



# GOVERNMENT & CIVIC ISSUES

April 7, 2011  
8:30 a.m. to 10:00 a.m.

1. **Welcome and Introductions**

2. **Neighborhood Council City Budget Update**

**Jay Handal, 2010-2011 Chair of the Mayor's Budget Advocate Committee; Chairman,  
West L.A. Neighborhood Council**

**Al Abrams, President, Board of Neighborhood Commissioners, City of Los Angeles**

- Mr. Handal and Mr. Abrams will discuss the details of the Neighborhood Council's 2011 budget priorities, which were presented to the Mayor and City Council last week.

3. **Los Angeles Area Chamber of Commerce**

- Discuss NC budget proposal for areas of agreement.
- Determine advocacy strategy and partnership opportunities

4. **Action Item**

- Approve final draft of Chamber's budget priorities

5. **Information Item**

- Access D.C.
- Office of Economic Analysis
- Next Meeting discussion

# GOVERNMENT & CIVIC ISSUES

## City of Los Angeles Budget Reform

The City of Los Angeles faces yet another \$350 million structural deficit for fiscal year 2011-2012. Despite four years of mounting liabilities and budget challenges, the City Council has yet to develop or implement a strategic plan to address this perpetual crisis. Hard choices must be made now in order to prevent further deterioration of core city services while increasing costs for residents and businesses.

The Los Angeles Area Chamber of Commerce endorses the following four priorities as essential to meeting today's budget challenges and planning responsibly for the city's future. We call on the City Council to establish a public framework for reform and set a timeline for implementation.

### **1. BUDGET REFORM**

#### **No More Gimmicks**

Start budgeting based on priorities rather than simply taking what was done last year and adding this year's pet political projects. The City needs to rank everything it spends money on, from top to bottom in priority, so that decisions about where to cut can be made on that basis, looking at the whole, rather than each program in isolation. Rankings should be based on objective performance data as much as possible.

- Stop transferring "laid off" employees to proprietary departments
- Make long-term decisions now to provide certainty for City employees and residents
- Do not eliminate or furlough revenue generating positions
- Reduce City Council and Mayoral budgets by 30%

#### **Enact a Multi-Year Budgeting Process**

Year-to-year budgeting is inefficient and encourages one-time solutions rather than long-term strategies. Los Angeles should follow the lead of other governmental entities and adopt a two year budget process that includes a five-year fiscal outlook.

### **2. PRIORITIZE & FUND ONLY CORE CITY SERVICES**

The City must get back to basics and focus only on the core functions vital to our quality of life. Unfortunately, this means eliminating many worthwhile but non-vital programs. The City must strategically analyze city functions to identify those that are core and those that are not, and prioritize the non-core functions for further analysis. Business case analysis of each function will allow consideration of options ranging from elimination to public public-private partnerships to

consolidation or intergovernmental partnerships. Based on other city's experiences, functions where public-private partnerships may make fiscal and service-quality sense include:

- Public Safety
- Infrastructure & Public Works (streets, potholes, lighting, sanitation, and planning)
- Parks and Community Centers
- Libraries
- City Attorney

### **Public-Private Partnerships for Major City Assets**

The City must explore public-private partnerships (P3) as a long-term and deliberate strategy for fiscal and operational efficiency. This does not mean one-time sale of assets or sacrificing quality of service for lower costs. Instead, P3s can be structured to provide maximum value to city residents and businesses at the most efficient price.

Two of L.A.'s most visible assets that should be transitioned to a P3 include:

- Los Angeles Zoo
- Los Angeles Convention Center
- Street maintenance
- Fleet management

## **3. ADOPT EFFICIENCY STANDARDS & ACCOUNTABILITY**

### **Implement the Commission on Revenue Efficiency (CORE) Blueprint for Reform of City Collections**

According to CORE, 76.6% of the City's 541.1 million of non-tax receivables are over 120 days past due; and 42.5% of City collections are 2 years past due. The City must get their house in order and collect money that is owed in an efficient and timely manner.

- Outline an implementation timeline for the CORE recommendations
- Identify and prioritize phases of implementation with deadlines for each
- Work with the City Controller to measure progress
- Complete full implementation by July 1, 2012

### **Hold General Managers Accountable for Timely Response & Implementation of City Controller Audits**

Each year the City Controller uses taxpayer dollars to ensure efficient and transparent government. According to the City Controller, approximately 38 audits in the past 12 months have not been implemented at an estimated loss of 300 million dollars. Clearly General Managers fear no repercussions of their lack of response to this City mandate.

- The Mayor and City Council must hold General Managers accountable for responding to and implementing recommendations of City Controller audits with measureable goals and consequences for in action.

#### **4. ENACT MEANINGFUL CITY EMPLOYEE PENSION & HEALTH CARE REFORM**

Within the next few years, more than one-third of the City's general fund will be dedicated to meeting pension and health care obligations for *both* current city employees and retirees (and their eligible dependents). Enacting meaningful reform in both areas is not an issue of fiscal responsibility, but also overall fairness to city residents that are subsidizing these unsustainable benefits.

##### **Pension Reform**

- Establish a new tier for all future city employees for a hybrid plan of defined benefit, 401(k), and Social Security.
- Index the retirement age to Social Security (currently 66)
- End Pension Spiking by allowing employees to bank unused sick and vacation days towards final salary/benefit calculations.
- To reduce "double dipping," employees who retire with a city pension should not be allowed to work for the city as a contractor or consultant for a one year period.

##### **City Employee Benefits Reform**

End the 100% subsidy for health care premiums for current city employees. Require reasonable cost-sharing between employees and taxpayers.

##### **CONCLUSION**

Making these hard decisions is very difficult in any highly-charged political environment. However, future Angelenos will look back and either applaud us for making those decisions that saved Los Angeles or conclude that this was the time when city leaders

Saving Jobs – Saving Services  
A White Paper with Recommendations to Decrease the L.A.  
City Budget Deficit in a Time of Economic Crisis



Prepared by the NCBA 2010-2011

NEIGHBORHOOD COUNCIL BUDGET ADVOCATES

2010-2011

Jay Handal (Chair)

Heinrich Keifer (Vice Chair)

Daniel Wiseman (Secretary)

Linda Abrams

Jose Aguilar

Ernesto Arias

Scott Bytoff

David Crew

Ginger Damon

Craig Goldfarb

Terry Gomes

Noel Hyun

Cliff Jacobs

Robert Lim

Kelly Lord

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Sherice Norris

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Marcello Robinson

Olivia Vasquez

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## I. EXECUTIVE SUMMARY

The City of Los Angeles 2011-2012 Neighborhood Council Budget Advocates have prepared this report to offer proposals to help balance the city's budget. The recommendations offered in this report are the result of careful analysis of city budget data, vetting of recommendations by city personnel, coupled with a pragmatic application of government and business budget principles.

As city officials prepare to tackle a projected budget deficit of more than \$400 million dollars, we, as appointed delegates of the Neighborhood Council system, have actively engaged in a systematic analysis of the City's sources of revenue, management of departments, pension programs, collection processes, and a host of other factors that could potentially help contribute to narrowing the budget deficit. As a result of this analysis, we have come up with specific recommendations to help save the City money or in certain situations, help contribute to an increase in revenues to the City. These budget proposals have been guided by four principles: (i) Increasing Efficiency; (ii) Generating Revenues; (iii) Structural Changes; and, (iv) Reducing Expenses.

It is the intent of the Neighborhood Council Budget Advocates to critically review our City's financial condition and to offer a new set of recommendations for solutions to our budget deficit problems. It is the belief of the Neighborhood Council Budget Advocates that the application of some or all of the proposals contained in this report can help save the city millions of dollars while avoiding the disruption of essential services to the residents of the city.

## II. EFFICIENCY RECOMMENDATIONS

In looking for ways to bring the City one step closer to closing the budget deficit, we looked at the processes and departmental structures that the city already has in place to determine whether alterations in the way these function could improve them to help increase efficiencies and possibly generate more revenue.

After consulting with various department heads and evaluating proposals from the controller, as well as relevant literature, the Neighborhood Council Budget Advocates have agreed on the need for the city to adopt the proposals listed below to improve the way city government functions and conducts business, so that redundancies and inefficiencies can be minimized.

- Support and implement in a timely way the audit recommendations of the City Controller.
  - Controller's Office estimates that there were thirty-eight completed audits in the last twelve months that have not been acted on by City Council, resulting in a loss of at least \$300 million.
- Mandate that businesses must maintain valid business permits and must pay for such permits in a timely manner or be subject to suspension and/or revocation.
  - Amend City Ordinance so that permits may be suspended or revoked by the city after 30 to 45 days of non-payment and hearings.
  - Create a Board of Permits and Licenses with representatives from CAO, Office of Finance, LAPD, PW, CA, DOT, and LAFD (EMS).
  - Combine hearing efforts of Office of Finance, City Attorney, and CID (LAPD).
  - Make revoked permits subject to ACE citation.
- Aggressively reduce primary and secondary collection periods for all licenses, permits, fees and fines. Although C.O.R.E. has recommended seven months for primary collections, we recommend a shorter collection period not to exceed 120 days.
- Implement portions of the *C.O.R.E. Blueprint for Change*, including, but not limited to:

- Research the value of creating the post of Inspector General for Revenue & Collection/Efficiency.
- Take immediate action on C.O.R.E.'s upcoming report with recommendations for reforming and fixing the problems of the Parking Occupancy Tax.
- Support a central billings and collection department that focuses on increasing efficiency and accountability.
- Require that all purchases of equipment and software citywide include all components necessary for proper operation, including those components required for maintenance and upgrades.<sup>1</sup>
  - Moreover, the city should invest in cost saving technologies such as:
    - New software/management system for Personnel Department's Workers Comp Division, which will replace an antiquated 1985 LINX system.<sup>2</sup>
- Institute strict management accountability.
  - Create a system that holds GM's directly responsible for reducing liability claims and employee civil suits in their departments.<sup>3</sup>
  - Establish or revise enforceable departmental measures and standards.
  - Support interdepartmental efficiency and flexibility using methods such as the CAO's "cluster group" plan to foster cooperation among departments.<sup>4</sup>
- Require the City to do an inventory of all unoccupied city owned property with the goal of moving city office/departments out of private rental properties and into city properties.

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<sup>1</sup> An example of where this has not occurred is with the LAPD. GPS systems were purchased for squad cars but the required software to operate the GPS systems was not purchased, thus making the GPS systems inoperable.

<sup>2</sup> The cost of \$3.4 million to replace the aging software is expected to come from the Personnel Departments savings.

<sup>3</sup> The LAPPL estimates that \$20 million has been paid out to settle internal grievances.

<sup>4</sup> E.g. Increase communication and cooperation among BOSS, DWP, and DOT to manage projects.

### III. REVENUE GENERATORS

In addition to looking into areas where efficiencies could be improved, we looked into possible ways that the City can generate revenue to further narrow the budget deficit. While examining the City's current sources of revenue, we found some programs that could be expanded and propositions made by other City entities that can possibly create new sources of revenue.

The following are proposals that we have vetted and deliberated on after careful research and discussion:

- Implement the City Attorney's Administrative Code Enforcement (ACE).
- Hire properly qualified commercial parking lot operators to run the City's parking facilities.
- Enforce the current permit/fee structure for city owned and operated facilities such as parks, and implement a two-tiered fee system for many city services.<sup>5</sup>
- Improve support for business growth.
  - Expand tax relief incentives.
  - Encourage the occupancy of distressed or vacant commercial property for both large and small business owners.
  - Reactivate the Mayor's Business Development deputies. Encourage B.I.D.s to inventory all vacant ground level commercial space and target for infill.
- Support the CAO's efforts to study Los Angeles specific branding opportunities through LA, Inc.
- Immediately enact an ordinance to require veterinarians to check for proper licenses and sign-up appropriate animals for licensing.
- Create corporate sponsorship options to help support City services and maintain facilities in need.<sup>6</sup>
- Promote the "Shop L.A." campaign and recruit more corporate sponsors.

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<sup>5</sup> The two-tiered system would be similar to the one currently in place in City Golf courses, which charges individuals different rates based on whether or not they are residents of the City of Los Angeles.

<sup>6</sup> An example would be implementing a program similar to "Adopt a Highway" to help pay for street repairs. Another example comes from Huntington Beach's \$6.7 million, twelve year agreement with a soft drink company to exclusively sell that company's product on city property. (Kopytoff. Verne G., "Now, Brought to You by Coke (or Pepsi): Your City Hall", New York Times, 1999)

#### IV. STRUCTURAL CHANGES

While the current economic climate coupled with the City's fiscal emergency requires swift financial responses on the part of elected officials, it also allows for elected officials to foster structural changes in its bureaucracy. In accommodating for structural changes, the City has a rare opportunity to implement programs that can cut bureaucratic redundancies that contribute to wastefulness, stagnation, and loss of potential business.

The following proposals are being made after careful consideration of how city departments function, recommendations by department heads, and examinations of overlapping roles among the City's departments:

- Consolidate all City police departments into one department under the leadership of the LAPD with a single Chief.<sup>7</sup>
- Merge departments that can easily be combined, achieving both cost reductions and efficiencies.<sup>8</sup>
- Minimize the impact of across the board budget cuts by considering a department's revenue generating potential.
- Implement ordinance changes to allow the City to sell services where feasible, including training services of the LAPD. In addition, any newly created revenue by any department should be reinvested into the department to enhance its services to the people of the City.
- Use best practices to measure all outputs of City provided services against outside contractor services; require city departments to bid against outside contractors.
- Document and enforce that all sales of City owned real property must be at documented market rate. Stop special treatment given to individuals who pay below market prices for property.
- Support, encourage, and promote the use of the Controller's "Whistle Blower Hotline".<sup>9</sup>

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<sup>7</sup> Currently, the city has five separate police departments that report to different department heads. Having one single agency can help contribute to the safety of the city while lowering costs associated with having overlapping responsibilities. (Please add to this)

<sup>8</sup> An example is merging the Treasury and Office of Finance, and the possible merging of BOSS with DOT and Engineering.

<sup>9</sup> Consider a 'Whistle-Blower Protection Ordinance' which provides economic incentives and rewards to employees whose report of fraud, waste, or abuse yields demonstrable economic savings to the City.

## V. REDUCTION IN EXPENSES

The final set of recommendations comes as a result of the City's dire need to reduce its expenses. The single largest expense after payroll is its pension benefit obligation which now undermines its ability to sustain itself financially. The bulk of the changes identified below are related to the salary, pension and benefit programs that the City offers to its employees:

- Immediately create a Citizen Commission on Public Employee Pension and Benefit Review.
  - A citizen's Commission would provide a balanced review of this contentious and complex issue.
  - The composition should be comprised of objective experts from academia, business, city government and labor, as well as informed citizen representatives from the general public and Neighborhood Councils.
  - Begin work as soon as possible to assemble and analyze data from Los Angeles as well as other cities around the nation. Look for realistic solutions that may have been missed in the current negotiating climate.
- Vigorously pursue immediate employee concessions and policy changes such as:
  - The healthcare co-pay should be raised to \$20 (below market rate), thereby saving the city an additional \$1.75M. (\$20 co-pay results in \$3.5M savings.)<sup>10</sup>
  - Require current and retired employees to pay a reasonable market rate for dependent healthcare coverage.
  - Create Tier 2 for new civilian hires with recommendations contained in a resolution prepared by Councilmember Rosendahl.
  - Implement tiered cuts in salary for both sworn and civilian personnel to achieve a \$200 million reduction in payroll, not including pension and benefits. Suspend COLA adjustments as they should not be used to offset salary reductions.

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<sup>10</sup> Raising the healthcare co-pay from \$10 to \$15 has already been negotiated, but an additional raise will save the City a considerable sum of money.

- Eliminate furloughs. When considering dramatic changes in employee compensation it is imperative that those changes result in financial sustainability that will not require more changes in the near future.
- Immediately pursue the possibility of shifting LACERS' administrative costs for city employees.
  - LACERS administration is not a core function of the City and should not be funded by taxpayers.
  - The nearly \$10 million of annual administration costs should be funded by a surcharge to LACERS beneficiaries.
  - If necessary, this change should be mandated by electoral process.
- Increase all employee pension contributions to 11%.
- Create a program in which potential law suits can be settled in the field by LAPD supervisors and /or managers, similar to the program utilized by LA County Sheriff Department.
- To increase transparency, all City Council districts should be required to report all income streams and detailed expenses in an online real time manner.

As representatives of the City's Neighborhood Councils, we wish to focus on and preserve city services. We also recognize that city employees are our friends and neighbors and wish to offer them job security and benefits.

# WHAT DO THESE PEOPLE HAVE IN COMMON?



U.S. Sen.  
Majority Leader  
Harry Reid



Thomas J. Donohue  
U.S. Chamber of  
Commerce



U.S. Rep.  
David Dreier



U.S. Sen.  
Dianne Feinstein



L.A. Mayor  
Antonio Villaraigosa



U.S. Sen.  
Barbara Boxer



Ray LaHood  
U.S. Secretary of  
Transportation



Lisa Jackson  
Environmental  
Protection Agency



U.S. Sen.  
Robert Menendez



U.S. Sen.  
Mary Landrieu



U.S. Sen.  
Amy Klobuchar



U.S. Sen.  
Jeanne Shaheen



U.S. Sen.  
Maria Cantwell



Austan Goolsbee  
White House Council  
of Economic Advisors

They are taking part in



LOS ANGELES on the Hill  
May 2-4, 2011

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For more information, contact Samuel Garrison at [sgarrison@lachamber.com](mailto:sgarrison@lachamber.com), 213.580.7568 or David Eads at [deads@lachamber.com](mailto:deads@lachamber.com), 213.580.7546.

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# LOS ANGELES on the Hill

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Delegates in this year's trip can choose to participate in one of five advocacy tracks, each focused on a small number of timely issues that will have a regional economic impact. The tracks will participate in large group briefings and events, but will break into smaller teams for Capitol Hill meetings.

- › Economy & Infrastructure Investment
- › Education & Workforce Development
- › Environmental Sustainability
- › Housing & Homelessness
- › Water

## Trip Schedule

### Monday, May 2

7-8:30 p.m. Welcome Reception (*Willard Hotel*)

### Tuesday, May 3

8-9:30 a.m. Delegation Breakfast featuring Keynote Speaker  
**Senator Dianne Feinstein** (*Willard Hotel*)

All Day Administration/Agency and NGO meetings

5-7 p.m. Congressional Reception (*Capitol Hill*)

### Wednesday, May 4

8-9:30 a.m. Delegation Breakfast with Keynote Speakers (*Willard Hotel*)

All Day Capitol Hill Advocacy Meetings

7-9 p.m. Closing Night Dinner

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Early bird registration is \$750 per person until April 1. After that date, registration increases to \$800 per person. This fee includes all of the trip's scheduled events, as well as the costs associated with meeting planning and delegate materials.

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