

# Overview of the Fiscal Year 2025-2026

# PROPOSED BUDGET



City Administrative Officer Matthew W. Szabo  
Presentation to the Honorable Members of  
the Budget & Finance Committee



# Budget Overview

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	Budget (Millions)			Authorized Positions		
	Adopted 2024-25	Proposed 2025-26	% Change	Adopted 2024-25	Proposed 2025-26	% Change
General Fund	\$8,033	\$8,062	0.4%	34,320	32,342	(5.8)%
Special Funds	\$4,864	\$5,888	21.1%*	3,134	2,887	(7.9%)
Total	\$12,897	\$13,950	8.2%	38,774	35,229	(5.7%)

\* The special fund growth is primarily due to growth in SCM's recent rate increase, ULA available balances, and the SWRRF increase.



# Economy-Sensitive Revenue Sources

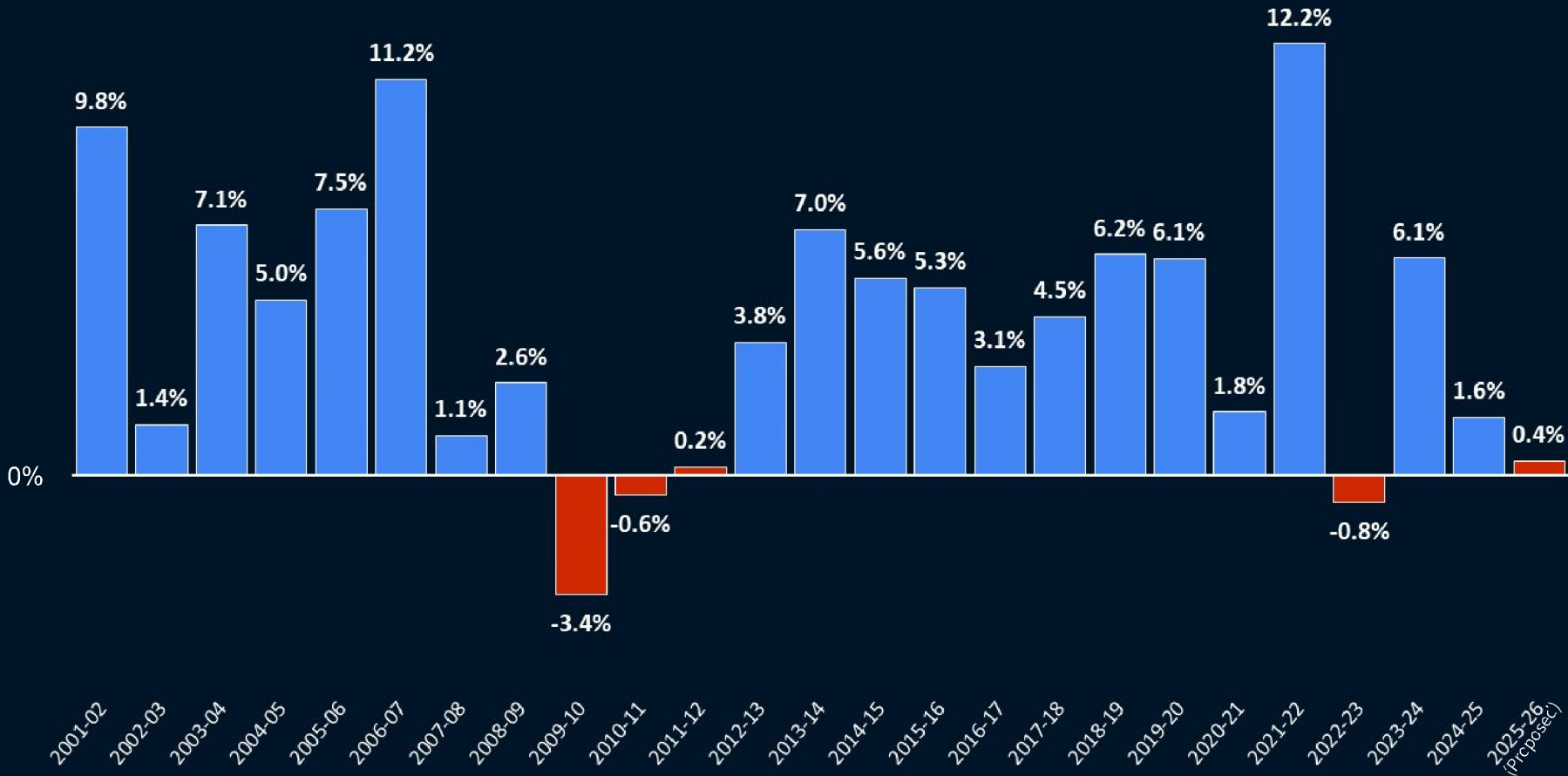
	Change from 2024-25 Adopted Budget		Change from 2024-25 Revised Budget	
<i>Economy-Sensitive Revenue Sources</i>	Amount	Change	Amount	Change
Property Tax	\$ 94.1M	3.2%	\$ 76.4M	2.6%
Business Tax	\$ (32.1)M	-3.8%	\$ (10.9)M	-1.3%
Sales Tax	\$ (43.6)M	-6.3%	\$ (5.4)M	-0.8%
Utility Users' Tax	\$ 17.4M	2.5%	\$ 19.4M	2.8%
Documentary Transfer Tax	\$ 24.9M	14.8%	\$ 11.4M	6.2%
Transient Occupancy Tax	\$ (27.8)M	-8.1%	\$ 5.9M	1.9%
Parking Occupancy Tax	\$ 6.8M	5.0%	\$ 5.4M	4.0%
<i>All General Fund</i>	<i>\$ 28.6M</i>	<i>0.4%</i>	<i>\$ 140.5M</i>	<i>1.8%</i>





# Historical Trends of Changes in Adopted General Fund Revenue

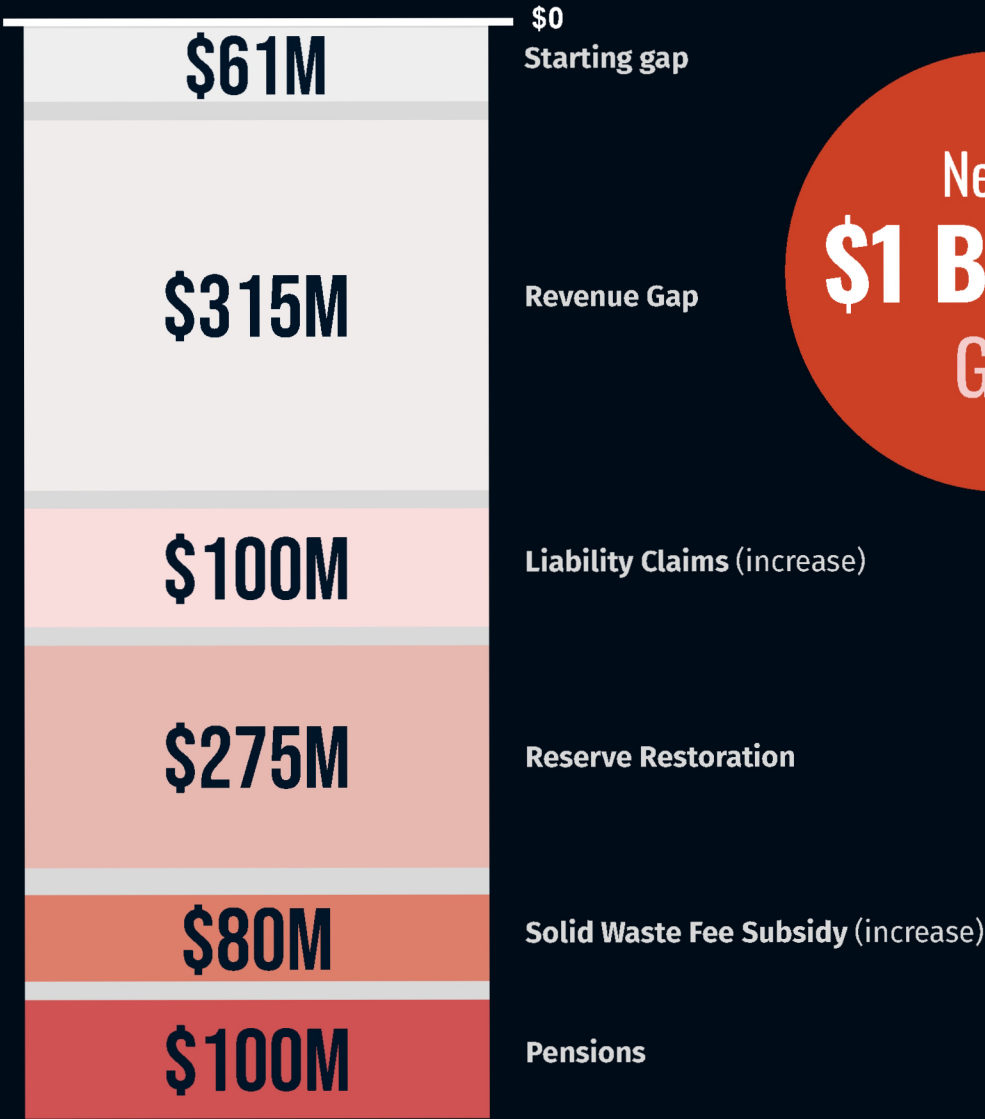
Red indicates changes under 1%





# Closing the Gap

# Closing the Gap



Nearly  
**\$1 Billion**  
Gap

# Closing the Gap

## Reductions

<b>Position Eliminations</b> (\$282M)
<b>Expense Accounts</b> <small>Incl. Overtime, As-Needed, &amp; Hiring Hall Salaries</small> (\$154M)

**Includes:**  
*1,647 filled positions*  
*1,076 vacant positions*

## Project Deferrals & Other Adjustments

<b>Capital Project Deferrals</b> (\$86M)
<b>Funding Swaps and New Funding Reductions</b> (\$71M)
<b>Homelessness Funding Adjustments</b> (\$93M)

**LAFPP Savings and Cost Deferrals**  
(\$53M)

## Revenues

<b>Trash Fee Increases</b> (\$105M)

**FY 24-25 Revenues above Projections** (\$47M)  
**FY 25-26 Revenues above Projections**(\$40M)

\$0



# Position Eliminations

**Filled  
Positions**

**1,647**

**Partial-year savings:  
\$150M**

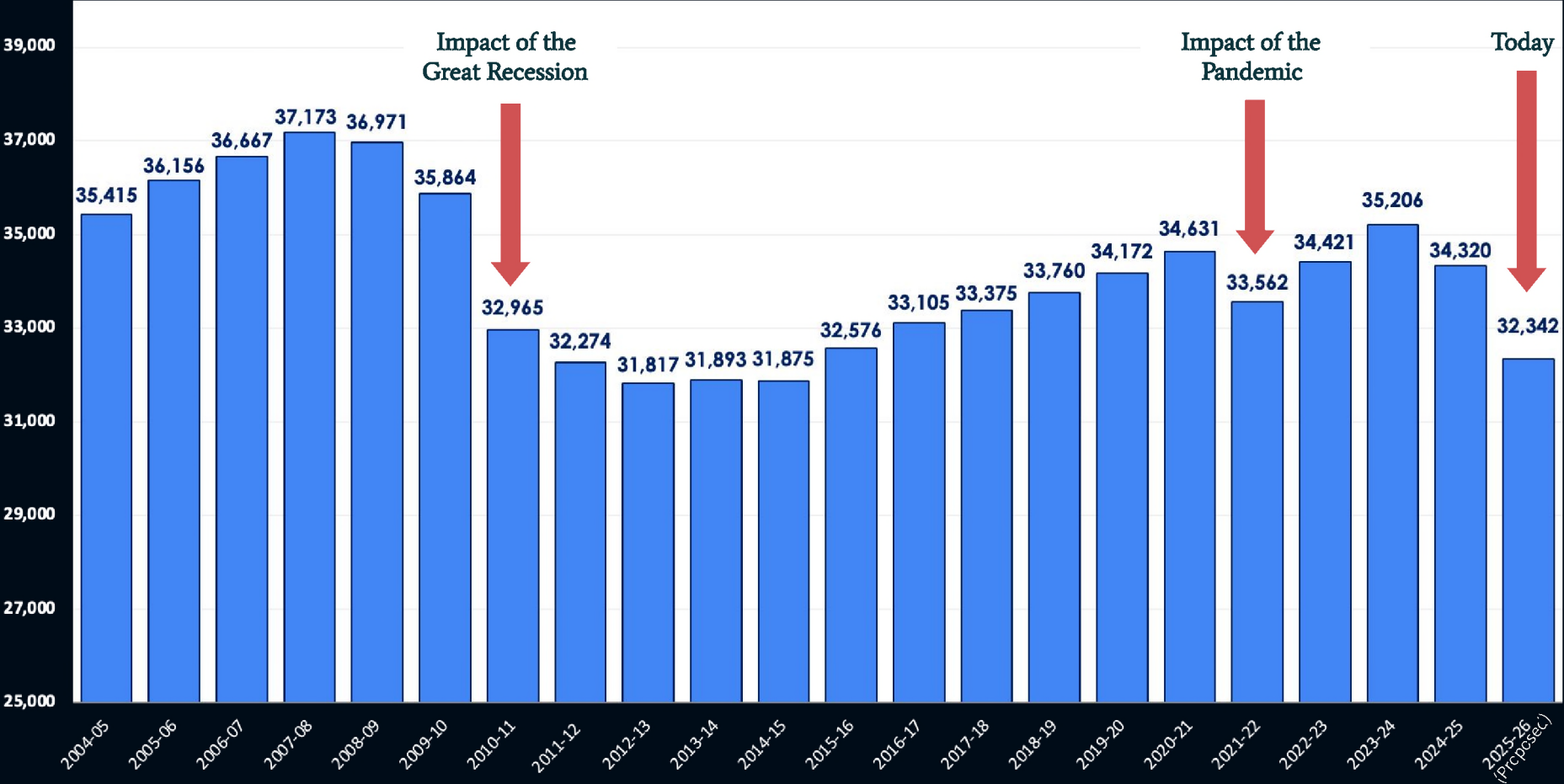
**Vacant  
Positions**

**1,076**

**Full-year Savings:  
\$131M**

# Authorized City Staffing

Regular positions only. Civilian and Sworn. Does not include Proprietary Departments.





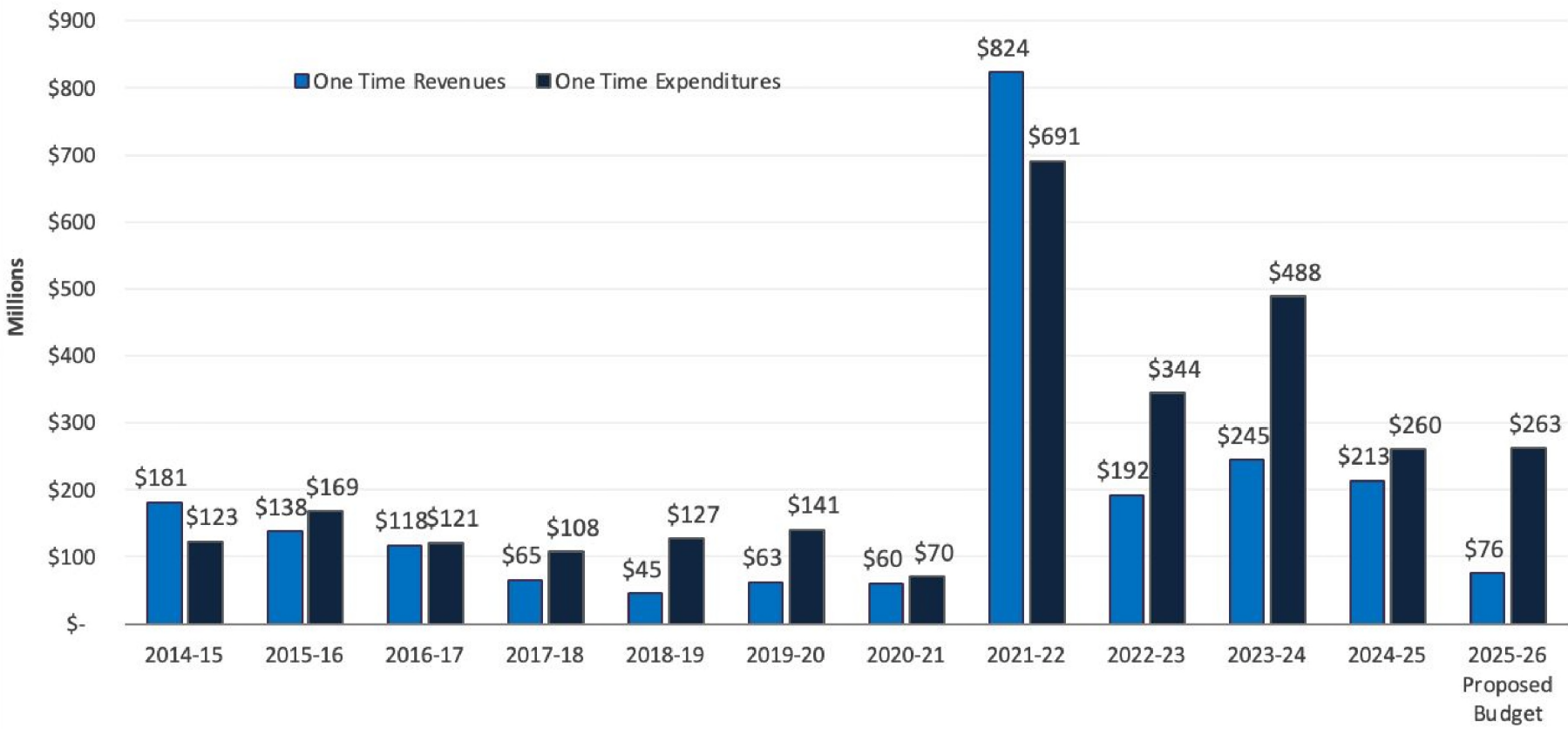
# Financial Policies

# Financial Policies | Compliance Status

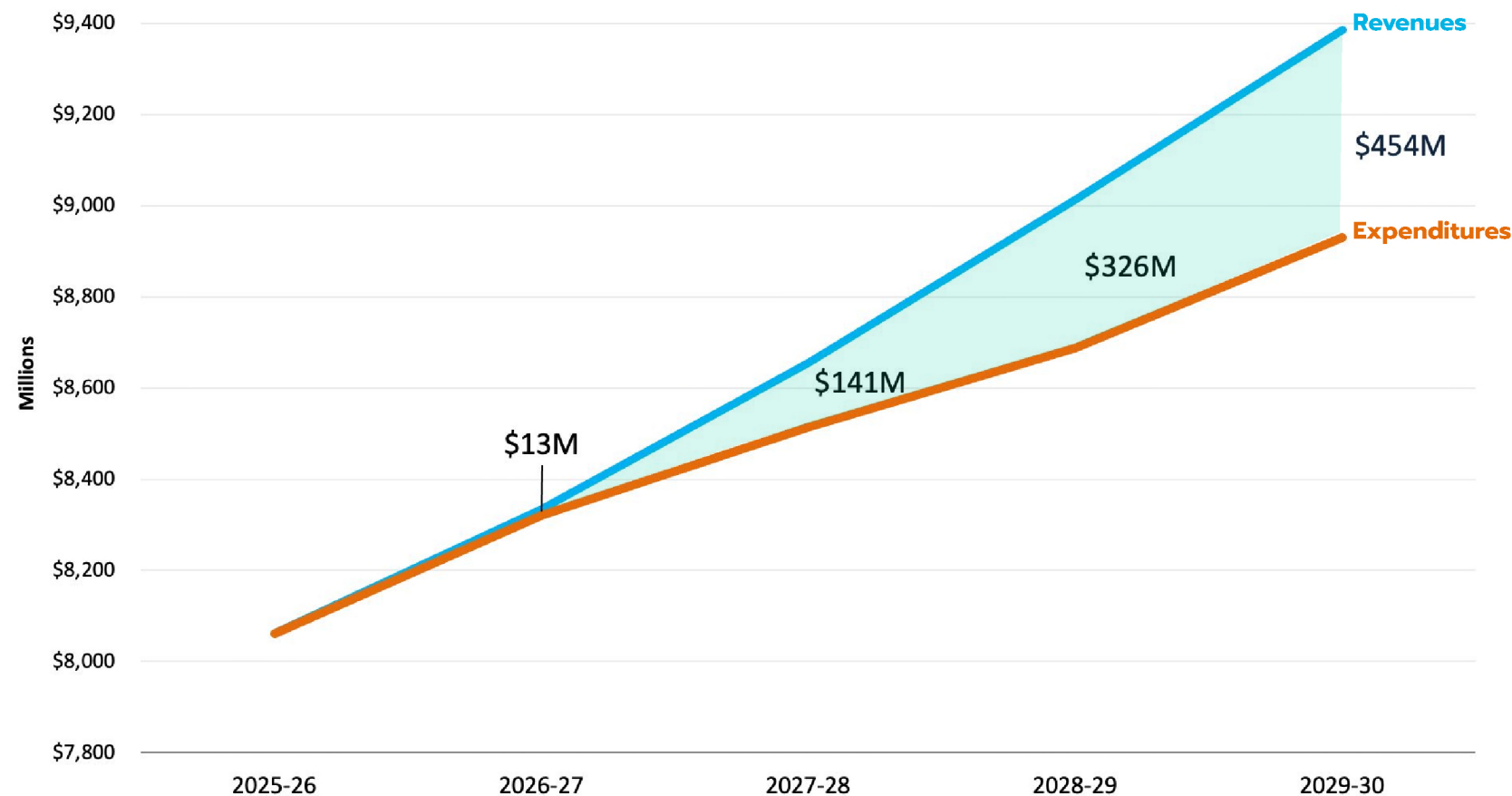
<b>Reserve Fund</b> at least 5% of General Fund revenues	✓	Will start this FY at 6.01% or \$484 million
<b>Budget Stabilization Fund</b>	✓	Will start this FY at \$208 million; the Proposed Budget does not include a withdrawal from the BSF
<b>Cumulative General Fund reserves</b> at 10% of GF Revenues	✗	July 1 balance of 8.97% or \$723 million
<b>Capital &amp; tech. investment</b> at 1.5% of GF revenues	✗	The Proposed Budget invests 0.94% or \$76 million of the General Fund revenues in this category
<b>All one-time revenues used for one-time expenditures</b>	✓	All one-time revenues (\$76 million) used for one-time spending (\$263 million)
<b>Debt service</b> as percent of general receipts: No more than 6% for non-voter-approved, and 15% for non-voter-approved and voter-approved combined	✓	<ul style="list-style-type: none"><li>• 2.46% for non voter-approved</li><li>• 3.84% for voter and non voter-approved</li></ul>
<b>Achieve structural balance</b>	✓	2026-27: Revenues exceed expenditures by \$13M 2027-28: Revenues exceed expenditures by \$141M 2028-29: Revenues exceed expenditures by \$325M 2029-30: Revenues exceed expenditures by \$454M



# Financial Policies | One-time Revenues vs. One-time Expenditures



# Financial Policies | Structural Balance





# **Reserve Fund**

# Status of the Reserve Fund

July 1, 2024:

**\$407M**

**5.07%**

After Mid-Year FSR Actions:

**\$264M**

**3.22%**

FY 25-26 Proposed Budget:

**\$485M**

**6.01%**





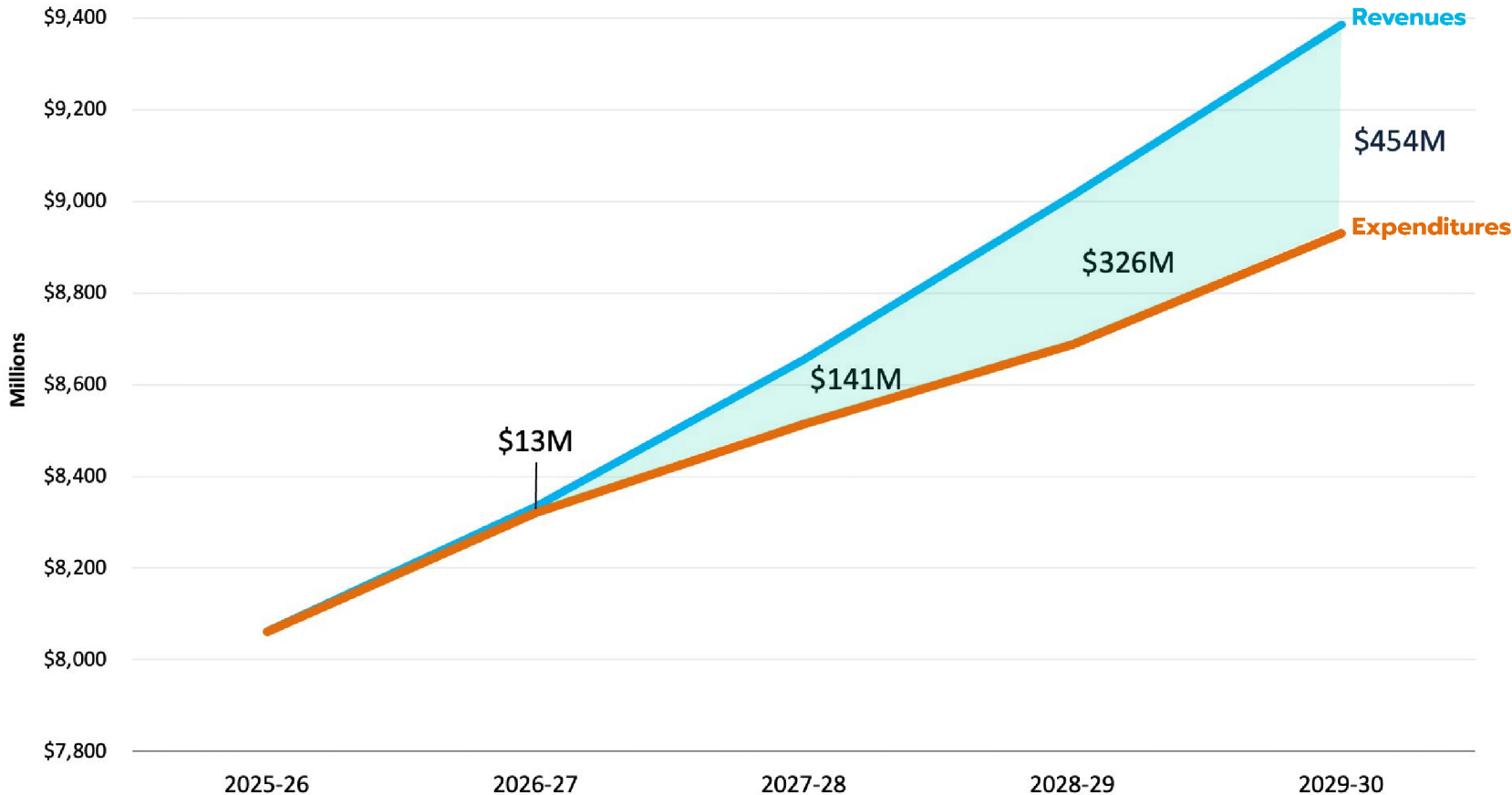


# Outlook & Risks

Significant **uncertainty surrounding the duration and impact of federal tariff policies** , as well as the economic and revenue impact of the **January firestorms** , heightens the risks to Los Angeles' economically sensitive revenues and underscore the need for careful financial management [...] highlighting the need for **strong cost controls** and **structural reform** to return the city's general fund budget to operational balance.

*- S&P Global, April 2025 (emphasis added)*

# Four-Year Outlook | Proposed Budget



# Key Assumptions



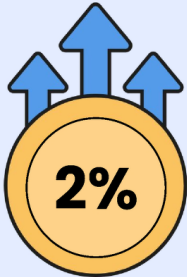
## **NO RECESSION**

*Return to historic level of revenue growth*



## **CUTS ADOPTED AND MAINTAINED**

*No major changes to service levels*



## **NO NEW LABOR COSTS**

*A 2% annual increase in labor costs after current agreements*



# Economic Risks & Uncertainty



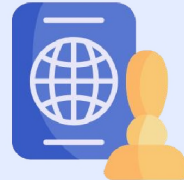
**January  
Wildfires**



**Tourism  
Boycotts**



**Erratic tariff  
application**

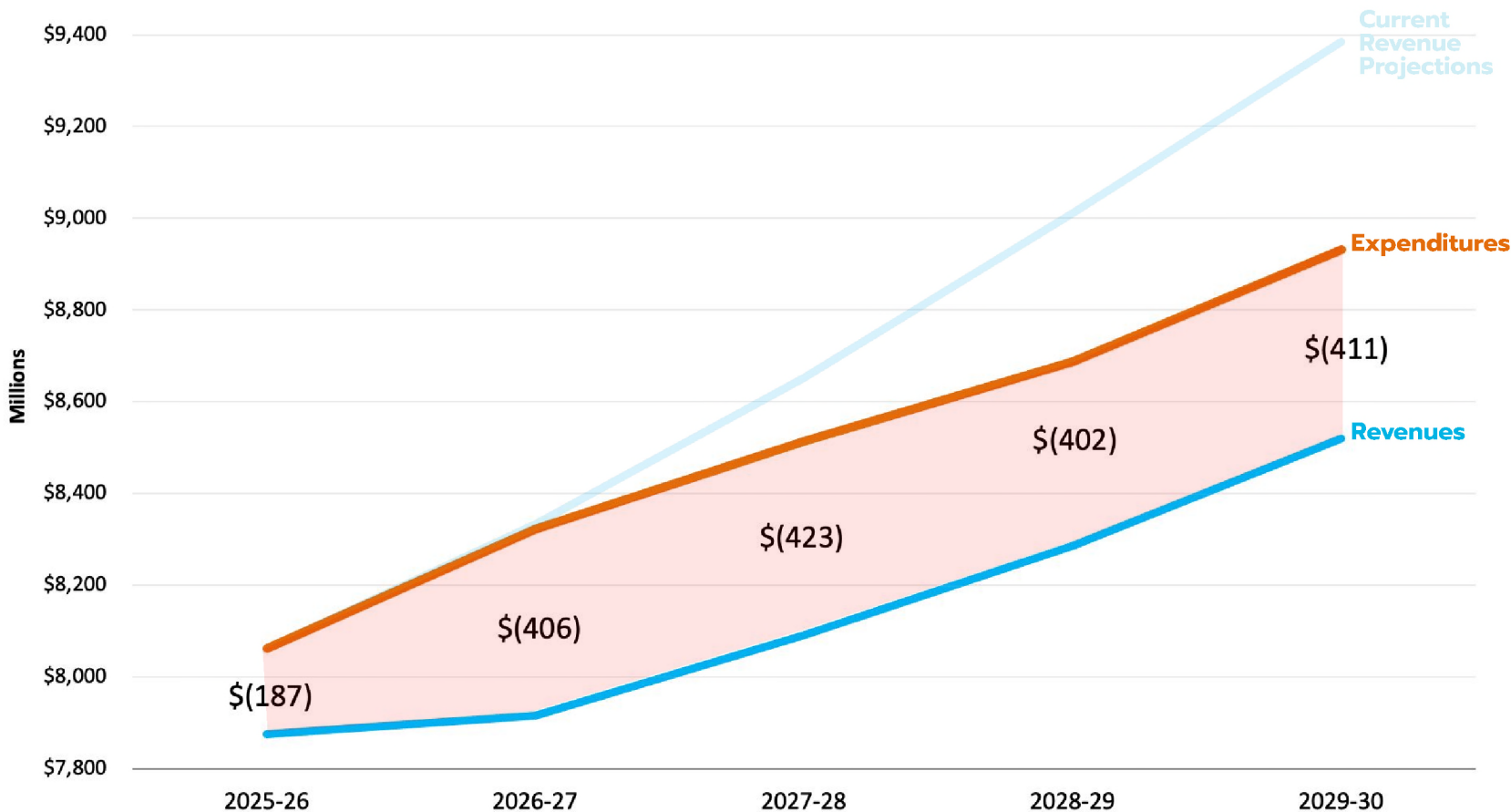


**Disruptive  
immigration  
enforcement &  
deportations**

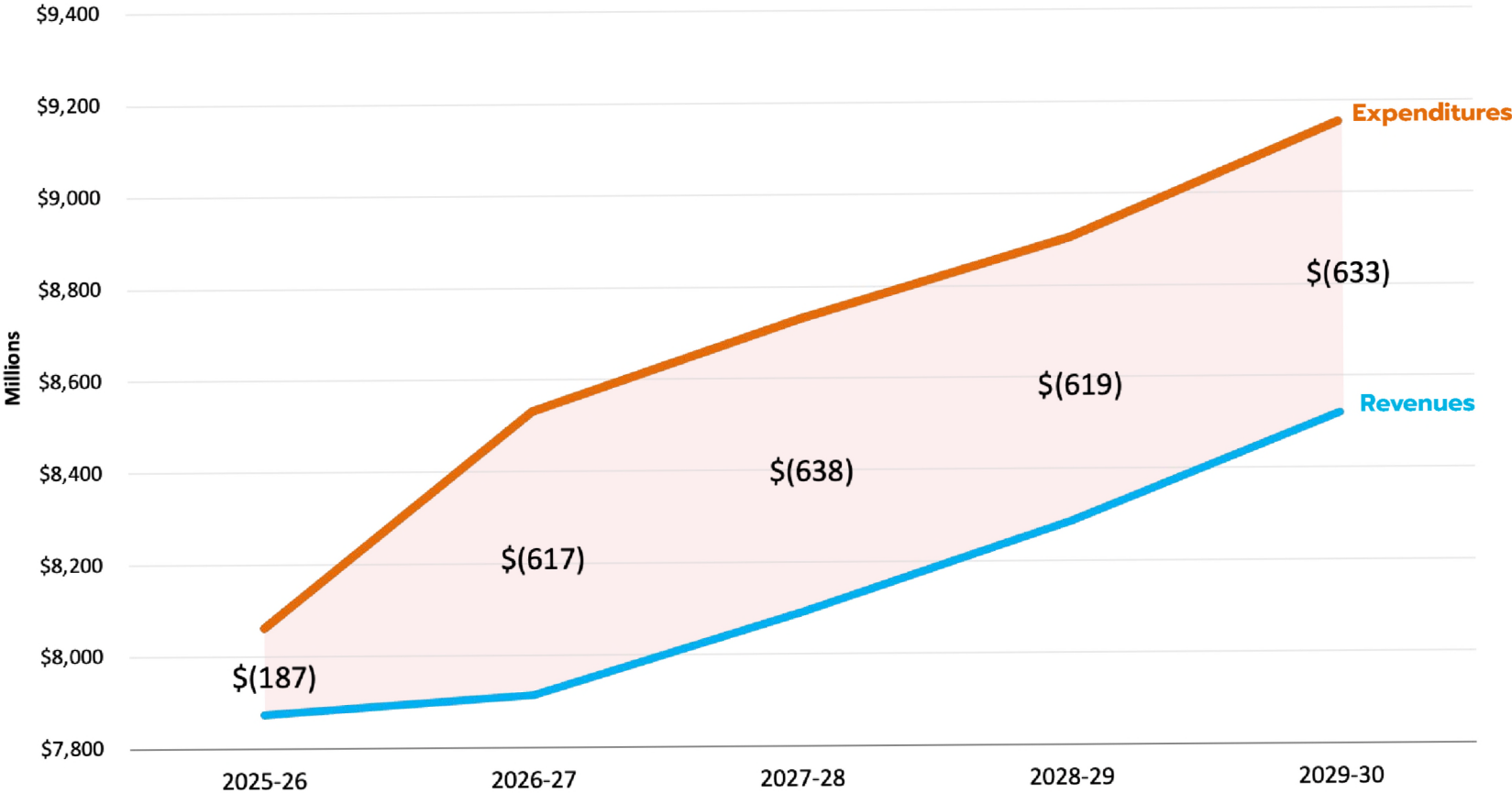


**Federal Cuts**

# Four-Year Outlook | Recession Scenario



# Four-Year Outlook | Restoring All Filled Positions under a Recession Scenario





# **Position Restoration & Layoff Avoidance**

# 1,647

Filled Positions  
Eliminated

Impact on the FY 25-26 Budget

# \$150M



# 1,647

Filled Positions  
Eliminated

Impact on the FY 25-26 Budget

**\$150M**

Structural Savings

**\$225M**

Layoff Avoidance Target

**\$225M**

## **RECOMMENDED**

Restoring positions requires  
alternative *structural*  
solutions

### **COLA Deferrals**

### **Position Swaps**

*with other GF or subsidized special funded  
positions*

### **Alternative Ongoing Reductions**

### **Transfers**

*to fully-funded vacancies in non-GF depts*

### **Re-assignment**

*to non-subsidized special funded vacancies*

**Layoff Avoidance Target**

**\$225M**

## **STRUCTURAL RISK**

Some solutions may present a risk to the structural balance of the budget

## **New Revenue**

### **Grant Funds**

*Transfers to grant funded vacancies (non-GF depts)*

**Layoff Avoidance Target**

**\$225M**

**NOT  
RECOMMENDED**

One-time solutions will likely  
lead to a structural deficit

**Reserve Fund**

**Budget Stabilization Fund**

**Speculative Revenues**

**One-time Revenues**

**One-time Reductions**

**Furloughs**



# Recommended Policy Reforms

1

## RESERVES

Raising the required Reserve Fund minimum in the City Charter and in our Financial Policies, above the current 2.75% and 5% levels.

2

## CONTRACTS

Reforming how we consider labor contracts, and other contractual obligations, to provide the full Council, and the public at large, greater access to the issues, justifications, and long-term impacts of these agreements.

3

## BASE BUDGET

Requiring, potentially as part of a multi-year budget, regular and systematic consideration and implementation of structural and operational efficiencies.





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

April 2025  
[cao.lacity.org/budget](http://cao.lacity.org/budget)