



HERB J. WESSON, JR.  
COUNCILMEMBER, 10TH DISTRICT

May 6, 2010

The Honorable Bernard C. Parks  
Los Angeles City Councilmember  
Chair, Budget and Finance Committee  
200 N. Spring Street, Room 460  
Los Angeles, CA 90012

Dear Councilmember ~~Parks~~ *Bernie*

**RE: CITY OF LOS ANGELES FISCAL YEAR 2010-11 BUDGET**

During this year, it has been a challenge for all of us to grapple with the uncertainties and challenges that are facing our city. While we are prepared to make the hard decisions necessary to protect core services, balance the budget, and reform our pension systems, there appears to be options available to the City Council to do what is necessary to ensure a sound budget and preserve the vital services and staff our residents depend on.

As you and the other members of the Budget and Finance Committee work through this difficult budget for all within the city family, I respectfully submit the following options for the Budget and Finance Committee to thoroughly review with the assistance of the CAO and CLA. The revenue and cost adjustments listed below may assist in balancing the budget, protecting core services, and minimizing staff reductions.

**Minimizing Staff Reductions- \$8.4 million dollars in savings**

In the proposed budget one of the most long-lasting recommendations is the layoff of 761 city employees for a total savings of \$70.3 million dollars. This does not take into account the apparent costs for laying off these employees, which include Unemployment Insurance payments (\$22.9 million), the triggering of a COLA increase for all Coalition employees (\$32.3 million), and the budget balancing bridge (\$23.5 million) necessary to get the city through the layoffs. If layoffs are eliminated from the budget, with a potential savings of \$78.7 million dollars, then it appears the net savings of keeping 761 employees on the payroll is \$8.4 million dollars for the upcoming fiscal year. The Budget and Finance Committee should consider looking at these numbers, in consultation with the CAO, to identify ways to minimize staff reductions.



**Minimizing Furloughs- \$63 million dollars in costs**

One of the major factors crippling and delaying city services has been the furlough of city employees throughout this fiscal year. In order to return our services to the best possible level with the employees we currently have, the Budget and Finance Committee should consider utilizing the additional revenue and cost savings identified in this letter and other options brought forward to the committee to prevent furloughs. By returning our employees to full employment, core services can be returned to important city services as well as improving employee morale.

**Early Retirement Incentive Program- \$8 million dollars in savings**

Under the current policy adopted October 30, 2009, the City Council has authorized 2,400 employees for early retirement under Ordinance 180,926. It appears that an additional \$8 million dollars in savings can be realized in the short-term by amending the ordinance to authorize 100 additional employees to utilize the Early Retirement Incentive Program. The Budget and Finance Committee should consider using the ERIP program for more employees to allow for these cost savings.

**Transfers to Proprietary Depts./Special Fund Positions- \$20 million dollars in savings**

The Budget and Finance Committee, in consultation with the CAO and the Personnel Department, should consider re-doubling its efforts to transfer General Fund positions to the proprietary departments and special fund positions. On April 1, 2010, it was determined that the City has only transferred 280 workers off the General Fund to a possible 1,200 positions. The Budget and Finance Committee should consider proposing that an additional 200 employees transfer to proprietary and special fund positions that may provide \$20 million dollars in savings to the General Fund.

**Amending the Ambulance Fee Ordinance- \$41 million dollars directly to Fire Department**

As discussed in Exhibit H, Page 28, of the proposed Budget, the City Attorney has been requested to draft an ordinance to ensure full-cost recovery of the all fees associated with ambulance service. The Budget and Finance Committee should consider including in the draft ordinance language that all additional funding be directed to the Fire Department to offset restoring Fire Suppression and EMS services to 2008-09 levels. As we attempt to protect core services, such as public safety, and possibly strengthen them in these difficult financial times, the Budget and Finance Committee should consider strategies such as these to fully fund the Fire Department.

**Supplemental DWP Transfer- \$ 20 million dollars in revenue**

As outlined in the Mayor's letter in April, a request was made to the DWP to identify an additional \$20 million dollars in operational cuts and efficiencies to free up funds that could be transferred to the General Fund. The Budget and Finance Committee should consider pursuing this as an opportunity for additional revenue to offset the impacts of staff reductions and improving resources to the Fire Department.

**Additional Structural and One-Time Savings- TBD**

As adjustments are made by everyone within the city family, it is important that all employees help us balance the budget, ensuring job protection and structural stability. On behalf of the city, the CAO should consider negotiations with the collective bargaining units of the City to put forth suggestions on additional structural (e.g. medical co-pay) and one-time (sick time reductions and deferrals) savings necessary to reduce the impacts to employees.

**Pension Reform- TBD**

As many have noted, the increased obligations to our pension systems will be difficult to sustain in the years to come. The CAO, in its negotiations with the collective bargaining units, should pursue changes to the pensions systems that will achieve long-term structural savings for the foreseeable future. Reform to the city's pensions should provide further flexibility to minimize staff reductions, while protecting core services.

**Adoption of the SB 1137 Implementation Ordinance- TBD**

In 2008, former Councilmember Wendy Greuel introduced a motion (08-1831) to develop an implementation ordinance to utilize this state law which allows the city to hold banks accountable for maintenance and upkeep of foreclosed properties. Since that time, the City Council, under the leadership of Councilmember Smith and Council President Garcetti, voted to implement an enforcement program (09-0365). The City Attorney's office released a draft ordinance on April 29, 2010 which was waived from the HCED Committee which I chair. The City Council will consider this ordinance on May 21<sup>st</sup> for final adoption. This will allow us to move forward on a revenue source that has the potential to bring in millions of dollars in additional funding and be included in this year's revenue projections.


**Ballot Measure to Tax Billboard Revenue- TBD**

Throughout the budget there is a need to be more creative in identifying additional revenue sources that will shore up the city's finances, as well as gain voter approval. One issue the City Council has struggled with over the years is identifying a legal way to allow the city to share in the revenues brought in by off-site billboards, digital signs, and supergraphic signs. Other cities

have gone to the voters in their respective jurisdictions to capture a percentage of revenue from these forms of media. An Advertising Excise Tax based on a percentage of gross advertising revenue could have the potential of bringing in up to \$50 million dollars a year in additional revenue. The Budget and Finance Committee, in coordination with the Rules and Elections Committee, should consider an initiative for the November 2010 ballot to capture revenue from the off-site signage in the city.

I appreciate your consideration and thoughts regarding these possible adjustments as you continue to deliberate over the City of Los Angeles Budget for the 2010-11 Fiscal Year. Lastly, I would like to take this opportunity to thank you, the members of the Budget and Finance Committee, and the staff for the hard work and long hours that is being committed to solving these difficult issues.

Sincerely,

  
**HERB J. WESSON, JR.**  
Councilmember, 10<sup>th</sup> District

Cc: Members of the Los Angeles City Council  
The Honorable Antonio Villaraigosa, Mayor, City of Los Angeles  
Miguel Santana, Chief Administrative Officer  
Gerry Miller, Chief Legislative Analyst