

**ORDINANCE NO. \_\_\_\_\_**

An ordinance amending Section 5.120.4 of Article 4.1 of Chapter 6 of Division 5 of the Los Angeles Administrative Code in order to update the process and procedures of making transfers to and from the Budget Stabilization Fund.

**THE PEOPLE OF THE CITY OF LOS ANGELES  
DO ORDAIN AS FOLLOWS:**

Section 1. Section 5.120.4 of Article 4.1, Chapter 6, Division 5 of the Los Angeles Administrative Code is amended in its entirety to read as follows:

**Sec. 5.120.4. Creation of Fund.**

(a) Finding and Purpose.

Pursuant to Charter Section 302, there is hereby established within the City Treasury a fund to be known as the Budget Stabilization Fund. The purpose of the Budget Stabilization Fund is to provide a method to mitigate against excessive spending during prosperous years and to provide resources to help maintain service levels during lean years. The Budget Stabilization Fund is not intended to be a funding source for the expansion or enhancement of City services nor intended to provide long-term budgetary relief.

(b) Definitions.

(1) **Annual Growth Rate.** The term Annual Growth Rate shall mean the percentage change in the Ongoing Tax Revenue measured between one completed fiscal year and its preceding fiscal year.

(2) **Average Threshold Dollar Amount.** The term Average Threshold Dollar Amount shall mean the product of the Average Threshold Rate and the Ongoing Tax Revenue reported in the Budget with respect to the prior fiscal year's Budget.

(3) **Average Threshold Rate.** The term Average Threshold Rate shall mean the average Annual Growth Rate measured over the previous twenty (20) completed fiscal years.

(4) **Budget.** The term Budget shall mean the general City budget for an ensuing fiscal year as set forth under Charter sections 312 through 315.

(5) **Budget Stabilization Fund.** The term Budget Stabilization Fund shall mean the fund created pursuant to this Section 5.120.4.

(6) **General Fund Tax Revenue.** The term General Fund Tax Revenue shall mean the total sum of all non-encumbered, pledged, or special purpose tax revenues collected from the following sources:

- i. Property Taxes, as provided under Article XIII A of the California Constitution, and any personal property taxes or fees allocated to the City by the County of Los Angeles or the State;
- ii. Telephone (Communications), Electricity, and Gas Users Tax as provided under Article 1.1 of Chapter II of the Los Angeles Municipal Code (LAMC);
- iii. Business Taxes as provided under Article 1 of Chapter II of the LAMC;
- iv. Uniform Sales and Use Taxes as provided under Article 1.6 of Chapter II of the LAMC and any other sales and use taxes allocated to the City by the County and the State;
- v. Transient Occupancy Tax as provided under Article 1.7 of Chapter II of the LAMC;
- vi. Real Property Transfer Tax as provided under Article 1.9 of Chapter II of the LAMC; and
- vii. Parking Occupancy Tax under Article 1.15 of Chapter II of the LAMC.

(7) **Ongoing Tax Revenue.** The term Ongoing Tax Revenue shall mean the General Fund Tax Revenue less the One-Time Tax Revenue.

(8) **One-Time Tax Revenue.** The term One-Time Tax Revenue shall mean the revenue sources described in Subsection (b)(6) that are received or collected by the City on a one time or non-recurring basis as stated in the Budget.

(9) **Projected Growth Dollar Amount.** The term Projected Growth Dollar Amount shall mean the dollar difference in the Ongoing Tax Revenue measured between the current fiscal year's Budget and the ensuing fiscal year's Budget.

(10) **Projected Growth Rate.** The term Projected Growth Rate shall mean the percentage change of the reported Ongoing Tax Revenue found in the current fiscal year's Budget and the ensuing fiscal year's Budget.

(c) Computations with respect to the Budget Stabilization Fund.

As part of the preparation of the Budget and in connection with this section, the Office of the City Administrative Officer shall compute the following:

- (1) Annual Growth Rate;
- (2) Average Threshold Dollar Amount;
- (3) Average Threshold Rate;
- (4) Projected Growth Dollar Amount; and
- (5) Projected Growth Rate.

(d) Transfers to the General Fund from the Budget Stabilization Fund.

(1) Subject to the provision in Subsection (g), in the event the Average Threshold Rate is greater than the Projected Growth Rate, as stated in the Budget, a transfer may be made to the General Fund from the Budget Stabilization Fund for the ensuing fiscal year's Budget.

(2) The amount of any transfer described in subsection (d)(1) shall not be greater than:

(i) five percent (5%) of the difference between the Average Threshold Dollar Amount and the Projected Growth Dollar Amount in cases when the Average Threshold Rate is greater than the Projected Growth Rate by one (1) percentage point;

(ii) ten percent (10%) of the difference between the Average Threshold Dollar Amount over the Projected Growth Dollar Amount in cases when the Average Threshold Rate is greater than the Projected Growth Rate by two (2) percentage points;

(iii) fifteen percent (15%) of the difference between the Average Threshold Dollar Amount over the Projected Growth Dollar Amount in cases when the Average Threshold Rate is greater than the Projected Growth Rate by three (3) percentage points;

(iv) twenty percent (20%) of the difference between the Average Threshold Dollar Amount over Projected Growth Dollar Amount in cases when the Average Threshold Rate is greater than the Projected Growth Rate by four (4) percentage points; or

(v) twenty-five percent (25%) of the difference between the Average Threshold Dollar Amount over the Projected Growth Dollar Amount in cases when the Average Threshold Rate is greater than the Projected Growth Rate by five (5) percentage points or more.

(e) Transfers to the Budget Stabilization Fund from the General Fund.

(1) Subject to the provisions in Subsections (f) and (g), in the event the Projected Growth Rate is greater than the Average Threshold Rate, as stated in the Budget, a transfer shall be made to the Budget Stabilization Fund from the General Fund for the ensuing fiscal year's Budget.

(2) The amount of any transfer described in Subsection (e)(1) shall not be less than:

(i) five percent (5%) of the difference between the Projected Growth Dollar Amount and the Average Threshold Dollar Amount in cases when the Projected Growth Rate is greater than the Growth Threshold Rate by one-half of one (0.5) percentage point;

(ii) ten percent (10%) of the difference between the Projected Growth Dollar Amount and the Average Threshold Dollar Amount in cases when the Projected Growth Rate is greater than the Growth Threshold Rate by one (1) percentage point;

(iii) fifteen percent (15%) of the difference between the Projected Growth Dollar Amount and the Average Threshold Dollar Amount in cases when the Projected Growth Rate is greater than the Growth Threshold Rate by one and one-half (1.5) percentage points;

(iv) twenty percent (20%) of the difference between the Projected Growth Dollar Amount and the Average Threshold Dollar Amount in cases when the Projected Growth Rate is greater than the Growth Threshold Rate by two (2) percentage points; or

(v) twenty-five percent (25%) of the difference between the Projected Growth Dollar Amount and the Average Threshold Dollar Amount in cases when the Projected Growth Rate is greater than the Growth Threshold Rate by two and one-half (2.5) percentage points or more.

(f) Limitations on Contributions to the Budget Stabilization Fund.

Any transfer described under Subsection (e) may be suspended in the event: (i) the City adopts a resolution declaring a fiscal emergency; (ii) when the cash balance in the Budget Stabilization Fund equals or exceeds two and three-quarters percent

(2.75%) of all General Fund receipts stated in the Budget; (iii) the City suspends any contributions to the Budget Stabilization Fund upon the approval of the Mayor and a majority vote of the Council; or (iv) the City suspends any contributions to the Budget Stabilization Fund upon the majority vote of the Council, subject to the approval of the Mayor, or passage by the Council over the Mayor's veto by a two-thirds vote. If any City Council order suspending said contributions is not returned to the City Clerk by the Mayor, for presentation to the City Council, with objections in writing, within ten days after it has been presented to the Mayor, it shall become effective and be as valid as if the Mayor had approved and signed it.

(g) Application of the Charter and Other Policies.

Notwithstanding the provision found under this section but with regard to the Charter and subject to the policy decisions and determination made by Council and the Mayor, any transfer to and from the Budget Stabilization Fund may occur in connection with the Budget or to mitigate any short-term budgetary shortfalls.

Sec. 2. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

Approved as to Form and Legality

HYDEE FELDSTEIN SOTO, City Attorney

By   
CHARLES S. HONG  
Deputy City Attorney

Date 6/30/23

File No. \_\_\_\_\_

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The Clerk of the City of Los Angeles hereby certifies that the foregoing ordinance was passed by the Council of the City of Los Angeles.

CITY CLERK

MAYOR

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Ordinance Passed \_\_\_\_\_

Approved \_\_\_\_\_