

BUDGET AND FINANCE COMMITTEE REPORT relative to the Second Financial Status Report (FSR) for Fiscal Year (FY) 2025-26.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

APPROVE the recommendations contained in the City Administrative Officer (CAO) report dated December 5, 2025, attached to Council file No. 25-0600-S129, relative to the Second FSR for FY 2025-26, as amended to reflect the following:

- a. Amend Recommendation No. 5 relative to the Los Angeles Police Department (LAPD) Sworn Hiring to add the following recommendations, as the FY 2025-26 Budget is set as Option A until ongoing funding can be identified that does not come from the Reserve Fund or impact public infrastructure:
 - i. Direct the CAO, with the assistance of the LAPD, to report back with possible offsets that can support an increase in police hiring, to be evaluated by the Budget and Finance Committee as soon as possible, as early as January 2026.
 - ii. Direct the CAO, with the assistance of the LAPD, to report on the feasibility of holding any savings from attrition of LAPD officers in excess of the 552 already anticipated, as well as any recruits that drop out and free up slots that can be applied to new recruit classes.
- b. Replace the instruction under the Cannabis Regulation Special Revenue Trust Fund Support to Office of Finance section, on page 47 of said CAO report, with the following:
 - i. Transfer \$450,000 from the Unappropriated Balance, Reserve for Mid-Year Adjustments Account to the Overtime General Account, to ensure sufficient funding for staff overtime costs through March 2026.
- c. Add the following instruction for the Office of Finance to pay for ongoing project management services for the LATAX Transformation Project:
 - i. Transfer and appropriate \$1,800,000 from the Unappropriated Balance Fund No.100/58, Account No. 580245 (LATAX Replacement Project) to the Office of Finance, General Fund No. 100/39, Contractual Services Account No. 003040, for contracted project management services for the LATAX Transformation Project.
- d. Amend Attachment Nos. 3, 6, 7B, and 7C for the Human Resources Benefits Fund as follows and as detailed in the CAO Amendment dated December 9, 2025, attached to the Council file:
 - i. Increase appropriations in the amount of \$150,000 in the Human Resources Benefits Fund No. 100/61, Account 003040, Contractual Services, from revenue received from the Department of Water and Power in Human Resources Benefits Fund No. 100/61, Revenue Source Code 4596, Service to Water and Power (Attachment 3).
 - ii. Transfer \$100,000 from the Unappropriated Balance Fund No. 100/58, Account 580196, Reserve for Mid-year Adjustments, to the Human Resources Benefits Fund No. 100/61, Account No. 003040, Contractual Services (Attachments 6, 7B, 7C).
- e. Amend Recommendation No. 10 for the City Attorney as follows:
 - i. Transfer \$7,647,986 from the Unappropriated Balance Fund No. 100/58, Account No. 580196, Reserve for Mid-year Adjustments, to the City Attorney Fund No. 100/12, Outside Counsel Account No. 009301, for outside counsel expenses.

Fiscal Impact Statement: The CAO reports that a total of \$243.14 million in projected over-expenditures are identified in the First FSR. Transfers, appropriations, and other budgetary adjustments totaling approximately \$50.56 million are recommended in Sections 1, 2, and 4 said CAO report.

Financial Policies Statement: The CAO reports that the recommendations in the report comply with the City’s Financial Policies as the recommended transactions use current revenues and balances to pay for current operations.

Community Impact Statement: None submitted

SUMMARY

At a Special meeting held on December 9, 2025, your Budget and Finance Committee considered the CAO report, dated December 5, 2025, relative to the Second FSR for FY 2025-26. Representatives of various City departments answered questions from Members of the Committee. Amendments were presented by Councilmember Yaroslavsky, seconded by the Councilmember McOsker, relative to requested reports on potential offsets to support an increase in LAPD sworn hiring, and the feasibility of holding savings from the attrition of LAPD officers and open slots in new recruit classes, as detailed above. Amendments were also presented for the Office of Finance, City Attorney, and Human Resources Benefits Fund. After consideration and having provided an opportunity for public comment, the Committee recommended that Council approve the recommendations contained in said CAO report as amended, as detailed above. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
YAROSLAVSKY:	YES
BLUMENFIELD:	YES
HUTT:	YES
McOSKER:	YES
HERNANDEZ:	YES

AXB
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-NOT OFFICIAL UNTIL COUNCIL ACTS-