



Three-Year Plan Report

Presented by:

Miguel A. Santana

City Administrative Officer

to the:

Budget and Finance Committee

April 13, 2015

WHERE HAVE WE BEEN?

April 7, 2010

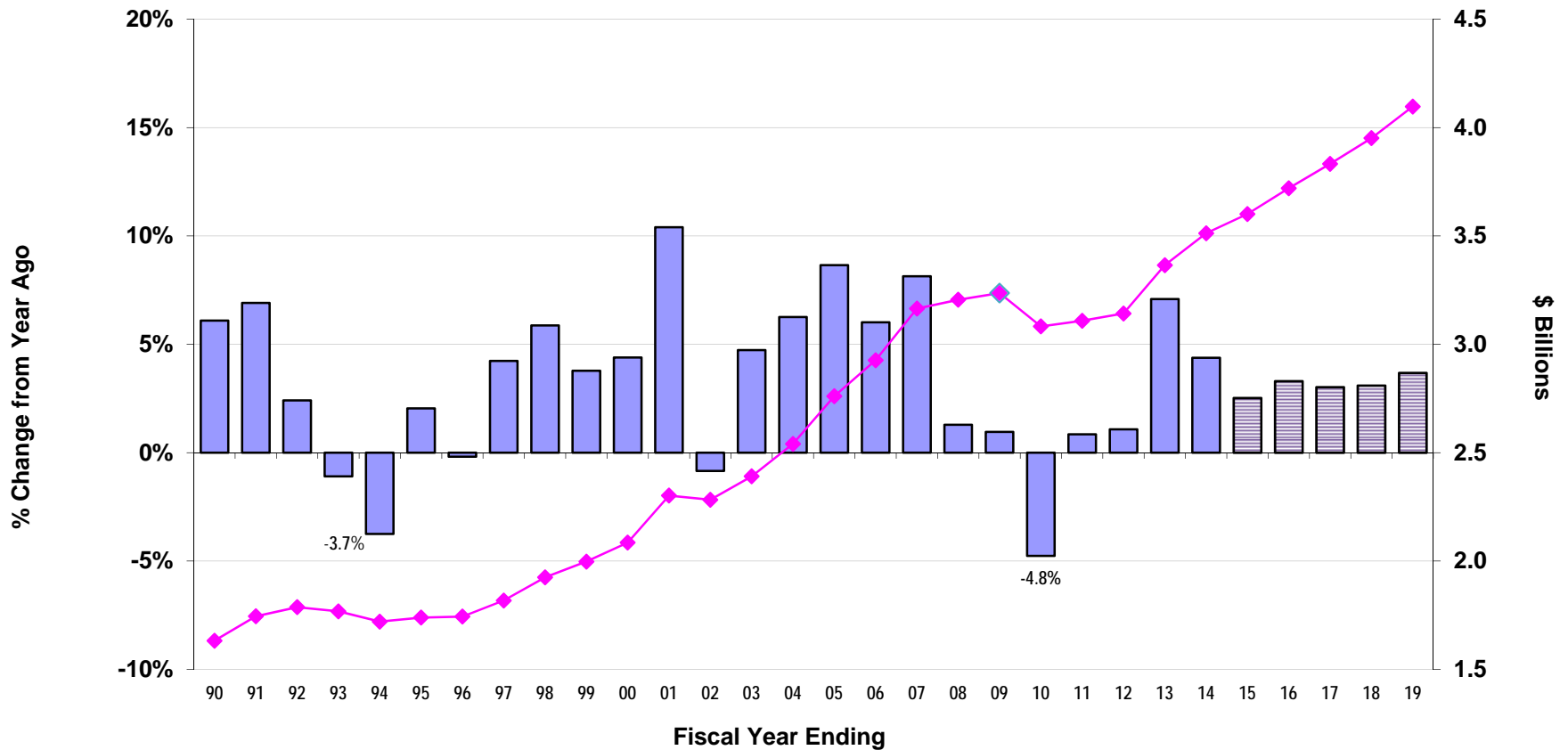
MOODY'S DOWNGRADES CITY OF LOS ANGELES G.O. RATING

“Moody’s Investors Service has downgraded to Aa3, from Aa2, our rating of Los Angeles’ general obligation bonds....The downgrade primarily reflects the continued erosion of the city’s historically better-than-average willingness and ability to quickly rebalance its budget mid-year....The downgrade also partly reflects the likelihood that the city’s general reserves at the end of the current fiscal year could be materially weaker than we had previously expected....Los Angeles underestimated the full effect of the recession on its revenues and was slow in implementing planned cost savings for the current fiscal year.”

WHAT HAVE WE ACCOMPLISHED?

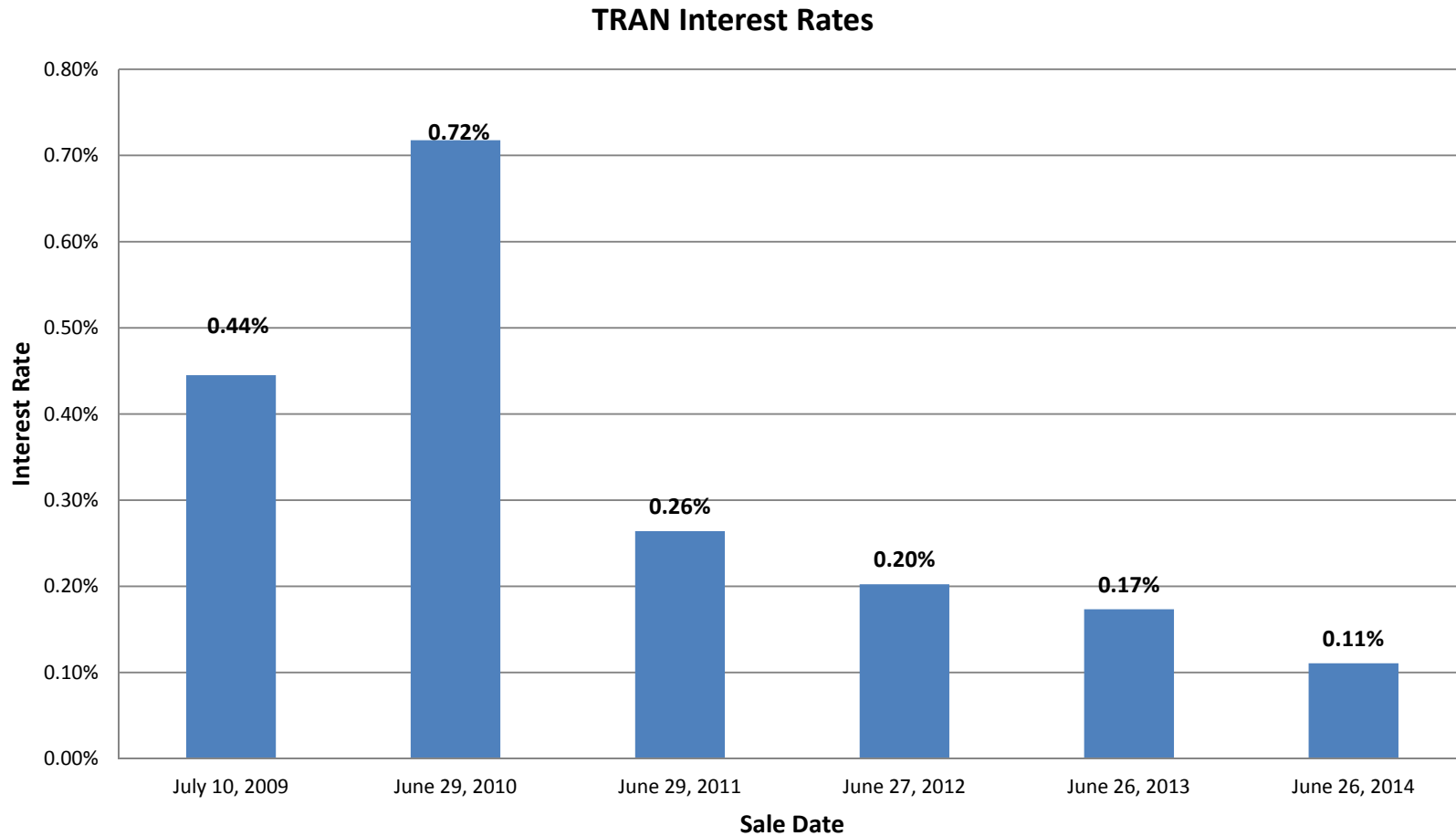
Fiscal Responsibility: Slow and Steady Growth

Seven General Fund Taxes



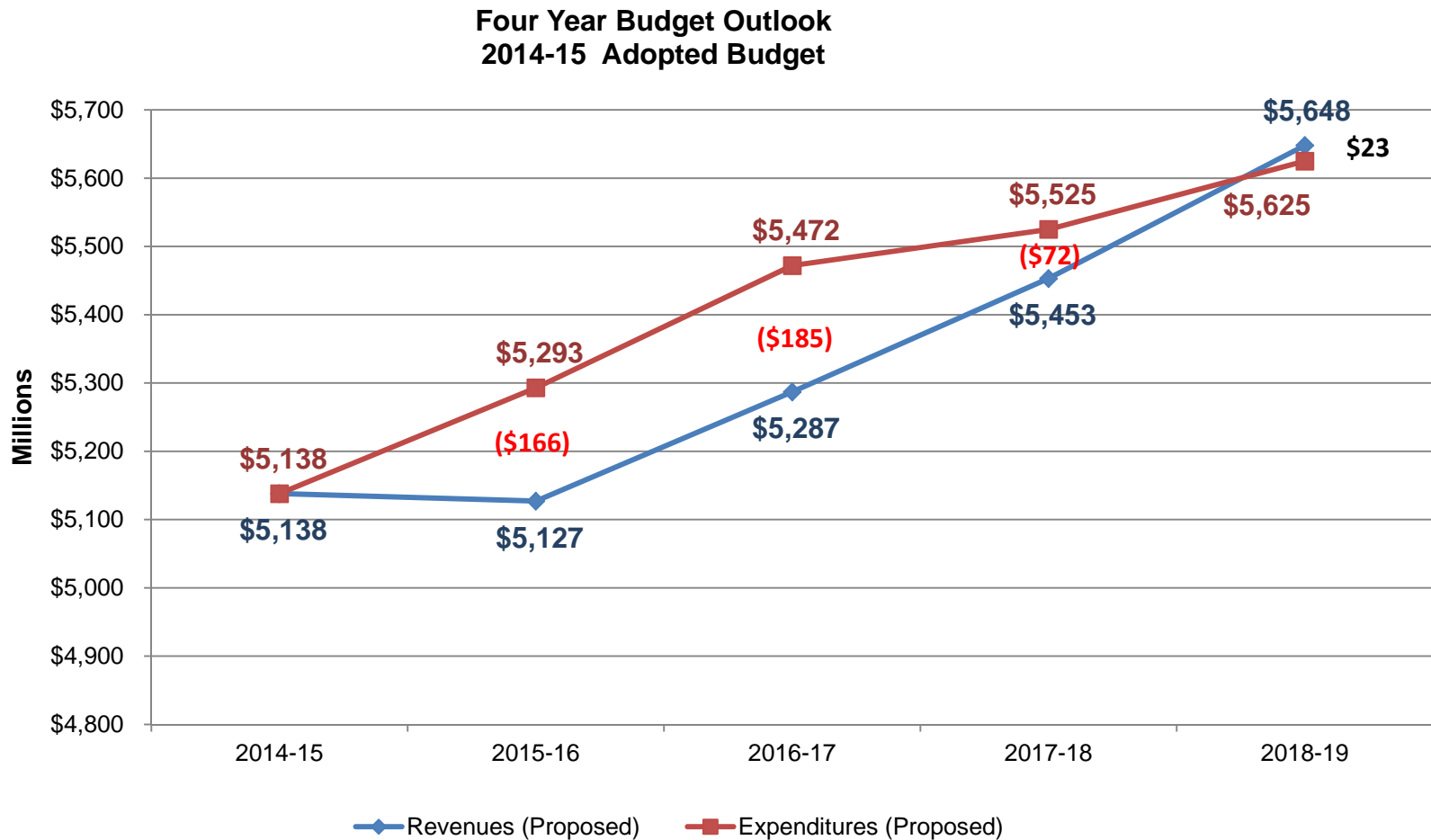
WHAT HAVE WE ACCOMPLISHED?

Fiscal Responsibility: Ratings Improvements



WHAT HAVE WE ACCOMPLISHED?

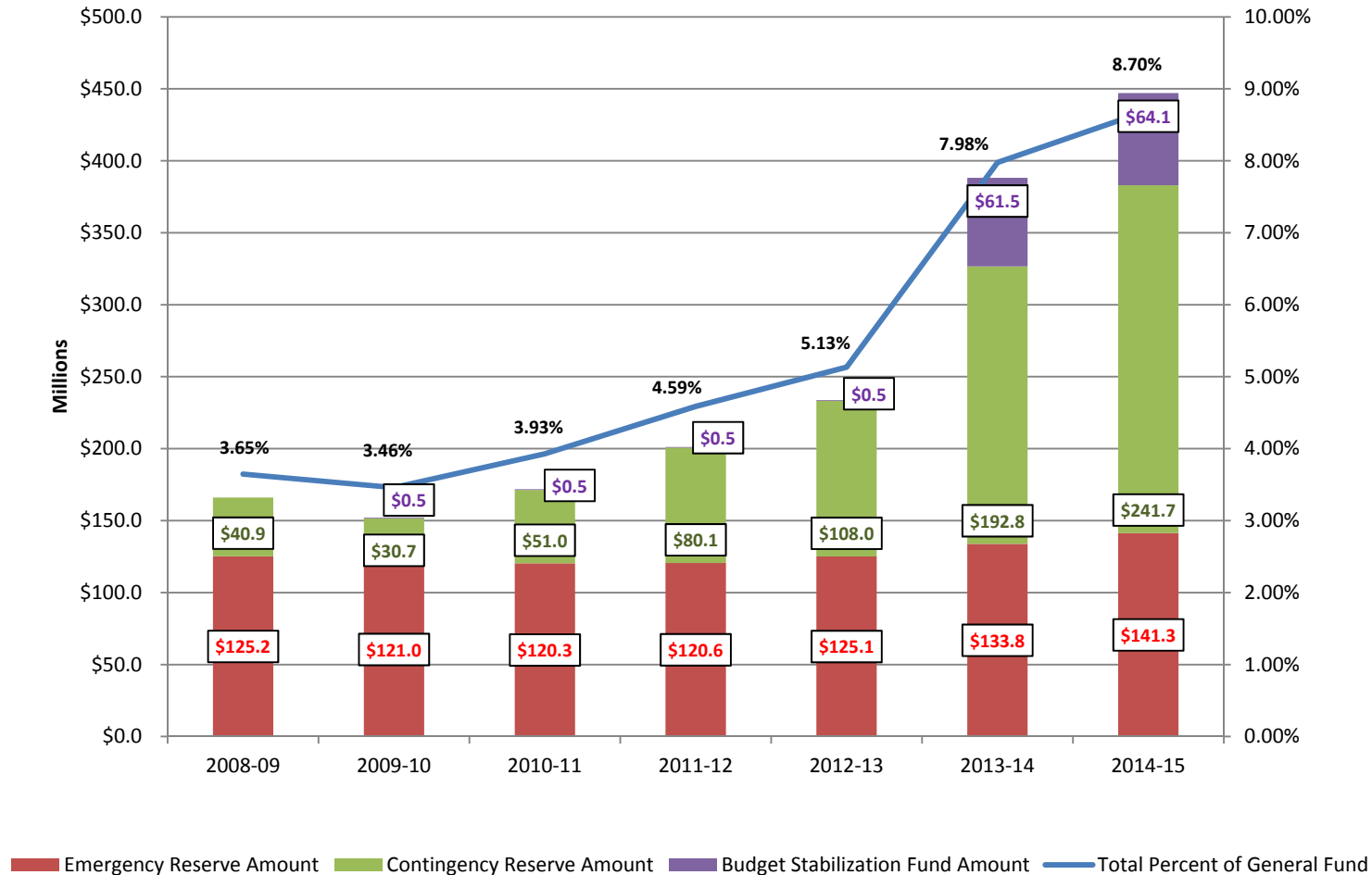
Fiscal Responsibility: Structural Balance



WHAT HAVE WE ACCOMPLISHED?

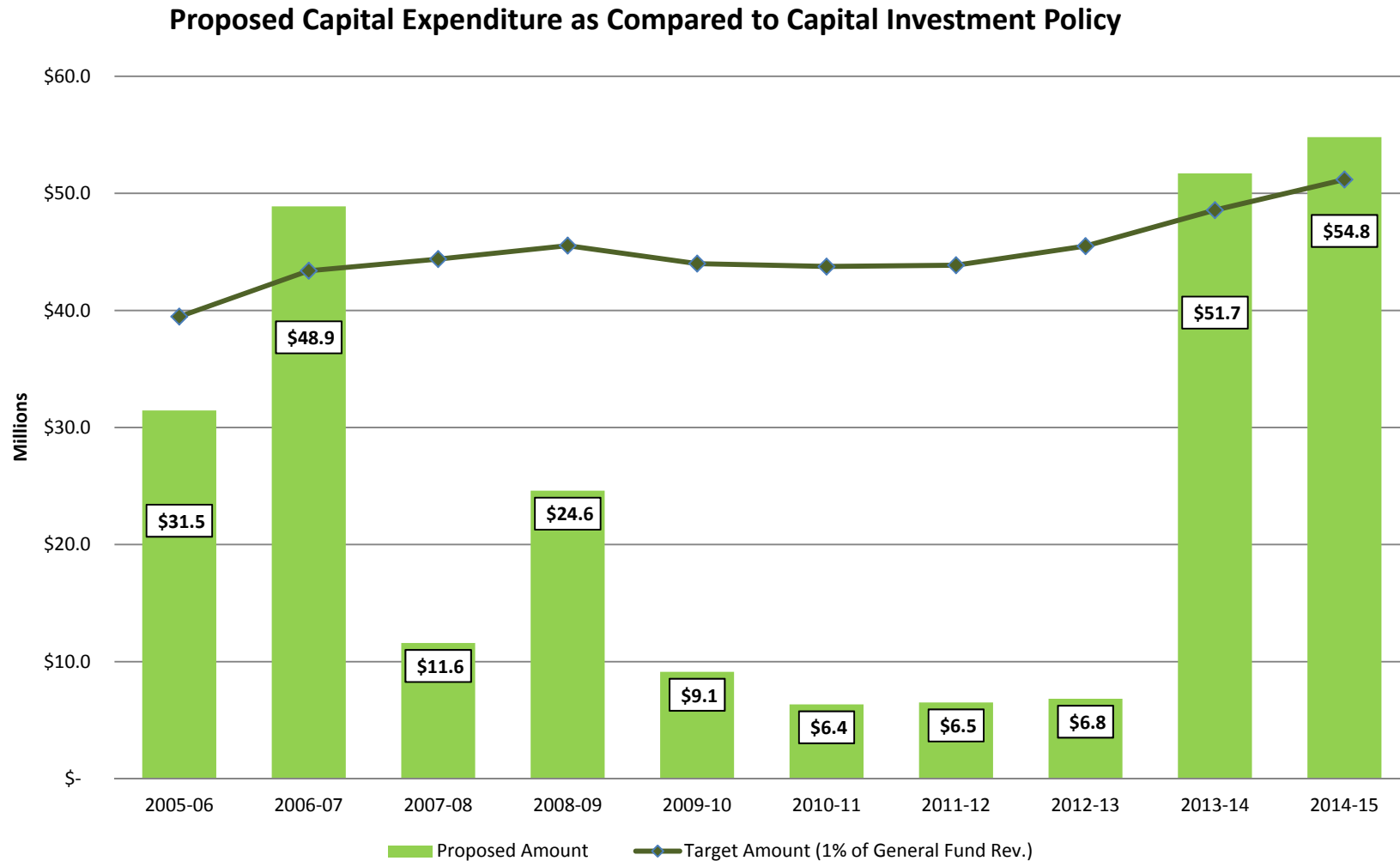
Fiscal Responsibility: Healthy Reserves

Reserve Fund Balance as of July 1



WHAT HAVE WE ACCOMPLISHED?

Fiscal Responsibility: Compliance with City Financial Policies



WHAT HAVE WE ACCOMPLISHED?

Managing Legal Liabilities

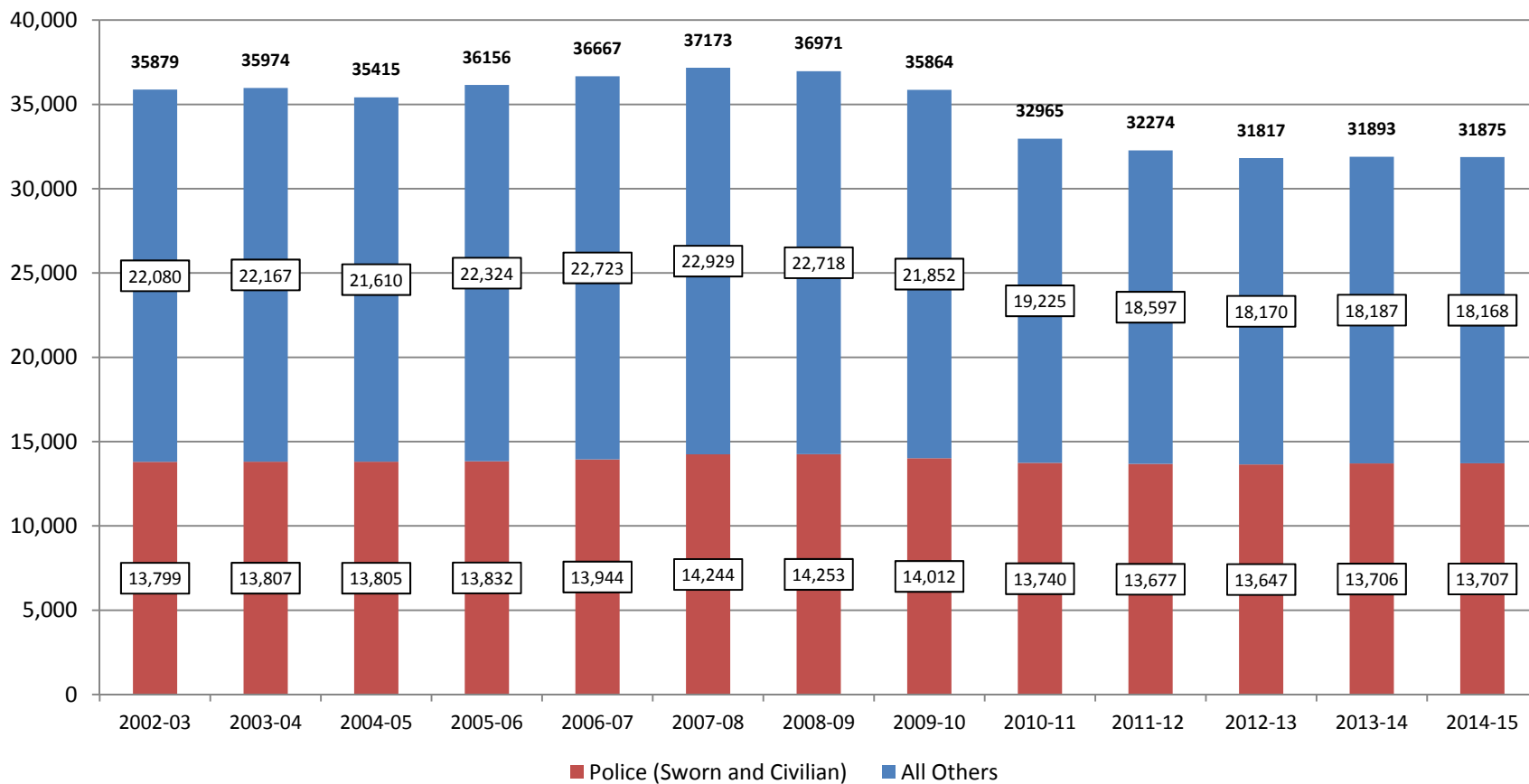
Made strides in addressing our outstanding legal liabilities:

- *Willits v. City of Los Angeles*:
- *Ardon v. City of Los Angeles*
- *Romero v. City of Los Angeles*
- Employee-related litigation (e.g City Attorneys)

WHAT HAVE WE ACCOMPLISHED?

Staffing Levels

Authorized City Staffing
(Not Including Proprietary Departments)

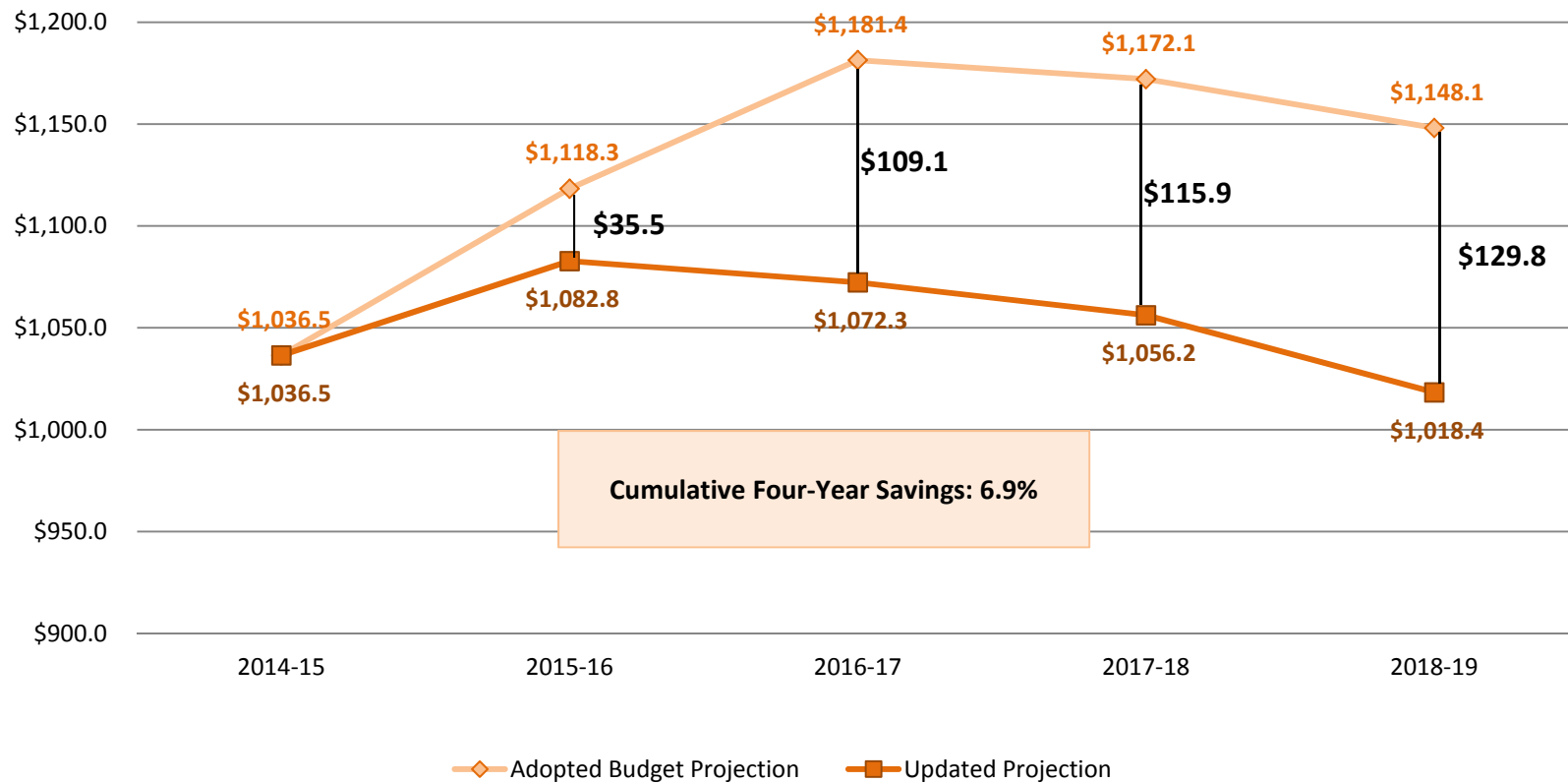


WHAT HAVE WE ACCOMPLISHED?

Pension Contributions

Updated LAFPP/LACERS Contributions Projections

(Source: Illustrations of future City contributions prepared by Segal (actuary) as commissioned by the CAO.)

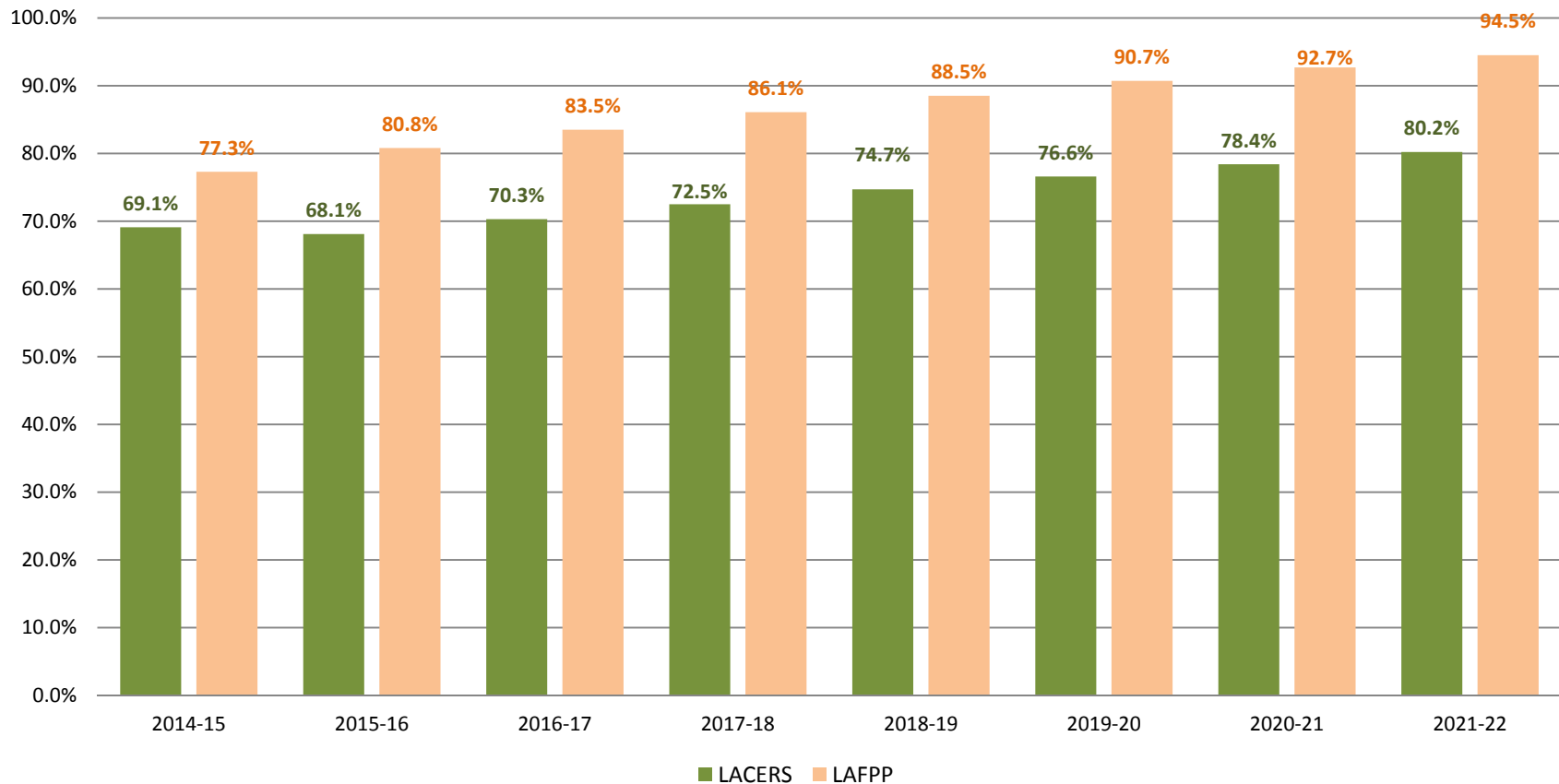


WHAT HAVE WE ACCOMPLISHED?

Funded Ratios in Retirement Systems

Projected Funded Ratio for LACERS and LAFPP (Pensions and Health)

(Source: Illustrations of future funded ratios prepared by Segal (actuary) as commissioned by the CAO.)



WHAT HAVE WE ACCOMPLISHED?

Labor Partnerships

- Pension reform for future hires
- Lower starting salary
- Employee contributions to health care premiums
- Retiree health care contributions
- Control compensation by limiting COLAs

WHAT HAVE WE ACCOMPLISHED?

December 11, 2014

MOODY'S UPGRADES CITY OF LOS ANGELES (CA) REAL PROPERTY AND EQUIPMENT LEASE-BACKED OBLIGATIONS

“[Los Angeles] is well positioned to strengthen its strong credit profile given a resilient and growing tax base, a highly diverse economy, and gradually growing reserves. The city’s strong financial management has curtailed expense growth, including significant pension cost in the wake of the Great Recession; prudently positioned the city to grow reserves with an expanding economy; and ultimately reversed the four-year budget outlook from growing deficits to a declining trend....”

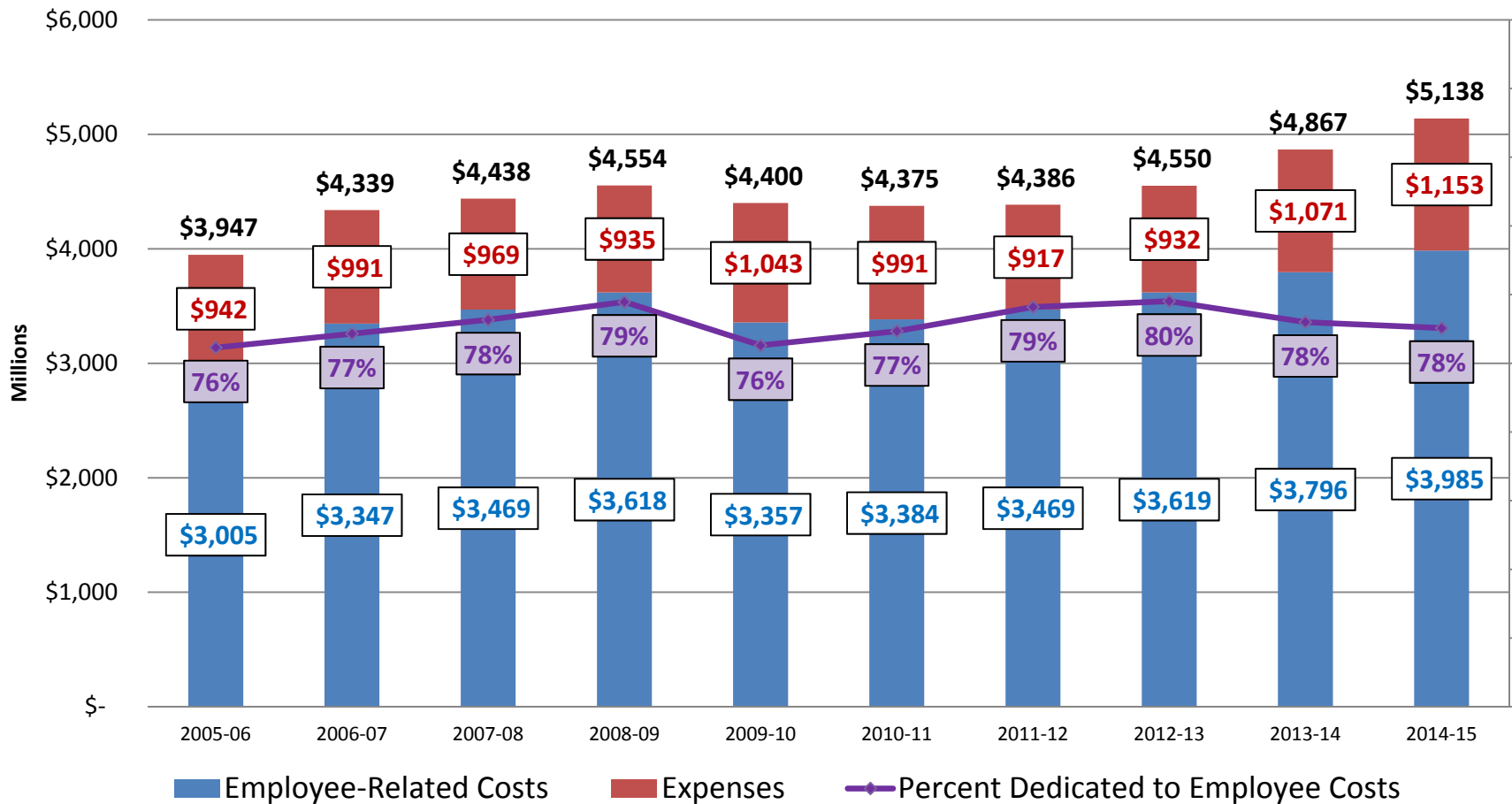
WHERE ARE WE NOW?

- Employee costs continue to grow
- Pressure on restoring services increasing
- New litigation, including on power transfer

WHERE ARE WE NOW?

Employee Costs

Portion of General Fund Dedicated to Employee-Related Costs (Adopted Budget)

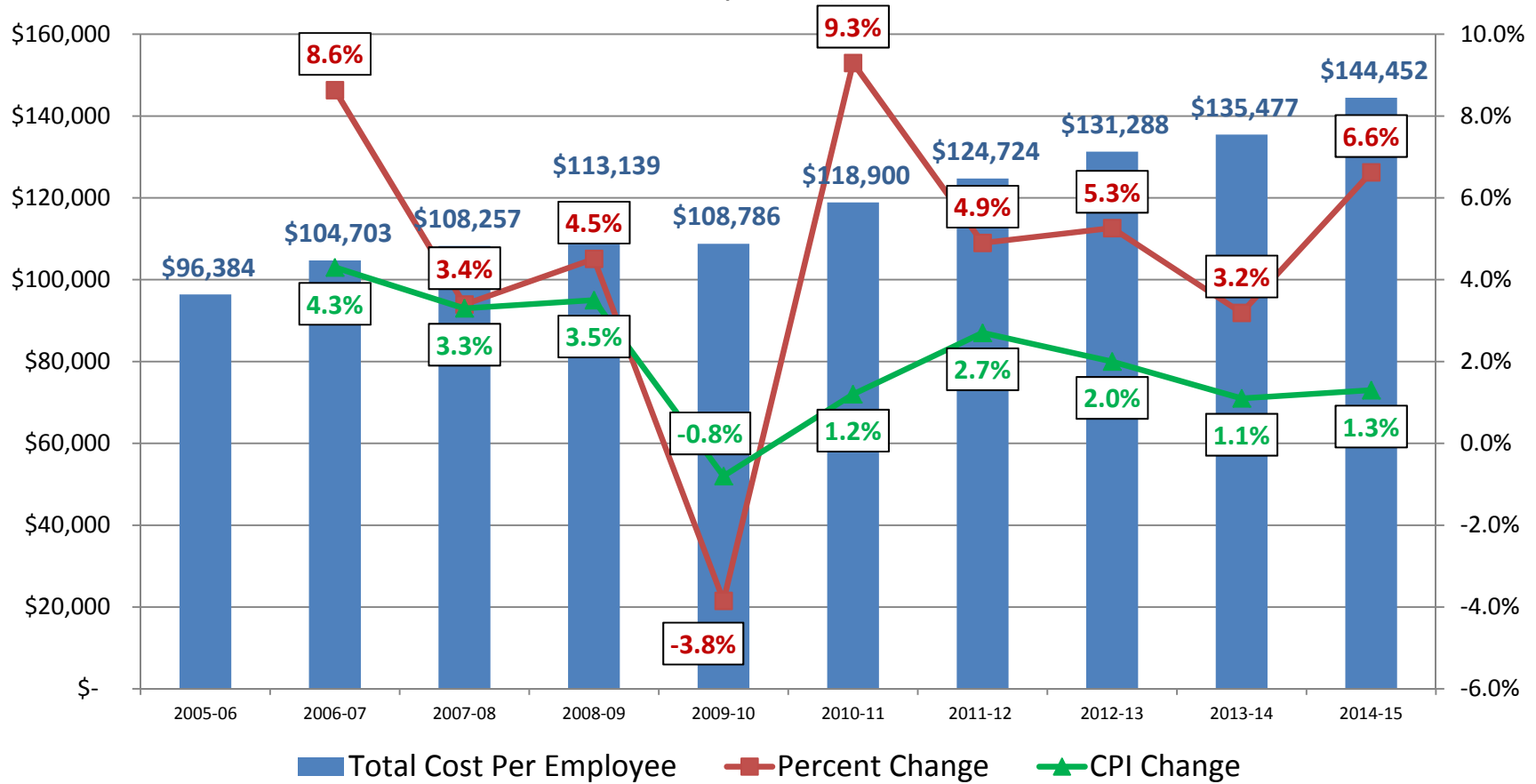


WHERE ARE WE NOW?

Average Cost Per Employee

Cost Per Employee: 2005-2015

(Includes all sworn and civilian costs including salaries, overtime, pensions, benefits, and workers' compensation.)



WHERE ARE WE NOW?

Drivers of Employee Costs

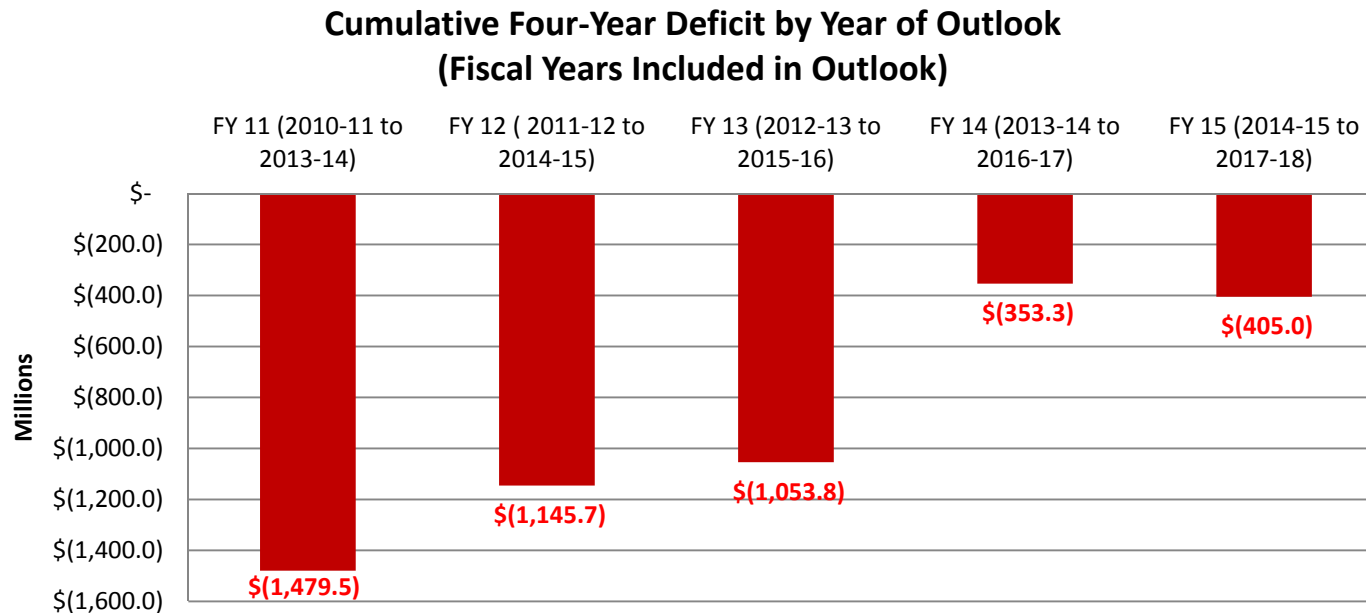
Table 1: Salary and Pension Cost Increases, 2005-06 to 2014-15

Cost Driver	2005-06 Cost per Employee	2014-15 Cost Per Employee	Total Increase	Percent Increase
Sworn Salaries	\$ 91,861	\$110,302	\$ 18,442	20%
Sworn Pensions	\$ 12,226	\$ 45,575	\$ 33,348	273%
Civilian Salaries	\$ 56,882	\$ 75,869	\$ 18,987	33%
Civilian Pensions	\$ 10,843	\$ 19,960	\$ 9,117	84%
CPI				20%

WHERE SHOULD WE GO?

Responsible Fiscal Management

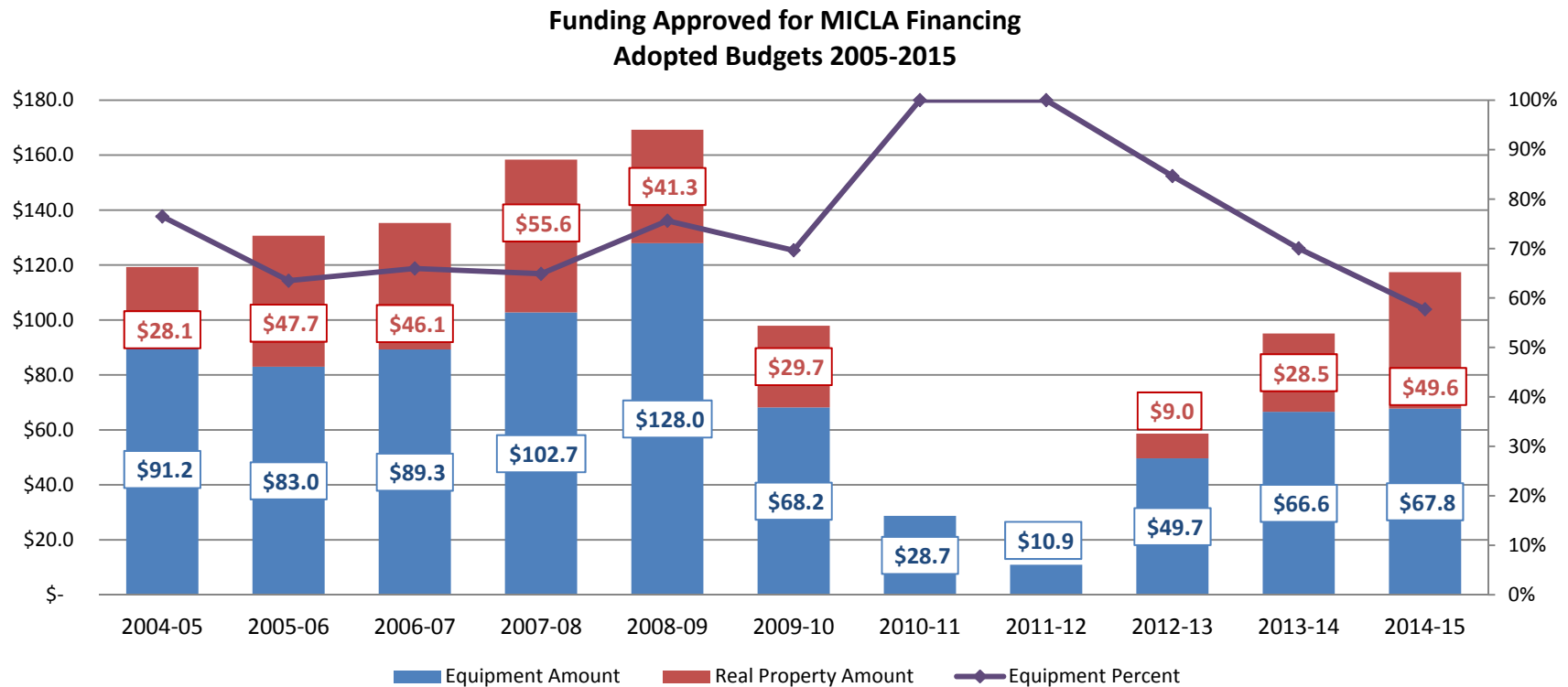
- Maintain as a policy objective moving toward the elimination of the structural deficit.



WHERE SHOULD WE GO?

Responsible Fiscal Management

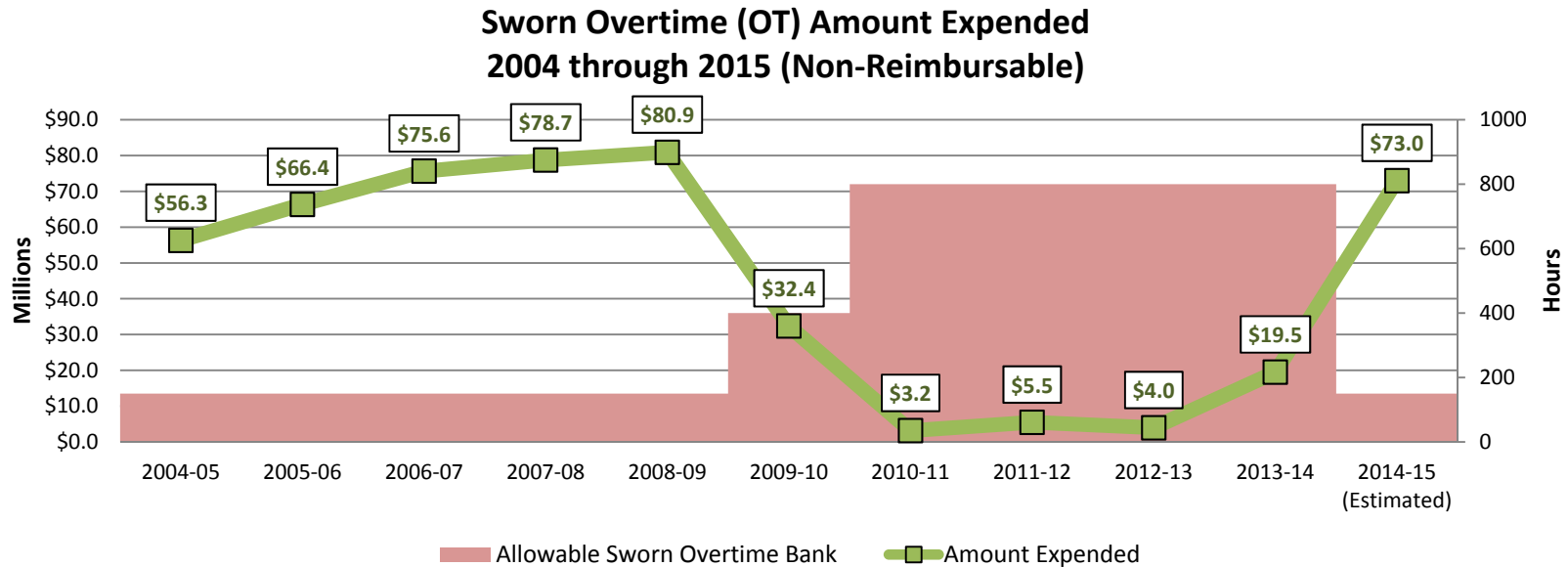
- *Establish priorities for the use of debt vs. cash.*



WHERE SHOULD WE GO?

Responsible Fiscal Management

- *Transition to pay-as-you-go for Police Department overtime.*



WHERE SHOULD WE GO?

Responsible Fiscal Management

- ***Grow reserves (Reserve Fund plus Budget Stabilization Fund) to 10 percent of General Fund revenue.***
- ***Resolve major litigation.***
- ***Limit the backfill of federal and other grant reductions.***

WHERE SHOULD WE GO?

Focus on Core Services

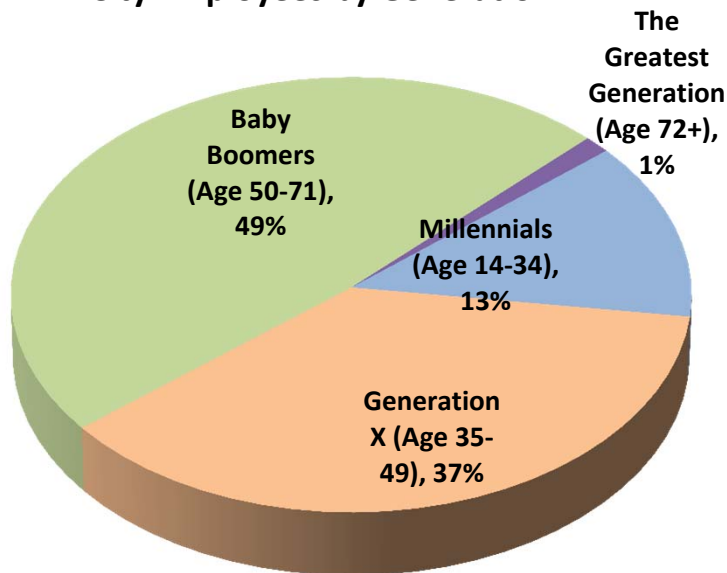
- *Revise the Capital Investment Policy to add a five-year investment plan and to focus on infrastructure quality goals rather than spending targets.*
- *Continue to implement the recommendations in the 2014 Fire Department deployment study by PA Consulting and move toward civilianization and the development of a new Standards of Cover study.*
- *Hire Detention Officers to staff jails so that Police Officers can return to the field; initiate a police workforce capacity study to expand these efforts throughout the Department's operations.*
- *Building from the strategic advisor's report on the City's information technology (IT) system, develop a strategic plan to identify specific projects in priority order and with defined funding requirements.*

WHERE SHOULD WE GO?

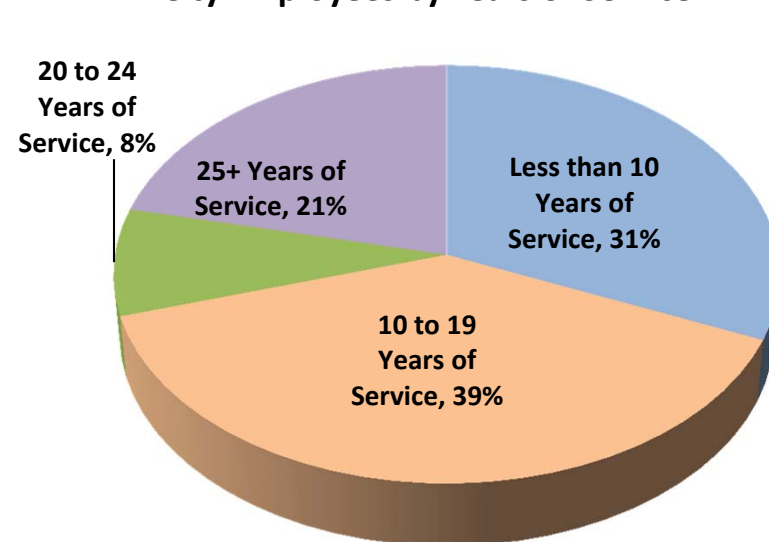
Sustainable Workforce

- ***Instruct the Personnel Department and the CAO to develop a comprehensive approach to succession planning Citywide.***
- ***Eliminate managed hiring.***

City Employees by Generation



City Employees by Years of Service

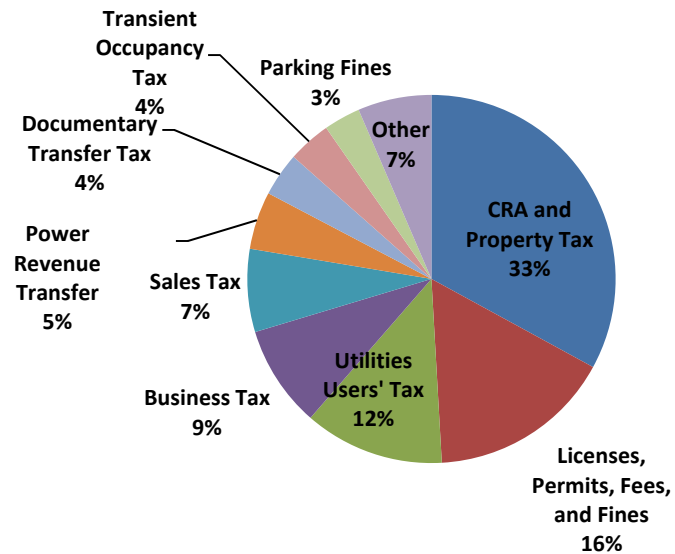


WHERE SHOULD WE GO?

Strengthen Revenues

- *Support the City's diverse revenue system by maintaining the unrestricted nature of the General Fund.*

**General Fund Revenues by Category:
2014-15 Adopted Budget**



Tax Increment Impact on 1% Property Tax

