

MOTION

On March 19, 2025, the City Administrative Officer discussed the Mid-Year Financial Status Report and projected a Fiscal Year 2025-26 General Fund gap of up to \$1 billion due to declining revenues, department over expenditures, increased pension contributions, and the growth in liability claims, among other issues.

In April 2025, the S&P Global Ratings lowered its long term rating on the City's general obligation bonds to AA- from AA, and lowered its rating on the Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds to A+ from AA- with a negative outlook. The S&P noted that the downgrade reflects the City's weakening financial position, an emerging structural imbalance, and that the rapid pace of the reserve deterioration over the last two fiscal years highlight a near-term credit risk.

The Fiscal Year 2025-26 Adopted Budget appropriates \$121.8 million for the restoration of the Reserve Fund to \$419.9 million, or 5.13 percent of General Fund revenues as projected in the budget. However, the City financial condition continues to be at risk through increased tariffs and their impact on trade and tourism. In addition, the potential loss of federal funds, the on-going recovery from the January 2025 wildfires, and other market conditions present a continuing challenge to financial stability.

In light of these conditions, the City must take measures to the maximum extent possible to ensure that essential services are not jeopardized. Departments and elected officials must be vigilant in the use of taxpayer dollars. If there are situations in which a department or elected official fails to remain within an authorized budget, the City should institute consequences for such an action.

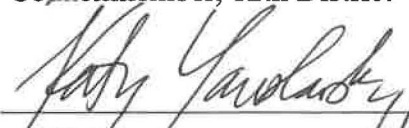


I THEREFORE MOVE that the Council instruct the City Administrative Officer to report with options to institute a new financial policy to specify that if a department or elected office's contract spending exceeds the amount authorized by Council, the responsible department or elected office be required to transfer an amount equal to the over expenditure from their operating budget to the Reserve Fund.

PRESENTED BY

  
JOHN S. LEE

Councilmember, 12th District

SECONDED BY

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AUG 20 2025