FY 2024-25

Proposed Budget

City Administrative Officer
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April 30, 2024
cao.lacity.gov/budget

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Budget Overview

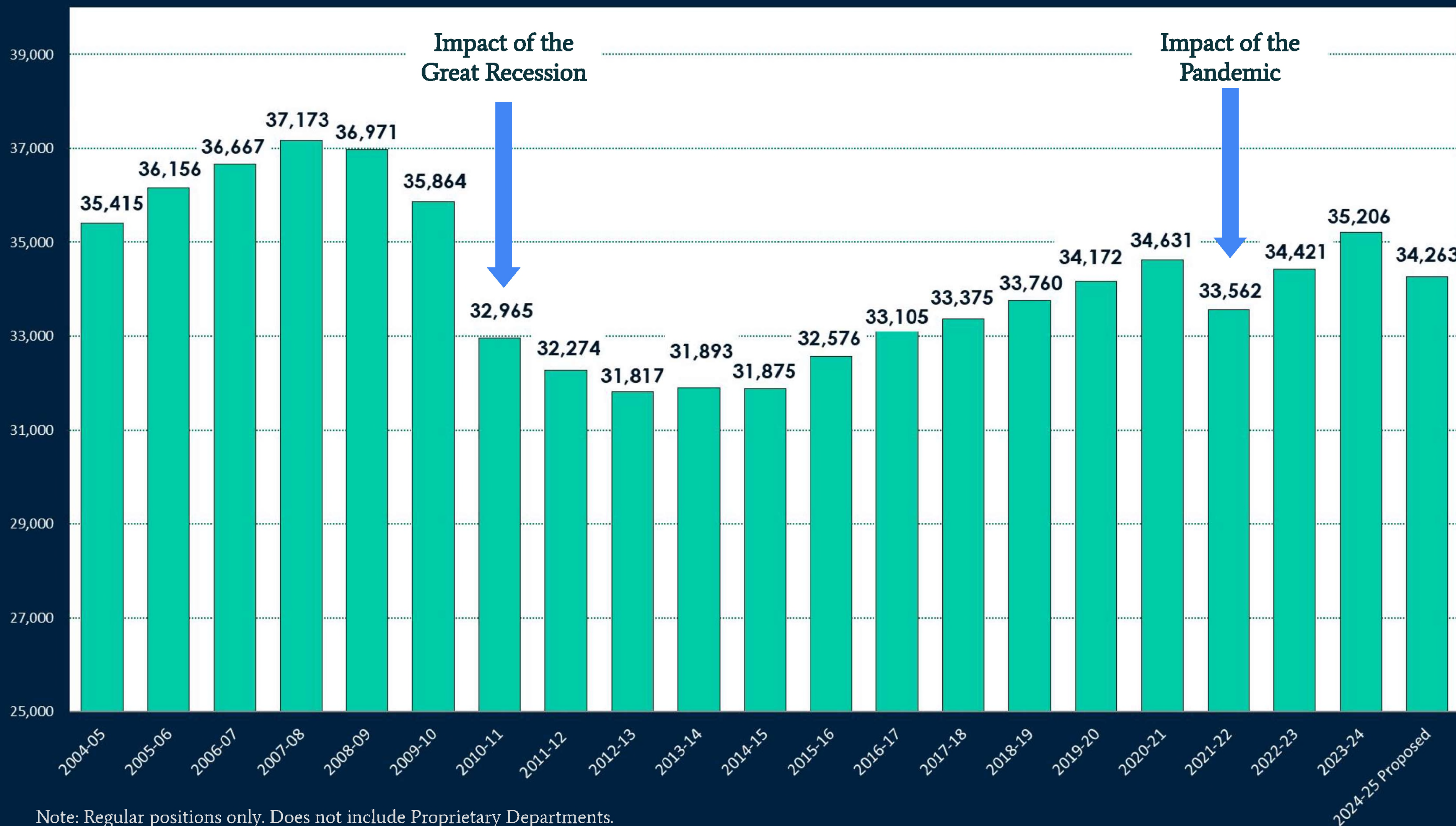
Budget Overview

FY 2024-25 Proposed Budget

	Budget (Millions)			Authorized Positions		
	Adopted 2023-24	Proposed 2024-25	% Change	Adopted 2023-24	Proposed 2024-25	% Change
General Fund	$7,903.3	**$7,986.3**	1.0%	25,608	24,576	-4.0%
Special Funds	$5,242.2	**$4,835.8**	-7.8%	13,166	12,471	-5.3%
Total	**$13,145.5**	**$12,822.1**	**-2.5%**	**38,774**	**37,047**	**-4.5%**

Budget Overview

Authorized City Staffing



Note: Regular positions only. Does not include Proprietary Departments.

Budget Overview

Major New Expenditure

Employee compensation increases

+$412M
All funds

+$340M
General Fund

Significant Required Reductions

Positions

Expense Accounts

Capital Spending

-$408M
All funds

-$293M
General Fund

2 Revenue Projections

Revenue Projections

Limited Growth in FY 24-25

+1% = $82M

Total Increase in GF Revenue Compared to the 23-24 Adopted Budget

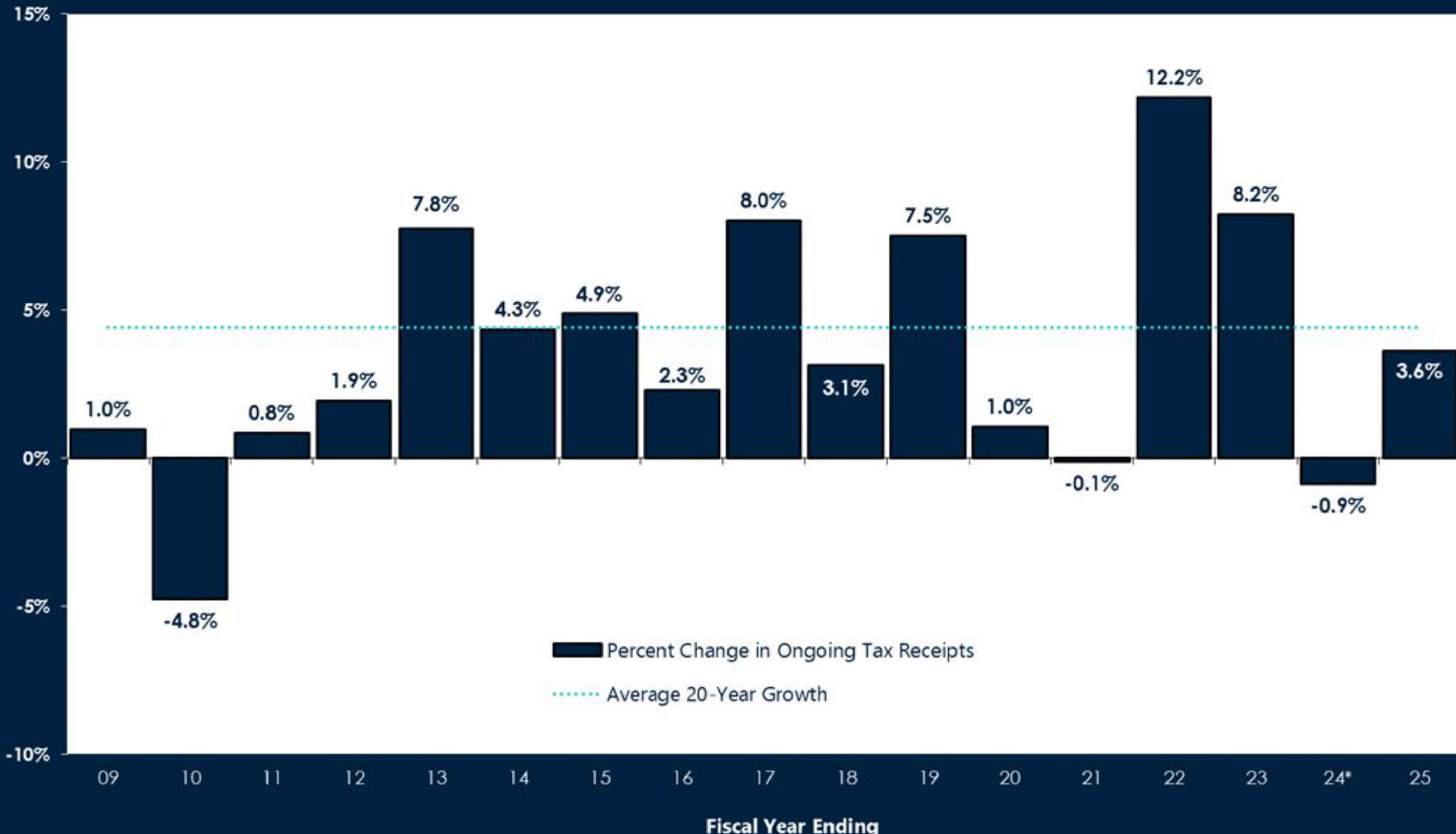
Revenue Projections

Economy-Sensitive Revenue Sources

	Change from 2023-24 Adopted Budget		Change from 2023-24 Revised Budget	
Economy-Sensitive Revenue Sources	**Amount (Millions)**	**Change (%)**	**Amount (Millions)**	**Change (%)**
Property Tax	$125M	+4.5%	$135M	+4.9%
Business Tax	$(10M)	-1.2%	$16M	+2.0%
Sales Tax	$(33M)	-4.6%	$10M	+1.5%
Utility Users' Tax	$22M	+3.4%	$8.6M	+1.3%
Documentary Transfer Tax	$(29.8M)	-15.0%	$10.5M	+6.7%
Transient Occupancy Tax	$(2.8)M	-0.8%	$15.6M	+4.8%
Parking Occupancy Tax	$5M	+4.2%	$4.8M	+3.7%
All General Fund Revenues	***$82.9M***	***+1%***	***$262.7M***	***+3.4%***

Revenue Projections

Growth of Seven General Fund Taxes



* Revised 2023-24 Budget

Reserve Fund

City Reserves | Reserve Fund Status

July 1, 2023:

$648M — **8.20%**

After Mid-Year FSR Actions:

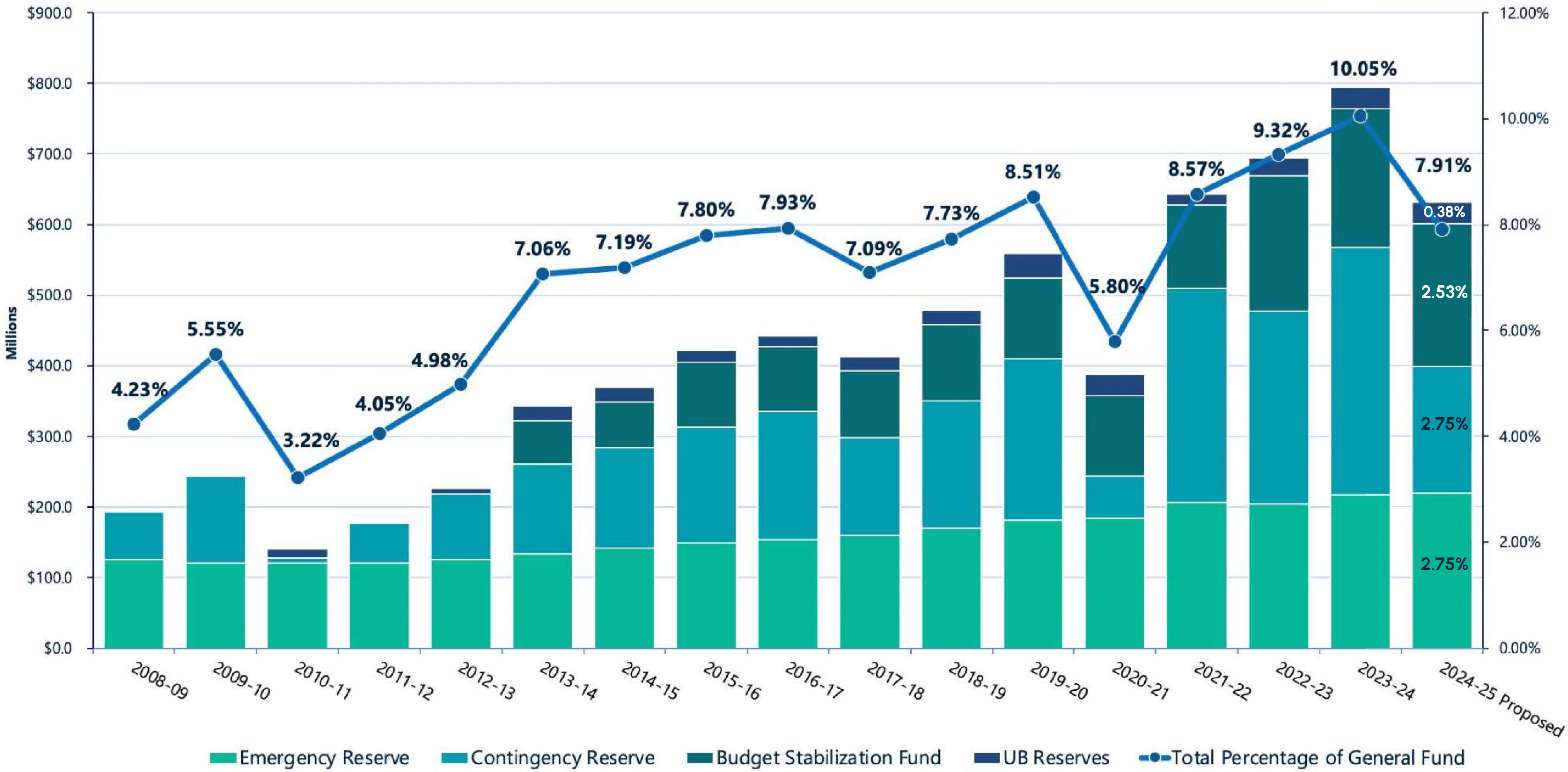
$492M — **6.22%**

FY 24-25 Proposed Budget:

$399M — **5.00%**

City Reserves

Changes in All Reserves (as a percentage of the GF)



Note: For all years, except FY 2024-25, the numbers reflect that of the Adopted Budgets.

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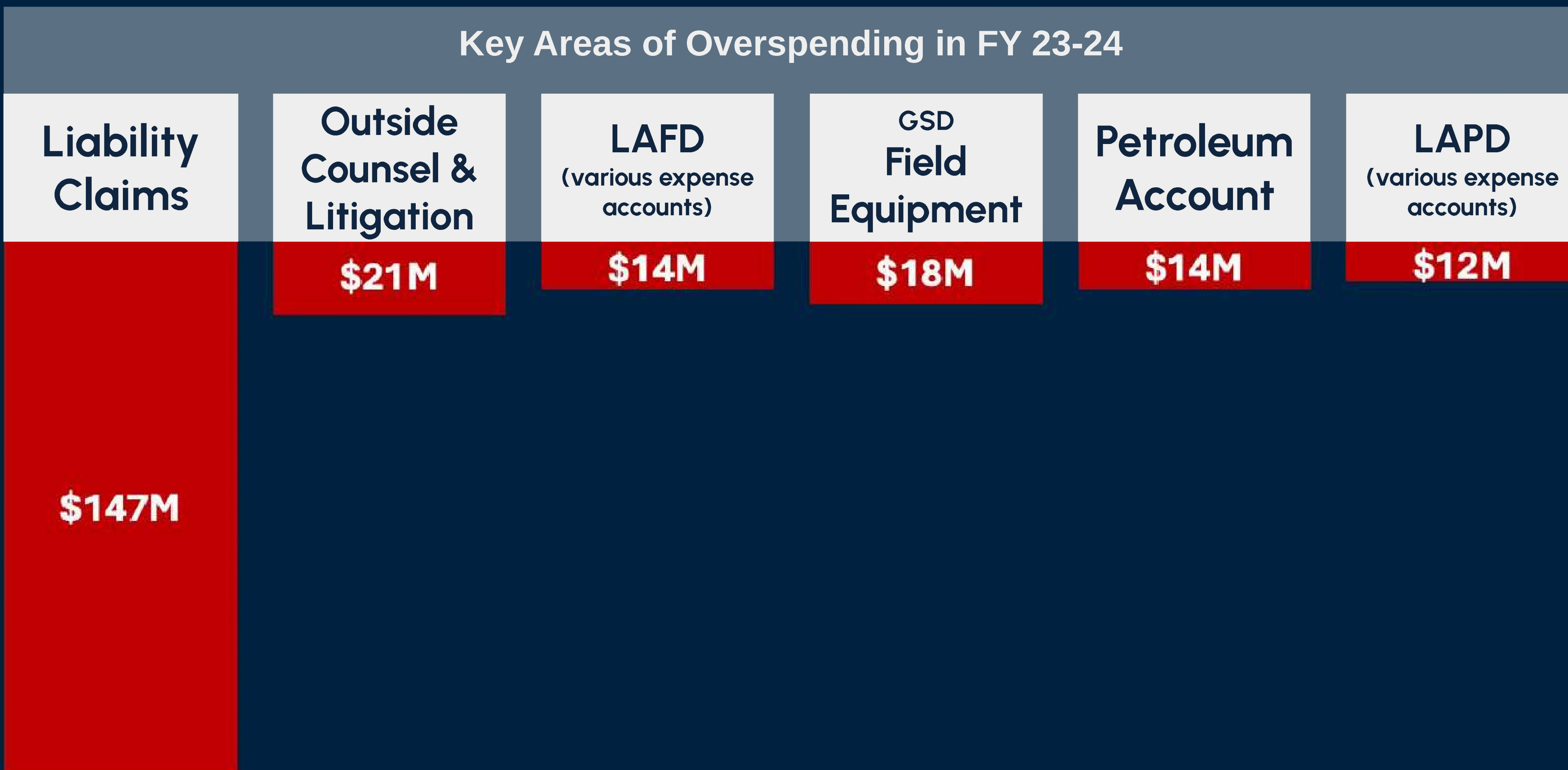
Areas of Concern

Areas of Concern

1. Low Reserve Fund does not leave flexibility to address overspending



Areas of Concern

2. The General Fund provides significant subsidy to special funds

$425 Million

in GF subsidies to special funds

Requires mitigation measures:

Increase fees to keep up with inflation and achieve full cost recovery.

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Financial Policies

Financial Policies
Compliance Status

Reserve Fund at least 5% of General Fund revenues	✓	Will start this FY at $399M or 5.00%
Budget Stabilization Fund	✓	Because of lower-than-average projected revenue growth, this policy does not require a deposit. The Proposed Budget does not include a withdrawal from the Fund either.
General Fund reserves goal at 10% of GF revenues	X	July 1 balance of $632 million, or 7.9%
Capital & tech. investment at 1.5% of GF revenues	X	The Proposed Budget invests 0.94% of the General Fund revenues in this category, and thus is not in compliance.
All one-time revenues used for one-time expenditures	✓	The one-time expenditures exceed one-time-revenue by $37.15M.
Debt service as percent of general receipts: No more than 6% for non-voter-approved, and 15% for non-voter-approved and voter-approved combined	✓	• 2.66% for non voter-approved • 4.05% for non voter-approved and voter-approved
Achieve structural balance	X	The Outlook only projects structural balance in the fourth and final year of the period. Expenditures are projected to be higher than revenues in 2025-26 (by $56 million), 2026-27 (by $194 million), and 2027-28 (by $72 million)before revenues exceed expenditures in 2028-29 (by $164 million).

Financial Policies

General Fund Reserves

Cumulative General Fund Reserves

Reserve Fund, BSF, and the UB for mid-year adjustments will equal **10% of General Fund revenue**.

The Proposed 2024-25 Budget falls short of this goal with a July 1 balance of **7.9%**.

Financial Policies

Capital and Technology Improvements

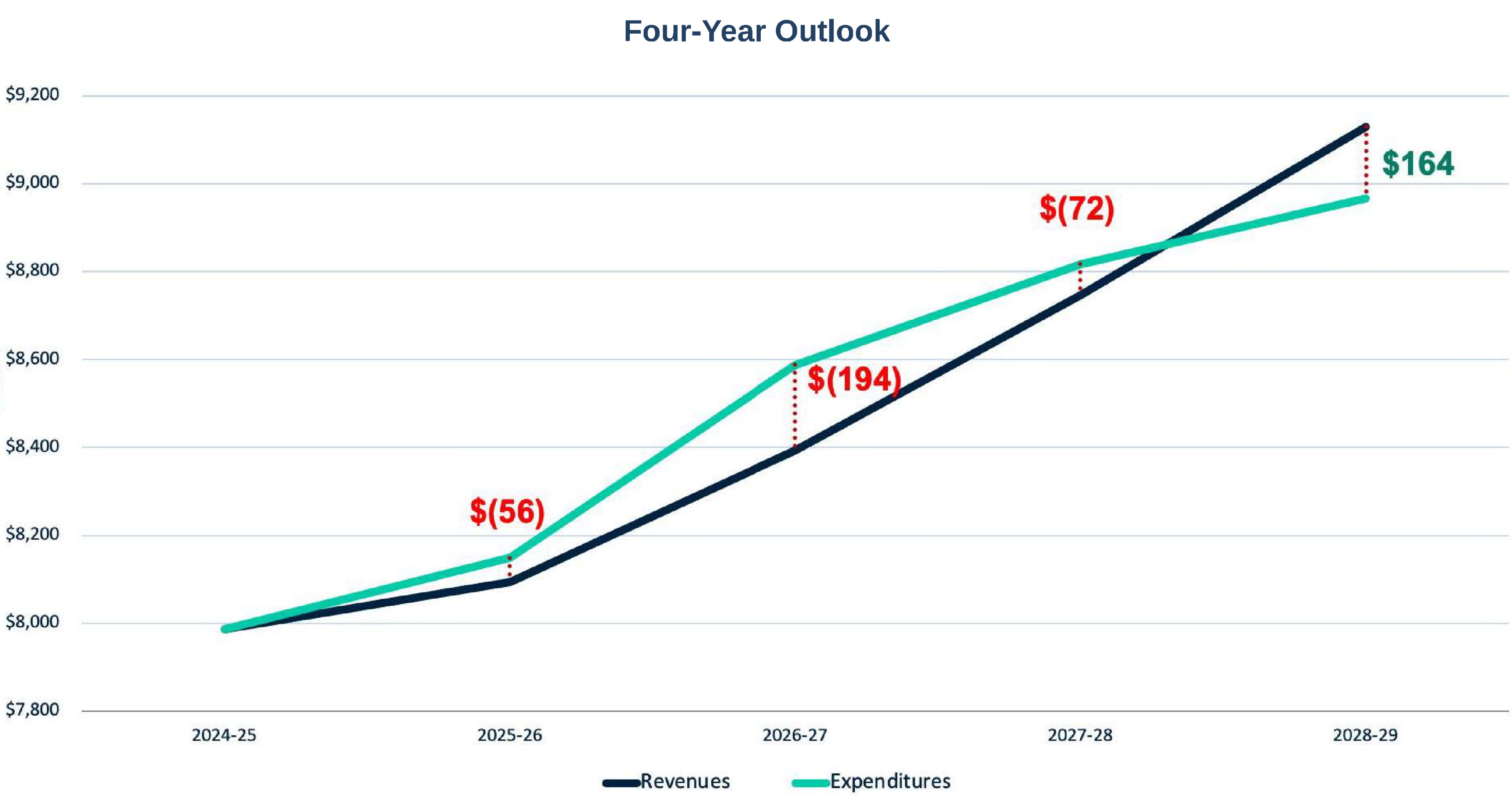
Capital and Technology Improvements

Minimum of 1.50% of General Fund revenue to be used for capital and technology improvements and projects.

The Proposed 2024-25 Budget falls short of this goal by investing 0.94% ($75M).

Financial Policies

Structural Balance



In Millions

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Fiscal Reality

Challenges

Does <u>not</u> achieve structural balance until FY 28-29

Fails to comply with the capital investment policy

Falls short of 10% reserve goal

Fiscal Reality

Proposed Position Eliminations

2,139

Positions Eliminated

$178 million

in Savings

(General Fund & Special Fund)

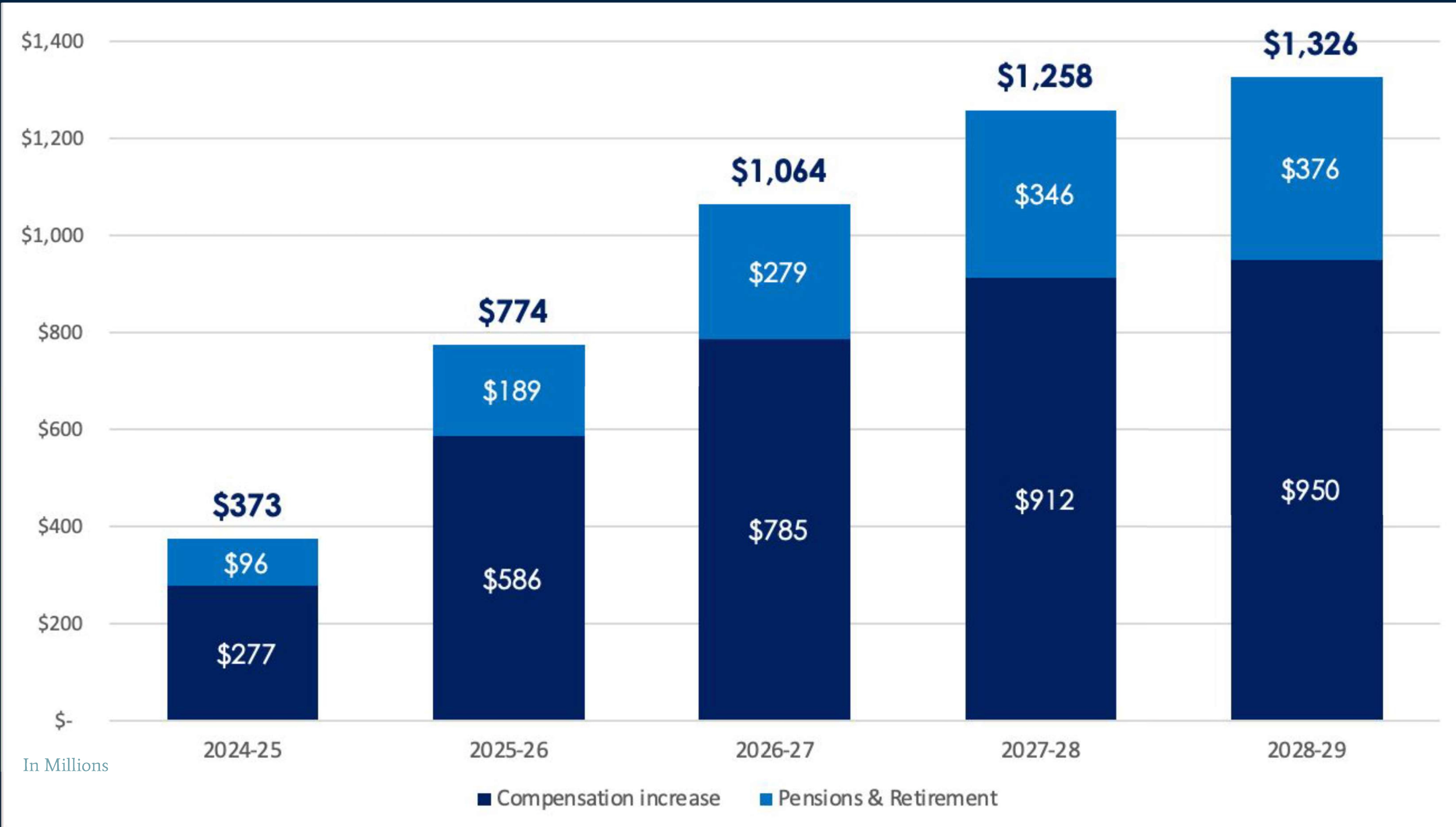
Fiscal Reality

Employee Compensation Increases

Increased Cost of	Increased Cost of
$412 Million	**$340 Million**
Across All Funds	General Fund

Fiscal Reality

Employee Compensation Increases



Fiscal Reality

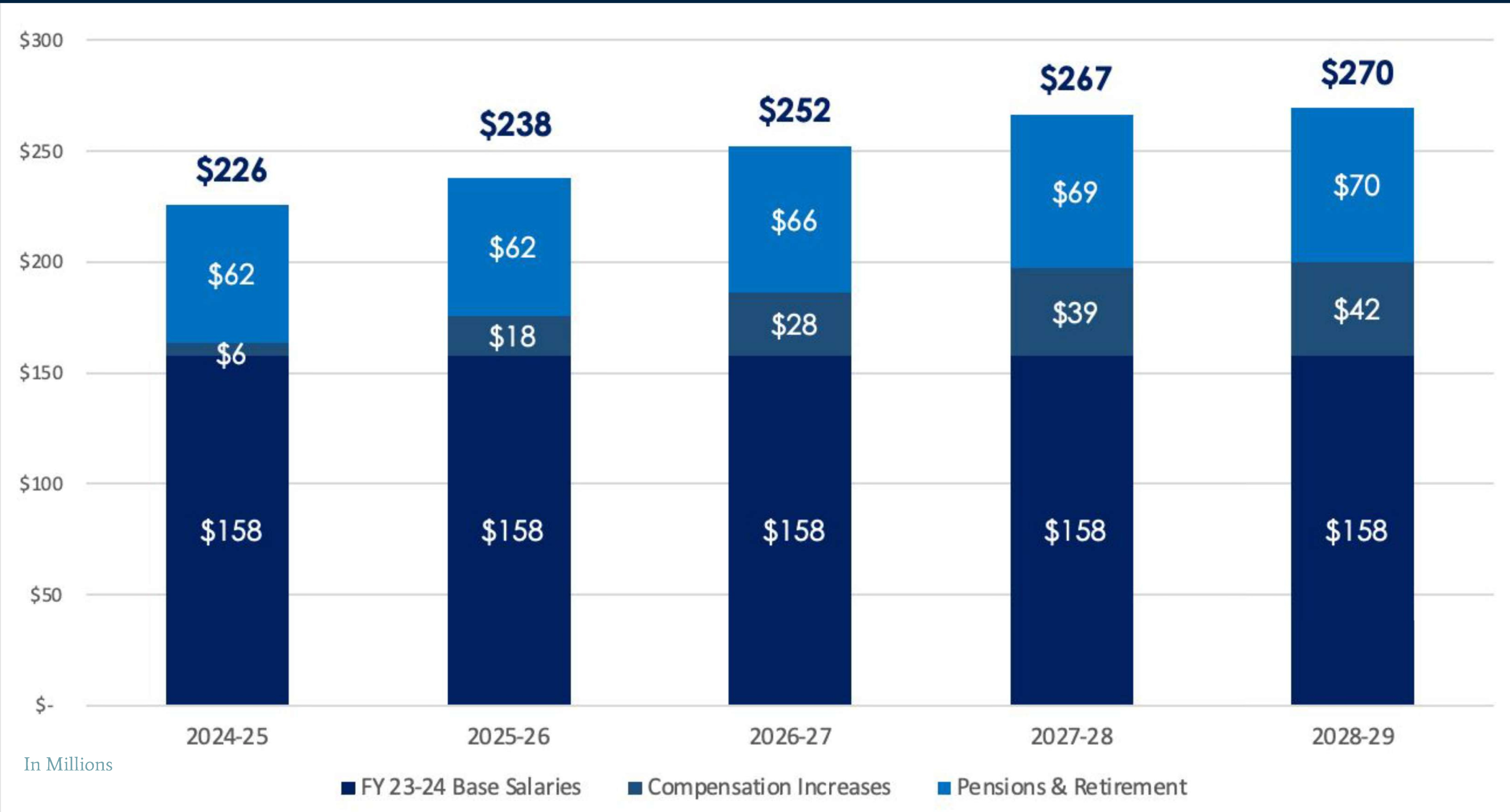
Binary Choice

Pay fewer employees more

Pay more employees less

Fiscal Reality

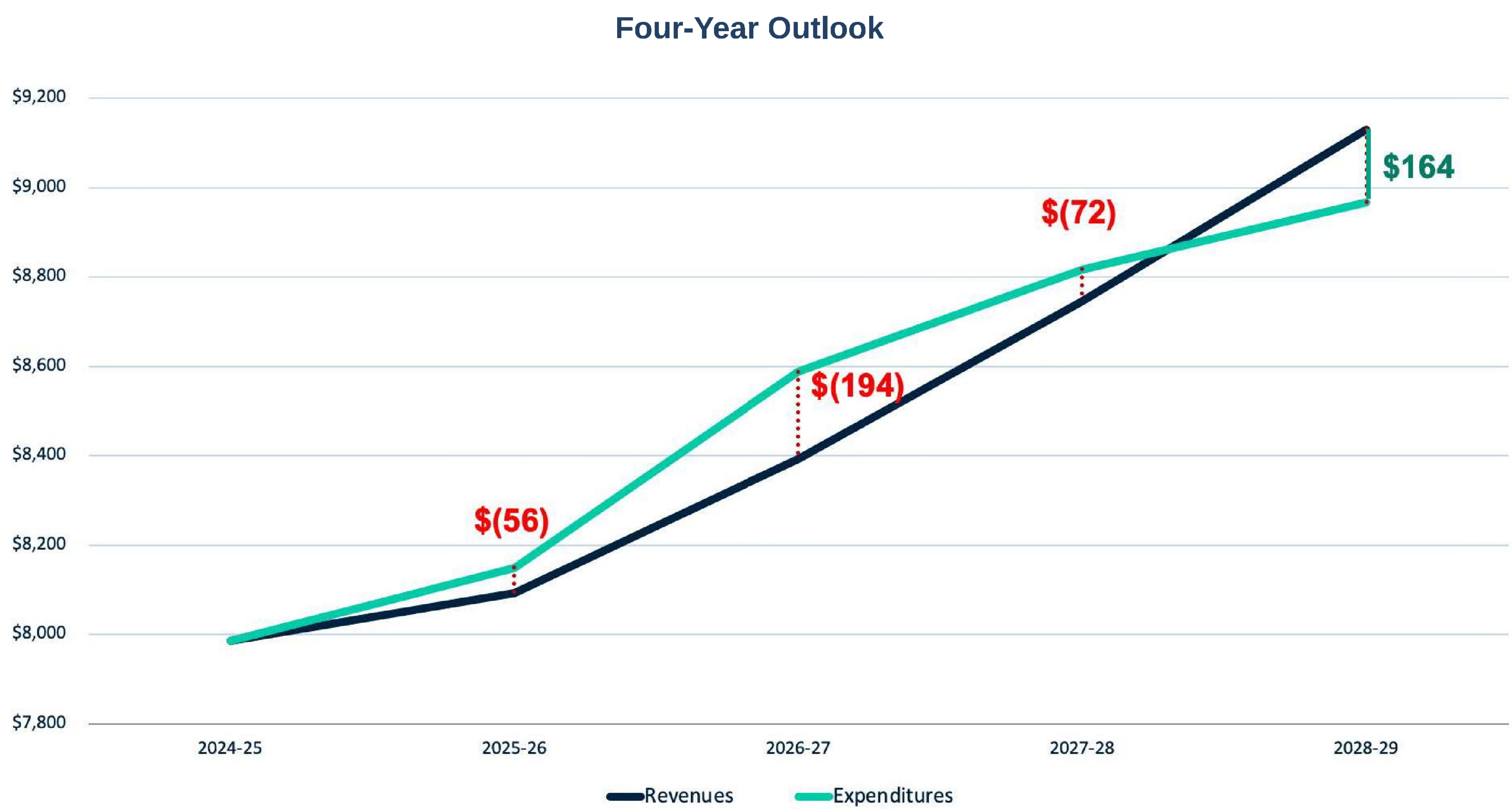
Savings from Proposed Reductions



In Millions

Fiscal Reality

Structural Balance



In Millions

Fiscal Reality

Importance of Proposed Position Eliminations

In Millions

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