



No. **46**

# Investment Gains Improve Los Angeles' Financial Condition

January 2019  
[truthinaccounting.org](http://truthinaccounting.org)

## The Financial State of Los Angeles

A new analysis of the latest available audited financial report found Los Angeles has a Taxpayer Burden™ of \$6,000, earning it a "D" grade based on Truth in Accounting's grading scale. This burden decreased by \$1,200 since last year, largely because of favorable investment returns on pension plan assets.

Los Angeles' elected officials have made repeated financial decisions that have left the city with a debt burden of \$7.7 billion, according to the analysis. That equates to a \$6,000 burden for every city taxpayer.

Los Angeles' financial problems stem mostly from unfunded retirement obligations that have accumulated over many years. Of the \$60.6 billion in retirement benefits promised, the city has not funded \$8.4 billion in pension and \$2.7 billion in retiree health care benefits.

### Here's the truth:

**\$7.7**  
billion  
Money needed to  
pay bills

**-\$6,000**  
Taxpayer  
Burden

**D**  
Financial grade

Data included in this report is derived from the city of Los Angeles 2017 audited Comprehensive Annual Financial Report and retirement plans' reports.

# LOS ANGELES

## FINANCIAL BREAKDOWN

### FAST FACTS

- + Los Angeles has \$12.7 billion available in assets to pay \$20.4 billion worth of bills.
- + The outcome is a \$7.7 billion shortfall and a \$6,000 Taxpayer Burden.
- + Los Angeles' reported net position is overstated by \$2.9 billion, largely because the city delays recognizing losses incurred when the net pension liability increases.

### THE CITY'S BILLS EXCEED ITS ASSETS

Assets	\$61,975,312,000
Minus: Capital assets	-\$43,371,110,000
Restricted assets	-\$5,892,890,000
Assets available to pay bills	\$12,711,312,000
Minus: Bills	-\$20,370,335,000
Money needed to pay bills	-\$7,659,023,000
Each taxpayer's share of this debt	-\$6,000

### BILLS THE CITY HAS ACCUMULATED

Bonds	\$27,340,558,000
Other liabilities	\$7,084,210,000
Minus: Debt related to capital assets	-\$25,187,328,000
Unfunded pension benefits	\$8,438,206,000
Unfunded retiree health care	\$2,694,689,000
Bills	\$20,370,335,000

### GRADE: D

Bottom line: Los Angeles does not have enough money to pay its bills, so it has received a "D" for its finances from Truth in Accounting. A "D" grade is given to cities with a Taxpayer Burden between \$5,000 and \$20,000.