

APPENDIX A

CITY OF LOS ANGELES INFORMATION STATEMENT

As of July 1, 2024

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PART 1: FINANCIAL INFORMATION

Certain statements included or incorporated by reference in this Appendix A constitute “forward-looking statements.” Such forward-looking statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet City forecasts in any way, regardless of the level of optimism communicated in the information. The City has no plans to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, do not occur, or change.

In addition, this Appendix A contains historic financial, economic and demographic information regarding the City with a focus on the City’s General Fund. Accordingly, information concerning the City’s finances that does not materially impact the availability of moneys deposited in, or available for transfer to, the General Fund, or the expenditure of such moneys, and, in each case, material risks related thereto (including information relating to the City’s proprietary departments (such as the Department of Airports, Harbor Department, and Department of Water and Power), enterprise funds (such as the City’s Sewer Construction and Maintenance Fund), and special funds (such as the Solid Waste Resources Revenue Fund), is generally not included in Appendix A or, if included, is not described in detail.

The information provided in this Appendix A is limited to the time periods indicated and reflect data, assumptions and other information available as of the indicated dates. It is not possible to predict whether the trends shown continued beyond the historical data set forth herein (certain of which may be subject to subsequent adjustment) will continue.

Numbers in tables in this Appendix A may not sum to the total due to rounding.

OVERVIEW OF THE CITY’S FINANCIAL CONDITION

Financial Results and Budget

The City began Fiscal Year 2023-24 with “Total General Fund Reserves,” which includes the Reserve Fund, the Budget Stabilization Fund (“BSF”), and the Unappropriated Balance (“UB”) line item for mid-year adjustments (as those terms are defined below) totaling \$876 million, or 11.1 percent of budgeted revenues. The Reserve Fund (defined below) component of these reserves was \$648 million, or 8.2 percent of budgeted revenues. The City anticipates that it will have used \$443 million of these reserves prior to the end of Fiscal Year 2023-24. A key factor in the use of reserves was that Fiscal Year 2023-24 General Fund revenues are projected to be less than Fiscal Year 2023-24 Adopted Budget projections by \$171 million, or 2.2 percent. The difference is driven by grant receipts, sales tax receipts, documentary transfer tax receipts, and business tax receipts, which are projected to be less than the Fiscal Year 2023-24 Adopted Budget revenues by \$53 million, \$43 million, \$40 million, and \$26 million, respectively.

As described in “BUDGET AND FINANCIAL OPERATIONS—Interim Financial Status,” on June 5, 2024, the City Administrative Officer (“CAO”) released the Year-End Financial Status Report for Fiscal Year 2023-24 (the “Year-End FSR”). The Year-End FSR reports that year-end General Fund revenue estimates based on actual receipts through April 2024 are \$171 million below the Fiscal Year 2023-24 Adopted Budget projections. The Year-End FSR provides the Controller with the authority to transfer any amount required from the Reserve Fund to address this revenue shortfall. The Year-End FSR, as amended by the CAO after its release to reflect additional overspending, also identified \$161 million in overspending largely attributable to Fire Department, Police Department, and liability claims payments. The report recommends solutions for all reported overspending, which includes a transfer of \$110 million from the Reserve Fund and \$22 million from the UB –

Department Payroll Reconciliation Account. As a result of these actions, and an anticipated \$40 million transfer for liability claims that is not included in the Year-End FSR, the report states that the Reserve Fund will drop below the five percent policy minimum to 2.7 percent of budgeted General Fund revenues by June 30, 2024. The Year-End FSR identifies downside risk to several General Fund revenue sources including departmental receipts, business taxes, and grant reimbursements from the Federal Emergency Management Agency (“FEMA”). Insofar as the Fiscal Year 2024-25 Adopted Budget assumes that the July 1, 2024 Reserve Fund balance will be at 5.07 percent, the Reserve Fund transfer in the amended FSR, which exceeds the amount assumed in the Fiscal Year 2024-25 Adopted Budget by \$6 million, all else being equal, will drop the balance below the five percent policy minimum to 4.99 percent. See “Budgetary Reserves and Contingencies” above for a description of the Reserve Fund policy.

The City’s Fiscal Year 2024-25 Adopted Budget is balanced, with total General Fund revenues and appropriations of \$8.03 billion. The Fiscal Year 2024-25 Adopted Budget projects overall revenue growth of 5.7 percent as compared to the revised General Fund revenues estimated in the Year-End FSR, when transfers from the Reserve Fund are excluded. The Fiscal Year 2024-25 Adopted Budget reflects significant compensation increases negotiated in Fiscal Year 2023-24. In order to balance the Fiscal Year 2024-25 budget, authorized positions are reduced in the Fiscal Year 2024-25 Adopted Budget by 4.5 percent (1,759 positions, including base-level positions (referred to as “regular authority” positions) and annually approved personnel (referred to as “resolution authority” positions)) for General Fund direct cost savings of \$75.7 million, and total combined General Fund and special fund savings of \$141.4 million. The Fiscal Year 2024-25 Adopted Budget assumes a Reserve Fund balance as of July 1, 2024 of \$406.9 million, or 5.07 percent of budgeted General Fund revenues, just above the minimum amount required by policy and its lowest percentage level since Fiscal Year 2020-21; at this level, even a small additional revenue shortfall, without a corresponding reduction in expenditures, will drop the balance below the five percent policy minimum. Total General Fund Reserves total \$669 million, or 8.3 percent of budgeted General Fund revenues, at the beginning of Fiscal Year 2024-25. As a result of these budget pressures, the City has continued the hiring limitation measures known as the Prioritized Critical Hiring process it implemented in Fiscal Year 2023-24. The Fiscal Year 2024-25 Adopted Budget does not include transfers from the Reserve Fund, but actual results may vary from the Fiscal Year 2024-25 Adopted Budget resulting in the need for transfers from the Reserve Fund during Fiscal Year 2024-25.

The Four-Year Budget Outlook (the “Outlook”), prepared annually in connection with the budget and updated in in connection with the Fiscal Year 2024-25 Adopted Budget, projects operating deficits of \$61.1 million in Fiscal Year 2025-26, \$198.6 million in Fiscal Year 2026-27, and \$74.8 million in Fiscal Year 2027-28. While the Outlook projects an operating surplus in Fiscal Year 2028-29 of \$160.0 million, no cost-of-living adjustment to labor costs is assumed beyond the expiration of current labor agreements in 2027 and 2028. The Outlook excludes certain potential large capital projects. In addition, the Outlook projections do not take into account any potential impacts of an economic recession. “See “BUDGET AND FINANCIAL OPERATIONS—General Fund Budget Outlook.”

Certain Significant Challenges

Homelessness. The City faces challenges in connection with its large homeless population. Voters approved Measure H in 2017, increasing County-wide sales taxes by ¼ percent to fund services to the homeless population. That tax will sunset in 2027, unless renewed. Voters also approved Proposition HHH in 2016, authorizing \$1.2 billion in City general obligation bonds to finance low income and supportive housing, of which \$86.4 million was issued in 2017, \$276.2 million was issued in 2018, \$211.9 million was issued in 2021, and \$389.4 million was issued in 2022. Of the \$236 million remaining authority, the City expects to issue approximately \$150 million in July 2024 and \$86 million in the spring of 2026. However, the Measure H and Proposition HHH funding is still inadequate to meet the needs of this population.

The Fiscal Year 2024-25 Adopted Budget anticipates approximately \$960.8 million in spending to combat homelessness. This includes \$337.4 million in General Fund spending, a reduction of \$136.5 million as compared to the Fiscal Year 2023-24 Adopted Budget. The Fiscal Year 2024-25 Adopted Budget also includes

\$623.4 million in spending from various special funds, including federal and State grants, the City’s Proposition HHH general obligation bonds, described above, and ULA (defined below) special tax proceeds.

The City participates in “Project Roomkey,” a program instituted by the State of California in response to the COVID-19 pandemic under which cities, counties, and housing authorities cooperate to secure hotel and motel rooms for people experiencing homelessness. In all, the City submitted \$194 million in Project Roomkey reimbursement requests of which it has received and/or been allocated \$73 million. The remaining \$121 million is pending review by FEMA. However, recent guidance from FEMA indicates that they may reduce the amount of funding for costs incurred by the City and other public agencies under the Project Roomkey program. Unless FEMA revises this guidance, the impact of the FEMA rule change will reduce the reimbursements FEMA would have provided to the City for costs to implement Project Roomkey by up to \$60 million. The Fiscal Year Adopted Budget 2024-25 revenue estimate for grant receipts reflects the balance of \$121 million currently under FEMA review, which includes approximately \$60 million potentially at risk due to the revised FEMA guidance. The Fiscal Year 2024-25 Adopted Budget sets aside funding in the UB - Reserve for Allocation of FEMA Reimbursement to offset the potential reduction.

The City was subject to a lawsuit (*LA Alliance for Human Rights et al. v. City of Los Angeles et al.*) for violating various State and federal laws in connection with the City’s and County’s alleged failures in responding to homelessness. On June 14, 2022, a settlement between the City and the plaintiffs was approved by the court. On July 13, 2022, the homeless rights advocates who intervened in the case filed a notice of appeal of the District Court's Order approving the stipulated dismissal and settlement between the City and Plaintiffs. The court granted the stipulated motion to voluntarily dismiss the appeal on November 1, 2023. On February 7, 2024, the plaintiffs filed a motion alleging the City has violated the settlement agreement and requesting sanctions. The parties stipulated to a resolution of such sanctions motion. See “LITIGATION—*LA Alliance for Human Rights et al. v. City of Los Angeles et al.*”

Measure ULA Special Tax. On November 8, 2022, the City’s voters approved “Measure ULA—Funding for Affordable Housing and Tenant Assistance Programs Through A Special Tax on Real Property Transfers Over \$5 Million” (“ULA”), a voter initiative to fund affordable housing projects and programs. ULA, which passed with approximately 58 percent of the vote, amends the City’s present documentary transfer tax by adding a new tax, subject to certain exemptions, of (a) 4.0 percent on the sale or transfer of real property exceeding \$5 million but less than \$10 million, and (b) 5.5 percent on the sale or transfer of real property of \$10 million or more. The City already imposed and continues to impose a documentary transfer tax at a rate of approximately 0.45 percent on properties sold for over \$100. Proceeds of such previously existing documentary transfer tax are deposited in the General Fund, while proceeds of the ULA special tax are deposited into a special fund to be used for affordable housing projects and programs as set forth under ULA. The ULA special tax became effective pursuant to its terms on April 1, 2023.

On December 21, 2022, Howard Jarvis Taxpayers Association and Apartment Association of Greater Los Angeles filed, in Los Angeles County Superior Court, a reverse validation action to invalidate the ULA special tax (*Howard Jarvis Taxpayers Assn. et al. v. City of Los Angeles et al.*) (“Jarvis Action”) pursuant to California Code of Civil Procedure section 860 et seq. On January 6, 2023, Newcastle Courtyards, LLC and Jonathan Benabou (collectively “Newcastle”) also filed a reverse validation action in Los Angeles County Superior Court (*Newcastle Courtyards, LLC et al. v. City of Los Angeles et al.*) pursuant to California Code of Civil Procedure section 860 et seq., which was consolidated with the Jarvis Action. Newcastle filed an additional complaint in the United States District Court for the Central District of California to challenge the validity of ULA and the ULA special tax (collectively “Newcastle Actions”). The Jarvis Action seeks to enjoin the ULA special tax by alleging that the enactment of the ULA special tax violates Section 450 of the City’s Charter (the “Charter”) and Section 4 of Article XIII A of the California Constitution. The Newcastle Actions, similarly, seek to enjoin the ULA special tax based on allegations that it violates Section 4 of Article XIII A of the California Constitution and would infringe various taxpayer protections and rights granted under the U.S. Constitution and California Constitution. On September 5, 2023, the United States District Court dismissed Newcastle's federal court action for lack of subject matter jurisdiction, without prejudice to Newcastle's separate action filed in Los

Angeles County Superior Court. Newcastle is appealing the District's Court's dismissal. On October 24 2023, the Superior Court for the consolidated Jarvis Action concluded that the plaintiffs failed to state facts sufficient to support any claim against the City and ULA to invalidate its enactment. In rejecting the plaintiff's arguments, the Superior Court ruled, amongst others, that (1) ULA did not violate Section 4 of Article XIII of the California Constitution because it was passed as a voter initiative, not as a City-sponsored tax measure; (2) Section 450 of the Charter did not limit the initiative power of voters of the City; and (3) ULA either satisfied or did not violate a number of other constitutional considerations, such as the Equal Protection Clause and the Takings Clause. The plaintiffs have appealed the Superior Court's ruling to the California Court of Appeals. The City will continue to defend ULA and its interests in these matters. The City cannot provide any assurances that ULA and the ULA special tax will ultimately be upheld in court.

In addition to the legal challenges to ULA, the availability of ULA special tax revenues is subject to actual receipt of these tax revenues. Documentary transfer tax revenues such as the ULA special tax are volatile because the growth (or decline) of this revenue source is magnified when home prices and sales volume move together. Because of the slowdown in the housing market, ULA special tax revenues have been underperforming expectations. For example, in the Fiscal Year 2023-24 Adopted Budget, special tax revenues were projected to be approximately \$672 million; revised estimates for the year are now projected to be \$264 million. From the implementation of ULA in April 2023 through April 2024, the City has collected approximately \$283 million of ULA special tax revenues. The Fiscal Year 2024-25 Adopted Budget appropriates approximately \$408 million in ULA special tax revenues, representing all of the available and projected revenues: \$264 million in estimated Fiscal Year 2024-25 tax receipts, \$138 million in the cash balance carried over from Fiscal Year 2023-24, and \$5 million in interest earnings. Measure ULA requires the Housing Department to present the Fiscal Year 2024-25 annual expenditure plan to the ULA Citizen Oversight Committee, Council, and Mayor for review/approval by July 1, 2024. In the event the ULA special tax is invalidated in court or by the ballot measure, the General Fund may be at risk of repaying ULA special tax receipts that have been expended.

Street and Sidewalks Maintenance; Americans With Disabilities Act Compliance. The City faces costs in the billions of dollars relating to the repair and maintenance of streets and sidewalks in the City, and compliance with the Americans With Disabilities Act ("ADA"). See "BUDGET AND FINANCIAL OPERATIONS—Capital Program." These costs include costs relating to the City's Pavement Preservation Program and Sidewalk Repair Program for street repairs and sidewalk (including access and curb ramps) remediation projects. Certain of the activities under the Pavement Preservation Program, such as street resurfacing and reconstruction, trigger the application of current ADA provisions, which requires the updating of existing access ramps or the construction of new ramps where there are none. These expenditures related to street and sidewalk repair and maintenance also include expenditures required by the settlement of previous litigation in 2016 (*Willits, et al. v. City of Los Angeles*), under which the City committed to expend approximately \$1.4 billion over a 30-year period for various sidewalk remediation projects. From Fiscal Year 2015-16 to Fiscal Year 2023-24, the City has expended approximately \$288 million in compliance with the Willits litigation settlement.

The Fiscal Year 2024-25 Adopted Budget appropriates \$109.9 million (of which \$17.6 million represents appropriations from the General Fund) for street and sidewalk repair and maintenance (including costs of ADA compliance required in connection with such repair and maintenance and \$35.7 million appropriated in said budget pursuant to the *Willits* litigation settlement). The amount and timing of expenditures relating to the repair and maintenance of streets and sidewalks in the City, and compliance with the ADA related thereto, is expected to increase significantly in future fiscal years. There can be no assurances that there will not be further actions or enforcement activities under the ADA, including potential enforcement of the *Willits* litigation settlement resulting in expansion or acceleration of remediation or compliance activities. Significant increases above currently contemplated levels could materially adversely impact the General Fund.

Litigation. The City is routinely party to a variety of pending and threatened lawsuits. These matters include litigation relating to homelessness, as mentioned above, and with the U.S. Department of Justice ("DOJ")

over the City’s alleged violation of the False Claims Act in connection with certain federal accessibility law compliance certifications to the U.S. Department of Housing and Urban Development. See “LITIGATION.”

While the City has budgeted \$100 million for General Fund liabilities per fiscal year over the past several years, including Fiscal Year 2024-25, in some years actual expenditures have greatly exceeded such amounts, requiring transfers from the Reserve Fund. For example, actual General fund expenditures in Fiscal Year 2022-23 totaled \$107 million and are projected to be \$232 million in Fiscal Year 2023-24. To address the projected over-expenditure in liability claims, the Mid-Year FSR transferred \$92 million from the Reserve Fund and the Year-End FSR recommends an additional transfer of \$4 million from the Reserve Fund. The City Council addressed the remaining overspending in a separate action authorizing appropriations from the Reserve Fund to the Liability Claims Account. See the caption “BUDGET AND FINANCIAL OPERATIONS—Risk Management and Retention Program.”

Clean Water Compliance. On July 23, 2021, the Los Angeles Regional Water Quality Control Board (“LARWQCB”) adopted the National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System Permit (“MS4 Permit”). Eighty-four of the 88 cities in Los Angeles County (including the City), the Los Angeles County Flood Control District (LACFCD), and the counties of Los Angeles and Ventura are covered by the MS4 permit, which requires the collective expenditure of tens of billions of dollars by the impacted municipalities through 2037. The City’s share of the costs is estimated to be approximately \$8 billion. While a portion of these costs are expected to be funded through the Measure W county-wide parcel tax, like many other impacted municipalities, the City has not identified funding sources for a significant portion of these costs. To the extent other funding sources are not available, the General Fund could be impacted. See “OTHER MATTERS—Clean Water Compliance.”

MUNICIPAL GOVERNMENT

The City provides a full range of governmental services, which include police, fire and paramedics; residential refuse collection and disposal, wastewater collection and treatment, street maintenance, traffic management, storm water pollution abatement, and other public works functions; enforcement of ordinances and statutes relating to building safety; public libraries, recreation and parks and cultural events; community development, housing and aging services; and planning. The City also operates and maintains the water and power utilities, harbor and airport, all served by proprietary departments within the City.

The City is a charter city; under the State Constitution, charter cities such as the City are generally independent of the State Legislature in matters relating to municipal affairs. Charter cities, however, are subject to State Constitutional restrictions; see “LIMITATIONS ON TAXES AND APPROPRIATIONS.” The most recent Charter was adopted in 1999, became effective July 1, 2000, and has been amended a number of times by voter approval.

The City is governed by the Mayor and the Council. The Mayor is elected at-large for a four-year term. As executive officer of the City, the Mayor has the overall responsibility for administration of the City. The Mayor recommends and submits the annual budget to the Council and passes upon subsequent appropriations and transfers, approves or vetoes ordinances, and appoints certain City officials and commissioners. The Mayor supervises the administrative process of local government and works with the Council in matters relating to legislation, budget, and finance. The Mayor operates an executive department, of which the Mayor is the ex-officio head. The current Mayor, Karen Bass, was elected to the office at the November 8, 2022 general election and assumed office on December 12, 2022.

The Council, the legislative body of the City, is a full-time council. The Council enacts ordinances subject to the approval of the Mayor and may override the veto of the Mayor by a two-thirds vote. The Council orders elections, levies taxes, approves utility rates, authorizes public improvements, approves contracts, adopts zoning and other land use controls, and adopts traffic regulations. The Council adopts or modifies the budget proposed by the Mayor. The Council consists of 15 members elected by district for staggered four-year terms.

On October 13, 2021, Mark Ridley-Thomas, then a member of the Council, was indicted on federal charges of conspiracy, bribery, mail fraud and wire fraud relating to alleged actions taken while he served on the Board of Supervisors of the County. On October 20, 2021, the Council voted to suspend Mr. Ridley-Thomas from office in light of the charges. On March 30, 2023, Mr. Ridley-Thomas was convicted of seven felony charges, which resulted in his office becoming vacant in accordance with the Charter. To fill the vacant office, Heather Hutt, who has been filling the District 10 Council seat by appointment (at times in a non-voting caretaker capacity) since July 20, 2022, was appointed by the Council as the District 10 Council member for the remainder of the unexpired term on April 11, 2023. See also “OTHER MATTERS—Public Corruption Matters.”

The other two elective offices of the City are the Controller and the City Attorney, both elected for four-year terms. The Controller is the chief accounting officer for the City. The current Controller, Kenneth Mejia, assumed office on December 12, 2022.

The City Attorney is the attorney and legal advisor to the City and to all City boards, departments, officers, and entities, and prosecutes misdemeanors and violations of the Charter and City ordinances. The current City Attorney, Hydee Feldstein Soto, assumed office on December 12, 2022.

All citywide elected officials are subject to term limits of two four-year terms, while Council members are subject to term limits of three four-year terms.

The City Administrative Officer (“CAO”) is the chief fiscal advisor to the Mayor and Council and reports directly to both. The CAO is appointed by the Mayor, subject to Council confirmation.

The Office of Finance (“Finance”) serves as the custodian of all funds deposited in the City Treasury and all securities purchased by the City. Finance actively manages the investment of the City’s general and special pool investment portfolios and cash programs.

The City has 41 departments and bureaus for which operating funds are annually budgeted by the Council. Two additional departments, the Los Angeles City Employees’ Retirement System (“LACERS”) and the Los Angeles Fire and Police Pension Plan (“LAFPP”), are under the control of boards whose memberships consist of mayoral appointees and representatives elected by system members. In addition, three departments (the Department of Water and Power (“DWP”), the Harbor Department, and the Department of Airports) and one State-chartered public agency (the Housing Authority of the City) are under the control of boards appointed by the Mayor and confirmed by the Council.

BUDGET AND FINANCIAL OPERATIONS

Financial Reporting and Fiscal Year 2022-23 Results

The City prepares its financial statements in accordance with Generally Accepted Accounting Principles (“GAAP”) as promulgated by the Governmental Accounting Standards Board (“GASB”). The Financial Statements include a consolidated statement of governmental activities, which accounts for all functions of the City that are principally supported by taxes and other revenues not intended to recover costs through user fees and charges. GAAP requires the inclusion of both pension and retiree health liabilities in the government-wide Statement of Net Position. The City’s Annual Comprehensive Financial Report (the “ACFR”) for the Fiscal Year Ended June 30, 2023 reported a deficit balance for the governmental activities’ unrestricted net position of \$5.227 billion, largely due to a net long-term pension liability of \$6.559 billion and net liability of \$1.125 billion for Other Post-Employment Benefits such as health care (“OPEB”).

The General Fund is the primary operating fund of the City, and the focus of this Appendix A. It is used to account for all financial resources of the general government, except those required to be accounted for in other funds.

The post-COVID pandemic recovery, which started in Fiscal Year 2021-22, continued in Fiscal Year 2022-23 and resulted in growth in most General Fund revenue sources. The City ended Fiscal Year 2022-23 with total General Fund revenues growing \$576 million or 9.3 percent above the previous fiscal year.

The following two tables summarize financial information for the General Fund contained in the City's audited Basic Financial Statements presented in the ACFR and prepared in accordance with GAAP for the periods indicated.

Table 1
BALANCE SHEETS FOR THE GENERAL FUND
For Fiscal Years Ending June 30
(\$ in thousands)

	2019	2020	2021	2022	2023
Assets					
Cash and Pooled Investments ⁽¹⁾	\$ 1,291,607	\$ 1,433,584	\$ 1,856,003	\$ 1,992,342	\$ 2,160,051
Other Investments	-	451	762	727	305
Taxes Receivable	675,777	682,470	782,303	1,116,337	874,789
Accounts Receivable	109,123	127,181	139,628	147,123	178,284
Special Assessments Receivable	3,174	2,863	3,550	4,459	4,693
Investment Income Receivable	15,680	10,014	7,812	10,463	18,025
Intergovernmental Receivable	149,002	152,247	193,305	284,965	215,079
Leases Receivable	-	-	-	1,977	1,623
Loans Receivable	-	42	1,331	1,382	1,417
Due from Other Funds	84,183	196,394	104,675	111,970	95,198
Inventories	46,653	42,053	39,760	39,228	49,643
Prepaid Items and Other Assets	7	11	34	408	430
Advances to Other Funds	8,688	20,831	21,374	26,859	19,863
Properties Held for Housing Development	-	-	-	-	15,438
Total Assets	\$ 2,383,894	\$ 2,668,141	\$ 3,150,537	\$ 3,738,240	\$ 3,634,838
Liabilities:					
Accounts, Contracts and Retainage Payable	\$ 93,312	\$ 254,392 ⁽⁵⁾	\$ 272,990	\$ 286,482	\$ 278,353
Obligations Under Securities Lending Transactions	21,874	13,799	19,333	39,182	11,690
Accrued Salaries and Overtime Payable	221,902	252,022	120,242	181,678	160,568
Accrued Compensated Absences Payable	8,381	7,912	11,529	5,385	10,869
Estimated Claims and Judgments Payable	66,284	35,741	37,511	42,358	51,899
Intergovernmental Payable	56	1,010	882	953	948
Due to Other Funds	141,905	188,702	174,796 ⁽⁶⁾	102,491 ⁽⁶⁾	122,554 ⁽⁶⁾
Unearned Revenue	1,535	-	322,085 ⁽⁷⁾	302,455 ⁽⁷⁾	105,235 ⁽⁷⁾
Deposits and Advances	12,974	9,184	11,901	21,739	14,967
Advances from Other Funds	12,499	131,093	81,148	56,130	6,451
Other Liabilities	37,248	53,177	89,104	66,079	78,502
Total Liabilities	\$ 617,970	\$ 947,032	\$ 1,141,521	\$ 1,104,932	\$ 842,036
Deferred Inflows of Resources					
Real Estate Tax	\$ 68,813	\$ 88,615	\$ 88,635	\$ 86,191	\$ 88,413
Taxes Other than Real Estate	377,206	398,251	431,719	699,740	531,063
Receivables from Other Government Agencies	131,890	129,309	142,325	135,673	133,824
Interest Receivable on Loans and Others	81,974	112,805	122,360	212,092	184,500
Leases	-	-	-	1,918	1,422
Total Deferred Inflows of Resources	\$ 659,883	\$ 728,980	\$ 785,039	\$ 1,135,614	\$ 939,222
Fund Balances					
Nonspendable ⁽²⁾	\$ 55,348	\$ 62,895	\$ 61,168	\$ 66,495	\$ 69,936
Restricted	-	-	-	-	-
Committed	33,092	37,386	71,733	85,078	52,600
Assigned ⁽³⁾	334,195	356,167	426,654	724,278	397,413
Unassigned ⁽⁴⁾	683,406	535,681	664,422	621,843	1,333,631 ⁽⁸⁾
Total Fund Balances	\$ 1,106,041	\$ 992,129	\$ 1,223,977	\$ 1,497,694	\$ 1,853,580
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,383,894	\$ 2,668,141	\$ 3,150,537	\$ 3,738,240	\$ 3,634,838

⁽¹⁾ Includes securities held under securities lending transactions, offset by the Liability "Obligations Under Securities Lending Transactions."

⁽²⁾ Includes inventories and certain advances to other funds.

⁽³⁾ Includes encumbrances, various revolving funds, and certain net receivables.

⁽⁴⁾ Primarily consists of the City's Reserve Fund and BSF (defined below).

⁽⁵⁾ The significant increase in Accounts Payable balances beginning in Fiscal Year 2019-20 is due to the implementation of GASB Statement No. 84, which reclassifies what were previously Business-Type Funds (Custodial Funds) to Governmental Funds.

⁽⁶⁾ Includes approximately \$90.8 million, \$34.8 million, and \$29.9 million to be paid to the City's wastewater enterprise fund for Fiscal Year 2020-21, Fiscal Year 2021-22, and Fiscal Year 2022-23, respectively, which may be accelerated in connection with potential budgetary constraints of the wastewater enterprise fund.

⁽⁷⁾ Represents unspent cash balances of American Rescue Plan Act ("ARPA") receipts.

⁽⁸⁾ Unassigned Fund Balance, which includes the Budget Stabilization Fund (\$186.0 million) and the Reserve Fund (\$1.15 billion), reflects the audited balance at June 30, 2023. The actual Reserve Fund balance on July 1, 2023 shown in Table 4 is \$648.3 million due to reappropriation of amounts to accounts from which funds originated based on Council actions.

Source: City of Los Angeles, ACFRs.

Table 2
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES FOR THE GENERAL FUND
For Fiscal Years Ending June 30
(\$ in thousands)

	2019	2020	2021	2022	2023
Revenues:					
Property Taxes	\$ 2,075,764	\$ 2,213,899	\$ 2,401,848	\$ 2,492,320	\$ 2,658,390
Sales Taxes	596,465	536,362	562,217	694,218	704,915
Utility Users Taxes	606,369	643,564	610,946	632,433	705,538
Business Taxes	617,169	668,035	686,520	756,960	817,325
Other Taxes	729,649	620,653	521,955	778,563	820,981
Licenses and Permits	34,157	34,999	29,390	31,493	33,344
Intergovernmental	23,062	27,284	28,145	43,171	53,143
Charges for Services	306,462	351,983	358,772	341,191	367,473
Services to Enterprise Funds	326,650	368,706	328,481	327,326	377,220
Fines	135,526	113,643	100,559	116,805	120,670
Special Assessments	1,825	769	1,731	2,691	2,592
Investment Earnings	84,257	99,248	28,579	35,770	77,448
Change in Fair Value of Investments ⁽¹⁾	-	-	(34,572)	(145,900)	(40,425)
Program Income	-	-	-	-	22
Other	99,717	65,406	46,107	62,094	46,360
Total Revenues	\$ 5,637,072	\$ 5,744,551	\$ 5,670,678	\$ 6,169,135	\$ 6,744,996
Expenditures:					
Current:					
General Government ⁽²⁾	\$ 1,336,331	\$ 1,553,572	\$ 1,478,060	\$ 1,573,832	\$ 1,585,693
Protection of Persons and Property	3,095,356	3,269,764	3,221,865	3,414,251	3,419,259
Public Works	193,846	219,657	147,933	201,042	259,554
Health and Sanitation	111,680	107,329	121,325	164,898	210,706
Transportation	107,590	102,720	112,490	139,871	125,186
Cultural and Recreational Services	61,120	52,220	44,018	79,454	92,120
Community Development	54,000	84,944	134,074	108,209	163,922
Capital Outlay	110,000	54,241	29,164	53,975	67,738
Debt Service: Principal	-	-	-	20,682	35,589
Debt Service: Interest	23,538	19,609	5,194	3,752	38,970
Debt Service: Cost of Issuance	518	559	1,103	867	806
Total Expenditures	\$ 5,093,979	\$ 5,464,615	\$ 5,295,226	\$ 5,760,833	\$ 5,999,543
Excess (Deficiency) of Revenues Over Expenditures	\$ 543,093	\$ 279,936	\$ 375,452	\$ 408,302	\$ 745,453
Other Financing Sources (Uses)					
Transfers In ⁽³⁾	\$ 265,723	\$ 292,948	\$ 584,808	\$ 910,652	\$ 460,094
Transfers Out ⁽⁴⁾	(724,032)	(714,147)	(728,412)	(1,060,079)	(864,763)
Lease and Subscription Liabilities Issued ⁽⁵⁾	78,393	-	-	14,842	15,102
Total Other Financing Sources (Uses)	\$ (379,916)	\$ (421,199)	\$ (143,604)	\$ (134,585)	\$ (389,567)
Net Change in Fund Balance	\$ 163,177	\$ (141,263)	\$ 231,848	\$ 273,717	\$ 355,886
Fund Balances, July 1	\$ 929,215	\$ 1,106,041	\$ 992,129	\$ 1,223,977	\$ 1,497,694
Cumulative Effect of Change in Accounting Principle ⁽⁶⁾	-	27,351	-	-	-
(Decrease) Increase in Reserve for Inventories	\$ 13,649	-	-	-	-
Fund Balances, July 1 Restated	-	\$ 1,133,392	-	-	-
Fund Balances, June 30	\$ 1,106,041	\$ 992,129	\$ 1,223,977	\$ 1,497,694	\$ 1,853,580

⁽¹⁾ When minor, any losses due to fair market valuation are netted out of interest earnings. Losses were reported separately in Fiscal Years 2020-21, 2021-22, and 2022-23 to provide a more meaningful illustration of real investment earnings.

⁽²⁾ The increases in general government expenditures from Fiscal Years 2018-19 to 2019-20 primarily represent the purchase of testing kits and personal protective equipment for COVID-19 and the construction costs of multiple homeless projects.

⁽³⁾ Historically, this line item has constituted primarily of transfers from the Power Revenue Fund; see "MAJOR GENERAL FUND REVENUE SOURCES—Power Revenue Transfers to General Fund." For Fiscal Year 2020-21, includes \$317 million in ARPA funds. For Fiscal Year 2021-22, includes \$659.1 million in ARPA funds.

⁽⁴⁾ Primarily Charter-required transfers to the Library Department and the Department of Recreation and Parks of amounts equal to 0.0300 percent and 0.0325 percent, respectively, of assessed value of all property in the City and includes transfers to pay for General Fund lease-financing obligations. Increase in Fiscal Year 2021-22 reflect increases in transfers for parks and recreational operational facilities (\$132.6 million), debt service obligations (\$57.5 million), housing and community programs (\$63.3 million), and libraries (\$13.1 million).

⁽⁵⁾ Represents certain privately placed financings for the acquisition of equipment and Subscription-Based Information Technology Arrangements as required by GASB Statement 96.

⁽⁶⁾ In compliance with implementation guidelines for GASB Statement 84, certain activities were re-categorized from a Fiduciary Fund type to the appropriate governmental funds, including the General Fund as reported above.

Source: City of Los Angeles, ACFRs.

City's Budgetary Process

The City's fiscal year extends from July 1 through June 30. Under the Charter, the Mayor is required each year to submit to the Council a Proposed Budget (the "Proposed Budget") by April 20. Because April 20, 2024 was a Saturday, the Proposed Budget for Fiscal Year 2024-25 was released on Monday, April 22, 2024. The Proposed Budget is available online at the following website: <https://cao.lacity.gov/budget>. After several weeks of Council and Committee meetings during which the Council made several amendments to the Proposed Budget, the Council approved the Fiscal Year 2024-25 Adopted Budget on May 29, 2024. The Mayor concurred with the Council changes on June 5, 2024.

The Proposed Budget is based on the Mayor's budget priorities and includes estimates of receipts from the City's various revenue sources. By Charter, the Mayor presents and the Council adopts a balanced budget with no deficit.

The Mayor's Proposed Budget is reviewed by the Council's Budget, Finance and Innovation Committee, which reports its recommendations to the full Council. The Council is required by Charter to adopt the Mayor's Proposed Budget, as modified by the Council, by June 1. If Council does not act on the Mayor's Proposed Budget by June 1, pursuant to the Charter, the Mayor's Proposed Budget becomes the City Budget for the ensuing fiscal year. If the Council acts and modifies the Mayor's Proposed Budget, the Mayor has five working days after adoption to approve or veto any items modified by the Council. The Council then has five working days to override by a two-thirds vote any items vetoed by the Mayor. After that time, the budget becomes the "Adopted Budget."

The budget is subject to revision throughout the fiscal year to reflect any changes in revenue and expenditure projections. During the fiscal year, the City monitors its revenues, expenditures and reserve estimates, and the CAO issues interim financial status reports (each an "FSR") as deemed appropriate. These reports identify various potential expenditures that could exceed budgeted amounts and recommend transfers to address them. These reports also update revenue projections and the condition of budgetary reserves and raise issues of concern. These and other changes approved by the Mayor and Council throughout the fiscal year become the basis of the "revised budget" reported in each subsequent year's Proposed and Adopted Budget. FSRs are typically issued each fiscal year at the end of October, early December, early March, and early June.

Year-End Financial Status Report for Fiscal Year 2023-24

On June 5, 2024, the CAO released the Year-End Financial Status Report for Fiscal Year 2023-24 (the "Year-End FSR"), which the CAO subsequently amended on June 7, 2024 to increase the projected overspending and corresponding Reserve Fund transfer. The amended report identified a continuation of the financial challenges that the City had been facing throughout the year. Specifically, the report identifies a 2023-24 General Fund revenue shortfall of \$171 million and remaining overspending of \$161 million. The revenue shortfall is driven by declines in business and sales tax resulting from continuing inflation, higher interest rates, and the aftermath of the entertainment industry strike. Documentary transfer and transient occupancy taxes, related to the real estate market and tourism, respectively, are also expected to fall well below the 2023-24 Adopted Budget projection. The \$161 million in overspending is largely the result of employee-related and fleet maintenance costs in the Fire Department (\$47 million), unbudgeted compensation adjustments in the Police Department (\$50 million), and overspending related to liability payouts (\$42 million).

The Year-End FSR, as amended, recommends that the Reserve Fund address the revenue component of the shortfall in its entirety, which will occur as part of the Controller's year-end closing activities following the end of the fiscal year. The report also includes solutions to fully address the projected overspending, the largest of which are Reserve Fund transfers to address \$110 million of overspending and an anticipated additional Reserve Fund transfer of \$40 million for pending settlement payouts. As a result of these actions and anticipated future actions that are not included in the Year-End FSR, the Reserve Fund is expected to fall to 2.7 percent of the General Fund budget by June 30, 2024. This is the first time since the height of the pandemic that the Reserve

Fund will have fallen below the five percent policy minimum. See “Budgetary Reserves and Contingencies” above for a description of the Reserve Fund policy.

Fiscal Year 2024-25 Adopted Budget

Total budgeted General Fund revenue for Fiscal Year 2024-25 is \$8.03 billion, which represents an increase of 5.7 percent from the revised revenue estimate for Fiscal Year 2023-24. Revenue assumptions used for the Fiscal Year 2024-25 Adopted Budget were based on trends in receipts, analyses conducted by departments, and relevant industry forecasts as of April 2024, and assume that an economic recession will not occur. Future economic uncertainty presents particular challenges in connection with the revenue forecast for Fiscal Year 2024-25, as well as future fiscal years included in the Four-Year Budget Outlook.

This lower growth is offset by \$213 million in one-time revenue, of which \$208 million is derived from FEMA reimbursements for COVID-19 response efforts. The Fiscal Year 2024-25 Adopted Budget fully funds approved labor agreements. To offset the increased expenditure obligation, the Fiscal Year 2024-25 Adopted Budget includes \$274 million in General Fund expenditure reductions, including \$76 million from the elimination of positions, \$39 million in capital spending reductions, \$50 million in expense account reductions, and \$18 million from special fund realignments and reductions.

The following table presents the Fiscal Year 2024-25 Adopted Budget and the Adopted Budgets for the preceding Fiscal Years. The table does not reflect changes made to the budgets subsequent to their original adoption, which have been substantial in each year. For Fiscal Years 2020-21 and 2021-22, the changes were substantial due to pandemic-related revenue shortfalls and the availability of federal relief funds. In Fiscal Year 2022-23, substantial changes included higher than expected Utility Users Tax receipts (\$707 million actual, as opposed to \$614 million budgeted) due to increased energy prices and consumption, offset by over-expenditures in the Fire Department. In Fiscal Year 2023-24, the revised General Fund revenue estimate of \$7.72 billion is \$171 million less than the Fiscal Year 2023-24 Adopted Budget projection. The City believes this reduction is due to persistent inflation and successive interest rate increases by the Federal Reserve, which impacted consumer demand and the City’s economically sensitive tax receipts. Significant over-expenditures of \$161 million in Fiscal Year 2023-24 include the Police Department, primarily due to costs of the recent agreement with the Los Angeles Police Protective League, and liability payouts for Liability Claims.

The City does not prepare the budget based on GAAP classifications, so that historic revenues and expenditures in the table below will vary from those used in Table 2 above, which is derived from the City’s ACFR and prepared on a GAAP basis. Besides the basic accounting basis of recognition of revenues on a cash basis (budget) rather than accrual basis (GAAP), inter-fund transfers and other transactions are classified in a different manner. For example, certain line items such as Departmental Receipts are substantially different between the budget and the financial statements; in the financial statements, significant reimbursements to the General Fund from special revenues funds are netted out along with corresponding expenditures.

With respect to both the historical budgetary information and the projected budgetary information set forth below and elsewhere in this Appendix A, it is not possible to predict whether the trends set forth in the tables will continue in the future.

**Table 3A
CITY OF LOS ANGELES GENERAL FUND ADOPTED BUDGET**

	2020-21	2021-22	2022-23	2023-24	2024-25
General Fund Revenues					
Property Taxes ⁽¹⁾	\$ 2,297,080,000	\$ 2,400,250,000	\$ 2,535,005,000	\$ 2,640,250,000	\$ 2,770,359,000
Property Tax – Ex-CRA Tax Increment	95,900,000	111,990,000	153,800,000	143,730,000	142,560,000
Other Taxes ⁽²⁾	2,424,603,000	2,442,702,000	2,783,590,000	2,897,065,000	2,863,875,000
Departmental Receipts ⁽³⁾	1,560,189,689	1,466,009,998	1,526,675,386	1,620,128,165	1,683,757,194
Intergovernmental ⁽⁴⁾	224,100,000	225,819,000	229,721,000	236,502,000	227,481,000
Other General Fund ⁽⁵⁾	50,856,187	835,848,794	180,646,799	288,661,081	260,485,874
Interest	34,613,000	20,603,000	36,610,000	77,000,000	84,501,000
Total General Fund Revenue	\$ 6,687,341,876	\$ 7,503,222,792	\$ 7,446,048,185	\$ 7,903,336,246	\$ 8,033,019,068
General Fund Appropriations					
Fire Department	\$ 723,143,241	\$ 737,168,351	\$ 771,870,860	\$ 826,191,237	\$ 813,637,423
Police Department	1,796,387,613	1,702,988,343	1,803,434,641	1,785,894,868	1,910,326,288
Other Budgetary Departments	886,359,305	1,042,389,720	1,097,320,359	1,222,282,938	1,176,842,306
Tax and Revenue Anticipation Notes ⁽⁶⁾	1,323,536,029	1,333,686,071	1,336,147,626	1,373,059,172	1,430,690,005
Capital Finance Administration ⁽⁷⁾	211,750,313	224,436,534	228,856,646	178,053,731	192,889,836
Human Resources Benefits	800,593,969	774,377,710	805,331,098	861,864,205	915,695,993
Other General Fund Appropriations	945,571,406	1,688,176,063	1,403,086,955	1,655,990,095	1,592,937,217
Total General Fund Appropriations	\$ 6,687,341,876	\$ 7,503,222,792	\$ 7,446,048,185	\$ 7,903,336,246	\$ 8,033,019,068

- (1) Also included are property taxes remitted to the City as replacement revenue for both State Vehicle License Fees and sales and use taxes.
- (2) Other taxes include utility users tax, business tax, sales tax, transient occupancy tax, documentary transfer tax, parking occupancy tax, and residential development tax. See “MAJOR GENERAL FUND REVENUE SOURCES” for a discussion of these taxes.
- (3) This item includes State Vehicle License Fees, parking fines and franchise income, which are described under “MAJOR GENERAL FUND REVENUE SOURCES.”
- (4) Intergovernmental revenues include proprietary departments’ transfers.
- (5) Other General Fund receipts include grant receipts, tobacco settlement, transfers from the Special Parking Revenue Fund, and any transfers from the Reserve Fund or the BSF. For Fiscal Years 2021-22 and 2022-23, this item includes one-time revenues from ARPA.
- (6) A significant portion of the City’s Tax and Revenue Anticipation Notes (“TRANS”) proceeds are used to pay the annual contribution to LACERS and LAFPP. The budget line item for TRAN repayment is primarily for principal for this portion of the program and is made in lieu of direct appropriations for contributions to the two retirement systems. See “RETIREMENT AND PENSION SYSTEMS.” As in prior years, interest due on the City’s TRANS for Fiscal Year 2024-25 is also included in this line item.
- (7) This fund is used to make lease payments on various lease revenue bonds, privately placed leases and commercial paper notes.
- Source: City of Los Angeles, Office of the City Administrative Officer.

General Fund Budget Outlook

The CAO periodically prepares a four-year Outlook, which compares projected revenues to projected expenditures in order to identify trends and potential future pressures. The most recent Outlook, presented below, was prepared in June 2024 to reflect the Fiscal Year 2024-25 Adopted Budget (referred to as “the Outlook,” herein).

Each Outlook begins with the revenues and expenditures in the balanced budget for the current budget year, in compliance with the City’s requirement to adopt a balanced budget, and projects revenue and expenditure changes for the subsequent four fiscal years. Annual growth in revenues and expenditures may be higher or lower than projected in the Outlook. The most recent Outlook projects a budget gap in each of Fiscal Years 2025-26, 2026-27, and 2027-28, with a surplus in Fiscal Year 2028-29. The actual budget gap for any year that is projected at the time of budget preparation will be addressed with the adoption of a balanced budget for that year.

Significant assumptions used by the City in the development of the Outlook presented below include the following:

- Revenues will increase moderately each year. Projected increases range from 1.3 percent in Fiscal Year 2025-26 to 4.4 percent in Fiscal Year 2028-29, the latter reflecting historical growth rates. The Outlook does not assume the occurrence of a recession. The impact of inflation on revenue growth assumptions for Fiscal Years 2025-26 through 2028-29 is not included in the Outlook.

- Expenditures reflect major expenses known at the time of preparation of the Outlook.
- The City’s contributions rates to LACERS and LAFPP are based on information calculated by the systems’ actuaries. In 2023, the Board of Commissioners for LACERS and LAFPP adopted economic and demographic assumption changes, including reducing the inflation rate from 2.75 percent to 2.50 percent, reducing payroll growth from 3.25 percent to 3.0 percent, and maintaining the assumed investment rate of return at 7.0 percent. The Outlook assumes there will be no changes in assumptions during the projection period. As of April 2024, on a preliminary, unaudited basis, the rate of return for Fiscal Year 2023-24 was approximately 7.16 percent and 6.18 percent (gross of fees) for LACERS and LAFPP, respectively. If the annual rate of return falls short of the 7.0 percent assumption, all else being equal, the City’s contributions in future years will exceed the amounts that the Outlook projects. See “RETIREMENT AND PENSION SYSTEMS.”
- The Outlook includes employee compensation adjustments for Fiscal Year 2024-25 consistent with existing and pending labor agreements (including renegotiated agreements entered into in Fiscal Year 2024-25), and all other required salary adjustments. Fiscal Years 2025-26 through 2028-29 reflect adjustments required by existing labor agreements. The Outlook does not include projections for compensation adjustments from future labor agreements, with the exception of placeholder amounts related to a potential United Firefighters of Los Angeles City successor contract beginning on June 30, 2024. It does include a 2.0 percent annual increase to account for natural salary growth, for example due to the net impact of turnover and step increases. See the caption “BUDGET AND FINANCIAL OPERATIONS—Labor Relations.
- The Outlook does not include certain potentially large capital expenditures, including potential expenditures in connection with the City’s Civic Center Master Plan, the Convention Center expansion project, acceleration of the sidewalk and access ramp programs, restoration of the Los Angeles River, or mitigation of stormwater pollution, which the City has yet to approve. The Outlook assumes capital and technology funding in future years at the amount required to meet the policy spending level of 1.5 percent of General Fund revenue. See “BUDGET AND FINANCIAL OPERATION—Capital Program.”
- The Outlook assumes an \$83 million reduction in the General Fund portion of the City’s Homelessness Budget after Fiscal Year 2024-25.
- The Outlook assumes the City will pay \$100 million per year in litigation losses. Actual payments have exceeded that amount in certain past fiscal years, including significantly in the prior two fiscal years, and may likely exceed that amount in certain future fiscal years. See “—Risk Management and Retention Program” and “LITIGATION.”

While the City believes that the assumptions used in the development of the Outlook are reasonable, actual results will likely differ, and such differences may be material and adverse. There can be no assurance circumstances not reflected in the Outlook, including future compensation increases, will not arise which could materially adversely impact the financial condition of the City.

Following is a summary presentation of the Outlook.

Table 3B
GENERAL FUND BUDGET OUTLOOK SUMMARY
As prepared and updated in connection with the Fiscal Year 2024-25 Adopted Budget
(\$ in millions)

	Adopted 2024-25	2025-26	2026-27	2027-28	2028-29
ESTIMATED GENERAL FUND REVENUE					
General Fund Base ⁽²⁾	\$7,903.3	\$8,033.0	\$8,140.0	\$8,442.8	\$8,798.1
<u>Incremental Revenue Growth:</u>					
Property Related Taxes ⁽³⁾	94.8	180.5	145.9	199.6	211.3
Business, Sales Taxes and Utility Taxes	(8.7)	46.1	47.2	46.8	61.3
Departmental Receipts	58.1	59.3	69.6	73.5	77.0
Other Fees, Taxes, and Transfers	118.0	(178.9)	40.1	35.4	37.5
Transfer from Reserve Fund	(136.4)	-	-	-	-
Total Revenue	\$8,033.0	\$8,140.0	\$8,442.8	\$8,798.1	\$9,185.2
General Fund Revenue Increase ^{\$(4)}	\$129.7	\$107.0	\$302.8	\$355.3	\$387.1
General Fund Revenue Increase ^{%(4)}	1.6%	1.3%	3.7%	4.2%	4.4%
ESTIMATED GENERAL FUND EXPENDITURES					
General Fund Base ⁽²⁾	\$7,903.3	\$8,033.0	\$8,201.1	\$8,641.4	\$8,872.9
<u>Incremental Expenditure Growth:</u>					
Employee Compensation Adjustments	259.6	323.1	199.5	127.3	37.6
City Employees' Retirement System	30.2	72.9	67.5	55.8	14.0
Fire and Police Pension ⁽⁵⁾	22.8	(66.5)	31.3	14.6	6.6
Benefits	53.8	39.7	39.7	38.2	40.6
Comprehensive Homeless Strategy ⁽⁶⁾	(209.0)	(83.1)	-	-	-
Net-Other Additions and Deletions ⁽⁷⁾	(27.7)	(118.0)	102.3	(4.4)	53.5
Total Expenditures	\$8,033.0	\$8,201.1	\$8,641.45	\$8,872.9	\$9,025.2
Expenditure Growth (Reduction) \$	\$129.7	\$168.1	\$440.3	\$231.5	\$152.3
Expenditure Growth (Reduction) %	1.6%	2.1%	5.4%	2.7%	1.7%
REVENUES OVER (BELOW) EXPENDITURES⁽⁷⁾	\$-	\$(61.1)	\$(198.6)	\$(74.8)	\$160.0

⁽¹⁾ Based on prior year revenues and expenditures.

⁽²⁾ Includes all property-related tax revenues, including the redirection of ex-CRA tax increment monies, Documentary Transfer Tax, and Residential Development Tax.

⁽³⁾ This retirement plan is projected to reach full funding by the June 2024 valuation. The decrease in the contribution to Fire and Police Pensions reflects full amortization of an unfavorable 2009 "charge layer" (the 2009 loss amortized over 25 years) when the plan reaches full funding. Also in 2023, LAFPP and LACERS adopted changes to economic and demographic assumptions, which include reducing payroll growth from 3.25 percent to 3.0 percent. This also contributes to the decrease in the City's contribution to Fire and Police Pensions in Fiscal Year 2025-26. The increases in contributions in Fiscal Years 2026-27 and 2028-29 result from implementation of labor contracts.

⁽⁴⁾ Increase in Fiscal Year 2024-25 is in comparison to Fiscal Year 2023-24 Adopted Budget.

⁽⁵⁾ The Comprehensive Homeless Strategy line item represents a decrease of \$209.0 million from the General Fund appropriation for homelessness-related services and expenditures within the context of the City's Comprehensive Homeless Strategy. The Fiscal Year 2025-26 amount deletes Fiscal Year 2024-25 expenditures considered to be one-time.

[FOOTNOTES CONTINUE ON FOLLOWING PAGE]

[FOOTNOTES CONTINUE FROM PREVIOUS PAGE]

⁽⁶⁾ The decrease in Fiscal Year 2024-25 is driven by the net deletion of 866 “regular authority” positions (positions approved by ordinance and expected to be permanent), an increase in the rate of salary savings from unfilled positions, and reductions in expense accounts and hotel development incentive agreements. The decrease in Fiscal Year 2025-26 is primarily due to the elimination of (1) the one-time increase of \$122.3 million in Fiscal Year 2024-25 to the UB – Department Payroll Reconciliation Account for approved salary adjustments and (2) the one-time increase of \$90 million in the Fiscal Year 2024-25 Unappropriated Balance – Reserve for Allocation of FEMA Reimbursement. This funding is set aside to repay the Reserve Fund and various other sources that provided front-funding or loans in anticipation of reimbursements from FEMA for pandemic related projects. Projections for subsequent years include projected expenditures for the restoration of one-time expenditure reductions, hotel development incentive agreements, the recycling incentives program, and increased appropriations to Recreation and Parks and the Library.

⁽⁷⁾ Represents the surplus (or deficit) projected to be generated that fiscal year if remedial action were not taken.

Source: City of Los Angeles, Office of the City Administrative Officer.

Budgetary Reserves and Contingencies

The City maintains a number of budgetary reserves and other funds designed to help manage its risks and ensure sufficient resources to meet contingencies. These funds represent a major component of what is reported as Unassigned Fund Balance at year-end in the City’s financial reports. See the footnotes for “Table 1—Balance Sheets for the General Fund.”

The City maintains a Reserve Fund, which was created by the Charter (the “Reserve Fund”). The City may transfer moneys from the Reserve Fund as part of an Adopted Budget or throughout the fiscal year for unanticipated expenditures, or may transfer funds from the Reserve Fund as a loan to other funds. The City may also transfer moneys to the Reserve Fund from time to time throughout the year. All unencumbered cash amounts in the General Fund revert to the Reserve Fund at the end of the Fiscal Year; some of those funds will be re-appropriated at the beginning of the following fiscal year (primarily for General Fund capital projects, advances, and technical adjustments).

The City’s Financial Policies (“Financial Policies”) include a Reserve Fund policy setting forth the goal that the City maintain a budget-based Reserve Fund balance equal to at least 5 percent of General Fund revenues. The City’s Reserve Fund policy addresses budget-based reserves and does not set specific goals for GAAP-based year-end fund balances.

After falling short of this goal for the first time in seven years in Fiscal Year 2020-21 due to the revenue impacts of the COVID-19 pandemic, the combination of ARPA receipts (which were used as revenue replacement to fund general government services) and the general recovery of City revenues to pre-pandemic levels facilitated the growth of budgetary reserves in Fiscal Year 2021-22, and the City exceeded this goal in the Fiscal Year 2022-23 and the Fiscal Year 2023-24 Adopted Budgets. On July 1, 2023, the Reserve Fund balance was \$648 million, or 8.2 percent of budgeted General Fund revenues. As of the amended Year-End FSR, the Reserve Fund balance is estimated to drop to approximately \$214 million, or 2.7 percent of budgeted General Fund revenues by June 30, 2024. The largest transactions contributing to the reduction are the Year-End FSR’s recommended transfer of \$110 million to the Reserve for Mid-Year Adjustments Account of the UB to address citywide overspending and unfunded expenditures and the authorization for the Controller to transfer funding from the Reserve Fund as part of its year-end closing actions to address the actual year-end revenue shortfall, projected to be \$171 million. The Year-End FSR identifies downside risk to several General Fund revenue sources, including departmental receipts, business taxes, and grant reimbursements from FEMA. Insofar as the Fiscal Year 2024-25 Adopted Budget assumes that the July 1, 2024 Reserve Fund balance will be at 5.07 percent, the transfers from the Reserve Fund in the amended Year-End FSR, which exceed the transactions assumed in the Fiscal Year 2024-25 Adopted Budget by \$6 million, all else being equal, will drop the balance below the five percent policy minimum to 4.99 percent.

The Reserve Fund is composed of two accounts—an Emergency Reserve Account and a Contingency Reserve Account. Amounts in the Emergency Reserve Account, representing 2.75 percent of General Fund revenues, are restricted under the Charter for funding an “urgent economic necessity” upon a finding by the Mayor and Council of such necessity. If the City were to utilize amounts in the Emergency Reserve Account, the City would be expected to replenish the amount expended therefrom in the subsequent fiscal year except in the case of a catastrophic event, in which case the requirement can be temporarily suspended by Council and Mayoral action. The balance of the available Reserve Fund is allocated to the Contingency Reserve Account and is available to address unexpected expenditures relating to existing programs or revenue shortfalls upon authorization by the Mayor and Council.

In addition, the City maintains a number of other funds that can be used to finance contingencies as they arise, the most important of which are the Budget Stabilization Fund (the “BSF”) and the UB line item for mid-year adjustments. Taken together, the Reserve Fund, the BSF, and the UB line item for mid-year adjustments comprise what the City considers to be its “Total General Fund Reserves.”

Pursuant to the ordinance that regulates the BSF, as part of the annual budget process, a portion of the economically sensitive revenues projected to be above the historical average must be deposited into the BSF, which can then be used to help fund future expenditures when these revenues are stagnant or in decline. The economically sensitive revenues consist of seven General Fund tax revenue sources: property, utility users, business, sales, transient occupancy, documentary transfer, and parking occupancy taxes. For purposes of the Fiscal Year 2024-25 Adopted Budget, the growth rate used to determine BSF contributions was calculated to be 4.4 percent, based on the 20-year historical average of these tax revenues.

Under the BSF Financial Policy, projected ongoing revenue growth assumed in the Fiscal Year 2024-25 Adopted Budget is below the average annual ongoing growth threshold by approximately \$151.0 million. A withdrawal from the BSF of up to \$15.1 million, therefore, is permitted under the policy. The Fiscal Year 2024-25 Adopted Budget, however, does not include a withdrawal from the BSF. The BSF is estimated to begin 2024-25 with a balance of \$202 million. As of the Year-End FSR, the balance in the BSF was \$201.9 million.

The UB was created by the Charter, which requires that an amount be included in the budget to be available for appropriations later in the fiscal year to meet contingencies as they arise. The amount and types of items identified in the UB vary each year depending on the specific challenges, the risks identified, and programs that have been approved but for which an appropriation for expenditure is premature. The Fiscal Year 2024-25 Adopted Budget sets aside a total of \$338.5 million in the UB, which is an increase of \$41.4 million from the Fiscal Year 2023-24 Adopted Budget, including the following allocations:

- \$59.4 million as a Reserve for Mid-Year Adjustments (considered part of the City’s General Fund reserves) and \$29.4 million in consideration of potential liability claims above the budgeted amount.
- \$20.0 million as a Reserve for Extraordinary Liability.
- \$90.5 million reserve as a contingency in relation to anticipated reimbursements from FEMA, which could be delayed. (If these reimbursements from FEMA are paid during Fiscal Year 2024-25, these funds would increase the Reserve Fund balance.)
- \$104.8 million for Department Payroll Reconciliation, to reconcile estimated department salary accounts during the fiscal year to account for approved and pending labor contract adjustments.
- \$27.4 million for the Ground Emergency Transport Quality Assurance Fee Program (this program provides increased reimbursements for emergency medical transports; the City is required to make quarterly payments to the State Department of Health Care Services to participate).
- \$9 million for the November 2024 general municipal election.

The City’s Financial Policies state a goal of maintaining the cumulative value of its Total General Fund Reserves at an amount equal to at least 10 percent of all General Fund revenues anticipated for that fiscal year in the Adopted Budget. Based on the actual Reserve Fund balance as of July 1, 2023, the City began Fiscal Year 2023-24 with budgetary Total General Fund Reserves totaling 11.1 percent of budgeted General Fund revenues. After accounting for transactions approved since July 1, 2023, and pending transfers, the amended Year-End FSR reported that Total General Fund Reserves total approximately \$463 million or 5.8 percent of Fiscal Year 2023-24 budgeted General Fund revenue. Based on the estimates used to prepare the Fiscal Year 2024-25 Adopted Budget, the July 1, 2024 Total General Fund Reserves will be \$669 million or 8.32 percent of budgeted General Fund revenues.

The following table summarizes both budgeted and actual reserves. The history of projected Reserve Fund balances as of July 1, as anticipated in past Adopted Budgets, and the actual Reserve Fund balances that occurred on July 1 of those years is intended to illustrate the historical variance between budgeted and actual amounts. A number of factors affect the actual balance at the beginning of the year, including final expenditures

and revenues for the preceding fiscal year, the reversion of unencumbered funds at year end, the reappropriation of a portion of those reversions through the budget, and appropriations to and from the Reserve Fund. The table also sets forth the City’s other major contingency resources, in addition to the City’s Reserve Fund, namely the BSF and the UB line item for mid-year adjustments. These balances are reported as of the beginning of the fiscal year rather than the end of the prior year to avoid overstating them as a result of year-end reversions, many of which are reappropriated as of July 1, and to account for any transfers made as part of an Adopted Budget.

Table 4
HISTORICAL RESERVE FUND BALANCE AS OF JULY 1
Adopted Budget and Actual
(Cash Basis; \$ in millions)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Adopted Budget										
Emergency Reserve	\$ 148.8	\$ 153.4	\$ 160.2	\$ 170.2	\$ 180.7	\$ 183.9	\$ 206.4	\$ 204.8	\$ 217.3	\$ 220.9
Contingency	<u>164.6</u>	<u>181.5</u>	<u>138.1</u>	<u>180.7</u>	<u>229.7</u>	<u>59.4</u>	<u>303.5</u>	<u>272.7</u>	<u>350.2</u>	<u>186.0</u>
	\$ 313.4	\$ 334.9	\$ 298.3	\$ 350.9	\$ 410.4	\$ 243.3	\$ 509.9	\$ 477.5	\$ 567.5	\$ 406.9
Total Budgeted General Fund Revenues⁽¹⁾	\$5,410.4	\$ 5,576.4	\$ 5,826.5	\$6,190.6	\$6,569.7	\$ 6,687.3	\$7,503.2	\$7,446.0	\$ 7,903.3	\$ 8,033.0
Reserve Fund Balance as % of Budgeted General Fund Revenues	5.79%	6.01%	5.12%	5.67%	6.25%	3.64%	6.80%	6.41%	7.18%	5.07%
Budget Stabilization Fund (BSF)	\$ 91.5	\$ 92.4	\$ 95.1	\$ 107.3	\$ 113.9	\$ 116.6	\$ 118.0	\$ 192.1	\$ 196.8	\$ 202.4
Reserves for Mid-Year in UB	<u>17.0</u>	<u>15.0</u>	<u>20.0</u>	<u>20.3</u>	<u>35.0</u>	<u>30.1</u>	<u>14.9</u>	<u>24.3</u>	<u>30.0</u>	<u>59.4</u>
Total General Fund Budget Reserves	\$ 421.9	\$ 442.3	\$ 413.3	\$ 478.6	\$ 559.4	\$ 390.0	\$ 642.8	\$ 693.9	\$ 794.3	\$ 668.7
% of Budgeted General Fund Revenues	7.80%	7.93%	7.09%	7.73%	8.51%	5.83%	8.57%	9.32%	10.05%	8.32%
Actual										
Emergency Reserve	\$ 148.8	\$ 153.3	\$ 160.2	\$ 170.2	\$ 180.7	\$ 183.9	\$ 206.3	\$ 204.8	\$ 217.3	
Contingency	<u>293.8</u>	<u>180.9</u>	<u>194.3</u>	<u>175.6</u>	<u>226.5</u>	<u>119.8</u>	<u>440.7</u>	<u>396.9</u>	<u>431.0</u>	
	\$ 442.6	\$ 334.2	\$ 354.5	\$ 345.8	\$ 407.2	\$ 303.7	\$ 647.0	\$ 601.7	\$ 648.3	
Reserve Fund Balance as % of Budgeted General Fund Revenues	8.18%	5.99%	6.08%	5.59%	6.20%	4.54%	8.62%	8.08%	8.20%	
Total General Fund Reserves	\$ 551.3	\$ 442.9	\$ 469.7	\$ 471.6	\$ 556.5	\$ 450.4	\$ 780.2	\$ 818.3	\$ 876.2	
Total General Fund Reserves as % of Budgeted General Fund Revenues	10.19%	7.94%	8.06%	7.62%	8.47%	6.74%	10.40%	10.99%	11.09%	

⁽¹⁾ Includes transfers from the Reserve Fund, if any.
Source: City of Los Angeles, Office of the City Administrative Officer.

Financial Management Policies

The City has adopted a number of Financial Policies. Several of these policies relate to the City’s Reserve Fund and BSF. See “Budgetary Reserves and Contingencies” above for a description of these Financial Policies.

Another component of the Financial Policies requires that one-time revenues only be used for one-time expenditures. The Fiscal Year 2024-25 Adopted Budget satisfies this policy by allocating \$213 million in one-time revenues toward \$260 million in one-time expenditures.

The Financial Policies provide for the City to annually budget 1.5 percent of General Fund revenues to fund capital and technology infrastructure improvements. The Fiscal Year 2024-25 Adopted Budget does not comply with this policy, appropriating 1.03 percent of General Fund revenues, equivalent to \$83 million towards capital and technology improvements and projects.

The City also has limits on the amount of debt service it considers affordable and is well below those thresholds. See “BONDED AND OTHER INDEBTEDNESS—Debt Management Policies.”

Risk Management and Retention Program

Because of its size and its financial capacity, the City has long followed the practice of directly assuming most insurable risks without procuring commercial insurance policies. The extent and variety of City exposure is such that the cost of the premiums outweighs the benefits of such coverage. The City administers, adjusts, settles, defends and pays claims from budgeted resources. The City is self-insured for workers’ compensation as permitted under State law. The City procures commercial insurance when required by bond or lease financing covenants and for other limited purposes.

Funds are budgeted annually to provide for claims and other liabilities based both on the City’s historical record of payments and an evaluation of known or anticipated claims. From time to time, the City has issued judgment obligation bonds to finance larger judgments or settlements, which it last did in Fiscal Year 2009-10. There are no judgment obligation bonds currently outstanding.

The City’s recent budget and claims payment experience is listed in the table below.

Table 5
LIABILITY CLAIMS PAID⁽¹⁾
(\$ in millions)

<i>Fiscal Year</i>	<i>Total Amount Budgeted</i>			<i>Total</i>	<i>Total Claims Paid (Actual)</i>
	<i>General Fund⁽²⁾</i>	<i>Special Funds</i>	<i>Unappropriated Balance</i>		
2020-21	\$80.0	\$7.9	-	\$ 87.9	\$ 87.3
2021-22	80.0	7.4	\$23.9	111.3	111.3
2022-23	80.0	7.4	20.0	107.4	172.6 ⁽³⁾
2023-24	80.0	7.4	20.0	107.4	232.1 ⁽⁴⁾
2024-25	80.0	7.4	20.0	107.4	-

⁽¹⁾ Cash basis. Does not include Workers’ Compensation claims paid by the City; see Table 6. Also, does not include claims paid in connection with Fair Labor Standards Act disputes and other labor matters, which are paid out of departmental operating budgets.

⁽²⁾ Excludes appropriation in the UB as a “Reserve for Extraordinary Liabilities.”

⁽³⁾ Increase from budget due to various liability payments, the largest of which is a \$57.5 million litigation settlement payment from the Sewer Construction and Maintenance Fund.

⁽⁴⁾ Estimated as of the Year-End FSR. Large General Fund payments include \$96.2 million for police-related claims, \$23.0 million for street-related claims, and \$18.0 million for transportation-related claims.

Source: City of Los Angeles, Office of the City Administrative Officer.

The City’s ACFR provides estimates of potential liabilities. Under GAAP, the City is required to accrue liabilities arising from claims, litigation and judgments when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The City’s ACFR discloses and takes into account estimates of such potential liabilities. As reported in the City’s ACFR (Note 4 (N): Risk Management—Estimated Claims and Judgments Payable), the City, as of June 30, 2023, estimated the amount of tort and non-tort liabilities that were “probable” of occurring at approximately \$1.2 billion. In addition, and as reported in the City’s ACFR, the City Attorney, as of June 30, 2023, estimated that certain other pending lawsuits and claims have a “reasonable possibility” of resulting in additional liability totaling \$80.5 million. See “LITIGATION” for a discussion of certain recently completed, pending or threatened litigation matters involving the City.

Although there are existing claims against the City as a result of the enactment of Assembly Bill 218, which became effective in January 2020, and Assembly Bill 2777, which became effective in January 2023, the City does not believe that the existing claims of which the City is aware will have a material impact on the

General Fund. These laws allow alleged victims of sexual abuse to bring claims which previously had been barred by the applicable statute of limitations. There can be no assurances that additional claims will not be brought against the City as a result of these laws or that any additional claims will not have a material impact on the General Fund.

Also, as of June 30, 2023, the City estimated its workers’ compensation liability at \$2.1 billion; see Table 6 for recent and budgeted expenditures for this liability.

The City generally does not maintain earthquake insurance coverage. Instead, the City relies on its general reserves as well as the expectation that funds will be available from FEMA to manage earthquake and other major natural disaster risk. The City has received a waiver from the requirement under federal law that it acquire earthquake insurance on facilities that were the beneficiaries of prior FEMA grants. There is no guarantee that sufficient City reserves or FEMA assistance would be available in the event of a major natural disaster to adequately address the emergency and maintain the cash flow needed to pay City obligations. See “OTHER MATTERS—Seismic Considerations.”

In addition, the City does not maintain insurance for cybersecurity risk. See “OTHER MATTERS—Cybersecurity.”

Workers’ Compensation, Employee Health Care and Other Human Resources Benefits

The City appropriates funds to a Human Resources Benefits Fund to account for various programs to provide benefits to its employees, in addition to retirement and other post-employment benefits, as described below. Total benefits expenditures are shown in the following table.

Table 6
HUMAN RESOURCES BENEFITS⁽¹⁾
(\$ in thousands)

	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>Estimated 2023-24</i>	<i>Adopted Budget 2024-25</i>
Civilian FLEX Program ⁽²⁾	\$ 308,627	\$ 292,711	\$ 306,756	\$ 340,888	\$ 368,987
Contractual Services	22,494	24,191	32,680	32,933	34,333
Employee Assistance Program	1,915	1,675	1,828	1,844	1,939
Fire Health and Welfare Program	61,875	62,066	65,289	68,682	72,581
Police Health and Welfare Program	158,385	158,007	160,360	163,972	169,838
Supplemental Civilian Union Benefits	6,446	5,830	6,086	6,228	6,218
Unemployment Insurance	9,295	2,769	2,175	2,277	2,500
Workers’ Compensation/Rehabilitation	<u>215,915</u>	<u>219,801</u>	<u>239,432</u>	<u>257,223</u>	<u>259,300</u>
Total	\$ 784,951	\$ 767,052	\$ 814,605	\$ 874,047	\$ 915,696
Change from Prior Year	--	(2.3%)	6.2%	7.3%	4.8%

⁽¹⁾ Cash basis.

⁽²⁾ Reflects all civilian health, dental, union supplemental benefit and life insurance subsidies.

Source: City of Los Angeles, Office of the City Administrative Officer.

Labor Relations

In 1971, the City adopted an employee relations ordinance (Los Angeles Administrative Code, Division 4, Chapter 8, Section 4.800 *et seq.*) under the provisions of the Meyers-Milias-Brown Act (“MMBA”). Under the MMBA, management must bargain with recognized employee organizations on terms and conditions of employment, including wages, hours, and other working conditions. The CAO is the formal management representative on employee relations matters, representing the Mayor and Council in negotiations with recognized employee organizations. The CAO receives direction from the Executive Employee Relations

Committee, consisting of five *ex officio* members, namely the Mayor, the President of the Council, the President Pro-Tempore of the Council, the chairperson of the Council’s Budget, Finance and Innovation Committee, and the chairperson of the Council’s Personnel, Audits and Hiring Committee. Formal Memoranda of Understanding (“MOUs”) are negotiated between the City and recognized employee organizations, which may represent one or more formal bargaining units. Negotiated MOUs incorporate wages and working conditions. For expired MOUs, terms and conditions remain in effect until a successor MOU is successfully negotiated or impasse proceedings conclude, unless a provision has a specific termination date.

There are 45 individual MOUs, affecting about 34,800 full-time and 7,800 part-time City employees (including employees of the Airport and Harbor departments, but excluding DWP employees) that are represented by 22 labor unions/employee associations. The remaining approximately 800 full-time and 900 part-time employees are not represented. See “RETIREMENT AND PENSION SYSTEMS.”

For a number of years, the City has accumulated liability for banked Los Angeles Police Department (“LAPD”) uncompensated overtime, valued at approximately \$138.0 million as of May 18, 2024. Those hours that are not used as leave become more expensive over time due to promotions and other salary increases of applicable LAPD personnel.

The following table summarizes the membership and status of the largest unions and employee associations.

**Table 7
STATUS OF LABOR CONTRACTS
LARGEST EMPLOYEE ORGANIZATIONS**

<i>Organization</i>	<i>Employees Represented⁽¹⁾</i>	<i>Number of Bargaining Units</i>	<i>Status of Memorandum of Understanding</i>	<i>Base Wage Adjustments⁽²⁾</i>
Los Angeles Police Protective League	8,794	1	Contract expires 6/26/27	3% effective 7/16/23 3% effective 6/30/24 3% effective 6/29/25 3% effective 6/28/26
United Firefighters of Los Angeles City	3,292	1	Contract expires 6/29/24 ⁽³⁾	2% effective 7/7/19 4.75% effective 7/5/20 4.5% effective 1/1/23 3% effective 1/14/24 ⁽⁵⁾
Coalition of LA City Unions	24,439	21	Contracts expire 12/23/28	3% effective 3/24/24 3% effective 9/22/24 4% effective 6/29/25 4% effective 6/28/26 3% effective 6/27/27 3% effective 12/26/27 2% effective 6/25/28
Engineers and Architects Association	5,980	4	Contracts expire 12/25/27	3% effective 1/28/24 3% effective 9/22/24 2% effective 6/29/25 2% effective 12/28/25 3% effective 6/28/26 2% effective 12/27/26 2% effective 6/27/27
Municipal Construction Inspectors Association	910	1	Contract expired 12/30/23 ⁽⁴⁾	2% effective 1/19/20 2.75% effective 7/5/20 2% effective 7/3/22 2% effective 1/29/23 3% effective 7/2/23 ⁽⁵⁾

(1) Total full-time and part-time employees in all departments except DWP, as of February 12, 2024.

(2) Adjustments for the term covered by the specific MOU. Does not reflect certain wage adjustments (such as bonuses), which are reflected in the Fiscal Year 2024-25 Adopted Budget and the Outlook.

(3) The City is in negotiations with the United Firefighters of Los Angeles City.

(4) The City is in negotiations with the Municipal Construction Inspectors Association.

(5) Increase resulting from the salary reopener discussions that concluded in late May 2022.

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below shows total authorized City staffing for all departments except Airports, Harbor, DWP, LACERS, and LAFPP. The LAPD represents the single largest department in terms of authorized positions. From July 1, 2023 through May 1, 2024, the Police Department hired a total of 359 additional officers. As of May 1, 2024, there were 8,852 officers deployed Citywide. The 2024-25 Adopted Budget authorized the hiring of 780 police officers, which is the amount required to replace officers who retire or leave the department. Given the challenging recruitment environment, the Mayor and Council appropriated funding for the hiring of 574 police officers in the LAPD's budget and authorized the hiring, without funding, of an additional 206 police officers. Should the LAPD achieve the authorized level of hiring, the Mayor and Council will need to appropriate additional funding during Fiscal Year 2024-25.

**Table 8
AUTHORIZED CITY STAFFING⁽¹⁾**

	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>
Sworn					
Police	10,554	10,557	10,557	10,597	10,599
Fire	<u>3,416</u>	<u>3,424</u>	<u>3,510</u>	<u>3,520</u>	<u>3,520</u>
Subtotal Sworn	13,970	13,981	14,067	14,117	14,119
Civilian					
Police	3,451	3,187	3,292	3,321	3,256
Fire	415	380	392	415	357
All Others	<u>16,795</u>	<u>16,014</u>	<u>16,670</u>	<u>17,353</u>	<u>16,588</u>
Subtotal Civilian	20,661	19,581	20,354	21,089	20,201
Total	34,631	33,562	34,421	35,206	34,320

⁽¹⁾ As authorized in the Adopted Budget. Includes permanent (“regular authority”) positions and excludes temporary personnel (also referred to as “resolution authority” positions), which total 3,134 for Fiscal Year 2024-25. Also excludes personnel of the departments of Airports, Harbor, DWP, LACERS and LAFPP.
Source: City of Los Angeles, Office of the City Administrative Officer.

City Treasury Investment Practices and Policies

The Director of Finance, serving in the capacity of City Treasurer, invests available cash for the City, including that of the proprietary departments, as part of a pooled investment program that combines general receipts with special funds for investment purposes and allocates interest earnings on a pro-rata basis when the interest is earned. The Treasurer also maintains a limited number of special pools established for specific purposes.

The City’s General Pool is further divided into a Core Pool, a Reserve Pool, and an Extended Reserve Pool. The core or liquidity portion is targeted at the City’s net liquidity requirements for six months. All investments in the core section of the portfolio have maturities of one year or less. Most of the balance of the General Pool that is not required for the City’s six-month liquidity requirement is invested in the Reserve Portfolio. The Reserve Portfolio holds investments ranging from one to five years. In January 2020, the City created an Extended Reserve Portfolio, which pursues a primary investment objective of providing an enhancement of overall interest earnings with longer-term investments. Holdings in that portfolio consist of U.S. Treasury and Agency bonds only, with a maximum maturity of ten years.

**Table 9
POOLED INVESTMENTS
Portfolio Characteristics
As of March 31, 2024**

<i>Portfolio Funds</i>	<i>Amount of Funds at Market Value</i>	<i>Percent of Investment Pool</i>	<i>Effective Yield</i>	<i>Average Weighted Maturity</i>
Core Portfolio	\$ 4,083,920,171	29.4%	3.34%	115 Days
Reserve Portfolio	7,407,596,838	53.3	2.73	2.9 Years
Extended Reserve Portfolio	<u>2,416,037,780</u>	<u>17.4</u>	<u>2.82</u>	<u>7.1 Years</u>
Total Investment Pool	\$ 13,907,554,789	100.0%	2.92%	2.9 Years

Source: City of Los Angeles, City Treasurer.

The following summarizes the City’s pooled investment program as of its most recent investment report.

Table 10
POOLED INVESTMENT FUND
GENERAL POOL
As of March 31, 2024

<i>Description</i>	<i>Par Value</i>	<i>Market Value</i>	<i>Percent of Total Funds (Market Value)</i>	<i>Average Days</i>
Bank Deposits ⁽¹⁾	\$ 130,386,965	\$ 130,386,965	0.94%	0
Money Market Funds	61,116,049	61,116,049	0.44	0
LAIIF (State of California)	<u>4,193,369</u>	<u>4,193,369</u>	<u>0.03</u>	<u>0</u>
Subtotal: Cash and Overnight Investments	\$ 195,696,383	\$ 195,696,383	1.41%	0
Commercial Paper	\$ 845,601,000	\$ 843,027,520	6.06%	18
Corporate Notes	379,000,000	373,456,634	2.69	202
U.S. Agencies/Munis/Supras	554,441,000	548,431,288	3.94	121
U.S. Treasuries	<u>2,152,466,000</u>	<u>2,123,308,347</u>	<u>15.27</u>	<u>147</u>
Subtotal: Pooled Investments	\$ 3,931,508,000	\$ 3,888,223,788	27.96%	120
Total Short-Term Core Portfolio	\$ 4,127,204,383	\$ 4,083,920,171	29.36%	115
Money Market Funds	\$ 1,066,751	\$ 1,066,751	0.01%	0
Corporate Notes	1,723,000,000	1,685,164,427	12.12	923
Asset-Backed Securities	269,303,925	264,668,383	1.90	1,017
U.S. Agencies/Munis/Supras	504,540,000	470,517,420	3.38	1,585
U.S. Treasuries	<u>7,912,000,000</u>	<u>7,402,217,638</u>	<u>53.22</u>	<u>1,558</u>
Total Long-Term Reserve Portfolios	\$10,409,910,676	\$ 9,823,634,618	70.64%	1,436
Total Cash and Pooled Investments	\$14,537,115,059	\$ 13,907,554,789	100.00%	1,048

⁽¹⁾ Collected balance for Wells Fargo and JPMorgan Chase Active Accounts.
Source: City of Los Angeles, City Treasurer.

The City’s treasury operations are managed in compliance with the California Government Code and according to the City’s Statement of Investment Policy (the “Investment Policy”), which sets forth liquidity parameters, maximum maturities and permitted investment vehicles, which include U.S. Treasuries, U.S. Government Agencies and Corporate Notes. Additionally, daily investment activity is reviewed independently by an outside investment advisor to ensure that all security transactions are in accordance with all policies as delineated above.

The Treasurer does not invest in range notes, inverse floating rate investments, or mortgage-derived interest or principal-only strips, among other instruments prohibited by State law and the City’s Investment Policy.

The Investment Policy permits the Treasurer to engage custodial banks to enter into short-term arrangements to loan securities to various brokers, the fees from which increase investment earning. Cash and/or securities (U.S. Treasuries, U.S. Government Agencies and Corporate Notes) collateralize these lending arrangements, the total value of which is at least 102 percent of the market value of securities loaned out. The securities lending program is limited to a maximum of 20 percent of the market value of the Treasurer’s pool by the City’s Investment Policy and the California Government Code.

Capital Program

The City adopted a revised Capital and Technology Improvement Policy (the “Capital Policy”) in May 2020 to help guide the City’s process for planning, identifying, evaluating, and prioritizing funding for new capital and technology projects. Among other things, the new Capital Policy includes an annual minimum investment target of 1.5 percent of General Fund revenue for the City’s capital and technology improvements. The 2024-25 Adopted Budget does not comply with this policy. A total of \$82.5 million, or 1.03 percent of General Fund revenue, is budgeted for capital and technology projects.

Consistent with the Capital Policy, in September 2023, the CAO released an updated Five-Year Capital and Technology Improvement Plan (“CTIP”). The CTIP, which reflects approved projects as of July 2023 and, for prior years, reflects completed, inactive or canceled projects as of June 30, 2023, is divided into three major improvement types: municipal facilities, physical plant and technology. The municipal facilities components include administrative buildings and other facilities; public safety facilities for the animal services, fire and police departments; recreational and cultural facilities; the Convention Center; and various seismic, yard, shop, and bridge improvements. Physical plant components include wastewater (referred to as clean water), stormwater (referred to as watershed management), streets and other public rights-of-way, street lighting, and transportation projects. Technology components include city-wide infrastructure, major projects, and system replacements costing \$1 million or more. The CTIP does not include projects that are funded and are under the control of the three proprietary departments, or projects related to housing and solid waste operations.

The CTIP also identifies sources of funding for these projects, indicating whether the projects are going to be financed by the General Fund, Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds (the debt service for which is usually paid from General Fund appropriations) or by one or more special funds. The CTIP includes the approved funding for Fiscal Year 2023-24 and anticipated funding amounts for Fiscal Years 2024-25 through 2027-28, which will be considered for appropriation through the City’s budget and appropriation processes in the future.

In accordance with the Capital Policy, projects are funded based on five prioritization criteria: Risk to Health and Safety; Compliance with Legal, Regulatory, or other policy Mandated Requirements; Resilience and Sustainability; Impact to City Operations, Asset Condition, Annual Recurring Costs and Asset Longevity; and Equitable Community Investment and Economic Considerations. See also “OTHER MATTERS—Environmental and Social Considerations.

The following tables summarize the CTIP by project type and funding source, as of September 2023. The City expects to update the CTIP later in 2024. Because the CTIP was prepared in September 2023, it does not reflect the financial pressures faced by the City in Fiscal Year 2023-24. Further, the Fiscal Year 2024-25 Adopted Budget does not include funding for projects at the levels shown in the following tables.

Table 11
CAPITAL AND TECHNOLOGY IMPROVEMENT PLAN
BY ASSET CATEGORIES

	<i>2023-24</i>	<i>2024-25</i>	<i>2025-26</i>	<i>2026-27</i>	<i>2027-28</i>	<i>Future Years</i>	<i>Total</i>
Municipal Facilities							
Deferred Maintenance	\$ 24,661,530	\$ 25,284,345	\$ 25,284,345	\$ 24,895,000	\$ 14,895,000	\$ -	\$ 115,020,220
Office Development and Capital Program	31,490,712	13,000,000	13,500,000	27,800,000	40,100,000	-	125,890,712
Public Safety Facilities and Security Upgrades	21,218,701	27,890,000	4,490,000	4,490,000	4,240,000	-	62,328,701
Recreation and Cultural Facilities	92,231,447	150,768,297	161,076,553	111,864,887	29,868,479	-	545,809,663
Seismic & Bridge Improvements, Yards and Shops	38,579,823	36,944,133	16,211,825	15,336,096	11,336,388	5,956,193	124,364,458
Los Angeles Convention Center	20,470,000	4,790,000	3,300,000	2,550,000	-	-	31,110,000
Other	221,371	221,371	8,068,599	221,371	221,371	-	8,954,083
Subtotal	\$ 228,873,584	\$ 258,898,146	\$ 231,931,322	\$ 187,157,354	\$ 100,661,238	\$ 5,956,193	\$ 1,013,477,837
Physical Plant							
Clean Water Projects	\$ 265,777,393	\$ 421,262,166	\$ 484,241,153	\$ 415,539,092	\$ 329,607,655	\$ 985,908,230	\$ 2,902,335,689
Watershed Management Projects	80,538,764	61,592,999	49,052,133	5,945,036	-	-	197,128,932
Street Projects	562,694,735	469,105,542	376,083,680	792,432,515	346,761,527	-	2,547,077,999
Street Lighting Projects	4,368,541	2,037,147	700,000	700,000	700,000	-	8,505,688
Subtotal	\$ 913,379,433	\$ 953,997,854	\$ 910,076,966	\$ 1,214,616,643	\$ 677,069,182	\$ 985,908,230	\$ 5,655,048,308
Technology							
Citywide Infrastructure	\$ 6,995,316	\$ 9,285,009	\$ 22,888,605	\$ 21,629,502	\$ 18,250,000	\$ -	\$ 79,048,432
Major Projects and System Replacements	32,237,374	28,783,490	24,923,490	10,683,490	8,483,490	-	105,111,334
Subtotal	\$ 39,232,690	\$ 38,068,499	\$ 47,812,095	\$ 32,312,992	\$ 26,733,490	\$ -	\$ 184,159,766
TOTAL - ALL PROJECTS	\$ 1,181,485,707	\$ 1,250,964,499	\$ 1,189,820,383	\$ 1,434,086,989	\$ 804,463,910	\$ 991,864,423	\$ 6,852,685,911

Source: City of Los Angeles, Capital and Technology Improvement Plan, 2023-24 to 2027-28, released September 2023.

Table 12
CAPITAL AND TECHNOLOGY IMPROVEMENT PLAN
BY FUNDING SOURCE

	<i>2023-24</i>	<i>Future Cost</i>	<i>Total</i>
Municipal Facilities			
General Fund	\$ 43,833,510	\$ 141,198,028	\$ 185,031,538
Lease Revenue Bonds	154,190,081	514,847,760	669,037,841
Special Funds	<u>30,849,993</u>	<u>128,558,465</u>	<u>159,408,458</u>
Subtotal	\$ 228,873,584	\$ 784,604,253	\$ 1,013,477,837
Physical Plant			
General Fund	\$ 82,759,159	\$ 254,693,465	\$ 337,452,624
Lease Revenue Bonds	1,502,502	2,151,698	3,654,200
Special Funds ⁽¹⁾	<u>829,117,772</u>	<u>4,484,823,712</u>	<u>5,313,941,484</u>
Subtotal	\$ 913,379,433	\$ 4,741,668,875	\$ 5,655,048,308
Technology			
General Fund	\$ 24,347,690	\$ 118,407,076	\$ 142,754,766
Special Funds	<u>14,885,000</u>	<u>26,520,000</u>	<u>41,405,000</u>
Subtotal	\$ 39,232,690	\$ 144,927,076	\$ 184,159,766
All Programs			
General Fund	\$ 150,940,359	\$ 514,298,569	\$ 665,238,928
Lease Revenue Bonds	155,692,583	516,999,458	672,692,041
Special Funds	<u>874,852,765</u>	<u>4,639,902,177</u>	<u>5,514,754,942</u>
Total	\$ 1,181,485,707	\$ 5,671,200,204	\$ 6,852,685,911

⁽¹⁾ Includes the proceeds of wastewater revenue bonds and general obligation bonds.

Source: City of Los Angeles, Capital and Technology Improvement Plan, 2023-24 to 2027-28, released September 2023.

A number of large infrastructure projects the City is considering could result in major long-term commitments of funds that have not yet been identified and which are not included in the tables above. One major capital expenditure could include development of approximately 3.5 million square feet of housing and approximately 1.5 million square feet of City office space within the City’s civic center. The City entered into a contract with BAE Urban Economics in September 2023 for planning, land use economics, and urban design consulting services for the Downtown civic center. Another major capital expenditure could include the expansion and modernization of the Convention Center, which could cost \$1 billion or more. An additional \$2 billion in recreation and park facility needs have also been identified. Physical plant improvements could include more than an additional \$5 billion for street and sidewalk (including access and curb ramp) repairs. See “OVERVIEW OF THE CITY’S FINANCIAL CONDITION—Certain Significant Challenges – Street and Sidewalks Maintenance; Americans With Disabilities Act Compliance.”

The City is also exposed to major costs associated with compliance with the Clean Water Act, which regulates the discharges of pollutants by establishing water quality standards. The City is responsible for helping to ensure that up to 192 pollutants in five bodies of water do not exceed certain maximum levels. The City’s share of the costs of projects required to meet these requirements could total \$8 billion through 2037. See “OTHER MATTERS—Clean Water Compliance.” Costs in connection with Measure HLA are also not reflected in the CTIP. See “OTHER MATTERS—City Mobility Plan Street Improvement Measures Initiative Ordinance.”

The City has also sought funding from the Army Corps of Engineers for restoration of the Los Angeles River, which could cost in excess of \$1.5 billion and require substantial matching funds from the City.

There are over 500 bridges in the City. The Bureau of Engineering released a December 2022 infrastructure assessment of bridges and tunnels, which assigned a sufficiency rating between 1 and 100. Four bridges received a sufficiency rating of less than 50 (an “F” rating). Thirty-Eight bridges received a sufficiency rating between 50 and 69 (a “D” rating). The City has funded design for repair or replacement of the four F-rated bridges and three of the D-rated bridges and repair of these bridges is included in the CTIP, along with additional amounts for other bridge maintenance and repair projects. The Fiscal Year 2023-24 Adopted Budget provided \$3.5 million for bridge maintenance activity and the Fiscal Year 2024-25 Adopted Budget includes an additional \$1.5 million for bridge maintenance.

MAJOR GENERAL FUND REVENUE SOURCES

More than 70 percent of the General Fund revenue is derived from seven major taxes: property, utility, business, sales, transient (hotel) occupancy, parking occupancy, and documentary transfer taxes, all of which are susceptible to changing economic conditions.

Since the onset of the COVID-19 pandemic, City General Fund revenue has experienced increased variability across its receipts, complicating the development of reliable revenue estimates. Extraordinary economic change began in 2020 with the COVID-19 pandemic, when public health measures meant to control its spread brought on massive disruption to businesses, the economy, and society-at-large. Unemployment, business closures and travel restrictions contributed to unprecedented declines in sales, transient occupancy, and parking occupancy taxes. Conversely, record-low mortgage rates and growing demand for homes better suited for pandemic life pushed the documentary transfer tax past its Fiscal Year 2005-06 peak.

As the economy reopened, consumer spending increased, fueled by federal and state relief programs and inflation, benefiting certain City tax revenues. On the other hand, rate increases initiated by the Federal Reserve slowed the real estate market, rapidly reducing documentary transfer receipts. The extended entertainment industry strikes in the first half of Fiscal Year 2023-24 impacted sales and business tax receipts, and a slower recovery of international tourism, particularly from China, has impacted TOT revenues.

While the Fiscal Year 2023-24 Adopted Budget projected a modest 2.9 percent increase in ongoing revenues, which was below the 20-year average growth rate of approximately 4 percent, the revised General Fund revenue estimate prepared for Fiscal Year 2023-24 projects a 1 percent increase from Fiscal Year 2022-23 actual ongoing receipts. The current economic conditions are anticipated to persist into Fiscal Year 2024-25, limiting recovery in the City’s General Fund taxes. The Fiscal Year 2024-25 Adopted Budget assumes 3.9 percent growth for the City’s core General Fund tax receipts and 4.0 percent growth for all ongoing General Fund revenue as compared with the revised revenue estimate for Fiscal Year 2023-24.

The following is a discussion of the City’s principal General Fund revenue sources. The table below presents actual General Fund revenues for Fiscal Years 2020-21, 2021-22, 2022-23, estimated revenues for Fiscal Year 2023-24 and budgeted revenues for Fiscal Year 2024-25.

Table 13
GENERAL FUND RECEIPTS⁽¹⁾
(\$ in thousands)

	2020-21	2021-22	2022-23	Estimated 2023-24	Adopted Budget 2024-25	% of Budget 2024-25
Property Tax	\$ 2,261,356	\$ 2,323,454	\$ 2,562,881	\$ 2,636,562	\$ 2,770,359	34.5%
Property Tax Increment (Former CRA/LA)	128,042	120,479	136,762	137,589	142,560	1.8
Departmental Receipts	1,257,516	1,154,263	1,232,107	1,356,001	1,421,407	17.7
Business Tax	692,386	757,601	825,79	820,855	837,060	10.4
Sales Tax	524,618	687,299	713,603	680,850	691,035	8.6
Utility Users Tax	615,238	638,151	707,127	667,560	685,130	8.5
Transient Occupancy Tax	110,427	239,124	310,017	325,675	342,810	4.3
Power Revenue Transfer	218,355	225,015	232,043	244,695	227,481	2.8
Grants Receipts	43,690 ⁽²⁾	40,527 ⁽³⁾	106,480 ⁽⁴⁾	56,406 ⁽⁵⁾	225,148 ⁽⁶⁾	2.8
Documentary Transfer Tax	235,922	308,805	221,265	158,240	168,770	2.1
Franchise Income	84,303	105,971	173,496	140,892	147,537	1.8
Parking Occupancy Tax	58,844	101,055	125,064	129,740	134,570	1.7
Parking Fines	93,347	110,273	108,274	107,476	110,000	1.4
Interest Income	27,112	28,514	59,922	81,589	84,501	1.1
Special Parking Revenue Transfer	-	8,477	30,426	32,388	24,623	0.3
Tobacco Settlement	11,489	11,810	10,714	10,715	10,715	0.1
Residential Development Tax	4,392	4,866	5,087	4,380	4,500	0.1
State Motor Vehicle License Fees	2,942	4,532	3,994	4,812	4,813	0.1
American Rescue Plan Transfer	639,450	639,483	-	-	-	-
Subtotal General Fund Revenues	<u>\$ 7,009,427</u>	<u>\$ 7,509,700</u>	<u>\$ 7,565,062</u>	<u>\$ 7,596,425</u>	<u>\$ 8,033,019</u>	<u>100.0%</u>
Reserve Fund Transfer	-	85,090	16,648	136,370	-	-
Total General Fund	<u>\$ 7,009,427</u>	<u>\$ 7,594,790</u>	<u>\$ 7,581,710</u>	<u>\$ 7,732,795</u>	<u>\$ 8,033,019</u>	<u>100.0%</u>

(1) Cash basis.

(2) Includes \$30.7 million in FEMA reimbursement.

(3) Includes \$29.4 million in FEMA reimbursement.

(4) Includes \$96.3 million in FEMA reimbursement.

(5) Includes \$38.7 million in FEMA reimbursement.

(6) Includes \$208.2 million in FEMA reimbursement.

Source: City of Los Angeles, Office of the City Administrative Officer.

Both the Fiscal Year 2020-21 and the Fiscal Year 2021-22 actual revenues reflect ARPA funding. See “OVERVIEW OF THE CITY’S FINANCIAL CONDITION” and “BUDGET AND FINANCIAL OPERATIONS” for a discussion of the appropriation of these funds to the General Fund.

For purposes of this Appendix A and in the City’s various budget documents, revenues are reported on a “cash” basis, meaning receipts are recognized when cash is received. This method differs from GAAP, which recognizes revenues on a “modified accrual” basis. The City’s ACFR includes reporting of revenues based on GAAP. See the City’s ACFR Note 1-D for a discussion of the basis for reporting.

Property Tax

Property taxes, including various State replacements and the reallocation of tax increment from the dissolution of redevelopment agencies, represent the largest source of General Fund revenues.

The assessed valuation of property is established by the County Assessor as of each January 1, except for public utility property, which is assessed by the State Board of Equalization. Real property is reassessed at market value on the date property changes ownership (with limited exceptions) or upon completion of new construction. Upon such reassessment, a supplemental tax is collected for the remainder of the tax year. Under the State Constitution and legislation, *ad valorem* taxes on real property (other than taxes relating to certain voter-approved indebtedness) are limited as described under “LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII A of the California Constitution – Proposition 13.”

A property owner may apply for a reduction of the property tax assessment for that owner's property (known as a "Proposition 8" appeal). The County Assessor may also reduce valuations based on current economic value, without a taxpayer appeal.

The State Constitution and statutes provide exemption from reassessment of property upon certain changes of ownership, such as between spouses or certain intergenerational transfers, and from *ad valorem* property taxation for certain classes of property, such as local governments, churches, colleges, nonprofit hospitals, and charitable institutions. State law also allows exemptions from *ad valorem* property taxation at \$7,000 of full value of owner-occupied dwellings and 100 percent of business inventories. Revenue losses to the City from the homeowner's exemption are replaced by the State.

The County collects the *ad valorem* taxes. Taxes arising from the 1 percent levy are apportioned among local taxing agencies on the basis of a formula established by State law. Taxes relating to voter-approved indebtedness are allocated to the relevant taxing agency. The County deducts the pro-rata cost of collecting property taxes from the City's allocation.

All taxable real and personal property is classified as either "secured" or "unsecured." The "secured roll" contains real property (land and improvements), certain taxable personal property (such as business equipment on business-owned property), and possessory interests (a leasehold on otherwise exempt government property). The "unsecured roll" contains all other taxable property, the majority of which is business equipment on leased or rented premises, other taxable personal property such as boats and aircraft, and delinquent possessory interests. The balance of personal property has been exempted by State law from property taxes.

Property taxes on the secured roll are due in two installments, which become delinquent after December 10 and April 10, respectively. A 10 percent penalty is added to delinquent taxes. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5 percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, title to the property passes to the State and is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll become delinquent on August 31. A 10 percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5 percent per month begins to accrue on November 1. The County has several ways of collecting delinquent unsecured personal property taxes.

The County has not elected to implement the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (commonly referred to as the "Teeter Plan"), whereby counties may opt to remit to local agencies the amount of uncollected taxes in exchange for retaining any subsequent delinquent payments, penalties and interest that would have been due to the local agency. As such, the City's property tax revenues reflect both reduced property tax revenue from uncollected taxes and increased revenue from the subsequent receipt of delinquent taxes, interest and penalty payments.

Recent assessed valuations by revenue category appear in the table below.

Table 14
ASSESSED VALUATION⁽¹⁾

	2019	2020	2021	2022	2023
Locally Assessed					
Land	\$ 352,506,933,714	\$ 375,613,820,236	\$ 394,598,572,212	\$ 424,716,322,981	\$ 452,116,956,465
Improvements	299,590,583,910	319,689,264,560	332,201,374,517	349,641,071,472	367,953,565,186
Personal Property	4,020,257,586	3,997,131,756	4,019,429,073	3,911,428,589	4,893,738,271
Less: Exemptions ⁽²⁾	<u>26,571,608,102</u>	<u>26,822,209,552</u>	<u>29,365,270,443</u>	<u>27,781,247,158</u>	<u>31,166,029,937</u>
Total Locally Assessed	\$ 629,546,167,108	\$ 672,478,007,000	\$ 701,454,105,359	\$ 750,487,575,884	\$ 793,798,229,985
Public Utilities ⁽³⁾	42,153,347	66,084,991	73,778,428	74,459,382	74,232,347
Unsecured Valuations	<u>23,370,052,850</u>	<u>23,469,028,925</u>	<u>22,238,902,102</u>	<u>23,901,652,243</u>	<u>25,900,243,016</u>
Total Revenue-Producing Valuations	\$ 652,958,373,305	\$ 696,013,120,916	\$ 723,766,785,889	\$ 774,463,687,509	\$ 819,772,705,348
Change from Prior Year	6.8%	6.6%	4.0%	7.0%	5.9%

⁽¹⁾ As of January 1 of each year. These values apply to taxes levied in the fiscal year beginning the subsequent July 1. The information above is provided by the County in August of the relevant fiscal year.

⁽²⁾ Exclusive of the Homeowner Exemption, which is reimbursed by the State.

⁽³⁾ Assessed by the State Board of Equalization.

Source: County of Los Angeles, Office of the Auditor-Controller, Assessed Valuations Reports.

Prior to Fiscal Year 2010-11, a portion of the property taxes collected in the City were allocated to redevelopment project areas as tax increment. As part of the State’s Fiscal Year 2011-12 Budget, legislation was approved to eliminate redevelopment agencies. While a portion of property tax increment revenue is still allocated to pay previously incurred enforceable obligations, a portion of the funds previously allocated to the City’s Community Redevelopment Agency, including the proceeds from the sale of property, is now allocated to overlapping taxing jurisdictions, including the City, based on a legislatively mandated process. Because the proceeds from property sales were difficult to predict, the City has chosen to report property tax increment revenue from the former Community Redevelopment Agency separately from its other property tax revenues, as reported in the “General Fund Receipts” table, above.

Property taxes arising from the 1 percent levy are apportioned among local taxing agencies on the basis of a formula established by State law. Over the years, State budget pressures have resulted in various reallocations of property tax revenues, including transfers to school and community college districts by means of an Educational Revenue Enhancement Fund, the dissolution of redevelopment, the “Triple Flip” of property tax and sales tax receipts to secure certain State bonds (which ended in Fiscal Year 2016-17), and the “backfill” of reallocated Vehicle License Fee revenues with an increased allocation of property taxes. While limits on such reallocations have been instituted, no assurance can be given that property tax reallocations will not occur in the future. See “LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A.”

The following table summarizes the City’s receipt of the basic 1 percent property tax and those reallocations received as property tax. This table excludes property tax attributable to the dissolution of the Los Angeles Community Redevelopment Agency and the *ad valorem* tax levied to pay general obligation bond debt service; the latter is not reported in the General Fund. The County Assessor has estimated 4.75 percent countywide growth for the 2024 assessment roll. Variance between the rate of change in property tax receipts summarized in the table below and the rate of change in assessed valuation summarized above may be attributed to the timing of the County’s tax remittances to the City—as the property tax remittance period does not align with the City’s fiscal year, and to property tax revenue that is realized outside of the annual billing cycle such as redemptions, supplemental bills, refunds and other adjustments.

Table 15
PROPERTY TAX - ALL SOURCES⁽¹⁾
Annual Property Tax by Account
(\$ in thousands)

	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>Estimated 2023-24</i>	<i>Adopted Budget 2024-25</i>
Secured	\$ 1,612,184	\$ 1,645,439	\$ 1,839,844	\$ 1,888,303	\$ 1,994,630
Unsecured	57,782	60,641	65,648	69,762	71,158
Homeowner Exemption	7,771	7,776	7,705	7,444	7,340
Supplemental	40,469	49,783	52,401	38,790	36,160
Redemptions	31,241	31,351	34,327	35,485	35,486
County Admin Charges	(22,723)	(22,868)	(23,211)	(24,871)	(26,064)
Refunds	(15,701)	(15,872)	(23,456)	(25,790)	(25,890)
Adjustments	56	(1,312)	202	(299)	-
Miscellaneous Property	<u>11,221</u>	<u>7,967</u>	<u>9,606</u>	<u>12,831</u>	<u>12,475</u>
1% Property Tax	\$ 1,722,300	\$ 1,762,904	\$ 1,963,067	\$ 2,001,656	\$ 2,105,295
Percent Change ⁽²⁾	5.9%	2.4%	11.4%	2.0%	5.2%
State Vehicle License Fee	<u>539,055</u>	<u>560,550</u>	<u>599,815</u>	<u>634,906</u>	<u>665,064</u>
Replacement					
Property Tax All Sources	\$ 2,261,356	\$ 2,323,454	\$ 2,562,881	\$ 2,636,562	\$ 2,770,359
Percent Change	6.1%	2.7%	10.3%	2.9%	5.1%

(1) Cash basis.

(2) Note that changes in 1% Property Tax receipts do not directly correspond to changes in assessed valuation, as it includes prior year delinquencies and penalties, among other adjustments.

Source: City of Los Angeles, Office of the City Administrative Officer.

A list of the 20 largest property taxpayers, based on secured assessed valuations within the City, for Fiscal Year 2023-24, appears in the table below. The tax roll for the next fiscal year is typically released in the summer.

Table 16
CITY OF LOS ANGELES
TWENTY LARGEST 2023-24 SECURED PROPERTY TAXPAYERS

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Secured Assessed Valuation 2023-24</i>	<i>Percent of Secured AV⁽¹⁾</i>
Douglas Emmett LLC	Office Building	\$ 2,976,972,693	0.38%
Essex Portfolio LP	Apartments	1,527,023,163	0.19
Century City Mall LLC	Shopping Center	1,135,220,987	0.14
Next Century Partners LLC	Hotel	1,097,659,368	0.14
Phillips 66	Petroleum	1,024,112,286	0.13
FSP South Flower Street	Office Building	1,003,714,148	0.13
Valero Energy Corporation	Petroleum	977,158,942	0.12
CJDB LLC	Shopping Center	967,010,182	0.12
Marathon Petroleum	Petroleum	938,036,274	0.12
Hanjin International Corp	Hotel	891,027,387	0.11
Rochelle H. Sterling	Apartments	861,881,752	0.11
Anheuser Busch Commercial	Industrial	843,163,069	0.11
One Hundred Towers LLC	Office Building	715,390,295	0.09
Trizec 333 LA LLC	Office Building	701,018,682	0.09
Omni Wilshire Courtyard LLC	Office Building	673,342,925	0.08
Maguire Partners 355 S. Grand LLC	Office Building	655,596,686	0.08
BRE HH Property Owner LLC	Office Building	650,561,002	0.08
Olympic and Georgia Partners LLC	Hotel	625,519,745	0.08
Tishman Speyer Archstone Smith	Apartments	623,996,307	0.08
APM Terminals Pacific Ltd.	Terminal Operations	<u>614,119,000</u>	<u>0.08</u>
TOTAL		\$ 19,502,524,893	2.46%

⁽¹⁾ Based on 2023-24 Local Secured Assessed Valuation of \$793,798,229,985. Table does not reflect any changes in ownership since publication of 2023-24 assessed valuations. See “Potential Impact of Increased Office Vacancies” below.

Source: California Municipal Statistics, Inc.

Potential Impacts of Increased Office Vacancies. The COVID-19 pandemic resulted in significant changes to the way people work. More employees are working from home at least a portion of the time, resulting in reduced requirements for commercial office space. As a result, vacancies in commercial office buildings in many major metropolitan areas, including Los Angeles, have increased, which may result in reduced rental rates and reduced market valuations of such property. According to a Cushman and Wakefield report, the commercial office vacancy rate for Greater Los Angeles was 24.1 percent as of the first quarter of 2024, compared to 22.5 percent one year prior. As another indicator of changing work patterns, the Los Angeles County Metropolitan Transportation Authority has seen a drop in average weekday boardings from approximately 1,195,000 in Fiscal Year 2018-19 (the last full Fiscal Year prior to the start of the COVID-19 pandemic) to approximately 839,000 in Fiscal Year 2022-23. For the third quarter of Fiscal Year 2023-24, average weekday boardings were approximately 902,800, compared with average weekday boardings of approximately 827,000 for the third quarter of Fiscal Year 2022-23.

Commercial office space constitutes approximately 15.6 percent of the total assessed valuation of property in the City. Residential properties constitute approximately 75.4 percent of the total assessed valuation. While the City has no direct data on the current rate of vacancies in commercial office buildings or information regarding commercial office buildings that are under financial stress (including facing potential defaults on loans and foreclosures), there can be no assurances that the pressures facing owners of commercial office buildings will not result in significant declines in the value of such properties. Any such reductions in valuation would result in reduced property tax revenues with respect to such properties, and would likely result in reduced documentary transfer tax revenues with respect to such properties.

For additional information on the City’s property tax base, see “PART 2—HISTORIC, ECONOMIC AND DEMOGRAPHIC INFORMATION—Land Use” and “—Residential Value and Construction Activity.”

Departmental Receipts

This category of revenues includes reimbursements to the General Fund from various special revenue and enterprise funds of the City, and charges for special services performed by City departments. Reimbursements include the costs of police, fire and other City services to the Airports and Harbor departments, staff costs for the sewer construction and maintenance program, and reimbursements from the Los Angeles County Metropolitan Transportation Authority (“LACMTA”) for police services on its bus and rail lines pursuant to a contract between the LACMTA and the City. These revenues also include charges imposed as regulatory measures by City departments, and fees charged for paramedic ambulance services. In prior years, this revenue category was called “Licenses, Permits, Fees and Fines.”

In Fiscal Year 2024-25, departmental receipts are projected to increase by \$65.4 million or 4.8 percent over Fiscal Year 2023-24 estimates, which is primarily attributable to special funded related costs, reimbursements from Los Angeles World Airports, and reimbursements from the Port of Los Angeles, and is partially offset by reductions in state mandated reimbursements, one-time reimbursements, and LACMTA reimbursements.

The table below shows receipts from departmental receipts.

Table 17
DEPARTMENTAL RECEIPTS⁽¹⁾
(\$ in thousands)

	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>Estimated 2023-24</i>	<i>Adopted Budget 2024-25</i>
Ambulance Fees	\$ 80,385	\$ 100,749	\$ 147,173	\$ 162,665	\$ 157,000
Services to Dept. of Airports	93,948	89,654	83,421	84,662	92,822
Services to Harbor Dept.	44,808	40,989	45,136	43,861	49,263
Services to DWP	14,490 ⁽²⁾	28,812	44,961	38,938	44,909
Services to Sewer Program	93,941	129,695	127,098	119,834	106,826
Solid Waste Fee ⁽³⁾	83,042	18,621	22,629	5,133	-
Gas Tax Reimbursements	41,963	26,384	26,303	31,312	45,185
Services to Stormwater Fund	3,037	-	-	2,185	1,925
Special Funds Related Costs	253,725	262,110	267,764	337,933	406,852
MTA Reimbursement	86,256	65,492	84,739	117,885	102,139
One Time Reimbursements	140,397 ⁽⁴⁾	38,617	23,625	29,356	7,209
Library Reimbursements	74,233	73,470	77,768	72,167	87,312
Recreation and Parks	52,813	64,725	64,725	64,725	91,957
Reimbursements					
State Mandated	3,806	3,907	3,234	32,395 ⁽⁵⁾	2,750
Other Departmental Receipts	190,672	211,038	213,529	212,950	225,257
Total General Fund	\$ 1,257,516	\$ 1,154,263	\$ 1,232,107	\$ 1,356,001	\$ 1,421,407
Change from Prior Year	4.9%	(8.2)%	6.7%	10.1%	4.8%

⁽¹⁾ Cash basis.

⁽²⁾ Reflects a credit due to prior-year overpayments.

⁽³⁾ The solid waste fee does not generate full cost recovery. Accordingly, in Fiscal Years 2021-22, 2022-23, and 2023-24 the General Fund only received partial reimbursements from the Solid Waste Resources Revenue Fund (SWRRF) for overhead costs. In Fiscal Year 2024-25, the General Fund is not expected to receive any reimbursement from the SWRRF for overhead costs.

⁽⁴⁾ Includes \$125 million from the Coronavirus Aid, Relief, and Economic Security Act (also known as the CARES Act) allocated towards reimbursement for related expenses in 2020-21.

⁽⁵⁾ Reflects payments for various prior year police related state mandated claims.

Source: City of Los Angeles, Office of the City Administrative Officer.

Business Tax

The business tax is imposed on persons engaged in a business within the City. The tax rate formula, which is established by ordinance, varies based upon the type of business.

In March 2017, voters approved City Measure M, which approved the cultivation and sale of recreational cannabis within the City. The Fiscal Year 2024-25 Adopted Budget includes cannabis business tax revenue projected at \$94 million, representing 12.7 percent of business tax revenue.

The table below shows receipts from business tax.

Table 18
BUSINESS TAX RECEIPTS
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2020-21	\$692,386	5.6%
2021-22	757,601	9.4
2022-23	825,799	9.0
2023-24 Estimated	820,855	(0.6)
2024-25 Adopted Budget	837,060	2.0

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

Sales Tax

Sales and use taxes are collected on the total retail price of tangible personal property sold, unless specifically exempted. Included in the current County-wide tax rate is a sales tax collected by the State on behalf of cities (or, for unincorporated areas, on behalf of counties). The current local tax rate is 1 percent. Allocation of the 1 percent local component (often referred to as the “Bradley-Burns Sales Tax”) is on the basis of “situs,” or the point of sale. Additional sales taxes can be collected based on local voter approval. Included in the current County-wide rate are sales taxes collected for the Los Angeles County Metropolitan Transportation Authority for transportation purposes and taxes collected by the County for homeless services. A portion of those taxes is remitted to the City for deposit in special revenue funds.

The components of the current sales taxes collected in the City are presented below.

**Table 19
LOS ANGELES CITY
SALES TAX COMPONENTS
As of March 1, 2024**

<u>State Rate</u>		
General Fund Portion	3.9375%	
Local Revenue Fund	1.5625%	To support local health program costs (1991 realignment) and public safety services (2011 realignment).
Local Public Safety	<u>0.50%</u>	For the Local Public Safety Fund, approved by the State voters in 1993 as Proposition 172 to support local criminal justice activities. The City has budgeted \$59.3 million in Fiscal Year 2023-24 receipts, which are deposited in a special fund and appropriated to the Police and Fire Departments.
Total State Rate	6.00%	
<u>Uniform Local Tax Rate</u> (Statewide)		
County Transportation	0.25%	The County allocates a small portion of this to the City.
Local Point of Sale	<u>1.00%</u>	This is the “Bradley-Burns” sales tax, allocated to cities and counties (for unincorporated areas) by point of sale.
Total Uniform Local Rate	<u>1.25%</u>	
Total Statewide Rate	7.25%	
<u>Optional Local Rates</u>⁽¹⁾		
Proposition A (LACMTA)	0.50%	} Voter-approved measures to improve public transit and reduce traffic congestion. The City receives a portion of these funds, with the percentage varying by measure.
Proposition C (LACMTA)	0.50%	
Measure R (LACMTA)	0.50%	
County Measure M (LACMTA)	0.50%	
County Measure H (LA County)	0.25%	Voter-approved measure for homeless services.
Total Optional Local Rate	<u>2.25%</u>	
Total Sales Tax Rate	9.50%	

⁽¹⁾ State law permits optional voter approval of local tax rates, up to a combined maximum, which is 10.25 percent in the County. These rates are levied in 0.25 percent and 0.5 percent increments.
Source: City of Los Angeles, Office of the City Administrative Officer.

The following table shows the actual and budgeted General Fund receipts from the 1 percent local sales tax. The pandemic had a significant impact on taxable sales and thus the City’s receipt of sales tax revenues. Various State actions during the pandemic, such as extension of filing dates and adjustment to its allocation methodologies, further obscured the impact of the pandemic on recent receipts. Beginning in Fiscal Year 2021-22, sales tax revenues recovered sharply and have grown to higher levels than before the pandemic. The 2023-24 estimate reflects a decline in receipts due to the impact of persistent inflation and higher interest rates. The 2024-25 budgeted amount reflects modest growth, which assumes the gradual reduction in interest rates.

**Table 20
GENERAL FUND SALES TAX RECEIPTS
(\$ in thousands)**

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2020-21	\$524,618	(5.7)%
2021-22	687,299	31.0
2022-23	713,603	3.8
2023-24 Estimated	680,850	(4.6)
2024-25 Adopted Budget	691,035	1.5

⁽¹⁾ Cash basis.
Source: City of Los Angeles, Office of the City Administrative Officer.

Utility Users Taxes

The City imposes taxes on users of natural gas, electricity and communication services within the City’s limits. The tax rate is 9 percent of utility charges on taxable communication services, 10 percent for natural gas and residential electricity, and 12.5 percent for commercial and industrial electricity.

Revenue estimates account for known impacts, such as DWP rate increases, and market indicators, such as natural gas futures. Utility users tax receipts can be variable, as they reflect not only power, gas and telephone rates, but also business activities and changing technologies. Both electricity and natural gas sales are sensitive to weather (warm winters and cool summers reduce demand).

Projected revenues for the electricity users tax are based on estimates provided by DWP. Communication users tax receipts have declined as consumers abandon landline communication and switch to cheaper voice and texting mobile communication plans.

The table below shows the actual and budgeted receipts from utility users taxes.

Table 21
UTILITY USERS TAX RECEIPTS⁽¹⁾
(\$ in thousands)

	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23⁽²⁾</i>	<i>Estimated 2023-24</i>	<i>Adopted Budget 2024-25</i>
Electric Users Tax	\$ 429,228	\$ 438,427	\$ 453,634	\$ 480,250	\$ 493,500
Gas Users Tax ⁽³⁾	72,752	88,539	144,552	85,200	93,020
Communications Users Tax	<u>113,259</u>	<u>111,185</u>	<u>108,940</u>	<u>102,110</u>	<u>98,610</u>
Total	\$ 615,238	\$ 638,151	\$ 707,127	\$ 667,560	\$ 685,130
Change from Prior Year	(3.6)%	3.7%	10.8%	(5.6)%	2.6%

⁽¹⁾ Cash basis.

⁽²⁾ Increase in Fiscal Year 2022-23 is due to increased energy prices and consumption with respect to the gas users tax and electricity users tax.

⁽³⁾ Revenue from the Gas Users Tax are impacted by price and consumption. The Fiscal Year 2022-23 receipts can be attributed to an atypical peak in natural gas prices, coinciding with a colder winter. The Fiscal Year 2023-24 estimates reflect a rate reduction stemming from class-action lawsuit settlements. Projected growth for Fiscal Year 2024-25 is based on the Energy Information Administration’s forecast for pricing and consumption.

Source: City of Los Angeles, Office of the City Administrative Officer.

Transient Occupancy Tax

The transient occupancy tax (“TOT”) is levied at the rate of 14 percent of the amount charged for hotel and motel rooms or other dwellings occupied for 30 days or less. The tax is collected by hotel operators, individuals, and short-term rental websites, which are subsequently remitted to the City monthly.

TOT revenue is very sensitive to changing conditions that affect travel and was significantly impacted by the COVID-19 pandemic. Following significant growth in Fiscal Year 2022-23, the City assumes more moderate growth for Fiscal Years 2023-24 and 2024-25 based on the tourism industry forecast.

The 14 percent tax rate is composed of two parts: a 13 percent General Fund tax and a 1 percent special tax to fund the Los Angeles Convention and Visitors’ Bureau (also known as L.A. Tourism). The table below presents General Fund receipts from the 13 percent portion of the tax rate.

Table 22
GENERAL FUND TRANSIENT OCCUPANCY TAX RECEIPTS
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2020-21	\$110,427	(56.4)%
2021-22	239,124	116.5
2022-23	310,017	29.6
2023-24 Estimated	325,675	5.1
2024-25 Adopted Budget	342,810	5.3

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

Power Revenue Transfers to General Fund

The City’s Charter Section 344(b) provides that the Council may, by ordinance, direct that surplus money in the Power Revenue Fund be transferred to the Reserve Fund with the consent of the DWP Commissioners. These funds are routinely appropriated from the Reserve Fund to the City’s General Fund budget. The DWP Commissioners may withhold their consent if such transfer would have a material negative impact on DWP’s financial condition in the year in which the transfer would be made. The transfer rate has been 8 percent of surplus revenues beginning with Fiscal Year 2009-10. The Street Lighting Maintenance Assessment Fund, which is subsidized by the General Fund, currently owes \$63 million or more in outstanding fees payable to DWP for street lighting. Depending on DWP’s financial condition, the amount owed by the Street Lighting Maintenance Assessment Fund could serve as a basis for the DWP Commission withholding a portion of the Power Revenue Fund transfer to the General Fund in a future fiscal year.

Variations can occur between the amount budgeted for transfer and the amount received, reflecting the variance between actual financial results of the Power System for the prior year from the results projected by the DWP at the time the budget is adopted. The estimated transfer amount is provided by the DWP at the time of budget adoption and is based on the Power System’s financial plan for the fiscal year currently in progress which informs the estimated transfer amount included in DWP’s proposed budget. At the close of the fiscal year, but before December 31 in the following fiscal year, the Board of DWP Commissioners affirms or amends the transfer amount according to its audited financial statements. The transfer occurs in the latter half of the following fiscal year.

The City has been the subject of litigation that challenged this long-standing practice of transferring a portion of surplus power revenues to the City’s General Fund as a violation of Proposition 26, which imposed new restrictions on taxation. A 2018 settlement in *Eck v. City of Los Angeles* limits the annual amount of revenue transferred from the DWP to the City to 8 percent of the retail operating revenues collected under the 2008 Electric Rate Ordinance, without regard to subsequent rate increases. See “LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 26.”

The following table shows transfers from the Power Revenue Fund. Amounts shown reflect the settlement under the *Eck* case.

Table 23
TRANSFERS FROM POWER REVENUE FUND
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2020-21	\$218,355	(5.0)%
2021-22	225,015	3.1
2022-23	232,043	3.1
2023-24 Estimated	244,695	5.5
2024-25 Adopted Budget	227,481	(7.0)

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

Documentary Transfer Tax

The documentary transfer tax is imposed on each transaction in which real property is sold that is evidenced by a recorded document. The City’s basic tax rate (excluding the ULA special tax) is 0.45 percent of the value of real property transferred. This tax is in addition to the 0.11 percent tax (\$1.10 per \$1,000) levied by the County. This tax is tied to real estate market activity and can be more volatile than other City revenues, as it reflects both sales volume and sales price. The greatest impact is seen when the two components move together. For example, this tax revenue declined 29 percent in Fiscal Year 2007-08, and another 31 percent in Fiscal Year 2008-09 during the Great Recession. Further contributing to the volatility of this revenue is the irregular pattern of business property sales; monthly remittances can fluctuate from zero to amounts in excess of \$10 million.

Documentary transfer tax revenue saw growth during the pandemic. Higher mortgage rates have placed downward pressure on sales volume and prices, resulting in declines in 2022-23 and 2023-24 receipts. The Fiscal Year 2024-25 Adopted Budget estimate is based on real estate industry forecasts for a muted recovery in sales volume, contingent on anticipated mortgage rate reductions.

The table below presents receipts from this revenue source.

Table 24
DOCUMENTARY TRANSFER TAX RECEIPTS
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2020-21	\$235,922	14.8%
2021-22	308,805	30.9
2022-23	221,265	(28.3)
2023-24 Estimated	158,240	(28.5)
2024-25 Adopted Budget	168,770	6.7

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

In November 2022, the City’s voters approved ULA, a voter initiative to fund affordable housing projects and programs. ULA amends the City’s present documentary transfer tax by adding a new tax, subject to certain exemptions, on the sale or transfer of real property exceeding \$5 million. Proceeds of the ULA special

tax are deposited in a special fund to be used for affordable housing projects and programs as set forth under ULA. The ULA special tax does not provide revenues to the General Fund and is not reflected in the table above. See “OVERVIEW OF THE CITY’S FINANCIAL CONDITION—Certain Significant Challenges—Homelessness,” above.

Franchise Income

Franchise fees are a form of payment by a private person or entity for the use of public rights-of-way to often secure beneficial services for the public. Examples include the use of roadways and public land for public transit and service delivery, telecommunication systems installation and maintenance, or gas delivery and fuel transportation. Franchise fees vary based on the specific service. The table below shows General Fund receipts from this source.

Table 25
FRANCHISE FEE RECEIPTS⁽¹⁾
(\$ in thousands)

	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>Estimated 2023-24</i>	<i>Adopted Budget 2024-25</i>
Solid Waste Collection ⁽²⁾	\$ 40,343	\$ 44,852	\$ 49,536	\$ 52,940	\$ 55,840
Cable Television ⁽³⁾	17,959	29,887	29,183	25,950	25,430
Natural Gas ⁽⁴⁾	19,580	24,419	88,039	55,435	60,010
Official Police Garage ⁽⁵⁾	2,631	3,554	3,444	3,295	3,000
Pipelines ⁽⁶⁾	2,921	2,455	2,745	2,813	2,897
Other	870	804	549	459	360
Total	\$ 84,303	\$ 105,971	\$ 173,496	\$ 140,892	\$ 147,537
Change from Prior Year	0.34%	25.70%	63.72%	(18.79)%	4.72%

(1) Cash basis.

(2) The City has adopted an exclusive franchise system for solid waste collection from commercial and multi-family properties, with receipts first recorded in Fiscal Year 2017-18.

(3) A six percent fee is imposed on gross cable TV revenue, of which five percent is received as general fund revenue, with the other one percent deposited in a special revenue fund.

(4) Previous to Fiscal Year 2022-23, the franchise payment received from SoCalGas, the natural gas supplier in the City was two percent of the gross sales of gas, plus two percent of the value of gas not sold but transported within the City. The franchise fee was increased by a 3.5 percent surcharge (for a total of 5.5 percent) beginning in Fiscal Year 2022-23. Receipts from that year reflect increased revenue from the new natural gas franchise agreement, with full-year receipts anticipated in Fiscal Year 2023-24. Increased revenue in 2022-23 also reflects additional growth from peak pricing of natural gas and increased consumer demand during the cooler winter. The 2023-24 estimate reflects a decrease consistent with the City’s assumptions regarding the demand for natural gas.

(5) A seven percent fee is imposed on Official Police Garage operators’ revenue from towing fees, storage fees and vehicle lien processing fees from impound requests from the Police and Transportation departments.

(6) Represents the portion of the franchise fees on petroleum pipelines that are deposited into the General Fund.

Certain of the City’s franchise fees have been challenged. See “LITIGATION—*Apartment Owners Association of Ca. v. City of Los Angeles*” and “—*Nguyen v. City of Los Angeles*” for a discussion of outstanding litigation which could invalidate the City’s franchise fee program for private commercial waste haulers and a portion of the City’s gas utility franchise fee, respectively.

Parking-Related Revenues

The City receives revenue from three different parking revenue sources: parking fines, a parking tax, and transfers from a special fund that receives revenues from parking meters and City-owned parking lots. All three of these revenues were negatively impacted by the pandemic.

The schedule of parking fines is established by the Council. For budgeting purposes, parking fine revenue forecasts are based on the number of parking enforcement officers employed by the City’s Department of Transportation and estimates of average revenues per ticket based on historical trends, collection rates and average worker productivity; however, Fiscal Year 2023-24 parking fine revenues are estimated to be 6.5 percent less than budgeted due to traffic officer vacancies, operational needs, and declining collections. The Fiscal Year 2024-25 Adopted Budget is based on projections provided by the Department of Transportation.

The table below shows receipts from all parking fines.

Table 26
PARKING FINES RECEIPTS
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2020-21	\$ 93,347	(18.7)%
2021-22	110,273	18.1
2022-23	108,274	(1.8)
2023-24 Estimated	107,476	(0.7)
2024-25 Adopted Budget	110,000	2.3

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

The parking occupancy tax is levied at 10 percent of parking fees. Due to the impacts of the COVID-19 pandemic, revenues from this source fell 53 percent from Fiscal Year 2018-19 to Fiscal Year 2020-21, from \$120.9 million to \$58.8 million. The Fiscal Year 2024-25 Adopted Budget assumes the same growth rate as the Fiscal Year 2023-24 estimate, which reflects a 3.7 percent increase in actual receipts.

Table 27
PARKING OCCUPANCY TAX RECEIPTS
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2020-21	\$ 58,844	(45.0)%
2021-22	101,055	71.7
2022-23	125,064	23.8
2023-24 Estimated	129,740	3.7
2024-25 Adopted Budget	134,570	3.7

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

The Special Parking Revenue Fund collects receipts from parking meters and City-owned parking lots. Surplus revenues after the cost of operating and maintaining those facilities can be transferred to the General Fund. While the City has established an annual transfer of \$23.5 million as its target, higher and lower amounts are transferred in some years; no surplus funds were available for transfer in Fiscal Year 2020-21.

Table 28
SPECIAL PARKING REVENUE FUND TRANSFERS
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2020-21	\$ -	(100.0)%
2021-22	8,477	N/A
2022-23	30,426	258.9
2023-24 Estimated	32,388	6.4
2024-25 Adopted Budget	24,622	(24.0)

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

Impact of State of California Budget

A number of the City’s revenues are collected or subvended by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. Approximately 40 percent of the City’s General Fund revenues are collected by the State or otherwise allocated in accordance with State law. During prior State fiscal crises, the State has reallocated a portion of such revenues to assist in its own budget balancing, or taken other actions that adversely impacted the financial condition of local governments, including the City. Proposition 1A, adopted in 2004, amended the State Constitution to impose limits on the State’s ability to reallocate local revenue. See “LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A.”

Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, www.govbud.dof.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references. There can be no assurance that State budget actions will not materially adversely impact the City’s finances in Fiscal Year 2024-25 or thereafter.

LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution – Proposition 13

Article XIII A of the California Constitution, known as Proposition 13, was approved by the voters in 1978. Article XIII A limits the amount of *ad valorem* taxes on real property to 1 percent of “full cash value” as determined by the County Assessor, except that additional *ad valorem* taxes may be levied to pay debt service on local government indebtedness approved by the voters.

Article XIII A defines “full cash value” to mean the County assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed or when a change in ownership has occurred after the 1975 assessment period. The full cash value may be adjusted annually to reflect inflation at a rate, as determined by the consumer price index, not to exceed 2 percent per year. “Full cash value” base may be reduced in the event of declining property values caused by damage, destruction or other factors. Under the California Revenue and Taxation Code, county assessors that have reduced assessed valuation may be able to recapture such value (up to the pre-decline value of the property) at a rate higher than 2 percent per year in some circumstances.

See “MAJOR GENERAL FUND REVENUE SOURCES—Property Tax.”

Article XIII B of the California Constitution

Article XIII B of the California Constitution, approved by the voters in 1979 and commonly referred to as the “Gann Limit”, limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is the 1986-87 fiscal year as a result of Proposition 111.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the “proceeds of taxes” levied by the State or other entity of local government, exclusive of certain limited funds. In addition to the proceeds of General Fund taxes, “proceeds of taxes” include all tax revenues and proceeds from (1) regulatory licenses, user charges and user fees to the extent such proceeds exceed the cost of providing the service or regulation; (2) the investment of tax revenues; and (3) certain funds received from the State. If any entity’s revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years. The Article XIII B limitation generally does not apply to debt service on voter-approved indebtedness and appropriations required to comply with mandates of courts, or the federal government or certain capital expenditures.

The table below sets forth the City’s appropriations limit and appropriations subject to limitation.

Table 29
APPROPRIATIONS LIMITS AND APPROPRIATIONS SUBJECT TO LIMITATION

<i>Fiscal Year</i>	<i>City Appropriations Limit</i>	<i>Appropriations Subject to Limitations</i>	<i>Amount Appropriations Are Under Limit</i>
2019-20	\$6,234,016,905	\$4,585,351,952	\$1,648,664,953
2020-21	6,682,049,927	4,589,819,240	2,092,230,687
2021-22	7,173,171,778	4,714,764,906	2,458,406,872
2022-23	7,631,452,035	5,171,703,944	2,459,748,091
2023-24	8,008,538,281	5,395,735,126	2,612,803,155

Source: City of Los Angeles, Office of the City Administrative Officer.

Articles XIII C and XIII D of the California Constitution – Proposition 218

Articles XIII C and XIII D of the California Constitution, approved by the California voters in 1979, restrict the ability of the City to levy and collect existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes or increases in existing local taxes be approved by the electorate before they become effective. Taxes for general governmental purposes of the City require majority voter approval and taxes for specific purposes introduced by a local government (as opposed to one introduced by citizen initiative), even if deposited in the City’s General Fund, require two-thirds voter approval. These requirements reduce the flexibility of the Council to raise revenues for the General Fund and may prevent the City from imposing, extending or increasing such taxes in the future to meet any increased expenditure requirements.

Article XIII D contains provisions generally making it more difficult for local agencies to levy and maintain “assessments” (any levy or charge upon real property for a special benefit conferred upon the real property) for municipal services and programs and “property-related fees and charges” (any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service). Assessments shall

not be imposed if there is a majority protest by property owners submitting ballots on the issue. Property-related fees or charges for services other than sewer, water and refuse collection services may not be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

See “LITIGATION—*Apartment Owners Association of Ca. v. City of Los Angeles*” and “—*Nguyen v. City of Los Angeles*” for a discussion of outstanding litigation which could invalidate the City’s franchise fee program for private commercial waste haulers and a portion of the City’s gas utility franchise fee, respectively.

In addition, Article XIII C addresses the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. The voters of the City could, in the future, approve an initiative or initiatives that reduce or repeal local taxes, assessments, fees or charges. Such an action could have a material impact on the City’s General Fund.

Proposition 26

Proposition 26 was approved by the electorate in 2010 and amended California Constitution Articles XIII A and XIII C. Proposition 26 imposes a majority voter approval requirement on local governments such as the City with respect to certain fees and charges for general purposes, and a two-thirds voter approval requirement with respect to certain fees and charges for special purposes, unless the fees and charges are expressly excluded. Proposition 26 was designed to supplement tax limitations imposed by the voters in California Constitution Articles XIII A, XIII C and XIII D pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payer that is not provided to those not charged, and which does not exceed the reasonable cost to the local government of providing the service or product.

The City has been subject to a series of lawsuits pertaining to the transfer of surplus power revenues, which is a material source of City General Fund revenues. The principal lawsuit on this matter was *Eck*, which was settled in 2018. See “MAJOR GENERAL FUND REVENUE SOURCES—Power Revenue Transfers to General Fund.”

Proposition 1A

Proposition 1A, approved by the voters in 2004, amended the State Constitution to impose limits on the State’s ability to reallocate local revenue. The measure provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions.

Proposition 1A also limits, but does not totally restrict, the State’s ability to shift any share of property tax revenues allocated to local governments in any fiscal year to schools or community colleges. Up to 8 percent of local government property tax revenues may be shifted if specified conditions are met, and any amount shifted must be repaid, with interest, within three years. The right of the State to redirect local revenues under Proposition 1A was exercised in Fiscal Year 2009-10.

Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that, if the State reduces the Vehicle License Fee rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues.

Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Future Initiatives

The voters of the City may approve initiatives that reduce or repeal local taxes, assessments, fees or charges. From time to time, other initiative measures could be adopted at the state or local level, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations, or which repeal or reduce existing taxes, assessments, fees or charges, which may affect the City's revenues or its ability to expend its revenues. Such initiatives may purport to be retroactive.

Initiative Measure Qualified for November 2024 Ballot – Taxpayer Protection and Government Accountability Act. On February 1, 2023, the California Secretary of State announced that a ballot initiative known as the “Taxpayer Protection and Government Accountability Act” (“Initiative 1935”), received the required number of signatures to appear on the November 5, 2024 ballot. If approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election, Initiative 1935 would make numerous significant changes to Articles XIII, XIII A, XIII C and XIII D of the California Constitution to further limit the authority of local governments, and electors via the initiative process, to adopt and impose taxes and fees. The full text of Initiative 1935 may be viewed at the website of the California Attorney General.

Among other things, Initiative 1935 would amend the definition “tax” in Article XIII C to include “every levy, charge, or exaction of any kind imposed by a local law that is not an exempt charge.” Initiative 1935 defines “exempt charge” to mean a “reasonable charge for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the actual costs [as opposed to the reasonable costs] of providing the service or product to the payor.” “Exempt charges” also encompass existing exceptions from the definition of “tax” added to Article XIII C by Proposition 26, including property-related fees imposed in accordance with Article XIII D (see “—Articles XIII C and XIII D of the California Constitution – Proposition 218,” above). “Actual costs” is defined as “the minimum amount necessary to reimburse the government for the cost of providing the service or product ... less all other sources of revenue including, but not limited to taxes, other exempt charges, grants, and state or federal funds received to provide such service or product.” Initiative 1935 further provides that the local government adopting an exempt charge would bear the burden of proving by clear and convincing evidence (as opposed to a preponderance of the evidence) that: (a) a levy, charge or exaction is an exempt charge and not a tax; and (b) the amount of the exempt charge is reasonable and that the amount charged does not exceed the actual cost of providing the service or product to the payor. Initiative 1935 would also amend Article XIII C to provide that no local law, whether proposed by the governing body or by an elector, may impose any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote. The full definitions of the terms referenced above, along with the full text of Initiative 1935, may be viewed at the website of the California Attorney General.

The amendments proposed by Initiative 1935 would be retroactive; Initiative 1935 provides that any tax or exempt charge adopted after January 1, 2022 but prior to the effective date of Initiative 1935, which was not adopted in compliance with the requirements thereof, would be void 12 months after the effective date of Initiative 1935, unless the tax or exempt charge is reenacted in compliance with the provisions of Initiative 1935.

On June 20, 2024, the California Supreme Court issued an opinion directing the California Secretary of State to refrain from taking any steps to place Initiative 1935 on the November 5, 2024 election ballot or to include Initiative 1935 in the voter information guide on the grounds that Initiative 1935 would be an impermissible revision of the California Constitution. The City can provide no assurance that future initiative measures will not be proposed that would have a material adverse effect on the City's ability to adopt or increase rates, fees, and charges for the various services provided by the City.

BONDED AND OTHER INDEBTEDNESS

Introduction

The City has issued or caused the issuance of a variety of bonded and other debt obligations as provided for under the State Constitution, judicial interpretation of the State Constitution, State statutes, and its own Charter powers. The following summarizes that indebtedness.

The CAO serves as the City’s debt manager, structuring debt issuances and overseeing the ongoing management of all tax-secured, General Fund and certain special fund debt programs. These include general obligation bonds; lease obligations; tax and revenue anticipation notes; wastewater system and solid waste resources fee revenue obligations; judgment obligation bonds, if any; and special tax obligations, Mello-Roos bonds and certain special assessment obligations. Debt of the Housing Department and the City’s three proprietary departments—Airports, Harbor, and Water and Power—are administered by staff of the respective department.

General Obligation Bonds

The City may issue general obligation bonds for the acquisition and improvement of real property, subject to two-thirds voter authorization of the bond proposition. An *ad valorem* tax on all taxable property to pay principal and interest on general obligation bonds is levied by the City and collected by the County on the secured and unsecured property tax bills within the City. See “MAJOR GENERAL FUND REVENUE SOURCES—Property Tax.” The following summarizes the City’s various voter authorizations for general obligation bonds as of June 1, 2024.

The City of Los Angeles General Obligation Bonds, Series 2024-A (Taxable) (Social Bonds), expected to be issued in July 2024 in the estimated principal amount of \$150,000,000, are not reflected in the following tables (Tables 30, 31, 35, 36, 38, 39, 41, and 43).

Table 30
GENERAL OBLIGATION BONDS
As of June 1, 2024

<i>Date of Election</i>	<i>Projects</i>	<i>Amount Authorized</i>	<i>Amount Issued⁽²⁾</i>	<i>Amount Outstanding⁽¹⁾</i>	<i>Amount Authorized but Unissued</i>
11/7/00	Fire, Paramedic, Helicopter and Animal Shelter Projects (Proposition F)	\$ 532,648,000	\$ 532,648,000	\$ 1,190,511	--
3/5/02	Emergency Operations, Fire, Dispatch and Police Facilities (Proposition Q)	600,000,000	600,000,000	4,663,966	--
11/2/04	Storm Water Projects (Proposition O)	500,000,000	439,500,000	114,440,523	\$ 60,500,000
11/8/16	Homelessness (Proposition HHH)	<u>1,200,000,000</u>	<u>963,985,000</u>	<u>828,315,000</u>	<u>236,015,000</u>
	Total	\$2,832,648,000	\$2,536,133,000	\$948,610,000	\$296,515,000

⁽¹⁾ Includes pro-rata allocation of refunding bonds. Principal payments are made on September 1.

⁽²⁾ These amounts represent the par amount of initial issuance and excludes refunding bonds.

Source: City of Los Angeles, Office of the City Administrative Officer.

The following indicates the *ad valorem* property tax rate levied to service the City’s general obligation bonds, as well as the overlapping property tax rates levied in the City. These rates in the table are representative, and show the rates in the four largest taxing areas within the City, as measured by assessed valuation.

Table 31
2023-24 TYPICAL TAX RATE PER \$100 OF ASSESSED VALUATION⁽¹⁾

Countywide 1%	1.000000%
City of Los Angeles	0.011448
Los Angeles Unified School District	0.124219
Los Angeles Community College District	0.060231
Metropolitan Water District	<u>0.003500</u>
Total	1.199398%

⁽¹⁾ Rates in Tax Rate Areas 00067, 00013, 00016 and 00004.
Source: California Municipal Statistics, Inc.

Lease Obligations

The City may enter into long-term lease obligations without first obtaining voter approval, so long as these agreements meet the requirements of State law. The City has entered into various lease arrangements under which the City must make annual lease payments to occupy public buildings or use capital equipment necessary for City operations. Most of these lease agreements have been with a nonprofit corporation established by the City for this purpose, the Municipal Improvement Corporation of Los Angeles (“MICLA”). In most cases, securities have been issued in the form of lease revenue bonds, on which debt service is paid from the annual lease payments primarily made by the City’s General Fund. In some cases, as noted below, the lease obligation was privately placed directly with a bank or other private lender. Payment of lease payments is managed by the CAO and, unless otherwise noted, budgeted in the Capital Finance Administration Fund.

The following table summarizes the outstanding bonded and other long-term financing lease obligations payable from the City’s General Fund.

Table 32
GENERAL FUND BONDED AND OTHER FINANCING LEASE OBLIGATIONS
As of June 1, 2024

<i>Series</i>	<i>Project</i>	<i>Amount Issued</i>	<i>Amount Outstanding</i>	<i>Final Maturity</i>
Public Offerings				
MICLA Lease Revenue Bonds, Series 2010-C (Taxable) (dated November 23, 2010)	Real Property	\$ 18,170,000	\$ 14,460,000	11/1/40
MICLA Lease Revenue Refunding Bonds, Series 2016-A (dated June 1, 2016)	Capital Equipment and Fixtures	125,235,000	45,620,000	11/1/26
MICLA Lease Revenue Refunding Bonds, Series 2016-B (dated June 1, 2016)	Real Property	685,270,000	505,820,000	11/1/39
MICLA Lease Revenue Bonds, Series 2018-A (dated February 6, 2018)	Capital Equipment and Fixtures	54,430,000	25,365,000	11/1/27
MICLA Lease Revenue Bonds, Series 2018-B (dated February 6, 2018)	Real Property	31,270,000	25,195,000	11/1/37
MICLA Lease Revenue Refunding Bonds, Series 2018-C (Taxable) (dated February 6, 2018)	Real Property	25,630,000	11,315,000	11/1/27
MICLA Lease Revenue Bonds, Series 2020-A (dated August 20, 2020)	Capital Equipment and Fixtures	84,725,000	63,590,000	11/1/30
MICLA Lease Revenue Refunding Bonds, Series 2020-B (dated August 20, 2020)	Real Property	80,850,000	50,150,000	11/1/40
MICLA Lease Revenue Refunding Bonds, Series 2020-C Taxable (dated August 20, 2020)	Real Property	102,265,000	57,430,000	11/1/41
MICLA Lease Revenue Refunding Bonds, Series 2021-A (Taxable) (dated March 4, 2021)	Capital Equipment and Real Property	177,470,000	133,215,000	11/1/38
MICLA Lease Revenue Refunding Bonds, Series 2021-B (dated March 4, 2021)	Capital Equipment and Real Property	60,481,000	60,481,000	11/1/38
MICLA Lease Revenue Bonds, Series 2021-C (dated December 15, 2021)	Capital Equipment and Real Property	154,205,000	138,315,000	11/1/41
MICLA Lease Revenue Bonds, Series 2023-A (dated December 7, 2023)	Capital Equipment and Real Property	<u>176,450,000</u>	<u>169,640,000</u>	5/1/43
Subtotal Public Offerings		\$ 1,776,451,000	\$ 1,300,596,000	
Private Placements				
MICLA 2017 Streetlights Financing (dated April 18, 2017) ⁽¹⁾	Capital Equipment and Fixtures	39,297,800	12,850,767	6/1/27
2017 Police Radios Lease Financing (dated December 22, 2017)	Handheld Radios	64,500,000	9,120,466	2/1/25
MICLA 2019 Streetlights Financing (dated September 30, 2019) ⁽¹⁾	Capital Equipment and Fixtures	17,845,461	10,309,120	6/1/29
MICLA 2020 Streetlights Financing (dated November 1, 2020) ⁽¹⁾	Capital Equipment and Fixtures	<u>9,088,272</u>	<u>6,550,464</u>	6/1/31
Subtotal Private Placements		<u>\$ 130,731,534</u>	<u>\$ 38,830,818</u>	
Total Lease Obligations		<u>\$ 1,907,182,534</u>	<u>\$ 1,339,426,818</u>	

⁽¹⁾ Payments made from the Street Lighting Maintenance Assessment Fund.
Source: City of Los Angeles, Office of the City Administrative Officer.

Commercial Paper Programs

The City has created two commercial paper (“CP”) programs secured by lease agreements payable from the General Fund.

In 2004, the City and MICLA established a commercial paper program authorizing MICLA to issue lease revenue CP notes to finance and refinance capital equipment, the acquisition and improvement of real property, and other financing needs of the City (the “General MICLA CP”). The General MICLA CP program increased from time to time and is currently authorized for up to \$425 million. The City expects to issue lease

revenue bonds through MICLA from time to time to refund the General MICLA CP. As of June 1, 2024, approximately \$162.1 million in General MICLA CP was outstanding under this program.

The City has created a second CP program to issue up to \$100 million in lease revenue CP notes to finance and refinance capital improvements to the Los Angeles Convention Center facility (the “LACC CP”), which also represents a lease obligation of the General Fund. As of June 1, 2024, \$19.7 million in LACC CP was outstanding under this program.

The City generally pays interest, letter of credit fees, and other program costs as they become due out of its own funds rather than paying from CP proceeds.

In connection with each of these CP programs, the City arranged for the issuance of one or more irrevocable direct-pay letters of credit and entered into a reimbursement agreement with each of the credit banks. If the City is unable to secure replacement letters of credit, the related letters of credit would be drawn upon prior to expiration to pay interest and principal due on the CP. Under the reimbursement agreement, the City is generally required to reimburse the credit banks over a period of time, but annual payments may not exceed the annual fair rental value of the leased properties. The reimbursement agreements contain a number of covenants and agreements on the part of the City, and specify events of default and remedies.

The direct-pay letters of credit that support these CP programs are scheduled to expire on June 30, 2025. The table below summarizes the direct-pay letters of credit that will support the payment of principal of and interest on the General MICLA CP and the LACC CP programs, respectively.

**Table 33
LEASE REVENUE COMMERCIAL PAPER NOTES LETTERS OF CREDIT**

<i>Series</i>	<i>LOC Provider</i>	<i>Amount of CP Supported</i>	<i>LOC Expiration</i>
A-1 and B-1	BMO Harris Bank, N.A.	\$150,000,000	June 30, 2025
A-2 and B-2	Bank of America, N.A.	100,000,000	June 30, 2025
A-3 and B-3	U.S. Bank National Association	175,000,000	June 30, 2025
Convention Center	U.S. Bank National Association	100,000,000	June 30, 2025

Source: City of Los Angeles, Office of the City Administrative Officer.

Revenue Bonds

The Charter and State law provide for the issuance of revenue bonds, which are secured by and payable from the revenues generated by various enterprise and special fund operations. These revenue bonds do not represent obligations of the General Fund of the City, nor are they secured by taxes. Revenue bonds administered by the CAO have been issued in the past that are secured by wastewater, solid waste resources, and parking revenues. In addition, three departments that are under the control of Boards appointed by the Mayor and confirmed by the Council, namely the departments of Water and Power, Harbor and Airports, have also issued revenue bonds.

Conduit Debt Obligations

The City has issued bonds or entered into installment purchase contracts secured by and payable from loans and installment sale contracts to provide conduit financing for single and multi-family housing, industrial development and unrelated third-party 501(c)(3) nonprofit corporations. These conduit bonds and certificates of participation are not managed by the CAO and are not obligations of the General Fund or other City revenues.

Cash-flow Borrowings

The City annually issues tax and revenue anticipation notes (“TRANs”) to alleviate short-term cash flow needs that occur early in the fiscal year when taxes and revenues have not yet been received. The following table summarizes the City’s most recent TRANs issuances.

Table 34
TAX AND REVENUE ANTICIPATION NOTES

<i>Fiscal Year</i>	<i>LACERS</i>	<i>Fire and Police Pensions</i>	<i>Other Cashflow</i>	<i>Total Par Amount</i>
2019-20	\$539,935,000	\$680,670,000	\$434,425,000	\$1,655,030,000
2020-21	515,155,000	714,395,000	531,755,000	1,761,305,000
2021-22	579,765,000	695,960,000	578,365,000	1,854,090,000
2022-23	627,120,000	651,180,000	295,570,000	1,573,870,000
2023-24	664,980,000	627,070,000	196,790,000	1,488,840,000
2024-25	696,165,000	650,825,000	197,205,000	1,544,195,000

Source: City of Los Angeles, Office of the City Administrative Officer.

Summary of Long-Term Borrowings

The table below presents a statement of the City’s debt, while the subsequent two tables summarize the debt service to maturity of certain of these obligations. Direct Debt is usually defined as the total amount outstanding of “tax-supported” obligations, including general obligation bonds, lease revenue bonds, any certificates of participation secured by lease payments, and other obligations paid from property tax or other general revenues. Net Direct Debt excludes any general obligation bonds and lease obligations that are self-supporting from non-General Fund sources; no such deductions are included below. Overall Net Debt is usually defined to be the combination of City Net Direct Debt plus the net tax-supported debt of overlapping counties, school districts and special districts, including assessment and Mello-Roos special tax debt.

Table 35
NET DIRECT DEBT
As of June 1, 2024

	<i>Outstanding</i>
General Obligation Bonds	\$ 948,610,000
Lease Obligations ^{(1) (2)}	<u>1,339,426,818</u>
Gross Direct Debt Subtotal	\$ 2,288,036,818
Revenue Bonds ⁽²⁾	
Power Revenue (DWP) ⁽²⁾	\$ 11,427,445,000
Water Revenue (DWP) ⁽²⁾⁽³⁾	6,014,425,000
Department of Airports ⁽²⁾	10,290,155,000
Harbor Department ⁽²⁾⁽⁴⁾	493,770,000
Wastewater System	
Senior Revenue Bonds	869,190,000
Subordinate Revenue Bonds ⁽²⁾	1,563,140,000
Solid Waste Resources Fee	<u>278,360,000</u>
Revenue Bonds Subtotal	\$ 30,936,485,000
TOTAL CITY DEBT	\$ 33,224,521,818
Less:	
Revenue Bonds	<u>(30,936,485,000)</u>
NET DIRECT DEBT	\$ 2,288,036,818
Plus:	
Overlapping Debt ⁽⁵⁾	<u>17,507,619,310</u>
NET OVERALL DEBT	\$ 19,795,656,128

⁽¹⁾ See Table 32.

⁽²⁾ Does not include commercial paper.

⁽³⁾ Does not include California State Revolving Fund loans.

⁽⁴⁾ Does not include California Boating and Waterways Notes outstanding.

⁽⁵⁾ Overlapping debt information from California Municipal Statistics, Inc. as of June 1, 2024. See Table 43.

Source: City of Los Angeles, Office of the City Administrative Officer.

Table 36
DEBT SERVICE TO MATURITY ON DEBT PAYABLE
FROM AD VALOREM PROPERTY TAXES
As of June 1, 2024

<i>Fiscal Year</i>	<i>General Obligation Bonds</i>		<i>Total</i>
	<i>Principal</i>	<i>Interest</i>	
2024 ⁽¹⁾	\$ 91,070,000	\$ 46,946,261	\$ 138,016,261
2025	73,845,000	35,623,235	109,468,235
2026	66,790,000	32,827,134	99,617,134
2027	66,020,000	30,158,955	96,178,955
2028	64,560,000	27,622,723	92,182,723
2029	66,015,000	25,168,013	91,183,013
2030	61,300,000	22,740,310	84,040,310
2031	53,740,000	20,546,414	74,286,414
2032	53,660,000	18,512,718	72,172,718
2033	48,190,000	16,615,539	64,805,539
2034	48,190,000	14,852,553	63,042,553
2035	48,190,000	13,060,287	61,250,287
2036	48,190,000	11,233,581	59,423,581
2037	48,190,000	9,375,081	57,565,081
2038	48,190,000	7,484,790	55,674,790
2039	43,875,000	5,637,972	49,512,972
2040	30,065,000	4,118,439	34,183,439
2041	30,065,000	2,862,848	32,927,848
2042	30,065,000	1,603,283	31,668,283
2043	19,470,000	486,750	19,956,750
Total	\$ 1,039,680,000	\$ 347,476,886	\$ 1,387,156,886

⁽¹⁾ Includes the full fiscal year debt service including amounts paid prior to June 1, 2024. Principal payments are made on September 1.

Source: City of Los Angeles, Office of the City Administrative Officer.

Table 37
DEBT SERVICE TO MATURITY ON BONDED LEASE OBLIGATIONS
As of June 1, 2024⁽¹⁾

<i>Fiscal Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2024 ⁽²⁾	\$ 128,544,595	\$ 54,745,795	\$ 183,290,390
2025	127,065,117	55,653,849	182,718,966
2026	121,139,302	51,075,586	172,214,888
2027	125,709,518	46,158,881	171,868,398
2028	102,917,013	41,218,797	144,135,810
2029	96,710,289	36,808,368	133,518,657
2030	87,104,184	32,689,423	119,793,607
2031	91,167,395	28,614,407	119,781,802
2032	83,173,000	24,616,370	107,789,370
2033	76,296,000	20,941,649	97,237,649
2034	68,305,000	17,536,752	85,841,752
2035	67,869,000	14,737,498	82,606,498
2036	70,745,000	11,844,496	82,589,496
2037	73,872,000	8,704,430	82,576,430
2038	46,513,000	6,007,706	52,520,706
2039	34,506,000	4,200,698	38,706,698
2040	22,585,000	2,876,930	25,461,930
2041	20,475,000	1,816,438	22,291,438
2042	15,740,000	932,476	16,672,476
2043	7,535,000	376,750	7,911,750
Total	\$ 1,467,971,413	\$ 461,557,300	\$ 1,929,528,712

⁽¹⁾ Totals may not add due to independent rounding

⁽²⁾ Includes the full fiscal year debt service including amounts paid prior to June 1, 2024.

Source: City of Los Angeles, Office of the City Administrative Officer.

Debt Management Policies

The City first adopted a written debt policy in August 1998, which has been amended from time to time by ordinance, most recently in 2020. The City has also adopted policies for Mello-Roos financing, variable rate debt and swaps. See “BUDGET AND FINANCIAL OPERATIONS—Financial Management Policies.” The City’s Debt Management Policy establishes guidelines for the structure and management of the City’s debt obligations. These guidelines include target and ceiling levels for certain debt ratios to be used for planning purposes. The two most significant ratios are shown below.

Table 38
DEBT MANAGEMENT POLICY RATIOS

<i>Ratio</i>	<i>Ceiling</i>	<i>Actual 2022-23</i>	<i>Estimated 2023-24</i>	<i>Budget 2024-25</i>
Total Direct Debt Service as Percent of General Revenues ⁽¹⁾	15.0%	4.36%	4.30%	4.02%
Non-Voted Direct Debt Service as Percent of General Revenues ⁽¹⁾	6.0% ⁽²⁾	2.91%	2.59%	2.63%

⁽¹⁾ For purposes of the Debt Policy, General Revenues includes the General Fund, General Obligation Bond Debt Service Funds, and any tax revenues deposited into special funds that pay debt service on lease revenue bonds.

⁽²⁾ The 6% ceiling may be exceeded only if there is a guaranteed new revenue stream for the debt payments and the additional debt will not cause the ratio to exceed 7.5%, or there is not a guaranteed revenue stream but the 6% ceiling shall only be exceeded for one year.

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below provides a comparison of City debt ratios for its net direct debt outstanding for the past five fiscal years.

Table 39
FINANCIAL RATIOS

<i>As of June 30</i>	<i>Net Direct Debt</i>	<i>Net Debt Per Capita</i>	<i>Net Debt as Percent of Net Assessed Valuation</i>
2020	\$2,160,374,979	\$543	0.33%
2021	2,064,424,459	526	0.30
2022	2,168,271,002	568	0.30
2023	2,331,201,413	619	0.30
2024	2,288,036,818	600	0.28

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below shows debt service payable from the General Fund for long-term lease revenue obligations and, through 2019-20, judgment obligation bonds, as a percent of General Fund revenues.

Table 40
GENERAL FUND DEBT SERVICE AS A PERCENTAGE OF GENERAL FUND⁽¹⁾

<i>Fiscal Year</i>	<i>Total Debt Service</i>	<i>Paid From Special Revenue Funds</i>	<i>Net General Fund Debt Service⁽²⁾</i>	<i>General Fund Revenues⁽³⁾</i>	<i>Gross as Percent of GF</i>	<i>Net as Percent of GF</i>
2019-20	\$212,168,449	\$25,259,709	\$186,908,740	\$6,374,231,315	3.33%	2.93%
2020-21	181,176,205	22,591,091	158,585,114	7,009,426,788	2.58%	2.26%
2021-22	228,153,071	23,366,537	204,786,534	7,509,699,517	3.04%	2.73%
2022-23	215,250,937	23,108,430	192,142,507	7,565,062,068	2.85%	2.54%
2023-24 Estimated	172,951,390	19,666,099	153,285,291	7,596,425,557	2.28%	2.02%
2024-25 Adopted Budget	182,718,969	16,074,434	166,644,535	8,033,019,068	2.27%	2.07%

⁽¹⁾ Cash basis.

⁽²⁾ While all obligations reported in this table are payable from all legally available funds, a portion of this debt service is paid from certain special revenue funds. Net General Fund Debt Service represents the amounts actually paid out of General Fund revenues.

⁽³⁾ Excludes transfers from the Reserve Fund.

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below provides a schedule of debt retirement for net direct debt.

Table 41
RETIREMENT OF NET DIRECT DEBT
As of June 1, 2024

<i>Maturing Within</i>	<i>General Obligation Bonds</i>		<i>Bonded and Certificated Leases</i>		<i>Total</i>	
	<i>Maturing Principal</i>	<i>Cumulative % of Debt Retired</i>	<i>Maturing Principal</i>	<i>Cumulative % of Debt Retired</i>	<i>Maturing Principal</i>	<i>Cumulative % of Debt Retired</i>
>0 to 5 years	\$ 337,230,000	35.5%	\$ 573,541,239	42.8%	\$ 910,771,239	39.8%
>5 to 10 years	265,080,000	63.5	406,045,579	73.1	671,125,579	69.1
>10 to 15 years	236,635,000	88.4	293,505,000	95.0	530,140,000	92.3
>15 to 20 years	109,665,000	100.0	66,335,000	100.0	176,000,000	100.0
Total	\$ 948,610,000		\$1,339,426,818		\$ 2,288,036,818	

Source: City of Los Angeles, Office of the City Administrative Officer.

Variable Rate Obligations and Swap Agreements

The only variable-rate debt paid from General Fund revenues are the CP programs described above. There are no swap agreements payable from the General Fund.

Projected Additional Financings

The City currently anticipates the completion of some or all of the financings summarized in the table below secured in whole or in part by the City’s General Fund or other revenues and taxes. Lease revenue bonds or other borrowings in addition to those listed below may be approved for refundings or to finance real and personal property acquisitions and improvements.

Table 42
PROPOSED SCHEDULE OF BOND ISSUANCES⁽¹⁾
DEBT CALENDAR
(as of June 1, 2024)

	<i>Expected Sale Date</i>	<i>Estimated Amount</i>
Fiscal Year 2023-24 Debt Issuance		
General Obligation Bonds (Taxable) (Proposition HHH)	June 2024	\$150 million
2024 Tax and Revenue Anticipation Notes	June 2024	\$1.543 billion
Fiscal Year 2024-25 Debt Issuance		
Community Facilities District No. 4 (Playa Vista) Special Tax Refunding Bonds	September 2024	\$40 million
Los Angeles Wastewater System Revenue Bonds (CP Take-out)	Winter 2025	\$360 million
Los Angeles Wastewater System Refunding Revenue Bonds	Winter 2025	TBD
MICLA Lease Revenue Bonds (Capital Equipment and Real Property) (CP Take-out)	Spring 2025	\$220 million
2025 Tax and Revenue Anticipation Notes	Summer 2025	TBD
Future Fiscal Years		
General Obligation Bonds (Taxable) (Proposition HHH)	Spring 2026	\$86.02 million
General Obligation Bonds (Proposition O)	TBD	\$60.5 million

⁽¹⁾ Subject to change. Excludes commercial paper issuances.
Source: City of Los Angeles, Office of the City Administrative Officer.

Overlapping Bonded Debt

Contained within the City are numerous overlapping local agencies providing public services. Many of these local agencies have outstanding bonds issued primarily in the form of general obligation, pension obligation, lease revenue, special tax, and special assessment bonds. A statement of the overlapping debt of the City, prepared by California Municipal Statistics Inc., is shown in the following table. The City makes no representations as to its completeness or accuracy. Self-supporting revenue bonds, and non-bonded capital lease obligations are excluded from the debt statement. The City anticipates issuing additional bonded debt. See “BONDED AND OTHER INDEBTEDNESS—Introduction” and “Projected Additional Financings.” The City also anticipates that new special assessment and special tax districts may be created in the future within the City, and that debt supported by these special assessments and special taxes may be issued.

Table 43
STATEMENT OF OVERLAPPING DEBT
As of June 1, 2024

2023-24 Assessed Valuation: \$819,772,705,348

Redevelopment Incremental Valuation: \$73,933,167,200

	<u>Outstanding</u>	<u>Estimated</u>	<u>Estimated</u>
<u>OVERLAPPING DEBT REPAYED WITH PROPERTY TAXES:</u>	<u>Debt 6/1/24</u>	<u>% Applicable</u>	<u>Share of Overlapping</u>
			<u>Debt 6/1/24</u>
Metropolitan Water District	\$18,210,000	21.228%	\$ 3,865,619
Los Angeles Community College District	5,209,260,000	72.155	3,758,741,553
Beverly Hills Unified School District	616,937,917	0.157	968,593
Inglewood Unified School District	166,325,000	0.715	1,189,224
Las Virgenes Joint Unified School District	175,935,208	0.877	1,542,952
Los Angeles Unified School District	13,891,740,000	88.100	12,238,622,940
Other School Districts	621,794,356	Various	390,728
City of Los Angeles Community Facilities District No. 4	50,660,000	100.	50,660,000
City of Los Angeles Community Facilities District No. 8	5,120,000	100.	5,120,000
City of Los Angeles Community Facilities District No. 11	21,415,000	100.	21,415,000
Mountains Recreation and Conservation Authority Assessment Districts	12,760,000	100.	12,760,000
Los Angeles Unified School District supported general obligation bonds			(263,838,740) ⁽³⁾
 <u>OTHER OVERLAPPING DEBT:</u>			
Los Angeles County General Fund Obligations	\$2,479,229,730	40.881%	\$1,013,533,906
Los Angeles County Superintendent of Schools Certificates of Participation	2,857,300	40.881	1,168,093
Pasadena Area Community College District Certificates of Participation	28,785,000	0.001	288
Inglewood Unified School District Certificates of Participation	1,050,000	0.715	7,508
Las Virgenes Joint Unified School District Certificates of Participation	8,079,398	0.877	70,856
Los Angeles Unified School District Certificates of Participation	471,590,000	88.100	415,470,790
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	\$245,930,000	100. %	\$245,930,000
 SUBTOTAL, OVERLAPPING DEBT			 \$17,507,619,310
City of Los Angeles General Obligation Bonds ⁽¹⁾	\$948,610,000	100. %	\$ 948,610,000
City of Los Angeles General Fund Obligations	1,339,426,819	100.	<u>1,339,426,819</u>
TOTAL CITY OF LOS ANGELES DIRECT DEBT			\$2,288,036,819
 TOTAL DIRECT AND OVERLAPPING DEBT ⁽²⁾			 \$19,795,656,129

⁽¹⁾ Excludes the City of Los Angeles General Obligation Bonds, Series 2024-A (Taxable)(Social Bonds), anticipated to be issued in July 2024.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

⁽³⁾ Represents applicable amount of accumulated set-aside deposits for Qualified School Construction Bonds, which are deducted from outstanding principal.

Source: California Municipal Statistics, Inc.

OTHER MATTERS

Seismic Considerations

The City is subject to unpredictable and significant seismic activity. A number of known faults run through the City, and the City lies near the San Andreas Fault, which is the boundary between the Pacific and North American tectonic plates. The complex Los Angeles fault system interacts with the alluvial soils and other geologic conditions in the hills and basins of the area. This interaction poses a potential seismic threat for every part of the City, regardless of the underlying geologic and soils conditions. In addition, there are likely to be unmapped faults throughout the City. The most recent major earthquake, the Northridge earthquake in 1994, occurred along a previously unmapped blind thrust fault. The City generally does not maintain earthquake insurance coverage; see “BUDGET AND FINANCIAL OPERATIONS—Risk Management and Retention Program.”

Environmental and Social Considerations

The change in the earth’s average atmospheric temperature, generally referred to as “climate change,” is expected to, among other things, increase the frequency and severity of extreme weather events and cause substantial flooding. The City cannot predict the timing, extent, or severity of climate change and its impact on the City’s operations and finances. Climate change may be a factor in the increased incidence of wildfire in the City and elsewhere in the County and the State. Also, additional actions to address climate change may be necessary and the City can give no assurances regarding the impact of such actions on the City’s operations and finances.

In January 2018, the City released a “Local Hazard Mitigation Plan” which identified a number of risks, provided an assessment of potential damage that might result from those risks, and identified certain mitigation strategies. Identified risks included earthquake, adverse weather, drought and flood. The plan also identified various ways in which such risks could be mitigated. The City currently expects to issue an update to the plan in late 2024.

In addition, the City Council created a standing committee to review all matters relating to “Energy and Environment.” The City has also created a Climate Emergency Mobilization Office within its Department of Public Works, which coordinates various City and community entities to implement equitable and just climate policies. The City has also hired a Chief Heat Officer, who will lead efforts to respond to extreme heat events and coordinate with various City departments and other agencies, given the understanding that heat-related deaths and hospitalizations disproportionately affect low-income communities. Furthermore, the City established a Climate Impact Team within the Office of the City Administrative Officer in 2023, which is responsible for establishing budgetary metrics and goals to assist the City government in reaching zero greenhouse gas (GHG) emissions by 2045. The team is working to include GHG impacts in budgetary decisions for City services, capital projects, and procurement policies.

Among the specific initiatives to enhance climate resiliency being undertaken by the City include various improvements to the City’s wastewater treatment plants in order to recycle all their flow for beneficial use, construction of a series of groundwater remediation projects to further reduce the City’s reliance on imported water and mitigate the impacts of prolonged drought, exploration of the use of specially designed “cool roofs” to manage the effect of rising temperatures in urban environments, and tests of the effects of “cool pavement” (a special coating applied to city streets) to manage urban temperatures. As part of the Fiscal Year 2022-23 Adopted Budget, the Bureau of Engineering was directed to develop and implement a plan for decarbonization of the City’s facilities, and the Bureau of Sanitation was directed to track and report on municipal greenhouse gas emissions according to the Local Government Operations Protocol. The Bureau of Engineering is anticipated to release a Building Decarbonization Workplan by 2025, which will establish a multi-year prioritization of projects to decarbonize all 965 existing City buildings and facilities by 2035. The Bureau of Sanitation releases its Annual Municipal Greenhouse Gas Inventory Report in the first quarter of each calendar year. The report

provides a comprehensive overview of the City’s efforts to manage municipal greenhouse gas emissions and details the City’s progress towards emissions reductions. The most recent report was presented in February 2024, with data through Calendar Year 2022. In addition, the Fiscal Year 2024-25 Adopted Budget provided \$1.5 million in funding for the creation of a City Climate Action Plan with the goal of achieving carbon neutrality by no later than 2045.

The City has also taken various actions to address matters of social equity, including new programs to advance racial and economic justice; new models to help reimagine public safety; strategies to help keep streets clean and deliver city services more quickly; and investments intended to empower young people and place them on a path to success.

Among the areas where both environmental and equity considerations come into play are in the City’s Capital Technology and Improvement Program (the “CTIP”). Among the criteria used in prioritizing capital funding are resiliency and sustainability projects that improve public health and the environment through improved water resources, air quality, reduction in greenhouse gas emissions, and habitat protection and projects that contribute toward economic development and/or promote social equity to benefit underserved communities, including those with low-income households, low community engagement, and low mobility or access to transportation systems. See “BUDGET AND FINANCIAL OPERATIONS—Capital Program.” In an effort to identify capital investments that work towards achieving the City’s climate change mitigation, resilience, and sustainability goals, projects proposed for funding are labeled as Green Investments if they support climate goals as outlined in the Plan and are in alignment with the Green Bond Principles established by the International Capital Market Association.

In addition, an Equity Impact (EI) Score is calculated for capital projects in order to include the intended social impact of projects as part of the funding prioritization process. The EI score for site-specific projects combines an evaluation of community impact as well as the EI score from the City’s Measure of Access, Disparity, and Equity platform. Regional or city-wide projects are evaluated on the community impact and ability to prioritize either communities in need or disparities in service delivery. Higher EI scores indicate that a project has a greater social impact, including addressing the needs of the most disadvantaged communities within the City. This process is part of the City’s Equity in Budget program that aims to analyze the equity impact of budget proposals. The Measure of Access, Disparity, and Equity platform includes an index that demonstrates neighborhoods for priority based on socioeconomic factors as well as a tool to evaluate disparities of service delivery or access to infrastructure. This platform supports the CTIP Equity Impact Scores as well as the City’s overall Equity in Budget program.

Cybersecurity

The City relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, and sensitive information, the City and its departments face multiple cyber threats, including hacking, viruses, malware, and other attacks on computers and other sensitive digital networks and systems. There have been, however, only limited cyber-attack disruptions on the City’s computer system to date. For example, in 2019, the City experienced a cyber-attack that impacted a cloud-hosted system at a City department. The attack potentially involved certain personal information of about 20,000 applicants who went through the LAPD recruitment process. The City mitigated the attack and notified all the affected individuals immediately. The City installed a web application firewall and endpoint protection system to quickly identify and respond to cyber-attacks targeted at the department’s web application systems.

In 2013, the City created the Cyber Intrusion Command Center (the “CICC”) under a Mayoral Executive Directive to coordinate cybersecurity preparation and response across City departments. The CICC is comprised of key City departments, cybersecurity professionals, and local and federal law enforcement experts. The CICC has assisted the City in establishing policies for data classification, information handling, and cybersecurity prevention and response protocols. In 2015, the City established an Integrated Security Operations Center (the “ISOC”) with cybersecurity professionals for cyber-attack monitoring and response. In addition, the City has

identified critical data assets and applied additional cyber defenses through its Critical Asset Protection program. The City conducts cyber security awareness training for all City employees with computer access, conducts phishing email tests, and provides periodic cybersecurity newsletters and workshops to its employees. In 2017, the City consolidated and distributed a comprehensive Information Security Policy Manual with sections dedicated to City employees, City managers, and City technology professionals. Also, the City conducts annual “penetration tests” to identify and remediate any potential weaknesses in its networks and weekly cyber vulnerability scanning on City servers and websites accessible by the Internet. In 2020, the ISOC enabled secure remote access for approximately 18,000 City workers during the COVID-19 pandemic. The City implemented Multi-Factor Authentication and a single sign-on service, retiring outdated infrastructure and introducing a “Cybersecurity Risk Score” system for departments, providing general managers with a way to determine the level of Cybersecurity preparedness within their respective departments. In 2022, the City adopted Attack Surface Management (“ASM”) to identify and remediate vulnerabilities and potential attack vectors to the City’s public-facing digital assets. It established a comprehensive Cybersecurity Asset Management system, Critical Asset Protection, and the Cyber Watchlist for robust cybersecurity measures. In 2023, the City focused on the principle of “Zero Trust” - a modern security strategy based on the principle of never trust, always verify. To align with this strategy, the City has focused on identifying applications throughout the City to see that they are fully protected. To help achieve the verification, the City has been an active participant in multiple tabletop exercises conducted in partnership with the Department of Homeland Security, California Cybersecurity Integration Center, Joint Regional Intelligence Center, and the County of Los Angeles.

No assurances can be given that the City’s security and operational control measures will be successful in guarding against any and each cyber threat and attack. The results of any attack on the City’s computer and information technology systems could impact its operations and damage the City’s digital networks and systems, and the costs of remedying any such damage could be substantial.

Clean Water Compliance

General. The Clean Water Act (“CWA”) regulates the discharges of pollutants into the waters of the United States by establishing water quality standards. The CWA requires states to identify “impaired” water bodies and to develop a Total Maximum Daily Load (“TMDL”) for each pollutant contributing to the impairment. The CWA makes it unlawful to discharge any pollutant into waters protected by the CWA unless a permit is first obtained. The U.S. Environmental Protection Agency’s (“EPA’s”) National Pollutant Discharge Elimination System (“NPDES”) permit program controls these discharges. With respect to the City, the EPA has delegated permitting and direct enforcement under its NPDES program to the Los Angeles Regional Water Quality Control Board (“LARWQCB”).

On July 23, 2021, the LARWQCB adopted the National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System Permit (“MS4 permit”) Order No. R4-2021-0105, which became effective on September 11, 2021. The MS4 permit establishes TMDL pollutant limits that can be discharged into water while still meeting water quality standards and objectives. Eighty-four of the 88 cities in Los Angeles County (including the City), the Los Angeles County Flood Control District (LACFCD), and the Counties of Los Angeles and Ventura are covered by this Regional MS4 permit. The City is currently subject to 22 TMDLs, encompassing a total of 192 pollutants, in the Los Angeles River, Ballona Creek, the Santa Monica Bay shoreline, Dominguez Channel, Marina Del Rey, and several lakes within the City. The City will likely become responsible for more TMDLs in the coming years. The TMDL compliance deadlines are spread out through 2037.

The MS4 permit allows the responsible agencies the option of working together to develop and implement Watershed Management Programs (“WMPs”) to address permit and TMDL requirements as long as the final compliance milestone has not passed. As the requirements of the MS4 permit cross multiple local jurisdictions, the City collaborated with other participating agencies on the development of the WMPs, which were initially approved by the LARWQCB in 2016 and were revised and updated in 2021. The Ballona Creek, Santa Monica Bay Jurisdictional Groups 2 and 3, and Upper Los Angeles River WMPs were approved in 2023

and 2024. The Dominguez Channel Revised WMP was conditionally approved in 2023, with final approval expected in early 2025.

Non-compliance with the MS4 permit and applicable TMDLs could result in enforcement action by the LARWQCB, civil or administrative penalties and fines, and potentially third-party lawsuits. For example, under State law, the LARWQCB may levy administrative fines of up to \$10,000 per pollutant per day of violation and impose mandatory minimum penalties of \$3,000 per pollutant per day of violation. In addition, under federal law, the LARWQCB may seek civil liabilities of up to \$53,484 per pollutant per day, reflecting an increase in accordance with the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. Additionally, private citizens or the EPA can pursue penalties if the LARWQCB does not enforce a violation. The City is responsible for its own fines, penalties and costs incurred as a result of non-compliance.

Several final TMDL compliance milestones have become effective, including those for the Santa Monica Bay Bacteria, Ballona Creek Dry Weather Bacteria, Marina del Rey Toxics, Machado Lake Nutrient, and Machado Lake Pesticides and Polychlorinated Biphenyls. In 2019, the Ballona Creek Watershed Management Group (WVG) faced the compliance deadline for the Ballona Creek Dry Weather Bacteria TMDL after its initial Time Schedule Order (TSO) expired. The WVG had requested an extension in December 2019, before the TSO expired, justifying the need due to delays in environmental reviews and permitting processes. The LARWQCB denied the WVG's extension request in August 2023. Although the LARWQCB has not yet issued any Minimum Mandatory Penalties for this TMDL, it is expected to do so soon. For the Machado Lake Nutrients TMDL, Notices of Violation (NOVs) were issued to the City and other permittees in January 2024. These parties are contesting the NOVs, and the RBWQCB's response is anticipated shortly. As more final milestones are reached, the City can expect additional fines and penalties for non-compliance with water quality objective limits.

To comply with the MS4 Permit where final milestones have not yet passed, significant funding is needed for capital, and operation and maintenance costs to implement the WMPs and its minimum control measures established by the MS4 permit. The City has partially funded the monitoring and reporting programs required by the MS4 permit by using existing Stormwater Pollution Abatement (SPA) funds (primarily funded by the SPA Charge on property), Measure W – The Los Angeles Region Safe, Clean Water Program funds (Measure W, as described below), and by implementing cost sharing agreements between other municipalities. Unless relief is granted, the City could potentially face fines for failing to meet more TMDL milestones that will take effect by 2026.

The City's share of the costs of the approved WMP projects required to meet the TMDLs through 2037 is estimated to be approximately \$8 billion. Estimating project costs over such a long time period is inherently difficult and no assurance can be provided that the City's projections are accurate. While a portion of these costs is funded through the Measure W county-wide parcel tax, like many other impacted municipalities, as further discussed below, the City has not identified funding sources for a significant portion of these costs. To the extent other funding sources are not available, the General Fund could be impacted.

As discussed above, one source of funding for these Clean Water costs is a special parcel tax approved by Los Angeles County voters. On November 6, 2018, Los Angeles County voters approved Measure W, a parcel tax of 2.5 cents per square foot of impermeable surface to support the costs of stormwater-related projects and activities. The tax has been collected on property tax bills countywide beginning in Fiscal Year 2019-20 and has generated approximately \$300 million per year to date. This program is administered by the LACFCD. Revenues are allocated to three sub-programs: municipal, regional, and administrative. Fifty percent of revenues are allocated for region-wide projects and are awarded on a competitive basis. Forty percent of revenues are allocated to municipalities in the same proportion as the amount of revenues collected within each municipality. The remaining ten percent is allocated to the LACFCD for implementation and administration of the Measure W Program. Eligible uses for revenues include projects that provide a water supply and/or quality benefit and a community investment benefit.

The City budgeted \$36.3 million from this source (municipal returns) in the Fiscal Year 2024-25 Adopted Budget. In addition, the City competes for project funding from the Measure W Regional Program administered by the LACFCD. Under the regional program, the City (Bureau of Sanitation, Bureau of Street Services, and the Department of Water and Power) has secured funding totaling \$187.5 million over the next five years for capital improvement projects, operations and maintenance, and scientific studies.

As the regional program progresses, the City anticipates approximately \$30 million to \$35 million annually in regional returns.

In November 2004, the City of Los Angeles voters passed Proposition O, the Clean Water General Obligation Bond, authorizing the sale of \$500 million in general obligation bonds to finance projects that protect public health by cleaning up pollution in the City's rivers, lakes, and beaches. To date, the City has issued \$439.5 million in general obligation bonds for Proposition O and has \$60.5 million remaining in authorized but unissued authority, and expects to leverage bond proceeds to support Measure W projects seeking regional funding.

Hyperion Water Reclamation Plant Incident. On July 11, 2021, the City's largest wastewater treatment plant, the Hyperion Water Reclamation Plant (the "Plant"), experienced a major flooding of wastewater. The flooded wastewater entered the Plant's one-mile outfall, discharging approximately 12.5 million gallons of untreated wastewater into the Santa Monica Bay. The Plant suffered major damage to critical equipment and vehicles. The event was contained and, following months of cleanup and restoration, normal Plant operations resumed in 2021.

Several civil lawsuits (*Mecklenburg v. Hyperion Water Reclamation Plant, Abdelnur, Katarina et al. v. City of Los Angeles, Konig, Joshua v. City of Los Angeles, and Ace American Insurance v. City of Los Angeles*) have been filed against the City in connection with this incident, and have been determined to be related by the court. It is still too early in the litigation process to evaluate the likelihood of an unfavorable outcome to the City or the amount or range of potential liability.

There are ongoing and potential civil, criminal, and administrative investigations and proceedings initiated by state and federal authorities in connection with this incident, including potential negligent unauthorized discharge of a pollutant into waters of the United States in violation of the Clean Water Act, 33 U.S.C. §1319(c)(1)(A). On March 29, 2023, the Los Angeles Regional Water Quality Control Board filed an administrative civil complaint seeking a penalty of over \$21.7 million. The City is also aware of other potential penalties (currently estimated to be approximately \$30 million, including certain amounts related to the Plant but unrelated to the incident) and other proceedings being considered by governmental authorities. The City has resolved certain matters with various authorities resulting in required capital project investments related to the Plant (although some capital projects are unrelated to the incident). All of these capital projects are provided in the City's CTIP related to the wastewater system and most of these projects are either completed or currently underway. Other discussions between the City and certain authorities are ongoing. The City cannot at this time determine what the full financial or other impacts of this incident will be; however, costs are expected to be substantial, including costs resulting from any litigation, fees and fines, and additional capital project investments. The incident could also result in the potential loss of federal and state grants and loans, which could be in the amount of tens of millions of dollars or more. It is expected that any financial impact would be limited to the City's wastewater enterprise fund, however, the City cannot provide any assurances that this incident and resulting matters would not have a material impact on the General Fund or other City enterprises.

General Fund Subsidy of Solid Waste Activities

Currently, the City's solid waste resources fees do not fully support the solid waste operations. The total General Fund subsidy related to the City's solid waste operation budgeted for Fiscal Year 2024-25 is \$134.8 million, which includes General Fund subsidies for the Solid Waste Resources Revenue Fund (\$131.4 million) and the Multi-Family Bulky Item Revenue Fund (\$3.4 million).

Unless recovered through increased solid waste resources fees, solid waste collection, processing and disposal costs in excess of revenues and other available funds would be borne by the City's General Fund.

Costs payable from the Solid Waste Resources Revenue Fund have increased in large part due to recently effective requirements requiring the composting of certain organic materials. Beginning January 1, 2022, State law (SB 1383) implements requirements for the reduction of organic waste disposal (e.g., food waste, green waste, paper products) by 75 percent by 2025 (from 2014 levels). In response, in January 2023, the Bureau of Sanitation expanded the organic waste collection and composting program from 40,000 households to all 740,000 households serviced by the Bureau of Sanitation. Due to the more intensive processing costs of composting commingled organics, the cost has increased from an average of \$60 per ton in Fiscal Year 2021-22 to an average of \$125 per ton in Fiscal Year 2023-24.

General Fund Subsidy of Other Special Fund Activities

While it is the City's goal that its special funds fully reimburse the General Fund for all direct expenditures and related costs associated with their programs, there are a number of cases where the General Fund subsidizes such activities. The amount of such subsidies is reported annually as part of the City's budget process. The total amount of subsidies estimated in the Fiscal Year 2024-25 Adopted Budget totals \$443.8 million (which includes the subsidy related to solid waste collection, processing and disposal described above).

In addition to the solid waste subsidy described above, the largest of such General Fund subsidies are for programs that have long received General Fund appropriations to supplement their limited special funding. Fiscal Year 2024-25 funding includes \$50.3 million to supplement special fund revenues for the Department of Recreation and Parks, \$24.8 million to subsidize certain planning and land use applications, and \$14.7 million in overhead costs associated with the use of state gas tax funds, which are appropriated to various departments to finance eligible street improvements. Other notable expenses reported as a General Fund subsidy are \$24.6 million to support the Los Angeles Zoo, \$17.3 million to supplement revenues collected through the City's Stormwater Pollution Abatement Charge, and \$16.9 million to supplement revenues that pay for the maintenance and operation of the street lighting system.

Another program that may require subsidy in the future is the City's transit operations. The City receives funding from the City's share of Los Angeles County Metropolitan Transportation Authority ("LACMTA") Proposition A sales tax receipts. The required level of funding of City-financed transit service is estimated to be approximately \$289 million annually and the annual ongoing revenue within the Proposition A Local Transit Assistance (Proposition A) Fund is projected to be approximately \$204 million, resulting in a structural deficit of approximately \$85 million annually. While the Fiscal Year 2024-25 Adopted Budget is balanced by the use of available balances in the Proposition A Fund and shifting some expenditures to other special funds, the City expects to release an updated Transit Services Analysis in 2025-26 that will include options to resolve the ongoing structural deficit in future years. One of those options may include General Fund appropriations. In addition, under the Countywide Measure M sales tax measure for transportation projects, the City is required to provide matching funds (which may be through construction of transportation projects) in the amount of 3 percent of the cost of rail projects undertaken by LACMTA. LACMTA currently estimates the City's contribution for rail projects currently underway at approximately \$182.5 million (future rail projects will require additional City contributions). The City intends to maximize the use of special funds to meet its contribution requirement under Measure M but to the extent special funds are not available, the City will need to contribute moneys from the General Fund or risk losing future Measure M local return revenue (estimated at \$72.4 million in Fiscal Year 2023-24).

2028 Olympic and Paralympic Games

The City has been selected by the International Olympic Committee ("IOC") as the host city for the 2028 Olympic and Paralympic Games ("2028 Games"). The local host committee is the Los Angeles Organizing Committee for the Olympic and Paralympic Games 2028 ("LA28"). As a condition of the City's selection, the

City entered into a Host City Contract (“HCC”) with the United States Olympic Committee (“USOC”) and the IOC that identifies contractual commitments of the parties relating to insurance, indemnification, event requirements, operations, deliverables, efforts to cooperate, and financial obligations of the parties. The HCC includes an advance payment from the IOC totaling \$180 million paid over five years to LA28 to support operations.

Independent from the City, LA28 has developed a 2028 Games budget of \$6.88 billion, with all funding from non-City revenue sources. The 2028 Games budget is subject to change and may be impacted by the value of sponsorships, ticket sales and hospitality, licensing and merchandising, and cost escalation. The 2028 Games budget anticipates the use of existing venues, facilities, and infrastructure and does not anticipate it will be necessary to construct new permanent venues or extensive capital projects specific to hosting the 2028 Games. Further, the 2028 Games budget assumes federal support for public safety and security in accordance with the United States Department of Homeland Security designation of the 2028 Games as a National Special Security Event on January 30, 2024.

In adopting the HCC, the City has guaranteed that it will cover any potential financial shortfall of LA28 in its delivery of the 2028 Games, including potential reimbursements of any advance payments by the IOC to LA28 in the event of a contingency such as a full or partial cancellation of the Games. To mitigate the City’s financial risk associated with the 2028 Games budget and its HCC guarantee to cover financial shortfalls, the City and LA28 entered a Games Agreement to memorialize the relationship, roles and responsibilities between the parties. The Games Agreement specifies several financial and risk management protections to the City, reporting and transparency requirements, and other actions governing administration of the 2028 Games, including but not limited to:

- City representation on the LA28 Board of Directors;
- the requirement for written consent of the City to modify the Games venue plan and for any financial commitments and guarantees of City funds related to the 2028 Games;
- the agreement by LA28 to reimburse the City and other municipalities for the incremental cost of performing enhanced municipal services (e.g., police, fire, sanitation, traffic control, and parking enforcement) in support of the 2028 Games;
- the establishment by LA28 of an Allocated Contingency account of \$270 million, whereby LA 2028 will make allocations to this account on a periodic basis beginning in 2024 until a cumulative balance of \$270 million is reached in 2029 and which may only be utilized, with the City’s prior written consent, to cover expenditures in the event that other actual or projected LA28 revenues are not available therefor;
- the requirement for LA28 to obtain insurance policies at its own expense, to include the City as an additional insured, and to incorporate contractual indemnification language into any venue use agreements it executes; and
- the agreement by LA28 that it shall not seek funds from the City to defray any financial deficit associated with the 2028 Games unless and until LA28 funds are fully expended and exhausted, LA28 has made commercially reasonable efforts to obtain full coverage for covered claims from all valid and collectible liability insurance policies it has procured, and LA28 has made commercially reasonable efforts to recover funds from all third parties who owe payments to LA28.

Other cities that hosted the Olympic Games and the Paralympic Games have incurred significant financial obligations. While, as described above, the City currently expects that costs of the 2028 Games will be paid from non-City revenues sources, there can be no assurances that significant General Fund expenditures will not be required.

Public Corruption Matters

On June 13, 2023, the Los Angeles County District Attorney charged Curren D. Price, Jr., a member of the City Council, with two counts of conflict of interest in violation of California Government Code Section 1090(a), three counts of perjury, and five counts of embezzlement of government funds. The criminal complaint alleges that: (a) Delbra Richardson (or Del Richardson), Mr. Price's purported spouse, received payments totaling approximately \$160,000 between 2019 and 2021 from developers before Mr. Price voted to approve projects; (b) Mr. Price failed to list certain payments allegedly received by Delbra Richardson on government disclosure forms; and (c) Mr. Price fraudulently received about \$33,800 in medical coverage premiums for Delbra Richardson between 2013 and 2018 before she was legally his wife. The matter remains under investigation by the District Attorney's Bureau of Investigation. The City cannot predict the outcome of this investigation.

Potential Loss of Indemnification for Scooter Related Claims

Under the dockless mobility permits issued by the City's Department of Transportation, companies providing dockless mobility vehicles are required to indemnify the City for any injuries that occur in the City's public right-of-way and provide and pay for the City's defense of any claims and litigation relating to such matters ("Indemnified Claims"). In December 2023, Bird Global, Inc. ("Bird"), one of the companies providing dockless mobility scooters in the City pursuant to such a permit, filed for Chapter 11 bankruptcy in U.S. Bankruptcy Court in the Southern District of Florida. The City estimates that there are approximately \$80 million in Indemnified Claims relating to Bird's operations in the City for which Bird is to indemnify the City and provide and pay for the defense against such claims. The City is defending its interest in the bankruptcy proceedings relating to Bird; however, the City cannot provide any assurances that all of these Indemnified Claims relating to Bird's operations in the City will ultimately be paid for by Bird or its insurers or defended against by Bird. In addition, another company providing dockless mobility scooters in the City, Superpedestrian Inc. ("Superpedestrian"), shut down its operations as of the end of 2023. The City is assessing the extent of Indemnified Claims relating to Superpedestrian's operations in the City. To the extent it is determined that these scooter companies are not required to, or are unable to, indemnify the City and provide and pay for the defense against these Indemnified Claims, the City may ultimately incur significant additional costs to pay such claims or to defend itself against such claims.

City Mobility Plan Street Improvement Measures Initiative Ordinance

In August 2022, a citizen-sponsored initiative petition was qualified to submit a proposed ordinance to a vote of the electors of the City at the March 2024 election. On December 15, 2023, the City Council approved the proposed ordinance, Measure HLA, to be placed on the March 2024 ballot. On March 5, 2024, voters approved Measure HLA.

The ordinance requires the implementation of street modification projects whenever the City makes an improvement to at least a one-eighth mile segment of a road or sidewalk based on the City's Mobility Plan concept maps and general guidelines. The Mobility Plan is a 20-year City planning document that contains goals, objectives, and policy guidelines for creating a connected network of multimodal street modifications intended to provide safe access to public spaces and promote environmentally friendly modes of transportation for drivers, pedestrians, bicyclists, and users of public transportation. It does not identify nor require the implementation of specific street modification projects. The ordinance also requires the City to provide publicly accessible data through an open portal or website for monitoring Mobility Plan projects. Further, the ordinance allows any City resident to file a lawsuit against the City to require compliance with the requirements of the measure.

According to the City Administrative Officer, the cost to implement Bicycle Networks and sidewalk repair in the Pedestrian Enhanced Districts in the Mobility Plan is projected to be \$3.1 billion, in addition to the cost of community engagement, estimated to range between \$16.7 million to \$80.2 million. Other costs

associated with implementing the Neighborhood, Transit, and Vehicle Enhanced Networks in the Mobility Plan are unknown. The ordinance may cause delays in the resurfacing of streets along Mobility Plan networks and reduce the amount of annual resurfacing. A delay of one year is projected to cost \$73.0 million, while a delay of 10 years is anticipated to cost \$1.39 billion or more, in addition to deferred maintenance and liability costs. Costs to administer the ordinance and develop the data portal are unknown. The ordinance may increase litigation costs against the City and does not identify a new funding source for the required expenditures.

LITIGATION

The City is routinely a party to a variety of pending and threatened lawsuits and administrative proceedings that may affect the General Fund of the City. The City is required to accrue liabilities arising from claims, litigation and judgments when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. See “BUDGET AND FINANCIAL OPERATIONS—Risk Management and Retention Program.” The following list of certain recently completed, pending or threatened lawsuits and proceedings involving the City was prepared by the Office of the City Attorney, and includes matters that, if determined in a final and conclusive manner adverse to the City, may, individually or in the aggregate, materially affect the General Fund’s financial position.

1. *False Claims Act Claim.*

The City Attorney was advised by letter, dated November 30, 2011, that the Civil Fraud Section of the U.S. Department of Justice was investigating whether the City allegedly violated the False Claims Act (“FCA”) in connection with certain federal accessibility law compliance certifications to the U.S. Department of Housing and Urban Development (“HUD”).

On June 7, 2017, the U.S. District Court of the Central District of California released its order announcing DOJ’s election to intervene, on behalf of two private parties pursuing litigation against the City for FCA violations arising out of such certifications and other state common law claims against the City. If the DOJ is successful in its suit, the City could face potential exposure to treble damages calculated based on the City’s receipt of Community Development Block Grant (“CDBG”), HOME Investment Partnership, and Housing Opportunities for People with AIDS (“HOPWA”) funds from February 2005 through August 2019, estimated to be approximately \$1.7 billion (which includes treble damages), as well as related civil penalties. The City disputes that it has violated the FCA, disputes that it is liable for any of DOJ’s claims, and disputes that the plaintiff has been damaged, or is entitled to any monetary relief at all, including statutory penalties. In order to bring resolution to this matter, the City has been in discussions with the DOJ. The City currently expects to resolve this matter for an amount of approximately \$45 million. The City cannot provide any assurances as to the final outcome of the matter until agreed to and approved by all parties and approved in court.

2. *Clear Channel Outdoor, Inc.*

Clear Channel filed a Claim for Damages, dated February 1, 2018, for an amount in excess of \$100 million arising from a federal appellate court decision invalidating a settlement agreement between the City and certain outdoor advertising companies (the “Summit Media Decision”). The claim alleges: (i) violation of the City’s representations and warranties in the settlement agreement that the conversions of its existing signs to digital technology did not violate the City’s regulations, and (ii) that just compensation is due under the California Outdoor Advertising Act. The City denied the claim by letter dated March 1, 2018. The parties most recent tolling agreement expired on February 1, 2024. The City has yet to execute another tolling agreement. Clear Channel has four years to file suit.

3. *Brewster v. City of Los Angeles.*

On or about November 2, 2014, plaintiffs filed a putative class action in Federal District Court for damages pursuant to 42 U.S.C. § 1983. The complaint alleged that the City violated the plaintiffs’ rights under

the Fourth Amendment of the U.S. Constitution, and related state laws, by impounding vehicles without a warrant for 30 days pursuant to Vehicle Code section 14602.6.

The Federal District Court granted the City’s motion to dismiss the complaint on March 19, 2015. The plaintiffs appealed the Federal District Court’s dismissal to the Ninth Circuit Court of Appeals. On June 21, 2017, the Ninth Circuit Court of Appeals reversed the District Court’s decision to dismiss the complaint. On March 19, 2018, the U.S. Supreme Court denied the City’s request to review the Ninth’s Circuit’s decision. On August 5, 2021, the District Court certified two classes and denied the certification of a third. On May 9, 2023, the District Court granted plaintiffs’ motion for summary judgment, holding that the City violated plaintiffs’ rights under the U.S. and California Constitutions. Although the District Court did not issue a judgment, liability is probable. Following the District Court’s May 9, 2023 order, the plaintiffs again moved to certify the third class and, on July 17, 2023, the District Court certified the third class. In their motions to certify the classes, the plaintiffs estimated the City’s liability at \$99 million. The City has every expectation to appeal any adverse judgment.

4. *Blue Cross of America v. City of Los Angeles.*

On March 30, 2017, Blue Cross filed a protective tax refund claim of business taxes paid for tax year 2015, under Article XIII, Section 28 of the California Constitution, which exempts “insurers” from local business taxes on account of being subject to a higher State income tax. Blue Cross’ protective refund action arises out of a separate action in *Los Angeles County Superior Court, entitled Michael D. Myers v. State Board of Equalization, et al.* (BS143436). Myers proceeded under a California statute that permitted an individual taxpayer to sue a governmental agency when the taxpayer believes the agency has failed to enforce governing law. The issue, amongst others, to be resolved in Myers is whether Blue Cross is an “insurer” under California tax law and thus subject to the higher State tax. Pending the resolution of that issue, Blue Cross has continued to report and pay its City business taxes. Likewise, Blue Cross has also filed supplemental protective tax refund claims of business taxes paid for tax years 2016 through 2023, inclusive.

Since its filing, Myers has endured a complex procedural history, with multiple appeals and remands to the trial court. In the event that Blue Cross is determined to be an “insurer” upon final adjudication of the issue, it would likely be entitled to a refund of previously paid City business taxes that are covered under the protective claims. The refund is estimated to be approximately \$86 million (inclusive of interest), as computed through the end of 2024, plus attorney’s fees.

5. *Apartment Owners Association of Ca. v. City of Los Angeles.*

On September 27, 2017, the plaintiffs filed a class action claim in Superior Court alleging the franchise fee collected by the City from private commercial waste haulers for the rights to service commercial and multi-family buildings should be treated as taxes under Proposition 218, and therefore require voter approval. The plaintiffs asserted two causes of action: (1) a refund of the franchise fees, and (2) a declaration that the franchise fees are taxes. On March 16, 2021, the Court granted the City’s motion for summary judgment, holding that the plaintiffs lacked standing to bring both causes of action. On December 28, 2022, the Court of Appeal reversed the judgment, relying on a superseding California Supreme Court decision in *Zolly v. City of Oakland* (2022) 13 Cal.5th 780, which addressed a similar challenge to waste hauling franchise fees paid to the City of Oakland. In *Zolly*, the California Supreme Court found that the plaintiffs had standing to challenge the franchise fees. The Court of Appeal expressed no opinion on the underlying substantive issues, and the matter was remanded back to Superior Court for further adjudication. Due to the unsettled nature of the law, an assessment of liability, if any, is difficult to ascertain. However, if the City loses, it could be required to pay back all franchise fees collected to date by the General Fund, and to cease collection of the franchise fees going forward. From Fiscal Year 2017-18 through Fiscal Year 2022-23, the City collected approximately \$229 million in these franchise fees. The City expects to continue to collect approximately \$53 million or more annually of these franchise fees during the pendency of the litigation, the timeframe of which remains uncertain. See Table 13 and Table 25 under the caption “MAJOR GENERAL FUND REVENUE SOURCES.”

6. LA Alliance for Human Rights et al. v. City of Los Angeles et al.

On March 10, 2020, the plaintiffs filed suit against the City and the County of Los Angeles (“County”) for violating various State and Federal laws in connection with homeless individuals. The plaintiffs contended that the County and the City have not made sufficient progress in providing housing and other services to the homeless population. Such failure has allegedly resulted in impassable sidewalks and exposed the public to health risks, environmental hazards, increased crime, and untreated mental illness and addiction. The plaintiffs demanded that the defendants provide immediate shelter for all homeless individuals to abate the degradation of the cities and communities.

On May 15, 2020, the U.S. District Court of Central District of California (“District Court”) issued a preliminary injunction requiring the City and the County to relocate and shelter all homeless individuals living near freeway overpasses, underpasses, and ramps. On June 18, 2020, the City and County entered into an agreement under which the City agreed to provide 6,700 shelter beds, permanent supporting housing units, safe parking spaces and other interventions (collectively, “beds” or “interventions”) to shelter homeless individuals, and the County agreed to pay up to \$60 million in annual service funding, totaling up to \$300 million over the five-year agreement term, based on the number of interventions opened and occupied within 60 days of July 1 each year for part of the annual cost of operations and services for this population. The City is complying with this agreement, the term of which ends in June 2025. The final \$60 million annual service funding payment from the County under this agreement is expected to be paid in July 2024.

On June 14, 2022, the District Court approved a settlement between the City and the plaintiffs and dismissed the City from the lawsuit. Under the settlement, the City agreed to create shelter or housing to accommodate 60 percent of unsheltered persons experiencing homelessness (“PEH”) in the City that do not require more acute services that can only be provided by the County. Based on the 2022 Point In Time Count by the Los Angeles Homeless Services Authority (a joint powers authority formed by the City and the County known as “LAHSA”), the City agreed to create 12,915 new interventions (e.g., interim housing beds, time-limited subsidies, permanent supportive housing units, etc.) for which total capital and operating costs could be as high as \$3 billion during the five year period. Such estimates do not include the beds that were agreed to be provided, or related costs, under the City’s June 18, 2020 agreement. The majority of the funding needed under this settlement is expected to be provided by the City’s Proposition HHH general obligation bonds and other available funding. On May 2, 2024, the City and County signed a cooperation Memorandum of Understanding (“Housing MOU”). Under the Housing MOU, which expires on June 30, 2027, the County has allocated \$259 million for services for the City’s interim housing requirements under the settlement. Any additional financing that would be needed has yet to be identified, but could come from other government sources including the County, State, and federal agencies.

In its order, the District Court retained jurisdiction for a period of five years to enforce the terms of the settlement and appointed a special master to assist the District Court to monitor and enforce the terms of the settlement. On July 13, 2022, the homeless rights advocates who intervened in the case filed a notice of appeal of the District Court's Order approving the stipulated dismissal and settlement between the City and plaintiffs. The court granted the stipulated motion to voluntarily dismiss the appeal on November 1, 2023. On February 7, 2024, the plaintiffs filed a motion alleging that the City violated the settlement agreement and requested monetary sanctions of approximately \$100,000 per week for every week of non-compliance, which amounted to approximately \$6.4 million. On February 12, 2024, the City filed its opposition disputing any allegation of non-compliance with the settlement agreement. The parties stipulated to a resolution of such sanctions motion requiring the City to pay for an audit, for which Council approved the expenditure of up to \$2.2 million, and to pay attorneys' fees of \$725,000.

7. GHP Management et al. v. City of Los Angeles et al.

On August 27, 2021, the City was served with a lawsuit, in District Court, that alleges that the City’s COVID-19 eviction moratorium constituted an uncompensated governmental taking in violation of the U.S. and

California Constitutions. The plaintiffs, collectively, own or manage nearly 5,000 apartment units in the City. The moratorium, the plaintiffs claim, has permitted their tenants to abstain from remitting any rental payments while continuing to reside in the rental units. They seek damages in the form of unpaid rents, interest, and attorneys' fees. On November 18, 2022, the court granted the City's motion to dismiss the complaint without leave for the plaintiffs to amend. The plaintiffs appealed. On May 31, 2024, the Ninth Circuit Court of Appeals affirmed the District Court's ruling in an unpublished memorandum disposition. It is unknown at this time whether plaintiffs will petition for rehearing and or petition for certiorari in the United States Supreme Court.

8. *Black Lives Matter et al. v. City of Los Angeles et al.*

On or about July 7, 2020, the City was served with a class action lawsuit in Federal District Court alleging that the Los Angeles Police Department violated the Federal and State Constitutional rights of protestors and rioters during its response to quell civil unrest in late May and early June 2020. The protests and riots were part of the nationwide movement following the deaths of George Floyd and Breonna Taylor. The lawsuit seeks class certification, injunctive relief and unspecified damages. The court issued an injunction against the City which limited LAPD's use to less lethal munitions in public protest situations. In the event of an adverse ruling, the City estimates its liability could be in the tens of millions of dollars.

9. *Wage Cases.*

The City is subject to multiple putative class action lawsuits alleging that the City failed to timely or accurately pay salary increases and/or overtime, and/or committed other violations of the federal Fair Labor Standards Act and the California Labor Code. Four of these putative class actions lawsuits (*Larocque et al. v. City of Los Angeles et al.*; *Gonzalez et al. v. City of Los Angeles*; *Acedo et al. v. City of Los Angeles*; and *Abram et al. v. City of Los Angeles*) are filed by LAFD employees or former employees (the "LAFD Wage Cases"). Discovery is progressing, and preliminary motions are due to be filed in 2024. The plaintiffs in the LAFD Wage Cases are seeking unpaid back wages, liquidated damages and fees and costs, which the plaintiffs allege amount to approximately \$40 million in the aggregate. The City denies that some or all of the allegedly unpaid wages are owed, as claimed by the respective plaintiffs, and the City is defending its interests in these matters.

The City has also been served with another putative class action lawsuit (*Jenkins et al. v. City of Los Angeles*) alleging that "all law enforcement officers" employed by the City are owed compensation for time donning and doffing their uniform and equipment before and after each shift going back three years prior to the date of the complaint filing in December 2023, as well as two other putative class action lawsuits (*Castro et al. v. City of Los Angeles*; and *Sosa et al. v. City of Los Angeles*) filed by Bureau of Sanitation employees or former employees alleging that nonexempt City employees are owed compensation for working an undisclosed amount of time before (or after) each shift based on policy or practice going back three years prior to the date of the complaint filings in April 2024 and January 2024, respectively. Given the preliminary nature of these lawsuits, the City is unable to determine any estimated liability amount. The City denies that some or all of the allegedly unpaid wages are owed, as claimed by the respective plaintiffs, and the City is defending its interests in these matters.

10. *Nguyen v. City of Los Angeles.*

The City was served with a putative class action complaint in state court alleging that the 3.5 percent surcharge in the City's new 5.5 percent gas utility franchise fee, which took effect in May 2022, violates Proposition 218 (California Constitution Article XIII C, Section 2) by creating a utility fee without voter approval. The previous franchise fee in effect for approximately 30 years prior to May 2022 was 2 percent. The new 2 percent franchise fee and 3.5 percent surcharge was approved by the City and California Public Utilities Commission. Due to the preliminary nature of the lawsuit, an assessment of liability, if any, is difficult to ascertain. However, if the City loses, it could be required to pay back all amounts collected by the General Fund under the 3.5 percent surcharge to date, and to cease collection of the surcharge going forward. In Fiscal Year

2022-23, the City collected approximately \$40 million under the 3.5 percent surcharge. In the first three quarters of Fiscal Year 2023-24, the City collected approximately \$23.5 million under the 3.5 percent surcharge.

11. *Joshua Steve Chavarria Sandoval, et al. v. Adriano Carlos Luis Sassola, et al.*

In November 2022, a personal injury lawsuit was filed against the City by three plaintiffs who were severely injured after being struck by a motor vehicle involved in a traffic collision at an intersection located in the City. The plaintiffs, who were standing on a sidewalk when they were struck by the motor vehicle, allege that the traffic collision was due to a dangerous condition resulting from the City's negligence. The plaintiffs also brought actions against the motorists involved in the traffic collision. The City has denied responsibility and is defending itself in the litigation. The City filed a motion for summary judgment which is expected to be heard in August 2024. The City cannot predict the outcome of the litigation, but if the plaintiffs are ultimately successful in their action against the City, damages could be significant.

12. *Los Angeles Police Protective League and United Firefighters of Los Angeles City v. Board of Fire and Police Pension Commissioners v. City of Los Angeles.*

This lawsuit was filed challenging the City's actions relative to freezing OPEB Benefits for sworn employees. In this case plaintiffs seek a judgment declaring that their letter of agreement with the City requires the Board of Fire and Police Pension Commissioners (the "Board") to increase the retirees' medical subsidy by the maximum amount allowable per year under the Administrative Code. The City prevailed on a demurrer, but the Court of Appeal reversed and issued a remitter, sending the case back to the trial court to resolve disputed factual issues. A bench trial occurred from September 26 to September 28, 2016. Following the bench trial, the court issued a tentative decision in favor of the plaintiffs. In November 2016, the trial court ruled in favor of the plaintiffs' claim with respect to the medical subsidy. The City appealed the trial court ruling. On October 30, 2018, the appellate court reversed the trial court and ordered that the case be remanded for a new trial.

On August 10, 2017, the Los Angeles Police Protective League (LAPPL) filed an additional lawsuit against the LAFPP Board and the City in Los Angeles County Superior Court. The complaint, as supplemented, alleges that the Board should have raised the retiree subsidy to the maximum amount of 7 percent for the fiscal year beginning July 1, 2017, rather than the 6 percent then awarded and for the fiscal years thereafter. This case has been consolidated with the case discussed above. In October 2021, the court conducted a three-day trial. On May 2, 2022, the court ruled that the letter of agreement did not require the City (through the LAFPP Board) to grant the unions the maximum possible increase in the retiree medical subsidy. Rather, the LAFPP Board retained the discretion on the amount of any increase. LAPPL filed a notice of appeal. The appeal should be heard sometime in 2024. Notwithstanding, the second case concerning whether the LAFPP Board abused its discretion in the years it did not grant the maximum possible increase has been stayed by the trial court pending the appeal of the trial court's ruling on the discretionary increase question. The timeframe in which the discretion issue will be adjudged will be dependent upon the outcome of the appeal. If LAPPL is successful in its appeal, a new trial may result and render the discretion issue moot.

See "RETIREMENT AND PENSION SYSTEMS—Los Angeles Fire and Police Pension Plan," below.

RETIREMENT AND PENSION SYSTEMS

General. The City has three single-employer defined-benefit pension plans created by the Charter: the Los Angeles City Employees' Retirement System ("LACERS"), the City of Los Angeles Fire and Police Pension Plan ("LAFPP") and, for employees of DWP, the Water and Power Employees' Retirement, Disability and Death Benefit Insurance Plan (the "Water and Power Plan"). Both LACERS and LAFPP (collectively, the "Pension Systems") are funded primarily from the City's General Fund, while the Water and Power Plan is funded by that department's proprietary revenues.

The Pension Systems provide retirement, disability, death benefits, post-employment healthcare and annual cost-of-living adjustments to plan members and beneficiaries. Both Pension Systems are funded pursuant to the Entry Age Cost Method, which is designed to produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (i.e., level percent of payroll). Retired members and surviving spouses and domestic partners of LACERS and LAFPP members are eligible for certain subsidies toward their costs of medical and other benefits. These benefits are paid by the respective retirement system. These retiree health benefits are accounted for as "Other Post-Employment Benefits" ("OPEB"). The City began making payments to its Pension Systems to pre-fund OPEB obligations in the late 1980s. The calculations of OPEB funding requirements are made by the same actuaries that perform the analysis of the Pension Systems' retirement benefits, and generally rely on the same actuarial assumptions, other than those assumptions such as medical cost inflation specific to OPEB.

The actuarial valuations for both Pension Systems are prepared on an annual basis and the applicable actuary recommends contribution rates for the fiscal year beginning after the completion of that actuarial valuation. The Pension Systems' annual valuations determine the contribution rate, as a percentage of covered payroll, needed to fund the normal retirement costs accrued for current employment and to amortize any unfunded actuarial accrued liability ("UAAL"). The UAAL represents the difference between the present value of estimated future benefits accrued as of the valuation date and the actuarial value of assets currently available to pay these liabilities. The valuation for each plan is an estimate based on relevant economic and demographic assumptions, with the goal of determining the contributions necessary to sufficiently fund over time the benefits for currently active, vested former and retired employees and their beneficiaries.

Various actuarial assumptions are used in the valuation process, including the assumed rate of earnings on the assets of the plan in the future, the assumed rates of general inflation, salary increases, inflation in health care costs, assumed rates of disability, the assumed retirement ages of active employees, the assumed marital status at retirement, and the post-employment life expectancies of retirees and beneficiaries. As plan experience differs from adopted assumptions, the actual liabilities will be more or less than the liabilities calculated based on these assumptions. The contribution rates in the following year's valuations are adjusted to take into account actual plan experience in the current and prior years.

Each plan also generally performs an experience study every three years, comparing the plan's actual experience to the demographic assumptions previously adopted by its board. Based on the plan's experience, the board may adopt the actuary's recommendations to adjust various assumptions such as retirement rates, mortality, termination rates, and disability incidence rates in calculating its liabilities. Additionally, the experience study will review each plan's economic assumptions and the actuary may recommend adjustments based on future expectations for items such as general inflation, participant salary increases, and the plan's future expected rate of investment return. These economic assumptions are also adopted by each plan's board.

The valuations incorporate a variety of actuarial methods, some of which are designed to reduce the volatility of contributions from year to year. When measuring the value of assets for determining the UAAL, many pension plans, including the Pension Systems, "smooth" market value gains and losses over a period of years to reduce contribution volatility. These smoothing methodologies may result in an actuarial value of assets that is lower or higher than the market value of assets at a given point in time.

The Actuarial Standards Board, the organization that sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice, approved the new Actuarial Standard of Practice No. 51 ("ASOP 51"), *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*, effective as of the June 30, 2019 actuarial valuations. ASOP 51 requires actuaries to identify and assess risks that "may reasonably be anticipated to significantly affect the plan's future financial condition" (referred to as a "Risk Report").

Examples of key risks that are particularly relevant to the Pension Systems are investment risk and longevity and other demographic risks. Among other things, the reports consider the cost to the City of

alternative earning scenarios from variances in investment experience in past valuations, the Pension Systems' actuary has examined the risk associated with earning either higher or lower than the assumed investment rate in future valuations.

ASOP 51 also requires an actuary to consider if there is any ongoing contribution risk to the plan by evaluating the potential for and impact of actual contributions deviating from expected contributions in the future. The Risk Reports for both Pension Systems noted that the City has a well-established practice of making the Actuarially Determined Contribution. As a result, in practice both Pension Systems have been found to have essentially no contribution risk.

In the Risk Reports, the actuary noted that each Pension System had strengthened their respective actuarial assumptions over time in part by lowering the expected investment rate of return, utilizing generational mortality assumptions, and adopting a funding policy that controls future negative amortization. These changes may result in higher contributions in the short term, but in the medium to longer term avoid both deferring contributions and allowing unmanaged growth in the UAAL.

The Risk Reports also note that both of the Pension Systems have become more mature as evidenced by an increase in the ratio of members in pay status (retirees and beneficiaries) to active members employed by the City and by an increase in the ratios of plan assets and liabilities to active member payroll. The actuary expects these trends to continue going forward. Any increase in UAAL due to unfavorable investment and non-investment experience for the relatively larger group of non-active members would have to be amortized and funded over the payroll of the relatively smaller group of only active members; as a plan grows more mature, its contribution rate becomes more sensitive to investment volatility and liability changes.

In addition, in December 2021 the Actuarial Standards Board finalized and adopted changes to Actuarial Standard of Practice No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions* ("ASOP 4"). ASOP 4 adds significant disclosure requirements for all actuarial valuations issued on or after February 15, 2023, including a requirement to calculate and disclose a new market-based liability measurement called the Low-Default-Risk Obligation Measure ("LDROM"). Under the revised ASOP, the LDROM may be determined in a manner similar to the Actuarial Accrued Liability ("AAL") that is commonly used in public sector plan funding, but with a key difference: instead of basing the discount rate on the plan's expected rate of return (as is done in determining the AAL), the LDROM must use discount rates derived from "low-default-risk fixed income securities." Examples of these rates include U.S. Treasury yields and yields on high-rated corporate or tax-exempt general obligation municipal bonds. Public pension plans, including LACERS and LAFPP, typically invest in a diversified portfolio including stocks, bonds, real estate, and private equity, and funding calculations are based on the expected return of that portfolio. The new disclosure requirement, which is incorporated with LACERS' and LAFPP's June 30, 2023 valuations, does not change this approach for funding the plans but provides additional information on what the liability measurement would be if the plans were to adopt an all-bond investment strategy.

Each of the Pension Systems has adopted its own asset allocation plan to guide their respective investments in stocks, bonds, real estate, alternatives, and cash equivalents. Each plan reviews its asset allocation plan periodically and any adjustments are approved by the respective boards.

The City has never issued pension obligation bonds to fund either of its Pension Systems but may consider it in the future. The City typically pays all of its annual contributions to its Pension Systems in July at a discount, out of the proceeds of its annual issuance of tax and revenue anticipation notes.

This section, "RETIREMENT AND PENSION SYSTEMS," is primarily derived from information produced by LACERS and LAFPP and their independent actuaries. The City has not independently verified the information provided by LACERS and LAFPP. The comprehensive annual financial reports of the individual Pension Systems, actuarial valuations for retirement and health benefits, and other information concerning LACERS and LAFPP are available on their websites, at www.lacers.org/financial-reports-and-statistics and

www.lafpp.com/financial-reports, respectively. Information set forth on such websites is not incorporated by reference herein. For additional information regarding the Pension Systems, see also Note 5 in the “Notes to the Basic Financial Statements” in the City’s ACFR for the Fiscal Year Ended June 30, 2023.

Investors are cautioned that, in considering information on the Pension Systems, including the amount of the UAAL for retirement and other benefits, the funded ratio, the calculations of normal cost, and the resulting amounts of required contributions by the City, this is “forward-looking” information. Such “forward-looking” information reflects the judgment of the boards of the respective Pension Systems and their respective actuaries as to the value of future benefits over the lives of the currently active employees, vested terminated employees, and existing retired employees and beneficiaries. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate and/or be changed in the future.

Los Angeles City Employees’ Retirement System (“LACERS”). LACERS, established in 1937 under the Charter, is a contributory plan covering civilian employees other than employees of DWP and those Airport Peace Officers not participating in LAFPP. As of June 30, 2023, the date of its most recent actuarial valuation, LACERS had 25,875 active members, 22,510 retired members and beneficiaries, and 11,148 inactive members (members with a vested right to a deferred or immediate benefit or entitled to a return of their member contributions).

Over the past several years, LACERS has adopted various changes to its actuarial assumptions, including reducing the assumed investment return from 7.75 percent to 7.50 percent in 2014, to 7.25 percent in 2017, and to 7.0 percent in 2020.

In June 2023, the LACERS Board considered a new experience study and adopted a number of changes to actuarial assumptions, including reducing the assumed inflation from 2.75 percent to 2.50 percent while maintaining the assumed rate of return at 7.00 percent. The City’s actuarial consultant calculated the City pension contribution rate to increase by 0.26 percent of payroll as a result of these changes. The new assumptions were used in the June 30, 2023 actuarial valuations, which determine the City’s contribution rate for Fiscal Year 2024-25.

LACERS amortizes components that contribute to its UAAL over various periods of time, depending on how the unfunded liability arose, layering separate fixed amortization periods. Under current funding policy, market losses and gains are recognized over a seven-year asset smoothing period, where only 1/7 of annual market gains or losses are recognized in the actuarial value of assets each year. The remaining gains or losses are spread equally over the next six years. Other factors that affect the calculation of unfunded liability, including early retirement incentives, plan amendments, changes in assumptions and other actuarial gains and losses will be amortized over terms that range from 5 to 30 years.

LACERS’ Board uses a market value “corridor” of 40 percent. A corridor is used in conjunction with asset smoothing, in order to keep the actuarial value of assets within a certain percentage of the market value of assets. For example, if a system has a 40 percent corridor, the actuarial value of assets must be between 60 percent and 140 percent of the market value of assets. If the actuarial value falls below 60 percent or rises above 140 percent of market value, the system must recognize the excess returns or losses, respectively, in that year without smoothing.

In 2012, the Council adopted a new civilian retirement tier (“Tier 2”), which applied to all employees hired on or after July 1, 2013. Subsequently, as part of an agreement with the Coalition of LA City Unions, both the City and the Coalition agreed to transfer all Tier 2 employees into Tier 1 effective February 21, 2016. Any new employee hired into a position eligible for LACERS membership on or after February 21, 2016, unless eligible for Tier 1 membership under specific exemptions, is enrolled in a new “Tier 3.” Based on the actuarial valuation as of June 30, 2023, approximately 62 percent of the system’s active membership was Tier 1 members and 38 percent was comprised of Tier 3 members.

The following table includes a summary of the major plan design changes from Tier 1 to Tier 3.

**Table 44
COMPARISON OF LACERS TIER 1 AND TIER 3 PLAN DESIGNS**

<i>Plan Feature</i>	<i>Tier 1⁽¹⁾</i>	<i>Tier 3</i>
Normal Retirement (Age / Years of Service)	55 / 30 60 / 10 70 / Any	60 / 30 60 / 10
Early Retirement (Reduced)	55 / 10 Under 55 / 30	Under 60 / 30
Benefit Factors	Normal Retirement 2.16% per year of service	Normal Retirement 1.5% @ 60 / 10 2.0% @ 60 / 30
	Early Retirement Reduced by 3% per year before age 55; and 1.5% per year from ages 55-59	Early Retirement Reduced by 10.5% at age 54, plus an additional 3% reduction for every year below the age of 54; unreduced from ages 55 to 59
Compensation Used to Determine Retirement Allowance	Highest consecutive 12 months, including pensionable bonuses	Highest consecutive 36 months, including pensionable bonuses
Maximum Benefit	100%	80%
Employee Contribution Base	6%	7%
Early Retirement Incentive Program (ERIP) Employee Contribution	1% until 2026 or when ERIP debt is paid, whichever is sooner	N/A
Other Post-Employment Benefits (OPEB), e.g., retiree healthcare Employee Contribution	4%	4%
Maximum Annual COLA	3%	2%
COLA Bank	Yes	No
Government Service Buyback	Member pays employee contributions	Member pays employee and employer contributions, except for limited military or maternity leave time. Service purchase may not cause member's service retirement allowance to exceed eighty percent of final compensation.

⁽¹⁾ Does not reflect Tier 1 Enhanced Benefits for approximately 500 Airport Peace Officers.
Source: City of Los Angeles, Office of the City Administrative Officer.

The table below shows the actuarial value of the City’s liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for LACERS, the funded ratio and the ratio of UAAL to annual payroll.

Table 45
LOS ANGELES CITY EMPLOYEES’ RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
ACTUARIAL VALUE BASIS
(\$ in thousands)⁽¹⁾

<i>Actuarial Valuation As of June 30</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>UAAL⁽²⁾</i>	<i>Funded Ratio⁽³⁾</i>	<i>Covered Payroll⁽⁴⁾</i>	<i>UAAL as a Percentage of Covered Payroll⁽⁵⁾</i>
2014	\$10,944,751	\$16,248,853	\$5,304,103	67.4%	\$1,898,064	279.5%
2015	11,727,161	16,909,996	5,182,835	69.4	1,907,665	271.7
2016	12,439,250	17,424,996	4,985,746	71.4	1,968,703	253.3
2017	13,178,334	18,458,188	5,279,854	71.4	2,062,316	256.0
2018	13,982,435	19,944,579	5,962,144	70.1	2,177,687	273.8
2019	14,818,564	20,793,421	5,974,857	71.3	2,225,413	268.5
2020	15,630,103	22,527,195	6,897,093	69.4	2,445,017	282.1
2021	16,660,585	23,281,893	6,621,308	71.6	2,254,165	293.7
2022	17,649,268	24,078,751	6,429,484	73.3	2,258,725	284.7
2023	18,493,821	25,299,537	6,805,716	73.1	2,512,179	270.9

(1) Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.
(2) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent a funded ratio less than 100 percent.
(3) Actuarial Value of Assets divided by Actuarial Accrued Liability.
(4) Projected annual pensionable payroll for members of LACERS.
(5) UAAL divided by covered payroll.

Source: Los Angeles City Employees’ Retirement System Actuarial Valuation reports.

For the Retirement Plan, the City’s contribution rate generally increased between the June 30, 2014 and the June 30, 2023 valuations, from 24.1 percent to 30.9 percent, primarily due to the amortization of UAAL increases from unfavorable investment experience and changes in actuarial assumptions. The introduction of Tier 3 has helped to mitigate costs as new members have been enrolled in the lower cost benefit tier since February 21, 2016. Furthermore, an additional employee contribution (4 percent for all affected employees effective January 1, 2013) was implemented by the City for certain bargaining groups and for all non-represented employees. For the post-employment Health Plan, the non-investment experience (primarily lower than projected medical premiums and subsidies) has had the most impact on declining contribution rates, from 5.8 percent in 2014 to 3.4 percent in 2023.

The actuarial value of assets is different from the market value of assets, as the actuarial value smooths asset gains and losses over a number of years. The following table shows the funding progress of LACERS based on the market value of the portion of system assets allocated to retirement benefits.

Table 46
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
MARKET VALUE BASIS
(\$ in thousands)⁽¹⁾

<i>Actuarial Valuation As of June 30</i>	<i>Market Value Of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded Liability⁽²⁾</i>	<i>Funded Ratio (Market Value)⁽³⁾</i>	<i>Covered Payroll⁽⁴⁾</i>	<i>Unfunded Liability As a Percentage of Covered Payroll (Market Value)⁽⁵⁾</i>
2014	\$11,791,079	\$16,248,853	\$4,457,774	72.6%	\$1,898,064	234.9%
2015	11,920,570	16,909,996	4,989,426	70.5	1,907,665	261.5
2016	11,809,329	17,424,996	5,615,667	67.8	1,968,703	285.2
2017	13,180,516	18,458,188	5,277,672	71.4	2,062,316	255.9
2018	14,235,231	19,944,579	5,709,348	71.4	2,177,687	262.2
2019	14,815,593	20,793,421	5,977,828	71.3	2,225,413	268.6
2020	14,932,404	22,527,195	7,594,791	66.3	2,445,017	310.6
2021	18,918,136	23,281,893	4,363,757	81.3	2,254,165	193.6
2022	17,013,091	24,078,751	7,065,660	70.7	2,258,725	312.8
2023	17,953,293	25,299,537	7,346,244	71.0	2,512,179	292.4

(1) Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.
(2) Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a funded ratio less than 100 percent.
(3) Market Value of Assets divided by Actuarial Accrued Liability.
(4) Projected annual pensionable payroll for members of LACERS.
(5) Unfunded liability divided by covered payroll.

Source: Calculated based on data from Los Angeles City Employees' Retirement System Actuarial Valuation reports.

The table below shows the actuarial funding progress of LACERS' liability for post-employment healthcare benefits:

Table 47
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
(\$ in thousands)

<i>Actuarial Valuation As of June 30</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>UAAL⁽¹⁾</i>	<i>Funded Ratio⁽²⁾</i>	<i>Covered Payroll⁽³⁾</i>	<i>UAAL As a Percentage of Covered Payroll⁽⁴⁾</i>
2014	\$1,941,225	\$2,662,853	\$721,628	72.9%	\$1,898,064	38.0%
2015	2,108,925	2,646,989	538,065	79.7	1,907,665	28.2
2016	2,248,753	2,793,689	544,935	80.5	1,968,703	27.7
2017	2,438,458	3,005,806	567,348	81.1	2,062,316	27.5
2018	2,628,844	3,256,828	627,984	80.7	2,177,687	28.8
2019	2,812,662	3,334,299	521,637	84.4	2,225,413	23.4
2020	2,984,424	3,486,531	502,107	85.6	2,445,017	20.5
2021	3,330,377	3,520,078	189,701	94.6	2,254,165	8.4
2022	3,472,956	3,580,696	107,741	97.0	2,258,725	4.8
2023	3,646,978	3,405,089	(241,890)	107.1	2,512,179	(9.6)

(1) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.

(2) Actuarial Value of Assets divided by Actuarial Accrued Liability.

(3) Projected annual pensionable payroll against which UAAL amortized.

(4) UAAL divided by Covered Payroll.

Source: The City of Los Angeles City Employees' Retirement System Actuarial Valuations.

The table below summarizes the City’s payments to LACERS over the past four years and payments included in the Fiscal Year 2024-25 Adopted Budget. This table includes costs for contributions for both pensions and retiree health care.

Table 48
LOS ANGELES CITY EMPLOYEES’ RETIREMENT SYSTEM
SOURCES AND USES OF CONTRIBUTIONS
(\$ in thousands)⁽¹⁾

	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>Adopted Budget 2024-25</i>
Sources of Contributions					
Contributions for Council-controlled Departments ⁽²⁾	\$ 532,833	\$ 601,450	\$ 636,523	\$ 675,824	\$ 706,034
Airport, Harbor Departments, LACERS, LAFPP	<u>114,828</u>	<u>124,074</u>	<u>131,166</u>	<u>138,617</u>	<u>148,263</u>
Total	<u>\$ 647,661</u>	<u>\$ 725,524</u>	<u>\$ 767,689</u>	<u>\$ 814,441</u>	<u>\$ 854,297</u>
Percent of payroll – Tier 1	29.43%	32.81%	33.93%	34.07%	34.34%
Percent of payroll – Tier 3	27.45%	30.16%	31.35%	31.45%	31.06%
Uses of Contributions					
Current Service Liability (Normal cost)	\$ 229,795	\$ 265,096	\$ 285,162	\$ 298,345	\$ 322,980
UAAL	462,604	492,955	556,287	596,007	612,849
Adjustments ⁽³⁾	<u>(44,738)</u>	<u>(32,527)</u>	<u>(73,760)</u>	<u>(79,911)</u>	<u>(81,532)</u>
Total	<u>\$ 647,661</u>	<u>\$ 725,524</u>	<u>\$ 767,689</u>	<u>\$ 814,441</u>	<u>\$ 854,297</u>

⁽¹⁾ Includes funding for OPEB.

⁽²⁾ Includes employees funded by certain special funds in addition to the General Fund.

⁽³⁾ Adjustments include a “true-up” reconciling projected payroll against actual payroll, the family death benefit plan, the limited term retirement plan, excess benefits, and the enhanced benefit for the Airport Peace Officers who remain in LACERS.

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below illustrates the City’s projected contributions to LACERS for the next four fiscal years from Council-Controlled Departments (excluding the proprietary departments) based on projected rates from the City’s consulting actuary applied against projected payroll by the CAO. These projected contributions illustrate the projected cost of both pension and OPEB. The CAO’s projected payroll assumes that there will be no negotiated employee compensation increases after the expiration in December 2027 or December 2028 of current labor agreements.

Table 49
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PROJECTED CONTRIBUTIONS
(\$ in thousands)

	<i>Adopted Budget 2024- 25</i>	<i>Projection 2025-26</i>	<i>Projection 2026-27</i>	<i>Projection 2027-28</i>	<i>Projection 2028-29</i>
Contributions for Council-controlled Departments ⁽¹⁾⁽²⁾	\$ 706,034	\$ 778,946	\$ 846,443	\$ 902,265	\$ 916,278
Percentage of Payroll ⁽³⁾	33.29%	31.66%	32.37%	32.50%	32.21%
Incremental Change	\$ 30,230	\$ 72,911	\$ 67,498	\$ 55,822	\$ 14,013
% Change	4.47%	10.33%	8.67%	6.59%	1.55%

⁽¹⁾ Includes the General Fund and various special funds.

⁽²⁾ Assumes 7 percent return on investment.

⁽³⁾ Reflects combined rates for July 15 payment.

Source: City of Los Angeles, Office of the City Administrative Officer (CAO), based on information commissioned by the CAO.

In addition, the LACERS Board has recently requested that the City Council review and consider a discretionary cost-of-living adjustment of 2.85 percent for Tier 1 participants. The recommendation is pending consideration by the City Council and Mayor.

Los Angeles Fire and Police Pension Plan (“LAFPP”). The LAFPP, established in 1899 and incorporated into the Charter in 1923, represents contributory plans covering uniformed fire, police, and some Department of Harbor and Department of Airports police. As of June 30, 2023, the date of its most recent actuarial valuation, the LAFPP had 12,571 active members (including 117 in Harbor and 96 in Airports), 14,131 retired members and beneficiaries, and 776 vested former members.

Six tiers of benefits are provided, depending on the date of the member’s hiring. No active members are in Tier 1, while Tier 2 had only 3 active members as of June 30, 2023, although both tiers have retired members and beneficiaries. Approximately 57 percent of active members are in Tier 5, and 39 percent are in Tier 6.

Amortization of UAAL may be calculated differently for different tiers. A Charter amendment adopted by City voters on March 8, 2011 provided the LAFPP Board with the authority to establish amortization and plan funding policies. Under the LAFPP Board’s current actuarial funding policy, actuarial gains or losses for all tiers are amortized over 20 years; changes in actuarial assumptions and cost methods are amortized over 20 years; plan amendments are amortized over 15 years; and actuarial funding surpluses are amortized over 30 years.

Similar to LACERS, LAFPP has adopted various asset smoothing methods. Generally, market gains or losses are recognized over seven years, so that approximately 1/7 of market losses or gains are recognized each year in the actuarial valuation. LAFPP uses a 40 percent market corridor, so that the actuarial value of assets must be between 60 percent and 140 percent of the market value of assets. If the actuarial value falls below 60 percent or rises above 140 percent of market value, the system must recognize the excess returns or losses, respectively, in that year without smoothing.

Based on the advice of its actuary, the LAFPP Board reduced its assumed rate of investment return from 7.50 percent to 7.25 percent in 2017, lowering it again to 7.00 percent in May 2020 (lowering its inflation assumption from 3.00 percent to 2.75 percent as well). In May 2023, the LAFPP Board adopted the actuary’s recommendations to maintain the 7.00 percent assumed rate of investment return, but reduced the inflation assumption from 2.75 percent to 2.50 percent. In addition to the economic assumptions, the LAFPP Board

adjusted various other demographic assumptions such as mortality, retirement, termination, and disability incidence rates. Adoption of the economic and demographic assumption changes in May 2023 was estimated to decrease City contributions by 0.45 percent of payroll. The new assumptions were used in the June 30, 2023 actuarial valuation, which determine the City's contribution rate for Fiscal Year 2024-25.

The table below shows the actuarial value of the City's liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for LAFPP, the funded ratio and the ratio of UAAL to annual payroll.

Table 50
LOS ANGELES FIRE AND POLICE PENSION PLAN
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
ACTUARIAL VALUE BASIS
(\$ in thousands)⁽¹⁾

<i>Actuarial Valuation As of June 30</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>UAAL⁽²⁾</i>	<i>Funded Ratio⁽³⁾</i>	<i>Covered Payroll⁽⁴⁾</i>	<i>UAAL As a Percentage of Covered Payroll⁽⁵⁾</i>
2014	\$15,678,480	\$18,114,229	\$2,435,749	86.6%	\$1,402,715	173.6%
2015	16,770,060	18,337,507	1,567,447	91.5	1,405,171	111.5
2016	17,645,338	18,798,510	1,153,172	93.9	1,400,808	82.3
2017	18,679,221	20,411,024	1,731,803	91.5	1,475,539	117.4
2018	19,840,070	21,364,804	1,524,734	92.9	1,546,043	98.6
2019	21,037,711	22,474,125	1,436,414	93.6	1,583,808	90.7
2020	22,106,722	23,727,315	1,620,593	93.2	1,670,245	97.0
2021	23,689,349	24,461,267	771,918	96.8	1,684,785	45.8
2022	25,146,787	25,670,766	523,979	98.0	1,664,318	31.5
2023	26,430,735	26,556,702	125,967	99.5	1,698,778	7.4

(1) Table includes funding for retirement benefits only. Other post-employment benefits not included.

(2) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.

(3) Actuarial Value of Assets divided by Actuarial Accrued Liability.

(4) Projected annual payroll against which UAAL amortized.

(5) UAAL divided by covered payroll.

Source: LAFPP Actuarial Valuations and Review of Retirement and Other Post-Employment Benefits as of June 30, 2023.

The actuarial value of assets is different from the market value of assets, as the actuarial value smooths asset gains and losses over a number of years. The following table shows the funding progress of LAFPP based on the market value of the portion of system assets allocated to retirement benefits.

Table 51
LOS ANGELES FIRE AND POLICE PENSION PLAN
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
MARKET VALUE BASIS
(\$ in thousands)⁽¹⁾

<i>Actuarial Valuation As of June 30</i>	<i>Market Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded (Overfunded) Liability⁽²⁾</i>	<i>Funded Ratio (Market Value)⁽³⁾</i>	<i>Covered Payroll⁽⁴⁾</i>	<i>Unfunded Liability As a Percentage of Covered Payroll (Market Value)⁽⁵⁾</i>
2014	\$16,989,705	\$18,114,229	\$1,124,525	93.8%	\$1,402,715	80.2%
2015	17,346,554	18,337,507	990,953	94.6	1,405,171	70.5
2016	17,104,276	18,798,510	1,694,234	91.0	1,400,808	120.9
2017	18,996,721	20,411,024	1,414,303	93.1	1,475,593	95.8
2018	20,482,133	21,364,804	882,671	95.9	1,546,043	57.1
2019	21,262,200	22,474,125	1,211,925	94.6	1,583,808	76.5
2020	21,396,933	23,727,315	2,330,382	90.2	1,670,245	139.5
2021	27,862,307	24,461,267	(3,401,040)	113.9	1,684,785	(201.9)
2022	25,258,536	25,670,766	412,230	98.4	1,664,318	24.8
2023	26,437,300	26,556,702	119,402	99.6	1,698,778	7.0

(1) Table includes funding for retirement benefits only. Other post-employment benefits not included.

(2) Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a deficit.

(3) Market Value of Assets divided by Actuarial Accrued Liability.

(4) Projected annual payroll against which liability is amortized.

(5) UAAL divided by covered payroll.

Source: Calculated by CAO based on data from LAFPP Actuarial Valuations.

The table below provides a ten-year history of the funding progress for retiree healthcare benefit liabilities of the LAFPP.

Table 52
LOS ANGELES FIRE AND POLICE PENSION PLAN
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
(\$ in thousands)

<i>Actuarial Valuation As of June 30</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>UAAL⁽¹⁾</i>	<i>Funded Ratio⁽²⁾</i>	<i>Covered Payroll⁽³⁾</i>	<i>UAAL As a Percentage of Covered Payroll⁽⁴⁾</i>
2014	\$1,200,874	\$2,783,283	\$1,582,409	43.1%	\$1,402,715	112.8%
2015	1,344,333	2,962,703	1,618,370	45.4	1,405,171	115.2
2016	1,480,810	3,079,670	1,598,860	48.1	1,400,808	114.1
2017	1,637,846	3,322,746	1,684,900	49.3	1,475,539	114.2
2018	1,819,359	3,547,777	1,728,417	51.3	1,546,043	111.8
2019	2,016,202	3,590,023	1,573,821	56.2	1,583,808	99.4
2020	2,214,552	3,709,858	1,495,307	59.7	1,670,245	89.5
2021	2,455,726	3,793,174	1,337,448	64.7	1,684,785	79.4
2022	2,710,079	3,649,332	939,253	74.3	1,664,318	56.4
2023	2,966,078	3,815,027	848,948	77.8	1,698,778	50.0

(1) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.

(2) Actuarial Value of Assets divided by Actuarial Accrued Liability.

(3) Projected annual payroll against which UAAL amortized.

(4) UAAL divided by covered payroll.

Source: The Fire and Police Pension Plan Actuarial Valuations.

The table below summarizes the General Fund’s payments to LAFPP over the past four years and payments included in the Fiscal Year 2024-25 Adopted Budget. This table includes costs for both pensions and retiree health care, as well as the plan’s administrative expenses.

Table 53
LOS ANGELES FIRE AND POLICE PENSION PLAN
SOURCES AND USES OF CONTRIBUTIONS
(\$ in thousands)

	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>Adopted Budget 2024-25</i>
General Fund ⁽¹⁾	<u>\$ 738,908</u>	<u>\$ 721,998</u>	<u>\$ 660,945</u>	<u>\$ 637,297</u>	<u>\$ 660,048</u>
Percent of Payroll	46.79%	45.89%	41.84%	40.63%	38.72%
Current Service Liability	\$ 382,639	\$ 393,940	\$ 394,525	\$ 390,133	\$ 410,951
UAAL/(Surplus)	337,154	306,679	244,958	225,835	225,057
Administrative Costs	<u>19,115</u>	<u>21,379</u>	<u>21,462</u>	<u>21,329</u>	<u>24,040</u>
Total	<u>\$ 738,908</u>	<u>\$ 721,998</u>	<u>\$ 660,945</u>	<u>\$ 637,297</u>	<u>\$ 660,048</u>

(1) The City funds an Excess Benefit Plan outside LAFPP to provide for any benefit payments to retirees that exceed IRS limits. Amounts deposited in that account are credited against the City’s annual contribution to LAFPP.

Source: City of Los Angeles, Office of the City Administrative Officer.

Historically, plan members did not contribute to offset the City’s costs of retiree healthcare subsidy benefits, as all such costs were funded from the employer’s contribution and investment returns thereon. In 2011, the City negotiated with the sworn bargaining units the option of a 2 percent active employee contribution to offset the cost of retiree healthcare for its sworn workforce hired before July 1, 2011. Sworn employees hired on and after July 1, 2011 are members of Tier 6, which requires an additional 2 percent contribution to offset the cost of retiree healthcare. Employees who contribute to retiree healthcare benefits are vested in future subsidy increases authorized by the LAFPP board. For those sworn employees that opted not to make an additional contribution to offset the cost of retiree healthcare, their retiree health subsidy has been frozen and cannot surpass the maximum subsidy level in effect as of July 1, 2011.

A consolidated lawsuit challenged the LAFPP Board’s exercise of its discretion to annually increase the subsidy for sworn employees. On May 2, 2022, the court ruled that LAFPP was not required to automatically grant the maximum possible increase in the retiree medical subsidy each year to employees who contribute the additional 2 percent. Rather, the LAFPP Board retained the discretion on the amount of any increase. The union filed a notice of appeal. See “LITIGATION.”

The table below illustrates the City’s projected contributions to LAFPP for the next four fiscal years based on projected rates from the LAFPP’s consulting actuary applied against projected payroll by the CAO. The CAO’s projected payroll does not include compensation increases after the expiration of current labor agreements, with the exception of placeholder amounts related to a pending successor contract with the United Firefighters of Los Angeles City.

Table 54
LOS ANGELES FIRE AND POLICE PENSION PLAN
PROJECTED CONTRIBUTIONS⁽¹⁾
(\$ in thousands)

	<i>Adopted Budget</i> <i>2024-25</i>	<i>Projection</i> <i>2025-26</i>	<i>Projection</i> <i>2026-27</i>	<i>Projection</i> <i>2027-28</i>	<i>Projection</i> <i>2028-29</i>
General Fund	\$ 660,048	\$ 593,566	\$ 624,901	\$ 639,460	\$ 646,017
Percentage of Payroll	38.72%	31.51%	31.03%	30.97%	30.89%
Incremental Change	\$ 22,751	(\$ 66,482)	\$ 31,335	\$ 14,559	\$ 6,557
% Change	3.57%	(10.07%)	5.28%	2.33%	1.03%

⁽¹⁾ Assumes 7.00 percent return on investment.

Source: City of Los Angeles, Office of the City Administrative Officer (CAO), based on information commissioned by the CAO.

PART 2: HISTORIC, ECONOMIC AND DEMOGRAPHIC INFORMATION

Introduction

The City of Los Angeles is the second most populous city in the United States, with an estimated 2023 population of 3.8 million. Los Angeles is the principal city of a metropolitan region stretching from the City of Ventura to the north, the City of San Clemente to the south, the City of San Bernardino to the east, and the Pacific Ocean to the west.

The economic and demographic information below is provided as general background. Although it has been collected from sources that the City considers to be reliable, the City has made no independent verification of the information provided by non-City sources and the City takes no responsibility for the completeness or accuracy thereof. The current state of the economy of the City, State of California and the United States of America may not be reflected in the data discussed below, because more up-to-date information is not publicly available.

History

Founded in 1781, Los Angeles was for its first century a provincial outpost under successive Spanish, Mexican and American rule. Incorporated in 1850 under the provisions of a Charter, the City experienced a population boom following its linkage by rail with San Francisco in 1876. Los Angeles was selected as the Southern California rail terminus because its natural harbor seemed to offer little challenge to San Francisco, home of the railroad barons. But what the region lacked in commerce and industry, it made up in temperate climate and available real estate, and soon tens and then hundreds of thousands of people living in the Northeastern and Midwestern United States migrated to new homes in the region. Agricultural and oil production, followed by the creation of a deep-water port, the opening of the Panama Canal, and the completion of the City-financed Owens Valley Aqueduct to provide additional water, all contributed to an expanding economic base. The City's population climbed to 50,000 persons in 1890, and had swelled to 1.5 million persons by 1940. During this same period, the automobile became the principal mode of American transportation, and the City developed as the first major city of the automotive age. Following World War II, the City became the focus of a new wave of migration, with its population reaching 2.4 million persons by 1960. By 2023, the population had grown to 3.8 million, and the City experienced further growth in its demographic and economic diversity.

The City's 470 square miles contain 11.5 percent of the area of the County of Los Angeles, California (the "County") and approximately 39 percent of the population of the County. Tourism and hospitality, professional and business services, direct international trade, entertainment (including motion picture, television and digital media production), and wholesale trade and logistics all contribute significantly to local employment. Emerging industries are largely technology driven, and include biomedical technology, digital information technology, environmental technology and aerospace. There were more than 319,000 manufacturing jobs in the County in 2023. Important manufacturing components of local industry include apparel, computer and electronic components, transportation equipment, fabricated metal, and food processing. Fueled by trade with the Pacific Rim countries, the Ports of Los Angeles and Long Beach combined are the busiest container ports in the nation. As home to the film, television and recording industries, as well as important cultural facilities, the City serves as a principal global cultural center.

Population

The table below summarizes historic City, County, and State population estimates since 2000.

Table 55
CITY, COUNTY AND STATE POPULATION STATISTICS

<i>Year⁽¹⁾</i>	<i>City of Los Angeles</i>	<i>Percentage Change⁽²⁾</i>	<i>County of Los Angeles</i>	<i>Percentage Change⁽²⁾</i>	<i>State of California</i>	<i>Percentage Change⁽²⁾</i>
2000	3,694,742	-	9,519,330	-	33,873,086	-
2005	3,769,131	2.01%	9,816,153	3.12%	35,869,173	5.89%
2010	3,792,621	0.62	9,818,605	0.02	37,253,956	3.86
2015	3,938,939	3.86	10,124,800	3.12	38,865,532	4.33
2020	3,898,536	(1.03)	10,014,009	(1.09)	39,538,223	1.73
2021	3,871,886	(0.68)	9,955,445	(0.58)	39,327,868	(0.53)
2022	3,822,940	(1.26)	9,861,493	(0.94)	39,114,785	(0.54)
2023	3,804,420	(0.48)	9,819,312	(0.43)	39,061,058	(0.14)
2024	3,814,318	0.26	9,824,091	0.05	39,128,162	0.17

⁽¹⁾ As of April 1 for 2000, 2010 and 2020 based on the Census benchmarks for such years. Estimated as of January 1 for other years.

⁽²⁾ For five-year time periods, figures represent cumulative change over such five year period.

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 and 2010 Census Counts, Sacramento, California, November 2012 for years 2000 and 2005; State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark. Sacramento, California, May 2, 2022 for years 2010 and 2015; State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2023, with 2020 Census Benchmark. Sacramento, California, May 2024 for years 2020 through 2024.

Industry and Employment

The following table summarizes the average number of employed and unemployed residents of the City and the County, based on the annual “benchmark,” an annual revision process in which monthly labor force and payroll employment data, which are based on estimates, are updated based on detailed tax records. The “benchmark” data is typically released in March for the prior calendar year.

Table 56
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND
UNEMPLOYMENT OF RESIDENT LABOR FORCE⁽¹⁾

	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
<u>Civilian Labor Force</u>					
City of Los Angeles					
Employed	2,007,000	1,787,300	1,868,300	1,947,300	1,957,000
Unemployed	<u>94,500</u>	<u>251,500</u>	<u>181,900</u>	<u>102,600</u>	<u>108,500</u>
Total	2,101,400	2,038,800	2,050,200	2,049,900	2,065,500
County of Los Angeles					
Employed	4,920,800	4,350,500	4,547,600	4,739,900	4,763,600
Unemployed	<u>230,700</u>	<u>609,800</u>	<u>445,900</u>	<u>244,900</u>	<u>252,000</u>
Total	5,151,500	4,960,300	4,993,500	4,984,800	5,015,600
<u>Unemployment Rates</u>					
City	4.5%	12.3%	8.9%	5.0%	5.3%
County	4.5%	12.3%	8.9%	4.9%	5.0%
State	4.1%	10.1%	7.3%	4.2%	4.8%
United States	3.7%	8.1%	5.3%	3.6%	3.6%

⁽¹⁾ March 2023 Benchmark report as of July 2024, not seasonally adjusted.

Note: Based on surveys distributed to households; not directly comparable to Industry Employment data reported in the table below.

Sources: California Employment Development Department, Labor Market Information Division for the State and County; U.S. Bureau of Labor, Department of Labor Statistics for the U.S.

The COVID-19 pandemic caused an unprecedented loss of jobs and an increase in unemployment. Unemployment for the City for April 2020 was 20.7 percent, increased from 5.5 percent in March (not seasonally adjusted). The previous high in unemployment was 12.3 percent at the height of the Great Recession in 2010. The California Employment Development Department has reported preliminary unemployment figures for April 2024 of 4.8 percent statewide, 4.5 percent for the County, and 4.6 percent for the City (not seasonally adjusted).

The following table summarizes the California Employment Development Department's estimated annual employment for the County as of March 2023, which includes full-time and part-time workers who receive wages, salaries, commissions, tips, payment-in-kind, or piece rates. Separate figures for the City are not maintained. Percentages indicate the percentage of the total employment for each type of employment for the given year. For purposes of comparison, the most recent employment data for the State is also summarized.

Table 57
LOS ANGELES COUNTY
ESTIMATED INDUSTRY EMPLOYMENT AND LABOR FORCE⁽¹⁾

	<i>County of Los Angeles</i> 2023	<i>% of</i> Total	<i>State of California</i> 2023	<i>% of</i> Total
Agricultural	4,700	0.1%	406,700	2.2%
Mining and Logging	1,700	0.0	19,600	0.1
Construction	151,000	3.3	913,500	5.0
Manufacturing	319,200	7.0	1,334,200	7.3
Trade, Transportation and Utilities	826,400	18.2	3,107,100	17.0
Information	193,000	4.2	559,000	3.1
Financial Activities	211,000	4.6	814,300	4.5
Professional and Business Services	652,500	14.3	2,775,400	15.2
Educational and Health Services	914,500	20.1	3,100,000	17.0
Leisure and Hospitality	534,100	11.7	2,010,600	11.0
Other Services	157,800	3.5	587,900	3.2
Government	<u>582,300</u>	12.8	<u>2,603,700</u>	14.3
Total	4,548,200		18,232,000	

⁽¹⁾ The California Employment Development Department has converted employer records from the Standard Industrial Classification coding system to the North American Industry Classification System.

Note: Based on surveys distributed to employers; not directly comparable to Civilian Labor Force data reported in Table 55.

Source: California Employment Development Department, Labor Market Information Division. Based on March 2023 Benchmark report as of June 11, 2024.

Major Employers

The estimated top 25 major non-governmental employers in the County in 2023 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major non-governmental employers represented 6.9 percent of the labor force.

Table 58
LOS ANGELES COUNTY
2023 MAJOR NON-GOVERNMENTAL EMPLOYERS

<i>Employer</i>	<i>Product/Service</i>	<i>Employees</i>
Kaiser Permanente	Nonprofit health care plan	44,769
University of Southern California	Private university	23,227
Northrop Grumman Corp.	Systems and products in aerospace and information systems	18,000 ⁽¹⁾
Cedars-Sinai	Health system	16,730
Allied Universal	Security professionals	15,326 ⁽¹⁾
Target Corp.	Retailer	15,000
Providence	Health care	14,395 ⁽¹⁾
Ralphs/Food 4 Less – Kroger Co.	Grocery retailer	14,000 ⁽¹⁾
Walt Disney Co.	Media and entertainment	12,200 ⁽¹⁾
Boeing Co.	Aerospace and defense, commercial jetliners, space and security systems	12,005 ⁽¹⁾
UPS	Logistics, transportation and freight	11,643 ⁽¹⁾
Home Depot	Home improvement specialty retailer	11,200 ⁽¹⁾
NBCUniversal	Media and entertainment	11,000 ⁽¹⁾
Amazon	Online retailer	10,500 ⁽¹⁾
AT&T	Telecommunications, DirecTV, cable, satellite and television provider	10,500 ⁽¹⁾
Albertsons Cos.	Grocery retailer	10,406 ⁽¹⁾
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	9,224
Edison International	Electric utility, energy services	7,672 ⁽¹⁾
City of Hope	Treatment and research center for cancer, diabetes and other life-threatening diseases	7,535
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning, maintenance and repair	7,400 ⁽¹⁾
FedEx Corp.	Shipping and logistics	6,750 ⁽¹⁾
Children's Hospital Los Angeles	Hospital	6,644 ⁽¹⁾
Dignity Health	Health care	6,263 ⁽¹⁾
Costco Wholesale	Membership chain of warehouse stores	6,002 ⁽¹⁾
Space Exploration Technologies Corp.	Rockets and spacecraft	6,000 ⁽¹⁾

⁽¹⁾ Business Journal estimate.

Source: Los Angeles Business Journal, Weekly Lists, published August 23, 2023.

The estimated top 25 major governmental employers in the County in 2023 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major governmental employers represented 9.7 percent of the labor force.

Table 59
LOS ANGELES COUNTY
2023 LARGEST PUBLIC SECTOR EMPLOYERS

<i>Employers</i>	<i>Employees</i>
Los Angeles County	100,729 ⁽¹⁾
Los Angeles Unified School District	74,000
University of California, Los Angeles	51,597
Federal Executive Board ⁽²⁾	50,000
City of Los Angeles ⁽³⁾	34,421
State of California ⁽⁴⁾	32,300
Long Beach Unified School District	12,000 ⁽¹⁾
Los Angeles County Metropolitan Transportation Authority	11,700 ⁽¹⁾
Los Angeles Community College District	11,618 ⁽¹⁾
Los Angeles Department of Water and Power	11,000 ⁽¹⁾
California State University – Long Beach	8,477 ⁽¹⁾
City of Long Beach	5,395
Mt. San Antonio Community College District	4,400 ⁽¹⁾
California State University – Northridge	4,276
Glendale Unified School District	4,000
Los Angeles World Airports	3,662
Cal Poly Pomona	3,094
Compton Unified School District	3,071 ⁽¹⁾
Montebello Unified School District	2,885 ⁽¹⁾
Pomona Unified School District	2,800 ⁽¹⁾
California State University – Los Angeles	2,621
City of Pasadena	2,314 ⁽¹⁾
Santa Monica Community College District	2,023 ⁽¹⁾
City of Santa Monica	1,979 ⁽¹⁾
City of Glendale	1,774

⁽¹⁾ Business Journal estimate.

⁽²⁾ Excludes law enforcement and judiciary employees.

⁽³⁾ Excludes proprietary departments (DWP, LAWA, Port of L.A.).

⁽⁴⁾ Excludes education employees.

Source: Los Angeles Business Journal, Weekly Lists, published August 23, 2023.

Personal Income

The U.S. Census Bureau defines personal income as the income received by all persons from all sources, and is the sum of “net earnings,” rental income, dividend income, interest income, and transfer receipts. “Net earnings” is defined as wages and salaries, supplements to wages and salaries, and proprietors’ income, less contributions for government social insurance, before deduction of personal income and other taxes.

The following table summarizes the latest available estimate of personal income for the County, State and United States; equivalent data is not available for the City.

Table 60
COUNTY, STATE AND U.S.
PERSONAL INCOME

<i>Year and Area</i>	<i>Personal Income (thousands of dollars)</i>	<i>Per Capita Personal Income⁽¹⁾ (dollars)</i>
2018		
County ⁽²⁾	\$ 595,765,931	\$59,004
State ⁽³⁾	2,411,055,136	60,984
United States ⁽³⁾	17,514,402,000	53,309
2019		
County ⁽²⁾	\$ 628,932,215	\$62,573
State ⁽³⁾	2,537,950,599	64,174
United States ⁽³⁾	18,343,601,000	55,547
2020		
County ⁽²⁾	\$ 673,306,158	\$67,383
State ⁽³⁾	2,767,521,379	70,061
United States ⁽³⁾	19,609,985,000	59,153
2021		
County ⁽²⁾	\$ 720,046,822	\$73,385
State ⁽³⁾	3,013,676,900	76,991
United States ⁽³⁾	21,392,812,000	64,430
2022		
County ⁽²⁾	\$ 720,740,528	\$74,142
State ⁽³⁾	3,006,647,281	77,036
United States ⁽³⁾	21,820,248,000	65,470
2023		
County ⁽⁵⁾	n/a	n/a
State ⁽³⁾	\$ 3,133,678,900	\$80,423
United States ⁽⁴⁾	22,952,028,300	68,531

⁽¹⁾ Per capita personal income is total personal income divided by total midyear population.

⁽²⁾ Last updated: November 16, 2023 – new statistics for 2022; revised statistics for 2018 – 2021.

⁽³⁾ Last updated: May 23, 2024 – new statistics for 2023; revised statistics for 2018 – 2022.

⁽⁴⁾ Last updated: May 23, 2024 – new statistics for 2023; revised statistics for 2018 – 2022.

⁽⁵⁾ County information for 2023 not yet available.

Source: U.S. Bureau of Economic Analysis, “Table SAINC1: Personal Income Summary” for information for the State and the United States and “Table CAINC1: Personal Income Summary” for information for the County (accessed May 31, 2024).

Retail Sales

As the largest city in the County, the City accounted for \$55.7 billion (or approximately 26.9 percent) of the total \$207.4 billion in County taxable sales for 2023. The following table sets forth a history of taxable sales for the City for calendar years 2019 through 2023.

Table 61
CITY OF LOS ANGELES
TAXABLE SALES
(in thousands)

	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Motor Vehicle and Parts Dealers	\$ 4,920,618	\$ 4,585,480	\$ 5,927,499	\$ 6,558,134	\$ 6,094,730
Home Furnishings and Appliance Stores	1,879,295	1,523,470	2,025,904	1,974,419	1,735,366
Bldg. Materials and Garden Equip. and Supplies	2,633,786	2,774,916	3,040,639	3,207,718	3,129,813
Food and Beverage Stores	3,003,306	3,045,666	3,154,313	3,357,996	3,312,332
Gasoline Stations	4,634,896	2,903,295	4,469,765	5,873,754	5,156,169
Clothing and Clothing Accessories Stores	3,392,114	2,302,122	3,632,876	3,714,074	3,510,608
General Merchandise Stores	2,908,563	2,494,747	3,037,363	3,297,351	3,269,278
Food Services and Drinking Places	10,214,928	6,320,584	8,881,294	10,921,768	11,360,174
Other Retail Group	<u>4,686,277</u>	<u>4,462,925</u>	<u>5,286,747</u>	<u>5,282,976</u>	<u>4,940,808</u>
Subtotal Retail and Food Services	38,273,783	30,413,205	39,456,400	44,188,190	42,509,281
All Other Outlets	<u>11,900,668</u>	<u>9,241,031</u>	<u>11,296,267</u>	<u>14,218,524</u>	<u>13,178,287</u>
TOTAL ALL OUTLETS	\$ 50,174,451	\$ 39,654,237	\$ 50,752,667	\$ 58,406,714	\$ 55,687,568
Year-over-year change	1.4%	(21.0%)	28.0%	15.1%	(4.7)

Source: California Department of Tax and Fee Administration, Research and Statistics (last updated April 12, 2024).

Land Use

The following table, derived from data maintained by the Los Angeles County Assessor, indicates various land uses within the City based on assessed valuation and the number of parcels.

Table 62
CITY OF LOS ANGELES
ASSESSED VALUATION AND PARCELS BY LAND USE

	<i>2023-24 Assessed Valuation⁽¹⁾</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential				
Commercial Office	\$ 123,594,027,700	15.57%	26,523	3.36%
Vacant Commercial	2,548,137,269	0.32	1,342	0.17
Industrial	59,295,429,779	7.47	17,784	2.26
Vacant Industrial	2,108,370,020	0.27	4,229	0.54
Recreational	2,956,403,429	0.37	779	0.10
Government/Social/Institutional	4,323,927,005	0.54	3,599	0.46
Miscellaneous	<u>412,868,651</u>	<u>0.05</u>	<u>1,872</u>	<u>0.24</u>
Subtotal Non-Residential	\$ 195,239,163,853	24.60%	56,128	7.12%
Residential				
Single Family Residence	\$ 406,072,545,247	51.16%	508,959	64.54%
Condominium/Townhouse	52,218,443,518	6.58	90,640	11.49
Mobile Homes and Lots	183,955,801	0.02	3,492	0.44
Mobile Home Park	265,659,820	0.03	93	0.01
2-4 Residential Units	40,999,689,306	5.17	75,013	9.51
5+ Residential Units/Apartments	95,306,649,303	12.01	35,601	4.51
Vacant Residential	<u>3,512,123,137</u>	<u>0.46</u>	<u>18,620</u>	<u>2.36</u>
Subtotal Residential	\$ 598,559,066,132	75.40%	732,418	92.88%
Total	\$ 793,798,229,985	100.00%	788,546	100.00%

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Residential Value and Construction Activity

The following table indicates the array of assessed valuation for single-family residential properties in the City.

Table 63
CITY OF LOS ANGELES
PER PARCEL ASSESSED VALUATION OF SINGLE-FAMILY RESIDENTIAL PROPERTIES

	<i>No. of Parcels</i>	<i>2023-24 Assessed Valuation</i>	<i>Average Assessed Valuation</i>	<i>Median Assessed Valuation</i>
Single Family Residential Properties	508,959	\$406,072,545,247	\$797,849	\$447,189

<i>2023-24 Assessed Valuation</i>	<i>No. of Residential Parcels ⁽¹⁾</i>	<i>% of Total</i>	<i>Cumulative % of Total</i>	<i>Total Valuation</i>	<i>% of Total</i>	<i>Cumulative % of Total</i>
\$0 - \$49,999	6,115	1.201%	1.201%	\$ 212,380,065	0.052%	0.052%
\$50,000 - \$99,999	13,986	2.748	3.949	1,056,068,874	0.260	0.312
\$100,000 - \$149,999	16,365	3.215	7.165	2,048,767,080	0.505	0.817
\$150,000 - \$199,999	25,083	4.928	12.093	4,422,383,730	1.089	1.906
\$200,000 - \$249,999	32,991	6.482	18.575	7,433,961,003	1.831	3.737
\$250,000 - \$299,999	41,330	8.120	26.696	11,339,794,760	2.793	6.529
\$300,000 - \$349,999	47,539	9.340	36.036	15,432,252,797	3.800	10.330
\$350,000 - \$399,999	48,812	9.591	45.627	18,290,393,332	4.504	14.834
\$400,000 - \$449,999	27,734	5.449	51.076	11,777,021,228	2.900	17.734
\$450,000 - \$499,999	30,245	5.943	57.018	14,362,715,355	3.537	21.271
\$500,000 - \$549,999	29,979	5.890	62.909	15,732,769,347	3.874	25.145
\$550,000 - \$599,999	28,002	5.502	68.410	16,085,636,892	3.961	29.107
\$600,000 - \$649,999	20,311	3.991	72.401	12,683,143,017	3.123	32.230
\$650,000 - \$699,999	15,882	3.120	75.522	10,712,043,714	2.638	34.868
\$700,000 - \$749,999	14,829	2.914	78.435	10,744,693,017	2.646	37.514
\$750,000 - \$799,999	12,606	2.477	80.912	9,757,321,332	2.403	39.917
\$800,000 - \$849,999	10,444	2.052	82.964	8,609,312,964	2.120	42.037
\$850,000 - \$899,999	10,213	2.007	84.971	8,931,339,991	2.199	44.236
\$900,000 - \$949,999	9,494	1.865	86.836	8,777,953,026	2.162	46.398
\$950,000 - \$999,999	8,063	1.584	88.420	7,858,627,139	1.935	48.333
\$1,000,000-and greater	<u>58,936</u>	<u>11.580</u>	100.000	<u>209,803,966,584</u>	<u>51.667</u>	100.000
	508,959	100.000%		\$ 406,072,545,247	100.000%	

⁽¹⁾ Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

The table below provides a summary of building permits issued by the City by calendar year.

Table 64
CITY OF LOS ANGELES
RESIDENTIAL BUILDING PERMIT VALUATIONS AND NEW UNITS

	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Valuation ⁽¹⁾	\$ 8,520	\$ 6,285	\$ 6,091	\$ 7,968	\$ 5,306
Residential ⁽²⁾	3,437	2,930	2,743	3,690	2,520
Non-Residential ⁽³⁾	1,091	1,187	871	1,196	1,256
Miscellaneous Residential ⁽⁴⁾	173	129	232	365	380
Miscellaneous Non-Residential ⁽⁵⁾	146	46	18	2	388
Number of Residential Units:					
Single family ⁽⁶⁾	3,739	2,685	3,122	4,430	3,918
Multi-family ⁽⁷⁾	<u>10,693</u>	<u>9,171</u>	<u>10,898</u>	<u>12,324</u>	<u>9,271</u>
Subtotal Residential Units	14,432	11,856	14,020	16,754	13,189
Number of Non-Residential Units ⁽⁸⁾	1	0	512	504	81
Miscellaneous Residential Units ⁽⁹⁾	5,014	3,017	4,664	6,320	6,272
Miscellaneous Non-Residential Units ⁽¹⁰⁾	475	257	480	46	164
Total Units	19,922	15,130	19,676	23,624	19,706

(1) In millions of dollars. "Valuation" represents the total valuation of all construction work for which the building permit is issued.

(2) Valuation of permits issued for Single-Family Dwellings, Duplexes, Apartment Buildings, Hotel/Motels, and Condominiums.

(3) Valuation of permits issued for Special Permits, Airport Buildings, Amusement Buildings, Churches, Private Garages, Public Garages, Gasoline Service Stations, Hospitals, Manufacturing Buildings, Office Buildings, Public Administration Buildings, Public Utilities Buildings, Retail Stores, Restaurants, School Buildings, Signs, Private Swimming Pools, Theater Buildings, Warehouses, Miscellaneous Buildings/Structures, Prefabricated Houses, Solar Heaters, Temporary Structures, Artists-in-Residence, Foundation Only, Grade – Non- Hillside, Certificates of Occupancy – Use of Land, Grading – Hillside.

(4) Valuation of permits issued for "Additions Creating New Units – Residential" and "Alterations Creating New Units – Residential."

(5) Valuation of permits issued for "Additions Creating New Units – Commercial" and "Alterations Creating New Units – Commercial."

(6) Number of dwelling units permitted for Single-Family Dwellings and Duplexes.

(7) Number of dwelling units permitted for new Apartment Buildings, Hotel/Motels, and Condominiums.

(8) Number of dwelling units permitted for Airport Buildings, Amusement Buildings, Churches, Private Garages, Public Garages, Gasoline Service Stations, Hospitals, Manufacturing Buildings, Office Buildings, Public Administration Buildings, Public Utilities Buildings, Retail Stores, Restaurants, School Buildings, Signs, Private Swimming Pools, Theater Buildings, Warehouses, Miscellaneous Buildings/Structures Prefabricated Houses, Solar Heaters, Temporary Structures, Artists-in-Residence.

(9) Number of dwelling units added includes "Addition Creating New Units – Residential" and "Alterations Creating New Units – Residential."

(10) Number of dwelling units added includes "Additions Creating New Units – Commercial" and "Alterations Creating New Units – Commercial."

Source: City of Los Angeles, Department of Building and Safety.

Education

The Los Angeles Unified School District ("LAUSD"), a separate government agency and one of the largest employers in the City, administers public instruction for kindergarten through 12th grade ("K-12"), adult, and occupational schools in the City and all or significant portions of a number of smaller neighboring cities and unincorporated areas. The LAUSD, which now encompasses approximately 710 square miles (making it significantly larger than the City at 470 square miles), was formed in 1854 as the Common Schools for the City of Los Angeles and became a unified school district in 1960. The LAUSD is governed by a seven-member

Board of Education, elected by the district to serve alternating four-year terms. There are also a number of charter and private K-12 schools located in the City.

There are many public and private colleges and universities located in the City. Major colleges and universities located within the City include the University of California at Los Angeles, the University of Southern California, California State University at Los Angeles, California State University at Northridge, Occidental College and Loyola Marymount University. There are seven community colleges located within the City operated by the Los Angeles Community College District.