



FOR IMMEDIATE RELEASE
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Controller Kenneth Mejia Statement on City Administrative Officer's Report on City's Bleak Financial Status

On Friday, the [City Administrative Officer \(CAO\) acknowledged](#) that City revenues are far below their optimistic projections while City spending is significantly higher. As a result, the CAO recommends a drastic cut in City hiring to fill the gap. This comes at a time when the City is already drastically short staffed. City services will inevitably suffer as a result. Financial highlights in the report include:

- General Fund revenues are \$158 million below the budgeted plan
- \$297 million in over-expenditures
- A projected budget gap between \$350 million to \$400 million of costs exceeding revenues in 2024-25
- Largest area of overspending was sworn salaries within the LAPD due to their new labor agreement - however, most city departments have budget surpluses due to salary savings and high vacancy rates

Unfortunately, this was not a surprise. Last year, the [Controller's Revenue Forecast](#) urged a conservative approach to revenue projections and noted that "expenses are on track to increase considerably next fiscal year."

Without a long-term approach to putting our fiscal house in order, short-term decisions will doom Los Angeles to an inexorable decline in public services, undermining our quality of life and the economic prospects of our residents. Nothing short of a serious, strategic five-year plan to fix our City's finances can meet this moment. Scrambling every year to paper over budget gaps will result in ever-worsening political pain and economic hardships. Also, a transition to a two-year budget cycle would save enormous staff time, give greater opportunity for meaningful community participation and allow for a more strategic approach to the City's Finances. The City also needs a transparent Capital Improvement Program beyond the current wish list of billions of dollars in unfunded projects. Participatory budgeting, expanded beyond its current experimental pilot, would offer greater citizen engagement in the City's fiscal health.

Given the daunting financial realities, the City needs to undertake a strategic reallocation of resources to what matters most to the long-term wellbeing of all of our residents. Budgets are not just numbers, they are a statement of values. As our city changes, so should our financial priorities.

Our Office is eager to collaborate with the Mayor, Council and the community to reform the City's budgeting process and priorities. We must put our City on the path to fiscal sustainability so that we can do the job our residents expect us to do.