

FY 2024-25

Mid-Year Financial Status Report



**City Administrative Officer
Matthew W. Szabo**

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C.F. 24-0600-S114



OVERVIEW

1. Key Takeaways
2. Mid-Year Financial Status Summary
3. Urgent Areas of Concern
4. Next Steps



Key Takeaways

The City is facing **serious financial headwinds**.

The financial conditions are exacerbated by the **recent wildfires**.

There are significant **financial uncertainties due to federal actions**.

Immediate spending reductions are required, and we must prepare for further reductions if revenues continue to decline.



Mid-year Financial Status

General Fund Revenues
 **\$13M**
Below Plan
through January 2025

Expenditures
 **\$300M**
Projected Overspending
as of December 2024 plus windstorm & wildfire events



Mid-year Financial Status

General Fund Revenues
 **\$13M**

Below Plan
through January 2025

Expenditures
 **\$300M**

Projected Overspending
as of December 2024 plus windstorm & wildfire events

\$190M

Solutions in Mid-Year FSR

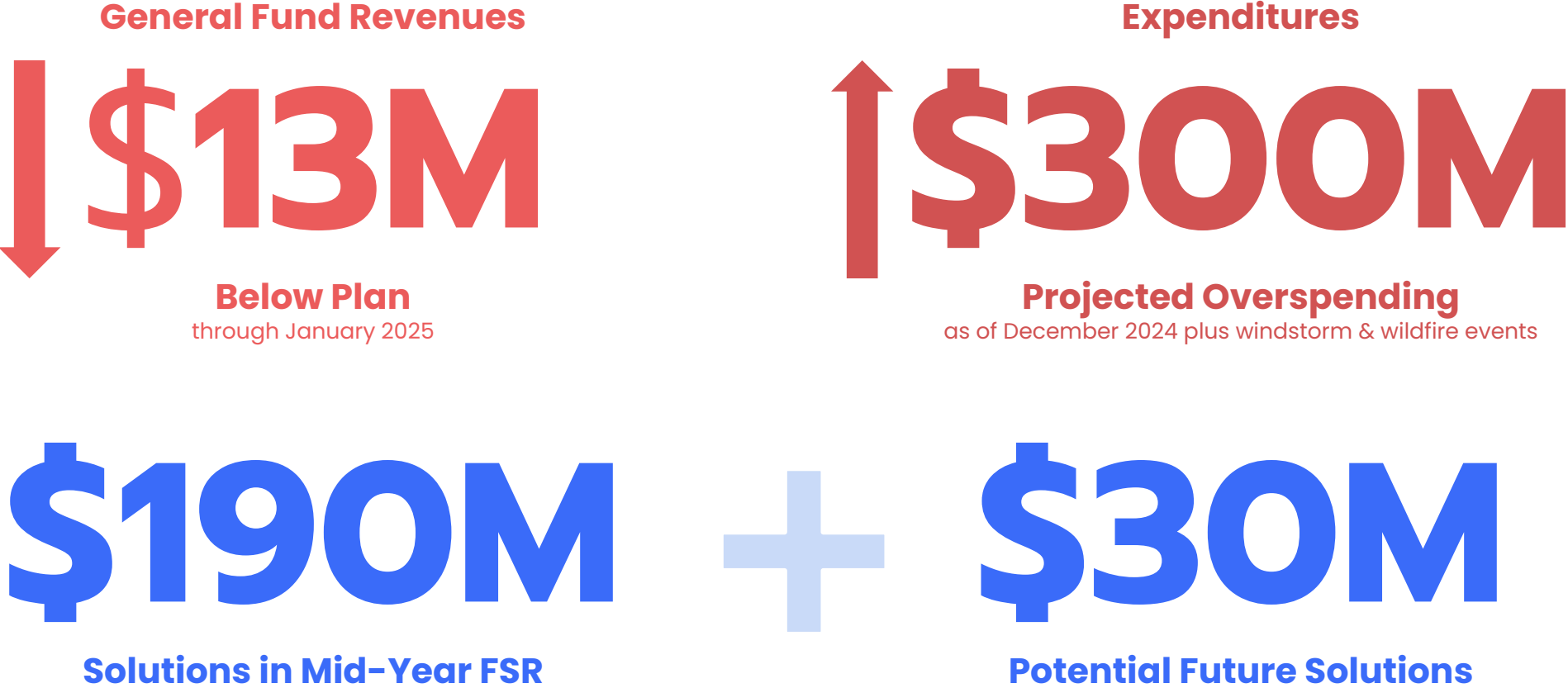
+

\$30M

Potential Future Solutions



Mid-year Financial Status



Reserve Fund: 3.22%

After actions recommended in this report and those expected in the near future
(2.22% If used for remaining overspending)



Urgent Areas of Concern



Urgent Areas of Concern

1

Economic Conditions

2

Revenue Trends

3

Cost Increases



Areas of Concern | Economic Conditions

Sales Tax



Rising **unemployment & slow economic recovery** after rate cuts

Uncertainties from **immigration actions, tariffs, federal funding reductions & layoffs**

Economic impact of the **wildfires**

Property Tax



Anticipated **reassessments of properties damaged** by the wildfires

12-month extension of **property tax relief** for those zip codes

Business Tax



Last FY's shortfall (\$41.6M)

State legislation reducing **cannabis-related taxes**

Business tax relief in response to the wildfires

Transient Occupancy Tax



Not yet at pre-pandemic levels
Lagging recovery in Chinese tourism (CA's 3rd largest int'l market)

Impact of the **wildfires**

Political and trade disputes

Projected 10% **decline in Canadian tourism**
CA's 2nd largest int'l market

Areas of Concern | FY 25-26 Revenue Projections



\$315M



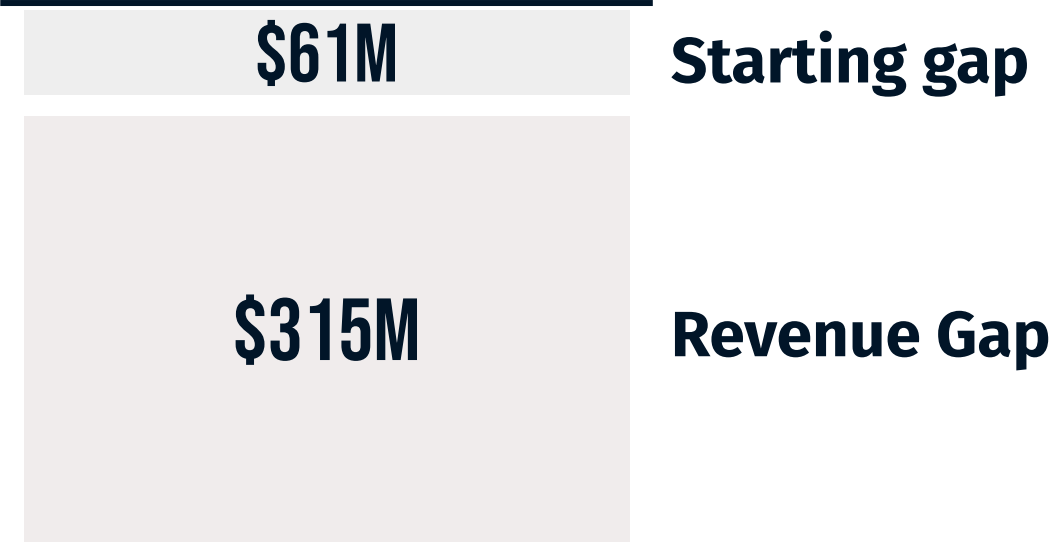
Areas of Concern | Cost Increases

\$61M

Starting gap



Areas of Concern | Cost Increases



Areas of Concern | Cost Increases

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Starting gap

\$315M

Revenue Gap

\$100M

Liability Claims (increase)



Areas of Concern | Cost Increases

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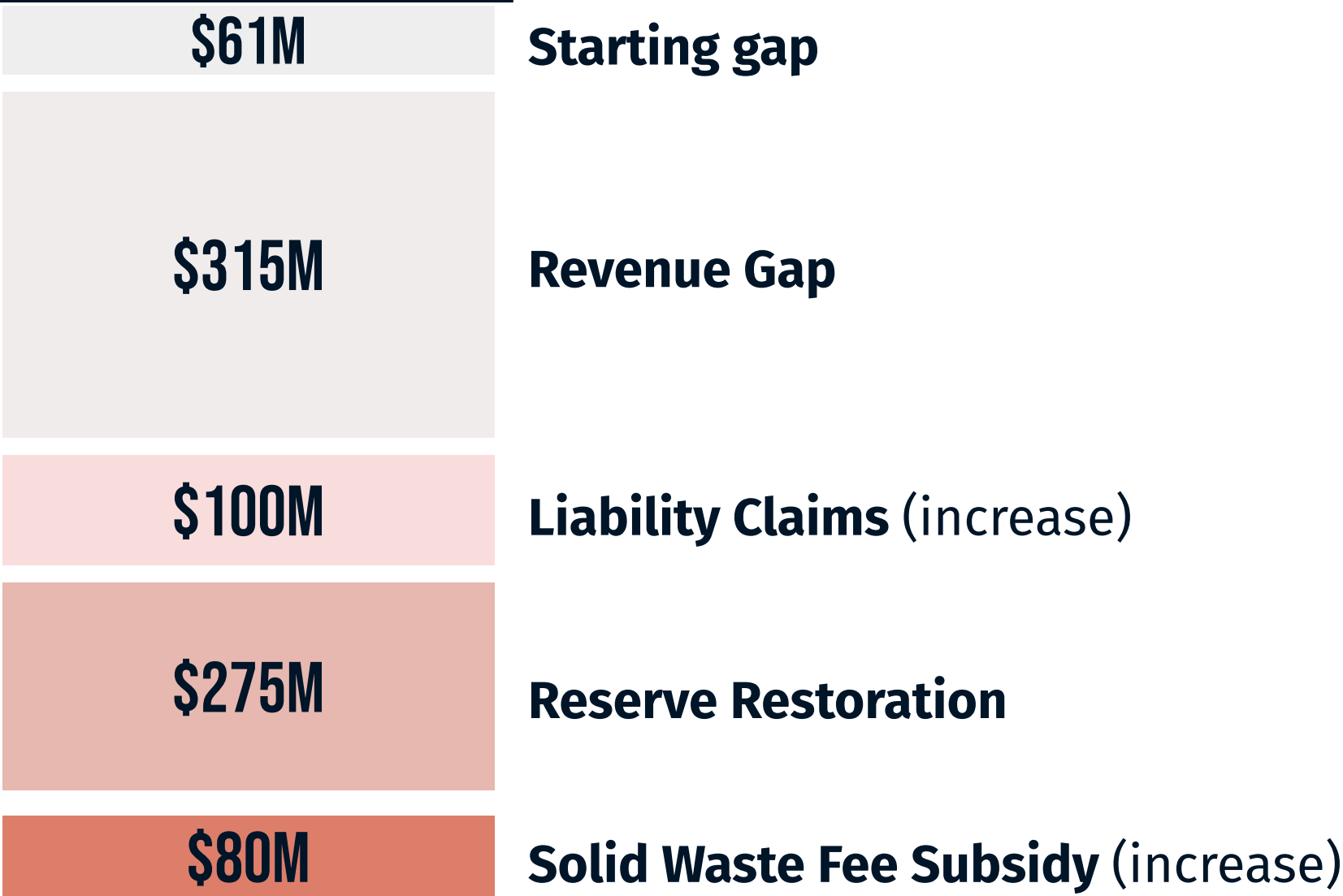
Liability Claims (increase)

\$275M

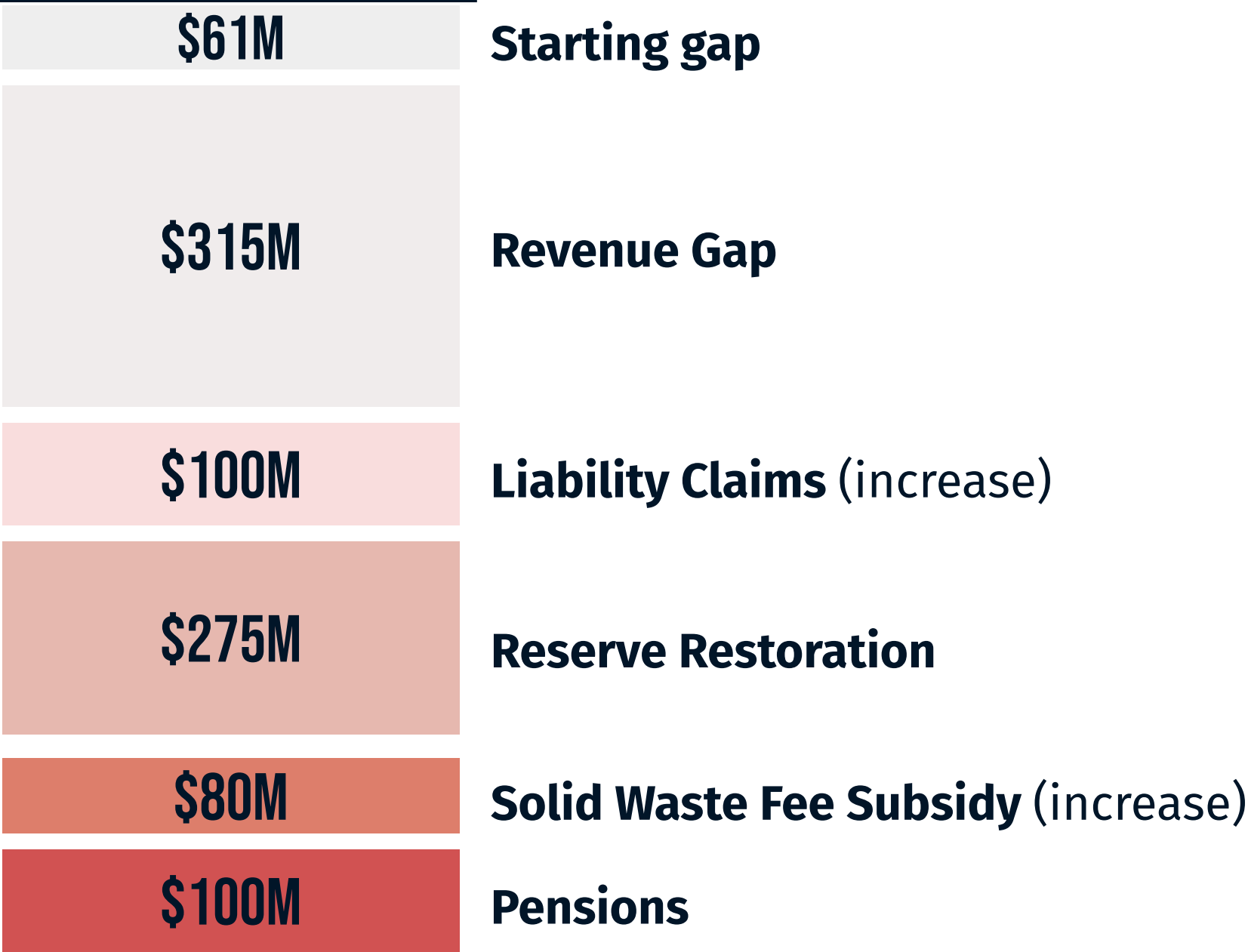
Reserve Restoration



Areas of Concern | Cost Increases



Areas of Concern | Cost Increases



Areas of Concern | Cost Increases

\$61M

Starting gap

\$315M

Revenue Gap

\$100M

Liability Claims (increase)

\$275M

Reserve Restoration

\$80M

Solid Waste Fee Subsidy (increase)

\$100M

Pensions

Nearly
\$1 Billion
Gap



Next Steps



Mayor's Directive

- Reduce liability costs
- Change the number, structure, and responsibilities of departments to focus the City's work on most critical services
- Reduce contract expenses
- Realize payroll and benefit savings
- Preserve the Reserve Fund
- Structural reforms



Office of the City Administrative Officer

cao.lacity.org

March 2024