



September 18, 2025

Honorable Members of the City Council
Los Angeles City Hall
200 N. Spring Street
Los Angeles, CA 90012

RE: LOS ANGELES CONVENTION CENTER EXPANSION PROJECT

Dear Honorable Councilmembers,

The City of Los Angeles is currently contemplating a \$2.7 billion expansion and modernization of the Convention Center, which will end up costing taxpayers \$5.9 billion with borrowing and other costs included, of which \$5.45 billion will be paid for by the General Fund. If this plan goes through, the City is projected to need an additional average of \$116 million from the General Fund each year for the next 28 years starting in FY2029. \$116 million is the equivalent of nearly 1,000 City jobs.

The City isn't expected to see a related net positive General Fund impact for 30 years (in FY2057 once the debt service payments end). However, at that time, the City will still be down \$3.2 billion from the General Fund and will take an additional 25 years or so to truly break even.

If approved, the expansion project will not be completed by the 2028 Olympics:

- Phase 1 of the expansion is expected to be complete by 3/31/2028 (a pause before the Olympics)
- Phase 2 is expected to be complete by 2029

Due to the City's consistent budgetary and financial problems with no real solutions for long-term fiscal health and uncertainties regarding the ambitious timeline of completion, our Office cannot recommend going forward with the current plan at this time.

CITY OF LA'S BUDGETARY AND FINANCIAL PROBLEMS

The City has suffered major budget deficits two fiscal years in a row. In the past two fiscal years:

- General Fund revenues came in nearly \$400 million under budget and
- General Fund categories with overspending amounted to nearly \$1 billion
 - Including massive liability payouts in which the City has paid out over \$500 million
 - Increased labor costs starting with the police contract in FY2024 which adds nearly \$1 billion over the following four-year period, followed by the increased labor costs from the rest of the City departments

- The City started FY2024 with record level reserves of \$648 million, but within two years that sank to nearly \$320 million, which is below the City's 5% Reserve Fund policy to help manage its risks and ensure sufficient resources for emergencies/contingencies.
- The City is currently under a fiscal emergency
- Rating agencies have placed the City's credit ratings on negative watch status, indicating that the City's credit ratings are under review and that there is meaningful potential for a negative rating change

SHORT-TERM BUDGETARY / FINANCIAL FIXES

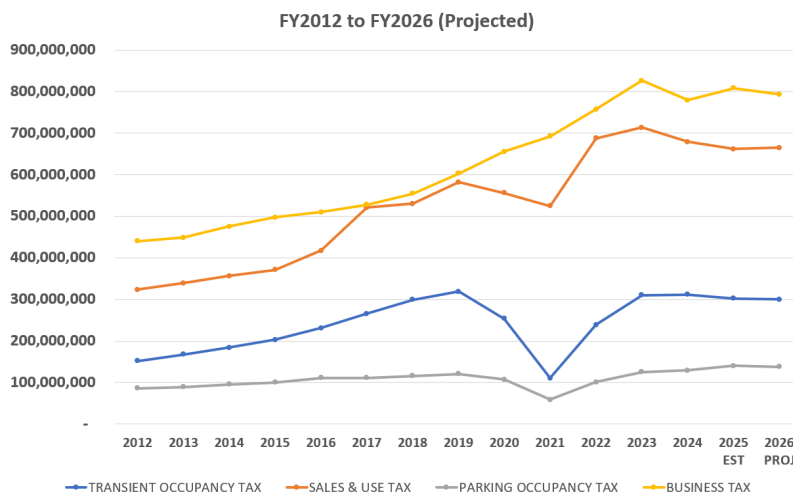
The City's budgetary and financial solutions over the past two fiscal years have been short-sighted and detrimental to City services. In order to save money to cover overspending and revenue shortfalls, the City has resorted to:

- Laying off or furloughing City employees from already understaffed departments
- Cutting vacant positions from already understaffed departments that they were trying to fill to provide sufficient levels of service
- Enforcing austerity measures such as hiring freezes and stopping departments from spending their approved budgets
- Depleting the City's Reserve Fund

In addition, the City has contemplated borrowing funds and taking on additional debt and interest payments to cover obligatory expenses such as liability claims.

CONCLUSION

If the City were to move forward with the Convention Center expansion, it would need to generate more General Fund revenue as soon as possible. Although there were major stadiums and concert venues that were built or renovated in the last decade within and in close proximity to the City of LA (including BMO stadium in 2018 and SoFi Stadium in 2020), we've seen most directly related revenues remain flat for the past few years, including the transient occupancy tax, which is mostly impacted by tourism and makes up most of the incremental tax contributions from new or renovated venues.



In addition, if the City cannot generate enough revenue to cover the additional cost of expansion, we would need to find cost savings somewhere else in the budget, which the City has been doing by cutting funding for already understaffed City departments which has been detrimental to city services.

In the immediate term, the City needs to:

- Stop overestimating General Fund revenues
- Hold the City and/or departments accountable for overspending
- Hold the City and/or departments accountable for liability payouts
- Establish and maintain a Capital Infrastructure Plan

Our Office would love to see the City investing in projects like the Convention Center expansion in addition to affordable housing, roads, sidewalks, streetlights, animal shelters, and countless other projects and City services in general. However, as long as the City fails to fundamentally change the way it handles its finances and continues to inadequately fund City services for our nearly four million residents, we can't recommend taking on this project at this time.

Sincerely,

A handwritten signature in cursive script that reads "Kenneth Mejia".

KENNETH MEJIA, CPA
City Controller