

# Third (Mid-Year) Financial Status Report

Presentation to the Honorable Members of the Los Angeles Budget, Finance & Innovation Committee



**City Administrative Officer**

**Matthew W. Szabo**

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# OVERVIEW

1. Current Financial Status
2. Budget Balancing Solutions
3. Next Steps for FY 24-25



# **Current Financial Status**



# Current Financial Status

## Summary



Revenues  
down

**\$187M**

Expenditures  
up

**\$289M**



# Current Financial Status

## General Fund Revenues

<i>Selected sources of GF revenue</i>	<b>Adopted Budget</b> (in Millions of Dollars)	<b>Variance to Date</b> (in Millions of Dollars)
Property Tax	\$2,640.3	(\$1.2)
Departmental receipts	1,363.3	(67.3)
<b>Business Tax</b>	<b>847.2</b>	<b>(35.9)</b>
<b>Sales Tax</b>	<b>724.2</b>	<b>(29.1)</b>
Utility Users' Tax	650.5	6.3
<b>Transient Occupancy Tax</b>	<b>342.4</b>	<b>(14.9)</b>
<b>Documentary Transfer Tax</b>	<b>198.6</b>	<b>(29.3)</b>
<b>Total General Fund</b>	<b>\$7,903.3</b>	<b>(\$187.0)</b>



# Current Financial Status

## General Fund Revenues



Largest shortfalls are in **economically sensitive taxes:**

**Business Tax** (\$35.9M)

**Sales Tax** (\$29.1M)

*Flagging consumer spending under inflation and extended strikes*

**TOT** (\$14.9M)

*Partly due to the unmaterialized rebound of lucrative Chinese tourism*

**Doc. Transfer Tax** (\$29.3M)

*Multiplying impact of declining sales volume and decreasing home prices attributed to increased mortgage rates*

# Current Financial Status

## Identified Overspending



**86% of the overspending is in:**

**Police Department (\$105.3M)**

**Liability Claims Account (\$91.6M)**  
*Pending liability payouts are nearing \$200M for the year, or two times the budgeted amount*

**Fire Department (\$51.5M)**



# Current Financial Status

## Status of the Reserve Fund

July 1, 2023:

**\$648M**

**8.20%**

After Mid-Year FSR Actions:

**\$492M**

**6.22%**

of 2023-24 General Fund revenue



# **Budget Balancing Solutions**



# Budget Balancing Solutions

## Reserve Fund Transfer

**\$86.6  
Million**



# Budget Balancing Solutions

## Reserve Fund Transfer

**\$86.6  
Million**

If the overspending projections and revenues below plan are not resolved by the end of the FY,  
**the Reserve Fund balance will drop below the City's 5% policy target.**



# Budget Balancing Solutions

## Sources of Funds for Mid-Year FSR Solutions

Fund/Account	Amount	Note
Reserve Fund	\$86.63M	Transfer to the UB, Reserve for Mid-Year Adjustments for budget balancing
Other Fund and Account Savings	\$13.85M	Transfer to the UB, Reserve for Mid-Year Adjustments for budget balancing
UB - Reserve for Mid-Year Adjustments	\$3.96M	Use balance remaining in this account prior to adoption of Mid-Year FSR for Citywide budget balancing.
UB - Department Payroll Reconciliation	\$50.65M	Use portion of remaining balance in this account for salary related overspending.
UB - Other Accounts	\$14.86M	Use accounts set aside for specific operational issues to address projected overspending related to those issues.
<b>TOTAL</b>	<b>\$169.95M</b>	



# Budget Balancing Solutions

## After These Third FSR Actions...

**\$87M**

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In Unresolved  
Overspending

# **Next Steps for FY 24-25**



# Next Steps for FY 24-25

## FY 24-25 Budget will require Mayor and Council to consider:

- Elimination of up to **2,000 vacant positions** (\$150M-\$200M), may include priority positions (e.g. non-sworn public safety positions)
- **Deep cuts in departmental expense accounts**, e.g. contractual services, overtime, and as-needed salaries
- **Reducing critical capital and infrastructure spending**, possibly below the 1.5% policy target
- **Fee increases** to achieve full cost recovery for City services
- Re-examining or revisiting other **prior and ongoing funding commitments**



**Office of the City Administrative Officer**

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March 2024