



March 18, 2025

Sharon Tso, Chief Legislative Analyst
Matthew W. Szabo, City Administrative Officer
City of Los Angeles

Dear Ms. Tso and Mr. Szabo,

As President of the Los Angeles City Council and Chair of the Budget and Finance Committee, we write to outline key priorities for the development of the Fiscal Year 2025/2026 budget. Given the findings in the Third Financial Status Report and the City Controller's Revenue Forecast, it is imperative that we take a proactive approach to addressing our financial challenges while ensuring that core services remain intact.

The City faces a structural budget deficit, significant liability obligations, and revenue uncertainty exacerbated by the recent wind and wildfire disaster, external economic pressures, and uncertainty from the Federal Government. The budget must prioritize transparency, fiscal responsibility, and long-term planning to restore public trust and stabilize the city's finances. To that end, we ask that the following principles and priorities be incorporated into the budget development process:

- 1. Create a Multi-Year Budgeting Framework**
Provide a transparent three-year budget plan and a five-year forecast for capital infrastructure projects. The multi-year budgeting framework should provide a transparent accounting of financial commitments or contracts that bridge fiscal years, and create an unfunded mandate in future budget years. This review should include projected cost escalations or adjustments.
- 2. Protect and Rebuild the Reserve Fund**
Identify financing and revenue options to protect the reserve fund while adopting a conservative approach in estimating available federal funds, grants, and reimbursements.
- 3. Budget Responsibly for Liability Costs**
Provide a realistic projection of liability costs and identify strategies to mitigate their

impact, including proactive measures to address the root causes of high litigation expenses.

4. Restructure City Operations

Prioritize the creation of cross-functional teams within and across Departments that work to reduce redundancies and expedite services to meet public need.

5. Account for Settlement-Driven Financial and Operational Obligations

Plan and account for ongoing financial obligations stemming from past legal settlements, ensuring they are properly funded and integrated into long-term financial planning.

6. Review Staffing Challenges to Build a Right-Sized, Well-Trained Workforce that Prioritizes Customer Service

Assess where budget-driven position reductions have resulted in fragmented staffing, and adjust staffing and training plans to ensure departments are structured efficiently with fully staffed teams at new budget levels.

7. Align City Services with the Appropriate Departments

Evaluate which city services or programs are currently delivered by the Mayor's Office or the CAO and transfer responsibility to appropriate departments.

8. Reevaluate Departmental Structure for Efficiency and Accountability

Assess whether certain functional offices or bureaus should be realigned to improve oversight, coordination, and service delivery.

9. Pursue State Relief to Address Budget Shortfalls

Focus the City's legislative program to focus on Federal, State, and Local measures to relieve the City of financial burdens.

10. Prioritize New Revenue Streams and Maximize City Assets

Identify opportunities to generate new revenue by leveraging the City's real estate portfolio, optimizing underutilized assets, and ensuring City fees are set at appropriate levels to achieve cost recovery rather than being subsidized by the General Fund.

We have an opportunity to put the City on a more stable financial path by making responsible, long-term decisions that align with our fiscal realities. The priorities outlined above are critical to addressing our financial challenges while ensuring that essential services remain strong.

We appreciate your partnership in this effort and look forward to working together to craft a budget that is transparent, sustainable, and responsive to the needs of Angelenos.

Sincerely,



Marqueece Harris-Dawson
President, Los Angeles City Council
Los Angeles City Councilmember, District 8



Katy Yaroslavsky
Chair, Budget and Finance Committee
Los Angeles City Councilwoman, District 5