FY 2023–24
Proposed Budget

Presentation to the Honorable Members of the Los Angeles City Council Budget, Finance, and Innovation Committee
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   Proposed Budget Revenue Growth
   Risks and Concerns

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   Major Areas of Proposed New Expenditures
   Risks and Concerns
   Pensions

4 Financial Policy Compliance
### FY 23-24 Proposed Budget Summary

<table>
<thead>
<tr>
<th>Budget Component</th>
<th>Adopted 2022-23</th>
<th>Proposed 2023-24</th>
<th>Percent Change</th>
<th>Adopted 2022-23</th>
<th>Proposed 2023-24</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Fund</strong></td>
<td>$7,446.0</td>
<td>$7,860.8</td>
<td>5.6%</td>
<td>25,182</td>
<td>25,507</td>
<td>1.3%</td>
</tr>
<tr>
<td><strong>Special Funds</strong></td>
<td>$4,329.0</td>
<td>$5,203.3</td>
<td>20.2%</td>
<td>12,760</td>
<td>13,124</td>
<td>2.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$11,775.0</td>
<td>$13,064.1</td>
<td>10.9%</td>
<td>37,942</td>
<td>38,631</td>
<td>1.8%</td>
</tr>
</tbody>
</table>
## 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.

<table>
<thead>
<tr>
<th>Selected Economy-Sensitive Revenue Sources</th>
<th>Change from 2022-23 Adopted Budget</th>
<th>Change from 2022-23 Revised Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount (Millions)</td>
<td>Growth (%)</td>
</tr>
<tr>
<td>Property Tax</td>
<td>$122.1</td>
<td>4.8%</td>
</tr>
<tr>
<td>Utility Users Tax</td>
<td>$36.4</td>
<td>5.9%</td>
</tr>
<tr>
<td>Business Tax</td>
<td>$60.3</td>
<td>7.7%</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$19.4</td>
<td>2.8%</td>
</tr>
<tr>
<td>Documentary Transfer Tax</td>
<td>($99.9)</td>
<td>(33.5%)</td>
</tr>
<tr>
<td>Transient Occupancy Tax</td>
<td>$79.3</td>
<td>30.1%</td>
</tr>
<tr>
<td>Parking Occupancy Tax</td>
<td>$17.9</td>
<td>16.1%</td>
</tr>
<tr>
<td><strong>Reserve Fund Transfer ($114.8 M)</strong></td>
<td>$98.2</td>
<td>591.6%</td>
</tr>
</tbody>
</table>
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
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
<table>
<thead>
<tr>
<th>Year</th>
<th>Police (Sworn &amp; Civilian)</th>
<th>All Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>35,415</td>
<td>21,610</td>
</tr>
<tr>
<td>2005-06</td>
<td>36,156</td>
<td>22,324</td>
</tr>
<tr>
<td>2006-07</td>
<td>36,667</td>
<td>22,723</td>
</tr>
<tr>
<td>2007-08</td>
<td>37,173</td>
<td>22,929</td>
</tr>
<tr>
<td>2008-09</td>
<td>36,971</td>
<td>22,718</td>
</tr>
<tr>
<td>2009-10</td>
<td>35,864</td>
<td>21,852</td>
</tr>
<tr>
<td>2010-11</td>
<td>32,965</td>
<td>19,225</td>
</tr>
<tr>
<td>2011-12</td>
<td>32,274</td>
<td>18,597</td>
</tr>
<tr>
<td>2012-13</td>
<td>31,817</td>
<td>18,170</td>
</tr>
<tr>
<td>2013-14</td>
<td>31,893</td>
<td>18,187</td>
</tr>
<tr>
<td>2014-15</td>
<td>31,875</td>
<td>18,163</td>
</tr>
<tr>
<td>2015-16</td>
<td>32,576</td>
<td>18,741</td>
</tr>
<tr>
<td>2016-17</td>
<td>33,105</td>
<td>19,230</td>
</tr>
<tr>
<td>2017-18</td>
<td>33,375</td>
<td>19,493</td>
</tr>
<tr>
<td>2018-19</td>
<td>33,760</td>
<td>19,823</td>
</tr>
<tr>
<td>2019-20</td>
<td>34,172</td>
<td>20,166</td>
</tr>
<tr>
<td>2020-21</td>
<td>34,631</td>
<td>20,626</td>
</tr>
<tr>
<td>2021-22</td>
<td>33,562</td>
<td>19,818</td>
</tr>
<tr>
<td>2022-23</td>
<td>34,421</td>
<td>20,572</td>
</tr>
<tr>
<td>2023-24 (Proposed)</td>
<td>35,210</td>
<td>21,292</td>
</tr>
</tbody>
</table>
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

- 2005-06: 7.3%
- 2006-07: 9.3%
- 2007-08: 9.8%
- 2008-09: 9.0%
- 2009-10: 9.5%
- 2010-11: 10.7%
- 2011-12: 11.5%
- 2012-13: 11.7%
- 2013-14: 12.3%
- 2014-15: 12.8%
- 2015-16: 12.3%
- 2016-17: 11.7%
- 2017-18: 11.9%
- 2018-19: 11.9%
- 2019-20: 12.1%
- 2020-21: 11.5%
- 2021-22: 11.0%
- 2022-23: 10.2%
- 2023-24 (Proposed): 10.2%

- 2005-06: 11.0%
- 2006-07: 14.2%
- 2007-08: 15.0%
- 2008-09: 14.0%
- 2009-10: 14.8%
- 2010-11: 16.6%
- 2011-12: 18.1%
- 2012-13: 18.6%
- 2013-14: 19.4%
- 2014-15: 20.2%
- 2015-16: 19.6%
- 2016-17: 19.3%
- 2017-18: 18.6%
- 2018-19: 19.0%
- 2019-20: 19.4%
- 2020-21: 19.0%
- 2021-22: 17.6%
- 2022-23: 17.4%
- 2023-24 (Proposed): 16.9%

- % General Fund Budget
- % General Fund and Special Fund Budget
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
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

<table>
<thead>
<tr>
<th>Policy</th>
<th>Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve Fund at least 5% of General Fund revenues</td>
<td>✓ July 1 at $562 million, or 7.14%</td>
</tr>
<tr>
<td>Budget Stabilization Fund</td>
<td>✓ 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.</td>
</tr>
<tr>
<td>General Fund reserves goal: 10% of General Fund revenues</td>
<td>✓ 10.03% or $788 million: $562 million Reserve Fund; $197 million Budget Stabilization Fund; $30 million UB – Reserve.</td>
</tr>
<tr>
<td>Capital and technology investment at 1.5% of General Fund revenues</td>
<td>✓ Investment of 1.76% or $138 million</td>
</tr>
<tr>
<td>All one-time revenues used for one-time expenditures</td>
<td>✓ All $195 million in one-time revenues used for $451 million in one-time expenditures</td>
</tr>
<tr>
<td>Debt service as percent of general receipts: No more than 6% for non</td>
<td>✓ •2.56% for non voter-approved</td>
</tr>
<tr>
<td>voter-approved and 15% for non voter-approved and voter-approved</td>
<td>•4.24% for non voter-approved and voter-approved</td>
</tr>
<tr>
<td></td>
<td>•Projected to remain below limits until at least 2030-31</td>
</tr>
<tr>
<td>Achieve structural balance</td>
<td>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.</td>
</tr>
</tbody>
</table>
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

- Revenues
- Expenditures

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023-24</td>
<td>($13M)</td>
<td>$291M</td>
</tr>
<tr>
<td>2024-25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025-26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2026-27</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2027-28</td>
<td></td>
<td>$602M</td>
</tr>
</tbody>
</table>

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