

October 21, 2009

Honorable Members of the City Council  
of the City of Los Angeles

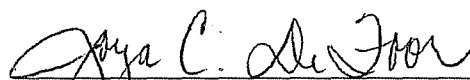
Dear Honorable Members:

**SUBJECT: GENERAL FUND DEFICIT**

When the City has a low cash flow and the Reserve Fund has been utilized to the extent feasible as authorized under Section 261(i) of the City Charter, we request authority to make temporary transfers between funds for meeting City government obligations during the period prior to the receipt of property tax.

In accordance with the provisions of Section 340(b) of the City Charter, the undersigned hereby request authority to make temporary transfers, if necessary, between fund balances as shown in the books of the Controller and Treasurer during the current fiscal year, provided that no such transfers shall be made after the last Monday in April and provided further that the total of such transfers outstanding at any time shall not exceed \$150,000,000.

  
\_\_\_\_\_  
Wendy Greuel  
City Controller

  
\_\_\_\_\_  
Joya C. De Foor  
City Treasurer

BA

CLERK

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CLERK



**CITY OF LOS ANGELES**  
INTER-DEPARTMENTAL CORRESPONDENCE

**DATE:** October 21, 2009

**TO:** Honorable Antonio R. Villaraigosa, Mayor  
Honorable Members of the City Council  
of the City of Los Angeles

**FROM:** Wendy Greuel, City Controller 

**SUBJECT: GENERAL FUND CASH DEFICIT**

We are requesting authority from the City Council to make temporary interfund borrowings in order to meet payroll and other payables. These interfund borrowings will be in addition to the \$400 million cash flow provided from Tax and Revenue Anticipation Notes (TRAN) that the City issued in July 2009.

The City General Fund normally experiences a cash deficit in the first six months of the fiscal year. While expenditures are fairly even throughout the year, revenue is weighted most heavily to the second six months resulting in a cash deficit in the first half of the fiscal year. The Controller manages the cash deficit through a combination of Reserve Fund borrowing (Charter Section 261i), interfund borrowing (Charter Section 340b, with Council approval), issuance of Tax and Revenue Anticipation Notes (approved in the budget, and by accelerating or delaying General Fund transfers from/to other funds.

In fiscal year 2009-10, we project that the \$400 million TRAN and any Reserve Fund borrowing will not be sufficient to cover the cash flow deficit in the first six months of the fiscal year without depleting the Reserve Fund for a short period of time. The General Fund salary expenditures exceed the budget by approximately \$10 million per pay period. It is uncertain what will be the State action with regards to the taking of approximately \$110 million City property tax revenue. The State approved a process that will allow local governments to borrow against the State's requirement to repay any property tax they take. However, it is uncertain when the issuance of the bond will occur. There are significant uncertainties this fiscal year compared to prior years.

As of September 30, 2009, the Reserve Fund has a Contingency Reserve of \$34 million and an Emergency Reserve of \$121 million. While we can borrow from the Emergency Reserve, our goal is to minimize any impact to the Emergency Reserve from both an amount and duration perspective. We will use the Reserve Fund primarily as a source of very short term cash borrowing in November and December.

Attached is a list of funds that we may borrow from based on their cash balances when the borrowing occurs. We anticipate borrowing \$150 million from funds with available cash except: (1) bond debt service and capital project funds; (2) grant funds; and (3) funds of the Harbor and Airport departments. We will discuss with the appropriate Fund Managers the amount that the General Fund can borrow without adversely affecting the operation of the fund. Where the Fund is entitled to interest, borrowed funds will be

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returned with interest. It must be recognized that this report is only addressing immediate General Fund cash deficits and does not project condition of the budget through June 30, 2010.

Attached are the projected 2009-10 Cash Flow through February 24, 2010 (Exhibit A), and the General Fund Cash Flow borrowings and transfers from Reserve Fund for the last ten years (Exhibit B), and a Schedule of Funds that we may use for borrowing with their cash balances as of October 2, 2009 (Exhibit C). A copy of the resolution transmitted to the Council signed by the City Treasurer and me, is also attached.

#### **Recommendation**

It is recommended that the Controller be authorized to make temporary interfund borrowings in order to meet payroll and other payables.

cc: Miguel Santana, City Administrative Officer  
Gerry F. Miller, Chief Legislative Analyst  
Ben Ceja, Office of the Mayor

City of Los Angeles  
General Fund Cash Flow Projection  
Fiscal Year 2009-10  
(In Millions)

	9/23/09	10/27/09	10/21/09	11/4/09	11/18/09	12/2/09	12/16/09	12/30/09	1/13/10	1/27/10	2/10/10	2/24/10
Beginning Cash Balance	\$ 78.0	\$ 70.4	\$ 82.1	\$ 84.1	\$ 68.7	\$ 37.6	\$ 35.3	\$ 35.9	\$ 220.7	\$ 91.6	\$ 397.4	\$ 312.4
Add: Estimated Receipts	123.4	97.2	133.9	165.0	107.1	136.8	102.4	493.9 *	70.6	489.7	111.6	417.5
Estimated Available Balance	201.4	167.6	216.0	249.1	175.8	174.4	137.7	529.8	291.3	581.3	509.0	729.9
Less: Estimated Disbursements	(181.0)	(175.5)	(171.9)	(180.4)	(188.2)	(179.1)	(161.8)	(159.1)	(199.7)	(183.9)	(196.6)	(164.8)
Estimated Cash Balance	20.4	(7.9)	44.1	68.7	(12.4)	(4.7)	(24.1)	370.7	91.6	397.4	312.4	565.1
Add Borrowings:												
Cash Flow TRAN	50.0	90.0	40.0									
Other Funds	--	--	--	--	50.0	40.0	60.0	--	--	--	--	--
Less Payments:												
Other Funds Borrowings	--	--	--	--	--	--	--	(150.0)	--	--	--	--
Cash Flow TRAN	--	--	--	--	--	--	--	--	--	--	--	(100.0)
CERS & Fire/Police Pension TRAN	--	--	--	--	--	--	--	--	--	--	--	(166.4)
Adjusted Cash Balance	\$ 70.4	\$ 82.1	\$ 84.1	\$ 68.7	\$ 37.6	\$ 35.3	\$ 35.9	\$ 220.7	\$ 91.6	\$ 397.4	\$ 312.4	\$ 298.7

\* Assumes that property tax taken by the State will be replaced by bond proceeds.

## Exhibit B

**City of Los Angeles**  
**General Fund Cash Flow Borrowings and Transfers From Reserve Fund**  
**For Fiscal Years 2000-01 Through 2009-10**

	Reserve Fund Transfer to Budget	Interfund Borrowing Authority Limit	Actual Cash Flow Borrowings			
			Interfund	Reserve Fund	TRAN	Total
2000-01	\$ 16,525,047	\$ -	\$ -	\$ 32,000,000	\$ 200,000,000	\$ 232,000,000
2001-02	63,716,878	--	--	--	250,000,000	250,000,000
2002-03	57,962,628	--	--	--	200,000,000	200,000,000
2003-04	149,577,501	--	--	45,000,000	200,000,000	245,000,000
2004-05	122,871,472	--	--	--	325,000,000	325,000,000
2005-06	295,265,091	--	--	--	200,000,000	200,000,000
2006-07	231,304,000	--	--	--	150,000,000	150,000,000
2007-08	71,228,867	120,000,000	90,000,000	25,000,000	250,000,000	365,000,000
2008-09	--	150,000,000	116,000,000	--	350,000,000	466,000,000
2009-10	--	150,000,000	-- **	-- **	400,000,000	400,000,000

\*\* While borrowing is estimated to be \$150,000,000, actual interfund borrowing and any Reserve Fund borrowing will be determined based upon the General Fund cash condition in November and December.

## Exhibit C

**City of Los Angeles**  
**Cash Balances - Interfund Borrowing Funds**  
**As of October 2, 2009**  
**(In Millions)**

<u>Fund No.</u>	<u>Fund Name</u>	<u>Cash Balance</u>
302	Recreation and Parks	\$ 218.0
336	Fire Hydrant Installation & Main Replacement	38.1
363	Special Parking Revenue	84.8
46D	Citywide Recycling Trust	54.5
834	Public Works Trust	31.8
		<u>\$ 427.2</u>