

Communication from Public

Name: Jack Humphreville
Date Submitted: 03/22/2024 11:58 AM
Council File No: 23-0600-S116
Comments for Public Posting: LA Is Broke

LA Is Broke

JACK HUMPHREVILLE

MARCH 21 2024



LA WATCHDOG - The failure of City Council President Paul Krekorian, Budget & Finance Chair Bob Blumenfield, and the other thirteen members of the Los Angeles City Council to heed the prudent financial advice of the City Administrative Officer and the Chief Legislative Analyst has resulted in the City facing a massive budget crunch that will drain the Reserve Fund and result in a significantly lower levels of service. This included approving budget busting labor agreements, the adoption of overly aggressive revenue assumptions, and the raiding an underfunded Reserve Fund during good times.

Of course, our Elected Elite will not accept any of the blame and will continue to treat us as their ATMs by asking us to approve an increase in our already high taxes.

As a result of the City Council's approval of budget busting labor agreements, higher than expected liability claims (lawsuits), and overspending by the Fire Department, expenditures through January have exceeded the budget by almost \$290 million. This overspending was reduced to around \$90 million through a series of financial gymnastics, including raiding the Reserve Fund for \$86 million.

At the same time, revenues were almost \$185 million below plan for this fiscal year that ends in June because of shortfalls in the business, sales, hotel, and documentary transfer taxes and lower receipts from the proprietary departments and special funds.

Overall, the combined shortfall is \$275 million. This will most likely be covered by raiding the Reserve Fund. More than likely, this deficit will increase as revenues continue to decline relative to plan and the impact of the budget busting labor agreements kicks in.

The Reserve Fund balance is almost \$500 million, or 6.2% of General Fund revenues. To cover the deficit, the balance will be reduced to \$225 million, or 2.8% of General Fund revenues, below the 5% charter mandated level.

Next year, the Budget Gap is expected to be in the range of \$700 million because of the budget busting labor agreements and the \$340 million shortfall in revenue outlined by the Controller's Revenue Forecast Report. The City has suggested several remedies, including the elimination of 2,000 vacant positions. (How does eliminating unpaid vacant positions save money?) The City will also call for "broad reductions" in department budgets which will "severely impact department operations and their ability to meet their service delivery goals," and an increase in fees and taxes.

Even with these actions, the City will need to rely on the Reserve Fund. But \$225 million does not cover the deficit. Nor does depleting the \$200 million Budget Stabilization Fund.

The Mayor presents her Proposed Budget to the City Council on April 20 at which time we see how she intends to balance the budget. It will also include departmental budgets and staffing levels, including those for the Police Department, the implementation of Measure HLA (Healthy Streets), details on the Reserve Fund, and fee and tax increases.

At the same time, she needs to address budgetary and financial reform. This would include measures to:

- prohibit the City from entering into any labor agreement that creates deficit,
- require the City to conduct open and transparent labor negotiations,
- establish a Reserve Fund goal equal to 15% of General Fund revenues,
- establish an independent Office of Transparency and Accountability as recommended by the LA 2020 Commission, and

- implement multiyear budgeting as recommended by Controller Kenneth Mejia.

LA is Broke. Balancing the City's budget with minimal reserves will be difficult, but this self-inflicted deficit is the result of the City Council and its failure to follow prudent financial and budgetary policies. They need to fix it and at the same time, endorse meaningful reform.

<https://www.citywatchla.com/la-watchdog/28643-la-is-broke>