

# FY 2023–24 Proposed Budget

Presentation to the Honorable Members of the Los Angeles City Council Budget,  
Finance, and Innovation Committee



**City Administrative Officer**  
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April 26, 2023

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# FY 23-24 Proposed Budget

## Summary

Budget Component	Budget (Millions)			Authorized Positions		
	Adopted 2022-23	Proposed 2023-24	Percent Change	Adopted 2022-23	Proposed 2023-24	Percent Change
<b>General Fund</b>	\$ 7,446.0	<b>\$ 7,860.8</b>	5.6%	25,182	25,507	1.3%
<b>Special Funds</b>	\$ 4,329.0	<b>\$ 5,203.3</b>	20.2%	12,760	13,124	2.9%
<b><i>Total</i></b>	<b>\$ 11,775.0</b>	<b>\$ 13,064.1</b>	<b>10.9%</b>	<b>37,942</b>	<b>38,631</b>	<b>1.8%</b>



# Revenues

## Proposed Budget Revenue Growth

The strong growth in economically sensitive taxes when compared to the 2022-23 Adopted Budget largely reflects growth above Adopted Budget during 2022-23. When comparing 2023-24 revenues from these sources to the 2022-23 revised estimates, we project the growth in our economically sensitive revenues to be slowing down.

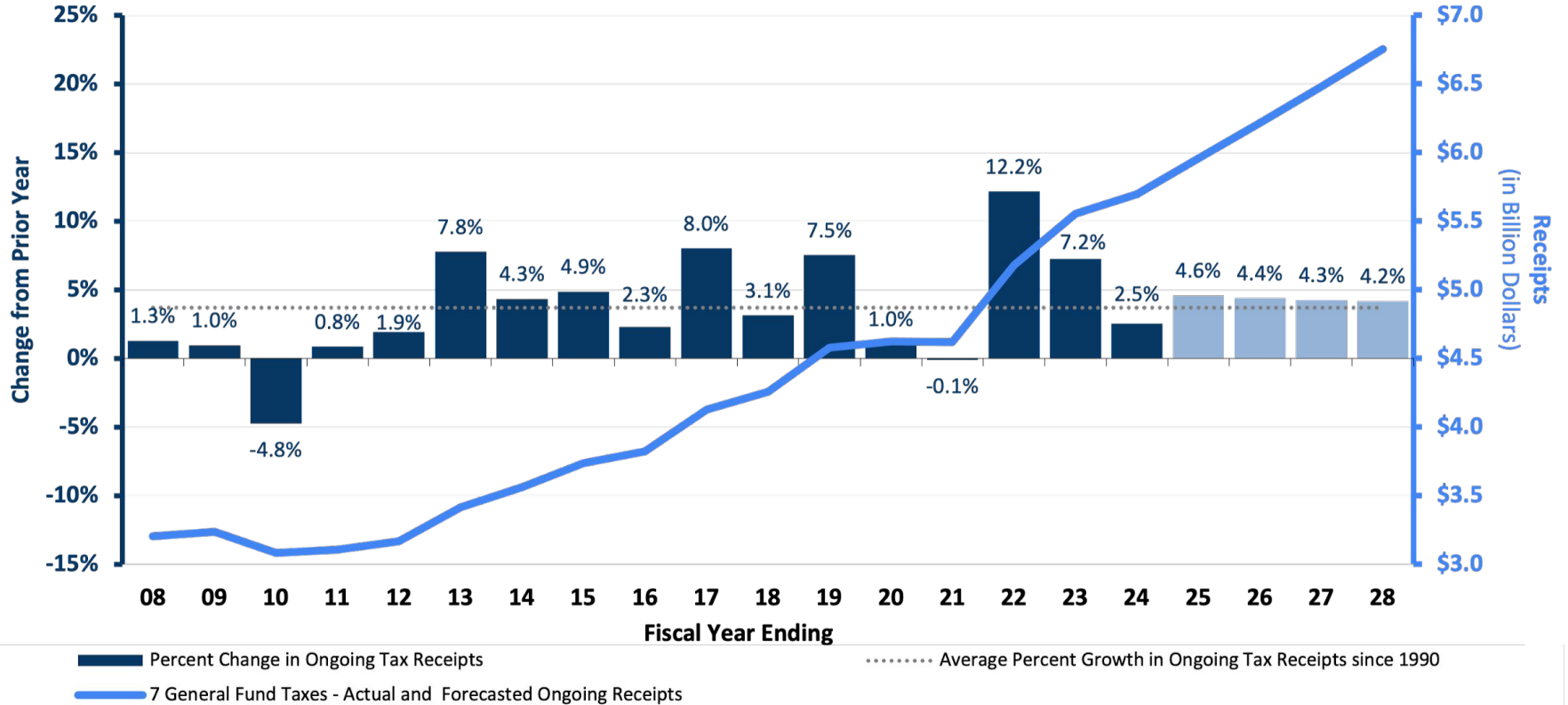
Selected Economy-Sensitive Revenue Sources	Change from 2022-23 Adopted Budget		Change from 2022-23 Revised Budget	
	Amount (Millions)	Growth (%)	Amount (Millions)	Growth (%)
<b>Property Tax</b>	\$122.1	4.8%	\$107.5	4.2%
<b>Utility Users Tax</b>	\$36.4	5.9%	(\$49.7)	(7.1%)
<b>Business Tax</b>	\$60.3	7.7%	\$37.2	4.6%
<b>Sales Tax</b>	\$19.4	2.8%	\$5.5	0.8%
<b>Documentary Transfer Tax</b>	(\$99.9)	(33.5%)	(\$12.1)	(5.7%)
<b>Transient Occupancy Tax</b>	\$79.3	30.1%	\$34.7	11.3%
<b>Parking Occupancy Tax</b>	\$17.9	16.1%	\$6.2	5.0%
<b><i>Reserve Fund Transfer (\$114.8 M)</i></b>	<i>\$98.2</i>	<i>591.6%</i>		



# Revenues

## Growth of Seven General Fund Taxes

Property (incl. VLF & CRA tax increment), Utility Users, Business, Sales, Transient Occupancy, Documentary, and Parking Occupancy Taxes



# Revenues

## Risks and Concerns

- **Real estate market and the Documentary Transfer Tax**
- **Fuel prices and Gas Users Tax / gas franchise receipts**
- **Impact of interest rates on business investments, consumer demand, and many tax revenues**



# Expenditures

## Major Areas of Proposed Spending

- **Homelessness**
- **Police Hiring**
- **Infrastructure**
- **Liabilities and Obligations**



# Expenditures

## Homelessness Budget - New Programs

**\$250M** → Inside Safe

**\$23M** → Substance Abuse / Opioid Treatment Beds

**\$25M** → Acquisition of Interim / Permanent Housing

### **\$150M in ULA Funds**

→ **\$62M** for Acquisition and Rehabilitation of Affordable Housing

→ **\$88M** for Homelessness Prevention Programs





# Expenditures

## Police Budget

Compared to the FY 22-23 Adopted Budget, this year's Proposed Budget reflects:

**0.98%**  
Increase in  
Total Dept  
Budget

**+390**  
Sworn  
Positions

**3,321**  
Civilian  
Positions

**(9,114 to 9,504)**



# Expenditures

## Infrastructure

**+\$40  
Million**

**Total Increase in Capital  
and Technology Program**

Including **\$15M** increase in GF  
contribution

**Sidewalk  
Repair**

**\$66.5M Total Allocation**

**\$35.7M**  
for the Willits Settlement obligation

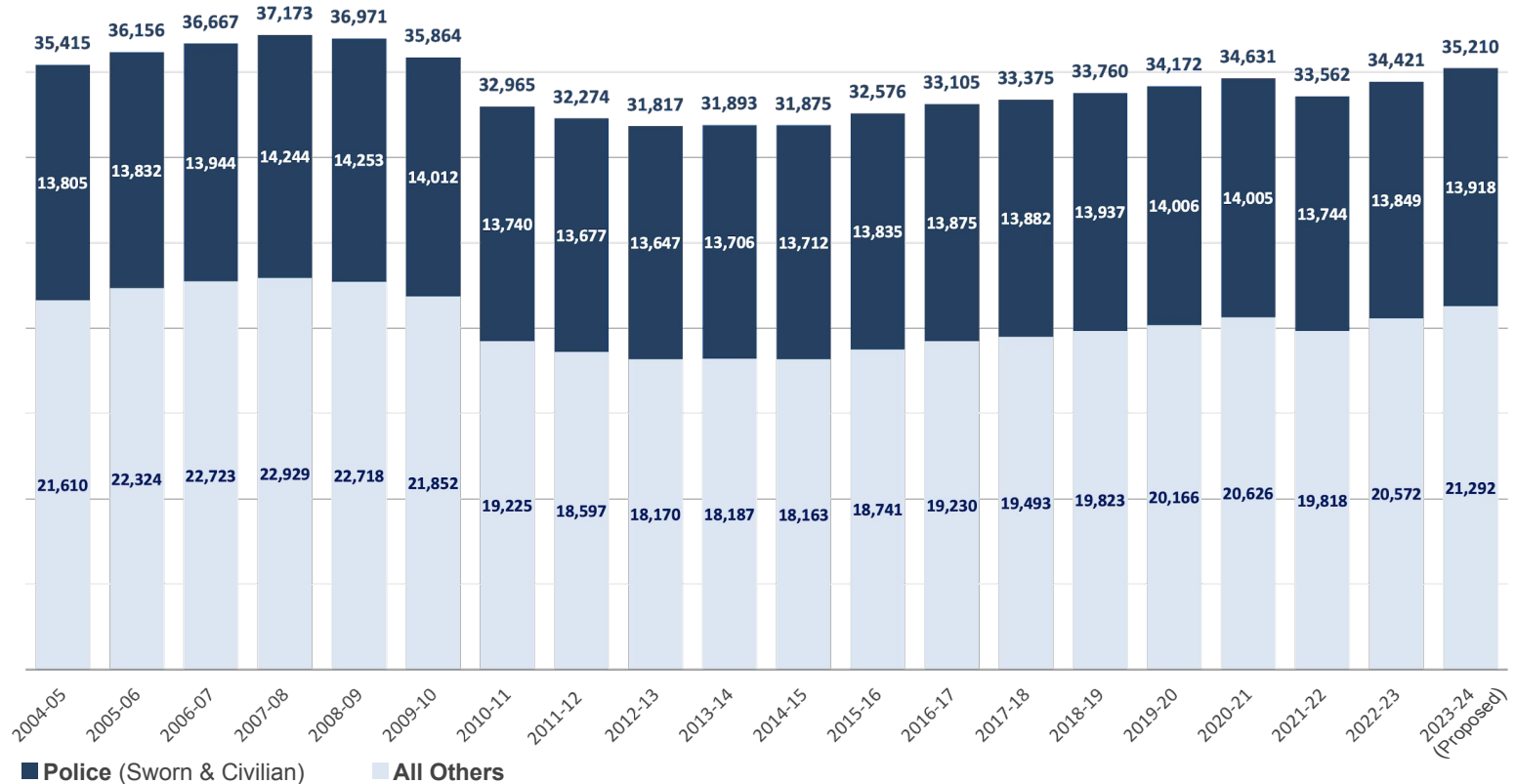
**\$28.3M**  
for Access Request Acceleration  
from Measure M and Measure R

**\$2.35M** for two sidewalk projects



# Expenditures

## Authorized City Staffing (regular positions only; not including proprietaries)



# Expenditures

## Pensions

**Combined City contributions to LACERS and LAFPP went up \$29 Million to a total of \$1.326 Billion:**

### LACERS

**Increased \$41 million from \$637 million to \$678 million**

### LAFPP

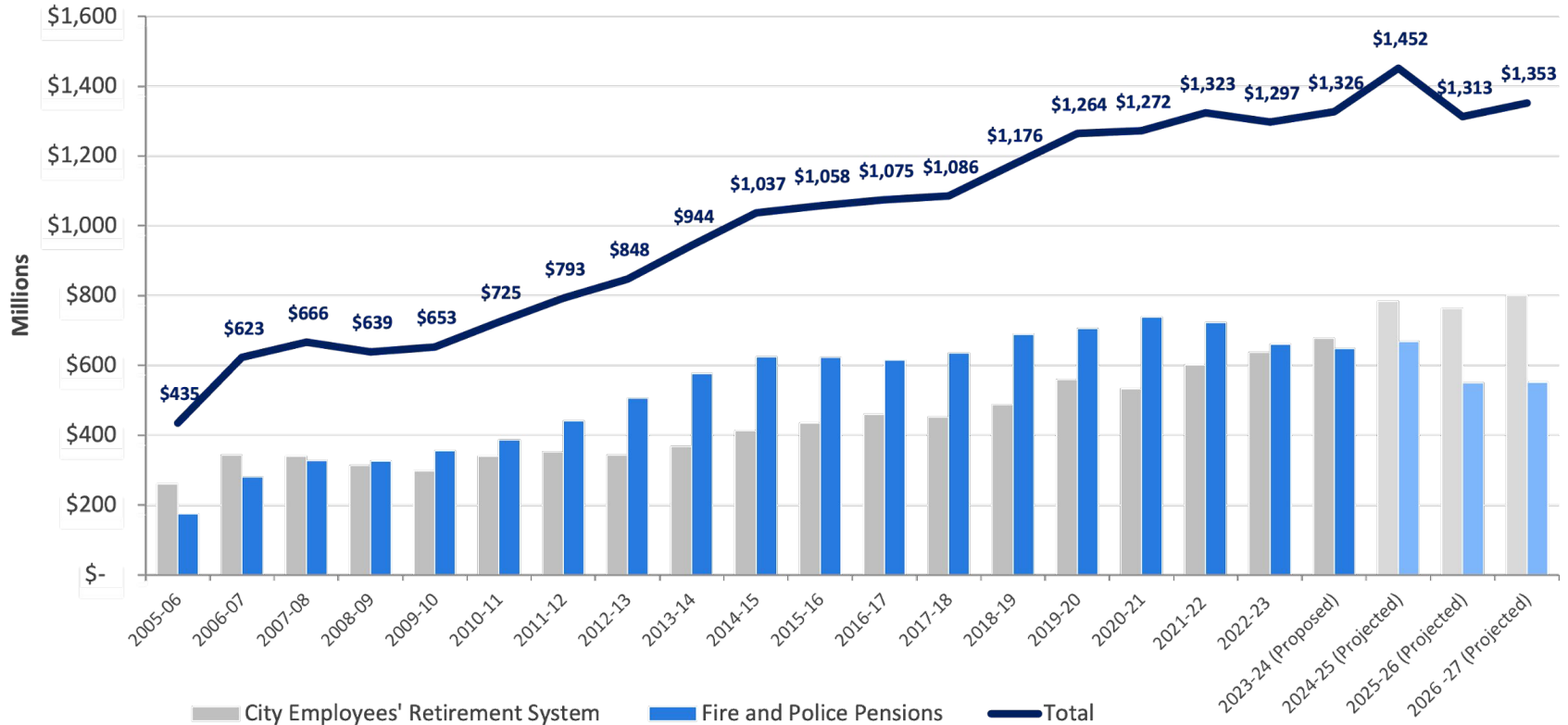
**Decreased \$12 million from \$661 million to \$649 million**



# Expenditures

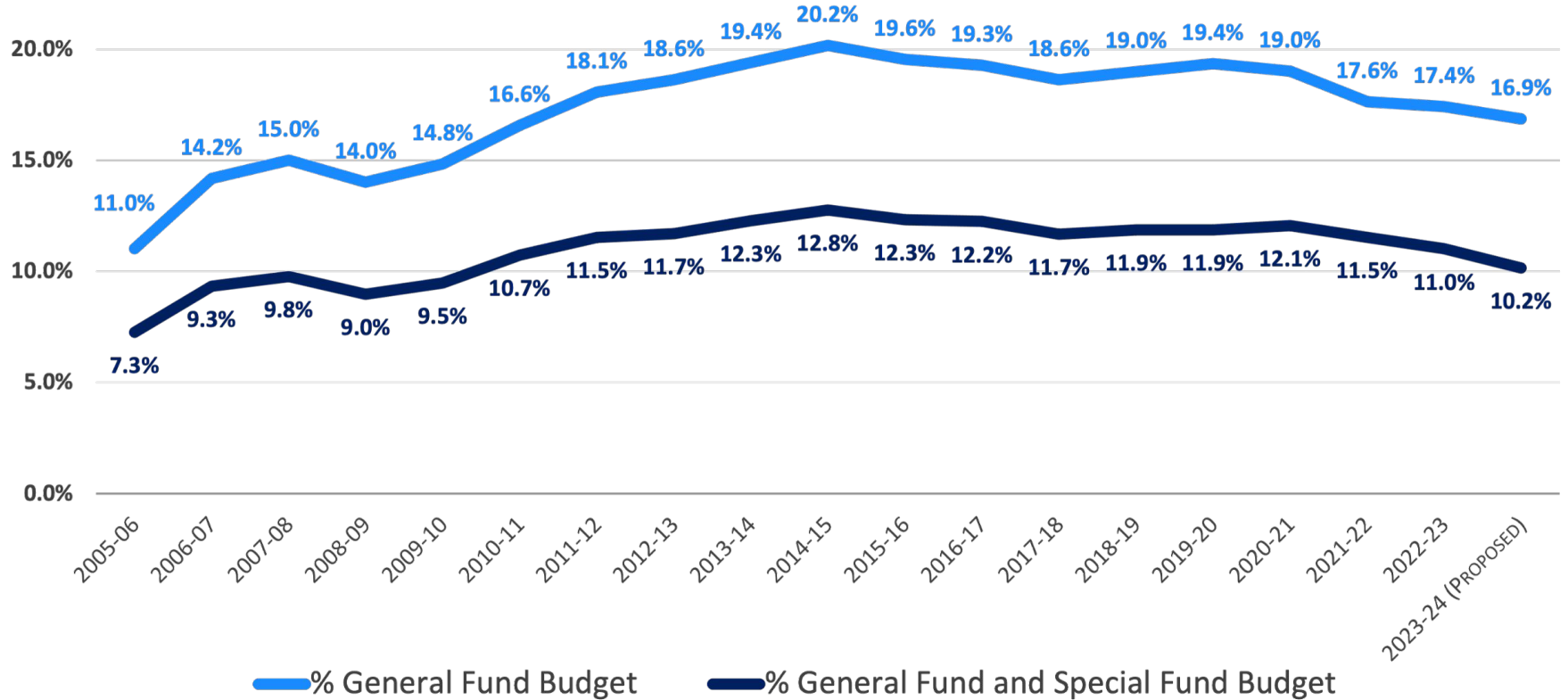
## General Fund Contributions to LACERS and LAFPP

Actual Amounts for 2005-23; Proposed for 2023-24; Projected for 2024-27



# Expenditures

## Percent of Budget Used for LACERS/LAFPP Contribution



# Expenditures

## Risks and Concerns - FY 23-24 Budget

- **Labor MOUs set to expire within the next year.**
- **Healthcare premium rate increases are \$8.6M over proposed FY 23-24 HRB budget.**
- **Continued vacancies**



# Expenditures

## Risks and Concerns - Future Year Concerns

- **Measure ULA - Litigation and 2024 ballot initiative**
- **LACERS / LAFP experience studies - Potential reduction for investment rate of return**
- **\$302 million in General Fund subsidies of special funds and the urgent need to consider rate increases for the following fees:**
  - Solid Waste
  - Sewer
  - Street Lights





# Financial Policy Compliance

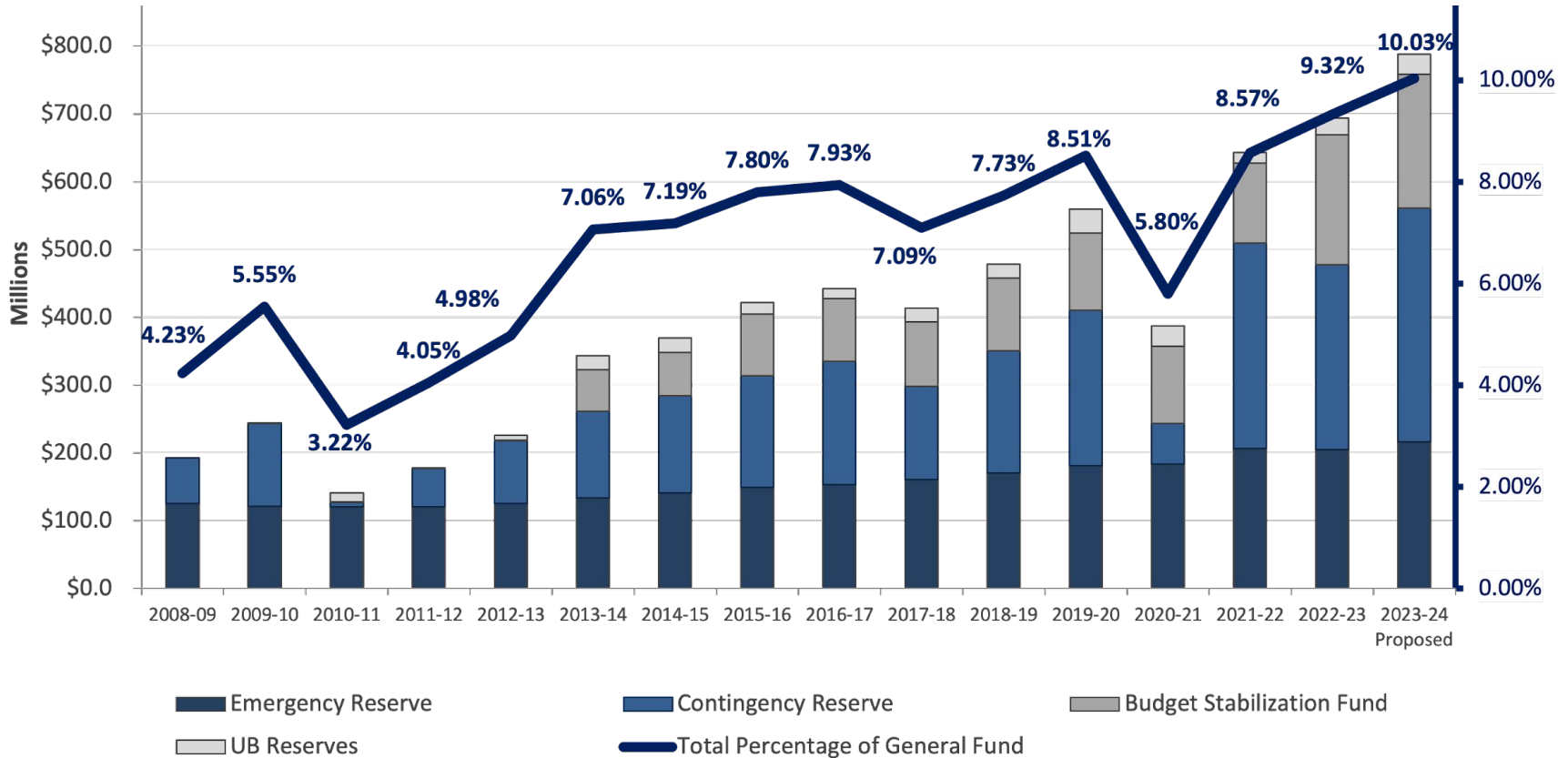
## Summary

Policy	Compliance
<b>Reserve Fund at least 5% of General Fund revenues</b>	✓ July 1 at \$562 million, or 7.14%
<b>Budget Stabilization Fund</b>	✓ 5.09% in growth from Adopted 2022-23 to Proposed 2023-24 is \$43 million above 4.3% growth threshold, requiring the budgeted \$2 million appropriation to the Fund.
<b>General Fund reserves goal: 10% of General Fund revenues</b>	✓ 10.03% or \$788 million: \$562 million Reserve Fund; \$197 million Budget Stabilization Fund; \$30 million UB – Reserve.
<b>Capital and technology investment at 1.5% of General Fund revenues</b>	✓ Investment of 1.76% or \$138 million
<b>All one-time revenues used for one-time expenditures</b>	✓ All \$195 million in one-time revenues used for \$451 million in one-time expenditures
<b>Debt service as percent of general receipts: No more than 6% for non voter-approved and 15% for non voter-approved and voter-approved</b>	✓ <ul style="list-style-type: none"> <li>•2.56% for non voter-approved</li> <li>•4.24% for non voter-approved and voter-approved</li> <li>•Projected to remain below limits until at least 2030-31</li> </ul>
<b>Achieve structural balance</b>	X Four-Year Outlook projects budget projects \$13 million in spending above revenues in 2024-25 and surpluses from \$291 million to \$602 million for the remaining projection period.



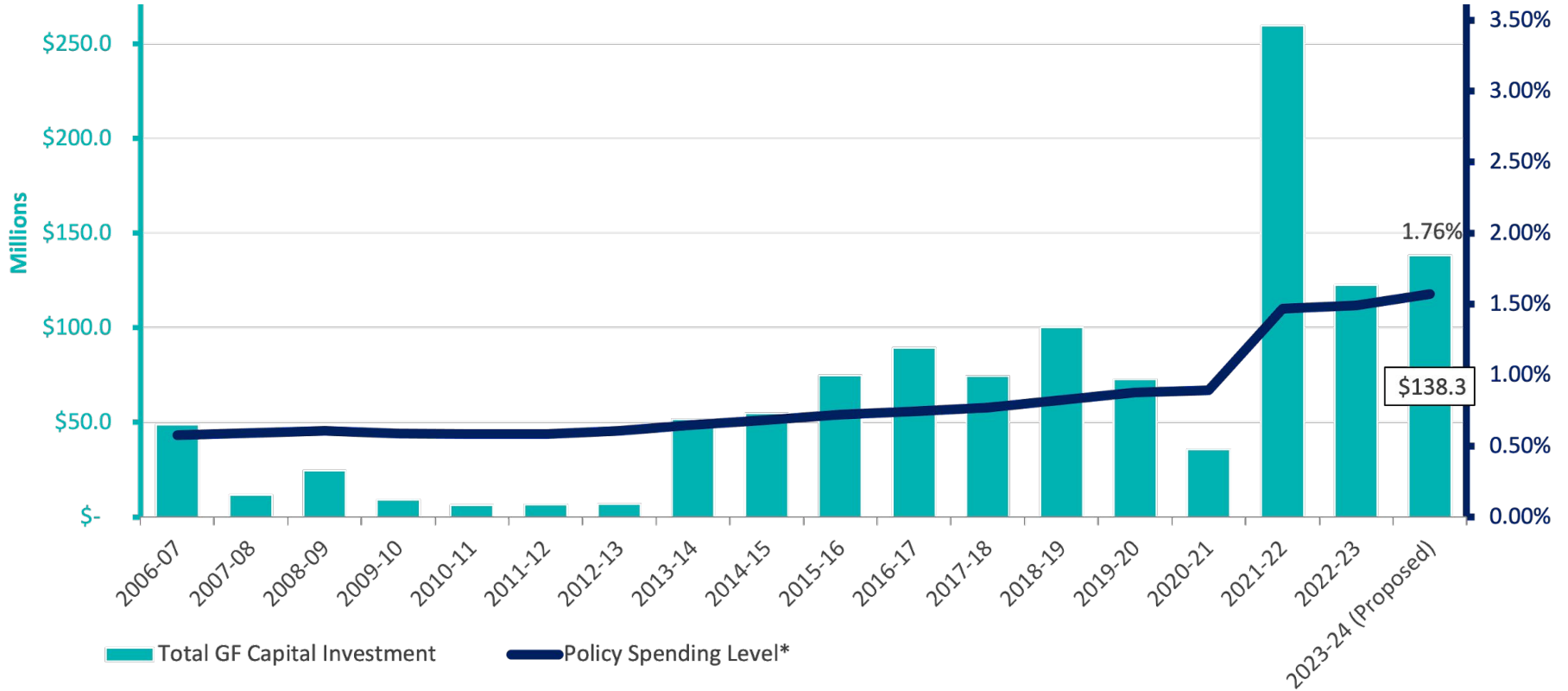
# Financial Policy Compliance

## General Fund Reserves (Reserve Fund, Budget Stabilization Fund, and UB Reserves)



# Financial Policy Compliance

## Capital Investment as Percentage of General Fund Revenue

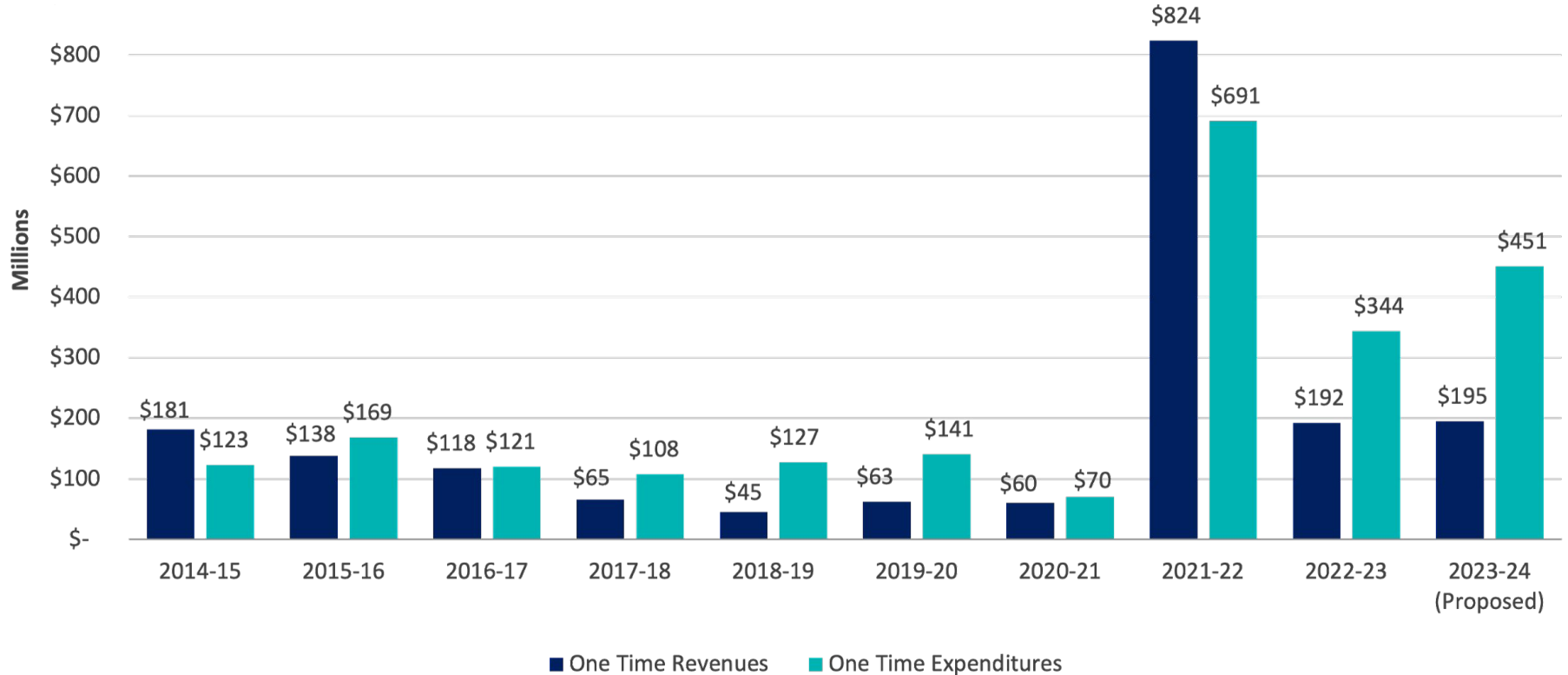


\* Policy is 1.5% of General Fund revenues in 2021-22 and 1% prior to that.



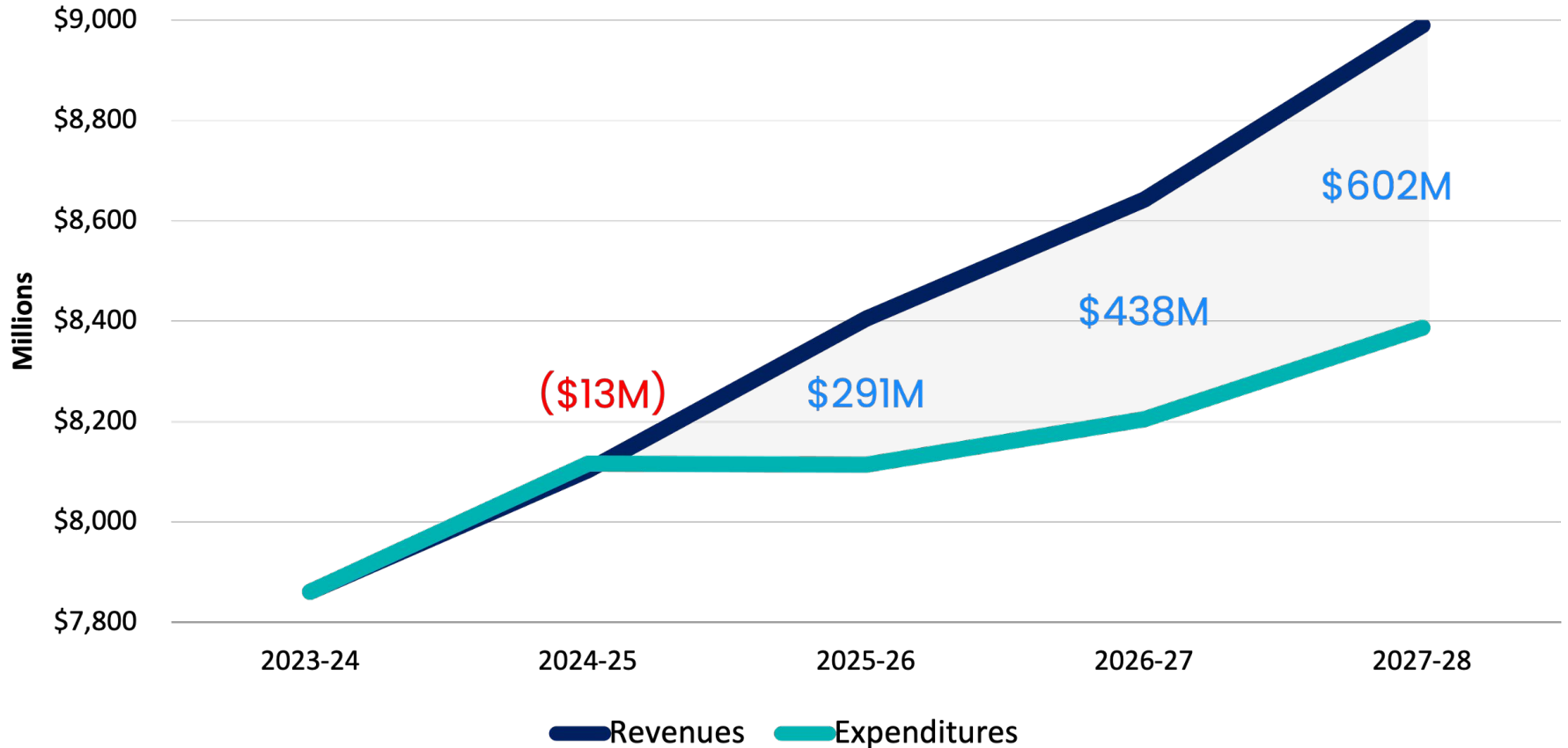
# Financial Policy Compliance

## One-Time Revenues vs. One-Time Expenditures (Adopted Budgets)



# Financial Policy Compliance

## Structural Balance and the Four-Year Budget Outlook





## **Office of the City Administrative Officer**

April 2023

[cao.lacity.org/budget](http://cao.lacity.org/budget)