

**FY 2024–25**

# **First Financial Status Report**



**City Administrative Officer**  
**Matthew W. Szabo**

October 30, 2024

C.F. 24-0600-SIII

[cao.lacity.gov/budget](http://cao.lacity.gov/budget)



# OVERVIEW

1. Revenues

2. Expenditures

3. Budget Balancing Strategy

# Revenues

# Revenues | FY 23-24 Actuals (Estimates)

FY 23-24  
General Fund Revenue

**\$222M**

Below the FY 23-24  
Adopted Budget

## Largest variances in:

**Business Tax** (\$68M)

*Attributed to a decline in both **tax-paying accounts & gross receipts***

**Transient Occupancy Tax** (\$31M)

**Documentary Transfer Tax** (\$39M)

**Property Tax** +\$24M

# Revenues | FY 24-25 To-Date

FY 24-25  
General Fund Revenue

**\$37M\***

Above Plan  
As of September 2024

## Largest variances in:

Business Tax	+\$6M
Transient Occupancy Tax	(\$8.7M)
Departmental Receipts <i>Attributed to delayed and unanticipated prior year remittances</i>	+\$41M
Property Tax	(\$19M)
Utility Users' Tax	(\$12M)

\* Excluding interest earnings that may be owed to special funds, the \$37 million surplus is closer to \$6 million.



# Revenues | Downside Risks



**Sales Tax:** Slower than expected improvement after the Federal Reserve's decision to cut interest rates



**Property Tax:** County Assessor revision of estimated growth rates for the next tax year from 4.75% to 4.6%



**Business Tax:** Potential state legislation which is projected to reduce cannabis business tax by 10%



**Hotel Tax (TOT):** Continued trend of lower receipts; has yet to return to pre-pandemic levels

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# Revenues | Economic Factors



**Slow recovery from  
entertainment  
industry strikes**



**Shifts in retail  
employment  
post-pandemic**



**Commercial &  
residential property  
markets affecting  
construction & real  
estate**



**High inflation  
and interest  
rates**

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# Expenditures





# Expenditures | FY 24-25

**\$216M**

Projected Overspending  
as of September 2024

## Liability Claims

**\$92M**

*Does not include future cases currently being resolved via settlements or judgement*

## City Attorney

**\$30M** (estimate)

*Primarily due to increased litigation expenses & outside counsel costs*

## Fire

**\$32.4M**

*Increased retirement sick payout liabilities, OT for inspections and deployments in response to natural disasters, increased backfill rate, unbudgeted contract obligations, increased fleet maintenance and repair costs, and increased medical and rescue supply costs*

## General Services

**\$19M**

*Primarily due to increased fuel and energy costs*

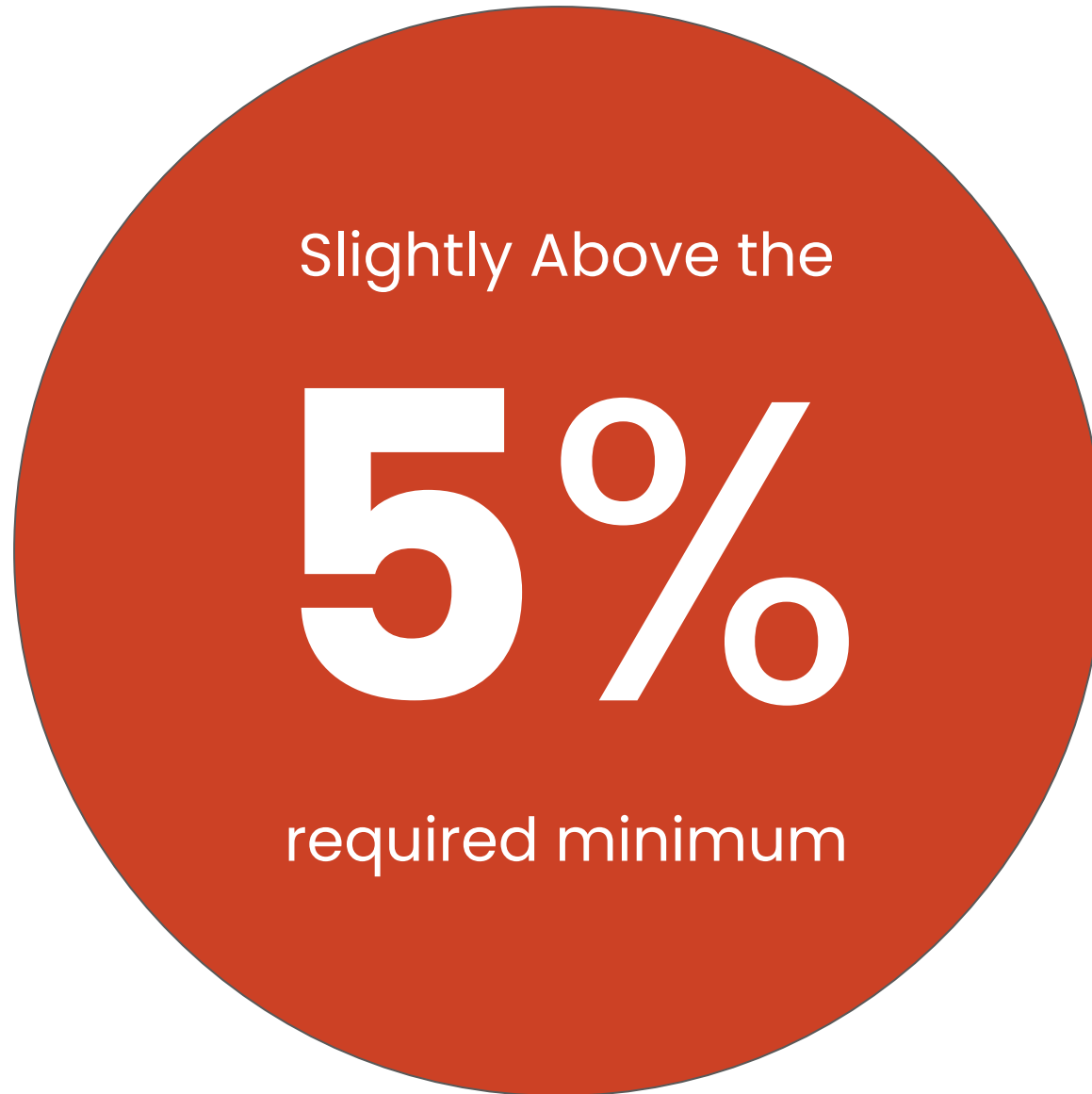
**City Reserves**

# City Reserves | Snapshot

Account		Adopted Budget Amount	Current Balance
<b>Reserve Fund</b>		\$407M (5.07%)	<b>\$313M</b> <b>(3.89%)</b>
<b>Budget Stabilization Fund</b>		\$204M	<b>\$204M</b>
<b>Unappropriated Balance</b>	<i>Reserve for</i> <b>Mid-Year Adjustments</b>	\$59M	<b>\$0</b>
	<i>Reserve for</i> <b>Extraordinary Liabilities</b>	\$20M	<b>\$0</b>
	<b>Dept. Payroll Reconciliation</b>	\$105M	<b>\$105M</b>



# Reserve Fund | Adopted Budget



# Reserve Fund | Year-end Closing

**4.12%**

# Reserve Fund | Current Balance

**3.89%**

(\$312M)

# City Reserves | Upcoming Liability Transfers

**\$92M**

**Additional Identified Liabilities  
Overspending**

# Reserve Fund | After Upcoming Liability Transfers

With approved & future known liabilities, the City Reserves are approaching...

2.75%



# Reserve Fund | Unresolved Overspending

If the City cannot identify solutions for the \$124M anticipated overspending, the City Reserves would be...



1.21%

# Los Angeles City Charter Section 302(b)

The final

**2.75%**

of the City Reserves is the

**Emergency  
Reserve Account**

A transfer from this account (resulting in the Reserves dropping below 2.75%) will require:

A finding  
of urgent  
economic  
necessity

2/3 vote of  
the Council &  
the Mayor's  
approval

*or a 3/4 vote to override the Mayor's veto*



# Budget Balancing Strategy



# Budget Balancing Strategy

- 1 Curtail overspending through a **budget balancing exercise**
- 2 Instruct GMs to **maintain surpluses**
- 3 Continue with the **PCH process**
- 4 Instruct GMs to **refrain from requesting new RF loans** and instruct CAO to report on fiscal impact of all requests made
- 5 CAO & City Attorney to take the necessary steps for **issuance of JOBs**
- 6 CAO to **review off-budget inactive Special Funds** and identify any portion that could be used for budget balancing



## **Office of the City Administrative Officer**

[cao.lacity.org](http://cao.lacity.org)

October 2024

# Outside Counsel & Litigation Expense YOY Change

Account	2021-22	2022-23	2023-24	Average YOY Growth Rate
Litigation Expenses	\$7.96M (+53%)	\$7.48M (-6%)	\$14.2M (+89.8%)	\$9.9M (+45.6%)
Outside Counsel	\$4.3M (+210%)	\$12.4M (+190%)	\$15.1M (+21.9%)	\$10.6M (+140.8%)
Liability Claims	\$103.4M (+25%)	\$172.5M (+67%)	\$240.4M (+39.3%)	\$172M (+43.7%)