

# OVERVIEW OF THE 2022-23 PROPOSED BUDGET



**2022-23 Proposed Budget**  
**Presentation to the Budget and Finance Committee**

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**City Administrative Officer**

# SUMMARY

The Proposed 2022-23 Budget is fundamentally sound. It invests solid revenue growth into services for our communities in a sustainable manner and preserves adequate reserves for economic risks that we may face in the coming year.

- Overview
- Revenues
- Expenditures
- Financial Policies



# PROPOSED BUDGET OVERVIEW

Budget Component	Budget (Millions)			Authorized Positions		
	Adopted 2021-22	Proposed 2022-23	Percent Change	Adopted 2021-22	Proposed 2022-23	Percent Change
General Fund	\$ 7,503.2	\$ 7,461.0	-0.6%	24,455	24,805	1.4%
Special Funds	\$ 3,977.1	\$ 4,304.1	8.2%	12,278	12,718	3.6%
<b>Total</b>	<b>\$ 11,480.3</b>	<b>\$ 11,765.1</b>	<b>2.5%</b>	<b>36,733</b>	<b>37,523</b>	<b>2.2%</b>



# PROPOSED BUDGET REVENUES

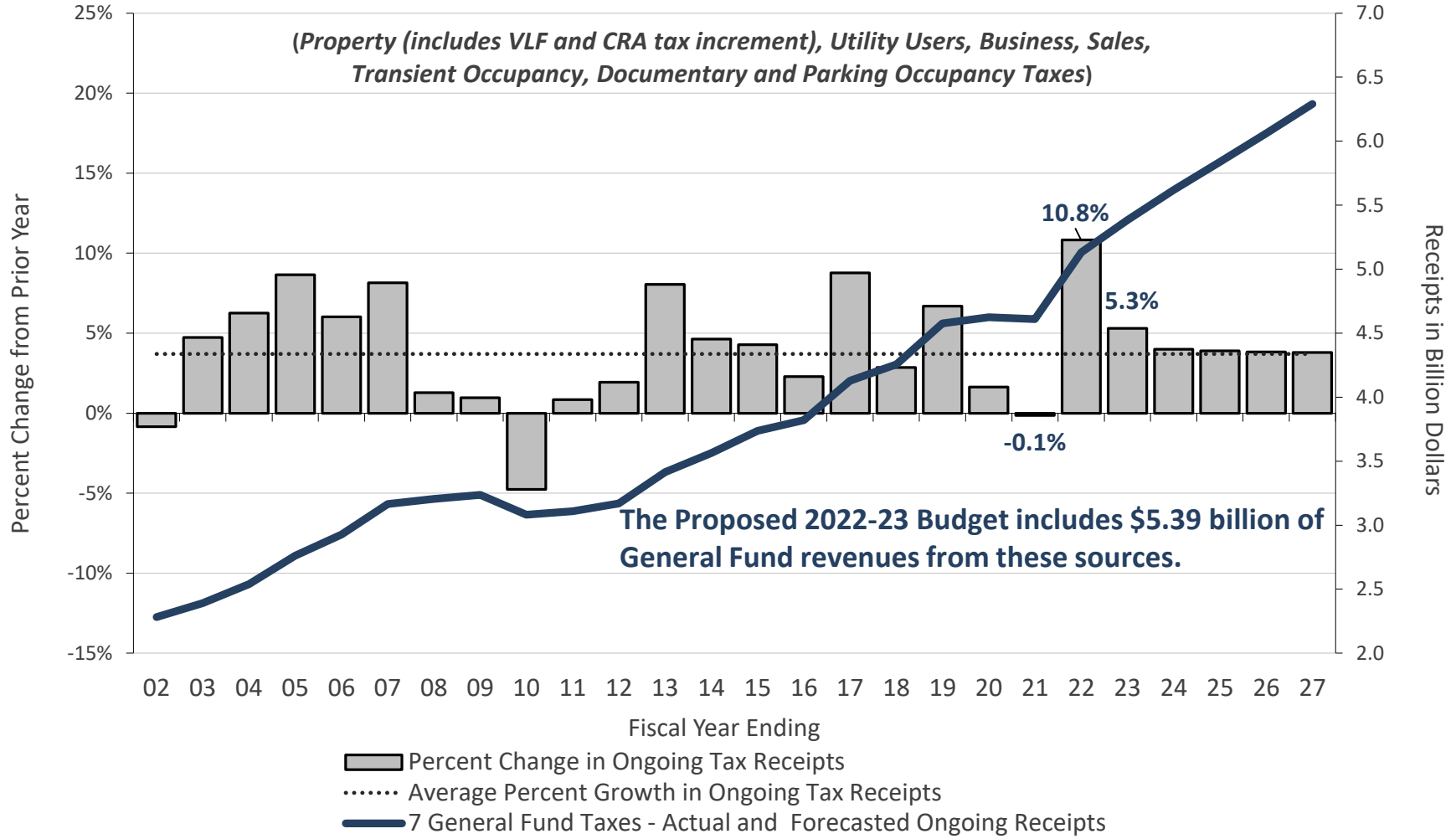
Growth in economy-sensitive revenues from the 2021-22 Adopted Budget to the 2022-23 Proposed Budget offset the loss of one-time American Rescue Plan Act funding.

Source	Amount (Millions)	Growth (%)
American Rescue Act Plan Reduction	(\$639.5)	(100%)
<u>Economy-Sensitive Revenue Increases:</u>		
Property Tax	\$66.3	2.8%
Redirection of Ex-CRA	\$41.8	37.3%
Business Tax	\$70.3	9.8%
Sales Tax	\$98.2	16.2%
Documentary Transfer Tax	\$71.6	31.5%
Transient Occupancy Tax	\$79.9	43.6%
Parking Occupancy Tax	\$12.0	12.1%
Special Parking Revenue Transfer	\$21.9	257.6%
Other Economically Sensitive	<u>\$50.1</u>	
<i>Total</i>	<i>\$512.1</i>	



# ECONOMY SENSITIVE REVENUES

## GROWTH OF SEVEN GENERAL FUND TAXES



# REVENUES: CONCERNS

The Proposed Budget's expectation for average or above average growth from economy sensitive revenues faces risk from external economic conditions:

- The highest inflation rates since the early 1980s could lead to challenges:
  - Inflation could impact consumer behavior, reducing spending and putting some revenue projections at risk.
  - The Federal Reserve may raise interest rates to reduce inflation, which on several occasions in the past has led to higher unemployment and even economic downturns.



# PROPOSED BUDGET EXPENDITURES

## Significant expenditures:

- Homelessness
- Cleanliness
- Justice and Equity
- Infrastructure
- Liabilities and Obligations
- LAPD Budget
- LAFD Budget
- UB and other One-Time 2021-22 Funding Backed Out



# EXPENDITURES: CONCERNS

## Expenditure concerns include:

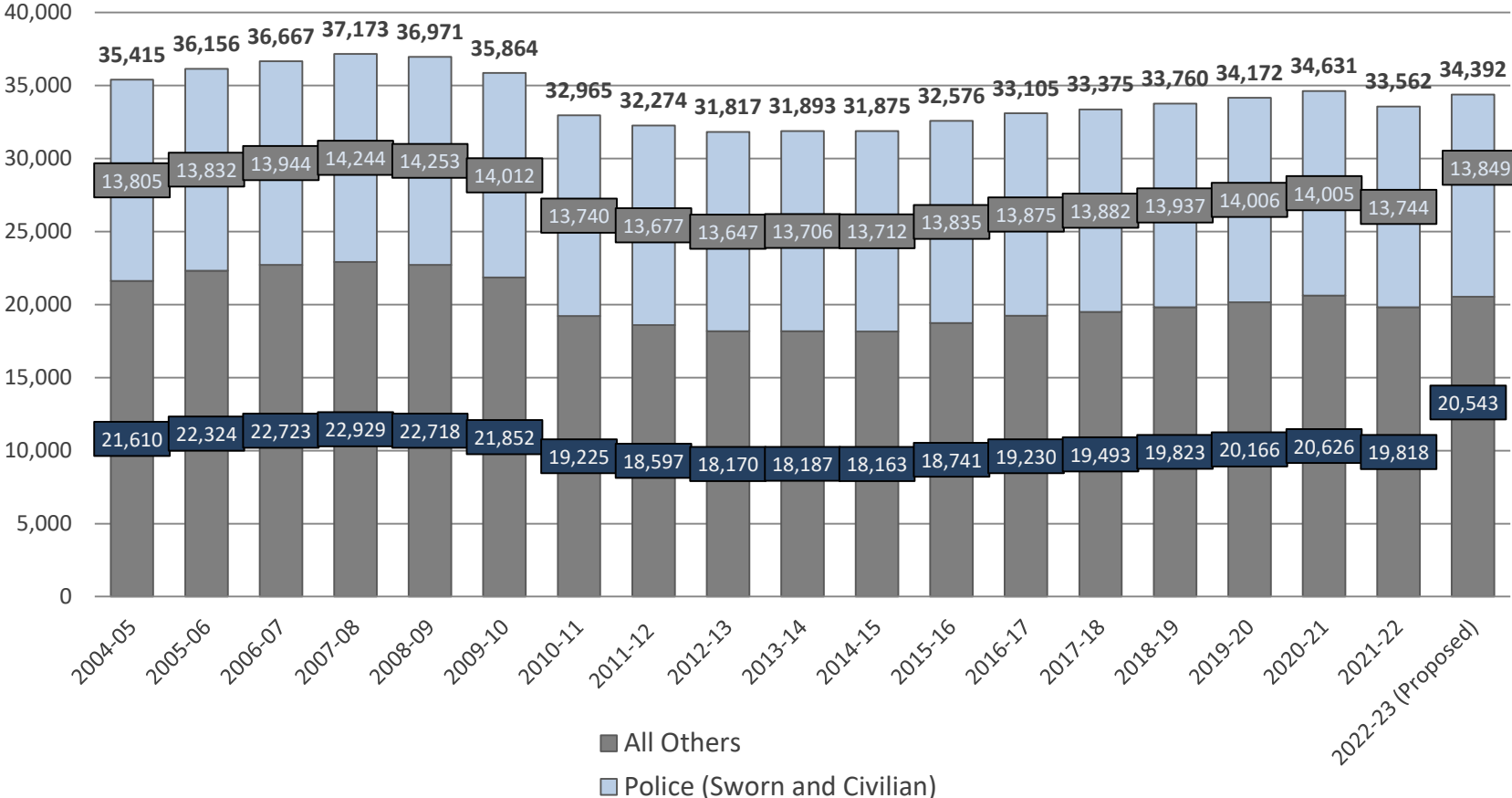
- Inflation
- Potential spending pressures:
  - Homelessness
  - Labor
- \$25 million in departmental reductions
- \$253 million in General Fund subsidies of special funds
- Falling short of capital spending target
- LAHSA outreach





# CITY STAFFING

## AUTHORIZED CITY STAFFING (Regular Authorities, Not Including Proprietary Departments)



# PENSION EXPENDITURES

Combined City Contributions to LACERS and LAFPP went down by \$24 million:

## LACERS

Increased \$31 million from \$601 million to \$632 million

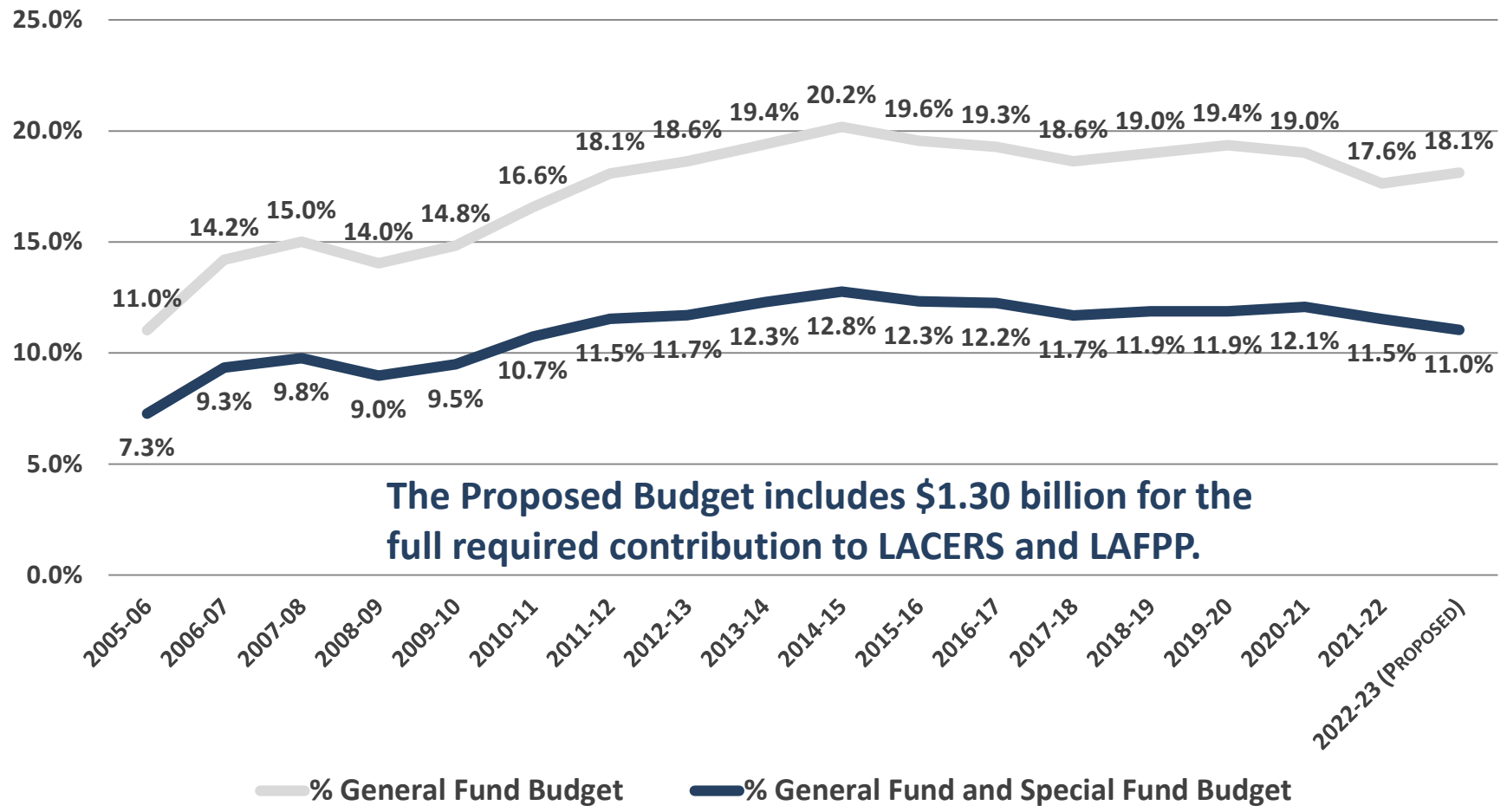
## LAFPP

Decreased \$55 million from \$722 million to \$667 million



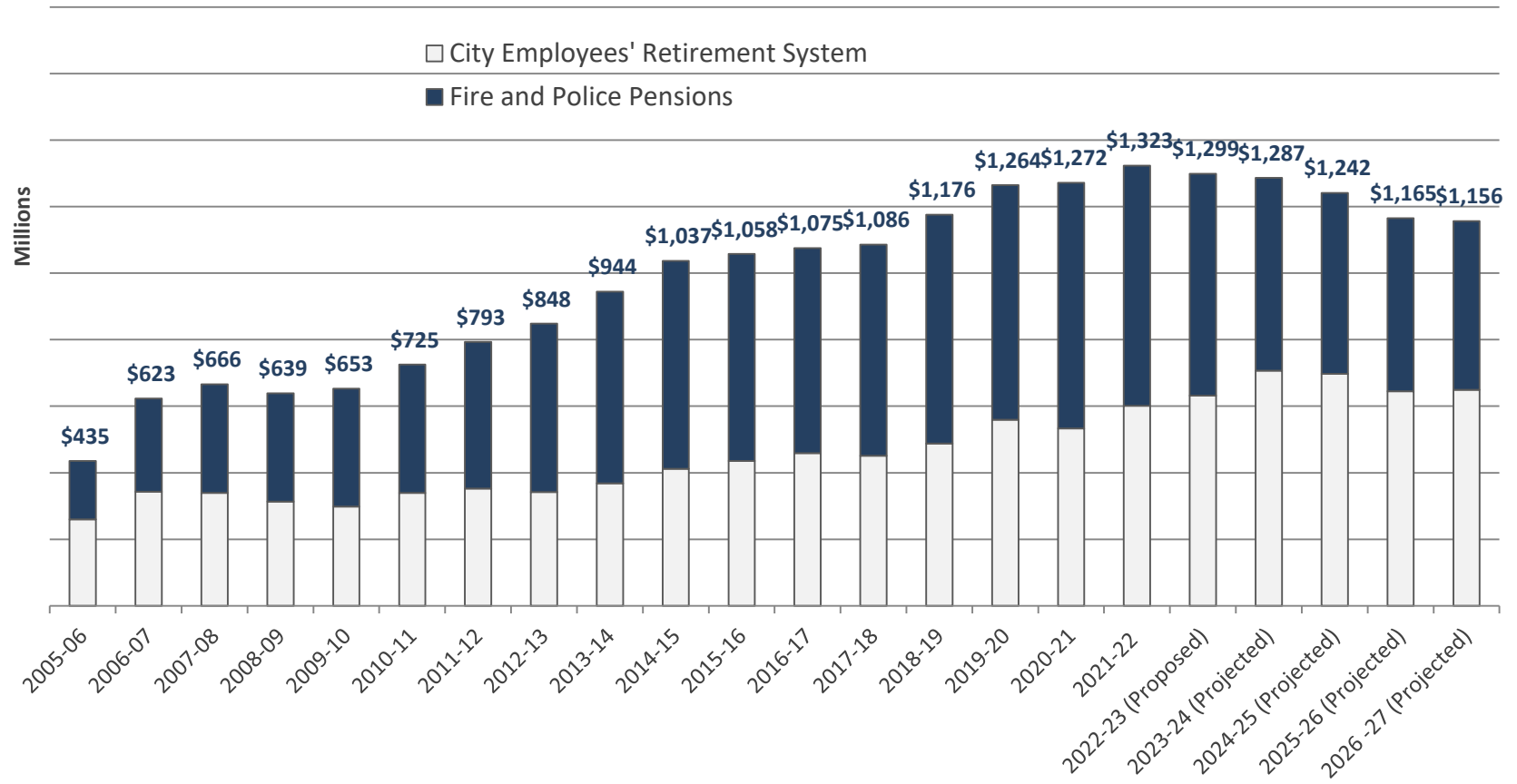
# PENSION SHARE OF BUDGET

PERCENT OF BUDGET USED FOR LACERS/LAFPP CONTRIBUTION



# PENSION SPENDING AND PROJECTIONS

**GENERAL FUND CONTRIBUTIONS TO LACERS AND LAFPP**  
*(Actual Amounts 2005-22; Proposed, 2022-23, Projected 2024-27)*



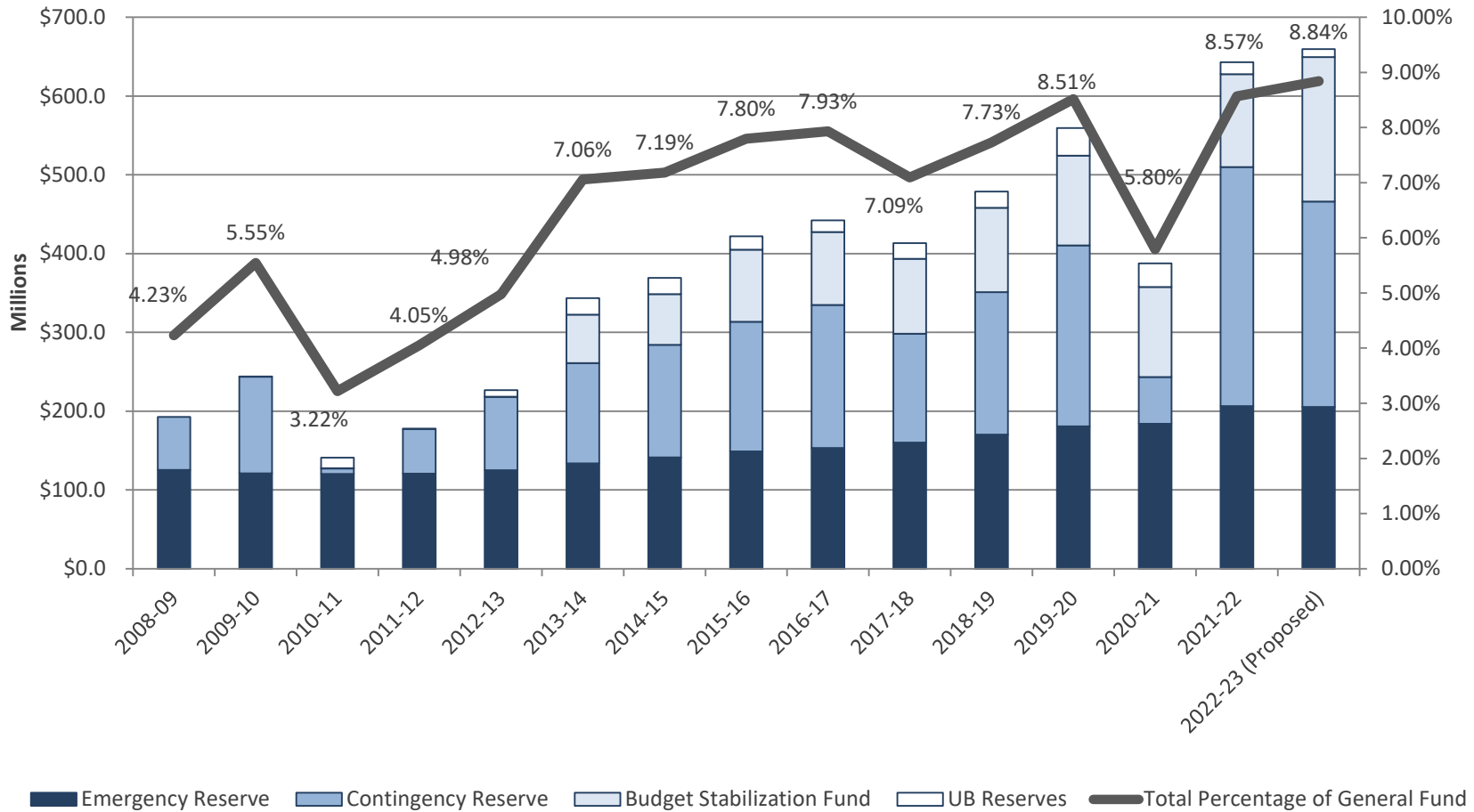
# PROPOSED BUDGET FINANCIAL POLICY COMPLIANCE

Policy		Compliance
Reserve Fund at least 5% of General Fund revenues	✓	July 1 at \$466 million, or 6.25%
Budget Stabilization Fund	✓	8.79% in growth from Adopted 2021-22 to Proposed 2022-23 is \$257 million above 3.6% growth threshold, requiring the budgeted \$64.3 million appropriation to the Fund.
General Fund reserves goal: 10% of General Fund revenues	✗	8.84% or \$660 million: \$466 million Reserve Fund; \$184 million Budget Stabilization Fund; \$10 million UB – Reserve.
Capital and technology investment at 1.5% of General Fund revenues	✗	Investment of 1.36% or \$102 million
All one-time revenues used for one-time expenditures	✓	All \$247 million in one-time revenues used for \$387 million in one-time expenditures
Debt service as percent of general receipts: No more than 6% for non voter-approved and 15% for non voter-approved and voter-approved	✓	<ul style="list-style-type: none"> <li>• 2.96% for non voter-approved</li> <li>• 4.74% for non voter-approved and voter-approved</li> <li>• Projected to remain below limits until at least 2029-30</li> </ul>
Achieve structural balance	✓	Four-Year Outlook projects budget surpluses through the projection period from \$77 million to \$600 million.



# FINANCIAL POLICY COMPLIANCE: GENERAL FUND RESERVES

**ADOPTED BUDGET RESERVES**  
*(Reserve Fund, Budget Stabilization Fund, and UB Reserves)*



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# BENEFITS OF HEALTHY GENERAL FUND RESERVES

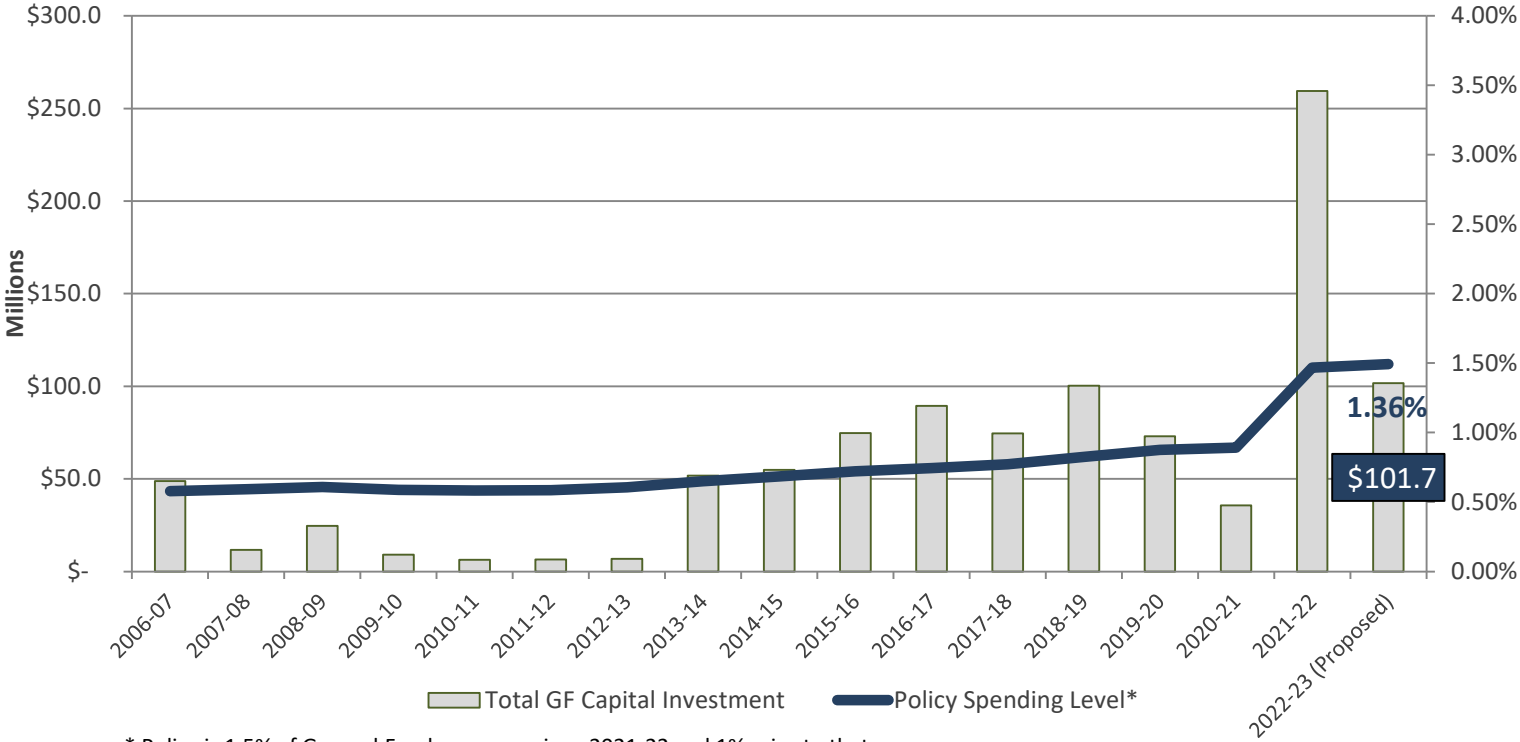
Thanks to the 8.62% July 1, 2021 Reserve Fund balance:

- The City was able to draw over \$200 million to address needs that arose during this fiscal year, including:
  - COVID-19 testing and vaccination
  - State Homekey 2 Program
  - Sewer Construction and Maintenance Fund liability
  - Project Roomkey extensions.
- The Proposed 2022-23 Budget includes a \$105 million transfer from the Reserve Fund to balance the budget.



# FINANCIAL POLICY COMPLIANCE: CAPITAL INVESTMENTS

## CAPITAL INVESTMENT AS PERCENTAGE OF GENERAL FUND REVENUE



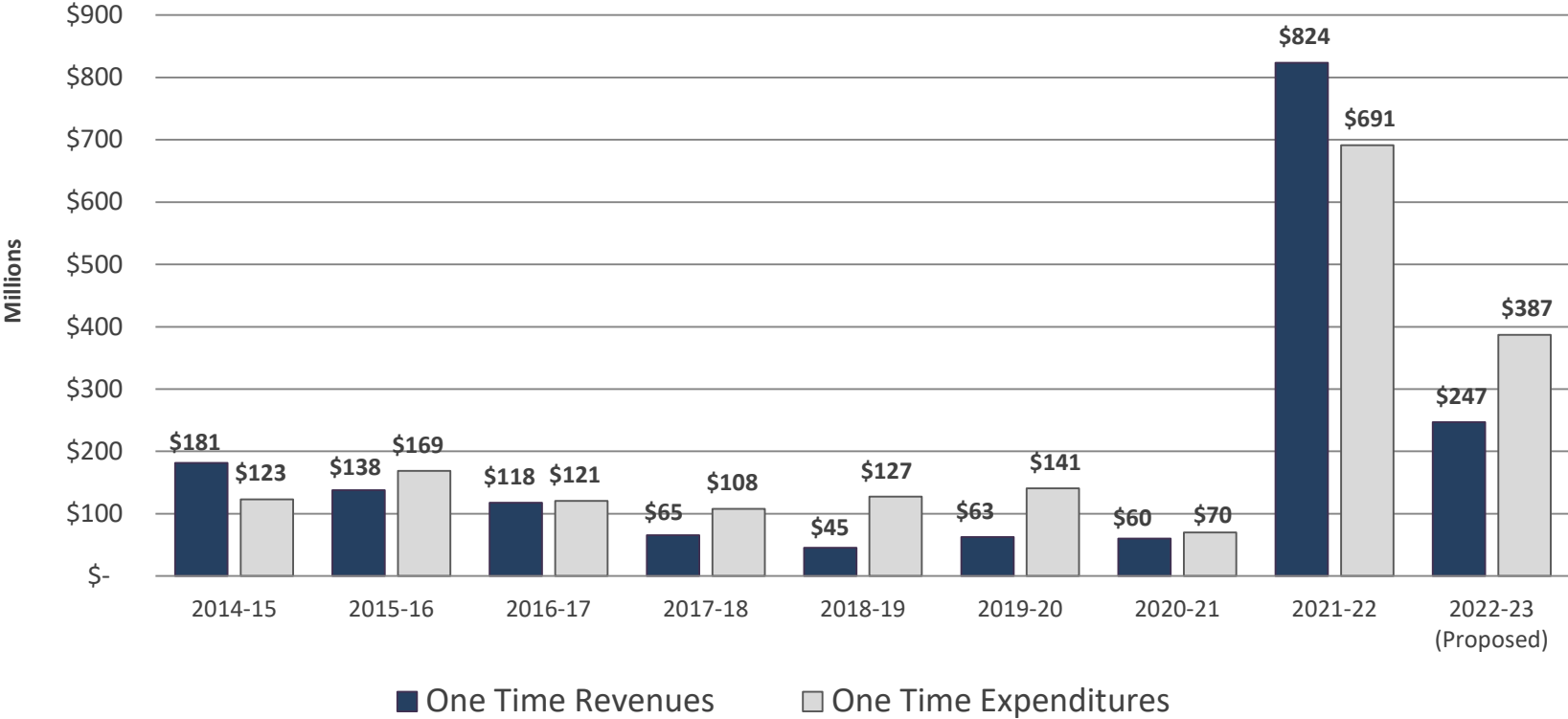
\* Policy is 1.5% of General Fund revenues since 2021-22 and 1% prior to that.





# FINANCIAL POLICY COMPLIANCE: ONE-TIME REVENUES

**ONE-TIME REVENUES VS. ONE-TIME EXPENDITURES**  
*(Adopted Budgets, 2022-23 Proposed)*



# FINANCIAL POLICY COMPLIANCE: FOUR-YEAR BUDGET OUTLOOK

**FOUR-YEAR BUDGET OUTLOOK**  
*(2022-23 Proposed Budget)*

