

FY 2024-25

Second Financial Status Report



City Administrative Officer

Matthew W. Szabo

December 11, 2024

C.F. 24-0600-S113

cao.lacity.gov/budget



OVERVIEW

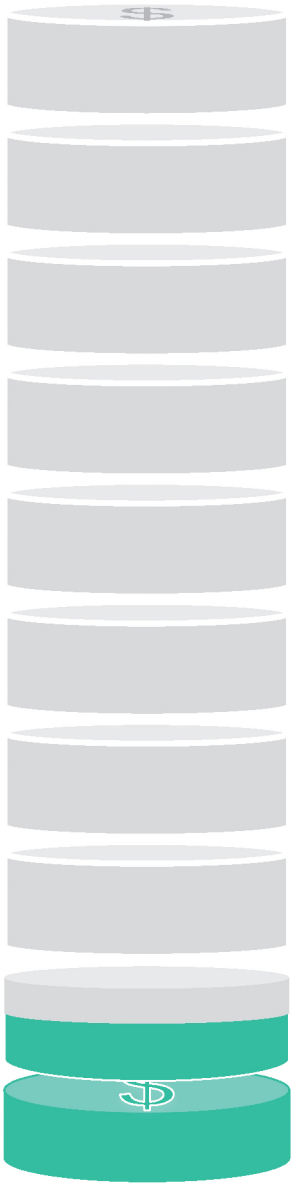
1. Revenues
2. Overspending
3. Reserve Fund
4. Solutions



Revenues



Revenues | FY 24-25 To-Date



16.8%

**of Annual GF Revenues
Received**

through October 2024



Revenues | FY 24-25 To-Date



Large variances in:

Sales Tax (\$9M)

Business Tax +\$6M
Over \$20M in reduced business tax receipts are recorded in LATax for Oct that are not in FMS

Transient Occupancy Tax (\$9M)

Departmental Receipts +\$60M
Attributed to unanticipated and delayed prior year remittances, some require new appropriations or will be otherwise disbursed

Property Tax (\$18.8M)

* Excluding interest earnings that may be owed to special funds, the revenues are \$35.7 million above plan,



Expenditures



Expenditures | FY 24-25



Liability Claims **\$112M**
Does not include future cases currently being resolved via settlements or judgement

City Attorney **\$25M**
Based on trends for litigation expenses and outside counsel costs

Fire **\$37M**
Increased retirement sick payout liabilities, OT in response to natural disasters, unbudgeted contract obligations, fleet maintenance and repair, & medical/rescue supply costs

Fire Sworn Agreement **\$53.4M**



City Reserves



City Reserves | Snapshot

Account		Adopted Budget Amount	Current Balance
Reserve Fund		\$407M (5.07%)	\$320.5M (3.99%)
Budget Stabilization Fund		\$204M	\$204M (2.55%)
Unappropriated Balance	<i>Reserve for</i> Mid-Year Adjustments	\$59M	\$0
	<i>Reserve for</i> Extraordinary Liabilities	\$20M	\$0
	Dept. Payroll Reconciliation	\$105M	\$69.8M <i>(after the actions in the 2nd FSR)</i>



Reserve Fund | Adopted Budget



Reserve Fund | Year-end Closing

4.12%



Reserve Fund | Current Balance



Reserve Fund | Liability Claims Overspending

\$59.6M

**Additional Identified Liabilities
Overspending**



Reserve Fund | If used for remaining Liability claims

2.84%

Reserve Fund | Unresolved Overspending

If the City cannot identify solutions for the \$130M of overspending, the City Reserves would be...

1.97%

Solutions & Recommendations



**\$35
million**

Transfers from UB - Department Payroll Reconciliation Account

\$10M Litigation Overspending

\$4M Outside Counsel Overspending

\$1M Crossing Guards Overspending

\$20M Liability Payouts

Solutions | Judgement Obligation Bonds (JOBs)



Working Group
established with the City
Attorney, outside counsel
and a municipal advisor

However, the Working Group has determined that a JOB issuance **cannot be executed in the current fiscal year** due to a lengthier than expected court validation process.

Solutions | Potential Future Solutions

Address current overspending with the following sources **in the following order:**

1 UB – Department Payroll Reconciliation Account

\$105 million, beginning in this Second FSR

2 Ongoing reduction exercise and evaluation of off-budget SFs

Any savings that can be generated, no later than the Mid-Year FSR

3 Budget Stabilization Fund (if necessary)

Up to the full \$205 million balance, beginning in the Mid-Year FSR

Solutions | Preparation for the FY 2025-26 Budget

Restore the Reserve Fund to the 5% minimum

Per the City Charter, if the RF falls below the 5% minimum, the City must take steps to restore it in the subsequent FY

Restore any portion of BSF used this FY

through a multi-year repayment plan beginning with the FY 25-26 Budget

Increase appropriations in obligatory accounts that are now regularly underfunded

e.g. the Liability Claims Account

Return solid waste fees and street lighting assessments to levels that achieve reasonable cost recovery

beginning no later than 2025-26



Office of the City Administrative Officer

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