



KENNETH MEJIA
CONTROLLER

April 22, 2025

Honorable Members of the Budget and Finance Committee
c/o Office of the City Clerk
200 N. Main St. Room 395
Los Angeles, CA 90012

RE: CONTROLLER — MAYOR'S PROPOSED BUDGET FY 2025-2026

Dear Honorable Committee Members:

Thank you for the opportunity to address comments to you regarding the Mayor's budget proposal for the Office of the Controller for FY 2025-2026. We are heartened by the Mayor's recognition of the vital role our Office plays in maintaining the City's fiscal stability in these turbulent times. Her proposed budget for our Office will go a long way towards addressing the deep concerns we have been calling to the attention of the Mayor and City Council regarding our ability to meet the Controller's Charter Mandated Functions and maintaining the City's financial and fiscal integrity.

Our Office continues to be severely constrained by the elimination of 27 key positions in our FY 2024-25 budget. The proposed budget gives us back seven positions by including funding for seven unfunded positions, as we requested.

Funding for the seven positions will allow the Controller to shore up mission-critical functions of closing the books and paying City employees and vendors. However, there continue to be severe challenges at a time when all City departments rely on us when they too are understaffed. When departments are understaffed with accountants, they rely on us to help them with their work.

The City faced severe problems after the implementation of the new Human Resources and Payroll (HRP) system. There were delayed processing of payroll transactions, including implementation of citywide salary adjustments, retroactive pay and MOU updates. The City was sued and received grievances from our labor organizations. This June, the City will attempt to close the City financials after a full year of HRP being operational. We expect challenges due to the delay in fully integrating the interface between the City's financial system - FMS and the payroll system, requiring us to continue manually updating FMS with HRP information. New accounting and reporting requirements will need to be implemented for the City for Fiscal Year 2025-26 to be in compliance with Government Accounting Standards Board pronouncements.

The Controller's Office will need every one of the fully funded positions to meet its obligations. Additionally, we would like to bring to your attention the continued structural problems in the way City Offices and Departments are budgeted and are expected to manage.

The budget does not include full funding for the positions and does not fund overtime, retirement payouts and MOU-mandated benefits payouts (e.g. personal leave payouts). This means that our Office will continue to incur deficits, which we estimate this fiscal year will be \$2.2 million.

Under current conditions, our Office has no way to make up for the salary savings, fund payouts and overtime and still fill vitally important positions. Moreover, the Priority Critical Hiring process slows or blocks filling even supposedly “funded” positions.

We understand the gravity of the fiscal crisis and the devastating impacts on City services and deep cuts in other departments. We have been operating under those constraints for the past year and a half. **In making excruciating choices, we implore the Budget, Finance and Innovations Committee and the City Council to weigh the ultimate costs of not meeting the bare minimum staffing to perform mission-critical financial functions:**

- Inability to timely review and make City payments
- Inability to timely appropriate funds and close the City's books
- Increasing liabilities from lawsuits
- Jeopardizing the City's ability to qualify for grants and reimbursements
- Diminishing the City's ability to charge and collect fees and costs
- Incurring penalties for noncompliance with State and Federal tax laws

In a fiscal crisis, we cannot sacrifice the integrity of our vital fiscal functions. We would like the Committee to consider making one small change to the Mayor's proposed budget to allow the Office to more effectively serve the City's basic payroll, paymaster and accounting functions:

We request \$200,000 in additional overtime (originally requested in our budget proposal) to meet the critical crunch times when we must meet legal deadlines for filing financial reports, issuing W-2s, making payroll, and closing the books to start the new fiscal year.

This one minor revision – in concert with the funding levels in the Mayor's proposed budget – will safeguard the Controller's Office's capacity to continue to provide and maintain City fiscal and financial integrity.

We appreciate the opportunity to present our analysis of the proposed budget. We also recognize the hard choices that have to be made. We look forward to continuing to work with the Mayor and your Committee to find solutions to tackle the City's budget deficit and get us back to fiscal health.

Respectfully submitted,



KENNETH MEJIA, CPA
City Controller

Attachment(s)

Cc: Carolyn Webb de Macias, Chief of Staff to the Mayor
Matt Hale, Deputy Mayor of Finance, Operations and Innovation
Sharon Tso, Chief Legislative Analyst
Matthew W. Szabo, City Administrative Officer

Office of the Controller Functional Organization Chart (with budget and staffing information)

<p style="text-align: center;">Accounting and Disbursement</p> <p>Approve Citywide vendor payments;</p> <p>Administer Citywide purchasing card and travel programs</p> <p>Implement the adopted budget and monitor budget amendments.</p> <p>Maintain fund accounts</p> <p>Distribute checks issued by the City for vendor payments, workers' compensation, payroll, and wage garnishment.</p> <p>FY25 Positions: 40 Regular; 5 Reso</p> <p>FY25 Cost: \$4,086,979</p> <p>FY25 Budgeted OT: \$49,539</p> <p>FY25 Contractual: \$36,132</p> <p>FY25-26 Budget Change: Funding for 5 previously unfunded resolution positions</p>	<p style="text-align: center;">Financial Analysis and Reporting</p> <p>Provide financial reports and information;</p> <p>Receive and monitor tax and grant revenues;</p> <p>Guide City departments on reporting of financial data;</p> <p>Comply with governmental accounting requirements;</p> <p>Calculate and provide indirect cost rates for grant reimbursements and service costing</p> <p>FY25 Positions: 21 Regular</p> <p>FY25 Cost: 2,836,021</p> <p>FY25 Budgeted OT: \$40,532</p> <p>FY25 Contractual: \$0</p>	<p style="text-align: center;">Audit</p> <p>Prepare and issue audits, evaluations, special reviews, research, and whitepapers;</p> <p>Provide independent and objective assessments to promote transparency, accountability, efficiency, effectiveness, and improved performance of City operations;</p> <p>Investigate allegations of fraud, waste, or abuse</p> <p>FY25 Positions: 17 Regular 3 Reso</p> <p>FY25 Cost: \$3,027,147</p> <p>FY25 Budgeted OT: \$0</p> <p>FY25 Contractual: \$350,000</p> <p>FY25-26 Budget Change: Funding for 1 previously unfunded resolution positions Regularization of 2 resolution positions for FWA and B&S oversight</p>	<p style="text-align: center;">Payroll</p> <p>Process payroll for all City employees in an accurate and timely manner;</p> <p>Manage deductions, benefits payments, tax remittance</p> <p>Implement and compensation plans for City employees based on MOU, Admin Code, Classification and bonus entitlements;</p> <p>Maintain and Support HRP – Payroll workstream and Time Keeping workstream;</p> <p>FY25 Positions: 23 Regular; 11 Reso</p> <p>FY25 Cost: \$4,705,209</p> <p>FY25 Budgeted OT: \$0</p> <p>FY25 Contractual: \$170,000</p> <p>FY25-26 Budget Change: Funding for 1 previously unfunded resolution positions Continuation of 10 resolution positions for HRP support</p>	<p style="text-align: center;">Financial Systems</p> <p>Maintain the integrity of the City's Financial Management System (FMS);</p> <p>Support City departments by providing help desk support, security and workflow set up and support, and reporting and business intelligence support;</p> <p>Implement new modules, functionality, interfaces, and system updates</p> <p>FY25 Positions: 15 Regular</p> <p>FY25 Cost: \$2,443,149</p> <p>FY25 Budgeted OT: \$0</p> <p>FY25 Contractual: \$87,700</p>
<p>General Administration and Support</p>				
<p>Manage all functions within the Controller's Office</p>	<p>Carry out Charter-mandated responsibilities as Auditor and Accountant</p>	<p>Manage all administrative aspects including personnel, budget, contracting, procurement, accounting, technical support,</p>	<p>FY25 Positions: 24 Regular</p> <p>FY25 Cost: \$3,768,738</p> <p>FY25 As-Needed: \$150,000</p> <p>FY25 Contractual: \$24,548</p>	