June 26, 2026

Honorable Members of the City Council
City of Los Angeles City Hall, Room 395
Los Angeles, CA 90012

BUDGET AND FINANCE ADVISORY COMMITTEE: PROGRESS REPORT 1

Honorable Councilmembers,

The Budget and Finance Advisory Committee ("BFAC" or the "Committee") was established by Council action (see Council File 25-0314). The authorizing motion is set forth in Appendix A. The Advisory Committee members were appointed by the Budget and Finance Chair, Council President, and Council President Pro Tempore. BFAC's mandate is to present the City Council's Budget and Finance Committee with well-researched, structural reforms designed to fundamentally improve how the City generates and manages public funds.

COMMITTEE ESTABLISHMENT AND STAFFING

BFAC is composed of five volunteer members appointed by City Council leadership. The committee roster of the members is set forth in Appendix C. The cross-sectoral diversity of our subject matter expertise, professional experience, and background reflects the intent of the authorizing motion introduced by Council President Marqueece Harris-Dawson and Budget and Finance Committee Chair Councilwoman Katy Yaroslavsky.

On November 24, 2025, BFAC held its inaugural meeting at Los Angeles City Hall. BFAC has since continued to hold regular full-body meetings to review research findings, hear expert testimony, and debate policy mechanisms that should be put forward to guide policy. All regular meetings of BFAC are held at Los Angeles City Hall and publicly noticed in compliance with the Brown Act.

BFAC's regular meetings are also staffed and supported by the Office of the City Clerk, Office of the City Attorney and staff from the office of Budget and Finance Committee members. The Committee was also staffed by two dedicated UCLA Luskin Leadership Fellowship graduate students, Golden Bachelder and Prokriti Monolina. They invested substantial time independently researching often new and obscure policy areas related to municipal finance, the historical context around past City actions, as well as drafting memos, managing meeting logistics, and driving the Committee's overall progress and success.

COMMITTEE ENGAGEMENTS

Over the past six months, BFAC has invited and received formal presentations and updates from the Chief Administrative Officer ("CAO"), the Office of the Chief Legislative Analyst ("CLA"), the Office of the Controller, City Treasurer, the Office of Finance, UCLA Luskin Leadership Fellows, Neighborhood Council Budget Advocates. The Committee also takes in-person, General Public Comment in each meeting. As of the latest meeting, a high level summary of our meeting and presentation record is as follows:

- **November 24, 2025:** Inaugural meeting. Chair Yaroslavsky introduced Committee members and outlined BFAC's purpose and potential focus areas. CAO Matthew Szabo presented a FY 2025-26 budget overview. CLA's Office, represented by Andrea Galvin, briefed the Committee on available CLA support.
- **February 6, 2026:** — Report-backs on initial focus area findings: Liability mitigation, generally, Los Angeles Police Department (LAPD) liability mitigation, special fund management, treasury return on investment, and real estate asset management. Discussion of future research needs.
- **February 27, 2026:** — Rebecca Rasmussen, Budget and Legislative Director, Council District 5, delivered an update on the budget calendar and financial objectives. Substantive discussion on liability mitigation, special fund reform, treasury returns, and city asset management.
- **April 3, 2026:** — Presentation by City Controller Kenneth Mejia and Controller's Office representatives covering the Revenue Forecast Report, General Fund revenue and expenditure, liability trends, and special fund management. Luskin Leadership Fellows and Coro Fellow, Sofia Martinez, reported on city fund and special fund restrictions.
- **May 1, 2026:** — Presentation by City Treasurer Diana Mangioglu and Chief Investment Officer Thomas Juarez on the Investment Division's responsibilities and investment strategy. Presentation by Jay Handal, Co-Chair of the Neighborhood Council Budget Advocates, on the 2026 White Paper.

In accordance with the Brown Act, to broaden study and deepen Committee understanding, additional conversations, individual and ad-hoc subcommittee-only meetings, and consultations with independent researchers, community members, and cross-sectoral experts have been engaged on these subjects as well.

Agendas and minutes for all meetings are available at:
https://councilcommittee.lacity.gov/budget/BudgetandFinanceAdvisory/

POLICY FOCUS AREAS TO DATE

We commend Chair Yaroslavsky and all members of Council's Budget and Finance Committee for your leadership in guiding the City through Fiscal Year (FY) 2026-27 budget process. The numbers are clear. Your collective work has led the City to an improved fiscal position against the backdrop during the FY 25-2026 budget adoption process. These short-term improvements are crucial but our mandate demands the expertise of this body to deliver on long-term, structural reforms to ensure the best path forward for the City.

BFAC's work to date has focused on several policy areas that present the highest potential for long-term cost savings, revenue generation, General Fund relief, and improved long-term fiscal management. Those areas include:

- City Treasury and Investment Strategy
- Cost of City Liability, Litigation, and Settlement Payouts
- Interfund Borrowing Practice and Tax and Revenue Anticipation Notes (TRAN)
- Special Funds Management
- Real Asset Management
- Annual CAP Calculation and Utilization

An executive summary and breakdown of focus areas, open questions, and revised policies that are under investigation by this Committee are set forth in Appendix B.

The Committee is mindful that many of these issues have been studied before. A central focus of BFAC's current work is not merely identifying possible reforms, but determining why prior recommendations have not been implemented, what legal or administrative barriers remain, and what concrete actions the Budget and Finance Committee could take to move from analysis to execution.

NEXT STEPS

City Council authorized the BFAC's work to continue for a period not longer than 18 months, which could take us into May 2027. As we move forward, we will remain committed to translating our research into actionable recommendations that produce meaningful, long-term improvements to the City's fiscal health.

Over the coming months, the Committee will continue refining its areas of focus, engage additional City departments and subject matter experts, and test the legal, fiscal, and operational feasibility of potential recommendations. The Committee is mindful that many of these policy issues have been examined before, and we intend to avoid duplicating efforts. Our results will rely on lessons learned from key stakeholders and build on any work being actively implemented rather than duplicate it.

CONCLUSION

A common theme this Committee has heard from seasoned employees and advocates is that structural reforms require sustained, long-term attention and dedicated resources that extend beyond the immediate, pressing demands of the annual budget adoption cycle. Change demands a champion, and that happens to be the most unique and potentially impactful leverage we have as a committee. We will deliver our policy recommendations directly to your body. We are truly grateful for the Committee's diligence and partnership throughout this process. The fiscal challenges facing Los Angeles are significant, and the Committee recognizes the weight of responsibility entrusted to us in helping to chart a path forward. We look forward to presenting our formal recommendations and working in close coordination with you and City leadership to advance this work from analysis to action. Thank you for the opportunity to serve the residents of Los Angeles in this capacity.

APPENDIX A: Council Motion Authorizing the Budget & Finance Advisory Committee (CF: 25-0314)

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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.

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: ______________________

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APPENDIX B: BFAC Progress Report 1 – Policy Solutions Under Review

1. CITY TREASURY RETURN ON INVESTMENT

The City's investment framework prioritizes liquidity and security over yield, creating a persistent gap between what the City earns and what comparable institutional portfolios return. While state law and internal policy restrict investment flexibility, initial findings suggest the City can safely adjust current practices to improve returns without jeopardizing required liquidity.

BFAC Preview: Policy Solutions Under Review

- Long-Term Investment Allocation: Shift a larger portion of treasury holdings into longer-duration, higher-yield instruments where legally permissible.
- Interfund Borrowing: Prioritize interfund borrowing over Tax and Revenue Anticipation Notes (TRAN) to reduce interest costs.
- Legislative Updates: Advocate for state-level changes to expand the City's investment flexibility.

2. LIABILITY CLAIMS PAYMENTS

The fiscal impact of municipal liability claims has escalated significantly in recent years. According to a March 2026 report from the City Attorney and the City Administrative Officer, liability payouts have grown by an average of 35% annually since FY 2021-22, totaling over $1.31 billion between FY 2014-15 and 2023-24. The three largest liability payout categories are: Dangerous Condition/Trip and Fall (32%, $421 million), Civil Rights/Excessive Use of Force (23%, $305 million), Traffic Accidents (14%, $181.6 million), and Employment claims (13%, $165.8 million).

BFAC Preview: Policy Solutions Under Review

- Department Accountability: Explore frameworks such as performance-based budgeting that hold departments fiscally accountable and incentivize proactive safety measures to drive sustained cost reductions.
- Taxpayer Shielded Liability Insurance: Assess the feasibility of requiring applicable personnel carry non-General Fund-funded insurance policies to cover liability costs that arise from severe, intentional misconduct.
- Claims Management and ADR: Evaluate voluntary and mandated centralized triage systems to direct eligible claims, to route eligible claims to mediation or other forms of Alternative Dispute Resolution (ADR). Increased ADR usage could

reduce City Attorney caseloads, the use of outside counsel at trial, and overall litigation expenditures.

- Auditing Investment: Ensure the appropriate City department(s) have the requisite capacity to execute regular, comprehensive risk audits to prevent and recapture public dollars lost to fraudulent claims, including but not limited to workers' compensation claims.
- Predictive Analytics for Infrastructure Maintenance: Leverage technology to GIS-mapped claims data to target accelerated infrastructure repairs in high-claim corridors.
- Legislative Agenda: Advocate for state and federal-level updates that establish appropriate standardized limits on liability claim awards.

3. SPECIAL FUNDS MANAGEMENT

The City manages over 600 special purpose funds. A June 2026 Idle Funds report from the Office of the Controller identified over $80 million across 177 special funds that have seen no expenditures in at least two years. Furthermore, preliminary research by the Committee indicates that substantial capital is accumulating in under-utilized funds where annual revenue generation outpaces expenditures, as well as in historical encumbrances that lack routine reassessment. Previous reform efforts to address the retention of these idle balances have not yet been successful.

BFAC Preview: Policy Solutions Under Review

- Centralized Management: Designate City personnel dedicated to manage fund-specific restrictions, growth, and expenditures to centralize management and enhance administrative coordination among the involved departments.
- Year-Round Engagement: Establish a standardized schedule for comprehensive and regular special fund reporting to the Budget and Finance Committee.
- Proprietary Spending: Evaluate mechanisms to utilize special purpose funds managed by Proprietary Departments (e.g., LAWA, Port of Los Angeles) to finance qualifying infrastructure improvements and mitigation measures.
- Under-Utilized Fund Identification: Collaborate with the City Controller and City Attorney to develop analytical frameworks that identify funds where revenue accumulation outpaces expenditures, and systematically assess historical encumbrances to determine if idle capital can be legally released for reallocation.

- Legislative Agenda: Advocate for state and federal legislative amendments designed to expand permissible uses and administrative flexibility for restricted funds.

4. REAL ASSET MANAGEMENT

The City regularly evaluates its properties predominantly for residential viability, but does not currently have a framework that considers alternative opportunities for economic development and municipal revenue generation. Furthermore, following the dissolution of the Community Redevelopment Agency (CRA), the City experienced a reduction in the specialized real estate expertise required to execute complex transactions.

BFAC Preview: Policy Solutions Under Review

- Asset Management Strategy: Establish a cohesive, citywide real asset framework that prioritizes the “Highest and Best Use” of City properties, specifically exploring non-residential, site-specific revenue-generating opportunities, such as commercial leasing, advertising signage, etc.

- CRA Capability Restoration: Identify the organizational capabilities, governance structures, and financing mechanisms the City lost following the CRA's dissolution, and formulate strategic pathways to reinstate them.

- Legislative Advocacy: Identify and advocate for state and federal legislative amendments, particularly to the Surplus Land Act, to optimize the City's flexibility in disposing of or repurposing underutilized properties.

5. ANNUAL CAP CALCULATION AND UTILIZATION

The annual Cost Allocation Plan (CAP) is the mechanism by which the Federal government reimburses the City for grants management. The City has historically utilized the same CAP as the Federal government to reimburse the General Fund for overhead related to special funds. Efficient and accurate administration of the CAP is critical to ensuring the City and the General Fund recover eligible administrative costs.

BFAC Preview: Policy Solutions Under Review

- Internal CAP Framework: Develop an internal CAP to accurately capture, track, and manage expenditures made on behalf of special funds, ensuring the General Fund is properly reimbursed for services rendered.

6. ADDITIONAL REVENUE-GENERATING INITIATIVES

The Committee is also evaluating the following high-impact strategies to enhance City revenue:

- City Identity and Intellectual Property: Leverage City-owned intellectual property to establish alternative revenue streams.
- Personal Business Property Tax: Implement strategic measures to optimize PBPT compliance and collection.
- Fee Restructuring: Modernize commercial delivery fee structures and refine parking enforcement protocols.

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APPENDIX C: Budget & Finance Advisory Committee Roster

Budget & Finance Advisory Committee Roster

Ron S. Galperin – Chair

Mr. Ron Galperin served for 8 years as the City Controller and is uniquely qualified to consider the challenges affecting the City's Budget and provide recommendations for opportunities to ensure financial stability, accountability, and the best use of taxpayer funds.

Derric J. Johnson – Vice Chair

Mr. Derric J. Johnson brings critical insight as a leader in advancing structural reform and shaping the fiscal strategy for major public and private initiatives. As Vice President of Impact and Equity for United Way of Greater Los Angeles, he evaluates the delivery and outcomes of substantial financial investments. His experience managing public and private resources includes securing millions in funding for LA County restorative justice programs, serving as a strategist for the Robert Wood Johnson Foundation, and driving long-term systemic overhauls, such as the establishment of the Sheriff's Civilian Oversight Commission.

Gilda Haas – Member

Mrs. Gilda Haas has led numerous economic projects and organizations, is a co-founder of the L.A. Co-op Lab, and has taught community economic development at UCLA for over 30 years. She was a founding director of Strategic Actions for a Just Economy, of Communities for Accountable Reinvestment, and of the Economic Development Unit of the Legal Aid Foundation of Los Angeles. She is a co-founder of the national Right to the City Alliance and presently represents the L.A. Coop Lab on the Board of the Seed Commons Financial Cooperative.

Joseph Lumarda – Member

Mr. Joseph Lumarda is currently a senior vice president and investment counselor for Capital Group Private Client Services, providing investment and financial services for trusts, foundations, and nonprofit institutions. Previously, he spent 16 years at the California Community Foundation, including as chief operating officer, and is a U.S. Navy veteran. Mr. Lumarda has served as a Board Member for Southern California Grantmakers, the Los Angeles Natural History Museum, and the Saint Joseph Community Partnership Fund.

Tom De Simone – Member

Mr. Tom De Simone is President and CEO of Genesis LA where he manages an extensive portfolio of financial products that provide capital for local development. His technical experience includes leading a successful Community Development Financial Institution (CDFI), utilizing tax credits and debt instruments to stabilize distressed property, economic development, and urban planning. Mr. De Simone's background includes service with the Los Angeles Housing Department and a fellowship in the Mayor's Office, providing the institutional knowledge necessary to advise the City on asset management and the allocation of public resources.

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