

Overview of the Fiscal Year 2025-2026

PROPOSED BUDGET



City Administrative Officer Matthew W. Szabo
Presentation to the Honorable Members of
the Budget & Finance Committee



Budget Overview

Budget Overview

	Budget (Millions)			Authorized Positions		
	Adopted 2024-25	Proposed 2025-26	% Change	Adopted 2024-25	Proposed 2025-26	% Change
General Fund	\$8,033	\$8,062	0.4%	34,320	32,342	(5.8)%
Special Funds	\$4,864	\$5,888	21.1%*	3,134	2,887	(7.9%)
Total	\$12,897	\$13,950	8.2%	38,774	35,229	(5.7%)

* The special fund growth is primarily due to growth in SCM's recent rate increase, ULA available balances, and the SWRRF increase.



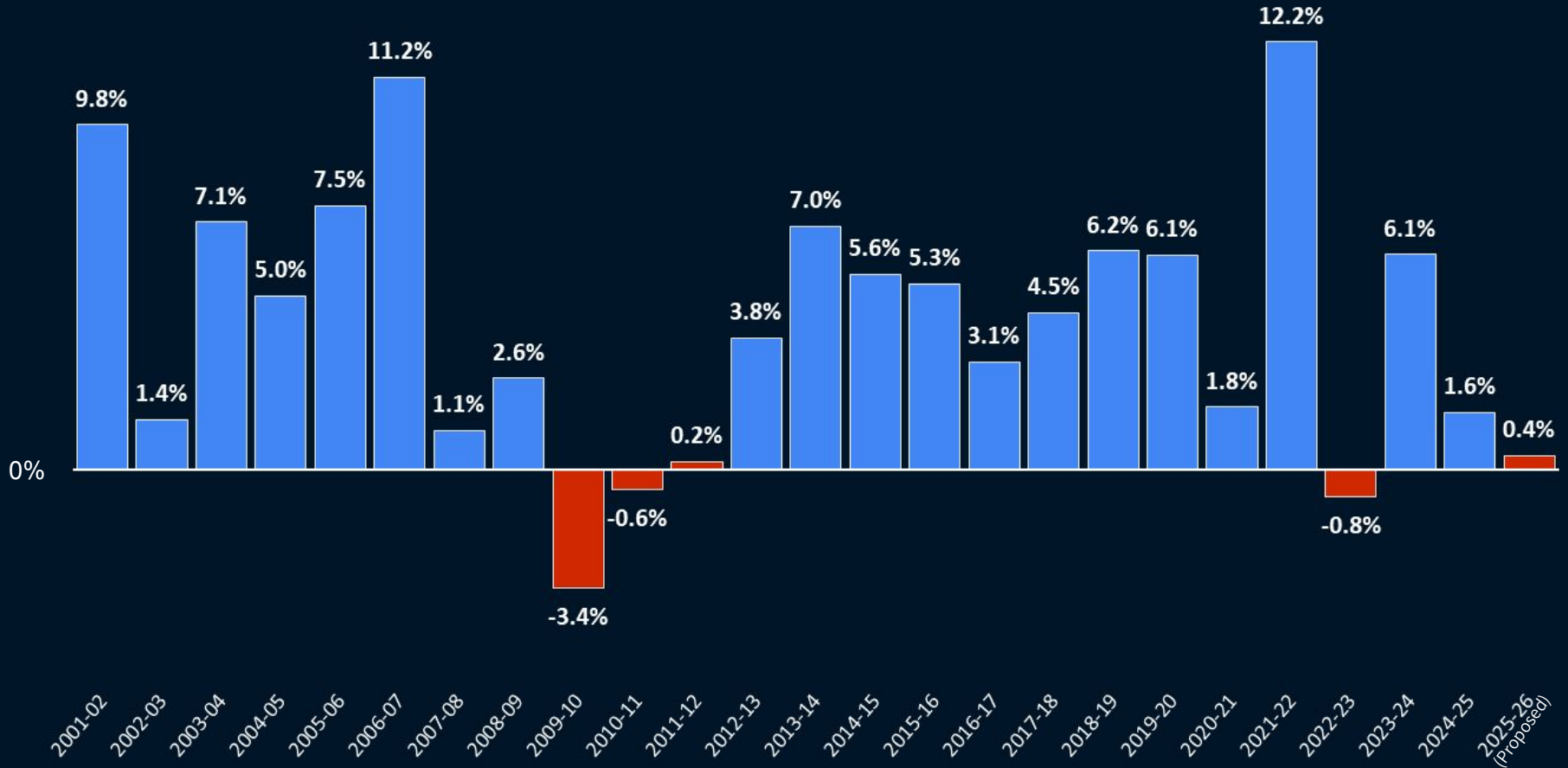
Economy-Sensitive Revenue Sources

<i>Economy-Sensitive Revenue Sources</i>	Change from 2024-25 Adopted Budget		Change from 2024-25 Revised Budget	
	Amount	Change	Amount	Change
Property Tax	\$ 94.1M	3.2%	\$ 76.4M	2.6%
Business Tax	\$ (32.1)M	-3.8%	\$ (10.9)M	-1.3%
Sales Tax	\$ (43.6)M	-6.3%	\$ (5.4)M	-0.8%
Utility Users' Tax	\$ 17.4M	2.5%	\$ 19.4M	2.8%
Documentary Transfer Tax	\$ 24.9M	14.8%	\$ 11.4M	6.2%
Transient Occupancy Tax	\$ (27.8)M	-8.1%	\$ 5.9M	1.9%
Parking Occupancy Tax	\$ 6.8M	5.0%	\$ 5.4M	4.0%
<i>All General Fund</i>	<i>\$ 28.6M</i>	<i>0.4%</i>	<i>\$ 140.5M</i>	<i>1.8%</i>



Historical Trends of Changes in Adopted General Fund Revenue

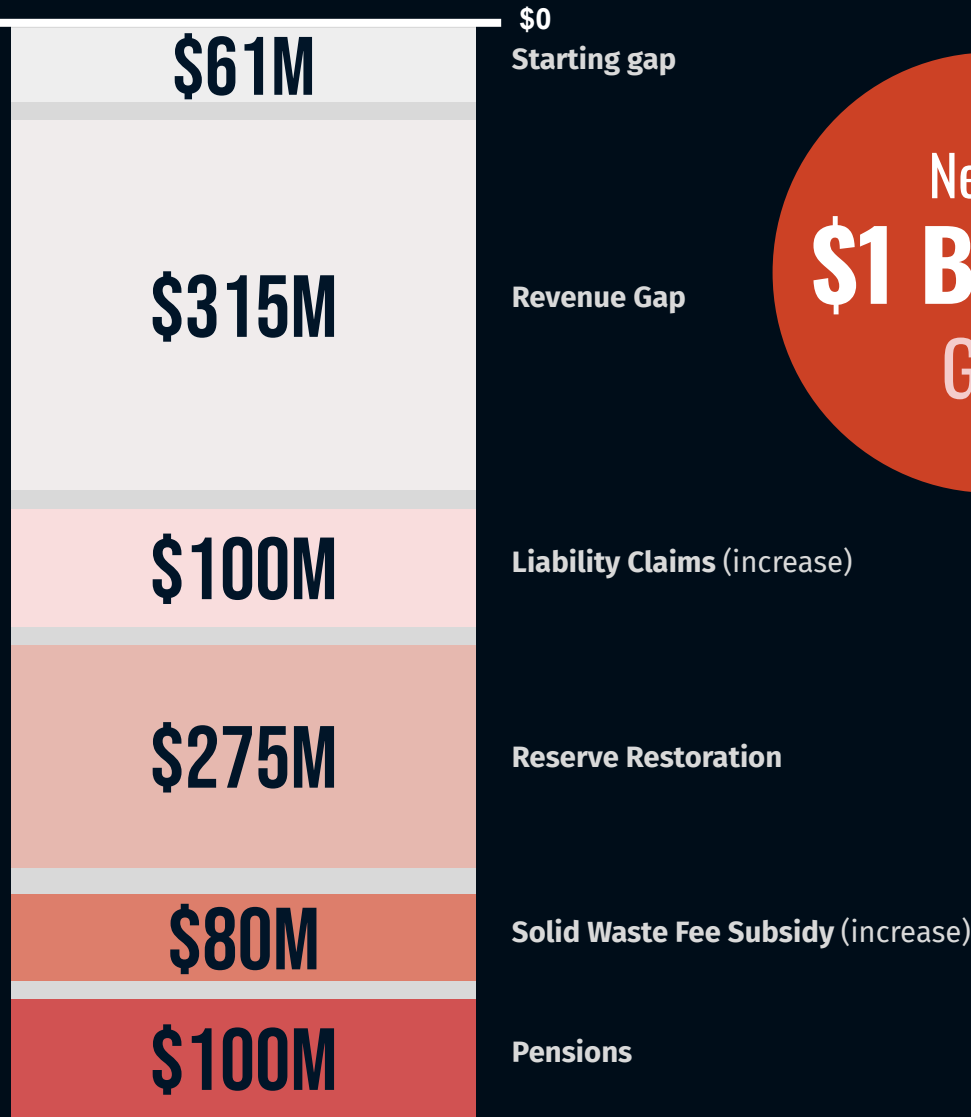
Red indicates changes under 1%





Closing the Gap

Closing the Gap



Nearly
\$1 Billion
Gap

Closing the Gap

\$0

Reductions

Position Eliminations
(\$282M)

Includes:
1,647 filled positions
1,076 vacant positions

Expense Accounts
Incl. Overtime, As-Needed, & Hiring Hall Salaries
(\$154M)

Project Deferrals & Other Adjustments

Capital Project Deferrals
(\$86M)

Funding Swaps and New Funding Reductions (\$71M)

Homelessness Funding Adjustments (\$93M)

LAFPP Savings and Cost Deferrals
(\$53M)

Revenues

Trash Fee Increases
(\$105M)

FY 24-25 Revenues above Projections (\$47M)

FY 25-26 Revenues above Projections (\$40M)

Position Eliminations

Filled
Positions

1,647

Partial-year savings:
\$150M

Vacant
Positions

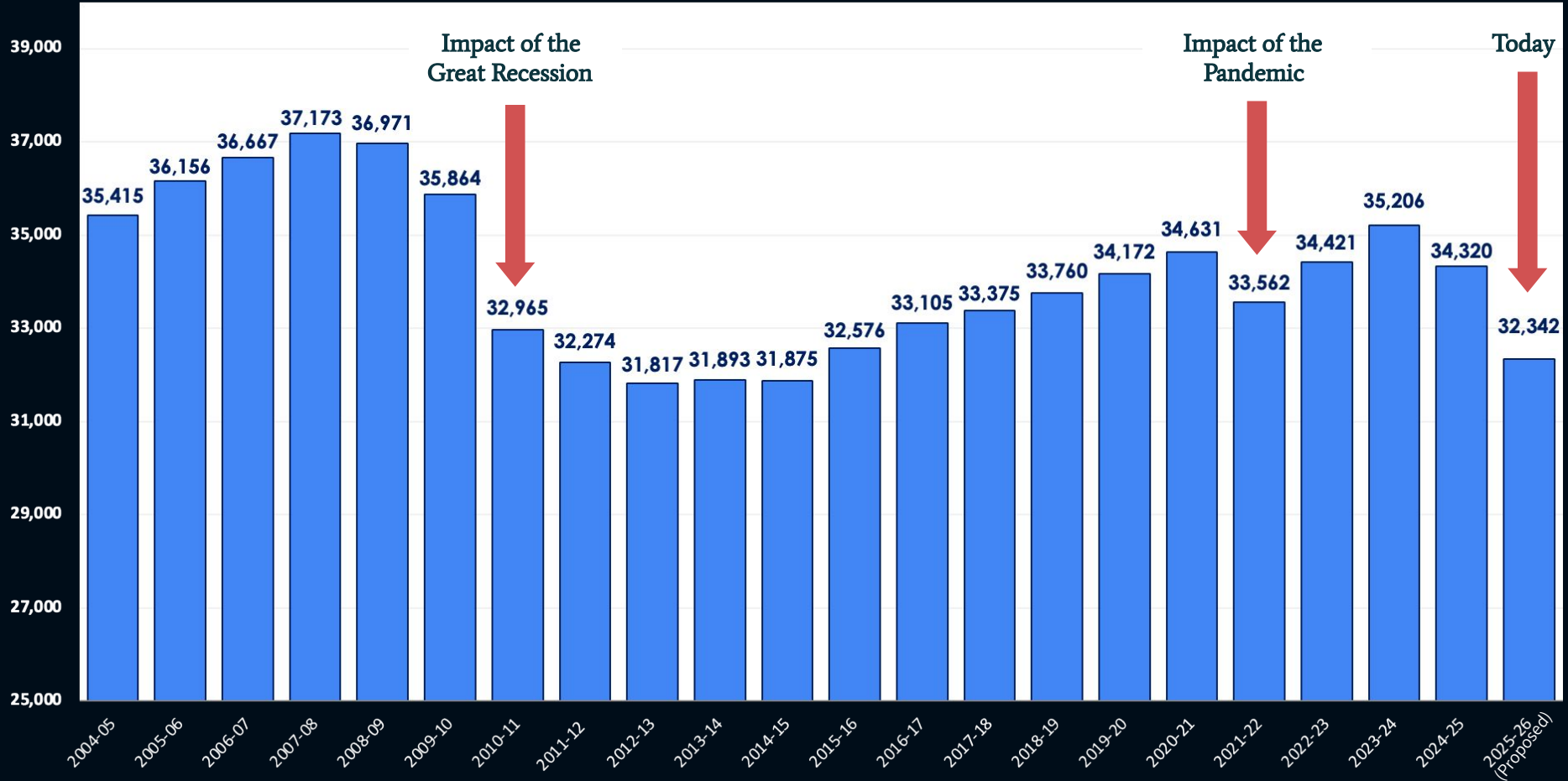
1,076

Full-year Savings:
\$131M



Authorized City Staffing

Regular positions only. Civilian and Sworn. Does not include Proprietary Departments.





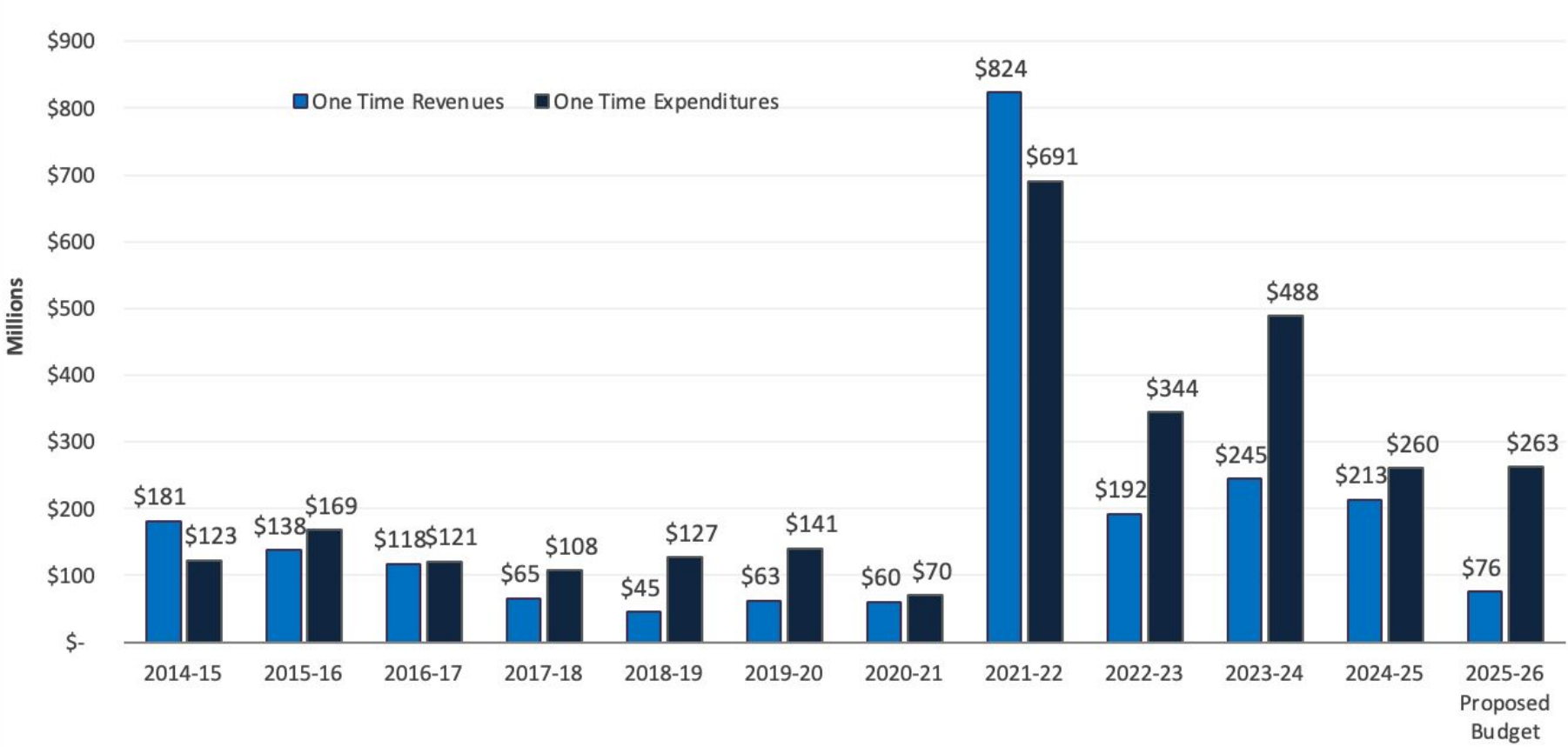
Financial Policies

Financial Policies | Compliance Status

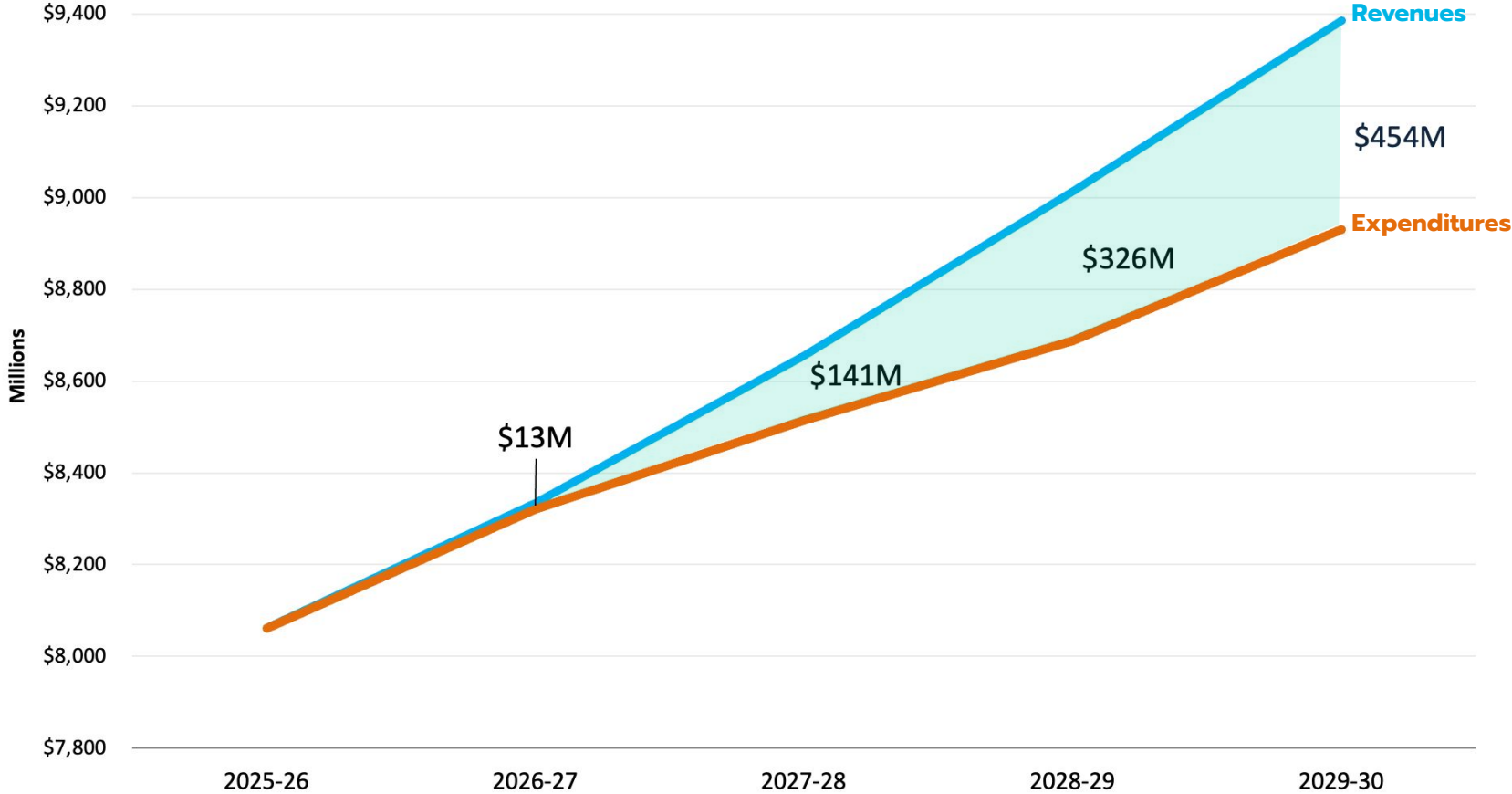
Reserve Fund at least 5% of General Fund revenues	✓	Will start this FY at 6.01% or \$484 million
Budget Stabilization Fund	✓	Will start this FY at \$208 million; the Proposed Budget does not include a withdrawal from the BSF
Cumulative General Fund reserves at 10% of GF Revenues	✗	July 1 balance of 8.97% or \$723 million
Capital & tech. investment at 1.5% of GF revenues	✗	The Proposed Budget invests 0.94% or \$76 million of the General Fund revenues in this category
All one-time revenues used for one-time expenditures	✓	All one-time revenues (\$76 million) used for one-time spending (\$263 million)
Debt service as percent of general receipts: No more than 6% for non-voter-approved, and 15% for non-voter-approved and voter-approved combined	✓	<ul style="list-style-type: none">• 2.46% for non voter-approved• 3.84% for voter and non voter-approved
Achieve structural balance	✓	2026-27: Revenues exceed expenditures by \$13M 2027-28: Revenues exceed expenditures by \$141M 2028-29: Revenues exceed expenditures by \$325M 2029-30: Revenues exceed expenditures by \$454M



Financial Policies | One-time Revenues vs. One-time Expenditures



Financial Policies | Structural Balance





Reserve Fund

Status of the Reserve Fund

July 1, 2024:

\$407M

5.07%

After Mid-Year FSR Actions:

\$264M

3.22%

FY 25-26 Proposed Budget:

\$485M

6.01%



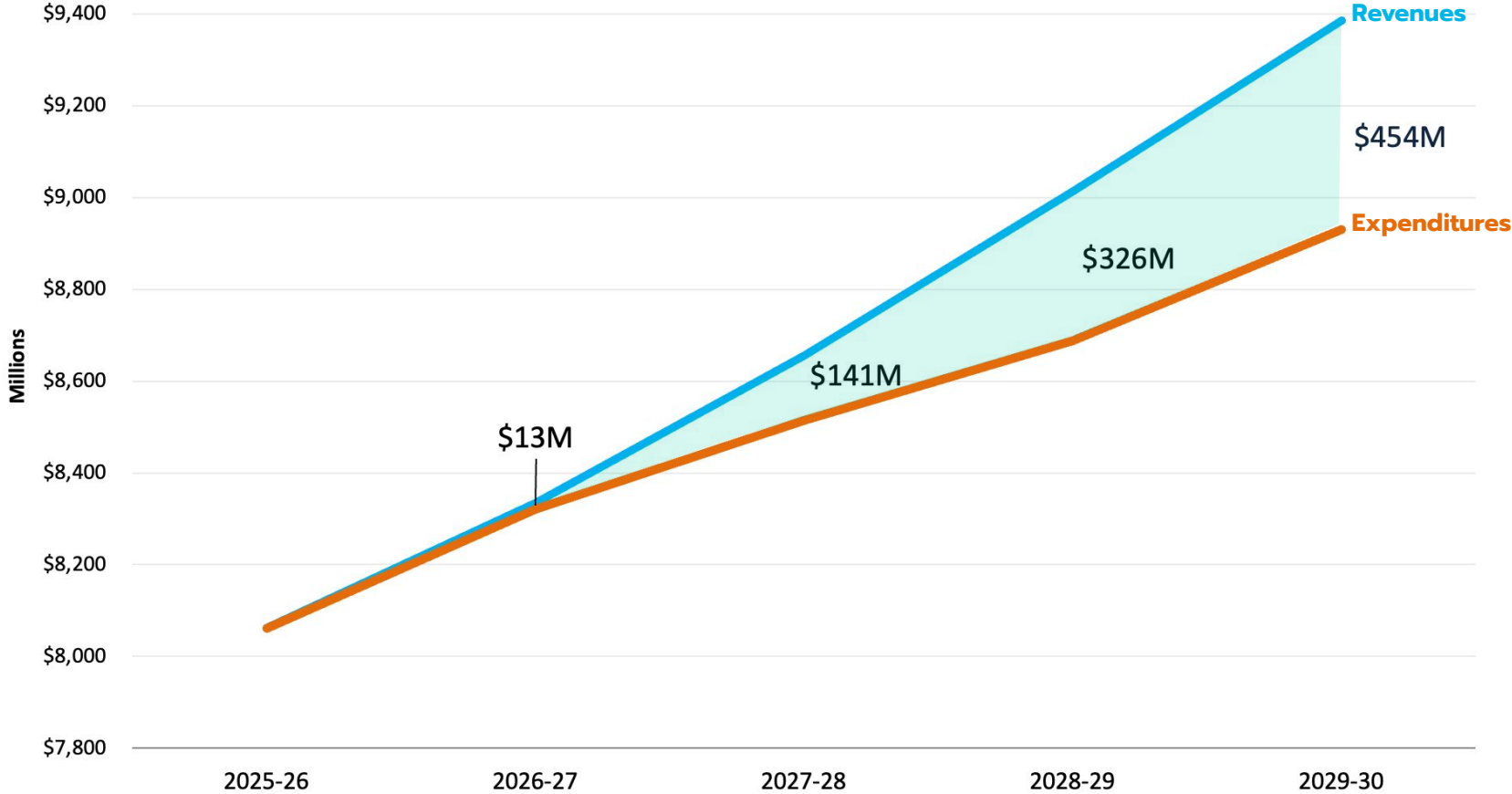


Outlook & Risks

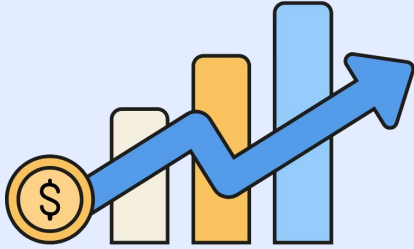
Significant **uncertainty surrounding the duration and impact of federal tariff policies** , as well as the economic and revenue impact of the **January firestorms** , heightens the risks to Los Angeles' economically sensitive revenues and underscore the need for careful financial management [...] highlighting the need for **strong cost controls** and **structural reform** to return the city's general fund budget to operational balance.

- *S&P Global, April 2025 (emphasis added)*

Four-Year Outlook | Proposed Budget



Key Assumptions



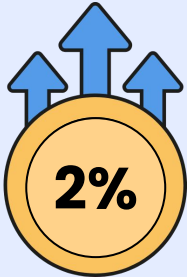
NO RECESSION

Return to historic level of revenue growth



CUTS ADOPTED AND MAINTAINED

No major changes to service levels



NO NEW LABOR COSTS

A 2% annual increase in labor costs after current agreements

Economic Risks & Uncertainty



**January
Wildfires**



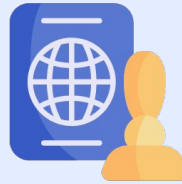
**Tourism
Boycotts**



Federal Cuts

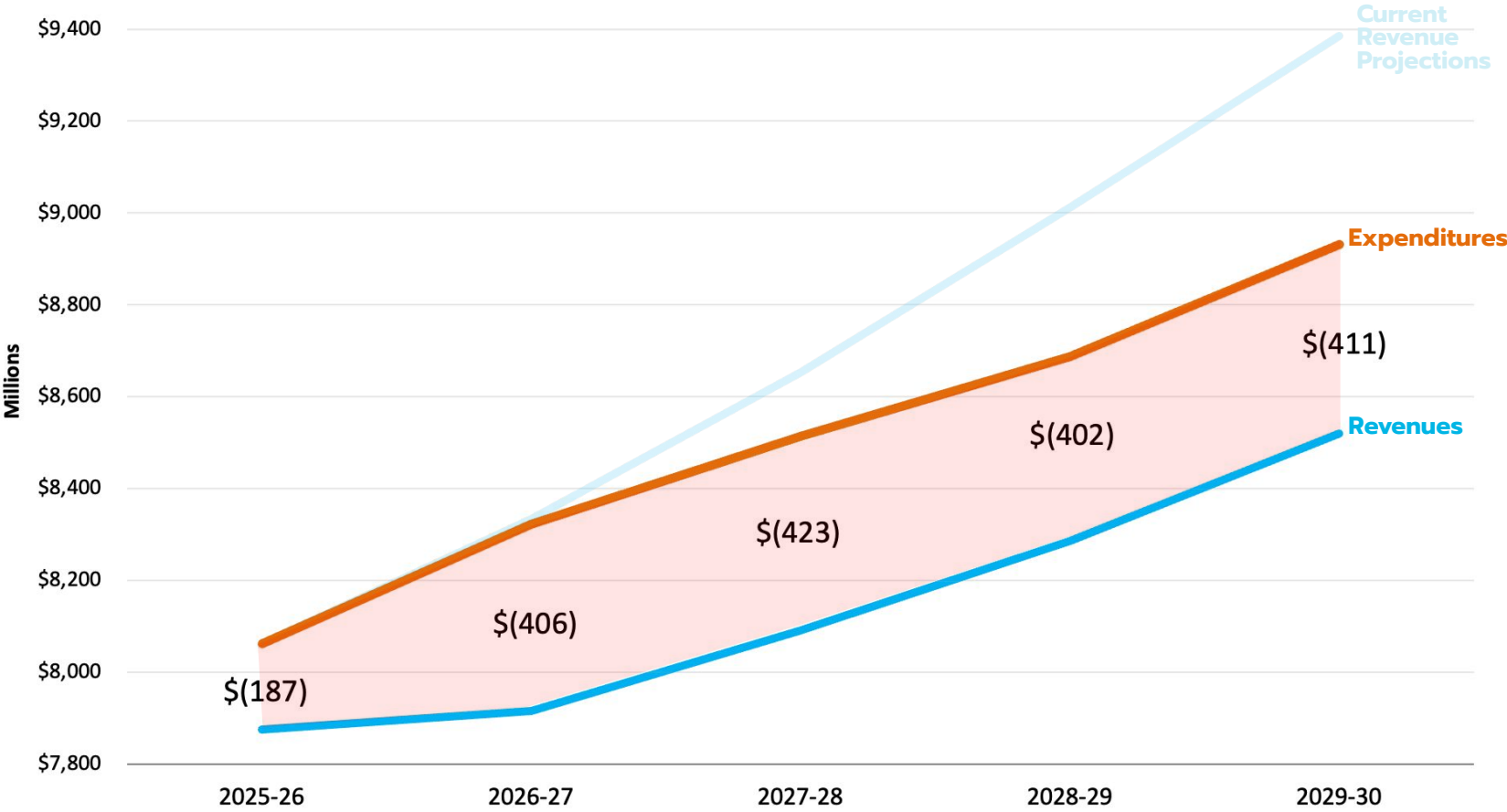


**Erratic tariff
application**

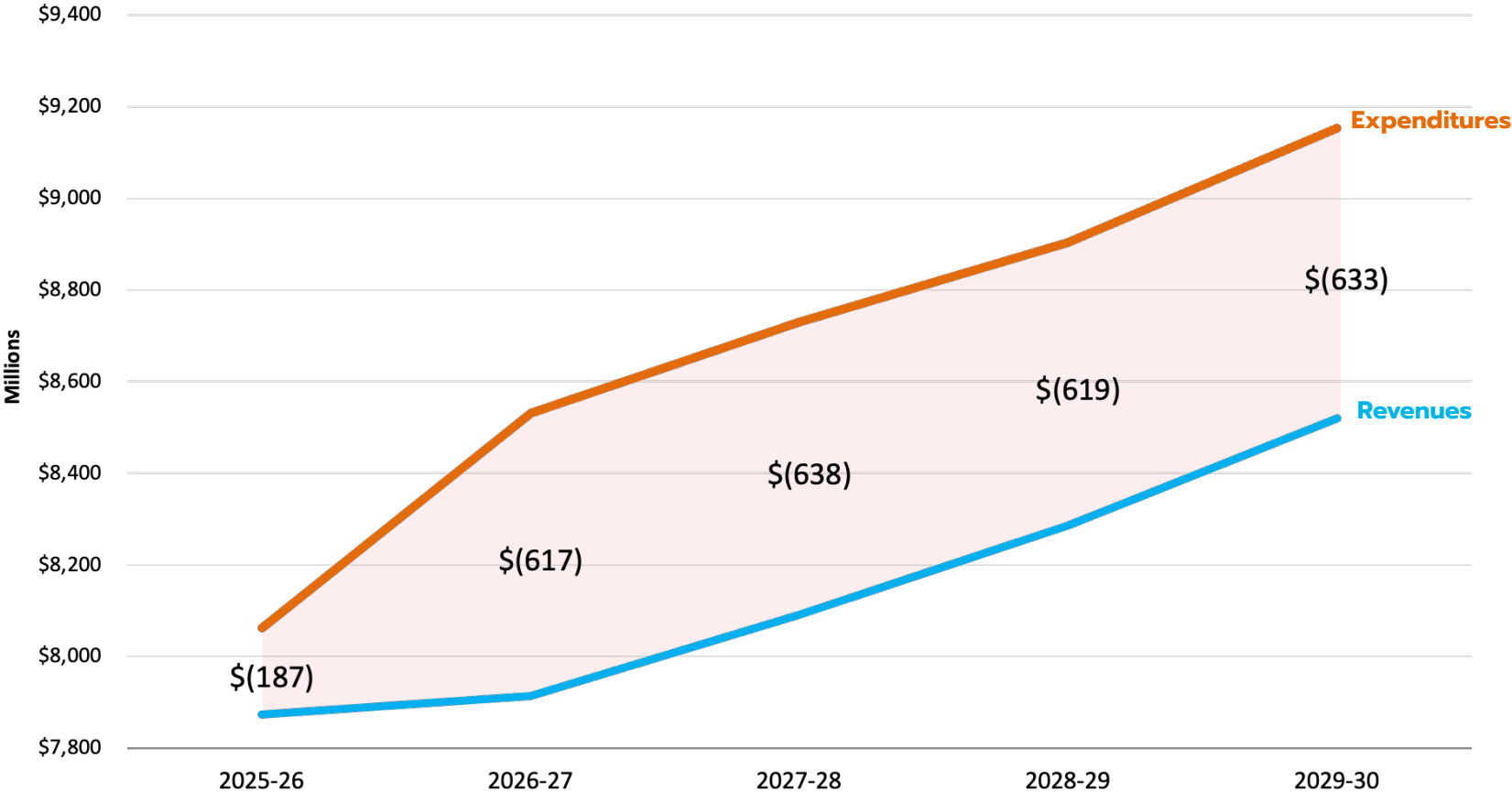


**Disruptive
immigration
enforcement &
deportations**

Four-Year Outlook | Recession Scenario



Four-Year Outlook | Restoring All Filled Positions under a Recession Scenario





Position Restoration & Layoff Avoidance

1,647

**Filled Positions
Eliminated**

Impact on the FY 25-26 Budget

\$150M



1,647

Filled Positions
Eliminated

Impact on the FY 25-26 Budget

\$150M

Structural Savings

\$225M

Layoff Avoidance Target

\$225M

RECOMMENDED

Restoring positions requires alternative *structural* solutions

COLA Deferrals

Position Swaps

with other GF or subsidized special funded positions

Alternative Ongoing Reductions

Transfers

to fully-funded vacancies in non-GF depts

Re-assignment

to non-subsidized special funded vacancies



Layoff Avoidance Target

\$225M

STRUCTURAL RISK

Some solutions may present a risk to the structural balance of the budget

New Revenue

Grant Funds

Transfers to grant funded vacancies (non-GF depts)



Layoff Avoidance Target

\$225M

**NOT
RECOMMENDED**

One-time solutions will likely
lead to a structural deficit

Reserve Fund

Budget Stabilization Fund

Speculative Revenues

One-time Revenues

One-time Reductions

Furloughs



Recommended Policy Reforms

1 RESERVES

Raising the required Reserve Fund minimum in the City Charter and in our Financial Policies, above the current 2.75% and 5% levels.

2 CONTRACTS

Reforming how we consider labor contracts, and other contractual obligations, to provide the full Council, and the public at large, greater access to the issues, justifications, and long-term impacts of these agreements.

3 BASE BUDGET

Requiring, potentially as part of a multi-year budget, regular and systematic consideration and implementation of structural and operational efficiencies.



City Administrative Officer
Matthew W. Szabo

April 2025

cao.lacity.org/budget