

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 26, 2026

CAO File No. 0220-06410-0002
Council File No. 26-0489
Council District: All

To: The City Council

From: Matthew W. Szabo, City Administrative Officer



Subject: **FINANCIAL IMPACT OF PROPOSED INCREASE TO THE RECREATION AND PARKS CHARTER MANDATED APPROPRIATION**

RECOMMENDATION

That the City Council note and file this report inasmuch as it is provided for informational purposes only and no Council action is required.

SUMMARY

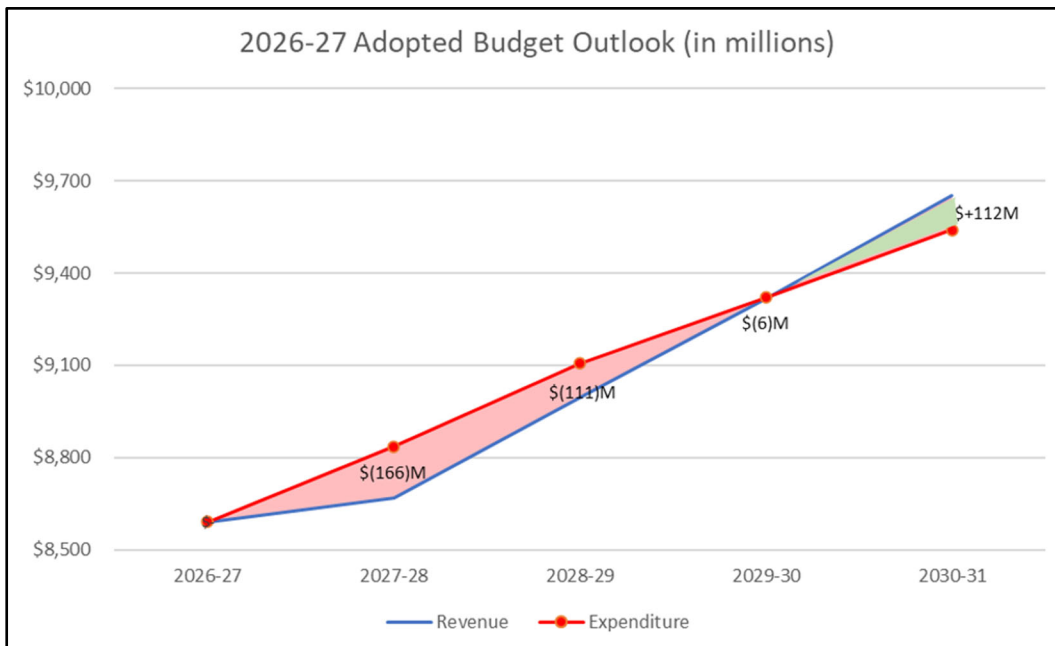
At the June 17, 2026 meeting of the City Council, the Council approved a proposal for a Charter amendment to double the Department of Recreation and Parks (RAP) Charter mandated appropriation from 0.0325 percent to 0.065 percent, with the increase to be phased-in over a ten-year term. The Council directed the City Attorney to draft language for the proposed Charter amendment, and also directed this Office to report the financial impact of the Charter amendment.

Pursuant to Charter Section 593, currently 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. Doubling the Charter mandated funding from 0.0325 percent to 0.065 percent, phased in over a ten-year term, results in estimated funding allocations as shown in the following chart:

TEN YEAR PHASED INCREASE TO RAP CHARTER PERCENTAGE, FROM 0.0325% to 0.065%, BASED ON GROSS TOTAL OF PROPERTY ASSESSED VALUATION					
Fiscal Year	Estimated RAP Charter Appropriation (0.0325%)	Proposed RAP Charter Appropriation Total Percentage	Estimated Incremental Increase to Proposed RAP Charter Appropriation	Estimated Cumulative RAP Charter Appropriation Increase	Estimated RAP Charter Appropriation with Ten-Year Phased Increase to 0.065%
2026-27	\$ 303,003,368	0.032500%	\$ -		\$ 303,003,368
2027-28	\$ 314,820,499	0.035750%	\$ 43,299,181	\$ 43,299,181	\$ 346,302,549
2028-29	\$ 328,042,960	0.039000%	\$ 47,349,004	\$ 90,648,185	\$ 393,651,553
2029-30	\$ 344,445,108	0.042250%	\$ 54,127,088	\$ 144,775,273	\$ 447,778,641
2030-31	\$ 363,734,035	0.045500%	\$ 61,449,007	\$ 206,224,280	\$ 509,227,648
2031-32	\$ 385,558,077	0.048750%	\$ 69,109,467	\$ 275,333,747	\$ 578,337,115
2032-33	\$ 405,607,097	0.052000%	\$ 70,634,240	\$ 345,967,987	\$ 648,971,355
2033-34	\$ 425,887,451	0.055250%	\$ 75,037,312	\$ 421,005,299	\$ 724,008,667
2034-35	\$ 447,181,824	0.058500%	\$ 80,918,616	\$ 501,923,915	\$ 804,927,283
2035-36	\$ 469,540,915	0.061750%	\$ 87,200,456	\$ 589,124,371	\$ 892,127,739
2036-37	\$ 493,017,961	0.065000%	\$ 93,908,183	\$ 683,032,554	\$ 986,035,922

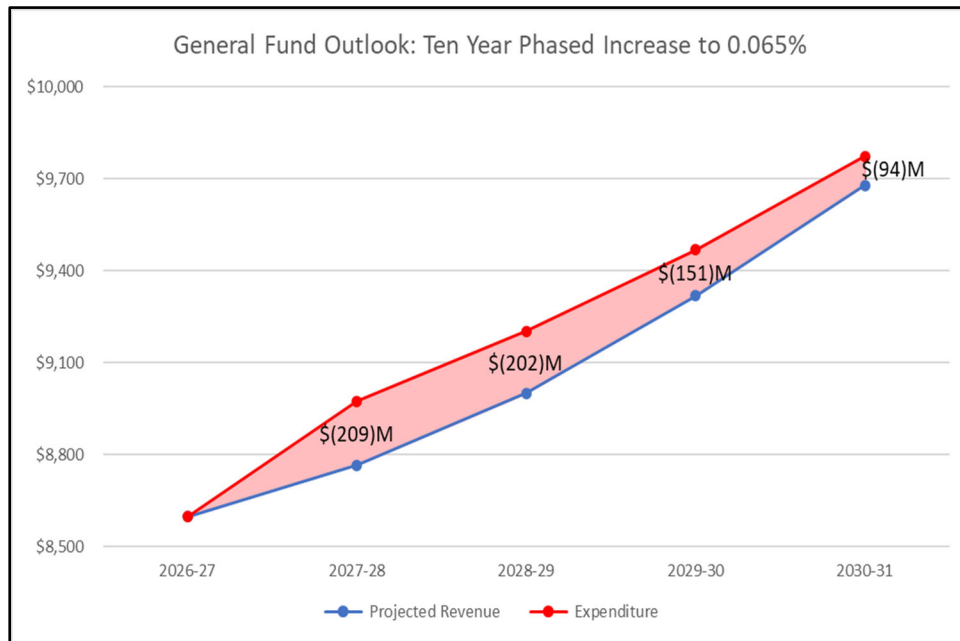
The estimated allocations shown above incorporate an increase to the Charter mandated percentage of 0.00325 each year over the ten-year term, resulting in a total allocation percentage of 0.065 in 2036-37. The estimated allocation also includes projected annual increases in assessed value, ranging from 3.9 to six percent. In 2026-27, the Charter mandated funding allocation to RAP was \$303 million. At the conclusion of the ten year phase-in, the allocation to RAP is estimated to be \$986 million, an increase of \$683 million.

The current 2026-27 Adopted Four-Year General Fund Budget Outlook (Outlook), which assumes the current 0.0325 percent formula for RAP, projects deficits in 2027-28 through 2029-30, with a surplus of \$112 million reached in 2030-31, as shown below:



(See chart on next page)

The following chart shows the impact to the 2026-27 Four-Year General Fund Budget Outlook, and the City’s structural deficit, with the first four years of the proposed ten-year phase-in:



As shown above, with the proposed ten-year phased increase to the RAP Charter mandated funding from 0.0325 percent to 0.0650 percent, the Outlook projects deficits in 2027-28 through 2030-31, ranging from \$209 million to \$94 million. The proposed Charter amendment increases the deficit by \$43 million in 2027-28, \$91 million in 2028-29, \$145 million in 2029-30, and \$206 million in 2030-31. The City will be required to identify reductions in City services, or increased revenues, in order to balance the 2027-28 (\$209 million), 2028-29 (\$202 million), 2029-30 (\$151 million), and 2030-31 (\$94 million) budgets.

The Outlook provides our best assessment of future costs, but does rely on a series of assumptions that are subject to change, as annual growth in revenues and expenditures may be higher or lower than projected in the Outlook. For example, the Outlook does not include projections for compensation adjustments from future labor agreements. Most current agreements for civilians expire in 2027-28 or 2028-29, and the majority of agreements for sworn employees expire in 2026-27. Additionally, the Outlook assumes the City will pay \$200 million annually in liability claims from the General Fund, but actual payments have exceeded that amount in certain past fiscal years, including in the prior two fiscal years, and may exceed that amount in future fiscal years. Further, the Outlook excludes the additional fiscal impacts on the General Fund from recent City developments. For example, the Los Angeles City Employees’ Retirement System (LACERS) Board recently approved the latest Actuarial Experience Study, which will increase the City contribution to LACERS by approximately 3.7 percent, which is approximately a \$99 million increase to the contribution beginning in fiscal year 2027-28. Additionally, the Outlook does not yet reflect the impact from the voter rejection of the Street Lighting Assessment in June 2026 which will increase the burden on the General Fund to support existing infrastructure amid rising costs. Lastly, the Outlook excludes the potential impacts to revenues and expenditures that may result from other measures that may appear on the November 2026 ballot.

In 2025-26, RAP paid its full related costs in accordance with the Cost Allocation Plan rate, including retirement, fringe benefit, and central service costs. In 2026-27, the General Fund subsidy for RAP's related costs is \$5.4 million. Additionally, there are various City services, such as security services, that are currently funded in other departmental budgets. If the proposed Charter amendment is approved by the voters, RAP must fully fund all related costs and services, including those currently funded in other City departments, to mitigate the General Fund impact of the proposed Charter Amendment.

FISCAL IMPACT STATEMENT

There is no fiscal impact resulting from the recommendation in this report. Should the measure to increase the RAP Charter mandated percentage from 0.0325 percent to 0.065 percent with a ten-year phase-in be approved by City voters, there will be annual General Fund impacts as follows over the phase-in period (in millions): \$43.3 (2027-28), \$90.6 (2028-29), \$144.8 (2029-30), \$206.2 (2030-31), \$275.3 (2031-32), \$346.0 (2032-33), \$421.0 (2033-34), \$502.0 (2034-35), \$589.1 (2035-36), and \$683.0 (2036-37). Inasmuch as this funding increase for RAP 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

The recommendation to note and file this report complies with the City's Financial Policies. Increasing the RAP Charter appropriation conflicts 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.