

FY 2025–26

Mid-Year Financial Status Report



City Administrative Officer
Matthew W. Szabo
March 25, 2026



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Financial Status Report

Overview | FY 25-26 through January 2026



Solutions | Overview

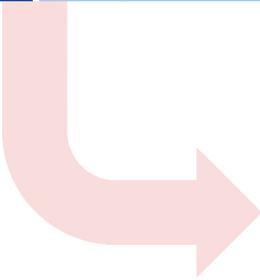
\$112.7M

Recommended Solutions in
Mid-Year FSR



\$59M

Potential Future Actions



Projected Year-End
Overspending:

\$37.8M



Reserve Fund | Status

5.29%
(\$432.3M)





FY 2026–27 Budget

FY 2026-27 | Revenue Projections

Based on March 1st Controller Report

 **Projected FY27 ABOVE FY26**



T.O.T. +4%



Property +3%



Departmental Receipts +3%

 **No significant change projected**



D.T.T. +2%



Utility Users Tax +2%



Business Tax +2%



Sales +1%

 **Projected FY27 BELOW FY26**



Grant Receipts -27%



Franchise Income Tax -21%

No one-time funding -\$22M
(CA wildfire backfill funding)

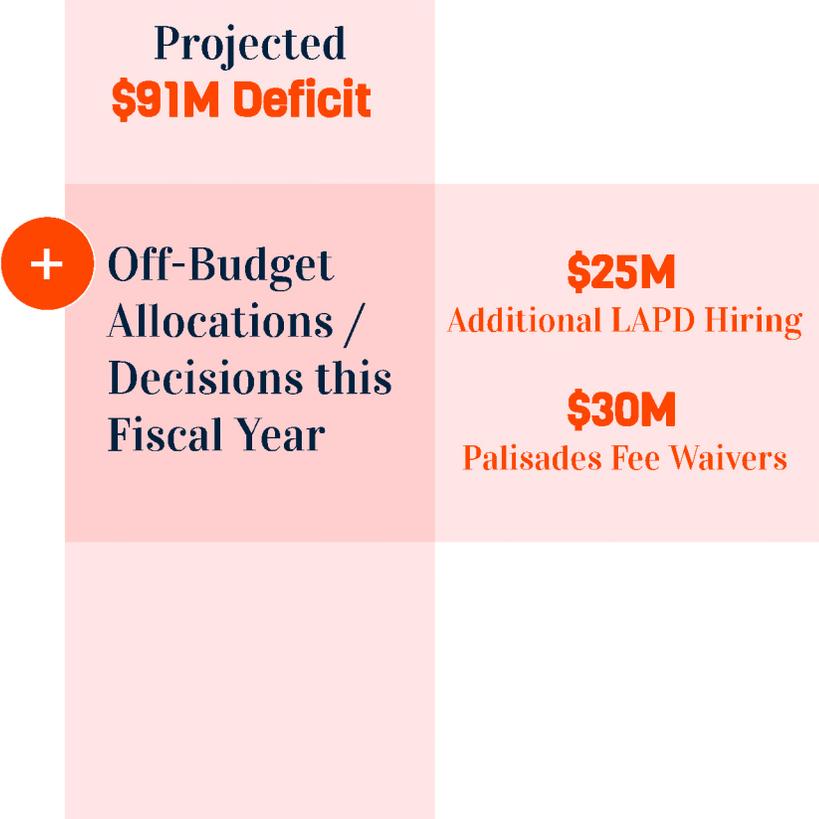
No BSF transfer -\$29M



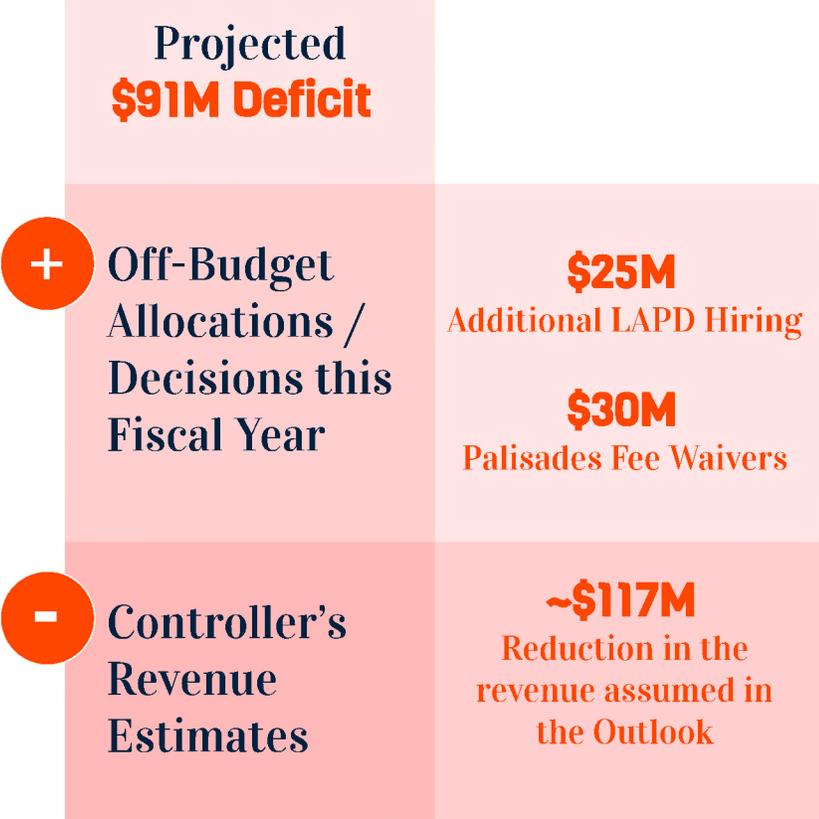
FY 2026-27 | Big Picture



FY 2026-27 | Big Picture



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FY 2026-27 | Big Picture

	Projected \$91M Deficit	
+	Off-Budget Allocations / Decisions this Fiscal Year	\$25M Additional LAPD Hiring \$30M Palisades Fee Waivers
-	Controller's Revenue Estimates	~\$117M Reduction in the revenue assumed in the Outlook
	Starting Deficit:	\$263M



FY 2026-27 | Ratings

	City's Rating	Outlook
S&P	AA-	<i>Negative</i>
Moody's	Aa3	<i>Stable</i>
Fitch	AA+	<i>Negative</i>
KBRA	AA	<i>Negative</i>

FACTORS THAT COULD LEAD TO AN UPGRADE

- More rapid and stronger **return to positive operations** for the city's governmental funds
- Outcome in **litigation over the Palisades Fire**
- A sustained **~20% decrease in liabilities**



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FACTORS THAT COULD LEAD TO A DOWNGRADE

- **A finding of liability** on the part of City/LADWP for the Palisades Fire
- **Weakening of financial operations or liquidity**
- Failure to continue to manage budget and reserve levels
- Sustained **reliance on non-recurring revenues**
- Sustained **~40% increase in liabilities**

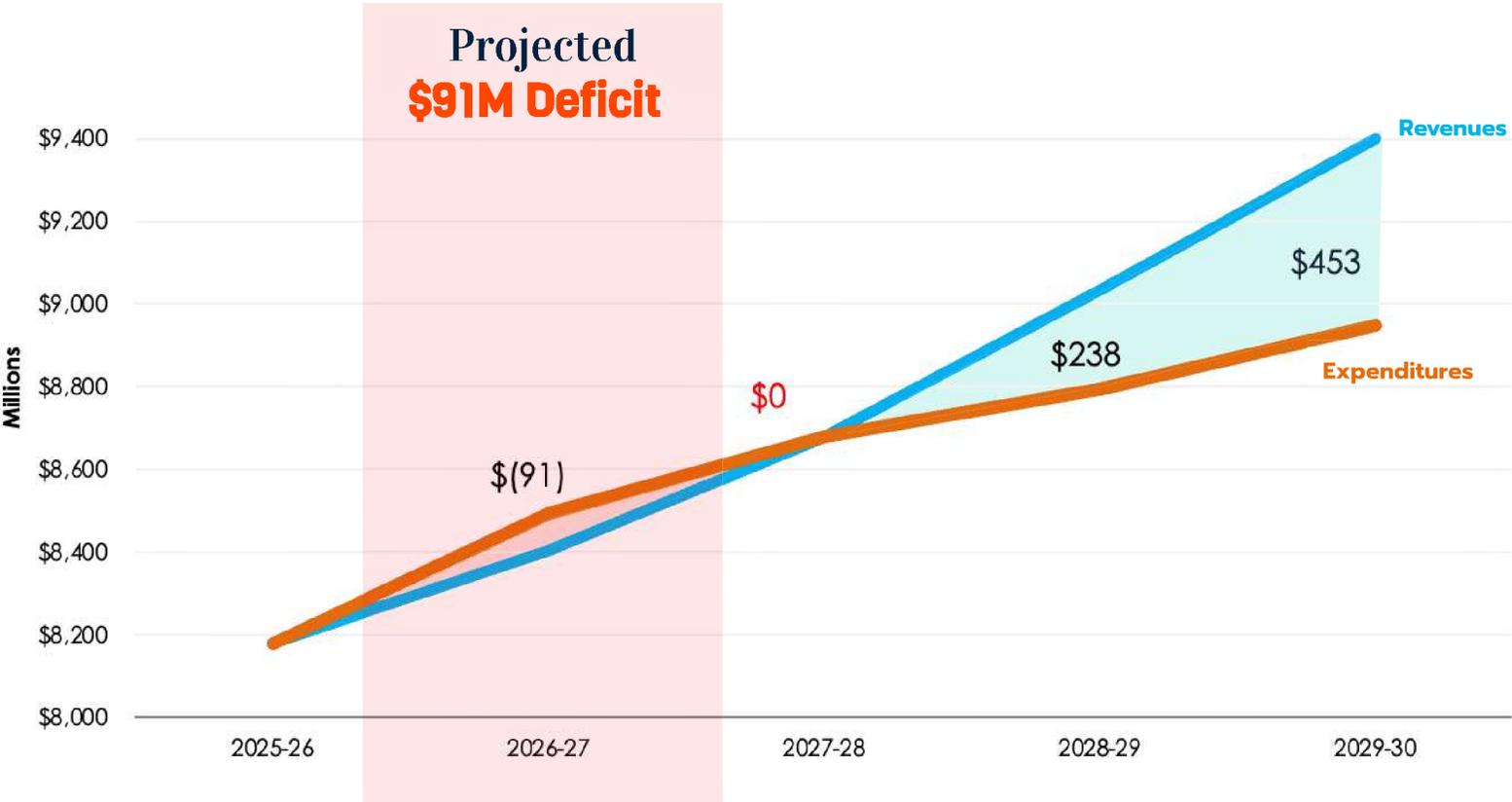


FY 2026-27 | Required Actions

1. No growth → **no restorations**
2. Build back a **substantial Reserve Fund**
3. Implement **ongoing solutions**
4. Careful **budget controls** to limit deviations from approved expenditures



FY 2026-27 | Four-year Outlook

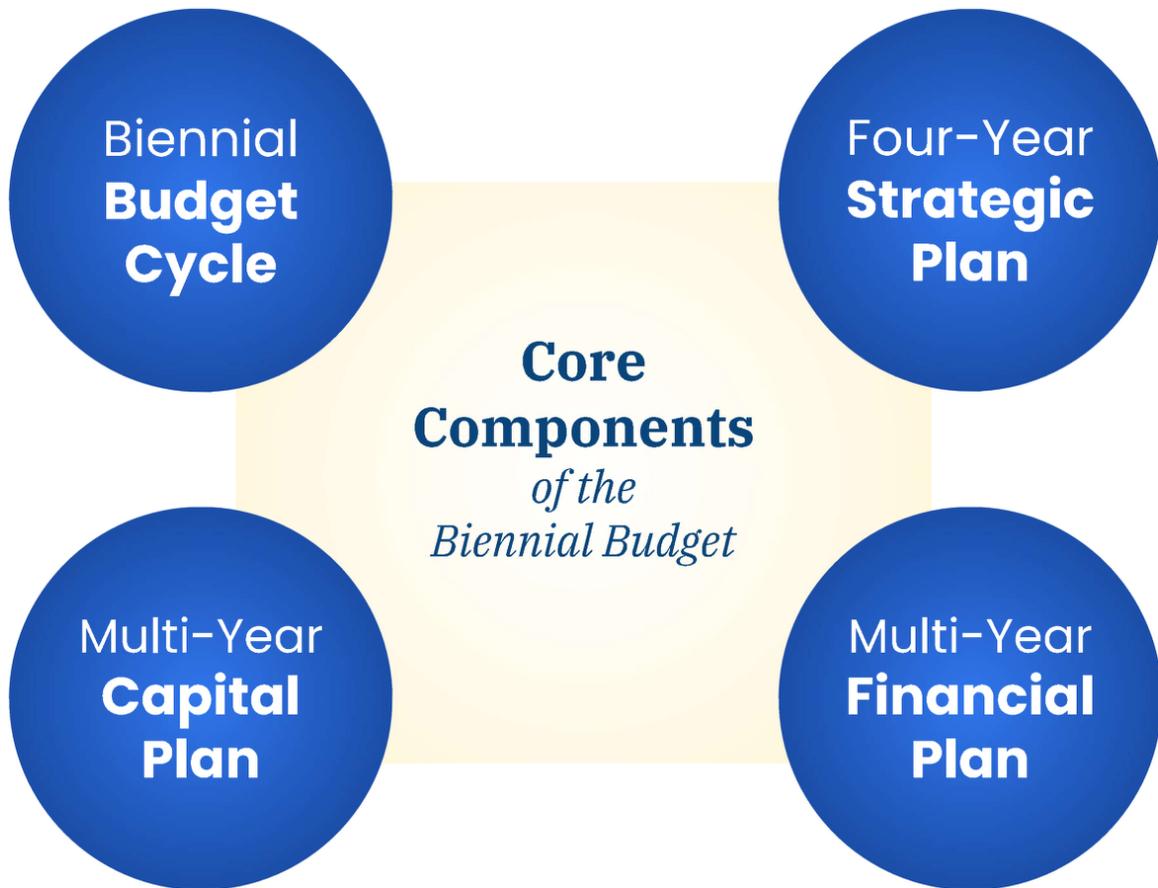


FY 2026-27 | Structural / Process Reforms

1. Transition to **Multi-Year Budgeting**
2. **Liability** Mitigation
3. **Fiscal Transparency** Protocols



1. Transition to **Multi-Year Budgeting**



2. Liability Mitigation

- **Stabilize annual payouts**
- **Departmental accountability**
- **Centralize liability management**



3. **Fiscal Transparency** Protocols

Public disclosure of **management and labor proposals** with **multi-year cost impact**

Early and timely access to information for members of the City Council

Maximize the availability of information to the public





Office of the City Administrative Officer

cao.lacity.org

March 2026