

Revenue Forecast Report

For Fiscal Years 2026-2027



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LA CITY CONTROLLER

Revenue projections for the remainder of this fiscal year, FY 2025-26:

- General Fund revenue will end at budget or a little bit below budget (\$25 million)
-  Utility Users' Tax, Business Tax, Special Funds, One-Time Revenues
-  Special parking revenue, Grant Receipts, Transient Occupancy Tax

Office of the Controller Actual and Estimated Receipts for Fiscal Years 2025-26 and 2026-27

	Actual 2024-25	Estimated 2025-26	Projected 2026-27
Property Tax:			
Property Tax 1%	\$2,095,518,497	\$2,162,648,099	\$2,229,580,166
Property Tax - VLF Replacement	663,798,396	687,331,524	711,731,793
Total Property Tax	2,759,316,893	2,849,979,623	2,941,311,959
Property Tax - Ex-CRA Tax Increment	152,912,714	149,960,000	155,219,000
Utility Users' Tax:			
Electric Users' Tax	500,597,549	551,000,000	563,900,000
Telephone Users' Tax	100,876,991	99,600,000	97,591,000
Gas Users' Tax	93,236,780	100,000,000	101,500,000
Total Utility Users' Tax	694,711,320	750,600,000	762,991,000
Departmental Receipts:			
Licenses, Permits, Fees, and Fines	312,715,614	396,462,048	378,844,581
Emergency Ambulance	225,693,332	205,100,700	195,000,000
Services to Proprietary Departments	186,393,874	196,612,139	211,290,628
Reimbursements from Other Funds	648,770,412	810,930,119	868,757,159
Total Licenses, Permits, Fees and Fines	1,373,573,232	1,609,105,005	1,653,892,368
Business Tax	845,522,594	852,100,000	872,800,000
Sales Tax	661,958,548	662,000,000	670,000,000
Documentary Transfer Tax	177,368,976	195,500,000	199,817,000
Power Revenue Transfer	219,312,000	225,782,000	217,100,000
Transient Occupancy Tax	272,439,878	262,869,000	271,800,000
Transient Occupancy Tax - Short-term Rental	33,346,691	34,480,000	36,090,000
Parking Fines	108,319,037	108,400,000	109,102,000
Parking Users' Tax	140,264,649	144,888,000	150,684,000
Franchise Income	138,391,054	140,464,000	110,564,000
Grant Receipts	174,202,005	17,946,000	13,065,000
Property Tax Backfill- State	-	21,993,000	-
Interest	77,824,552	78,000,000	76,000,000
State Motor Vehicle License Fees	6,146,858	5,960,000	5,960,000
Tobacco Settlement	9,064,165	9,495,000	9,462,000
Residential Development Tax	3,726,367	4,067,000	4,150,000
Special Parking Revenue Transfer	24,622,874	-	-
Transfer from Budget Stabilization Fund	-	29,000,000	-
Total General Fund Revenue	\$ 7,873,024,406	\$ 8,152,588,628	\$ 8,260,008,327

Revenue projections for fiscal year, FY 2026-27: *Slight Increase*

- General Fund revenue to increase slightly by 1% or \$107 million
-  Transient Occupancy Tax, Business tax, Sales tax
-  Grant receipts, Franchise Income Tax, no one-time revenues

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Economic Outlook



- Last year's economists' concerns largely receded, economy was better than expected in 2025 with most economists projecting **2026 GDP growth of +2%**
 - *Note: Outlook could change if Iran War is prolonged*
- Lower mortgage rates and easing inflation expected to support:
 - *Consumer spending*
 - *Business investment*
 - *Housing demand*
- Superior Court ruling on Tariffs – short-term impact uncertain but **likely positive** for the economy long-term

Key Risks



- **Spending Inequality**
 - Top 20% of households now drive 60–80% of total spending, up from 50% historically
 - Bottom 80% continue to **struggle with affordability**
- **Tariff & Policy Uncertainty**
 - Federal Administration response to tariffs is unpredictable; uncertainty about refunds and lack of clarity on way forward would likely impact consumer spending, employment and business investments

Assumptions



- **Steady Local Economy**
 - GDP is forecasted to expand in 2026. Low odds of recession, assuming no prolonged war.
- **Tariff ruling** should result in net positive for the local economy, driving increased Port activity
- **Property Tax**
 - Maintain 1% Base – assume 3% growth (lower than historical average of ~6% since FY 2019)

Assumptions



- **Growth in Business Tax driven by Finance's revenue enhancement efforts**
 - Note: Growth remains lower than Finance's projections
- **Sales Tax and TOT:** Modest increase expected, driven by World Cup and Super Bowl
- **Documentary Tax**
 - Assume a continued rebound as prices stabilize
 - Mortgage rates continue to decline, improving affordability
 - Sales/prices expected to increase 1-2%

Current & Future Concerns:

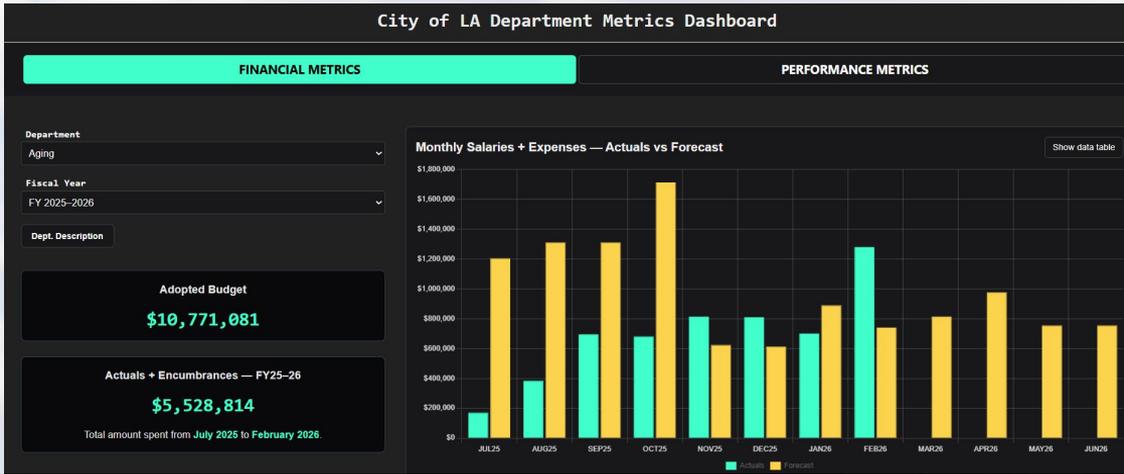


- Growth in GF expenses far exceeds GF revenue growth due to liability claims and departmental overspending (+\$200M in overspend)
- Reserve Fund balance: at the 5% GF threshold
 - Balance at start of FY 2024: \$648 million
 - Balance at start of FY 2025: \$331 million
 - Balance at start of FY 2026: \$402 million
 - Current balance: \$449 million
- Negative outlook by four major credit agencies
- Areas of Concern: Increased spend for major events, payroll costs, and pension expenses

Real Time Financial & Performance Monitoring

Our **Department Metrics Dashboard** shows how much money City departments spent compared to their budget, and how well they are meeting their goals.

lacitymetrics.lacontroller.app



Real Time Financial Monitoring – General Fund

Our **General Fund Revenue & Expense Analysis Dashboard** provides a high-level overview of the City of LA's FY 2026 General Fund Revenues and Expenditures.

revexp.lacontroller.app

YTD GF Revenue Analysis							
Revenue Type ¹	Feb 24 YTD ¹	Feb 25 YTD ¹	Feb 26 YTD ¹	Feb26 vs Feb25 ¹	YoY Change % ¹	Feb 26 YTD as % of FY26 Budget ¹	FY2026 Adopted Budget ¹
Property Tax 1%	\$1,518,916,413	\$1,570,515,987	\$1,628,382,921	\$57,866,934	3.68%	57.36%	\$2,839,082,000
Property Tax - Ex-CRA Tax Increment	\$47,000,885	\$52,455,180	\$56,941,187	\$4,486,007	8.55%	32.99%	\$172,622,000
Utility Users' Tax	\$446,364,077	\$448,915,706	\$496,632,900	\$47,717,194	10.63%	70.69%	\$702,520,000
Departmental Receipts	\$671,465,021	\$722,112,489	\$811,456,831	\$89,344,342	12.37%	49.33%	\$1,644,974,145
Business Tax	\$168,603,396	\$365,438,075	\$424,894,541	\$59,456,466	16.27%	51.50%	\$825,000,000
Sales Tax	\$458,970,926	\$442,577,352	\$458,239,221	\$15,661,870	3.54%	70.77%	\$647,485,000
Documentary Transfer Tax	\$103,288,857	\$125,760,070	\$133,748,646	\$7,988,577	6.35%	69.05%	\$193,702,000
Power Revenue Transfer	\$0	\$0	\$0	\$0	0.00%	0.00%	\$227,943,000
Transient Occupancy Tax	\$187,992,084	\$194,227,662	\$197,523,545	\$3,295,882	1.70%	62.71%	\$314,990,000
Parking Fines	\$71,703,902	\$70,657,872	\$68,316,129	-\$2,341,743	-3.31%	63.02%	\$108,400,000
Parking Users' Tax	\$76,930,093	\$93,375,536	\$102,213,859	\$8,838,323	9.47%	72.32%	\$141,336,000
Franchise Income	\$99,013,000	\$79,759,914	\$98,948,677	\$19,188,763	24.06%	68.67%	\$144,103,000
Grant Receipts	\$9,486,985	\$16,406,609	\$8,888,268	-\$7,518,341	-45.83%	18.98%	\$46,830,878
Interest	\$75,624,264	\$84,013,900	\$78,296,669	-\$5,717,231	-6.81%	92.83%	\$84,340,000
State Motor Vehicle License Fees	\$4,812,487	\$6,146,858	\$5,960,342	-\$186,516	-3.03%	96.98%	\$6,146,000

Strategic Approach to Fiscal Health

- **Two-Year Budget**
- **Real Capital Infrastructure Plan**
- **Accountability for Overspending**
- **Revenue generation by growing our revenue base, not just increasing sales taxes**
- **Use Special Funds, especially Idle Funds not being used**
- **Honest & Transparent Budgeting**
 - Tackling and honestly addressing the structural deficit
 - Realistic revenue projections
 - Accurately budgeting for liability payouts and increased costs
- **Performance based budgeting**
- **Participatory budgeting**
- **Empowering Department Heads with their Budget**

Progress Towards Fiscal Health



- **Charter Reform**
 - **Two-Year Budget**
 - Participatory budgeting
 - Performance based budgeting
 - **Capital Infrastructure Program**
 - Plan to make up for years of deferred maintenance
- **More realistic and conservative revenue projections**
- **Budgeting more accurately for liability claims**
- **Idle Special Funds report to be released shortly**
- **Risk management audit on liability claims underway**

More Progress Needed



- **Accountability for Overspending**
- **Revenue generation by growing our revenue base, not just increasing existing taxes & fees**
 - Vacancy tax (commercial and residential)
 - Autonomous vehicle tax or fees
 - More housing development (without displacement)
- **Honest & Transparent Budgeting**
 - Tackling and honestly addressing the structural deficit
 - Accurately budgeting for increased costs
- **Giving Department Heads flexibility with their budgets**