

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 15, 2026

CAO File No. 0220-06410-0000
Council File No. 26-0489
Council District: All

To: The City Council

From: Matthew W. Szabo, City Administrative Officer



Subject: **FINANCIAL IMPACT OF POTENTIAL CHANGES TO THE RECREATION AND PARKS CHARTER MANDATED APPROPRIATION**

RECOMMENDATIONS

This Office does not recommend increasing the annual appropriation to the Department of Recreation and Parks through a Charter Amendment as (1) additional appropriations should be achieved through the annual budget process; (2) restricting unrestricted General Fund revenue conflicts with the City's Financial Policies; and (3) the proposed amendments would increase the City's structural deficit by \$43.75 million in 2027-28, \$87.5 million in 2028-29, \$131.25 million in 2029-30, and would create a structural deficit of \$63 million in 2030-31, as detailed in this report. These increases, unsupported by new revenues, would continue to compound in perpetuity.

If the Council intends to increase the annual appropriation to the Department of Recreation and Parks through a Charter Amendment, the Council should adopt the following actions:

1. Note and file the recommendation for CRC 4 as included in the Chief Legislative Analyst report dated June 10, 2026 (C.F. 26-0489);
2. Request the City Attorney, with the assistance of the City Administrative Officer (CAO), to prepare language to amend the Charter to provide an additional annual appropriation of \$175 million, above the current 0.0325 percent of assessed value of all property as assessed for City taxes annually, to the Department of Recreation and Parks (RAP), as follows:
 - a. The additional annual \$175 million appropriation shall be phased in, in equal increments of \$43.75 million over four years, beginning with the 2027-28 Budget, with the full additional annual \$175 million appropriation effective in 2030-31;
 - b. After the four-year phase-in, beginning in 2031-32, the additional \$175 million appropriation shall be subject to annual increases in accordance with the Consumer Price Index (CPI) for Los Angeles; and,
 - c. Up to 30 percent of the Charter mandated appropriation, including the 0.0325 percent of assessed value of all property as assessed for City taxes annually, as well as the additional \$175 million appropriation (as adjusted annually by the CPI), may be withheld, if the City declares a fiscal emergency.
3. Instruct the CAO, with the assistance of RAP, to report with recommendations for a City policy which would require a percentage of the funding allocated to RAP to be dedicated for capital improvements; and,

4. Instruct RAP, with the assistance of the CAO, to coordinate a working group with the goal of facilitating a 2028 ballot measure to identify funding for the City of Los Angeles parks system and programs, either as a Countywide measure in coordination with the County of Los Angeles or solely a City measure.

SUMMARY

At the June 12, 2026 meeting of the Rules, Elections and Intergovernmental Relations (Rules) Committee, the Committee requested this Office to report with a financial analysis of proposed changes to the RAP Charter mandated appropriation.

On April 2, 2026, the City of Los Angeles Charter Reform Commission released its report on recommended Charter amendments, which included a proposal to double the Charter mandated appropriation to RAP from 0.0325 percent of assessed value of property as assessed for City taxes, to 0.0650 percent (C.F. 26-0489). On April 28, 2026, RAP submitted a report in support of this change, but with a multiyear phased-in approach. Motion (Jurado – Rodriguez, et al.) likewise recommended increasing the financial support of RAP up to 0.0650 percent, following a four-year phased increase (C.F. 26-0489-S2).

As an alternative, the Rules Committee proposed to include on the November 2026 Ballot a Charter Amendment to a) increase the RAP Charter mandated budget allocation by \$175 million over four years, b) allow suspension of up to 30 percent of Charter mandated funds, if the City declares a fiscal emergency, and c) instruct the CAO and RAP to report with recommendations for a percentage of this increase to be dedicated to capital improvements. In addition, the Committee instructed RAP and the CAO to coordinate a working group in order to a) engage the County in preparation for a potential 2028 ballot measure, in order to ensure a fair share of funding for the City in any Countywide measure, or b) develop a City measure to identify revenue for our park systems and programs.

This Office does not recommend increasing the RAP Charter mandated appropriation, as this would reduce the property tax revenue available to the City for unrestricted purposes by reallocating existing property tax revenue to RAP. Property tax is the largest source of revenue to the General Fund. The proposal does not increase the City's revenue base, rather it redistributes existing unrestricted funds to RAP in perpetuity and redirects these funds from other City Departments and programs, requiring reductions in other City services. This approach could restrict the City's ability to respond to the needs of other City Departments when other budget priorities arise, including addressing deferred maintenance and capital improvement needs for other recreational and cultural facilities, such as the Los Angeles Zoo and Department of Cultural Affairs. This proposal is contrary to the City's Financial Policy that discourages restricting unrestricted revenues.

History

According to the City of Los Angeles' 2025 Park Needs Assessment, beginning in 1925, the Charter required an appropriation of seven cents per \$100 in assessed value for the Department of Parks and four cents per \$100 in assessed value for the Department of Playgrounds and Recreation. In 1937, the Department of Playgrounds and Recreation's appropriation was increased to six cents per \$100 in assessed value. A 1947 Charter Amendment merged the two departments into a new Department of Recreation and Parks, which was allocated 13 cents per \$100 in assessed value - equal to the combined allocations of the two separate departments. In 1978, the passage of Proposition 3 changed the property assessment ratio from 25 percent of total property value. In response, the City Charter was amended to adjust RAP's appropriation by an equal amount to maintain its prior level of funding, which equated to 3.25 cents per \$100 in the newly assessed value. This was codified in the 1999 version of the City Charter approved by Los Angeles voters (C.F. 25-1538).

Current RAP Charter Mandated Appropriation Policy

Pursuant to Charter Section 593, each year RAP receives an appropriation equivalent to 0.0325 percent of assessed value of all property as assessed for City taxes annually. This allocation provides baseline funding for RAP's operating budget and is also used to support RAP's indirect costs.

The Gross Total Revenue for the City's annual Assessed Valuation includes land, buildings and structures, and business personal property. The Net Total Revenue-Producing Valuations excludes revenue from exempt properties, such as by approved homeowners, religious and non-profit organizations, veterans, and disabled veterans.

The City calculates the RAP appropriation (0.0325 percent of the assessed valuations) based on the Gross Total Revenue multiplied by 0.0325 percent instead of using the amount of the Net Total Revenue-Producing Valuations. This results in the City remitting to RAP more than it actually receives in property tax. This is the same method used to calculate the Library Department's annual appropriation, with the Library's current appropriation using 0.03 percent of Gross Total Revenue. This methodology has been in practice since March 2011, when voters passed Charter Amendment L (Measure L), which incrementally increased the amount the City is required to dedicate annually from the General Fund to the Library Department to an amount equal to 0.03 percent of the assessed value of all property in the City, and incrementally increased the Library Department's responsibility for its direct and indirect costs until it paid for all of its direct and indirect costs.

Charter Language for Appropriations Above Charter Mandate

Currently, Charter Section 593(b) includes a provision for which the City may appropriate funding *above* the Charter mandated amount for RAP or any other purpose. This provides the City the ability to prioritize funding decisions, particularly in times of fiscal emergency. These adjustments are made as part of the City's annual budget process. The City has historically provided an appropriation to RAP that exceeded the Charter requirement in previous years, with the exception of 2025-26. Therefore, the City does not require a Charter amendment to provide additional funding to RAP. However, the existing Charter language does not include provisions to allow for any reductions during times of fiscal emergency *below* the Charter mandated amount.

Proposed RAP Charter Mandated Appropriation Policy

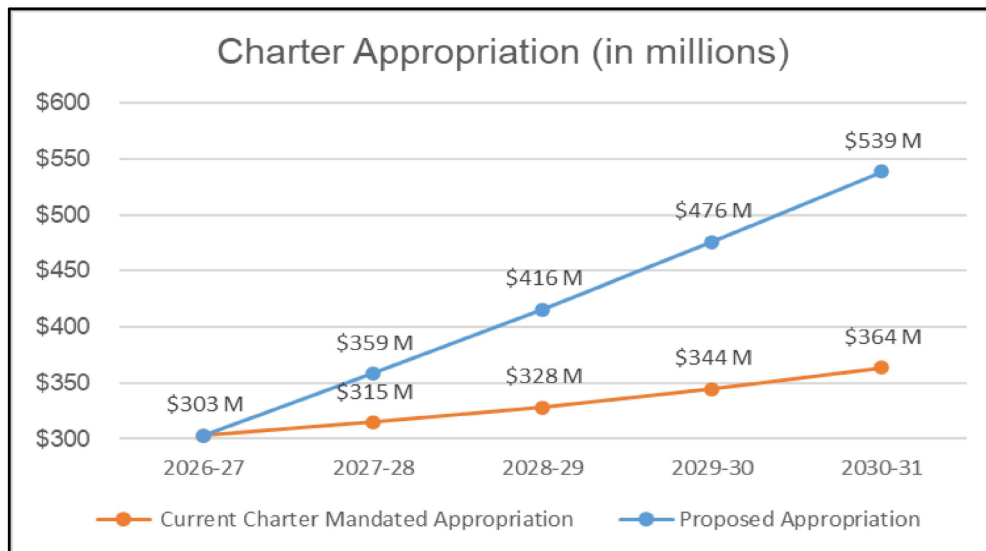
Should the Council wish to mandate an increase to the annual appropriation to RAP by \$175 million through a Charter Amendment, this Office recommends to provide a phased-in increased appropriation of \$175 million divided equally over four years (\$43.75 million), beginning in 2027-28 and ending in 2030-31. This would result in a 78 percent increase in the Charter-mandated appropriation to RAP over 2026-27. In the fifth year (2031-32) and thereafter, the appropriation would increase by \$175 million with annual adjustments in accordance with the Consumer Price Index (CPI) for Los Angeles. See the chart below for the estimated annual appropriations through 2030-31.

| RAP CHARTER PERCENTAGE (0.0325%) WITH PROPOSED FOUR-YEAR PHASED IN ADDITIONAL APPROPRIATION OF \$175 MILLION | | | | | |
|--|--------------------------------------|---|---------------------------------------|--|-------------------------|
| Fiscal Year | RAP Charter Appropriation Percentage | Estimated RAP Charter Appropriation (0.0325%) | Proposed Additional RAP Appropriation | Proposed Cumulative Additional Appropriation | Total ² |
| 2026-27 ¹ | 0.032500% | \$ 303,003,368 | | | \$ 303,003,368 |
| 2027-28 | 0.032500% | \$ 314,820,499 | \$ 43,750,000 | \$ 43,750,000 | \$ 358,570,499 |
| 2028-29 | 0.032500% | \$ 328,042,960 | \$ 43,750,000 | \$ 87,500,000 | \$ 415,542,960 |
| 2029-30 | 0.032500% | \$ 344,445,108 | \$ 43,750,000 | \$ 131,250,000 | \$ 475,695,108 |
| 2030-31 | 0.032500% | \$ 363,734,035 | \$ 43,750,000 | \$ 175,000,000 | \$ 538,734,035 |
| Total | | \$ 1,654,045,971 | \$ 175,000,000 | \$ 437,500,000 | \$ 2,091,545,971 |

¹ Property Assessed Valuation (Gross Total) is based on the prior fiscal year amount. The Estimated Property Assessed Valuation for subsequent years is based on projections of this Office. Actual RAP Charter Appropriations after 2026-27 will be based on the actual Property Assessed Valuation (Gross Total) of the prior fiscal year.

² Total is the sum of the Estimated RAP Charter Appropriation and Additional Appropriation. Total includes additional funding allocated as a result of this proposal and does not include other funds currently allocated to RAP, including RAP Departmental Revenue, other Special Fund appropriations, or funding for programs in the RAP City Services Budget Program.

The following chart shows the current RAP Charter mandated appropriation, as well as the additional proposed \$175 million appropriation, over the next four years:



As discussed in the Rules Committee, any proposal to provide an additional appropriation to RAP should also provide flexibility for the City to reduce this appropriation in times of fiscal crisis. The current Charter does not allow for reductions to the RAP Charter mandated appropriation. This Office recommends that any Charter change proposal also authorize that up to 30 percent of the Charter mandated appropriation, including the 0.0325 percent of assessed value of all property as assessed for City taxes annually, as well as the additional annual \$175 million appropriation (as adjusted annually by the CPI for Los Angeles), may be withheld, if the City declares a fiscal emergency.

Citywide Cost and Service Impacts

The total impact of the proposed change to increase the Charter mandated appropriation as proposed by the Rules Committee is \$175 million annually beginning in Fiscal Year 2030-31. The proposed revision will have a Citywide impact as existing General Funds will need to be diverted to RAP. It will be a budgetary decision for the Mayor and Council regarding what other City services will be reduced in order to reallocate this funding for RAP.

To provide an example of the magnitude of these reductions, the entire General Fund appropriation for the Bureau of Street Services is \$54 million in 2026-27, and therefore represents less than one-third of the reductions that would be required.

For illustrative purposes, the additional \$175 million appropriation equates to the elimination of all 2026-27 General Fund dollars for 13 City departments, as shown in the following chart:

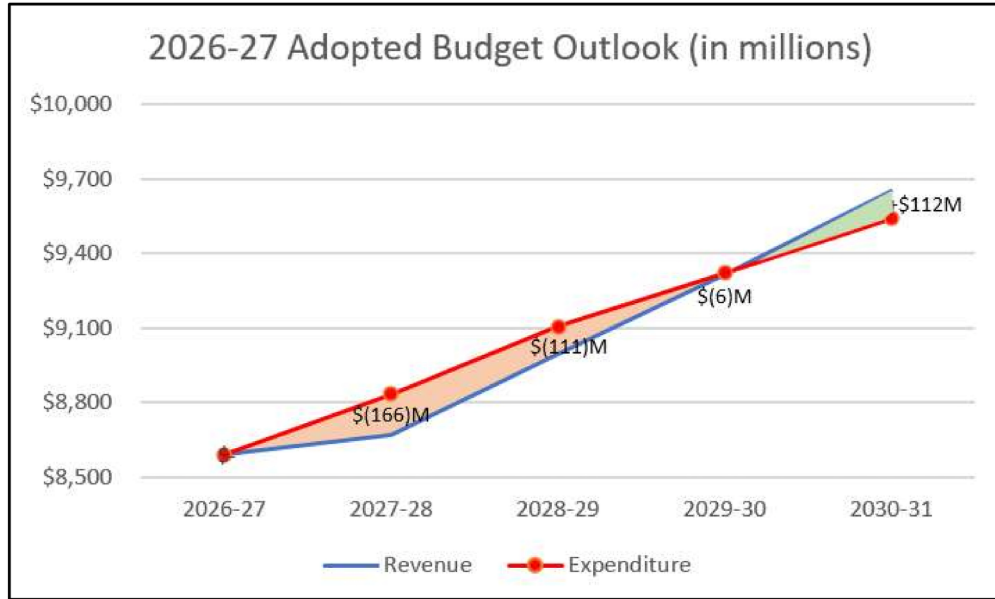
**2026-27 ADOPTED BUDGET
GENERAL FUND BY DEPARTMENT**

| Department Name | 2026-27 BUDGET |
|-----------------------------------|-----------------------|
| Animal Services | \$ 30,395,793 |
| Bureau of Contract Administration | \$ 30,246,586 |
| Controller | \$ 25,070,369 |
| Board of Public Works | \$ 23,901,591 |
| City Clerk | \$ 18,658,917 |
| City Planning | \$ 17,758,255 |
| Building and Safety | \$ 9,746,872 |
| Emergency Management | \$ 4,805,318 |
| Disability | \$ 4,799,151 |
| Public Accountability | \$ 4,125,019 |
| Civil, Human Rights and Equity | \$ 3,586,186 |
| Bureau of Street Lighting | \$ 897,442 |
| Employee Relations Board | \$ 548,749 |
| TOTAL | \$ 174,540,248 |

As a further example, the current average salary of a civilian City employee is \$203,726, consisting of direct (\$138,135) and indirect costs (\$65,591). An increase to the RAP Charter mandated

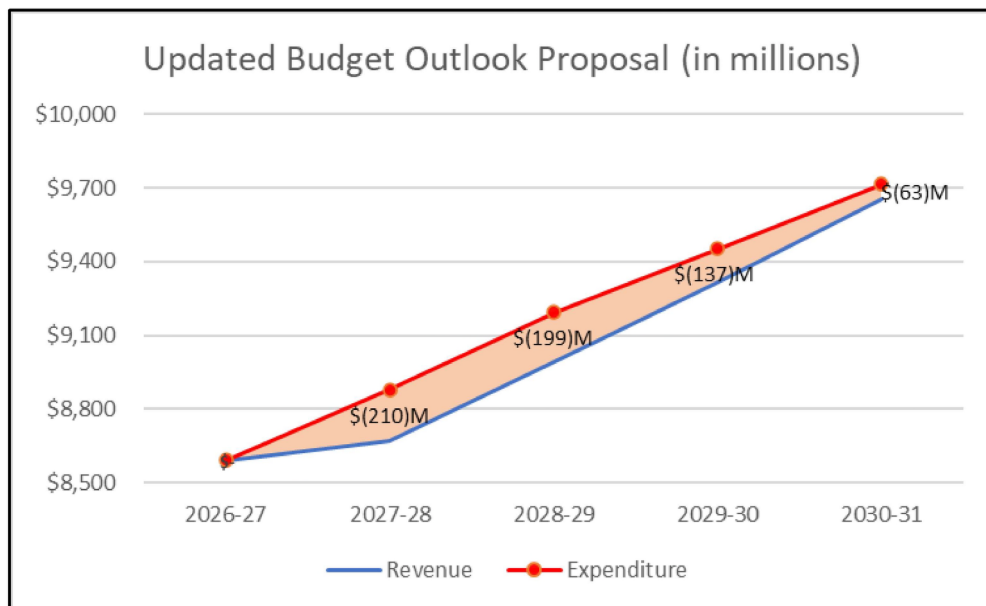
appropriation of \$175 million is the equivalent of 859 City positions in other City departments, based on the current average salary of a civilian City employee.

The current 2026-27 General Fund Adopted Budget Outlook projects deficits in 2027-28 through 2029-30, with a surplus of \$112 million reached in 2030-31, as shown below:



Therefore, the current General Fund Outlook already requires the City to identify reductions in City services, or increased revenues, in order to balance the 2027-28 (\$166 million), 2028-29 (\$111 million), and 2029-30 budgets (\$6 million).

If the Council were to approve the additional \$175 million allocation for RAP, the General Fund Outlook would include deficits for all years, including a deficit of \$63 million in 2030-31, as shown in the following chart:



With the proposed additional \$175 million appropriation for RAP, the revised General Fund Outlook will require the City to identify reductions in City services, or increased revenues, in order to balance the 2027-28 (\$210 million), 2028-29 (\$199 million), 2029-30 budgets (\$137 million), and 2031-21 (\$63 million). Additionally, note that the Outlook does not include projections for compensation adjustments from future labor agreements, and therefore future year expenditures may be higher than represented in the Outlook. Most current agreements for civilians expire in 2027-28 or 2028-29. The majority of agreements for sworn expire in 2026-27.

FISCAL IMPACT STATEMENT

Should the Council not proceed with increasing the RAP budget appropriation, there will be no additional impact on the General Fund. However, should the Council approve the \$175 million Charter amendment with a four-year phase-in, and the measure is approved by City voters, there will be annual impacts as follows over the phase-in period: \$43.75 million (2027-28), \$87.5 million (2028-29), \$131.25 million (2029-30) and \$175 million (2030-31). Beginning in 2031-32, the annual impact will be \$175 million plus the Consumer Price Index (CPI) adjustment. Inasmuch as this will reduce available funding for other City services, the City will need to identify reductions in other City services, absent additional revenue streams.

FINANCIAL POLICIES STATEMENT

Increasing the RAP Charter appropriation would conflict with the City's Financial Policies, specifically Fiscal Policy No. 20 which states that "unrestricted General Fund revenue streams shall not be designated as restricted or special funds." This in no way precludes the City from making appropriations from unrestricted revenues to achieve specific policy goals either as part of the budget process or during the fiscal year.