

## BUDGET ADVOCATES REPORT April 2023

### Los Angeles City Budget Update

The Mid-Year Financial Status Report (“FSR”) and the Controller’s Revenue Forecast Report each indicate that there are significant issues that need to be addressed by Mayor Bass in her first budget that must be submitted to the City Council on or before April 20. You can find the FSR under the Budget and Financial Information tab on the CAO’s website at [cao.lacity.org](http://cao.lacity.org).

The FSR indicates that the City’s General Fund had over-expenditures through January of \$129 million. The major culprits include the Fire Department, General Services, Project RoomKey, and the repayment of an over advance from the Sewer Construction and Maintenance Fund. A large portion of the over expenditures will be covered by the Reserve Fund and Unappropriated Balances.

Revenues were \$44 million higher than anticipated. The big winners were property, utility, and business taxes. But a major concern is the precipitous drop in the Documentary Transfer Tax because of the slow down in the real estate market that could have a ripple effect on other revenue sources.

The Controller’s Revenue Forecast Report projects growth of 1.5% for the upcoming fiscal year that begins on July 1. This is below previous projections. At the same time, expenditures are expected to increase at a higher rate because of inflation, the need to hire new employees to fill vacancies (citywide vacancy rate is at 17%), invest in 21<sup>st</sup> century infrastructure, and fund new priorities.

The City Administrative Officer (“CAO”) estimates that revenue generated from the voter approved Measure ULA (United to House Los Angeles) will generate \$672 million in the upcoming 2023-24 fiscal year. The levy will be equal to 4% of property sales of \$5 million or more and 5.5% on property sales of \$10 million or more, each from dollar one. This tax will be paid for the most part from the sale of commercial properties.

After paying administrative expenses of \$54 million (8%), 70% of the remaining ULA funds (\$433 million) will be spent on Affordable Housing Programs and 30% on Homeless Prevention Programs. There are further mandated categories.

The CAO and the Los Angeles Housing Department prepared a 20-page memo discussing the implementation of Measure ULA, including the proper staffing, that can be found in Council File [23-0038](#).

The Reserve Fund is for emergencies such as earthquakes and pandemics, not to fund operating expenses. Yet, the City has tapped the Reserve Fund to fund overruns on the Human Resources and Payroll Project (\$30 million), to repay a loan from the Building and Safety Enterprise Fund

(\$25 million), to fund the Tumo Center for Creative Technologies (\$12 million), and to pay for selected homeless expenditures (\$75 million).

### Budget Advocates Activity

The Budget Advocates are asking Neighborhood Council members and stakeholders to provide input on their issues with City services. The responses will be collated into a report that will be delivered directly to members of the City Council's Budget, Finance and Innovation Committee and will be attached to Council File 23-0600, the council file for the 2023-2024 budget after it is created. Please take the time to provide your input by April 30. <http://tiny.cc/BAsurvey23>

Speaking of Council File 23-0600, this is where you will be able to write CISs about the budget, including one to ask the City Council to restore Neighborhood Council funding.

We are working on providing a great Budget Day. We'll be announcing the speakers soon. In the meantime, please register at <http://tiny.cc/budgetday23>. This will be the last year Budget Day will be presented on Zoom. We look forward to seeing you there. For more information, visit [BudgetAdvocates.org](http://BudgetAdvocates.org).

The recording from the Town Hall with Town Halls tab of the Budget Advocates website at [BudgetAdvocates.org](http://BudgetAdvocates.org).