

CITY OF LOS ANGELES
Office of the City Administrative Officer
Office of Economic Analysis

TASK ORDER SOLICITATION
Retail Tax Feasibility Study

Release Date: April 30, 2026

Bids Due: May 7, 2026, 5:00pm PST

Period of Performance: Scope of Work and Deliverables requirements desired completion by August 25, 2026 with possible extension.

INTRODUCTION

Successive economic challenges since the COVID-19 pandemic and the continuing erosion of local revenue streams have strained the fiscal health of the City of Los Angeles (City). While the City has focused its efforts on controlling expenditures to maintain a balanced budget under an inherent structural deficit, the City needs new permanent revenue streams in order to maintain services and make needed investments.

The Office of the City Administrative Officer (CAO) has been instructed by the City Council (C.F. 25-0029, reports attached for background) to study revenue tax options as potential ballot measures in the November 3, 2026 Ballot. For this particular task order, the CAO is seeking consulting services from a qualified consultant within the Office of Economic Analysis (OEA) panel to conduct a feasibility study on implementing a Retail Delivery tax in the City of Los Angeles (City). This tax is conceived to offset the increased cost of public road maintenance resulting from the rise in retail delivery traffic and would be applied to retailers for the delivery of standard retails goods, third party food delivery and potentially delivery of cannabis products.

Please note that other proposed tax measures requiring study by Office of Economic Analysis consultants will be released as separate task order solicitations. Among the studies, the Major Events tax study will be prioritized first for funding and contract execution.

OBJECTIVE & SCOPE

The consultant will perform research and analysis to explore the feasibility and revenue potential of this new Retail Delivery tax measure based on reasonable assumptions and publicly available data, as well as provide practical analysis and implementation specifics to be presented to voters in the upcoming November 3, 2026 ballot or a future regular election. The selected consultant will review and recommend tax assessment and

revenue collection structures, address the feasibility and legality of implementation, and estimate projected annual revenue. The findings and recommendations from this study will inform the City Council’s decision-making process regarding the merits of including a retail delivery tax on the ballot. At a minimum, initial study results, and preferably a draft report, should be completed by June 8, 2026, to provide a report for City Council action by June 17, 2026. To provide for as much time as possible for performing the requested work, compensation may include consultant services provided in advance of contract execution.

The tasks of the consultant include, but are not limited to:

1. Research tax structures similar to the proposed Retail Delivery tax in other California cities. Proposed legislation, and legislation pending implementation may be included. (Note: The consultant may opt to include cities in other states, but the analysis should also address how the legal taxing environment differs from California.) The review should include, but not be limited to:
 - a. Effective date of ordinance/law (if implemented),
 - b. Details of the ordinances/laws to include:
 - i. Definition of retail deliveries and types of products and business models (local business, delivery network company, common/hybrid carrier) that meet the criteria for assessment
 - ii. Tax basis and assessment structure (e.g., charge on goods or services or total charges, flat fee per order or percentage, assessed on retail seller or delivery company, applicable to volume of deliveries or distance traveled)
 - iii. Exempt products (prescriptions drugs, medical devices, or groceries) or service providers
 - iv. Other notable exemptions and whether exemption is statutory or negotiated (e.g. exemption for a delivery company with in-jurisdiction warehouse or headquarters)
 - v. Mechanism for collection and remittance of taxes
 - c. Outcomes
 - i. Amount of revenue that was estimated compared to actual receipts.
 - ii. Implementation and ongoing costs to include technology infrastructure, staffing, and/or other costs.
 - iii. Impact on local businesses and affected industries, if reported
 - iv. Challenges in implementation etc. to include legal challenges and lessons learned.
 - v. Interaction with existing sales tax laws and estimated or reported impact to sales tax revenue.
 - d. Alternative measures implemented or proposed by other jurisdictions to generate revenue intended to offset the infrastructure impacts and increased public road usage resulting from the increase in retail deliveries.

2. Review/identify State and local, legal, political and economic conditions that may limit the City's ability to implement a Retail Delivery tax (e.g. duplicate taxation).
3. Analyze the findings from task 1 above and propose a Retail Delivery tax measure and estimate the potential annual revenue for the City. Note: In the absence of City data on retail delivery activity in the City, the consultant is encouraged to develop and define reasonable assumptions made to estimate revenue. The goal is a 'reasonable order of magnitude' for revenue potential to present to elected officials and voters.
4. Submit deliverables (draft and final report and presentations) as detailed below.

DELIVERABLES

The contractor will provide the following deliverables, unless otherwise negotiated:

Prepare and submit a draft report with findings, conclusions and recommendations in response to the Scope of Work outlined above within 30 days of the Notice to Proceed. The draft report should provide a table or description of assumptions' to allow the City to quickly validate or adjust the underlying logic.

Submit a final report with findings, conclusions, and recommendations within 15 days of receipt of comments from the CAO.

ESTIMATED TIMEFRAME

The project is time sensitive and should commence as soon as possible. The proposed timeline for milestones is as follows:

Execute Task Order and issue Notice to Proceed	May 8, 2026
Draft Report Due	June 8, 2026
Findings and final report delivered	June 29, 2026

These are estimated timeframes. If a qualified consultant has an interest in the project but feels it cannot meet the desired timeframe based upon scheduling issues related to scope or other factors, please provide an alternative schedule. The schedule will be considered along with other evaluation factors, such as proposed work plan, consultant expertise and cost, in bidder selection.

COMPENSATION

Compensation for the complete and satisfactory performance of such services will be subject to funding availability. The consultant will submit invoices and may receive

compensation in either one or two payments (the latter for the completion of the draft and final report deliverables). Upon the completion of the task order or milestone deliverable, the consultant must submit an invoice detailing the services provided in order to receive payment.

EVALUATION CRITERIA

The CAO will review and score each complete and fully responsive bid. Bids shall be determined eligible for review and scoring based on the responsiveness and factuality or verifiability of the bid documentation and information. A minimum score of **70** is required to be considered for funding. Bids shall be evaluated based on the following categories and may include consideration of any or all of the listed factors at the City’s sole discretion.

Past Work Product(s)	10 points
Demonstrated Experience and Capacity	20 points
Proposed Work Plan	30 points
Value of Services and Costs	40 points
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Total	100 points

The City reserves the right to request a pre-award interview, and/or telephone conference call with bidders. CAO reserves the right to select more than one contractor.

The City’s decision to award an NTP will be based on the stated evaluation criteria. The City reserves the right to modify the City’s objectives and requirements at any point during the period prior to submittal deadlines (by addendum), without liability, obligation, or commitment to any party, firm or organization for costs incurred in responding to this TOS, TOS addendums or subsequent modifications of the City’s terms and conditions prior to award of an NTP.

Bids will be evaluated against other bids based on the ability to provide the requested services in a given timeframe and the competitiveness of their cost estimate. The City encourages bidders to utilize industry-standard proxies and reasonable assumptions based on publicly available information to model revenue potential. While the City will consider all evaluation factors, significant weight will be placed on the 'Value of Services and Costs' category to ensure a high-efficiency study that aligns with strictly limited funding. However, the lowest cost bidder may not be determined to be the best bidder when all the evaluation factors have been considered.

TASK ORDER PROPOSALS

Consultants with current Master Agreements with the OEA are invited to submit a brief proposal indicating their interest in this project. The proposal, which must be submitted electronically to the attention of Melissa Krance Melissa.Krance@lacity.org and Annie Wang at the CAO at Annie.Wang@lacity.org by **5:00 p.m. on May 7, 2026**. Please send a copy of proposals and any questions to cao.oea@lacity.org.

The bid should include:


1. Proposed scope, objective, and general approach to be used for the project.
2. Background, experience and qualifications of the firm, including specific expertise of the staff and subcontracted subject matter experts, if any, that will be assigned. Include an estimated number of hours each staff member will dedicate to the project, as well as the role they will play. All consultant staff must certify that they have no conflicts of interest with the City of Los Angeles and will abide by all non-disclosure and confidentiality agreements made with designated City officials, relative to the work product of this project.
3. Proposed timeframe for the project, including deliverables.
4. Project fees comprised of assigned staff and hours based on acceptable deliverables.

Responses will be evaluated and a notice to proceed will be given no later than **May 11, 2026**.

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: August 5, 2025

To: The Honorable Members of City Council of the City of Los Angeles

From: Diana Mangioglu, City Treasurer / Director of Finance 
Office of Finance

Subject: **COUNCIL FILE 25-0029 RELATIVE TO POTENTIAL OPTIONS FOR INCREASING GENERAL FUND TAX REVENUE**

In response to Motion (25-0029), the Office of Finance hereby presents this discussion of a variety of potential options for increasing General Fund Tax revenue. The options discussed herein should be considered as a potential menu for discussion and, should the Council choose, a starting point for further study and elaboration on the items chosen to move forward. Inclusion on this list should not be considered as a recommendation for the Council to advance any or all of these options.

Each of the below options would necessarily have to be placed before the voters for approval. As presented, all of these would be categorized as General Taxes, and would require greater than 50% approval. However, should the Council choose to modify the structure or application of the taxes, or restrict the usage of the revenue, the revised proposal could be categorized as a Special Tax, requiring two-thirds approval.

There are eight options discussed herein: three would be modifications to existing City taxes while five would be entirely new taxes. Generally, modifying existing taxes would be easier, both legally and administratively, because the legal basis and the collection and enforcement infrastructure have already been established. New taxes would likely require administrative expenditures which could expend some of the new revenue that they would generate. They may also face additional legal challenges that existing tax proposals might not face.

Also for general consideration is an understanding of the people or industries that would pay the tax, as well as the potential to advance (or hinder) the City's policy goals.

Four of these proposals would directly impact the tourist economy, a sector which generates a sizable portion of the City's general fund revenue but which has struggled to recover from the pandemic. While tourism certainly generates costs such as waste management and law enforcement to go along with the revenues it brings, the impact on this critical part of the economy should not be ignored.

Three of the proposals have associated environmental impacts and may offer the potential dual benefit of discouraging activities with negative environmental consequences, while generating revenue to offset the impacts created by those who continue to engage in such activities.

Many of these proposals could exacerbate inflationary pressures already putting a strain on the City's residents and economy. While this may or may not be a strong argument against the proposals individually, the impact on inflation should be considered as part of the discussions on each of these proposals.

Amendments to Existing City Taxes

Transient Occupancy Tax

The Transient Occupancy Tax (TOT) is an existing tax on the right to occupy space for lodging. This includes both hotel rooms in the common sense and other spaces with similar usage, such as short-term rentals, hostels, etc. The tax rate is currently 14% of the paid total, including all fees and charges that are associated with occupancy of the space.

As discussed in the report from this Office dated April 10, 2025 associated with Council File 24-1456, there is an existing, robust proposal aimed at increasing TOT revenue by increasing the tax rate from 14% to 16%, codifying the taxability of online travel companies' (OTCs) markups and other charges, and various other changes. These changes would be expected to generate an estimated \$55 million in additional annual revenue.

For further discussion of this proposal, please see the Office of Finance report.

Parking Occupancy Tax

The Parking Occupancy Tax (POT) is a tax on the usage of space for parking vehicles. The tax is applied across all paid parking except for parking associated with a person's residence and public parking meters. The tax is 10% of the total parking charge. In fiscal year 24-25, POT generated approximately \$140 million.

Many cities across California and the nation have parking taxes. Most local jurisdictions apply the same 10% rate that Los Angeles does. Notably, a number of the California cities that are often compared to Los Angeles have higher parking tax rates, including San Diego (10.5%), Anaheim (15%), and San Francisco (25%).

There is no intrinsic limitation on the specifics of a proposal to increase the parking tax. For sake of calculation and scale, a 5% increase, which would raise the rate from 10%

to 15%, would generate around \$70 million annually. Smaller increases would generate less revenue, and larger increases would generate more, though at a certain point the increase would begin to have a noticeable effect on parking preferences and utility.

POT is a good example of a tax with a clear policy nexus. The act of parking is associated with automobile driving, which has numerous environmental impacts such as air and noise pollution. Parking is also generally considered an inefficient land use, as many parking lots are vacant for a significant amount of time. Thus, an increase to the cost of parking is predicted to disincentivize this activity, leading some people who would otherwise drive and park to find other options such as public transportation or shared rides. However, these environmental benefits may be minimized in the event that shared ride platforms such as Uber, Lyft, and Waymo picked up this demand.

POT is paid by a mix of residents and visitors. Visitors to the City often pay POT for parking at hotels, so increasing this tax would impact the price of travelling to Los Angeles. However, the increase would also be felt by workers who drive to work and park in public parking, as well as local residents and tourists who attend sports and entertainment events.

Taxation of Unpermitted Cannabis Businesses

Currently, the City's business tax provisions relating to cannabis businesses are very clear that only businesses permitted by the Department of Cannabis Regulation (DCR) are eligible for business tax registration certificates (BTRCs) and are subject to business tax. This language was deliberately included in Measure M which was adopted by the voters in 2017.

However, as the cannabis industry has grown and changed since that time, this language has established a two-tier system which provides financial incentives for businesses who don't comply with the City's requirements to neither follow DCR permitting requirements nor pay business tax.

A simple solution to the taxation part of this problem is to eliminate the requirement that cannabis businesses are required to have DCR permits in order to register for a BTRC. This would bring the cannabis industry into conformity with every other industry in the City, where permitting and/or legal status is irrelevant when it comes to tax requirements.

The proposal in this area would be to eliminate the language in the tax code limiting the provisions to only "permitted businesses". This change would extend the requirements to the entire industry and allow the Office of Finance to issue BTRCS to, and collect taxes from, unpermitted businesses. This would also enable the Office of Finance to pursue delinquent debt from unpermitted businesses that do not register and pay taxes timely.

Due to the nature of the cannabis industry and the current tax structure, it is difficult to come up with accurate revenue estimates for this change. The number of unpermitted cannabis businesses is unknown and constantly changing. Compliance would also be a challenge. It is unclear whether or not these businesses would act in accordance with new tax laws, as they have already shown their willingness to operate outside of the law.

Making some general assumptions, an order of magnitude revenue estimate may roughly be \$60-\$80 million annually. This is based on market data that seems to indicate that the illegal market is roughly the same size as the legal market, and assumes that gross receipts are generally similar per business but compliance is lower. However, these are all assumptions – the actual figure could be much less if compliance is lower or if the unpermitted businesses generate significantly less gross receipts. There is also the potential that, due to this change or other changes, the industry balance would shift more in favor of legal businesses, shrinking the market share (and tax revenue) of the illegal market. This shift would also result in additional revenue from legal businesses.

New Taxes

Olympic Ticket Tax

Los Angeles will host the world for the Olympic and Paralympic Games in Summer, 2028. Hundreds of thousands of visitors from around the world will travel to the City to attend sporting events at iconic City venues such as the Coliseum, Crypto.com Arena, and Dodger Stadium. While the host City agreement projects that the Games will generate more revenue than costs, the City is required to provide a financial backstop should the need arise. These impacts, in infrastructure, disruption, and potentially direct financial need, provide the conceptual basis for taxing the events themselves.

In 1984, the last time Los Angeles hosted the Games, the City implemented an across-the-board tax of 6% on ticket sales. This produced \$8.5 million in General Fund revenue on total ticket sales of \$140 million.

Estimating revenues from a similar tax on the 2028 Games is complicated by changes in tax law and the ticket sales industry. To ensure equal application of the tax, the clearest model seems to be a User's Tax, comparable to that on parking, hotels, and electricity. Under this model the tax would be applied to the purchaser of tickets and the seller would be obligated to collect the tax and remit it to the City. The need for a physical nexus to establish tax liability also limits this tax model, as the City would only be able to tax tickets for events physically within the City. Events in Inglewood, Long Beach or any other jurisdiction would not be subject to the tax. With this model and all its limitations, a 6% ticket tax could generate around \$100 million in one-time revenue,

assuming approximately \$1.7 billion in ticket sales, of which roughly two thirds are generated by events within the City.

There is a mixed history of Olympic host cities seeking to generate local revenue from the Games. To our knowledge, LA84 is the only example of a specific ticket tax. However, in 2024 Paris significantly increased their hotel tax in an effort to generate additional revenue from Olympic attendees.

While there is some concern that a tax on Olympic tickets would have a negative impact on ticket sales, sales for major sporting events have historically been resistant to increases in price. Attendance at the Games is an expensive proposition for most of the world, which limits access to those with ample financial resources. This clientele would likely not be deterred by a slight increase in ticket cost. The tax would, however, present an additional cost for current City residents wanting to attend the Games.

Vacancy Tax

A vacancy tax is a tax on properties that are held unused, with the idea of creating a greater financial incentive for owners to find occupants for their properties. The most prominent example of this in California is in Oakland, which applies a flat tax of \$3,000 or \$6,000 per vacant parcel depending on the nature of the land use. This tax is added onto the owner's annual property tax bill. "Vacant" is generally defined by Oakland as in use less than 50 days in a calendar year, though there are a number of details and exceptions.

Given the lack of data available on the number of properties in Los Angeles that would qualify as vacant for purposes of taxation, it is very difficult to make revenue projections. Oakland's tax, which has applied to between 1,500 and 2,000 parcels annually, has been generating about \$5.5 million in revenue per year. Los Angeles consists of just under 800,000 parcels, which is about eight times as many as Oakland. Making a general assumption that all the other definitions, exemptions, and variables are roughly equivalent, this tax could generate around \$45 million annually.

There are a number of considerations, both positive and negative, regarding a vacancy tax proposal. These are discussed and evaluated in detail in the June 2020 report from the Chief Legislative Analyst presented as part of Council File 19-0623. In addition to the positive aspects of generating revenue from properties intentionally held vacant, that report also notes concerns about impacts on overall property values and valuable open space. In addition to those concerns, administration of a vacancy tax would require a relatively large ongoing effort from the City. Setting up registration and exemption systems, enforcement, discovery, appeals would likely eat up at least 10% of the new revenue.

There are many different models, exemptions, exceptions, definitions of “vacant”, and definitions of “property” for discussion in this context. For example, the study cited in the CLA report modeled a tax of \$5,000 per vacant unit or vacant parcel. This use of “unit” instead of “parcel” as the object of taxation greatly increased the number of applicable “vacancies”, and led to a revenue estimate of \$128 million annually.

Should the Council wish to pursue a vacancy tax ballot measure, the Housing Department may be able to provide a report with recommendations for a more detailed proposal relative to residential properties for consideration. For consideration relative to taxing vacant commercial properties, this Office would likely work with the Departments of Building and Safety and City Planning on a detailed proposal.

Transportation for Hire/Shared Ride Tax

The concept of taxing transportation for hire and shared rides is based on the reality that these actions generate use of the City’s streets, increasing the need for maintenance and impacting traffic and the environment. While these activities are currently taxed through the City’s business tax (LAMC Section 21.194), the amount generated is quite small, as these activities are taxed via individual drivers at a rate of \$1.06 per day. In addition, Section 21.194 excludes taxis operating under a City taxicab franchise. The model of taxation discussed here is a user’s tax which would be added onto the cost of these rides, whether they be in franchised taxicabs or shared ride services like Uber or Lyft.

This tax could be a flat fee per ride or a percentage of the amount paid, or a combination of the two. It could also vary based on a variety of factors.

A strong example of how this would work is San Francisco, which applies a tax between 1.5% and 3.25% depending on the specifics of the ride. Seattle (\$0.42) and Chicago (\$0.53 to \$1.75) both have flat rate per ride tax models. Seattle’s tax applies only to trips originating in the City, while Chicago’s tax applies to all trips in the City but varies based on origin, destination, number of passengers, and time of day.

The primary benefit of a tax on shared rides, in addition to generating an additional revenue stream, would be an incentive to choose alternative transportation, such as public transit. This may potentially reduce traffic and the negative environmental impact of the additional miles driven.

As a user’s tax, collecting and remitting the tax would become an obligation of the business handling the customer charges. Thus, for rides with Uber, for example, Uber would be responsible for calculating the appropriate tax, adding it to the customer charge, and then remitting that tax to the City. Consistent with the City’s other user’s taxes, this would be required on a monthly basis.

Estimating potential revenues for this new tax would depend on a number of factors and gathering of industry data on the number of hired rides occurring in the City. A specific rate model would need to be decided on, as well as details about exemptions, exclusions, or discounts. For rough comparison, San Francisco generated approximately \$32 million from their tax in 2024, and Seattle generates just under \$6 million annually. Chicago includes their version of this tax in their Ground Transportation Tax, which covers both shared ride apps, taxis, and other similar services and includes what Los Angeles collects through business tax. The combined Ground Transportation Tax generates an estimated \$200 million annually.

Should the Council be interested in pursuing a new tax on these services, the Department of Transportation and the Office of Finance should be instructed to return a more detailed proposal and analysis for consideration.

Retail Delivery Tax

Somewhat similar to the transportation for hire tax concept, a tax on deliveries would be a reflection of the increased road usage resulting from the retail delivery model. The simplest taxation model for implementation of this idea would be a basic flat tax on each purchase for delivery to the consumer.

Both the states of Colorado and Minnesota currently impose a tax on delivery or retail goods to consumers. Colorado's tax is \$0.29 per purchase and Minnesota's is \$0.50. Both are designed as taxes on the retailer, not the consumer, but the concept is the same. Colorado generates about \$90 million annually, while Minnesota generates around \$60 million. While the details are different between the two states, both taxes contain minimum thresholds, exclusions, and exemptions. Using these models as basic guides and extrapolating based on population, a retail delivery tax of around \$1 per delivery could generate between \$150 and \$200 million annually for Los Angeles.

For consideration as a part of this proposal, it could be reasonable to extend application of this tax beyond standard retail goods to include third party food delivery, and even potentially delivery of cannabis products. This would be a decision point for the City in designing the proposal, but would reflect that these deliveries generate similar street use, and would generate significant additional revenue.

Depending on how it was specifically written and what exemptions and exclusions were included, this tax could exacerbate inflationary pressures on City residents. Additionally new administrative and enforcement functions would need to be developed, though the existing business tax framework would probably provide a good starting point.

Path Forward

Should the Council wish to move forward with some of these proposals, it is recommended that separate instructions be provided to the necessary offices for each proposal. The Office of Finance is prepared to work toward further development of any of these ideas over the coming months, though significant support will be needed from the City Attorney, CAO, CLA, and other departments such as Housing (for the Vacancy Tax) and Transportation (for the Transportation for Hire Tax). Because each would need to be considered and presented separately, individual Council Files would seem to be the best path forward.

Moving any of these proposals forward to the ballot would be a significant effort with not insignificant costs, and these efforts and costs would be wasted if the proposals were to be rejected by the voters. For this reason, it is recommended that the Council focus on no more than two or three of these potential measures.

This Office welcomes the opportunity to discuss these proposals with the Council as we collectively seek to identify additional revenue streams to support the needs of the City in the years to come.

If you have any additional questions, please contact Diana Mangioglu, City Treasurer / Director of Finance at diana.mangioglu@lacity.org.

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 15, 2026

CAO File No. 0220-06339-0000
Council File No. 25-0029
Council District: All

To: Karen Bass, Mayor
Marqueece Harris-Dawson, Council President
Katy Yaroslavsky, Chair, Budget and Finance Committee

From: Matthew W. Szabo, City Administrative Officer 

Subject: **REVENUE OPTIONS TO PROTECT AND INVEST IN CITY SERVICES**

RECOMMENDATION

That the City Council, subject to the approval of the Mayor:

1. Approve one, or more, of the following general revenue tax options to Strengthen Fiscal Stability and Preserve Core Services for placement on either the June 2, 2026, Primary Nominating Election Ballot, or the November 3, 2026 General Municipal Election:

Tax Measure	Current Rate	Rate Increase	Duration	Annual Estimated Revenue Impact
Sales (TUT) Tax	1.0% City 9.75% Total	0.5%	Permanent	\$327 million
Transient Occupancy Tax	13% General Fund 14% Total	4.0% 2.0%	4% until Dec. 2028 2% thereafter & permanent	\$89 million \$45 million
Parking Occupancy Tax	10%	5.0%	Permanent	\$67 million
Cannabis Business Tax Parity	Various	N/A	Permanent	~\$70 million

2. Should the City Council opt to place one or more of the tax measures on the June 2, 2026 Ballot, on or before January 28, 2026 request that the City Attorney, with the assistance of the City Administrative Officer and the Chief Legislative Analyst, present the necessary resolution and ordinance for the proposed ballot measure for adoption by no later than February 11, 2026;

3. Should the City Council opt to place one or more of the tax measures on the November 3, 2026 Ballot, on or before June 17, 2026 request that the City Attorney, with the assistance of the City Administrative Officer and the Chief Legislative Analyst, present the necessary resolution and ordinance for the proposed ballot measure by no later than June 26, 2026;
4. Instruct the City Administrative Officer to engage on-call consultants to study one or more of the following general revenue tax options for consideration as a measure on the November 3, 2026 Ballot or in a future election:
 - a. Major Event Tax
 - b. Shared Ride Tax
 - c. Vacancy Tax
 - d. Retail Delivery Fee;
5. Instruct the City Administrative Officer to identify funding up to \$100,000 per study for each of the tax and fee revenue options selected by the Council for further consideration, excluding any options selected for the June 2, 2026 Ballot;
6. Instruct the City Planning Department to provide an update to the Budget and Finance Committee on the status of the pending Vacation Rental Ordinance (C.F. 18-1246) including options to increase the citywide cap on vacation rentals, changing the geographic unit subject to concentration caps from Census tracts to community plan areas and increase said cap, increasing the maximum number of days per calendar year a vacation rental may be rented, and implementing a vacation rental application fee to fund enforcement activities;
7. Rescind the Council action (C.F. 22-0392-S1) on requesting the City Attorney to prepare and present an ordinance to amend Ordinance No. 188699 relative to the establishment of a Transportation Communications Network Revenue (TCN) Fund, that would allocated 75 percent of TCN Revenue by Council District based on the percentage of total area (square feet) of operational digital displays located within each Council District, and 25 percent for citywide purposes.

SUMMARY

The City of Los Angeles has been facing recurring deficits, exacerbated by increasing service demands, and a shifting economic landscape that threatens the City's long-term financial solvency. While the City has maintained a commitment to prudent fiscal management, the traditional revenue sources that have supported the operating budget are eroding and/or being outpaced by expenditure obligations. Simultaneously, the City has experienced unprecedented escalating costs stemming from liabilities, increased homelessness intervention services, and recovery efforts in the Palisades community. For several years, the focus on balancing the annual budget and achieving structural balance has been on reducing expenditures, including the elimination of over 2,000

positions since Fiscal Year 2023-24. However, the service needs in the City are too vast to continue budget balancing solely based on reductions. With an increasing demand for services and infrastructure repairs throughout the City and with major international events such as the 2026 FIFA World Cup, 2027 Super Bowl LXI, and the 2028 Olympic and Paralympic Games (2028 Games) on the immediate horizon, the City must consider permanent options, and specifically new taxes, to increase the City's General Fund Revenue.

In order to ensure sufficient funding is available to fully fund the City's operating budget and make needed investments, the Council adopted the Budget and Finance Committee Report (C.F. 25-0029) seeking information on revenue-generating opportunities. Additionally, the Committee report requested information on implementing Mello-Roos Community Facilities Districts and engaging stakeholders; insight on Great Recession-era budget reports and recommendations; proposing infrastructure bonds for the Fire Department and Recreation and Parks; increasing the Charter base formula for Recreation and Parks; and the calendar for including tax measures on the June and November 2026 ballot. This report addresses these specific directives and details the fiscal outlook, the legal constraints, and policy implications of several revenue-generating options. It also evaluates the consequence of prioritizing special purpose spending over the General Fund.

As further discussed in this report, to strengthen the City's fiscal stability and preserve core services, this Office recommends that the City Council and Mayor immediately select one or more general revenue tax increases—specifically Sales, Transient Occupancy, Parking Occupancy, or Cannabis Business Parity Tax—for placement on a ballot in 2026. The timeline for legislative action depends on the chosen election date:

- For the June 2, 2026 Primary Nominating Election, the City Attorney, assisted by the City Administrative Officer (CAO) and Chief Legislative Analyst (CLA), must present the necessary resolutions and ordinances by February 11, 2026.
- For the November 3, 2026 General Municipal Election, the deadline for these documents extends to June 26, 2026.

Additionally, this Office recommends engaging consultants to evaluate additional revenue streams for the November ballot or future elections. These potential measures include a Major Event Tax, Shared Ride Tax, Vacancy Tax, and Retail Delivery Fee. If Council and Mayor choose to pursue any of these options, this Office recommends appropriating funds to the Office of Economic Analysis to conduct studies to analyze each chosen proposal.

Other requested information, including transferring the cost of sidewalk repairs to property owners, needed administrative changes to the transient occupancy tax, stakeholder engagement, tax amnesty program benefits, and the expansion of cannabis-related businesses, have or will be addressed in separate reports.

FINDINGS

California law places significant restrictions on a local government's ability to increase revenue to meet the increasing demand for services or fund capital expenditures. Under Propositions 13, 218, and 26 adopted by California voters, all new taxes require voter approval (often a supermajority vote). Attachment A summarizes the current restrictions on state and local governments to assess new taxes or implement new fees as established by voter initiatives, and the resulting voter approval requirements, including the simple- and super-majority thresholds for general taxes and special taxes used for construction programs and special purpose spending.

Despite these constraints, the City retains several options to increase revenues via voter- approved ballot measures. The 2026 calendar year offers the City two opportunities to place tax measures on a regular Citywide election: the June 2, 2026 Primary Nominating Election, and the November 3, 2026 General Municipal Election. Attachment B provides the 2026 Election Calendar establishing deadlines for both.

This Office has identified eight tax options that the City should consider for placement on the ballots in 2026 or future elections. Details on these tax proposals are provided in the following sections and are summarized in Attachment C. Of the eight proposed options, four measures (Sales, Transient Occupancy, Parking Occupancy, and Cannabis Business Parity Tax) could be placed on the June 2, 2026 Ballot, provided the necessary resolution and ordinance for the proposed ballot measure(s) are acted on no later than February 11, 2026. Further studies are not required at this time, as this Office has sufficient information and data from recent studies to provide reasonable estimates on the fiscal impact resulting from voter approval. More time may be allotted for the consideration of these proposals by opting to place these measures on the November 3, 2026 Ballot.

The remaining proposed tax options require further review and analysis and thus would not be ready for inclusion on the June 2, 2026 Ballot. These options include a Major Event Tax, Shared Ride Tax, Vacancy Tax, and Retail Delivery Fee. This Office recommends that funding be identified to further study all, or some, of these proposals for possible inclusion on the November 3, 2026 Ballot. Any study would need to be completed in time to allow the necessary resolution and ordinance for the proposed ballot measure(s) to be acted on by June 26, 2026.

General Fund Revenue Tax Proposals

Sales (Transaction and Use) Tax

General Fund sales tax revenue was \$662 million in 2024–25. Annual growth in sales tax revenue has been slowed by several economic trends, thus partly responsible for the ongoing funding gap in the operating budget. These include the transition of retail sales from brick-and-mortar stores to online sales that transfer tax revenue to other jurisdictions; the allocation of sales tax collected by third-party sales platforms and delivery services to the Los Angeles County (County) pool rather than the City; and the continuing shift in consumer spending from taxable goods to untaxed

services. These factors pose a continuing risk to the stability of a primary General Fund revenue source. Despite slowing growth, sales tax also provides the greatest potential for increasing unrestricted annual General Fund revenue, estimated between \$164 million and \$649 million, depending on the proposed rate increase.

Anticipated General Fund Revenue by Sales Transaction and Use Tax (TUT) Rate

Local TUT	0.00%	0.25%	0.50%	0.75%	1.00%
Total Sales Tax Rate	9.75%	10.00%	10.25%	10.50%	10.75%
County cities at rate	45	0	1	30	10
Additional GF Revenue in millions*		\$164	\$327	\$488	\$649

* Calculation based on 2024-25 actual receipts less impact to demand (C.F. 13-1100-S6)

The City can propose up to a 1.0 percent local sales tax rate (referred to as a transaction and use tax, or TUT) above the total tax rate of 9.75 percent collected on the purchase of goods within the City. Currently, the City receives only 1.0 percent, while 6.25 percent is distributed to statewide programs and 2.5 percent supports county transportation and homelessness programs. Despite some outliers, such as Lancaster and Palmdale (11.25 percent) and Santa Monica (10.75 percent), most other County cities with a local TUT have total sales tax rates of 10.5 percent, including Long Beach, Glendale, Pomona, Pasadena, and Downey. Voters in many County cities approved local TUT rates in 2018 and 2024 in order to secure the remaining capacity left after the approval of countywide homelessness Measures H and A.

A TUT ballot measure of 0.5 percent represents the most viable path to fiscal stability, generating \$327 million annually. The anticipated amount is sized to offset a declining tax base and ensure the continued funding of core services. These include the City's substantial commitment to homeless services, which now amounts to approximately \$300 million annually without a permanent dedicated revenue source.

Although this increase is 0.5 percent below the local sales tax cap, this increase would keep the City's total sales tax rate below rates of most neighboring jurisdictions. The remaining 0.5 percent capacity may then be earmarked by special tax initiatives or countywide measures in lieu of broader General Fund priorities. Alternatively, the City may wish to propose a 0.75 percent or 1.0 percent increase to generate necessary revenue critical for maintaining city services amidst disaster recovery efforts following the devastation of the Palisades Fire, which is estimated to have caused billions in property losses that will impact the property tax roll for years to come. Council may consider a companion, nonbinding advisory measure on the ballot to prioritize some share of this funding for critical infrastructure, Recreation and Parks, or other purposes.

Moving forward with a City sales tax measure at this time may likely be the last opportunity the City has to secure the remaining capacity left within the TUT. Currently competing for this capacity are three separate 0.5 percent initiatives (two citywide, one countywide) proposed for the November 3,

2026 ballot. Should the City defer its measure to November, it would face direct competition against these initiatives, creating a scenario in which the City’s might not prevail. Therefore, securing approval in June is necessary to preserve some share of this capacity to strengthen the General Fund before it is claimed by competing interests.

Transient Occupancy Tax

The City’s current tax on lodging rates for hotels and short-term rentals is 14.0 percent, with only Malibu, Santa Monica, and Beverly Hills maintaining higher rates in the County. To capitalize on the region’s tourism economy and the influx of visitors anticipated for the 2027 Super Bowl LXI and the 2028 Games, two adjustments to the Transient Occupancy Tax (TOT) are proposed: a permanent 2.0 percent rate increase, raising the base rate to 16 percent, and a temporary 2.0 percent supplementary charge, effective from January 2027 to December 2028, intended to offset the costs associated with the increased tourism burden on City services and infrastructure. The base increase is estimated to generate an additional \$45.3 million annually to bolster the General Fund, and a total of \$89.3 million in annual revenue is anticipated while the supplementary occupancy tax is effective. Additionally, the Office of Finance’s proposal to codify the taxability of online travel companies’ surcharges would generate further revenue. Concurrent with the temporary TOT increase during these mega events, the City may wish to relax existing home-sharing restrictions or implement a vacation rental policy to meet room demand.

Anticipated General Fund Revenue by Increase to Transient Occupancy Tax Rate

TOT Increase	0.0%	2.0%	4.0%
Total TOT Rate	14.0%	16.0%	18.0%
Total TOT + LATMD Rate	16.0%	18.0%	20.0%
Additional GF Revenue in millions*		\$45.3	\$ 89.3

* Calculation based on 2024-25 actual receipts less impact to demand

This proposal does pose some risk to market competitiveness. Currently, hotels with 50 rooms or more are assessed an additional 2 percent by the Los Angeles Tourism Marketing District (LATMD). Under this proposed rate increase, the total charge for guests at these properties would rise to 18 percent permanently, and 20 percent during the 2028 Games supplementary charge period. This would place the City’s effective tax rate above jurisdictions with competing convention centers. Furthermore, when combined with the phased hotel worker minimum wage hike that reaches \$30 per hour by 2028, the cumulative regulatory burden could translate to significantly higher overall room rates. This pricing pressure risks pushing budget-conscious visitors and convention business to neighboring jurisdictions with lower overall costs.

Parking Occupancy Tax

A parking occupancy tax is assessed on fees charged to anyone using a parking facility within the City. Increasing the rate from 10 percent to 15 percent would generate \$67.3 million in additional revenue with the added benefit of incentivizing the use of public transportation or other transport options. The 15 percent rate is between Burbank's 12 percent and Santa Monica's 18 percent. However, other local governments like Pasadena, Glendale and Long Beach do not have a parking occupancy tax.

Unlicensed Cannabis Business Parity Tax

With the legalization of cannabis business activity, unlicensed businesses were initially exempted from the City's gross receipts tax (business tax) as the City transitioned to a legalized market. Over time, this licensing requirement has inadvertently created a significant financial reward for illegal cannabis businesses by exempting them from business tax liability. A Cannabis Business Parity Tax measure would amend the tax code to ensure unlicensed businesses are subject to the same tax liability as licensed operators, closing a regulatory loophole, and allowing the Office of Finance to enforce and collect the tax from both. The Office of Finance estimates revenue between \$60 million and \$80 million annually, dependent upon tax discovery, enforcement, and collection efforts. However, this revenue stream would likely diminish over time as enforcement activities successfully result in the closure of these illegal businesses.

Other General Fund Tax Proposals

As previously identified by the Office of Finance's August 5, 2025 report (C.F. 25-0029), other taxing options are available to the City and are summarized below. The structure, implementation and administration of these tax proposals will require further study and are best suited for the November 3, 2026 Ballot or a future regular election based on the timing of the studies. Additionally, any tax structured to achieve a change in behavior, such as a vacancy tax or ride share tax, inherently limits its own potential for revenue growth.

Major Event Tax

A major event, defined as any gathering with an expected attendance of 5,000 or more for professional or large-scale amateur sporting events, concerts, festivals, or other activities, are typically associated with significant community impacts, including increased traffic congestion, demand on public safety and transportation infrastructure, elevated noise levels, and economic effects on surrounding neighborhoods and businesses. Finance estimates that a 6 percent tax on the purchase price of tickets for major events physically held within the City of Los Angeles during the 2028 Games would generate approximately \$100 million in one-time revenue. Potential ongoing revenue from a permanent tax, post 2028, is preliminarily estimated at \$48 million.

Vacancy Tax

The revisited proposal to tax residential and/or commercial properties that are held unused for a specified period (e.g., less than 50 days in a calendar year) ultimately seeks to increase the housing supply by encouraging owners of vacant or underutilized properties to rent or sell to avoid the tax. Based on a consultant feasibility study that estimated up to \$148 million in initial annual revenue from a vacancy tax and empty homes penalty, a ballot measure was considered by Council in June 2020 (C.F. 19-0623). The proposal was ultimately tabled, as Council-proposed modifications to the policy effectively reduced anticipated revenue to \$4.0 million.

Shared Ride Tax

A tax on fares charged by taxicabs and companies like Uber and Lyft would generate additional revenue while incentivizing the use of public transit to reduce traffic congestion and environmental impacts. Finance reports the revenue generated by similar hired transportation taxes in other jurisdictions generate between \$6 million (Seattle) and \$200 million annually (Chicago). However, further study is warranted to ensure the tax is not punitive; given the current limitations of the City's public transportation network, the fee may have limited ability to alter commuter behavior and simply increase costs for residents lacking viable alternatives.

Retail Delivery Fee

A flat, per-order charge on the delivery of tangible retail goods is intended to offset the infrastructure wear-and-tear caused by the high volume of delivery vehicles. A local delivery fee would need to be integrated into City's existing business tax framework, separate from the State's collection and disbursement of sales tax. Implementation may be administratively complex for retailers, particularly those utilizing third-party services for order fulfillment. Further study is recommended to evaluate the feasibility of collection mechanisms and to address the compliance burden on local businesses before implementation.

Departmental and Policy-Driven Revenue Alternatives

Separate from voter-approved tax measures, departmental and policy-driven revenue solutions, including modifications to the Home-Sharing Ordinance, expansion of the Curb Management Pilot Program, and leveraging Metro Transportation Communication Network revenue for transportation priorities, represent additional revenue generating and preservation opportunities.

Vacation Rental Policy

The adoption of the Home-Sharing Ordinance limited short-term rental activity to owner-occupied properties and imposed other restrictions, nearly halving TOT revenue realized from short-term rental activity, with the current year revenue loss estimated at \$32.6 million. Implementing a vacation rental policy would increase TOT from short-term rental receipts by a lesser amount, depending on the restrictions proposed. At present, there is a Vacation Rental Ordinance pending

consideration by the Planning and Land Use Committee (C.F. 18-1246) that proposes the following changes to increase TOT:

- Increasing the citywide cap on vacation rentals from 3,625 (the equivalent of 0.25 percent of the current housing supply) to the equivalent of 1 percent;
- Changing the geographic unit subject to concentration caps from Census tracts to community plan areas, and increasing said cap from 0.25 percent to 1 percent; and
- Increasing the maximum number of days per calendar year a vacation rental may be rented from 30 to 90 days.

This Office recommends that the City Planning Department provide an update to the Budget and Finance Committee on the status of the pending Vacation Rental Ordinance. As part of this update, the City Planning Department should present options to increase each cap category on vacation rentals above the stated proposal to augment TOT. Furthermore, to fund the enforcement of the Vacation Rental Ordinance and the cost of administering the program, the City Planning Department should propose a vacation rental application fee. The fee amount will require a fee study and annual reviews to ensure full cost-recovery.

Smart Curb Management Program

The Department of Transportation's Curb Management Pilot Program utilizes digitized data and dynamic pricing to optimize loading zones and increase parking revenue. Per the program provider, expanding this program to 2,000 zones could purportedly generate up to \$32 million in net annual parking revenue for the Special Parking Revenue Fund, with surplus receipts available to transfer to the General Fund. Note, however, the Department considers the provider's estimate to be overly optimistic. On December 5, 2025, Council instructed the Department of Transportation (C.F. 25-1232) to report in 30 days on: a) the implementation and outcomes of Smart Loading Zone or similar curb management programs in other municipalities; and b) the steps necessary to initiate a Smart Loading Zone pilot program in the City to improve loading zone access and short-term delivery parking.

Metro Transportation Communications Network (TCN)

The City has entered into a Memorandum of Agreement (MOA) with Los Angeles County Metropolitan Transportation Authority (Metro) to share revenues from the Metro TCN program that allows digital billboard advertising installed on Metro-owned properties within the City. As originally contemplated by the City when approving the MOA, the City would deposit program receipts into a dedicated special fund for transportation and pedestrian safety projects consistent with MOA that would help offset General Fund expenditures for services and infrastructure, including, but not limited to, the following:

- Sidewalks, curb improvements, speed humps, and street resurfacing;
- Traffic lane markings, pedestrian signage, and transit lines; and
- Property acquisition to widen public rights-of-way, thereby creating safer traffic flow, bicycle lanes, and pedestrian routes.

Council subsequently instructed the City Attorney to prepare an ordinance to redirect 75 percent of anticipated transportation-dedicated revenue to Council discretionary funds (C.F. 22-0392-S1). As this redirection would reduce the ability to use special fund monies in lieu of the General Fund for eligible purposes, this Office recommends the rescission of this most recent action.

Capital Construction Program Funding

The financing of a capital construction program typically requires debt issuance secured by a dedicated and stable revenue stream. While this debt can be secured against any type of ongoing revenue, property-based taxes or fees are preferable due to the clear relationship between the levy and the special benefit received by the owner and the closer alignment with ability to pay. Tax and fee assessment requirements and spending restrictions associated with various property-related taxes and charges are summarized in Attachment D.

While this Office does not recommend pursuing measures specific to capital construction programs at this time, the most suitable mechanisms for financing infrastructure bonds for the Fire Department and Recreation and Parks are discussed below.

General Obligation (GO) Bonds

GO Bonds are the preferred financing mechanism for large construction programs due to their lower borrowing costs and equitable cost distribution. Of all property-based charges, the ad valorem property tax used to repay these bonds most closely aligns with the principle of "ability to pay". Because the tax rate is applied to the assessed value, higher-value properties contribute more, offering a more progressive structure than flat-rate mechanisms.

Parcel Taxes

Alternatively, a parcel tax can be scaled to the benefit derived directly from the construction program itself, such as a flat tax for access to new facilities or a square footage tax for service and facility demands attributed to the property itself. Taxes can be structured with tiered or differentiated rates based on factors such as parcel size, use type, or development intensity. While not as precise as ad valorem taxation, differentiating rates based on parcel characteristics (e.g., residential vs. commercial use, square footage, or number of units) reduces regressivity and can better align the tax burden with both ability-to-pay and the specific benefit derived from the infrastructure. In contrast, applying a flat rate to each parcel, regardless of size or use, ensures every property owner pays an equal amount to support essential services, while simultaneously improving voter understanding of the charge and reducing administrative complexity.

Mello-Roos Community Facilities Districts (CFDs)

CFDs utilize a special tax to finance infrastructure like streets and sewers, alongside services such as police, fire protection, or park maintenance. Establishing a district requires two-thirds approval from registered voters, or from landowners in uninhabited areas. While often utilized for new development, the City may initiate CFDs in established neighborhoods to fund facilities and service

enhancements so long as existing General Fund spending is maintained. The formation process is detailed in Attachment E. Although a CFD ensures that beneficiaries pay for local improvements, a citywide measure is preferable for the financing of Palisades projects. Citywide based funding allows the City to leverage its full debt capacity, thereby avoiding the risks of bonding against an area with significant property loss, while providing flexibility to address infrastructure needs in other districts.

Special Assessments

Distinct from taxes, assessments charge property owners specifically for local improvements that provide a direct, quantifiable 'special benefit' to their property, such as sidewalks or lighting. Because property owners can only be legally charged for the specific benefit they receive, any portion of the project that benefits the general public cannot be funded through the assessment and must be paid for by the City. Consequently, for rebuilding efforts in the Palisades, the City would still be legally required to finance the significant share of costs associated with regional or citywide benefits. Implementation of a special assessment district is subject to a 'majority protest' proceeding rather than a general election.

Enhanced Infrastructure Financing Districts (EIFD) and Climate Resilience Districts (CRD):

These tax-increment financing tools capture the growth in property tax revenue within a specific area to fund infrastructure or climate-related projects. While they allow for bond issuance with a lower 55 percent voter threshold, they rely on redirecting future General Fund revenue growth rather than generating a new revenue stream. Additionally, by diverting the natural growth of the property tax base away from General Fund, this financing structure exacerbates the structural deficit rather than resolving it.

Formula Driven Revenue Appropriations

In accordance with the City's Financial Policies, and in the interest of eliminating the structural deficit, unrestricted General Fund revenue streams should not be designated as restricted special funding. This policy is vital because of the significant legal hurdles involved in replacing lost General Fund revenue with new taxes. The policy does not preclude the Mayor and Council from prioritizing specific policy goals through appropriations during the annual budget process. In contrast, mandated earmarks via Mayor and Council-approved ordinance or voter-approved Charter amendment removes necessary fiscal flexibility.

While often presented as new revenue, many proposals to provide dedicated funding to specific priorities result from the redirection of existing unrestricted receipts away from the General Fund. When the City mandates that flexible revenue be diverted to specific uses, it creates a dollar-for-dollar reduction in the General Fund, limiting the City's ability to fund core services like police, fire, and sanitation. Notable reductions to General Fund revenue include the redirection of former Community Redevelopment Agency (CRA) tax increment receipts and Petroleum Franchise Fees into Council discretionary accounts, as well as the mandatory appropriation of TOT revenue

to the Cultural Affairs Trust Fund. These actions reduce the pool of unrestricted funds available for citywide emergencies and changing priorities.

Recreation and Parks Charter Formula

As with the examples above, the proposal to increase the Recreation and Parks (RAP) funding formula in the Charter does not generate new revenue. As set out in Charter Section 593, the RAP charter-mandated appropriation is calculated as 0.0325 percent of the total assessed value of all property in the City (including properties exempt from paying the tax).

It is crucial to understand that increasing the RAP base funding formula via the Charter would merely redirect additional property tax revenue from the City's General Fund to RAP; it would not increase property taxes or create new revenue. Since property tax is a primary source of unrestricted General Fund revenue, increasing the amount mandated for RAP would result in an equivalent decrease in the money available for other city services that may be of higher priority.

The Mayor and Council already possess the authority to prioritize and increase RAP funding above the Charter minimum through the annual budget process. However, by mandating this increase via the Charter, future governments lose the flexibility to allocate limited financial resources according to the greatest needs, particularly during fiscal emergencies, while further widening the structural deficit.

BACKGROUND

Four Year Outlook and Major Expenditure Drivers

To understand the necessity of new revenue, one must first analyze the widening gap between the City's expenditure obligations and its projected resources. The Four-Year Outlook reflects assumptions made for the 2025-26 General Fund adopted expenditures and revenues and includes projections for the subsequent four years.

The risk of deficit is likely understated due to the omission of significant future expenditure obligations for major citywide projects and events as well as persistent upward pressure on ongoing expenditures that are not quantified, most notably:

- **Homelessness Initiatives:** The City's identified General Fund spending on homelessness has compounded annually by 39 percent from \$18 million in 2016-17 to \$350 million in 2025-26. This expense has grown without the identification of ongoing new revenues or expenditure reductions of the same scale, effectively creating a structural hole in the General Fund.
- **Labor, Liability, and Inflation:** Salary projections include cost-of-living adjustments only through 2027–28 (when agreements expire) that exceed the separate 2 percent growth used for staff turnover. Additionally, the City assumes \$200 million annually in litigation losses, though actual costs have exceeded this amount in recent years, presenting a significant variance risk. The Outlook includes no inflationary factor to general operating expenditures; in contrast to the

revenue forecast, which projects 4.1 percent growth based on historical trends that include inflation.

- Disaster Recovery: The City must now contend with the aftermath of the Palisades Fire. While Federal Emergency Management Agency (FEMA) reimbursements are anticipated, they are often delayed and incomplete. The City must front-fund response and recovery, placing immediate strain on cash flow and reserves.
- Capital Projects: The City has approved a \$2.6 billion expansion of the Convention Center to meet the deadline for the 2028 Games. This project effectively locks the City into a long-term General Fund obligation, with debt service payments estimated to average \$116 million annually over the next 30 years, limiting capacity for other capital necessities.
- Mega Events: Crucially, the current Outlook does not yet fully incorporate the costs for preparing for and hosting citywide events like the 2026 FIFA World Cup, 2027 Super Bowl LXI, and the 2028 Games. Independent studies of prior games have concluded that temporary boosts in tax revenues are often insufficient to offset the massive municipal costs associated with security, logistics, and infrastructure preparation.

Revenue Headwinds and Risks

This increasing expenditure growth is occurring as the City is simultaneously experiencing diminished returns due to a combination of current economic threats and ongoing market shifts, a situation confirmed by three consecutive years of below -average growth in General Fund receipts, with actual 2024-25 receipts falling \$159.6 million (2.0 percent) below the adopted budget. These risks include:

- Fire-Related Losses: For Fiscal Year 2025-26, UCLA and Redfin estimate the recent firestorms may result in property and capital losses between \$76 billion and \$131 billion regionally (including \$51.7 billion within City limits). The County Assessor has reported only 3.5 percent growth in the City's assessed property value, versus the 4.1 percent assumed in the budget, potentially reducing property tax receipts by \$12 million.
- Structural Erosion of Tax Base: Larger shifts in the economy are eroding traditional tax bases. Sales tax growth is slowing as consumers shift spending from taxable goods to non-taxable services and revenue is diverted to other jurisdictions with online sales. Similarly, the Communication Users Tax continues to decline as landlines are abandoned, and cannabis tax revenue has dropped 26 percent since its 2021 peak due to market saturation and illicit competition.
- Population Decline: The City's population trend has reversed from steady growth to an average annual decline of -0.8 percent since 2018. A shrinking population directly erodes the tax base and fee revenue that fund essential municipal services.
- Legal Threats: External forces threaten the City's ability to collect existing revenue. Taxpayer advocacy groups are circulating a new initiative to require a two-thirds vote for most local taxes and retroactively repeal Measure ULA. A separate citizen-led initiative has been filed to repeal

the City's gross receipts business tax, which, if passed by voters, would eliminate an estimated \$763 million in annual General Fund revenue.

- City Policy Actions: Broad policies for fee waivers and tax relief can substantially reduce General Fund revenue. Similarly, earmarking General Fund receipts for special purposes (e.g., establishing tax increment districts, mandating appropriations by ordinance, or redirecting receipts to special funds or discretionary accounts) reduces the fiscal flexibility needed to fund the operational budget according to the highest priorities.

Great Recession Strategies

In response to the Council's request for insight on Great Recession-era strategies, this Office reviewed budget reports from 2007 through 2013. The revenue generation strategies developed during the Great Recession focused on full cost recovery for services, maximizing reimbursements, and optimizing special fund transfers. While multiple reports provided recommendations to update departmental fees, assessments, and charges to ensure this full cost recovery, some actions were tabled in the interest of social benefit. The majority of the highest-impact options from that era have already been implemented or are in progress, leaving little remaining capacity to realize substantial new revenue.

- Cost Recovery and Reimbursement Maximization: Focused on returning solid waste fees and street lighting assessments to levels that achieve reasonable cost recovery and maximizing overhead cost reimbursements from proprietary and special funds by utilizing updated Cost Allocation Plan (CAP) rates.
- Optimizing Contractual and Program Receipts: Maximized receipts from large contracts like those with Metro, adjusted ambulance billings for increased efficiency (including using computerized billing or outside contractors), and leveraged renewed activity for programs like the Ground Emergency Medical Transport (GEMT).
- Fiscal Flexibility and General Fund Transfers: Generated savings and increased General Fund capacity by redirecting cable television franchise fees and tax increment to the General Fund, expanding the eligible uses of special funds, sweeping uncommitted prior-year MICLA proceeds, and transitioning staff in General Fund supported positions- to positions funded by non-subsidized special funds.
- Broadening and Modernizing Revenue Streams: Maximized revenue streams from new or recovering sectors by supporting increased receipts from expanding recreational cannabis business activity, pursuing collection of taxes from out-of-state retailers (following the Wayfair decision), and securing or extending tax collection agreements with short-term rental websites, and executing licensing agreements for billboard advertising.

FISCAL IMPACT STATEMENT

There is no immediate fiscal impact on the General Fund as a result of the recommendations in this report; however, recommendations identify potential future actions that may require additional appropriations through interim budget actions subject to Mayor and Council approval.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies in that the report is for informational purposes only and does not commit the City to any future expenditure of funds without further legislative action.

MWS:BC:MCK: 03260001

Summary of California Tax Measure Voter Requirements and Constitutional Restrictions

State Constitution Restrictions on Revenue

Proposition	Primary Impact	Key Requirement
13 (1978)	Limits property tax rates and annual increases.	Fixed property tax to one percent of a property's value at time of sale and capped annual assessment increases at 2 percent. It further required two-thirds voter approval for local "special taxes" on property.
218 (1996)	Restricts local government's ability to impose taxes, assessments, fees, and charges.	Extended the mandate for majority-voter approval for any new or increased local general tax and two-thirds voter approval for all special taxes regardless of tax structure (e.g., sales tax, utility users tax). Assessments and property-related fees are subject to strict notice, protest, and benefit-allocation rules. Voters may reduce or repeal local taxes, fees, or assessment through the initiative process.
26 (2010)	Redefines what constitutes a "tax" versus a "fee" or "charge" to close loopholes.	Expanded the definition of "tax" to include fees and charges that exceed full cost recovery and thus subject to voting requirements under Proposition 218. Exemptions are provided for property-related fees, regulatory charges, and fines. As a result, existing local fees and charges have been challenged by taxpayers in the courts, further eroding local revenues.

General Tax vs Special Tax Ballot Measures

Measure Type	Purpose / Use	Voter Threshold
General Tax (e.g., sales, business, hotel taxes)	Deposited into the general fund; can be used for any general-purpose governmental needs. A general tax provides Mayor and Council with the most flexibility to allocate funds according to the City's highest priorities.	Simple majority (50%+1)
Special Tax (earmarked, e.g., funding roads, homelessness)	Must be dedicated to specific purposes as defined in measure.	Two-thirds majority (~66.7%) for Council sponsored measures. Simple majority for citizen initiatives.

**ELECTION EVENT QUICK REFERENCE CALENDAR
LEGAL DEADLINES FOR CITY OF LOS ANGELES 2026 ELECTIONS**

These are key election calendar events and their corresponding dates. Some events reflect the practical deadlines, which may differ from statutory deadlines, as explained in the footnotes. It is advisable to schedule activities well in advance of the dates listed to avoid the possibility of missing the deadline.

EVENT		PRIMARY NOMINATING* 06/02/26	GENERAL MUNICIPAL 11/03/26
Recommended last day for proponents to file Initiative Ordinance petitions	E-195¹	11/19/25 ²	04/22/26 ²
Last day for Council to request the City Attorney to prepare resolutions placing measures on the ballot	E-125	01/28/26	06/17/26 ³
Last day for Council to adopt election resolutions	E-110	2/11/26	06/26/26 ⁴
Last day for Council to adopt the ballot order and ballot designation	E-95	02/27/26	7/31/26
Last day for CAO to submit Tax Rate Statements for bond measures	E-88	03/06/26	08/07/26
Last day to file ballot arguments	E-85	03/09/26	08/10/26
Last day to file rebuttal arguments	E-75	03/19/26	08/20/26
Last day to submit CLA Impartial Summaries and CAO Financial Impact Statements	E-70	03/24/26	08/25/26
Last day for Ballot Simplification Committee to submit Ballot Summaries	E-64	03/23/26 ⁵	08/31/26
Last day for Council to approve Ballot Summary	E-60	03/27/26 ³	09/04/26
ELECTION DAY		06/02/26	11/03/26

* Presidential Primaries are held in March (2024, 2028, etc.); Gubernatorial Primaries are held in June 2026, 2030, etc.).

¹ Recommended (not legal) filing date to ensure compliance with deadlines that follow.

² Failure to meet this date does not necessarily mean that the measure cannot be placed on the ballot, but rather, that if this date is not met, other processes may preclude the measure from placement on the ballot. It is also possible that such a measure may be placed on an intervening special election if called by Council action.

³ The legal deadline is Wednesday, July 1, 2026, which is a tentative Council Recess date. In order to provide the City Attorney enough time to draft any resolutions, it is recommended that Council adopt this motion on June 17, 2026, 140 days before Election Day.

⁴ The legal deadline of E-110 falls on an anticipated Council Recess day (7/16/2026); therefore, the deadline is moved up to the Friday preceding the anticipated Council Recess. Resolutions of Necessity for bond measures must be adopted at the meeting before the final election resolutions.

⁵ The legal deadlines of E-64 and E-60 fall on a Holiday (3/30/2026) and during Council Recess, respectively; therefore, the deadlines are moved up to the preceding Monday and Friday ahead of Council Recess days.

**DEADLINES TO PLACE COUNCIL-SPONSORED BALLOT MEASURE (ONLY)
ON JUNE 2, 2026 PRIMARY NOMINATING ELECTION BALLOT***

DATE	ACTION
1/28/26 Wednesday	Last day for Council to adopt motion requesting the City Attorney to prepare resolutions to place a proposed measure on the ballot [Election Code Section 601(a) – min. 125 days before election].
2/11/26 ¹ Wednesday	Last day for Council to adopt all resolutions placing proposed measures on the ballot [Election Code Section 601(b) – min. 110 days before election].
2/27/26 Friday	Last day for Council to approve ballot order and designation [Election Code Section 603(a)– min. 95 days before election].
3/06/26 Friday	Last day for Council to request consolidation with State Primary Election [California Elections Code 10403 – min. 88 days before election]. Last day for City Administrative Officer to submit Tax Rate Statements for bond measures [California Elections Code Section 9401].
3/09/26 Monday	Last day to file ballot arguments with the City Clerk [Election Code Section 605(e) – min. 85 days before election].
3/19/26 Thursday	Last day to file rebuttal arguments with the City Clerk [Election Code Section 605(e) – min. 75 days before election].
3/23/26 ² Monday	Last day for Ballot Simplification Committee to file a Ballot Summary for each measure with the City Clerk [Election Code Section 405 – min. 64 days before election].
3/24/26 Tuesday	Last day for Chief Legislative Analyst to file ballot measure Impartial Summaries with the City Clerk [Election Code Section 604(a) – min. 70 days before election]. Last day for City Administrative Officer to file ballot measure Financial Impact Statements with the City Clerk [Election Code Section 604(b) – min. 70 days before election].
3/27/26 ² Friday	Last day for Council to approve or disapprove Ballot Summaries (if no action by this date, summaries are automatically approved) [Election Code Section 405 – min. 60 days before election].

* Dates based on tentative 2025-26 Council Recess Schedule

¹ The legal deadline of E-110 falls on a date that the City Council does not meet (Thursday, 2/12/26). Therefore, the deadline is moved up to the Wednesday (2/11/26) preceding legal deadline. Resolutions of Necessity for bond measures must be adopted at the meeting before the final election resolutions.

² The legal deadlines of E-64 and E-60 fall on a Holiday (3/30/2026) and during Council Recess, respectively; therefore, the deadlines are moved up to the preceding Monday and Friday ahead Council Recess days.

**DEADLINES TO PLACE COUNCIL-SPONSORED BALLOT MEASURE (ONLY)
ON NOVEMBER 3, 2026 GENERAL ELECTION BALLOT***

DATE	ACTION
6/17/26 ¹ Wednesday	Last day for Council to adopt motion requesting the City Attorney to prepare resolutions to place a proposed measure on the ballot [Election Code Section 601(a) – min. 125 days before election].
6/26/26 ² Friday	Last day for Council to adopt all resolutions placing proposed measures on the ballot [Election Code Section 601(b) – min. 110 days before election].
7/31/26 Friday	Last day for Council to approve ballot order and designation [Election Code Section 603(a)– min. 95 days before election].
8/07/26 Friday	Last day for Council to request consolidation with State General Election [California Elections Code 10403 – min. 88 days before election]. Last day for City Administrative Officer to submit Tax Rate Statements for bond measures [California Elections Code Section 9401].
8/10/26 Monday	Last day to file ballot arguments with the City Clerk [Election Code Section 605(e) – min. 85 days before election].
8/20/26 Thursday	Last day to file rebuttal arguments with the City Clerk [Election Code Section 605(e) – min. 75 days before election].
8/25/26 Tuesday	Last day for Chief Legislative Analyst to file ballot measure Impartial Summaries with the City Clerk [Election Code Section 604(a) – min. 70 days before election]. Last day for City Administrative Officer to file ballot measure Financial Impact Statements with the City Clerk [Election Code Section 604(b) – min. 70 days before election].
8/31/26 Monday	Last day for Ballot Simplification Committee to file a Ballot Summary for each measure with the City Clerk [Election Code Section 405 – min. 64 days before election].
9/04/26 Friday	Last day for Council to approve or disapprove Ballot Summaries (if no action by this date, summaries are automatically approved) [Election Code Section 405 – min. 60 days before election].

* Dates based on tentative 2025-26 Council Recess Schedule

¹ The legal deadline is Wednesday, July 1, 2026, which is a tentative Council Recess date. In order to provide the City Attorney enough time to draft any resolutions, it is recommended that Council adopt this motion on June 17, 2026, 139 days before Election Day.

² The legal deadline of E-110 falls on an anticipated Council Recess day (7/16/2026); therefore, the deadline is moved up to the Friday preceding the anticipated Council Recess. Resolutions of Necessity for bond measures must be adopted at the meeting before the final election resolutions.

General Tax Measure Options to Safeguard the Operating Budget*

Revenue Type	Description/Comments	Current Rate	Projected Revenue Increase
Sales Tax	Tax paid by consumer on the sales price of goods.	1.0% City 9.75% total	0.5% capacity to increase local rate nets \$327m.
Transient Occupancy Tax (hotel) Tax	Tax paid by guest on room rate. 1% each to Cultural Affairs and Convention Center Trust Funds. Hotels with more than 50 rooms pay separate LATMB assessment (2%) also charged to guest.	13% GF 14% total	2% increase nets \$45.3m. 4% increase nets \$89.3m.
Parking Occupancy Tax	Tax paid by user on the parking fee charged.	10%	5% increase nets \$67.3m.
Cannabis Business Tax Parity	Tax paid on gross receipts of cannabis business activity. Unlicensed businesses currently are exempt from the tax.	1% - 10%	\$60m to \$80m preliminary estimate with closed loophole.
Major Event Tax	Structure to be defined.		Preliminary estimate: 6% tax nets \$48m. Further Study Needed.
Vacant / Empty Homes Tax (vacancy tax)	Several CA cities (e.g., San Francisco Proposition M / "Empty Homes Tax") have adopted vacancy taxes in recent years; some face legal challenges.		Preliminary estimate: \$4m to \$148m. Not Implemented.
Shared Ride	Structure to be defined.		No estimate. Further Study Needed.
Retail Delivery Fee	Structure to be defined.		Preliminary estimate \$1 delivery fee nets \$150m and \$200m Further Study needed.

Sales, transient occupancy, and parking occupancy estimates based on 2024-25 actual fiscal year revenue which may be submitted as a General Tax or Special Tax. Sales tax and parking occupancy reduction to demand based on prior studies (C.F. 13-1100-S6, 11-1-357-S1). Transient Occupancy tax assumes -0.72 reduction factor. Vacancy tax estimate based on 2022 consultant study of policy options that will need to be revised (C.F. 19-0623). Other preliminary estimates provided by the Office of Finance.

Property Based Taxes or Assessments

Revenue Type	Description	Typical use (what money may fund)	Voter threshold	Revenue
General Obligation Bond)	Property tax based on assessed value, expires at end	Capital project and program financing for public buildings and infrastructure, (fire stations, parks, etc.)	Two-thirds majority	Sized by program cost debt service, and timeline \$5.65/\$100,000 AV nets \$50 million.
Parcel tax	Property tax amount per parcel, square foot of lot size or improvements, etc.	Public buildings and infrastructure, as well as specified local services	Two-thirds majority	\$3.85/100 sf \$125.75 /parcel nets \$100 million
Mello-Roos / Community Facilities District (CFD) special tax	Parcel tax within a defined district	Core public buildings, infrastructure, and services (streets, sewers, parks, police, fire) in undeveloped areas	Two-thirds approval by landowners or qualified electors depending on district composition	
Special assessments	Assessments are not a tax, but must reflect special benefit to property	Local improvements and related services benefiting assessed parcels (sidewalks, sewers, lighting)	No majority protest of affected property owners in protest proceedings	
Enhanced Infrastructure Financing District (EIFD)	Redirection of existing General Fund property tax increment growth	Public buildings, infrastructure, redevelopment	55% vote for bond issuance	\$0. Redirects General Fund revenue to EIFD.
Climate Resilience District (CRD)	See EIFD, can be coupled with special tax, assessment, or property related fee.	Climate projects Services may be funded with tax, assessment, or fee. Proposed legislation (SB782) will allow use of funds to repair and replace wildfire damaged property.	55% vote for bond issuance	\$0, unless paired with tax, assessment, or fee. Redirects General Fund revenue to EIFD.

CALIFORNIA MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD) TYPICAL FORMATION PROCESS

