



FOR IMMEDIATE RELEASE
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“Projected deficits for years to come” Due to “Years of short-term budget balancing at the cost of long-term fiscal sustainability” - Controller Kenneth Mejia Releases Annual Comprehensive Financial Report for FY 2022-23

LOS ANGELES – The Controller's Office published the City's [Annual Comprehensive Financial Report \(ACFR\)](#) for the fiscal year ended June 30, 2023. FY 2022-23 was a year of strong revenue growth that contributed to record reserves on July 1, the beginning of the current fiscal year.

“Unfortunately, it is also my responsibility to report the bad news,” Controller Kenneth Mejia wrote in his cover letter for the ACFR. “This year the City is spending well beyond our actual revenues. Projected deficits for years to come will force wrenching choices that threaten the vital services Angelenos rely on. This is not the result of a sudden economic downturn, but the culmination of years of short-term budget balancing at the cost of long-term fiscal sustainability.”

The ACFR accounts for revenues and expenses for all the City's funds, including the Harbor, Airports, and Department of Water and Power and a snapshot of the fiscal condition of the City as it ended the fiscal year on June 30 of 2023.

Read the full report:
controller.lacity.gov/reports/pafr23

Key findings in the ACFR for FY 22-23:

- While total City revenues (including the City's utility, airport and other special funds), were up by 8.4% over the prior year, total City expenses grew by 18.2%.
- The City's General Fund Reserve (the cushion against tougher times ahead) increased to a record-high \$648.3 million. The purpose of the Reserve is to avoid major cuts to services if the economy takes a downturn. If the City taps the Reserve, policymakers must ensure not to dip into it below the 5% Reserve Fund Charter requirement.
- The largest General Fund departmental spending went to Police (\$1.9 billion); Fire (\$845.6 million); and Sanitation (\$359.5 million).

City spending for all budgeted funds was \$1.2 billion below the level in the Adopted Budget, as reported in the Controller's Office's [Preliminary Financial Report \(PFR\)](#) issued last October. Special purpose funds accounted for nearly \$600 million of those savings, along with \$316

million in underspending on capital projects. The impact of the City not spending what was budgeted resulted in less services, resources, and infrastructure being provided for Angelenos.

- Major contributors to the strong revenue increase included Utility Users Tax revenue (primarily from higher natural gas and electric prices); Transient Occupancy (Hotel) Tax and Business Tax while the revenue sources that fell significantly below budget included Documentary Transfer Tax (due to a cooling real estate market); Licenses, Permits and Parking Fines.
- While staff vacancies resulted in \$118 million in savings among civilian employees, Police and Fire salaries were \$29 million over their budgeted amount. The overspending was attributed to increased overtime, unbudgeted salary payouts associated with agreements with sworn employee unions and excess sick payouts.
- Liability payouts from lawsuit settlements and judgements totalled \$172.5 million, exceeding the budget by nearly 100%.