



CITY OF LOS ANGELES

Fiscal Year 2008-09

BUDGET SUMMARY

AS PRESENTED BY Mayor Antonio R. Villaraigosa

A Statement of **Values**



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City of Los Angeles

Fiscal Year 2008-2009 Budget Summary

As presented by

Mayor Antonio R. Villaraigosa

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A Message From:

Mayor Antonio R. Villaraigosa

Los Angeles is America's undisputed creative capital. This beautiful City, perched on the Pacific Ocean, has always drawn its strength from the boundless energy and imagination of one of the most talented diverse populations anywhere.



Think about how far this spirit has taken us. In just over two centuries, we have grown from a tiny, dusty settlement on the remote periphery of the Spanish Empire into a thriving crossroads of global trade and commerce. Our county leads the nation in manufacturing and start up businesses. We are the center of media, film and television. Our ports and airports are engines driving the national economy. We are home to some of the nation's leading research universities.

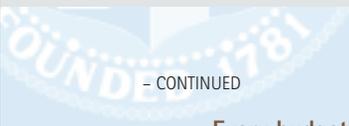
L.A. is poised to emerge as the great global city of the 21st Century, but our imaginations will be tested in this tough budget year.

Today, the national economy is experiencing a downturn of a magnitude unseen in more than a decade. This crisis is acute. Despite the fact that economists predict L.A. will fare better than the region, the state, and the nation, the national recession is unquestionably catching Los Angeles in its wake. We face mounting foreclosures, rising unemployment, declining revenues, and an estimated General Fund deficit of \$406 million. Moreover, the well of promised state and federal funds is drying up at a time when local programs must respond to growing need.

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A Message From: Mayor Antonio R. Villaraigosa



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Every budget is a statement of values, and our budget asks Angelenos to focus more deeply on our core mission as a City. First and foremost, it maintains our commitment to investing in police and fire. It ensures the safety and security of our neighborhoods by continuing our effort to add 1,000 police officers in the most under-policed big city in America. It increases funding for gang intervention and prevention, expands the number of gang reduction zones, and proposes a fundamental realignment of the City's anti-gang spending.

Our proposals improve the efficiency and accountability of local government; invest in job training and workforce development; continue to tap into the creativity of the renewable energy sector and transform L.A. into the cleanest and greenest big City in America; rebuild our aging infrastructure, reduce traffic congestion, and repave our streets.

Given the size and scope of these challenges, it is absolutely critical that we join together to solve the deficit in a responsible manner. We have already taken significant steps. Through the implementation of a series of belt-tightening measures and continued fiscal stewardship, City leaders reduced the FY2007-08 projected year-end deficit from \$155 million to under \$20 million as of March 2008. The ongoing efforts from departments to reduce expenses and the willingness of individual employees to take voluntary furlough days will ensure that this deficit is fully addressed by year-end.

My proposed budget tackles next year's deficit by cutting spending and shrinking the size of City government in a manner that preserves the City's core mission. Closing the budget gap will affect City employees, and we are committed to do all that we can to minimize the impact on our workers and their families. We are also asking the people of Los Angeles to bear a share of the burden by moving the City



A Message From: Mayor Antonio R. Villaraigosa



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to full cost recovery on fees. Again, we are insisting on a fair and responsible approach. For every dollar in new fees, we are committed to cutting a dollar and a half in spending.

The current budget crisis should serve as an opportunity to make long-needed changes in the way the City does business. It's a chance for our leaders to step up to the plate with fresh ideas, and to fulfill our pledge to voters to be responsible stewards of the public purse. Tough budget times should clarify our goals and objectives, not cause us to abandon them.

At a time of economic challenge, the leaders of Los Angeles must recognize the need for new thinking in our public policy debates and for shared sacrifice across City government. We must recall the courage and creativity of the generations of our predecessors who overcame seemingly insurmountable odds to build this incredible metropolis out of the dust.

This will be a multi-year challenge, requiring a multi-year effort to solve it. And we will continue to make structural changes in the way we deliver core City services as we move ahead.

Angelenos, this is a moment when our vision and values will be tested most – and we must not fail to answer the call for bold, effective leadership.

Very Truly Yours,

Antonio R. Villaraigosa

What's in the budget?

These are the main points of my budget:

- The FY2008-09 Budget for non-proprietary departments has **surpassed the \$7 billion mark** for the first time in history with the General Fund at about \$4.48 billion and Special Funds at about \$2.53.
- While the total budget has grown by 2.83 percent from the Adopted Budget FY2007-08, the General Fund has grown by less than one percent, 0.84 percent to be exact.
- The Reserve Fund balance, a measure of financial strength, has been rebuilt to **4.3 percent of the General Fund**, (\$192 million) after falling to 3.1 percent in FY2007-08 due to the downturn in the economy, **ending the practice of raiding our savings account for on-going expenses.**
- Despite the turmoil in the bond market, the **City's bond ratings are the highest for US cities** with populations of more than two million.
- My office and City Council offices are **sharing in the sacrifice** by taking an over five percent cut from the FY2007-08 adopted budget.
- We have **established performance metrics for every City department** to continuously improve every aspect of City government.

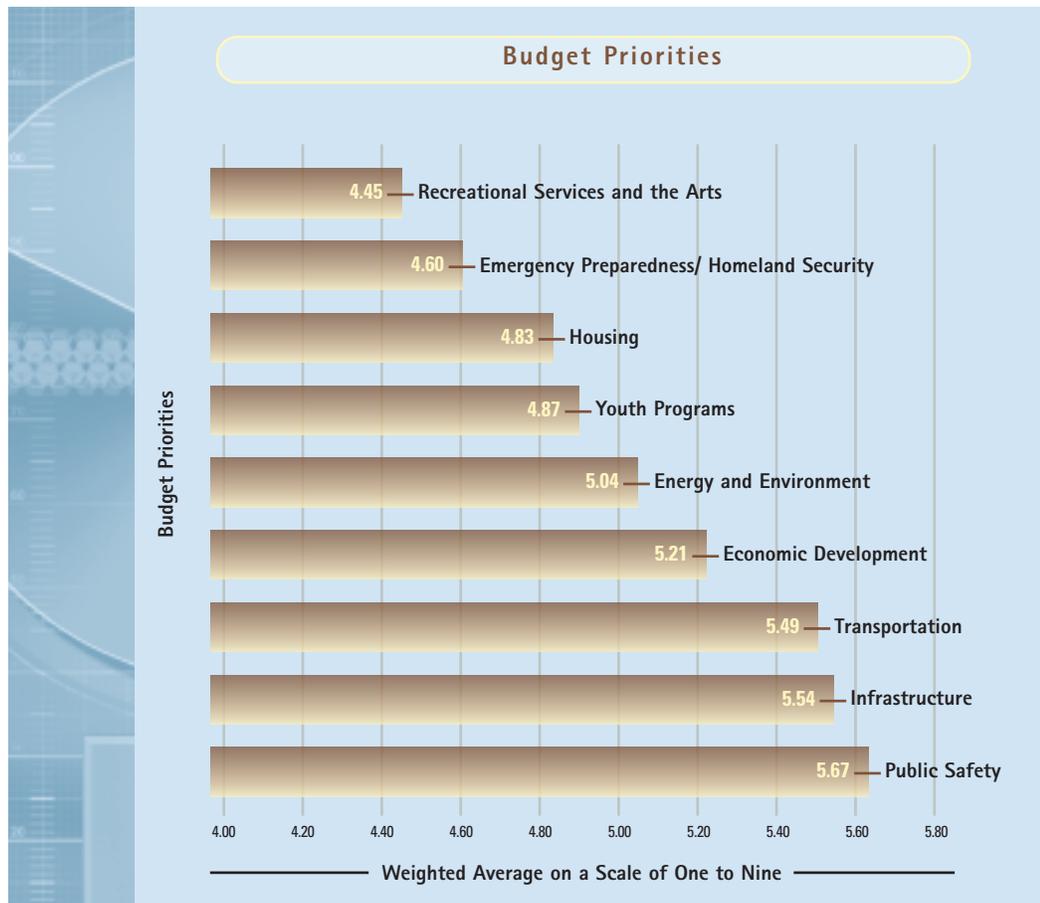
To continue the prosperity of our city and its people, these are the specific outcomes I am seeking for Fiscal Year 2008-09:

- To reduce crime and improve public safety by staying on track with our plan to add 1,000 net additional officers - **Hire an additional 780 Police Officers, raising the police force to its all-time high;**
- To promote youth development and reduce gang crime - a total of \$24.3 million - including \$19 million from this year's budget - is dedicated to fund targeted **prevention, intervention, and re-entry programs in the eight existing Gang Reduction and Youth Development Zones and establish four additional ones;**
- To improve mobility on city streets and reduce congestion by making roadways more reliable, efficient, and safe - **synchronize 348 more traffic signals and install 147 new left-turn signals;**
- To increase community trust of the Fire Department and transform the department to reflect the highest commitment to diversity by **instituting a Professional Standards Division;**
- To promote environmental stewardship by the City of Los Angeles and fight global warming begin to implement our comprehensive plan to **double the City's use of recycled water, ultimately saving 16 billion gallons a year; and strategic investments so that 10% of our power comes from renewable energy and alternative fuels with more under contract so there's a pipeline to meet our 2010 goal of 20%;**
- To alleviate poverty by developing more and higher quality jobs that **next year will facilitate entry into the workforce for 20,000 area residents** and create training opportunities where people need opportunity the most, and by promoting 21st Century land use planning by completing **nine new community plans** and an array of housing options;
- To maintain or restore increased service levels of essential and core City services by **expanding street resurfacing and maintenance to 735 miles and repair the one millionth pothole.**

A Shared Vision

Over the last few months, I asked Neighborhood Council leaders and stakeholders for their thoughts on the priorities facing the City Of Los Angeles in this tight budget year.

Using a special survey designed to capture input on the big budget issues, 2,700 Angelenos responded to the following: given that our limited resources prohibit us from paying for everything, what priority level would you assign to the focus areas? The graph below summarizes the results. Ratings are weighted averages based on a rating scale between one and nine where one is the lowest priority and nine is the highest.







Financial Overview



Fiscal Outlook

The nation's largest center of international trade, and home to the film, television and recording industries, Los Angeles has secured its place as a great global city. The City and region boast nearly a half million manufacturing jobs in the apparel, computers, electronics and transportation, fabricated metals, food products and furniture industries, making the City a global center for creativity in both commerce and culture.

With a diverse economic base including tourism, technology, business and professional services, the City of Los Angeles experienced significant economic growth since 2002. However, beginning in 2007, the City began to feel the economic effects of a softening housing market, the mortgage lending crisis, stagnant job and wage growth and a prolonged and bitter labor dispute in the entertainment industry. The net effect of these negative forces on the City's budget has been far-reaching and profound.

The health of the local economy is the single-most significant determinant of City revenue. Midway into the 2007-08 fiscal year, it became evident that the faltering of the local economy was manifest in lower than budgeted City revenues. As reported by the City Administrative Officer (CAO) in January, 2008, the City faced a \$155 million deficit at year-end if no action were taken to curtail spending and/or stimulate our revenues. On top of the uncertainty of the fate of a February ballot measure, the Communication Users' Tax estimated at \$270 million annually, it was clear that the City faced a formidable financial challenge in FY2007-08 and beyond.

Through continued fiscal stewardship and the implementation of a series of belt tightening measures I called for, the projected year-end deficit has been reduced to under \$20 million as of the CAO's fourth Financial Status Report issued in March, 2008. The budget will be balanced and the deficit addressed through continued careful management of all departments to reduce expenses, and assisted by the willingness and sacrifice of individual employees to take voluntary furlough days.

Even while addressing the FY2007-08 deficit, the challenge of developing a financial plan for FY2008-09 has been daunting: With declining revenues on the horizon and projected increases – including critical investments to core services and obligatory expenses – the City faced a deficit of over \$400 million for the 2008-09 fiscal year.

This proposed budget addresses this deficit in its entirety, and for the first time since FY1999-00, presents a budget balanced without using its savings account, the Reserve Fund. Instead, the proposed budget contains a mix of tough but fair reductions, efficiencies achieved through innovation, full cost recovery efforts, enhanced revenues from improved collections and fees, and short-term financing options to ensure the City continues to deliver core and essential services while making the structural changes to maintain its long-term operations and financial well-being.

Guiding Principles for Budget FY2008-09

- Protect core services
- Align services with the outcomes I have promised Angelenos
- Align the needs of the City with its customers
- Recover full cost of providing services where appropriate
- Multi-year in its approach
- Build-up the Reserve Fund
- Add value and track and demonstrate results

Understanding the Budget Deficit

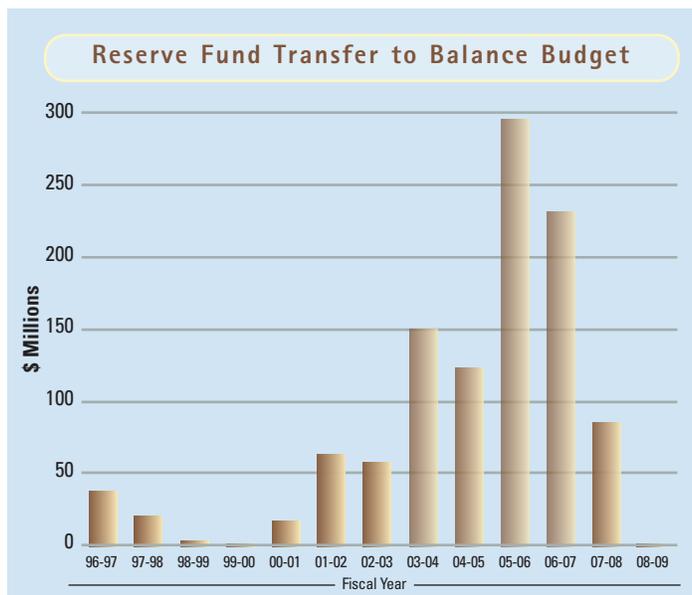
Prior to 2001, the City's expenditures and revenues were more or less in balance. Each year the City spent about the same amount of money it received in taxes, fees and grants. Sometimes the City had to rely on relatively small transfers from the Reserve Fund (the City's "savings account") to achieve a balanced budget.

However, since 2001, the City has spent significantly more each year than it received in revenue. The City came to rely heavily on the Reserve Fund to pay its bills each year.

My first budget for FY2006-07 began to address the structural deficit and took important steps toward bringing the City's ongoing revenue and ongoing expenditures into balance. It focused on investments in public safety and community priorities and concurrently set forth efficiencies, challenging departments to identify savings, and making investments in technology to help the City work smarter.

With the adoption of the budget for FY2007-08, our commitment to eliminate the structural deficit over five years was ahead of schedule. The structural deficit had shrunk to \$85 million, a roughly 70 percent decrease. Together with a budgeted Reserve Fund of \$201 million, almost 4.6% of the General Fund, the City entered last fiscal year with its strongest financial standing in recent history.

However, the economic turmoil roiling the nation quickly materialized in lower than budgeted City revenues, thereby threatening the progress we had made. At the start of the second quarter for the FY2007-08, the Reserve Fund had decreased to about \$139 million, only 3.2% of the General Fund. Further, if no action were taken to either curtail spending or stimulate revenues, FY2007-08 would end with a \$155 million deficit, and based on the historical growth of expenditures, the projected deficit for FY2008-09 would balloon to over \$400 million.



This proposed budget for FY2008-09 addresses the \$400 million deficit by reining in spending, pursuing full cost recovery for municipal services and increases in other fees and fines, and utilizing smart cash flow management to allow the City to continue the structural changes required for long-term financial and operational stability. Absent from the mix of solutions for the first time in almost a decade is a transfer of funds from the City's Reserve Fund.

To put it another way, we have ended the practice of balancing our budget by raiding our savings.

Financial Overview

Deficit Reduction Goals

Early in my administration, we made it clear that it would take several years for the City to work its way out of the structural deficit. The City's financial policies provide a solid direction for achieving this goal of fiscal responsibility. These policies mandate numerous actions that should be taken while budgeting and throughout the course of the year including using ongoing revenues to fund ongoing expenses and only using one-time revenues for one-time expenditures.

This proposed budget is a testament to these financial policies. The budget is balanced through cuts as well as revenue from fees, maintains at least a 1.5 to 1 ratio of cuts to new revenue from new fees or increased fees, and utilizes prudent financing choices.

Budget Balancing Actions

Efficiencies & Reductions	(\$ Million)	New Fees & Expanded Revenue	(\$ Million)
Expense, Equipment & Contractual Services Reductions	\$ 56.00	Solid Waste Fee Increase	\$ 48.00
Salary Reductions & Efficiencies	61.00	New Parking Fees & Fines	27.60
Short-Term Layoffs	23.00	Police Impound Release Fee	5.70
		Development & Construction Fees	3.80
		Golf Fee Increases	1.80
		Recreation & Parks Fees Increases	1.40
		Fire Department Fees	1.30
		Animal Services Department Fees	1.00
Total Reductions	\$ 140.00	Total New Revenue	\$ 90.60

Ratio of new efficiencies/reductions to new fees/expanded revenues: \$1.50 to \$1.00

Financial Overview

Key Indicators of Financial Health

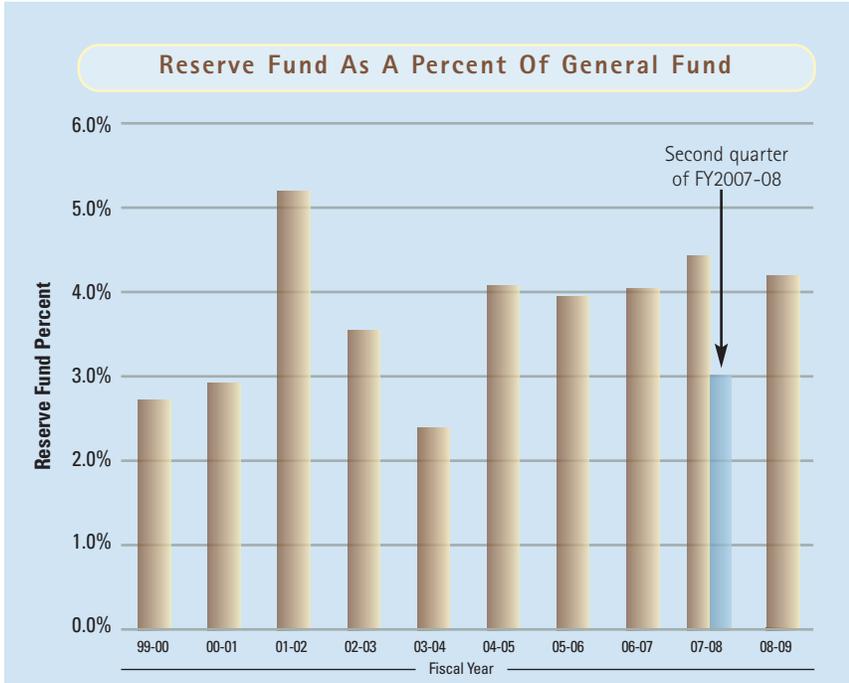
The City's financial health is a powerful signal to business owners and taxpayers that Los Angeles is a stable place to invest and expand. Among the key indicators of municipal financial health are the City's bond ratings and reserve fund balance. In addition to the steps to replenish the Reserve Fund I have described above, these indicators provide both comparative data and a snapshot of the City of Los Angeles that is fiscally sound:

Ratings of U.S. Cities with Population of Two Million or More

Size	City	Fitch	Moody's	S&P
2	Los Angeles, CA	AA	Aa2	AA
1	New York, NY	A+	A1	AA-
3	Chicago, Il	AA-	A1	AA-
4	Houston, TX	AA-	Aa3	AA-

Fitch	Moody's	Standard & Poor's
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-
A+	A1	A+
A	A2	A
A-	A3	A-
BBB+	Baa1	BBB+
BBB	Baa2	BBB

The Government Finance Officers Association and financial rating agencies recommend that cities should maintain a minimum of five percent as a reserve fund balance as a prudent level to allow for a reasonable degree of error in budget forecasting. Maintaining a five percent reserve fund balance is an indicator of financial strength. Accordingly, in 2005, the City adopted a series of financial policies



including one to build-up its Reserve Fund to five percent of the total General Fund. In FY2007-08, the adopted budget came close to this target at 4.5 percent but due to unforeseen economic factors, by the second quarter of the fiscal year, the Reserve Fund had fallen to 3.1 percent. The FY2008-09 rebuilds the Reserve Fund to 4.3 percent which equals \$192 million.

Financial Overview

Economic Outlook

The Los Angeles economy is linked directly to the United States and California economies. As I have in the past, I asked well-known local economic forecasters from the University of California, Los Angeles Anderson Forecast (UCLA); and the Los Angeles County Economic Development Corporation (LAEDC) for their projections of the national, state and local economies, I share some of their economic forecasts here.

They all suggest continued but slow improvement to the economy of the City in FY2008–09. This outlook is based on the consensus by these forecasts that national and state economic growth will continue in 2008 and slightly improve in 2009. Because of the structure and timing of the City's revenue collection, the City's FY2008-09 outlook is tied more closely to economic well-being of 2008, thus resulting in slower growth. The economic improvement expected in 2008 is encouraging because it suggests improvement late in the fiscal year and a positive longer-term outlook. Nonetheless, because of so much volatility and uncertainty, at this juncture I believe it is prudent to anticipate little or no growth for FY2009-10.

Employment in Los Angeles

As we have witnessed, continued weakness in the Los Angeles real estate market is a fundamental driver of the City's FY2008-09 economic outlook. Housing sales slumps and other slow downs in this sector are anticipated to lead to reduced employment in construction as well as job losses in the mortgage industry, and dampening growth in other areas. Alongside the falloff in the mortgage and construction employment sectors, however, overall employment in the City and region is expected to continue to grow. The senior economists from UCLA and LAEDC I consulted with anticipate employment growth in professional, scientific and technological services and tourism. These gains will slightly offset the real estate market job losses, resulting in continued but slower improvement to key economic indicators: personal income and taxable sales.

Employment is the primary measure of local economic health. Indices of employment generally focus on non-farm employment. For 2008 and 2009, local economists expect slow employment growth and an increase to the unemployment rate in 2008, largely stemming from the loss of jobs in sectors hard hit by the housing and credit crisis and those that recently experienced labor problems. LAEDC's and UCLA's projections show average employment expansion in Los Angeles County by less than one percent in 2008, and slightly above one percent in 2009 with a similar forecast for the state as whole. Both forecast unemployment to peak near six percent in 2008 and drop slightly in 2009 compared to its recent low of 4.7 percent in 2006.

Personal Income

Change in personal income is another important measure of the local economy, indicating our ability to purchase goods and services. Personal income change is an important driver of the City's diversified tax base. LAEDC anticipates personal income growth in Los Angeles County of 5.6 percent for 2008 and 6.1 percent for 2009. This growth outpaces LAEDC's statewide projections of 4.9 percent for 2008 and 5.2 percent for 2009. UCLA projects expansion of California personal income by only three percent in 2008 and 4.1 percent in 2009.

Financial Overview

Taxable Sales

Taxable sales are in part driven by consumer purchases. The Conference Board Consumer Confidence Index, which measures consumer confidence about economic conditions and the job market, fell in March 2008 to a five year low. Those claiming business conditions are "bad" increased to 25.4 percent from 21.3 percent, while those claiming business conditions are "good" declined to 15.4 percent from 19.1 percent. With consumers feeling less positive about economic conditions and the job market, consumer purchases will shift towards cheaper taxable goods. As such, LAEDC and UCLA both expect a tough retail environment for the state and Los Angeles County in 2008 with minor improvement in 2009.

Real Estate

Property tax is the largest source of General Fund revenue, accounting for approximately 32 percent of all General Fund receipts next year. Complex factors stemming from Proposition 13 determine the amount of property taxes the City receives. These factors include a limit on the amount of annual assessments, a control on the rate of inflation, and restorations to the tax rolls. Based on net revenue-producing valuations in the City, the County Assessor anticipates growth of about two percent for FY2008-09.

Another important source of General Fund revenue is the documentary transfer tax, which is based on the dollar value of a transaction as opposed to an assessed property value. The documentary transfer tax revenue is also a factor of the volume of transactions taking place. As one would expect, the real-estate and sub-prime mortgage lending problems have resulted in a lower number of transactions. Combined with lower values for these transactions, a significant decline of over 20 percent from the FY2007-08 adopted budget in the documentary transfer tax receipts is expected for FY2008-09.

Business Tax Reform

The City's business tax reform efforts will continue through FY2008-09. During FY2005-06, an exemption for businesses with gross annual receipts below \$50,000 was implemented. The exemption ceiling was raised to \$100,000 in FY2006-07. Exemptions for creative artists and motion picture producers were also enacted. The business tax code was also modified to eliminate the tax burden associated with uncollectible receivables. Consistent with the City's adopted business tax reform measures, a total reduction of 11.1 percent to the business tax rate has been implemented through FY2007-08. In FY2008-09, an additional 3.9 percent permanent tax-rate reduction will occur, bringing the total reduction to 15 percent. These tax reform measures are part of my continuing efforts to make Los Angeles more business-friendly.

Inflation

Many of the City's economy-sensitive revenues, such as sales, business and transient occupancy taxes, are affected by the volume of consumer purchases and prices. Inflation, as measured by the local consumer price index, is forecasted by LAEDC to be 3.1 percent for Los Angeles County in 2008, and 2.8 percent in 2009. UCLA forecasts a 2.0 percent rate in 2008 and a 1.7 percent rate in 2009 for the state.

Financial Overview

State Fiscal Action

The State of California's Legislative Analyst Office (LAO) has reported that the state's budget shortfall for FY2008-09 has increased to about \$16 billion. While certain State Constitutional Amendments prohibit the State of California from taking revenue sources from cities and counties to balance its budget as was done in previous years, the LAO has offered the State Legislature an alternative budget to the Governor's Proposed Budget which would result in the cities losing their share of Proposition 172 sales taxes. The City's share of these funds is over \$39 million. These funds are deposited in the City's Local Public Safety Fund which is used in its entirety to fund police and fire services. I will continue to fight for our fair share of state and federal funds.

Economically Sensitive Revenues

Six of the City's top revenue sources are considered economy-sensitive and account for over 70 percent of the City's General Fund revenues. These sources include property tax, utility users' tax, business tax, sales tax, transient occupancy tax and documentary transfer tax. These same six sources equal 45 percent of the City's \$7 billion budget.

The tough economic environment facing the region is reflected in the projected lackluster performance of these revenue sources, with the one bright spot being the Transient Occupancy Tax (TOT). LAEDC projects overnight visitors to the County to increase by 1.9 percent in 2008 to 26.3 million persons.

The outlook for FY2008-09 for each revenue source and how each fared compared to FY2007-08 is presented below:

Top Six Economically Sensitive Revenue Sources

GENERAL FUND REVENUES	FY2007-08 Amount (\$ Millions)	Percent Change from FY2007	FY2008-09 Amount (\$ Millions)	Percent Change from FY2008
Property Tax	\$1,397.3	7.62%	\$1,433.4	2.58%
Utility Users Tax	627.2	2.25%	637.6	1.65%
Business Tax	477.6	13.25%	470.4	-1.51%
Sales Tax	348.9	3.20%	336.1	-3.66%
Transient Occupancy Tax	144.0	7.78%	155.9	8.27%
Documentary Transfer Tax	157.0	-18.43%	120.0	-23.56%
Subtotal	\$3,152.0	5.15%	\$3,153.4	0.04%

EXHIBIT 1: Summary of Receipts

	ADOPTED BUDGET FY2007-08	ESTIMATED RECEIPTS FY2007-08	BUDGET FY2008-09	PERCENT CHANGE FROM ADOPTED FY2007-08 TO FY2008-09	PERCENT OF TOTAL FY2008-09 REVENUE
General Revenues					
Property Tax (1)	\$ 1,397,316,000	\$ 1,406,716,000	\$ 1,433,394,000	3%	20%
Licenses, Permits, Fees and Fines	620,718,976	630,829,000	762,827,000	23%	11%
Utility Users' Tax	627,225,000	627,737,000	637,600,000	2%	9%
Business Tax	477,590,000	469,128,000	470,395,000	-2%	7%
Sales Tax	348,905,000	336,137,000	336,137,000	-4%	5%
Power Revenue Transfer	184,600,000	182,004,000	196,300,000	6%	3%
Transient Occupancy Tax	144,000,000	146,398,000	155,914,000	8%	2%
Parking Fines	126,000,000	126,000,000	131,000,000	4%	2%
Documentary Transfer Tax	157,014,000	141,204,000	120,024,000	-24%	2%
Parking Users' Tax	88,115,000	84,700,000	94,480,000	7%	1%
Franchise Income	50,373,000	50,444,000	53,341,000	6%	1%
Interest	49,990,000	51,559,000	29,772,000	-40%	0%
State Motor Vehicle License Fees	26,000,000	19,700,000	19,700,000	-24%	0%
Grants Receipts	16,800,000	19,200,000	16,400,000	-2%	0%
Tobacco Settlement	11,872,000	11,872,000	12,028,000	1%	0%
Transfer from Telecommunications Dev. Account	5,436,895	3,996,000	3,871,000	-29%	0%
Residential Development Tax	4,000,000	2,796,000	1,920,000	-52%	0%
Transfer from Reserve Fund	85,840,092	63,597,000	—	-100%	0%
Transfer from Tax Reform Fund	15,980,000	16,045,000	—	-100%	0%
Total General Fund	\$4,437,775,963	\$4,390,062,000	\$4,475,103,000	1%	64%
Special Revenues					
Sewer Construction and Maintenance Fund	\$ 729,359,086	\$ 634,759,000	\$ 734,758,049	1%	10%
Solid Waste Resources Revenue Fund	193,256,400	202,965,000	268,567,879	39%	4%
Bond Redemption and Interest	171,624,632	171,625,000	164,279,912	-4%	2%
Special Gas Tax Street Improvement Fund	80,632,000	81,909,000	139,979,000	74%	2%
Building and Safety Enterprise Fund	120,000,000	120,000,000	115,000,000	-4%	2%
Proposition A Local Transit Assistance Fund	104,813,503	117,508,831	109,925,522	5%	2%
Prop. C Anti-Gridlock Transit Improvement Fund	82,668,695	80,434,469	78,456,438	-5%	1%
City Employees' Retirement Fund	58,702,338	58,702,000	60,133,892	2%	1%
Street Lighting Maintenance Assessment Fund	45,909,700	46,329,000	46,758,625	2%	1%
Local Public Safety Fund	39,300,000	36,900,000	36,900,000	-6%	1%
Community Development Trust Fund	32,522,347	32,328,000	35,666,434	10%	1%
Stormwater Pollution Abatement Fund	31,313,000	29,903,000	29,785,000	-5%	0%
Convention Center Revenue Fund	25,514,943	28,364,000	28,721,822	13%	0%
Code Enforcement Trust Fund	31,065,967	33,265,000	28,037,110	-10%	0%
Citywide Recycling Fund	18,670,000	20,612,302	20,394,492	9%	0%
Special Police Comm./911 System Tax Fund	20,902,513	20,500,000	20,354,079	-3%	0%
Disaster Assistance Trust Fund	923,787	14,910,769	16,884,122	1,728%	0%
Zoo Enterprise Fund	18,375,218	19,249,626	16,136,376	-12%	0%
Allocations from other sources	20,377,724	22,595,000	16,058,125	-21%	0%
Fines—State Vehicle Code	16,100,000	13,173,570	15,173,000	-6%	0%
Arts and Cultural Facilities and Services Fund	11,197,000	11,308,000	12,080,000	8%	0%
L. A. Convention and Visitors Bureau Fund	11,077,000	11,261,000	11,993,000	8%	0%
Telecommunications Development Account	5,302,170	7,436,000	11,548,927	118%	0%
Rent Stabilization Trust Fund	11,075,731	10,542,000	10,415,202	-6%	0%
Affordable Housing Trust Fund	45,429,730	71,011,000	10,000,000	-78%	0%
Workforce Investment Act	11,834,658	9,027,000	9,522,237	-20%	0%
Supplemental Law Enforcement Services	7,889,000	8,273,000	7,418,272	-6%	0%
Multi-Family Bulky Item Fund	—	5,973,000	7,410,283	n/a	0%
Neighborhood Empowerment Fund	7,861,997	7,862,000	7,133,712	-9%	0%
Special Parking Revenue Fund	37,738,534	41,113,701	6,108,283	-84%	0%
Landfill Maintenance Special Fund	4,834,720	4,803,000	5,350,000	11%	0%
HOME Investment Partnerships Program Fund	5,640,823	4,549,000	5,173,552	-8%	0%
Mobile Source Air Pollution Reduction Fund	4,960,000	5,585,000	4,900,000	-1%	0%
El Pueblo Revenue Fund	3,991,848	4,108,817	4,417,953	11%	0%
Staples Arena Special Fund	4,080,000	4,120,000	4,120,000	1%	0%
Street Damage Restoration Fee Fund	2,602,500	5,438,000	3,811,000	46%	0%
Central Recycling and Transfer Fund	—	—	3,065,623	n/a	0%
City Employees Ridesharing Fund	3,028,205	3,010,000	3,024,600	0%	0%
Local Transportation Fund	2,238,703	2,314,927	2,665,468	19%	0%
City Ethics Commission Fund	2,236,885	2,237,000	2,279,752	2%	0%
Older Americans Act Fund	1,682,203	2,000,000	2,219,000	32%	0%
Major Projects Review Trust Fund	1,851,000	2,190,000	2,080,000	12%	0%
Household Hazardous Waste Special Fund	2,091,200	2,131,507	2,079,750	-1%	0%
Community Services Administration Grant	1,797,661	1,798,000	1,876,864	4%	0%
Arts Development Fee Trust Fund	1,399,000	1,410,000	1,410,000	1%	0%
Municipal Housing Finance Fund	1,283,985	1,284,000	1,227,583	-4%	0%
Park and Recreational Sites and Facilities Fund	2,400,000	1,350,000	1,150,000	-52%	0%
Housing Opportunities for Persons with AIDS	491,472	420,000	313,110	-36%	0%
Efficiency and Police Hires Fund	244,000	180,000	—	-100%	0%
Forfeited Assets Trust Fund	—	4,439,000	—	n/a	0%
Local Law Enforcement Block Grant Fund	26,000	532	—	-100%	0%
Procurement Reengineering Trust Fund	(5,900)	—	—	n/a	0%
Tax Reform Fund	(37,914)	(102,849)	—	-100%	0%
VLF Gap Loan Financing Proceeds Fund	1,000,000	1,000,000	—	-100%	0%
Total Special Purpose Funds	\$2,039,274,064	\$2,024,106,202	\$2,126,764,048	4%	30%
Total Available Balances	\$ 340,632,770	\$ —	\$ 409,067,544		6%
Total Receipts	\$6,817,682,797	\$6,414,168,202	\$7,010,934,592	3%	100%

EXHIBIT 2: Summary of Appropriations

	Salaries	Expense	Equipment	Special	Total Proposed FY2008-09	Adopted FY2007-08	Change	Percent Change
Aging	\$ 4,080,456	\$ 135,397	\$ -	\$ -	\$ 4,215,853	\$ 3,511,599	\$ 704,254	20.1%
Animal Services	17,977,292	1,837,031	-	-	19,814,323	21,360,363	(1,546,040)	-7.2%
Building and Safety	80,746,776	2,710,098	-	-	83,456,874	80,968,927	2,487,947	3.1%
City Administrative Officer	13,025,661	942,261	-	-	13,967,922	13,604,014	363,908	2.7%
City Attorney	92,563,949	6,436,245	-	-	99,000,194	97,354,336	1,645,858	1.7%
City Clerk	20,597,010	7,220,917	-	-	27,817,927	11,464,146	16,353,781	142.7%
Commission for Children, Youth & Their Families	1,351,466	325,525	-	-	1,676,991	1,692,220	(15,229)	-0.9%
Commission on the Status of Women	269,567	22,883	-	-	292,450	536,325	(243,875)	-45.5%
Community Development	16,841,094	1,884,813	-	-	18,725,907	22,595,006	(3,869,099)	-17.1%
Controller	15,514,345	1,702,166	16,472	-	17,232,983	19,219,605	(1,986,622)	-10.3%
Convention Center	15,775,631	7,752,252	457,304	1,611,500	25,596,687	23,357,069	2,239,618	9.6%
Council	24,224,781	1,354,072	-	-	25,578,853	27,195,229	(1,616,376)	-5.9%
Cultural Affairs	5,256,262	488,750	-	3,709,729	9,454,741	10,068,269	(613,528)	-6.1%
Department on Disability	1,453,132	300,965	-	4,534	1,758,631	1,858,154	(99,523)	-5.4%
El Pueblo de Los Angeles	1,593,263	436,676	-	-	2,029,939	2,094,374	(64,435)	-3.1%
Emergency Management	1,727,755	73,945	-	-	1,801,700	1,807,309	(5,609)	-0.3%
Employee Relations Board	291,544	90,700	-	-	382,244	372,987	9,257	2.5%
Environmental Affairs	2,549,553	87,284	-	-	2,636,837	3,238,631	(601,794)	-18.6%
Ethics Commission	2,173,523	331,783	-	-	2,505,306	2,603,743	(98,437)	-3.8%
Finance	24,304,385	1,996,101	-	-	26,300,486	25,601,434	699,052	2.7%
Fire	533,207,663	23,366,480	156,394	-	556,730,537	535,025,379	21,705,158	4.1%
General Services	148,244,311	133,618,297	365,000	4,679,177	286,906,785	260,610,377	26,296,408	10.1%
Housing Department	39,003,679	5,811,367	-	500,000	45,315,046	45,133,995	181,051	0.4%
Human Relations Commission	545,127	83,297	-	-	628,424	1,283,899	(655,475)	-51.1%
Information Technology Agency	68,584,803	22,199,600	166,514	21,507,669	112,458,586	108,415,293	4,043,293	3.7%
Mayor	7,641,258	676,861	-	-	8,318,119	8,842,956	(524,837)	-5.9%
Mayor: Gang Reduction and Youth Development	1,434,183	17,217,103	-	-	18,651,286	-	18,651,286	New
Neighborhood Empowerment	3,447,405	352,858	-	6,000	3,806,263	4,196,399	(390,136)	-9.3%
Personnel	38,197,089	23,085,781	-	2,675,606	63,958,476	63,787,762	170,714	0.3%
Planning	28,655,117	4,738,045	275,614	-	33,668,776	31,289,110	2,379,666	7.6%
Police	1,267,316,394	47,249,548	9,410,960	-	1,323,976,902	1,227,258,245	96,718,657	7.9%
Board of Public Works	8,933,624	9,152,814	-	55,000	18,141,438	20,614,777	(2,473,339)	-12.0%
Bureau of Contract Administration	31,156,651	1,338,877	-	-	32,495,528	31,660,656	834,872	2.6%
Bureau of Engineering	79,563,576	3,276,191	-	-	82,839,767	81,991,691	848,076	1.0%
Bureau of Sanitation	197,092,874	70,337,064	-	-	267,429,938	247,996,028	19,433,910	7.8%
Bureau of Street Lighting	16,162,616	1,000,226	-	3,272,330	20,435,172	20,363,810	71,362	0.4%
Bureau of Street Services	87,249,378	73,198,229	-	-	160,447,607	155,796,527	4,651,080	3.0%
Transportation	119,654,076	31,066,626	-	-	150,720,702	140,913,546	9,807,156	7.0%
Treasurer	2,979,059	2,150,106	-	-	5,129,165	5,149,002	(19,837)	-0.4%
Zoo	15,372,877	3,749,169	-	207,000	19,329,046	19,181,852	147,194	0.8%
Total – Budgetary Departments	\$3,036,759,205	\$509,798,403	\$10,848,258	\$ 38,228,545	\$3,595,634,411	\$3,380,015,044	\$215,619,367	
Appropriations to Library Fund	\$ -	\$ -	\$ -	\$ 70,122,143	\$ 70,122,143	\$ 65,525,712	\$ 4,596,431	7.0%
Appropriations to Recreation and Parks Fund	-	-	-	130,403,537	130,403,537	131,762,706	(1,359,169)	-1.0%
Appropriation to City Employees' Retirement	-	-	-	223,008,026	223,008,026	58,702,338	164,305,688	279.9%
Appropriations to Fire & Police Pension Fund	-	-	-	-	-	282,600	(282,600)	-100.0%
Total – Appropriations	\$ -	\$ -	\$ -	\$ 423,533,706	\$ 423,533,706	\$ 256,273,356	\$167,260,350	
Total Departmental	\$3,036,759,205	\$509,798,403	\$10,848,258	\$ 461,762,251	\$4,019,168,117	\$3,636,288,400	\$382,879,717	
2008 Tax & Revenue Anticipation Notes	\$ -	\$ -	\$ -	\$ 423,369,704	\$ 423,369,704	\$ 702,687,521	\$(279,317,817)	-39.7%
Bond Redemption and Interest	-	-	-	164,279,912	164,279,912	171,624,632	(7,344,720)	-4.3%
Capital Finance Administration Fund	-	-	-	169,488,661	169,488,661	148,496,610	20,992,051	14.1%
CIEP – Municipal Facilities	-	-	-	13,330,000	13,330,000	30,984,557	(17,654,557)	-57.0%
CIEP – Physical Plant	-	-	-	31,468,009	31,468,009	17,621,879	13,846,130	78.6%
CIEP – Wastewater	-	-	-	247,585,000	247,585,000	230,000,000	17,585,000	7.6%
General City Purposes	-	-	-	79,920,488	79,920,488	99,595,913	(19,675,425)	-19.8%
Human Resources Benefits	-	-	-	514,276,000	514,276,000	470,397,000	43,879,000	9.3%
Judgement Obligation Bonds Debt Service Fund	-	-	-	4,299,080	4,299,080	6,821,699	(2,522,619)	-37.0%
Liability Claims	-	-	-	32,000,000	32,000,000	37,000,000	(5,000,000)	-13.5%
Proposition A Local Transit Assistance Fund	-	-	-	150,768,535	150,768,535	146,059,980	4,708,555	3.2%
Prop. C Anti-Gridlock Transit Improvement Fund	-	-	-	49,754,620	49,754,620	58,149,491	(8,394,871)	-14.4%
Special Parking Revenue Fund	-	-	-	47,685,812	47,685,812	42,096,191	5,589,621	13.3%
Unappropriated Balance	-	-	-	19,048,500	19,048,500	93,254,326	(74,205,826)	-79.6%
Wastewater Special Purpose Fund	-	-	-	411,372,418	411,372,418	405,382,398	5,990,020	1.5%
Water and Electricity	-	-	-	47,148,102	47,148,102	42,169,767	4,978,335	11.8%
Other Special Purpose Funds	-	-	-	585,971,634	585,971,634	479,052,433	106,919,201	22.3%
Total Nondepartmental	-	-	-	\$2,991,766,475	\$2,991,766,475	\$3,181,394,397	\$(189,627,922)	
Total	\$3,036,759,205	\$509,798,403	\$10,848,258	\$3,453,528,726	\$7,010,934,592	\$6,817,682,797	\$193,251,795	2.8%



Modernizing City Government



Modernizing City Government

The current budget crisis should serve as an opportunity to make long-needed changes in the way the City delivers services.

Efficiencies

One of the easiest ways to cut unnecessary spending and improve efficiency is to modernize, streamline and consolidate the City's information technology (IT) functions. Currently, we spend nearly \$500 million every year on IT equipment, maintenance, infrastructure and labor. Meanwhile, various departments have formed mini-IT sections, duplicating work and increasing costs. This has left the City lagging behind the pack in effective use of technology – and it is high time L.A.'s leaders took action to shift course.

Reviewing and restructuring the City's IT responsibilities will require a multi-year strategy and a long-term commitment from L.A.'s different departments. This budget plan takes steps to launch this effort in the coming year and ensure its success in the years to come.

The aim of this modernization initiative is to support the delivery of City services and improve our management capacity and accountability. The Information Technology Agency (ITA) is already working with all City departments to obtain better discounts for computer hardware and software purchases; consolidate expensive servers; and eliminate redundant IT projects. My budget proposal transfers City agencies' stand-alone IT sections and personnel to ITA, thereby boosting service levels and reducing costs.

Before taking this initiative citywide, however, the budget calls on ITA to undertake a series of pilot projects, starting with Bureau of Public Works and the City Clerk's Office, and extending to the Fire Department, the Commission for Children, Youth and Their Families (CCYF) and the Office of Gang Reduction and Youth Development (GRYD). Subsequent changes will depend upon the success of these initial efforts.

Improvements

A major owner of land, facilities and infrastructure, the City of Los Angeles has the ability to raise significant amounts of revenue from previously untapped sources. The lack of a strategic plan for how to utilize these resources through advertising, naming and licensing contracts has deterred the City from developing new and creative revenue streams.

Until this point, efforts to secure these revenues have proven few and far between. For instance, the Bureau of Street Services has an existing contract to provide ad space on its public benches and bus shelters. In addition, the L.A. Department of Transportation permits advertising on the back of DASH and Commuter Express Buses. Finally, LAX and Ontario Airport have concession agreements that allow for advertising within their terminals.

While these efforts have produced limited results, many City departments do not have the time, expertise or budget to develop and initiate alternative revenue-generating initiatives.

In light of the need to capture any and all revenue available to the City during the current crisis, my office will oversee the development of a citywide advertising, naming and licensing policy to generate additional revenues.

Modernizing City Government

The City will then contract with a professional agency to:

- a) develop a complete inventory of all City assets with the potential to bring in extra funds;
- b) analyze the City's current advertising, naming and licensing contracts;
- c) provide best-in-class examples of successful deployments and lessons learned from other cities around the world;
- d) develop a strategic plan for seeking out new revenue streams; and
- e) present final proposals to the Mayor, City Council and Department heads for their approval.

Layoffs – Long Term and Short Term

This budget faces the hard truth that the structure and composition of City government must change in order to ensure greater efficiency and remain focused on our top priorities. We must break with past practices and be prepared to share in the sacrifices needed to balance our budget.

Though we intend to do everything in our power to keep dedicated City Hall staffers working on behalf of L.A. residents, long-term layoffs will prove a necessary and unfortunate cost of downsizing public agencies. This plan proposes the elimination of over 700 positions from the City budget. These positions were identified based on an assessment of the core functions of each department. In addition, short-term layoffs, in the form of mandatory furloughs or reduced work hours, are proposed in order to save the City \$23 million in the coming fiscal year while enabling us to steer clear of additional long-term layoffs. I did not exclude the elected offices from mandatory short-term layoffs.

Reduction in the City Automobile Fleet

Los Angeles currently maintains a fleet of more than 10,000 vehicles. While these enable the provision of vital services to the public, belt-tightening here is also appropriate.

In this vein, I have directed all departments to participate in a fleet reduction of up to 10 percent. Given the high cost of fuel and the drive to decrease greenhouse gas emissions, this proposal will also eliminate fleet maintenance positions and generate revenue by selling some City assets.

Collection of Accounts Receivable

In light of the City Controller's recent findings that public agencies are not fulfilling their duties to track down payments for parking tickets, false alarms and ambulance rides, my office will work closely with all relevant departments to ensure that improvements to collections ensue.

My budget proposal adds innovation, efficiency and accountability to the collection process. It allocates the resources necessary to utilize new IT advances to improve collection rates; to create an automated system for ambulance billing services; and to replace the outdated false alarm system.

Departments impacted by these changes include the Offices of the City Attorney and the Controller, the Information Technology Agency, and the Fire and Police Departments.

Modernizing City Government

Replacing the Financial Management System

Any proposal to create a leaner, more efficient government rests on a strong management infrastructure. Today, the City's Financial Management System (FMS) is 20 years old; it is no longer a useful tool for informing and supporting a sound decision-making process. It is long past due for replacement.

My budget earmarks funds to modernize and revamp our FMS, creating a system so the City can set clear benchmarks, obtain real-time information and establish viable performance measures. It will also improve our ability to assess workflow capabilities, update databases, enhance accounts payable and receivable, and make the best use of staff time.

Building Accountability Measures

To track progress and make sure the City is delivering services as effectively and efficiently as possible, I established a Performance Management Unit (PMU). The PMU works with my office, General Managers and their respective departments to develop ways to keep track of progress and make sure we're on schedule. The PMU works with City agencies and departments to identify savings and highlight best practices. The PMU monitors and measures actual results against desired results and makes recommendations to close the gap where one exists.

This year for the first time, we have developed performance metrics for all City departments to eventually replace the outdated workload indicators. Some departments are already quite sophisticated in performance management techniques and have explicit targets. For others, the year ahead will establish baselines. In all cases, these metrics will help keep us focused on core functions, realizing efficiencies, and ultimately will lead to more and better services for the people of Los Angeles. I will be asking for quarterly progress reports and holding managers accountable for their performance.

Two examples:

FY2008-09 Performance Metrics for the Bureau of Sanitation

Example 1

1. Increase in number of gallons of wastewater treated per day and gallons of wastewater recycled.
2. Decrease in number of spills from wastewater facilities.
3. Percentage increase in tons of household refuse collected and diverted from landfills.
4. Percentage increase in solid waste recycled from household and other sources.
5. Reduction in polluted discharges to the storm drain system and local coastal waters

Example 2

FY2008 -09 Performance Metrics for the Department of Building and Services

1. **Counter transactions** – 85% percent assisted within 15 minutes, 97% within 30 minutes and 100% within 60 minutes and average wait time.
2. **Plan checks** – 100% percent completed in six weeks and 95% completed in four weeks for green building projects.
3. **Case Management** – 100% percent of cases assigned within two weeks and 50% of the feasibility studies are completed in two weeks and 100% are completed in four weeks.
4. **New construction Inspections** – 99% percent completed within 24 hours and 100% completed within 48 hours.
5. **Code Enforcement Requests** – 80% percent investigated within 72 hours and 70% closed in 60 days.

Universal Management Metrics

In August 2007, my office rolled out Universal Management Metrics (U-Metrics) – a system that helps us collect data that applies across all departments and track the progress of our work each day. It also gives general managers the freedom to manage their agencies with greater independence, while providing the oversight required for accountability.

The U-Metrics initiative will be implemented in full form in the year ahead. It will serve as an analytical tool, tracking organizational effectiveness across City departments in five areas.

More metrics and other structural changes are in the works for the coming fiscal year for the sole purpose of transforming our government and ensuring that we can respond to economic and environmental changes throughout the City at any moment.

My office will continue to employ U-Metrics as a vital resource in our management strategy, present all data to department heads, and utilize this information to make sure all programs are operating smoothly and effectively. And each quarter, we will collect data and report back to all City agencies through U-Metrics dashboards and measuring sticks in five key areas:

Payroll and Hiring Strategy

This dashboard provides a statistical snapshot of each department's current staffing level and spending policies when it comes to hiring new employees. Since L.A. adopted U-Metrics last August, this metric has helped identify \$7.5 million in savings for the current fiscal year.

Modernizing City Government

Liability Claims

This measurement will show year-to-date numbers of new claims and trends within the major categories of auto liability, employment practices, Fair Labor Standards Act and general liability suits against each department.

Accounts Receivable

This will measure a department's effectiveness in the collection of accounts receivables against historic data, other City agencies and the citywide collection rate.

Accounts Payable

This will track a department's efforts to make payments within a specific time frame, thereby allowing the City to take advantage of any discounts and avoid late payment penalties.

Workers' Compensation

This tool will analyze three areas: the impact of injury on duty on a department's staffing levels; workers' compensation trends; and departments' ability to place injured workers on light duty positions while they complete their recovery.

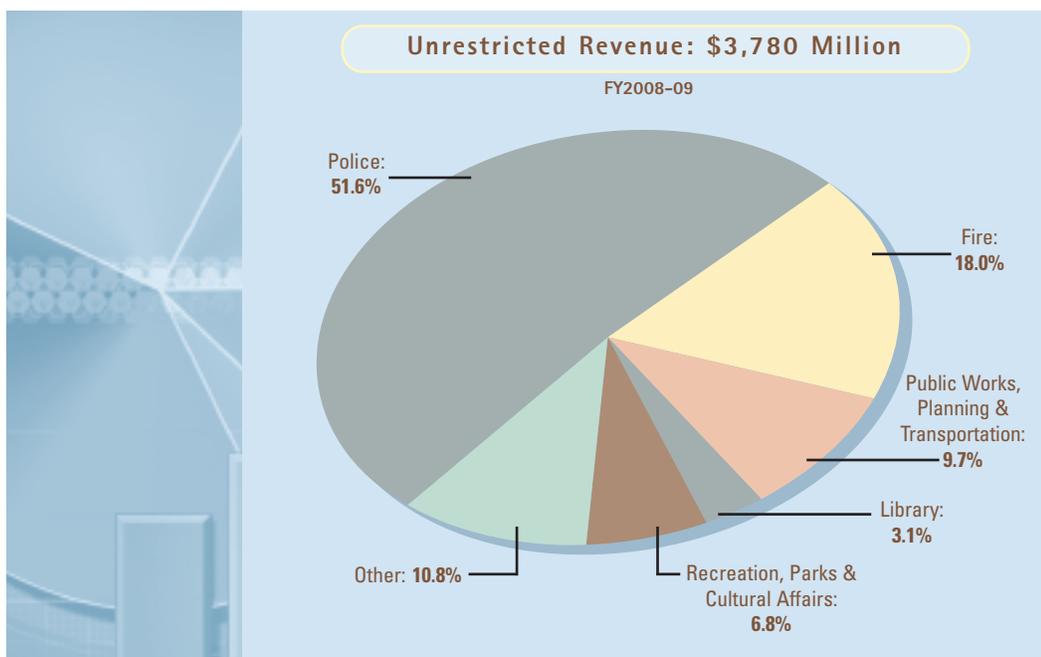
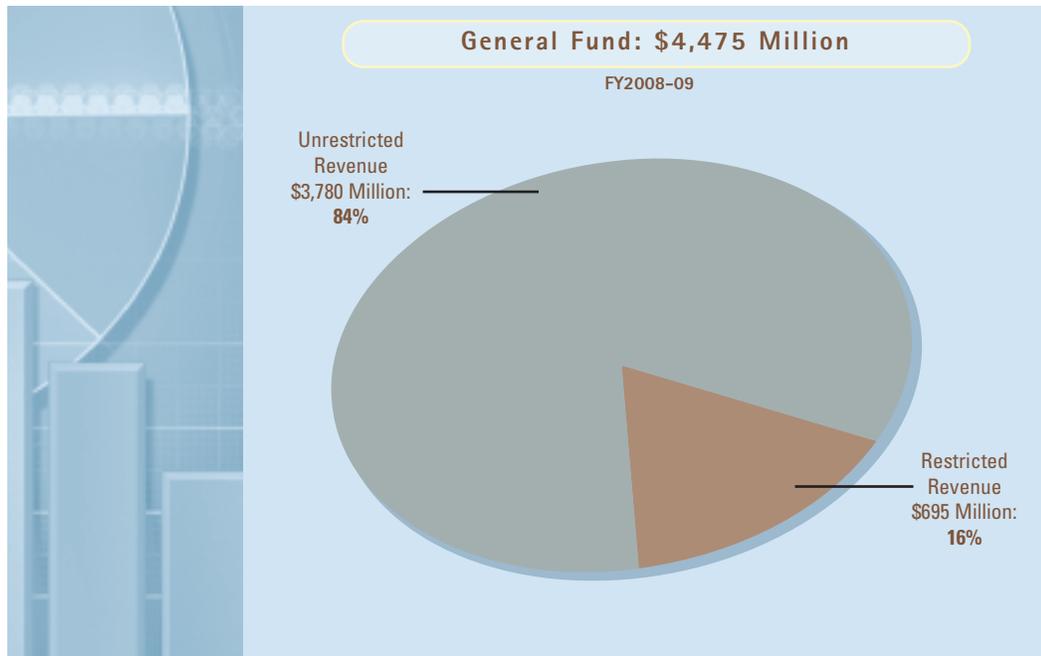


Focusing On Our Top Priorities



Focusing On Our Top Priorities

The largest spending area of the City's budget is by far public safety which includes fire and police services. The proposed budgets for the Police Department and Fire Department represent the two largest expenditures in the City, accounting for 51.6% and 18.0% respectively of the City's unrestricted revenue of \$3,780 million.



Focusing On Our Top Priorities:

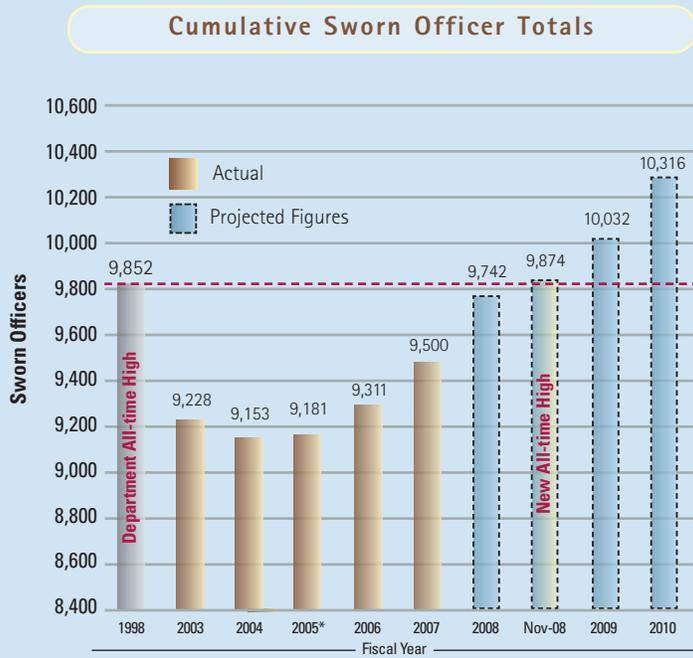
Securing Our Neighborhoods

A Safe City: Protecting the Police Buildup

As Mayor, I believe that tough budget times should clarify our goals and objectives, not cause us to abandon them. Public safety is my number one priority. For a safe city is the precursor to the overall health and financial well-being of our community – its present and its future. When crime is down, the creative economy can grow; businesses and entrepreneurs will locate and expand here, wages will rise, and unemployment drops. Declining violence in our neighborhoods means students can focus on their studies instead of fearing for their safety; parents can feel secure on their blocks and homes; and leaders can direct their attention to the considerable economic and social challenges facing so many Los Angeles families.

Upon taking office nearly three years ago, I made a commitment to put 1,000 new cops on the street to increase the size of the Los Angeles Police Department to historic levels. Under my administration, public safety moved back to the center of our policy agenda. Using crime data, community partnerships and focus, areas once defined by murders and mayhem have begun to be transformed.

Since July 2005, the Los Angeles Police Department has increased in size, growing from 9,181 officers to over 9,700 officers – the highest number of department personnel in 12 years. By winter, 2008, we project that LAPD deployment numbers will reach an all-time high, surpassing 9,850 and keeping on track to reaching our goal of 10,000 officers.



This buildup and the innovative leadership of Chief William Bratton have yielded outstanding results for the people of Los Angeles. Crime has dropped six years in a row, falling to levels unseen in a half century. Just 15 years after reaching their peak, there were fewer homicides than in any year since 1970. A year after announcing a jump in gang violence and rolling out plans to target the worst offenders, gang-related crime has begun to retreat.

All signs point to the brave men and women of the LAPD as the driving force behind these successes. They fulfill their mission "to protect and to serve" with honor and integrity each and every day – and we must keep our commitment to giving them the resources, training and support to do their important work.

A Comprehensive Strategy to Reduce Gang Violence

Tragically, gang violence has plagued this City for too many decades. Recent high-profile shootings and attacks are powerful reminders that gang-related crime continues to bully and haunt our neighborhoods and communities. It remains one of our most intractable and urgent challenges.

Despite declines in gang activity in 2007, there are still too many young people joining gangs and too many innocent victims gunned down at the hands of violent gang members. Our city is diminished by the loss of each life. Last year we saw a 26 percent drop in gang homicides and a 14 percent decrease in the number of gang-related shooting victims; however, this still meant that 216 people lost their lives to gang violence and more than 1,300 residents were victimized by the guns of gang members. Beyond tragic, these human losses are unacceptable, and we must deepen and broaden the City's strategies to confront this challenge.

Our children deserve the opportunity to achieve their dreams, to succeed; to lead productive long lives, and to steer clear of a path toward gang violence. I am committed to building on our success of the past year, continuing our smart policing and suppression efforts, expanding our investment in at-risk neighborhoods, and employing comprehensive strategies, some existing and some new, that take aim at the root causes of gang membership and crime.

A New Approach

Because gang violence centers around turf, we created Gang Reduction and Youth Development (GRYD) Zones and targeted these regions for improvement and investment. My 2008-09 budget includes bold, inventive changes to our anti-gang strategy. These common-sense reforms will ensure greater efficiency and accountability, and will improve our ability to serve the public and protect families from the acts of violent street gangs.

At the center of this approach is the consolidation and coordination of existing citywide gang reduction efforts. My proposal calls for the immediate transfer of all City-funded gang prevention and intervention initiatives into the Mayor's Office of Gang Reduction and Youth Development. This means using funds from the Community Development Department (CDD) to create four new GRYD zones and integrating "Safe Passages" into the GRYD model to ensure secure routes for students traveling to and from school in neighborhoods of high gang violence. Because of this transfer of funds to my office, my overall budget shows an increase of 204 percent. To be clear, if we exclude this transfer, my office is taking an over five percent cut from the FY2007-08 adopted budget.

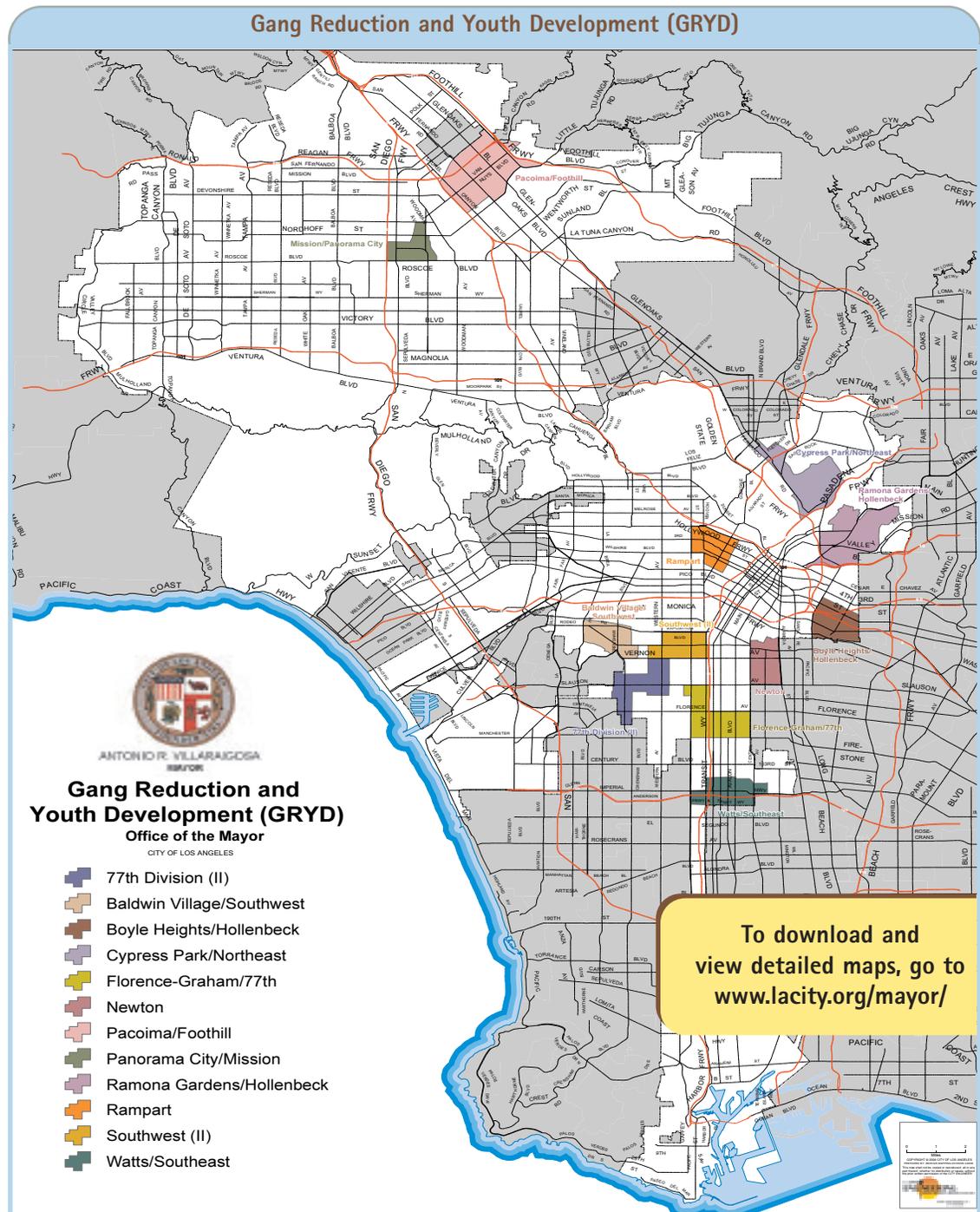
Our plan aims to utilize only the most effective programs operated by the Human Relations Commission and the Commission for Children, Youth and Their Families (CCYF); deepens successful initiatives like Kid Watch L.A. and the Walking School Bus; establishes strategic partnerships with the faith community; and tailors after-school and recreation and parks programs to reflect the realities and struggles of urban teen life.

Another major component of these reforms will involve the creation of advisory panels to provide analysis and advice to my office and help develop and implement new gang initiatives. This will ensure that the best thinking throughout the City comes directly to my desk; that we coordinate our efforts across all departments and partners; and that transparency and accountability permeate the work.

Focusing On Our Top Priorities:
Securing Our Neighborhoods

I am dedicating a total of \$24.3 million – including \$19 million from this year's budget – to provide funding for eight existing zones and establish four additional ones. Each of these areas will receive \$1.5 million annually in funding for targeted prevention, intervention, and re-entry programs. In addition, \$2.4 million will be available citywide outside of the GRYD Zones for prevention and intervention programs.

The new zones are concentrated in geography; they were selected based on crime statistics, drop-out rates, poverty numbers, unemployment rates, number of child abuse and neglect cases, and population density.



Focusing On Our Top Priorities:

Keeping L.A. Moving

As we plan for the future and pursue a new agenda to keep Angelenos on the move, the City is doing everything possible to improve the flow of traffic on streets and corridors around L.A. We plan to synchronize every light in Los Angeles, and this past year we secured \$150 million from the state to complete the job. We banned rush-hour construction, deployed traffic officers at our busiest intersections, and put a plan in motion to install more left-turn signals. We have expanded Rapid Bus service citywide, opened the Orange Line in the Valley and broken ground on the Expo Line and the Eastside Gold Line Extension. And we are working to secure funding for a downtown light rail connector and a Subway to the Sea.

A Campaign Against Gridlock

Since the beginning of 2008, my office and the L.A. Department of Transportation (LADOT) have mounted an aggressive campaign to implement a series of traffic relief measures designed to optimize traffic flow on our local streets and roads. These common-sense steps use existing funds and represent concrete action to cut commute times and improve public safety.



Working to make the life of L.A.'s drivers just a little easier, the City's transportation workers and I have been rolling up our sleeves to develop and implement the following initiatives in this year's budget:

Parking management and meter technology

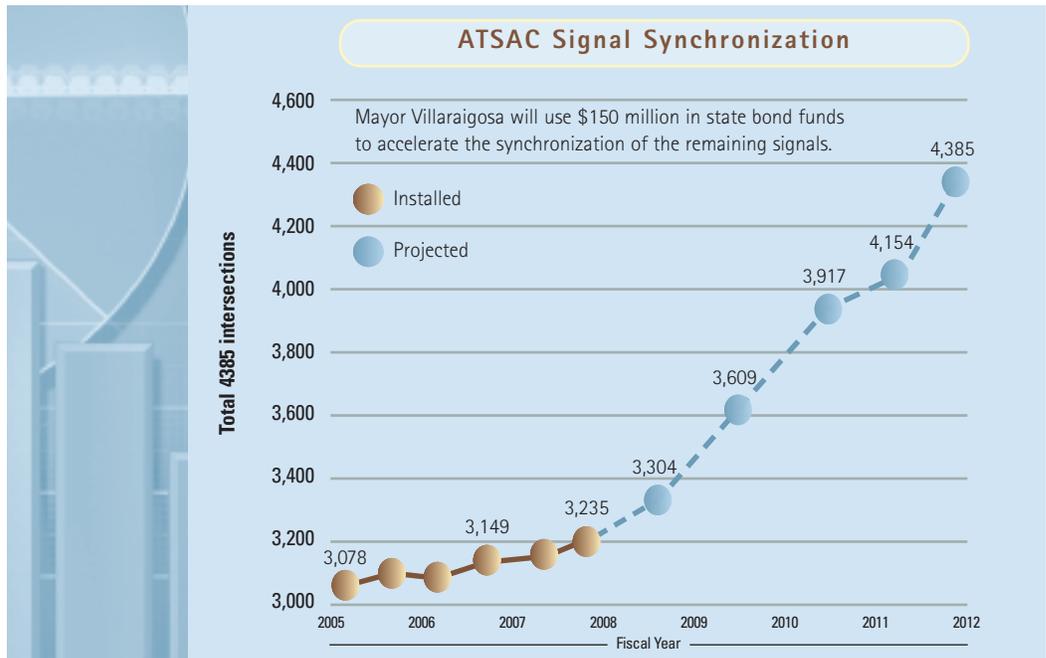
In addition to increasing rates and hours, I am implementing state-of-the-art parking meter technology for 15 percent of the meters to improve accountability and reliability. Not only does this make for a more convenient means of payment, it will supplement City revenues to support my other transportation initiatives.

Focusing On Our Top Priorities:

Keeping L.A. Moving

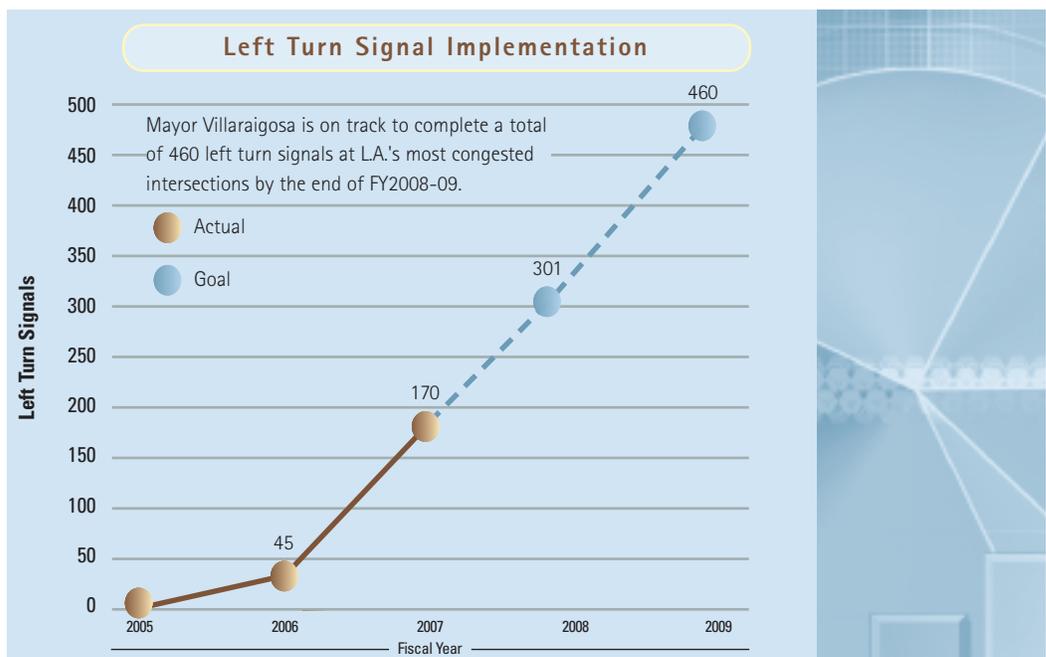
Signal Sync

Using L.A.'s state-of-the-art traffic monitoring system, our transportation team is on the path toward synchronizing every traffic signal in the City, clearing our major corridors and moving commuters more smoothly on their way to and from work. In my budget, I have protected the expanded hours of operation at the Automated Traffic Surveillance and Control System Center.



Left-Turn Signals

Installing left-turn signals at intersections across the City is an easy, low-cost and effective way to reduce congestion, improve traffic flow and cut down on the possibility of traffic collisions.



Keeping L.A. Moving

Tiger Team IV

Employing new License Plate Recognition technology, LADOT's Tiger Team will be on the prowl on Sunset Boulevard and other busy streets, identifying violators and towing cars illegally parked during rush hour.

Fast Corridors Program

Based on analysis by LADOT engineers and experts, this four-year City effort alters signal timing and re-stripes lanes on 19 primary transit arteries around the City. Since its inception at the start of my term, travel speeds on these streets are up as much as 33 percent and travel times have improved by up to 28 percent.

Operation Bottleneck

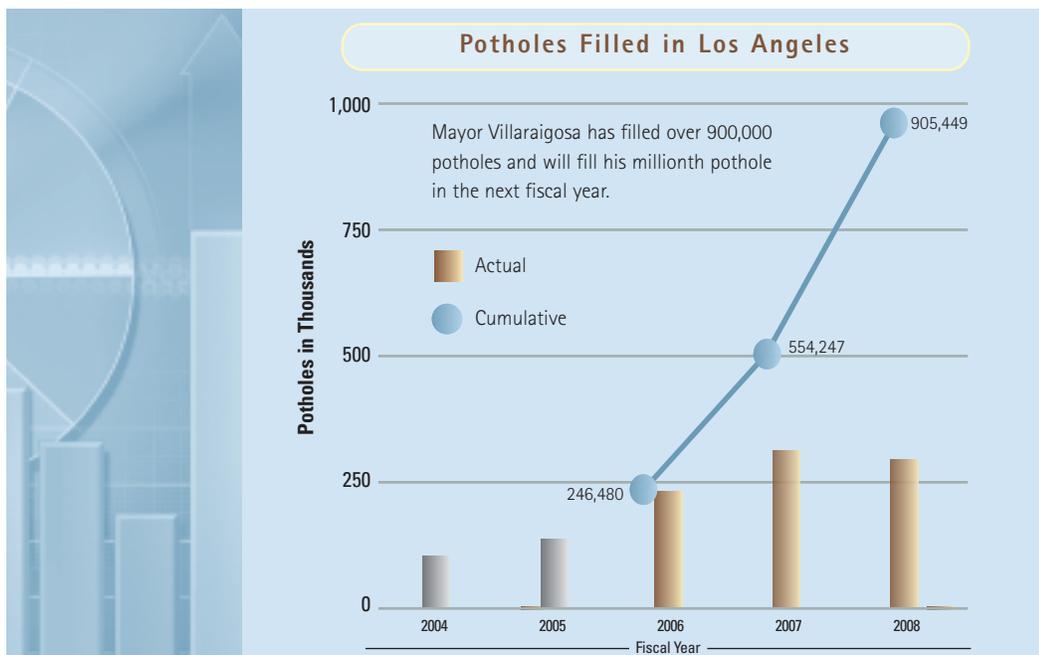
Continuing to re-time and optimize traffic signal lights at the most congested intersections in the City to ultimately improve travel times and reduce traffic congestion.

Diagonal (Scramble) Crosswalks

Improving pedestrian safety and reducing traffic congestion by separating pedestrian and vehicle traffic through signal timing and diagonal crosswalks.

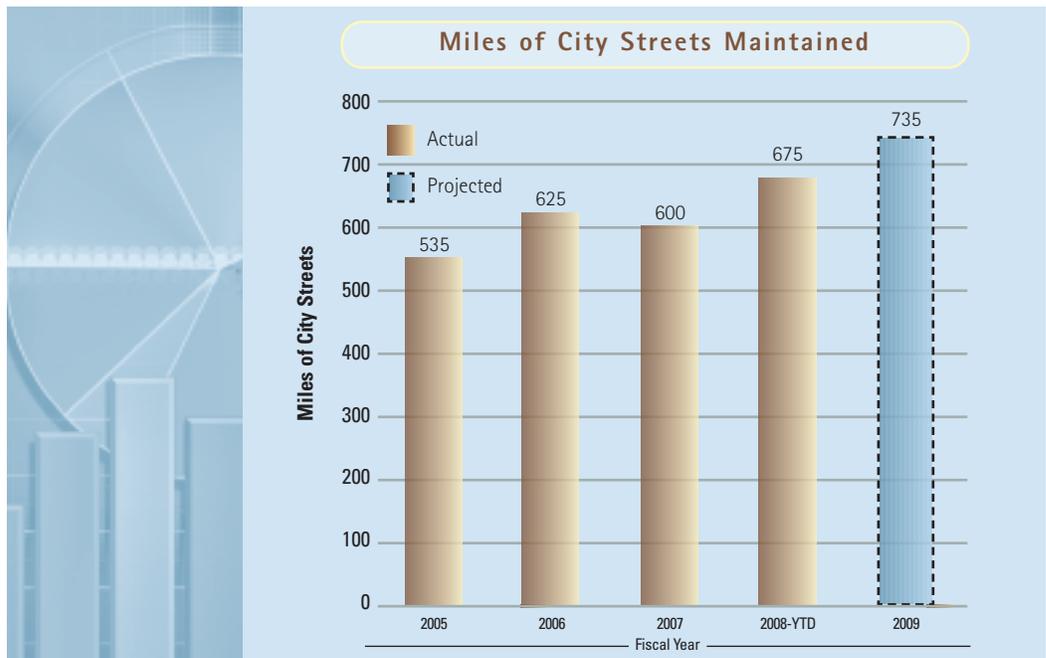
Rebuilding our Roads

The City of Los Angeles has 6500 miles of streets (28,000 lane miles) to maintain and repair. This street system is the largest in the country. Since taking office, I have made filling potholes and repaving City streets a top priority. The Operation Pothole Patch-Up Squad has worked around the clock – day in and day out – to fix two of the City's biggest problems; potholes and traffic congestion. These street repairs have dramatically improved our roads, and have allowed Angelenos to save time on their commutes, money in repairs and have provided safety on the road. After filling over 900,000 potholes since taking office, I endeavor to maintain this rate of progress and fill our one millionth pothole during this next fiscal year.



Street Maintenance

Even in these tight economic times, I have managed in this budget to increase service levels of some essential and core City services, for example street maintenance and repair. The Bureau of Street Services will resurface 235 miles in FY2008-09. Combined with 400 miles of slurry seal and 100 miles of crack sealing, the total miles of City streets maintained for FY2008-09 will be 735 – more than in previous years.



Focusing On Our Top Priorities:

Going Green

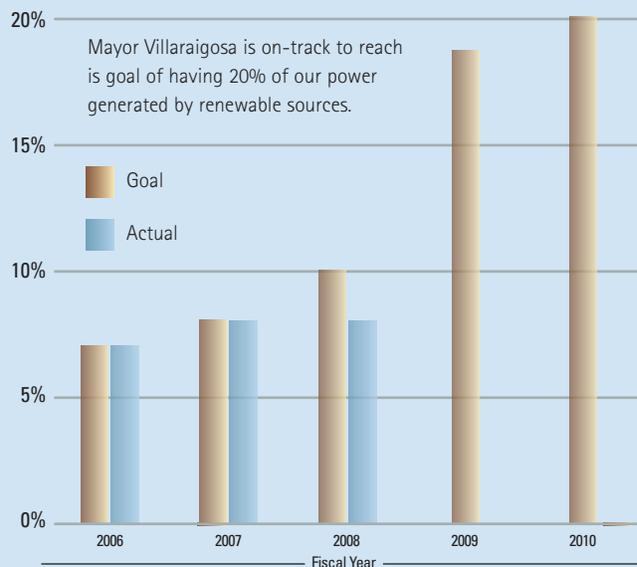
When I took office, I pledged to make Los Angeles the cleanest, greenest big City in America – and we are well on our way to reaching that goal.

The City has made an unprecedented and unmatched investment in renewable sources of energy. The Department of Water and Power (DWP) is breaking ground on new projects to power our neighborhoods into the future. The Port of Los Angeles is implementing landmark changes to clear the air and cut pollution, helping L.A.'s families breathe easier. Our communities are continuing to set the standard in the realm of water and energy conservation, demonstrating our collective commitment to a sustainable future.

Reducing Our Carbon Footprint

Last year, City officials joined me in rolling out GREEN LA, our plan to cut greenhouse gas emissions and reduce our carbon footprint. The cornerstone of this initiative is bold – a pledge to increase L.A.'s use of renewable energy to 20 percent by 2010 and 35 percent by 2020. This means investing in sources ranging from solar and wind to biomass and geothermal energy. Currently LADWP is actually sourcing eight percent of its power from renewable sources. A further five percent is under contract for guaranteed delivery by 2010 and they are in negotiations for an additional 11 percent by 2010. These contracts should be resolved by the end of this fiscal year.

L.A. Energy Generated by Renewable Sources



Our environmental efforts rely on a series of initiatives to transform the City into a model of energy efficiency and innovation. We are retrofitting all City-owned buildings and reducing energy consumption by 20 percent or more in these structures. We are installing 50 "cool roofs" on City buildings by 2010 and relying on new technology to translate waste into reusable energy. The DWP broke ground on a wind farm in the Mojave Desert, which will bring our use of renewables to even greater heights.

The coming year will see the momentum created by our GREEN LA plan turn into tangible results for L.A. residents.

Breathing Easier by the Port

The Port of Los Angeles is an economic engine for Southern California, creating hundreds of thousands of jobs and serving as the entry point for investment from around the world. In March 2008, the Port of Los Angeles adopted the historic Clean Truck Program. This plan will require all 16,000 diesel trucks at the Port to meet some of the toughest environmental standards in the nation. It will slash truck emissions by 80 percent. It will transform the broken system currently operating at the Port to one that can sustain environmental gains now and in the future.

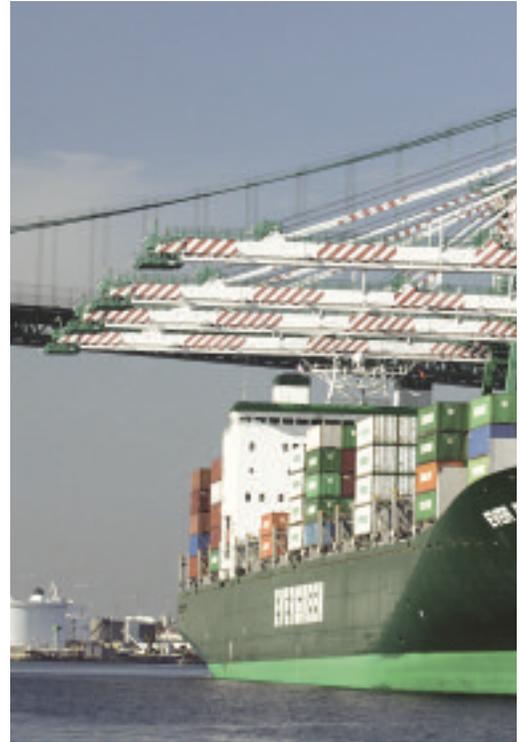
Most importantly, the Clean Truck Program creates community-friendly provisions designed to alleviate the burden of truck activity placed on communities near the Port.

The truck initiative is a key element of the Clean Air Action Plan (CAAP). The first of its kind anywhere in the world, the CAAP is a comprehensive plan to address and curb emissions from port-related sources, including ships, trains, trucks, terminal equipment and harbor craft. Drafted with extensive input from environmental, community, industry stakeholders, the CAAP also commits the Ports to invest hundreds of millions of dollars in air-quality improvement programs.

In addition, the CAAP:

- will cut port related emissions by 45 percent or more over a five-year period, including: 47 percent reduction in diesel particulate matter; 45 percent reduction in nitrogen oxides; 52 reduction in sulfur oxides.
- relies on pollution-based impact fees, ensuring the worst polluters pay their part to improve air quality.
- encourages ships entering and exiting the harbor to reduce speed limits and use low-sulfur, clean-burning fuels to minimize diesel emissions in the area.
- calls for cargo ships to shut down dirty diesel-powered auxiliary engines while docked and instead use shore-side electricity by 2016.
- commits to eliminating dirty trucks by helping to finance a generation of clean big-rigs.

As these changes reduce air pollution and cut emissions, they will also expand the economic success of the region's economic engine. According to a study commissioned by the Port, replacing the current truck fleet and accomplishing other measures included in the Clean Air Action Plan will create 300,000 to 600,000 jobs over the next two decades.



Focusing On Our Top Priorities:

Toward a More Vibrant Economy

Los Angeles is the City where the world comes together. This is a global capital, linking the manufacturing powers of the east to the growing economies of the south. There is no other American city in a better position to ride the rising tide of trade, investment and tourism into a brighter and more secure future.

As the City confronts the challenge of a slowing economy and falling revenues, I went to every expert, analyst and official for advice and insight. Each one of them reiterated that the fundamentals of the L.A. economy are strong. Building on those strengths, and working with partners from business, labor and community, we developed an aggressive strategy to extend the wide net of opportunity to a growing circle of families. A living wage, good benefits, and stable employment should be a possibility for every Angeleno – and not a perk for a privileged few.

Our central challenge as a City lies in imagining and building a future where more middle class families can flourish and grow, and where more of our people reach a level of comfort and security. Even though the City's history has not been synonymous with the phrase "smart growth," our future needs to be. That's why we have put a plan in place to increase the number and quality of jobs; position L.A. as a hub of trade; invest in signature development projects, broaden the scope of affordable and workforce housing opportunities and preserve the character and future of our City's diverse neighborhoods.

Connecting L.A. Residents to High Quality Jobs

In January 2008, the Los Angeles Economy and Jobs Committee (LAEJC) submitted 100 recommendations for ways to improve the business climate and stimulate job growth in the City. Building on their work and ongoing efforts to expand our workforce, my office developed and unveiled the initial components of the Economic Action Plan – steps to carry the economy through difficult times and emerge from this period stronger than ever.

At the center of this strategy is our plan to move 100,000 Angelenos into living wage jobs by June 30, 2010 through training placements, job creation and job improvements. This bold initiative will increase educational opportunities for those seeking out employment; it will prepare workers for the jobs of the future; it will provide counseling and resumé workshops for potential workers; it will offer residents the tools and resources to obtain a job with good pay and good benefits; and it will invest in the City by investing in its residents. Our effort will require innovation and commitment from L.A.'s best minds. My budget maintains our investment in workforce development centers, sector training and job training sites across the City.

Another key piece of this strategy involves getting young people into the workplace. Working with private and public sector partners throughout Los Angeles, 4,000 youth were connected to summer and year-round employment in 2005–06; 7,100 in 2006–07; and 10,000 in 2007–08. And this fiscal year, I have set an ambitious goal to connect 15,000 students and young adults to jobs.

A new initiative is the L.A. Infrastructure Academy, a novel program to expose talented young people to public agencies and job pipelines in those public agencies where infrastructure development is essential – our Department of Water and Power being the prime example – and offering them the opportunity to work on behalf of the City and learn new trades and skills. This is an investment in the workforce of tomorrow, in the future success of our great City, and in the ongoing progress of our economy. We must make this a priority in the budget and in our public policy debate in years to come.



A Crossroads of Trade and Tourism

Los Angeles has long been a meeting point for trade and commerce from across the globe. Along with our partners in Long Beach, the Port of L.A. brings in more than 40 percent of all goods entering the United States. L.A. County ranks first in the nation in two-way trade. Nearly a half million local jobs are related directly to trade. With new connections made every year, the City has been transformed into a worldwide commercial capital, linking Asia, the Pacific Rim, and Central and South America to the broader economy of the U.S.

Over the course of my administration, our international trade efforts have resulted in agreements to bring \$300 million in foreign investment into L.A. from South Korea, as well as great interest from China and Japan; they have produced a memorandum of understanding (MOU) between the Mexico Business Council for Foreign Trade, Investment and Technology and the L.A. Chamber of Commerce; and they have enabled Los Angeles to be the first city to open a tourism office in Beijing, open convenience stores downtown, break ground on a factory employing hundreds of local workers, and initiate a successful advertising campaign to promote tourism and fashion innovation across Southeast Asia.

A bright spot in our economy is that tourism to Los Angeles is at an all-time high – and more tourists mean more money and jobs in the local economy. The tourism industry employs 260,000 residents in this area, making travel and tourism the second largest industry in L.A. County. In addition, over 100,000 visitors from China alone generated more than \$109 million in spending in 2006, and 19 weekly non-stop flights from China to LAX have created hundreds of millions of dollars in wages and thousands of jobs. Finally, our sales force at LA Inc. and new developments downtown have increased the number of Convention Center bookings from seven in 2005, 21 in 2006, over 40 in 2007 – meaning more business, hotel reservations, restaurant customers, and shoppers visiting our City than ever before.

A Blueprint for Affordable Housing



My administration has worked to improve the quality of life for all Angelenos. Policies that are both fiscally responsible and socially progressive have infused a new brand of leadership in all the City's agencies and departments. My strategy has been to appoint great leaders, insist on effective management of public resources, and focus on the critical needs of the City.

Few of those needs are more pressing than the challenge of affordable housing. In 2007, L.A. ranked the least affordable market in the nation. Nearly 30 percent of L.A.'s working households spend more than half their income on housing. These simple facts have enormous implications for the economic and social vitality of our City. Confronting this challenge, I have taken action to alleviate the pressures of housing costs in the future. My administration has fully funded the Affordable Housing Trust Fund two years running. This year we have identified every local dollar available for housing development into one clear budget, and have taken the confusion out of the housing financing process. With a total of \$200 million, we aim to leverage billions of State, Federal and Private Sector funds for affordable

housing. Working with partners in the L.A. Housing Department, the Community Redevelopment Agency, and the Housing Authority of the City of Los Angeles, we have reformed our process for delivering Section 8 housing vouchers, started housing fairs to help families find affordable housing options, offered assistance to households in need and committed \$50 million every year toward permanent supportive housing – putting cheaper housing and community resources in one place for local low-income and homeless populations. Thanks to these efforts, there are now more than 700 units of housing for homeless individuals in the pipeline.

Beyond local funds and efforts, my office has led vigorous lobbying efforts to attract money and investment from Washington, D.C. As a result, this year the City will receive over \$72 million from the Department of Housing and Urban Development (HUD) to help fight homelessness across the City. Comprised of nearly \$60 million in grants for ongoing programs and over \$12 million in new funds for the Shelter Plus Care initiative, this support represents a 26 percent increase in funding in just one year.

LOS ANGELES AFFORDABLE HOUSING TRUST FUNDS

The Los Angeles Affordable Housing Trust Funds (LAAHTF) are comprised of monies and resources dedicated to the purpose of providing affordable, safe, secure and decent housing. LAAHTF sources are used for the purpose of acquiring, developing, constructing and rehabilitating single-family and multifamily residential housing developments. Funds are also used for the purpose of making loans for the financing or refinancing of the acquisition, development, construction and rehabilitation of single-family and multifamily residential housing development.

2008-09 Proposed Budget

HOUSING DEPARTMENT - AFFORDABLE HOUSING TRUST FUND	
Community Development Block Grant	\$ 6,000,000
HOME Investment Partnership Program Grant	39,000,000
Workforce Housing Grant	2,000,000
Department of Water and Power - Sustainable Development Housing Fund	1,000,000
City Land Contributions	4,400,000
Subtotal Housing Department - Affordable Housing Trust Fund	\$ 52,400,000
COMMUNITY REDEVELOPMENT AGENCY OF LOS ANGELES (CRA/LA) - AFFORDABLE HOUSING TRUST FUND	
20% California Statutory Low and Moderate Income Housing Fund (LMIHF): Tax Increment and Bond Proceeds	\$ 36,000,000
5% L.A. Bonus LMIHF: Tax Increment and Bond Proceeds	9,000,000
New Workforce Housing Innovation Fund	12,000,000
Contribution to New Generation Fund	7,000,000
Subtotal CRA/LA - Affordable Housing Trust Fund	\$ 64,000,000
HOUSING AUTHORITY OF THE CITY OF LOS ANGELES (HACLA) - AFFORDABLE HOUSING TRUST FUND	
Permanent Supportive Housing - Project Based Voucher (PBV) Fund	\$ 30,000,000
Public Housing Development - PBV Fund	25,000,000
Development Capital Reserves	40,000,000
Subtotal HACLA - Affordable Housing Trust Fund	\$ 95,000,000
TOTAL LOS ANGELES AFFORDABLE HOUSING TRUST FUNDS	\$ 211,400,000



Proprietary Departments Highlight



Proprietary Departments

Proprietary Departments Highlight

The City's proprietary departments and the Community Redevelopment Agency (CRA) are significant public and community assets. They provide essential public services and advance significant initiatives in international trade and tourism; environmental stewardship; economic development and job creation. A snapshot of their scale, scope, achievements and fiscal year goals follows.

Budget Component	Amount (\$ Millions)	Authorized Positions
Proprietary Departments:		
Airports	\$ 3,189	3,657
Harbor	1,060	1,074
Water and Power	5,796	9,722
Total Proprietary Departments	\$ 10,045	14,453
Community Redevelopment Agency:	\$ 726	270
City Budget:		
General Fund	4,475	-
Special Funds	2,536	-
Total City Budget	\$ 7,011	36,894
Grants and Other Non-Budgeted	\$ 1,125	-
Total City Government	\$18,907	51,617

Los Angeles World Airports

Principle Achievements FY2007-08

- Remaining on time and on budget to meet 2010 completion date for the modernization of the Tom Bradley International Terminal.
- Approved a Sustainability Vision and Principles Policy including goals related to water conservation; reducing pollution; recycling; and conserving energy.
- Added nine airlines providing new international service to Los Angeles. In total the carriers are adding 126 weekly arrivals and departure with an economic impact of more than \$5.5 billion annually.
- Increased regional air service distribution by increasing daily departures at L.A. Ontario International Airport by 25%; destinations served by 50% along with a 63% gain in the number of nonstop destinations.

Principle Goals FY2008-09

- A Capital Improvement Program (CIP) that includes: a consolidated and prioritized list of capital improvement projects; cost estimates for each component project; a negotiated financing plan with the airlines; a sequencing plan and the formation of processes and procedures that will govern the management of each element of the CIP.
- The design, approval and launch of strategic plans for both landside and property development to look at parking systems and cargo development respectively.
- The preparation of a L.A./Van Nuys Airport Strategic Plan to achieve a self-sustaining enterprise that is designed and constructed to accommodate the both propeller and jet aviation.

Harbor Department, City of Los Angeles

Principle Achievements FY2007-08

- Launch of the Clean Truck Program, a major component of the San Pedro Bay Ports Clean Air Action Plan (CAAP), to 2007 environmental standards.
- Completion of the TraPac Environmental Impact Report (EIR) and an associated community benefits fund that provides an innovative way to meet environmental and community needs.
- Approval of a cargo infrastructure fee that will generate \$1.4 billion for transportation projects to improve traffic flow and air quality in the Harbor Area.

Principle Goals FY2008-09

- Continuing expansion of Port Police personnel and security enhancements.
- Completing major components of the Los Angeles Waterfront Development projects.
- Advancing cutting-edge "green" growth programs under the CAAP including beginning construction on TraPac and completing EIRs for other terminal projects.
- Implementing projects to increase business, employment and training opportunities locally and region-wide, generating an estimated additional 2,306 jobs.

Department of Water and Power

Principal Achievements FY2007-08

- Began construction of Pine Tree, the largest municipally owned wind farm in the nation, which will increase our renewable portfolio by 1.4 percent moving LADWP closer to its goal to achieve 20 percent renewables in 2010 and 35 percent in 2020.
- Improved customers' energy efficiency by distributing over 400,000 CFLs to date, exchanging 30,000 energy efficient refrigerators to low income customers.
- Increased security presence and made significant capital investments at the reservoirs and other critical locations to ensure a safe and reliable drinking water supply, including a sophisticated monitoring alarm system and construction of barriers to prevent unauthorized entry.
- Continued environmental restoration efforts in Mono County and the Owens Valley, including beginning the first springtime water release into the Lower Owens River to spur the continued rebirth of this once dry riverbed.
- Meet more stringent newly implemented Water Quality Regulations.

Principal Goals FY2008-09

- Improving the reliability of the power system infrastructure by replacing the aging electrical distribution infrastructure, reducing costs, proactively preparing for and responding to power outages during inclement weather.
- Continue efforts to mitigate environmental impact through the Energy Efficiency and Renewable Portfolio Standards programs. LADWP has under contract to build or deliver an additional five percent renewable power and has entered into negotiations for an additional 11 percent renewable power to meet the 20 percent renewable power goal by 2010.
- Aggressively implement water conservation programs by expanding our use of recycled water, reducing our reliance on imported water, and capturing more stormwater to recharge our groundwater aquifer.

Community Redevelopment Agency

Principle Goals FY2008-09

- Produce more affordable housing at varying levels of affordability, including ownership opportunities.
- Preserve and produce more quality jobs.
- Strengthen community relationships and create healthier neighborhoods through sustainable urbanism.
- Maintain the traditional 5 percent contribution to the City's Affordable Housing Trust Fund and devote an additional 8 percent to City Public Infrastructure.
- Protect capital for direct investment in redevelopment projects and programs.

For additional budget information and
online budget documents please visit:
<http://www.lacity.org/mayor/budget>