



BUDGET ADVOCATES REPORT January 2023

Los Angeles City Budget Update

Four times a year, the City Administrative Officer issues a Financial Status Report. The Second FSR <https://clkrep.lacity.org/online/docs/2022/22-0600-s99_misc_12-1.pdf>, dated December 1, 2022, provides an update on the current fiscal year's budget for the four months ending October 31.

For the first four months, expenditures were \$89 million over budget. This included the Human Resources Payroll project (\$30 million for delayed implementation), the Fire Department (\$22 million, primarily for overtime), and General Services (\$17 million, primarily for higher fuel costs). These over-expenditures will be offset by tapping the Reserve Fund (\$30 million) and Unappropriated Balances (\$51 million).

Revenues are \$37 million above plan, primarily because of higher receipts from other departments (\$21 million), and higher property, utility, sales, business, and hotel taxes (\$37 million), offset in part by an almost 30% dip (\$23 million) in the documentary transfer tax because of fewer real estate transactions.

While revenues have stabilized compared to recent pandemic years, the CAO has areas of concern. These include the overall growth in the economy, especially in light of the Federal Reserve's efforts to curb inflation; the likelihood of a recession; new labor agreements; the impact of higher prices on the budget; a softening real estate market given the higher interest rates; and cost overruns and delays on the Human Resources Payroll project.

The City has healthy reserves equal to almost 10% of General Fund revenues of \$7.4 billion. This includes the Reserve Fund (\$528 million) and the Budget Stabilization Fund (\$193 million). **Importantly, these reserves should be used for emergencies, not the balancing of the budget.**

Overall, the City's budget and finances are within 0.7% of its plan, an amount that is curable either through remediable measures or the use of reserves.

Council File Updates

The City Attorney's office provided the draft ordinance in response to Council File [11-1020-S3](#). The draft ordinance changes subsection (b) of Section 5.517 of Chapter 117, Division 5 of the City's Administrative Code to change "Budget Advocates" to "budget advocacy" as expected. The City Attorney went beyond what the City Council intended by converting the Council's direction to the Department of Neighborhood Empowerment into a new subsection (c) in the proposed Admin Code as,

"The Department shall promulgate procedures, rules, and regulations, as well as issue any directives necessary for the administration of the Department Fund and the appropriation of funds there from for the Congress of Neighborhoods and budget advocacy..."

The City Council did not intend to place this power into the hands of the Department, making it more difficult for the Council to apply corrective action if needed because another change to the

Admin Code would be required. The Budget Advocates ask that you take a look at the draft ordinance in the council file and take CIS and individual action as needed.

Budget Advocates Activity

The Budget Advocates are currently meeting with the City Departments in preparation for the White Paper and Department Reports. If you have any issues with services you would like the Budget Advocates to bring to one of the departments, please contact us at info@budgetadvocates.org.

The Budget Advocates have vacancies. Please contact us at info@budgetadvocates.org if you are interested in serving.

City Council

The name of the City Council Budget and Finance Committee has changed to Budget, Finance and Innovation. The name of the Arts, Parks, Health, Education, and Neighborhood (APHEN) Committee has changed to Neighborhoods and Community Enrichment. For a full breakdown of the new City Council structure, see Council File [23-2000](#). Be aware that if you were subscribed to agendas for any committees whose names changed, you will need to resubscribe at <https://lacity.gov/government/subscribe-agendas/city-council>.

Save the Date

The Budget Advocates are hosting a town hall with DONE General Manager Raquel Beltrán Saturday, February 11, 2023 at 12:30 p.m to 2:30 p.m. Visit BudgetAdvocates.org for information on registering to attend the event.

Budget Day is scheduled for Saturday, June 17, 2023. For more information, please visit our website at BudgetAdvocates.org.