MOTION

As we lean into recovery from the devastating wind and wildfires, the City of Los Angeles is facing a structural budget deficit, increasing liability obligations, and declining revenue projections that demand urgent action. The Third Financial Status Report (FSR) released by the City Administrative Officer (CAO) on February 28, 2025, identified more than $300 million in overspending for the current fiscal year, including a $95 million shortfall in the Liability Claims Account alone. Additionally, the City has drawn heavily on its Reserve Fund to cover budget shortfalls, depleting it to levels that could soon require an "urgent economic necessity" declaration.

The City Controller's Revenue Forecast, released on March 3, 2025, paints an equally sobering picture. The report estimates that General Fund revenue for the current fiscal year will fall $140 million short of projections, with continued revenue declines expected in FY 2025-26. Key revenue sources, including business taxes, sales taxes, and grant reimbursements, are underperforming, and projections indicate that the City must make structural changes to protect the delivery of core services.
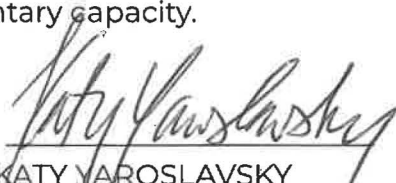
Without meaningful reforms to how the City manages its budget, maximizes its assets, and provides essential operations, Los Angles will continue to face an annual crisis that creates spiraling instability. This moment requires the City Council to rethink how we reverse this trend - avoiding one-year fixes to produce a balanced budget - and fundamentally improve how we engage our residents and make decisions about managing public resources, generating revenue, delivering more responsive and efficient services, and controlling costs. In one of the most creative cities of the world, we should engage the expertise around us to map out the structural changes needed to establish fiscal stability, activate city-owned capital, speed up development, stimulate entrepreneurship and business growth, and ensure the delivery of essential services in the years ahead.

I THEREFORE MOVE that the City Council establish an Advisory Group on the City's Finances and Budget, to assess the city's financial status and advise the Budget and Finance Committee on steps to secure the long-term fiscal health of the City. The Advisory Group will be made up of members of the public, with specific and relevant expertise as described below, led by five members to be named by the Budget and Finance Chair (2), Council President (2), and Council President Pro Tempore (1). The Advisory Group will report not less than quarterly to the Budget and Finance Committee, with a duration not to exceed 18 months. This Advisory Group will also explore and implement recommendations for greater transparency, engagement, and participation by residents in the City's budget process, to include emerging best practices, including community (or "citizen") assemblies.

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The Advisory Group will be responsive to the Budget and Finance Committee, and prepare recommendations on topics including but not limited to maximizing the city's property and assets, novel revenue generation, efficient and transparent delivery of public services, liability reduction, debt utilization, public-private partnerships, reforms to the City Charter and codes required to effectuate the recommendations, and engaging the community in setting long-term budget priorities. The Advisory Group will collaborate with philanthropic, private, and non-profit partners, including third-party consultants, to augment their capacity to deep-dive into specific city processes in need of reform. The Advisory Group members shall have substantial professional experience in municipal finance and budgeting, economic development, real estate, liability management, government efficiency, deliberative democracy, and/or civil service systems. Members will serve in an unpaid, voluntary capacity.

PRESENTED BY: _____
KATY YAROSLAVSKY
Councilwoman, 5th District

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MARQUEECE HARRIS-DAWSON
Councilmember, 8th District

SECONDED BY _____