COALITION OF LA CITY UNIONS

The Los Angeles City Budget FY 2012-2013:

A Better Way Forward

Part II: Response to CAO Reports 165 and 164

May 10, 2012

Summary

The Coalition of Los Angeles City Unions would like to thank the members of the Budget and Finance Committee for the opportunity to be an active, public participant in the FY 2012-12 Budget Process.

We appreciate the Committee's thoughtful attention to ideas we have brought forward, and the request for the CAO to respond to our presentation and first report. Similarly, we appreciate the Committee's instruction to the CAO's office to respond to reports issued by the City's Commission on Revenue Efficiency. We hoped for a rigorous engagement from the CAO.

In the spirit of openness and transparency encouraged by the Budget and Finance Committee, we note that the Coalition's work and the CAO's response is actually *the first public valuation of the elimination of filled positions.* The proposed Budget itself contained no data on proposed layoffs. Unlike prior years, the Mayor and CAO did not publish what has been known as "The Brown Book," which historically has detailed position costs.

As a result, anyone looking for the layoffs had to conduct a treasure hunt to discover a two-page summary in the CAO's Supplement, which six days after its online posting was then inaccurate.

Additionally, the Committee's critical questioning about proposed layoffs, in addition to workers' public comments, produced the *only analysis of service impacts*, brief as those have been. We are hopeful that the Budget and Finance Committee's leadership this year in promoting transparency will yield a better process in the future. We intend to continue advocating revenue and efficiency ideas to improve and recover City services.

In that vein, our review of the CAO's responses tries to keep dialogue moving forward, noting areas of agreement as well as areas that we believe warrant additional pursuit for FY 2012-13.

The CAO's reports, while produced in short order, to our disappointment show a reactive rather than innovative approach to the revenue problems that have faced the City since 2008. We firmly believe there is a better way forward for FY 2012-13, and that meaningful City fiscal reform demands more creativity and rigorous thought than simply eliminating more City services and good jobs.

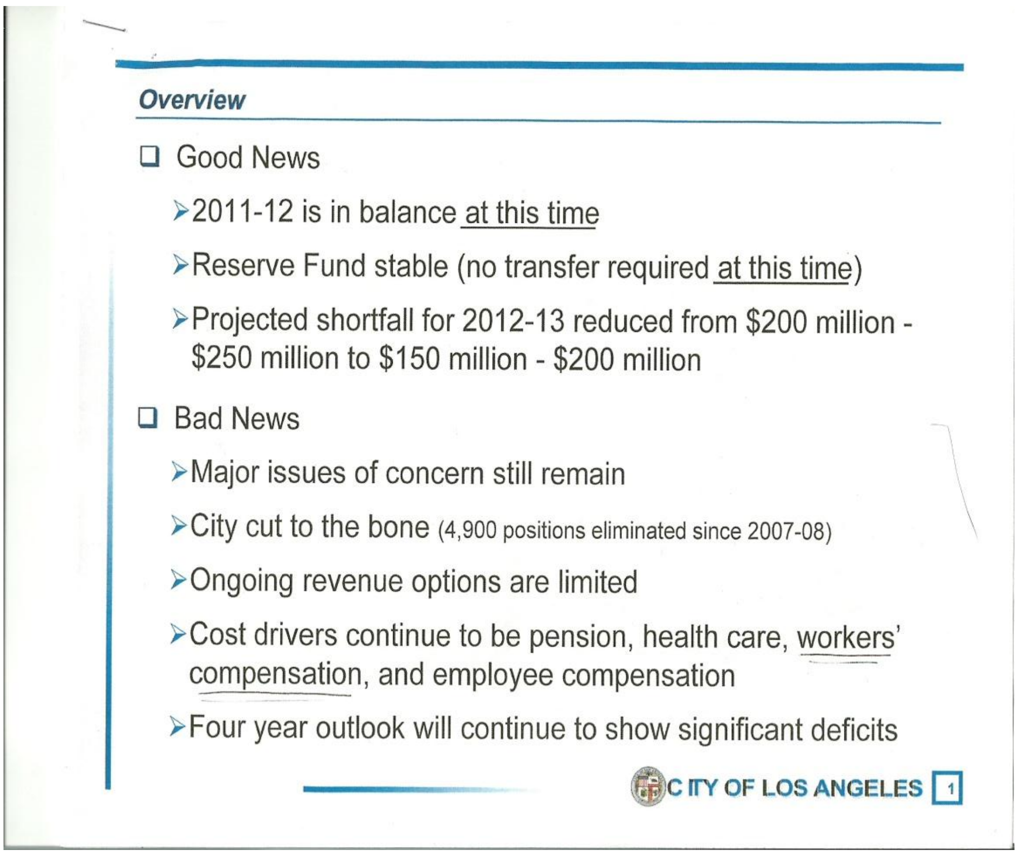
I. Coalition response to CAO analysis of Coalition history

1. **The City needs *less than half of one percent* of the total General Fund to stop layoffs.** The CAO had no disagreement about the total General Fund equaling $5.6 billion. The Coalition

and CAO are very close on the value of the proposed layoffs. To save the services delivered by all 231 positions, the CAO says we need $20.5 million; the Coalition, using the paper source list provided by the CAO on 4-26-2012, costed the positions at $19.7 million. While we cannot confirm the CAO's source data, the Coalition does not have a problem increasing the amount by $800,000. The gap to fill is $20.5 million to stop layoffs.

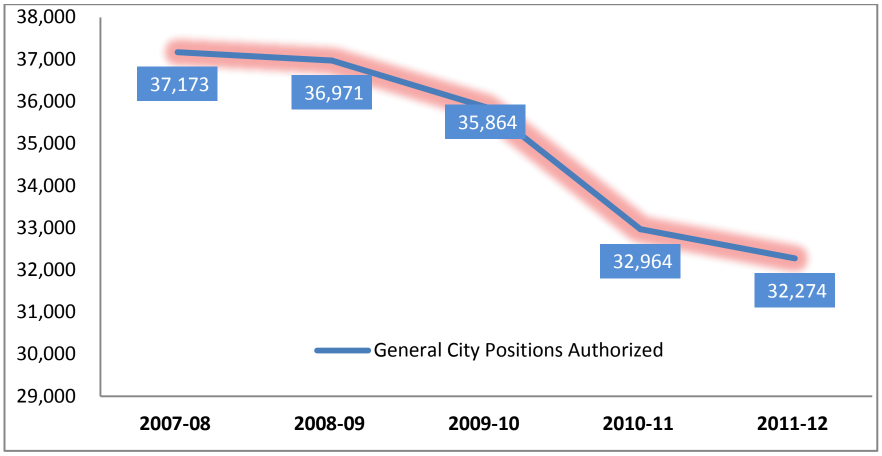
2. **More service cuts are bad "to the bone."** We titled our report, "Part I: A City Cut to the Bone," in part inspired by a March 1, 2012 CAO report. That report's "Good News/Bad News" summary includes, under the "Bad News," "City cut to the bone (4,900 positions eliminated since 2007-08)."

Table 1: Slide 1, CAO's 2011-12 Mid-Year Financial Status Report, March 1, 2012



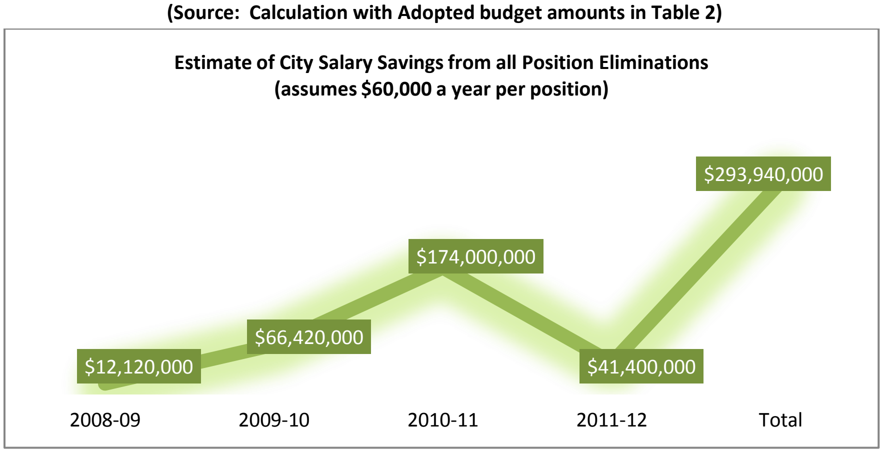
We are in harmony with the CAO about the dire state of position cuts. And while the CAO's quick review of our report expressed discomfort with the Coalition's data sources and assertion that the "City General Positions have fallen by 4,899 in the last five years," we have confidence in our analysis of historical budgets, confirmed by the statement that there have been "4,900 positions eliminated since 2007-08."

Table 2: General City Positions down by nearly 5,000 in last 5 years
(Source: Adopted budgets)



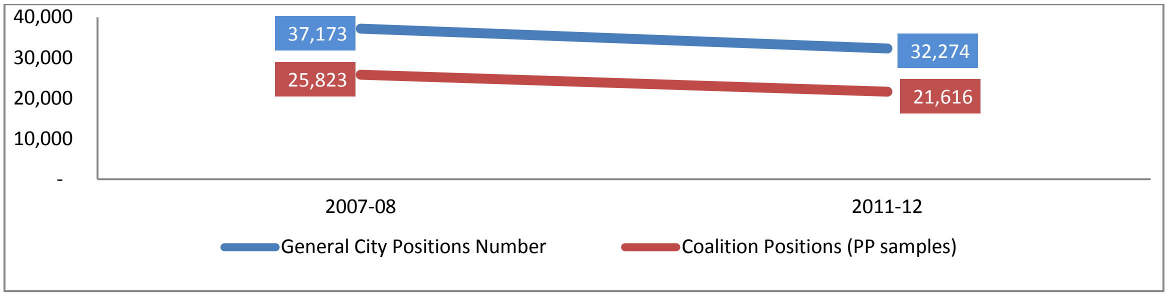
The elimination of 4,900 positions driven by the Early Retirement Incentive program proposed by the Coalition created a salary savings for the City. Based on the General Position numbers, we calculated the cumulative savings with an average wage of $60,000 at $293,940,000 million over the last four years just from the vacancies. The CAO did not provide an alternative analysis of this issue.

Table 3: Salary savings of $294 million over the last 4 years
(Source: Calculation with Adopted budget amounts in Table 2)



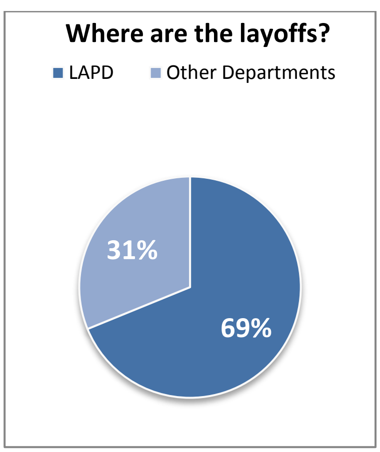
The Coalition looked at payroll data provided by the City to understand in a snapshot what portion of the position loses occurred within our bargaining units. From the periods we examined, 88% of the position loses were people we represent. The CAO did not provide an alternative analysis of this issue.

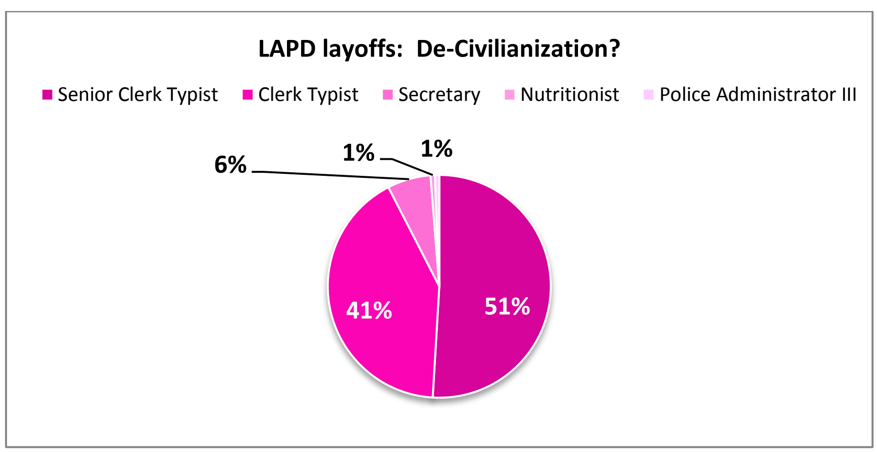
Table 4: Comparison Coalition workers on payroll 2007 vs. now (Source: City Payroll)



3. **Proposed cuts create de-civilianization.** The CAO did not dispute that the majority of the proposed cuts are civilian clerical positions (over 150) in LAPD. Nor did the CAO comment on the fact that the City has had a stated goal of "Civilianization" of the LAPD, increasing public safety by freeing officers up to be on patrol, and reducing City costs. The CAO did not dispute that the *clerical workforce is paid significantly less than officers both in salary and benefits*. CAO budget memo 151 discusses service impacts of eliminated positions in very broad strokes. All LAPD eliminated positions have the single description that "work will be absorbed by restructuring the Department's personnel resources." There is still no satisfactory explanation how this "restructuring" will result in a safer Los Angeles.

Table 2 and 3: Filled Position Eliminations by Department; within LAPD

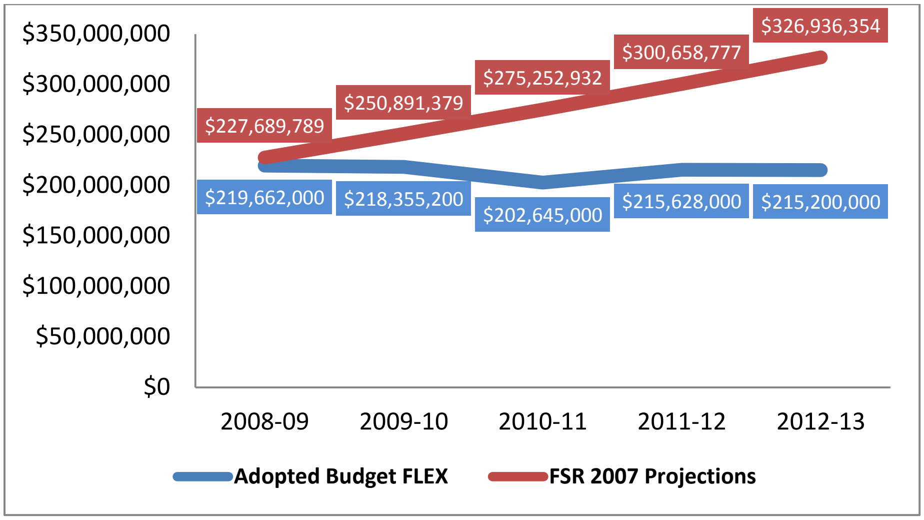




4. **Grim predictions for civilian health and welfare costs proved a false alarm.** There is no dispute that the CAO and Coalition negotiated concessions based on the 8-7-2007 FSR that predicted a huge increase in costs, an increase that did not occur. Civilians kept our healthcare costs flat. The CAO did not dispute that the predicted costs were off by $112

million. We maintain that the City receives $59 million annually in hard structural plan savings created because of our negotiations.

Table 4: Coalition sacrifices and workforce reductions reduced expected FLEX costs by $112M



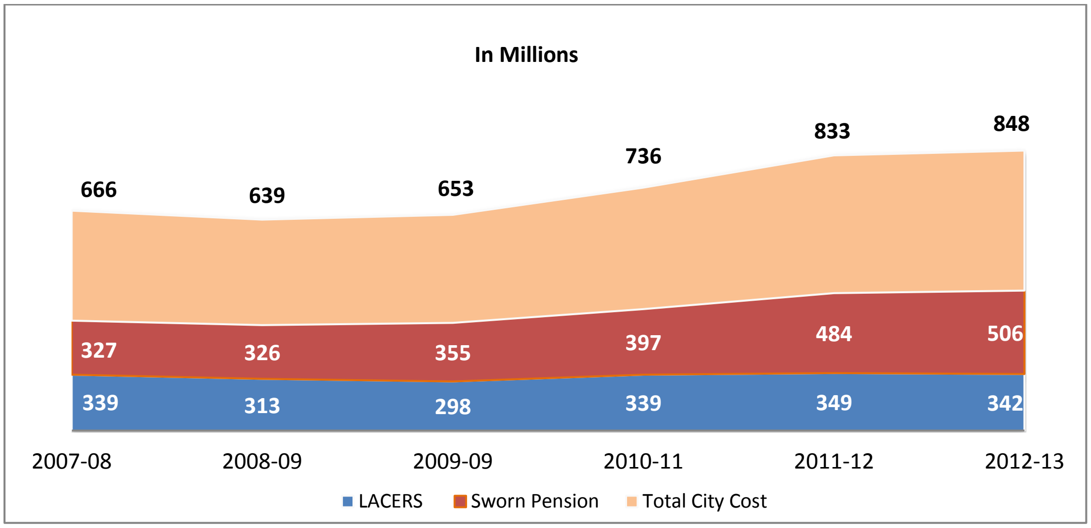
The CAO asserts that "healthcare costs continue to rise higher than the City's projected revenue growth by almost double digits." But the CAO did not dispute or even discuss that there has been a rise in sworn costs while civilians have controlled our costs.

Table 5: Cost differences among civilian and sworn health and welfare costs

Health and Welfare average per employee cost per year	
Civilian	$10,800
Sworn Fire	$13,500
Sworn Police	$12,400

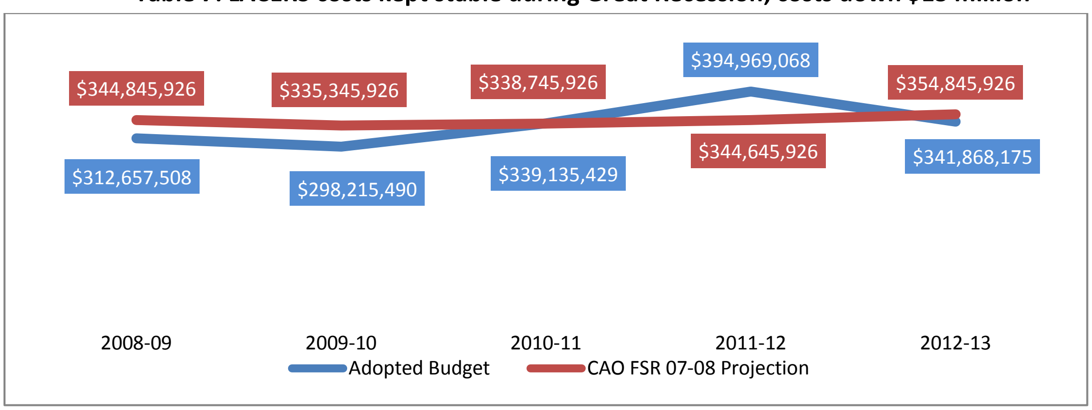
5. **The sky didn't fall because of civilian pension costs, not even in the worst economic climate since the Great Depression.** Again, there is no dispute that the CAO and Coalition negotiated concessions based on the 8-7-2007 FSR that predicted a huge increase in costs. There is also no dispute that civilians kept our pension costs flat. Again, the CAO did not comment on the fact that there has been *a rise in sworn costs while we in the Coalition have controlled our costs.*

Table 6: Historical budgeted retirement funds within total City retirement costs



The CAO did provide a mathematical correction that shows the Coalition under-projected the FSR increases in our last report, which allows us to show our pension costs will be down $13 million from the CAO's initial calculation.

Table 7: LACERS costs kept stable during Great Recession, costs down $13 million



II. Coalition response to CAO comments on revenue ideas.

1. ENCUMBRANCES. Summary: The Coalition suggests the City should use current year appropriations to pay for many service and supplies contracts that are currently paid for with funds reserved for unspent prior year encumbrances. The CAO wishes to study the issue, says

it cannot be implemented this year, and raises several concerns. The Coalition's analysis of data addresses concerns and shows it can be done.

CAO concern 1: while the idea is worth studying, it won't work because there is not enough money in current appropriations to pay the old bills. "If the City were to unencumber these funds and sweep the portion that could be General Fund dollars," the CAO says, "departments would have insufficient funds to cover prior year obligations and commitments that were agreed upon through contracts," the CAO wrote.

City data show this claim to be a false alarm. As we noted in our presentation to the committee, the FY 2010-11 general fund budget contained more than enough leftover current year appropriations to pay for all prior year encumbrances. (We are suggesting that it pay only for some.) In FY 2010-11, the City allocated $813 million for services and supplies. But, at the end of the year, $246 million of that remained unspent. Total prior year encumbrances were only $179 million--$67 million less than unspent current year appropriations.

This year is shaping up as a likely repeat of last. This year, the City appropriated $756 million for general fund services and supplies. However, nine months into the year, $312 million of that remains unspent, according to the controller's cash flow statements. Total prior year encumbrances this year were $198 million.

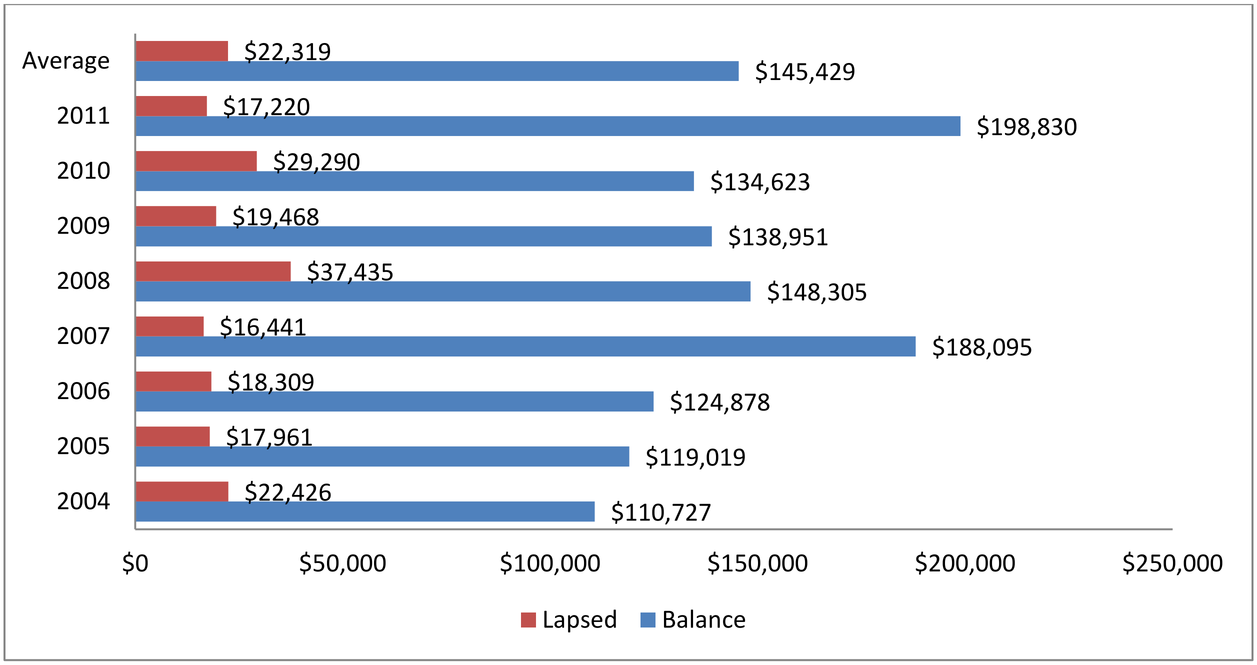
CAO concern 2: The CAO routinely performs the kind of review the Coalition is recommending. The CAO's ongoing review already provides substantial budgetary savings which are either re-appropriated with the City Council's permission or reverted to the Reserve Fund.

A review of General Fund balances reserved for encumbrances over the past eight years contradicts these assertions. The data strongly suggest that any review of prior year encumbrances conducted regularly by the CAO is cursory at best. As such we strongly urge the CAO to apply a more thorough and rigorous analysis of carry-over encumbrances.
As shown in Table 8 below, the amount of funds carried over has been on average only about one seventh of what remained as an encumbered balances for the General Fund at year end.

We also stand by our recommendation that the City Council Budget and Finance Committee be given the opportunity to examine the results of the CAO's "scrubbing" of prior year encumbrances.

Based upon our discussions with staff from the City and based upon our experience in budgeting, we believe that what the Coalition proposes can be accomplished prior to the adoption of the FY 2012-13 budget. We stand ready to work with the City to execute the savings.

Table 8: Analysis of General Fund balances reserved for encumbrances



CAO concern 3: The liquidation of prior year encumbrances would be contrary to fiscal policies established by the Controller. The CAO's objection that the liquidation of prior year encumbrances would be contrary to established fiscal policy appears to misrepresent the policy and our recommendation. Nothing in our report suggests that anything but current year appropriations be spent on current obligations. In reviewing the Controller's policy referenced by the CAO, nothing prohibits the liquidation of unspent and un-needed encumbrances. In fact, the Controller has recommended in her annual report communicating the preliminary annual financial statements for the City[1] that the Mayor and Council: *"Instruct departments to report to Mayor and Council on all prior year encumbrances with a valid business reason for each encumbered item in order to disencumber unwarranted items and increase reversions to the Reserve Fund."*

CAO concern 4: The liquidation of prior year encumbrances could conceivably result in breach of contract claims against the City. This statement is speculative and constitutes the application of a double standard. It is undisputed that the City has operated under the declaration of a fiscal emergency during the past two years and has used said declaration to extract concessions from organized labor. As such it stands to reason that the same legal authority used to force the renegotiation of labor contracts that were the result of collective bargaining would not be off-limits with merchants who do business with the City.

[1]http://controller.laCity.org/stellent/groups/ElectedOfficials/@CTR_Contributor/documents/Contributor_Web_Content/LACITYP_015540.pdf

CAO concern 5: Any savings from the Coalition's recommendation would be one-time in nature and therefore inappropriate for use in financing a recurring cost.

The CAO's notion that a rigorous and recurring evaluation of unspent encumbrances at the end of the year would only yield one-time savings is also unsupported in fact or in logic. It is axiomatic that managers make better use of resources that are scarce. It is also a matter of public record that in Los Angeles City's case, appropriations for services and supplies are far more abundant than what is necessary.

2. **POTENTIAL SAVINGS IN BORROWING. Summary: The City should take advantage of record low interest rates and borrow to finance the $7.5 million Capital Improvement Expenditure Program for FY 2012-13, rather than use general fund dollars. The CAO's Response: The projects in this year's Capital Improvement Expenditure Program "are ineligible for long-term financing as they are not true capital improvement projects." Coalition's Response: The CAO's conclusions appear to be incorrect.**

The CAO describes the FY 2012-13 projects as being for "maintenance, repair, alteration and improvement projects [and] a master-plan study of Citywide yards and shops." They are described in a bit more detail on page 20 the FY 2012-13 budget book entitled "Supporting Information for the Budget and Finance Committee." The planned capital improvements are identified as "building hazard mitigation, Citywide elevator repair, Citywide infrastructure improvements, Citywide roofing repair, Citywide yards and shops master plan, Civic Center buildings power improvements study, contaminated soil removal/mitigation… fire life safety building systems, street resurfacing and reconstruction, side walk repair and access ramps."

State law considers maintenance and repair of public projects to be capital improvements eligible for bond financing. See, for example, Govt. Code Section 6584.5 B., the Marks-Roos Local Bond Pooling Act of 1985, which says: "It is the intent of the Legislature to assist in the reduction of local borrowing costs, help accelerate the *construction, repair and maintenance of public capital improvements*, [emphasis added] and promote greater use of existing and new financial interests and mechanisms, such as bond pooling by local agencies."

The Los Angeles Municipal Code—specifically the City's Rent Stabilization Ordinance—says the same thing. LAMC 151.02.C defines a capital improvement as follows: "The addition or replacement of the following improvements to a rental unit or common areas of the housing complex containing the rental units, provided such new improvement has a useful life of five years or more: roofing, carpeting, draperies, stuccoing the outside of a building, air conditioning, security gates, swimming pool, sauna or hot tub, fencing, garbage disposal, washing machine, or clothes dryer, dishwasher, children's play equipment permanently installed on the premises, smoke detectors, and similar improvements as determined by the Commission."

The City's Administrative Code, specifically says Capital Improvement Expenditure Program can be financed with bonds. Section 44 says: "The funds for the proposed Capital Improvement Expenditure Program shall include such amounts as are appropriated from general City funds; and all money legally available for construction and rights of way, as well as for public buildings, major street resurfacing, major street lighting projects, and similar improvement from the following sources: subventions and grants, Traffic Safety, Permanent Improvement fund, *bond funds,* [emphasis added] and any other sources which may become available in the future; provided, however, that appropriations for such items as street maintenance, traffic engineering and control, street lighting, tree trimming and fire hydrants may be made from the funds for which such expenditures are legally permissible."

The only possible hitch is that the City's Debt Management Policy adopted by this Council in 2005 requires that bond funding what it calls "routine maintenance projects" should only be used in "extenuating circumstances." It says: "Except in extenuating circumstances, the City will fund routine maintenance projects in each year's capital program with pay-as-you-go-financing." It goes on to say: "Extenuating circumstances may include unusually large and non-recurring budget expenditures, or when depleted reserves and weak revenues would require delay or deletion of necessary capital projects."

We submit that avoiding layoffs in a City whose ability to provide many services has already been cut to the bone ought to be considered an "extenuating circumstance."

3. SALES TAX PROJECTION. Summary: Increase sales tax projections from 4% growth to 5% growth for an additional $3 million in anticipated revenues. CAO's Response: There is "no basis to project sales growth more aggressively." Coalition's Response: data shows 5% to be a reasonable projection.

On this issue, the CAO points correctly to the state Legislative Analyst forecast cited by the Coalition of a 7% sales tax growth rate statewide for FY 2012-13. The CAO also points correctly to less optimistic forecasts by some other government and economic forecasting agencies. But then the CAO says the national picture is not encouraging. To the contrary, the Census Bureau is reporting retail sales growth of 6.3% to 6.8% for the first three months of this calendar year compared to last.[2]

[2] Data viewed 5-9-2012 at http://www.census.gov/retail/marts/www/download/text/adv44000.txt

The CAO rests much of its case on an assertion that "growth in sales tax receipts is closely linked to local employment" and includes a 35-year-chart that purports to show that when unemployment is high, growth in City sales tax slows or decreases. The story the chart tells is more complicated. But suffice it to say that unemployment is currently going down slightly in Los Angeles and sales tax growth is dramatically up.

The U.S. Bureau of Labor Statistics released data last week[3] that show the Los Angeles metropolitan area unemployment rate falling to 11% in February, compared to 11.5% the year before and continuing to fall to 10.9 % in March, compared to 11.3% the year before.

Meanwhile, the CAOs' chart shows that, at the same time we've endured historically high unemployment in the City, the City has enjoyed a very sharp upturn in sales tax revenues. In FY 2010-11, the City's sales tax revenues grew by 6%. This year, the CAO forecast a sales tax growth rate of 3%, but has had to revise it upwards to 8%. Next year, the CAO is forecasting 4%. We say 5% is reasonable.

4. NEW REVENUE POTENTIALS: **Summary: The Coalition embraced two ideas put forward by the Chief Legislative Analyst for a $5 to $10 monthly voluntary ambulance transport subscription fee and a $342 first aid fee when an ambulance responds to an emergency but does not transport a patient. The Coalition used forecasts from the CLA that predicted revenue of $11 million.**

CAO Response: More research is required. The CAO says such fees would reduce projected revenues for ambulance service by an unknown amount. The CAO also said Glendale has such a program but participation is extremely low.

Coalition Response: We agree more research is needed but believe it can be done quickly. We are unsure what the CAO is talking about in asserting that first aid fees, currently not charged, would "offset the cost of the services when calculating the [Advanced Life Support and Basis Life Support] ambulance rates." We will attempt to clarify this and look into the experiences of other cities as well.

[3] Data viewed 5-9-2012 at http://www.bls.gov/news.release/pdf/metro.pdf

5. MEDI-CAL PATIENT AMBULANCE BILLING. Summary: Coalition sees $11 million uncounted in the proposed budget. CAO says revenue won't come in FY 2012-13. Coalition disagrees.

The proposed budget underestimates receipts for ambulance transport of Medi-Cal patients under Assembly Bill 678 by $11 million. The CAO maintains that the $11 million "is the projected reimbursements for transports occurring during 2012-13 [and] will not be realized as revenue until 2013-14." We believe the CAO is incorrect. All transports relied on by the Coalition, in its calculations, will have occurred by the end of FY 2011-12.

AB 678 provides for the reimbursement by the Federal Government to the Los Angeles Fire Department of a portion of transport costs, dating back to January 30, 2010, based on the number of Medi-Cal transports. From the information provided by Scott Clough, the point person in Sacramento on this issue, LAFD can anticipate a reimbursement rate of $368 per Medi-Cal Transport. The revenue he projects coming to the City of Los Angeles in FY 2012-13 is $34.8 million, based on transport numbers provided to him by Muriel Gee of the LAFD. Table 9 enumerates the manner in which Mr. Clough and the Coalition determined this amount.

Table 9: Coalition costing of transport reimbursement

Reporting Period	Medi-Cal Transports	Reimbursement Rate	Total Reimbursement
January 30, 2010-June 30, 2010	15,000[4]	$368	$5,520,000
July 1, 2010 – June 30, 2011	38,000[5]	$368	$13,984,000
July 1, 2011-June 30, 2012	38,000[6]	$368	$13,984,000

Additionally, the City would be eligible for ARRA funds associated with this program for January 30, 2010 through June 30, 2011. That amount is estimated as $1,322,040.

In total, the Coalition, with the assistance of Scott Clough, statewide point person on this program, estimates that the City of Los Angeles will receive $34.8 million in prior years (2010-11)

[4] Based on an estimate of 35,000 Medi-Cal transports from July 1, 2009 – June 30, 2010, as provided to Scott Clough by Muriel Gee of the LAFD
[5] Estimate provided to Scott Clough by Muriel Gee of the LAFD
[6] Estimate provided to Scott Clough by Muriel Gee of the LAFD

and current year (2011-12) receipts. This amounts to approximately $11 million more than what is currently proposed in the Mayor's budget.

Furthermore, the City should exercise all avenues to ensure that the increase in Medi-Cal is not pocketed by the ambulance billing contractor, Intermedix. Intermedix has a percentage based contract with the City in which it collects a commission of "approximately 5.3%," per the CAO Memo 14 attachment of a May 3, 2012 memo from Fire Chief Cummings. Cummings states estimated $23.6 million has been adjusted to compensate Intermix. The City Attorney will render an opinion as to whether Intermix automatically receives a windfall from AB-678 receipts though it will not be providing any additional service.

6. **RESERVE FUND. Summary: Save $9 Million by allowing the Reserve Fund to experience a slight decline from 4.64% of the general fund budget to 4.44%. CAO opposes. Coalition review of policy history shows the .02% lower amount is reasonable.**

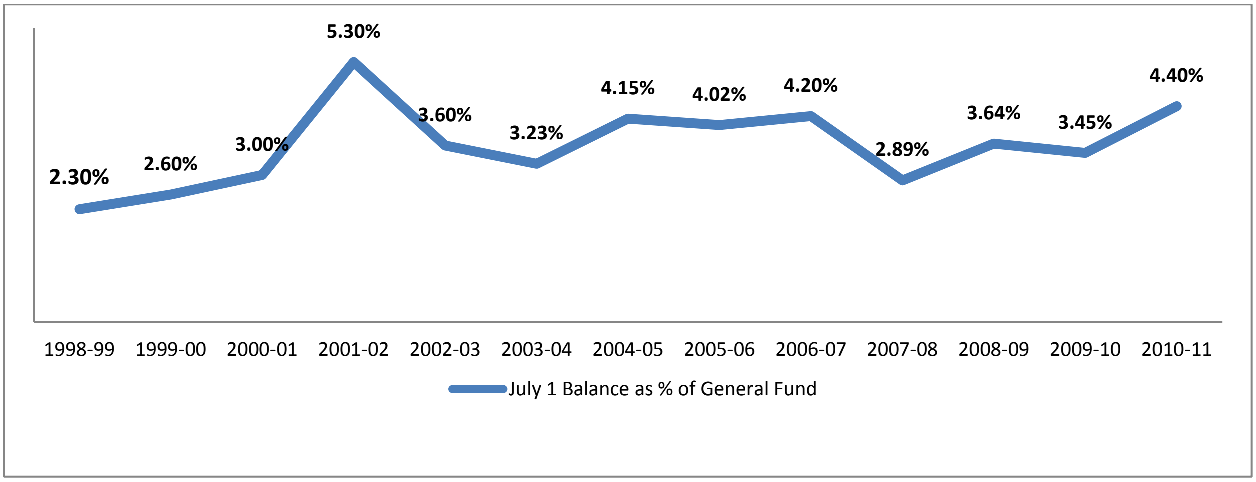
The CAO opposes the recommendation, saying the City needs to keep building its reserve fund to the 5% figure identified in the City's Fiscal Policy. The CAO says: "It was anticipated in 2007-08 the City would have reached the 5 percent threshold in 2011-12."

However, the City Council adjusted its Fiscal Policies in 2005 for this 5% goal, three years prior to the global recession. Even at that time, the Council contemplated a phase in to reach the 5% goal. "Depending on resolution of the structural deficit, a targeted annual increase should be established to increase the Reserve Fund balance to five (5) percent within ten years," the Council said.

Ten years is not up until FY 2014-15.

We are in a financial crisis now. We urge the Council to prudently trim the Reserve Fund and take the $9 million to help avoid layoffs now. Furthermore, the City has already made steady progress forward on its General Fund reserve funds, as presented by the CAO last March.

Table 10: History of General Fund Reserve as percentage of General Fund[7]



7. COMMISSION ON REVENUE EFFICIENCY (CORE) REPORTS. Summary: CAO budget memo 164 in name addresses reports of the Council created Commission. The response lacks depth.

The CAO wrote that "The City has made significant progress in implementing several of the recommendations made by CORE. In fact, many of these recommendations have already been implemented by the City." Yet out of eight reports issued in March 2012, the CAO pointed to only two CORE recommendations that have been implemented. These were the appointment of an inspector general for collections and a use of secondary collection vendors. The CAO said the City had tried two other CORE recommendations in the past. This is an inadequate response to a Council commission.

One entire report was dedicated ways to increase Parking Occupancy Tax revenue, which also is an issue taken up in the Mayor's budget proposal, and heading through the Audit and Finance Committee. The CAO has not discussed what appears to be a projected POT revenue enhancement of $3.5 million in the Revenue Budget Book.

The Mayor's proposals include a potential increase in POT, and an ordinance covering only scofflaw Auto Park operators, who, because of the cash nature of the business, collect the 10% tax from consumers and fail to deliver the tax to the City. The Los Angeles Parking Association testified before CORE that rogue parking lot operators are cheating the City out of an estimated $25 million a year.

[7] CAO March 1, 2012 power point, "Mid-Year Financial Status Report and Impact of LACERS and LAFPP Contribution Rates"

Council and the public need more clarity on this untapped potential revenue mine. It is nonsensical to avoid dialogue with a Council created Commission that studied the issue, as well as seven other specific revenue areas.

The Coalition has an interest in all analysis of how to capture the missing POT as revenue that can be had in FY 2012-13 through enforcement policy changes, rather than a tax increase.

The City Attorney's office reported to the Audit Committee on May 9, 2012 that it recommends a bond be posted by all Auto Park operators to ensure the City collects from those operators who currently can dodge handing over money they charged consumers for the City. The Office of Finance recommends installation of permanent Revenue Control Enforcement (RCE) equipment that will reduce the volume of cash; and the Police Commission had a more flexible recommendation about the types of technology that might be used as an RCE.

Again, POT is just one of the lower hanging revenue fruits analyzed by CORE in its two years of work. As the City seeks structural solutions for revenue problems, all hands should be on deck.

8. FORECLOSURE ORDINANCE LOOPHOLE. Summary: Remove the Mortgage Electronic Registration System Exception (MERS) to the Foreclosure Blight Ordinance and raise at least $2.5 million. The CAO estimates a lower amount without explanation.

MERS is a bank created foreclosure property registry that is exempted from the City's Foreclosure Blight Ordinance. The CAO wrote that the Coalition's proposal "is not without its merits from a policy consideration but is limited with regards to any potential revenue." The CAO says the Housing Department, which collects blight ordinance registration fees, estimates it would bring in an additional $1 million by removing the MERS exception, rather than the $2.5 million estimated by the Coalition, but does not explain how the calculation was made.

The Coalition estimate of $2.5 million was based on evidence that the City is missing registration fees from about 17,000 properties in foreclosure– the difference between the 4,000 the City has registered and the 21,000 that the private real estate service, RealtyTrac, reports. It was also based on Housing Department officials telling the Coalition that they believe MERS accounts for 70% of homes in foreclosures.

The CAO says further that the registration fee is a "fee for service" and, as such, "the fees collected cannot revert to the General Fund." The Coalition believes this is a too-narrow reading of the law.

The foreclosure blight ordinance is clearly aimed at reducing blight. Registration is one part of it; enforcement is another.

The Housing Department, which gets no money from the general fund, collects the registration fees. But the enforcement agency for single family homes is the Department of Building and Safety, which receives general funds.

The Coalition believes the registration fee should cover the expenses of both agencies.

We urge the City Council to adopt this interpretation, eliminate the MERS exception and, if necessary, raise registration fees high enough to pay for significant enforcement, which we expect will generate additional general fund revenues from bank-owners of blighted foreclosed properties through fines.

9. REDUCE COSTS BY NOT LAYING OFF WORKERS. Summary: the Coalition's written report questioned why the Budget contained no discussion of the fact that layoffs create City expenses. It was unclear how much of a $10.3 million unemployment liability would be attached to the 231 workers. The CAO has now said that $2.9 million is attached to the 231 workers.

Council should be aware that there is an opportunity *to save nearly $3 million by not moving ahead with the layoffs*. Additionally, the CAO still has not addressed the one-time FY 2012-13 impacts of layoffs, as accrued benefits cash payouts in a tight budget could present a cash flow issue.

10: THREE MORE IDEAS TO CREATE REVENUE OVER THE LONG TERM

10A. CREATE BOILER PLATE LANGUAGE FOR FISCAL EMERGENCY IN PRIVATE CONTRACTS. Summary: Since the City has had no problem going to employee unions to renegotiate contracts (three times) due to the financial crisis, the City should also have a mechanism to renegotiate contract terms with its private vendors. The CAO responded that it is hard to tell if this would be in the best interests of the City.

The CAO wrote, "Given the information available, it is difficult to assess whether a clause that allows the City to reopen contracts is in the best interests of the City."

If the City can forcefully press its employees, working under collective bargaining agreements, to make sacrifices during fiscal emergencies, it can and should forcefully press its vendors as well.

10B. ACCOUNTING PRACTICE. Summary: The CAO should consider switching its accounting system from modified cash to accrual and, in doing so, realize a one-time gain of $37 million. The CAO Response: "The modified cash basis is essential…."

Los Angeles County government doesn't think so. Nor do most large corporations. This is a matter worth serious study.

10C. APPLY CONSTANT STAFFING USED IN FIRE TO LAPD. Summary: A constant staffing model with LAPD could save money and get more officers on the street. The CAO cited a "cursory analysis" by the LAPD that concluded the constant staffing would harm its law enforcement ability.

The Coalition recognizes the initial response by the Los Angeles Police Department. We certainly are not surprised by any effort by the LAPD to dismiss any idea that might be in conflict with its attempt to reach a goal of 10,000 sworn officers in its ranks.

However, the Coalition continues to have difficulty in an approach to grow the sworn ranks while eliminating civilian personnel, which would result in sworn personnel backfilling in positions that would keep them off the streets.

We fundamentally believe that there is a better model that ensures all able bodied sworn officers will perform functions only able to be performed by sworn officers.

Under such a model, civilian workers would continue to provide the necessary support to the Department and sworn personnel such that the public would be receiving cost effective services at appropriate service levels.

Instead, the direction the Mayor's budget takes with the reverse civilianization proposed, there appears to be a blind march toward a "magic" number of officers without regard to what function officers perform.

Whether the answer is a constant staffing-like model for deployment, or some other model that maximizes the current number of sworn officers and civilian support staff, the Coalition urges the Police Department to find a model that would result in the efficient use of sworn and civilian personnel. *Eliminating civilian workers in order for sworn officers to perform those functions at higher pay is certainly not the answer*.