prevention, Response and Prosecution regarding Domestic Violence	$42,577	$570	$3,000	$842	$40,989	No
881 - Pension Savings Investment	Other	Personnel	To track funds for the City's obligations under the Pension Savings Plan	$15,384	$0	$0	-$2,109	$13,274	No
883 - Council District 12 LAPD Devonshire/Foothill Divisions Assistance	Public Safety	City Clerk	Tracks gifts and contributions made to assist the operations of Los Angeles Police Department Devonshire & Foothill Divisions	$141	$3	$0	$0	$144	No
884 - Council District 4 Public Safety	Other	City Clerk	Tracks gifts and contributions made to assist LAPD operations within CD 4	$0	$0	$0	$0	$0	No
885 - Police Department Trust	Public Safety	Police	Tracks gifts and contributions made to assist Citywide Los Angeles Police Department operations	$329,022	$319,337	$421,995	$0	$226,364	No
888 - Council District 15 LAPD Harbor Division Assistance	Public Safety	City Clerk	Tracks gifts and contributions made to assist Los Angeles Police Department , Harbor Division operations in Council District 15	$9,607	$129	$0	$0	$9,736	No
889 - Council District 1 Public Benefits	Public Safety	City Clerk	Tracks gifts and contributions made to assist in police and community activities within Council District 1	$1,104	$16	$0	$0	$1,120	No
892 - Volunteer Trust	Other	City Clerk	To support the expenses and activities of the City Volunteer Program	$128,566	$1,567	$29,779	$0	$100,354	No
896 - Deferred Compensation Plan Trust	Other	Personnel	To provide funding for the administration of the deferred Compensation Plan	$40,695	$740,924	$763,576	$0	$18,042	No
899 - IRS Section 501 Employee Benefits Trust	Other	Personnel	To track funds and administer the City's Civilian Modified Flex Plan	$29,384,461	$390,307,266	$379,719,257	-$655	$39,971,815	No
904 - Council District 13 Public Benefits	Public Safety	City Clerk	Tracks gifts and contributions made to assist in police and community activities within Council District 13	$2,016,386	$493,128	$399,293	$0	$2,110,221	No
907 - Adopt-A-Curb	Streets	Street Services	Tracks funds used to finance curb ramp improvements for disabled access on City streets	$0	$0	$0	$0	$0	No
908 - Staples Center Trust	Arts/Culture/Tourism	City Administrative Officer	Tracks funds from Staples Center ticket fees	$5,660,142	$1,860,008	$3,481,079	$0	$4,039,071	31
911 - Channel Gateway/Venice Affordable Housing	Housing & Homelessness	Housing and Community Investment	To provide affordable housing, and for beach shuttle program in Channel Gateway/Venice	$450,244	$6,078	$0	$0	$456,322	No
912 - Oxford Triangle / Venice Neighborhood Protection and Off-site Street Beautification	Transportation	Transportation	To support community improvements and street beautification projects in the Oxford Triangle area adjacent to the Channel Gateway project at 4251 Lincoln Boulevard.	$36,468	$492	$0	$0	$36,960	No
913 - Finance of Mayor's Transition	Other	Controller's Office	To finance the Mayor-elect's transition activities	$173,150	$101,000	$257,736	$0	$16,414	No
917 - Pico/Genessee Community Pocket Park	Public Works	City Clerk	For the development of the Pico/Genessee Community Pocket Park	$119,015	$1,607	$0	$0	$120,622	No
A53 - GO Bonds Refunding Series 1998A Debt Service	Debt Service	Office of Finance	For payment of principal and interest on General Obligation Bonds issued by the City	$0	$0	$0	$0	$0	No
A64 - GO Bonds Series 2005A Debt Service	Debt Service	Office of Finance	To pay principal and interest on the Bonds for the repayment of transfers from the City Reserve Fund	$0	$0	$0	$0	$0	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
A65 - GO Bonds Series 2005B Debt Service	Debt Service	Office of Finance	To pay principal and interest on the Bonds for the repayment of transfers from the City Reserve Fund	$8,988,457	$7,218	$8,978,589	-$17,086	$0	No
A66 - GO Bonds Series 2006A Debt Service	Debt Service	Office of Finance	To pay principal and interest on the Bonds for the repayment of transfers from the City Reserve Fund	$4,910,942	$3,642	$4,906,223	-$8,360	$0	No
A67 - GO Bonds Series 2008A Debt Service	Debt Service	Office of Finance	To pay principal and interest on the Bonds for the repayment of transfers from the City Reserve Fund	$6,915,921	$5,294	$6,908,866	-$12,348	$0	No
A68 - GO Bonds Series 2009 Debt Service	Debt Service	Office of Finance	To pay principal and interest on the Bonds for the repayment of transfers from the City Reserve Fund	$12,423,070	$7,180,932	$12,115,463	$0	$7,488,540	36
A69 - GO Bonds Series 2011A Debt Service	Debt Service	Office of Finance	To pay principal and interest on the Bonds for the repayment of transfers from the City Reserve Fund	$6,643,753	$6,846,442	$6,435,000	$0	$7,055,195	36
A70 - GO Bonds Refunding Series 2011B Debt Service	Debt Service	Office of Finance	To pay principal and interest on the Bonds for the repayment of transfers from the City Reserve Fund	$43,104,600	$41,266,879	$41,702,750	$0	$42,668,728	36
A71 - GO Bonds Refunding Series 2012A Debt Service	Debt Service	Office of Finance	To pay principal and interest on the Bonds for the repayment of transfers from the City Reserve Fund	$31,387,384	$31,602,732	$31,560,275	$0	$31,429,842	36
A72 - GO Bonds Refunding Series 2016A Debt Service	Debt Service	Office of Finance	To pay principal and interest on the Bonds for the repayment of transfers from the City Reserve Fund	$8,416,403	$10,212,765	$7,931,322	$0	$10,697,845	36
A73 - GO Bonds Series 2017A (Taxable) Debt Service	Debt Service	Office of Finance	For payment of principal and interest on General Obligation Bonds issued by the City	$0	$8,342,465	$1,567,497	$0	$6,774,968	36
A74 - GO Bonds Refunding Series 2017B (Tax-Exempt) Debt Service	Debt Service	Office of Finance	For payment of principal and interest on General Obligation Bonds issued by the City	$0	$21,579,805	$2,593,342	$37,794	$19,024,257	36
A75 - GO Bonds Series 2018A (Taxable) Debt Service	Debt Service	Office of Finance	For payment of principal and interest on General Obligation Bonds issued by the City	$0	$0	$0	$0	$0	36
A76 - GO Bonds Refunding Series 2018B (Tax-Exempt) Debt Service	Debt Service	Office of Finance	For payment of principal and interest on General Obligation Bonds issued by the City	$0	$0	$0	$0	$0	36
A77 - GO Bonds Refunding Series 2018C (Taxable) Debt Service	Debt Service	Office of Finance	For payment of principal and interest on General Obligation Bonds issued by the City	$0	$0	$0	$0	$0	36
B06 - Judgment Obligation Bonds Series 2009A Debt Service	Debt Service	City Administrative Officer	For the payment of principal of premium, if any, and interest on the bonds.	$1,042	$2,536,121	$2,536,107	$0	$1,056	Yes
B07 - Judgment Obligation Bonds Series 2010A Debt Service	Debt Service	City Administrative Officer	For the payment of principal of premium, if any, and interest on the bonds.	$4,775	$6,489,753	$6,489,692	$0	$4,836	Yes
W35 - Wastewater System Revenue Bonds 1998C Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$0	$0	$0	$0	$0	No
W41 - Wastewater System Revenue Bonds 2002A Refunding	Debt Service	Sanitation	To pay interest and principal on the bonds	$188,617	$2,683	$0	$0	$191,300	No
W43 - Wastewater System Revenue Bonds 2003A Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$0	$0	$0	$0	$0	No
W45 - Wastewater System Revenue Bonds 2003A Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$0	$0	$0	$0	$0	No
W47 - Wastewater System Revenue Bonds 2003BDebt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$0	$0	$0	$0	$0	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
W49 - Wastewater System Revenue Bonds 2003B Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$0	$0	$0	$0	$0	No
W51 - Wastewater System Revenue Bonds 2005A Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$198,333	$2,822	$0	$0	$201,155	No
W53 - Wastewater System Revenue Bonds Refunding Series 2005A-D	Debt Service	Sanitation	To pay interest and principal on the bonds	$1,502,073	$4,128,555	$3,569,072	$0	$2,061,556	No
W55 - Wastewater System Revenue Bonds Refunding Series 2008A-H	Debt Service	Sanitation	To pay interest and principal on the bonds	$0	$0	$0	$0	$0	No
W56 - Wastewater System Revenue Bonds Debt Service Reserve	Debt Service	Sanitation	To combine all debt service reserve funds into one debt service reserve fund	$102,413,094	$1,393,876	$0	$0	$103,806,971	No
W57 - Wastewater System Revenue Bonds 2009A Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$2,390,512	$26,568,799	$28,240,425	$0	$718,887	No
W59 - Wastewater System Revenue Bonds 2010A Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$1,661,525	$9,329,179	$10,136,005	$0	$854,700	No
W61 - Wastewater System Revenue Bonds 2010B Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$437,777	$5,711,591	$5,208,448	$0	$940,920	No
W63 - Wastewater System Revenue Bonds 2010A Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$1,456,725	$18,065,139	$17,252,300	$0	$2,269,564	No
W65 - Wastewater System Revenue Bonds 2012A Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$208,108	$2,483,814	$2,482,500	$0	$209,422	No
W71 - Wastewater System Revenue Bonds 2012A Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$2,517,661	$30,748,251	$29,838,519	$0	$3,427,393	No
W73 - Wastewater System Revenue Bonds 2012B Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$1,154,050	$13,845,269	$13,753,525	$0	$1,245,795	No
W75 - Wastewater System Revenue Bonds 2012C Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$755,538	$8,897,897	$8,923,600	$0	$729,834	No
W77 - Wastewater System Revenue Bonds 2012D Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$968,048	$3,913,430	$4,064,776	$0	$816,703	No
W78 - Wastewater System Revenue Bonds Refunding Series 2013A Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$2,322,151	$27,637,115	$27,671,750	$0	$2,287,517	No
W79 - Wastewater System Revenue Bonds 2013A Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$628,641	$7,502,971	$7,499,000	$0	$632,612	No
W80 - Wastewater System Revenue Bonds 2013B Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$633,655	$7,408,574	$7,541,250	$0	$500,979	No

SPECIAL PURPOSE REVENUE FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
W81 - Wastewater System Revenue Bonds 2015A Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$751,926	$8,974,399	$8,969,650	$0	$756,675	No
W82 - Wastewater System Revenue Bonds 2015B Refunding	Debt Service	Sanitation	To pay interest and principal on the bonds	$172,585	$2,059,840	$2,058,750	$0	$173,675	No
W83 - Wastewater System Revenue Bonds 2015C Refunding	Debt Service	Sanitation	To pay interest and principal on the bonds	$422,650	$5,044,420	$5,041,750	$0	$425,320	No
W84 - Wastewater System Revenue Bonds 2015D Refunding	Debt Service	Sanitation	To pay interest and principal on the bonds	$453,793	$5,416,116	$5,413,250	$0	$456,659	No
W85 - Wastewater System Revenue Bonds Refunding Series 2015A Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$90,746	$1,083,073	$1,082,500	$0	$91,319	No
W86 - Wastewater System Revenue Bonds 2017A Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$955,134	$11,222,653	$11,247,085	$0	$930,702	No
W87 - Wastewater System Revenue Bonds Refunding Series 2017B Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$451,903	$5,309,775	$5,321,334	$0	$440,343	No
W88 - Wastewater System Revenue Bonds Refunding Series 2017C Debt Service	Debt Service	Sanitation	To pay interest and principal on the bonds	$421,129	$4,975,278	$4,975,157	$0	$421,250	No
X99 - Bond Redemption Interest Bonded Debt Indemnification	Debt Service	Office of Finance	To pay interest and principal on the bonds	$278,474	$0	$0	$0	$278,474	No
705 FUNDS			**TOTAL**	**$3,937,428,315**	**$5,061,037,682**	**$4,969,536,493**	**$95,922,946**	**$4,124,852,450**	

SCHEDULE 3

PROPRIETARY DEPARTMENT FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
700 - Airport Revenue	Other	Airports	To be used for the operation of the Airports, as administered by the Airport Commission	$1,006,676,124	$2,458,512,023	$2,267,256,599	$77,231,604	$1,275,163,152	No
702 - Harbor Revenue	Other	Harbor	To be used for the operation of the Harbor, as administer by the Harbor Commission	$372,797,331	$498,718,460	$413,567,255	$313,058	$458,261,594	No
704 - Power Revenue	Other	Water and Power	To be used for the operation of the Power Systems, administered by the Department of Water and Power Board of Commissioners	$1,257,200,190	$5,966,616,450	$6,077,963,348	$767	$1,145,854,060	No
705 - Water Revenue	Other	Water and Power	To be used for the operation of the Water Systems, administered by the Department of Water and Power Board of Commissioners	$392,347,504	$3,007,047,833	$3,070,736,262	$11,559	$328,670,634	No
70L - Restoration Funds	Other	Harbor	For funds to be used to restore certain Harbor properties upon termination of lease contracts	$564,150	$4,978	$0	$0	$569,128	No
71R - Passenger Facility Charge - LAX	Other	Airports	To track Passenger Facility Charge revenues for airport infrastructure improvement projects at LAX	$464,828,696	$173,378,574	$273,795,496	-$36,207,643	$328,204,131	No
71V - Harbor Hazardous Materials Enforcement	Other	Harbor	To track hazardous material penalties from other municipalities for Hazardous Materials training for Port Police	$97,337	$1,560	$0	$0	$98,897	No
723 - Airport Revenue - Ontario	Other	Airports	To be used for the operation of the Airport, as administered by the Airport Commission	$43,310,738	$23,997,213	$16,154,057	-$41,007,922	$10,145,971	No
72V - Restoration - Tri-Marine Canning	Other	Harbor	For restoration and remediation of a Harbor property upon cancellation of a permit for land use	$1,654,587	$23,961	$0	$0	$1,678,548	No
72W - Batiquitos Lagoon Long Term Investment	Other	Harbor	Thirty (30) year investment for future maintenance of the Batiquitos Lagoon.	$6,106,430	$171,156	$0	$0	$6,277,586	No
735 - Airport Insurance - Ontario	Other	Airports	To be used as Airport Insurance Trust Fund for the Ontario International Airport	$1	$0	$0	$0	$1	No
736 - Passenger Facility Charge - ONT	Other	Airports	To track Passenger Facility Charge revenues for airport infrastructure improvement projects at the Ontario International Airport	$24,246	$36,634	$44,841	-$16,039	$0	No
739 - Airport Insurance - LAX	Other	Airports	To be used as Airport Insurance Trust Fund for Los Angeles International Airport	$113,620,646	$1,661,424	$0	$0	$115,282,069	No
73S - China Shipping Mitigation	Sanitation & Environment	Harbor	Track funds for 3 projects to mitigate environmental impacts resulting from shipping construction	$13,465,052	$0	$1,050,000	-$290,157	$12,124,894	No
73Y - Community Aesthetic Mitigation	Sanitation & Environment	Harbor	For the reduction of aesthetic impacts from Port facilities and operations	$0	$0	$0	$0	$0	No
74D - Clean Trucks Grant	Other	Harbor	To track Proposition 1B and Air Quality Management District (AQMD) grants for environmental retrofits or replacements of Port trucks	$0	$0	$0	$0	$0	No
74E - Clean Trucks - Truck Fees	Other	Harbor	To track Clean Truck fees paid by cargo owners, to be used to retrofit or replace polluting trucks	$4,936	$71	$0	$0	$5,007	No
74G - Community Mitigation - TraPac, Inc.	Other	Harbor	To improve public health & mitigate off-port impacts of Port operations in Wilmington/San Pedro	$112,234	$1,625	$0	$0	$113,860	No
74J - Strategic Operating	Other	Harbor	For operating expenses and to provide a source of liquidity during economic downturns	$160,000,000	$0	$0	$0	$160,000,000	No
74L - Drug Enforcement Agency Federal Forfeited Property - Los Angeles World Airports	Public Safety	Airports	To track the City's share of Drug Enforcement Agency proceeds from forfeited property	$1,401,317	$196,851	$182,141	$0	$1,416,028	No

PROPRIETARY DEPARTMENT FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
74M - Immigration and Customs Enforcement Forfeited Property - LAWA	Other	Airports	To track the City's share of Immigration and Customs Enforcement proceeds from forfeited property	$198,542	$19,707	$0	$0	$218,249	No
74N - ARRA Energy Efficiency and Conservation Block Grant - Harbor	Other	Harbor	Track American Recovery Reinvestment Act Energy Efficiency and Conservation Block Grant funds for Port energy efficiency upgrades	$0	$0	$0	$0	$0	No
74S - Proposition 65 Clean Truck Program	Other	Harbor	Helps fund the Clean Truck Program, to assist carriers to replace trucks to meet Environment Protection Agency standards	$0	$0	$0	$0	$0	No
751 - Harbor Emergency Fund	Other	Harbor	Holds funds used for self-insurance against natural disasters or other urgent needs	$47,823,562	$437,183	$0	$0	$48,260,745	No
769 - Harbor Department Forfeited Assets	Other	Harbor	Tracks the Harbor Department's share of properties seized relating to narcotics arrests	$640,597	$46,427	$237,430	-$17,986	$431,609	No
776 - Department of Water and Power Flexible Spending Accounts	Other	Water and Power	To deposit and track deductions from Department of Water and Power employee paychecks for flexible spending accounts	$1,590,419	$2,799,676	$2,752,623	$0	$1,637,471	No
826 - Department of Water and Power Payroll	Other	Water and Power	For funding the Department of Water and Power Payroll account.	$3,968,411	$0	$0	$319,079	$4,287,490	No
827 - Department of Water and Power Disbursements	Other	Water and Power	For funding the Department of Water and Power (DWP) general disbursements account	$39,318,983	$0	$0	-$6,932,955	$32,386,028	No
828 - Water and Power Plan Benefits	Other	Water and Power	To track disbursements and outstanding checks for Department of Water and Power DWP Plan benefits.	$24,959,418	$0	$0	$115,616	$25,075,034	No
877 - Customer Guarantee Deposits	Other	Harbor	Tracks security deposits from customers and tenants of the Harbor department	$2,999,843	$0	$0	$0	$2,999,843	No
J10 - Electric Plant Revenue Bonds 2nd Issue of 1993 Reserve	Debt Service	Water and Power	Monies from the Power Revenue Fund shall be placed in this fund	$9,954	$628,331	$628,331	$0	$9,954	No
J13 - Electric Plant Refunding Revenue Bonds Issue 1994 Reserve	Debt Service	Water and Power	Monies from the Power Revenue Fund shall be placed in this fund	$41,094	$1,858,381	$1,858,381	$0	$41,094	No
J15 - Electric Plant Revenue Bonds Issue 1994 Reserve	Debt Service	Water and Power	Monies from the Power Revenue Fund shall be placed in this fund	$16,277	$438,553	$438,553	$0	$16,277	No
J2B - Power System Revenue Bonds 2008A Debt Service	Debt Service	Water and Power	To pay for principal for the principal and interest payable on the outstanding bonds	$48,173,069	$17,238,270	$65,411,339	$0	$0	No
J3B - Power System Revenue Bonds 2009A Debt Service	Debt Service	Water and Power	To pay for principal for the principal and interest payable on the outstanding bonds	$5,432,559	$8,177,319	$8,116,219	$0	$5,493,659	No
J49 - Electric Plant Revenue Bonds Second Issuance of 1977 Redemption	Debt Service	Water and Power	To be used to redeem the Electric Plant Revenue Bonds	$511,000	$0	$0	$0	$511,000	No
J4B - Power System Revenue Bonds 2009B Debt Service	Debt Service	Water and Power	To pay for principal for the principal and interest payable on the outstanding bonds	$4,341,187	$8,652,313	$8,652,313	$0	$4,341,187	No
J55 - Electric Plant Revenue Bonds Issuance of 1972 Redemption	Debt Service	Water and Power	To be used to redeem the Electric Plant Revenue Bonds	$25,135	$0	$0	$0	$25,135	No
J5B - Power System Revenue Bonds 2010A Debt Service	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$18,280,280	$36,560,560	$36,560,560	$0	$18,280,280	No
J5E - Power System Revenue Bonds 2010B Reserve	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$635,797	$6,936,594	$1,271,594	$0	$6,300,797	No
J5G - ARRA Energy Efficiency and Conservation Block Grant - DWP	Other	Water and Power	For the expansion of the Energy Efficiency and Conservation Block Grant Programs	$0	$0	$0	$0	$0	No
J5J - Power System Revenue Bonds 2010C Debt Service	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$3,854,995	$7,709,989	$7,709,989	$0	$3,854,995	No
J5N - Power System Revenue Bonds 2010D Debt Service	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$25,200,774	$50,401,548	$50,401,548	$0	$25,200,774	No
J5S - Power System Revenue Bonds 2011A Debt Service	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$17,403,938	$105,723,475	$28,303,175	$0	$94,824,238	No

PROPRIETARY DEPARTMENT FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
J5V - Power System Revenue Bonds 2012A Debt Service	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$2,388,171	$4,743,847	$4,740,450	$0	$2,391,568	No
J5X - Power System Revenue Bonds 2012B Debt Service	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$8,802,858	$17,512,346	$17,500,000	$0	$8,815,205	No
J60 - Electric Plant Revenue Bonds Issuance of 1973 Redemption	Debt Service	Water and Power	Funds to be applied to redeem the Electric Plant Revenue bonds	$20,795	$0	$0	$0	$20,795	No
J62 - Electric Plant Revenue Bonds Second Issuance of 1973 Redemption	Debt Service	Water and Power	To be used to redeem the Electric Plant Revenue Bonds	$197,025	$0	$0	$0	$197,025	No
J6B - Power System Revenue Bonds 2012C Debt Service	Debt Service	Water and Power	To pay Costs of Issuance of the 2012 Series C Bonds	$29,402	$426	$0	$0	$29,827	No
J6E - Power System Revenue Bonds 2013A Debt Service	Debt Service	Water and Power	To pay Costs of Issuance of the 2013 Series A Bonds	$54,005,275	$64,166,364	$65,107,688	$0	$53,063,951	No
J6G - Power System Revenue Bonds 2013B Debt Service	Debt Service	Water and Power	To pay Costs of Issuance of the 2013 Series B Bonds	$36,287,998	$28,999,743	$46,861,550	$0	$18,426,191	No
J6K - Power System Revenue Bonds 2013C Debt Service	Debt Service	Water and Power	To pay Costs of Issuance of the 2013 Series C Bonds	$617,660	$1,230,098	$1,229,241	$0	$618,518	No
J6M - Power System Revenue Bonds 2014A Debt Service	Debt Service	Water and Power	Monies from the Power Revenue Fund shall be placed in this fund	$1	$2,869,370	$2,869,370	$0	$1	No
J6P - Power System Revenue Bonds 2014B Debt Service	Debt Service	Water and Power	Monies from the Power Revenue Fund shall be placed in this fund	$8,056,342	$16,071,537	$16,060,531	$0	$8,067,348	No
J6R - Power System Revenue Bonds 2014C Debt Service	Debt Service	Water and Power	Monies from the Power Revenue Fund shall be placed in this fund	$6,640,826	$9,599,011	$11,421,400	$0	$4,818,438	No
J6S - Power System Revenue Bonds 2014D Debt Service	Debt Service	Water and Power	Monies from the Power Revenue Fund shall be placed in this fund	$11,211,818	$22,377,592	$22,362,350	$0	$11,227,060	No
J6V - Power System Revenue Bonds 2014E Debt Service	Debt Service	Water and Power	Monies from the Power Revenue Fund shall be placed in this fund	$5,739,061	$11,457,781	$11,450,000	$0	$5,746,842	No
J6X - Power System Revenue Bonds 2015A Debt Service	Debt Service	Water and Power	Monies from the Power Revenue Fund shall be placed in this fund	$12,056,766	$24,079,290	$24,063,000	$0	$12,073,056	No
J6Y - Power System Revenue Bonds 2015B Debt Service	Debt Service	Water and Power	Monies from the Power Revenue Fund shall be placed in this fund	$5,990	$13,303,675	$13,300,100	$0	$9,564	No
J75 - Power System Revenue Bonds 2001A Debt Service	Debt Service	Water and Power	To be used to pay for the principal and interest payable on outstanding bonds	$0	$0	$0	$0	$0	No
J77 - Power System Revenue Bonds 2001B Debt Service	Debt Service	Water and Power	To be used to pay for the principal and interest payable on outstanding bonds	$0	$6,518,527	$6,518,527	$0	$0	No
J78 - Power System Revenue Bonds 2001C Debt Service	Debt Service	Water and Power	To be used to pay for the principal and interest payable on outstanding bonds	$0	$42,353	$42,353	$0	$0	No
J7A - Power Short Term Revenue Notes 2015 Construction Fund	Other	Water and Power	To establish and maintain a revolving line of credit (LOC) up to a combined $500 million for the Water and Power Systems	$0	$0	$0	$0	$0	No
J7B - Power System Revenue Bonds 2016A Debt Service	Debt Service	Water and Power	To be used to pay for the principal and interest payable on outstanding bonds	$6,779,202	$25,343,084	$13,549,050	$0	$18,573,236	No
J7D - Power System Revenue Bonds 2010C Sinking Fund	Debt Service	Water and Power	To pay costs of the 2010 Series C Projects of Power System, including costs of issuance	$15,122,845	$10,446,120	$0	$0	$25,568,965	No
J7E - Power System Revenue Bonds 2016B Debt Service	Debt Service	Water and Power	To be used to pay for the principal and interest payable on outstanding bonds	$5,514,573	$11,029,941	$11,022,600	$0	$5,521,914	No
J7F - Power System Revenue Bonds 2016B Construction	Other	Water and Power	To pay costs of Capital Improvement to the Power System	$0	$0	$0	$0	$0	No
J7G - Power System Revenue Bonds 2017A Debt Service	Debt Service	Water and Power	To be used to pay for the principal and interest payable on outstanding bonds	$9,861,111	$25,013,733	$22,361,111	$0	$12,513,733	No
J7H - Power System Revenue Bonds 2017A Construction	Other	Water and Power	To pay costs of Capital Improvement to the Power System	$16,569,075	$46,692	$16,615,000	-$767	$0	No
J7J - Power System Revenue Bonds 2017B Debt Service	Debt Service	Water and Power	To be used to pay for the principal and interest payable on outstanding bonds	$4,197,871	$17,377,212	$12,883,121	$0	$8,691,962	No
J7K - Power System Revenue Bonds 2017C Debt Service	Debt Service	Water and Power	To be used to pay for the principal and interest payable on outstanding bonds	$0	$18,078,300	$8,726,433	$0	$9,351,867	No

PROPRIETARY DEPARTMENT FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
J7L - Power System Revenue Bonds 2017C Construction	Other	Water and Power	To pay costs of Capital Improvement to the Power System	$0	$446,843,485	$446,843,485	$0	$0	No
J7M - Power System Revenue Bonds 2018A Debt Service	Debt Service	Water and Power	To be used to pay for the principal and interest payable on outstanding bonds	$0	$3,537,380	$0	$0	$3,537,380	No
J81 - Power System Revenue Bonds 2002A Debt Service	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$0	$3,356,532	$3,356,532	$0	$0	No
J85 - Power System Revenue Bonds 2003B Debt Service	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$0	$0	$0	$0	$0	No
J88 - Power System Revenue Bonds Commercial Paper Debt Service	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$40,313	$1,783,799	$1,783,799	$0	$40,313	No
J91 - Power System Revenue Bonds 2005A Debt Service	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$0	$0	$0	$0	$0	No
J96 - Power System Revenue Bonds 2007A Debt Service	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$12,489,300	$0	$12,489,300	$0	$0	No
K70 - Electric Plant Revenue Bonds Issuance of 1973 Reserve	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$55,385	$0	$0	$0	$55,385	No
K71 - Electric Plant Revenue Bonds Second Issuance of 1973 Reserve	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$131,025	$0	$0	$0	$131,025	No
K87 - Electric Plant Revenue Bonds Second Issuance of 1977 Reserve	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$119,566	$0	$0	$0	$119,566	No
M1A - Water System Revenue Bonds 2013B Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$24,549,200	$28,902,059	$33,633,250	$0	$19,818,009	No
M1C - Water System Revenue Bonds 2014A Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$6,776,854	$13,527,254	$13,518,050	$0	$6,786,058	No
M1E - Water Short Term Revenue Notes 2015 Construction	Other	Water and Power	To maintain a revolving line of credit (LOC) up to a combined $500 million for the Water and Power Systems	$0	$0	$0	$0	$0	No
M1F - Los Angeles Reservoir Ultraviolet Light Treatment Plant Debt Service	Other	Water and Power	CA State water resources control for safe drinking water	$0	$232,364	$232,364	$0	$0	No
M1G - Los Angeles Reservoir Ultraviolet Light Treatment Plant Reserve	Other	Water and Power	CA State water resources control for safe drinking water	$0	$0	$0	$0	$0	No
M1H - D15-02014 Eagle Rock Reservoir Cover Replacement Debt Service	Debt Service	Water and Power	CA State water resources control for safe drinking water	$0	$118,024	$118,024	$0	$0	No
M1J - D15-02014 Eagle Rock Reservoir Cover Replacement Reserve	Other	Water and Power	CA State water resources control for safe drinking water	$31,288	$24,082	$0	$0	$55,370	No
M1K - Water System Revenue Bonds 2016A Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$13,703,889	$27,404,926	$27,386,650	$0	$13,722,165	No
M1L - Water System Revenue Bonds 2016A Construction	Other	Water and Power	To pay costs of capital improvements to the Water System, including cost of bond issuance	$113,880,111	$364,915	$114,242,000	-$3,026	$0	No
M1M - Water System Revenue Bonds 2016B Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$6,647,489	$13,295,354	$13,286,500	$0	$6,656,343	No
M1N - Water System Revenue Bonds 2016B Construction	Other	Water and Power	To pay costs of capital improvements to the Water System, including cost of bond issuance	$64,903,775	$182,904	$65,085,799	-$880	$0	No
M1P - Water Short Term Revenue Notes 2016 Construction	Other	Water and Power	To maintain a revolving line of credit (LOC) up to a combined $500 million for the Water and Power Systems	$6,948	$56	$0	-$7,004	$0	No
M1Q - Water System Revenue Bonds 2017A Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$3,636,826	$27,407,399	$16,729,401	$0	$14,314,824	No
M1R - Water System Revenue Bonds 2017A Construction	Other	Water and Power	To pay costs of capital improvements to the Water System.	$192,436,758	$1,829,557	$194,265,666	-$649	$0	No

PROPRIETARY DEPARTMENT FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
M1S - Water System Revenue Bonds 2017A Cost of Issuance	Debt Service	Water and Power	To pay for cost of bond issuance.	$0	$0	$0	$0	$0	No
M1T - Water System Revenue Bonds 2018A Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$0	$3,850,000	$0	$0	$3,850,000	No
M1U - Water System Revenue Bonds 2018A Construction	Other	Water and Power	To pay costs of capital improvements to the Water System.	$0	$273,644,343	$171,000,000	$0	$102,644,343	No
M4A - Water System Revenue Bonds 2001C Debt Service	Debt Service	Water and Power	To deposit sums as outlined in the resolution to the Interest, Principal and Sinking Fund Accounts	$12	$0	$0	$0	$12	No
M52 - Water Works Revenue Bonds 1989 Reserve	Debt Service	Water and Power	Monies from Water Revenue fund shall be transferred to Fiscal Agent for deposit in Bond Service Fund	$0	$0	$0	$0	$0	No
M5E - Water System Revenue Bonds 2003B Debt Service	Debt Service	Water and Power	To pay principal and interest payable on outstanding bonds	$131,700	$263,400	$263,400	$0	$131,700	No
M7B - Water System Revenue Bonds 2005A Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$0	$0	$0	$0	$0	No
M88 - Water Works Refunding Revenue Bonds 1998 Debt Service	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$2,518	$2,806,700	$2,806,700	$0	$2,518	No
M8B - Water System Revenue Bonds 2007A Debt Service	Debt Service	Water and Power	To pay for the principal and interest payable on the outstanding bonds	$2,042,500	$0	$2,042,500	$0	$0	No
M96 - Water Works Refunding Revenue Bonds 1977 Redemption	Debt Service	Water and Power	Funds to be applied to redeem the bonds	$65,000	$0	$0	-$5,000	$60,000	No
M9B - Water System Revenue Bonds 2009A Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$7,470,716	$11,212,931	$11,124,681	$0	$7,558,966	No
M9E - Water System Revenue Bonds 2009B Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$28,102,025	$30,846,000	$30,112,525	$0	$28,835,500	No
M9H - Water System Revenue Bonds 2009C Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$10,005,009	$20,010,018	$20,010,018	$0	$10,005,009	No
M9L - Water System Revenue Bonds 2010A Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$16,466,821	$32,933,641	$32,933,641	$0	$16,466,821	No
M9P - Water System Revenue Bonds 2011A Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$8,674,288	$22,041,975	$16,415,275	$0	$14,300,988	No
M9R - Water System Revenue Bonds 2012A Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$6,964,782	$13,848,069	$13,838,250	$0	$6,974,601	No
M9T - Water System Revenue Bonds 2012B Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$8,101,084	$16,111,394	$16,100,000	$0	$8,112,478	No
M9W - Water System Revenue Bonds 2012C Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$2,332,585	$4,639,031	$4,635,750	$0	$2,335,865	No
M9Y - Water System Revenue Bonds 2013A Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$10,451,969	$12,503,066	$12,642,281	$0	$10,312,753	No
MA2 - Water System Revenue Bonds 2001B Debt Service	Debt Service	Water and Power	To pay principal and interest on outstanding bonds	$0	$3,644,269	$3,644,269	$0	$0	No
115 FUNDS			**TOTAL**	**$4,823,961,754**	**$13,725,469,107**	**$13,942,316,037**	**-$6,498,345**	**$4,600,616,479**	

SCHEDULE 4

PENSION AND RETIREMENT FUNDS (Cash Basis)

Fund Label	Function	Administering Department	Fund Purpose	Beginning Cash Balance for Fiscal Year	Revenue	Expenses	Other Transactions	Ending Cash Balance as of June 30, 2018	Budget Schedule Number
800 - City Employees Retirement	Other	City Employees Retirement System	For the implementation and administration of the City employees' retirement allowances and Other Post Employment Benefits (OPEB)	$3,174,094	$575,293,881	$1,003,895,936	$427,931,928	$2,503,967	12
801 - Fire and Police Tier 1 Service Pension	Other	Fire and Police Pensions	Fire and Police Tier 1 Service Pension Fund	$130	$3	$0	$0	$133	No
802 - Fire and Police Tier 1 General Pension	Other	Fire and Police Pensions	Fire and Police Tier 1 General Pension Fund	$1,246	$16,549,021	$0	-$16,544,718	$5,549	No
803 - Fire and Police Tier 2 Service Pension	Other	Fire and Police Pensions	Fire and Police Tier 2 Service Pension Fund	$48,926	$213,253	$0	-$145,000	$117,179	No
804 - Fire and Police Tier 2 General Pension	Other	Fire and Police Pensions	Fire and Police Tier 2 General Pension Fund	$940,303	$66,106,525	$20,903,884	-$45,433,574	$709,370	No
805 - Fire and Police Tier 3 Service Pension	Other	Fire and Police Pensions	Fire and Police Tier 3 Service Pension Fund	$52,108	$8,169,549	$0	-$8,052,000	$169,657	No
806 - Fire and Police Tier 3 General Pension	Other	Fire and Police Pensions	Fire and Police Tier 3 General Pension Fund	$13,109	$66,524,753	$0	-$66,520,824	$17,038	No
807 - Water and Power Employee Death Benefits	Other	Water and Power	A separate trust fund required for the funding and disbursement of Plan benefits.	$1,058,966	$9,005,031	$9,025,848	$0	$1,038,150	No
808 - Water and Power Employee Disability	Other	Water and Power	A separate trust fund required for the funding and disbursement of Plan benefits.	$3,139,635	$22,278,074	$24,125,077	$0	$1,292,632	No
809 - Water and Power Retirement	Other	Water and Power	A separate trust fund required for the funding and disbursement of Plan benefits.	$8,775,658	$1,071,274,063	$1,072,012,995	$0	$8,036,726	No
850 - Department of Water and Power Retiree Health Benefits	Other	Water and Power	For funding the Department of Water and Power post-retirement Health Care Benefits Plan	$487,874	$98,547,708	$98,661,442	$0	$374,141	No
900 - Limited Term Retirement Trust	Other	City Employees Retirement System	For the administration of the Limited Term Retirement program which provides a portable retirement benefit for elected officials of the City whose terms are limited by the City Charter.	$92,886	$44,729	$0	$0	$137,615	No
901 - Excess Benefit Plan	Other	City Employees Retirement System	A Fund separate from the LACERS Trust Fund that pays subjected LACERS retirees the retirement benefit amounts in excess of the annual limit imposed by Section 415 of the Internal Revenue Code of 1986 as amended.	$804,359	$1,280,214	$903,101	$0	$1,181,472	No
909 - Fire and Police Tier 4 Service Pension	Other	Fire and Police Pensions	Fire and Police Tier 4 Service Pension Fund	$11,464	$2,649,392	$0	-$2,618,000	$42,856	No
910 - Fire and Police Tier 4 General Pension	Other	Fire and Police Pensions	Fire and Police Tier 4 General Pension Fund	$413	$30,099,585	$0	-$30,096,303	$3,695	No
915 - Fire and Police Tier 5 Service Pension	Other	Fire and Police Pensions	Fire and Police Tier 5 Service Pension Fund	$402,296	$111,967,786	$112,149	-$111,700,162	$557,772	No
916 - Fire and Police Tier 5 General Pension	Other	Fire and Police Pensions	Fire and Police Tier 5 General Pension Fund	$74,478	$411,312,167	$0	-$411,314,155	$72,491	No
918 - Fire and Police Pensions Excess Benefit Plan	Other	Fire and Police Pensions	Excess Benefit Plan for Fire Police Pensions	$249,610	$1,917,323	$1,597,869	$162	$569,226	No
920 - Fire and Police Tier 6 Service Pension	Other	Fire and Police Pensions	Fire and Police Tier 6 Service Pension Fund	$49,848	$21,022,440	$0	-$20,923,000	$149,288	No
921 - Fire and Police Tier 6 General Pension	Other	Fire and Police Pensions	Fire and Police Tier 6 General Pension Fund	$519	$47,778,771	$0	-$47,717,434	$61,856	No
922 - Water and Power Active Employee Healthcare Benefits	Other	Water and Power	To record contributions and disbursements of active employees' healthcare benefits	$3,536,068	$214,483,319	$213,555,092	$0	$4,464,295	No
21 FUNDS			**TOTAL**		**$2,776,517,588**	**$2,444,793,392**	**-$333,133,080**	**$21,505,108**	

SCHEDULE 5

SPECIAL PURPOSE FUNDS EXPENDING LESS THAN 50% OF CASH RESOURCES IN FISCAL YEAR 2018

Fund Label	Beginning Cash Balance	Revenue	Other Cash Transactions	Cash Resources	Expenditures	Usage Percent
105 - Innovation	$1,225,696	$1,012,979	-$25,000	$2,213,675	$542,318	24.5%
10B - Gang Injunction Curfew Settlement	$1,910,000	$2,739,536	-$111,922	$4,537,615	$707,669	15.6%
10D - Accessible Housing	$1,356,285	$11,055,114	$221,094	$12,632,493	$3,111,015	24.6%
154 - GO Bonds Election 1989 Branch Library Facilities Construction	$1,071	$12	$0	$1,083	$0	0.0%
155 - GO Bonds Election 1989 Police Facilities Construction	$74,340	$805	$0	$75,145	$0	0.0%
156 - GO Bonds Election 1989 Fire Safety Improvements Construction	$191,838	$2,077	$0	$193,916	$0	0.0%
15E - GO Bonds Series 2001A Library Facilities Construction	$1,131,270	$8,852	$0	$1,140,123	$324,429	28.5%
15F - GO Bonds Series 2001A Zoo Improvement Projects Construction	$431,305	$3,375	$0	$434,680	$123,691	28.5%
15G - GO Bonds Series 2001A Animal Shelter Facilities Construction	$316,892	$2,460	$0	$319,352	$94,728	29.7%
15H - GO Bonds Series 2001A Fire/Paramedic Emergency Helicopter Facilities Construction	$4,689,271	$36,599	$0	$4,725,870	$1,374,543	29.1%
15K - GO Bonds Series 2002A Zoo Improvement Projects Construction	$1,689,678	$18,295	$0	$1,707,972	$0	0.0%
15L - GO Bonds Series 2002A Animal Shelter Facilities Construction	$644,972	$6,983	-$11	$651,944	$1,253	0.2%
15M - GO Bonds Series 2002A Fire/Paramedic Emergency Helicopter Facilities Construction	$846,294	$9,163	$0	$855,457	$0	0.0%
15N - GO Bonds Series 2002A 911-Police-Fire-Paramedic Projects Construction	$701,926	$5,913	-$231,724	$476,115	$0	0.0%
15S - GO Bonds Series 2003A Animal Shelter Facilities Construction	$4,858,420	$51,934	-$28,357	$4,881,998	$76,875	1.6%
15T - GO Bonds Series 2003A Fire/Paramedic Emergency Helicopter Facilities Construction	$17,052,603	$184,631	$0	$17,237,234	$397	0.0%
15U - GO Bonds Series 2003A 911-Police-Fire-Paramedic Projects Construction	$2,394,005	$20,298	-$109,672	$2,304,632	$1,042,705	45.2%
163 - GO Bonds Series 1991A Fire Safety Improvement Projects Construction	$134,267	$1,454	$0	$135,721	$0	0.0%
168 - GO Bonds Series 1992A Police Facilities Construction	$367,857	$3,983	$0	$371,840	$0	0.0%
16A - GO Bonds Series 2004A 911-Police-Fire-Paramedic Projects Construction	$8,252,857	$80,783	-$744,733	$7,588,908	$2,002,145	26.4%
16D - GO Bonds Series 2005A Fire/Paramedic Emergency Helicopter Facilities Construction	$20,992,075	$226,016	-$59,081	$21,159,010	$280,731	1.3%
16F - GO Bonds Series 2005A Clean Water Projects Construction	$134,021	$1,091	-$43,513	$91,600	$0	0.0%
16J - GO Bonds Series 2006A Fire/Paramedic Emergency Helicopter Facilities Construction	$23,532,064	$236,509	$653,828	$24,422,401	$7,361,157	30.1%
16K - GO Bonds Series 2006A Animal Shelter Facilities Construction	$9,966,012	$96,154	$437,943	$10,500,108	$4,283,211	40.8%
16L - GO Bonds Series 2006A 911-Police-Fire-Paramedic Projects Construction	$923,941	$7,355	-$7,011	$924,285	$397,588	43.0%
16M - GO Bonds Series 2006A Clean Water Projects Construction	$183,755	$1,254	-$80,487	$104,522	$10,356	9.9%
16Q - GO Bonds Series 2008A Clean Water Projects Construction	$7,654,020	$86,082	-$341,825	$7,398,277	$2,212,522	29.9%
16T - GO Bonds Series 2009 Clean Water Projects Construction	$46,056,098	$2,289,774	-$44,993	$48,300,879	$18,889,198	39.1%
16V - GO Bonds Series 2011A Clean Water Projects Construction	$60,095,497	$602,885	-$346,843	$60,351,539	$6,453,415	10.7%
172 - GO Bonds Series 1993A Fire Safety Improvement Projects Construction	$188,946	$2,046	$0	$190,992	$0	0.0%
173 - GO Bonds Series 1993A Police Facilities Construction	$295,107	$3,195	$0	$298,302	$0	0.0%
17A - GO Bonds Series 2017A (Taxable) Proposition HHH Construction	$0	$87,267,884	$0	$87,267,884	$4,512,513	5.2%
183 - GO Bonds Series 1994A Police Facilities Construction	$202,817	$2,196	$0	$205,013	$0	0.0%
186 - GO Bonds Series 1995A Police Facilities Construction	$151,055	$1,635	$0	$152,690	$0	0.0%
205 - Recreation and Parks Grant	$83,105,529	$21,794,442	$102,180	$105,002,151	$25,870,250	24.6%
207 - Local Transportation	$3,625,812	$8,529,793	-$641	$12,154,963	$4,383,290	36.1%
209 - Recreation and Parks Sites and Facilities	$14,237,000	$3,977,800	-$200	$18,214,600	$254,148	1.4%
212 - Equestrian Facilities Trust	$850,357	$31,800	$0	$882,156	$0	0.0%
214 - Vacated Fire Department Facilities	$175,851	$0	$100,000	$275,851	$100,000	36.3%
240 - Housing Production Revolving	$9,063,999	$1,435,569	-$4,438	$10,495,129	$583,161	5.6%
26J - MICLA Revenue Bonds Series 2010B Acquisition	$859,481	$13,711	$0	$873,192	$0	0.0%
26X - MICLA Lease Series 2016B (Real Property) Construction	$36,070,315	$378,743	$0	$36,449,058	$3,926,106	10.8%
26Y - MICLA 2017 Streetlights Construction	$39,228,910	$400,965	$1,900,001	$41,529,877	$12,555,944	30.2%
301 - Municipal Sports Account	$27,748,654	$28,924,419	$11,233	$56,684,306	$27,352,581	48.3%
302 - Recreation and Parks	$262,479,260	$284,346,514	$28,660	$546,854,433	$261,783,212	47.9%
303 - Industrial/Commercial Revolving Loan	$2,440,278	$32,915	$0	$2,473,193	$0	0.0%
304 - Sidewalk and Tree Maintenance Assessment	$2,193,556	$142,977	-$267,420	$2,069,113	$114,678	5.5%
305 - Subventions and Grants	$39,267,246	$9,951,469	$1,555,501	$50,774,216	$8,081,699	15.9%
307 - Rental Housing Production	$1,324,380	$67,127	$0	$1,391,507	$0	0.0%
329 - Funded Improvement Revolving	$296	$0	$0	$296	$0	0.0%

SPECIAL PURPOSE FUNDS EXPENDING LESS THAN 50%
OF CASH RESOURCES IN FISCAL YEAR 2018

Fund Label	Beginning Cash Balance	Revenue	Other Cash Transactions	Cash Resources	Expenditures	Usage Percent
335 - Fire Department Grant	$3,287,451	$1,789,512	-$20,441	$5,056,523	$2,442,347	48.3%
336 - Fire Hydrant Installation and Main Replacement	$2,655,464	$35,820	$0	$2,691,284	$62,085	2.3%
337 - Cultural Affairs Grant	$665,669	$194,390	$0	$860,059	$366,275	42.6%
342 - Telecommunications Liquidated Damages and Lost Franchise Fees	$35,882,260	$18,237,118	-$266,908	$53,852,470	$17,729,543	32.9%
346 - Repair and Demolition	$1,639,384	$622,225	$46,186	$2,307,796	$800,185	34.7%
358 - Neighborhood Facility Match CRA Contract	$713	$10	$0	$723	$0	0.0%
364 - Major City Planning Grant	$226,719	$0	$0	$226,719	$0	0.0%
385 - Proposition A Local Transit	$273,023,976	$149,266,971	-$277,437	$422,013,510	$183,413,979	43.5%
393 - Oil Environmental Impact Statement Critique	$6,413	$0	$0	$6,413	$0	0.0%
396 - Project Heavy - San Fernando Valley	$11,129	$0	$0	$11,129	$0	0.0%
403 - Project Heavy - West LA	$5,506	$0	$0	$5,506	$0	0.0%
40C - State One-Stop	$2,621	$35	$0	$2,655	$0	0.0%
40F - Community Based Services Program AB2800	$261,015	$0	$0	$261,015	$0	0.0%
40J - Fire Department Special Training	$2,582,458	$2,209,156	$2,998	$4,794,613	$1,009,937	21.1%
40K - Fire Department Revolving Training	$962,171	$808,715	$568	$1,771,454	$481,351	27.2%
40L - LA Bridges Grant	$17,172	$231	$0	$17,403	$0	0.0%
40X - Los Feliz Village BID	$19,495	$100,619	$25	$120,138	$57,609	48.0%
41C - Electronic Animal Identification Device	$144	$3	$0	$147	$0	0.0%
41D - Hollywood Problem Solving Partnership	$1,828	$0	$0	$1,828	$0	0.0%
41F - Welfare to Work	$170,679	$2,302	$0	$172,981	$0	0.0%
41H - First Responder Grant	$26,866	$0	$0	$26,866	$0	0.0%
41J - Local Coastal Program Grant	$66,907	$0	$0	$66,907	$0	0.0%
41L - Unified Program	$1,350,794	$274,392	$757,224	$2,382,411	$400,388	16.8%
41R - LA Bridges Forfeited Assets	$27,810	$375	$0	$28,184	$0	0.0%
41S - Tarzana BID	$32,074	$43,151	$0	$75,225	$33,170	44.1%
41V - Toy District BID	$49,839	$672	$0	$50,511	$0	0.0%
41Y - Standards and Training for Corrections	$387,313	$138,691	$0	$526,004	$206,454	39.2%
420 - Library Education	$133,685	$1,803	$0	$135,488	$0	0.0%
42E - Community Facilities District 3 Cascade Business Park	$718,021	$592,155	$0	$1,310,176	$578,672	44.2%
42H - Juvenile Justice and Delinquency Prevention	$54,866	$0	$0	$54,866	$0	0.0%
42J - Senior Human Services Program	$1,882,724	$480,196	$13,804	$2,376,723	$513,965	21.6%
42P - Reseda BID	$5,072	$70	$0	$5,142	$0	0.0%
42R - Jefferson Park BID	$45,848	$618	$0	$46,466	$0	0.0%
42U - LA Community Development Bank Section 108 Guarantee	$131,943	$1,780	$0	$133,723	$0	0.0%
42V - Economic Development Initiative Grant	$2,831	$38	$0	$2,869	$0	0.0%
431 - Comprehensive Employment and Training Act Trust	$369	$6	$0	$375	$0	0.0%
434 - Venice Area Surplus Real Property	$2,134,078	$0	$0	$2,134,078	$50,882	2.4%
437 - Runyon Canyon Acquisition	$818,535	$11,042	-$825,620	$3,957	$0	0.0%
43D - Street Furniture Revenue	$7,596,232	$3,256,617	$0	$10,852,850	$1,322,292	12.2%
43F - Community Development Department Section 108 Loan Guarantee	$168,817	$2,192	$3,077	$174,086	$17,253	9.9%
43G - Healthy Alternatives to Smoking	$1,208,489	$16,301	$0	$1,224,790	$0	0.0%
43K - Proposition K Projects	$103,198,188	$21,611,830	$2,732,996	$127,543,014	$16,491,688	12.9%
43L - Proposition K Maintenance	$13,499,142	$3,869,965	$70,900	$17,440,007	$5,168,195	29.6%
43M - Proposition K Administration	$4,884,228	$805,029	$0	$5,689,257	$560,086	9.8%
43N - Proposition K Bonds Matching Funds	$280,516	$3,784	$0	$284,300	$0	0.0%
43P - Landscaping District 96-1 Assessment Bonds Series 2000	$2,745,748	$37,112	$0	$2,782,861	$284,144	10.2%
43U - Street Banners Revenue	$457,329	$286,472	$101	$743,902	$364,084	48.9%
43W - Warner Center Air Quality	$291,336	$3,930	$0	$295,266	$0	0.0%
43Y - Youth Opportunities Grant	$74,589	$1,006	$0	$75,595	$0	0.0%
441 - Furtherance of International Earthquake Conference	$98,578	$0	$0	$98,578	$0	0.0%
443 - Job Training Partnership Act	$14,939	$202	$0	$15,141	$0	0.0%
447 - Coastal Transportation Corridor	$16,994,165	$2,691,475	-$317,629	$19,368,011	$1,983,376	10.2%
44C - At Risk Youth Employability Services	$21	$0	$0	$21	$0	0.0%
44D - US Department of Justice Asset Forfeiture	$9,622,980	$1,075,249	-$36,507	$10,661,722	$4,279,491	40.1%
44E - US Treasury Asset Forfeiture	$955,496	$28,489	$0	$983,985	$166,529	16.9%
44F - California State Asset Forfeiture	$1,945,895	$592,029	$0	$2,537,924	$581,766	22.9%
44G - City of Los Angeles Affordable Housing	$37,350,709	$7,071,133	-$57,399	$44,364,443	$5,019,915	11.3%
44H - CalWorks Youth Jobs	$180,500	$2,435	$0	$182,935	$0	0.0%
44J - Wilmington Commercial BID	$1,659	$54,475	$0	$56,134	$22,600	40.3%
44M - Encino BID	$46,225	$120,374	$0	$166,599	$21,610	13.0%
44R - Targeted Destination Ambulance Services	$2,298,040	$748,397	$95,337	$3,141,774	$976,412	31.1%
44S - Landscaping District 96-1 Assessment Bonds Series 2001	$1,359,062	$17,667	$0	$1,376,730	$471,972	34.3%
44T - El Pueblo Cultural Improvement	$254,332	$1,931	$0	$256,262	$0	0.0%
44V - LA Bridges Department of Justice Grant	$12,927	$174	$0	$13,101	$0	0.0%
44Y - Brownfields Training Demonstration Grant	$3,632	$49	$0	$3,681	$0	0.0%
44Z - Traffic Congestion Relief Act	$3,257,378	$43,939	$0	$3,301,317	$0	0.0%
45B - Vermont/Western Station Neighborhood Area Specific Plan Parks First	$1,766,621	$1,318,546	$0	$3,085,167	$62,209	2.0%
45D - High Risk/High Need Services Program	$2,066,766	$257,118	-$13,732	$2,310,153	$185,035	8.0%
45E - Green Retrofit Program	$85,435	$1,076	$0	$86,510	$17,975	20.8%
45F - Rewarding Youth Achievement	$36,072	$486	$0	$36,558	$0	0.0%
45K - Highland Park BID	$434,140	$437,443	$0	$871,583	$426,304	48.9%
45L - Miscellaneous Sources	$393,322	$465,975	$10,339	$869,636	$422,300	48.6%
45M - Career Criminal Apprehension	$67,764	$914	$0	$68,678	$0	0.0%
45T - Alternative Fuel Program	$12,991,755	$175,247	$0	$13,167,002	$0	0.0%
45V - Intellectual Property	$1,047,349	$5,751	$0	$1,053,100	$1,250	0.1%
45W - Proposition 12 Per Capita Grant	$276,419	$3,729	$0	$280,147	$0	0.0%
45X - Juvenile Accountability Incentive Block Grant	$103,953	$0	$0	$103,953	$0	0.0%

SPECIAL PURPOSE FUNDS EXPENDING LESS THAN 50%
OF CASH RESOURCES IN FISCAL YEAR 2018

Fund Label	Beginning Cash Balance	Revenue	Other Cash Transactions	Cash Resources	Expenditures	Usage Percent
468 - Porter Ranch Land Use/Transportation Specific Plan	$18,795	$0	$0	$18,795	$0	0.0%
46A - Landscaping District 96-1 Assessment Bond Series 2002	$935,804	$11,729	$0	$947,532	$108,152	11.4%
46D - Citywide Recycling	$35,993,728	$31,087,141	$137,421	$67,218,289	$30,275,808	45.0%
46L - Proposition 12 Urban Open Space and Recreation Program	$643,942	$8,686	$0	$652,628	$0	0.0%
46S - Insurance Premiums	$4,407,439	$4,490,164	-$1,690,143	$7,207,460	$2,976,570	41.3%
46T - Attorney Conflict Panel	$1,954,422	$5,086,217	$0	$7,040,639	$3,495,655	49.6%
46X - CalHome	$776,698	$393,125	$0	$1,169,823	$0	0.0%
473 - Computerized Information Center for the Disabled	$70,094	$0	$0	$70,094	$0	0.0%
476 - Crenshaw Loan	$146,524	$0	$0	$146,524	$0	0.0%
477 - Drug Abuse Resistance Education	$2,000	$0	$0	$2,000	$0	0.0%
47H - Neighborhood Traffic Management	$3,010,151	$394,411	-$163,153	$3,241,409	$94,631	2.9%
47M - Century City Neighborhood Traffic Management	$924,718	$12,474	$0	$937,192	$0	0.0%
47N - Homeland Security Assistance	$1,734,378	$0	$0	$1,734,378	$0	0.0%
47R - Central Los Angeles Recycling and Transfer Station	$9,595,011	$9,840,932	$0	$19,435,943	$8,479,597	43.6%
47S - Central Los Angeles Recycling and Transfer Station Community Amenities	$1,633,755	$793,000	$0	$2,426,755	$1,169,804	48.2%
47T - Proposition 40 Per Capita	$507,325	$6,843	$0	$514,168	$0	0.0%
47V - Black Market Cigar Prosecution	$73,288	$6,344	$0	$79,631	$5,402	6.8%
47W - Proposition 40 Clean Water, Clean Air, Safe Neighborhood Parks and Coastal Protection Act	$394,370	$5,255	$0	$399,625	$9,792	2.5%
484 - Automated Traffic Surveillance and Control	$6,802,930	$4,910,471	$14,000	$11,727,401	$2,597,977	22.2%
486 - Granada Hills - Knollwood District Plan	$47,122	$636	$0	$47,758	$0	0.0%
488 - Landfill Closure and Post-Closure	$8,007,119	$1,042,240	$0	$9,049,359	$367,087	4.1%
489 - Essential Public Utilities Assessment	$419,254	$0	$0	$419,254	$0	0.0%
48C - EPA Underground Storage Tank Fields Grant	$1,470	$0	$0	$1,470	$0	0.0%
48D - Ending Chronic Homelessness	$15,397	$208	$0	$15,605	$0	0.0%
48E - Griffith Park 2004	$103,199	$1,392	$0	$104,591	$0	0.0%
48G - Local Housing	$134,634	$119,499	$0	$254,133	$0	0.0%
48H - Los Angeles Regional Agency	$275,283	$140,218	$0	$415,501	$195,887	47.1%
48J - LAUSD Grants	$10,699	$144	$0	$10,843	$0	0.0%
48K - Community Technology Centers	$16,492	$222	$0	$16,714	$0	0.0%
48L - Enterprise Zone Tax Credit Voucher Program	$622,067	$8,093	$2,697	$632,857	$25,738	4.1%
48M - Bradley Landfill Community	$380,020	$5,126	$0	$385,146	$0	0.0%
48N - Efficiency Projects and Police Hiring	$11,220	$152	$0	$11,372	$0	0.0%
48R - Building and Safety Building Permit Enterprise	$239,466,545	$210,979,349	$8,970,901	$459,416,796	$160,445,410	34.9%
48V - Los Angeles World Airports Job Training	$428	$7	$0	$435	$0	0.0%
48W - Healthcare Career Ladder Training	$67,140	$906	$0	$68,046	$0	0.0%
48X - Council District 9 Public Benefits	$15,396	$1,761,444	$0	$1,776,841	$0	0.0%
492 - Special Fire Safety and Paramedic Communications Equipment	$77,812	$0	-$202	$77,610	$0	0.0%
49A - Small Business Administration Community Development Department Programs	$207	$4	$0	$210	$0	0.0%
49C - Permit Parking Program Revenue	$14,240,306	$3,816,404	-$62,446	$17,994,264	$2,768,303	15.4%
49D - BEGIN Grant Program	$456,884	$119,540	-$2,753	$573,671	$60,000	10.5%
49F - Council District 8 Public Benefits	$569,074	$7,595	$0	$576,669	$0	0.0%
49H - South Los Angeles Industrial Tract BID	$115,802	$756,865	$0	$872,667	$364,177	41.7%
49J - Arts District BID	$183,220	$3,793	$0	$187,013	$0	0.0%
49M - Colorado Boulevard Specific Plan	$71,623	$10,730	$0	$82,353	$0	0.0%
49N - Housing and Community Investment Department Small Grants and Awards	$1,353,262	$443,968	-$2,335	$1,794,895	$316,956	17.7%
49S - Re-entry Employment Options Demonstration Project	$56,984	$768	$0	$57,752	$0	0.0%
49W - Sylmar BID	$73,014	$985	$0	$73,999	$0	0.0%
49Y - Capital Projects Bond Reserve Fund	$212,966	$2,952	$0	$215,918	$0	0.0%
505 - Special Revenue - Community Redevelopment Agency	$129,233	$3,182	$0	$132,416	$0	0.0%
50C - Council District 6 Public Benefits	$196,183	$48,095	$0	$244,278	$0	0.0%
50F - Potrero Canyon Trust	$31,173,916	$3,144,469	$0	$34,318,385	$353,668	1.0%
50K - Gang Reduction and Youth Development	$44,227	$0	$0	$44,227	$0	0.0%
50L - Historic Waterfront San Pedro BID	$329,514	$1,269,514	$0	$1,599,028	$674,548	42.2%
50M - Lincoln Heights Business and Community Benefit District	$1,272,171	$697,726	$0	$1,969,897	$537,807	27.3%
50N - Gang Prevention Coordination	$5,300	$0	$0	$5,300	$0	0.0%
50R - Council District 10 Public Benefits	$238,021	$4,067	$0	$242,088	$0	0.0%
50T - Neighborhood Stabilization Program	$1,930,297	$426,117	$337	$2,356,751	$1,018,200	43.2%
50W - 2008 California Gang Reduction and Prevention Program	$18,310	$247	$0	$18,557	$0	0.0%
50Y - Transportation Review Fee	$646,798	$332,434	$0	$979,232	$273,839	28.0%
516 - Arts Development Fee	$15,290,441	$5,107,657	$40,694	$20,438,792	$1,989,570	9.7%
51D - Panorama City BID	$73,430	$1,191	$0	$74,621	$0	0.0%
51E - Graffiti Technology and Recovery	$251,801	$17,439	$0	$269,240	$0	0.0%
51G - ARRA Workforce Investment Act	$255,250	$3,443	$0	$258,693	$0	0.0%
51H - ARRA Community Services Block Grant	$7	$0	$0	$7	$0	0.0%
51J - Department of Education Youth Programs	$3,817	$52	$0	$3,869	$0	0.0%
51L - 2006 Ramona Gardens GRYD	$14,491	$0	$0	$14,491	$0	0.0%
51N - ARRA Community Development Block Grant	$6,318	$83	$0	$6,402	$0	0.0%
51S - ARRA Energy Efficiency and Conservation Block Grant	$1,052	$1,267	$0	$2,319	$0	0.0%
521 - Central City West Housing	$2,943,057	$147,134	$0	$3,090,190	$0	0.0%
522 - Central City West Transportation Impact	$1,896,905	$25,587	$0	$1,922,493	$0	0.0%

SPECIAL PURPOSE FUNDS EXPENDING LESS THAN 50%
OF CASH RESOURCES IN FISCAL YEAR 2018

Fund Label	Beginning Cash Balance	Revenue	Other Cash Transactions	Cash Resources	Expenditures	Usage Percent
523 - Ventura/Cahuenga Boulevard Corridor Plan	$6,106,496	$816,901	-$203,318	$6,720,079	$332,061	4.9%
525 - City Employees Ridesharing	$2,195,812	$3,156,742	$0	$5,352,555	$2,671,895	49.9%
526 - Household Hazardous Waste Trust	$913,108	$137,484	$0	$1,050,592	$54,870	5.2%
528 - Mobile Source Air Pollution Reduction	$5,408,688	$5,750,136	-$249,888	$10,908,936	$4,736,418	43.4%
52C - ARRA National Endowment for the Arts	$1,105	$16	$0	$1,121	$0	0.0%
52F - Planning Long Range Planning	$9,567,657	$9,289,391	-$189	$18,856,859	$7,193,953	38.2%
52J - ARRA Neighborhood Stabilization Program II	$4,740,317	$657,321	$3,041	$5,400,679	$693,554	12.8%
52L - ARRA Energy Commission Recovery Act	$9,747	$131	$0	$9,878	$0	0.0%
52M - ARRA Los Angeles Community College District Workforce Investment Act Grants	$13,761	$185	$0	$13,946	$0	0.0%
52Q - ARRA LA County Temporary Assistance for Needy Families Grant Summer Program	$46,909	$633	$0	$47,541	$0	0.0%
52R - Department of Labor Federal Earmark	$9,866	$132	$0	$9,998	$0	0.0%
52S - Board of Community and Family Commissioners	$13,041	$175	$0	$13,216	$0	0.0%
52T - Vermont/Western Childcare Trust	$652,257	$68,945	$0	$721,202	$0	0.0%
52V - Board of Commissioners on the Status of Women	$35,572	$5,451	$0	$41,023	$16,717	40.8%
52W - Board of Human Relations Commissioners	$6,450	$76	$0	$6,526	$2,865	43.9%
531 - Lopez Canyon Community Amenities	$482,664	$141,856	$0	$624,521	$9,372	1.5%
537 - Environmental Affairs Trust	$1,301,297	$305,502	$765,341	$2,372,140	$445,578	18.8%
53P - State AB1290	$55,611,822	$18,800,090	$0	$74,411,912	$7,292,842	9.8%
53R - 2009 Congressionally Selected Grant Program	$3,005	$0	$0	$3,005	$0	0.0%
53W - Community Challenge Planning Grant	$20,381	$275	$0	$20,655	$0	0.0%
542 - Jeopardy Balance the Odds Youth Program	$26,524	$358	$0	$26,883	$0	0.0%
54D - State Housing and Community Development Disaster Recovery Initiative	$25,257	$12,040	$0	$37,297	$0	0.0%
54G - ARRA State Energy Program	$1,999	$25	$0	$2,025	$0	0.0%
54L - State Housing and Community Development Infill Infrastructure Grant Program	$66,813	$1,143	$0	$67,956	$0	0.0%
54M - 2011 Urban Areas Security Initiative Homeland Security Grant	$6,155	$15	-$6,151	$19	$0	0.0%
54N - California Disability Employment Initiative Project	$136,865	$74,274	$3,576	$214,716	$88,915	41.4%
54P - California Department of Corrections and Rehabilitation New Start Program	$6,471	$86	$0	$6,557	$0	0.0%
54Q - 2012 CALGRIP Grant	$5,894	$0	$0	$5,894	$0	0.0%
54T - National Emergency Grant - Multi-Sector	$520,555	$7,022	$0	$527,577	$0	0.0%
54W - Sixth Street Viaduct Improvement Project	$4,209,774	$74,518,113	$35,051,771	$113,779,658	$51,933,458	45.6%
550 - City Attorney Consumer Protection Proceeds	$21,824,016	$7,005,992	$31,025	$28,861,033	$5,989,656	20.8%
552 - Transfer of Floor Area Ratio Public Benefit	$12,886,476	$5,284,412	$0	$18,170,889	$0	0.0%
553 - Residential Property Maintenance	$61,909	$64,438	$0	$126,348	$45,723	36.2%
556 - Integrated Solid Waste Management	$32,370,921	$5,791,445	$0	$38,162,366	$9,510,996	24.9%
55A - California Public Utilities Commission - Gas Company	$353	$5	$0	$357	$0	0.0%
55C - Bicycle Plan	$1,474,616	$220,870	$0	$1,695,485	$56,500	3.3%
55J - Low and Moderate Income Housing	$43,983,503	$9,844,425	$141,830	$53,969,758	$10,065,665	18.7%
55P - 2013 CALGRIP Grant	$68,752	$0	$0	$68,752	$0	0.0%
55Q - Clean Up Green Up	$1,323	$19	$0	$1,342	$0	0.0%
562 - Rental Rehabilitation Program	$41,171	$557	$614	$42,342	$0	0.0%
567 - Household Hazardous Waste	$2,996,050	$5,395,020	$0	$8,391,069	$3,431,290	40.9%
568 - Bureau of Engineering Equipment and Training	$17,339,037	$2,563,139	$50	$19,902,225	$1,623,922	8.2%
56A - United States Agency for International Development Technical Assistance	$2,292	$0	$0	$2,292	$0	0.0%
56C - Council District 5 Avenue of the Stars Community Amenities	$102,229	$0	$0	$102,229	$0	0.0%
56F - Trade Adjustment Assistance - Community College and Career Training	$122,021	$43,793	-$109,725	$56,089	$1,253	2.2%
56K - Linked Learning Initiative	$279	$180,524	-$119,292	$61,512	$765	1.2%
56P - Council District 12 Northwest Valley Project Mitigation	$303,385	$3,898	$0	$307,282	$24,990	8.1%
56Q - Village at Westfield Topanga Public Benefits Trust	$3,310,389	$44,654	$0	$3,355,043	$0	0.0%
56R - Village at Westfield Topanga Trust	$3,198,447	$2,225,538	$0	$5,423,985	$2,585,621	47.7%
56V - Foreclosure Registry Program	$8,725,596	$2,565,753	-$142,337	$11,149,012	$5,238,100	47.0%
573 - Warner Center Transportation Improvement Trust	$12,176,347	$471,884	-$12,108	$12,636,123	$249,900	2.0%
575 - Minority Business Development Agency Minority Business Center - Los Angeles	$15,130	$0	$0	$15,130	$0	0.0%
577 - Warner Center Cultural Affairs Trust	$228,090	$3,077	$0	$231,167	$0	0.0%
579 - Sidewalk Vending Trust	$30,853	$0	$0	$30,853	$0	0.0%
57A - Workforce Investment Act 25 Percent New Direction for the Workforce	$202,127	$2,558	$10	$204,695	$5,711	2.8%
57D - CRA/LA Excess Non-Housing Bond Proceeds	$82,645,827	$3,020,551	$611,848	$86,278,227	$5,911,508	6.9%
57E - Supplemental Nutrition Assistance Program - Education	$1	$0	$0	$1	$0	0.0%
57S - River Revitalization Enhanced Infrastructure Financing District	$364	$5	$0	$369	$0	0.0%
586 - Used Oil Collection Program	$2,182,306	$2,208,980	$0	$4,391,287	$1,018,559	23.2%
587 - Section 108 Loan Guarantee Program	$217	$4	$0	$221	$0	0.0%
588 - City Planning Systems Development	$9,023,317	$9,974,814	$5,254	$19,003,385	$8,237,914	43.3%
589 - Los Angeles Recycling Market Development Zone	$1,224	$18	$0	$1,242	$0	0.0%
58A - Central Avenue Historic BID	$167,923	$455,065	$0	$622,988	$188,847	30.3%
58B - 2016 Juvenile Accountability Block Grant	$37	$0	$0	$37	$0	0.0%
58D - Grand Hope Park Trust	$833,044	$11,237	$0	$844,281	$0	0.0%

SPECIAL PURPOSE FUNDS EXPENDING LESS THAN 50% OF CASH RESOURCES IN FISCAL YEAR 2018

Fund Label	Beginning Cash Balance	Revenue	Other Cash Transactions	Cash Resources	Expenditures	Usage Percent
58F - 2015 Corporation for National and Community Service Grant	$152,389	$1,998	$0	$154,387	$0	0.0%
58J - Industrial-Commercial Revolving Loan	$930,027	$1,212,545	$0	$2,142,572	$0	0.0%
58N - Library Budget Reserve	$4,025,172	$66,147	$2,000,000	$6,091,319	$0	0.0%
58Q - Pershing Square Park and Garage	$9,735,024	$5,612,739	$7,942	$15,355,705	$4,360,097	28.4%
58V - Development Services Trust	$20,448,430	$8,062,747	$1,445,756	$29,956,932	$4,322,753	14.4%
58W - 2016 Justice Assistance Grant	$1,870,502	$21,760	-$197,500	$1,694,762	$6,675	0.4%
58X - 2015 State Homeland Security Grant Program	$0	$270,016	$31,373	$301,389	$110,801	36.8%
591 - Older Americans Act Title IV	$4,434	$61	$0	$4,494	$0	0.0%
592 - 1994 Economic Development Administration Planning Grant	$289,638	$0	$0	$289,638	$0	0.0%
593 - Audit Repayment	$751,020	$10,130	$14,200	$775,350	$14,200	1.8%
597 - Fund for Senior Services	$659,394	$9,735	$0	$669,129	$102,378	15.3%
59A - LA Community College District California Career Pathway Grant	$0	$105,306	-$63,663	$41,643	$6,477	15.6%
59C - Measure M Local Return	$0	$42,398,849	$210,705	$42,609,554	$5,231,071	12.3%
59D - Wilshire Grant Hotel Project	$0	$9,566,368	$0	$9,566,368	$0	0.0%
59Q - LA County Workforce Innovation Opportunity Act	$0	$66,298	$8,538	$74,836	$34,662	46.3%
59S - 2018 Proposition 47 Board of State Community Corrections Grant	$0	$19,999	$400,844	$420,843	$844	0.2%
59V - Road Maintenance and Rehabilitation Program	$0	$15,116,259	$6,213	$15,122,473	$1,376,355	9.1%
59W - LA County Anti-recidivism Coalition	$0	$184,618	$6,839	$191,456	$6,839	3.6%
59X - LA County Juvenile Justice Crime Prevention Act	$0	$206,954	$51,277	$258,231	$95,444	37.0%
59Y - LA County P3 Probation	$0	$0	$0	$0	$0	0.0%
613 - Westwood Village BID	$26,652	$360	$0	$27,011	$0	0.0%
618 - Shoshone Ave and Rinaldi Street Drainage District	$165,443	$0	$0	$165,443	$26,771	16.2%
61D - Grand Canal Rehabilitation from Washington to Ballona Lagoon	$9,253	$0	$0	$9,253	$0	0.0%
61F - Howland Canal Court Improvement District	$124,110	$0	$0	$124,110	$0	0.0%
61H - Linnie Canal Court Improvement District	$105,105	$0	$0	$105,105	$0	0.0%
61K - Oxford Avenue and Hobart Boulevard Lighting District	$59,827	$0	$0	$59,827	$0	0.0%
61L - Hortense Street and Irvine Avenue Lighting District	$9,804	$0	$0	$9,804	$0	0.0%
61M - Ottoman Street Near Arleta Avenue Lighting District	$16,611	$0	$0	$16,611	$0	0.0%
61N - Wilton Drive and Ridgewood Place Lighting District	$147,076	$0	$0	$147,076	$0	0.0%
61P - Windsor Square Lighting District	$134,678	$0	$0	$134,678	$0	0.0%
623 - Terra Balle/Fenton Ave Street Drainage District	$76,219	$0	$0	$76,219	$2,763	3.6%
643 - Mortgage Credit Certificate Program	$231,980	$20,425	$0	$252,405	$7,785	3.1%
649 - Infrastructure Grant	$891,269	$12,022	$0	$903,291	$0	0.0%
651 - Juvenile Crime Prevention Demonstration Grant	$80,020	$1,079	$0	$81,100	$0	0.0%
655 - Transportation Grants	$72,367,677	$42,168,477	-$270,057	$114,266,097	$48,806,702	42.7%
663 - D.J. Kulick Youth Demonstration Project	$15,542	$210	$0	$15,752	$0	0.0%
667 - Supplemental Law Enforcement Services	$21,630,072	$9,496,138	$13,291,807	$44,418,017	$13,291,807	29.9%
670 - Police Department Revolving Training	$2,760,593	$1,500,000	$0	$4,260,593	$1,635,531	38.4%
678 - Bradley/Milken Family Youth Center	$3,650	$49	$0	$3,699	$0	0.0%
681 - West Los Angeles Transportation Improvement and Mitigation	$5,003,782	$1,119,146	-$14,603	$6,108,325	$405,432	6.6%
682 - Engineering Special Services	$48,883,526	$10,086,928	-$328,121	$58,642,333	$12,249,968	20.9%
683 - Council District 1 Real Property	$162,972	$90,423	$0	$253,395	$58,000	22.9%
684 - Council District 2 Real Property	$827,607	$92,789	$0	$920,397	$243,000	26.4%
685 - Council District 3 Real Property	$147,288	$970,538	$0	$1,117,826	$0	0.0%
686 - Council District 4 Real Property	$467,255	$101,158	$0	$568,413	$88,740	15.6%
687 - Council District 5 Real Property	$463,962	$167,974	$0	$631,936	$150,000	23.7%
688 - Council District 6 Real Property	$137,802	$108,713	$0	$246,515	$110,000	44.6%
689 - Council District 7 Real Property	$166,072	$94,791	$0	$260,863	$100,000	38.3%
690 - Council District 8 Real Property	$455,315	$182,776	$0	$638,092	$0	0.0%
695 - Council District 13 Real Property	$108,069	$84,561	$0	$192,630	$93,496	48.5%
696 - Council District 14 Real Property	$48,207	$117,466	$0	$165,672	$0	0.0%
697 - Council District 15 Real Property	$1,378,529	$657,486	$0	$2,036,015	$438,169	21.5%
698 - Parks Assessment	$4,732,621	$66,547	-$3,000,000	$1,799,169	$0	0.0%
699 - Sunshine Canyon Community Amenities	$19,731,131	$2,877,005	$0	$22,608,137	$1,867,701	8.3%
70F - General Wastewater System Construction Project	$101,919	$0	$0	$101,919	$0	0.0%
70W - Wastewater System Commercial Paper A Construction	$141,491	$50,000,000	-$141,491	$50,000,000	$0	0.0%
70X - Wastewater System Commercial Paper B Construction	$21,487	$0	$0	$21,487	$0	0.0%
70Y - Wastewater System Commercial Paper A Rebate	$0	$22,287	$141,491	$163,779	$0	0.0%
73B - Wastewater System Revenue Bonds 1998A and B Rebate	$334,517	$0	$0	$334,517	$0	0.0%
73Q - Wastewater System Revenue Bonds 2003A Rebate	$15,780	$0	$0	$15,780	$0	0.0%
74A - Wastewater System Revenue Bonds 2005A Rebate	$15,463	$0	$0	$15,463	$0	0.0%
765 - Wastewater System Revenue Bond Emergency	$5,026,186	$0	-$8,726	$5,017,461	$0	0.0%
811 - Deferred Compensation Plan Investment	$31	$0	$0	$31	$0	0.0%
813 - Bureau of Engineering / Assessment - Special Assessment	$343,981	$0	$0	$343,981	$0	0.0%

SPECIAL PURPOSE FUNDS EXPENDING LESS THAN 50% OF CASH RESOURCES IN FISCAL YEAR 2018

Fund Label	Beginning Cash Balance	Revenue	Other Cash Transactions	Cash Resources	Expenditures	Usage Percent
815 - Municipal Housing Finance	$3,831,065	$6,172,879	$293,489	$10,297,434	$4,800,791	46.6%
816 - Industrial Development Authority	$43,492	$609	$406	$44,508	$10,978	24.7%
817 - Settlements and Judgments	$29,460	$0	-$9	$29,451	$0	0.0%
820 - Building and Safety Trust	$28,912,274	$232	$27,359,323	$56,271,829	$0	0.0%
821 - Cash Bond Trust	$434,600	$0	$0	$434,600	$0	0.0%
823 - Federal Withholding Tax Trust	$351,530	$0	-$64,298	$287,232	$0	0.0%
824 - General Demand	$31,462,049	$0	$38,956,800	$70,418,849	$0	0.0%
825 - General Payroll Reimbursement	$4,813,799	$0	$446,342	$5,260,141	$0	0.0%
829 - Insurance Trust	$2,223,759	$0	-$1,253,610	$970,149	$0	0.0%
831 - Library Trust	$4,811,432	$661,158	$69	$5,472,659	$643,114	11.8%
834 - Public Works Trust	$105,501,981	$3,214,780	$6,027,223	$114,743,984	$3,129,164	2.7%
837 - Sales Tax Trust	$298,901	$0	-$761	$298,141	$0	0.0%
839 - State Withholding Tax Trust	$205,156	$0	-$9,065	$196,091	$0	0.0%
840 - Department of Transportation Trust	$6,914,960	$3,155,679	$277,910	$10,348,548	$3,293,046	31.8%
842 - Animal Sterilization	$4,263,611	$3,001,474	-$1,768,333	$5,496,752	$2,366,418	43.1%
844 - Cultural Affairs Department	$2,080,785	$318,866	-$468,368	$1,931,283	$485,288	25.1%
845 - Legislative Representation Trust	$453,827	$1,598	$0	$455,425	$6,016	1.3%
848 - Fire Department Trust	$1,427,136	$517,700	$0	$1,944,836	$216,294	11.1%
849 - Mayor's Office for the Disabled	$86,509	$28,365	$0	$114,874	$41,254	35.9%
851 - Unclaimed Money Seized Incidental to Arrest	$2,470,758	$0	$1,182,584	$3,653,342	$0	0.0%
853 - Parking Violation Trust	$12,337,640	$0	$182,582	$12,520,222	$0	0.0%
858 - Santa Monica Mountains Conservancy Trust	$60,928	$0	$0	$60,928	$0	0.0%
859 - Animal Welfare	$2,951,306	$705,613	$0	$3,656,919	$589,808	16.1%
863 - Narcotics Analysis Laboratory	$1,129,493	$209,194	-$90,523	$1,248,164	$343,816	27.5%
864 - Venice Coastal Parking Impact	$973,153	$85,137	$0	$1,058,290	$150,000	14.2%
867 - Hiring Hall Trust	$3,928,985	$0	-$51,867	$3,877,118	$0	0.0%
869 - Project Restore	$2,224,332	$491,913	$0	$2,716,245	$797,531	29.4%
872 - Disaster Assistance Trust	$12,794,281	$4,239,472	-$3,633	$17,030,120	$4,395,434	25.8%
874 - City Attorney Forfeited Assets	$68,081	$918	$0	$68,999	$5,838	8.5%
875 - Matching Campaign Trust	$12,700,322	$3,412,158	$0	$16,112,480	$0	0.0%
876 - Pershing Square Special Trust	$1,091,109	$668,736	$0	$1,759,845	$522,963	29.7%
879 - E Bernani Scholarship Trust	$69,769	$942	$0	$70,711	$0	0.0%
880 - Domestic Violence Trust	$42,577	$570	$842	$43,989	$3,000	6.8%
881 - Pension Savings Investment	$15,384	$0	-$2,109	$13,274	$0	0.0%
883 - Council District 12 LAPD Devonshire/Foothill Divisions Assistance	$141	$3	$0	$144	$0	0.0%
888 - Council District 15 LAPD Harbor Division Assistance	$9,607	$129	$0	$9,736	$0	0.0%
889 - Council District 1 Public Benefits	$1,104	$16	$0	$1,120	$0	0.0%
892 - Volunteer Trust	$128,566	$1,567	$0	$130,133	$29,779	22.9%
904 - Council District 13 Public Benefits	$2,016,386	$493,128	$0	$2,509,514	$399,293	15.9%
908 - Staples Center Trust	$5,660,142	$1,860,008	$0	$7,520,150	$3,481,079	46.3%
911 - Channel Gateway/Venice Affordable Housing	$450,244	$6,078	$0	$456,322	$0	0.0%
912 - Oxford Triangle / Venice Neighborhood Protection and Off-site Street Beautification	$36,468	$492	$0	$36,960	$0	0.0%
917 - Pico/Genessee Community Pocket Park	$119,015	$1,607	$0	$120,622	$0	0.0%
A69 - GO Bonds Series 2011A Debt Service	$6,643,753	$6,846,442	$0	$13,490,195	$6,435,000	47.7%
A70 - GO Bonds Refunding Series 2011B Debt Service	$43,104,600	$41,266,879	$0	$84,371,478	$41,702,750	49.4%
A72 - GO Bonds Refunding Series 2016A Debt Service	$8,416,403	$10,212,765	$0	$18,629,168	$7,931,322	42.6%
A73 - GO Bonds Series 2017A (Taxable) Debt Service	$0	$8,342,465	$0	$8,342,465	$1,567,497	18.8%
A74 - GO Bonds Refunding Series 2017B (Tax-Exempt) Debt Service	$0	$21,579,805	$37,794	$21,617,599	$2,593,342	12.0%
W41 - Wastewater System Revenue Bonds 2002A Refunding	$188,617	$2,683	$0	$191,300	$0	0.0%
W51 - Wastewater System Revenue Bonds 2005A Debt Service	$198,333	$2,822	$0	$201,155	$0	0.0%
W56 - Wastewater System Revenue Bonds Debt Service Reserve	$102,413,094	$1,393,876	$0	$103,806,971	$0	0.0%
X99 - Bond Redemption Interest Bonded Debt Indemnification	$278,474	$0	$0	$278,474	$0	0.0%
378 Funds	**$2,687,602,149**	**$1,466,415,771**	**$132,142,433**	**$4,286,160,353**	**$1,175,250,128**	**27.4%**

SCHEDULE 6

FUNDS WITH NO EXPENDITURES SINCE JUNE 30, 2015

Fund Label	Administering Department	June 30, 2018 Cash Balance	Function	Years Since Last Expenditure	Notes	Recommendations
154 - GO Bonds Election 1989 Branch Library Facilities Construction	Engineering	$1,083	Arts/Culture/Tourism	7+	Interest only revenue; old General Obligation Bond	Department should identify eligible uses for these funds
420 - Library Education	Library	$135,488	Arts/Culture/Tourism	5	Interest only revenue since 2015.	Department should identify eligible uses for these funds
52C - ARRA National Endowment for the Arts	Cultural Affairs	$1,121	Arts/Culture/Tourism	7+	Department to close Idle Funds; funds no longer needed.	Close fund
577 - Warner Center Cultural Affairs Trust	Cultural Affairs	$231,167	Arts/Culture/Tourism	7+	Interest revenue only; "1% for the Arts" money is allocated specifically to the community around Warner Center.	Department should identify eligible uses for these funds
724 - LA Convention and Exhibition Center Authority Earthquake Reserve	Convention and Tourism Development	$0	Arts/Culture/Tourism	7+		Fund closure in progress
5 Funds		**$368,858**	**Arts/Culture/Entertainment**			
16H - GO Bonds Series 2005B Excess Earnings	Office of Finance	$0	Debt Service	7+		Fund closure in progress
16P - GO Bonds Series 2006A Excess Earnings	Office of Finance	$0	Debt Service	7+		Fund closure in progress
16S - GO Bonds Series 2008A Excess Earnings	Office of Finance	$0	Debt Service	7+		Fund closure in progress
16U - GO Bonds Series 2009 Excess Earnings	Office of Finance	$0	Debt Service	7+		Close fund
16W - GO Bonds Series 2011A Excess Earnings	Office of Finance	$0	Debt Service	7+		Close fund
16X - GO Bonds Series 2011B Excess Earnings	Office of Finance	$0	Debt Service	7+		Close fund
16Y - GO Bonds Series 2012A Excess Earnings	Office of Finance	$0	Debt Service	7+		Close fund
17B - GO Bonds Refunding Series 2017B (Tax-Exempt) Excess Earnings	Office of Finance	$0	Debt Service	7+		Close fund
70Y - Wastewater System Commercial Paper A Rebate	Sanitation	$163,779	Debt Service	7+	Financial activity in 2018.	Department should identify eligible uses for these funds
73B - Wastewater System Revenue Bonds 1998A and B Rebate	Sanitation	$334,517	Debt Service	7+	Department to close idle fund; Old wastewater debt service fund.	Close fund
73Q - Wastewater System Revenue Bonds 2003A Rebate	Sanitation	$15,780	Debt Service	7+	Department to close idle fund.	Close fund
74A - Wastewater System Revenue Bonds 2005A Rebate	Sanitation	$15,463	Debt Service	7+	Department to close idle fund.	Close fund
74H - Wastewater System Revenue Bonds 2009A Rebate	Sanitation	$0	Debt Service	7+		Close fund
74P - Wastewater System Revenue Bonds 2010A Rebate	Sanitation	$0	Debt Service	7+		Close fund
74Q - Wastewater System Revenue Bonds 2010B Rebate	Sanitation	$0	Debt Service	7+		Close fund
74R - Wastewater System Revenue Bonds 2010A Rebate	Sanitation	$0	Debt Service	7+		Close fund
74T - Wastewater System Revenue Bonds 2012A Rebate	Sanitation	$0	Debt Service	7+		Close fund
74X - Wastewater System Revenue Bonds 2012A Rebate	Sanitation	$0	Debt Service	7+		Close fund
74Y - Wastewater System Revenue Bonds 2012B Rebate	Sanitation	$0	Debt Service	7+		Close fund
75A - Wastewater System Revenue Bonds 2012C Rebate	Sanitation	$0	Debt Service	7+		Close fund
75B - Wastewater System Revenue Bonds 2012D Rebate	Sanitation	$0	Debt Service	7+		Close fund
75D - Wastewater System Revenue Bonds 2013A Rebate	Sanitation	$0	Debt Service	7+		Close fund
75F - Wastewater System Revenue Bonds 2013A Rebate	Sanitation	$0	Debt Service	7+		Close fund
75G - Wastewater System Revenue Bonds 2013B Rebate	Sanitation	$0	Debt Service	7+		Close fund
W35 - Wastewater System Revenue Bonds 1998C Debt Service	Sanitation	$0	Debt Service	6		Fund closure in progress
W41 - Wastewater System Revenue Bonds 2002A Refunding	Sanitation	$191,300	Debt Service	4	Department to close fund; old wastewater bond to be reclassesd to Fund W88.	Close fund
W43 - Wastewater System Revenue Bonds 2003A Debt Service	Sanitation	$0	Debt Service	6		Fund closure in progress

FUNDS WITH NO EXPENDITURES SINCE JUNE 30, 2015

Fund Label	Administering Department	June 30, 2018 Cash Balance	Function	Years Since Last Expenditure	Notes	Recommendations
W45 - Wastewater System Revenue Bonds 2003A Debt Service	Sanitation	$0	Debt Service	7		Fund closure in progress
W47 - Wastewater System Revenue Bonds 2003BDebt Service	Sanitation	$0	Debt Service	6		Fund closure in progress
W49 - Wastewater System Revenue Bonds 2003B Debt Service	Sanitation	$0	Debt Service	6		Fund closure in progress
W51 - Wastewater System Revenue Bonds 2005A Debt Service	Sanitation	$201,155	Debt Service	4	Department to close fund; old wastewater bond to be reclassesd to Fund W88.	Close fund
W55 - Wastewater System Revenue Bonds Refunding Series 2008A-H	Sanitation	$0	Debt Service	6		Fund closure in progress
X99 - Bond Redemption Interest Bonded Debt Indemnification	Office of Finance	$278,474	Debt Service	7+	Used for escheatment of EPRB bondholders.	Department should identify eligible uses for these funds
33 Funds		**$1,200,467**	**Debt Service**			
303 - Industrial/Commercial Revolving Loan Fund	Mayor's Office	$2,473,193	Economic Development	7	Interest only revenue; Economic Development Administration loan income.	Department should identify eligible uses for these funds
311 - Fifth Year Economic Planning Grant	Mayor's Office	$0	Economic Development	7+		Fund closure in progress
358 - Neighborhood Facility Match CRA Contract	Economic and Workforce Development	$723	Economic Development	7+	Interest only revenue.	Department should identify eligible uses for these funds
393 - Oil Environmental Impact Statement Critique	Mayor's Office	$6,413	Economic Development	7+	No financial activity.	Department should identify eligible uses for these funds
397 - Office of Small Business Assistance Grant	Mayor's Office	$0	Economic Development	7+		Fund closure in progress
404 - Produce-Flower Market Economic Development Administration Title IX	Mayor's Office	$0	Economic Development	7+		Fund closure in progress
40C - State One-Stop	City Clerk	$2,655	Economic Development	7+	Interest only revenue.	Initiate escheatment process
41F - Welfare to Work	Economic and Workforce Development	$172,981	Economic Development	7+	Interest only revenue; Fund authorized in 1998.	Department should identify eligible uses for these funds
41V - Toy District BID	City Clerk	$50,511	economic Development	7+	BID no longer exists.	Initiate escheatment process
42P - Reseda BID	City Clerk	$5,142	Economic Development	7+	BID no longer exists.	Initiate escheatment process
42R - Jefferson Park BID	City Clerk	$46,466	Economic Development	7+	BID no longer exists.	Initiate escheatment process
42U - LA Community Development Bank Section 108 Guarantee	Economic and Workforce Development	$133,723	Economic Development	7+	Interest only revenue; Fund authorized in 1999 to put LACDB funds on the City's books per an audit finding.	Department should identify eligible uses for these funds
42V - Economic Development Initiative Grant	Economic and Workforce Development	$2,869	Economic Development	7+	Interest only revenue.	Department should identify eligible uses for these funds
431 - Comprehensive Employment and Training Act Trust	Economic and Workforce Development	$375	Economic Development	7+	Interest only revenue.	Close fund
43Y - Youth Opportunities Grant	Economic and Workforce Development	$75,595	Economic Development	7+	Interest only revenue; Fund authorized in 2000 for funding through Consolidated Plan.	Department should identify eligible uses for these funds
44C - At Risk Youth Employability Services	Economic and Workforce Development	$21	Economic Development	7+	Interest only revenue; No financial activity.	Close fund
44H - CalWorks Youth Jobs	Economic and Workforce Development	$182,935	Economic Development	7+	Interest only revenue; Fund authorized in 2000 for a five-year grant.	Department should identify eligible uses for these funds
476 - Crenshaw Loan	Mayor's Office	$146,524	Economic Development	7+	No financial activity; Fund authorized in 1988.	Department should identify eligible uses for these funds
47F - Community Development Department/Economic Development Administration Brownfields Grant	Economic and Workforce Development	$0	Economic Development	7		Close fund
48V - Los Angeles World Airports Job Training	Economic and Workforce Development	$435	Economic Development	7+	Interest only revenue.	Department should identify eligible uses for these funds
48W - Healthcare Career Ladder Training	Economic and Workforce Development	$68,046	Economic Development	7+	Interest only revenue; Fund in 2005 for one-time EDA grant.	Department should identify eligible uses for these funds
49J - Arts District BID	City Clerk	$187,013	Economic Development	6	Initiate escheatment in 2019; BID will no longer exist on 12/31/18.	Department should identify eligible uses for these funds
49W - Sylmar BID	City Clerk	$73,999	Economic Development	7	BID no longer exists.	Initiate escheatment process
51D - Panorama City BID	City Clerk	$74,621	Economic Development	5	BID no longer exists.	Initiate escheatment process
51H - ARRA Community Services Block Grant	Economic and Workforce Development	$7	Economic Development	5	ARRA Programs should already be completed.	Department should identify eligible uses for these funds
52L - ARRA Energy Commission Recovery Act	Economic and Workforce Development	$9,878	Economic Development	6	Interest only revenue.	Department should identify eligible uses for these funds
56M - Engineering Internship Partnership Program	Economic and Workforce Development	$0	Economic Development	7+		Close fund
56Q - Village at Westfield Topanga Public Benefits Trust	City Clerk	$3,355,043	Economic Development	4	Interest only revenue since March 2015; Department should identify eligible uses for these funds.	Department should identify eligible uses for these funds
579 - Sidewalk Vending Trust	Economic and Workforce Development	$30,853	Economic Development	7+	No financial activity.	Department should identify eligible uses for these funds

FUNDS WITH NO EXPENDITURES SINCE JUNE 30, 2015

Fund Label	Administering Department	June 30, 2018 Cash Balance	Function	Years Since Last Expenditure	Notes	Recommendations
592 - 1994 Economic Development Administration Planning Grant	Mayor's Office	$289,638	Economic Development	7+	Interest only revenue; No financial activity.	Department should identify eligible uses for these funds
613 - Westwood Village BID	City Clerk	$27,011	Economic Development	7+	BID no longer exists.	Department should identify eligible uses for these funds
649 - Infrastructure Grant	Mayor's Office	$903,291	Economic Development	6	Interest only revenue; Last financial transaction in August 2012.	Department should identify eligible uses for these funds
32 Funds		**$8,319,961**	**Economic Development**			
307 - Rental Housing Production	Housing and Community Investment	$1,391,507	Housing & Homelessness	7	Interest and condo conversion revenue only.	Department should identify eligible uses for these funds
48D - Ending Chronic Homelessness	Economic and Workforce Development	$15,605	Housing & Homelessness	7+	Interest only revenue.	Department should identify eligible uses for these funds
48G - Local Housing	Housing and Community Investment	$254,133	Housing & Homelessness	5	Fund authorized in 2005 to handle $2 million allocation from Proposition 46 (2002) housing bond program; if possible consolidate into Affordable Housing Trust Fund.	Department should identify eligible uses for these funds
51N - ARRA Community Development Block Grant	Housing and Community Investment	$6,402	Housing & Homelessness	4	ARRA Programs should already be completed.	Department should identify eligible uses for these funds
521 - Central City West Housing	Housing and Community Investment	$3,090,190	Housing & Homelessness	7	Interest, loan and miscellaneus revenues only; Receipts from Specific Plan requirements, to be used for affordable housing in the Specific Plan area; if possible, consolidate into Affordable Housing Trust Fund.	Department should identify eligible uses for these funds
53Q - Lead Grant 9	Housing and Community Investment	$0	Housing & Homelessness	4		Fund closure in progress
54F - California Housing Finance Agency Innovation	Housing and Community Investment	$0	Housing & Homelessness	5		Fund closure in progress
562 - Rental Rehabilitation Program	Housing and Community Investment	$42,342	Housing & Homelessness	7+	Fund authorized in 1987 for criminal diversion grant programs.	Department should identify eligible uses for these funds
587 - Section 108 Loan Guarantee Program	Housing and Community Investment	$221	Housing & Homelessness	7+	Interest only revenue since November 2014; Created for one-time grant in 2014, but HCIDLA transferred full grant amount to HOME Fund.	Department should identify eligible uses for these funds
911 - Channel Gateway/Venice Affordable Housing	Housing and Community Investment	$456,322	Housing & Homelessness	6	Interest only and miscellaneous income in 2017; One-time $1 million payment from a developer was source of funds. Eligible use is affordable housing in Venice or operations of a beach shuttle; Consolidate into Affordable Housing Trust Fund, if possible.	Department should identify eligible uses for these funds
10 Funds		**$5,256,723**	**Housing & Homelessness**			
879 - E Bernani Scholarship Trust	City Clerk	$70,711	Other	5	Interest only revenue since September 2014; Fund established with one time Lopez Canyon Trust Fund revenue. Endowment Fund, with only interest being spent.	Department should identify eligible uses for these funds
884 - Council District 4 Public Safety	City Clerk	$0	Other	7+		Close fund
2 Funds		**$70,711**	**Other**			
212 - Equestrian Facilities Trust	Recreation and Parks	$882,156	Parks	7+	Source of funds is Equine License Fee. Usage is broad: construction and maintenance of bridle trails on public land.	Department should identify eligible uses for these funds
45W - Proposition 12 Per Capita Grant	Recreation and Parks	$280,147	Parks	5	Department to close fund.	Close fund
46L - Proposition 12 Urban Open Space and Recreation Program	Recreation and Parks	$652,628	Parks	6	Department to close idle fund.	Close fund
48E - Griffith Park 2004	Recreation and Parks	$104,591	Parks	7+	Interest only revenue; One-time revenue source from a legal settlement with uses restricted by settlement, though it doesn't say what those uses are in the code.	Department should identify eligible uses for these funds
55T - Cornfield Arroyo Seco Specific Plan Floor Area Payment	Planning	$0	Parks	7+		Close fund
5 Funds		**$1,919,522**	**Parks**			
155 - GO Bonds Election 1989 Police Facilities Construction	Engineering	$75,145	Public Safety	6	Interest only income since 2013; old General Obligation Bonds.	Department should identify eligible uses for these funds
183 - GO Bonds Series 1994A Police Facilities Construction	Engineering	$205,013	Public Safety	4	Last financial activity in January 2015; Old General Obligation Bond.	Close fund
186 - GO Bonds Series 1995A Police Facilities Construction	Engineering	$152,690	Public Safety	4	Last financial activity in May 2015; Old General Obligation Bond.	Close fund
26A - MICLA Series 2006A Police Facility Construction	Engineering	$0	Public Safety	6		Fund closure in progress
361 - 1979 Criminal Justice Mini-Block Plan	Mayor's Office	$0	Public Safety	7+		Fund closure in progress

FUNDS WITH NO EXPENDITURES SINCE JUNE 30, 2015

Fund Label	Administering Department	June 30, 2018 Cash Balance	Function	Years Since Last Expenditure	Notes	Recommendations
364 - Major City Planning Grant	Mayor's Office	$226,719	Public Safety	7+	No FMS activity; Fund authorized in 1987.	Department should identify eligible uses for these funds
41D - Hollywood Problem Solving Partnership	Mayor's Office	$1,828	Public Safety	7+	No financial activity to reduce cash balance.	Department should identify eligible uses for these funds
41H - First Responder Grant	Mayor's Office	$26,866	Public Safety	7+	No financial activity; Fund authorized in 1998 for one-time grant from L.A. County.	Department should identify eligible uses for these funds
41R - LA Bridges Forfeited Assets	Economic and Workforce Development	$28,184	Public Safety	7+	Interest only revenue.	Close fund
441 - Furtherance of International Earthquake Conference	City Clerk	$98,578	Public Safety	5	No financial activity; Fund authorized in 1987.	Department should identify eligible uses for these funds
45M - Career Criminal Apprehension	Mayor's Office	$68,678	Public Safety	7+	Interest only revenue; Fund authorized in 2001 for one-time grant.	Department should identify eligible uses for these funds
45X - Juvenile Accountability Incentive Block Grant	Mayor's Office	$103,953	Public Safety	7+	No financial activity; Fund authorized in 2001 to deal with a one-year grant.	Department should identify eligible uses for these funds
477 - Drug Abuse Resistance Education	Mayor's Office	$2,000	Public Safety	7+	No financial activity to reduce cash balance.	Department should identify eligible uses for these funds
47N - Homeland Security Assistance	Mayor's Office	$1,734,378	Public Safety	5	Last financial transactions in March 2014.	Department should identify eligible uses for these funds
48N - Efficiency Projects and Police Hiring	City Clerk	$11,372	Public Safety	7+	Interest only revenue.	Close fund
504 - Focused Attack Linking Community Organizations and Neighborhoods (FALCON) Narcotics Abatement Programs	Mayor's Office	$0	Public Safety	7+		Fund closure in progress
50B - Council District 11 Public Benefits	City Clerk	$0	Public Safety	7+		Close fund
50C - Council District 6 Public Benefits	City Clerk	$244,278	Public Safety	7+	Used to receive donations in 2013 and 2017.	Department should identify eligible uses for these funds
50K - Gang Reduction and Youth Development	Mayor's Office	$44,227	Public Safety	5	Interest only revenue since September 2013; Fund authorized in 2008 for processing of CDBG funds for L.A. Bridges and GRYD.	Department should identify eligible uses for these funds
50N - Gang Prevention Coordination	Mayor's Office	$5,300	Public Safety	7	Department to close Idle Fund.	Close fund
50W - 2008 California Gang Reduction and Prevention Program	Mayor's Office	$18,557	Public Safety	7	Interest only revenue.	Department should identify eligible uses for these funds
515 - Operation Cul-de-sac	Mayor's Office	$0	Public Safety	7+		Fund closure in progress
51E - Graffiti Technology and Recovery	City Clerk	$269,240	Public Safety	6	Interest and fine receipts only.	Department should identify eligible uses for these funds
51L - 2006 Ramona Gardens Gang Reduction and Youth Development (GYRD)	Mayor's Office	$14,491	Public Safety	7	No financial activity since August 2013.	Department should identify eligible uses for these funds
52Y - 2010 Summer Night Lights Glassell Park	Mayor's Office	$0	Public Safety	6		Close fund
53J - 2009 CalEMA Gang Reduction, Intervention and Prevention Program (CALGRIP) Grant	Mayor's Office	$0	Public Safety	7		Fund closure in progress
53K - 2010 CalEMA Gang Reduction, Intervention and Prevention Program (CALGRIP) Grant	Mayor's Office	$0	Public Safety	7		Fund closure in progress
53N - 2009 Boyle Heights Gang Reduction and Youth Development (GYRD) Zone	Mayor's Office	$0	Public Safety	7		Close fund
53R - 2009 Congressionally Selected Grant Program	Mayor's Office	$3,005	Public Safety	6	Department to close Idle Fund.	Close fund
542 - Jeopardy Balance the Odds Youth Program	City Clerk	$26,883	Public Safety	7+	Interest only revenue; Only source of revenue is transfer from Lopez Canyon Fund.	Close fund
54J - 2010 State Homeland Security Program Grant	Mayor's Office	$0	Public Safety	4		Fund closure in progress
54Q - 2012 CalEMA Gang Reduction, Intervention and Prevention Program (CALGRIP) Grant	Mayor's Office	$5,894	Public Safety	5	Interest only revenue.	Department should identify eligible uses for these funds
55P - 2013 CalEMA Gang Reduction, Intervention and Prevention Program (CALGRIP) Grant	Mayor's Office	$68,752	Public Safety	4	Little to no financial activity since 2015 to reduce cash.	Department should identify eligible uses for these funds
570 - Community Programs for Restoration	Mayor's Office	$0	Public Safety	7+		Close fund
645 - Fire Safety Improvements Assessment District One Administration	City Administrative Officer	$0	Public Safety	5		Fund closure in progress
651 - Juvenile Crime Prevention Demonstration Grant	Economic and Workforce Development	$81,100	Public Safety	7+	Interest only revenue; Fund authorized in 1995 for a four-year grant.	Close fund
883 - Council District 12 LAPD Devonshire/Foothill Divisions Assistance	City Clerk	$144	Public Safety	7+	Interest only revenue; No financial activity.	Department should identify eligible uses for these funds
889 - Council District 1 Public Benefits	City Clerk	$1,120	Public Safety	7+	Interest only revenue.	Department should identify eligible uses for these funds
38 Funds		**$3,518,394**	**Public Safety**			
329 - Funded Improvement Revolving	Engineering	$296	Public Works	7+	No financial activity.	Department should identify eligible uses for these funds

FUNDS WITH NO EXPENDITURES SINCE JUNE 30, 2015

Fund Label	Administering Department	June 30, 2018 Cash Balance	Function	Years Since Last Expenditure	Notes	Recommendations
40L - LA Bridges Grant	Economic and Workforce Development	$17,403	Public Works	7+	Interest revenue only; Fund authorized in 1997 for L.A. Bridges grants.	Close fund
437 - Runyon Canyon Acquisition	Recreation and Parks	$3,957	Public Works	7+	Fund was created to manage transactions and projects with Santa Monica Mountains Conservancy. Reserve Fund loan was part of commitment to purchase and develop other properties in the area.	Department should identify eligible uses for these funds
442 - Coral Tree Trimming	Street Services	$0	Public Works	7+		Close fund
46N - LAUSD Outreach Program	Mayor's Office	$0	Public Works	7+		Close fund
489 - Essential Public Utilities Assessment	Engineering	$419,254	Public Works	7+	Last activity in November 2015 for property tax allocation; Funds are intended to reimburse for cost of providing utilities when landlords don't pay utility bills.	Initiate escheatment process
49A - Small Business Administration Community Development Department Programs	Economic and Workforce Development	$210	Public Works	7+	Interest only revenue.	Department should identify eligible uses for these funds
49M - Colorado Boulevard Specific Plan	Transportation	$82,353	Public Works	7+	Little to no financial activity to reduce cash balance.	Department should identify eligible uses for these funds
56C - Council District 5 Avenue of the Stars Community Amenities	City Clerk	$102,229	Public Works	7+	No financial activity; CD-5 Discretionary Fund.	Department should identify eligible uses for these funds
61D - Grand Canal Rehabilitation from Washington to Ballona Lagoon	Street Lighting	$9,253	Public Works	7+		Initiate escheatment process
61F - Howland Canal Court Improvement District	Street Lighting	$124,110	Public Works	7+	Fund authorized in 2003 to handle bond proceeds.	Initiate escheatment process
61H - Linnie Canal Court Improvement District	Street Lighting	$105,105	Public Works	7	Fund authorized in 2004 to handle bond proceeds.	Initiate escheatment process
813 - Bureau of Engineering / Assessment - Special Assessment Dep	Engineering	$343,981	Public Works	7+	No financial activity.	Initiate escheatment process
917 - Pico/Genessee Community Pocket Park	City Clerk	$120,622	Public Works	7+	Interest only revenue; Funds for neighborhood improvement.	Department should identify eligible uses for these funds
14 Funds		**$1,328,773**	**Public Works**			
43W - Warner Center Air Quality	Planning	$295,266	Sanitation & Environment	7+	Interest only revenue.	Department should identify eligible uses for these funds
46G - Illegal Dumping Reward Program	City Clerk	$0	Sanitation & Environment	7		Close fund
48C - EPA Underground Storage Tank Fields Grant	Mayor's Office	$1,470	Sanitation & Environment	7+	No financial activity to reduce cash balance.	Department should identify eligible uses for these funds
53B - ARRA Energy Efficiency and Conservation Block Grant - Mayor/CAO/Public Works	Housing and Community Investment	$0	Sanitation & Environment	7+		Close fund
560 - Residential Sound Insulation Program	Board of Public Works	$0	Sanitation & Environment	7+		Close fund
589 - Los Angeles Recycling Market Development Zone	Mayor's Office	$1,242	Sanitation & Environment	7+	Interest only revenue.	Department should identify eligible uses for these funds
624 - Mason Avenue and Lassen Street Drainage District Planned Local Drainage Facilities	Sanitation	$0	Sanitation & Environment	5		Fund closure in progress
625 - Vanalden Channel Drainage District Planned Local Drainage Facilities	Sanitation	$0	Sanitation & Environment	7		Fund closure in progress
70Q - Wastewater System Revenue Bond 2010B Construction	Sanitation	$0	Sanitation & Environment	5		Fund closure in progress
75C - Wastewater System Revenue Bonds 2012D Construction	Sanitation	$0	Sanitation & Environment	7+		Close fund
75E - Wastewater System Revenue Bonds 2013A Construction	Sanitation	$0	Sanitation & Environment	7+		Close fund
858 - Santa Monica Mountains Conservancy Trust	Recreation and Parks	$60,928	Sanitation & Environment	7+	No financial activity; Proceeds from sale of property in Santa Monica Mountains, to be used for open space conservation.	Department should identify eligible uses for these funds
12 Funds		**$358,906**	**Sanitation & Environment**			
396 - Project Heavy - San Fernando Valley	Mayor's Office	$11,129	Social Services	7+	No financial activity.	Department should identify eligible uses for these funds
398 - Project Heavy - Central City	Mayor's Office	$0	Social Services	7+		Fund closure in progress
403 - Project Heavy - West LA	Mayor's Office	$5,506	Social Services	7+	No financial activity.	Department should identify eligible uses for these funds
40F - Community Based Services Program AB2800	Aging	$261,015	Social Services	7+	No activity since 2012; Grant program that closed out in 1999.	Money should be used to repay Reserve Fund loan
42H - Juvenile Justice and Delinquency Prevention	Mayor's Office	$54,866	Social Services	7+	No financial activity; Fund authorized in 1999 for an ongoing grant program.	Department should identify eligible uses for these funds
43G - Healthy Alternatives to Smoking	City Administrative Officer	$1,224,790	Social Services	7+	Interest only revenue.	Department should identify eligible uses for these funds

FUNDS WITH NO EXPENDITURES SINCE JUNE 30, 2015

Fund Label	Administering Department	June 30, 2018 Cash Balance	Function	Years Since Last Expenditure	Notes	Recommendations
443 - Job Training Partnership Act	Economic and Workforce Development	$15,141	Social Services	7+	Interest only revenue.	Department should identify eligible uses for these funds
44V - LA Bridges Department of Justice Grant	Economic and Workforce Development	$13,101	Social Services	7+	Interest only revenue.	Department should identify eligible uses for these funds
44Y - Brownfields Training Demonstration Grant	Economic and Workforce Development	$3,681	Social Services	7+	Interest only revenue.	Department should identify eligible uses for these funds
45F - Rewarding Youth Achievement	Economic and Workforce Development	$36,558	Social Services	7+	Interest only revenue; Authorized in 2001 for one-time Workforce Investment Act (WIA) grant.	Department should identify eligible uses for these funds
48J - LAUSD Grants	Economic and Workforce Development	$10,843	Social Services	7+	Interest only revenue.	Department should identify eligible uses for these funds
48K - Community Technology Centers	Economic and Workforce Development	$16,714	Social Services	7+	Interest only revenue.	Department should identify eligible uses for these funds
49S - Re-entry Employment Options Demonstration Project	Economic and Workforce Development	$57,752	Social Services	7+	Interest only revenue; Fund authorized In 2007 for a 29-month grant.	Department should identify eligible uses for these funds
51J - Department of Education Youth Programs	Economic and Workforce Development	$3,869	Social Services	6	Interest only revenue.	Department should identify eligible uses for these funds
520 - Boys and Girls Club of Venice Juvenile Justice and Delinquency Prevention	Mayor's Office	$0	Social Services	7+		Fund closure in progress
52M - ARRA Los Angeles Community College District Workforce Investment Act Grants	Economic and Workforce Development	$13,946	Social Services	5	Interest only revenue; ARRA programs should already be completed.	Department should identify eligible uses for these funds
52Q - ARRA LA County Temporary Assistance for Needy Families Grant Summer Program	Economic and Workforce Development	$47,541	Social Services	4	Interest only revenue since November 2014; ARRA programs should already be completed.	Department should identify eligible uses for these funds
52R - Department of Labor Federal Earmark	Economic and Workforce Development	$9,998	Social Services	6	Interest only revenue.	Department should identify eligible uses for these funds
52T - Vermont/Western Childcare Trust	Recreation and Parks	$721,202	Social Services	7+	Interest only revenue; Annual donation of $60,000 from Kaiser Permanente since 2012.	Department should identify eligible uses for these funds
54P - California Department of Corrections and Rehabilitation New Start Program	Economic and Workforce Development	$6,557	Social Services	4	Interest only revenue	Department should identify eligible uses for these funds
565 - Toberman Settlement House - Juvenile Justice and Delinquency Prevention Program	Mayor's Office	$0	Social Services	7+		Fund closure in progress
583 - Para los Ninos	Mayor's Office	$0	Social Services	7+		Fund closure in progress
591 - Older Americans Act Title IV	Aging	$4,494	Social Services	7+	Interest only revenue.	Department should identify eligible uses for these funds
663 - D.J. Kulick Youth Demonstration Project	Economic and Workforce Development	$15,752	Social Services	7+	Interest only revenue.	Department should identify eligible uses for these funds
678 - Bradley/Milken Family Youth Center	Economic and Workforce Development	$3,699	Social Services	7+	Interest only revenue.	Department should identify eligible uses for these funds
25 Funds		**$2,538,154**	**Social Services**			
44Z - Traffic Congestion Relief Act	Street Services	$3,301,317	Streets	7+	Interest only revenue received; Fund created to handle a State Grant from 2000.	Department should identify eligible uses for these funds
47M - Century City Neighborhood Traffic Management	Street Services	$937,192	Streets	6	Interest only revenue.	Department should identify eligible uses for these funds
61K - Oxford Avenue and Hobart Boulevard Lighting District	Street Lighting	$59,827	Streets	7+	Fund authorized in 2006 to handle bond proceeds.	Initiate escheatment process
61L - Hortense Street and Irvine Avenue Lighting District	Street Lighting	$9,804	Streets	7+		Initiate escheatment process
61M - Ottoman Street Near Arleta Avenue Lighting District	Street Lighting	$16,611	Streets	5	No financial activity.	Initiate escheatment process
907 - Adopt-A-Curb	Street Services	$0	Streets	7+		Close fund
6 Funds		**$4,324,751**	**Streets**			
445 - Senior Transportation 12th District	City Clerk	$0	Transportation	7		Close fund
468 - Porter Ranch Land Use/Transportation Specific Plan	Planning	$18,795	Transportation	7+	No financial activity; Created in 1988 for one-time developer donation to fund creation of a specific plan.	Department should identify eligible uses for these funds
486 - Granada Hills - Knollwood District Plan	Planning	$47,758	Transportation	7+	Interest only revenue; Fund authorized in 1999 for a transportation study, funded by Tract Map application surcharge.	Department should identify eligible uses for these funds
51R - Measure R Bus Operations	Transportation	$0	Transportation	5		Fund closure in progress
522 - Central City West Transportation Impact	Transportation	$1,922,493	Transportation	7+	Intended to transfer money to Department of Transportaiton, Department of City Planning, and Bureau of Engineering annually for administration. No transfers being made. Expenditures restricted by percentage of receipts for four different types of street p	Department should identify eligible uses for these funds

FUNDS WITH NO EXPENDITURES SINCE JUNE 30, 2015

Fund Label	Administering Department	June 30, 2018 Cash Balance	Function	Years Since Last Expenditure	Notes	Recommendations
912 - Oxford Triangle / Venice Neighborhood Protection and Off-site Street Beautification	Transportation	$36,960	Transportation	7+	Interest only revenue; Code references citizen committee in charge of money, with approval from Councilmember. Funds were one-time donation of $250,000 from an individual project, per DCP action. Can only be used for traffic mitigation and beautification	Department should identify eligible uses for these funds
6 Funds		**$2,026,006**	**Transportation**			
188 Funds		**$31,231,228**	**Grand Total**			

SCHEDULE 7

ON-BUDGET FUNDS - BUDGET, REVENUE, AND EXPENDITURES
BY BUDGETARY SCHEDULE AND FUND

Budget Schedule Number / Name	Fund Label	Total Budget	Revenue	Expenditures
1 - Los Angeles Convention and Visitors Bureau Trust Fund	429 - Greater Los Angeles Visitors	25,066,709	23,011,242	23,455,210
2 - Solid Waste Resources Revenue Fund	508 - Solid Waste Resources	453,794,959	318,690,318	342,514,027
3 - Forfeited Assets Trust Fund of the Police Department	44D - US Department of Justice Asset Forfeiture	4,690,257	1,075,249	4,279,491
3 - Forfeited Assets Trust Fund of the Police Department	44E - US Treasury Asset Forfeiture	438,229	28,489	166,529
3 - Forfeited Assets Trust Fund of the Police Department	44F - California State Asset Forfeiture	1,289,229	592,029	581,766
4 - Traffic Safety Fund	306 - Traffic Safety	3,798,000	3,298,298	3,298,298
5 - Special Gas Tax Improvement Fund	206 - Special Gas Tax Street Improvement	108,744,770	97,008,138	97,237,631
6 - Housing Department Affordable Housing Trust Fund	44G - City of Los Angeles Affordable Housing	20,252,156	7,071,133	5,019,915
7 - Stormwater Pollution Abatement Fund	511 - Stormwater Pollution Abatement	46,364,764	37,307,096	40,929,289
8 - Community Development Trust Fund	424 - Community Development	82,479,659	64,886,077	60,748,860
9 - Home Investment Partnerships Program Fund	561 - Home Investment Partnership Program	40,756,847	40,841,609	30,964,675
10 - Mobile Source Air Pollution Reduction Trust Fund	528 - Mobile Source Air Pollution Reduction	6,123,157	5,750,136	4,736,418
11 - Special Parking Revenue Fund	363 - Special Parking Revenue	62,647,797	82,896,717	50,796,645
12 - City Employees' Retirement Fund	800 - City Employees Retirement	1,105,196,287	575,293,881	1,003,895,936
13 - Community Services Bloc Grant Trust Fund	428 - Community Services Block Grant	7,568,171	5,417,263	6,902,189
14 - Sewer Construction and Maintenance Fund	208 - Sewer Construction and Maintenance	632,955,785	679,548,790	613,652,432
14 - Sewer Construction and Maintenance Fund	760 - Sewer Operations and Maintenance	374,296,226	274,544,591	308,190,767
14 - Sewer Construction and Maintenance Fund	761 - Sewer Capital	246,417,743	162,915,991	200,324,952
15 - Park and Recreational Sites and Facilities Fund	209 - Recreation and Parks Sites and Facilities	4,963,495	3,977,800	254,148
16 - Convention Center Revenue Fund	725 - LA Convention Center Revenue	39,500,540	39,447,610	36,699,378
17 - Local Public Safety Fund	574 - Local Public Safety	43,585,631	43,819,134	43,585,631
18 - Neighborhood Empowerment Fund	44B - Department of Neighborhood Empowerment	3,080,098	2,665,713	2,859,290
19 - Street Lighting Maintenance Assessment Fund	347 - Street Lighting Maintenance Assessment	68,480,604	54,940,841	69,226,767
20 - Telecommunications Liquidated Damages & Lost Franchise Fees	342 - Telecommunications Liquidated Damages and Lost Franchise Fees	18,422,942	18,237,118	17,729,543
22 - Workforce Innovation and Opportunity Act Fund	44A - Workforce Investment Act	0	16,436	-39,383
22 - Workforce Innovation and Opportunity Act Fund	57W - Workforce Innovation Opportunity Act	48,595,782	42,335,599	44,040,169
23 - Rent Stabilization Trust Fund	440 - Rent Stabilization	16,849,701	15,231,547	15,440,094
24 - Arts and Cultural Facilities and Services Trust Fund	480 - Arts and Cultural Facilities and Services	24,669,919	22,220,468	20,906,337
25 - Arts Development Fee Trust Fund	516 - Arts Development Fee	6,065,656	5,107,657	1,989,570
26 - Proposition A Local Transit Assistance Fund	385 - Proposition A Local Transit	258,655,674	149,266,971	183,413,979
27 - Proposition C Anti-Gridlock Transit Improvement Fund	540 - Proposition C Anti-Gridlock Improvements	90,768,392	82,777,740	87,811,619
28 - City Employees Ridesharing Fund	525 - City Employees Ridesharing	5,352,555	3,156,742	2,671,895
29 - Allocations from Other Governmental Agencies and Sources	105 - Innovation	666,950	1,012,979	542,318
29 - Allocations from Other Governmental Agencies and Sources	240 - Housing Production Revolving	800,514	1,435,569	583,161
29 - Allocations from Other Governmental Agencies and Sources	346 - Repair and Demolition	833,884	622,225	800,185
29 - Allocations from Other Governmental Agencies and Sources	447 - Coastal Transportation Corridor	2,187,022	2,691,475	1,983,376
29 - Allocations from Other Governmental Agencies and Sources	484 - Automated Traffic Surveillance and Control	9,709,458	4,910,471	2,597,977
29 - Allocations from Other Governmental Agencies and Sources	517 - Federal Emergency Shelter Grant	4,455,389	5,126,621	5,086,425
29 - Allocations from Other Governmental Agencies and Sources	523 - Ventura/Cahuenga Boulevard Corridor Plan	370,092	816,901	332,061
29 - Allocations from Other Governmental Agencies and Sources	550 - City Attorney Consumer Protection Proceeds	5,770,443	7,005,992	5,989,656
29 - Allocations from Other Governmental Agencies and Sources	573 - Warner Center Transportation Improvement Trust	1,057,091	471,884	249,900
29 - Allocations from Other Governmental Agencies and Sources	586 - Used Oil Collection Program	1,271,779	2,208,980	1,018,559
29 - Allocations from Other Governmental Agencies and Sources	588 - City Planning Systems Development	10,257,761	9,974,814	8,237,914
29 - Allocations from Other Governmental Agencies and Sources	596 - Transportation Regulation and Enforcement	1,045,000	903,429	991,784
29 - Allocations from Other Governmental Agencies and Sources	651 - Juvenile Crime Prevention Demonstration Grant	0	1,079	0
29 - Allocations from Other Governmental Agencies and Sources	655 - Transportation Grants	55,744,936	42,168,477	48,806,702
29 - Allocations from Other Governmental Agencies and Sources	659 - Business Improvement District Trust	2,916,227	2,833,240	3,038,694
29 - Allocations from Other Governmental Agencies and Sources	681 - West Los Angeles Transportation Improvement and Mitigation	444,479	1,119,146	405,432
29 - Allocations from Other Governmental Agencies and Sources	816 - Industrial Development Authority	42,044	609	10,978
29 - Allocations from Other Governmental Agencies and Sources	842 - Animal Sterilization	3,443,295	3,001,474	2,366,418
29 - Allocations from Other Governmental Agencies and Sources	843 - General Services Department Trust	7,777,082	8,299,451	7,482,872
29 - Allocations from Other Governmental Agencies and Sources	876 - Pershing Square Special Trust	522,963	668,736	522,963
29 - Allocations from Other Governmental Agencies and Sources	26Y - MICLA 2017 Streetlights Construction	36,006,041	400,965	12,555,944
29 - Allocations from Other Governmental Agencies and Sources	41R - LA Bridges Forfeited Assets	0	375	0
29 - Allocations from Other Governmental Agencies and Sources	43U - Street Banners Revenue	364,084	286,472	364,084
29 - Allocations from Other Governmental Agencies and Sources	44V - LA Bridges Department of Justice Grant	0	174	0
29 - Allocations from Other Governmental Agencies and Sources	45C - Traffic Safety Education Program	526,000	333,591	284,034
29 - Allocations from Other Governmental Agencies and Sources	46F - Off-site Sign Periodic Inspection Fee	1,062,943	16,889	553,062
29 - Allocations from Other Governmental Agencies and Sources	47X - Housing and Urban Development Connections Grant	13,650	82,975	89,466
29 - Allocations from Other Governmental Agencies and Sources	48H - Los Angeles Regional Agency	177,248	140,218	195,887
29 - Allocations from Other Governmental Agencies and Sources	49C - Permit Parking Program Revenue	3,750,972	3,816,404	2,768,303
29 - Allocations from Other Governmental Agencies and Sources	50T - Neighborhood Stabilization Program	183,231	426,117	1,018,200
29 - Allocations from Other Governmental Agencies and Sources	52F - Planning Long Range Planning	10,778,819	9,289,391	7,193,953
29 - Allocations from Other Governmental Agencies and Sources	53T - Neighborhood Stabilization Program Three - Dodd-Frank Wall Street Reform and Consumer Protection Act	35,000	57,487	35,362
29 - Allocations from Other Governmental Agencies and Sources	55J - Low and Moderate Income Housing	7,068,676	9,844,425	10,065,665
29 - Allocations from Other Governmental Agencies and Sources	56E - Temporary Assistance for Needy Families	7,426,280	5,750,205	4,410,389
29 - Allocations from Other Governmental Agencies and Sources	56V - Foreclosure Registry Program	2,209,104	2,565,753	5,238,100
29 - Allocations from Other Governmental Agencies and Sources	57C - LA Regional Initiative for Social Enterprise Program	298,786	1,415,320	1,480,603
29 - Allocations from Other Governmental Agencies and Sources	57D - CRA/LA Excess Non-Housing Bond Proceeds	2,052,647	3,020,551	5,911,508
29 - Allocations from Other Governmental Agencies and Sources	57P - Department of Transportation Expedited Fee	343,655	74,765	72,359
29 - Allocations from Other Governmental Agencies and Sources	57R - Lead Grant 11	195,572	920,563	728,919
29 - Allocations from Other Governmental Agencies and Sources	58E - Los Angeles Performance Partnership Pilot	92,280	392,490	265,556
29 - Allocations from Other Governmental Agencies and Sources	59E - 2016 Urban Areas Security Initiative Homeland Security Grant	3,892,935	12,124,447	10,687,398
29 - Allocations from Other Governmental Agencies and Sources	59F - MediCal Intergovernmental Transfer Program	35,927,592	35,825,455	21,146,781
30 - City Ethics Commission Fund	534 - City Ethics Commission	3,319,869	3,053,968	3,068,987
31 - Staples Arena Trust Fund	908 - Staples Center Trust	3,481,079	1,860,008	3,481,079
32 - Citywide Recycling Trust Fund	46D - Citywide Recycling	51,828,474	31,087,141	30,275,808

ON-BUDGET FUNDS - BUDGET, REVENUE, AND EXPENDITURES
BY BUDGETARY SCHEDULE AND FUND

Budget Schedule Number / Name	Fund Label	Total Budget	Revenue	Expenditures
33 - Special Police Communications/911 System Tax Fund	554 - Special Police Communications/911 System Tax	115,081	53,229	2,331,121
34 - Local Transportation Fund	207 - Local Transportation	12,379,549	8,529,793	4,383,290
35 - Planning Case Processing Special Fund	52D - Planning Case Processing	31,484,095	25,813,620	28,744,730
36 - Bond Redemption and Interest	A68 - GO Bonds Series 2009 Debt Service	12,115,463	7,180,932	12,115,463
36 - Bond Redemption and Interest	A69 - GO Bonds Series 2011A Debt Service	6,435,000	6,846,442	6,435,000
36 - Bond Redemption and Interest	A70 - GO Bonds Refunding Series 2011B Debt Service	41,702,750	41,266,879	41,702,750
36 - Bond Redemption and Interest	A71 - GO Bonds Refunding Series 2012A Debt Service	31,560,275	31,602,732	31,560,275
36 - Bond Redemption and Interest	A72 - GO Bonds Refunding Series 2016A Debt Service	7,931,322	10,212,765	7,931,322
36 - Bond Redemption and Interest	A73 - GO Bonds Series 2017A (Taxable) Debt Service	2,023,095	8,342,465	1,567,497
36 - Bond Redemption and Interest	A74 - GO Bonds Refunding Series 2017B (Tax-Exempt) Debt Service	2,593,342	21,579,805	2,593,342
36 - Bond Redemption and Interest	A75 - GO Bonds Series 2018A (Taxable) Debt Service	0	0	0
36 - Bond Redemption and Interest	A76 - GO Bonds Refunding Series 2018B (Tax-Exempt) Debt Service	0	0	0
36 - Bond Redemption and Interest	A77 - GO Bonds Refunding Series 2018C (Taxable) Debt Service	0	0	0
37 - Disaster Assistance Trust Fund	872 - Disaster Assistance Trust	25,098,508	4,239,472	4,395,434
38 - Landfill Maintenance Special Fund	558 - Landfill Maintenance	0	10,542	-101,119
39 - Household Hazardous Waste Special Fund	567 - Household Hazardous Waste	6,431,895	5,395,020	3,431,290
40 - Building and Safety Building Permit Enterprise Fund	48R - Building and Safety Building Permit Enterprise	327,762,679	210,979,349	160,445,410
41 - Housing Opportunities for Persons with Aids Fund	569 - Housing Opportunities for Persons with AIDS	28,575,314	14,848,142	14,867,580
42 - Code Enforcement Trust Fund	41M - Systematic Code Enforcement Fee	44,895,184	41,555,877	42,058,503
43 - El Pueblo de Los Angeles Historical Monument Revenue Fund	737 - El Pueblo de Los Angeles Historical Monument	5,246,613	5,399,577	5,207,772
44 - Zoo Enterprise Trust Fund	40E - Zoo Enterprise	25,147,863	24,344,054	22,915,453
45 - Central Recylcing Transfer Station Fund	47R - Central Los Angeles Recycling and Transfer Station	12,683,754	9,840,932	8,479,597
46 - Supplemental Law Enforcement Services Fund	667 - Supplemental Law Enforcement Services	13,372,284	9,496,138	13,291,807
47 - Street Damage Restoration Fee Special Fund	41A - Street Damage Restoration Fee	11,155,761	7,403,253	10,931,761
48 - Municipal Housing Finance Fund	815 - Municipal Housing Finance	6,321,819	6,172,879	4,800,791
49 - Measure R Traffic Relief and Rail Expansion Fund	51Q - Measure R Local Return	67,660,929	48,257,667	56,903,833
49 - Measure R Traffic Relief and Rail Expansion Fund	51R - Measure R Bus Operations	0	0	0
50 - Multi-Family Bulky Item Revenue Fund	50D - Multi-Family Bulky Item Program	9,119,124	7,162,527	8,521,329
52 - Measure M Local Return Fund	59C - Measure M Local Return	37,202,859	42,398,849	5,231,071
		$4,901,237,637	**$3,680,371,067**	**$4,037,968,190**

SCHEDULE 8

OPEN SERVICE CONTRACT ENCUMBRANCES
FISCAL YEAR 2015 OR OLDER

Administering Department	Amount	2010's	2000's	1990's	1980's
Aging	$ 2,910,406	$ 2,583,828	$ 266,431	$ 60,147	
Animal Services	$ 277,122	$ 277,093	$ 29		
Board of Public Works	$ 1,386,570	$ 61,810	$ 1,324,760		
Building and Safety	$ 1,355	$ 1,355			
City Administrative Officer	$ 30,119,214	$ 25,361,619	$ 4,757,595		
City Attorney	$ 445,361	$ 109,053	$ 336,308		
City Clerk	$ 7,792,850	$ 3,337,024	$ 3,622,803	$ 833,023	
City Employees Retirement System	$ 1,547,365	$ 1,547,365			
Planning	$ 121,872	$ 121,872			
Controller's Office	$ 82,789	$ 82,789			
City Council	$ 29,707	$ 16,863	$ 770	$ 12,074	
Cultural Affairs	$ 513,004	$ 354,090	$ 32,673	$ 126,240	
Disability	$ 38,363	$ 37,946	$ 417		
Economic and Workforce Development	$ 63,287,887	$ 62,322,027	$ 965,860		
Emergency Management	$ 48,354	$ 48,354	$ 0		
Engineering	$ 25,466,236	$ 17,940,722	$ 7,525,514		
Fire	$ 2,610,196	$ 29,840	$ 2,562,373	$ 17,983	
General Services	$ 78,342		$ 78,342		
Housing and Community Investment	$ 15,626,062	$ 14,331,567	$ 1,294,495		
Information Technology Agency	$ 388,271	$ 388,271			
Library	$ 243,463	$ 298	$ 243,165		
Mayor's Office	$ 3,535,104	$ 2,201,808	$ 1,144,602	$ 188,694	
Neighborhood Empowerment	$ 2,005	$ 2,005			
Fire and Police Pension	$ 759,958	$ 759,958			
Personnel	$ 11,163	$ 11,163			
Police	$ 476,984	$ 468,834	$ 8,150		
Recreation and Parks	$ 19,025,045	$ 18,022,494	$ 928,251	$ 74,300	
Sanitation	$ 24,825,914	$ 22,494,562	$ 2,331,352		
Street Lighting	$ 6,893,444	$ 6,893,444			
Street Services	$ 2,979,908	$ 2,901,478	$ 894	$ 44,342	$ 33,193
Transportation	$ 37,525,355	$ 34,655,987	$ 2,856,725	$ 12,643	
Zoo	$ 81,043		$ 37,799	$ 43,244	
Total	**$ 249,130,712**	**$ 217,365,518**	**$ 30,319,310**	**$ 1,412,690**	**$ 33,193**

SCHEDULE 9

SPECIAL FUND APPROPRIATIONS FOR GENERAL FUND REIMBURSEMENTS PRIOR TO 2017

Department / Fund Label	Amount
Aging	**$240,754**
395 - Area Plan for the Aging Title 7	55,601
47Y - Health Insurance Counseling and Advocacy Program	8,058
53M - LA Metropolitan Transit Authority Grant Projects	176,337
597 - Fund for Senior Services	758
Building and Safety	**151,474**
46F - Off-site Sign Periodic Inspection Fee	151,474
City Administrative Officer	**206,612**
29B - MICLA Lease Revenue Commercial Paper Notes, Tax-Exempt B-1	206,612
Ethics	**37,613**
534 - City Ethics Commission	37,613
Economic and Workforce Development	**2,209,660**
356 - Urban Development Action Grant Revenue Fund	36,196
43Y - Youth Opportunities Grant	75,781
45D - High Risk/High Need Services Program	57,365
45L - Miscellaneous Sources	16,974
48V - Los Angeles World Airports Job Training	129,437
49S - Re-entry Employment Options Demonstration Project	7,731
54N - California Disability Employment Initiative Project	10,384
54P - California Department of Corrections and Rehabilitation New Start Program	4,887
54T - National Emergency Grant - Multi Sector	184,500
55M - B2W 25% Workforce Investment Act Dislocated Worker Additional Assistance Fund	55,432
56F - Trade Adjustment Assistance - Community College and Career Training	93,651
56K - Linked Learning Initiative	85,405
593 - Audit Repayment	1,387,628
59A - LA Community College District California Career Pathway Grant	64,289
Housing and Community Investment	**3,483**
51S - ARRA Energy Efficiency and Conservation Block Grant	96
54G - ARRA State Energy Program	3,387
Mayor	**1,051,883**
303 - Industrial/Commercial Revolving Loan	30,526
42H - Juvenile Justice and Delinquency Prevention	6,463
46N - LAUSD Outreach Program	181,735
58L - Resilient Cities Initiative Grant	45,482
58P - Bloomberg Philanthropies Innovation Deliver Team Program Grant	238,622
58S - 2016 CalTrans Transitional Employment Services	198,147
649 - Infrastructure Grant	238,749
668 - Narcotics Enforcement Surveillance Team	112,158
Police	**560,305**
339 - Police Department Grant	560,305
Street Services	**2,077,384**
41A - Street Damage Restoration Fee	2,077,384
Transportation	**406,116**
523 - Ventura/Cahuenga Boulevard Corridor Plan	262,187
573 - Warner Center Transportation Improvement Trust	33,053
681 - West Los Angeles Transportation Improvement and Mitigation	110,876
Grand Total	**$6,945,284**

CITY HALL
LOS ANGELES, CALIFORNIA 90012

August 22, 2019

Honorable Councilmember Paul Krekorian, Chair
Budget and Finance Committee
Los Angeles City Council
City of Los Angeles
200 North Main Street
Los Angeles CA, 90012

Re: Letter from the Commission on Revenue Generation Regarding the City's Policies on Special Funds

Dear Councilmember Krekorian:

The Commission on Revenue Generation, formed in 2016 by agreement between the Coalition of City Unions and the City of Los Angeles, continues its efforts to develop recommendations that maximize revenue to the City's general and special funds sufficient to provide high quality City services; ensure equity in the City budget for underserved communities; and ensure a high quality of life in our neighborhoods. We have, to date, discussed or commissioned research regarding: potential savings in pension administration and management; the efficacy of tax abatements and incentive agreements; potential revenue from billboard policy and vacant property tax proposals; and, the feasibility of a Payment-in-Lieu-of-Taxes program that would bring in revenue from large non-profit institutions in the City that are exempt from property taxes.

The Commission has reviewed the Controller's February 2019 Report entitled "In the Balance: Financial Report on the City's Special Funds" (C.F. 17-0786). The report identified 705 Special Purpose Funds with balances totaling $4.1 billion as of June 30, 2018. The Controller identified 123 funds with cumulative balances of $28 million from which there had been no expenditures for four years or more. Many of these funds represent unused encumbrances and appropriations. These funds could be put to use by the Departments or, in some cases, returned to their original funding source.

The Controller, in a follow-up correspondence to the Budget and Finance Committee dated May 7, 2019 (located in CAO Fiscal Year 2019-20 Budget Memo No. 98), identified an additional 78 Idle Funds showing a current collective balance of almost $9 million with no expenditures in the past four fiscal years. Some of these fund balances have been transferred to other funds. The Controller also suggested the Budget and Finance Committee may wish to consider General Fund overhead reimbursements by departments. The Controller's Memo refers back to the Controller's February 2019 Report for a discussion and policy recommendations related to special fund management.

The Controller's recommendations establish guidelines for the administration and implementation of the City's Special Purpose Funds. The Controller's February 2019 report urges the City to adopt a comprehensive, multi-pronged policy including:

- Applying standard procedures when creating new funds;
- Creating funds with "sunset" clauses that require funds to either justify their continued existence after a certain period or be closed;
- Eliminating old and outdated encumbrances and appropriations;
- Mandating annual revenue and expenditure plans for each fund; and,
- Adopting new procedures and timelines to close out idle funds.

The Commission on Revenue Generation accepts and endorses the findings of the Controller's February 2019 Report. We encourage the Budget and Finance Committee to move forward with a comprehensive policy addressing the creation of Special Funds, management of these funds, and the allocation of idle funds.

Thank you for your time and attention to this matter. If you, or a member of your staff, are able to discuss this matter further, I may be reached at 323-662-7512.

Sincerely,

Jan Breidenbach, Chair
Los Angeles Commission on Revenue Generation

Peter Dreier, Commissioner
Rudy Espinoza, Commissioner
Jack Humphreville, Commissioner
Jonathan Klein, Commissioner
Tim McDaniel, Commissioner
Wayne Moore, Commissioner
Barbara Ringuette, Commissioner
William Smart, Commissioner
Jake Stevens, Commissioner

MCK:DHC:03200007

APPENDIX – STUDIES AND REVIEWS

5 – Tax Incentive Agreement

5.1 – Executive Summary, City Controller’s Audit on Developer Tax Incentives: “Incentive Agreements: Tax Breaks and Subvention Deals, dated August 10, 2018.

CONTROLLER AUDIT ON DEVELOPER TAX INCENTIVES SUMMARY

Press Release Posted August 10, 2018[1] and Full Report[2]

As requested by Motion (Blumenfield – Price, CF #15-0850-S2) for the City Controller to report on the efficacy of the Incentive Agreements entered into by the City of Los Angeles and to provide recommendations for the development of standards.

The Controller's office investigated the up to $1 billion in tax incentives the City offers for large-scale real estate developments.

- $654 million in tax refunds or abatements over a 25 year period for five projects.
- $345 million in tax incentives approved for three more projects that are currently in progress.

The incentives are to make up for what developers claim to be a "feasibility gap" that prevents projects from coming to fruition. Another four projects that could receive tax incentives are being considered by City Council.

Controller recommendations

- **Framework for incentive agreements** to ensure clear and measurable goals, opportunities for economic and fiscal optimization.
  - Plans must include clear goals for industry specific growth, job creation, maximization of tax revenue, developing specific neighborhoods that usually lack in development.
  - Consider an overall limitation on tax incentives that the City might want to establish over a 1-5 year period.
  - Include follow-up, enforcement and incentive adjustment provisions in any incentive agreements.
- **Revised scope of evaluations and consultant studies** to require a more thorough evaluation of "feasibility gaps," encourage development with fewer public dollars, and more rigorous analysis of future economic and fiscal benefits.
  - Alternative project analyses
  - Broader evaluation of "feasibility gaps":
    - Currently accepted definition is the difference between the cost of a project (including developer fees) and the warranted value (what an investor would likely pay for the project upon completion).

[1] http://www.lacontroller.org/incentiveagreementsrelease
[2] https://drive.google.com/file/d/1l-Wk3_ULXaUpyHOcx6XiiMdVmdNVWP8n/view

        - Alternative methods could mitigate or even eliminate the "feasibility gap".
    - More rigorous analysis of future economic and fiscal benefits:
        - Including tax revenues, construction-related jobs, ongoing project-related employment, public improvements
        - Analysis of net new revenue does not consider currently existing revenue being taken by the new revenue.
            - For example, a loss of tax revenue from an older hotel when a new one develops nearby.
- **Post-completion analysis** to compare actual vs projected costs. Appraisal post-complete to determine whether incentive amounts should be reduced.
- **Annual report** to identify how goals, job creation, and tax revenue meet with parameters claimed of current projects.
    - Requiring submission by "project developer, or successor in interest," to assess performances of these Incentive Agreements.
    - Based on the submitting reports by project develops/owners, the CLA, or some designated entity, should prepare an annual report identifying the actual outcomes
- **Strengthen Room Block Agreements** for the CLA and CAO to work with Los Angeles Tourism and Convention Board.
    - Room Block Agreements run for 35 years and give the City and its contractor, the Los Angeles Tourism and Convention Board (LATCB), the right to request that the hotel operator hold up to 75% of its rooms for a convention. However, there are numerous ways hotel operators can avoid this.
    - At status quo, there are no limits on requirements that hotel operators can request from convention organizers during negotiations; hotel operators have discretion to maximize their room usage.

The Office of City Controller reviewed five Incentive Agreements approved between 2005 and 2015 - $654 M total

1. Convention Center Headquarters Hotel (now a J.W. Marriot and Ritz Carlton):
    a. Reported feasibility gap of $181.7 million based on an estimated value of $230.8 million and development costs of $412.5 million.
    b. The City approved financial assistance of up to $270 million over 25 years.
2. Wilshire Grand Hotel (now an InterContinental):
    a. Reported feasibility of gap of $97 million.

   b. City initially approved financial assistance of up to $171 million over 25 years; however, financial assistance increased to $250 million because developer added a commercial building.
3. Olympic North Hotel (now a Courtyard Marriott and Residence Inn):
   a. Reported feasibility gap of $35.8 million based on estimated value of $126.9 million and estimated development costs of $162.7 million.
   b. City approved financial assistance of up to $67.3 million over 25 years.
4. Metropolis Hotel (now a Hotel Indigo):
   a. Reported feasibility gap of $13.5 million which is the amount the developer would accept to build a hotel instead of a residential tower.
   b. City approved financial assistance up to $18.7 million over six years.
5. Village at Westfield Topanga (expansion on Westfield Topanga as the current mall is being demolished)[3]:
   a. Reported feasibility gap of $35.7 million based on estimated value of $300 million and estimated development costs of $335.7 million.
   b. City approved financial assistance of up to $47.7 million over 25 years.

Incentive Agreements between 2016 and 2018 - $345 M

1. Grand Avenue ($198.4 M – CF# 13-1694)
2. Cambria ($43.2 M – CF# 16-1128)
3. Pico-Figueroa Hotels ($103.3 M – CF# 16-0073)

Evaluation of additional proposed hotel project

1. 3900 Figueroa Street (CF# 18-0367)
2. 3240 Wilshire Boulevard (CF# 18-0238)
3. Olive Street Hotel (CF# 18-0399)
4. Expansion of the JW Marriott Hotel (CF# 18-0532)

Framework at Status Quo

City Council used the Block Grant Investment Fund Policy (BGIF) as a framework to evaluate the first of the five projects, citing a “feasibility gap”—the difference between the estimated development costs of a project and investor’s willing to pay for that project investment, based on the project’s expected value. The City provides financial assistance in the form of remitted taxes, such as the transient occupancy tax (TOT) or the City’s share of property taxes.

<u>Analysis</u>

Economic Development Policies:

[3] https://en.wikipedia.org/wiki/Westfield_Promenade

- The City continues to approve Incentive Agreements without having a comprehensive Citywide economic development strategy.
    - BGIF was not originally intended to be the policy document to determine eligibility of Incentive Agreements; this policy, established in the 1990s and amended in 2001, was used as a guide to evaluate projects applying for Housing and Urban Development Section 108 loans.
    - In 2015, the City considered a report from the CLA that recommended a specific Hotel Incentive Policy (HIP) that would provide relevant criteria to evaluate hotel projects but it expired.
    - In June 2017, the Mayor and City Council authorized the Economic Workforce Development Department (EWDD) to enter into a contract with HR and A Advisors, Inc. to develop a Citywide Economic Development Strategy and implementation plan (CF# 13-1090-S1).

Consultant Project Studies and Negotiations:

- The City used five separate independent studies performed by three different consultants to determine eligibility for financial assistance.
    - The City's approval of financial assistance for these projects was based on consultant conclusions about the existence of a project's feasibility gap, and the City's determination that a project complied with the BGIF policy.
- The City should confirm if consultants' reports agree with one another and negotiate for most favorable terms.
    - The consultant studies may have arrived at different conclusions if the City had requested an alternative cost/valuation method.

Evaluation of Economic and Financial Impacts:

- Pew recommends that it may be beneficial for state and local governments to establish an ongoing evaluation process for tax incentives.
    - Make a plan: The City should establish a strategic schedule to evaluate tax incentives and identify clear, measureable goals.
    - Measure the impact: Consider net effects – whether something (taxes, new jobs, etc.) was transferred or is new.
    - Inform decisions.
- The Council should require post-construction cost reconciliation.
    - Under post-construction cost reconciliation, the City would lower the financial assistance packages for the projects when development costs were confirmed to be lower than initially projected; however, no adjustments are made if the projected/actual value of the project increases.
- Methods to enforce intended performance outcomes, such as number of jobs created and maintained, increase in wages, increase in property value, increase in convention bookings.

    - One alternative: Allow City to “clawback” or recover funds previously paid to the developer, when nonperformance occurs during the project’s operation.
        - The State of Arizona “Competes Fund” includes “clawback” provisions to ensure it can take back funds for nonperformance.
    - Another alternative: Only pay incentives after the project’s performance has been met.
        - In other cities, Austin and Orlando, the cities do not pay incentives until outcomes have been achieved and confirmed.
- The City’s goal for incentivizing Downtown hotels was to draw more conventions, but the agreements do not include guarantees for increased convention bookings.
    - Room Block Agreements for conventions do not meet their intended goal—to reserve and secure rooms for convention attendees—and thereby discourage event organizers from seeking Los Angeles for their convention.
        - Room Block Agreements run for 35 years and give the City and its contractor, the Los Angeles Tourism and Convention Board (LATCB), the right to request that the hotel operator hold up to 75% of its rooms for a convention.
        - No limits on requirements that hotel operators can request from convention organizers during negotiations; hotel operators have discretion to maximize their room usage.
- In 2014, California passed a law which regulates economic development subsidies of over $100,000 (California Government Code Section 53083). All agreements must report start and end dates, projected tax revenue as a result of the subsidy and estimated number of jobs created by the subsidy among others. Economic development subsidies shall not include expenditures of public funds by, or loss of revenue, to the local agency for the purpose of providing housing affordable to persons and families of low or moderate income, as defined in Section 50093 of the Health and Safety Code.

<u>How Agreements Work</u>

- The City provides financial assistance to developers in the form of omitting the Transient Occupancy Tax (TOT). The City stops providing financial assistance once maximum amount specified in the Incentive Agreement is reached or specified number of years has passed. The City is the direct recipient of TOT and can therefore track and provide all of TOT generated to a developer.

  - The current TOT rate is 14% in the City and is applicable to all properties rented to transients, short-term renters (who exercises occupancy or entitled to occupancy for 30 days or less).[4]
  - **The operator of a hotel with an associated tax Incentive Agreement actually pays the TOT it collects from its guests to the City, but the City remits these amounts to the developer of the project per the Incentive Agreement.**
- Westfield Mall Case - The payment the City provides to the Mall is the City's share of property taxes paid by Westfield.
  - Unique because the mall does not provide hotel TOT tax revenue to the City.

Incentive Agreement Development Process

- Amount of the City incentive is limited to 50% of net new tax revenue.
- The financial gap statement, which serves as a declaration that a project is infeasible without City assistance in the form of a tax subvention.
- Annual tax guarantee development project will pay during construction if applicable.
  - A new development project will continue to pay an amount equivalent to what the City previously received from the prior property (sales, utility, parking occupancy and transient occupancy taxes, etc.).
- Room block agreement, if applicable;
  - Room Block Agreements last for 35 years and gives the City the right to request hotels hold certain number of rooms for conventions.

Benchmarking of Economic Incentives in Other Jurisdictions

- Cities that offered the most similar incentives were Palm Springs and Houston.
- Other jurisdictions used bonds, fee reductions, and tax credits.

[4] The City of Los Angeles Office of Finance (http://finance.lacity.org/transient-occupancy-tax-requirements)

APPENDIX – STUDIES AND REVIEWS

6 – Vacant Property Tax – Blue Sky Consulting

6.1 – Feasibility of A Vacant and Unoccupied Property Parcel Tax for the City of Los Angeles
6.2 – Councilmember Mike Bonin’s Motion for Empty Homes Penalty

Blue Sky

CONSULTING GROUP

FEASIBILITY OF A VACANT AND UNOCCUPIED PROPERTY PARCEL TAX FOR THE CITY OF LOS ANGELES

December 20, 2019

Prepared by

Matthew Newman, Shawn Blosser, Joel Schwartz and Laura Preuss

Blue Sky Consulting Group

Contents

ACKNOWLEDGEMENTS

This report was prepared by Matthew Newman, Shawn Blosser, Joel Schwartz, and Laura Preuss for the City of Los Angeles Revenue Commission. The analysis presented and the conclusions of this report are those of the authors.

EXECUTIVE SUMMARY

This report, prepared on behalf of the Los Angeles Revenue Commission, presents estimates of the potential revenue that could be generated from a tax on vacant or unoccupied property in the City of Los Angeles (the City) and identifies the design features the City may want to consider should it proceed with implementation of a such a tax.

Overview of Vacancy Taxes

Although many jurisdictions around the country have established fees or charges on vacant or blighted property in order to incentivize property maintenance and upkeep, vacancy taxes designed primarily to raise revenue and encourage property owners to use, occupy, rent or develop their property are a relatively new phenomenon.

The most prominent example of such a vacancy tax comes from the City of Vancouver in Canada. Vancouver implemented its “Empty Homes Tax” on vacant residential property beginning in 2017. Vancouver’s tax applies to most residential units that are not the primary residence of the owner or are not rented to a tenant. The tax applies to properties that have been vacant for six months or longer during the year. Vancouver’s tax generated approximately $30 (USD) million during the most recent 2018 tax year.[1]

In addition to Vancouver, voters in Oakland, California, approved a vacancy tax in November 2018. The tax applies to residential structures (similar to Vancouver’s tax) as well as to empty ground floor commercial space and vacant land. A property is deemed vacant if it is not used for at least 50 days during the year. The city has approved plans to levy the tax on properties determined to be vacant during calendar year 2019.[2]

These two recent examples highlight the range of potential options for a vacancy tax. While Vancouver applies its tax just to residential property, Oakland applies its tax to the full range of parcels, including residential and commercial property and vacant land. And, while Vancouver’s tax applies only to properties vacant for at least six months, Oakland’s tax applies to parcels vacant for more than ten months. Beyond the definition of the tax base and defined vacancy period, each jurisdiction has identified various exemptions, such as for properties actively under construction or where the imposition of the tax would produce a “demonstrable hardship” for the taxpayer. Development of any vacancy tax proposal for the City of Los Angeles would also need to include careful consideration of the various types of possible exemptions.

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[1] City of Vancouver. Empty Homes Tax Annual Report 2018, Activity to November 1, 2019. https://vancouver.ca/files/cov/vancouver-2019-empty-homes-tax-annual-report.pdf

[2] On November 19, 2019, the Oakland City Council unanimously approved the implementation ordinance, as recorded

Economic Considerations

Beyond the structure of the tax itself, policy makers (and voters who will have the final say about whether the City imposes a vacancy tax) will need to consider the potential impacts of any vacancy tax program. Vacancy taxes can encourage property owners to rent unoccupied units or develop vacant land, thereby increasing the available supply of housing and commercial space. These potential benefits of a vacancy tax (in addition to the revenue raised) must be weighed against the potential costs. Specifically, to the extent properties are vacant or unoccupied due to economic conditions such as during a recession or as a result of circumstances beyond a property owner's control, such as a delay in obtaining a business license or building permit, taxing vacancies could impose additional hardships on property owners actively but unsuccessfully seeking tenants or buyers for their property.

Potential Vacancy Tax Revenue for the City of Los Angeles

The amount of revenue collected from a vacancy tax would depend on the definition of the tax base (i.e. whether it applies to residential units, commercial structures, vacant land, or all three), the tax rate (i.e. the amount each property owner would be asked to pay for a vacant or unoccupied parcel), and any exemptions specified.

A vacancy tax that covered residential units, ground floor commercial, and vacant land and included exemptions for parcels under construction, those adjacent to another parcel owned by the same owner, or where the parcel could not be developed due to legal obstacles or an inability to get a building permit would generate approximately $128 million annually at a tax rate of $5,000 per unit or parcel (with larger parcels and multifamily residential sites paying proportionately more). As properties are placed in use, become available for rent, or are developed, the amount of revenue collected from a vacancy tax would be expected to decline over time to approximately $100 million annually.

Administering a vacancy tax would require the City to hire additional staff and develop a system for verifying vacancy. These additional functions would cost approximately $5.6 million annually in addition to one-time implementation costs estimated at $2.9 million.

INTRODUCTION

This report presents estimates of the potential revenue that could be generated from a tax on vacant or unoccupied property in the City of Los Angeles. In addition, the report identifies the design features the City may want to consider should it proceed with implementation of a such a tax and presents an action plan outlining the steps necessary to implement a vacancy tax. Specifically, this report addresses the following topics:

- A review of vacancy taxes in other cities, including a review of the available literature on vacancy taxes
- A discussion of program design features and potential exemptions the City may wish to consider
- An estimate of potential revenues to be generated from a vacancy tax
- An action plan outlining the steps the City would need to take to implement a vacancy tax

OVERVIEW OF VACANCY TAXES

Although many jurisdictions around the country have established fees or charges on vacant or blighted property in order to incentivize property owners to maintain their property, vacancy taxes designed primarily to raise revenue, encourage development, or encourage owners to occupy or rent their property are relatively new phenomena.

Previous Reports on Vacancy Taxes

The newness of vacancy taxes is responsible for relatively sparse literature on the effects of these taxes, best practices for implementation, and revenue generation potential.

Writing for Governing.com, J. Brian Charles describes the movement for vacancy taxes, including successful such efforts in Vancouver, British Columbia, and Washington, DC, as well as an aborted effort in Hartford, Connecticut.[3] According to Charles, “cities are turning to vacant property taxes to nudge property owners of both retail and residential spaces to lease, develop or sell their properties before a short-term vacancy turns into what some cities see as blight.” Charles highlights two of the most important concerns associated with vacancy taxes. First, Charles notes that, in addition to concerns about landlords who may hold their properties off the market in order to obtain higher rents, “major disruptions in retail shopping habits” also play a role in commercial vacancies in many communities. In other words, economic factors may play an important role in urban vacancies, and these factors may not be easily addressed through imposition of a new tax. Charles also highlights another important issue surrounding vacancy taxes: difficulty in implementation. Charles notes that “some owners of vacant property

[3] Charles, B. "Cities Now Use Taxes to Fight Blight. Is It Working?" Governing the States and Localities. May 2018, https://www.governing.com/topics/urban/gov-cities-blight-taxes-lc.html

have tried to skirt the law by filing for exemptions, or asking for building permits and then never making improvements."

Writing in a recent report published by the San Francisco Controller, the city's Chief Economist Ted Egan also pointed out that "brick-and-mortar retailing has declined while the rest of the economy, and the supply of retail space, has grown." He goes on to note that this "suggests San Francisco–like many other areas -may be experiencing a long-term decline in demand for retail space due to the growth of internet commerce." As a result, "if an owner has a vacant commercial property because the previous tenant went out of business, and cannot secure another tenant because new businesses are not being formed, then a tax is unlikely to improve the situation." "On the contrary" the report notes, "the threat of a tax that cannot be avoided will likely depress the value of all properties in neighborhood commercial areas, and inhibit investment in them." Picking up on a similar theme, Elaine Povich, writing in a report for the Pew Trusts, posits that vacant land taxes may be more politically and economically viable in areas where land values are increasing.[4]

A 2017 International Growth Centre report reviewed international research on varying practices of taxing vacant land.[5] Authors Astrid Haas and Mihaly Kopanyi showed that vacancy tax programs have taken many forms depending on the needs of the region. For example, rural cities in developing counties, such as Bogotá, Colombia impose land value taxes to spur urban development. In contrast, urbanized cities with less vacant land and more vacant structures, such as Washington DC, impose higher tax rates on vacant buildings to discourage blight and speculation. The authors conclude that taxing vacant land can be a lucrative revenue source for cities. However, the successful implementation of a tax also depends on a wide variety of factors, including political support and the availability of data to measure vacancy and assess land value.

Vacant Property Taxes and Fees in Other Jurisdictions

Many cities have programs that attempt to identify vacant or blighted properties and mitigate their negative impacts. These programs typically involve some sort of registry for vacant properties, accompanied by fees to inspect the properties and penalties for failing to adhere to

[4] Povich, E. "Can Extra Taxes on Vacant Land Cure City Blight?" Pew Charitable Trusts. March 2017, https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2017/03/07/can-extra-taxes-on-vacant-land-cure-city-blight

[5] Haas, Astrid R. N. and Kopanyi, Mihaly. "Taxation of Vacant Urban Land: From Theory to Practice." International Growth Centre. 2017, https://www.theigc.org/wp-content/uploads/2017/07/201707TaxationVacantLandPolicyNote_Final.pdf

the program's requirements for property maintenance.[6] For example, the City of Los Angeles already maintains a foreclosure registry that specifically targets the owners of foreclosed residential properties. Under this program the owner of any residential property within the City of Los Angeles that is foreclosed upon must register the property with the City's Housing and Community Investment Department (HCIDLA), pay a proactive inspection fee, and submit online monthly inspection reports until the property is removed from the registry. Failure to comply with the registry's requirements within 30 days of notification by the HCIDLA results in penalties of $250 per day, up to a maximum of $100,000.[7]

Other large cities with similar registry programs include Chicago, which requires owners of vacant commercial and residential properties to register with the city and pay an initial fee of $700 for the first six months and an additional $300 every six months thereafter until the property is deregistered, the loan is transferred or released, or the building is reoccupied, sold, or demolished.[8] San Francisco also enacted a vacant commercial property registry program, and requires that property owners register vacant commercial storefront properties and pay a one-time fee of $711, with a penalty of $2,844 for failing to register within 30 days of the property becoming vacant.[9] In 2018 the city of Providence, Rhode Island enacted a non-utilization tax equal to ten percent of the assessed value for any vacant lot that is littered with trash or obviously abandoned or for any unoccupied commercial or residential property that is under continuous citation by city inspectors or has "…not been maintained as evidenced by the exterior condition of the structure."[10] The state of Georgia also allows municipalities and counties to levy additional property taxes on blighted properties, and several cities, including Savannah, Albany, Acworth, Dublin, Griffin and Jackson have enacted blight taxes.[11]

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[6] In 2012, more than 550 Vacant Property Registration Ordinances (VPRO's) existed in the country (a large growth from approximately 100 in 2007), Lee, Y.S., Terranova, P., and Immergluck, D. "New Data on Local Vacant Property Registration Ordinances." Cityscape: A Journal of Policy Development and Research, 15(2). 2013. https://www.huduser.gov/portal/periodicals/cityscpe/vol15num2/ch22.pdf

[7] See City of Los Angeles, Ordinance 183281 at https://hcidla.lacity.org/system/files_force/documents/Foreclosure%20Registry%20Amended%20Ordinance.pdf?download=0.

[8] City of Chicago. "Vacant Buildings." Accessed October 30, 2019. https://ipiweb.cityofchicago.org/VBR/

[9] City and County of San Francisco. "Vacant or Abandoned Commercial Storefronts." Accessed November 2, 2019. https://sfdbi.org/vacantstorefront.

[10] City of Providence. "Non-Utilization Tax Ordinance." 2018. http://providenceri.iqm2.com/Citizens/Detail_LegiFile.aspx?Frame=&MeetingID=8725&MediaPosition=&ID=16413&CssClass=.

[11] ECG. "Combating Economic Blight in Georgia: Case Studies and Best Practices." 2018. http://www.locationgeorgia.com/wp-content/uploads/2016/03/BlightCaseStudies_Jan2019.pdf and Curl. E. "Savannah Increases Number of Properties Targeted with Blight Tax." Savannah Now. 2018. https://www.savannahnow.com/news/20181111/savannah-increases-number-of-properties-targeted-with-blight-tax.

Pennsylvania provides another example of how taxation may be used to encourage development. The state allows municipalities to tax improvements at a lower rate than land to incentivize development. Approximately 20 jurisdictions throughout the state employ such a "two-tiered" system, although one of the largest – Pittsburgh – abandoned its citywide policy in favor of a land tax only for the downtown improvement district. According to the City's Finance Director, Pittsburgh effectively ended the two-tier system in 1981 because it had achieved its goal of encouraging development in the downtown area and because of possible court challenges that the system may violate a state constitutional requirement that taxation be uniform.[12] Similarly, Hawaii adopted a two-tiered land value tax in 1963 which was discontinued in 1977 as the tourist boom of the 1960s and 1970s resulted in significant development of high-density buildings.[13]

Only a few cities were identified with existing programs that specifically tax undeveloped and/or vacant properties regardless of their appearance or maintenance, similar to the program being considered for Los Angeles.[14] These cities include Vancouver, which taxes owners of vacant residential properties; Washington DC, which levies additional property taxes on vacant residential and commercial properties; and Oakland, which passed a law in 2018 to tax empty residential and commercial properties as well as vacant lots of any kind. The details for these three programs are provided in Table 1: Summary of Vacancy Taxes in Other Cities below.

TABLE 1: SUMMARY OF VACANCY TAXES IN OTHER CITIES

	Vancouver, BC	Washington, DC	Oakland, CA
Name	Vancouver Empty Homes Tax	Vacant Property Tax	Vacant Property Tax
Dates	Passed 2016 (Enacted 2017)	Passed 2010 (effective FY 2011)	Passed 2018 (Planned FY 2020-21)
Types of Property	Residential[15]	Residential Commercial	Residential Ground Floor Commercial Vacant Lots

[12]Povich, 2017.

[13] Dye, R., and England, R. "Assessing the Theory and Practice of Land Value Taxation." Lincoln Institute of Land Policy. 2010. https://www.lincolninst.edu/sites/default/files/pubfiles/assessing-theory-practice-land-value-taxation-full_0.pdf

[14] Hartford Connecticut considered implementing some type of vacancy tax to its downtown area in 2016 but never developed a specific plan to do so (see Carlesso, J. "Hartford Officials Discuss Hiking Taxes On Vacant Properties, Bushnell Park Area Considered." Hartford Courant. 2016. https://www.courant.com/community/hartford/hc-hartford-land-value-tax-1025--the-city-council-is-urging-mayor-luke-bronin-to-20161024-story.html).

[15] Vancouver taxes residential property including single-family residences, multi-family residences, duplexes, apartments, condominiums, and vacant land, although only a handful of vacant parcels exist within the city and have been subject to the tax. For additional information, see "Understanding Property Classes and Exemptions." Accessed December 10, 2019 at https://info.bcassessment.ca/Services-products/property-classes-and-exemptions/understanding-property-classes-and-exemptions

	Vancouver, BC	Washington, DC	Oakland, CA
Definition of Vacant or Underutilized Properties	**Unoccupied Property:** (a) not the principal residence of an occupier; or (b) not occupied for residential purposes by an arm's length tenant or subtenant for at least 30 consecutive days **Vacant property:** unoccupied for longer than 6 months	**Vacant Property:** properties unoccupied for more than 30 days must be registered. **Blighted Property:** a vacant building that is unsafe, unsanitary, or threatens the health, safety, or general welfare of the community.	**Vacant Property**: (a) Residential and commercial properties in use less than 50 days in a calendar year. (Note: multi-unit parcels are not vacant if any unit on it is not vacant) (b) All parcels, regardless of zoning or other land use designation, upon which no permanent improvements have been constructed or placed.
Assessment Type, Structure and Limits	Fine of $250 for failure to register and penalties up to $10,000 for making false declarations. Tax is 1% of the assessed value of property. Late and unpaid taxes result in an additional 5% payment fee.	Registration fee of $250 Failure to register may result in a $2,000 fine. Tax is based on assessed value: Vacant: $5 per $100 Blighted: $10 per $100 (Note: Base tax rates are $0.85 per $100 for residential and $1.65-$1.89 per $100 for commercial)	Tax charges a flat rate per parcel: (1) Residential, nonresidential, and undeveloped lots = $6,000 (2) Condominium, duplex, or townhouse units under separate ownership = $3,000 per unit (3) Ground floor commercial space = $3,000 per parcel
Methodology to Identify Properties	Self-reporting by homeowners. Additional monitoring by city and neighborhood residents.	Self-registration by property owners. City residents may also report suspected properties via phone or online. The District's Department of Consumer and Regulatory Affairs (DCRA) monitors and enforces the registration of vacant properties.	Self-reporting by homeowners. Additional monitoring by city

	Vancouver, BC	Washington, DC	Oakland, CA
Exemptions	1) Death of registered owner 2) Property undergoing redevelopment or major renovations 3) Property of owner in care (i.e. hospital, long-term care) 4) Rental restriction or prohibition 5) Transfer of property 6) Occupancy for full-time employment when principal residence is outside of Greater Vancouver area 7) Court Order prohibiting occupancy 8) Limited use residential property (i.e. only permitted for vehicle parking, residential building cannot be built due to size or shape of parcel, etc.)	1) Property undergoing active construction 2) Property for rent or sale* 3) Property awaiting development approval 4) Property is subject of probate proceedings or the title is the subject of litigation 5) Substantial undue economic hardship to owner * If property owner is making a good-faith effort to find a renter, residential buildings can claim exemption for 1 year, and commercial for 2 years.	1) Owner "very low income" (HUD) 2) Owner 65 yrs. or older and "low income" (HUD) 3) Owner receives disability SSI or Social Security Disability Insurance benefits and income below 250 percent of 2012 federal poverty guidelines (HHS) 4) The tax would create a "financial hardship due to specific factual circumstances" 5) Property vacant due to "demonstrable hardship that is unrelated to the owner's personal finances" 6) Property under active construction 7) Owner has active building permit application in process 8) Owner has a "substantially complete application for planning approval" under review 9) Owner can prove "exceptional specific circumstances prevent the use or development of the property" 10) Nonprofit owner
Appeals Process	A registered owner may submit a notice of complaint regarding the decision to impose vacancy tax; the registered owner can request a review of the determination by the vacancy tax review panel. The review determination is final, and no appeals will be granted.	Property owner may submit an appeal which is first reviewed by the assessor. If the appeal is still disputed after review, it goes through a review by the commission, then the superior court.	Within 20 days of a vacancy determination, property owner may submit a written administrative appeal and request for a hearing. If the property owner challenges the decision by the hearing officer or independent board, the subsequent appeal will be handled by superior court proceedings.
Proposed use of Revenues and Restrictions to Achieve Policy Goals	Purpose: to return empty and under-utilized properties to long-term rentals and reduce pressure on Vancouver's rental housing market Use of Revenue: reinvested towards affordable housing initiatives, support and advocacy services for vulnerable renters	Additional property taxes are part of General Fund Revenues Registration and renewal fees are deposited into a Nuisance Abatement Fund[16]	Services and programs for homeless people, including the preservation of existing affordable housing and production of new affordable housing, as well as to maintain and clean-up blighted properties. Revenue also used to create a Commission on Homelessness to make funding decisions and to pay tax's administrative costs.

[16] Government of the District of Columbia. "FY 2011 Proposed Budget and Financial Plan," Vol. 1 (Executive Summary). 2010. https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/2011_Volume_1-Executive_Summary_Web.pdf.

	Vancouver, BC	Washington, DC	Oakland, CA
Revenues	2018: $29.6 million US	2015: $13 million 2016: $9.4 million	$6.6million to $10.6 million (estimated)
Annual Program Costs	$1.9 million (6.4% of revenue)	$645,000[17] (5.8% of average 2015, 2016 revenue)	$452,000 (5.3% of estimated revenue)
Efficacy of Program Operation	Speculation that homeowners are failing to declare vacancy and/or taking advantage of exemptions (8,500 declared vacancy in 2018 vs. 10,800 vacant properties estimated by a 2018 energy utilization study).	Issues have arisen around the identification and tracking of vacant parcels (i.e., a 2017 report by the Office of the District of Columbia Auditor (ODCA) found the DCRA had failed to correctly grant exemptions, collect fines, and send notices of infraction, costing the city an estimated $1M in revenue that year)	Not yet implemented
Efficacy of Achieving Policy Goals	Between tax years 2017 and 2018, the number of declared vacant properties decreased by 22% (from 2,538 to 1,989) and the number of occupied properties increased by 3% (178,117 to 182,917).[18]	Unclear how many properties have been leased, sold, or developed since this tax has been implemented.	Not yet implemented
Implementation & Enforcement Challenges	Community resistance including four lawsuits are currently in process[19]	Speculation that many owners are simply filing for exemptions, filing for building permits they do not intend to complete, or paying the tax instead of developing or selling their properties.	Not yet implemented

In addition to the vacancy taxes identified in Table 1, several large cities are considering taxes on unoccupied or otherwise underutilized properties, though specific proposals or legislation have not yet been identified for most of these cities. Some examples of large cities considering vacancy taxes for residential or commercial property include the following:

[17] These amounts represent costs for management and enforcement activities by the Vacant Building Enforcement Unit of the Department of Consumer and Regulatory Affairs (DCRA). The Office of Tax and Revenue (OTR) then applies tax rates based on the property classifications provided by DCRA. Office of the District of Columbia Auditor. "Significant Improvements Needed in DCRA Management of Vacant and Blighted Property Program."2017. https://dcauditor.org/wp-content/uploads/2018/07/Vacant.Blighted.Report.9.21.17.pdf.

[18] City of Vancouver, 2019.

[19] Bula, F. "Homeowners, Developers Launch Lawsuits Against Vancouver Over Empty-Homes Tax." The Globe and Mail. 2019. https://www.theglobeandmail.com/canada/british-columbia/article-homeowners-developers-launch-lawsuits-against-vancouver-over-empty/

- **San Jose** – Commissioners Alex Shoor and Huy Tran proposed that San Jose consider a tax on vacant properties in a May 2019 meeting of the City's Housing and Community Development Commission. In their presentation, they noted that Census data for San Jose indicates that the number of vacant homes has increased by 42 percent in the past five years and encouraged the city to create an "empty homes tax" like Vancouver's. [20] While the city plans to study the issue of vacancy more closely before designing legislation, city officials estimated such a tax will generate revenues of $6.5 to $10.5 million per year.[21]

- **San Diego** - The San Diego Housing Commission is exploring the option of a vacant property tax and is undertaking a study to identify the number of residential units in the city that have been vacant for six months or longer.[22]

- **San Francisco** – Supervisor Aaron Peskin has indicated that he wants to put a commercial vacancy tax on the ballot for the March 2020 election. According to a report by the San Francisco Controller's Office, the tax would collect up to $1,000 per linear foot of street frontage of the property if the property remains unoccupied for more than 182 days out of the year.[23] The city's chief economist estimated potential revenue between $300,000 and $5 million a year.[24] The city's Board of Supervisors recently approved the proposal to be added to the March 2020 ballot.

- **Seattle** - In order to incentivize housing development, in 2017, Seattle considered including an extra excise tax on vacant parking lots in addition to raising their existing commercial parking lot tax to 17.5 percent of the fee drivers pay to park..[25] News sources have not provided updates since, and the tax remains at 12.5 percent on commercial lots, as established in 2010.[26]

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[20] Shoor, A., and Tran, H. "Empty Spaces in San Jose." Presented to City of San Jose, Housing and Community Development Commission, May 29, 2019. http://www.sanjoseca.gov/DocumentCenter/View/84485

[21] Hase, G. "Too Many Empty Homes in San Jose? There Could Be a Penalty Tax for That." San Jose Spotlight. 2019. https://sanjosespotlight.com/too-many-empty-homes-in-san-jose-there-could-be-a-penalty-tax-for-that/

[22] Warth, G. "Housing Commission Considers Tax on Vacant Homes." The San Diego Union-Tribune. 2019. https://www.sandiegouniontribune.com/business/real-estate/story/2019-06-14/housing-commission-considers-tax-on-vacant-homes

[23] The proposed tax would tax $250 per linear foot in the first year it remains vacant, $500 in the second year, and $1,000 for each year thereafter. Burke, K. "Proposed Tax on SF Retail Vacancies Heads Toward Voter Approval. San Francisco Business Times. 2019. https://www.bizjournals.com/sanfrancisco/news/2019/11/14/proposed-tax-ons-f-retail-vacancies-heads-toward.html

[24] Egan, T. "Taxing Commercial Vacancies: Economic Impact Report." City and County of San Francisco, Office of the Controller, Office of Economic Analysis. 2019. http://openbook.sfgov.org/webreports/details3.aspx?id=2772

[25] Trumm, D. "Boost the Parking Lot Tax." The Urbanist. 2017. https://www.theurbanist.org/2017/01/17/boost-parking-lot-tax/.

[26] Seattle.gov. "Commercial Parking Tax." Accessed November 20, 2019. http://www.seattle.gov/business-licensing-and-taxes/business-license-tax/other-seattle-taxes/commercial-parking-tax.

- **New York City** - Mayor Bill DeBlasio has advocated for a retail vacancy tax that would charge landlords of vacant commercial property an extra fee. Plans to implement and enforce such a tax are still under development.[27]

- **Honolulu** – Kirk Caldwell, Honolulu's mayor, has proposed a 1 percent increase in the property tax for owners of unoccupied residences, though uncertainty around the best enforcement strategies and equitable taxing practices have been identified as potential obstacles.[28]

Important Considerations for Establishing a Vacancy Tax

Many cities across the country have adopted taxes or fees on vacant property (see page 7). Many of these taxes are aimed at fighting blight (i.e., charging property owners who fail to maintain their properties in order to discourage vacancies and encourage property maintenance). More recently, however, cities throughout North America have been considering (and in some cases implementing) taxes on vacant property designed to raise revenue and encourage property owners to occupy, rent, or develop their properties as a tool for increasing the available supply of housing and commercial space and discouraging blight. The actions taken by these jurisdictions suggest that (at least some forms of) vacancy taxes are both legally permissible and politically feasible.

CALIFORNIA REQUIREMENTS

Local governments in California face numerous limitations on their ability to impose new taxes or fees. Proposition 13 established limits on taxes that are based on the assessed value of property, although parcel taxes are still permissible. These taxes are most often established on a per-parcel basis, although some jurisdictions have established taxes based on other measures, such as the linear feet of street frontage, the number of rooms, the use of the property or even the square footage of the property. The City of Oakland's vacancy tax is a parcel tax, and this mechanism appears to be a viable way for the City of Los Angeles to establish a vacancy tax. A special tax (i.e. one in which the revenues are designated for a specific purpose) requires a two-thirds vote of the voters for approval; a general tax (where the revenues can be used for any purpose) requires a majority vote of the voters for approval.

ECONOMIC CONSIDERATIONS

One important consideration in establishing a vacancy tax is the economy. In an environment of high and rising property values, particularly for residential properties, it may make sense to tax

[27] Calder, R. "DeBlasio: I Will Lobby for Vacancy Tax on Landlords of Empty Storefronts." New York Post. 2019. https://nypost.com/2019/01/09/de-blasio-i-will-lobby-for-vacancy-tax-on-landlords-of-empty-storefronts/

[28] Civil Beat Editorial Board. "Taxing Unoccupied Homes Is A Good Idea." Honolulu Civil Beat. 2019. https://www.civilbeat.org/2019/06/taxing-unoccupied-homes-is-a-good-idea/

vacant parcels as a mechanism to raise revenue and encourage property owners to occupy, rent or develop their property rather than hold the property empty or undeveloped (i.e., wait to develop the property in anticipation of higher future rents or sales prices). In such an economic environment, if a property owner wishes to rent or develop their property, a suitable tenant likely can be found or economic conditions for development (or selling to a developer) will be favorable. However, in the event of an economic downturn, a reduction in the demand for housing or commercial property, or an increase in the supply of housing or commercial property, economic conditions may well not favor renting or developing a property, and prices are more likely to stay steady or even decline due to market forces. Therefore, the City may wish to consider a vacancy tax policy that allows for adjusting the tax rate or the circumstances in which it applies to account for varying economic conditions. In addition, should the City choose to proceed with implementation of a vacancy tax, it may wish to consider a phase-in approach, particularly for vacant land, in order to avoid a large number of vacant parcels "flooding" the market immediately upon implementation of the tax and thereby depressing the value of such parcels.

OTHER CONSIDERATIONS

In addition to the legal and economic considerations, the choice about what types of property to tax and the definition of vacancy can have an impact on the amount of revenue raised and the types of taxpayers who may oppose a vacancy tax.

One important consideration relates to the period of allowable vacancy before triggering the tax. Longer periods of allowable vacancy will lower the number of potential taxpayers affected (and therefore the likely political opposition to the tax by property owners). If a property is subject to the tax after being vacant for a relatively short period of time (such as 30 or 60 days), a relatively larger number of property owners would be affected. Many of these property owners may well be actively looking for renters to occupy or sellers to purchase their properties. Therefore, a short period of allowable vacancy is likely to generate substantial political opposition to the tax from landlords actively engaged in renting properties or sellers actively engaged in selling their properties. A longer allowable period of vacancy, such as one year, would result in relatively fewer property owners being subject to the tax but would also potentially result in less revenue and provide opportunities for property owners to occupy their properties for a very short period of time each year in order to avoid the tax. In terms of the costs of administering the program, it should also be noted that the total costs would likely be higher with a shorter vacancy period due to the increased number of affected properties; higher administration costs could offset some portion of the revenue raised, while adopting a longer vacancy period would likely result in lower program costs that could (partially) offset the lower expected revenues stemming from a longer vacancy period.

POTENTIAL VACANCY TAX STRUCTURES AND EXEMPTIONS

Implementing a vacancy tax (and estimating the amount of revenue such a tax would generate) first requires identifying the specific features of the policy, including the tax base, allowable exemptions, and the tax rates that would apply.

Defining Vacancy

For purposes of this report, “vacant” property is defined as undeveloped land without structures or improvements, while “unoccupied” property refers to parcels with improvements (i.e., structures) that are not occupied during the period in question (i.e., the tax year).

Although vacant land may not have any structures, it can still be considered in use. For example, vacant land might be used for storage or parking or for a seasonal use such as selling pumpkins or Christmas trees. Therefore, determining whether a parcel will be subject to a vacancy tax requires establishing the vacancy or not-in-use period for both vacant land and improved parcels (those with structures).

Different jurisdictions have adopted different not-in-use or vacancy periods ranging from just a few weeks to as long as six months or more. In general, shorter not-in-use or vacancy periods result in a larger number of parcels being subject to the tax and more revenue collected. However, very short allowable vacancy periods might also result in a large number of parcels that are only temporarily vacant nevertheless being subject to the tax. For example, if the allowable vacancy period was 30 days but it took a landlord 60 days to rent a unit, the unit would be subject to the tax even though the vacancy was simply a typical part of doing business. A very long allowable vacancy period (e.g., a period approaching one year) would potentially allow owners to occupy or use their property for a very short period of time and thereby avoid the tax.

While there is no “magic number” of allowable days of vacancy, a period of six months (about 180 days) would seem to be a reasonable “Goldilocks” number (i.e., not too short and not too long). In addition, because the City currently allows owners to engage in short term rental activity for their primary residence as long as the rental period does not exceed six months, a 180-day vacancy period would allow owners to participate in short term rentals without creating a conflict with a vacancy tax. Therefore, for purposes of this report, a vacant parcel is considered not in use and an improved parcel is considered unoccupied if it is not in use or unoccupied for more than 180 days per year.

More specifically, "In use" means (or could be defined as such for purposes of establishing a vacancy tax) the following:

1. A dwelling unit was the primary residence of the property owner for at least 180 days during the tax year. (Note that primary residence status can be established using the process identified for short-term rentals.[29])

2. A dwelling unit was rented for (non-short-term rental) residential purposes for at least 180 days during the tax year.

3. A ground floor unit in a commercial structure or parcel utilized by the property owner or rent-paying tenant for at least 180 days during the tax year; such use can be documented by payment of City business taxes, a signed lease for use of the space, or other documentable business use.

4. A parcel that is not subject to the city's business tax or used for another legally permissible business use but is used on a continuing basis or for a civic purpose (e.g. an active community garden, historic landmark, or cultural arts center).[30]

[29] Under the City of Los Angeles Home-Sharing Ordinance, short term rentals (through vendors such as AirBnB, VRBO, etc.) are limited to the host's primary residence. Primary residence status is verified by the city using a process outlined in the Los Angeles Home-Sharing Administrative Guidelines, https://planning.lacity.org/ordinances/docs/homesharing/adopted/AdminGuidelines.pdf.

[30] Uses with civic purpose have social or public importance for more than one person, and are used for cultural, educational, or community activities. In this category, the City might consider additional uses such as those permitted as a "public benefit" under List No. 1 of Uses Permitted in Various Zones in the City of Los Angeles, by the City of Los Angeles Zoning Administrator, https://planning.lacity.org/odocument/647665b9-6246-4eaf-a70c-f06285ff28c4/UseListMemo.pdf.

Tax Rates

In addition to identifying the parcels subject to the tax, a tax rate or rates must be established. Ultimately, the decision about what rates to charge is one for elected officials and voters to make. Higher tax rates will generate more revenue (at least initially) and will also likely result in more parcels being developed or occupied (which would reduce the amount or revenue collected in future periods, but also would increase the available supply of housing and commercial space). However, higher tax rates would also likely increase opposition to a tax proposal and could impose an undue burden or hardship on some taxpayers. The following proposed annual tax rates are intended to balance these considerations:

Vacant Parcels by Zoning	Annual Tax Rate
Single-family Residential	Parcels up to 20,000 ft^2: $5,000 Parcels > 20,000 ft^2: $5,000 plus $1,000 per 20,000 ft^2 of additional land area to a max of $20,000 (max applies at 320,000 ft^2)
Multi-family Residential	Parcels up to 20,000 ft^2: $10,000 Parcels > 20,000 ft^2: $10,000 plus $2,000 per 20,000 ft^2 of additional land area to a max of $40,000 (max applies at 320,000 ft^2)
Commercial/Industrial	Parcels up to 20,000 ft^2: $5,000 Parcels > 20,000 ft^2: $5,000 plus $1,000 per 20,000 ft^2 of additional land area to a max of $20,000 (max applies at 320,000 ft^2)

Unoccupied Units	Annual Tax Rate
Residential Unit	$5,000 per unit
Ground Floor Commercial Unit	$5,000 per unit

Exemptions

While a vacancy tax may be designed to generate revenue and increase the available supply of residential units on the market, it should not penalize property owners who cannot comply, who are actively seeking to improve their property, or for whom the tax would impose an undue burden. In addition, any exemptions granted must be feasible for the City to implement, contain clear and readily understandable eligibility criteria, and minimize the amount of staff time required to verify eligibility. Taking these criteria into account, the following are proposed exemptions to a vacancy tax:[31]

[31] The city may wish to consider placing time limits (e.g. 5 years) on certain categories of exemption such as the low income exemption, development or construction, of inability to occupy or use the property.

1. *Low income owners.* Parcels owned by low income individuals (e.g., United States Department of Housing and Urban Development very low income limit for the Los Angeles-Long Beach-Glendale Metro Area was $52,200 for a family of 4 in 2019).[32]

2. *Adjacent parcels*. Vacant parcels adjacent to an occupied residential or commercial structure where both parcels are owned by the same owner.

3. *Parcels used for ingress or egress.* Parcels that are needed for persons or vehicles to access properties where the ingress or egress area makes up at least 50 percent of the parcel area (e.g., driveway, alley, or path).

4. *Active development or construction.* Parcels actively being developed or under construction, or that recently completed development or construction (e.g., the owner has a "substantially complete application for planning approval" under review by the City, an active building permit where the building improvement value exceeds a minimum threshold such as $20,000, or where the building was recently constructed but not yet fully occupied).

5. *Owner is unable to occupy or use property* (e.g., the property was unoccupied or not in use due to extended military service or deployment overseas, extended hospitalization or residence in a long-term care facility prohibiting occupation or use of the property, etc.)

6. *Transfer of ownership or legal restrictions on sale, lease or development*. Parcels that transferred or sold within the prior year or where the sale, lease, use, or development of the parcel cannot proceed due to probate, foreclosure, bankruptcy proceedings, divorce, pending lawsuits, court order, or other documentable circumstances that prevent the owner from developing, occupying, using, leasing or selling the property.

7. *Undevelopable parcels*. Vacant parcels where the owner can demonstrate that the parcel cannot be developed because a building permit cannot be issued due to zoning or other government-imposed restrictions. Restrictions that may prohibit development may include earthquake zones, sensitive habitat areas or areas subject to environmental protection, or inaccessible property such as those with no legal or physical access.[33]

8. *Parcels owned by a governmental entity.*

9. *Parcels zoned for agricultural, open space, or recreational uses*.

[32] FY 2019 Income Limits Summary. HUD User.
https://www.huduser.gov/portal/datasets/il/il2019/2019summary.odn

[33] Areas with extreme slope instability may also be denied a building permit, although modern engineering has made it so that even areas at risk of slope failure do not necessarily impede possible development.

Identifying Vacant Parcels and Unoccupied Buildings

One of the most important dimensions of establishing a vacancy tax is developing a methodology for identifying vacant and unoccupied parcels. Table 2: Potential Data Sources identifies the potential data sources available to the City for purposes of identifying vacant parcels or unoccupied buildings.

TABLE 2: POTENTIAL DATA SOURCES

Data Source	Description	Specificity	Res	Biz
County Assessor's Parcel Data	Provides parcel-level data on vacant residential and commercial properties. Also identifies developed residential properties where owner claims the owner-occupancy exemption	Parcel/ Property	X	X
DWP Customer Data	These data may be used to identify properties where electricity or water use patterns indicate the property is vacant year-round or vacant for specified periods of time (e.g., 6 months of the year)	Parcel/ Property	X	X
LA Dept of Building and Safety Code Enforcement Case Database	Tracks complaints regarding vacant and abandoned properties within the City. May be used to identify both undeveloped or vacant residential and commercial properties that are not being adequately maintained.	Parcel/ Property	X	X
Housing Community Investment Dept.'s Rent Stabilization Database	Tracks the 640,000 units subject to the City's Rent Stabilization Ordinance (RSO). May be useful for identifying vacant RSO properties.	Parcel/ Property	X	
Housing Community Investment Dept.'s Foreclosure Registry	Identifies foreclosed properties, may be useful for identifying vacant residential properties	Parcel/ Property	X	
LA Dept of Sanitation's Vacant Site Inventory	Database that identifies vacant or derelict small sites in Los Angeles. The Program has created an abandoned / underutilized / vacant sites inventory and is updated every year.	Parcel/ Property	X	X
City of LA Building Permit Database	Provides current status for properties that have applied for building permits. May be used to filter out vacant or underutilized properties that are currently undergoing construction or renovation.	Parcel/ Property	X	X
City of LA Gross Receipts Tax Data	May help identify residential and business properties with rental income. To the extent properties that were generating rental income cease to do so, these data may be used to identify newly vacant properties.	Parcel/ Property	X	X

In order to implement a vacancy tax, the City would need to obtain a list of all parcels from the Los Angeles County Assessor. This list would provide the starting point for identifying and notifying property owners that they may be subject to the tax.

Vacant parcels could be identified based on (a) the property use code information contained in the assessor's data and (b) the absence of an assessed value for improvements.

The assessor data can also aid in determining primary residence status based on the claiming of the homeowner's property tax exemption.

Other data sources, such as the Department of Water and Power customer data, Department of Building and Code Enforcement vacant and abandoned property data, and Housing and Community Development's rent stabilization database can be used to aid the City in determining if a property is truly occupied. Building permit data can be used to verify if a property is eligible for an exemption due to active construction status. [34]

Other Important Features of a Vacancy Tax

In addition to defining the tax base, vacancy period, tax rates and exemptions, several additional potential elements of a vacancy tax should be considered.

Phase-in

In order to avoid a large number of vacant parcels "flooding" the market upon enactment of a vacancy tax and thereby depressing property values, a vacancy tax proposal should include a phase-in period (at least for vacant parcels) during which the tax rate would gradually increase to its fully implemented level over a period of 1-3 years. This same provision could apply to occupied structures; however, because of the current housing crisis and strong economy, such a phase-in is less important for these types of parcels.

Ability to React to Changing Economic Conditions

During a period of low residential vacancy, such as the current economic climate, taxing both developable land and unoccupied structures may make good economic sense. In such an environment, a property owner should be able to either occupy or rent a building or develop a vacant parcel (or sell the parcel to someone who will develop it). However, during a recession or period of over-production of housing such as the "Great Recession" it likely would be more difficult for property owners to find tenants or pursue economically viable real estate development. Therefore, any vacancy tax proposal should include a provision allowing the City

[34] A study conducted for the City of Vancouver estimated the number of vacant properties using data from the city's electric utility. One limitation of the study was an inability to determine in some cases whether a drop in electricity consumption was due to seasonal variation (e.g. a unit stopped using electric heat when the weather warmed) or a vacancy. Water consumption data is another potential source of information but cannot be used for multi-tenant buildings without individual water meters. See Ecotagious Inc. "Stability in Vancouver's Housing Unit Occupancy, Analysis of Housing Occupancy in the City of Vancouver Using Electricity Meter Data Analysis." Prepared for the Vancouver Affordable Housing Agency. 2016. https://council.vancouver.ca/20160308/documents/rr1EcotagiousReport.pdf.

to suspend the tax, reduce the rate, or modify the exemptions to accommodate such economic circumstances.

Additional Flexibility to React to Unforeseen Circumstances

Any tax (indeed any public policy) is potentially subject to unforeseen or unanticipated consequences. A vacancy tax is likely no different, no matter how carefully drafted. And, because such a policy requires voter approval, changes to the measure not specifically envisioned at the time of drafting would also require voter approval. Therefore, a vacancy tax proposal should authorize the City (either by vote of the City Council or action of the City Administrative Officer) to make adjustments to the tax rate, tax base, allowable exemptions and other features of the tax so long as those adjustments are consistent with the purpose of the tax as approved by the voters.

ESTIMATING POTENTIAL REVENUE FROM A VACANCY TAX

Identifying Vacant Land and Unoccupied Structures

Identifying unoccupied structures (and to a lesser extent vacant land) is inherently challenging due to the limited available data with which to make such a determination. Property tax records can be used to identify vacant land while the American Community Survey (ACS) and the Housing and Urban Development (HUD) Aggregated United States Postal Service (USPS) Administrative Data on Address Vacancies provide the main data sources for estimating the extent of unoccupied property.

PREVIOUS STUDIES USING THESE DATA SOURCES

In a 2018 Lincoln Institute of Land report that reviews the problem of vacancy throughout cities in the U.S., Alan Mallach describes the difficulty ascertaining an accurate count of vacant properties or land parcels in an area using the available data sources. Notably, USPS data count vacant residential and commercial addresses to which mail has not been delivered for certain amounts of time but do not count vacant lots. Numbers based on USPS data are typically lower than those estimated using ACS data, in part because USPS only counts addresses that have been vacant for more than 90 days.[35]

Allison Plyer and Elaine Ortiz (2012) used aggregated data from HUD's USPS data for estimates of vacant property.[36] These authors used USPS's measurement of "no-stat" addresses as a tool

[35] Mallach, A. "Empty House Next Door: Understanding and Reducing Vacancy and Hypervacancy in the United States." Lincoln Institute of Land Policy. 2018. https://www.lincolninst.edu/sites/default/files/pubfiles/empty-house-next-door-full.pdf.

[36] See, for example, Plyer, A., & Ortiz, E. "Benchmarks for Blight: How Much Blight Does New Orleans Have?" Greater New Orleans Community Data Center. 2012. https://www.datacenterresearch.org/reports_analysis/benchmarks-for-blight/.

for identifying vacancies, including properties deemed uninhabitable and not likely to receive mail for some time. Hayley Raetz measured vacant land parcels in the City of Oakland using Alameda County assessor data to estimate that there are approximately 4,000 vacant (undeveloped) parcels in the City of Oakland. [37,38]

Methodology

In order to estimate the potential revenue from a vacancy tax, we relied on three principal data sources.

Vacant parcels

The Los Angeles County assessor maintains records of every parcel in the county. Vacant parcels can be identified by the presence of a vacancy indicator as well as by the lack of any assessed value for improvements (i.e., parcels that have an assessed value for land only). To arrive at an estimate of total vacant parcels, any parcels zoned for agricultural use or open space, as well as any parcels with a government entity listed as the owner were removed. In addition, parcels with a lot area of less than 5,000 square feet (the minimum lot size for a residential structure in the City) were removed.[39] The result was a list of vacant parcels that would likely be subject to a vacancy tax (to the extent these parcels do not qualify for one or more exemptions).

Unoccupied Residential Structures

In order to identify unoccupied residential units, we relied on the ACS and USPS data. The ACS identifies any residential units that are vacant at the time of the survey. This list includes units currently available for rent or sale as well as units that have been sold or rented but are not yet occupied. Because these types of vacancies are likely to last less than six months, they were removed from the total in order to arrive at a count that more accurately reflects the likely tax base for a Los Angeles Vacancy tax. In addition, the USPS data were used to estimate the number of vacant residential units that unoccupied for more than six months.

Unoccupied Commercial Structures

We used the USPS data to identify unoccupied commercial structures. The USPS provides detailed data on business and residential properties that are vacant as identified by USPS mail

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[37] Raetz, H. "Oakland's Vacant Lots, Encouraging Equitable Development." Goldman School of Public Policy, University of California, Berkeley. 2018. http://ternercenter.berkeley.edu/uploads/H.Raetz_Vacant_Parcels_Final.pdf.

[38] Nancy Stetson identified abandoned properties in Oakland using the city's garbage collection data, blight complaints, tax default and property code enforcement data. However, the number of vacant properties likely far exceeds the number of abandoned properties. See Stetson, N. "The Empty Houses of Oakland: Assessing the Extent and Effect of Property Abandonment" Goldman School of Public Policy, UC Berkeley. 2017.

[39] Non-government owned cemetery parcels were excluded along with open space and agricultural uses.

carriers, defined as not having mail delivery for 90 days or longer. We limited this data to just commercial structures vacant for six months or longer.

Estimating the Impact of Exemptions

In order to arrive at an accurate estimate of the total revenue likely to be collected, we estimated the impact of the major categories of potential exemptions.

ADJACENT PARCELS

The percentage of vacant parcels adjacent to occupied parcels with the same owner was estimated based on ownership and address information contained in the Los Angeles County assessor data.

INGRESS/EGRESS

Parcels used for Ingress/Egress were assumed to be counted either in the parcels less than 5,000 square feet category or in the adjacent parcels category.

UNDEVELOPABLE PARCELS

Non-developable parcels were estimated based on discussions with the City's planning department as well as the officials administering a similar tax in the City of Oakland.

ACTIVE DEVELOPMENT/CONSTRUCTION

Parcels under active development or construction were identified by matching building permit data against the assessor's data (for vacant land) and based on the percentage of parcels receiving an active construction exemption under the City of Vancouver's program (unoccupied structures).

PARCEL TRANSFERRED OR LEGAL RESTRICTIONS ON SALES/USE/DEVELOPMENT

This category was estimated based on the fraction of properties claiming such an exemption in the City of Vancouver.

LOW INCOME OWNERS

The fraction of parcels owned by low income owners was estimated using Census data.[40]

[40] Specifically, the "Wealth, Asset Ownership and Debt of Households Detailed Tables: 2016" were used. These tables are compiled by the Census Bureau using the Survey of Income and Program Participation and represent the most current data available, last revised on September 19, 2019 (https://www2.census.gov/programs-surveys/demo/tables/wealth/2016/wealth-asset-ownership/wealth_tables_cy2016.xlsx).

OWNER UNABLE TO OCCUPY OR USE

This category was estimated based on the fraction of properties claiming such an exemption in the City of Vancouver.

Number of Vacant Parcels and Unoccupied Units

The number of vacant parcels was estimated based on data provided by the Los Angeles County assessor. As shown in Table 3: Vacant Parcels , there are nearly 15,000 vacant parcels potentially subject to a Vacancy Tax in the City of Los Angeles. Of these, nearly 12,000 would likely qualify for one of the exemption categories. The remaining 2,909 parcels would be subject to the vacancy tax.

TABLE 3: VACANT PARCELS

	Residential			Commercial		
	Single Family 5K to 20K SqFt	Single Family 20K+ SqFt	Multi-Family	5K to 20K SqFt	20K+ SqFt	TOTAL
Estimated Number of Vacant Parcels	8,334	2,414	1,720	1,872	466	14,806
Estimate of Exemptions:						
Low Income Owners	559	162	115	(na)	(na)	837
Adjacent Parcels	2,834	821	585	636	158	5,034
Active Development/Construction	528	161	203	66	36	994
Transfers/Legal Restrictions on Sales/Use/Development	1,999	579	413	449	112	3,552
Undevelopable Parcels	833	241	172	187	47	1,481
Estimated Exempt Parcels	6,753	1,964	1,488	1,339	353	11,897
Estimated Parcels Subject to Tax	1,581	450	232	533	113	2,909

The number of unoccupied residential units was estimated using 2017 ACS data for the City of Los Angeles. Of the nearly 1.5 million residential units in the City, the ACS data indicates that nearly 94,000 are vacant. However, a majority of these units likely would not be subject to a vacancy tax, primarily because they are actively for sale or rent, and therefore likely would not be vacant for at least six months. Of the remaining 46,482 parcels potentially subject to the tax, an estimated 84.3 percent have been vacant for at least six months according to USPS data, resulting in just over 39,000 parcels (before applying exemptions) that would likely be subject to the vacancy tax, as shown in Table 4: Unoccupied Residential Units.

TABLE 4: UNOCCUPIED RESIDENTIAL UNITS

City of Los Angeles	Number	% of Total	% of Vacant
Total Residential Properties	1,459,794	100.0%	
Total Vacant Properties	93,712	6.4%	100.0%
Not Subject to Vacancy Tax			
For Rent	29,803	2.0%	31.8%
Rented, Not Occupied	8,893	0.6%	9.5%
For Sale Only	5,088	0.3%	5.4%
Sold, Not Occupied	3,358	0.2%	3.6%
For Migrant Workers	88	0.0%	0.1%
Total Not Subject to Vacancy Tax	47,230	3.2%	50.4%
Potentially Subject to Vacancy Tax			
For Seasonal, Recreational or Occasional Use	12,402	0.8%	13.2%
Other Vacant	34,080	2.3%	36.4%
Total Potentially Subject to Vacancy Tax	46,482	3.2%	49.6%
Percent Vacant 6 months or longer	84.3%		
Units Potentially Subject to Vacancy Tax	39,176	2.7%	41.8%

Unoccupied commercial units were estimated based on HUD's USPS data. According to these data, there were just over 6,600 commercial units (unique mailing addresses) vacant for more than 6 months. Of these, approximately two-thirds are estimated to be ground-floor units, resulting in an estimated 4,202 units potentially subject to a vacancy tax before applying likely exemptions. These exemptions further reduce the total to 2,483 units, as shown in Table 5: Unoccupied Residential and Commercial Units.

TABLE 5: UNOCCUPIED RESIDENTIAL AND COMMERCIAL UNITS

	Residential	Ground Floor Commercial	TOTAL
Estimated Number of Unoccupied Units	39,176	4,202	43,377
Estimate of Exemptions:			
Low Income Owners	2,629	(na)	2,629
Active Development/Construction	6,626	711	7,337
Property Transferred or Legal Restrictions on Sales/Use/Development	9,397	1,008	10,405
Owner Unable to Occupy or Use Property	965	(na)	965
Estimated Exempt Properties	19,617	1,718	21,336
Estimated Properties Subject to Tax	19,558	2,483	22,041

Table 5: Unoccupied Residential and Commercial Units also shows the likely impact of exemptions on the number of residential units subject to a vacancy tax. Of the 39,176 units identified from the ACS as potentially subject to the tax and vacant at least six months, an

estimated 19,617 would qualify for one of the exemptions, leaving 19,558 units subject to the tax.

Estimated Revenue

Based on the estimated tax base and exemptions described above, we estimate that a vacancy tax would initially generate annual revenue of approximately $128 million upon implementation. As property owners rent, occupy, or develop their property, the number of available parcels would decline; as a result, we estimate that at full implementation, revenue would decrease to approximately $100 million annually. The estimated revenue from each component of the tax and the revenue loss due to exemptions is presented in Table 6: Estimated Vacancy Tax Revenue by Category .

TABLE 6: ESTIMATED VACANCY TAX REVENUE BY CATEGORY

	First Year Tax Revenue ($M)	Fully-Implemented Tax Revenue ($M)
Vacant Parcels		
Residential Single Family	$11.6	$9.1
Residential Multi-Family	$2.5	$2.0
Commercial	$3.6	$2.8
Unoccupied Units		
Residential	$97.8	$76.6
Commercial	$12.4	$9.7
TOTAL	$127.9	$100.2

APPENDIX A: VACANCY TAX IMPLEMENTATION PLAN

Timeline. The timeline for development and implementation of a vacancy tax will depend on the date of the election in which the tax measure is to be included on the ballot, as well as the extent of community engagement and public debate surrounding the proposal. The display below identifies the key action steps required to proceed to implementation of a vacancy tax for the City of Los Angeles.

Vacancy Tax Implementation Steps

Proposal Development and Community Outreach
1. Policy makers choose to proceed with vacancy tax
2. City staff work with elected officials to develop and refine vacancy tax proposal
3. Engage with Stakeholders
4. Approval of proposal through City legislative process
Implementation Planning and Development Activities
5. Fill staffing needs
6. Develop administrative functions for identifying vacancy status
7. Develop exemptions and appeal processes
8. Develop ongoing monitoring and enforcement processes
9. Identify and notify taxpayers

Proposal Development and Community Outreach

Policy makers choose to proceed with vacancy tax. The first step in the process is the decision by policy makers to proceed with development of a vacancy tax proposal.

City staff work with elected officials to develop and refine vacancy tax proposal. Multiple city departments (including the Housing and Community Investment Department, the Department of City Planning, the Department of Building and Safety, and the Department of Water and Power) will need to collaborate to identify appropriate data sources for identifying vacant parcels and unoccupied properties, define appropriate exemptions and determine which properties qualify for these exemptions.

Engage with stakeholders. After identifying the proposed structure and features of the tax, the City should introduce the tax proposal to stakeholders. Input from city stakeholders will be important in gaining support for the vacancy tax and aid in avoiding unanticipated consequences, identifying potential additional exemptions, and refining the process for qualifying for exemptions. The City of Vancouver gained input from nearly 15,000 community members before proposing the Empty Homes tax, and the city has since cited the importance of property owner feedback for clarifying the language of the program’s exemptions.

Approval of proposal through City legislative process. Once community stakeholder feedback has been incorporated into the proposal, it must pass through necessary approval processes by the City Attorney and City Council to be placed on the ballot (no less than 110 days prior to the election).[41]

Implementation Planning and Development Activities

If the tax proposal is successfully passed by voters, implementation can begin. Necessary implementation activities include staffing and developing infrastructure to administer and enforce the tax.

Fill staffing needs. The administration of the vacancy tax program could logically be placed under the Office of Finance, since this department also administers other City revenue sources. Because of the large number of taxpayers and the likelihood of a large number of exemption requests, the Office of Finance will likely need to add positions (including Tax Auditor I and Tax Auditor II positions). In addition, in order to facilitate on-line submission of tax forms, payments, and documentation of exemption requests, additional information technology and/or programming staff may be needed to develop and maintain the vacancy tax registry database and website.

Develop administrative functions for identifying vacancy status. Vancouver and Washington, DC both require property owners to declare vacancy status through online registries. The creation of an online tool could allow property owners to register vacancy status, file tax documents, or submit proof of occupancy or use. An accompanying website could also inform the public about the tax and provide answers to frequently asked questions and access to other necessary tax documents. The creation of online features would cut down on administrative costs and time and serve as a city-wide database to continuously track vacancy.

Develop exemptions and appeal processes. The creation of clearly defined application, approval, and notification processes for exemptions and appeals is an important step of implementing the tax. The City should create application and petition forms that outline required documentation and define a timeline for submissions, review, and notification of application approvals or denials.

Develop ongoing monitoring and enforcement processes. To enforce the compliance of property owners, Vancouver and Washington, DC rely on in-person audit processes and community hotlines, where neighbors can report a vacant property. The City's Department of Building and Safety already maintains an online portal and hotline number for reporting code violations. This source, in combination with other data, including from DWP, can be used to aid in enforcement.

[41] Election Code of the City of Los Angeles. 2017. https://clerk.lacity.org/sites/g/files/wph606/f/Election%20Code.pdf.

Identify and notify taxpayers. Property owners who will likely be subject to the tax will need to be notified (initially through a mailing). This mailing likely will only be needed as part of the first year of implementation, with subsequent notifications, payment of the tax, and exemption requests occurring electronically for the majority of taxpayers. Another potential option is to utilize the current mailing of annual property tax bills. Notifications could include a description of processes and deadlines for declaring occupancy or use, applying for exemptions, submitting appeals, and paying the tax.

Estimated Costs of Implementation and Enforcement

Based on implementation cost data from Vancouver and Oakland, it is expected that Los Angeles would spend approximately $5.6 million in yearly operation costs to administer a vacancy tax. One-time implementation costs (in addition to the $5.6 million in annual operating costs) estimated at $2.9 million would also be required for staff time to coordinate program development and outreach activities, the programming of the online registration database and tax website, as well as costs for mailing notifications to property owners that may be subject to the tax. In addition, administrative costs will likely be higher in the first few years following implementation in order to verify occupancy status and review exemption requests. Yearly operation costs include annual salaries, online database and website management, office space, and in-person auditing activities. The amount of $5.6 million is based on the average estimated implementation cost per parcel ($7.00) taken from Oakland ($4.07), and Vancouver, ($9.94), applied to the total number of parcels in Los Angeles (801,445 parcels, according to 2019 County Assessor data).

M O T I O N

"Empty Homes Penalty"

Los Angeles is facing two severe and related crises - homelessness and a dire shortage of affordable housing. Urgent and comprehensive action is required to address and resolve these unprecedented challenges.

The region has a shortage of more than 500,000 units of affordable housing for low-income renters. The median rent is unaffordable to anyone making less than $47 per hour. 721,000 renter households pay 50% or more of their monthly income on housing. The ridiculously high cost of housing is exacerbating our already severe homelessness problem. Thousands of people are falling out of the housing market and landing in a growing number of encampments on our streets.

At the same time, a significant amount of Los Angeles' housing stock remains vacant. The 2017 American Community Survey of the U.S. Census showed there were 111,810 vacant housing units in Los Angeles city.

Facing similar crises, other cities — such as Vancouver, Paris, Washington DC, and Oakland — have levied some form of an "Empty Homes Penalty," or vacancy tax, on speculators and property owners who keep habitable housing units vacant.

The stated objective of empty homes penalties has been to: 1) return empty or under-utilized properties to use as long-term rental homes; 2) help relieve pressure on the region's rental housing market; and 3) create a revenue stream for affordable or homeless housing and services.

In Vancouver, which recently established an "empty homes penalty," the number of vacant properties has fallen by 15 percent in one year and the city says just over half of those previously empty homes have been returned to the rental market. In Oakland, with a population one-tenth the size of Los Angeles, where voters approved an empty homes penalty in November 2018, the city is expected to raise an estimated $10 million annually for 20 years to fund homeless services, preserve and create new affordable housing, and address illegal dumping and blight. The measure includes several exemptions, including for principal residences, or financial or other hardship.

Given the tremendous severity of the crisis facing the city and the region, Los Angeles should take similarly aggressive steps to encourage, push, or require existing vacant and habitable housing units to be put on the rental market. An "Empty Homes Penalty" is one important initiative out of many strategies for making more homes accessible for more Angelenos, and we should pursue it without delay. Establishment of an "Empty Homes Penalty" in Los Angeles would likely require voter approval, in accordance with Proposition 218.

I THEREFORE MOVE that the City Council instruct the Housing and Community Investment Department, with the assistance of the Department of City Planning, and the Department of Building and Safety, to report on the amount of vacant, habitable housing units in Los Angeles.

I FURTHER MOVE that the Chief Legislative Analyst, with the assistance of the City Administrative Officer, examine “Empty Homes” penalties, vacancy taxes, and speculator taxes in other jurisdictions, and report with policy options for a potential “Empty Homes Penalty” structure in Los Angeles, for consideration by voters in 2020.

PRESENTED BY: ____________________________

MIKE BONIN
Councilmember, 11th District

____

MARQUEECE HARRIS-DAWSON
Councilmember, 8th District

____

DAVID RYU
Councilmember, 4th District

____

PAUL KORETZ
Councilmember, 5th District

SECONDED BY: ____________________________

Blue Sky CONSULTING GROUP

Feasibility of A Payment in Lieu of Tax (PILOT) Program for the City of Los Angeles

Prepared for the City of Los Angeles Revenue Commission

September 18, 2019

Presented by
Joel Schwartz and Matthew Newman
Blue Sky Consulting Group

Payment in Lieu of Tax (PILOT) Program

- Nonprofits are generally exempt from property tax, but benefit from municipal services
- PILOT: Government asks non-profits to make a voluntary monetary payment to offset the cost of city services
- Roughly 800 local governments, mainly in the northeast, have implemented PILOTs
- These PILOTs raised roughly $110 million in 2012 (most recent national data available)
  - Top 10 cities accounted for 73% of total PILOT revenue
  - Top 10 organizations accounted for 52% of total PILOT revenue
  - The vast majority of PILOT revenue came from universities (67%) and hospitals (25%)

Largest PILOT Programs

- Boston PILOT produces the most revenue
  - Program was redesigned in 2011 after two-year public task force process
  - 33 organizations make cash payments, out of 47 from which payments were requested
  - Revenue: $19.4 million in 2012; $33.9 million in 2018 (1% of total city revenue)
- Baltimore concluded an agreement in 2016 with 14 nonprofits
  - Agreed to pay a total of $60 million over ten years (average of $6 million/year)
- Pittsburgh in 2011 received payments totaling $2.6 million from 45 organizations, but program was contentious and is now defunct

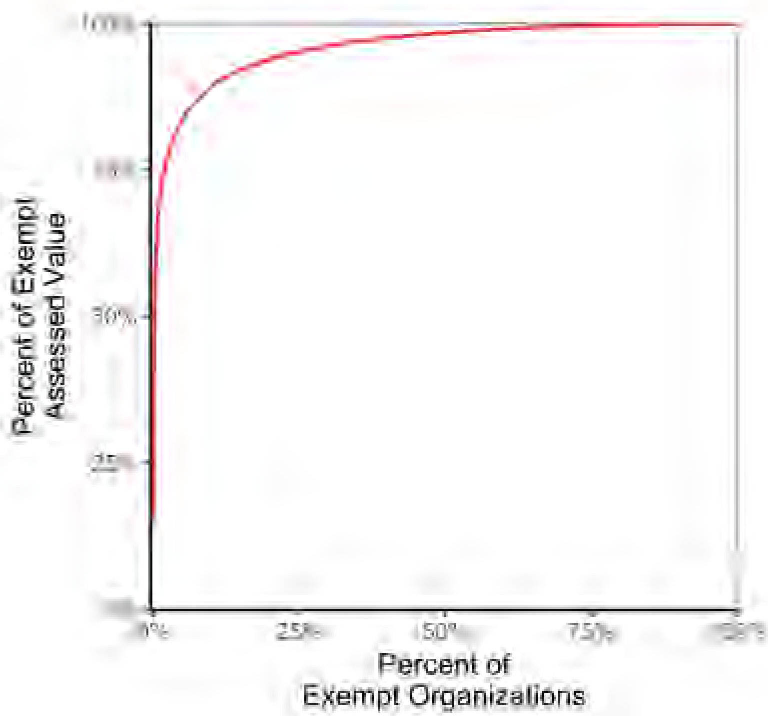
Estimating Potential Revenue from a PILOT

- Identify parcels exempt from property tax and calculate the total assessed value for these properties
- Calculate the amount of property tax revenue that would be collected by the City of Los Angeles if there were no exemption
- Determine an exemption threshold (i.e., identify which organizations are too small to be included)
- Determine how much exempt nonprofits will be asked to pay (as a percentage of what they would owe without the exemption)

Value of Exempt Property and Forgone Tax Revenue

- Obtained property assessment data from Los Angeles County Assessor
- About 4,700 exempt or partially exempt parcels owned by nearly 2,000 individual organizations; $17.2 billion in exempt assessed value
  - Excludes low-income housing developments, because PILOTs are prohibited by law for these entities.
- Exempt value is about 2.7% of total assessed property value in City of Los Angeles
- At 1% property tax rate, would provide $172 million in property taxes if not exempt, of which about $45 million (26%) would go to the City of Los Angeles

Which Organizations Should Be Asked to Participate?



- Organizations with larger property tax exemptions are generally wealthier and more likely to have the financial wherewithal to make PILOT payments
- Focusing on larger organizations also reduces administrative complexity
- Top 10 out of 1,860 organizations account for 62% of total property value exempt from property tax. Top 100 account for 85%.

Developing PILOT Revenue Scenarios

- Boston's PILOT program
  - Includes non-religious nonprofits with an assessed value of at least $15 million
    - 47 organizations asked to make PILOT payments, of which 33 actually participate
  - Requested payment is 25% of what organization would owe without exemption
  - Organizations can reduce this by up to half by documenting benefits to the residents of Boston. In practice, organizations claim full benefit, so requested cash payment is 12.5% of what organization would owe were it not exempt.
  - Overall, about 65% of requested cash payment is actually collected
- City of Los Angeles: $15 million threshold includes 97 organizations representing 84% of exempt assessed value
  - Mainly universities, hospitals, museums, large religious institutions, foundations, and private K-12 schools.

PILOT Revenue Scenarios for Los Angeles

		Potential Revenue, by PILOT Percentage Requested (millions)			
Participation Scenario	**Number of Organizations**	**12.5%**	**25%**	**33%**	**50%**
All nonprofits with $15 million or more in exempt property	97	$3.1	$6.2	$8.3	$12.4
Nonprofits with $15 million or more in exempt property, excluding religious and social service organizations	57	$2.6	$5.3	$7.0	$10.6
Nonprofits with $15 million or more in exempt property, excluding religious and social service organizations and private, nonprofit K-12 schools	38	$2.5	$5.0	$6.6	$10.0

Scenarios assume collection rate is 65% of amount requested

Strategies for Encouraging Voluntary PILOT Payments

- Make the case that the revenue is needed and that it is fair and appropriate for nonprofits to contribute
  - Cost of municipal services that benefit nonprofits
- An inclusive program development process
- Partnership between city and nonprofits, rather than confrontation
- Program transparency
- Integrate community benefits

Action Plan

- Develop the fiscal and policy case for a PILOT program
- Outreach by city officials to the business community, community leaders, and major nonprofits
- Convene a task force to develop recommendations on PILOT program structure
- Program adoption, implementation, and administration

APPENDIX – STUDIES AND REVIEWS

7 – Windfall Rent Tax – BAE

7.1 – Windfall Rent Tax for Los Angeles: Tax Scenarios and Implementation Considerations

7.2 – Power point presentation

bae urban economics

FINAL Windfall Rent Tax Study

Prepared for the City of Los Angeles Office of the Chief Administrative Officer and the Commission on Revenue Generation

January 15, 2020

bae urban economics

January 15, 2020

Jan Breidenbach, Chairperson, Commission on Revenue Generation
Melissa Krance and David Choi, Office of the Chief Administrative Officer
City of Los Angeles
200 N. Main St., Suite 1500
Los Angeles, CA 90012

Dear Ms. Breidenbach, Ms. Krance, and Mr. Choi:

BAE is pleased to submit this Final Draft report evaluating windfall rent tax policy options for the City of Los Angeles. We look forward to receiving your comments. Please do not hesitate to reach out to Lisa Varon, BAE Vice President, at (213) 471-2666 or lisavaron@bae1.com if you have any questions regarding this report.

Sincerely,

Lisa Varon Vice President, BAE Urban Economics	Aaron Barker Senior Associate, BAE Urban Economics

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EXECUTIVE SUMMARY

This report provides the City Administrative Officer (CAO), the Commission on Revenue Generation (Commission), the Office of Finance (OOF), and other stakeholders with background information to inform the potential scope and approach of implementing a "Windfall Rent Tax" on eligible dwelling units in the City of Los Angeles.

Market data indicate that the City of Los Angeles has experienced significant residential rent growth since at least 2005, outpacing inflation and renter incomes. Over the same time period, the City has not implemented any substantive change to its gross receipts tax on rental dwelling units.

To help the Commission explore whether a revised gross receipts tax structure could help raise additional revenue, this report identifies three "scenarios" for possible implementation. These scenarios are informed in part by eight tax programs in seven U.S. jurisdictions, five of which are located in California.

Scenario A: Proportional Tax Increase

- Scenario A models a proportional, "across-the-board" tax increase above the current gross receipts rate for lessors of dwelling units.

Scenario B: New Progressive Tax

- Scenario B models a "progressive" tax structure, whereby taxpayers with income from dwelling units exceeding a certain threshold (e.g., $1 million) could be charged a higher tax rate than those with income below the threshold.

Scenario C: New "High Rent" Tax

- Scenario C models a "high rent" tax structure, in which taxpayers with income from individual dwelling units exceeding a certain threshold would be charged a separate "high rent" tax on any increment above that threshold amount.

Ultimately, this report evaluates each of these scenarios through a number of possible lenses, including existing statewide precedent, the potential to generate additional revenue, and feasible implementation.

Key Report Findings

Existing Gross Receipts Tax on Rental Dwelling Units is Levied at a Comparatively Low Rate
Overall, this report finds that the City of Los Angeles charges a relatively low tax on gross rental dwelling unit receipts when compared to other surveyed cities.

- The City of Los Angeles currently levies a gross receipts tax of $1.27 per $1,000 on any eligible “Lessor of Real Estate”, including owners of multifamily rental buildings.

- In San Francisco, the tax rate for “real estate rental and leasing services” varies between $2.85 to $3.00 per $1,000 of gross receipts—more than double the rate seen in Los Angeles.

- In the City of Berkeley, meanwhile, the comparable tax rate is $28.80 per $1,000 of gross receipts, more than 22 times the Los Angeles rate.

Existing Gross Receipts Tax on Dwelling Units Exempts Comparatively Few Types of Units
This report also finds that while surveyed cities may charge higher tax rates on rental dwelling units, they also allow for a wider array of exemptions.

- Under current Citywide policy, affordable dwelling units (e.g., covenanted and/or those held by Section 8 voucher-holders) are not exempt from the gross receipts tax, unless they are owned by a not-for-profit as indicated by a 501c(3) form from the IRS.

- Exemptions to a similar tax in locations such as Berkeley and East Palo Alto, meanwhile, are extended to units whose rents are controlled by deed restrictions or agreements with public agencies at rental rates that are affordable to households earning no more than 80% Area Median Income (AMI).

- Other exemptions include units occupied by tenants receiving monthly rental assistance (such as Section 8 vouchers), units inhabited by long-term rent control tenants, and units built within the last ten to 15 years.

Existing Data on Rental Dwelling Units Subject to the Gross Receipt Tax is Limited
Current City policy allows revenue from all rental properties in a property owner’s portfolio to be reported on one business tax certificate, including non-dwelling units such as commercial office. This makes tracking tax revenue derived from rental dwelling units alone challenging.

- At present, there is no way to accurately isolate the gross receipts tax revenue generated by rental dwelling units alone, making revenue forecasts challenging in the near-term.

- Information that is collected by OOF on eligible dwelling units, meanwhile, is limited to the property's street address and self-coded designation of "Dwelling Unit"; "Rental"; or "Commercial".

- Information *not* currently collected by OOF that could help the City better track this revenue stream includes the individual property APN, number of dwelling units per property, gross receipts revenue per property, and gross receipts revenue from potential "exempt" units.

Minority of Taxpayers Pay the Majority of Gross Receipts Tax on Dwelling Units
Based on a custom pull of gross receipts taxpaying entities associated with a "dwelling" coded property, this report estimates the current gross receipts tax baseline from dwelling units alone to be approximately **$7.1 million per year.**

- The majority of individual taxpayers (76.2 percent in this subset) report gross receipts of $500,000 or less.

- Total gross receipts taxes paid by this group, however, represented only $1.35 million in the most recent reporting year, or 19.1 percent of the estimated total baseline.

- 11.6 percent of these taxpayers report annual gross receipts in excess of $1 million. Total gross receipts tax revenue generated by this subset totaled nearly $4.8 million during the most recent year available, or approximately 67.4 percent of the estimated Citywide total.

Citywide Rents Rising Faster than Incomes and Inflation
Market data indicate that the City of Los Angeles has experienced notable rent growth in recent years.

- Median contract rent in the city grew 67.3 percent over that period, from $810 to $1,355 per month. Between 2014 and 2018, median rent grew 22.3 percent. From 2017 to 2018 alone, the median rent jumped 6.5 percent, the most substantial year-to-year increase recorded since at least 2005.

- Median contract rent growth has regularly outpaced inflation since 2005, suggesting that, all else being equal, owners of residential rentals are likely extracting more value from rents over time. The 2018 actual median rent was $287 higher than the CPI-derived estimate benchmarked to 2005. Between 2005 and 2018, actual median rent growth outpaced CPI inflation by an average annual rate of 1.9 percent.

Revenue Generation Estimates

Assuming a current baseline of $7.1 million dollars in annual gross receipts tax revenue, an enhanced rent tax could generate anywhere from $2.3 million to $202.7 million in additional revenue. Revenue estimates are contingent in large part on how aggressively the City wishes to pursue an increase from the current base rate of $1.27 per $1,000.

- A Proportional Tax Increase could generate approximately $18.9 million to $83.6 million annually, assuming revised base rates of $3.38 per $1,000 and $15.00 per $1,000, respectively.

- A new Progressive Tax could generate approximately $9.4 million to $13.9 million annually. However, if established in conjunction with an increase in the base tax rate, the combined taxes could generate approximately $46.4 million per year, assuming a revised base rate of $2.65 per $1,000 and a new progressive rate of $10.00 per $1,000.

- A new High Rents Tax could generate approximately $15.3 million to $210 million, depending on the rent threshold.

It should be noted that these revenue estimates do not include any exemptions or carveouts beyond current OOF regulations. To the extent that such carveouts would be necessary for stakeholder buy-in (e.g., lowered GRT rates for covenanted units), annual revenue estimates would need to be adjusted downward.

Changes to Existing Gross Receipts Tax Reporting

All of the scenarios would require additional levels of reporting beyond what is currently in place. Interviews with the City's Office of Finance indicate the following.

- Scenario A, the Proportional Tax Increase, would be the easiest in terms of administrative lift, and there are successful precedents of similar measures in California jurisdictions.

- Scenario B, Progressive Tax Increase, would require OOF to establish a new fund class and likely new reporting requirements on a per property basis. San Francisco offers one precedent for such a measure.
- Scenario C would require OOF to establish a new fund class, and to change reporting requirements dramatically for both individual units and properties. BAE was unable to find a local ballot measure to profile as a precedent for this form of gross receipts tax.

INTRODUCTION

Background and Purpose of Study

The purpose of this study is to determine whether a "windfall rent tax program" could be a viable means to generate new revenue for the City and, specifically, how such a program could be structured to best alleviate the current housing affordability crisis. Specifically, this study investigates the feasibility, cost, and potential revenue that could be derived from the implementation of a "windfall rent tax" in the City of Los Angeles. The study is commissioned by the City Administrative Officer (CAO) on behalf of the Commission on Revenue Generation (Commission), which has been tasked with identifying ways to maximize General Fund revenue and provide recommendations to the Mayor and City Council.

The study consists of the following sections:

Residential Market Analysis

As a first step, BAE conducted a rental market study to determine the extent to which rents in Los Angeles have been rising, both over time, and compared to other large cities. The Residential Market nalysis considers factors such as whether reported rents have outpaced inflation, as well as the level of aggregate rent paid by tenants above various thresholds.

Current Gross Receipts Tax Structure

Next, the study outlines the process by which the City's Office of Finance (OOF) currently collects gross receipts taxes on eligible dwelling units. This section is based on interviews with local budget officials, as well as an extensive analysis of OOF data. Ultimately, this section attempts to understand and quantify factors such as:

- The current universe of taxpayers who might be subject to an updated gross receipts tax on eligible rental units, and;
- The estimated baseline gross receipts tax currently attributable to dwelling units alone, and *not* other types of commercial property such as commercial and/or self-storage.

Based on the findings from this section, BAE outlines key items that the Commission may wish to consider, and suggest any new procedures that might need to be put in place to provide for enhanced gross receipts tax program that brings in funds.

Peer Cities Case Studies

The peer cities section of this report details the efforts of other jurisdictions in California and beyond who have recently enacted changes to their tax code in an effort to raise additional funding for affordable housing. This section is based on interviews with local officials tasked with implementing similar programs, and a literature review.

The case studies also outline potential considerations for the City of Los Angeles, including possible exemptions from the gross receipts tax, phase-in periods, and income thresholds by which a jurisdiction might define a progressive tax rate.

Options for Program Structure

Based on the peer city research, feedback from the Commission on Revenue Generation, and interviews with the City's Office of Finance, this report describes three potential gross receipts rent tax scenarios that could most effectively be levied on lessors of eligible dwelling units. These scenarios include the following approaches:

> *Scenario A: Proportional Tax Increase*
> Scenario A models a proportional, "across-the-board" tax increase above the current gross receipts rate for lessors of dwelling units.
>
> *Scenario B: New Progressive Tax*
> Scenario B models a "progressive" tax structure, whereby taxpayers with income from dwelling units exceeding a certain threshold (e.g., $1 million) could be charged a higher tax rate than those whose income below the threshold.
>
> *Scenario C: New "High Rent" Tax*
> Scenario C models a "high rent" tax structure, in which landlords with income from individual dwelling units exceeding a certain threshold (e.g, $2,500 per unit per month) would be charged a separate "high rent" tax on any increment above that threshold amount.

Key Considerations for Program Implementation

Finally, the report summarizes key considerations the Commission may wish to keep in mind as it weighs the various scenarios described above.

To help the Commission analyze the respective strengths and weaknesses of each scenario, this report evaluates each scenario according the following criteria:

- Likelihood of voter approval based on past history and existing legal precedent;
- Level of administrative oversight required beyond what is currently in place; and
- Estimated projections for annual revenue.

It should be noted that any significant change to the existing gross receipts tax structure would likely also require a significant departure from the current method of implementation. As such, any path forward the Commission wishes to pursue should be established in consultation with the Office of Finance to ensure that the program mechanics related to data reporting, collection, and enforcement are implementable and are appropriately referenced in any associated ballot measure language.

RESIDENTIAL RENTAL MARKET ANALYSIS

This section of the report evaluates the current conditions and historical trends of Los Angeles' residential rental market. While most of the market data and accompanying methodology can be found in the Appendix, this chapter includes a high-level summary of the key findings.

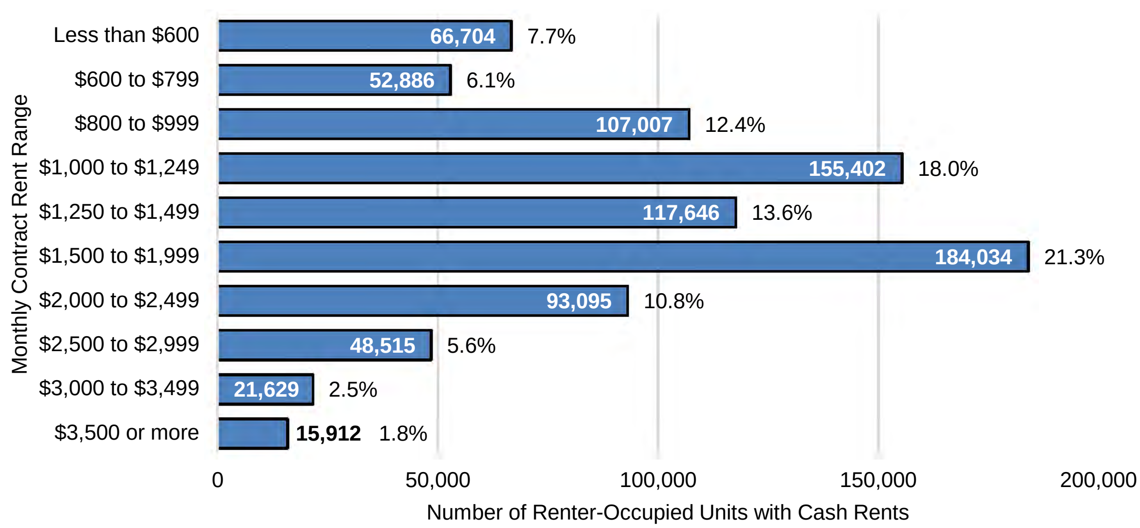
Overall, the intent of the rental market analysis is to better understand whether or not owners of residential real estate in Los Angeles are experiencing "windfalls" that could be taxed to support the development of affordable housing. It also analyzes renter housing cost burdens and places the Los Angeles' market in perspective by comparing it against other cities.

Residential Rent Trends

Rents in 2018

As illustrated in Figure 1 below, most rental units in the City of Los Angeles commanded monthly contract rents of $1,250 or more in 2018. Approximately 20 percent of units rented for $2,000 to $2,999, while 4.4 percent rented for $3,000 or more. Meanwhile, units with contract rents less than $1,000 per month comprised just over one-quarter of units.

Figure 1: Contract Rent Distribution, City of Los Angeles, 2018

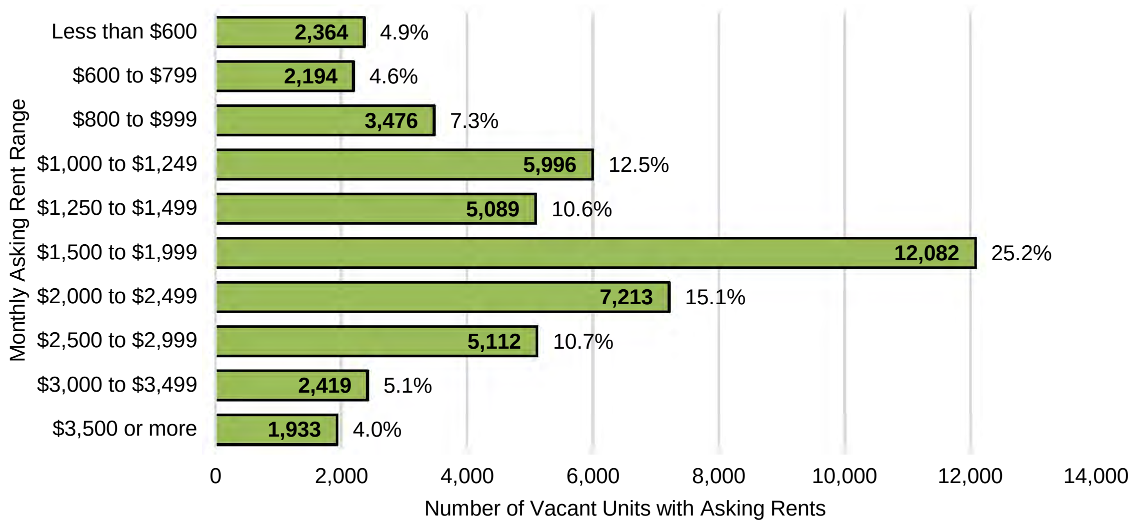


Sources: American Community Survey, Table B25056, One-Year Sample Data, 2005-2018; BAE, 2019.

Asking Rent Distribution

Asking rents in Los Angeles are generally higher than the in-place contract rents described above. This difference is to be expected to some degree, especially in a city where a significant proportion of units is subject to rent stabilization. However, the comparatively large percentage of units with high asking rent rents is notable. Figure 2 shows that over one-third of asking rents in 2018 were greater than or equal to $2,000, and nearly ten percent were $3,000 or more. Asking rents less than $1,000 were rare, at only 16 percent. The mismatch between the contract rents paid by incumbent tenants and the asking rents commanded for vacant units suggests that Los Angeles landlords may enjoy a considerable upside when their units turn over. Meanwhile, tenants who vacate their units may find few housing opportunities at the price point they previously enjoyed.

Figure 2: Asking Rent Distribution, City of Los Angeles, 2018

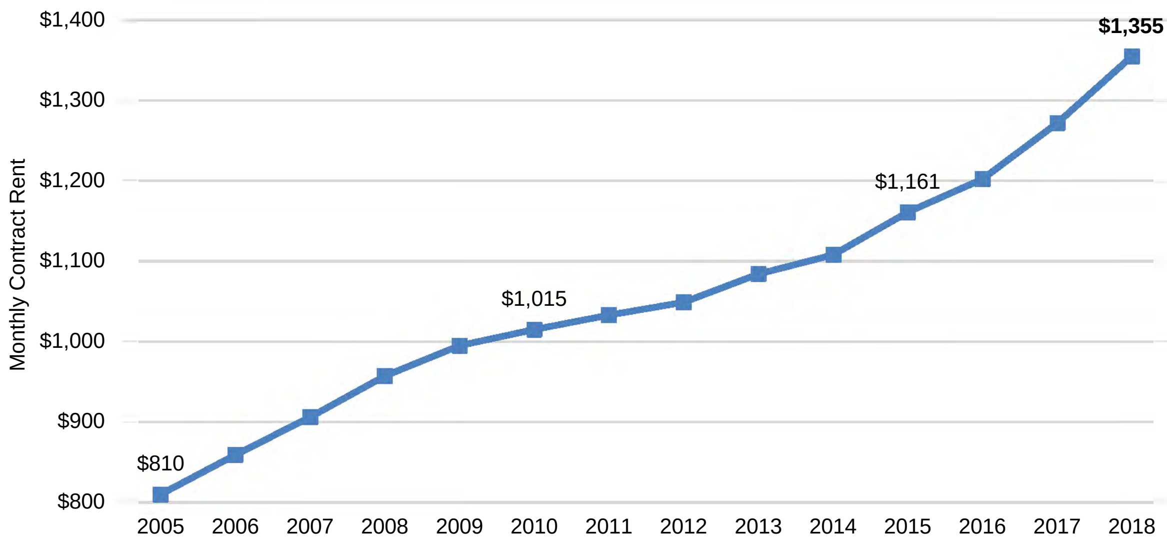


Sources: American Community Survey, Table B25061, One-Year Sample Data, 2005-2018; BAE, 2019.

Rent Trends

Figure 3 illustrates the median contract rent in Los Angeles from 2005 through 2018. The median contract rent in the city grew 67.3 percent over that period, from $810 to $1,355 per month. Following the relatively slow growth recorded during and immediately after the Great Recession (2008), median contract rent growth started accelerating in 2014. Between 2014 and 2018, median rent grew 22.3 percent. From 2017 to 2018 alone, the median rent jumped 6.5 percent, the most substantial year-to-year increase recorded since at least 2005.

Figure 3: Median Contract Rent Trend, City of Los Angeles, 2005-2018

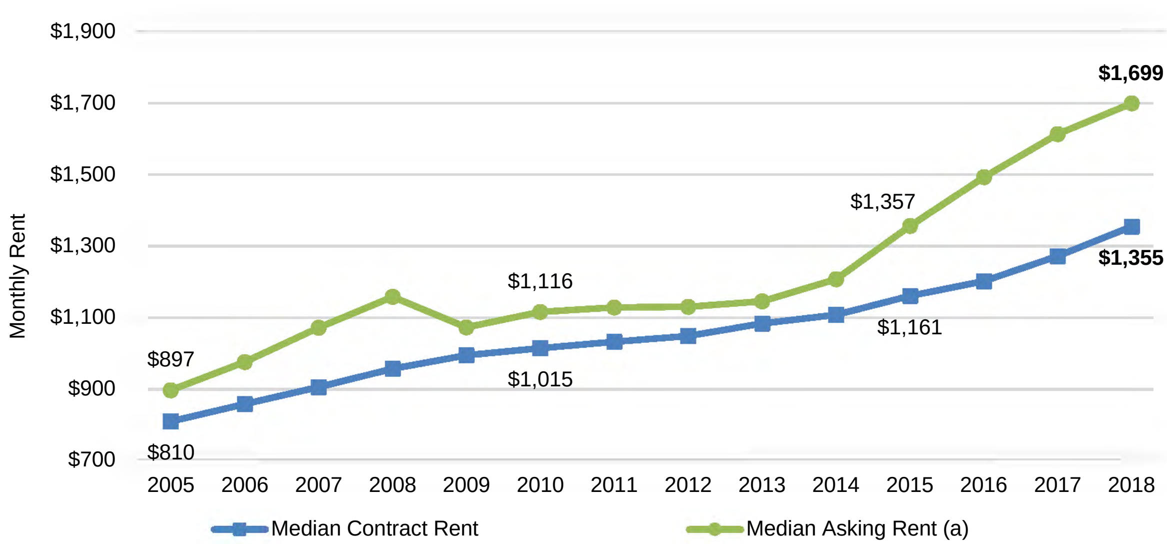


Note:
Rents presented in this figure are nominal (i.e., not adjusted for inflation).

Sources: American Community Survey, Table B25058, One-Year Sample Data, 2005-2018; BAE, 2019.

Figure 4, below, overlays the contract rent trend described previously with an estimated median asking rent trend. Median asking rents increased even more dramatically than contract rents between 2005 and 2018, climbing nearly 90 percent from $897 to $1,699 per month. Though median asking rent growth tracked and even occasionally lagged median contract rent growth during and immediately after the Great Recession, it started accelerating dramatically in 2015. Between 2014 and 2015, the median asking rent leaped 12.8 percent, followed by a 10.1 percent increase the next year. Growth slowed slightly over the following two years, yet remained above five percent each year. In 2018, the median asking rent was $344 higher than the median contract rent paid in the city. This difference is more than three times larger than that recorded just four years earlier. This data indicates that residential rental landlords are increasing rents substantially upon vacancy.

Figure 4: Median Contract and Asking Rent Trends, City of Los Angeles, 2005-2018

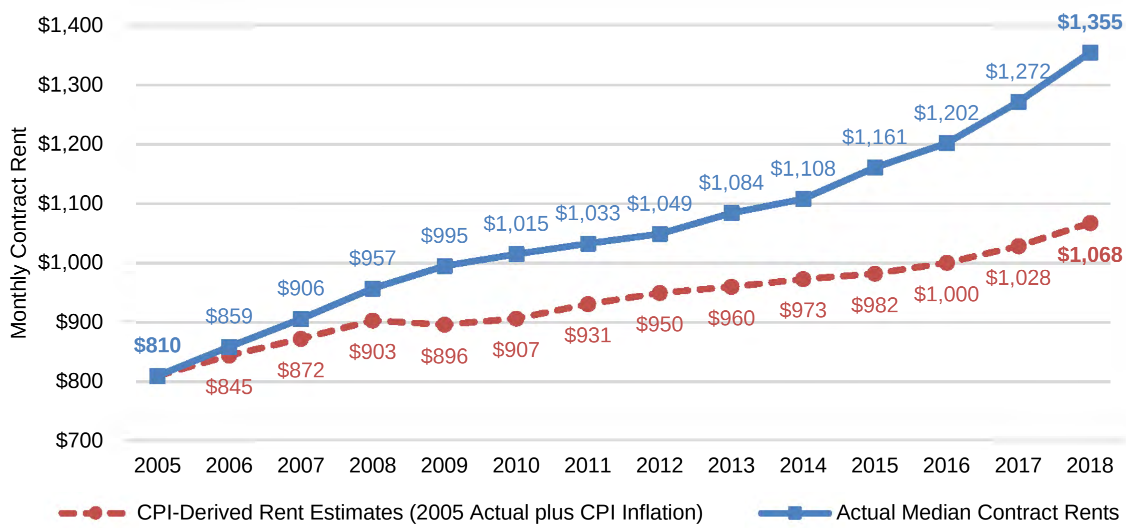


Notes:
Rents presented in this figure are nominal (i.e., not adjusted for inflation).
(a) Median asking rents were estimated from grouped frequency distribution data obtained from the American Community Survey.

Sources: American Community Survey, Table B25058 and B25061, One-Year Sample Data, 2005-2018; BAE, 2019.

Rent Growth Above Inflation
Rent growth beyond inflation (or some percentage plus inflation) could be considered a form of windfall. Figure 5 shows the median contract rent trend for City of Los Angeles overlaid with a trend line derived from adjusting the 2005 median contract rent by the Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach-Anaheim metropolitan area. It illustrates the divergence between actual median rents and what would have been expected if the 2005 median rent had increased at the rate of CPI inflation. Median contract rent growth has regularly outpaced inflation since 2005, suggesting that, all else being equal, owners of residential rentals are likely extracting more value from rents over time. The 2018 actual median rent was $287 higher than the CPI-derived estimate benchmarked to 2005. Between 2005 and 2018, actual median rent growth outpaced CPI inflation by an average annual rate of 1.9 percent.

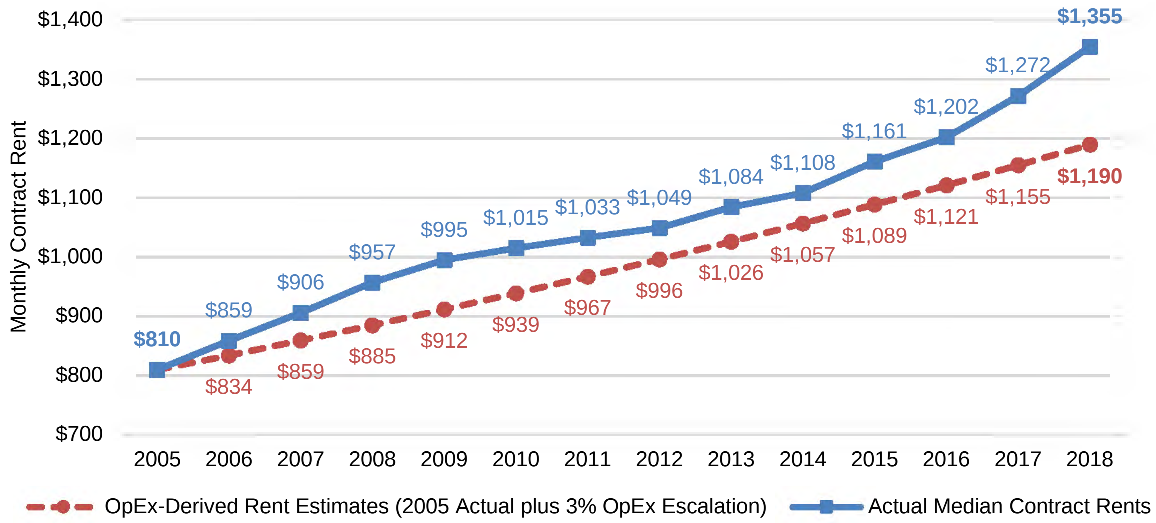
Figure 5: Actual Median Contract Rents and CPI-Derived Rents Benchmarked to 2005, City of Los Angeles, 2005-2018



Sources: American Community Survey, Table B25058, One-Year Sample Data, 2005-2018; U.S. Bureau of Labor Statistics, CPI-U for Los Angeles-Long Beach-Anaheim metropolitan area, 2005-2018; BAE, 2019

Rent Growth Above Operating Expense Escalation
Operating expenses are the primary determinant of landlord profitability. If a landlord's rent growth exceeds operating expense escalation, the landlord is extracting more value in profit than previously. Thus, rent growth above operating expense escalation could be considered another measurable form of windfall. For this analysis, BAE estimates that operating expenses escalate at three percent per year. In general, median rent growth has outpaced BAE's estimated operating expense escalation, though only modestly. As illustrated Figure 6, the 2005 median rent figure adjusted by estimated operating expense escalation produces a trend line that is nearer to the actual rent trend line. The operating expense-derived trend produces an estimated rent of $1,190 in 2018, which is $165 lower than the actual median rent.

Figure 6: Actual Median Contract Rents and 2005 Rent Adjusted by Estimated Operating Expense Escalation, City of Los Angeles, 2005-2018



Sources: American Community Survey, Table B25058, One-Year Sample Data, 2005-2018; U.S. Bureau of Labor Statistics, CPI-U for Los Angeles-Long Beach-Anaheim metropolitan area, 2005-2018; BAE, 2019

CURRENT GROSS RECEIPTS RENTAL TAX STRUCTURE

The City of Los Angeles currently levies a gross receipts tax on any eligible "Lessor of Real Estate", including owners of multifamily rental buildings, as well as owners who rent commercial real estate assets such as office, retail, and self-storage. The tax for lessors of rental real estate is currently $1.27 per $1,000 in gross receipts.

As shown in Table 1, the City of Los Angeles collected approximately $24.3 million in gross receipts tax from lessors of real estate (including residential, commercial, and storage) for the 2019 filing year. This tax was paid on reported gross receipts of approximately $17.84 billion.

Reported gross receipts in the real estate lessor category have risen steadily in recent years. Since 2015, reported gross receipts have risen by 32.5 percent, or $4.32 billion. From 2015 to 2019, the average annual increase for all reported gross receipts for this fund class was approximately 7.2 percent.

Table 1: Gross Receipts Revenue and Tax Paid by "Lessors of Real Estate", 2015-2019

Filing Year (a)	Gross Receipts Tax Paid	Reported Gross Receipts	Number of Taxpayers
2015	$17,785,181	$13,512,468,493	34,180
2016	$18,728,005	$14,382,978,420	34,663
2017	$20,838,907	$15,550,533,675	36,241
2018	$22,354,908	$16,583,381,682	36,554
2019	$24,270,896	$17,837,149,263	36,053

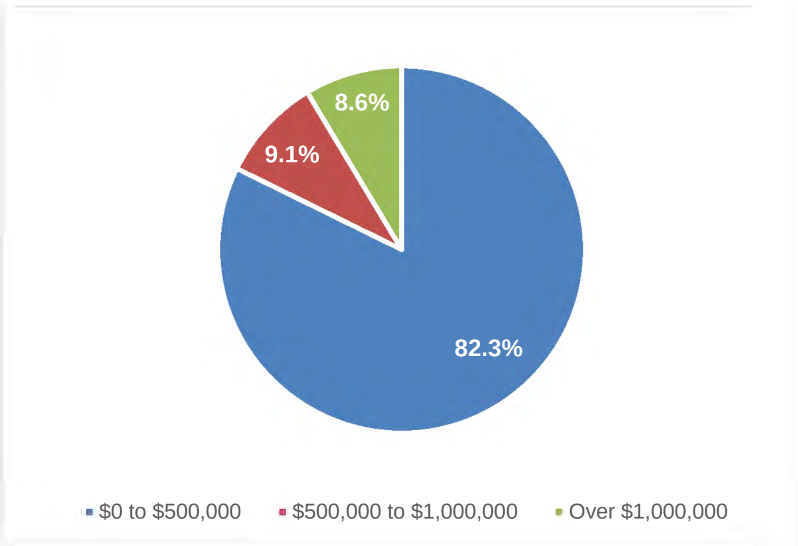
Notes:
(a) Filing year is based on gross receipt activity during the prior calendar year.

Sources: Office of Finance, 2019; BAE, 2019.

While the OOF cannot provide individual taxpayer data due to confidentiality issues, the agency provided BAE with an anonymous data list of individual rental tax payments. This data allows for a more detailed understanding of the extent to which the City's rental tax base is concentrated within a small or large number of individual taxpayers.

- A significant majority (82.3 percent) of lessors of real estate report annual gross receipts of less than $500,000 (Figure 7).
- 9.1 percent of such taxpayers, meanwhile, report annual gross receipts of between $500,000 and $1,000,000.
- 8.6 percent of these taxpayers report annual gross receipts in excess of $1,000,000.

Figure 7: Share of Real Estate Lessor Taxpayers by Amount of Gross Receipts, 2018 (a)



Note:
(a) Includes taxpayers of all real estate classes, including both residential and commercial

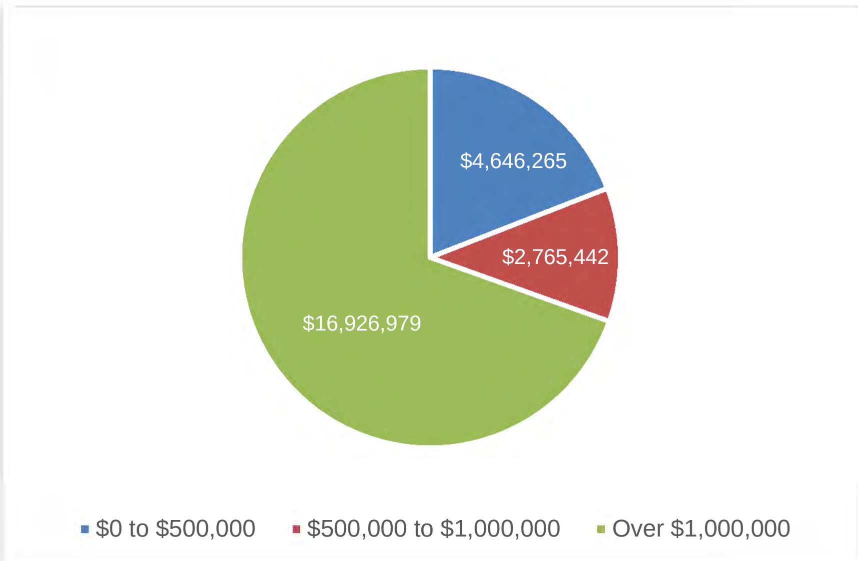
Sources: OOF, 2018; BAE, 2019.

A significant share of gross receipts revenue, however, is paid by a comparatively small fraction of landlords (Figure 8).

- 69.5 percent of total gross receipts tax paid by lessors of real estate in 2018, or nearly $16.9 million, was generated by 8.6 percent of the City's taxpayers.
- 19.5 percent of total gross receipts tax collected by the City, meanwhile, was paid by lessors reporting $500,000 or less in annual revenue.
- This indicates that targeting the 8.6 percent of landlords with gross receipts over $1,000,000 could in theory have a much more significant effect on the City's tax base than landlords in other revenue categories.

Annual gross receipts totaling $1 million or more per licensed business is one benchmark that has been used in other California jurisdictions to differentiate whether a taxpayer would be subject to a higher, or progressive tax rate (e.g., gross receipts over a $1 million threshold). By this definition, fewer than one-in-ten eligible lessors of real estate within the City of Los Angeles would potentially be subject to such a progressive tax, if it were to be enacted.

Figure 8: Share of Gross Receipts Tax Collected by Landlord Size, 2018 (a)



Note:
(a) Landlord size expressed as total gross receipts revenue. Includes taxpayers of all real estate classes, including both residential and commercial

Sources: OOF, 2018; BAE, 2019.

Gross Receipts Tax on Rental Dwelling Units

Under Los Angeles Municipal Code (LAMC) Section 21.43, the renting of dwelling units is considered a business activity, and is therefore subject to a City of Los Angeles business tax. As described earlier, all gross receipts tax associated with rental property is currently recorded under the NAICS code 531100 ("Lessors of Real Estate"). This code classification aggregates all real estate leasing activity within the City, and does *not* isolate residential dwelling unit income from commercial income.

If property owners rent out four or more dwelling units within the City of Los Angeles, they are required to obtain a business tax certificate from the OOF. It should be noted that not all such property owners registered with the OOF are obligated to pay the gross receipts tax.

Exemptions from Paying Gross Receipts Tax on Dwelling Units

- Property owners with gross receipts of less than $20,000 per year are not subject to the tax.
- Property owners with a 501c(3) form from the IRS stating that this taxpaying entity is a not-for-profit are also exempt.

Profile of Existing Taxpayers of Dwelling Units

Analyzing gross receipts revenue associated with dwelling units alone is not currently possible without making some key assumptions.

At present, taxpayers self-code their properties as belonging to one of three categories: Dwelling (coded as a “D”); Commercial (coded as a “C); or Rental (coded as an “R”). Property owners with assets across multiple property types, however, do *not* need a separate business tax certificate for each site. Revenue from all properties, including commercial revenue, can be reported on one business tax certificate. As such, there is no current method to fully disaggregate the universe of gross receipts collected from dwelling units alone, so long as there are individual taxpayers associated with more than one property type.

Table 2 provides a detailed breakdown of how individual taxpayers code their rental properties. Approximately 17,539 of 18,803 individual taxpayers report gross receipts on one classification of rental property alone, representing 93.3 percent of all taxpayers. This data indicate that the universe of individual taxpayers owning more than one classification of property is comparatively small (6.7 percent).

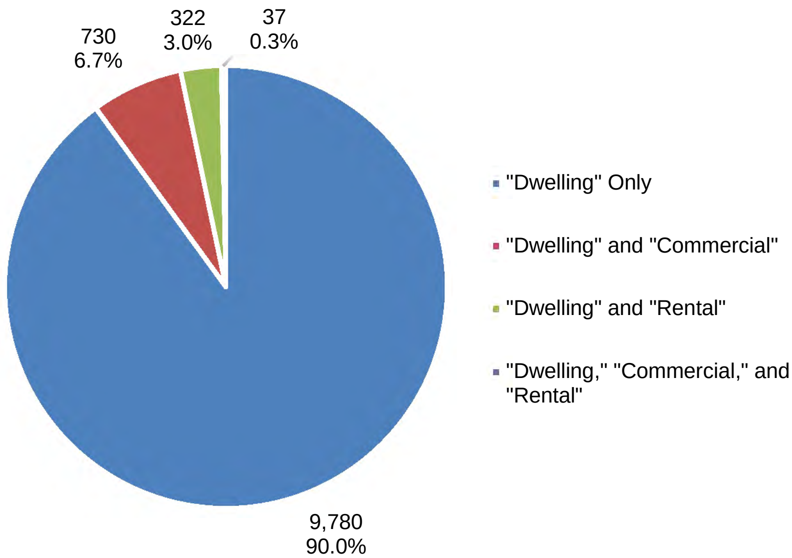
Table 2: Tax Classifications Associated with Gross Receipts Taxpayers, 2018

Classifications Associated with Payer	# of Payers	# of Properties	# of "Dwelling" Properties
3 Classifications	**37**	**403**	**206**
2 Classifications	**1,227**	**6,340**	**3,421**
"Dwelling" and "Commercial"	730	4,452	2,784
"Dwelling" and "Rental"	322	1,233	637
"Commercial" and "Rental"	175	655	0
1 Classification	**17,539**	**36,263**	**21,774**
"Dwelling" Only	9,780	21,774	21,774
"Commercial" Only	4,783	8,728	0
"Rental" Only	2,975	5,761	0
Totals	**18,803**	**43,006**	**25,401**
All Payers/Properties Reflected in "Dwelling" Payer Gross Receipts Revenues	**10,869**	**27,862**	**25,401**
Non-"Dwelling" Properties Reflected in "Dwelling" Payer Gross Receipts Revenues		**2,461**	

Sources: City of Los Angeles Office of Finance, 2018; BAE, 2019.

As shown in Figure 9, approximately 90.0 percent of taxpayers with “D”-coded properties pay on gross rental receipts for dwelling units alone. An additional 6.7 percent of taxpayers pay on receipts for dwelling units in additional to commercial properties.

Figure 9: Taxpayers in "Dwelling" Category by Presence in Other Categories, City of Los Angeles, 2018



Sources: OOF, 2018; BAE, 2019.

As shown in Table 2, approximately 2,975 taxpayers report gross receipts revenue on 5,761 properties classified in the "rental" category alone. According to the OOF, such "R"-coded properties *could* include properties with dwelling units, as the current system does not require taxpayers to articulate a clear distinction between the two.

To establish whether this was the case, BAE sorted the list of "R"-coded rental properties by known zip code, and cross tabulated to see whether any individual properties could be classified as a "D" instead. This exercise confirmed that dwelling units are indeed included in the "R"-coded set, leading to possible *underreporting* of actual revenue derived from "D"-coded taxpayers.

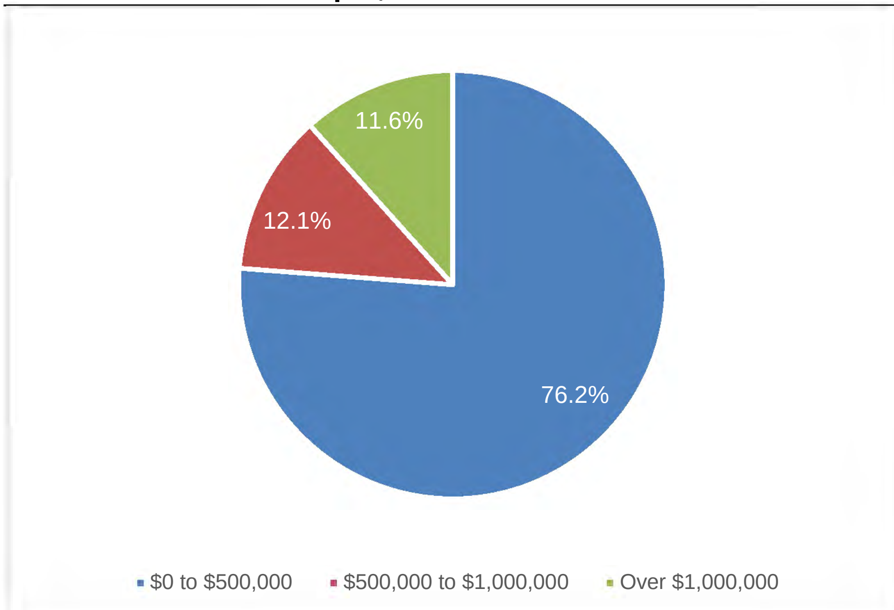
Estimated Share of Gross Receipts Tax from Dwelling Units

As a conservative starting point, and until the system requires lessors of dwelling units to obtain a unique business tax certificate for residential properties alone, this study assumes the current baseline of gross receipts tax from dwelling units to be approximately **$7.1 million per year.**

Within this universe of taxpayers with "D"-coded properties:

- Just over three-quarters (76.2 percent) of taxpayers report annual gross receipts of *less than $500,000.* This ratio is lower than the 83.2 percent reported across all rental types.
- 12.1 percent of these taxpayers, meanwhile, report annual gross receipts of between $500,000 and $1 million.
- 11.6 percent of such taxpayers report annual gross receipts in excess of $1 million. This share is higher than the 8.6 percent across all property types.

Figure 10: Share of Taxpayers with at Least One Dwelling Unit by Amount of Gross Receipts, 2018

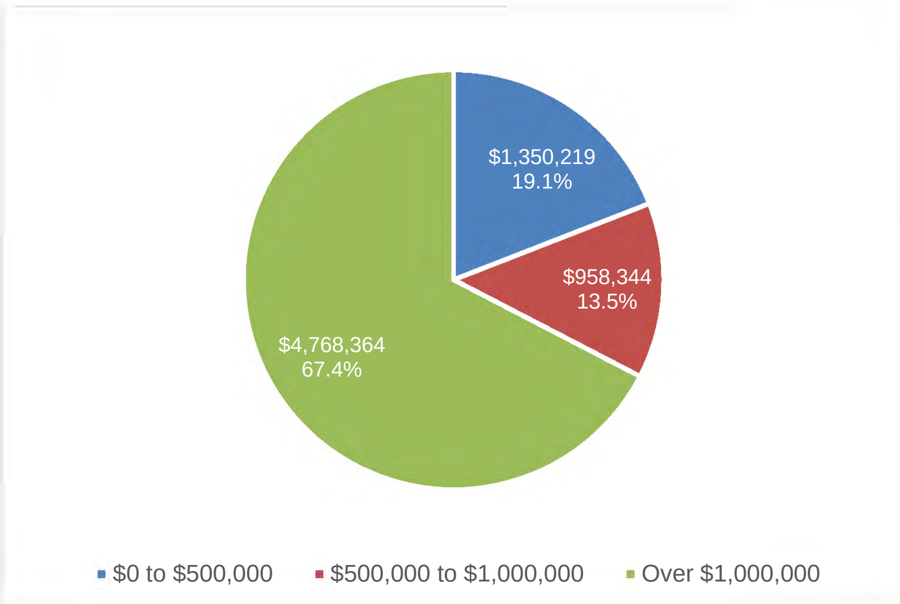


Sources: OOF, 2018; BAE, 2019.

A significant share of gross receipts revenue, however, is paid by a comparatively small fraction of landlords (Figure 11).

- 67.4 percent of total gross receipts tax paid by landlords of dwelling units, or nearly $4.8 million, was generated by the 11.6 percent of taxpayers who pay gross receipts in excess of $1 million.
- 19.1 percent of total gross receipts tax collected by the City, meanwhile, was paid by landlords reporting $500,000 or less in annual revenue.

Figure 11: Share of Dwelling-Unit Related Gross Receipts Tax Collected by Landlord Size, 2018 (a)



Sources: OOF, 2018; BAE, 2019.

Based on this taxpayer data analysis, if the City were to establish a new progressive tax that targeted lessors of dwelling units who earned more than $1 million per year in gross receipts, approximately 11.6 percent of such landlords would be affected.

CASE STUDIES FROM OTHER CITIES

To understand the feasibility and potential of a windfall rent tax program in the City of Los Angeles, BAE researched eight tax programs in seven U.S. jurisdictions, five of which are located in California. For this study, BAE primarily examined three main forms of tax implementation: 1) Proportional taxes; 2) Progressive taxes; and 3) Taxes on high grossing businesses. Additionally, at the request of the Commission on Revenue Generation, BAE profiled the City of Oakland Vacant Parcel Tax, which is implemented as a two-tiered flat tax.

Peer Jurisdictions Windfall-Related Taxes

The peer jurisdictions that are analyzed in this study are: City of Berkeley, City of East Palo Alto, City and County of San Francisco, City of New York, City of Mountain View, City of Seattle, and City of Oakland. Table 3 below, lists the profiled tax programs by implementation type and tax basis.

Table 3: Overview of Tax Programs Case Studies

Jurisdiction	Implementation	Tax Basis
1. City of Berkeley	Proportional	Gross Receipts
2. City of East Palo Alto	Proportional	Gross Receipts
3. City/County of San Francisco	Progressive	Gross Receipts
4. City of Mountain View	Progressive	Payroll / Number of Employees
5. City/County of San Francisco	High Grossing Businesses	Gross Receipts
6. New York City	High Grossing Businesses	Commercial Rent
7. City of Seattle	High Grossing Businesses	Payroll / Number of Employees
8. City of Oakland	Flat; Tiered	Vacant Parcel

Mostly, the jurisdictions studied implemented the tax programs mainly as a way to tax businesses and/or property owners that are experiencing large revenue gains from rent or other commercial activity. Another commonality is almost all taxes were general taxes because of the concern that special taxes would not pass due to the supermajority requirement.[1] However, the results of the measures show significant public support, as the margins of victory would have been enough to constitute a supermajority. The exception is the

[1] In California, general taxes can be passed by a majority (more than half) of voters whereas a special tax must be passed by a supermajority (more than two-thirds) of voters.

City and County of San Francisco's Homeless Gross Receipts Tax, which passed as a specific tax with less than a supermajority.

Proportional (Across-the-Board) Gross Receipts Tax

For this type of tax, jurisdictions tax by a fixed rate of gross receipts of all eligible businesses regardless of category or total income. Two examples of proportional gross receipts taxes are the City of Berkeley's Measure U1 tax (2016), the City of East Palo Alto Measure O tax (2016). The City of Oakland's Measure W parcel vacancy tax also falls into this category.

City of Berkeley

The City of Berkeley's Measure U1 passed in the November 2016 ballot with roughly 75 percent of the vote. Now referred to as the 'enhanced business license tax', the measure permanently increased the annual business license tax from gross receipts from 1.081 percent to 2.880 percent. This translates to $28.80 per $1,000 of landlord gross receipts. The entities impacted by this tax are owners of five or more residential rental units, which includes LLCs, partnerships, and corporations with direct or indirect interest in the property. Exemptions include nonprofit-owned housing, rent-controlled housing that is rented at rent levels at 80 percent AMI or below, commercial rental units, units subject to rent control that are occupied by a tenant who resided in that unit prior to January 1, 1999. To address any impacts this tax could have on new construction, the measure excludes newly developed units during the first 12 years after certificate of occupancy. Property owners may also seek a one-year hardship exemption due to exceptional circumstances. However, not all landlords with less than five units are completely exempted; for example, an owner of a single-family residence and a triplex must still pay the original 1.081 percent tax rate. The tax measure also prevents landlords from passing through the tax to tenants.

In FY2018, the first year of its implementation, the Measure U1 tax generated about $5.1 million, which exceeded Berkeley's initial projection of $2.98 to $3.45 million. Though it is a general tax, the measure was written such that a Housing Advisory Commission makes recommendations on funding and programs for affordable housing and homelessness prevention to the City Council, which is required to consider the recommendations.

City of East Palo Alto

The City of East Palo Alto's Measure O tax was passed in the November 2016 ballot with about 77.5 percent of the vote. Modeled after the City of Berkeley ordinance, East Palo Alto's residential rental business license tax also taxes landlord gross receipts for direct and indirect owners of five or more residential units. Through this measure, East Palo Alto increased its tax by adding a flat 1.5 percent tax on total gross receipts in addition to the original progressive annual fee schedule. This percentage translates to an additional $15.00 per $1,000 of landlord gross receipts. Exemptions to the tax include owners leasing less than five units, nonprofit-owned affordable housing, Section 8 units, and below-market units with rents at 80 percent AMI or below. To address any impacts this tax could have on new construction, newly developed units during the first ten years after the issuance of a certificate of occupancy are exempted. Hardship exemptions may also be granted. The tax measure prohibits landlords from passing the tax through to tenants.

The Measure O tax generated about $0.5 million in revenue when it was first implemented in FY2018. Council is responsible for allocating the Measure O funds. As a general tax, the City Council could use the funds for any purpose benefiting East Palo Alto residents, though the focus of the measure when it was passed was on providing affordable housing programs and addressing displacement and homelessness.

Progressive Tax

Progressive taxes charge greater tax rates for higher grossing businesses than for smaller businesses. In this study, BAE researched examples from the City and County of San Francisco, and the City of Mountain View.

City and County of San Francisco

Placed on the November 2012 ballot, Proposition E won with approximately 70.8 percent of constituency support. This Gross Receipts Tax and Business Registration Fees ordinance replaced San Francisco's employer payroll tax, which mandated that only businesses with more than $250,000 in payroll pay a 1.5 percent tax on their entire payroll expense. In contrast, the new tax varies rates based on a business's gross receipts and the type of business activity. For real estate rental and leasing services, the gross receipts tax rate varies between 0.285 percent to 0.300 percent, which translates to $2.85 to $3.00 per $1,000 of gross receipts. Lessors of residential real estate are exempt from paying if they lease fewer than four units and if their taxable payroll expense is less than $300,000 in any individual building that they lease residential real estate units. To address lower rent revenues associated with rent control, lessors may also exclude 50 percent of the total amount received from the rental of real property that is subject to San Francisco's Residential Rent Stabilization and Arbitration Ordinance from their taxable total gross receipts.

From FY 2013 to FY2014, when Proposition E was first phased in at ten percent of the adopted gross receipts rate, the overall business tax revenue grew by $83.3 million. In FY2018, Proposition E the payroll expense tax rate completely was completely replaced with the Proposition E tax. Mainly driven by Proposition E, there was a $196.8 million or 28 percent increase in business tax revenue. The revenue generated goes into the General Fund, but community advocates report that strong commitments have been made to direct some of the funds to affordable housing.

City of Mountain View
In the November 2018 election, about 71.1 percent of voters in the City of Mountain View voted yes on Measure P, which is a progressive business license tax. This tax applies to all for-profit employers with gross receipts greater than $5,000 that conduct business in Mountain View, and it replaces a business license tax from 1954 that charged a flat rate of about $30 for most businesses. Unlike San Francisco's progressive tax that is based on gross receipts, Mountain View's revised business license tax is based on the number of employees. The rates range from $75 for businesses with one employee to $584,195 plus $150 per employee over 5,000 employees for businesses with 5,001 employees or more.

The revised tax does not go into effect until 2020, the City expects the tax to generate about $6 million annually in revenue compared to about $250,000 currently. Even though the business license tax is a general tax, the City Council adopted a resolution that established spending priorities of the tax's revenue: 80 percent of funds will go to transportation, 10 percent to affordable housing, and another 10 percent to general governmental purposes.

Tax on High Grossing Businesses

Similar to progressive taxes, taxes on high grossing businesses target entities with larger earnings and are a method that local jurisdictions use to generate revenue for specific government needs. The examples in this study are from the City and County of San Francisco, New York City, and the City of Seattle.

City and County of San Francisco
Approved in the November 2018 ballot, Proposition C levies a tax in addition to San Francisco's existing gross receipts tax (described in the progressive tax section of the study). Referred to as the 'Homeless Gross Receipts Tax', this tax is only applied to businesses with taxable gross receipts in excess of $50 million that are attributed to the City/County and exempts the same businesses as the existing gross receipts tax. This nexus definition means that even if a business is located outside of the City/County, it may still be taxed if business is conducted in San Francisco. Similar to the existing gross receipts tax, this new tax also has varying tax rates based on the business type. For real estate rental and leasing services, the tax rate is 0.325 percent, or $3.25 per $1,000 of gross receipts. Lessors are also treated as separate taxpayers with respect to each individual building they lease of residential real estate.

The Homeless Gross Receipts Tax is a unique example, as it is a specific tax that was placed on the ballot through a citizen initiative. Although specific taxes usually require a supermajority in order to pass in California, this tax only needed a simple majority. The generated revenue will be placed in the "Our City, Our Home Fund" and specifically used for homelessness services and housing. Though the tax has not yet been implemented due to delays based on questions of its legality without a supermajority, it is expected to raise between $250 million to $350 million annually, with up to three percent to be used to cover the administration costs.

City of New York

While not a residential rent tax, New York City's Commercial Rent Tax (CRT) is provided as an example of taxation based on the amount of rent paid, which is similar to some models being proposed for a City of Los Angeles Windfall Rent Tax. The original CRT was established as an effective 3.9 percent tax, or $39.00 per $1,000 of base rent, imposed on all commercial tenants paying at least $250,000 in annualized base rent located in Manhattan south of 96th Street. To ease financial strain on smaller businesses in this area, the New York City mayor amended the CRT law in November 2017. The reformed CRT kept the original tax rate but increased the annualized base rent threshold to $500,000 and total income threshold to $5 million or more in the preceding tax year. This total income includes income from other partnerships, estates, and trusts of the tenant. Businesses that fall under both thresholds will now receive a full tax credit, and partial tax credit is also available for businesses that fall between $5 million and $10 million in total income and between $500,000 and $550,000 in annual base rent. Other eligible exemptions include tenants who are renting the premises for 14 days or less during the tax year, tenants who use at least 75 percent of the floor space for residential rental purposes, tenants who rent the property for certain theatrical productions, non-profit entities, buildings located in the World Trade Center Area, and retail properties located in the Commercial Revitalization Program abatement zone. Although this tax targets mainly commercial businesses that are not significantly involved with residential rentals, the tax is nevertheless not allowed to be passed through to residential tenants. The impacts of this change in the CRT policy have not yet been shown in New York City's financial reports.

City of Seattle

In May 2018, the Seattle City Council unanimously passed the Employee Hours Tax ordinance. In June 2018, the ordinance was repealed before it could be implemented, following strong oppositional lobbying. The ordinance would have charged an annual tax of $275 per full-time equivalent employee working 1,920 hours per year or more. The tax would have applied only to businesses with revenues of at least $20 million annually in taxable gross receipts, affecting three percent of businesses with a Seattle nexus. Exemptions included businesses that are already exempt from taxation as well as hospitals and healthcare providers that provide at least 25 percent of their services to Medicare and Medicaid patients. The City estimated that it would have generated about $47 million annually in revenue for the purpose of addressing homelessness and providing affordable housing.

Vacant Parcel Tax

Parcel taxes are a type of property tax that is paid by the owners of the parcels but are not based on the value of the property. By taxing parcel taxes on vacant property, cities incentivize development of these underutilized parcels while also raising their revenues. The example examined in this study is the City of Oakland's Measure W, and it is included in this study as an example of both a flat tax and a tiered tax. Separate from this report, and along the same schedule, The Commission on Revenue Generation has hired the Blue Sky consulting firm to conduct a Vacant Parcel Tax Study.

City of Oakland

In the November 2018 ballot, voters approved the City of Oakland's Measure W by 70.04 percent, passing the measure by the necessary margin of victory for a specific tax. Also known as the 'Vacant Property Tax Act', the tax targets vacant property that is in use for less than 50 days in a calendar year. The vacant property will be taxed annually for 20 years following its initial levy and then the measure will sunset unless extended. This example differs from those profiled in this study due to the flat tax structure. Additionally, BAE was able to interview staff regarding implementation considerations.

The tax has two tiers. For vacant condominium, duplex, or townhome units under separate ownership and vacant ground floor commercial, the flat fee is $3,000 per unit or parcel per year, respectively. For vacant single-family residences, vacant non-residential property, and undeveloped land, the flat fee is $6,000 per parcel per year The tax has several exemptions, including parcels owned by non-profits, public agencies, very low-income owners, low-income senior owners, and disabled owners. The tax also exempts owners who cannot develop their parcel due to hardships or exceptional circumstance and owners who are currently in process of developing their parcel.

Based on estimates of the number of currently vacant parcels in Oakland, the tax is expected to generate between $6.5 million and $10.5 million annually. Since Measure W is a specific tax, the revenue will be placed in a restricted fund that can only be used to address homelessness, affordable housing, and blight. Up to 15 percent of the revenue is allowed to be used for its administrative costs per year. The Act also creates a new Commission of Homelessness, which will review and create recommendations for the expenditures of the revenue and publish an annual report on the implementation and expenditure of the tax.

Key Findings on Tax Programs Case Studies

In researching the seven taxes across six jurisdictions, BAE found that local ballot initiatives for taxes tended toward general taxes versus special taxes due to the requirement for higher voter approval levels. Informal understandings between community advocates and electeds are one method general taxes may be directed to housing, along with the establishment of more formal committees or Council procedures to review and direct the revenue. In terms of the form of the tax, proportional taxes, progressive taxes and high grossing business taxes were varied, and in one case (San Francisco) they were layered with one another. From the research set, Berkeley and Palo Alto passed the highest rates of gross receipts taxes on residential revenue at $28.80 and $15.00 per $1,000, respectively.

Table 4: Overview of Case Study Tax Rates

Jurisdiction	Tax Basis	Tax Rate
City of Los Angeles	Gross Receipts	$1.27 per $1,000
City of Berkeley	Gross Receipts	$28.80 per $1,000
City of East Palo Alto	Gross Receipts	$15.00 per $1,000
City/County of San Francisco (a)	Gross Receipts	$2.85 - $3.00 per $1,000
City of Mountain View	Payroll / Number of Employees	(b)
City/County of San Francisco (c)	Gross Receipts	$3.25 per $1,000
New York City	Commercial Rent	$39.00 per $1,000
City of Seattle	Payroll / Number of Employees	(d)
City of Oakland	Vacant Parcel	(e)

Notes:
(a) The progressive gross receipts tax.
(b) Ranges on average from $8.00 to $149.00 per employee in addition to a progressive registration fee.
(c) The tax on high grossing businesses.
(d) $275 per full-time equivalent employee.
(e) Flat fee of $3,000 or $6,000.

Sources: City of Berkeley; City of East Palo Alto; City of Los Angeles; City of Mountain View; City of Oakland; City and County of San Francisco; City of New York City; BAE, 2019.

OPTIONS FOR TAX PROGRAM STRUCTURE

Based on the Case Studies described earlier in this report, as well as feedback from the Commission on Revenue Generation and interviews with the City's Office of Finance, BAE has tentatively identified three potential gross receipts rent tax scenarios that could be levied on lessors of eligible dwelling units.

Scenario A: Proportional Tax Increase

- Scenario A would represent a proportional, "across-the-board" tax increase on gross receipts for dwelling units. The new, higher rate could apply to the same universe of dwelling units as currently, or a smaller, more targeted group of dwelling units (e.g., those without affordability covenants).

Scenario B: New Progressive Tax

- Scenario B would represent a "progressive" tax structure, whereby taxpayers with income from dwelling units exceeding a certain threshold (e.g., $1 million) could be charged a higher tax rate than those whose income was below the threshold.

Scenario C: New "High Rent" Tax

- Scenario C would represent a "high rent" tax structure, in which landlords with income from individual dwelling units exceeding a certain threshold (e.g, $2,500 per unit per month) would be charged a separate "high rent" tax on ***the increment above*** that threshold amount.

Some of these scenarios can be applied in tandem. For example, the City could opt to increase the baseline gross receipts tax on all dwelling units (Scenario A); but *also* introduce a progressive structure in which taxpayers with income from dwelling units exceeding a certain threshold could be charged a separate rate on that increment (Scenario B).

Scenario A: Proportional Gross Receipts Tax Rate Increase

Scenario A represents a proportional, "across-the-board" increase in the gross receipts tax on eligible dwelling units in the City of Los Angeles, and could be patterned off similar increases seen in Berkeley (Measure U-1) and East Palo Alto (Measure O).

Scenario A would likely be the simplest of the three scenarios to implement. No additional Fund Categories would need to be created in theory; rather, the existing LGR2 rate for "D"-coded properties could simply be increased to a new rate as specified in the authorizing legislation.

Table 5 estimates preliminary gross receipts revenue forecasts assuming a rise in the existing LGR2 rate that roughly correspond with the increases seen in Berkeley and East Palo Alto.

- Under Scenario A1, the gross receipts tax rate for lessors of real estate with "D"-coded properties would increase by approximately 266 percent, from $1.27 to $3.38 per $1,000. This is meant to represent a similar rate of change as seen in the City of Berkeley post Measure U-1. Approximately $18.9 million could be generated in tax revenue annually at this increased tax rate, netting about $11.8 million more than the current rate.
- Under Scenario A2, the gross receipts tax on eligible dwelling units would increase by approximately 851 percent from its current level, to $10.81 per $1,000. This updated level represents the pre-Measure U1 tax rate in the City of Berkeley, which was subsequently raised to $28.80 per $1,000 in landlord gross receipts. Approximately $60.2 million could be generated in tax revenue annually at this increased tax rate, netting about $53.2 million more than the current rate.
- In Scenario A3, the gross receipts tax on eligible units would increase by approximately 1,181 percent from its current level, to $15.00 per $1,000. This updated level represents the post-Measure O tax rate in East Palo Alto. Approximately $83.6 million could be generated in tax revenue annually at this increased tax rate, netting about $76.5 million more than the current rate.

Table 5: Revenue Forecasts for Proportional Gross Receipts Tax Increase on Taxpayers with Dwelling Units

	Effective GRT Increase (%)	Assumed Gross Receipts Rate per $1,000	Estimated Annual Revenue	Increase over Current Baseline
Current Status	n/a	$1.27	$7,076,927	n/a
Scenario A1	266% (a)	$3.38	$18,854,348	**$11,777,421**
Scenario A2	851% (b)	$10.81	$60,237,465	**$53,160,538**
Scenario A3	1181% (c)	$15.00	$83,585,752	**$76,508,825**

Notes:
(a) Effective GRT rate increase seen in Berkeley from pre-to-post Measure U-1.
(b) Effective GRT rate in Berkeley Pre-Measure U-1.
(c) Effective GRT rate in East Palo Alto post-Measure-O.

Sources: OOF, 2018; BAE, 2019.

It should be noted that the estimated revenue increases shown in Table 5 do not include any exemptions or carveouts beyond current OOF regulations. To the extent that such carveouts would be necessary for stakeholder buy-in (e.g., lowered GRT rates for covenanted units), annual revenue estimates would need to be adjusted downward.

Scenario B: Progressive Gross Receipts Tax Rate Structure

Scenario B describes a "Progressive Gross Receipts" tax on eligible dwelling units in the City of Los Angeles, and could be patterned in a similar way to San Francisco's Proposition E (e.g., 0.285 percent on gross receipts over $1 million).

Scenario B would be slightly more complicated than Scenario A to implement, as it would almost certainly require the creation of an additional OOF fund class beyond the current LGR2 rate of $1.27 per $1,000.

Under Scenario B, the authorizing legislation would need to:

- Identify the gross receipts "threshold" for instituting a progressive tax rate (e.g., $1 million, $5 million, and/or $20 million) on landlords with eligible dwelling units.
- Identify the updated tax rate(s) for any gross receipts above this threshold.

Table 6 estimates preliminary revenue forecasts assuming a new progressive gross receipts tax on revenues earned by owners of eligible dwelling units.

- Under Scenario B1, a new progressive tax rate of $2.85 per $1,000 would be applied to gross receipts revenue from eligible dwelling units that exceeded $1 million. This scenario is modeled in part on the base rate from San Francisco's Proposition E.
- Under Scenario B2, the progressive gross receipts threshold is raised substantially, from $1 million to $20 million. In this case, the progressive tax rate is also raised to $3.25 per $1,000, to illustrate a model similar to that of San Francisco's Homeless Gross Receipts Tax.

Table 6: Revenue Forecasts for New Progressive Gross Receipts Tax

		Assumed Progressive Threshold	Total LL Revenue over Threshold	Assumed GRT Rate over Threshold	Progressive GRT collected
Scenario B1	(a)	$1,000,000	$4,027,766,703	0.285%	$11,479,135
Scenario B2	(b)	$20,000,000	$1,084,692,074	0.325%	$3,525,249

Notes:
(a) Modeled after San Francisco's Proposition E, with $1.12 million Progressive Threshold revised to $1 million.
(b) Modeled after San Francisco's Proposition C, with $50 million Progressive Threshold revised to $20 million.

As shown in the table, setting a higher progressive receipts threshold generally results in less overall revenue collected.

Hybrid Model –New Progressive Tax with Existing Base Rate

If a progressive gross receipts tax were to be implemented *in coordination* with the existing flat tax of $1.27 per $1,000, however, estimated annual revenue would rise substantially. The existing flat tax, though, is not dedicated to any special use.

- Under Scenario B1 (h), the gross receipts tax paid by lessors of dwelling units would be approximately $13.9 million. $11.5 million of this tax would be collected on the progressive rate of $2.85 per $1,000 above $1 million in gross receipts, while approximately $2.5 million would be collected on the existing rate of $1.27 per $1,000 below $1 million in gross receipts.
- Under Scenario B2 (h), the gross receipts tax paid would be less, owing to the fact that the progressive receipts threshold was set too high at $20 million and therefore only capturing $3.5 million in receipts.

Table 7: Revenue Forecasts for New Progressive Gross Receipts Tax with Existing Base Rate

	GRT collected, Base rate (a)	GRT collected, Progressive rate	Combined GRT collected	Increase over Current Baseline
Scenario B1 (h)	$2,448,320	$11,479,135	**$13,927,455**	$6,850,528
Scenario B2 (h)	$5,830,426	$3,525,249	**$9,355,676**	$2,278,749

Notes:
(a) Represents existing base tax of $1.27 per $1,000 applied to taxpayers with gross receipts revenue under designated threshold.

Hybrid Model –New Progressive Tax with Increased Base Rate

Finally, if a new progressive gross receipts tax of $10.00 per $1,000 were to be implemented in coordination with an increased base tax of $2.85 per $1,000, estimated annual revenue could rise even further.

- Under Scenario B3 (h), the gross receipts tax paid by lessors of dwelling units would be approximately $46.4 million, or $39.3 million over the current baseline.
- $40.3 million of this tax would be collected on the progressive rate of $10.00 per $1,000 above $1 million in gross receipts, while approximately $6.1 million would be collected on the enhanced base rate of $2.85 per $1,000.

Table 8: Revenue Forecast for New Progressive Gross Receipts Tax with Enhanced Base Rate

	GRT collected, Base rate (a)	GRT collected, Progressive rate (b)	Combined GRT collected	Increase over Current Baseline
Scenario B3 (h)	$6,071,935	$40,277,667	**$46,349,602**	$39,272,675

Notes:
(a) Represents revised base rate of $2.85 per $1,000 applied to taxpayers with gross receipts revenue under $1 million.
(b) Represents new progressive rate of $10.00 per $1,000 applied to taxpayers with gross receipts revenue above $1 million.

Scenario C: High Rents Tax

Scenario C represents an increase in the gross receipts tax that would be targeted towards "high rents" and rental income from eligible dwelling units that exceeded a certain threshold (e.g, $2,000 or $2,500 per unit per month). For each dwelling unit in the landlord's portfolio exceeding this threshold, a "high rents" tax would be levied on the increment above that threshold amount.

Logistically, Scenario C would likely be the most challenging of the three scenarios to implement. At present, the OOF does *not* collect any information at the property level that would be needed to implement this scenario, including the number of dwelling units in each building, and the individual rents charged for each dwelling unit. Nor does the OOF require taxpayers to submit any corroborating material when they submit their tax forms. As such, at least initially and in the absence of a comprehensive database, taxpayers would likely have to self-report whether any of the eligible dwelling units in their portfolio exceeded the threshold amount and submit annual rent rolls for this separate class of units.

Table 9 illustrates the potential universe of eligible dwelling units if a "high rents" tax is implemented at various thresholds. According to ACS estimates, approximately 85,056 renter-occupied units within the City of Los Angeles would be subject to the tax at a threshold of $2,500 per unit per month. This represents the top ten percent of renter-occupied dwelling units in the City, indicating that about ninety percent of dwelling units would not be subject to the tax. If the "high rents" threshold is set at $2,000, however, approximately 20.8 percent of dwelling units would be subject to the tax, or 179,151 units in total (Table 9).

Table 9: Renter-Occupied Units in City of Los Angeles by Contract Rent Threshold, 2018

Contract Rent Range	Range Midpoint Rent	Est. Taxable Increment per Unit per Month — Threshold Rent Options: $1,750	$2,000	$2,500	$3,000
$1,750 to $1,999	$1,875	$125			
$2,000 to $2,499	$2,250	$500	$250		
$2,500 to $2,999	$2,750	$1,000	$750	$250	
$3,000 to $3,499	$3,250	$1,500	$1,250	$750	$250
$3,500 or more	$4,000	$2,250	$2,000	$1,500	$1,000

Contract Rent Range	Est. Taxable Increment per Unit per Year — Threshold Rent Options: $1,750	$2,000	$2,500	$3,000
$1,750 to $1,999	$1,500			
$2,000 to $2,499	$6,000	$3,000		
$2,500 to $2,999	$12,000	$9,000	$3,000	
$3,000 to $3,499	$18,000	$15,000	$9,000	$3,000
$3,500 or more	$27,000	$24,000	$18,000	$12,000

Contract Rent Range	Approx. Number of Affected Units — Threshold Rent Options: $1,750	$2,000	$2,500	$3,000
$1,750 to $1,999	92,017			
$2,000 to $2,499	93,095	93,095		
$2,500 to $2,999	48,515	48,515	48,515	
$3,000 to $3,499	21,629	21,629	21,629	21,629
$3,500 or more	15,912	15,912	15,912	15,912
Total Affected Units	**271,168**	**179,151**	**86,056**	**37,541**
% of Renter-Occ Units in LA	*31.4%*	*20.8%*	*10.0%*	*4.4%*

Contract Rent Range	Estimated Citywide Tax Base per Year — Threshold Rent Options: $1,750	$2,000	$2,500	$3,000
$1,750 to $1,999	$138.0 M			
$2,000 to $2,499	$558.6 M	$279.3 M		
$2,500 to $2,999	$582.2 M	$436.6 M	$145.5 M	
$3,000 to $3,499	$389.3 M	$324.4 M	$194.7 M	$64.9 M
$3,500 or more	$429.6 M	$381.9 M	$286.4 M	$190.9 M
Totals	**$2,097.7 M**	**$1,422.2 M**	**$626.6 M**	**$255.8 M**

Note:
For this analysis, BAE replicated a methodology developed by Denny Zane of MoveLA. Differing from Mr. Zane's approach, BAE utilized contract rents rather than gross rents and tested additional threshold rent options.

Sources: American Community Survey, Table B25056, 2018 One-Year Sample Data; Denny Zane, 2019; BAE, 2019.

Table 10 estimates future gross receipts revenue under a high rent tax scenario assuming three distinct tax rates: six, eight, and ten percent. Within each of these tax rates, four high rent thresholds are identified: $1,750 $2,000, $2,500, and $3,000 per unit per month. If the City were to pass a “high rents” tax of eight percent on the incremental revenue of eligible dwelling units over $2,500 per month, for example, an estimated $50.1 million in gross receipts tax revenue could be raised annually. It should be noted that these suggested tax rates are significantly higher than any of the ballot measure tax rates approved by voters in the Case Studies section of this report.

Table 10: Revenue Estimates for “High Rents” Tax by High Rent Threshold and Applicable Tax Rate, 2018

	6% Tax Rate				8% Tax Rate				10% Tax Rate			
	Estimated Tax per Unit				Estimated Tax per Unit				Estimated Tax per Unit			
	Threshold Rent Options:				Threshold Rent Options:				Threshold Rent Options:			
Contract Rent Range	**$1,750**	**$2,000**	**$2,500**	**$3,000**	**$1,750**	**$2,000**	**$2,500**	**$3,000**	**$1,750**	**$2,000**	**$2,500**	**$3,000**
$1,750 to $1,999	$90				$120				$150			
$2,000 to $2,499	$360	$180			$480	$240			$600	$300		
$2,500 to $2,999	$720	$540	$180		$960	$720	$240		$1,200	$900	$300	
$3,000 to $3,499	$1,080	$900	$540	$180	$1,440	$1,200	$720	$240	$1,800	$1,500	$900	$300
$3,500 or more	$1,620	$1,440	$1,080	$720	$2,160	$1,920	$1,440	$960	$2,700	$2,400	$1,800	$1,200

	Tax as % of Ann. Rent Revenue per Unit				Tax as % of Ann. Rent Revenue per Unit				Tax as % of Ann. Rent Revenue per Unit			
	Threshold Rent Options:				Threshold Rent Options:				Threshold Rent Options:			
Contract Rent Range	**$1,750**	**$2,000**	**$2,500**	**$3,000**	**$1,750**	**$2,000**	**$2,500**	**$3,000**	**$1,750**	**$2,000**	**$2,500**	**$3,000**
$1,750 to $1,999	0.4%				0.5%				0.7%			
$2,000 to $2,499	1.3%	0.7%			1.8%	0.9%			2.2%	1.1%		
$2,500 to $2,999	2.2%	1.6%	0.5%		2.9%	2.2%	0.7%		3.6%	2.7%	0.9%	
$3,000 to $3,499	2.8%	2.3%	1.4%	0.5%	3.7%	3.1%	1.8%	0.6%	4.6%	3.8%	2.3%	0.8%
$3,500 or more	3.4%	3.0%	2.3%	1.5%	4.5%	4.0%	3.0%	2.0%	5.6%	5.0%	3.8%	2.5%

	Estimated Citywide Total Revenues				Estimated Citywide Total Revenues				Estimated Citywide Total Revenues			
	Threshold Rent Options:				Threshold Rent Options:				Threshold Rent Options:			
Contract Rent Range	**$1,750**	**$2,000**	**$2,500**	**$3,000**	**$1,750**	**$2,000**	**$2,500**	**$3,000**	**$1,750**	**$2,000**	**$2,500**	**$3,000**
$1,750 to $1,999	$8.3 M				$11.0 M				$13.8 M			
$2,000 to $2,499	$33.5 M	$16.8 M			$44.7 M	$22.3 M			$55.9 M	$27.9 M		
$2,500 to $2,999	$34.9 M	$26.2 M	$8.7 M		$46.6 M	$34.9 M	$11.6 M		$58.2 M	$43.7 M	$14.6 M	
$3,000 to $3,499	$23.4 M	$19.5 M	$11.7 M	$3.9 M	$31.1 M	$26.0 M	$15.6 M	$5.2 M	$38.9 M	$32.4 M	$19.5 M	$6.5 M
$3,500 or more	$25.8 M	$22.9 M	$17.2 M	$11.5 M	$34.4 M	$30.6 M	$22.9 M	$15.3 M	$43.0 M	$38.2 M	$28.6 M	$19.1 M
Totals	**$125.9 M**	**$85.3 M**	**$37.6 M**	**$15.3 M**	**$167.8 M**	**$113.8 M**	**$50.1 M**	**$20.5 M**	**$209.8 M**	**$142.2 M**	**$62.7 M**	**$25.6 M**

Note:
For this analysis, BAE replicated a methodology developed by Denny Zane of MoveLA. Differing from Mr. Zane's approach, BAE utilized contract rents rather than gross rents and tested additional threshold rent options.

Sources: American Community Survey, Table B25056, 2018 One-Year Sample Data; Denny Zane, 2019; BAE, 2019.

KEY CONSIDERATIONS FOR PROGRAM IMPLEMENTATION

Figure 12, below, summarizes key considerations for the Commission as it weighs the various policy options regarding a new or adjusted on gross receipts tax for lessors of eligible dwelling units within the City of Los Angeles.

These key considerations include but are not limited to:

1) Voter Approval and Existing Precedent (the likelihood of voter approval based on existing legal precedent);
2) Administrative (the level of administrative oversight required beyond what is currently in place); and
3) Gross Annual Revenue Potential (the estimated revenue each tax scenario would generate)

To summarize:

- Scenario A, the Proportional, Across-the-Board Tax Increase, is the easiest in terms of administrative lift, and there are successful precedents of similar measures in California jurisdictions. BAE estimates that a Proportional Tax Increase could generate approximately $11.7 million to $76.5 million more annually in Gross Receipts Taxes than is currently collected from residential rentals.
- Scenario B, Progressive Tax Increase, would require OOF to establish a new fund class and likely new reporting requirements on a per property basis. San Francisco offers one precedent for such a measure. BAE estimates that a Progressive Tax Increase could generate approximately $11.5 million annually. If coupled with an enhanced base rate, the tax could generate upwards of $46.4 million.
- Scenario C would require OOF to establish a new fund class, and to change reporting requirements dramatically for both individual units and properties. BAE was unable to find a local ballot measure to profile as a precedent for this form of gross receipts tax. BAE estimates that a High Rents Tax could generate approximately $15.3 million to $210 million, depending on how structured.

Figure 12: Key Considerations for Program Implementation

	Voter Approval and/or Existing Precedent	Administrative/ Program Oversight	Gross Annual Revenue Potential
Scenario A: Proportional Tax Increase	Measure U-1 (Berkeley, 2016) Measure O (E. Palo Alto, 2016)	Keep DOF Fund Class w New Rate No Additional Reporting Required	**$18.9 million** if existing tax increases by 2.66 times **$83.6 million** if existing tax increases by 11.88 times
Scenario B: New Progressive Tax	Prop E (SF, 2012)	New Fund Class Required Possible New Reporting Required at Property Level	**$11.5** million if progressive tax threshold is set at $1 million (0.285%), w/ receipts below not taxed at current rate. **$46.4 million** if progressive tax threshold set at $1 million (1.00%), w/ receipts below taxed at enhanced rate of 0.285%.
Scenario C: Tax on High Rents	No Close Precedent within California	New Fund Class Required New Reporting Required at the Property and Unit Level	**$85.3 million** if high rents tax threhold set at $2,000 per month, at incremental rate of 6 percent.

Statewide Voter Approval and Existing Precedent

With respect to program precedent, as well as generally high approval rates by voters across a variety of jurisdictions in California, Scenarios A and B are likely to be the least risky scenarios from an electoral perspective.

Scenario C, which would ask voters to approve a tax on only those dwelling units with rents above a certain threshold, does not appear to have any clear precedent within the State of California. This lack of precedent could make the appeal to the voters less clear, particularly if those voters already pay rents that exceed the “high rent” threshold specified in the ordinance itself.

Administrative Needs and Program Oversight

Each of the three scenarios described in this report would require varying degrees of administrative oversight, as well as potential changes to the OOF’s policies regarding data reporting and collection. At present, administration of the gross receipts tax on eligible dwelling units is fairly straightforward and does not require the taxpayer to submit any supplemental information.

Depending on ultimate program design, Scenario A could potentially be the least complicated to implement, particularly if the existing fund class is retained, but with a different applicable tax rate. Scenario B could also be comparatively straightforward, but by definition would require the introduction of at least one additional fund class for higher-grossing landlords.

While Scenarios A and B would not necessarily require the taxpayer to submit material on a per-unit basis, Scenario C would certainly require the introduction of new reporting and compliance requirements due to the increased specificity required for reporting gross receipts on high rents.

Annual Revenue Potential

As described previously in this Report, the estimated gross revenue potential by scenario varies significantly, and revenue estimates should be utilized with extreme caution based on the lack of sufficient detail within the OOF taxpayer database as it currently exists.

If the City were to proceed with a significant tax increase on dwelling units, it will be crucial to articulate precisely which units should be exempt from the revised gross receipts tax. In both the City of Berkeley and East Palo Alto, significant concessions were offered to certain types of dwelling units where low-income tenants reside, such as those occupied by Section 8 tenants, or those with below-market units at 80 percent AMI or below. Conversely, within the City of Los Angeles Gross Receipts Tax is significantly lower than the rate seen in the case study jurisdictions, and the tax is levied across a broad range of dwelling units including those with affordability covenants and rent restrictions (unless owned by a nonprofit).

Other Program Considerations

While the Commission could decide to pursue any of the Scenarios above, each would require the development additional policies associated with implementing a Windfall Rents Tax. Based on case studies, and the scope of work for this study, these topics include phasing in implementation, exemptions and carveouts, passthroughs of taxes to tenants, and key lessons learned from other cities.

Exemptions and Adjudication

Typical exemptions from taxes similar to the proposed Windfall Rents Tax include exempting owners of units where the building cash flow or owners might be financially strained as the result of such a tax. These include exemptions for owners of a small number of apartment units (five or four or less), deed-restricted affordable units, and public housing. Some tax policies BAE studied also exempt owners from paying taxes on units with long-term rent control tenants assuming they pay lower rents and reduce overall building cash flow. Additionally, aiming to avoid any impact on the construction of new rental units, some policies exempt residential rentals constructed within the last 10 or 15 years from such taxes. The argument for excluding newer units from the tax is that the tax will not affect the development of residential rental units.

Property owners seeking exemption or waivers can typically apply for relief based on what is allowed in the tax ballot measure. Implementing these exemptions requires clear policy guidance and staff resources to review and process the requests. Initially, for a potential tax or change in tax, the City can anticipate a high number of exemptions that would need to be reviewed and that it may take a few years before there is a predictable exemption processing workload.

Cost of Administration

Building in the cost of the City's administration of a new or amended tax should be considered when writing language for a local tax ballot measure. Set-asides associated with the administration of taxes ranged among the studied jurisdictions. For example, San Francisco includes a three percent cost of living increase into the gross receipts tax, and Oakland incorporated an administrative fee of 15 percent of the collected Vacant Parcel Tax.

Planning and Coordination with OOF

One key implementation timeline consideration for a Los Angeles tax change will be to incorporate time for OOF to make any necessary changes to the type of information it requests information from taxpayers. Revenue estimates shown above are predicated on the assumption that OOF would at the very least begin to revise its reporting methods as follows:

- Require an individual business tax certificate on "D"-coded properties alone
- Eliminate, or at the very least clarify, the intent of the "R" code
- For each dwelling unit in the taxpayer's portfolio, enter the following information not currently provided: Assessor parcel numbers, number of units, year built, RSO status, deed restriction status, gross annual revenue or rent level (depends on tax approach)

Implementing Regulations

Once a tax ballot measure is passed, a local jurisdiction typically passes regulations that specify the administrative rules and procedures associated with implementing the tax. These regulations include the ballot measure language, but offer additional detail that is crucial to operations but not necessary to provide the voters with they need to understand the tax proposal. In addition to implementing procedures, some cities provide the directors of the tax units with managerial latitude to make certain decisions associated with enacting the tax. Some cities codify the manager decisions in writing as a staff and public resource.

Phasing Various Aspects of Implementation

It is typical for cities to phase in the implementation of new taxes. An initiative ballot measure will set a date by which an adjusted or new tax must be effect. The City will want to establish an effective date that provides enough lead time for staff to properly identify and contact impacted taxpayers.

Given the innovative nature of this proposed tax, and the lack of exact precedent amongst the peer agencies studied, BAE recommends a phased-in approach for the Windfall Rent Tax. Options include phasing in the tax from lower to higher rates over time, or rolling out the tax over multiple years with distinct phases. For example, the City of Oakland Vacant Parcel Tax, established a one-year rollout period with an optional second year if needed. During the one-year rollout period, city staff refined the list of vacant parcel owners qualified to pay the tax, and staff reviewed applications for exemptions. City Council approved implementing regulations and staff prepared additional internal directives as potential issues were identified. All of these activities were conducted prior to the tax 'in effect' date and over a 12-month period. The City and County of San Francisco phased in its transitioned from payroll taxes to gross receipts taxes over a five-year period, and gauged the phasing based on whether or not the taxes were meeting revenue expectations (e.g. to match the level of the prior tax). Conversely, San Francisco's Prop C Our Cities Our Homes tax doubled the tax rate on the largest businesses in the jurisdiction with one year's notice.

Adjusting the Tax Rate Over Time

Any local tax ballot measure will need to specify the mechanisms and timing for tax rate increases. Options include an automatic annual increase at a certain rate (such as the increase of CPI), a Council-approved rate increase, or a voter-approved rate increase.

Exemptions and Adjudication

Typical exemptions from taxes similar to the proposed Windfall Rents Tax include exempting owners of units where the building cash flow or owners might be financially strained as the result of such a tax. These include exemptions for owners of a small number of apartment units (five or four or less), deed-restricted affordable units, and public housing. Some tax policies BAE studied also exempt owners from paying taxes on units with long-term rent control tenants assuming they pay lower rents and reduce overall building cash flow. Additionally, aiming to avoid any impact on the construction of new rental units, some policies exempt residential rentals constructed within the last 10 or 15 years from such taxes. The argument for excluding newer units from the tax is that the tax will not affect the development of residential rental units.

Property owners seeking exemption or waivers can typically apply for relief based on what is allowed in the tax ballot measure. Implementing these exemptions requires clear policy guidance and staff resources to review and process the requests. Initially, for a potential tax or change in tax, the City can anticipate a high number of exemptions that would need to be reviewed and that it may take a few years before there is a predictable exemption processing workload.

Pass-Through of Fees to Tenants

None of the taxes BAE studied allow for the passthrough of fees to tenants. The City of Los Angeles currently allows for the passthrough of one half of rent control fees and 100 percent of Systematic Code Enforcement Program (SCEP) fees to residential rental tenants, among others.

Compliance and Auditing

Ensuring compliance and auditing taxpayers can be conducted by internal staff, an external consultant, or a combination of the two. Given the heavy administrative burden of the first years of tax, the City may want to consider what external resources could be brought in to support the initial implementation.

Pursuant to Los Angeles Municipal Code (LAMC) Section 151.05, enacted in October 2016, the City does maintain a Rent Registry for rental units subject to the Rent Stabilization Ordinance. Owners are required to report unit sizes and rents annually. The Rental Registry is relatively new, though; when the program achieves full compliance, it would only apply to approximately 640,000 rent-control units out of 980,000 total rental units in the city.

Lessons Learned From Other Cities

BAE's interviews with other cities reaped valuable feedback on both developing a ballot measure and implementing a local tax, including:

- Work closely with Council, if possible, to garner support for the potential ballot measure and in determining appropriate implementation language that can be incorporated.
- Finding the balance between writing a convincing ballot measure that voters will support and writing a ballot measure that can be implemented.
- Incorporate administrative fees and cost of living increases for staff paid for with the fees into the tax measure.
- Plan for the development of implementing regulations as soon as possible after the election date.
- Recognize that any implementation documentation will be considered formal, and that any later changes to implementation procedures can be perceived as running afoul of Proposition 218 and/or the intentions of the tax ballot measure.
- Establish an implementation schedule that allows staff time to identify and vet the list of potential taxpayers, and to review applications for exemptions and waivers prior to the tax effective date.
- Work closely with an experienced City Attorney familiar with taxes when developing tax-related policies and procedures.
- Consider supplementing City staff with third-party vendors that specialize in the implementation of local taxes and compliance associated with local tax ballot measures.
- Plan ahead for the updating of any civil service hiring lists that may need to be accessed for new staff hires that are approved for implementing the tax changes.

Authoring Legislation

The California Constitution, Article XIII C – Voter Approval for Local Tax Levies, requires that taxes imposed by local governments must be placed before voters for approval as a local ballot measure, and must be deemed as either a general tax or special tax. A variety of taxes can be presented to voters, including parcel, sale, business, hotel, utility and vehicle registration, but special purpose districts and agencies are prohibited from levying general taxes. Pursuant to Article XIII, a "general tax" is defined as any tax imposed for general governmental purposes, and a "special tax" is defined as any tax imposed for specific purposes, including a tax imposed for specific purposes which is placed into a general fund. The law specifies that general taxes must be approved by a simple majority of voters, and that special taxes require two-thirds supermajority of the votes for repeal.

City of Los Angeles Process for Ballot Initiatives

The City of Los Angeles administers its own elections, wherein both citizens and local legislators may initiate local tax legislation. City Council may adopt a Resolution to place a measure on the ballot and citizens may circulate a petition for a ballot measure. If citizens initiate a ballot measure for Windfall Rent Taxes, a petition would put forth by a committee of five registered voters in the City whose names are legally required to appear on the petition. There are four types of petitions: 1) Ordinance Initiative Petition; 2) Charter Amendment Initiative Petition; 3) Referendum Petition; and 4) Recall Petition. Windfall Rent Taxes would fall within the City's Office of Finance business type category of 'Rental of Dwelling Units' as established in the Business Tax Ordinance. Therefore, any change would need to be placed on the ballot and approved by voters under the first petition type above - Ordinance Initiative Petition.

Action Plan Next Steps

Ballot Initiative Schedule

Timing is an important factor to consider when placing an initiative on the ballot. The next General Municipal Election in the City of Los Angeles will be held on November 3, 2020. According to the City Clerk of the City of Los Angeles' Quick Reference and Ballot Measure Calendars for the 2020 Municipal Elections[2], there are different deadlines for a citizen initiative versus a legislative initiative.

To qualify for the ballot, citizen petitions must include validated signatures of fifteen percent of the total number of votes cast for all candidates for the office of Mayor in the last election.[3]

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[2]Wolcott, Holly, City Clerk, City of Los Angeles, Quick Reference and Ballot Measure Calendars for the 2020 Municipal Elections, April 17, 2019. As retrieved from the following website page on December 9, 2019: http://clerk.cityofla.acsitefactory.com/sites/g/files/wph606/f/Quick%20Reference%20Calendar%20for%202020%20Elections.pdf

[3] According to information posted on the City Clerk website, there were 431,896 total votes cast for the office of mayor in the last election where a mayor was elected. As retrieved from the following website page on December 9, 2019 https://clerk.lacity.org/sites/g/files/wph606/f/Required%20Signatures-Petitions.pdf

The City Clerk's office indicates that a petition would need to provide 64,784 validated signatures in order to be placed on the November 2020 ballot). For a citizen initiative, April 22, 2020 is the Clerk's recommended deadline for proponents to submit an Initiative Ordinance petition.

For a legislative initiative, City Council must pass the initiative proposal and meet the following key deadlines for a November 2020 local ballot measure:

June 19, 2020	Last day for Council to request the City Attorney prepare ballot measure resolutions
June 30, 2020	Last day for Council to adopt a Resolution of Necessity
July 1, 2020	Last day for Council to adopt elections resolutions
July 31, 2020	Last day for Council to adopt the ballot order and ballot designation
August 10, 2020	Last day to submit ballot arguments
August 20, 2020	Last day to submit rebuttal arguments

Following the City Clerk guidelines, assuming that the petition process began on or around January 22, 2020, a citizen initiative petition would need to gather 64,784 signatures (approximately 21,594 per month) per month to qualify for the November 2020 election. For a legislative initiative sponsored by City Council, the Commission would need to prepare a Council Transmittal prior to the June 19, 2020 deadline listed above. A typical timeline for Council Transmittals is that they be submitted two to four months prior to the meeting at which they will be reviewed, In this case, that timeline would be sometime between February 19 and April 19, 2020.

Therefore, the Commission will need to complete its policy decision-making and program design work sometime before January 22 for a citizen initiative that would be placed on the November ballot, assuming the signature gathering period is three months. This deadline could be extended if the signature-gathering period is shorter.

Prior to January 22, five proponents would submit a written letter to the City Clerk requesting the preparation of an Official Petition Title and Summary. This request must include the full text of the proposed ordinance. As of the date of this draft report, the timeframe to submit the letter and write the proposed ordinance is approximately five and a half weeks. It should be noted that the April 22nd citizen petition filing deadline is not mandated, but rather a recommendation of the City Clerk having taken into consideration the time needed to perform sequential tasks that must occur prior to the election.

As indicated above, the process of placing an initiative on the ballot does not end with the petition process. Several other deadlines need to be met. The City Clerk provides the following *Summary of Legal Deadlines for Placing Citizen Sponsored Initiative Ordinances on the November 3, 2020 State General Election* on its website:

April 22, 2020	Citizen petition filed with City Clerk
May 22, 2020	End of City Clerk 30-day signature review period for petition certification
June 11. 2020	City Council deadline to vote to place the initiative on the November ballot
August 10, 2020	Last day to file ballot arguments with the City Clerk
August 20, 2020	Last day to file rebuttal arguments with the City Clerk
August 25, 2020	Last day for Chief Legislative Analyst to file impartial summaries with the City Clerk; last day for City Administrative Officer to file ballot measure financial impact statements with the City Clerk
August 31, 2020	Last day for Ballot Simplification Committee to file a Ballot Summary of each measure with the City Clerk
September 4, 2020	Last day for Council action to approve or disapprove Ballot simplification Committee Summaries

Implementation Period

The implementation period is the time from the date a measure passes to the effective date of a Windfall Rents Tax. Based on interviews with case study cities, BAE recommends an implementation period of anywhere from 12 months to two years. The implementation period could be shorter for Scenario A, where the existing tax structure remains in place and only the rate is increased. The implementation period would need to be longer if the tax structure is new and requires new policies, procedures and potentially additional staff or the hiring of third-party vendors.

The effective date of a Windfall Rents Tax would need to be established in the proposed ordinance language. BAE recommends working with OOF to determine the best implementation model and time horizon, based on whichever tax scenario the Commission recommends, prior to the request for petition.

Other Action Plan Considerations

Since the Windfall Rents Tax is a project of the Commission, the initiative process will need the support and hard work of community advocates. To drive the process, one group or a collective of groups will need to oversee the ballot initiative efforts. Concurrently, it would be beneficial to establish a staff committee that represents the various departments impacted by creating and collecting such a tax (e.g., CAO, OOF, and HCID).

Preliminary Cost Estimates for Implementation

Post-Election Outreach Effort
Preliminary discussions with representatives from the Office of Finance indicate that the following next steps would likely be required for implementation of a revised gross receipts tax.

A physical mailer would be sent to all individual taxpayers in the lessors of real estate category, notifying them of the voter-enacted tax reclassification ($50,000 estimate for mailer). The mailer would instruct the taxpayer to reply to an online portal positively affirming the nature and usage of existing properties. In particular, this special-purpose online portal would help the taxpayer clarify whether any existing "Rental" coded properties in the taxpayer's portfolio should in fact be re-classified to "Dwelling" for the purposes of the new rate adjustment ($50,000 estimate for online portal).

While this re-classification could be done online, the process of reclassification would be separate from any new ongoing reporting required as part of the enhanced tax measure (e.g., APN, number of eligible units). Based on historic patterns, the Office of Finance indicates that most taxpayers (e.g., 90 percent) would opt to re-classify online. For those who don't, a second mailer would include a hard-copy form to be filled out affirming the taxpayer's property classifications ($5,000 estimate).

Implementation Period (2021)
During the implementation period, the Office of Finance would work with the CAO and Revenue Generation Commission to establish a new online system whereby annual taxpayer renewals would begin collecting information beyond what is being gathered currently, such as:

- Individual APNs for each dwelling property
- Gross Annual Rent derived from each APN
- Gross Annual Rent from "non-eligible" units

For dwelling units at each property *not* subject to the tax (e.g., Section 8 or covenanted affordable units as outlined in the authorizing legislation), additional materials could be submitted by the taxpayer to confirm eligibility, with Gross Annual Rent for these units calculated separately and deducted from the overall tax basis ($50,000 estimate for revised renewal portal).

Hard copies of the new renewal form would be sent to taxpayers who don't file online, with existing OOF staff available to translate these responses ($5,000 estimate).

Cost Considerations
Two additional costs that would be needed if the Windfall Rents Tax design differs from the current tax structure (e.g. Scenarios B or C) would be customer information and enforcement. The Commission should work with the OOF to prepare estimates for the following work activities:

- New Tax Policy Customer Information: Additional staff or a third-party vendor may be required to process taxpayer queries related to the new tax structure and rate adjustments. These costs are not included in the estimates above. While the Office of Finance indicates that detailed communication on the front end can reduce this uncertainty, additional resources should nonetheless be accounted for prior to implementation. Due to the one-time nature of a new tax program, an outsourced vendor would likely be needed for 12 to 24 months following the election. Long-term staffing does not seem necessary.
- New Tax Policy Enforcement: To the extent that the Commission may wish to ensure success and reach the projected tax revenue, additional staffing or outsourcing costs may want to be considered.

CONCLUSION

In this study, BAE developed models and projected potential revenues for three categories of a Windfall Rents Tax for Commission consideration:

1) Proportional Gross Receipts Tax Increase;
2) Progressive Gross Receipts Tax Increase; and
3) High Rents Tax

The residential market analysis identified that lessors of residential properties may be experiencing a revenue windfall that could be taxed to address the city's burgeoning rent affordability need. To understand that need, this study found that the City of Los Angeles' rents trend among the most expensive among the country's highest population cities, and that the city has the highest percentage of renters experiencing moderate and severe rent burden.

While BAE was unable to identify an exact Windfall Rent Tax program that the City of Los Angeles can model, several similar taxes were identified in Berkeley, East Palo Alto, and San Francisco that include policy elements that could be incorporated into a future Windfall Rents Tax in the City of Los Angeles. The recent passage of these measures provides fairly recent, and even current, examples of implementation activities and costs.

Implementation of a Windfall Rent Tax starts with the passage of a ballot measure, and the schedule to place such an initiative on the November 2020 ballot requires finalizing the details of a Windfall Rents Tax ballot measure and building political support within the next three to six months. Implementing the tax would take 12 to 24 months, depending on the complexity of the tax scenario selected. Implementation costs will depend on the tax scenario as well.

Overall, a Windfall Rents Tax could be designed and implemented in the City of Los Angeles. Key decisions remain regarding the magnitude and complexity of such a program, as well as the timing of a ballot initiative and implementation horizon.

APPENDIX – RENTAL MARKET DATA

Methodology

BAE obtained residential inventory and rent data from the U.S. Census Bureau's American Community Survey (ACS). The ACS generates demographic, economic, and housing data estimates from surveys administered to a statistical sample of an area's population across a one-year or five-year period. Unless otherwise noted, ACS data in this report are one-year estimates. The earliest available ACS data are from the 2005 survey and the most recent are from the 2018 survey. For one key data point, asking rents, ACS publishes frequency distributions but not medians. BAE estimated median figures using a commonly accepted method that employs grouped frequency distribution data.

BAE also utilizes household income and housing cost burden estimates from the Comprehensive Housing Affordability Strategy (CHAS). CHAS estimates are produced by the U.S. Department of Housing and Urban Development (HUD) from data collected in the 2012-2016 American Community Survey. Population and total housing inventory data were sourced from the California Department of Finance, and jobs estimates were obtained from the U.S. Census Bureau's Longitudinal Employer-Household Dynamics (LEHD) program.

Rent Data Types

To evaluate residential rents, BAE utilizes two different types of rent data from the American Community Survey: contract rent and asking rent. Contract rent is the monthly payment tenants make to their landlords to lease their units, regardless of the services and amenities (e.g., utilities, parking, meals, etc.) included in that monthly rent. For example, two tenants may each pay a monthly rent of $1,500, but one tenant's rent includes utilities and the other's does not. Despite the difference in what each $1,500 rent includes, both are considered contract rents. Unlike gross rent, which reflects a consistent set of housing-related expenses even if not paid to the landlord, contract rent describes what is actually paid to the landlord each month. Contract rent data reflect an estimate of all residential rents paid in the city, including those in rent-stabilized units, restricted affordable housing units, and public housing units.

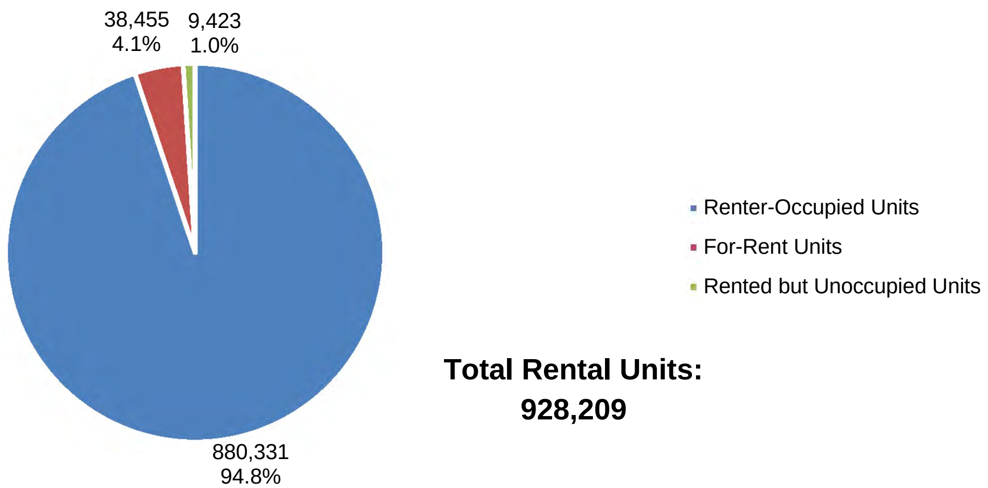
While contract rent data are useful for understanding the amounts Los Angeles renters are paying to their landlords, they offer no indication of what landlords are asking to rent available units on the open market. For that question, BAE draws upon asking rent (a.k.a., "rent asked") estimates from the American Community Survey. Asking rent data reflects only the rents asked for vacant for-rent or rented but not-yet-occupied units. This data set may include some vacant affordable or public housing units with below-market-rate asking rents, but the majority of units are assumed to be asking market-rate rents.

Residential Rental Inventory

Overall Inventory

According to the most recent available estimates from the American Community Survey, the City of Los Angeles has a residential rental inventory of approximately 928,000 units. This inventory includes more than 880,000 occupied units and nearly 48,000 rental units that were either for rent or rented but unoccupied at the time of data collection (see Figure 13).

Figure 13: Residential Rental Inventory by Occupancy Status, City of Los Angeles, 2018

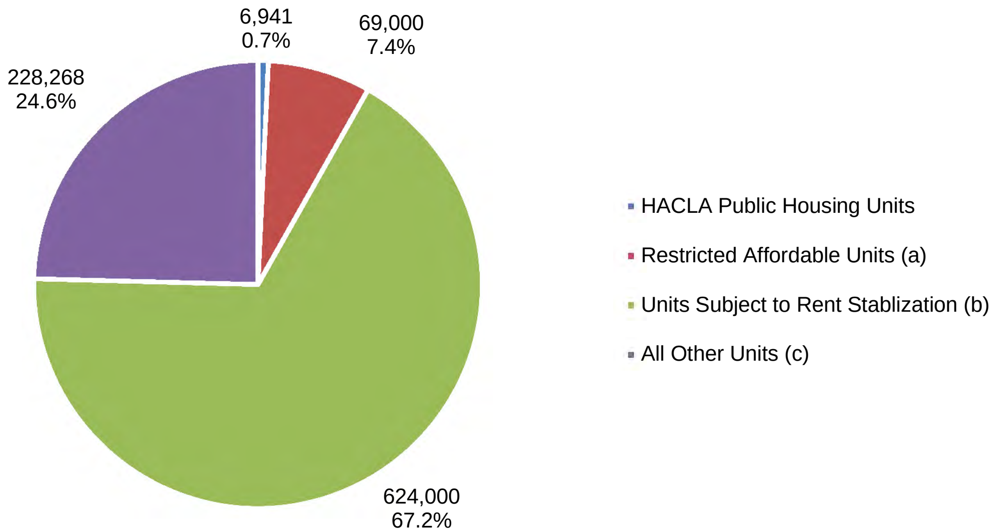


Sources: American Community Survey, Tables B25032 and B25004, One-Year Sample Data, 2018; BAE, 2019.

Inventory by Unit Type

Also included in the inventory count are units outside the traditional rental market, such as public housing units managed by the Housing Authority of the City of Los Angeles (HACLA) and privately-owned or non-profit-owned units with long-term affordability restrictions. The data also reflect the approximately 640,000 units subject to the City's Rent Stabilization Ordinance (RSO). As illustrated in Figure 14, units without rent stabilization or affordability restrictions comprise only about a quarter of the city's total rental inventory.

Figure 14: Approximate Distribution of Unit Types, City of Los Angeles, 2018



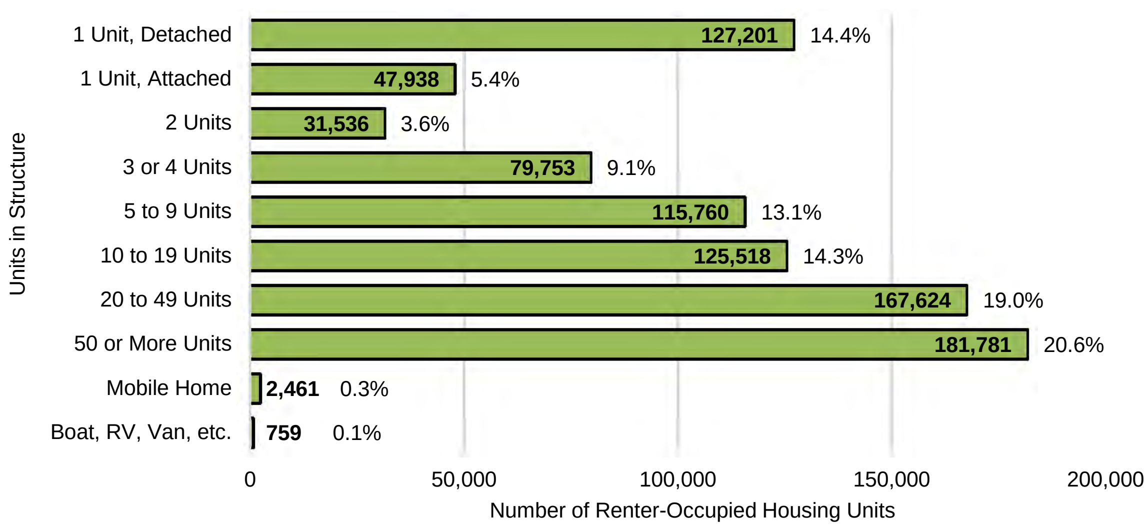
Notes:
This figure draws data from multiple years (2017, 2018, and 2019). It is intended to provide a *high-level approximation* of the City's rental inventory and should be interpreted with caution.
(a) This number is an estimate produced by HCIDLA in 2017.
(b) This number is an estimate produced by HCIDLA in 2019.
(c) This number is the total rental inventory less the other categories. It includes unrestricted units, such as single-family rentals and non-RSO multifamily rentals. It should also be interpreted as an approximation.

Sources: American Community Survey, Tables B25032 and B25004, One-Year Sample Data, 2018; HACLA Annual Financial Report, 2018; HCIDLA, 2017, 2019; BAE, 2019.

Occupied Inventory by Units in Structure

Many of Los Angeles' rental units are in small and mid-sized buildings, including a significant number of single-family homes. Nearly 20 percent of the city's occupied rental units are in single-family structures, while an additional 12.6 percent are in two to four-unit buildings. Structures with 20 or more units comprise just under 40 percent of occupied rental units in the city.

Figure 15: Renter-Occupied Units by Number of Units in Structure, City of Los Angeles, 2018

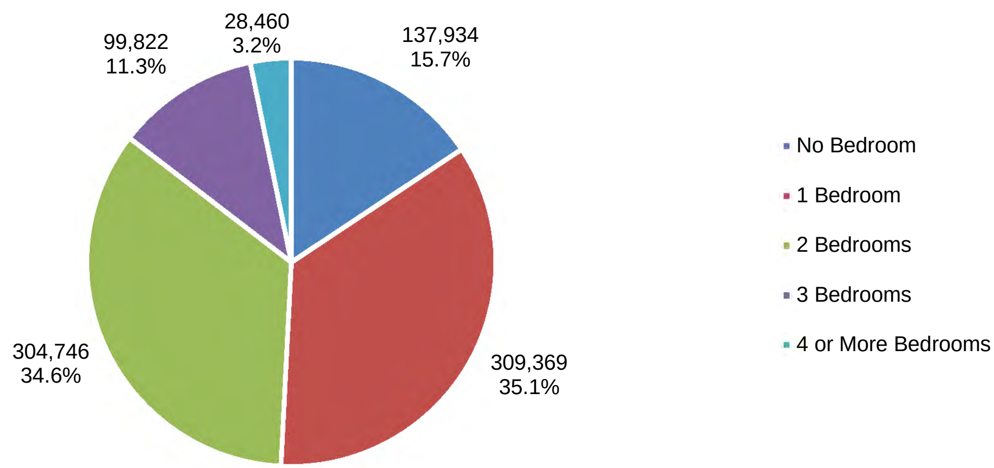


Sources: American Community Survey, Tables B25032, One-Year Sample Data, 2018; BAE, 2019.

Occupied Inventory by Number of Bedrooms

One-bedroom and two-bedroom units each comprise over one-third of occupied rental units in Los Angeles. Approximately 15 percent of occupied units have no bedroom (i.e., are studio, bachelor, or efficiency units), while over 11 percent have three bedrooms. Large units with four or more bedrooms are relatively rare in Los Angeles, constituting just three percent of the occupied rental inventory.

Figure 16: Renter-Occupied Units by Number of Bedrooms, City of Los Angeles, 2018



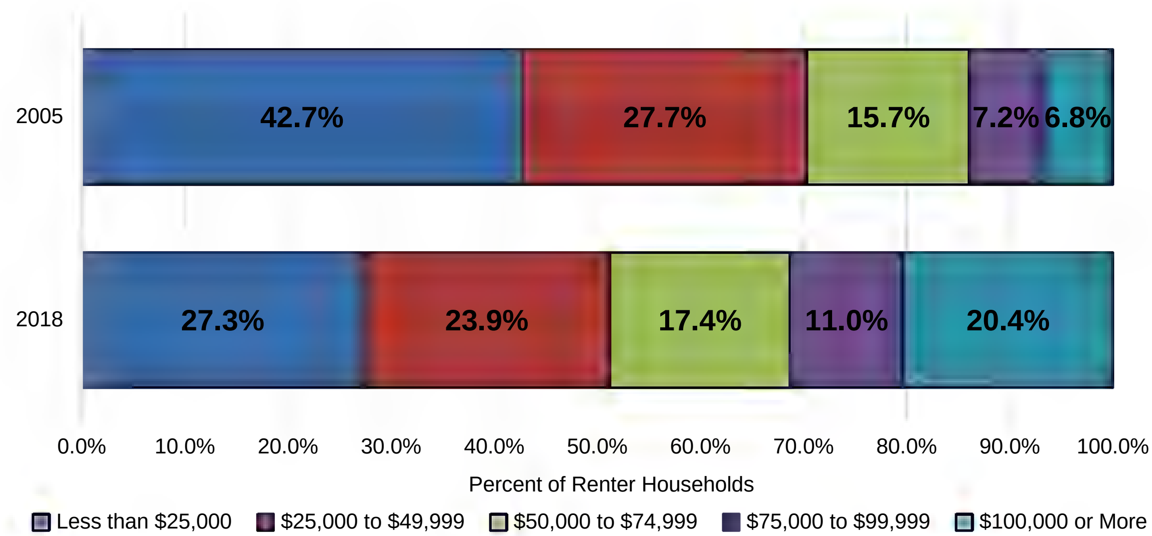
Sources: American Community Survey, Tables B25042, One-Year Sample Data, 2018; BAE, 2019.

Renter Household Incomes

Renter Household Income Distributions

Figure 17 compares the distribution of renter household incomes in 2005 and 2018. It shows a significant decline in the proportion of renter households with the lowest incomes and a notable increase in the share of higher income households. However, it should be noted that, as reported by ACS, the 2005 data reflect incomes in 2005 dollars. The comparison between the two years, therefore, does not account for how the value of money has changed over time. Due to inflation, a household that earned $50,000 in 2005 had greater purchasing power than a household earning $50,000 in 2018. The dramatic shift reported in Figure 17 cannot be fully explained by inflation, however.

Figure 17: Renter Household Income Distribution, City of Los Angeles, 2005 and 2018



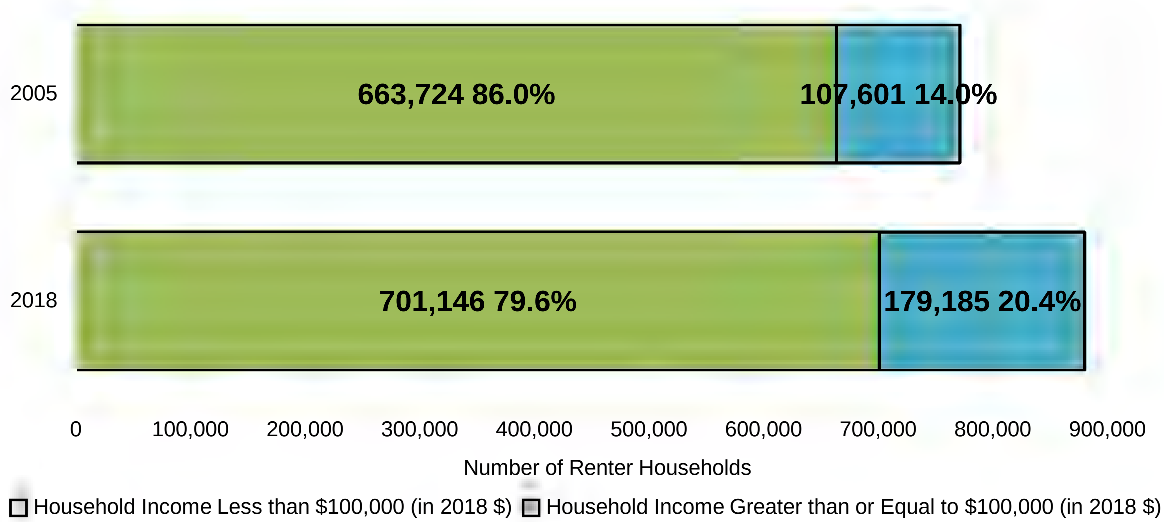
Note:
Household income data in this figure are not adjusted for inflation (e.g., 2005 data reflect 2005 dollars).

Sources: American Community Survey, Table B25118, One-Year Sample Data, 2005 and 2018; BAE, 2019.

Due to the limitations of ACS frequency distribution data, BAE could not generate a detailed, inflation-adjusted income distribution. However, BAE learned that $75,000 in 2005 dollars equals approximately $100,000 in 2018 dollars when the Los Angeles-Long Beach-Anaheim Consumer Price Index for All Urban Consumers adjustment is applied. The number of 2005 households earning above or below $75,000 is, therefore, directly comparable to the number of 2018 households earning above or below $100,000. These data are illustrated in Figure 18.

Between 2005 and 2018, the city added nearly 72,000 renter households with incomes of $100,000 or more (in 2018 dollars), boosting their share of renter households from 14.0 percent in 2005 to over 20 percent in 2018. By comparison, the number of households earning less than $100,000 (in 2018 dollars) increased by only 37,000 households. This indicates that, even accounting for inflation, there are significantly more high-income renter households in 2018 than there were in 2005. Some of these households may be potential homeowners who are currently priced out of the for-sale market. Others may be professionals on moderate incomes who double- or triple-up in a rental unit. Regardless, the addition of these higher-income households in a climate of relatively limited supply puts upward pressure on rents.

Figure 18: Renter Households by Income in 2018 Dollars, City of Los Angeles, 2005 and 2018



Note:
To enable an inflation-adjusted comparison of the two years' household income distributions, BAE inflated the 2005 household income ranges (e.g., "Less than $25,000," "$25,000 to $49,999," etc.) to their approximate 2018 dollar values (e.g., "Less than $33,000," "$33,000 to $66,000," etc.). The adjusted 2005 ranges do not generally align with the 2018 ranges, except in one instance: $75,000 in 2005 dollars adjusts to approximately $99,000 in 2018 dollars. Therefore, the households who reported incomes less than $75,000 in 2005 dollars could be said to have had incomes below *approximately* $100,000 in 2018 dollars. This enables a high-level frequency comparison that accounts for inflation.

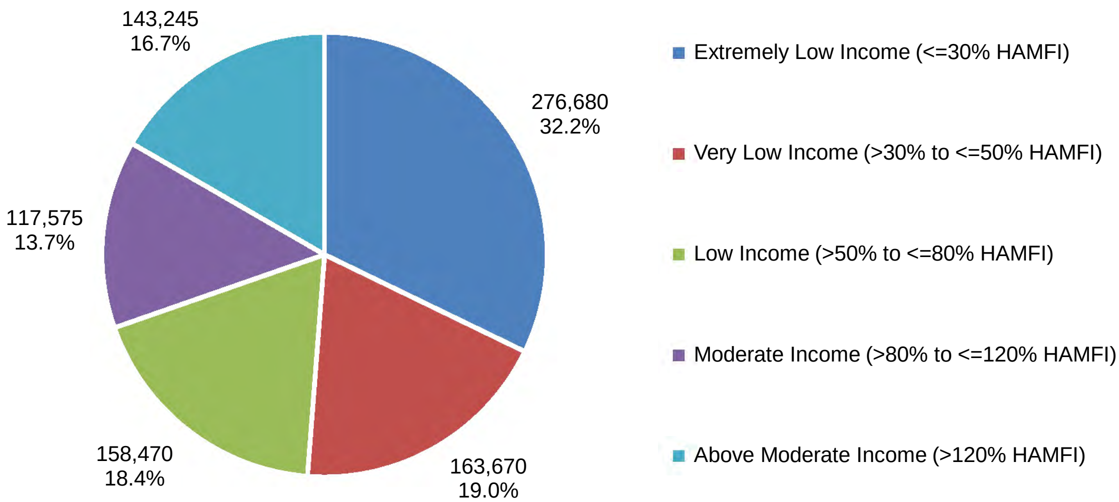
Sources: American Community Survey, Table B25118, One-Year Sample Data, 2005 and 2018; U.S. Bureau of Labor Statistics, CPI-U for Los Angeles-Long Beach-Anaheim metropolitan area, 2005-2018; BAE, 2019.

Income Brackets Accounting for Household Size

For the purposes of assessing housing affordability, households are placed into income brackets based on their income and household size. The U.S. Department of Housing and Urban Development's Comprehensive Housing Affordability Strategy (CHAS) reports households by income bracket.

The City of Los Angeles has a high proportion of low-income renter households. According to 2012-2016 CHAS estimates, nearly 70 percent of renter households in the city had incomes less than or equal to 80 percent of the HUD Area Median Family Income (HAMFI) for their respective household sizes in Los Angeles County. As shown in Figure 19, renter households in the extremely low-income bracket (household income less than or equal to 30 percent of HAMFI) alone comprised a remarkable 32.2 percent of the city's renter households.

Figure 19: Renter Households by Income Bracket, City of Los Angeles, 2012-2016 Five-Year Period



Note:
Data reflect HUD-defined household income limits, expressed as a percentage of "HUD Area Median Family Income" (HAMFI) for Los Angeles County. HAMFI are adjusted for different household sizes, so each household is placed in the appropriate income bracket for its household size.

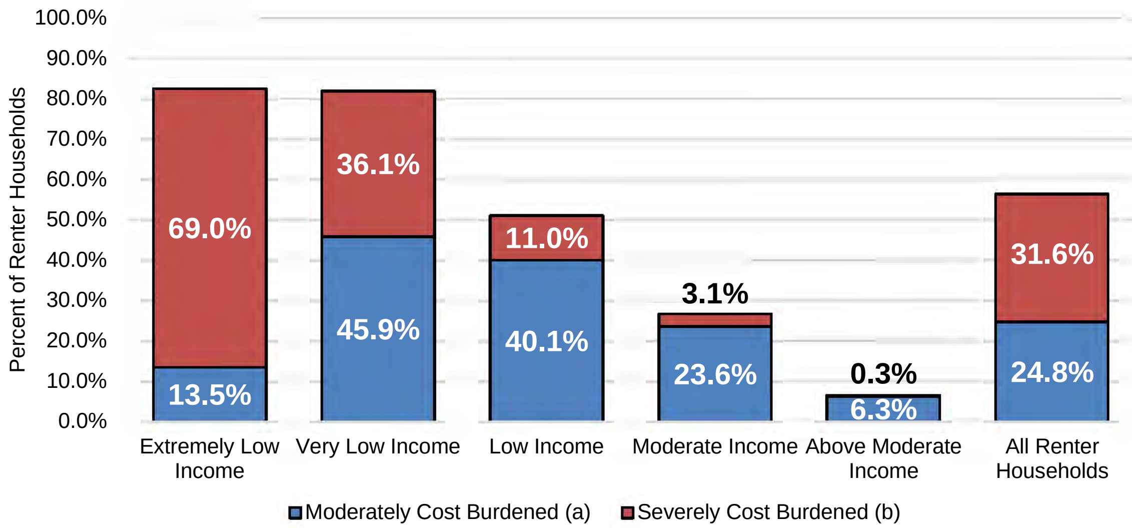
Sources: U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS), 2012-2016 Five-Year Sample Data; BAE, 2019.

Renter Housing Cost Burden

A significant proportion of Los Angeles renters are considered to be burdened by their housing costs. The U.S. Department of Housing and Urban Development (HUD) classifies a household as "moderately cost-burdened" if its gross housing costs (i.e., rent and utilities) consume 30 to 50 percent of its household income. If its housing costs exceed 50 percent of its household income, the household is considered "severely cost-burdened."

CHAS data indicate that during the 2012-2016 sample period, 56.3 percent of Los Angeles renter households were moderately or severely cost-burdened (see Figure 20). Of these nearly 272,000 cost-burdened households, more than half were severely cost-burdened. Predictably, cost burden was even more common among lower-income households. Over 80 percent of extremely low-income households were cost-burdened, with nearly 70 percent reporting severe cost burden. In total, over 190,000 extremely low-income households spending over half their incomes on housing costs. Even among moderate-income households, over a quarter experienced some level of cost-burden.

Figure 20: Renter Housing Cost Burden by Income Bracket, City of Los Angeles, 2012-2016 Five-Year Period



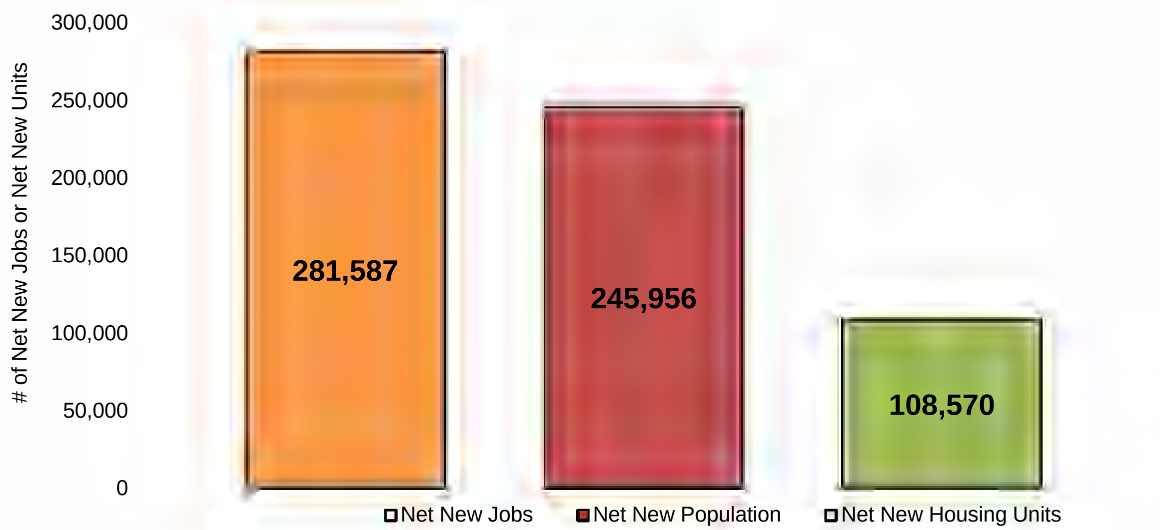
Notes:
(a) HUD defines households as "Moderately Cost Burdened" if their housing costs consume more than 30 percent but less than or equal to 50 percent of their household income.
(b) HUD defines households as "Severely Cost Burdened" if their housing costs consume more than 50 percent of their household income.

Sources: U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS), 2012-2016 Five-Year Sample Data; BAE, 2019.

Jobs, Housing and Population Growth

Rental market pressure in the city is likely being impacted by the rate of new jobs production and new residents increasing at higher rates than housing. From 2005 to 2017, 281,587 new jobs were added to the City of Los Angeles economy and the population increased by 245,956 new residents, as shown in Figure 21. New housing units built during the same period were not nearly enough to accommodate new jobs or residents. According to the U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD) and California Department of Finance, net new housing units built totaled 108,570, which equals just over one third of new jobs and 44 percent of new residents. These data confirm that housing production in the city from 2005 to 2017 did not kept pace with the growth of jobs nor residents.

Figure 21: Net New Jobs, Population, and Housing Units, City of Los Angeles, 2005-2017



Sources: U.S. Census Bureau, Longitudinal Employer-Household Dynamics (LEHD) via OnTheMap; California Department of Finance, Tables E-5 and E-8; BAE, 2019.

Comparison to Rental Markets in Other Major US Cities

Comparison Cities

This section compares Los Angeles' rental market trends against those of other major cities. The purpose of this analysis is to place Los Angeles' rental market in a broader context and evaluate the extent to which Los Angeles is unique among its peers. BAE compares Los Angeles with five cities. Three of these cities—New York City, Houston, and Chicago—are, with Los Angeles, among the top four cities in the United States by population. The other two cities — San Francisco and Seattle — are major cities with tax programs BAE analyzes in the subsequent Case Studies chapter. This collection of cities presents a diversity of market dynamics and jurisdictional regimes for comparison to Los Angeles.

New York City, like Los Angeles, is an economically-growing city with a robust rent control/stabilization regime. In 2014, the Furman Center at New York University estimated that approximately 47 percent of rental units in New York City were either rent-controlled or rent-stabilized.[4] Houston, a fast-growing city with a relatively low cost-of-living, does not have any form of rent control or stabilization. Chicago also features a relatively low cost-of-living amid an environment of slower economic growth. It also does not have any form of rent control or stabilization. San Francisco is one of the most economically dynamic cities in the United States and features a long-established rent control program. The San Francisco Planning Department estimates that about 60 percent of San Francisco renters live in a rent-

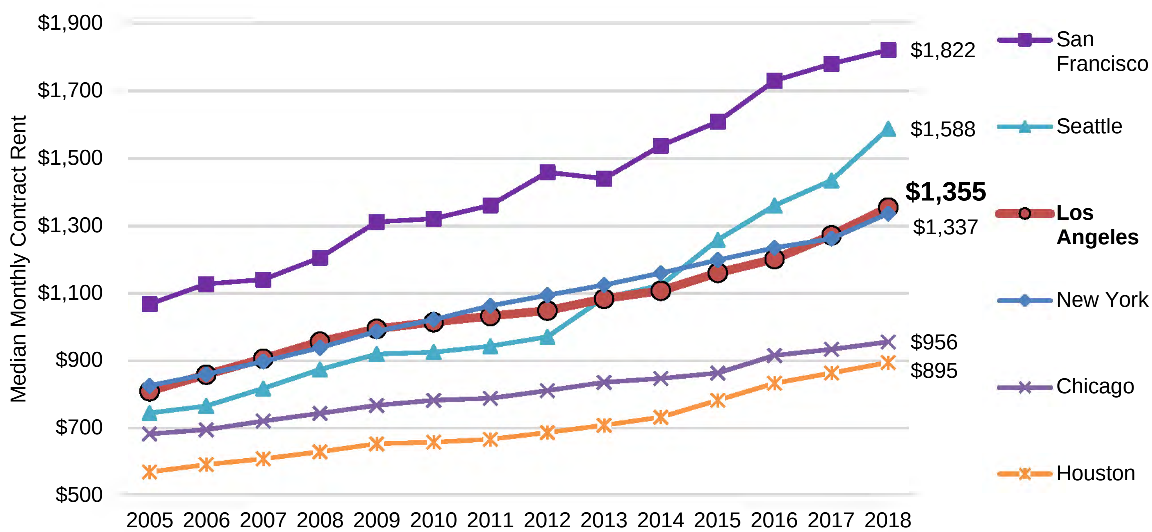
[4] "Profile of Rent Stabilized Units and Tenants in New York City," NYU Furman Center, June 2014.

controlled building.[5] Seattle, like San Francisco, has also seen rapid economic growth, but it does not currently have a rent stabilization program.

Comparison of Rent Trends

As shown in Figure 22, Los Angeles has consistently recorded median contract rents well above those of Chicago and Houston, below those of San Francisco, and very close to those of New York City. Seattle, which once recorded median rents modestly below those of Los Angeles, has experienced rapid rent growth that jumped above Los Angeles in 2015.

Figure 22: Median Contract Rent Trends, Los Angeles and Comparison Cities, 2005-2018



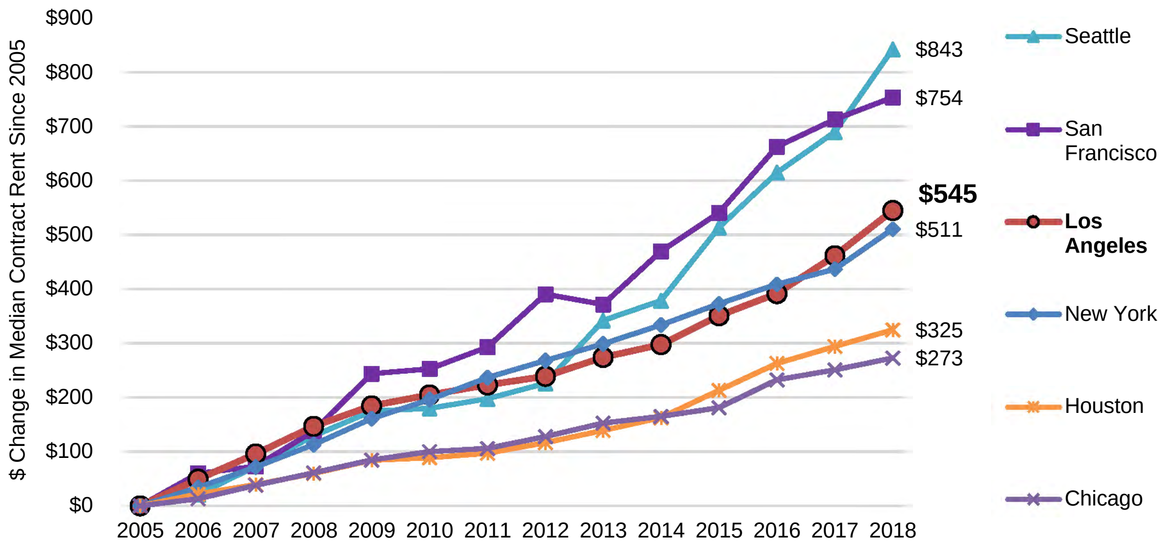
Note:
Rents presented in this figure are nominal (i.e., not adjusted for inflation).

Sources: American Community Survey, Table B25058, One-Year Sample Data, 2005-2018; BAE, 2019.

[5] City of San Francisco Planning Department, *San Francisco Housing Needs and Trends Report*, July 2018.

Figure 23 illustrates how much median contract rents have grown in each city since 2005. Los Angeles' median contract rent increase, $545, is only slightly higher than New York's ($511) but well below those of Seattle ($843, a 113 percent increase) and San Francisco ($754).

Figure 23: Change in Median Contract Rents from 2005, Los Angeles and Comparison Cities, 2005-2018

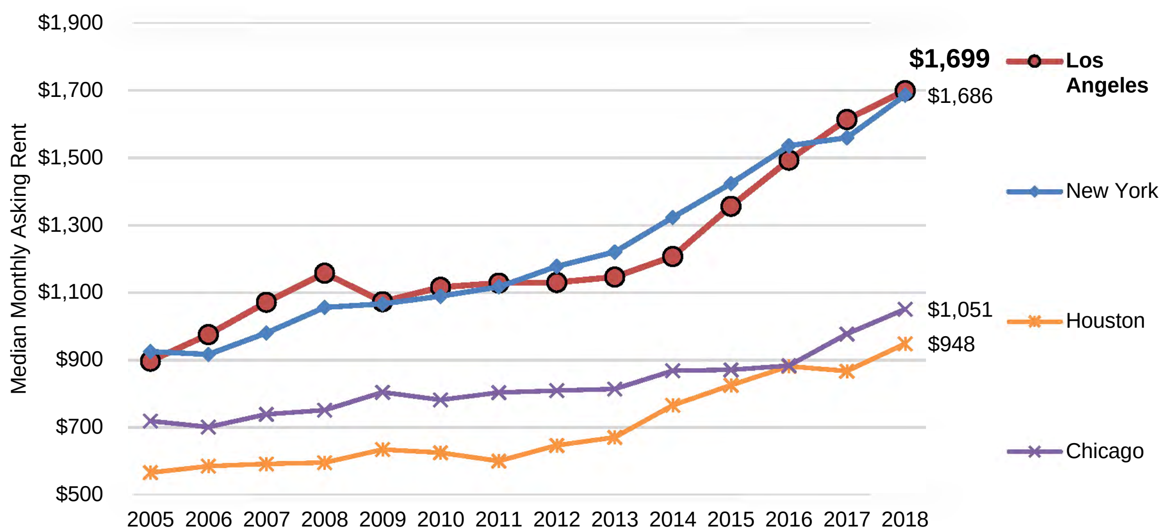


Note:
Rents presented in this figure are nominal (i.e., not adjusted for inflation).

Sources: American Community Survey, Table B25058, One-Year Sample Data, 2005-2018; BAE, 2019.

BAE was unable to source asking rent data for San Francisco and Seattle from the American Community Survey. Figure 24 shows the median asking rent trends for the other four cities between 2005 and 2018. As with contract rents, Los Angeles' asking rents closely track with those of New York City. Los Angeles' asking rent growth was slower to recover from the Great Recession, but by 2017, Los Angeles' median asking rent exceeded New York City's. As illustrated in Figure 25, Los Angeles recorded an $802 increase in median asking rent from 2005 to 2018, the largest such increase among the four cities. Chicago and Houston, in addition to recording much lower median asking rents and smaller increases than Los Angeles, also record a much smaller divergence between median asking and median contract rents. This is likely due to their lack of rent stabilization and large rent increases due to vacancy decontrol where a landlord can raise rent to market rate upon vacancy.

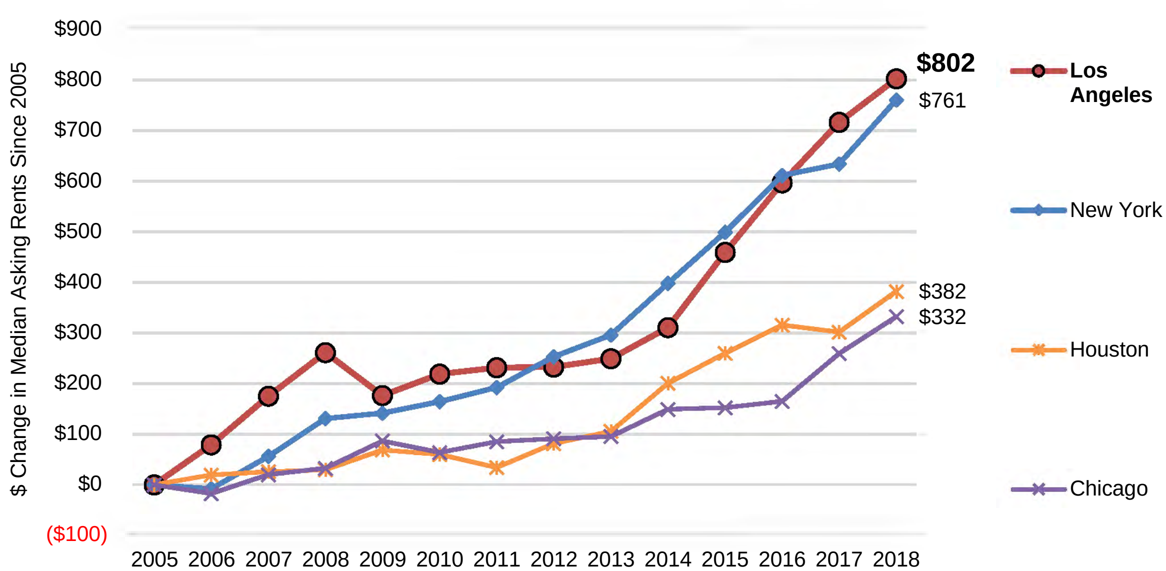
Figure 24: Median Asking Rent Trend, Los Angeles and Comparison Cities, 2005-2018



Notes:
Rents presented in this figure are nominal (i.e., not adjusted for inflation).
Median asking rents were estimated from grouped frequency distribution data obtained from the American Community Survey.
Asking rent data are unavailable for Seattle and San Francisco due to insufficient sample sizes of units for rent in those cities.

Sources: American Community Survey, Table B25061, One-Year Sample Data, 2005-2018; BAE, 2019.

Figure 25: Change in Median Asking Rents Since 2005, Los Angeles and Comparison Cities, 2005-2018



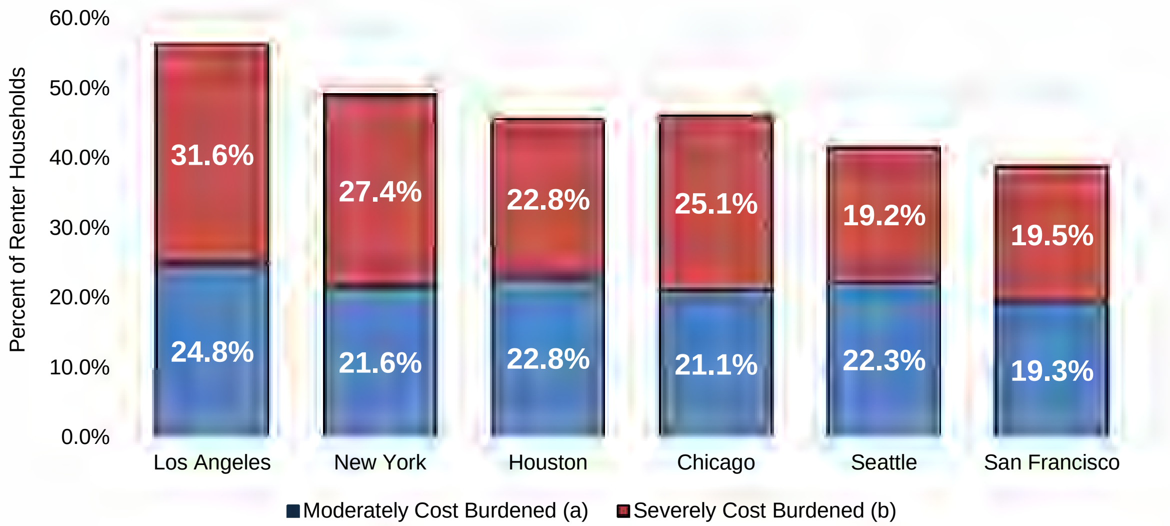
Notes:
Rents presented in this figure are nominal (i.e., not adjusted for inflation).

Sources: American Community Survey, Table B25061, One-Year Sample Data, 2005-2018; BAE, 2019.

Comparison of Housing Cost Burdens

According to 2012-2016 CHAS data, Los Angeles recorded the highest percentage of cost-burdened renter households among the six cities. As shown in Figure 26 below, Los Angeles is the only city in the group where cost-burdened renters exceed 50 percent of renter households and severely cost-burdened households exceed 30 percent. Despite recording lower rents than San Francisco and Seattle, Los Angeles records a much higher proportion of housing cost-burdened renters. This difference may be attributable to Los Angeles' relatively lower renter incomes.

Figure 26: Renter Housing Cost Burden, Los Angeles and Comparison Cities, 2012-2016 Five-Year Period



Notes:
(a) HUD defines households as "Moderately Cost Burdened" if their housing costs consume more than 30 percent but less than or equal to 50 percent of their household income.
(b) HUD defines households as "Severely Cost Burdened" if their housing costs consume more than 50 percent of their household income.

Sources: U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS), 2012-2016 Five-Year Sample Data; BAE, 2019.

bae urban economics

WINDFALL RENT TAX FOR LOS ANGELES: TAX SCENARIOS AND IMPLEMENTATION CONSIDERATIONS

Presented to the
Commission on Revenue Generation
December 18, 2019

PRESENTATION OVERVIEW

1. Windfall Rents Tax Design
   - Proportional, Progressive, or High Rents Scenarios
   - Tax rate level(s) for the selected scenario(s)
2. Exemptions and carveouts
3. Discussion

FOR THIS STUDY, WHAT IS A WINDFALL RENT TAX?

This study explores the extent to which a rent tax could be designed to capture the **revenue windfall** that residential landlords are experiencing given the housing shortage and market pressures in the City of Los Angeles.

While market data will show that residential landlords have likely experienced a "windfall" over the past several years, as a practical matter the tax may be more appropriately classified in other ways.

WINDFALL RENTS TAX DESIGN

THREE SCENARIOS FOR A WINDFALL RENT TAX

Scenario A: Proportional Tax (Across-the-Board) Increase

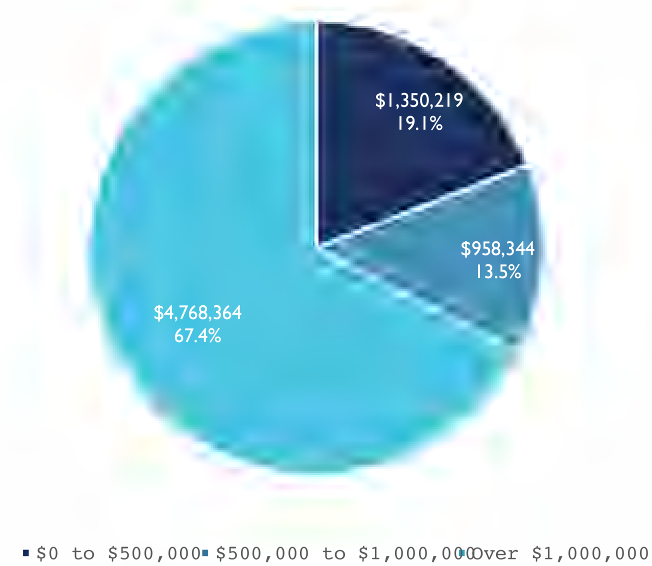
Scenario B: Progressive Tax Increase

Scenario C: High Rents Tax

UPDATED INFORMATION ON LESSORS OF REAL ESTATE

- After further discussion with OOF, baseline gross receipts revenue estimate for dwelling units adjusted slightly downward, to **$7.1 million per year.**
- Distribution of tax paid by landlord size is similar, with over two-thirds of GRT revenue paid by taxpayers with more than $1 million in annual revenue.

Estimated Gross Receipts Tax Paid by Annual Taxpayer Revenue



THREE MAIN CONSIDERATIONS:

	Voter Approval and/or Existing Precedent	Administrative/ Program Oversight	Gross Annual Revenue Potenti
Scenario A: Proportional Tax Increase	Measure U-1 (Berkeley, 2016) Measure O (E. Palo Alto, 2016)	Keep DOF Fund Class w New Rate No Additional Reporting Required	$18.8 million if existi increases by 2.66 $83.6 million if existi increases by 11.88
Scenario B: Progressive Tax Increase	Prop E (SF, 2012)	New Fund Class Required Possible New Reporting Required at Property Level	$11.5 million if gross tax threshold is set at (0.285%), w/ receipts not taxed at curre
Scenario C: Tax on High Rents	No Close Precedent within California	New Fund Class Required New Reporting Required at the Property and Unit Level	$85.3 million if high ren threhold set at $2,000 pe at incremental rate of 6

SCENARIO A: PROPORTIONAL TAX INCREASE

- An across-the-board increase in the gross receipts tax rate for lessors of residential real estate could result in total annual tax revenue anywhere from $18.8 million and $83.5 million, depending on the new rate.
- Note that this example does **not** include any exemptions or carveouts beyond those currently in place.

Revenue Forecasts for Proportional Gross Receipts Tax Increase on Taxpayers with Dwelling Units

	Estimated GRT Revenue Increase from Current Year	Effective GRT Increase (%)	Gross Receipts Rate per $1,000	Estimated Annual Revenue
Current Status	n/a	n/a	$1.27	$7,076,927
Scenario A1:	$11,747,699	266%	$3.48	$18,824,626
Scenario A2:	$53,160,538	851%	$10.81	$60,237,465
Scenario A3:	$76,508,825	1181%	$15.00	$83,585,752

Notes:
(a) Effective GRT rate increase seen in Berkeley from pre-to-post Measure
(b) Effective GRT rate in Berkeley Pre-Measure U
(c) Effective GRT rate in East Palo Alto post-Measure-O.

Sources: OF, 2018; BAE, 2019.

SCENARIO B: PROGRESSIVE TAX

- A progressive tax on gross receipts, such as San Francisco's Propositions C and E, could also bring in additional revenue, depending on how structured.
- If the progressive threshold were set at $1 million, for example, a GRT rate of 0.285% would bring in an estimated $11.4 million annually (Scenario B1).
- This estimate does not include any revenue assumptions for taxpayers grossing below the threshold of $1 million.

Revenue Forecasts for Progressive Gross Receipts Tax on Taxpayers with Dwelling Units

		Progressive Threshold	Total LL Revenue over Threshold	GRT Rate over Threshold	Progressive GRT collected
Scenario B1	(a)	$1,000,000	$4,018,728,898	0.285%	$11,453,377
Scenario B2	(b)	$20,000,000	$1,084,692,074	0.325%	$3,525,249

Notes:
(a) Modeled after San Francisco's Proposition E, with Base Threshold of $1 million.
(b) Modeled after San Francisco's Proposition C, with $50 million Base Threshold revised

SCENARIO C: HIGH RENTS TAX

- If the City of Los Angeles were to implement a "high rents" tax on units whose rents exceeded $2,000 per month, approximately 179,151 units would be subject to the tax.
- This equates to 20.8 percent of renter-occupied units in the City.

Contract Rent Range	Threshold Rent Options: $1,750	$2,000	$2,500	$3,000
$1,750 to $1,999	92,017			
$2,000 to $2,499	93,095	93,095		
$2,500 to $2,999	48,515	48,515	48,515	
$3,000 to $3,499	21,629	21,629	21,629	21,629
$3,500 or more	15,912	15,912	15,912	15,912
Total Affected Units	271,168	179,151	86,056	37,541
% of Renter-Occ Units in LA	31.4%	20.8%	10.0%	4.4%

SCENARIO C: HIGH RENTS TAX

- If the high-rents tax were to be applied on the increment over $2,000 per month at a rate of 6 percent, the City could generate an estimated $85.3 million in annual revenue.
- In this case, the **effective** tax rate for a unit renting at $2,750 per month would be, **1.6 percent,** slightly higher than the rate in East Palo Alto.

6% Tax Rate

Contract Rent Range	Tax as % of Ann. Rent Revenue per Threshold Rent Options: $1,750	$2,000	$2,500	$3,000
$1,750 to $1,999	0.4%			
$2,000 to $2,499	1.3%	0.7%		
$2,500 to $2,999	2.2%	1.6%	0.5%	
$3,000 to $3,499	2.8%	2.3%	1.4%	0.5%
$3,500 or more	3.4%	3.0%	2.3%	1.5%

Contract Rent Range	Estimated Citywide Total Revenue Threshold Rent Options: $1,750	$2,000	$2,500	$3,000
$1,750 to $1,999	$8.3 M			
$2,000 to $2,499	$33.5 M	$16.8 M		
$2,500 to $2,999	$34.9 M	$26.2 M	$8.7 M	
$3,000 to $3,499	$23.4 M	$19.5 M	$11.7 M	$3.9 M
$3,500 or more	$25.8 M	$22.9 M	$17.2 M	$11.5 M
Totals	$125.9 M	$85.3 M	$37.6 M	$15.3 M

POTENTIAL EXEMPTIONS AND CARVEOUTS

POTENTIAL EXEMPTIONS AND CARVEOUTS

Exemption/Carveout Type	BAE Recommendation
1. Taxes passed on to tenant	Not allowed
2. Number of units owned	Owners of three or less residential rental units (current)
3. Rent-controlled units	At 80% AMI and below
4. Affordable units	Deed-restricted at 80% AMI and below Tenant receives monthly rental assistance, such as Section 8 voucher
5. New construction	First 10-15 years after certificate of occupancy
6. Ownership	Nonprofit affordable housing organization
7. Total payroll and/or gross receipts	TBD, applicable to Proportional Tax
8. Hardship	By application; term of exemption and frequency of applications TBD Could include long-term rent control tenant provision here

DISCUSSION

DISCUSSION TOPICS

1. Which scenario seems like a ‘best fit’? Proportional, Progressive, High Rents or Hybrid

2. What are your thoughts on tax rate level(s) for the selected scenario(s)?

3. Do you have any feedback on exemptions and carveouts?

4. Is Windfall Rents Tax the right name?

5. Do you have any Draft Report questions or feedback?