



Fiscal Year 2011-12  
**BUDGET SUMMARY**



Moving Towards a **Sustainable** Future.

*As Presented by*  
**Mayor Antonio R. Villaraigosa**

# Moving Towards a Sustainable Future.

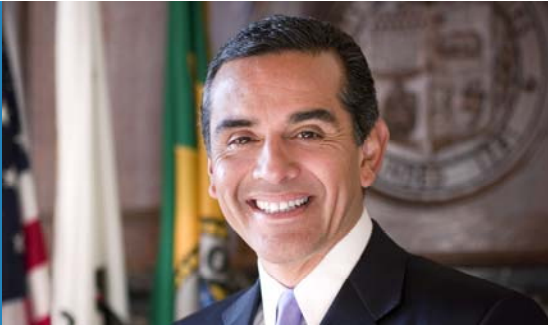


City of Los Angeles  
**Budget Summary**  
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*As presented by*  
**Mayor Antonio R. Villaraigosa**

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**[budget.lacity.org](http://budget.lacity.org)**



*A Message From:*

**Antonio R. Villaraigosa**

Mayor, City of Los Angeles

**Over the last several years, Los Angeles-and almost every other big city in America-has faced the most difficult financial circumstances in generations. To meet this challenge, we have worked together to address more than \$1 billion in budget deficits, to reduce our workforce by more than 4,000 positions, and stabilize our revenues. These tough decisions were necessary to successfully balance our budget, but they have not been enough. We continue to face significant shortfalls and until we correct the structural deficit facing the City of Los Angeles we cannot solve the problem.**

My Proposed Budget for Fiscal Year 2011-12 was put together by an expert team of seasoned professionals with more than 100 years of combined financial experience in the City. This budget reflects my steadfast commitment to making Los Angeles a City where neighborhoods are safe and communities are strong; a City that leads the nation in sustainable, green innovation; a City dedicated to traffic relief and world-class public transportation; a City that works for and with business to maintain and create jobs; and a City where every family has access to parks, libraries and a high-quality education.

### **Budget Balancing Solutions**

My Fiscal Year 2011-12 Proposed Budget addresses the projected deficit through the following budget balancing solutions:

- **Spending Reductions and Reorganization**, such as the elimination of filled and vacant full-time positions, expense reductions, and department consolidations;
- **Police Department and Fire Department Operational Efficiencies**, including a new deployment model for the Fire Department and a continued overtime reduction for the Police Department;
- **Civilian Furloughs**, 36 unpaid days for civilian employees scheduled to receive cost of living adjustments and 26 unpaid days for other civilian employees;
- **Various Funding Swaps**, maximizing the use of special funds; and,
- **One-Time Solutions**, financing one-time costs and restructuring debt.

**The furloughs included in my proposed budget should be treated as a last resort.** In order to balance the budget without relying on furloughs and layoffs the City must significantly reign in pension and healthcare costs. I am committed to making every reasonable effort to reach negotiated solutions with our labor partners that eliminate the need for furloughs and layoffs by reducing the City's escalating contributions towards pension and healthcare costs. With that said, should we fail to reach agreements with our employee bargaining units, it will be necessary to implement a coordinated, City-wide furlough program beginning July 1. To this end, a preliminary furlough calendar has been created and is included in my budget proposal.

## Long-Term Solutions

**The difficult yet critical work to contain and reduce city pension and healthcare costs is well underway.** We are taking a deliberate and strategic approach to partner with our labor unions to solve our long-term budget shortfalls, as evidenced by the following:

**Sworn Pension Reform** - On March 8, the voters of Los Angeles adopted a pension reform ballot measure for new public safety employees. Assuming the City continues to hire public safety employees to maintain the current level of service, the City is estimated to save approximately \$152 million over the next 10 years. With our workforce living and working longer than in the past, these reforms are necessary to place the City on sound financial footing. Our success with public safety pension reform demonstrates that by working cooperatively with our unions, we can successfully address our structural challenges through a collaborative approach.

**Healthcare Cost Reductions** - In January, the City's Joint Labor Management Benefits Committee (JLMBC), consisting of labor representatives and City management representatives, agreed upon various changes to civilian employee benefits that will reduce the ongoing costs of active employee healthcare by \$14 million. The JLMBC is currently discussing other cost reduction measures to be implemented next fiscal year.

**Labor Negotiations** - As I write this communication, a tentative agreement with the Coalition of LA City Unions, which collectively represents approximately 19,000 civilian employees, is pending ratification and final City Council approval. The proposal would increase employee contributions to retiree health-care, suspend cash overtime, and delay cost of living adjustments to produce \$204 million in savings to the General Fund and \$396 million in total savings over the next four years. In the absence of a ratified agreement, a responsible budget must include furloughs. My budget will therefore propose between 26 and 36 mandatory furlough days for the majority of the General Fund workforce. While furloughs have proven to yield immediate and dependable payroll savings, as mentioned above, they are not a preferred budget-balancing tool. Furloughs disrupt the delivery of city services and disproportionately impact employees. The CAO - under the direction of the Executive Employee Relations Committee (EERC) - is currently engaged with our employee representatives in an effort to secure contract savings which will allow for the restoration of city services by reducing or eliminating furloughs next fiscal year. It is my hope that we will complete these agreements before the beginning of FY2011-12, thus ending the City's reliance on furloughs to balance the budget.

## FY 2011-12 Budget Highlights

**We have worked tirelessly this year to maintain a strong Reserve Fund.** My proposed budget will continue this effort and will include a Reserve Fund of about \$177 million, approximately 4% of the General Fund.

**My proposed budget will also include deep and permanent cuts to City spending.** These cuts start with an 11 % reduction to my own office budget. I am proposing a similar reduction for City Council offices, and hope they will join me in this sacrifice.

**I have directed the CAO and my budget team to pursue efficiencies and cut every unnecessary cost,** and as a result the proposed budget will include several hundred position eliminations. These targeted position reductions may trigger employee displacements and layoffs. However, in an effort to mitigate layoffs, I have instructed the CAO and the Personnel Department to work with General Managers to develop and execute plans to utilize savings generated in special funds and proprietary departments that may result from labor agreements, such as the tentative Coalition agreement reference above, to restore, enhance or improve services using displaced City workers.

Nearly every single department will face deep reductions. The deepest single cut - \$100 million - comes out of our largest department - the Los Angeles Police Department. The second deepest cut - over \$51 million - comes out of our second largest department – the Los Angeles Fire Department. In both cases we are re-aligning resources to create operational efficiencies while protecting public safety. It is however important that the largest City departments do share in reducing costs.

My proposed budget will continue to maintain the police force at its current level of just under 10,000 officers. The Los Angeles Police Department is in the midst of the most significant and progressive change in its history. It is critical that the City maintains this progress.

With respect to the Fire Department, we are ending the disruptive practice of the "Modified Coverage Plan" and enhancing services where they are needed the most. For example, we are significantly reducing the costly and labor intensive deployment of ladder trucks in South LA - which has few structures taller than three stories - and replacing them with additional and more cost-effective ambulances to better serve a population with the least access to health insurance.

To support the City's core public safety services, the proposed budget also includes funds for graffiti removal, and gang reduction and youth development services, including the expansion of the effective Summer Night Lights Program from 24 to 32 sites City-wide.

**In addition to these public-safety related initiatives, the FY 2011-12 Proposed Budget will also include funding for, but not limited to, the following:**

- **Expanded library hours**, including Monday service;
- **New park and recreational facilities**;
- **735 miles of street preservation and resurfacing**, while leveraging critical federal and state dollars;
- **Repair of 300,000 potholes**, a 20% increase from the prior year;
- **Updated community plans**, and planning for future transient-oriented and pedestrian-friendly districts;
- **Replacement of our existing street lighting system** with cost saving and energy efficient, light-emitting diode technology.

**Over the course of its 230 year history, the City of Los Angeles has overcome numerous economic challenges and natural disasters. We have done so by coming together and working together to solve our problems.**

Thank you for your partnership and resolve to make the difficult decisions that will move Los Angeles towards a fiscally sound and sustainable future.

Very truly yours,



**Antonio R. Villaraigosa**

At a Glance:

## Budget Goals and Priorities

“With a new, forward-thinking approach, we aimed to permanently correct a detrimental structural deficit and attack the massive cost increases to our pension and health care systems...This budget is a commitment to responsible, fiscal management and the long-term financial stability of our City. Working together, we will continue to move towards a sustainable future.”

-Mayor Antonio R. Villaraigosa

Over the last few years, the City of Los Angeles has had to face unprecedented fiscal challenges. These challenges were further compounded by falling revenues due to the on-going, multi-year financial downturn as well as dramatic increases in costs. Realizing that these trends are fiscally unsustainable, the City has taken firm steps to balance the budget and to put the City back on the path to fiscal sustainability.

The proposed budget for Fiscal Year 2011-12 continues on this path with goals and solutions designed to keep the City moving in the right direction.

These goals include:

1. **Balancing the budget with structural solutions**, solutions that are long-term in nature and not one-time fixes,
2. **Replenishing the Reserve Fund** to ensure the City is financially stable in the future, even during tough economic times, and
3. **Making progress on the Three-Year Plan to Fiscal Sustainability** to keep the City on track to achieve long-term fiscal health by 2013. The Three-Year Plan was adopted in Fiscal Year 2010 and centered on four primary pillars: Responsible Financial Management and Fiscal Practices, Focus on Core Mission, Public-Private Partnerships, and Maintaining a Sustainable Workforce.

While striving to achieve fiscal sustainability, Mayor Villaraigosa and the City will continue to focus on the top priorities that have defined his administration. Focusing on these priorities will ensure that Los Angeles continues to thrive as one of the world's greatest cities. These priorities include:



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# Proposed Budget **Details.**



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*Organization of the City of Los Angeles*

*Economic and Financial Overview*

*Addressing the Deficit*

*Three-Year Plan to Fiscal Sustainability*

# Budget Development Process and Overview

The City’s fiscal year runs from July 1st through June 30th. Every Fall, the Mayor starts the budget development process by releasing a budget policy letter that defines the City’s objectives for the coming fiscal year. Community input is a critical contribution during the development of the Mayor’s Proposed Budget. During the past six years, Mayor Villaraigosa has implemented and followed a structured process that ensures neighborhood councils and community members are informed regarding the budget and that their input, concerns, and priorities are heard.

City departments, bureaus, and offices use the Mayor’s budget policy letter as a guide to prepare their own annual budget requests. These requests are then submitted to the Office of the Mayor and the City Administrative Officer (CAO) by January 1st.

Following the submission of department budget requests, the Mayor reviews and collaborates with the CAO, community representatives, and departments to devise the Proposed Budget. Revenue projections are developed through the combined efforts of the Mayor’s Office, the Office of Finance, the Office of the CAO, and the Controller. The Proposed Budget is submitted to the City Council by April 20th of each year.

A Council committee examines the proposed budget and develops recommendations for City Council consideration. The City Council then votes to either adopt or modify the proposed budget.

2010	
October 16	Neighborhood Council Community Budget Day
November 18	Mayor’s budget policy letter released to departments
November 19	CAO releases general budget instructions to departments
December 10	Technology requests due to CAO and ITA from departments, department budget requests due to Mayor’s Office, Mayor and CAO begin reviewing departmental budget requests
December 17	Non-Capital Alteration and Improvement (A&I) requests and Capital Improvement Project requests due to CAO from departments
2011	
January 3-March 11	Mayor’s Budget Team and CAO meet with departments to discuss budget proposals
March 1	Charter Deadline for City Controller to submit revenue estimates to Mayor, copies to City Council and CAO
March 12	Neighborhood Council Regional Roundtable
March 14	Economic Summit with top economists on revenue
March 19-April 2	Mayor’s Office finalizes development of the Proposed Budget
March 21	Mayor meets with Neighborhood Council representatives
April 20	Charter deadline for Mayor to submit the Proposed Budget to Council
April 27-May 10	Council’s Budget and Finance Committee reviews the budget and makes recommendations to Council
May 13-20	Public hearings and Council consideration of the budget and the Committee’s recommendations
June 1	Charter deadline for Council to adopt budget as proposed by the Mayor or as modified by Council
June 2-8	Mayor has five working days after receipt of budget from Council to review any changes made by Council and to approve or veto any items so changed
June 9-15	Council has five working days after receipt of budget from Mayor to consider any Mayor’s vetoes and may sustain or override each veto by a two-thirds vote. Budget is adopted after this process is completed

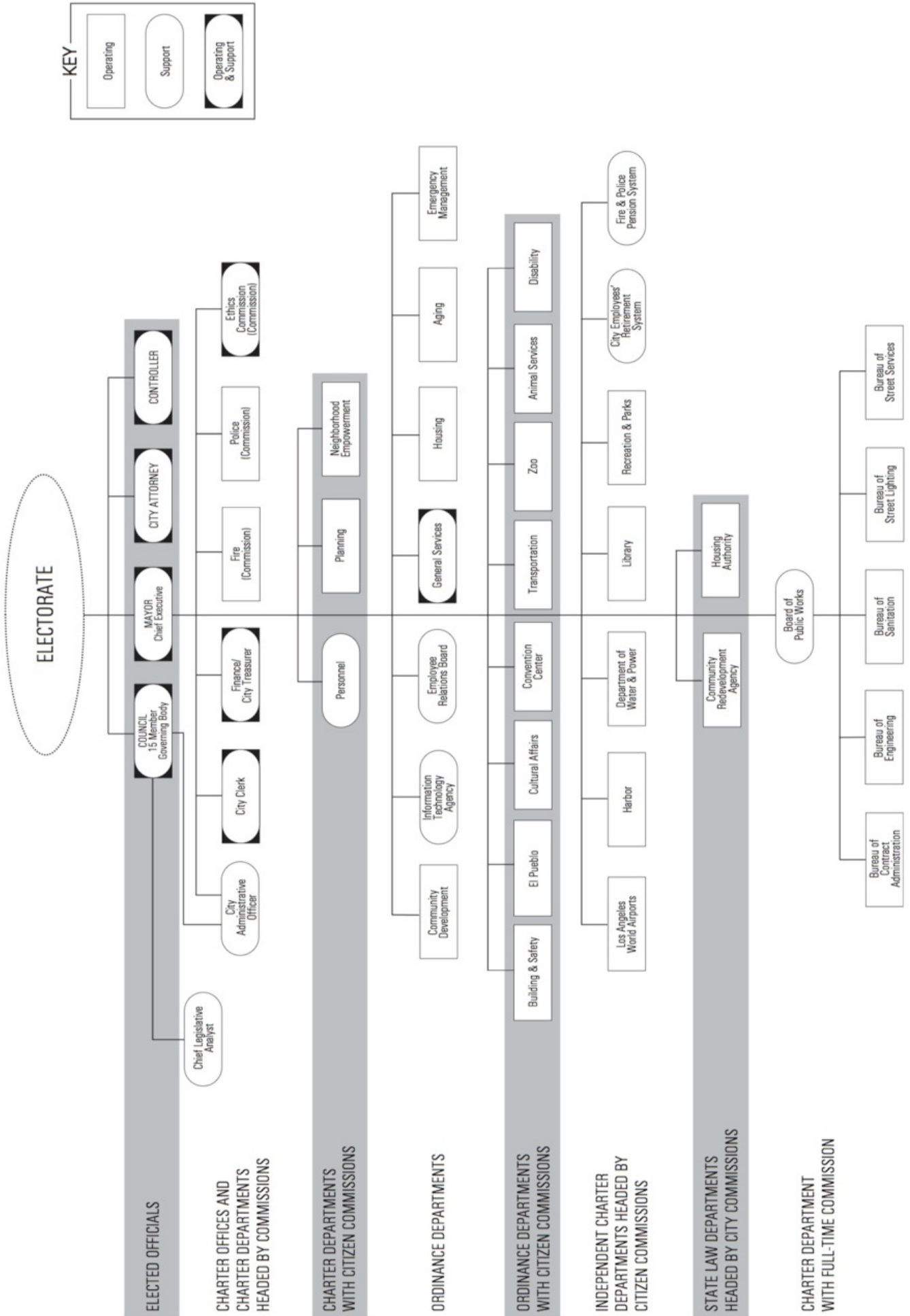
## Summary of Proposed Receipts

General Revenue	Adopted Budget FY2010-11 (\$)	Budget FY2011-12 (\$)	% Change from Adopted FY2010-11 to FY2011-12	% of Total FY2011-12 Revenue
Property Tax	1,408,529,000	1,436,363,000	2.0%	20.8%
Utility User's Tax	654,600,000	627,832,000	-4.1%	9.1%
Licenses, Permits, Fees and Fines	778,176,527	721,272,000	-7.3%	10.4%
Business Tax	411,960,000	439,219,000	6.6%	6.4%
Sales Tax	289,412,000	306,239,000	5.8%	4.4%
Documentary Transfer Tax	111,000,000	107,000,000	-3.6%	1.5%
Power Revenue Transfer	257,000,000	254,000,000	-1.2%	3.7%
Transient Occupancy Tax	122,700,000	136,200,000	11.0%	2.0%
Parking Fines	142,446,013	141,000,000	-1.0%	2.0%
Parking Users' Tax	85,983,000	88,200,000	2.6%	1.3%
Franchise Income	45,541,000	48,100,000	5.6%	0.7%
Interest	12,400,000	14,280,000	15.2%	0.2%
State Motor Vehicle License Fees	12,000,000	14,700,000	22.5%	0.2%
Grants Receipts	9,200,000	9,820,000	6.7%	0.1%
Tobacco Settlement	11,300,000	9,500,000	-15.9%	0.1%
Transfer from Telecommunications Dev. Account	7,650,000	5,170,000	-32.4%	0.1%
Residential Development Tax	1,700,000	1,905,000	12.1%	0.0%
Special Parking Revenue Transfer	10,000,000	18,200,000	82.0%	0.3%
Transfer from Reserve Fund	3,616,627	-	-100.0%	N/A
<b>Total General Fund Receipts</b>	<b>4,375,214,167</b>	<b>4,379,000,000</b>	<b>0.1%</b>	<b>63.4%</b>
<b>Special Revenues</b>				
Property Tax-City Levy for Bond Redemption and Interest	\$174,545,768	\$167,395,099	-4.1%	2.4%
Sewer Construction and Maintenance Fund	647,189,962	660,315,865	2.0%	9.6%
Proposition A Local Transit Assistance Fund	122,489,795	123,829,123	1.1%	1.8%
Prop. C Anti-Gridlock Transit Improvement Fund	67,244,000	70,788,194	5.3%	1.0%
Special Parking Revenue Fund	41,810,000	41,459,295	-0.8%	0.6%
L. A. Convention and Visitors Bureau Fund	9,438,461	10,477,000	11.0%	0.2%
Solid Waste Resources Revenue Fund	281,335,565	290,333,233	3.2%	4.2%
Fines--State Vehicle Code	13,200,000	13,120,939	-0.6%	0.2%
Special Gas Tax Street Improvement Fund	103,921,000	113,551,000	9.3%	1.6%
Housing Department Affordable Housing Trust Fund	1,200,000	1,100,000	-8.3%	0.0%
Stormwater Pollution Abatement Fund	30,006,000	30,429,000	1.4%	0.4%
Community Development Trust Fund	36,119,913	34,222,682	-5.3%	0.5%
HOME Investment Partnerships Program Fund	6,094,582	6,091,386	-0.1%	0.1%
Mobile Source Air Pollution Reduction Fund	4,724,918	4,715,000	-0.2%	0.1%
City Employees' Retirement Fund	71,310,325	87,529,621	22.7%	1.3%
Community Services Administration Grant	1,949,584	1,976,485	1.4%	0.0%
Park and Recreational Sites and Facilities Fund	1,000,000	1,200,000	20.0%	0.0%
Convention Center Revenue Fund	24,000,000	27,794,692	15.8%	0.4%
Local Public Safety Fund	29,000,000	32,850,000	13.3%	0.5%
Neighborhood Empowerment Fund	4,241,660	4,401,188	3.8%	0.1%
Street Lighting Maintenance Assessment Fund	62,280,336	61,044,333	-2.0%	0.9%
Telecommunications Development Account	8,820,642	12,418,944	40.8%	0.2%
Older Americans Act Fund	2,268,077	2,326,382	2.6%	0.0%
Workforce Investment Act	14,118,017	16,780,876	18.9%	0.2%
Rent Stabilization Trust Fund	10,414,600	11,054,510	6.1%	0.2%
Arts and Cultural Facilities and Services Fund	9,585,000	10,592,219	10.5%	0.2%
Arts Development Fee Trust Fund	1,040,000	990,000	-4.8%	0.0%
City Employees Ridesharing Fund	3,394,000	3,329,609	-1.9%	0.0%
Allocations from Other Sources	44,304,762	98,444,476	122.2%	1.4%
City Ethics Commission Fund	2,109,024	1,866,479	-11.5%	0.0%
Staples Arena Special Fund	3,150,000	4,090,000	29.8%	0.1%
Citywide Recycling Fund	23,802,316	23,749,166	-0.2%	0.3%
Special Police Comm./911 System Tax Fund	21,239,435	21,609,356	1.7%	0.3%
Local Transportation Fund	2,810,585	2,848,790	1.4%	0.0%
Planning Case Processing Revenue Fund	16,072,000	14,062,000	-12.5%	0.2%
Disaster Assistance Trust Fund	17,300,000	7,509,405	-56.6%	0.1%
Landfill Maintenance Special Fund	4,425,420	4,632,252	4.7%	0.1%
Household Hazardous Waste Special Fund	2,006,810	2,012,662	0.3%	0.0%
Building and Safety Enterprise Fund	89,917,578	100,517,551	11.8%	1.5%
Housing Opportunities for Persons with AIDS	322,923	323,268	0.1%	0.0%
Code Enforcement Trust Fund	29,594,866	32,340,675	9.3%	0.5%
El Pueblo Revenue Fund	4,646,078	4,507,398	-3.0%	0.1%
Zoo Enterprise Fund	17,405,046	18,283,477	5.0%	0.3%
Supplemental Law Enforcement Services	100,000	100,000	0.0%	0.0%
Street Damage Restoration Fee Fund	7,373,000	7,693,000	4.3%	0.1%
Measure R Traffic Relief and Rail Expansion Fund	35,384,288	37,820,000	6.9%	0.5%
Central Recycling and Transfer Fund	2,197,833	2,434,126	10.8%	0.0%
Multi-Family Bulky Item Fund	7,252,385	6,511,696	-10.2%	0.1%
Municipal Housing Finance Fund	1,320,600	-	-100.0%	N/A
Traffic Safety Fund	-	-	N/A	N/A
Major Projects Review	-	-	N/A	N/A
<b>Total Special Receipts</b>	<b>2,115,477,154</b>	<b>2,233,472,452</b>	<b>5.6%</b>	<b>32.3%</b>
<b>Total Available Balances</b>	<b>258,540,449</b>	<b>\$291,988,058</b>	<b>12.9%</b>	<b>4.2%</b>
<b>Total Receipts</b>	<b>6,749,231,770</b>	<b>6,904,460,510</b>	<b>2.3%</b>	<b>100.0%</b>

## Summary of Proposed Appropriations

Departmental	Salaries (\$)	Expense (\$)	Equipment (\$)	Special (\$)	Total Proposed FY2011-12 (\$)	Adopted FY2010-11 (\$)	Change (\$)	Percent Change
Aging	3,594,267	133,229	-	65,106	3,792,602	3,729,795	62807	1.7%
Animal Services	17,861,478	1,822,082	-	236,288	19,919,848	20,350,643	-430795	-2.1%
Building and Safety	64,487,096	2,068,862	-	2,387,645	68,943,603	62,216,641	6726962	10.8%
City Administrative Officer	10,029,564	1,023,784	-	227,144	11,280,492	11,086,499	193993	1.7%
City Attorney	85,976,593	7,165,712	-	1,808,589	94,950,894	85,897,183	9053711	10.5%
City Clerk	7,578,871	436,790	-	528,577	8,544,238	23,886,207	-15341969	-64.2%
Community Development	24,162,100	1,877,136	-	580,457	26,619,693	25,103,186	1516507	6.0%
Controller	12,065,443	1,116,982	54,600	554,319	13,791,344	13,821,800	-30456	-0.2%
Convention Center	14,675,369	7,896,839	165,186	1,527,124	24,264,518	20,450,000	3814518	18.7%
Council	17,646,160	1,095,890	-	139,732	18,881,782	20,830,279	-1948497	-9.4%
Cultural Affairs	3,548,962	414,635	-	3,361,793	7,325,390	7,709,028	-383638	-5.0%
Department on Disability	1,177,962	287,392	-	143,314	1,608,668	1,598,796	9872	0.6%
El Pueblo de Los Angeles	1,110,237	406,957	-	-	1,517,194	1,535,857	-18663	-1.2%
Emergency Management	1,517,238	71,036	-	12,324	1,600,598	1,577,852	22746	1.4%
Employee Relations Board	278,025	90,628	-	52,963	421,616	372,953	48663	13.0%
Environmental Affairs	-	-	-	-	-	-	0	0.0%
Ethics Commission	1,684,686	337,046	-	9,651	2,031,383	2,159,578	-128195	-5.9%
Finance	25,396,375	11,652,671	-	425,168	37,474,214	25,183,127	12291087	48.8%
Fire	456,400,320	23,352,975	350,000	830,313	480,933,608	495,009,381	-14075773	-2.8%
General Services	112,446,251	108,045,363	171,000	7,403,995	228,066,609	219,276,288	8790321	4.0%
Housing Department	45,115,858	5,630,131	-	1,400,182	52,146,171	51,447,726	698445	1.4%
Department of Human Services	-	-	-	-	-	-	0	0.0%
Information Technology Agency	42,752,948	15,834,773	168,014	19,726,438	78,482,173	80,168,459	-1686286	-2.1%
Mayor	6,879,723	16,333,156	-	19,598	23,232,477	24,155,157	-922680	-3.8%
Neighborhood Empowerment	1,455,524	249,747	-	69,002	1,774,273	300,545	1473728	490.4%
Personnel	31,216,231	6,700,837	-	3,350,368	41,267,436	41,012,465	254971	0.6%
Planning	21,824,170	2,749,866	-	819,231	25,393,267	26,431,869	-1038602	-3.9%
Police	1,139,587,400	46,899,000	272,500	4,045,940	1,190,804,840	1,177,483,228	13321612	1.1%
Board of Public Works	6,967,029	7,617,364	-	627,786	15,212,179	16,147,341	-935162	-5.8%
Bureau of Contract Administration	26,130,384	1,527,461	-	829,081	28,486,926	29,379,072	-892146	-3.0%
Bureau of Engineering	65,589,117	3,082,007	-	2,896,488	71,567,612	71,141,561	426051	0.6%
Bureau of Sanitation	211,463,865	8,976,267	27,264	2,887,189	223,354,585	213,415,485	9939100	4.7%
Bureau of Street Lighting	18,629,456	1,519,343	140,000	3,619,484	23,908,283	22,591,379	1316904	5.8%
Bureau of Street Services	60,368,133	77,068,231	-	2,455,698	139,892,062	144,528,312	-4636250	-3.2%
Transportation	107,654,153	23,102,942	-	2,777,921	133,535,016	126,928,623	6606393	5.2%
Treasurer	-	-	-	-	-	8,542,533	-8542533	-100.0%
Zoo	14,858,229	3,127,826	-	297,422	18,283,477	17,483,062	800415	4.6%
<b>Total-Budgetary Departments</b>	<b>2,662,129,217</b>	<b>389,714,960</b>	<b>1,348,564</b>	<b>66,116,330</b>	<b>3,119,309,071</b>	<b>3,092,951,910</b>	<b>26357161</b>	<b>0.9%</b>
Appropriations to Library Fund	-	-	-	89,347,557	89,347,557	75,902,051	13445506	17.7%
Appropriations to Recreation and Parks Fund	-	-	-	141,311,089	141,311,089	145,060,953	-3749864	-2.6%
Appropriation to City Employees' Retirement	-	-	-	87,529,621	87,529,621	71,310,325	16219296	22.7%
<b>Total-Appropriations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>318,188,267</b>	<b>318,188,267</b>	<b>292,273,329</b>	<b>25914938</b>	<b>8.9%</b>
<b>Total-Departmental</b>	<b>2,662,129,217</b>	<b>389,714,960</b>	<b>1,348,564</b>	<b>384,304,597</b>	<b>3,437,497,338</b>	<b>292,273,329</b>	<b>3145224009</b>	<b>1076.1%</b>
<b>Non-Departmental</b>								
2011 Tax & Revenue Anticipation Notes	-	-	-	895,698,855	895,698,855	742,900,328	152798527	20.6%
Bond Redemption and Interest	-	-	-	167,395,099	167,395,099	174,545,768	-7150669	-4.1%
Capital Finance-Administration Fund	-	-	-	202,477,658	202,477,658	219,201,682	-16724024	-7.6%
CIEP-Municipal Facilities	-	-	-	7,710,000	7,710,000	7,980,500	-270500	-3.4%
CIEP-Physical Plant	-	-	-	27,470,271	27,470,271	32,642,985	-5172714	-15.8%
CIEP-Wastewater	-	-	-	115,000,000	115,000,000	145,500,000	-30500000	-21.0%
General City Purposes	-	-	-	84,397,309	84,397,309	91,779,871	-7382562	-8.0%
Human Resources Benefits	-	-	-	555,938,000	555,938,000	545,731,165	10206835	1.9%
Judgement Obligation Bonds Debt Service Fund	-	-	-	9,031,375	9,031,375	10,761,715	-1730340	-16.1%
Liability Claims	-	-	-	48,850,000	48,850,000	48,850,000	0	0.0%
Proposition A Local Transit Assistance Fund	-	-	-	139,475,001	139,475,001	104,138,478	35336523	33.9%
Prop. C Anti-Gridlock Transit Improvement Fund	-	-	-	29,350,904	29,350,904	27,419,749	1931155	7.0%
Special Parking Revenue Fund	-	-	-	46,544,771	46,544,771	43,154,495	3390276	7.9%
Unappropriated Balance	-	-	-	16,003,000	16,003,000	99,079,406	-83076406	-83.8%
Wastewater Special Purpose Fund	-	-	-	433,384,245	433,384,245	409,579,230	23805015	5.8%
Water and Electricity	-	-	-	35,978,000	35,978,000	50,428,994	-14450994	-28.7%
Other Special Purpose Funds	-	-	-	652,258,684	652,258,684	610,312,165	41946519	6.9%
<b>Total-Nondepartmental</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,466,963,172</b>	<b>3,466,963,172</b>	<b>3,364,006,531</b>	<b>102956641</b>	<b>3.1%</b>
<b>Total</b>	<b>2,662,129,217</b>	<b>389,714,960</b>	<b>1,348,564</b>	<b>3,851,267,769</b>	<b>6,904,460,510</b>	<b>6,749,231,770</b>	<b>155228740</b>	<b>2.3%</b>

Proposed as of July 1, 2011  
**Organization of the City of Los Angeles**



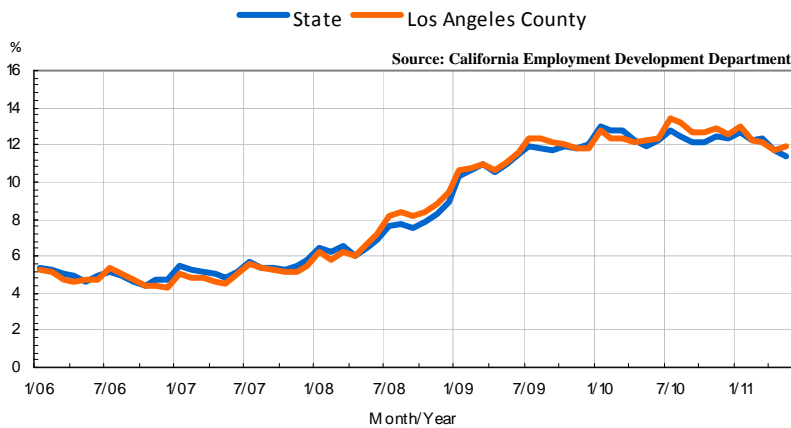
## Economic and Financial Overview: Current Economic Status

Similar to all other cities in the United States and around the world, the City depends on various sources of revenue in order to conduct its day-to-day operations. More than 70% of the City's General Fund revenue comes from seven major taxes that are correlated to the economic conditions. Consequently, the length and severity of the economic downturn has resulted in considerable declines in revenue. This is further compounded by rising costs associated with public employee health and pension benefits as well as increases in general social needs. Together, the fall in revenues and rise in costs have contributed considerably to the fiscal challenges that the City faces. This section provides an overview of the current economic environment in Los Angeles to provide context and insight into the unique challenges that the City currently confronts and will continue to take on over the next few years.

The economic downturn that began almost four years ago (December 2007 to July 2009) continues to have a severe effect on the local economy. Its impact is visible in the elevated unemployment rate and housing market data, among other indicators. However, the economy is showing signs of a recovery and is expected to continue to improve.

### Unemployment

**Unemployment Rate: Los Angeles County vs. State of California**

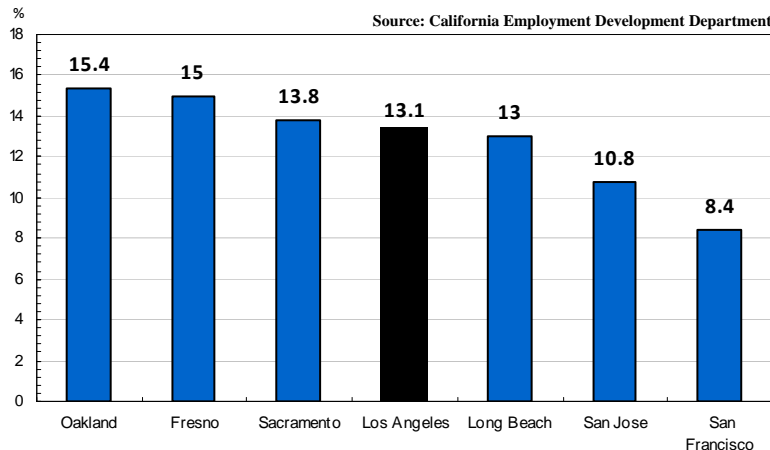


One of the most important and direct measures of economic health in terms of directly affecting Angelenos is the unemployment rate. Although the recovery has begun, the strength and effect is uncertain given that the unemployment rate in Los Angeles remains high.

As of May 2011, the California Employment Development Department (EDD) pegs the Los Angeles County unemployment rate at 11.9%, down from 12.2% a year ago. This is a sizeable improvement since the high of 13.4% in July 2010. The rate for Los Angeles County has historically moved in tandem with the California unemployment rate.

**Unemployment Rate in Major California Cities**

(May 2011 Preliminary Data)



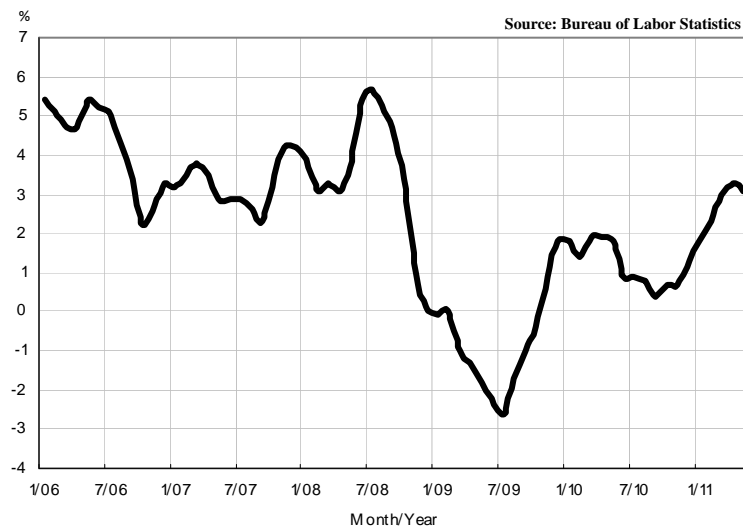
The EDD estimates the unemployment rate for the City of Los Angeles to be 13.1% in May 2011, higher than the rate for the County. In comparison to other major cities in California, the unemployment rate of Los Angeles ranks near the middle, lower than cities such as Oakland, Fresno, and Sacramento. However, only with a continued recovery will our City's unemployment rate match that of San Jose or San Francisco.

## Inflation

During the worst of the economic downturn, the City saw low levels of inflation and even deflation. However, in 2010 inflation began to pick up and continued to rise modestly into the first half of 2011. Inflation is an important indicator to watch given that it affects consumer purchasing power. Not only does inflation play a role in the well-being of consumers and residents of the City, it will in turn affect the City's economy-sensitive revenue sources such as from sales and businesses.

The inflation rate for the Greater Los Angeles region stands at an annualized rate of 3.1%. A large portion of the increase is due primarily to the rise in energy costs. Inflation for goods excluding food and energy remains around 1%.

**Annual Inflation: Los Angeles-Riverside-Orange County**  
(Not Seasonally Adjusted)

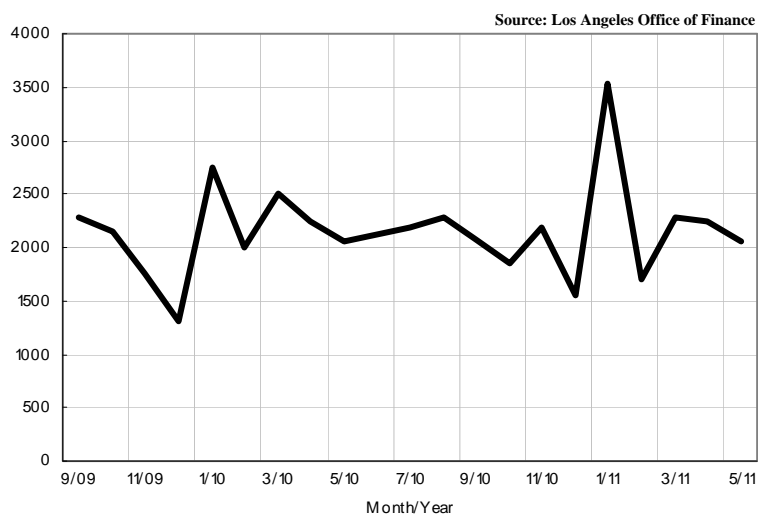


## New Businesses and Jobs

The number of new business registrations filed with the Office of Finance can be viewed as one indicator of business activity and growth. While new business filings fell in 2010, 2011 has seen a dramatic increase in new business filings, evidence of a recovery taking place.

Each year, the number of new businesses submitting a filing with the Office of Finance is highest in January. In January 2010, 2755 registrations were filed. In January 2011, 3533 registrations were filed, a 28% increase year-over-year. The formation of new businesses is expected to help drive economic growth and employment.

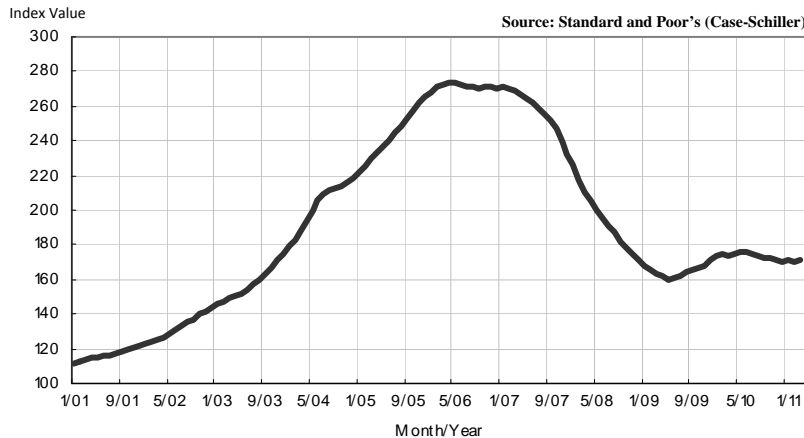
**Annual New Business Filings**



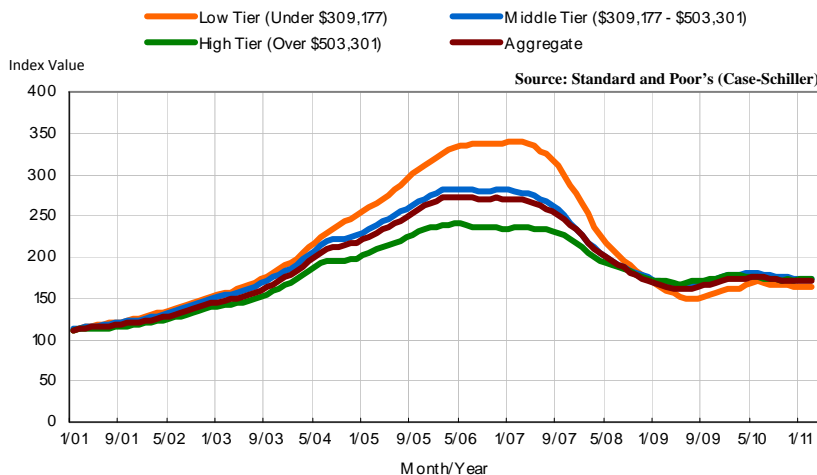
Continued, Economic and Financial Overview:  
**Current Economic Status**

**Real Estate**

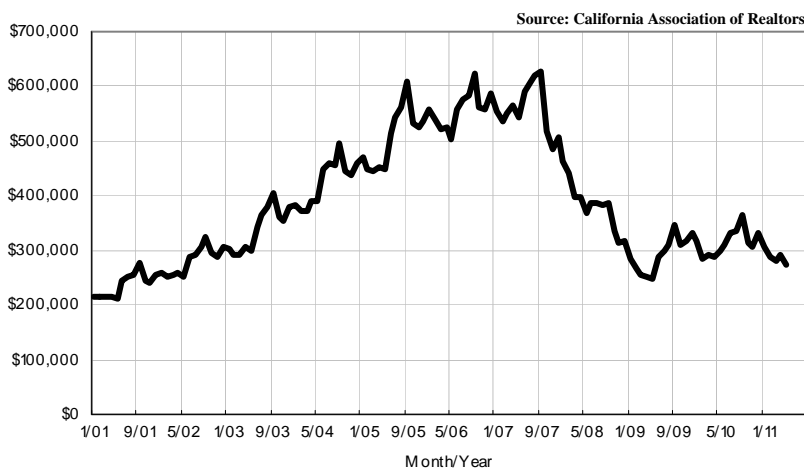
**Los Angeles Residential Real Estate Prices: S&P/Case-Schiller Index**



**Los Angeles Residential Real Estate Tiered Prices**



**Single-Family Median Home Price: Greater Los Angeles**



Although, unemployment and business filing data show evidence of an ongoing recovery, this recovery carries more uncertainty due to the trends in the housing market. A stabilization and improvement of the housing market would play a critical role in the recovery process. The net worth of many Angelenos are tied directly to real estate values and the lack of a recovery in this area would be adverse to many residents. Property taxes also makes up a significant portion of City revenues and continued weaknesses in the housing market will prolong and deepen the City's fiscal challenges.

Housing prices rebounded in mid-2009, but since mid-2010, home prices and sales have begun falling again. According to Standard and Poor's Case-Schiller index, which tracks housing prices against a historical benchmark, residential real estate prices in Los Angeles are giving away gains made in 2009. This trend is reflected across all tiers of residential real estate. The losses are greatest in the lower tiers, and these are also the tiers that gained the most during the housing boom.

In constant dollars, the median home price in the Greater Los Angeles area is at \$272,030 as of May 2011. This represents a 25% decrease from the post-recessionary high of \$363,457 reached in September of 2010 and a 57% decrease from the all-time high of \$625,812 reached in September 2007.

Nursing a recovery in the housing market and coping with falling property taxes remain key challenges for the City.



## Economic and Financial Overview: Key Revenue Sources

More than 70% of the City's General Fund revenue comes from seven major taxes: property, utility, business, sales, hotel, documentary, and parking. This section provides an overview of the key revenue sources of the General Fund, the current trends in receipts, and expectations for the upcoming year(s) that together provide context and guidance in developing a strategy to put the City on the path to fiscal sustainability.

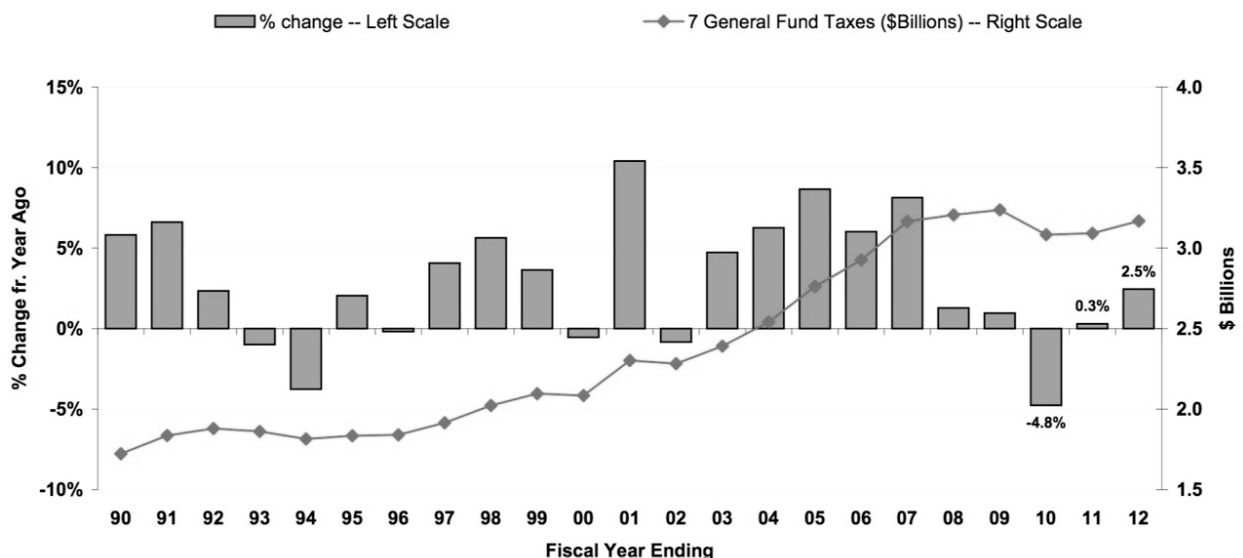
Two key characteristics of General Fund revenue sources play an important part in decisions and projections: the diverse tax base and the differing effects of the regional economy on each tax revenue source both help reduce volatility of the General Fund. In addition, the City normally sees a lag between economic conditions and their effect on tax revenue. Although 2008-09 was already deep into the recession, City tax receipts grew by about 1% that year. The full effect of the recession was not felt until 2009-2010 when tax receipts decreased by nearly 5%. This lag arises since taxes are not paid immediately following transactions. For example, property taxes are collected more than a year after valuations, while business taxes depend on transactions from the prior year. Sales tax lag by 3 to 6 months, and utility and documentary tax receipts lag by 1 to 2 months.

### General Fund Historical and Projected Performance

The recent and ongoing economic downturn has had a major impact on General Fund revenues. In fiscal year 2009-10, General Fund revenues from the seven major tax sources decreased 4.8%, the greatest decrease of all recent recessions dating back for at least 20 years. For fiscal year 2010-11, based on receipts through the first 9 months, General Fund revenues appear to remain close to the 2009-10 levels with growth of only 0.3%. Some taxes such as sales, business, and hotel gained significantly but were offset by decreases in property and utility tax receipts.

For fiscal year 2011-12, revenues from the seven major taxes are expected to grow by about 2.5%. Although growth is expected to pick up, it will take time for General Fund revenues to return to pre-recession levels. During the severe recession of the early 1990s, it took five years for General Fund tax revenues to return to pre-recession levels.

#### Property (includes VLF), Utility, Business, Sales, Hotel, Documentary and Parking Taxes



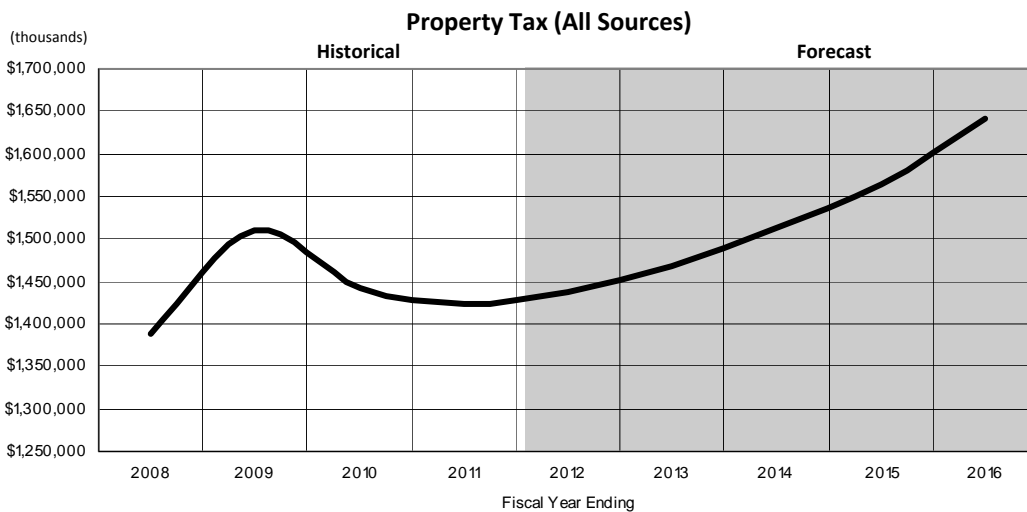
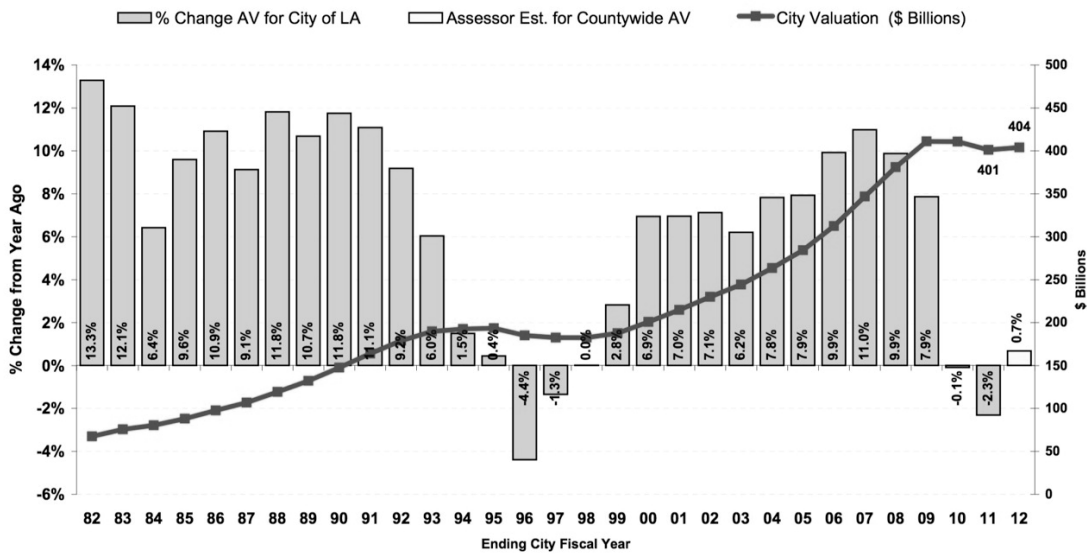
# Key Revenue Sources

## Property Tax—\$1,436 Million (34% of General Fund Revenue)

Property tax receipts are the largest source of revenue for the City’s General Fund, accounting for more than one-third of revenues. The principal categories of property taxes are: secured receipts, unsecured receipts, redemptions, sales tax replacement, and vehicle license fee replacement. Taxes levied on secured and unsecured property are limited to 1% of taxable property valuation. Since property taxes are a fraction of valuation, the assessed value of property in the City factor considerably into the amount of property taxes received and projections for the future.

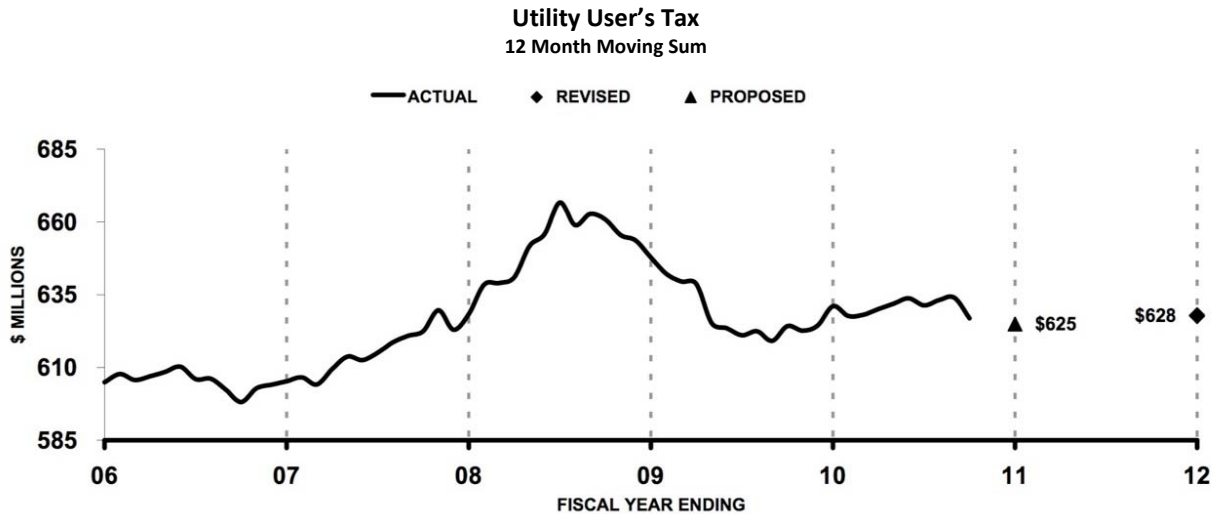
For 2010-11, the City saw a decrease of 2.3% in assessed value. 2010-11 is among only four years within the last 30 years to see a decrease in assessed value. The greatest decrease occurred in 1995-96 due to property damage related to the Northridge earthquake. For 2011-12, the County Assessor forecasts modest growth in countywide assessed value of 0.7%. Overall, property tax is estimated to increase by \$12 million (0.9%) but will still remain \$55 million below 2008-09 property tax receipts. Beginning in 2012-12, growth in property taxes are expected to accelerate to 2.1% (3.1% in 2013-14; 3.5% in 2014-15; 4.9% in 2015-16) with recovering property valuation.

Change in Assessed Value—City of Los Angeles



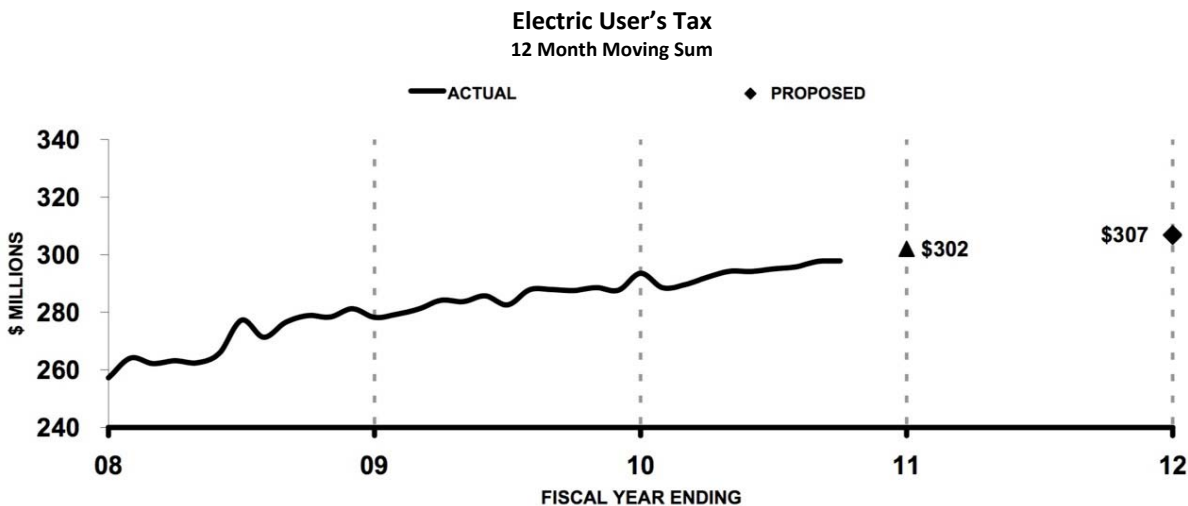
## Utility User's Tax—\$628 Million (14% of General Fund Revenue)

The utility user's tax is composed of taxes on electricity, gas, and communications usage. These components are affected by changes to energy costs and the telecommunications marketplace. Utility user's tax decreased by 1% for 2010-11 from \$631 million to \$625 million. However, it is expected to grow 0.5% for 2011-12 to \$628 million.



## Electric User's Tax

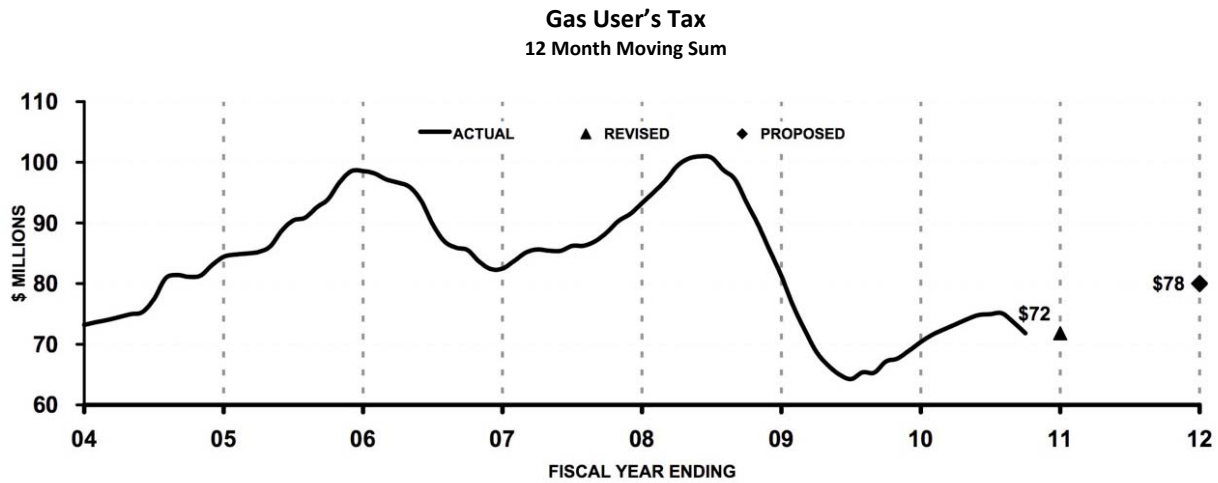
Almost all electric user's tax revenue comes from the Los Angeles Department of Water and Power billings. During 2010-11, electric user's tax revenue increased by 2.9% due to rate increases to \$302 million even though power sales is projected to have declined 1.7%. For 2011-12 it is expected to continue to grow as power consumption increases. Power consumption and sales is expected to increase by 1.6%, leading to equivalent growth in revenues. Revenues from electric users is expected to come in at \$307 million.



## Key Revenue Sources

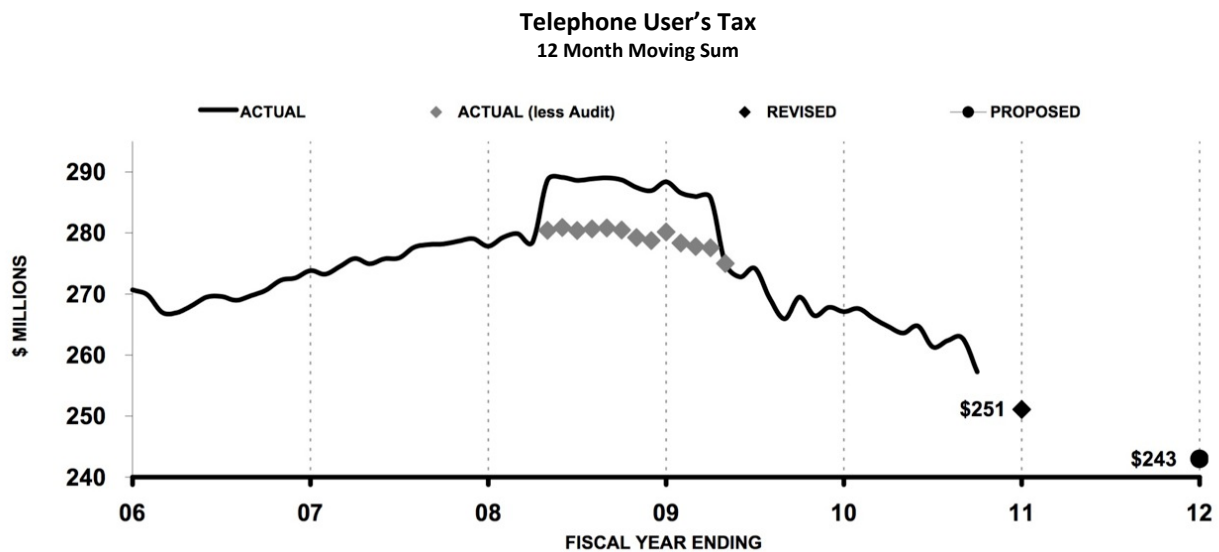
### Gas User's Tax

During 2010-11 gas user's tax grew modestly at 2% to \$72 million from about \$70 million due to relatively stable gas commodity prices. However, in 2011-12, it is expected to grow at 8.6% due to projected rising gas commodity prices to \$78 million. A rise in gas commodity prices will lead to an increase in rates and revenue.



### Communication User's Tax

Telephone user's tax declined 6% for 2010-11 and is expected to continue declining in 2011-12 by 3.2%. Revenues is expected to be \$243 million.



## Business Tax—\$439 Million (10% of General Fund Revenue)

The business tax is the largest tax directly imposed and collected by the City. The City imposes a tax upon businesses either located or conducted within the City and is based on gross receipts. The tax varies from \$1.01 per \$1,000 to \$5.07 per \$1,000 of gross receipts depending on the business classification.

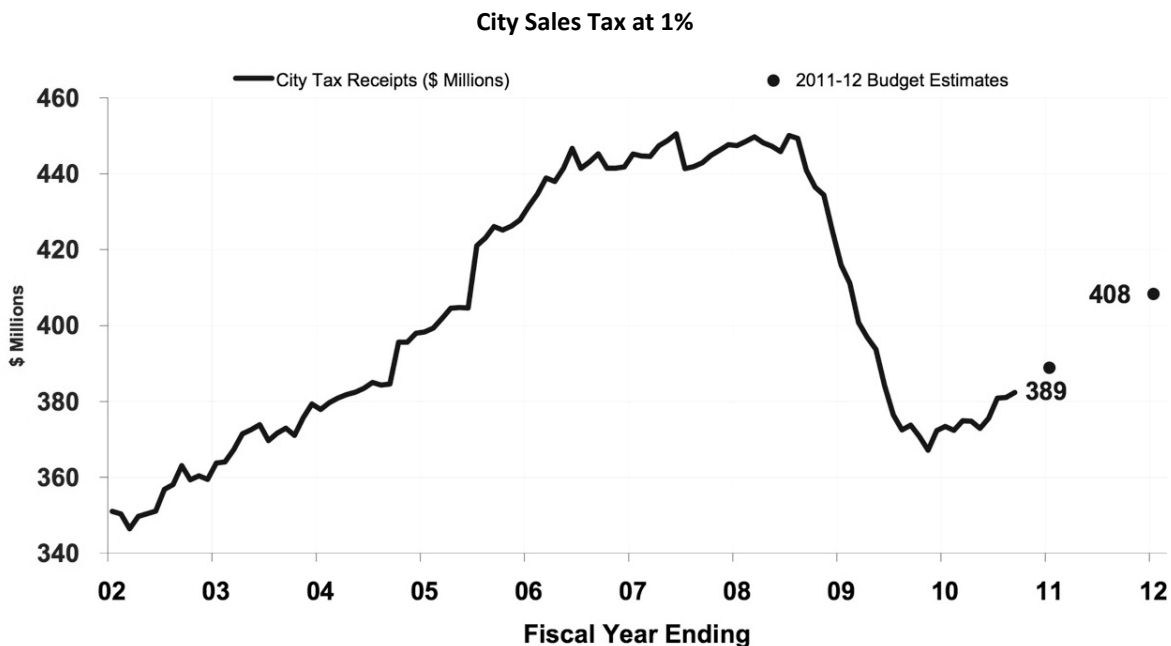
In recent years, the business tax code has been simplified in order to increase ease of compliance and attractiveness in conducting business within the City. The goal of reform is to continue to make Los Angeles attractive for businesses in order to stimulate growth, job creation, and job retention. Reform has included a reduction in the business tax rate by 15%, exemption for small businesses, creating incentives for start-ups, bad debt deduction, entertainment industry tax relief, tax simplification through consolidation of business tax classes, internet tax relief, and the recently-approved film production tax credit. Together, these changes will help Los Angeles continue to grow and attract new and more jobs for Angelenos.

For 2010-11 the revised estimates of full-year business tax revenue is \$424 million representing a 0.2% decrease from the prior year. However, for 2011-12 business tax revenue is projected to increase by \$15.2 million or 3.6% to \$439 million.

## Sales Tax—\$306 Million (7% of General Fund Revenue)

The sales tax is the City's most economy-sensitive source of revenue. The recession had a major impact on sales tax receipts due to decreased levels of consumption by consumers. As of March 2010, sales tax receipts are \$2 million ahead of budget and is 5% higher than the prior year. For the full year, the City expects \$292 million representing a 4.1% increase. The City expects taxable sales to continue to grow as the economy recovers and projects 5% growth for 2011-12 to \$306 million. The City tax rate was decreased to 3/4% from 1% as a result of a state budget balancing plan. The graph below re-adjusts sales tax revenue back to 1% for comparison.

The City's projection of 5% growth represents a conservative estimate relative to other agencies. For example, the Los Angeles County Economic Development Corporation projects taxable sales to increase by 6.3%. This difference is mainly due to the currently unknown effects of oil price volatility in the international market and the Japanese earthquake on the Los Angeles area economy.

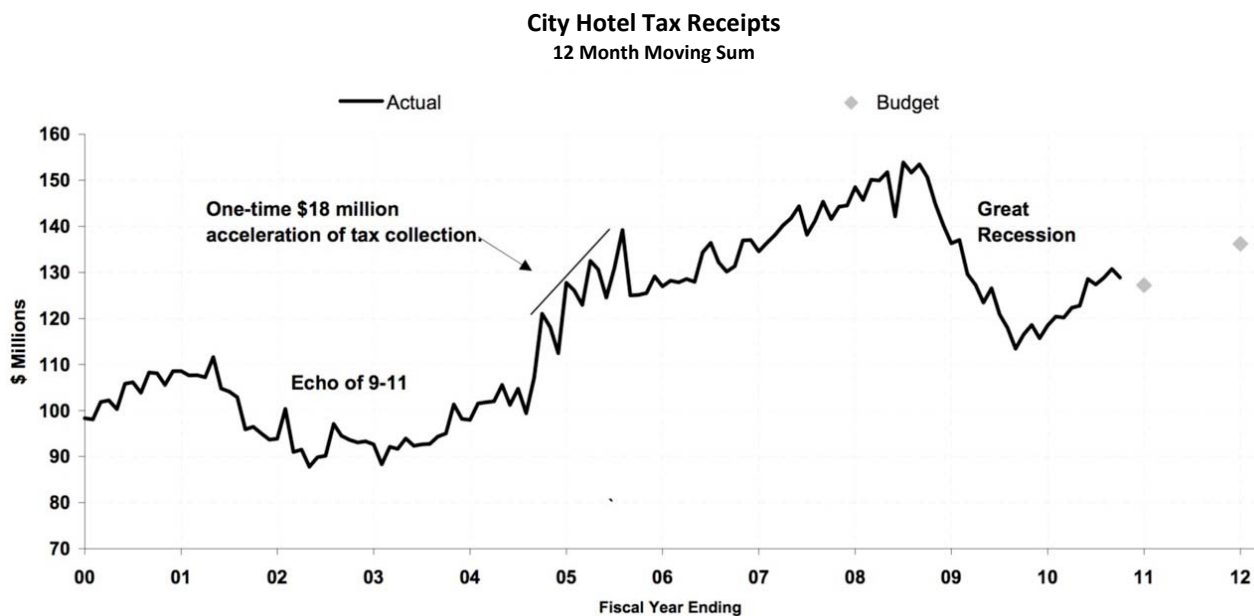


## Key Revenue Sources

### Transient Occupancy Tax—\$136 Million (3% of General Fund Revenue)

The transient occupancy tax, also known as the “bed tax”, requires all hotel and motel operators to levy a 14% tax on “transient” guests. This tax generally grows much faster than sales and business taxes, yet suffers greater declines during recessions since the hotel and travel industries are pro-cyclical. Transient occupancy tax revenue decreased by 13.1% in 2009-10 during the worst of the recession. For 2010-11, transient occupancy tax revenue is on track for year-over-year growth of 7.3% to \$127 million. For 2011-12, growth is projected to continue at a brisk 7.1%, bringing in revenue of \$136 million.

Although projections are favorable, recent events may require caution. International tension, volatile commodity and fuel prices, and the effect of the disaster in Japan may result in lower than expected growth.



### Documentary Transfer Tax—\$105 Million (2.4% of General Fund Revenue)

The documentary transfer tax is levied for any document that assigns, grants, transfers, or conveys any property less liens or encumbrances that exceed \$100. It is the most volatile component of General Fund revenue. The documentary transfer tax now makes up less than 3% of General Fund revenues, while back in 2005-06, it accounted for nearly 6%. For 2010-11, documentary transfer tax revenue is estimated to have grown by 11.6% to \$100 million. It is expected to grow another 5% in 2011-12 based on the assumption of modest growth in local real estate market.

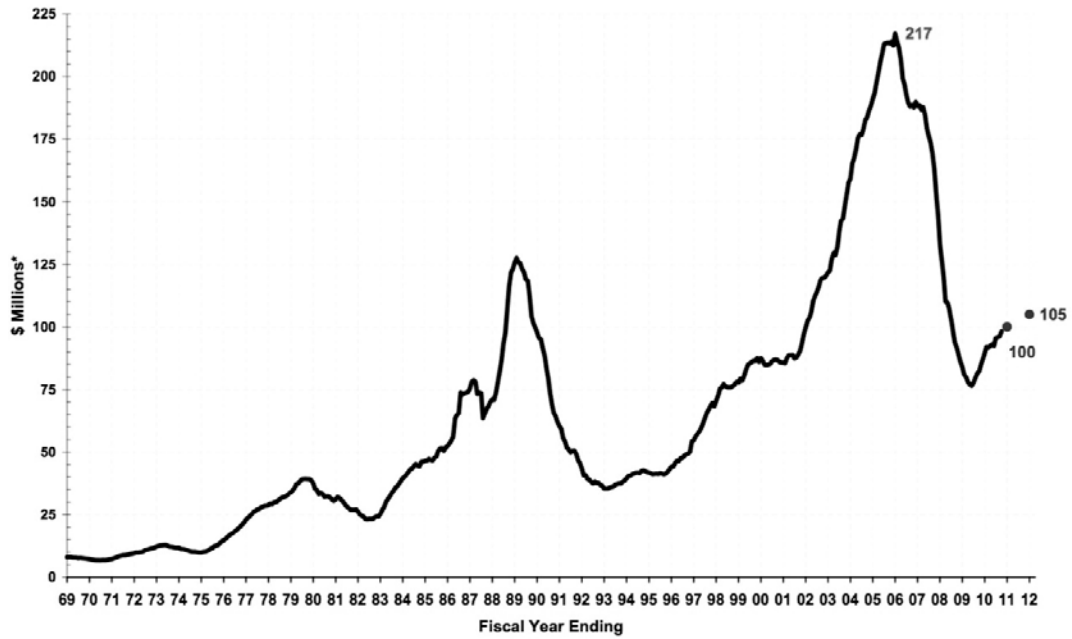
### Parking User’s Tax—\$88 Million (2% of General Fund Revenue)

Parking user’s tax revenue is recovering slowly. Although parking tax revenue was expected to grow by 2% for 2010-11, most recent estimates show a decline of 0.3% to \$84 million. For 2011-12, parking tax revenue is expected to increase by 5% to \$88 million due to expectations of an improved economy and increased enforcement to ensure compliance.

See graphs on next page.

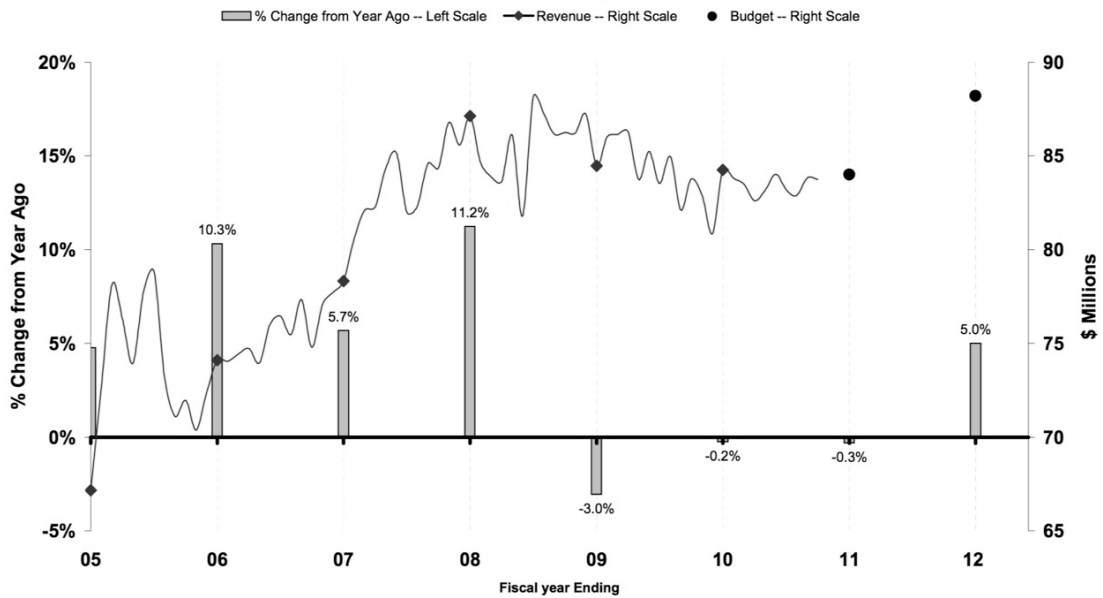
### Documentary Transfer Tax

12-Month Moving Sum



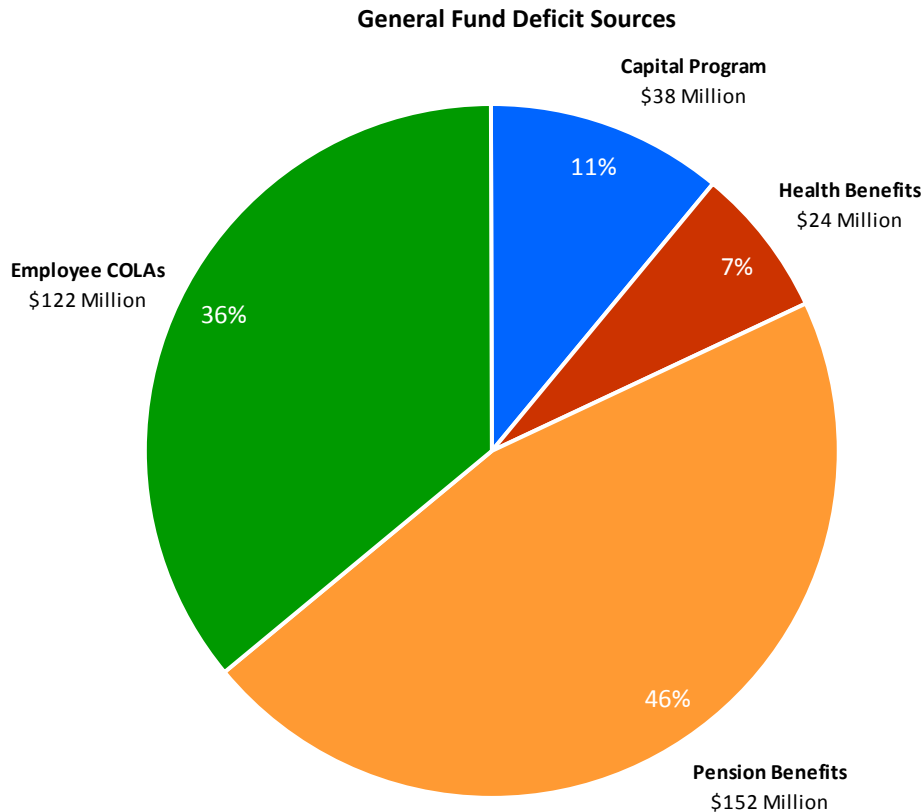
### Parking User's Tax

12-Month Moving Sum



## Balancing the Budget, 2011-12

For fiscal year 2011-12, the City Administrative Officer estimates the General Fund budget deficit to be \$336 million. The 2011-12 General Fund deficit is driven primarily by four sources: capital program, health benefits, pension benefits, and cost-of-living adjustments (COLAs) for employees. Pension benefits represents the largest fraction of the deficit and is expected to be one of the greatest contributors to rising costs in the future.



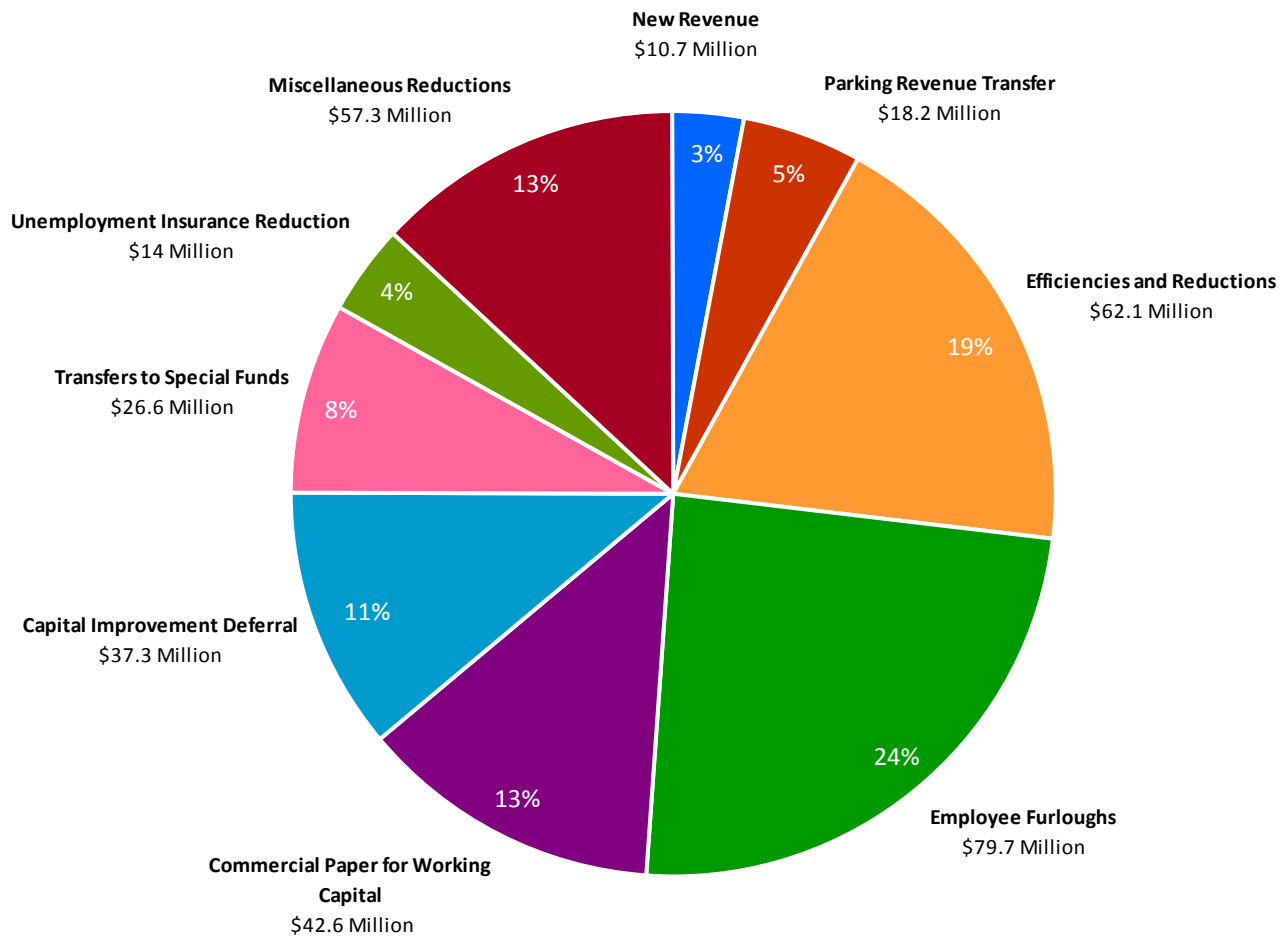
To close the \$336 million gap and balance the budget for 2011-12, the Proposed Budget includes a number of spending cuts and reductions as well as other components. Some of the solutions proposed are:

- **Employee furloughs** of 26 days for employees not scheduled to receive cost of living adjustment increases and 36 days for employees scheduled for increases. Furloughs are included only as a last measure. The City has reached a tentative labor agreement with Coalition of LA City Unions, which includes employee contributions of 4% of pay towards retiree benefits and freezes cash overtime payments. The City's long-term costs related to pension and health benefits are unsustainable. Employees must begin to contribute to ensure that these programs continue to be available for employees. The City will resort to employee furloughs only if ratification of the agreement fails.
- **Efficiencies and reductions** related to the elimination of filled and vacant full-time positions as well as the consolidation of departments such as the Treasurer with the Office of Finance. The Mayor's budget will be reduced by 11%, while the City Council's will be reduced by 10%. Other programs and areas slated for reductions are Recreation and Parks, Cultural Affairs grants, neighborhood councils, City Channel 36, and the Homeless Shelter program.



- **Reduction in unemployment insurance costs** by mitigating layoffs through the elimination of vacant, funded positions.
- **Commercial paper program** to borrow on short term notes in order to pay last ERIP payment and cover working capital. Using commercial paper for working capital represents the most cost effective option available. The City Administrative Officer (CAO) estimates commercial paper interest rates to be extremely low, around 0.32%. The debt will be amortized over five years with annual debt service at \$8.8 million.
- **Fund transfers** of surpluses from Parking Revenue Fund.
- **New revenue** from increased Fire Department fees for industrial buildings and above ground inspections as well as Planning Department fees to achieve full cost recovery. In addition, the hiring of additional part-time traffic officers is expected to generate an addition \$9 million in revenue.

### General Fund Budget Deficit Solutions



\*\*Includes \$12.1 million of funding for new items

## Three-Year Plan Strategy

Although balancing the budget is the most immediate concern, it is a recurrent problem that the City can only address through long-term, targeted changes.

The Three-Year Plan to Fiscal Sustainability is a multi-year plan designed to strengthen and restore the City's long-term fiscal health and sustainability. During fiscal year 2009-10, Mayor Villaraigosa along with several members of City Council and the Budget and Finance Committee directed the City Administrative Officer to create and implement a plan to eliminate the structural deficit. The adopted plan created a road map for balancing that year's budget and included a transition plan from short-term to long-term solutions in order to achieve long-term fiscal sustainability. The Three-Year Plan proposed transformative actions to put the City on the path to sustained fiscal health by 2013.

To eliminate the structural deficit, the Three-Year Plan follows four principal strategies:

### **1. Responsible Financial Management**

Responsible financial management is key to the City's efforts to restore long-term financial health and sustainability. The City's ability to balance the budget, strengthen the City's credit rating, and protecting core services hinges on the City's efforts to ensure sound fiscal practices. In order to truly make necessary structural changes, the City needs to comply with adopted financial policies and suspend practices that divert funds away from the City's core services.

### **2. Focus on Core Service Delivery**

The City of Los Angeles has long prided itself on the City's ability to deliver numerous services and, in essence, act as a "full-service" city. However, given the slow economic recovery and persistent fiscal challenges, the City must re-evaluate these services and begin to reconsider those which it cannot afford to support. These challenges require the City to move away from the "full-service" model and to once again focus only on the core services that are important and necessary to allow Los Angeles to thrive.

### **3. Alternative Service Delivery Models**

The City's capacity to provide and maintain high quality services is a primary objective. In order to continue providing high quality services, the City must explore alternative service delivery models that promote efficiency and reduce costs while meeting public needs. The City is often the sole provider of many services, and as such, the City lacks benchmarks in which to measure performance efficiency. By pursuing alternative service delivery models such as public-private partnerships and managed competition, the City can introduce benchmarks to streamline City services.

### **4. Maintaining a Sustainable Workforce**

The government of the City of Los Angeles derives its value from the workforce that maintain and provide City services. At the same time, the City's workforce represents more than three quarters of City expenses, stemming from costs related to salary, retirement contributions, and benefits. In order to ensure the City's ability to continue to provide services, the City must take steps to control costs or reduce current workforce. The City's future will not be sustainable if the City is unable to maintain a sustainable workforce.

## Progress Made

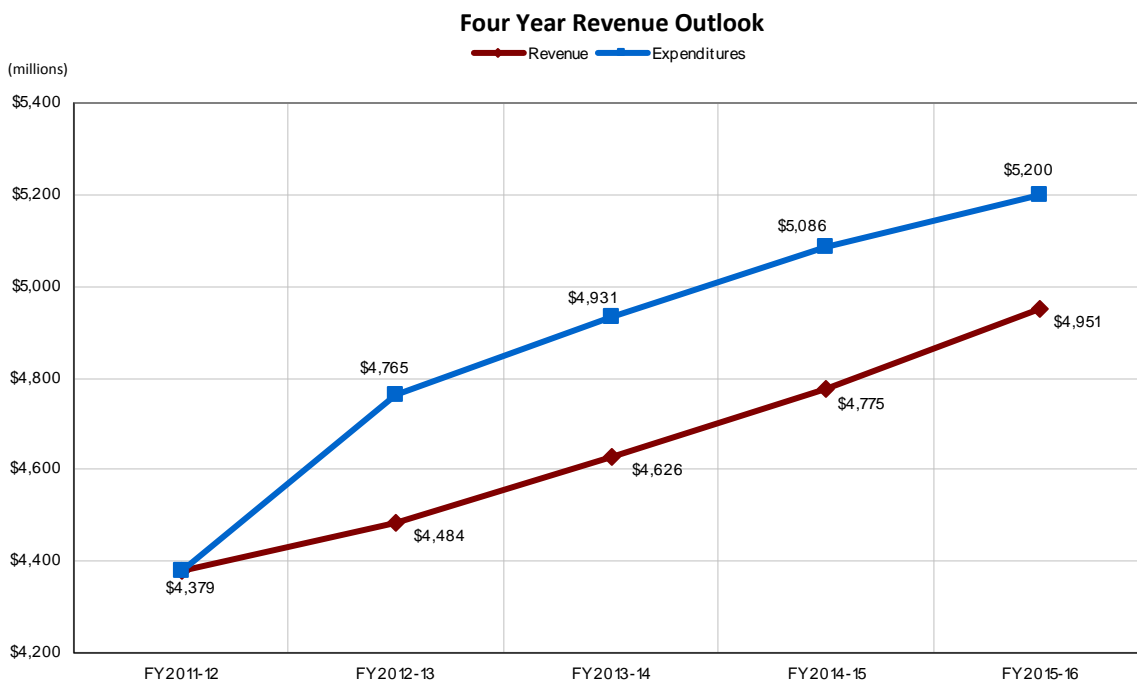
Over the past year, the City of Los Angeles has made progress in advancing the goals outlined in the Three-Year Plan to Fiscal Sustainability. Given that 2010-11 was the first year under the Three-Year Plan, the majority of changes will occur over the next two years. The following is a short summary of some of the changes already made:

- 1. One of the primary recommendations made by the CAO regarding responsible financial management is to achieve a Reserve Fund balance of 5% of the General Fund by 2012.** During fiscal year 2010-11, the City made significant progress towards this goal. Reserve Fund balance increased from \$152 million in 2009-10, representing less than 4% of General Fund revenues, to \$191 million, representing 4.4% of General Fund revenues. For fiscal year 2011-12, the Reserve Fund balance will decrease slightly to \$177 million but will remain at about 4% of General Fund revenues.
- 2. The City has taken steps to implement full-cost recovery models for several programs.** Many programs and services offered by the City charge fees intended to cover costs. However, fees have failed to cover costs and have subsequently become an additional, unintended burden to the General Fund. The Mayor and City Council have approved full-cost recovery models for various special funded programs such as the phased-in fee increases for the solid waste fee.
- 3. The City strengthened central administrative functions by beginning the process to centralize and consolidate the City's billing and collections system.** The Office of Finance has been authorized to consolidate accounts receivables as well as to develop an interface between the Financial Management System and the City's accounts receivables system.
- 4. The City has taken steps to develop new pension tiers for new sworn employees and new civilian employees to address rising pension costs.** Pension costs are projected to be one of the greatest drivers in future costs. The new Tier VI for sworn employees is estimated to save the City \$173 million for every 1,000 new hires during a 30 year period. The new Tier II for civilian employees is expected to save \$252 millions for every 1,000 new hires during a 30 year period. The City has also engaged in negotiations with the Coalition of LA City Unions and have reached a tentative agreement, which includes employee contributions of 4% of pay toward retiree benefits.
- 5. The City continues to explore the possibility of alternative service delivery models.** The City has moved ahead on efforts to partner with non-profit and for-profit entities for the operation of the Convention Center, golf courses, El Pueblo, animal shelters, Cultural Affairs facilities, Los Angeles Zoo, and the Children's Museum.
- 6. The City has enacted budget cuts, service reductions, and layoffs in order to realign expenditures with revenues rather than maintaining outsized expenditures through one-time revenue solutions.** A key tenet for achieving fiscal sustainability is the need to move away from funding ongoing expenditures with one-time revenues, and in this regard, the City is taking steps to reducing expenditures to match revenue expectations.
- 7. On July 1, 2011, the City will implement changes to healthcare benefits that will increase co-pays and deductibles.** This is an important step towards reigning in the growth in healthcare benefits-related costs. This is expected to save \$14.3 million annually.

## Remaining Challenges

Though the economy is beginning to recover and is expected to have a favorable effect on the City's budget outlook, the City's current and anticipated budget challenges remain a daunting reality. It may take several years before the City's revenues return to pre-recessionary levels due to high unemployment and anemic economic growth. It took nearly 5 years for the City to recover from the recession in the early 1990s, and given that the recent recession hit the economy much harder, it may take just as long, if not longer.

The situation is exacerbated by the massive increases in costs due to employee compensation, healthcare costs, and retirement costs. Even though City workforce has been reduced to its lowest point in the last 10 years with more than 4,000 positions eliminated just over the last two years, expenditures continue to rise unabated. For 2011-12, the budget deficit that needed to be closed stood at an estimated \$336 million before measures were taken to close it. If no changes are made, the deficit will continue to be a major issue.

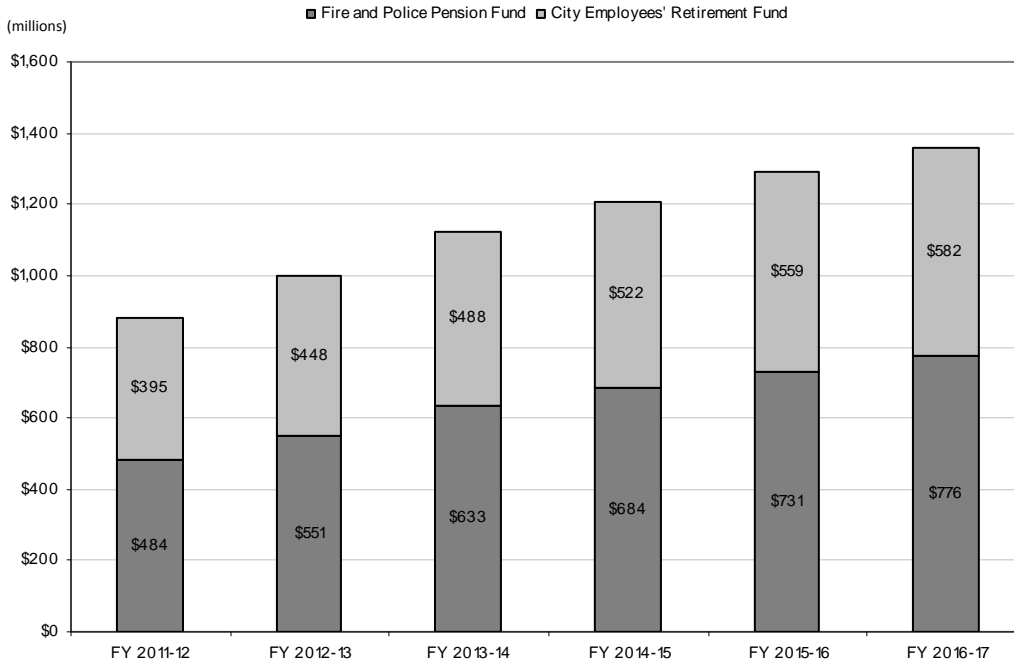


Base wage costs contribute a large fraction to City costs. In addition to the significant increases to base wages, the absence of a long-term workforce and compensation plans has allowed various unions to bargain for cost-of-living adjustments and special salary adjustments that will result in base wage movement of 24.5% over the next six years.

City employees are also compensated via healthcare benefits. Healthcare benefit costs to the City have risen at an astounding rate over the last ten years, increasing at an annualized rate of nearly 10% per year. This rate of growth has caused healthcare benefit costs to more than double since 2001.

Likewise, pension costs are projected to continue their unrelenting growth. The Little Hoover Commission found in a recent study that the Los Angeles Fire and Police Pension Systems and the Los Angeles City Employees' Retirement System are unsustainable in their current form. Pension reform will be a central issue that the City will need to address.

### Estimated Future City Pension Contributions



**In light of these remaining challenges, the path to fiscal sustainability has only just begun. Over the next 18-24 months, the City will continue implementing changes guided by the four principles outlined in the Three-Year Plan and will increasingly focus efforts on long-term financial planning.**

The outline below highlights the goals and changes the City will strive to implement in order to achieve the four principles of the Three-Year Plan by 2013:

- 1. Responsible Financial Management:** achieving a strong Reserve Fund balance, reduce or eliminate General Funding subsidies, maximize flexible funding, strengthen central administrative functions and contracting process, and pursuing new revenue sources
- 2. Focus on Core Service Delivery:** re-evaluate discretionary programs, consolidate services, and evaluate and redesign core services to increase efficiency and reduce costs
- 3. Alternative Service Delivery Models:** partner with non-profits and foundations, maximize City assets, and strengthen core functions
- 4. Maintaining a Sustainable Workforce:** reduce the size of the workforce, reduce healthcare and worker's compensation costs, control pensions and retiree healthcare costs, realign compensation, and eliminate furloughs through concessions



## Priorities and Highlights.



*Safe Neighborhoods  
World-Class Transportation  
Green Innovation and Environment  
Education and Resources  
Strong Communities  
Reinvigorating Businesses and Creating Jobs*

*Los Angeles World Airports  
Port of Los Angeles  
Department of Water and Power  
Los Angeles Community Redevelopment Agency*

Priority:

## Safe Neighborhoods



### **Police Department**

The Los Angeles Police Department strives to safeguard the lives and property of the residents of Los Angeles, to reduce the incidence and fear of crime, and to enhance public safety while working with diverse communities to improve quality of life.

In January, Chief Beck representing the LAPD, proudly announced across the board reductions in crime rates. The total number of citywide Part 1 crimes—homicide, (sexual) assault, robbery, vehicular theft, arson—decreased by 6.9%, reaching the City’s lowest level since 1959. Homicide rates fell by 5.4% to reach its lowest point since 1967 and a full 39% reduction since 2005. Violent crimes decreased by 11.1% while property crimes decreased by 5.8%.

The Mayor and Chief Beck cite targeted strategies and initiatives as critical elements in achieving these milestone reductions in crime. For example, the 2011 Gun Buyback Program removed more than 2,000 firearms off the streets of Los Angeles in early May, sending the total up to 6,000 firearms removed over the last three years. The Gun Buyback Program is the beginning of the Summer Violence Reduction strategy and leads into the Summer Night Lights program, a program designed to keep at-risk youth occupied during summer nights by keeping parks open with athletic leagues as well as job opportunities. The program has had tremendous success demonstrated by a 40% reduction in gang-related Part 1 crimes. The program will be expanded from 24 to 32 locations.

With the implementation of LAPD overtime reductions, the LAPD will help the City save \$100 million this year.

### **Fire Department**

The Los Angeles Fire Department’s mission is to preserve the life and property of the residents of Los Angeles and promote public safety as an all risk life safety response provider.

The LAFD is composed of more than 3,500 uniformed personnel ready to respond to emergencies and more than 1,000 uniformed firefighters. The LAFD responded to 753,428 emergencies in 2010.

Starting in July 5, 2011, the LAFD will implement the New Deployment Plan to replaced the Modified Coverage Plan. The New Deployment Plan does not compromise the safety of residents by closing fire stations or cutting personnel, but instead adopts new technology to increase efficiency and response effectiveness. The plan is expected to save the City \$197 million over the next three years.



Priority:

## World-Class Transportation Network



**Every Angeleno interacts with the City's transportation network on a daily basis.** The quality of the City's transportation network directly impacts residents' quality of life, and as a result, the Mayor and the City has taken a proactive role to ensure that Los Angeles has a modern and effective transportation network.

### **"Operation Pothole"**

In June, more than 100 street service crew members were deployed over 2 days as part of "Operation Pothole." After a month of pothole location compilation, crew members filled an unprecedented 20,000 potholes to improve City streets and lower the need and cost for auto repairs. The budget for 2011-12 allocates funding to fill 300,000 potholes to give Angelenos smooth surfaces during their daily commutes.

### **Moving Forward with the 30/10 Initiative**

In November 2008, Los Angeles County voters passed Measure R to generate \$40 billion in revenue over 30 years through a half-cent transportation sales tax for 12 new bus and rail lines and to keep transit fares low for seniors, students, and the disabled. In late 2009, the Mayor launched the 30/10 Initiative to accelerate the projects from 30 years to 10 in order to allow residents to reap the benefits of job creation, better air quality, and mobility benefits sooner. In October 2010, the City was able to secure a \$546 million loan to accelerate Measure R projects. These funds will allow the City to move forward with the Crenshaw light rail project to connect the Exposition Line and the Green Line, creating more than 15,000 jobs in the process. Other projects currently under construction include the Orange Line extension to Chatsworth station, which is expected to open in summer of 2012. Once completed, the new rail lines will connect each and every neighborhood in Los Angeles, a truly world-class transportation network for the 21st Century.

### **2010 Bicycle Plan**

The 2010 Bicycle Plan is the next installment of the projects funded by Measure R. It will place more than 1,600 miles of bicycle lanes throughout the City to encourage bicycling as a method of transportation. Spiking gas prices and the desire to lead healthy, active lifestyles will encourage Angelenos to take advantage of these new lanes. The reduction in cars will not only decrease congestion, but will contribute towards the City's environmental goals of achieving cleaner air. The plan will designate three interconnected networks of bike lanes: the Backbone Network, Neighborhood Network, and the Green Network. The Backbone Network will connect major employment centers, while the Neighborhood Network will connect local streets. The Green Network will designate bike lanes through areas where residents will be able to enjoy LA's green open spaces.

Priority:

## Green Innovation and Environment



**2010 was a headline year for the City of Los Angeles in terms of green improvements.** It helped propel the City forward toward its goal of becoming the greenest large city in the United States. The efforts made in 2010 improved City air, water, and land and has brightened the environmental future of the City.

### **Clean Fuel and Charging Stations**

On December 12, 2010, the last diesel bus running in the MTA fleet of more than 2,228 vehicles was retired. By switching to cleaner alternative fuel buses, the fleet avoids emitting 300,000 pounds of greenhouse gases per day. In doing so, Los Angeles County became the first large metropolitan area in the world to operate entirely on alternative clean fuel buses. A North Central Clean-Fuel Dispensing Facility was opened in April to service the City's recycling and refuse collection vehicles by dispensing clean natural gas instead of diesel.

The City took steps to position itself as the leader in the electric vehicle revolution. On May 13, 2011, Mayor Villaraigosa and Secretary of Energy, Steven Chu, announced the upgrade of the electric vehicle charging infrastructure located in Exposition Park. This follows the efforts by the Los Angeles Department of Water and Power to offer rebates for installation of charging stations within homes.

### **Expansion of Recycling Program**

In June, the Mayor announced the expansion of Los Angeles's curbside recycling program to include food and beverage cartons. Los Angeles is the largest city in California to adopt this environmentally progressive measure. The expansion of the program ensures that cartons do not end up in landfills but are dealt with in an environmentally responsible way. Not only will this benefit LA's natural environment, the program will generate savings in reduced landfill tipping fees and generate new revenue from the collected carton fibers that can be sold to produce new paper and building products.

### **Renewable Energy**

Six years ago, about 5% of power delivered by the Department of Water and Power was generated via a renewable energy source, the lowest of all major utilities in California. The Mayor pledged to achieve a 20% target by 2010, and the target was reached as planned, putting DWP at the top while keeping energy costs low. This achievement was made possibly through a combination of projects and power agreements. Currently, DWP's renewable energy is generated by wind (50%), water (30%), geothermal/biofuels (22%), and solar (1%). The adoption of renewable energy has helped DWP decrease its reliance on coal, a major contributor of greenhouse gas emissions.

Priority:

## Education, Resources, and Parks



**Without access to quality education and resources, Los Angeles will never succeed as a global city.** The Mayor's passionate belief in the importance of education to our City's future and the future of the children of Angelenos has made education one of his top priorities. Though the City does not directly run schools in the Los Angeles Unified School District (LAUSD), the City continues to do all it can to ensure the children of Los Angeles have a bright future.

### **Partnership for Los Angeles Schools**

Started by the Mayor as a collaboration between the City of Los Angeles and LAUSD to turn around the lowest performing schools, the Partnership for Los Angeles Schools (Partnership) has had tremendous success in generating results. In March 2011, the Mayor extended his efforts by announcing a collaboration between the Partnership with the City's Community Development Department and Santee Education Complex to introduce services that support students and their families by providing educational resources and job training.

In addition, the Partnership has developed highly effective methods to increase educational performance by making sure parents are involved in the process of motivating and supporting their children's educational needs. The Mayor has encouraged LAUSD to adopt similar methods to improve underperforming schools.

### **LA Fund for Public Education**

LAUSD schools are severely underfunded and rank last in terms of student to faculty ratio. The Mayor announced the formation of the LA Fund for Public Education, a partnership with the private sector, to fundraise for underfunded public schools, to develop a leadership pipeline, and to promote the arts.

### **Los Angeles Public Library**

The 73 branches of the Los Angeles Public Library system provide free access to books and technology that are more important than ever in education and learning. Library services are utilized by all age groups with targeted programming that includes online homework tutors for youths and literacy programs for adults. The City is proud to announce that in fiscal year 2011-12, library hours will be re-expanded to offer Monday service.

### **Parks**

In June 2011, the City celebrated the grand opening of the Ascot Hills Park, the largest open space on the Eastside. Ascot Hills Park represents one of the many efforts undertaken to provide green space for residents and children to play.

Priority:

## Strong Communities



**Part of the City's greatness is derived from the many diverse communities that live and thrive within the City's boundaries.** The City understands the importance of strong communities and, for this reason, designs initiatives to ensure that communities continue to flourish.

### **Cities of Service Initiative**

In September 2010, Mayor Villaraigosa, Councilman Tom LaBonge, and LAUSD Board President Monica Garcia launched the Cities of Service Initiative to encourage Angelenos to engage in meaningful acts of service to create change and to assist those in need. Residents of the City, especially the young, can do their part to answer the call of service in order to contribute to the greater good of the communities that make up this City. City of Service is based on the belief that healthy, vibrant cities are cities with citizens who volunteer their time and talent to keep communities strong and help neighbors in need. The Initiative will focus on the key areas of education, economic development, and the environment by doing outreach to disseminate information regarding the availability of education and economic resources in high impact areas and monitoring and cleanup of wildlife areas and parks.

### **Affordable Housing**

Angelenos deserve the dignity of being able to afford their own housing. To this end, the City is committed to bringing 20,000 affordable housing units citywide. The City has added the Dana Strand Senior Apartments, a renovated 100 unit housing complex that will provide housing to seniors at low cost. The Renato Apartments situated on Skid Row brings 96 units to extremely low-income residents. The Renato Apartments performs a critical role in reducing homelessness. It is important that the City and Angelenos that are better-off share in the responsibility to ensure that less well-off Angelenos have a home to return to at night.

Priority:

## Reinvigorating Businesses and Creating Jobs



**The economic downturn that began in 2007 has created unprecedented hardships for residents.** A functioning economy and the availability of job opportunities are critical in maintaining the well-being of Angelenos. The City wasted no time to do what it takes to foster economic growth. After several years of effort, the City is beginning to see the fruits of its labor and has not stopped in its efforts to bring jobs back to the region.

### **State Enterprise Zone**

The Mayor's Office of Economic and Business Policy collaborated with local and state agencies to reopen and expand several State Enterprise Zones, designated areas where businesses receive various tax credits and local benefits as a way of encouraging investment in the local communities through infrastructure and jobs. This year, State Enterprise Zones have been expanded in the Harbor area, LAX area, San Fernando Valley, and in East Los Angeles. The expansion of the zones in LAX, San Fernando Valley, and in East LA have created and retained more than 4,000 jobs for Angelenos.

### **LAX Modernization Project**

The LAX Modernization Project is an ongoing effort to modernize the airport, which has not undergone renovation since the 1980s. New construction work at LAX are expected to create 40,000 jobs, making the Project one of the most effective ways to help Los Angeles recover from the recession. The Project is also expected to generate \$2.62 billion in income for workers and \$6.9 billion in revenue for the City over the next 7 years. The Project includes renovation of Bradley West Terminal, construction of a new Central Utility Plant, aircraft taxilane upgrades, new baggage screening facilities, and improvements of the domestic terminals.

### **Attracting Businesses**

Through a combination of incentives and resources, the City has shown many businesses why Los Angeles is the best place for them to be. By offering competitive policies, Los Angeles has been successful in bringing businesses into the region along with job opportunities. In February 2011, it helped bring into Los Angeles the first auto dealership in 25 years. Beverly Hills BMW will move into Council District 4 and bring with it 150 jobs. Part of the incentive is a Business Tax Holiday, which gives businesses three years of tax exemption. This same policy has also attracted companies like Google, Gensler, BlackLine, and Target to the City and will create upwards of 55,000 jobs.

### **Dedication to Small Businesses**

Small businesses also represent another source of jobs for the residents of Los Angeles. The City continues to offer resources designed to meet their needs.

## Los Angeles World Airports



As with all proprietary departments, Los Angeles World Airports (LAWA) is a self-sufficient department of the City of Los Angeles funded entirely by its own revenues. LAWA owns and operates three airports in Southern California: Los Angeles International (LAX), LA/Ontario International (ONT), and Van Nuys Airport (VNY). LAX is the world's busiest origin and destination airport and ranks 7th in the world for the number of passengers traveling through its terminals. In addition, LAX contributes greatly to the local economy with an annual economic impact of \$60 billion, \$21 billion generated directly within the City of Los Angeles.

Since 2009, LAX has been undergoing modernization to update the airport for the 21st Century. Projects include airfield and terminal safety improvements, renovations to existing and construction of new facilities, and updates to LAX to accept the next generation of aircraft. The last major modernization of LAX took place in the early 1980s. The current projects will help LAX maintain its position as one of the world's busiest and most modern airports.

### Milestones

**Airport Response Coordination Center**—This project was completed successfully and began operations on December 15, 2010. The new center was designed to provide a centralized location for Airfield Operations, Terminal Operations, Construction and Maintenance, non-emergency Airport Police, and traffic management staff as a way of improving efficiency and communication for day-to-day operations and response to incidents.

**Aircraft Rescue and Firefighting Facility (ARFF)**—Construction of the ARFF began in September 2009 and was completed and opened in November 2010 under budget. The new facility is located on World Way West and is a replacement for the previous Fire Station No. 80. The ARFF provides 27,500 square feet of area for administrative offices, station living quarters, six emergency vehicle bays, a service bay, storage area for emergency response equipment, and briefing and training rooms.

### Current Projects

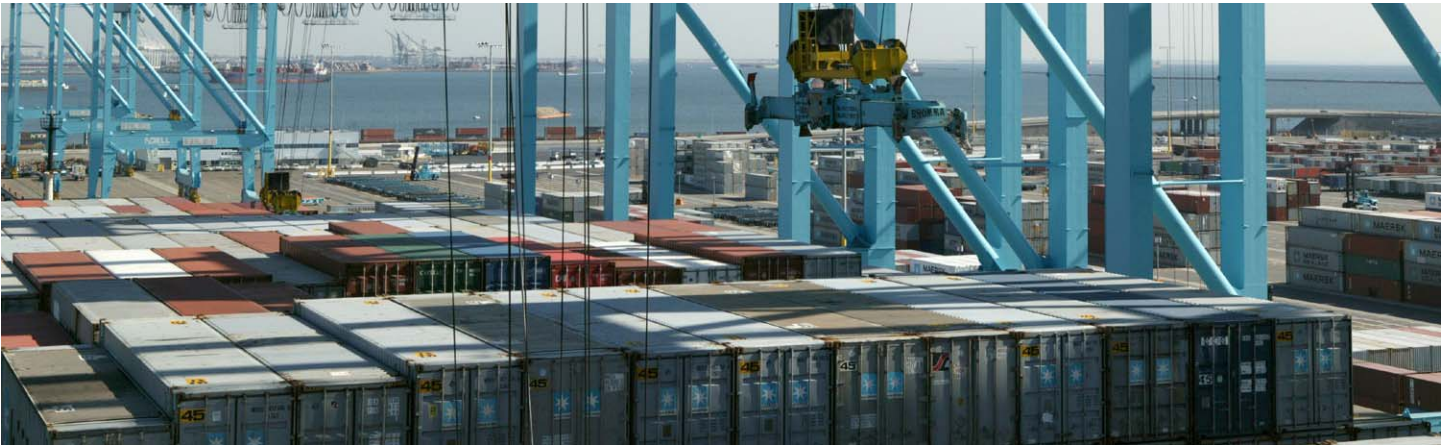
**Bradley West**—Of the various projects that make up the LAX modernization efforts, renovations to Bradley West Terminal are the most significant and is, collectively, the largest public works project in Los Angeles history. The project consists of the construction of new North and South Concourses, improvements to the Federal Inspection Service (FIS) facilities, and traffic mitigation improvements to ensure that construction work impact on other parts of LAX is kept to a minimum.

The design for the North and South Concourses was 90% complete by March 2011, and initial construction has already begun. The design for FIS facilities is 80% complete. Both the North and South Concourses and the FIS facilities are expected to be completed by 2013.

**Central Utility Plant**—The Central Utility Plant (CUP) is a replacement to the current plant and will supply heated and chilled water to the Central Terminal Area. Construction was scheduled to begin in May 2011 and is expected to be completed by 2014.

**Elevators and Escalators Replacement**—LAWA continues to upgrade and/or replace all aging elevators, escalators, and moving walkways at LAX. The upgrades and replacements are staggered according to priority groups.

*Proprietary Department Highlight:*  
**Port of Los Angeles**



**The Port of Los Angeles, also known as the Los Angeles Harbor Department, is located in San Pedro Bay, 20 miles south of downtown Los Angeles.** The Port sits on 7,500 acres with 43 miles of waterfront and 27 cargo terminals. The Port of Los Angeles is not supported by taxes. It is a self-sufficient department supported by revenues derived through fees for shipping services such as dockage, wharfage, and storage.

**The Port of Los Angeles has committed itself to decreasing the Port’s environmental impact as well as to improve and revitalize the area.**

**Clean Air Action Plan**

Approved in 2006, the San Pedro Bay Ports Clean Air Action Plan (CAAP) represents a commitment by the ports of Los Angeles and Long Beach to reduce pollution by an aggressive 45% within five years. Recently, monitoring stations just downwind of the Port of Los Angeles in Wilmington showed a 50% decrease in elemental carbon, an indicator of diesel particulate matter. San Pedro showed a 40% decrease. The reductions have occurred even in spite of the rapid rebound in cargo volume during 2010. In addition, the Port of Los Angeles has met Federal and State standards for key air pollutants related to diesel exhaust, PM2.5, and State standards for PM10.

The decrease in particulate matter was made possible through the adoption of cleaner equipment and emission-reduction initiatives. One such initiative was the Clean Truck Program, which sought to replace many of the existing trucks with cleaner models. Other initiatives included restrictions on fuel sulfur content, the Port’s Alternative Maritime Power Program, and the San Pedro Bay Vessel Speed Reduction program. The ports of Los Angeles and Long Beach have also begun to test zero-emission fuel cell trucks in order to further cut down on emissions.

**Project Labor Agreement**

In June 2011, the City of Los Angeles and the Port of LA signed a five year project labor agreement (PLA). The PLA ensures timely construction of Port of Los Angeles’ capital projects while providing job and apprentice opportunities for local and disadvantaged residents. The agreement is expected to create 20,000 jobs in the region. Under these terms, the PLA is a win-win situation by helping the Port of Los Angeles improve the LA Waterfront while helping Los Angeles generate much-needed jobs.

**Revitalizing the Waterfront**

The City and the Port of Los Angeles have taken many steps over the years to revitalize the waterfront. In June 2011, the Wilmington Waterfront Park, spanning 30 acres, opened at the Port of Los Angeles. The Wilmington Waterfront Park will provide much anticipated green space as well as plazas for families and the community to use as a gathering place. In addition, construction is slated to begin on the “Ghost Fish” Waterfront Project, which will feature a 40-foot fish sculpture. To increase public access, the Port of Los Angeles is exploring the expansion of the Waterfront Red Car Line to better connect the major activity centers located on the waterfront.

## Department of Water and Power



**The Los Angeles Department of Water and Power (LADWP) is the nation's largest municipal utility, providing safe water and electricity to residents and businesses in the Los Angeles area.** LADWP serves about 640,000 water customers and 1.4 million electric customers. The operations of the LADWP is self-funded through the sales of water and electric services, while capital funds are raised through bond offerings.

### Renewable Energy

Six years ago, the Mayor set a target for 2010 that 20% of all power delivered by the LADWP will be generated from renewable sources. As 2010 came to a close, LADWP successfully achieved this target. Currently, LADWP's renewable energy is generated by wind (50%), water (30%), geothermal/biofuels (22%), and solar (1%). The increased usage of renewables has significantly reduced greenhouse gas emissions. It demonstrates LADWP's continued commitment to the environment. LADWP continues to bring new renewable projects into service. In May 2011, the Milford II plant became operational and supplies 34,000 customers with power generated from wind. In March 2011, LADWP partnered with SolarWorld to begin construction on a new solar array at the Adelanto Switching and Converter Station, which will power 85,850 homes upon completion.

### Charge Up LA—Electric Vehicle Pilot Program

In April 2011, the LADWP launched a pilot program to provide a \$2,000 rebate for installation of electric vehicle (EV) home chargers in 1,000 LADWP customer homes. This is part of an initiative to make electric vehicles more cost-effective than gas-powered vehicles and to keep LA at the forefront of green technology. The effective "fuel" cost of electric vehicles is about \$1 per gallon of gas equivalent. In November 2010, LADWP streamlined the permitting and installation process of EV chargers to make the technology easier to adopt.

### Water Conservation

In December 2010, the Recycled Water Advisory Group (RWAG) marked the one year milestone since its formation. RWAG brings together customers and diverse interest groups including Neighborhood Councils and environmental groups to explore ways to conserve water by increasing the usage of recycled water for industrial and irrigation purposes. Input is factored into the Recycled Water Master Planning documents, which aim to increase the usage of recycled water to 50,000 acre feet per year.

### Water Safety

In April 2011, LADWP broke ground on the largest UV water treatment facility in the West. The new plant will offer an additional level of protection that will give customers the cleanest, safest water available. The new plant is expected to help LADWP meet or beat new water safety standards set by the US Environmental Protection Agency.

### Energy Conservation

In November 2010, the LADWP announced the extension of the popular Low Income Refrigerator Exchange Program, which provides free energy-efficient refrigerators in exchange for energy-intensive models. The program has been extended to 2013 and will provide 75,000 refrigerators. This will result in avoided emissions of 432,000 metric tons of greenhouse gases and cost savings of \$7.4 million.



## Los Angeles Community Redevelopment Agency

**The Los Angeles Community Redevelopment Agency (CRA/LA) makes strategic investments to create economic opportunities and improve the quality of life for people in Los Angeles by laying the groundwork that encourages private investors to revitalize neglected communities.** To achieve this mission, the CRA/LA builds affordable housing, creates jobs, develops commercial and industrial sites, and helps neighborhoods become greener and more accessible. The CRA/LA focuses on 31 communities designated by City Council as redevelopment project areas. These communities are organized into seven regions: Downtown, Eastside, East Valley, West Valley, Hollywood & Central, South Los Angeles, and Watts & Harbor.

**CRA/LA projects are financed primarily through tax increment revenue—revenue generated from the increased assessed value of properties in a project area.** Tax increment revenue is also used to repay bonds and 25% is set aside for affordable housing.

### **Job Creation**

On August 5, 2010, the Board of Commissioners of the CRA/LA approved the Industrial Incentive Program to help businesses grow and create jobs. The program provides loans of up to \$250,000 for equipment and machinery, grants up to \$50,000 for energy-reduction audits, and up to \$50,000 for consultant help with planning, permitting, and operations. Vital support to businesses help them expand, driving the need for more employees and the supply of jobs available.

### **Educational Access and Neighborhood Improvement**

In December 2010, the CRA/LA celebrated with the Watts neighborhood and the non-profit Alliance for College Ready Public Schools the grand opening of the charter school, College-Ready Academy High School #11. The CRA/LA helped secure the approvals for use of the lot in which the school is situated. The goals for the project area is to create new jobs, physically improve the neighborhood, and stabilize the community via education. The CRA/LA continues to work on the Wattstar Theater, Education Center Project, and to rehabilitate the Martin Luther King shopping center located in the same area.

### **Bringing Healthy Food Options to Underserved Neighborhoods**

In June 2011, renovation on three of four Food 4 Less grocery stores in Los Angeles had been completed as part of a public-private partnership between The Kroger Co., JP Morgan Chase, and the CRA/LA. Many low-income, underserved neighborhoods do not have access to fresh food. This project improves community access to fresh, healthy food in areas that need but don't have those options. The stores are located in the Pico Union, Panorama City, Koreatown, and El Sereno. Funding for this project was made possible by a \$9.2 million investment by The Kroger Co., New Markets Tax Credits (Federal program), and the Los Angeles Development Fund administered by the CRA/LA.

### **Affordable Housing**

The CRA/LA's affordable housing projects represent some of the most high-impact and effective options available to further its goals. The Agency is constantly searching for sites that can be converted into housing units for low-income individuals/families and other underserved members of the Los Angeles area. In September 2010, the historic Hollywood Bungalow Court Apartments opened, providing 42 units of housing for low-income and disabled residents. The complex dates from the 1920s and was slated for demolition before the CRA/LA stepped in to save them in recognition of their historic significance and value as a new affordable housing complex. In January 2011, the CRA/LA joined Meta Housing and Councilmember Tom LaBonge at the groundbreaking of a new mixed-use senior artists' colony in North Hollywood. The project will provide 126 mixed-income, mixed-use units for seniors in order to encourage senior participation in the arts. In April 2011, construction began on Lotus Garden, a \$24 million, 60-unit affordable housing project in Chinatown.

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City of Los Angeles  
**Budget Summary**  
**Fiscal Year 2011-12**

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