

FY 2024-25

BUDGETARY CONCERNS

*and Initial Recommendations to
Restore the Reserve Fund*



City Administrative Officer

Matthew W. Szabo

October 2024

C.F. 24-0600-S37

cao.lacity.gov

Budgetary Concerns

Reserve Fund

**Adopted
Budget**



Budgetary Concerns

Reserve Fund

**Year-end
Closing**

4.12%

Budgetary Concerns

Reserve Fund

With approved &
future known

liabilities

City Reserves are
approaching...

2.75%



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



Budgetary Concerns

Contributing Factors | FY 23-24 Revenues

Actual General Fund revenues fell short of the projections in the Adopted Budget by over
\$50 million

Budgetary Concerns

Contributing Factors | FY 24-25 Liability Payouts

\$260M
already incurred
this FY

\$80M

Liability Account

\$20M

Reserve for
Extraordinary Liabilities

\$59M

Reserve for Mid-Year
Adjustments

\$23M

Reserve Fund



Budgetary Concerns

Contributing Factors | Liability Payments

+

**\$76
million**

Other settlements and judgments that have finalized but not yet transmitted to Council for approval*

* As of the date of the release of the report on September 27, 2024.



Initial Recommendations



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- 1 Retain the **Prioritized Critical Hiring** process
- 2 **Defer** all interim budget appropriation requests
- 3 Depts. to **absorb overspending** within budgeted resources & **adjust operations** where necessary
- 4 CAO to provide **recommendations** in FSR to **protect and restore the RF** to 5% minimum
- 5 CAO and City Attorney to report on potential strategies to **limit future liability payouts**

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Office of the City Administrative Officer

cao.lacity.org

October 2024

\$258.6M

**Total Liability
Payments**

(incl. Pending approval)

**Analysis of
Liabilities &
Settlement
Payments**



\$258.6M

Total Liability

Payments

(incl. Pending approval)

Does not include
settlements/
judgments that
have yet to be
negotiated /
rendered

9 months
remaining
in Fiscal Year 24-25

\$258.6M

**Total Liability
Payments**
(incl. Pending approval)

\$105M

**Use of Force /
Professional Negligence**

\$89M

Dangerous Conditions

\$40M

Employment-related

\$258.6M

**Total Liability
Payments**

(incl. Pending approval)

\$149M

Police Department

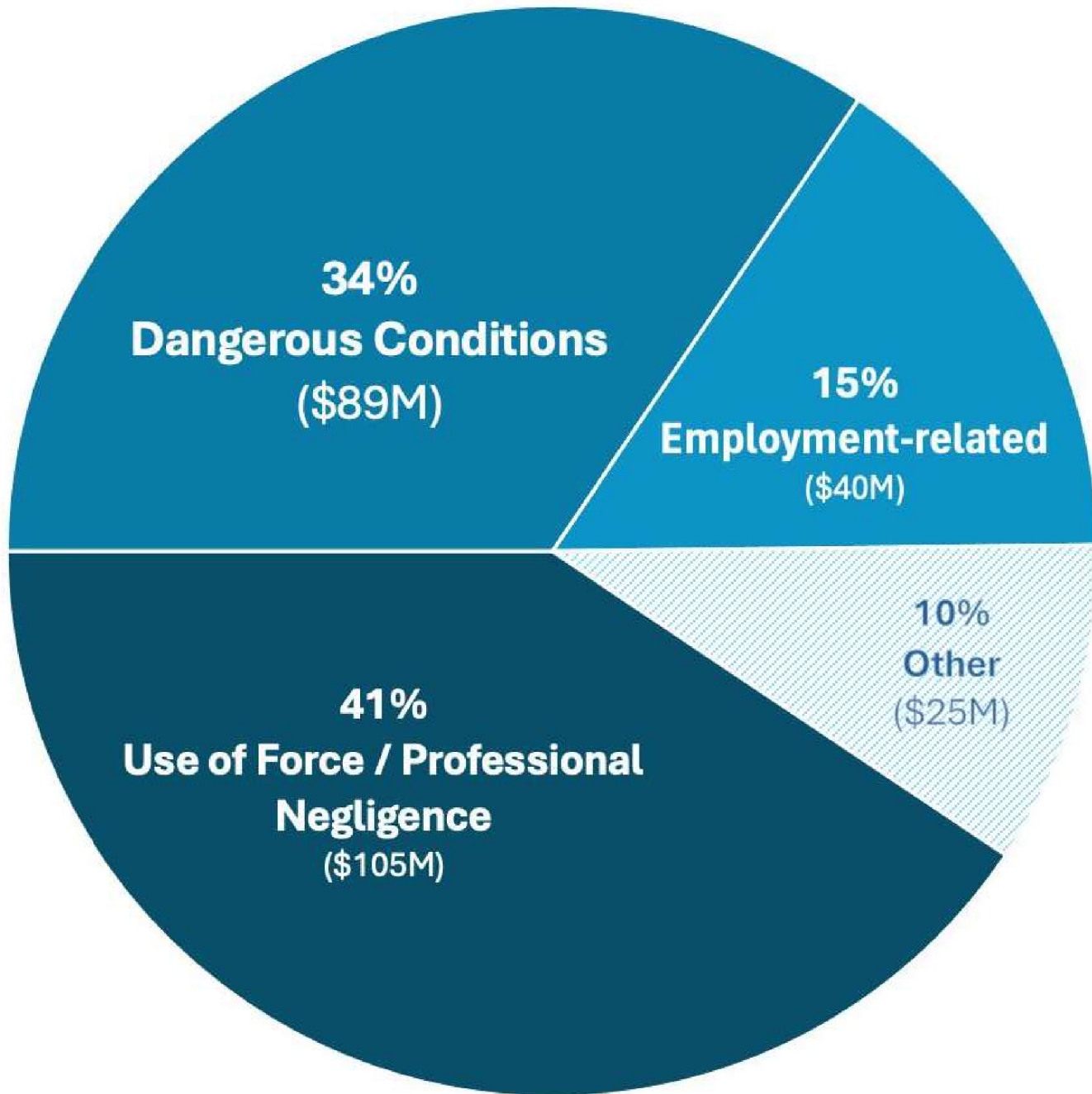
\$31M

Street Services

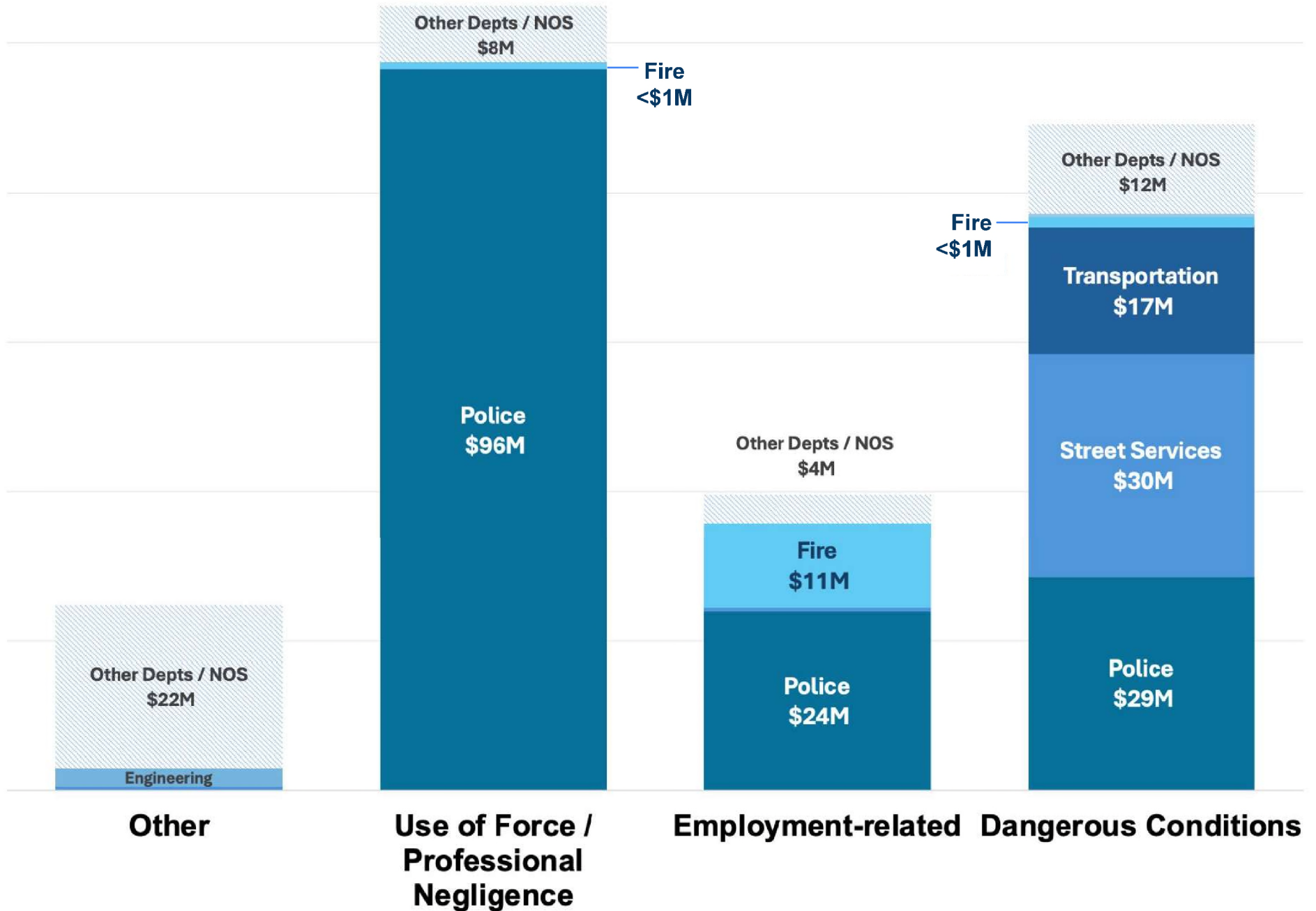
\$17M

Transportation

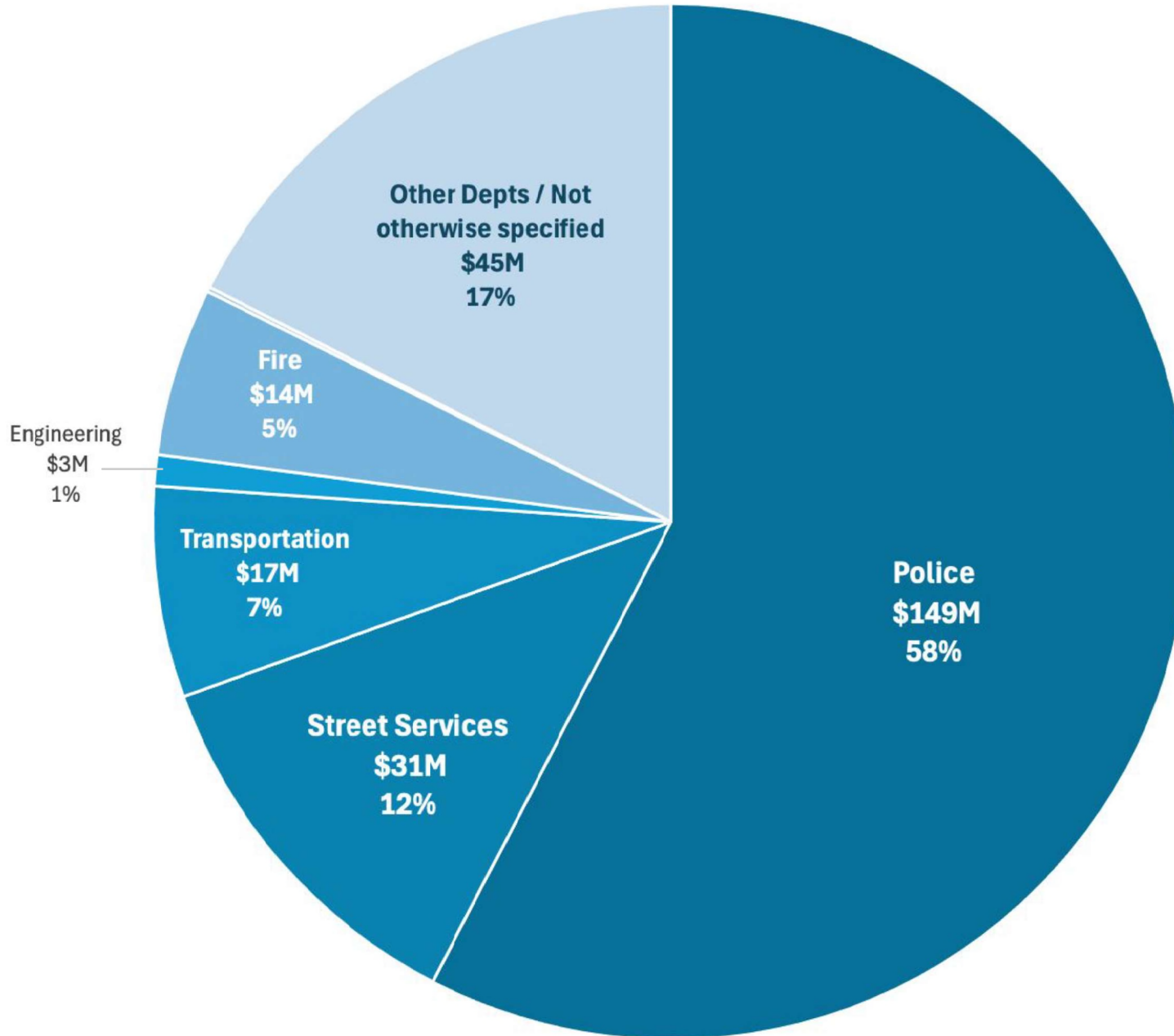
Liability by Type



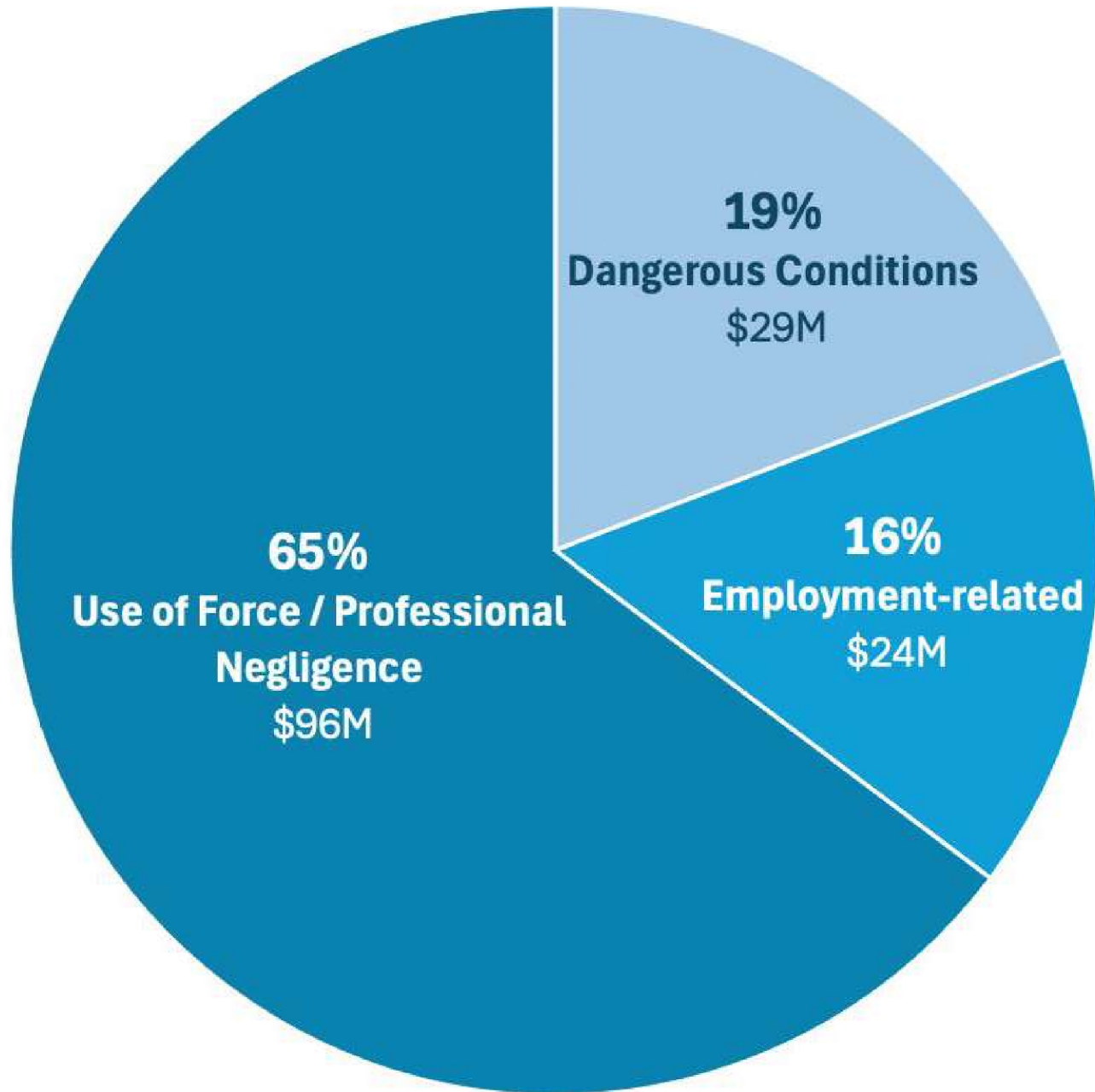
Liability Type by Department



Liability by Department



Police Department Liabilities



Employment-related Liabilities by Department

