

BUDGET ADVOCATES REPORT March 2023

Los Angeles City Budget Update

Mayor Bass is preparing her first budget that must be submitted to the City Council on or before April 20. As of now, her budget team and the office of the City Administrative Officer are reviewing Departmental budget requests that were submitted in November 2022.

The 2023-24 budget will benefit from Measure ULA which is expected to generate between \$600 million and \$1.1 billion from taxes on the sale of properties that are equal to \$5 million or more, primarily from the sale of commercial properties and apartment complexes. On sales of properties valued at between \$5 million and less than \$10 million, the tax will be 4% of the total value of the transaction. At \$10 million or greater, the tax increases to 5.5%.

The ULA funds will be used to reduce homelessness, create affordable housing, and provide financial aid and eviction protection to Angelenos at the risk of homelessness. Currently, the impact on other parts of the budget, including existing homeless initiatives, is unknown as is the outcome of litigation alleging that Measure ULA violates the City Charter and State Constitution.

In June, the City was projecting that revenues for the upcoming year beginning July 1, 2023 would be about \$7.6 billion, representing a 2.3% increase from the adopted budget and that the City expected a surplus of \$40 million.

On the revenue side, leaving aside ULA, there may be some weakness because of economic changes resulting from higher interest rates. The documentary transfer tax will most likely take a hit because of fewer transfers which may also impact the growth rate in property taxes. There may also be some weakness in other economically sensitive taxes (hotel, sales, gross receipts business, and utility).

There also appears to be pressures on expenditures. This may include increased funding for the Police Department, higher pension contributions because of the lower investment returns for the last two years, new labor agreements, higher costs associated with the delay in the Human Resources Payroll project, and the impact of higher-than-expected inflation on operations.

The City's reserves are \$740 million as of December 1, representing almost 10% of General Fund revenues, and are for use in the case of emergencies. There is the concern that the City will tap the reserves to balance the budget.

Budget Advocates Activity

On February 14, the Budget Advocates met with Mayor Bass to present some of their budget priorities, including homelessness and housing, funding pensions, infrastructure, ethics, emergency preparedness, Neighborhood Council funding, and the 2028 Olympics.

When we explained how NC funding was repeatedly cut and we started at \$50,000 and are currently at \$32,000, she seemed surprised and asked for data about how the money is spent. We are analyzing the raw data to complete a report for her.

Save the Date

Please save the date for Neighborhood Council Budget Day on June 17. We expect this to be our last zoom Budget Day and plan to return to in-person next year.