



KENNETH MEJIA
CONTROLLER

March 1, 2024

Honorable Karen Bass, Mayor:
Honorable Members of the City Council:

SUBJECT: REVENUE FORECAST REPORT

Despite a healthy economy, the City faces harsh budget realities now, and in the years ahead. There is no quick fix, but a long-term strategic approach is needed for the City to live within its means while meeting the changing needs of our four million residents.

Each year, in accordance with City Charter Section 311(c), my Office submits a Revenue Forecast Report, which includes information gathered from City departments, recent regional economic reports and meetings with local economists. This report covers updated revenue estimates for the remainder of the current fiscal year, ending June 30, 2024, and projections for fiscal year 2024-25. Forecasts inherently involve uncertainty, however, our estimates of revenue for this year have proven to be more accurate than the ones on which the adopted budget was ultimately based. This year's projections reflect our best estimates and seeks to promote responsible budgeting in the fiscal year ahead.

LOWER REVENUES, HIGHER EXPENSES FORCE EMERGENCY ACTION

Last year's report predicted "trouble ahead." Unfortunately, that proved to be true. In our March estimate last year, we projected revenues of \$7.560 billion for the General Fund (GF). The City's adopted budget assumed GF revenues of \$7.767 billion (not including transfers from the Reserve Fund). In the CAO's recent January financial report regarding fiscal concerns, they have estimated that the City's General Fund revenues are now \$158 million below plan. Combined with some departments exceeding their budget, the City has been forced to adopt an abrupt hiring freeze on filling all jobs except those deemed "critical." With double-digit vacancy rates across nearly every City department, a hiring freeze will have a negative impact on virtually all City services.

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NEXT FISCAL YEAR

The national economy has so far experienced no recession over the past year, with inflation falling and a continuing strong labor market. Interest rate hikes cooled the residential and commercial real estate markets. Our local economy was dampened by a fall in overseas tourism and major strikes affecting the City's signature industry. **Looking ahead, we see some recovery but only an anemic 1.73% increase in GF revenues over Fiscal 2023-24 projected actuals.** Our estimate of \$7.738 billion in GF revenue next year falls well short of the sharp rise in City expenses due to negotiated labor agreements and other cost increases.

The largest revenue surge is projected to come from a 4.1% increase in Property Taxes (\$83M growth). The formula for Vehicle License Replacement will grow by 5.4% adding \$34 million. Business License and Parking Users' taxes are also expected to outperform the overall average increase. On the other hand, the Power Transfer, franchise payments and interest income are all expected to be lower in the coming year for a net increase of just \$132 million in GF revenue.

THE NEED FOR A LONG-TERM STRATEGY

General Fund expenses are on track to increase considerably next fiscal year. The State is experiencing its own severe budget challenges. The Mayor's ambitious effort to meet the homelessness emergency will continue. Meanwhile, the hiring freeze will mean continued stress on both front-line and support services from Animal Services to Public Works. The City still lacks a credible and comprehensive Capital Improvement Plan to address its staggering backlog of deferred maintenance and the need to modernize our aging infrastructure.

All of this means that short-term fixes and budget gimmickry will only prolong pain and lead to *"an inexorable decline in public services, undermining our quality of life and the economic prospects of our residents"* as our Office warned in January when releasing the City's Annual Comprehensive Financial Report.

The Mayor, the Council, the CAO, our city's civic leadership and the diverse voices of our community need to address this chronic fiscal challenge. Waiting for the next recession will trigger far uglier choices down the road. A serious, long-term plan for reshaping City government is long overdue. Our Office welcomes the opportunity to contribute to that strategic effort.

I summarized last year's March Revenue Forecast with this advice: *"The voters of Los Angeles expressed their choices for change in the last election. It will be our shared responsibility not to be trapped by business as usual if we are to deliver on their expectations. Taking the long view and the high road will be essential to making a more equitable, livable and resilient city for our four million residents."*

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Our residents deserve to have their City's fiscal house put in order so that not only their City government lives within its means, but they can too. Our residents deserve to look forward to a brighter future for themselves and their families based on a strong economy that leaves no one behind.

Now is the time for City leadership to recognize the need to move beyond business as usual and get down to the business of meeting the changing needs of our changing city.

Finally, I want to thank our Financial Analysis and Reporting Division and its hard-working staff for collaborating with the CAO, Department of Finance and other department personnel for the exacting analysis that goes into preparing this annual report.

Respectfully submitted,



Kenneth Meja (Feb 29, 2024 16:47 PST)

KENNETH MEJIA
Los Angeles Controller

cc: Council President, Paul Krekorian
Council Budget Chair, Bob Blumenfield
CAO, Matthew W. Szabo
City Attorney, Hydeec Feldstein Soto



REVENUE FORECAST REPORT

For Fiscal Years 2024-2025



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LA CITY CONTROLLER

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SUMMARY

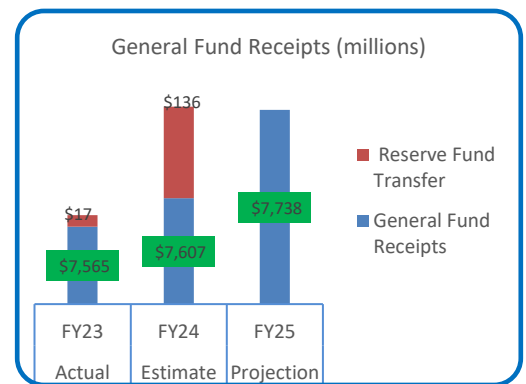
This Revenue Forecast Report for the City of Los Angeles provides revenue estimates for fiscal years 2023-24 and 2024-25 in advance of the City’s upcoming budget process. Also included are the estimated requirements for debt service and General Fund cash flow borrowing. The Forecast is issued pursuant to the Controller’s City Charter mandate to monitor and report on all matters relating to the City’s fiscal health, to keep the City’s official financial records, and to supervise City expenditures.

This Office based these estimates on information received from City departments, consultation with local economic experts and academics, and historical as well as recent trends.

Financial Outlook

Current Year: 2023-24

The current fiscal year budget assumes that the City will continue paramount investments to reduce homelessness and improve public safety while being fiscally responsible with strong reserves to address uncertainties in the year ahead.



The Los Angeles County economy has overcome most of the challenges it faced during the COVID-19 pandemic. Following the recovery, population decline, housing supply and affordability, and poverty have become the primary challenges. Predictions of a recession by the end of 2023 never materialized—with a real possibility the county avoids a recession in favor of a modest, sustained growth in the coming years. Our estimates for fiscal year 2023-24 were based on current trends.

Overall, we estimate that total General Fund revenue will be \$7.7 billion (including the \$136.4 million transfer from the Reserve Fund), lagging behind the Budget by \$160.0 million (2.0 percent), and exceeding the prior fiscal year by \$161.6 million or 2.1 percent.

Next Year: 2024-25

The future remains uncertain. Even though conditions on the inflation front are improving, and most sectors of the economy remain in some form of positive growth or stable currently, the City should still plan for the possibility of a slowing economy. Our projection for the upcoming year assumes that the economic growth will be modest in the 2024-25 fiscal year.

For the General Fund receipts, the year is expected to see 1.7 percent growth over the current fiscal year estimate, primarily due to the expected growth in property tax receipts. This \$7.7 billion would be \$131.5 million more than 2023-24 estimates and \$173.3 million more than 2022-23 (after adjusting for Reserve Fund transfer).

Debt

The estimated debt service requirement for 2024-25 on the City's long-term debt is \$549.8 million, which is \$22.8 million less than 2023-24 mainly due to decrease in General Obligation Bonds (GOB) total payments (\$109.5 million compared to \$138.0 million in 2023-24). The \$109.5 million payment is for principal and interest payments on the City's \$1.2 billion in outstanding GOB. The remaining debt service covers the Municipal Improvement Corporation of Los Angeles (MICLA), the Wastewater system, the Solid Waste Resources Programs, and Site-Specific Tax Revenue Debt.

In total, debt service is projected to be 3.68 percent of projected 2024-25 General Fund receipts, well under the 15 percent limit set by the City's Debt Policy.

General Fund Cash Flow

Annually, the Controller estimates an amount of borrowing to alleviate the City's short-term cash flow deficits in the first half of the following fiscal year. Based on revenue and expenditure patterns, the likely cash flow borrowing requirement in 2024-25 is between \$350 and \$450 million.

This estimated borrowing assumes the cash balance amount in the General Fund at the beginning of 2024-25 (after 2023-24 year-end reappropriations and transfers) would be similar to recent prior years. For example, if 2024-25 begins with significantly lower cash in the General Fund than there was at the beginning of fiscal year 2023-24, a higher amount may need to be borrowed to meet General Fund obligations until December 2024 when the first tranche of property tax receipts is expected. Any shortfall in expected revenues from other General Fund sources during the first half of 2024-25 would further increase the amount of borrowing that would be needed for cash flow.

In addition to borrowing via the Tax and Revenue Anticipation Notes (TRAN), the Controller is authorized to enter into short-term borrowing from the Reserve Fund when cash flow is required. However, this can cause concern when the Reserve Fund balance is close to the five percent target set by the City's financial policies. In order to balance this concern against cash flow

needs and legal caps on the TRAN, the Controller will work closely with the offices of the City Administrative Officer and Finance to determine the most appropriate amount to borrow, and to explore alternatives to the TRAN, including leveraging internal sources of funds, especially in light of the high current interest rate environment.

DISCUSSION

This Revenue Forecast Report for the City of Los Angeles provides revenue estimates for fiscal years 2023-24 and 2024-25 in advance of the City’s upcoming budget process. Also included are the estimated requirements for debt service and General Fund cash flow borrowing. The Forecast is issued pursuant to the Controller’s City Charter mandate to monitor and report on all matters relating to the City’s fiscal health, to keep the City’s official financial records, and to supervise City expenditures.

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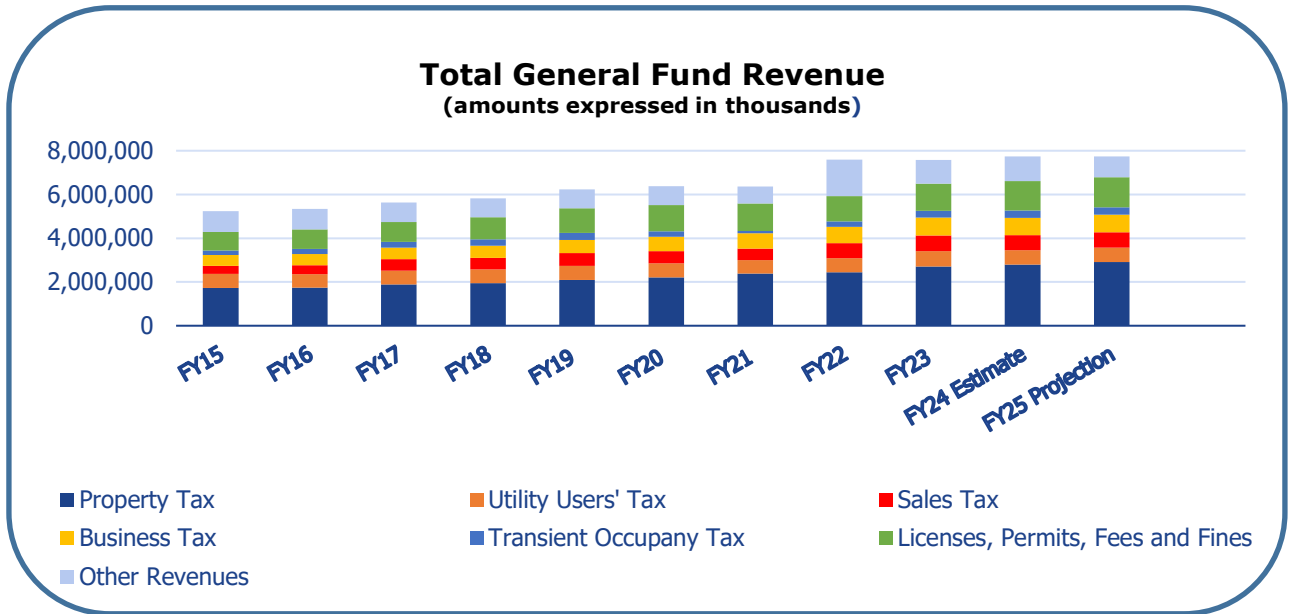
EXHIBIT 1 TOTAL GENERAL FUND REVENUE (dollar amounts expressed in thousands)

	Controller's March 1, 2024				
	Estimated Receipts			% Change	
	2023-24 Adopted Budget	2023-24 Estimate	2024-25 Projection	2023-24 Estimate/ 2023-24 Budget	2024-25 Projected/ 2023-24 Estimate
	(a)	(b)	(c)	(b) / (a)	(c) / (b)
General Fund Receipts	\$ 7,766,966	\$ 7,606,919	\$ 7,738,381	-2.06%	1.73%
Transfer from Reserve Fund	136,370	136,370	TBD	0.00%	N/A
Total General Fund Revenue	\$ 7,903,336	\$ 7,743,289	\$ 7,738,381	-2.03%	-0.06%

The City is estimated to realize General Fund revenue in the current fiscal year of approximately \$7.7 billion (including \$136.4 million transfer from the Reserve Fund). This is \$160.0 million (2.0 percent) below the \$7.9 billion 2023-24 Adopted Budget.

The 2024-25 General Fund receipts are projected to be \$7.7 billion, an increase of \$131.5 million (1.7 percent) over 2023-24 estimates after adjusting for Reserve Fund transfer.

The City’s General Fund revenue comes from a wide variety of sources, the largest of which is property tax, which represents just over one-third of all General Fund revenue. Other major revenue sources include utility users’ tax, sales tax, business tax, transient occupancy tax, the power revenue transfer, documentary transfer tax, and licenses, permits, fees and fines. The chart on the next page illustrates the aforementioned variety of funds.



The complete list of estimated City receipts for 2023-24 and 2024-25 is presented in Schedule 1.

Economy-Sensitive General Fund Revenues

The seven major revenue sources considered “Economy-Sensitive” are property tax, utility users’ tax, business tax, sales tax, transient occupancy tax, documentary transfer tax, and parking users’ tax. Together, they represent approximately 70 percent of General Fund revenues.

Exhibit 2 presents the City’s economy-sensitive General Fund receipts in the 2023-24 Adopted Budget, and the Controller’s estimates for 2023-24 and 2024-25.

EXHIBIT 2

GENERAL FUND ECONOMY-SENSITIVE REVENUES (dollar amounts expressed in thousands)

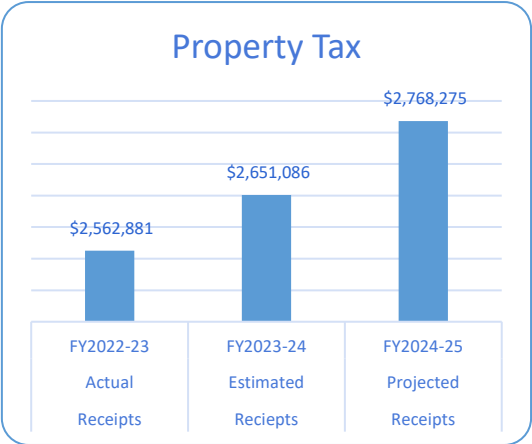
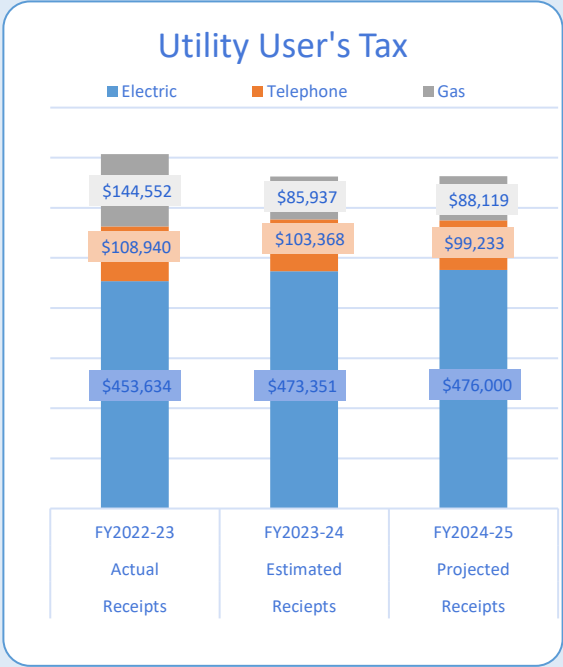
Tax Receipts	Adopted Budget 2023-24 (a)	Controller's March 1, 2024 Estimated Receipts		% Change over 2023-24 Adopted Budget	
		2023-24	2024-25	2023-24	2024-25
		(b)	(c)	(b) / (a)	(c) / (a)
Property	\$ 2,640,250	\$ 2,651,086	\$ 2,768,275	0.41%	4.85%
Utility Users'	650,490	662,656	663,352	1.87%	1.98%
Business	847,200	793,801	816,733	-6.30%	-3.60%
Sales	724,230	685,959	691,446	-5.28%	-4.53%
Transient Occupancy	342,430	331,162	330,500	-3.29%	-3.48%
Documentary Transfer	198,610	162,267	163,403	-18.30%	-17.73%
Parking Users'	129,195	126,573	131,999	-2.03%	2.17%
Total Economy-Sensitive Revenues	\$ 5,532,405	\$ 5,413,504	\$ 5,565,708	-2.15%	0.60%

Note: Property Tax revenue excludes the ex-CRA Property Tax Increment.

General Fund economy-sensitive revenues are estimated to finish fiscal year 2023-24 2.2 percent lower than the Adopted Budget, but are expected to grow by 0.6 percent over 2023-24 Budget in 2024-25. Exhibit 3 presents explanations of the estimates of General Fund economy-sensitive revenues for 2023-24 and 2024-25.

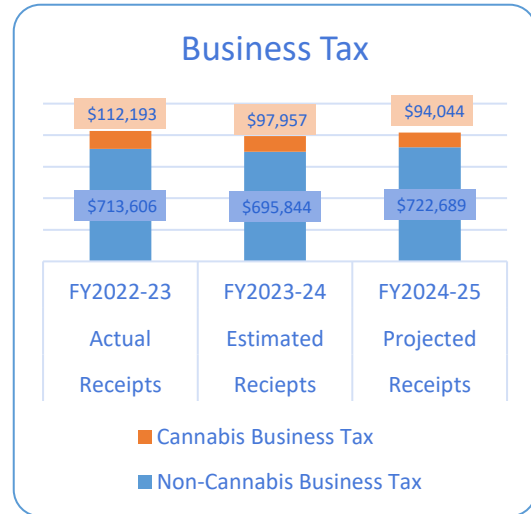
EXHIBIT 3

**GENERAL FUND ECONOMY-SENSITIVE REVENUES
YEAR-TO-YEAR CHANGES
(amounts expressed in thousands)**

<p>Property Tax</p> <ul style="list-style-type: none"> Fiscal Year 2023-24 Total property tax receipts are estimated to be \$2.7 billion, which is \$88.2 million (3.4%) above the prior year, mainly due to growth in assessed valuations. Fiscal Year 2024-25 Total property tax receipts are projected to increase by \$117.2 million (4.4%) and reach \$2.8 billion. 	 <table border="1"> <caption>Property Tax Receipts</caption> <thead> <tr> <th>Fiscal Year</th> <th>Receipts (Thousands)</th> </tr> </thead> <tbody> <tr> <td>FY2022-23 (Actual)</td> <td>\$2,562,881</td> </tr> <tr> <td>FY2023-24 (Estimated)</td> <td>\$2,651,086</td> </tr> <tr> <td>FY2024-25 (Projected)</td> <td>\$2,768,275</td> </tr> </tbody> </table>	Fiscal Year	Receipts (Thousands)	FY2022-23 (Actual)	\$2,562,881	FY2023-24 (Estimated)	\$2,651,086	FY2024-25 (Projected)	\$2,768,275												
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<p>Utility Users' Tax (Electric, Telephone, and Gas)</p> <ul style="list-style-type: none"> Fiscal Year 2023-24 Utility User's Tax receipts were estimated based on current trends. Electric users' tax receipts are estimated to be \$473.4 million. Telephone users' tax receipts are estimated to be \$103.4 million. Gas users' tax receipts are estimated to be \$85.9 million. Fiscal Year 2024-25 Electric users' tax receipts are estimated to be \$476.0 million (.6% increase). Telephone users' tax receipts are estimated to be \$99.2 million (4% reduction). Gas users' tax receipts are estimated to be \$88.1 million back to normal trend. 	 <table border="1"> <caption>Utility User's Tax Receipts</caption> <thead> <tr> <th>Fiscal Year</th> <th>Electric (Thousands)</th> <th>Telephone (Thousands)</th> <th>Gas (Thousands)</th> <th>Total (Thousands)</th> </tr> </thead> <tbody> <tr> <td>FY2022-23 (Actual)</td> <td>\$453,634</td> <td>\$108,940</td> <td>\$144,552</td> <td>\$707,126</td> </tr> <tr> <td>FY2023-24 (Estimated)</td> <td>\$473,351</td> <td>\$103,368</td> <td>\$85,937</td> <td>\$662,656</td> </tr> <tr> <td>FY2024-25 (Projected)</td> <td>\$476,000</td> <td>\$99,233</td> <td>\$88,119</td> <td>\$663,352</td> </tr> </tbody> </table>	Fiscal Year	Electric (Thousands)	Telephone (Thousands)	Gas (Thousands)	Total (Thousands)	FY2022-23 (Actual)	\$453,634	\$108,940	\$144,552	\$707,126	FY2023-24 (Estimated)	\$473,351	\$103,368	\$85,937	\$662,656	FY2024-25 (Projected)	\$476,000	\$99,233	\$88,119	\$663,352
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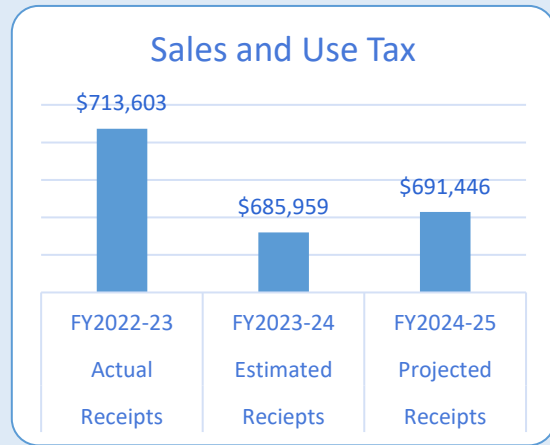
Business Tax

- Fiscal Year 2023-24**
 Business Tax receipts are estimated to be \$793.8 million. Non-cannabis Business tax receipts are estimated to decrease by \$17.8 million (-2.5%) based on year to date collection, and cannabis Business Tax is estimated to decrease by \$14.2 million (-12.7%) based on current trends.
- Fiscal Year 2024-25**
 Business Tax Receipts are projected to be \$816.7 million. Non-cannabis Business tax receipts are estimated to grow by 3.9% and Cannabis Business Tax decrease by 4.0% per Office of Finance projections.



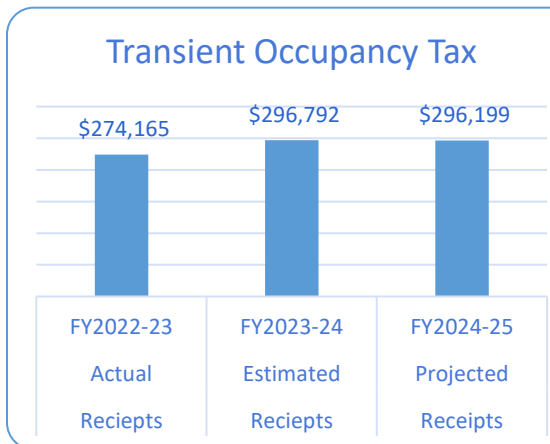
Sales Tax

- Fiscal Year 2023-24**
 Sales and use taxes are estimated to decrease by 3.9% (or \$27.6 million) based on current year trends.
- Fiscal Year 2024-25**
 Sales and use taxes are projected to increase by 0.8% based on the average of UCLA "Taxable Sales" projection for 2023 and 2024.



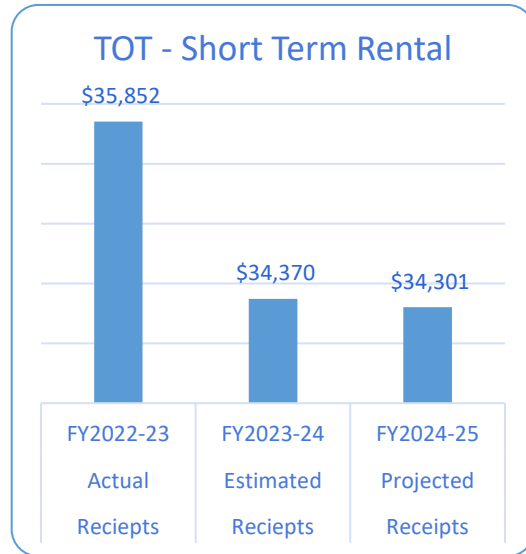
Transient Occupancy Tax (TOT)

- Fiscal Year 2023-24**
 TOT is estimated to finish the fiscal year 8.3% or \$22.6 million above fiscal year 2023 based on current year trends.
- Fiscal Year 2024-25**
 TOT is projected to decrease slightly to \$296.2 million.



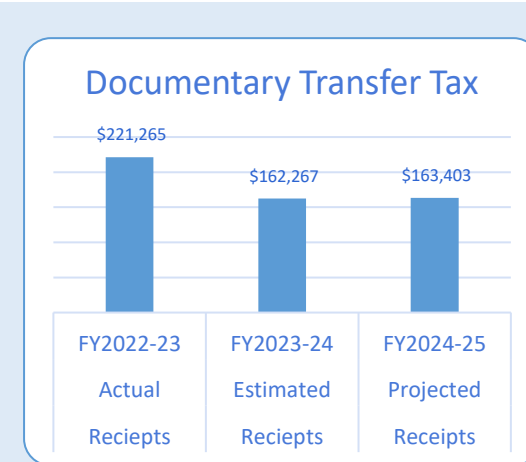
TOT – Short-term Rental

- **Fiscal Year 2023-24**
Short-term rental receipts are estimated to end the fiscal year at around \$34.4 million, which is 4.1% or \$1.5 million below the fiscal year 2023.
- **Fiscal Year 2024-25**
Projected \$34.3 million for short-term rentals, a slight decrease compared to current year.



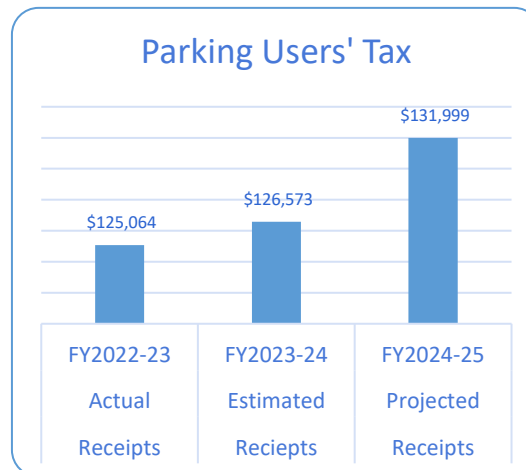
Documentary Transfer Tax

- **Fiscal Year 2023-24**
Documentary Transfer Tax is estimated to decrease by 26.7% based on current year trends.
- **Fiscal Year 2024-25**
The FY2024-25 projection assumes that receipts will increase less than one percent, based on projected trend for Los Angeles Housing Market. See page 10 for expanded discussion of the trends and factors affecting documentary transfer tax receipts.



Parking Users' Tax

- **Fiscal Year 2023-24**
Parking users' tax is estimated to be \$126.6 million based on current year trends.
- **Fiscal Year 2024-25**
Projection assumes 4.28 % increase, fiscal year 2019 growth over 2018.

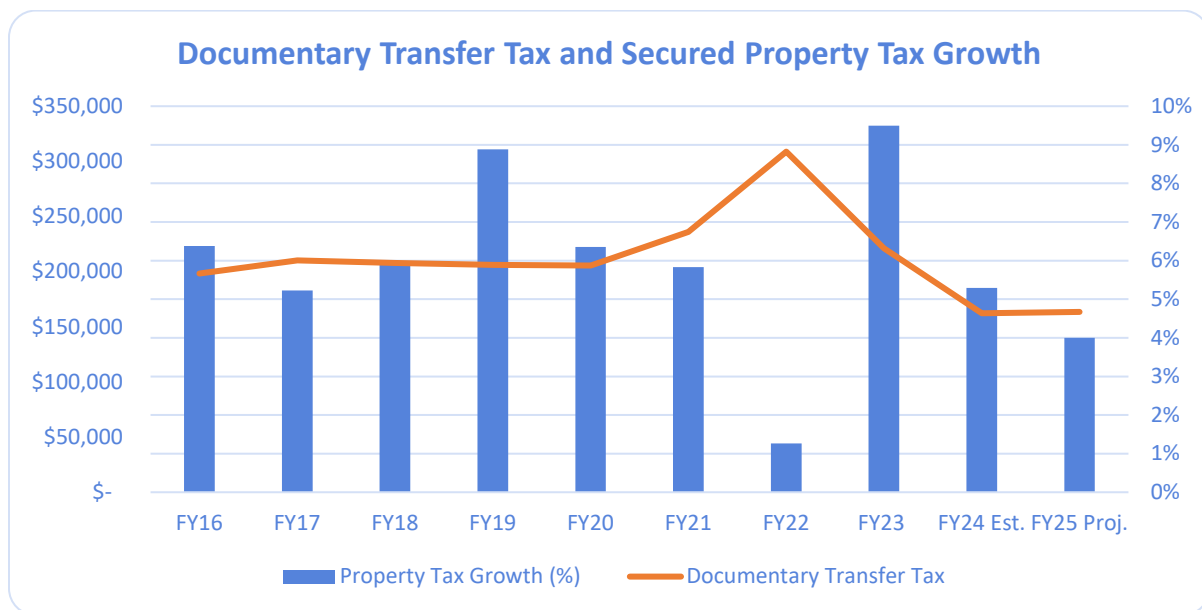


Spotlight: Documentary Transfer Tax

The City’s General Fund derives more than one third of revenues from the Property Taxes, mainly secured, which is a one percent tax on the assessed valuation of all real property in the City, subject to various exemptions and adjustments. There is a second revenue derived from taxes on real estate, the Real Property Transfer Tax, commonly known as the Documentary Transfer Tax, which is a \$4.50 (per \$1000) tax imposed on all documents that convey real property within the City. The revenue is due to the City upon execution of the transfer.

Property Tax is a stable source of revenue, consistently but slowly growing every year with only very rare decreases. In contrast, Documentary Transfer Tax, as a transaction-based tax, is historically the most volatile of the City’s major tax revenues, subject to fluttering in response to changes in the local real estate market. Because the bases and mechanisms for these two taxes are significantly different, they behave quite differently in response to the local economy.

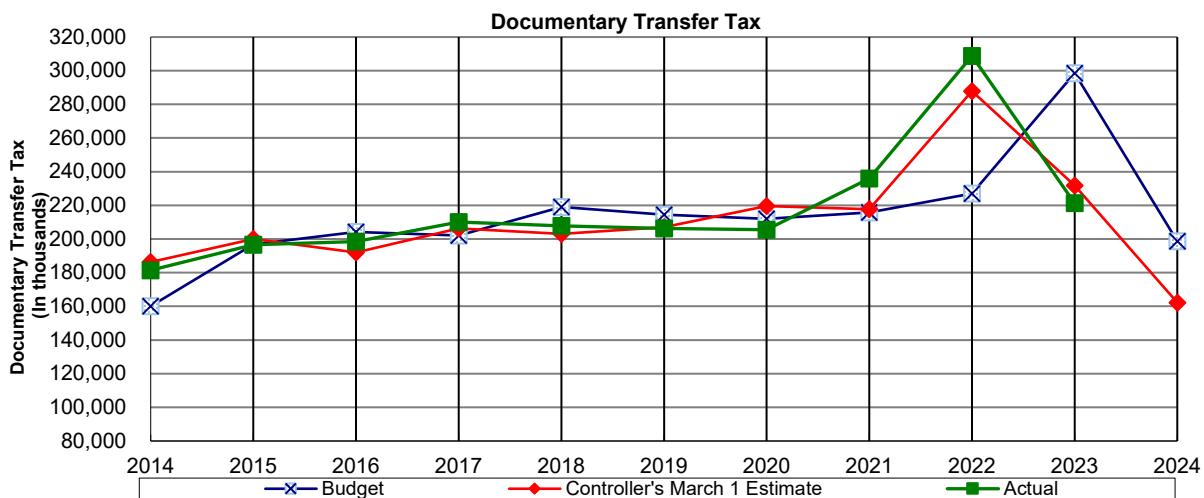
There is a built-in connection between these two taxes. In most years, more than 50 percent of property tax growth is due to property transfers since properties get reappraised upon change of ownership. Hence, high levels of property sales can be a huge driver of property tax growth. Below chart shows the correlation and changes of above taxes.



As the chart below shows, Documentary Transfer Tax stabilized from fiscal years 2015 to 2020 and then accelerated to its all-time highs during the pandemic, with both home prices and sales volumes growing. Due to the tightened credit environment and high mortgage rates, the Los Angeles real estate market cooled down, and the Documentary Transfer Tax took a hit.

With mortgage rates softening since mid-October, home sales should continue to grow year-over-year, but affordability factor likely would continue to impact sales volume, resulting in modest improvement. According to the California Association of Realtor’s January 2024 home sales and price data, Los Angeles County’s median home price is slightly down 2.4 percent from last month and 7.0 percent up from last year. The sales of existing homes are down 17.1 percent compared to last month; however slightly 0.8 percent up compared to previous year, resulting in lower estimated fiscal year 2024 Documentary Transfer tax revenue.

Based on current trends, we estimate the Documentary Transfer Tax to end the fiscal year 2023-24 at \$162.3 million, \$36.3 million or 18.3 percent below budget, and \$59.0 million or 26.7 percent less than last year. Our projection for the fiscal year 2024-25 is \$163.4 million, assuming a 0.7 percent increase.



Measure ULA

Effective April 1, 2023, a new special documentary transfer tax, United to House LA (Measure ULA) was imposed on residential and commercial real-property sales and transfers within the City of Los Angeles where the consideration or value is greater than \$5 million. The new tax, which is in addition to the current transfer tax, imposes a 4.00% tax on real property

sales or transfers at over \$5 million but less than \$10 million, and a 5.5% tax on real property sales and transfers valued at \$10 million or more.

The City generated \$15.6 million ULA revenue in fiscal year 2022-23 and \$156.9 million (as of January 2024) in fiscal year 2023-24. Revenue is intended to be used to fund affordable housing and tenant assistance programs, including development, construction, acquisition, rehabilitation, and operation of housing. The City allocated \$150 million in anticipated ULA receipts in fiscal year 2023-24.

According to the Los Angeles Business Journal, local real estate experts surveyed indicated that the ULA tax has played a role in the decrease in sales volumes. However, it's hard to pinpoint exactly how much of the drop in sales can be traced back to ULA due to multiple factors affecting the current market climate – such as higher interest rates plus the work-from-home trend.

The future of ULA still remains unclear. Although the recent dismissal of the litigations involving ULA by the Los Angeles County Superior Court is good news for the City, there is a statewide ballot initiative on special taxes, the Taxpayer Protection and Government Accountability Act (the Taxpayer Protection Act), before the voters in the November 2024 election. If enacted, Taxpayer Protection Act could invalidate ULA since the ballot measure would be retroactive back to January 1, 2022.

While the Governor's office and the state legislature have filed a challenge in the California Supreme Court to disqualify the Taxpayer Protection Act from the November ballot, the litigation is pending. In the event the ULA special tax is invalidated, the General Fund may be at risk of repaying ULA tax receipts collected that have been expended.

Due to these uncertain outcomes and short history, it is difficult for this Office to accurately forecast ULA revenue for fiscal year 2024-25. Based on collection trend so far, our year-end estimate for 2023-24 is \$270.3 million, \$334.3 million or 55.3 percent below the \$604.6 million in 2023-24 Adopted Budget. Our projection for 2024-25 is \$271.1 million, 0.3 percent above 2023-24 estimate. The City should continue to responsibly allocate ULA receipts, and have a contingency plan in place to refund any collections already expended in case the measure is invalidated.

Licenses, Permits, Fees and Fines

Licenses, Permits, Fees and Fines (LPFF) revenues, which represents 17.2 percent of the Adopted Budget General Fund receipts, are broken into four

sub-categories: LPFF, Services to Proprietary Departments, Ambulance Billing, and Reimbursements from Other Funds.

City department services to proprietary departments, such as fire protection, construction inspection, and City Attorney legal services for Airports, Water and Power, and Harbor make up the "Services to Proprietary Departments" category.

The largest category, "Reimbursement from Other Funds", consists of special fund reimbursements for costs that are paid for by the General Fund for central services such as payroll, leasing and fleet, and fringe benefits such as health insurance and retirement, as well as reimbursements to the City from other governmental agencies such as Metro and LAUSD, for services like policing and election administration.

Ambulance Billing represents cost recovery for emergency transport provided by the Fire Department. The remaining revenues (25.3 percent) consist of fees for special services such as animal licenses, engineering permits, fire brush clearance fees, as well as numerous other smaller revenues.

Exhibit 4 presents the actual receipts for 2022-23, estimated 2023-24 and projected 2024-25 LPFF revenues by category.

EXHIBIT 4

LICENSES, PERMITS, FEES AND FINES (amounts expressed in thousands)

	2022-23 Actuals	Adopted Budget FY 2023-24	Controller March 1, 2024 Estimated Receipts	
			FY 2023-24	FY 2024-25
Licenses, Permits, Fees and Fines	\$ 297,303	\$ 344,264	\$ 348,614	\$ 309,825
Emergency Ambulance	147,173	119,000	162,665	160,000
Services to Proprietary Departments	190,167	194,480	185,188	190,202
Reimbursement from Other Funds	597,464	705,580	655,226	709,590
Total Licenses, Permits, Fees and Fines	\$ 1,232,107	\$ 1,363,324	\$ 1,351,693	\$ 1,369,617

In 2023-24, total Licenses, Permits, Fees and Fines (LPFF) is estimated to be \$1,351.7 million, \$11.6 million below budget, and \$119.6 million or 9.7 percent above the 2022-23 actual receipts. We estimate above the budget performance for LPFF \$4.4 million. Ambulance Billings will outperform the

budget by \$43.7 million due to the anticipated uplift from the Public Provider Ground Emergency Medical Transport (PP-GEMT) Intergovernmental Transfer Program (IGT) \$52.0 million offset by \$8.3 million decrease in DHCS (Department of Health Care Services) program which ended December of 2022.

Services to proprietary departments is expected to end at \$9.3 million below the budget due to a decrease in requested services, vacancies and lower CAP rates. We also expect a shortfall of \$50.4 million in related cost reimbursements from various departments due to vacancies and the current trend of revenues and expenditures. 2024-25 LPFF revenue is projected to be \$1,369,6 million, which is 1.3 percent above the 2023-24 estimated revenue, and 11.2 percent above 2022-23 actual receipts.

Other Significant Revenues

Exhibit 5 depicts other revenues such as Franchise Income, Parking Fines, Power Revenue Transfer, and Ex-CRA Tax Increment. These revenue estimates are provided by various departments responsible for administration of the program(s) and/or collection and transmittal of the receipts to the General Fund.

EXHIBIT 5

**OTHER SIGNIFICANT REVENUES
(amounts expressed in thousands)**

	Adopted Budget		Estimated Receipts		% Change over 2023-24	
	FY 2024		2023-24	2024-25	Adopted Budget	
	(a)	(b)	(c)	(b) / (a)	(c) / (a)	
Franchise Income	\$ 137,810	\$ 135,555	\$ 136,000	-1.64%	-1.31%	
Parking Fines	115,000	109,000	110,000	-5.22%	-4.35%	
Power Revenue Transfer	236,502	244,695	226,600	3.46%	-4.19%	
Ex-CRA Tax Increment	143,730	136,762	142,560	-4.85%	-0.81%	

Franchise income is collected from City franchisees, including distributors of natural gas, cable TV operators, and others such as official police garages. RecyclA, the solid waste collection franchise system for commercial,

industrial, and large multi-family buildings, was implemented during 2017-18 and is now the most significant element of Franchise Income. Franchise income for fiscal year 2023-2024 is estimated to be \$135.6 million, and 2024-25 is projected to be \$136.0 million.

The Parking Fines estimates are based on the actual collection trend.

The Department of Water and Power (DWP) provides a portion of certain revenue from the prior year to the City as Power Revenue Transfer. DWP has approved a transfer of \$244.7 million this fiscal year. The 2024-25 forecast of \$226.6 million is based on average of low and high estimates provided by DWP.

Ex-CRA Tax Increment current year and 2024-25 revenue is projected based on trend analysis.

Special Purpose Fund Revenues

Special Purpose Fund revenues represent 31.3 percent of total 2023-24 Adopted Budget receipts, while Available Balances, projected cash balances at the beginning of the fiscal year, represent 8.6 percent of Adopted Budget revenues. Schedule II presents a breakdown of 2022-23 actual, 2023-24 estimated, and 2024-25 projected revenues by budgeted Special Funds. Available Balances are excluded from this report.

Based on departmental estimates, 2023-24 total Special Fund revenues will end the fiscal year 12.5 percent below the budget at \$3,593.4 million. Special Fund revenues for 2024-25 are projected to be \$167.4 million more than current year estimates at \$3,760.9 million.

General Fund Cash Flow Borrowing

Current and Prior Year Experience

Due to the timing difference between receipts and expenditures, the Controller annually requests issuance of Tax and Revenue Anticipation Notes (TRAN) to ensure that the General Fund has sufficient cash to cover expenditures during the first half of the fiscal year. The Controller also has the ability to initiate Reserve Fund and interfund borrowing during the year for cash flow purposes.

EXHIBIT 6

**GENERAL FUND CASH FLOW BORROWINGS
FOR FISCAL YEARS 2014-15 THROUGH 2023-24
(amounts expressed in thousands)**

Fiscal Year	Total Annual Cash Flow Borrowings			
	Reserve Fund	Other Funds	TRAN	Total
2014-15	-	-	350,000	350,000
2015-16	50,000	(1)	350,000	400,000
2016-17	-	-	400,000	400,000
2017-18	50,000	(1)	400,000	450,000
2018-19	35,000	(1)	400,000	435,000
2019-20	-	-	450,000	450,000
2020-21	-	25,000	550,000	575,000
2021-22	-	-	600,000	600,000
2022-23	-	30,000	300,000	330,000
2023-24	-	-	200,000	200,000

Notes:
(1) Short term borrowing until Property Tax receipts were received.

Exhibit 6 illustrates cash flow borrowings for 2014-15 through 2023-24.

Annually, the Controller estimates an amount of borrowing needed to meet City short-term cash flow requirements in the first half of the next fiscal year. The Controller’s Office will work with the Mayor’s Office and City Administrative Officer (CAO), as in prior years, to determine the amount of borrowing required as better information becomes available. The cash flow borrowing requirement in 2024-25 will likely be between \$350 and \$450 million.

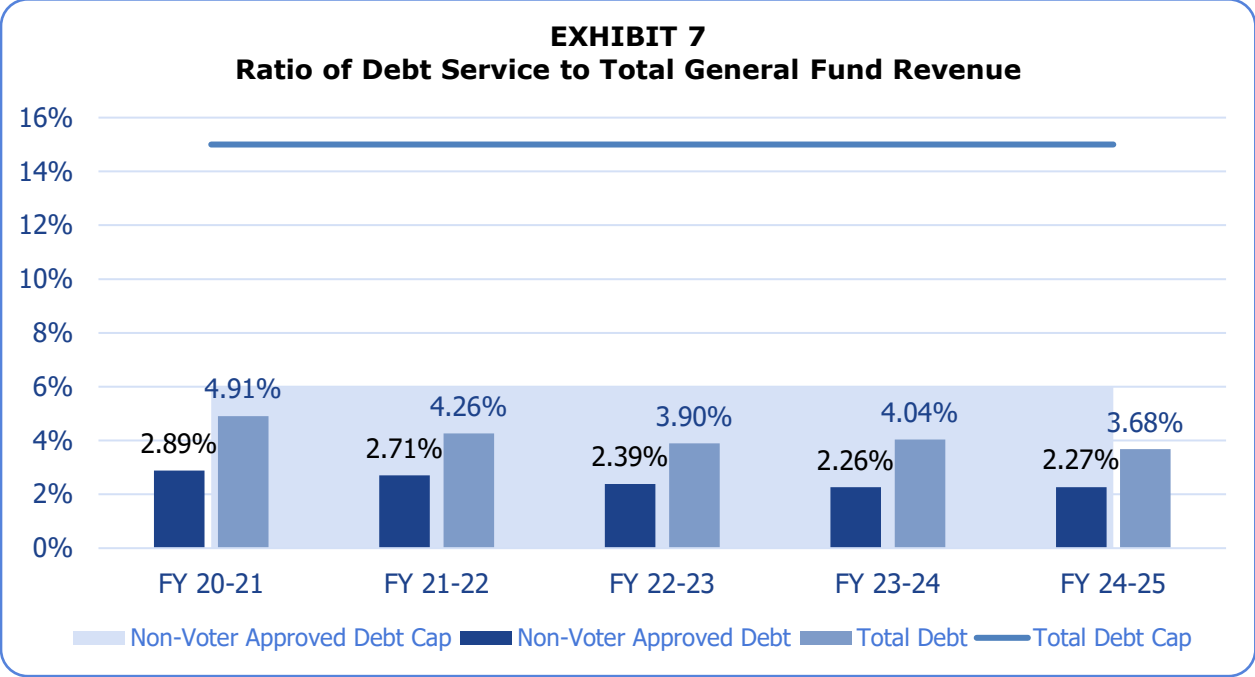
This estimated borrowing assumes cash balance amount in the General Fund at the beginning of fiscal year 2024-25 (after 2023-24 year-end reappropriations and transfers) would be similar to prior years. As an example, if 2024-25 begins with significantly lower cash in the General Fund than there was at the beginning of 2023-24, a higher amount may need to be borrowed to meet General Fund obligations until December 2024 when the first tranche of property tax receipts is expected. In addition, any shortfall in other budgeted General Fund revenue sources during the first half of 2024-25 would further increase the amount of borrowing that would be needed.

As the amount borrowed for cash flow needs is sometimes insufficient to meet General Fund cash flow needs, the Controller is authorized to enter into short-term borrowing from the Reserve Fund. However, this can cause concern when the Reserve Fund balance is close to the five percent target set by the City’s financial policies. In order to balance this concern against cash flow needs and legal caps on the TRAN, the Controller’s Office will work closely with the offices of the City Administrative Officer and Finance to determine the most appropriate amount to borrow and to explore options other than the TRAN, including internal sources of funds, particularly in light of the current high interest rate environment.

Debt and Debt Service Requirements

City Debt Policy

Exhibit 7 below illustrates the City’s debt service in relation to General Fund receipts and demonstrates compliance with the City’s debt management policies.



Note: FY 2020-21 to FY 2022-23 ratios are based on actual General Fund receipts. FY 2023-24 and FY 2024-25 ratios are based on estimated and projected receipts.

The City’s debt policy established maximum levels for voter and non-voter approved debt. The maximum debt service level for non-voter approved debt is not to exceed six percent of General Fund revenues (with certain exceptions). As illustrated in Exhibit 7, the City has managed its debt issuance very conservatively, with debt service well below the policy limits. Based on the current ratio of debt service to total projected receipts in 2023-24, the City has the capacity to issue additional non-voter approved debt with an annual debt service requirement of up to \$289.6 million or 3.74 percent of General Fund receipts.

The City’s total debt service level for voter and non-voter approved debt shall not be greater than 15 percent of General Fund revenues. After the \$289.6

million, the City has the capacity to issue voter approved debt with an annual debt service requirement of no more than \$558.9 million.

EXHIBIT 8

CITY DEBT POLICY

Shall not exceed 6% of General Fund revenue for non-voter approved debt and 15% for voter approved and non-voter approved combined (dollar amounts expressed in thousands)

Fiscal Year	Debt Service Requirement			Total General Fund Revenue	Ratio of Debt Service to Total Receipts		
	Non-Voter Approved	Voter Approved	Total		Non-Voter Approved	Voter Approved	Total
2014-15	221,428	152,477	373,905	5,247,997	4.22%	2.91%	7.13%
2015-16	202,603	138,054	340,657	5,338,014	3.80%	2.59%	6.39%
2016-17	202,444	120,166	322,610	5,628,790	3.60%	2.13%	5.73%
2017-18	211,576	104,429	316,005	5,819,502	3.64%	1.79%	5.43%
2018-19	220,999	124,562	345,561	6,236,881	3.54%	2.00%	5.54%
2019-20	217,708	136,815	354,523	6,374,231	3.42%	2.15%	5.57%
2020-21	184,293	128,979	313,272	6,369,977	2.89%	2.02%	4.91%
2021-22	206,059	117,845	323,904	7,594,790	2.71%	1.55%	4.26%
2022-23	181,243	114,744	295,987	7,581,710	2.39%	1.51%	3.90%
2023-24	174,930	138,016	312,946	7,743,289	2.26%	1.78%	4.04%
2024-25	175,777	109,468	285,245	7,738,381	2.27%	1.41%	3.68%

City Indebtedness

Exhibit 9 provides the outstanding balances of City debts along with 2023-24 and 2024-25 estimated debt service requirements based on the amount of current outstanding debt.

EXHIBIT 9

OUTSTANDING DEBT AND DEBT SERVICE REQUIREMENTS ⁽¹⁾ (amounts expressed in thousands)

Bonds	Outstanding Balance, 6/30/2024			Debt Service Requirement	
	Principal	Interest	Total	2023-24	2024-25
	MICLA	\$ 1,330,306	\$ 406,718	\$ 1,737,024	\$ 174,076
General Obligation	948,610	300,531	1,249,141	138,016	109,468
Site-Specific Tax Revenue	2,206	66	2,272	854	2,272
Solid Waste Resources Revenue	278,360	89,689	368,049	32,942	38,347
Wastewater System	2,325,920	1,279,309	3,605,229	226,711	226,243
<i>Subtotal</i>	<i>4,885,402</i>	<i>2,076,313</i>	<i>6,961,715</i>	<i>572,599</i>	<i>549,835</i>
Tax and Revenue Anticipation Notes ⁽²⁾	-	-	-	71,547	-
Total	\$ 4,885,402	\$ 2,076,313	\$ 6,961,715	\$ 644,146	\$ 549,835

Notes:

(1) Long-term debt does not include short-term commercial paper notes. However, the goal is to replace commercial paper with long term debt. As of January 2024, the balance of the MICLA and Wastewater System commercial paper notes was \$166 million and \$269 million, respectively.

(2) A total of \$1,488,840,000 in TRAN were issued on June 28, 2023, with final maturity of June 27, 2024. The amount of interest to be paid in 2023-24 will depend upon the size of the TRAN and interest rates at the time of sale. The size of the TRAN will depend upon the amount of cash needed for cash flow and budgetary decisions on advance funding of City pensions and retirement contributions.

Source: Official Statements

The City strategically structures its various debt service schedules with the goal of stability. This means that, when one issuance is paid off and retired, payments are accelerated for other issuances. By scheduling the payments this way, the City avoids large swings in debt service which can have negative budgetary impacts.

General Obligation Bond Payments

Exhibit 10 lists the City’s General Obligation Bonds (GOB) debt service requirements for principal and interest for 2024-25, which are estimated at \$109.5 million. GOBs are general obligations of the City payable from ad valorem taxes levied upon all of the taxable property in the City. Taxes levied for the GOB debt service requirement are separate from the General Fund property tax revenue. The City issues GOB debt for capital improvement projects, including the acquisition of property and the construction of new facilities and improvements to existing facilities. The City is in a process of issuing new GOB, Series 2024-A Social Bonds.

EXHIBIT 10

**GENERAL OBLIGATION BONDS
DEBT SERVICE REQUIREMENTS
FOR FISCAL YEAR 2024-25**

	Principal	Interest	Total Requirement
GOB - Series 2016-A	\$ 7,295,000	\$ 1,734,429	\$ 9,029,429
GOB - Series 2017-A	4,320,000	1,850,108	6,170,108
GOB - Series 2017-B	4,465,000	562,125	5,027,125
GOB - Series 2018-A	13,815,000	7,466,117	21,281,117
GOB - Series 2018-B	5,715,000	1,590,375	7,305,375
GOB - Series 2018-C	1,815,000	341,715	2,156,715
GOB - Series 2021-A	10,600,000	4,397,024	14,997,024
GOB - Series 2021-B	6,345,000	152,100	6,497,100
GOB - Series 2022-A	19,475,000	17,529,243	37,004,243
Total	\$ 73,845,000	\$ 35,623,236	\$ 109,468,236

SCHEDULE I

Office of the Controller Actual and Estimated Receipts for Fiscal Years 2023-24 and 2024-25

	Actual 2022-23	Estimated 2023-24	Projected 2024-25
Property Tax:			
Property Tax 1%	\$1,963,066,936	\$2,016,180,000	\$2,099,275,000
Property Tax - VLF Replacement	599,814,561	634,906,000	669,000,000
Total Property Tax	2,562,881,497	2,651,086,000	2,768,275,000
Property Tax - Ex-CRA Tax Increment	136,762,060	136,762,000	142,560,000
Utility Users' Tax:			
Electric Users' Tax	453,634,362	473,351,000	476,000,000
Telephone Users' Tax	108,940,220	103,368,000	99,233,000
Gas Users' Tax	144,552,349	85,937,000	88,119,000
Total Utility Users' Tax	707,126,931	662,656,000	663,352,000
Licenses, Permits, Fees and Fines:			
Licenses, Permits, Fees, and Fines	297,303,274	348,614,000	309,825,000
Emergency Ambulance	147,173,084	162,665,000	160,000,000
Services to Proprietary Departments	190,166,346	185,188,000	190,202,000
Reimbursements from Other Funds	597,464,145	655,226,000	709,590,000
Total Licenses, Permits, Fees and Fines	1,232,106,849	1,351,693,000	1,369,617,000
Business Tax	825,799,446	793,801,000	816,733,000
Sales Tax	713,602,640	685,959,000	691,446,000
Documentary Transfer Tax	221,265,034	162,267,000	163,403,000
Power Revenue Transfer	232,043,000	244,695,000	226,600,000
Transient Occupancy Tax	274,164,334	296,792,000	296,199,000
Transient Occupancy Tax - Short-term Rental	35,852,461	34,370,000	34,301,000
Parking Fines	108,273,886	109,000,000	110,000,000
Parking Users' Tax	125,064,288	126,573,000	131,999,000
Franchise Income	173,495,952	135,555,000	136,000,000
Grant Receipts	106,480,455	90,054,000	64,190,000
Interest	59,922,333	89,221,000	85,000,000
State Motor Vehicle License Fees	3,993,565	3,994,000	3,994,000
Tobacco Settlement	10,714,254	11,472,000	11,623,000
Residential Development Tax	5,086,648	4,469,000	4,768,000
Special Parking Revenue Transfer	30,426,435	16,500,000	18,321,000
Transfer from Reserve Fund	16,648,364	136,370,000	--
Total General Fund Revenue	\$ 7,581,710,432	\$ 7,743,289,000	\$ 7,738,381,000

SCHEDULE II

Special Fund Receipts:	Actual 2022-23	Estimated 2023-24	Projected 2024-25
Accessible Housing Fund	\$ 19,581,256	\$ 30,426,000	\$ 30,426,000
Affordable Housing Trust Fund	9,965,583	2,426,000	2,276,000
Arts and Cultural Facilities and Services Fund	22,173,545	27,165,000	28,038,000
Arts Development Fee Trust Fund	2,034,546	2,286,000	1,550,000
Building and Safety Permit Enterprise Fund	197,463,927	165,774,000	186,451,000
Cannabis Regulation Special Revenue Fund	9,500,823	6,206,000	25,480,000
Central Recycling and Transfer Fund	5,289,178	5,150,000	5,377,000
City Employees' Retirement Fund	116,118,709	124,608,000	146,498,000
City Employees Ridesharing Fund	1,629,431	2,467,000	2,449,000
City Ethics Commission Fund	4,158,733	5,577,000	6,045,000
City Planning Systems Development Fund	12,357,540	9,092,000	9,300,000
City Tax Levy (Debt Service)	131,977,219	138,016,000	109,468,000
Citywide Recycling Trust Fund	42,926,151	30,781,000	21,950,000
Code Compliance Fund	1,231,900	444,000	1,150,000
Code Enforcement Trust Fund	63,851,976	63,202,000	63,215,000
Community Development Trust Fund	17,975,607	17,059,000	10,323,000
Community Services Administration Grant Fund	2,518,142	1,472,000	1,637,000
Convention Center Revenue Fund	35,923,837	29,646,000	31,317,000
Disaster Assistance Trust Fund	97,893,576	133,925,000	169,739,000
El Pueblo de Los Angeles Historical Monument Revenue Fund	4,867,457	4,981,000	5,316,000
Forfeited Assets	4,791,127	3,137,000	--
Greater Los Angeles Convention & Visitors Bureau Trust Fund	23,852,217	25,703,000	25,814,000
HOME Investment Partnerships Program Fund	5,372,884	4,197,000	6,614,000
Household Hazardous Waste Special Fund	4,130,479	3,556,000	3,600,000
Housing Opportunities for Persons with AIDS Fund	564,840	773,000	839,000
Local Public Safety Fund	57,189,444	56,078,000	56,527,000
Local Transportation Fund	4,163,393	5,109,000	5,232,000
Measure M Local Return Fund	76,023,301	79,580,000	81,967,000
Measure R Traffic Relief and Rail Expansion Fund	65,897,762	79,010,000	81,380,000
Measure W Local Return Fund	37,518,540	37,093,000	37,100,000
Measure ULA Tax	--	270,344,000	271,142,000

Continued.....

SCHEDULE II

	Actual 2022-23	Estimated 2023-24	Projected 2024-25
Special Receipts: (Continued)			
Mobile Source Air Pollution Reduction Trust Fund	\$ 5,418,904	\$ 4,829,000	\$ 5,124,000
Multi-Family Bulky Item Fund	9,232,296	7,814,000	12,206,000
Municipal Housing Finance Fund	10,588,423	9,619,000	10,495,000
Neighborhood Empowerment Fund	3,927,255	3,436,000	3,431,000
Older Americans Act Fund	2,506,550	2,240,000	3,173,000
Park and Recreational Sites and Facilities Fund	3,316,606	2,742,000	3,100,000
Planning Case Processing Revenue Fund	26,105,402	25,411,000	27,977,000
Planning Long Range Planning Fund	9,513,741	9,044,000	12,149,000
Proposition A Local Transit Assistance Fund	181,569,561	207,814,000	226,334,000
Proposition C Anti-Gridlock Transit Improvement Fi	101,267,079	105,715,000	108,808,000
Rent Stabilization Trust Fund	23,460,662	23,073,000	22,723,000
Sewer Construction and Maintenance Fund	917,475,654	927,517,000	977,911,000
Sidewalk Repair Fund	17,963,438	24,669,000	24,660,000
Solid Waste Resources Revenue Fund	304,235,120	306,172,000	300,850,000
Special Gas Tax Street Improvement Fund	107,430,528	115,676,000	117,270,000
Special Gas Tax Road Maintenance and Rehabilitati	89,721,655	96,504,000	94,045,000
Special Parking Revenue Fund	32,574,178	47,687,000	47,892,000
Staples Arena Special Fund	4,161,766	3,513,000	--
Stormwater Pollution Abatement Fund	33,314,417	36,876,000	35,045,000
Street Damage Restoration Fee Fund	84,646,006	53,698,000	77,720,000
Street Lighting Maintenance Assessment Fund	70,386,511	73,031,000	72,786,000
Supplemental Law Enforcement Services Fund	10,161,784	9,717,000	9,717,000
Telecommunications Development Account Fund	6,826,825	7,419,000	5,404,000
Traffic Safety Fund	982,873	1,000,000	1,000,000
Workforce Innovation Opportunity Act Fund	10,414,647	12,720,000	17,004,000
Zoo Enterprise Trust Fund	26,948,991	22,665,000	22,246,000
Allocations fr. Other Gov'tal Agencies	110,244,679	87,553,000	93,592,000
Total Special Receipts	\$ 3,283,338,674	\$ 3,593,437,000	\$ 3,760,882,000

SCHEDULE III

Office of the Controller
Total General Fund Revenue
Last 20 Fiscal Years and Estimates for Fiscal Years 2023-24 and 2024-25
(amounts expressed in thousands)

Fiscal Year	Property Tax ^(a)	Utility Users' Tax	Sales Tax	Business Tax	Transient Occupancy Tax	Licenses, Permits, Fees and Fines	Other Revenues ^(b)	Total General Fund Revenue
2003-04	717,801	576,251	377,890	373,248	97,989	462,600	970,296	3,576,075
2004-05	1,029,161	589,858	316,561	396,794	127,751	496,598	948,582	3,905,305
2005-06	1,121,848	604,947	323,555	434,529	126,989	477,231	1,043,559	4,132,658
2006-07	1,334,172	605,270	333,885	464,330	134,557	545,931	964,734	4,382,879
2007-08	1,389,255	628,319	335,562	466,997	148,523	614,891	779,314	4,362,861
2008-09	1,509,073	647,823	311,938	451,495	136,323	689,633	668,912	4,415,197
2009-10	1,442,270	631,048	280,096	424,830	118,500	735,306	783,441	4,415,491
2010-11	1,434,152	628,069	296,608	418,374	134,796	691,280	693,753	4,297,032
2011-12	1,438,840	615,034	323,247	439,802	151,722	727,538	693,061	4,389,244
2012-13	1,609,228	620,448	338,970	448,832	167,824	724,702	757,229	4,667,233
2013-14	1,660,180	627,437	356,503	475,397	184,382	831,974	817,691	4,953,564
2014-15	1,726,824	639,391	371,031	497,329	202,897	851,507	955,180	5,244,159
2015-16	1,737,472	614,702	417,541	509,765	230,818	887,442	937,337	5,335,077
2016-17	1,894,511	624,831	520,404	528,076	265,653	913,233	882,082	5,628,790
2017-18	1,947,640	625,853	529,757	554,521	299,108	1,008,190	854,433	5,819,502
2018-19	2,093,018	644,151	581,443	603,123	318,888	1,121,228	875,030	6,236,881
2019-20	2,216,362	638,379	556,237	655,849	253,539	1,198,296	855,569	6,374,231
2020-21	2,389,397	615,238	524,618	692,386	110,427	1,257,516	780,395	6,369,977
2021-22	2,443,933	638,151	687,299	757,601	239,124	1,154,263	1,674,419	7,594,790
2022-23	2,699,643	707,127	713,603	825,799	310,017	1,232,107	1,093,414	7,581,710
2023-24	2,787,848	662,656	685,959	793,801	331,162	1,351,693	1,130,170	7,743,289
(Estimated)								
2024-25	2,910,835	663,352	691,446	816,733	330,500	1,369,617	955,898	7,738,381
(Projected)								

(a) Includes Ex-CRA Property Tax Increment receipts of \$22,666 in 2011-12; \$58,839 in 2012-13; \$70,197 in 2013-14; \$52,363 in 2014-15; \$55,696 in 2015-16; \$103,262 in 2016-17; \$88,507 in 2017-18; \$73,971 in 2018-19; \$84,054 in 2019-20; \$128,042 in 2020-21; \$120,479 in 2021-22; \$136,762 in 2022-23; \$136,762 in 2023-24 and \$142,560 in 2024-25.

(b) Other Revenues include transfers from the Reserve Fund except for 2008-09 and 2012-13 through 2013-14, 2019-20 and 2020-21. Fiscal year 2021-22 includes transfer from American Rescue Plan of \$639,483.

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