

# FOLLOWING THE MONEY:

## Understanding Los Angeles City's Finances and Impacting the Budget

AN INTRODUCTORY TRAINING CURRICULUM FOR COMMUNITY ADVOCATES



## ADVANCEMENT PROJECT

Advancement Project is a public policy change organization rooted in the civil rights movement. We engineer large-scale systems change to remedy inequality, expand opportunity and open paths to upward mobility. Our goal is that members of all communities have the safety, opportunity and health they need to thrive. Our signature is reach and impact. With our strong ties to diverse communities, unlikely alliances, policy and legal expertise, and creative use of technology, we and our partners have won over 15 billion dollars to extend opportunity. Whether it is to build 150 schools, transform the City of Los Angeles' approach to its gang epidemic, or revolutionize the use of data in policymaking, Advancement Project evens the odds for communities striving to attain equal footing and equal treatment.

## EQUITY IN PUBLIC FUNDS

Equity in Public Funds reveals significant discrepancies between the allocation of public funds and the needs of low-income communities and communities of color. There is a need to demystify public finance and strengthen advocacy campaigns to ensure the equitable use of public funds. There is currently no other organization in the L.A. region that is systematically working to increase transparency, accountability and equity in the use of public dollars.

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# PRELUDE: INSPIRATION FOR DEVELOPING A BUDGET CURRICULUM

Advocates engage in creating social change by helping to bring the voices of the people to policy makers. Advocates help ensure a more democratic process through civic participation and engagement. The goal of this curriculum is to support their work by ensuring that community leaders can engage knowledgeably in the fiscal decisions that are made about their communities.

Budgets and finances can be intimidating. However, they are essential to supporting a transparent and responsive government. Our hope is to help advocates and organizers understand budgets and impact budgetary decisions in ways that support their communities. Through this curriculum we expect advocates to understand how to investigate the budgetary decisions that impact their campaigns, including: 1) how to read a city budget, 2) where to find other key information that is not included in the budget, and 3) when and how to influence the city budget. The recent City of Bell salary is a perfect example of government officials working without accountability and engaging in illegal and immoral practices because community leaders and members had little ability or access to properly scrutinize their dealings.

In July of 2010, the City of Bell, CA captured headlines because of apparent misuse of public funds by City officials. The Los Angeles Times reported that leaders in the City of Bell (estimated population of 38,000) had significantly higher salaries than leaders in other cities in Los Angeles County.

## Examples of City of Bell Salaries<sup>1</sup>

- + **The City Manager's salary of \$787,637 was close to twice the salary of President Barack Obama**
- + **The Assistant City Manager's salary was \$376,288**
- + **The Police Chief's salary of \$457,000 was approximately \$150,000 more than the Chief of Police in Los Angeles, a City approximately 100 times larger than the City of Bell**

How were these officials able to have such high salaries? Officials from Bell increased their salaries through a number of means that included:

- + **Placing a charter measure on a Citywide ballot (that had a low voter turnout) that allowed City Council members to be exempt from state salary limits**
- + **Collecting close to \$6 million in improper business license, property and sewer taxes . This resulted in City residents paying one of the highest tax rates in the County**
- + **Paying \$10.4 million to two development firms owned by a contractor who was also a City employee**
- + **Releasing false information in response to Public Records Requests**

# PRELUDE: INSPIRATION FOR DEVELOPING A BUDGET CURRICULUM

Although the case of Bell is an extreme example of corruption, this scandal serves as a great reminder of the critical need for public transparency in every aspect of government, particularly in the area of budgeting and finance. Some ways that citizens can demand transparency in how public funds are being used are:

- + **Be aware of the budgeting process and how to read the city budget so they can keep city leaders accountable**
- + **Check the “Financial Reports” from the City Controller; these are periodically updated with new reports pertaining to the city’s budget and cash flow**
- + **Pay close attention to city elections and the information on the corresponding ballot**
- + **Advocate for more transparency in the city’s financial activity and decision making**

# INTRODUCTION

In 2010, Advancement Project launched a new program, Equity in Public Funds, to strengthen the Los Angeles social justice and civil rights movements by increasing transparency, accountability and equity in the use of public funds. Our new program stems from Advancement Project's 10 years of experience in using public finance data and information to strengthen and win critical campaigns that have increased equity for low-income people and people of color. For example, our analysis of public school construction funds led to a successful lawsuit against the state of California, which resulted in bringing hundreds of millions of dollars for new school construction to Los Angeles to reduce massive overcrowding. In 2007, we revealed systemic problems with government spending on gang reduction programs and were instrumental in Los Angeles' restructuring of investments and programs.

In the process of developing our public finance program, we learned that few community-based organizations regularly engage with public finance data and processes. Given that public funds are often integral to social justice campaigns, Advancement Project will strengthen the social justice movement in L.A. by offering an accessible training to community advocates on the City's public finances, specifically engaging in the City's budgeting process. Our goal is for social justice organizations, advocates and community members to have a greater "voice" in how dollars are spent, ensure that fiscal decisions are data-driven and make strategic use of fiscal data and information in their campaigns.

## WHY THE L.A. CITY BUDGET?

The City of Los Angeles is the 2nd largest city in the country, and by far the largest in L.A. County, and therefore provides a complex case study for understanding a city budget. This curriculum specifically focuses on the City of Los Angeles' budget as an

***Advancement Project's inspiration for developing this curriculum was to provide advocates and community members with a basic understanding of how public finance works so they can hold public officials accountable to the needs and desires of communities in California.***

example of how to understand a budget in more detail and provides examples of how advocates working on a specific set of issues can analyze and understand a city budget. However, lessons and approaches learned in this curriculum can be applied to other cities and county budgets.

Why the budget? Funding for programs and services is primarily allocated during the budgeting process and it is important for advocates to know of the opportunities to provide input before the budget is finalized. Further, to effectively impact this process it is important to know the kinds of information the budget provides, how to read the City budget and find information in it, and how to engage in the budgeting process.

Although the City's annual published budget does not tell you everything about how the City gets and spends money, it is a valuable starting point for understanding how public funds are used. Note that this training curriculum does not attempt to be a comprehensive guide to public finances. Instead it is meant to be an introduction to fiscal analysis of the budget. To that end, this curriculum incorporates examples of different types of fiscal analyses, explanations of fiscal terms, and an overview of how to read a budget.

# INTRODUCTION

Further, our expectation is that this curriculum is used in conjunction with existing organizing and advocacy approaches. We expect that the individuals using this curriculum have significant experience in creating change in their communities or through their organizations and so we have focused exclusively on the budget and how to understand it.

## *The City Budget*

- 1. Provides a big picture of how funds are used in the City.**
- 2. Allows you to make comparisons across how the City gets revenues and spends it.**
- 3. Describes the key functions of each City agency and department.**
- 4. Provides a good picture of how strong or weak the City's finances are.**
- 5. Provides a snapshot of the priorities of the City for a particular year.**

## OVERVIEW AND GOALS OF THE CURRICULUM

The curriculum was developed to provide advocates and community members with an introduction to the City budgeting process and an understanding of key opportunities to engage. This curriculum will be available for distribution, however it is designed to go along with in-person trainings that will be provided through Advancement Project's Equity in Public Funds Program.

Part I of the curriculum provides an overview of the budget and how to find fiscal information. This part starts with an overview of how to read and understand the City budget and then provides an introduction to the other documents that provide fiscal information not found in the budget.

Part II of the curriculum builds on this foundation by providing an overview of how to analyze the budget specifically to support your advocacy campaign.

Part III of the budget curriculum is a detailed timeline of the budgeting process. The City of Los Angeles, like other cities, has a standard process for developing the City budget that includes input from the Mayor, City Council, neighborhood councils, communities and other key stakeholders. Our curriculum focuses intentionally on the opportunities that community members have for providing input and feedback during this process. Giving input into the budget allows communities to help set the fiscal priorities for that year and hold the City accountable to them.

Part IV provides a sample analysis of a city budget using the 2010/2011 City of Los Angeles Adopted Budget. The purpose for this analysis is to illustrate how to interpret the budget and how to understand the priorities that are implied in the City budget.

Part V is a detailed example of how Advancement Project provided fiscal research support to the Koreatown Immigrant Workers Alliance advocacy campaign to build a park in L.A.'s Koreatown.

Overall, our goal is for policy advocates to have a solid understanding of what information can be found in the budget and other supporting documents, how to find the information needed for a campaign, and how to provide voice to the priorities of the budget.





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# **PART I: Understanding Financial Documents**

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## Your Textbook: The L.A. City Budget

This training curriculum will utilize the City of Los Angeles Budget from 2010/2011 as its “textbook.” It is important to have access to this document to refer to while participating in this training. The budget as well as other documents referred to in this curriculum can be found on the website of the Mayor of Los Angeles:

<http://mayor.laCity.org/Issues/BalancedBudget/BudgetArchive/index.htm>

**NOTE:** In the process of developing the annual budget, there will be several versions published including many proposed budgets and a final Adopted Budget. The process of developing these budgets is discussed in Part III of this curriculum. However, for now, note that if conducting research on current revenues and expenditures for the City, use the Adopted Budget because it is the final budget. The Adopted Budget is the key source for preliminary information as you research the current status of funding opportunities and limitations; understanding these opportunities and limitations is critical when engaging in the budget development process. However, tracking and carefully reviewing proposed budgets as they are published are critical if you’re interested in impacting budget priorities for the following year.

## THE BUDGET STRUCTURE

The City’s budget is a financial plan based on anticipated revenues (how much money the City expects to get) and expenditures (how much money the City plans to spend on what purposes) in a given fiscal year (July 1 thru June 30). Each year the City of Los Angeles goes through a budgeting process to come up with an approved budget before June 30th. Because the budget is being created for the following fiscal year, budgets are by definition forward-looking documents that are the best estimate (and sometimes hope) for the revenue the City will receive the following year as well as a setting of priorities on how to expend those dollars through the year. At the end of any fiscal year, we might find that actual revenues and expenditures were higher or lower than the budgeted amount.

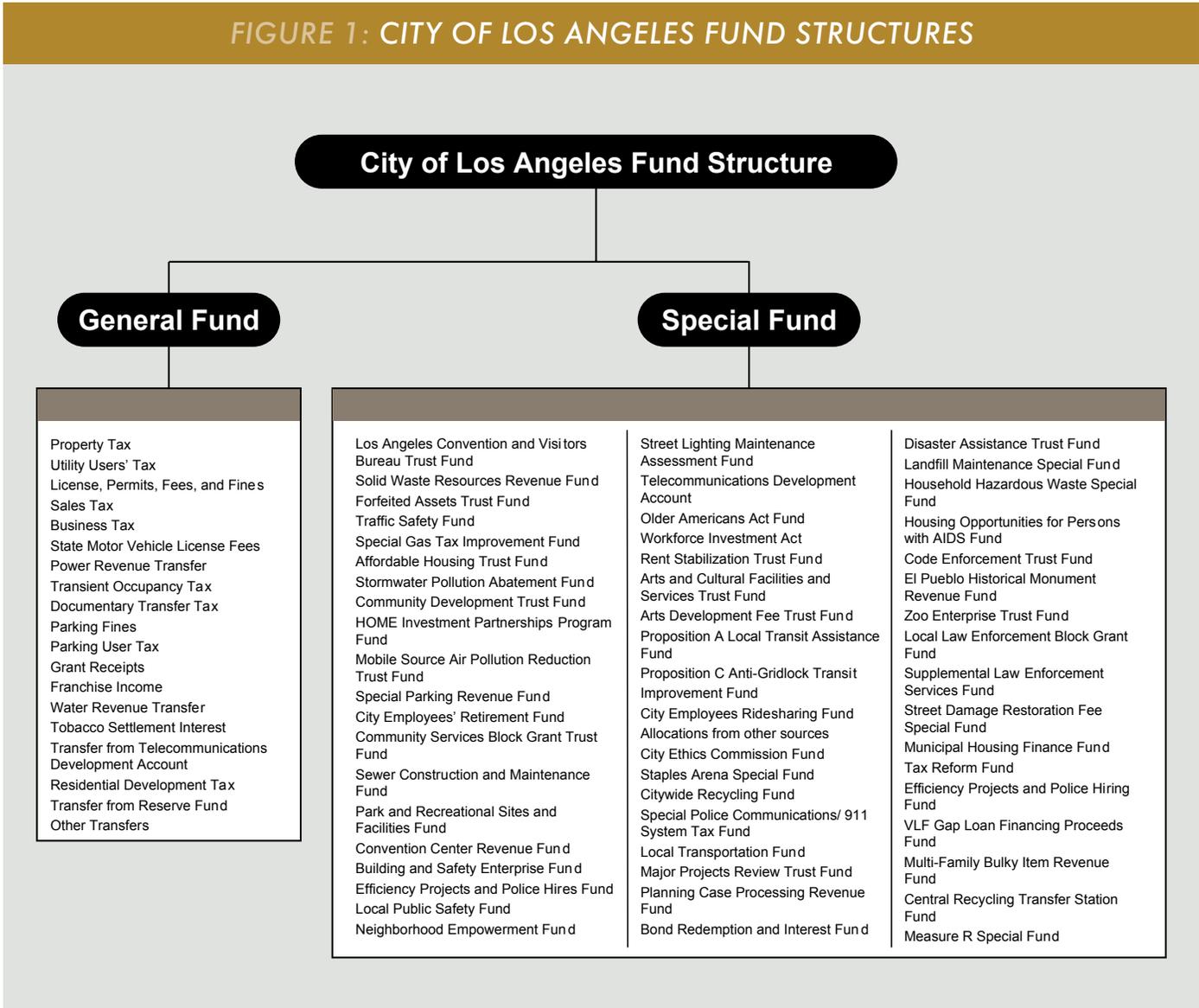
Budgets are generally organized by placing varying revenue amounts into funds. Funds are distinct categories of revenues that are characterized by how the money can be used. The General Fund allows money to be budgeted to departments and moved from one department to another. Special Funds are typically restricted to a specific purpose. And the Reserve Fund is used to manage unforeseen expenditures and emergencies. Below is more detail about revenues, expenditures and funds.

## KEY ASPECTS OF THE L.A. CITY BUDGET

1. **REVENUES:** We define “revenue” quite simply as money received. The City of Los Angeles can receive money through many different avenues. Section 5 of the L.A. City Budget provides revenue projections for the year.
  2. **EXPENDITURES:** Expenditures mean money spent and they can be categorized in many ways. For example, a large part of the City’s budget displays the expenditures of each department and agency (See 2010-2011 L.A. Adopted Budget, page 17). City budgets can also categorize expenditures based on the types of services provided or specific populations served, for example, money spent on pre-school programming.
  3. **FUNDS:** L.A. City revenues and expenditures are accounted for by utilizing a fund structure. Below is a list of the major types of funds. (L.A. Adopted Budget Pages 12-14)
    - a. The **Special Funds** are for revenues that come from specific taxes, fees, governmental grants, or other sources that are designated to finance particular functions and activities of the City. These funds can only be used for their intended purpose. For example, City residents who receive a bill from the Department of Water and Power will see a “Sewer Service Charge” on their statement. This fee generates funds specifically for constructing and maintaining wastewater facilities and goes into the Sewer Construction and Maintenance Fund.
    - b. The City’s **General Fund** contains all revenue sources and receipts that are not by law or charter pledged or encumbered for special purposes. (L.A. Administrative Code, Section 5.116). General Fund revenues are derived from taxes, licenses, permits, fees, fines, inter-governmental revenues, charges for services, special assessments, and interest income, among others. Most of these resources are available for discretionary use by City leaders, but some of these funds can also be restricted. As a matter of public policy, the City Council can put forth legislation to commit a certain amount of the General Fund receipts to certain purposes. This process is rare, and takes a great amount of political will, but it is possible.
    - c. The **Reserve Fund** is a “rainy day” type of fund. Unrestricted cash is set aside for unforeseen expenditures and emergencies. As cities across the world struggle to recover from the recent recession, reserve funds are an important tool to help offset the fiscal impacts of such economic crises. Reserve funds can be transferred back to the General Fund to cover fiscal imbalances and/or fund programs and services that are deemed critical by the Mayor and the City Council. The Reserve Fund is divided into two accounts. The Emergency Reserve Account is 2.75% of the General Fund’s budget and is to be used only where there is a natural disaster or significant economic downturn. The Contingency Reserve Account is used for unanticipated expenditures or revenue shortfalls related to currently funded programs. The total of the two reserve accounts is 5% of the General Fund. The Reserve Fund has been utilized quite a bit in the last several years as L.A. has faced significant economic challenges.<sup>6</sup>
  4. **SURPLUS:** At the end of a year, any revenue surplus that is not re-appropriated to a special fund will be held in the reserve fund for future use.
- On the next page is a chart of all the funds in the City of Los Angeles Fund structures that is found on page 14 of the 2010/2011 Adopted Budget (<http://mayor.laCity.org/Issues/BalancedBudget/BudgetArchive/index.htm>)

# PART I: UNDERSTANDING FINANCIAL DOCUMENTS

FIGURE 1: CITY OF LOS ANGELES FUND STRUCTURES



Source: 2010/2011 Los Angeles City Adopted Budget, Page 14.

## READING THE BUDGET

As stated earlier, budgets are forward looking documents that are based on actual revenue and expenditure data for past years. Typically, a budget will provide one year of actual expenditures, the current year's adopted budget, and estimates for the upcoming fiscal year. For example, the FY 2010-11 Adopted Budget provides the actual amount spent in FY 2009-2010 and the budgets adopted by the City Council for FY 2010-11 and estimated budget figures for FY 2011-12. Barring any extraordinary needs, actual expenditures typically stay closely in line with the Adopted Budget.

It can be difficult to know where to start when opening a document as dense as the L.A. City Budget. Cities generally follow a similar budget format recommended by the Government Finance Officers' Association (GFOA). The format is followed year after year to maintain consistency and make it easier for readers to find information. Below are a few very important pages that will assist any reader in figuring out where to begin.

- + **TABLE OF CONTENTS**
- + **SECTION 1 – City of Los Angeles Fund Structure (describes how funds are kept)**
- + **Organizational Chart**
- + **EXHIBIT A – Summary of Appropriations (Lists the budget by each department)**
- + **EXHIBIT B – Budget Summary – Receipts (Lists revenue type by fund)**
- + **EXHIBIT C – Total Budget for the City of Los Angeles (Lists each Budgetary Department, Appropriations, and Number of Authorized Positions)**
- + **EXHIBIT G – Direct Costs of Operations (Includes “Non-departmental” indirect costs for a total cost of each department)**

# PART I: UNDERSTANDING FINANCIAL DOCUMENTS

FIGURE 2: BUDGETARY PAGE 1 FOR THE DEPARTMENT OF AGING

## Aging

The Department is in charge of the planning, coordination, direction and management of the City's Senior Citizen activities. It manages federal and state Older Americans Act grant funds to provide a variety of services through its programs operated at 16 multipurpose centers and 103 nutrition sites. The programs are designed to promote Senior Citizen independence and prevention of premature institutionalization through financial security, disease prevention, health promotion, adequate food sustenance, provision of social services, and mobility assistance.

Actual ExpendituresB 2008-09	AdoptedE udgetE 2009-10	stimated penditures 2009-10		Budget Appropriation 2010-11
<b>EXPENDITURES AND APPROPRIATIONS</b>				
<b>Salaries</b>				
3,623,825 3	,814,307 3	,572,000	Salaries General .....	3,592,666
114,220 -		132,000	Salaries As-Needed .....	-
5,087 3	,900	-	Overtime General .....	3,900
<u>3,743,132 3</u>	<u>,818,207 3</u>	<u>,704,000</u>	Total Salaries .....	<u>3,596,566</u>
<b>Expense</b>				
38,801 1	5,801 8	,000	Printing and Binding .....	15,801
4,948 8	,650	1,000	Travel .....	8,650
10,457 2	4,384 1	3,000	Contractual Services .....	24,384
17,273 9	,125 -		Transportation .....	9,125
144,289 7	7,437 1	5,000	Office and Administrative .....	75,269
<u>215,768 1</u>	<u>35,397 3</u>	<u>7,000</u>	Total Expense .....	<u>133,229</u>
<u>3,958,900 3</u>	<u>,953,604 3</u>	<u>,741,000</u>	Subtotal .....	<u>3,729,795</u>
<u>3,958,900 3</u>	<u>,953,604 3</u>	<u>,741,000</u>	Total Aging .....	<u>3,729,795</u>
ActualA ExpendituresB 2008-09	doptedE udget 2009-10	stimatedB ExpendituresA 2009-10		udget ppropriation 2010-11
<b>SOURCES OF FUNDS</b>				
766,023	936,279	695,000	General Fund .....	757,771
368,517	376,413	474,000	Community Development Trust Fund (Sch. 8) .....	376,413
2,292,416	2,247,091 2	,231,000	Older Americans Act Fund (Sch. 21) .....	2,268,077
309,211	327,534	327,000	Proposition A Local Transit Fund (Sch. 26) .....	327,534
222,733 6	6,287 1	4,000	Older Californians Act Funds (Schedule 29) .....	-
<u>3,958,900 3</u>	<u>,953,604 3</u>	<u>,741,000</u>	Total Funds .....	<u>3,729,795</u>

Source: 2010/2011 L.A. City Adopted Budget, Page 37

# PART I: UNDERSTANDING FINANCIAL DOCUMENTS

It is also beneficial to become familiar with the format of the departmental budgetary pages in Section 2. Following a brief description of each department, the Expenditures and Appropriations, Sources of Funds, and Supporting Data are provided. The Supporting Data pages also provide a distribution of costs and staff positions for each division within a department. For an example, please see page 37 of the adopted budget, shown on the previous page, where you will find the budgetary page 1 for the Department of Aging.

In addition to providing summary information for anticipated revenues and expenditures, the budget document provides an overview of the types of money coming into the City, how much is available for spending on programs and services and how much is needed to fund City operations, capital expenditures and debt payments, and the level of reserve funds the City keeps on hand. The chart on the following page provides a more detailed overview to the Final Adopted Budget.

FIGURE 3: OVERVIEW OF FINAL BUDGET

## TABLE OF CONTENTS

## BUDGET RESOLUTION

- + The document formally adopting the Budget. Also serves as a testament to the cooperation and agreement between the Mayor and City Council as differences between the Mayor's Proposal and Council recommended changes are also summarized here

## SECTION 1: BUDGET STATEMENT AND EXHIBITS

- + Provides necessary background information to highlight characteristics of the community, its citizens and businesses, including economic and demographic information, population, employment, personal incomes, and taxable sales
- + The Budget Statement provides a brief overview of the budget process and basic budget assumptions that serve as a framework for developing the Budget
- + Current Financial Policies, Fund Structure, and Organizational Structure of the City are presented to give context to the Budget
- + Exhibits include Summaries of Appropriations and Receipts, the Available Balances of City funds, an analysis of unrestricted revenues, and a listing of ordinances required to align departmental activities with the new budget appropriations

## SECTION 2: GENERAL GOVERNMENT BUDGET

- + **PART I:** Summary of Expenditures and Appropriations – Departmental and Non-departmental budgets are consolidated for an overall picture of total Appropriations
- + **PART II:** Budgetary Departments – Following a brief description of each department, the Appropriations, Sources of Funds, and a breakdown of the Total Cost of Programs are listed (including Nondepartmental costs allocated to each department)
- + **PART III:** Appropriations to Departments Requiring City Assistance to Supplement Their Own Revenues and Total Departmental - Following a brief description of each department, the Appropriations, Sources of Funds, and a breakdown of the Total Cost of Programs are listed
- + **PART IV:** Nondepartmental – Includes General City Expenditures and Appropriations, Debt Service, Capital Improvement Expenditures, and other miscellaneous expenditures not specifically assigned a certain department

FIGURE 3: OVERVIEW OF FINAL BUDGET (cont.)

## SECTION 3: BUDGET SCHEDULES AND STATEMENTS

- + Special purpose fund schedules, which include details of the revenues and appropriations of each fund
- + Special Recreation & Parks Capital Projects
- + L.A. River Revitalization Projects
- + Expenditures and Appropriations by Funding Source
- + Detailed Statement of Receipts
- + Summary of Revenues, Expenditures and Changes in Fund Balances
- + Reserve Fund
- + City Debt Information, including a Statement of Bonded Indebtedness

## SECTION 4: BUDGETS OF DEPARTMENTS HAVING CONTROL OF THEIR OWN REVENUES OR SPECIAL FUNDS

- + These departments have control over their own revenues and special funds and are governed by independent governing boards, rather than by the Mayor or City Council directly, and thus are reported on separately. These budgets are adopted by the citizen board of commissioners who oversee each department. The City Council appoints and generally oversees these commissioners
- + Includes proprietary departments such as the Airports, City Employees' Retirement System, Harbor, Library, Pensions, Recreation & Parks, Water & Power

## SECTION 5: REVENUE ESTIMATES, SPENDING LIMITATION AND GRANTS

- + Revenue Estimates from City Controller, including economic assumptions and bases for estimations
- + Government Spending Limitation, as required by the State Constitution
- + Federal and State Grant estimations by Department

## SECTION 6: FUNCTIONAL DISTRIBUTIONS OF THE BUDGETS SHOWN IN THE BUDGET DOCUMENT

- + Summary of Appropriations consolidated by function, i.e. all budgets for money spent on Community Safety or Transportation across all departments

## SECTION 7: COMMUNITY REDEVELOPMENT AGENCY

- + The Community Redevelopment Agency (CRA) is a nonprofit organization, created as a separate legal entity by the City of Los Angeles for the sole purpose of eliminating blight. Redevelopment funds must be kept separate from City funds, however the CRA budget is included here as an attachment for informational purposes. Estimated expenditures for each redevelopment project are listed in this section

## SECTION 8: GLOSSARY AND INDEX

- + Another essential reference to quickly find the information you need!

## OTHER MAJOR FINANCIAL DOCUMENTS

The budget provides a lot of information, however, there is even more information the budget document omits due to time, space, and relevancy. The following bulleted list provides examples of the types of things that are not found in the annually adopted budget:

- + **Detailed listing of expenditures paid (may require a public records request for detailed information by account or program)**
- + **Individual employee salaries/benefits (see City Controller's website and/or State Controller's Office)**
- + **Revenue projections beyond the current fiscal year (see Revenue Outlook published in March of every year)**

However, to fill this gap other financial documents are published by the City on an annual basis. Some were discussed above, but they are worth reiterating. These financial documents may be essential in your fiscal research. Use the chart below to identify the types of information that is published to support the fiscal activities of the City.

FIGURE 4: L.A. CITY'S MAJOR FINANCIAL DOCUMENTS

## MAYOR'S PROPOSED BUDGET

- + Presented on or before April 20th of every year
- + Appropriations and Revenues are organized by line item (or category in which the money fits)
- + Briefly describes each department's function and purpose
- + Typically shows one prior year's actual revenues and expenditures, the most recent year's adopted budget, and the new Proposed Budget

## ADOPTED BUDGET

- + Adopted before June 30th of every year for the following fiscal year
- + Formatted similar to the Proposed Budget, but also includes changes made by the City Council

## REVENUE OUTLOOK

- + Supplement to the Proposed Budget that provides supporting information for revenue estimates
- + Explains assumptions used in forecasting revenues
- + Provides a General Fund and Special Revenue revenue forecasts for a five year period

## DETAIL OF DEPARTMENTAL PROGRAMS (BLUE BOOK)

- + Supplement to the Budget Document that provides details on all Program costs within each department
- + Provides number of Positions and Salaries in each department
- + Provides year over year proposed changes by program
- + Details Nondepartmental items, such as the Capital Improvement Expenditure Program, Capital Finance Administration Fund, and other general government expenditures that are not allocated to particular operating departments

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

- + Published after the fiscal year ends and the City's finances are audited by an independent certified public accounting firm
- + Provides actual revenue and expenditure data, rather than forecasts and estimates

## PUBLIC RECORDS REQUESTS

If the information needed for your advocacy campaign is not available through any of the published and publically available documents, it may be necessary to submit a public records request. Under the California Public Records Act, public agencies are required to provide immediate access to the public for documented information. This Act pertains to all state and local agencies but does not fully cover courts, legislature, private non-profit organizations and federal agencies. Key requirements include the following items:

- + **Public agencies are required to provide prompt access and assistance when a request is made**
- + **Agencies are allowed 10 days to decide if copies can be provided**
- + **Agencies must always allow access to a physical form of the records**
- + **Access is free, but if copies of documents are requested, agencies may charge a copying fee**
- + **Agencies must have a legitimate reason for exemptions. These exemptions include items such as personnel or medical records, police investigative work, and others. For specific information on exemptions a guide to the California Public Records Act can be found at:**

[http://controller.laCity.org/HELP\\_for\\_the\\_Public/index.htm](http://controller.laCity.org/HELP_for_the_Public/index.htm)

## MAKING A REQUEST

As you research items of interest to your advocacy groups, it may be ideal to keep a running list of information you are seeking. Reading the City's Budget can be time consuming and cumbersome, and sometimes you stumble upon information by accident. However, maintaining a list of outstanding questions and items of interest will ease the Public Records Request process, saving time and increasing efficiency for the Department as they respond to your request. The following list can also help you in making your public records request.

### *Tips for an Efficient Public Records Request*

1. **Make your inquiry simple – and plan to make every request in writing so that you may keep a record of your request.**
2. **Include date limits on your requests**
3. **If you are concerned about the copying fees, request to be informed of the total costs prior to having the request fulfilled. Agencies charge different fees for copies.**
4. **You are entitled to request a written response within 10 days**

# PART I: UNDERSTANDING FINANCIAL DOCUMENTS

For more specifics, see the Guide to the California Public Records Act. The guide and the official **Records Request Form** can be found at the web address below:

[http://controller.laCity.org/HELP\\_for\\_the\\_Public/index.htm](http://controller.laCity.org/HELP_for_the_Public/index.htm)

Requests may be submitted by mail, fax or e-mail to the city controller, although, for quicker responses, send your requests to the point person at the actual department.

**City of Los Angeles**  
**Office of the Controller**  
**200 N. Main Street, Suite 300**  
**Los Angeles, CA 90012**

**PHONE: 213-978-7200**

**FAX: 213-978-7211**





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## **PART II: Fiscal Research Overview and Examples**

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# PART II: FISCAL RESEARCH OVERVIEW AND EXAMPLES

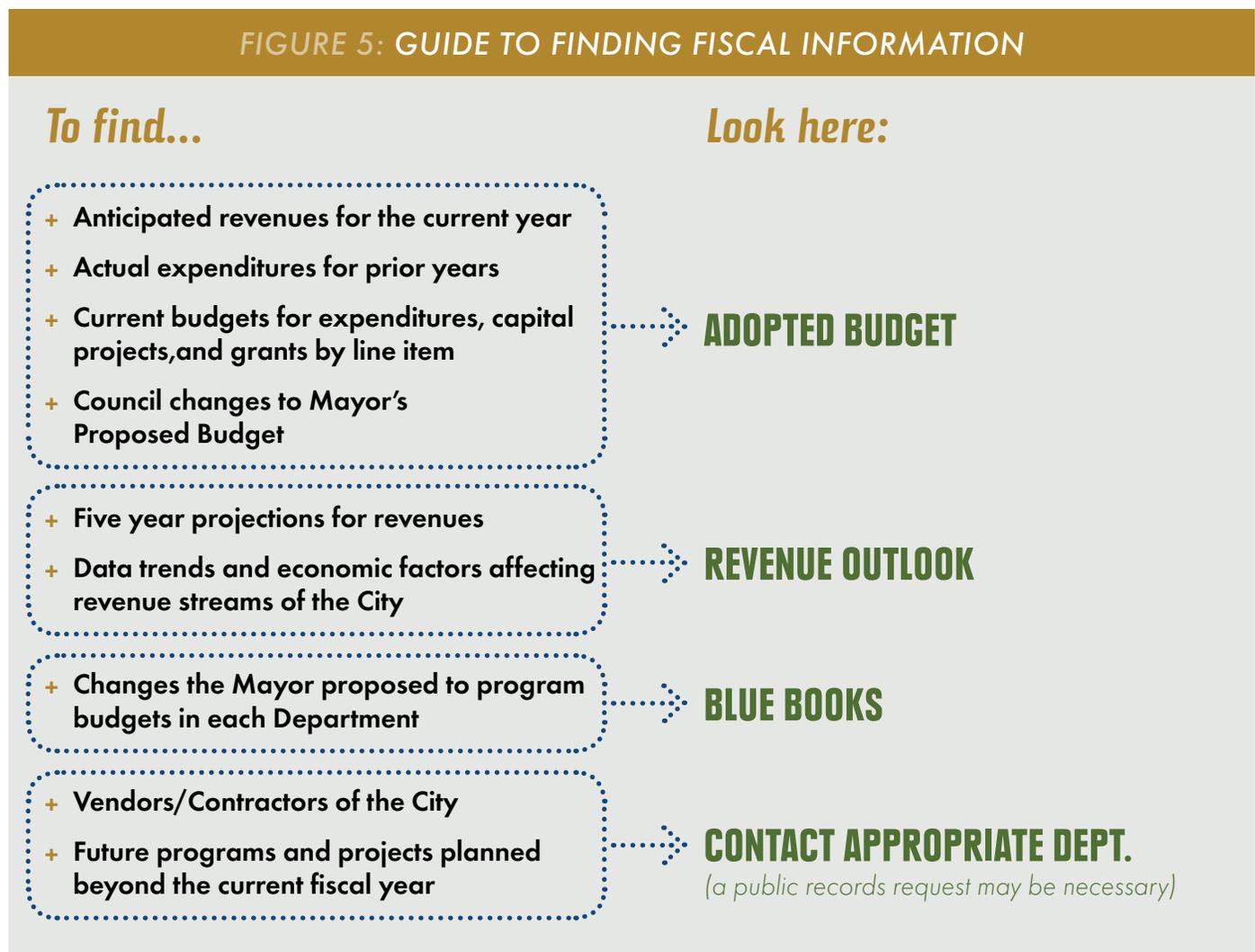
## FISCAL RESEARCH OVERVIEW

This section has several examples of research questions that an advocate might have, and provides examples of how to find the answers. The research typically involves reviewing the budget, however the budget will likely not hold the answers to all of your questions. Remember to refer to the other publications made available by the City to see the differences in information, scope, and depth. When in doubt, making a friendly phone call to the administrative division of

the department you are researching can often produce some valuable information. A directory of City departments can be found at:

<http://Cityfone.laCity.org/>

FIGURE 5: GUIDE TO FINDING FISCAL INFORMATION



# PART II: FISCAL RESEARCH OVERVIEW AND EXAMPLES

## EXAMPLES OF FISCAL RESEARCH

This section will provide four examples of research on the City budget. They are designed to cover both expenditures and revenue questions in ways that relate to issues that may interest community advocates. These examples include the following topics:

- + **Example 1: Departmental Funding**
- + **Example 2: Mayor & Council Travel**
- + **Example 3: General Fund Revenues**
- + **Example 4: Unrestricted Revenues**

## EXAMPLE 1 / ARTS EDUCATION FUNDING

We were interested in the public funding level of a program called Inner-City Arts, an arts education provider in the heart of Skid Row. Children of all ages benefit from the hands-on studio experiences taught by professional artists in a range of subject areas including visual, performing and media arts. While private donations play the predominant role in funding Inner-City Arts, the City of Los Angeles also provides a subsidy to help support these vital programs.

**QUESTION:** Does the City of Los Angeles provide funding assistance in the form of a grant and, if so, how much annually is given to Inner-City Arts?

**RESEARCH:** First refer to the Budget's **Table of Contents** and **Organizational Chart** to determine which department may manage subsidies given to programs like Inner-City Arts. It may take time to identify the departments that might fund arts program. To help with this search, review the budgets or the website, [www.Cityfone.laCity.org](http://www.Cityfone.laCity.org), to find a directory to all of the City departments (DCA). You will find the Department of Cultural Affairs will be a likely candidate for funding an arts program.

**OUTCOME:** To confirm DCA is the appropriate department to further examine, find the Departmental Budget Pages in Section 2, Part II. **Each departmental page will first give a brief description of the department's activities and focus.** An example can be found on page 68 of the Adopted Budget for the Cultural Affairs Department on the following page.

# PART II: FISCAL RESEARCH OVERVIEW AND EXAMPLES

FIGURE 6: AN EXAMPLE OF A DEPARTMENTAL BUDGET: DCA

## CULTURAL AFFAIRS DEPARTMENT SPECIAL APPROPRIATIONS

The Cultural Affairs Department awards funds on an annual basis to organizations and individuals to present artistic productions citywide. These productions encompass all categories of the arts, such as visual arts, performance arts, dance, music, photography, and literary arts. Additionally, the Department produces and supports festivals, fairs and other special events celebrating the City's diverse cultures and traditions.

The following is the detailed list of the Department's Special Appropriations for the fiscal years of 2009 through 2011.

Adopted Budget 2008-09	Adopted Budget 2009-10	Estimated Expenditures 2009-10		Budget Appropriation 2010-11
<b>EXPENDITURES AND APPROPRIATIONS</b>				
<b>SPECIAL I - CULTURAL GRANTS FOR FAMILIES AND YOUTH<sup>1</sup></b>				
\$ --	\$ 139,600	\$ 135,000	A. DANCE CONCERTS AND CLASSES	\$ 125,000
	4,500		Artist Consortium.....	4,500
	3,000		Benita Bike's Dance Art Inc.....	3,000
	8,500		Body Weather Laboratory.....	8,500
	5,500		Collage Dance Theatre.....	5,500

Source: 2010/2011 L.A. City Adopted Budget, Page 68

**THE DEPARTMENT OF CULTURAL AFFAIRS' BUDGET** is itemized by Salaries, Expenses, Equipment, and "Special" expenditures.

The "Special" expenditures section includes expenses that are unique to the Department of Cultural Affairs.

The Special appropriations begin on page 68 in the Adopted Budget and are categorized by program type. Scanning each section provides an overview of the Department's broad reach in the community. Finally we get to H. Variety Arts and Education and find that Inner-City Arts is budgeted to receive \$20,000 in FY 2010-11.

## Categories of Budget Itemization

**SALARIES:** General Salaries are approved by the Council

**EXPENSE:** Ongoing overhead, supplies, and other operating costs that keep the department running. These costs are common to each department and are thus separated for comparison.

**EQUIPMENT:** Furniture, Office, or Technical Equipment purchases for departmental use.

**SPECIAL PROGRAMS:** run by the department or special expenditures that are department specific.

# PART II: FISCAL RESEARCH OVERVIEW AND EXAMPLES

## EXAMPLE 2 / TRAVEL BUDGETS FOR THE MAYOR AND COUNCIL

**QUESTION:** How much does the Mayor’s Office and City Council spend on travel every year? Could these funds be redirected elsewhere?

**RESEARCH:** Referring to the City’s Organizational Chart (on page 15 of the Adopted Budget), On Exhibit A, Summary of Appropriations (on page p.17), we find that the Council and Mayor each have a separate line item, which indicates they have their own respective departmental budgets.

**OUTCOME:** Knowing this information we now go to Section II: Budgetary Departments to look at the Council budget (page 63) and the Mayor’s Budget (p. 108). Beginning with the Council budget page, the description of the departmental budget describes the types of activities funded. A general expense of the Council would include travel to events and meetings.

For fiscal year 2010-11, the budget appropriation for the 15-member Council is \$36,055, which equates to \$2,404 per Councilmember.

Following a similar process with the Mayor’s departmental budget, we find that the Mayor and his staff were allotted \$146,567 for Travel in FY 2010-11.

FIGURE 7: AN EXAMPLE OF A DEPARTMENTAL BUDGET: DCA

### EXHIBIT A SUMMARY OF APPROPRIATIONS

Classified by Object of Expenditure

	Salaries	Expense	Equipment	Special	Total
Aging	3,596,566	133,229	-	-	3,729,795
Animal Services	18,426,500	1,924,143	-	-	20,350,643
Building and Safety	60,248,545	1,968,096	-	-	62,216,641
City Administrative Officer	10,317,715	768,784	-	-	11,086,499
City Attorney	79,481,471	6,415,712	-	-	85,897,183
City Clerk	16,715,044	7,171,163	-	-	23,886,207
Community Development	23,046,991	2,050,195	-	6,000	25,103,186
Controller	12,676,955	1,114,845	30,000	-	13,821,800
Convention Center	13,228,486	6,856,514	-	365,000	20,450,000
Council	19,619,850	1,210,429	-	-	20,830,279
Cultural Affairs	3,350,055	422,539	-	3,936,434	7,709,028
Department on Disability	1,182,865	310,686	-	105,245	1,598,796
El Pueblo de Los Angeles	1,181,400	354,457	-	-	1,535,857
Emergency Management	1,506,816	71,036	-	-	1,577,852
Employee Relations Board	282,325	90,628	-	-	372,953
Environmental Affairs	-	-	-	-	-
Ethics Commission	1,828,532	331,046	-	-	2,159,578
Finance	23,046,108	2,137,019	-	-	25,183,127
Fire	472,737,406	22,271,975	-	-	495,009,381
General Services	105,597,985	108,410,489	1,423,000	3,844,814	219,276,288
Housing Department	43,760,766	7,186,960	-	500,000	51,447,726
Department of Human Services	-	-	-	-	-
Information Technology Agency	42,670,201	18,573,612	142,364	18,782,282	80,168,459
Mayor	7,744,407	16,410,750	-	-	24,155,157
Neighborhood Empowerment	300,545	-	-	-	300,545
Personnel	31,322,155	7,259,385	-	2,430,925	41,012,465
Planning	22,184,627	4,097,242	150,000	-	26,431,869
Police	1,135,166,228	42,317,000	-	-	1,177,483,228
Board of Public Works	7,409,935	8,682,406	-	55,000	16,147,341
Bureau of Contract Administration	27,648,838	1,730,234	-	-	29,379,072

Source: 2010/2011 L.A. City Adopted Budget, Page 17

# PART II: FISCAL RESEARCH OVERVIEW AND EXAMPLES

To answer the second question, the sources of funds of each department's budget must be studied. Both departments are primarily funded by the City's General Fund, which is composed of unrestricted funds. Therefore, these appropriations could be redirected towards other uses. However, as a matter of priority, the amount of money allotted to travel for council members may be considered minimal and we would not likely advocate for a redirection of this funding. However, the \$146,569 in the Mayors' budget may be substantial enough to be a target of a campaign.

In Part III of this curriculum we discuss the budgeting process and highlight the multiple time periods when community members and advocates can make recommendations and/or respond to the drafts of the budget.

## NOTES

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## EXAMPLE 3 / GENERAL FUND REVENUES: TRANSIENT OCCUPANCY TAX

In Example 1, we looked into funding the Department of Cultural Affairs (DCA) provides to programs like Inner-City Arts, an arts education provider in downtown Los Angeles. DCA is able to provide these vital services to the community with the help of various general and special fund revenues. Continuity of these revenues is essential to sustaining arts and cultural development within the community.

**QUESTION:** How is the Department of Cultural Affairs funded? Furthermore, how stable are these funds?

**RESEARCH:** To first find the sources of funds for the Department of Cultural Affairs, begin by referring back to the Departmental Budgetary pages in the adopted budget (Cultural Affairs starts on page 65). For FY 2010-11, all department funds were allocated through the Arts & Cultural Facilities & Services Fund. In prior years, the General Fund and other Special Funds contributed monies directly to DCA. Referring to the Special Fund will provide information on the origination of the FY 2010-11 funds.

**OUTCOME:** Schedule 24 provides an accounting on the Arts and Cultural Facilities and Services Trust Fund. The Special Fund pages provide a brief description of the fund as well as the revenues, appropriations and resulting balances. In the revenues section, FY 2010-11 is projected in the following chart.

# PART II: FISCAL RESEARCH OVERVIEW AND EXAMPLES

FIGURE 8: CATEGORIES OF BUDGET ITEMIZATION

+ CASH BALANCE, JULY 1.....	\$1,391,271
<b>+ LESS:</b>	
Prior Year's Unexpended Appropriations .....	\$710,244
<b>+ BALANCE AVAILABLE, JULY 1 .....</b>	<b>\$681,027</b>
1% Charge City Capital Improvement Projects .....	\$40,000
General Fund .....	\$9,438,000
City Grant Match .....	—
Interest .....	\$20,000
Miscellaneous (includes Prop K Maintenance) .....	\$87,000
<b>+ TOTAL REVENUE .....</b>	<b>\$ 10,266,027</b>

From the fund's description, we know the 1% Charge on City Capital Improvement Projects is dedicated to DCA through the Public Works Improvement Arts Program. This revenue stream, as with Interest and the "Miscellaneous" line item, is not substantial when compared to the overall fund. The General Fund, however, contributes almost 92% of this fund's revenues, so that will be our main focus. According to the description, General Fund monies transferred to this fund are "equivalent to the amount which would be derived from a Transient Occupancy Tax imposed at the rate of up to one percent" (L.A. City Budget & Admin Code Section 5.115.4). General Fund monies are, by definition, unrestricted and can be used for any governmental purpose at the discretion of the Mayor and Council. Transient Occupancy Tax (TOT), also known as a Hotel Tax, is a General Fund source of revenue. TOT is based upon Taxable Hotel Sales within the City

***As a general rule, revenue streams included in the General Fund are unrestricted and can be used for any governmental purpose. See Exhibit B in the Adopted Budget for a listing of which revenues are classified as General Fund.***

and therefore easily affected by fluctuations in the local economy and tourism trade. It makes sense to tie the funding for cultural arts to the tourism. But the arts are also a benefit to Angelenos directly and might deserve a more stable source of augmented funding.

# PART II: FISCAL RESEARCH OVERVIEW AND EXAMPLES

As with other sales and use taxes the City receives, increasing or otherwise influencing receipt of Transient Occupancy Tax funds is generally beyond the reach of many on the ground level, beyond promoting and marketing the City as a great place to travel and spend money. Nevertheless, these funds are relied upon by DCA and other departments as a major funding source. Any declines in revenues would need to be compensated with increases in other revenue sources or cuts to spending.

Determining the amount of funding DCA can anticipate receiving from these same resources will be helpful in projecting future funding for programs and services. The **Revenue Outlook** document prepared by the City's Chief Administrative Officer provides history and trends for each source of revenue. Notes will also give context to outside factors that may affect the amount of revenues received or describe influences on the allocation. Source: 2010/2011 L.A. City Revenue Outlook

The "Revenue Outlook" document is an excellent source for understanding the various types of revenues and what external factors might affect future revenues.

## NOTES

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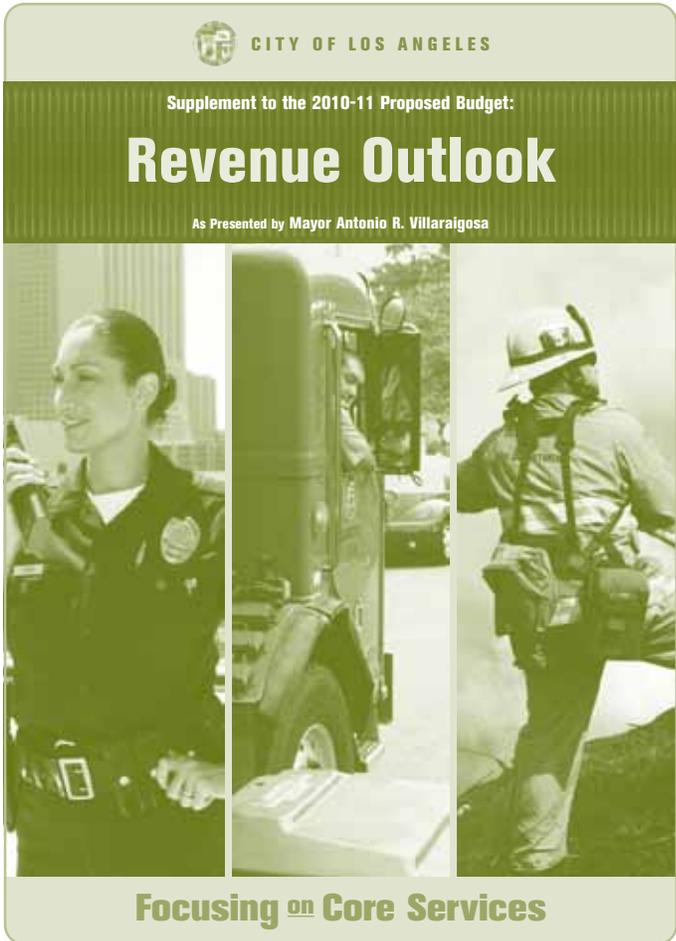
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Source: 2010/2011 L.A. City Revenue Outlook

# PART II: FISCAL RESEARCH OVERVIEW AND EXAMPLES

## EXAMPLE 4 / UNRESTRICTED REVENUES

**QUESTION:** How much of the City's General Fund goes to pay for law enforcement services?

**RESEARCH:** The Budget Glossary's definition of the General Fund states that general receipts, which are not restricted, such as property, sales, and business taxes and various fees, are deposited to the General Fund. However, certain unrestricted revenues in the General Fund can be committed to a specific purpose by a formal action of the City Council, such as an Ordinance or Resolution.

**OUTCOME:** Exhibit D in the budget, Unrestricted Revenues Comparison, provides the amount of Restricted and Unrestricted Funds in the City's Budget.

Several departments receive a portion of these Unrestricted Revenues as categorized in Exhibit E – Departmental Share of Unrestricted Revenues. Police are allocated 52.6% of FY 2010-11 unrestricted funds in the amount of \$1.927 billion. In FY 2009-10, this budget was \$1.828 billion, or 49.9%, of all unrestricted funds.

To determine how and why the L.A. Police Department was provided a larger share of unrestricted funds in FY 2010-11, let's first look at the Police Department's budget on page 122<sup>7</sup>. The Adopted Budget included a 1% overall increase to the Department's budget. This included a 1.3% increase in Personnel costs, an 8% reduction in expenses, and a complete cut to the budget for equipment purchases.

The Sources of Funds section reveals the General Fund will be required to bear the majority of the anticipated increase in expenditures, especially with the loss of some Special Revenue funding. Nearly \$8 million were lost from Special Revenue sources, including from the Supplemental Law Enforcement Services Fund (SLESF), an allocation from the State passed through each County, and the Local Public Safety Fund, which receives an allocation of 1/2 cent of the State's sales tax percentage. Three million dollars from the federal American Reinvestment and Recovery Act (ARRA) helped offset this loss, however, this funding program is not expected to continue in the future.

### Restricted vs. Unrestricted Funds

#### FY 2010-11

**Total General City Budget** ..... \$6,749.2  
*(in millions)*

**Restricted Revenues** ..... \$3,081.3

**UNRESTRICTED REVENUES** ..... \$3,667.9





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## **Part III: The Budgeting Process for the City of Los Angeles**

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# PART III: THE BUDGETING PROCESS FOR THE CITY OF LOS ANGELES

## OVERVIEW OF THE BUDGETING PROCESS

Preparation of the L.A. City budget is a nine-month process that includes the Mayor's office, City Council and every City agency and department. The Mayor is the chief facilitator of the process, gathering information and receiving input from the 15-member Council, departmental staff, Neighborhood Councils and community members.

Advocacy groups and community members have several opportunities to become involved in the budget development process. Groups that engage in the process early and stay involved have a better chance of influencing budgeting. The process has several key dates and opportunities for community members to provide input. This includes the Budget Challenge and Community Budget Days. It is also important to note that one of the key ways for communities to influence the budget is through the input of the Neighborhood Council systems each year.

Neighborhood Councils (NC's) are "City-certified local groups made up of people who live, work, own property or have some other connection to a neighborhood".<sup>8</sup> NC members are either elected or selected by neighborhood stakeholders. Most importantly, the City's Charter states that "each neighborhood council may present to the Mayor and Council an annual list of priorities for the City budget" providing them a direct link in the budget process. To help structure the process, each Neighborhood Council recently began selecting two Budget Advocates each to collaborate on common issues of concern and to collectively present the priorities of Neighborhood Councils to the Mayor. One caveat regarding membership on Neighborhood Councils is that people with greater resources are more likely to become members. Therefore Neighborhood Councils are thought to have a bias towards homeowners, business owners and

people with special interests. In communities that are socially and economically diverse, the interests of low income and transient community members have not always been adequately represented to the Mayor and City Council via the Neighborhood Council system. Therefore, advocates should be alert to the types of influences the Neighborhood Councils will have on their campaign and respond accordingly.

*The City Charter is a foundational document that defines Los Angeles as a municipal corporation that is self-governing and under the laws of the state. Charter documents also outline the policies of how the City will be governed.*

## DETAILS OF THE BUDGETING PROCESS

The following section provides a discussion of the full budgeting process. The initial chart provides the summary. In the chart, the **gold text** indicates opportunities for community input into the budget. The **blue text** indicates the key publications that are created or referred to during each stage of the process. The chart is followed by the full description of each state of the budgeting process.

# PART III: THE BUDGETING PROCESS FOR THE CITY OF LOS ANGELES

FIGURE 10: THE BUDGET PROCESS

## OCTOBER

- Mayor's Policy Letter Released to Departments
- **Mayor's Community Budget Day**

## NOVEMBER

- Mayor's begins Budget Kick-off Meetings with Departments

## DECEMBER

- Mayor's Budget Kick-off Meetings with Departments conclude
- Department Proposed Budgets Due to Mayor's Office

## JANUARY

- Mayor meets with Council-members on Budget Priorities
- **Mayor's Budget Challenge Survey Released; Community Input Sought**

## FEBRUARY

- Controller releases revenue estimates
- Mayor holds second Budget meetings with Departments
- Budget Challenge Results tabulated

## MARCH

- Budget Survey Results released
- **Mayor's Regional Budget Day**
- **NC Budget Advocates meet with Mayor**

## APRIL

- **Mayor's Proposed Budget, Blue Books & Revenue Outlook** are released on or before April 20th
- **Budget & Finance Committee begins holding Budget Hearings on Mayor's Proposed Budget**

## MAY

- B & F Committee submits Report on Proposed Budget and recommended modifications to Council after Budget Hearings conclude
- **Council Reviews Budget & Finance Committee Report and holds Public Hearing on recommended changes**
- Mayor Approval or Veto of modifications

## JUNE

- Council either overrides Mayor's Veto of changes or approves the **Adopted Budget** with the changes the Council and Mayor agreed upon
- City Clerk certifies the Budget Resolution adopted by the Council and adds to Public Records
- City Attorney prepares any necessary ordinances required to implement new or modified programs or services

# PART III: THE BUDGETING PROCESS FOR THE CITY OF LOS ANGELES

## OCTOBER

The process starts in October of every year with the **Mayor's** Budget Policy Letter that is dispersed to all City departments outlining the Mayor's goals for the upcoming year. This budget document sets the stage for the City's various departments to begin designing their budgets to meet the City's goals and priorities.

Also in October, the Mayor's office sponsors a Community Budget Day. **Community Budget Day** promotes civic engagement in the budget process and is designed to supply information about the current state of the budget as well as facilitate open communication between the Mayor's Office, Council, City staff and interested community members. A fiscal outlook is presented to provide a foundation for developing the next year's budget. Many of the people who attend this day are Neighborhood Council members; however, the day is open to the general public. Advocacy groups who attend and participate in **Community Budget Day** will be among the first to know of upcoming challenges to the next year's budget, such as lower than anticipated revenues or an impending deficit.

## OCTOBER – DECEMBER

Upon the release of the Budget Policy letter, City departments begin preparing their proposed budgets that are then due to the Office of the Mayor and Chief Administrative Officer (CAO) by mid-December. The CAO serves as the chief financial advisor to the Mayor and City Council and assists in the preparation of the City budget by planning and directing the administration of the budget, conducting research and investigations, and making recommendations to the Mayor and Council on City management and budget issues. Neighborhood Council Budget Advocates meet with the Mayor between October and January, as well as

provide input in others ways. For example, NC Budget Advocates released a white paper on March 23rd 2011 that outlined their suggestions for budget changes.

## JANUARY – FEBRUARY

In January, the Mayor meets with Council members to receive their input on funding priorities. Around this same time, the Mayor begins soliciting input from the broader community with the annual budget survey, now known as the "Los Angeles Budget Challenge".<sup>9</sup> Recent topics of the survey included Police and Fire Department funding, pension reform, and compensation and benefits of elected officials and employees. Results of the survey are tabulated at the end of February and assist the Mayor and Council to better understand the priorities of community members.

## FEBRUARY – MARCH

The Controller releases revenue estimates in late February or early March to assist in the preparation of the budget. This document describes the analysis conducted to identify the expected funds coming into the City and compares this against the anticipated amounts to be spent by the City. The Controller also provides an update on the current year's receipts and comments on trends in each major revenue stream. This document can give a good sense of how policy changes impact the budget of the City. For instance, in the FY 2011-12 Revenue Estimate, the Controller predicts a sharp decline in revenue from the FY 2010-11 Budget because a hotly contested measure to create a public/private partnership for the City's parking structures was not ratified by the act.<sup>10</sup> In addition to this loss of this \$53.2 million, reduced taxes and fines also contributed to the total \$119.2 million shortfall from the estimated revenue in the Adopted Budget.

# PART III: THE BUDGETING PROCESS FOR THE CITY OF LOS ANGELES

The Controller, elected by popular vote every four years, is the chief auditor and accounting officer of the City. The Controller conducts research and provides reports on the financial condition of the City, makes recommendations on the budget and other financial matters, and works with internal staff and external auditors to ensure compliance with all laws and regulations.

Statistics from the L.A. Budget Challenge are presented in March at the **Mayor's Regional Budget Day**, which is a key opportunity for community representatives to join in budget conversations. Regional Budget Day facilitates budget discussions with the goal of further developing the community's top priorities. Neighborhood Council Budget Advocates also meet with the Mayor in March to present their priorities for the upcoming fiscal year. The Mayor then works to balance these priorities with his own agenda, the goals of the City Council, and the constraints of limited City revenues.

## APRIL

The Mayor presents a **proposed budget** in April and the Budget and Finance Committee of the City Council begins its deliberations on the Mayor's budget proposal. These special **public hearings of the Budget and Finance Committee** take place over several days, giving each department manager a chance to present their respective budgets (videocast of the hearings can be found at <http://councilcommittee.laCity.org/budget/committeemeetingswebcast.html>). The CAO is heavily involved in the presentations as well. At the close of each session, the public comment time allows for anyone to voice their opinion on the matters presented. This is an important opportunity for community advocates to be seen and heard during the budgeting process. However, it is important to note that these hearings often last for several full days with each day having multiple budget items to be discussed. For instance, the 2011 Budget Hearings

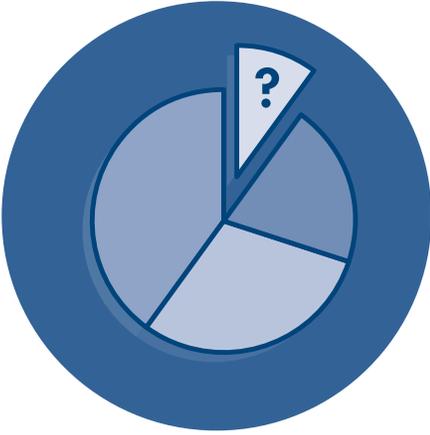
included nine hearings over a two week period and went for as long as 13 hours on a single day. This time frame makes it difficult for community members to engage fully in the hearings so it is important to review the agenda's in advance, and be prepared to spend an entire day in order to give testimony. As with all other public meetings, the agenda for these budgetary meetings can be found on the City Council's website at: <http://councilcommittee.laCity.org/budget/budget&financecommitteeagendas.html>.

Upon the conclusion of the Budget and Finance Committee hearings, the Committee submits a report to the general Council, summarizing the hearings and offering the Committee's recommendations for modifications to the Mayor's Proposed Budget. The Council reviews this report and subsequently holds an additional **public hearing on the budget** in May. The general public is again invited to voice their opinions and concerns during this special meeting through public comment. Once all deliberations have concluded, the Council presents its recommended modifications to the Mayor, who then has the authority to veto the Council's changes or approve the modified Budget. If the Mayor vetoes the changes, the Council has the opportunity to override his veto with a two-thirds majority vote.

Once the Mayor and Council conclude their deliberations, the finalized version is formally adopted by the approval of the Budget Resolution. The **Adopted Budget** is certified by the City Clerk and becomes part of the City record of all public documents.

One additional note: There is sometimes an additional opportunity in November when the current budget goes through an adjustment process based on actual revenue and actual spending to impact the reallocation process.





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## **PART IV: Budget Analysis for 2010/2011**

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# PART IV: BUDGET ANALYSIS FOR 2010/2011

## THE 2010/2011 BUDGET

Applying what we now know about the budget process, the following is an analysis of the FY 2010-11 Adopted Budget for the City of Los Angeles. This analysis is being included as an example of how revenue sources and community priorities are considered during the budget process and the outcomes that result from these priorities. Although this analysis is specific to the City of Los Angeles, the same principles can be applied when researching other City budgets. By looking at the current political environment, revenue sources, and funding priorities, we can gain a better understanding of the types of issues that determine how public funds are spent.

The City of Los Angeles faced a devastating \$492.4 million budget deficit in FY 2010-11. The Mayor's Proposed Budget closed this gap using both one-time solutions, such as assumed revenue from the proposed sale of parking assets and a freeze on General Fund spending for capital projects, and ongoing solutions in the form of personnel reductions and operational cost savings. The Mayor's plan to create public-private partnerships to manage many of the City's parking structures was met with skepticism by many who did not believe this one time injection of revenue would result in the needed long-term solutions to solve the City's cash shortage problem. The City Council failed to ratify the measure, and the plan to seek private funding for the structures did not come to fruition. Although a one-time sale of assets may have provided revenue in the short-term, the City of Los Angeles has structural deficit problems characterized by too little in revenue and too much in expenditures.

The Mayor also proposed freezing spending on Capital Improvement projects included in the General Fund budget. When the budget was adopted, the Council agreed to defer 1% of the Capital Improvement Expenditures paid for by the General Fund. Capital projects paid for with special revenues, such as Gas Tax or grant monies, were allowed to proceed.

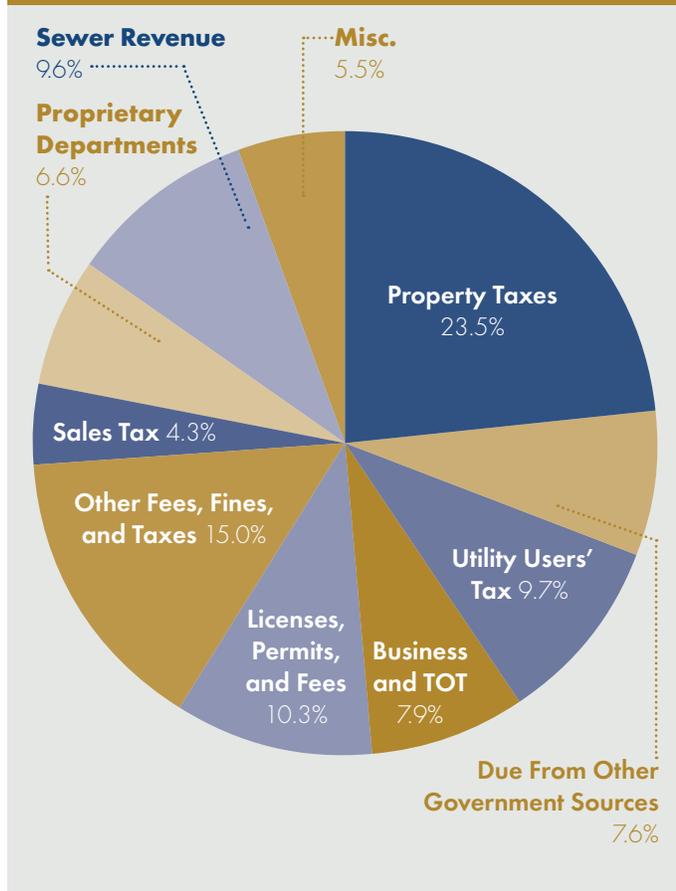
Permanent reductions to departmental budgets were used to begin closing the budget gap. City employees were forced to take furlough days off to reduce salary costs. Over 3,300 positions (all paid for out of the General Fund) were eliminated, saving salary, pension, and benefits costs for the City. Consequently, City services were then cut due to staff shortages. For example, after having to lay off over 100 employees, the City's library system was forced to reduce services and open only five days a week instead of six.

In combination with spending reductions, adjustments to revenues were also made to 'balance' the budget. From the time the first revenue estimates were released to May, when the Budget was adopted, changes in the general economy allowed for more optimistic projections of revenue from taxes and fees. These revenue estimates were revised based on stabilizing property values, increasing employment and consumer spending, and a recovering hospitality and tourism industry. These new assumptions resulted in greater than originally expected property tax, sales tax, business and hotel tax, parking fees and other licenses, permits, and fees. However, a transfer from the City's Reserve Fund was still required to cover these appropriations and meet all of the City's financial obligations.

Anticipated revenues in FY 2010-11 totaled \$6.75 billion. Most revenue sources are significantly affected by factors in the local economy. Taxes and fees may fluctuate soon after major changes in the economy or lag several months or even years, depending on the nature of the tax. For example, with many homes in foreclosure, it is likely that property tax revenues will be lower this year and in the near future. Likewise, when unemployment is high, people have less money to spend, which results in declines to sales tax revenues and hotel occupancy tax revenues.

# PART IV: BUDGET ANALYSIS FOR 2010/2011

FIGURE 11: FY 2010-11 BUDGET TOTAL REVENUES



Of the City's total revenues, 64.8% are considered General Fund, and thus can be used for any governmental purpose at the discretion of the City Council and Mayor. However, some General Fund revenues, such as grants, may be restricted for an intended purpose. Additionally, the City Council has the authority to restrict "general" funds for specific purposes. This could be an interesting opportunity to advocate for restricting some general funds that support your work, or keeping the funds from getting restricted to purposes that are detrimental to your work.

The key revenue sources that make up the majority of the City's General Fund are taxes. Some are paid directly to the City, like the Business Tax, but others are passed through the County or State, such as Property Tax or Sales Tax, respectively. It should also be noted that taxes and fees require voter approval in addition to support from the Mayor and Council. As a result of Proposition 13, which voters passed in 1978, local governments need approval by a two-thirds majority to pass special tax increases. Special Taxes are those designated for a specific purpose, unlike general taxes which could be used for any governmental purpose. In 2010, voters approved Proposition 26, which imposed the same two-thirds majority vote requirement for 'fees' and 'service charges' imposed by local governments.

# PART IV: BUDGET ANALYSIS FOR 2010/2011

## A BRIEF SYNOPSIS OF THE CITY'S PRIMARY UNRESTRICTED REVENUE SOURCES

### PROPERTY TAX / \$1.4 BILLION

Tax is levied on secured (as in secured to land or other real property, for example Commercial and Residential buildings) and unsecured (Business fixtures, Aircraft, Boats, etc.) taxable property within the City. The City receives 1% of the valuation as of January 1st of each year. Since property taxes are directly related to real estate markets, these revenues saw significant declines during the last recession. It will likely take years for the City's Property Tax base to return to pre-recession levels.

The City also collects an additional Levy for Bond Redemption and Interest (see Appendix E for brief Description of Bonds). The City collects this levy, or tax, for the repayment of principle and interest on the General Obligation (GO) bonds the City has issued. These funds are restricted solely for the repayment of the bonds (Schedule 36 in Section 3 of the City Budget lists the GO Bonds the City is currently paying principal and interest on). In FY 2010-11, the anticipated additional property tax collected by this Levy is \$174,545,768. These funds are restricted to the purpose of repaying principal and interest on bonds the City has issued.

### BUSINESS TAX / \$411.9 MILLION

Any business located within the City is required to pay the Business Tax for the privilege of doing business within the City. The tax is collected directly by the City and is based on the type of business and gross receipts for sales or services.

### UTILITY USERS' TAX / \$654.6 MILLION

These taxes are attributed to Electric, Gas, and Communication services. Users of these services pay the tax as a component of their utility bill, and the utility company then pays the City.

### SALES TAX / \$289.4 MILLION

One percent of the Sales Tax (currently at 9.75%) charged on purchases made within Los Angeles County goes to the City's General Fund. Sales Taxes are also highly sensitive to fluctuations in the economy and are slow to rebound after recessionary periods due to the lag involved in the County collecting and remitting sales tax monies to the City.

### DOCUMENTARY TAX (PROPERTY TRANSFER) / \$111 MILLION

The Documentary Tax is also known as a Property Transfer tax and results when a property within the City changes owners. The premise of the tax is that there are certain costs associated with the County and City updating its records.

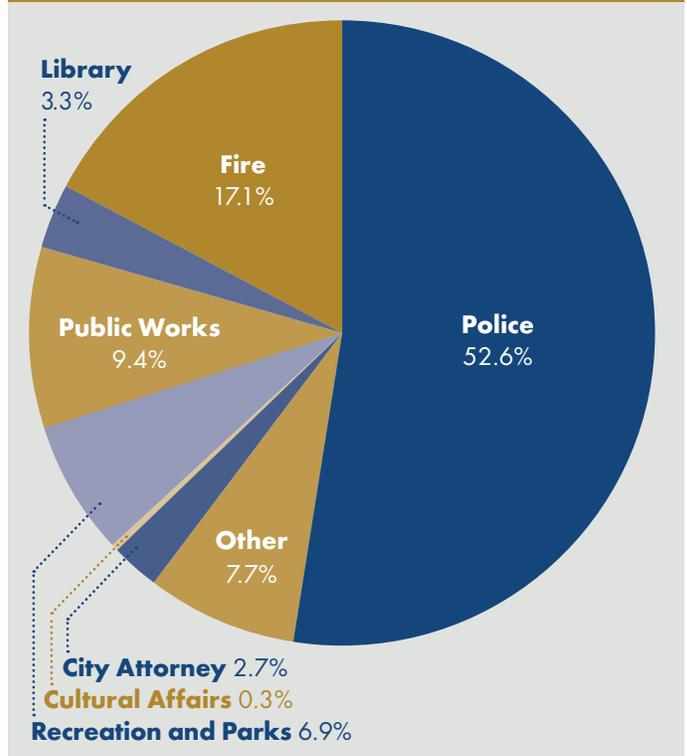
# PART IV: BUDGET ANALYSIS FOR 2010/2011

## TRANSIENT OCCUPANCY TAX (HOTEL TAX) / \$122.7 MILLION

The Hotel Tax is charged as a percentage of the room rate. Hotels often pass this charge on directly to customers.

All of these funds are pooled together to fund the appropriations decided upon during the budget process. To identify the amount of revenue sources that are restricted to certain purposes, Exhibit D - Unrestricted Revenues Comparison in the Adopted Budget provides a comparison of the amount of funds restricted and unrestricted. Exhibit E - Departmental Share of Unrestricted Revenues then gives further details on which departments receive the unrestricted funds and at what amount. The following figure provides the breakdown of how the City's Unrestricted Revenues are allocated by department.

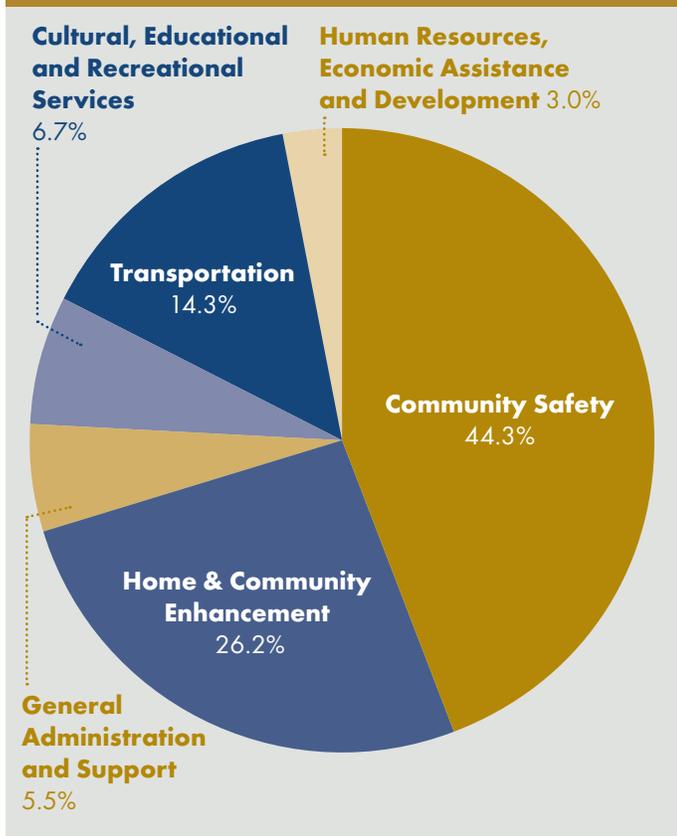
FIGURE 12: FY 2010-11 DEPARTMENTAL SHARE OF UNRESTRICTED REVENUES



# PART IV: BUDGET ANALYSIS FOR 2010/2011

Determined by the Budget Process described in Section III, the following chart provides the City's Budgeted Expenditures in FY 2010-11 by function. Influencing these expenditures is only possible through active participation in the budget process.

**FIGURE 13: FY 2010-11 ADOPTED BUDGET EXPENDITURES**



## COMMUNITY SAFETY / \$2.99 BILLION

Almost half of the City's Total Budget goes to Community Safety expenses every year. These expenditures support Police and Fire Services, including salary, benefits, operating expenses, overhead, and equipment.

## HOME AND COMMUNITY ENVIRONMENT / \$1.77 BILLION

The budget for Home and Community Environment goes to fund sewage collection, treatment and disposal, solid waste collection and disposal, planning and building enforcement, blight identification and elimination, and street sweeping and parkway maintenance. Many of these operations are funded by the fees collected for these services.

## TRANSPORTATION / \$965 MILLION

The transportation budget appropriation is used to fund Traffic Control, streets and highways maintenance, and parking management operations. The Transportation Department serves as a liaison to other government agencies on transportation matters. Operations overseen by the City include determining community parking and traffic flow needs, providing for the installation and maintenance of traffic signs, signals, parking meters, and street name signs, enforcing parking rules and regulations, overseeing crossing guard services, regulating the rates and services of taxicabs, ambulances and sightseeing vehicles, and issuing permits to drivers of public transportation vehicles.

# PART IV: BUDGET ANALYSIS FOR 2010/2011

## **CULTURAL, EDUCATIONAL AND RECREATIONAL SERVICES / \$533 MILLION**

Cultural, Educational and Recreational Services include many programs throughout the City that provide arts, cultural, recreation, and educational opportunities. These services include the Recreation and Parks Department, Arts and Cultural Affairs Department, the City Zoo and public libraries. Programs include educational opportunities, such as after-school programs and recreation classes as well as community events like outdoor festivals and parades. Many of these services, including the Zoo, Library system, and recreation classes, are supported by fees in addition to General Fund appropriations.

## **GENERAL ADMINISTRATION AND SUPPORT / \$371 MILLION**

General Administration and Support includes City departments necessary for the government to function. Operations are funded for administrative, legal, personnel and financial services. Additionally, costs for the executive and legislative branches are included in this category.

## **HUMAN RESOURCES, ECONOMIC ASSISTANCE AND DEVELOPMENT / \$202 MILLION**

Human Resources, Economic Assistance and Development include other support services provided by the City. Some of these operations go to promoting the City as a great place to work, start a business, or raise a family. Cities often 'market' themselves in this way to bring jobs, housing, and business opportunities to the area, all with the goal of enhancing the quality of life for its citizens.





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## **PART V: Case Example – KIWA’s Campaign to Build a Public Park**

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# PART V: CASE EXAMPLE – KIWA’S CAMPAIGN TO BUILD A PUBLIC PARK

This section provides a detailed example of how Advancement Project provided fiscal research to the Koreatown Immigrant Workers Alliance advocacy campaign to build a park in L.A.’s Koreatown. In early 2009, the Koreatown Immigrant Workers Alliance (KIWA) surveyed community members and learned that one of their top concerns was the lack of parks and green space in the Koreatown neighborhood. Though developing parks was not something KIWA had previously been involved in, they were well aware that there was an urgent

need for parks and green space in the neighborhood. Koreatown is approximately three square miles and has a population of around 150,000, making it one of the most densely populated neighborhoods in the United States. Figure 14 below shows the dearth of green space in Koreatown.

Several months after KIWA conducted its community survey, the state announced a grant program as part of Proposition 84, which was passed by state voters in

FIGURE 14: ILLUSTRATION OF THE LIMITED GREEN SPACE IN KOREATOWN

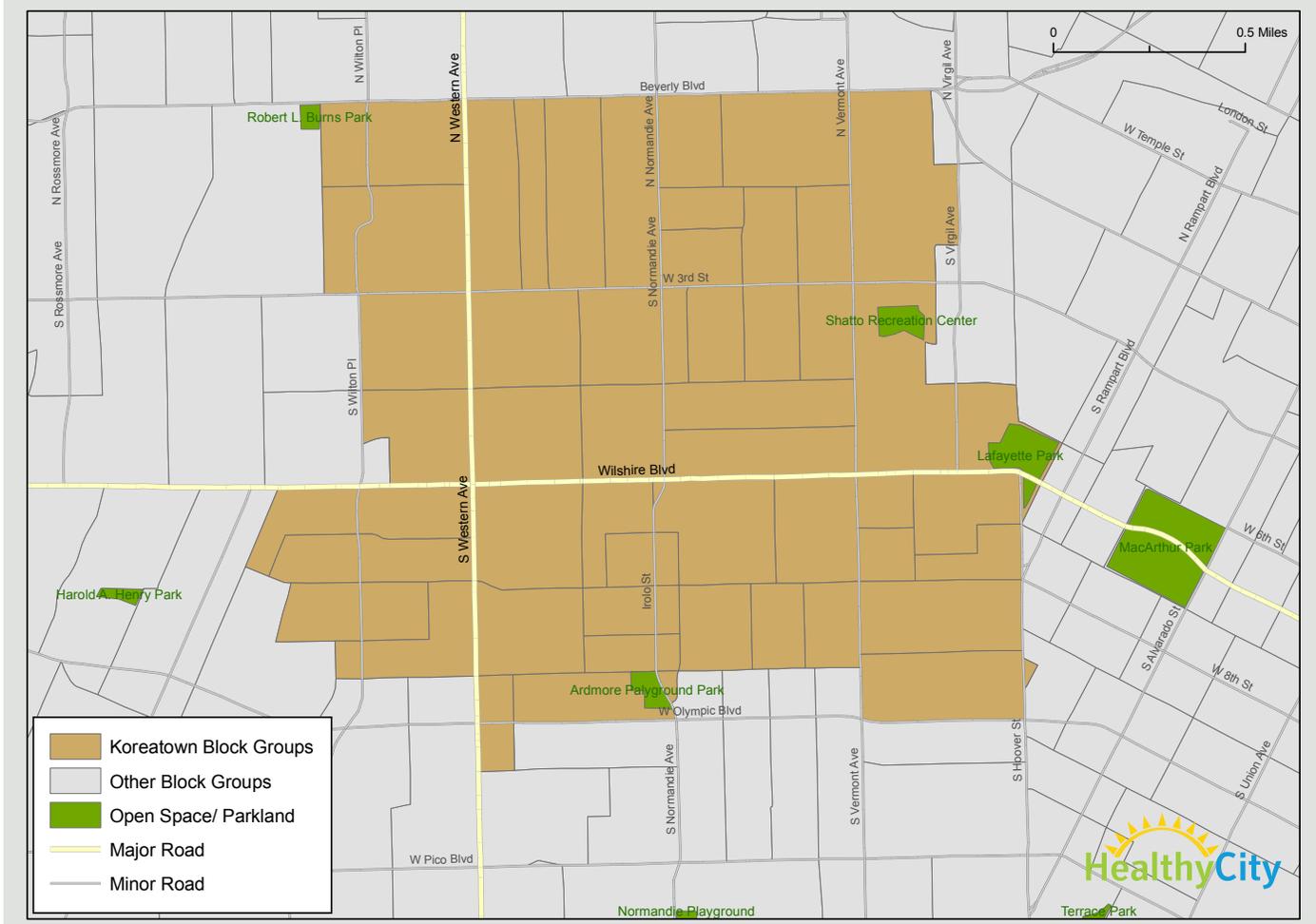


Figure 14. Little green space in densely populated Koreatown Source: Healthy City, Advancement Project, 2010

# PART V: CASE EXAMPLE – KIWA’S CAMPAIGN TO BUILD A PUBLIC PARK

*Our goal is to build a narrative that explains the context within which the financial information exists. In other words, we strive to provide meaning to the numbers found on various financial documents.*

November 2006. The state would grant communities up to \$5 million for the development of a new or existing park. With KIWA’s active support, the Wilshire Center/Koreatown Project Area of the Community Redevelopment Agency of Los Angeles prepared an application to the state, which was approved in November 2010 for \$5 Million.

While KIWA and the CRA/L.A. were waiting on the state’s response, KIWA continued to engage with their community members to advocate for the park’s development regardless of whether the state grant was awarded. In order to ensure this campaign could withstand the political challenges inherent in land use and development in the heart of the City, KIWA had to step up its efforts to create an airtight case in support of the park’s development.

## USING PUBLIC FINANCE INFORMATION

KIWA needed to investigate what funds were available for developing public parks in Los Angeles. Thus, in August 2010, KIWA began working with the Equity in Public Funds program at Advancement Project to understand how public parks are financed in Los Angeles and how much money is available for parks in the Koreatown/Mid-Wilshire neighborhood. This section provides a step-by-step illustration of how Equity in Public Funds gathered and shared information with KIWA to help strengthen their advocacy campaign.

## STEP 1 / IDENTIFYING YOUR RESEARCH QUESTIONS

Research projects start with at least one question. KIWA had two main questions. Their first focused on the big-picture: “How are public parks financed in the City of Los Angeles?” Their second question was a bit more specific, “How much funding is available for developing a public park in Koreatown?”

## STEP 2 / UNPACKING YOUR QUESTIONS

Broader research questions can often be unpacked to identify a group of discrete questions that can be more easily researched. So, KIWA’s big-picture question, “How are public parks financed in the City of Los Angeles?” was broken down to more specific questions. We identified the following questions to pursue:

1. **What City agencies are involved in financing and developing public parks in Los Angeles?**
2. **What funding streams are used to finance public parks in Los Angeles?**
3. **How are funds for developing parks allocated throughout the City?**
4. **What is the decision-making process for approving the development of a new public park in the City?**

KIWA’s second question, “How much funding is available for developing a public park in Koreatown?” is more specific than their first question, but still requires some unpacking:

5. **What public parks currently exist in the Koreatown/Mid-Wilshire neighborhood and where are they located?**
6. **How are those parks funded and can those funds be used to fund a new public park in Koreatown?**

# PART V: CASE EXAMPLE – KIWA'S CAMPAIGN TO BUILD A PUBLIC PARK

## STEP 3 / ANSWERING YOUR QUESTIONS, PART 1 – GATHERING INFORMATION: START WITH WHAT YOU KNOW

Generally, answering public finance questions involve much more research than looking at a budget or other financial documents. Our goal is to build a narrative that explains the context within which the financial information exists. In other words, we strive to provide meaning to the numbers found on various financial documents.

To answer the questions, we started with what we knew about public financing of public parks in Los Angeles. We knew that the following agencies are involved: 1) Department of Recreation and Parks (RAP); 2) Community Development Department (CDD); 3) Community Redevelopment Agency of L.A. (CRA/L.A.) and 4) Department of City Planning (DCP). We were also initially aware of the following three funding streams:

- 1. PROPOSITION 84 – The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006.** These funds provide a time-limited source of financing for various natural resource projects including the development of public parks throughout the state.
- 2. THE QUIMBY ACT –** In 1965, California passed the “Quimby Act” (§66477) which authorized cities and counties “to pass ordinances requiring that developers set aside land, donate conservation easements, or pay fees for park improvements.” Quimby Funds can be used “to acquire new parkland or fund capital improvements at existing recreational and park facilities which will serve residents of the new development. City and State law do not allow for Quimby funds to be used to

offset staff operation and maintenance costs, to purchase materials and supplies, or to replace equipment.”

- 3. COMMUNITY REDEVELOPMENT AGENCY – CRA/L.A. is overseen by a seven member Board of Commissioners and after a 1991 local ordinance, every action of the CRA is subject to City Council approval. Funding for CRA projects comes primarily from “tax increments” – these are funds obtained as a result of increases in the assessed value of properties in the project area. The CRA/L.A. has 31 project areas including Wilshire Center / Koreatown.**

We started by working with HealthyCity.org to develop a map that showed the location of green space in Koreatown (Figure 14 above). As the map shows, there are only two small parks that are completely within Koreatown’s boundaries – Shatto Recreation Center and Ardmore Playground Park. Two other parks border Koreatown – Lafayette Park and the Robert L. Burns Park. What we did not know was how the parks were funded, so we dug deeper. We knew there were other sources out there and we thought the best way to identify those sources was to obtain copies of budgets for park projects. We contacted the Department of Recreation and Parks (RAP) and inquired about getting park budgets. We were referred to the Bureau of Engineering and were able to obtain some park budgets

- + Department of Public Works (DPW) – mostly handles sidewalk, street and trash services, which includes graffiti removal and community beautification.
- + Department of Cultural Affairs (DCA) – as part of their purview, DCA manages public facilities and also partners with privately owned venues to hold public or quasi-public events.

# PART V: CASE EXAMPLE – KIWA’S CAMPAIGN TO BUILD A PUBLIC PARK

With additional research we found that the main agencies involved in financing and developing public parks are the ones we initially thought of (listed above). As fund allocations are inherently a decision-making process, and we found that funds for park development are allocated differently depending on the funding source. Some funds are allocated on a competitive basis and others are distributed by Council district. Some agencies, like the Community Redevelopment Agency, develop annual or multi-year plans that identify park projects – either new projects or maintenance of existing parks. There are many variables that come into play to determine how public funds are allocated for park projects. Because of this, it is important for community advocates to be involved in the planning processes of the major park development and financing agencies.

## STEP 4 / SUMMARIZING YOUR FINDINGS

Through our research, we were able to answer all of KIWA’s questions. We can summarize the key points of our research through the following list:

### ESTABLISH NEED:

- + **Community members have repeatedly stated a strong desire for a public park in Koreatown.**
- + **Using spatial analysis through HealthyCity.org, it is clear to see that the Koreatown neighborhood is “park poor.” There is scant green space for the 150,000 residents.**

### IDENTIFY FUNDS AND SECURE PARTNERSHIPS:

- + **The CRA/L.A. estimated that the cost to acquire the land and develop the park would be around \$7 million to \$10 million. This cost could be covered by combining available funds through both the CRA/L.A. and RAP.**

**Their plans and budgets affirm that both agencies have enough available funding for the park projects. An important step for community advocates to bring CRA/L.A. and RAP leadership on board with the park project and serve as an advocate for the project and the community is for KIWA and their community members to develop relationships with CRA/L.A. and RAP leadership and staff. KIWA had already developed a relationship with the CRA/L.A. by submitting a joint proposal to the state.**

- + **We also learned that additional funds can be sought. If the state had not come through with the grant award, KIWA and its community members have other options to explore. Other local, state and federal funds could be tapped.**

### USE THE FINDINGS TO DEVELOP A FACT SHEET

- + **The summary can be used to develop a fact sheet to share with public officials and agency staff, community members, elected officials and the media. As more people become aware that KIWA and their members had done their homework and found available funds, it would become more difficult for the City to disregard their efforts.**

# PART V: CASE EXAMPLE – KIWA’S CAMPAIGN TO BUILD A PUBLIC PARK

## CONCLUSION

KIWA had many components to a successful campaign already in place: community participation and advocacy, a partnership with the CRA/L.A., and a critical source of dedicated funding from the state Proposition 84 funds. Through additional public finance research, we established that funding is available for the new park and helped strengthen the community’s campaign. KIWA and their community members were successful in making their case for a public park. In June 2011, the City Council approved the purchase of an empty lot at 3670 Wilshire Boulevard for the development of the park.



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## **PART VI: Conclusion**

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# CONCLUSION

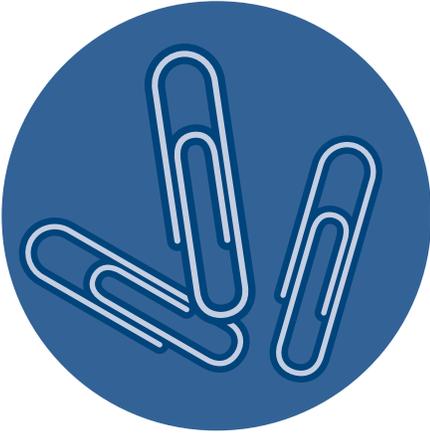
In this curriculum, the City of Los Angeles was used as a case study. We employed its 2010/2011 Adopted Budget as a foundation to learn about the relevancy of fiscal analysis in advocacy. Specifically, this curriculum is designed to provide advocates with several explicit lessons. These lessons include: 1) how to read a City budget, 2) where to find the information that is not included in the budget, 3) how to research the budget, and 4) when and how to influence the City budget.

Beyond these lessons, we expect that the budget curriculum provides a foundation and template for understanding other public budgets and how communities and advocates can influence them. In particular there are some factors that are common to most budgets:

- 1. The structure of public budget documents is similar across cities and counties nationally (and in Canada). The sections of the budgets are typically labeled the same and include tables that provide similar types of information. Appendix E is an outline of a common structure for public budgets.**
- 2. All cities have opportunities for public engagement in the budgeting process. Often this takes the form of a public hearing or budget workshop with the City council. There may be other ways in which public input is made. For instance, specific to the City of Los Angeles are the Neighborhood Council's meeting with the Mayor and the Mayor's Budget Challenge. The City of Claremont has an online survey of open ended questions that query the public about their spending priorities.**
- 3. Public budgets have to be adopted in public meetings and allow for public comment. These could be part of regular City Council meetings or in special public hearings.**
- 4. Public budgets must be published and available to the public. How this is done varies by city, but adopted budgets are typically available at City Hall, public libraries and/or online. In Los Angeles the budgets for several years are available online, however in Compton it must be acquired in hard-copy.**



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2. Jeff Gottlieb, <http://articles.latimes.com/2010/jul/23/local/la-me-0723-bell-charter-20100723> (July 2010).
3. R. Jablon & J. Rogers, [http://www.huffingtonpost.com/2010/09/22/bell-corruption-8-City-of\\_n\\_734860.html](http://www.huffingtonpost.com/2010/09/22/bell-corruption-8-City-of_n_734860.html) (September, 2010).
4. *ibid*
5. Corina Knoll, <http://latimesblogs.latimes.com/lanow/2011/02/bell-8-City-clerk-testifies-she-was-only-following-orders-in-giving-out-false-salary-information.html> (February 2011).
6. Phil Willon and Maeve Reston at Los Angeles City Hall. L.A. controller warns that City could exhaust general fund next month [Updated]. Los Angeles Times, April 5, 2010. <http://latimesblogs.latimes.com/lanow/2010/04/la-could-run-out-of-cash-by-may-10-controller-warns.html>
7. FY 2010-11 L.A. City Budget. Page 122.
8. <http://done.laCity.org/dnn/Default.aspx?tabid=97>
9. [http://labudgetchallenge.laCity.org/budgetchallenge/sim/budget\\_master.html](http://labudgetchallenge.laCity.org/budgetchallenge/sim/budget_master.html)
10. FY 11-12 Controller's Revenue Report. Page 3.
11. See: <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=gov&group=66001-67000&file=66475-66478>
12. Laura Westrup, 2002. "Quimby Act 101: An Abbreviated Overview". California State Parks, Planning Division.
13. City of Los Angeles Department of Recreation and Parks, 2010. <http://www.laparks.org/planning/quimby.htm>



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# Appendices

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# APPENDIX A: BUDGET ADVOCACY WORKSHEET

## What are your fiscal questions?

1. What is your current campaign?
2. How are public finances related to this campaign?
3. What data do you need to better understand and promote your campaign?
4. What are your fiscal research questions?
5. Where will you begin to look for this information?

### ANALYSIS

6. Identify the places in the budget and other documents that relate to your campaign.
  - a. What are the revenue sources?
  - b. On what is the funding being spent? What programs, where in the City?
7. How much is being spent on your issue or within your community(ies)?
  - a. Is enough of the budget going towards your issues?
  - b. Is this money being spent in ways that are equitable across the City?
  - c. Is the money being spent in ways that best support the people most in need?
8. Is the funding in general funds or restricted funds? How much leeway do you have to change the target of the funding?
9. Who has the power to respond to your proposal?
10. What are the most strategic moments in the process to have your voices heard?

### FINDINGS

11. What did you find? Should the budget be changed to better support your campaign?
12. Are there things that need to change about how these assets are distributed or utilized?
13. If so, at what point and with whom will you advocate for these changes?

### HOW WILL THIS IMPACT YOUR CAMPAIGN?

14. What impact do you expect the fiscal changes to eventually have on your community?
15. How much time will it take to organize to obtain this change? What percentage of your time will it take?
16. Who will be your allies in this campaign?
17. Who will be your opponents?
18. What will be the cost and benefits to you, your organization and community to engage in this work?
19. How will this impact other campaigns you are currently working on?

# APPENDIX B: LINKS TO WEBSITES RELATED TO BUDGETS

## LINKS TO CITY OF LOS ANGELES WEBSITES

### **CITY BUDGET DOCUMENTS:**

<http://mayor.laCity.org/Issues/BalancedBudget/BudgetArchive/index.htm>

### **DIRECTORY OF CITY DEPARTMENTS:**

[www.Cityfone.laCity.org](http://www.Cityfone.laCity.org)

### **CHIEF ADMINISTRATIVE OFFICE:**

<http://www.ci.la.ca.us/cao/caoorg.htm>

### **CITY CONTROLLER'S OFFICE:**

[http://controller.laCity.org/City\\_Fiscal\\_Reports/index.htm](http://controller.laCity.org/City_Fiscal_Reports/index.htm)

### **NEIGHBORHOOD COUNCILS – EMPOWERLA:**

<http://done.laCity.org/>

### **CITY BUDGET AND FINANCE COMMITTEE:**

<http://councilcommittee.lacity.org/budget/>

## LINKS TO OTHER SITES RELATED TO THE BUDGET

### **EQUITY IN PUBLIC FUNDS AT ADVANCEMENT PROJECT:**

<http://www.advancementprojectca.org/index.php?q=/c/what/sc/pf>

### **BUDGET L.A.:**

<http://budgetla.org/>

### **SUMMARY OF THE CALIFORNIA PUBLIC RECORDS ACT:**

[http://www.ag.ca.gov/publications/summary\\_public\\_records\\_act.pdf](http://www.ag.ca.gov/publications/summary_public_records_act.pdf)

# APPENDIX C: DEBT FINANCING AND MUNICIPAL BONDS

## DEBT FINANCING

Government agencies can issue debt to finance capital projects and alleviate pressure from certain cash flow needs. There are several different ways to structure the sale, or issue, of municipal bonds. By issuing bonds, a government agency is promising to repay the money it is borrowing (the principal) from lenders, or investors, plus interest. Repaying the principal is known as bond “redemption”. Redemption and Interest payments are made to investors on a fixed schedule and can be short-term (as little as one year) or long-term (up to 40 years from the date of issue) depending on the life of the bond.

The City’s “credit rating” greatly affects the cost of interest payments during the life of the bond. Just as a household’s credit rating can be affected by having too much debt, late or missed payments, and overall fiscal responsibility, a government agency’s credit is rated on these factors as well. The lower an agency’s credit rating, the more it will cost to secure debt financing.

## TYPES OF MUNICIPAL BONDS

**LONG-TERM FINANCING:** General Obligation Bonds. Backed by the full faith, credit, and taxing power of the government agency issuing the bonds. These bonds require a two-thirds voter-approval and therefore are only useful for widely supported projects that provide a great public benefit. The life of the bond is tied to the expected useful life of the asset purchased.

**REVENUE BONDS:** Generally issued to finance a specific revenue-generating project, which is then usually the sole source of revenue to repay the bonds. Governments commonly use these types of bonds to finance toll roads, parking structures, and sanitation and wastewater facilities, where the fee revenues generated

go toward bond redemption and interest payments once construction is complete. The life of the bond is also tied to the expected useful life of the asset.

**MELLO-ROOS AND SPECIAL TAXES:** This type of financing can be used to finance improvements in more localized areas. Those who own properties that benefit from these improvements are required to pay additional assessments included with their property taxes. The revenue generated by these assessments, or levies, are restricted toward the bond redemption and interest.

## SHORT-TERM FINANCING

**TAX AND REVENUE ANTICIPATION NOTES:** Short-term borrowing to alleviate cash flow issues due to a timing gap between tax revenue receipts and expenditure flows.

**BOND ANTICIPATION NOTES:** Short-term borrowing to alleviate cash flow issues due to a timing gap between the receipt of funds from long-term financing, such as bonds, and project expenditures.

**GRANT ANTICIPATION NOTES:** Short-term borrowing to alleviate cash flow issues due to a timing gap between the receipt of grant funds and expenditure flows.

# APPENDIX D: KEY OFFICES RESPONSIBLE FOR FISCAL ACCOUNTABILITY

## THE CITY CONTROLLER

The City Controller, an independently elected Citywide official, is the taxpayers' watchdog and the City's chief auditor and accountant. The Controller's job is to investigate and publicly report problems with City departments, increase governmental efficiency and save taxpayer money by improving operations, conduct financial and performance audits of all City departments, offices and programs, monitor and report on all matters relating to the City's fiscal health, keep the City's official financial records, and supervise all expenditures of City. (<http://controller.lacity.org/index.htm>, accessed on 5/26/11)

## THE CITY ADMINISTRATIVE OFFICER

The City Administrative Officer (CAO) is the chief financial advisor to the Mayor and the Council and reports directly to both. The CAO conducts studies and investigations, carries out research and makes recommendations on a wide variety of City management matters for the Mayor and Council. The CAO assists the Mayor and Council in the preparation of the City budget, plans and directs the administration of the budget and directs the development of work programs and standards. The CAO represents the management of the City in negotiating all labor contracts. In addition, the CAO chairs and participates in many coordinating committees and performs other duties required by the Mayor and Council. (<http://www.ci.la.ca.us/cao/caoorg.htm>, accessed from CAO website 5/26/11).

# APPENDIX E: COMMON STRUCTURE OF BUDGET DOCUMENTS

The general format and components of budget documents are based on commonly accepted “best practices” outlined by public finance industry groups such as the Government Finance Officers Association. Following are common features you will find in most, if not all, city budget documents:

- + **Table of Contents**
- + **Budget Message (or Budget Transmittal)** defining changes in priorities from the current year and issues affecting the development of the proposed budget
- + **Short-term factors influencing the budget process, including economic, inflation, and demographic assumptions**
- + **Organization Chart**
- + **Budget summary containing an overview of the budget and budgetary trends**
- + **Overview of the City’s fund structure, including descriptions of each major fund and the relationships between major and non-major funds**
- + **Financial Policies, long term goals and financial plans**
- + **An explanation of the Budget Process, including a narrative description, calendar depicting important dates, legal or policy requirements, internal procedures, opportunities for public engagement, and the adoption process**
- + **Summaries of revenues (presented by type, i.e. Property Tax, Sales Tax, etc) and expenditures (presented by function, i.e. public safety, recreation, etc) including prior year actuals, the current year Budget, and Proposed Budget**
- + **Major Revenue sources, explanations of assumptions used in revenue projections, and trends in revenue receipts**
- + **Explanation of Fund Balance, projected changes in fund balances, and ending fund balances**
- + **Descriptions, activities, functions, and services provided by department or unit**
- + **Number of personnel positions for the organization and by department**
- + **Capital Improvement Plan or budgeted capital expenditures, usually presented by major project, type, or fund**
- + **Debt obligations of the City and the impact of debt of current operations**
- + **Statistical and supplemental information that provides information on the community and local economy**
- + **Glossary for technical terms and acronyms**

# APPENDIX F: GLOSSARY

**Blue Book:** Supplement to the budget that provides financial data and the detail and summary of departmental program changes from the prior budget with performance metrics. Personnel information including the “Detail of Positions and Salaries” and “Personnel Changes within Existing Authorities” are also detailed.

**Budget:** A plan of financial activity for a specified fiscal year indicating all planned revenues and appropriations for the year.

**California Public Records Act:** A law passed by California in 1968 that made access to government records explicitly available to the public unless there is a specific reason to not.

**Comprehensive Annual Financial Report:** The report is the annual publication of the City’s financial condition at conclusion of the fiscal year. The report is prepared to conform to Generally Accepted Accounting Principles (GAAP) for governmental units and presentation of the financial data in conformity with the Adopted Budget.

**Expenditure:** A payment made for cost of services rendered, materials, equipment, and capital improvements.

**Fiscal Year:** The time period for the City budget which begins on July 1 of a calendar year and ends on June 30 of the following year.

**General Fund:** The fund for deposit of general receipts which are not restricted, such as property, sales, and business taxes and various fees; also functions as a set of sub-funds (primarily by departments) to track appropriations and expenditures.

**Reserve Fund:** The fund in which general unrestricted cash is set aside for unforeseen expenditures and emergencies. The funds can be transferred into the budget for such purposes. Unallocated general revenue and unencumbered General Fund appropriations to departments at the close of the fiscal year are transferred into this fund.

**Revenue:** Cash or credits the City receives during the fiscal year as income to finance general or restricted operations. They include items such as taxes, fees from specific services, interest earnings, and grants from the State or Federal governments.

**Special Purpose Funds:** Funds that account for proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The budget schedules for these funds are included in Section 3 which lists the expenditure restrictions, revenue available, appropriations and expenditures for three fiscal years.

**Transparency:** In government, transparency refers to holding all public activity and officials accountable to counter the possibilities of corruption.



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