



City of Los Angeles

CAO OVERVIEW OF THE FISCAL YEAR 2013-14 BUDGET AS PRESENTED BY MAYOR ANTONIO R. VILLARAIGOSA

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City Administrative Officer

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Summary

- For the first time since 2008-09, the budget does not require the City to declare fiscal emergency.
- The proposed budget addresses the structural deficit by relying mostly on ongoing solutions (68%), significantly reducing the projected deficit for FY14-15 and ending with a surplus by FY 17-18.
- Should the labor-related savings in the proposed budget be achieved, this budget will restore service hours, avoid furloughs, and will not result in layoffs.
- The proposed budget restores priority services without relying on speculative revenue or deficit borrowing.
- The proposed budget achieves our CIEP policy threshold of investing 1% of General Fund dollars towards capital infrastructure.
- The proposed budget addresses all of the five guiding principle/pillars presented by the CAO as part of the Three-Year Plan to Fiscal Sustainability.



Budget at a Glance

TOTAL 2013-14 CITY GOVERNMENT

| | Appropriations (\$ Millions) | Authorized Positions |
|---|---------------------------------|-------------------------|
| I. Proprietary Departments | | |
| Airports | \$4,373.9 | 3,566 |
| Harbor | 896.1 | 994 |
| Water and Power | 7,086.8 | 9,986 |
| Total | \$12,356.8 | 14,546 |
| II. General City Budget | | |
| General Fund | \$4,872.4 | 21,769* |
| Special Funds | 2,816.1 | 10,111 |
| Total | \$7,688.5 | 31,880 |
| III. Grants and Other Non-Budgeted Funds | | |
| | \$1,259.0 | -- |
| Grand Total | \$21,304.3 | 46,426 |



Budget at a Glance

| BUDGET COMPONENT | Adopted FY 12-13 Budget (\$ Millions) | Proposed FY 13-14 Budget (\$ Millions) | Percent Change | Adopted FY 12-13 Authorized Positions | Proposed FY 13-14 Authorized Positions | Percent Change |
|------------------|---------------------------------------|--|----------------|---------------------------------------|--|----------------|
| City Budget | 7,246.1 | 7,688.5 | 6.1% | 31,817 | 31,880 | 0.2% |
| General Fund | 4,550.5 | 4,872.4 | 7.1% | 21,724 | 21,769 | 0.2% |
| Special Funds | 2,695.6 | 2,816.1 | 4.5% | 10,093 | 10,111 | 0.2% |



Total General Fund receipts for 2013-14 are expected to grow 7.1% from the Adopted 2012-13 Budget

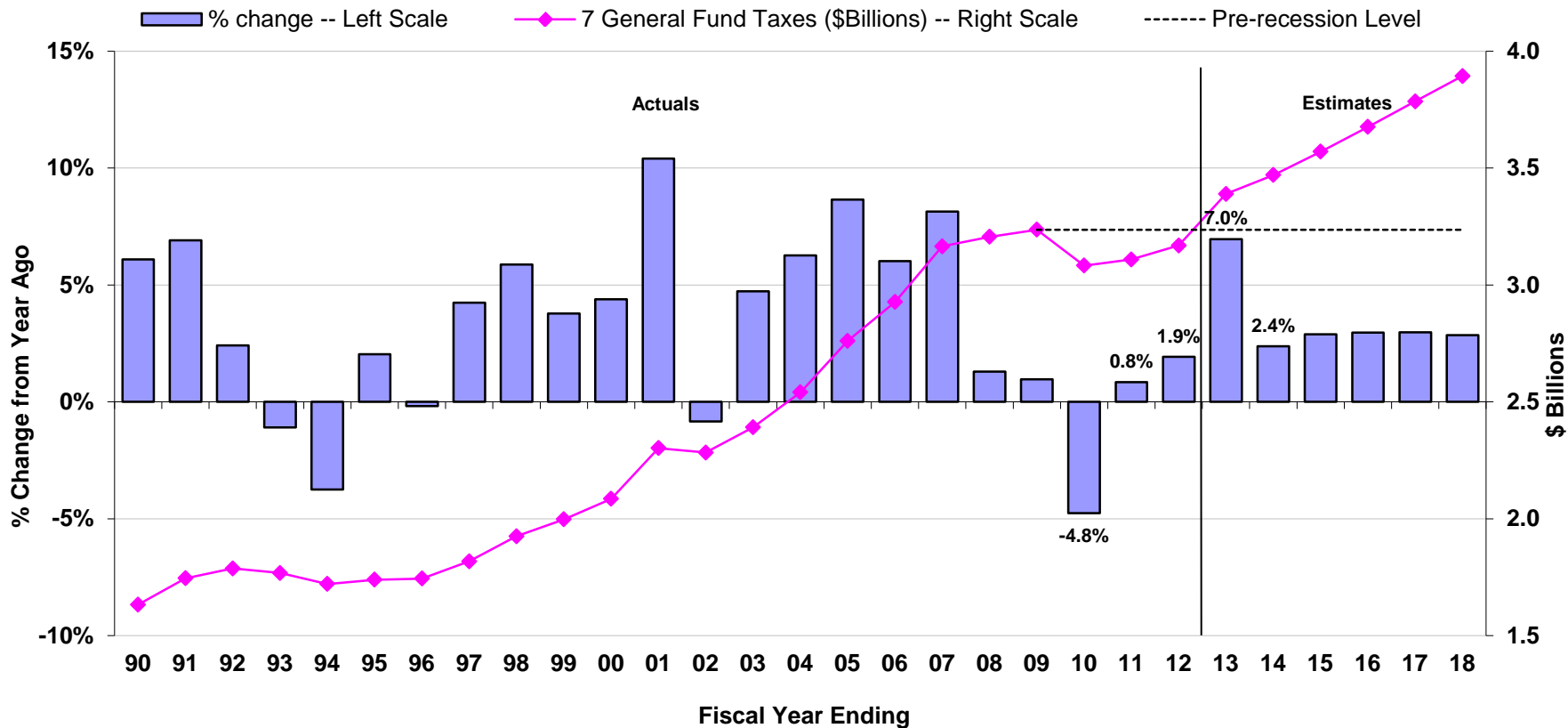
- 45% of this growth is from one-time sources.
 - Transportation Grants \$42.6 million (for prior year reimbursements)
 - AB678 \$23.6 million (prior year reimbursements)
 - Special Parking Revenue Fund (SPRF) \$13.6 million (this is on-top of the ongoing transfer of \$21.5 million)
 - Property tax administration fees \$6m (from prior year overcharges by the County of Los Angeles)
 - Telecommunication Development Account transfer of \$5.2 million (from a settlement with a cable provider)
 - Business Tax amnesty program \$5.5 million
 - Police overtime reimbursement \$1 million (due to realignment)
 - Parking Users Tax, improved discovery efforts \$0.4 million
 - Budget Stabilization Fund transfer \$53.5 million



Budget at a Glance

Seven General Fund Taxes

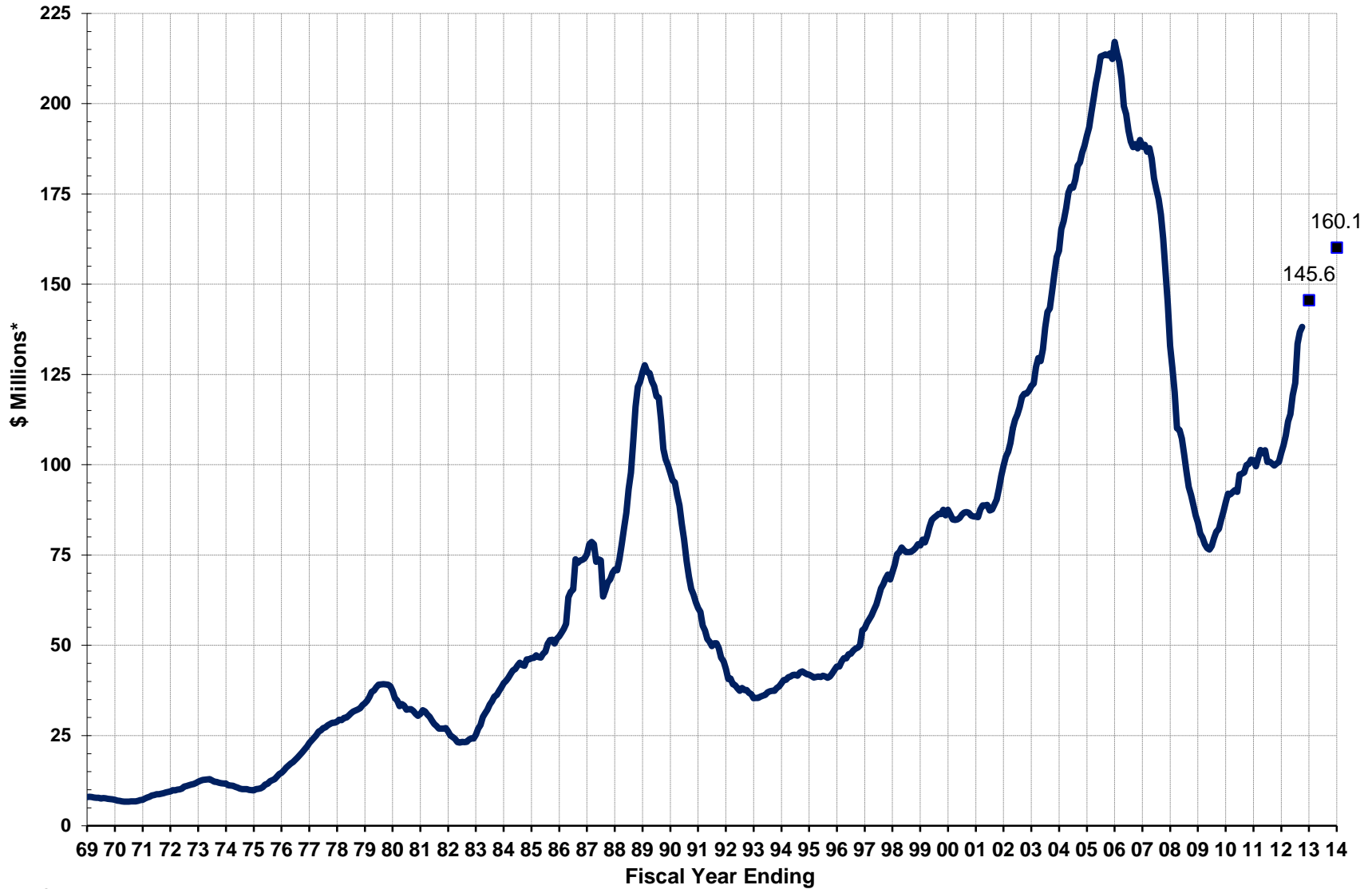
Property (includes VLF and ex-CRA receipts), Utility, Business, Sales, Hotel, Documentary and Parking



Budget at a Glance

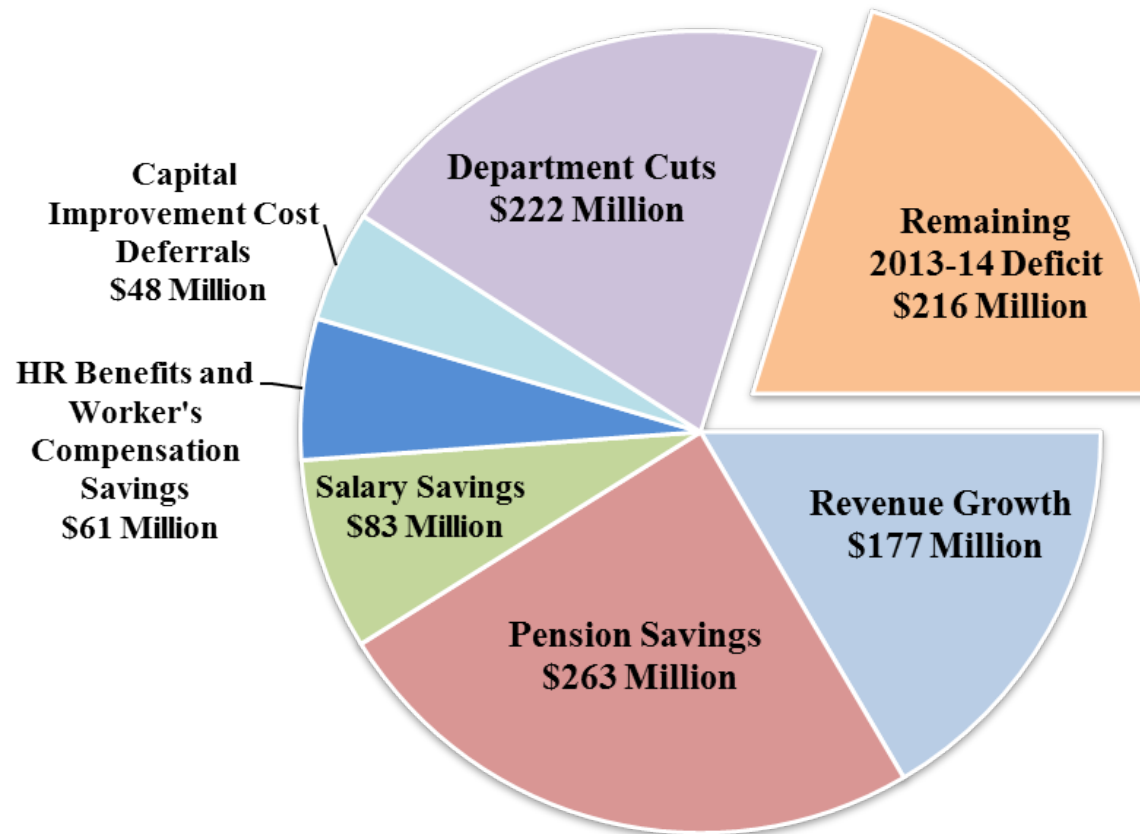
Documentary Transfer Tax

12-Month Moving Sum



Addressing the Deficit

2013-14 Projected Deficit From \$1.07 Billion to \$216 Million



Addressing the Deficit

2013-14 Budget Deficit \$216 million*

| | Ongoing | One-time | Total |
|---|-----------------|----------------|-----------------|
| Revenue** | \$111.31 | \$140.46 | \$251.77 |
| Pension Savings | 51.17 | - | \$51.17 |
| Department Efficiencies and/or Reductions | 14.99 | 2.54 | \$17.53 |
| Funding Realignment and Adjustments | 13.98 | | \$13.98 |
| Service Investments | (45.18) | (73.76) | (\$118.94) |
| Total | \$146.27 | \$69.24 | \$215.51 |
| Ongoing to One-time Solutions | 68% | 32% | |

*Projected deficit was based on 2012 Budget Outlook.

** Revenue amounts represent variance from 2012 Budget Outlook to Proposed 2013-14 Budget and do not reflect the full change in revenue from the 2012-13 Adopted Budget to the 2013-14 Proposed Budget.



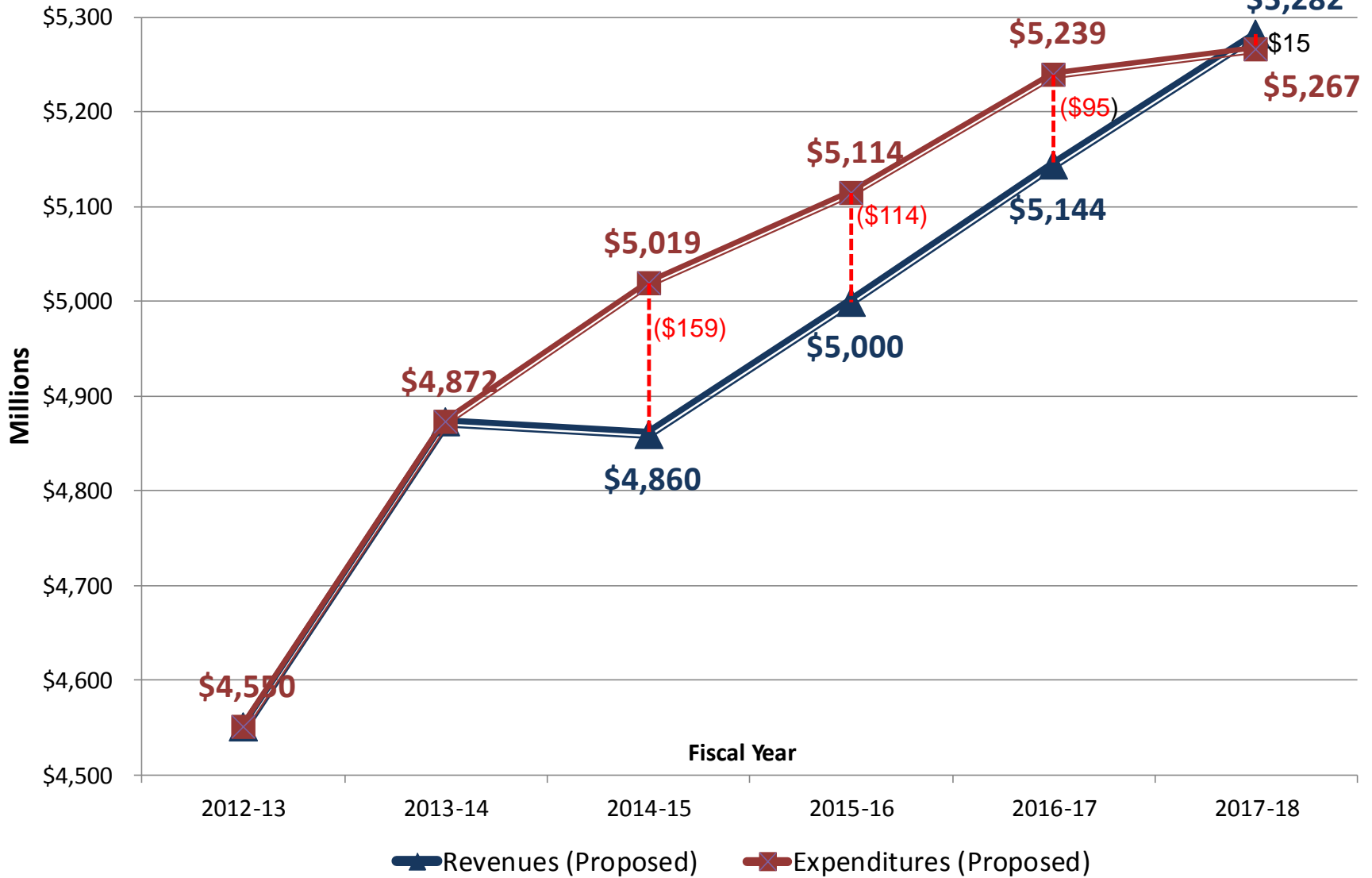
Budget Outlook

| | 2013-14 Proposed | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|--|---------------------|----------------|----------------|----------------|----------------|
| ESTIMATED GENERAL FUND REVENUE | | | | | |
| General Fund Base | \$4,550 | \$4,872 | \$4,860 | \$5,000 | \$5,144 |
| Revenue Growth | \$322 | (\$12) | \$140 | \$144 | \$137 |
| Total Revenue | \$4,872 | \$4,860 | \$5,000 | \$5,144 | \$5,281 |
| <i>General Fund Revenue Percent Increase</i> | <i>7.1%</i> | <i>-0.3%</i> | <i>2.9%</i> | <i>2.9%</i> | <i>2.7%</i> |
| ESTIMATED GENERAL FUND EXPENDITURES | | | | | |
| General Fund Base | \$4,550 | \$4,872 | \$5,019 | \$5,114 | \$5,239 |
| Incremental Changes to Base: | \$322 | \$147 | \$95 | \$125 | \$27 |
| Subtotal Expenditures | \$4,872 | \$5,019 | \$5,114 | \$5,239 | \$5,266 |
| <i>Expenditure Growth Percent Increase</i> | <i>7.1%</i> | <i>3.0%</i> | <i>1.9%</i> | <i>2.5%</i> | <i>0.5%</i> |
| TOTAL BUDGET (GAP)/SURPLUS | - | (\$159) | (\$114) | (\$95) | \$15 |



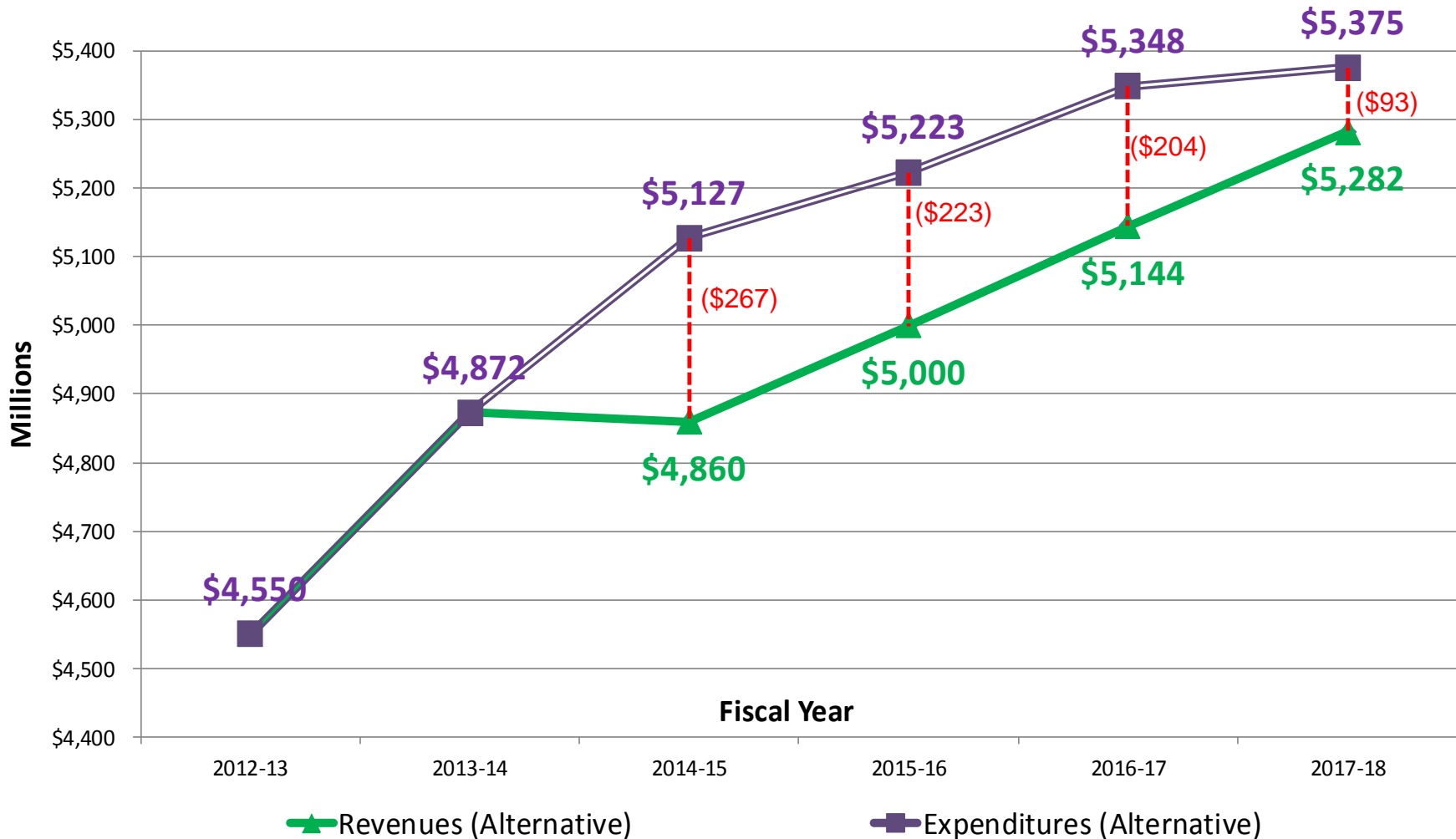
Budget Outlook

Four Year Budget Outlook 2013-14 to 2017-18



Budget Outlook

Four Year Budget Outlook 2013-14 to 2017-18: Alternative without Labor Concessions



Five Guiding Principles

| I. Responsible Fiscal Management | II. Focus on Core Services | III. Alternative Service Delivery Models | IV. Sustainable Workforce | V. Revenue |
|---|---|---|---|--|
| <p>A. Maintain a Strong Reserve Fund</p> <p>B. Make Smart Investments</p> | <p>A. Prioritize services and fund accordingly including support costs</p> <p>B. Reestablish a base service level for priorities consistent with available funding</p> <p>C. Realign services across departments based on core-competencies</p> | <p>A. Implement alternative service delivery models</p> <p>B. Establish a managed competition process for select services</p> | <p>A. Reduce the ongoing cost of the City's workforce with minimal service impact</p> <p>B. Reduce the ongoing cost of the City's workforce through strategic size reductions</p> | <p>A. Maximize the General Fund</p> <p>B. Enhance existing or establish new revenues sources</p> |



I.

Responsible Fiscal Management**A. Maintain a Strong Reserve Fund****B. Make Smart Investments**

Responsible Fiscal Management

- Sets aside funds in the Reserve Fund at 5.24% of General Fund.
- After transfer of \$53 million to budget, \$16 million remains in Budget Stabilization Fund.

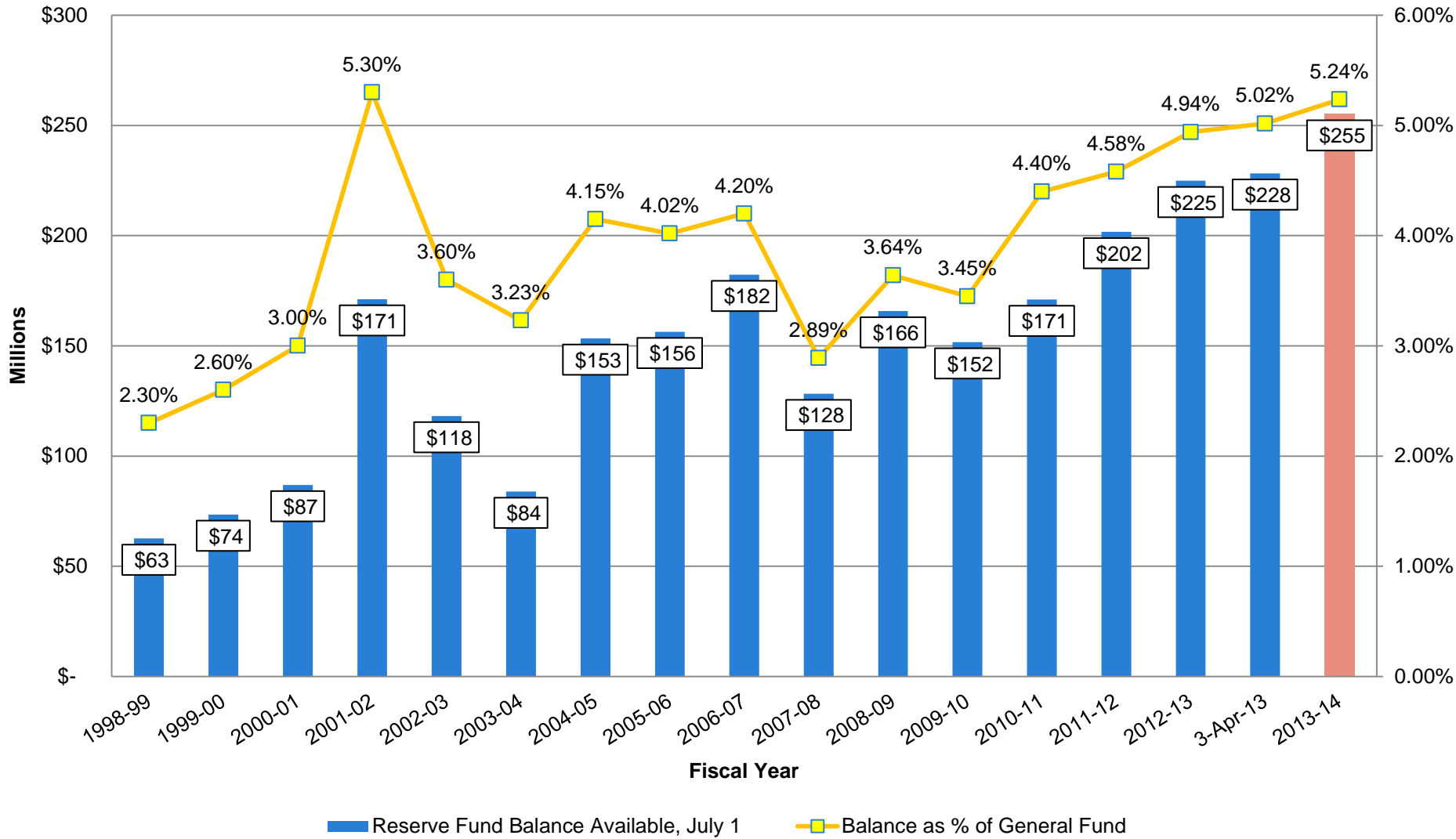
Smart Investments

- Provides \$52 million from the General Fund for Capital Improvement Expenditures including Citywide elevator repair, roofing repair, contaminated soil removal, fire life safety systems, and other infrastructure improvements.
- Provides \$15 million to partially address the increasing liability of accrued police overtime
- Provides funds for the implementation or improvement of the following:
 - ✓ Fire- Automatic Vehicle Locator, Fuel Management System, and Computer-Aided Dispatch System
 - ✓ Finance– Treasury Management System
 - ✓ ITA – Customer Relationship Management System and Disaster Recovery for Financial Systems
 - ✓ GSD – Emergency Generator Equipment Support, FSM/SMS Interface Support, and Vehicle Management System



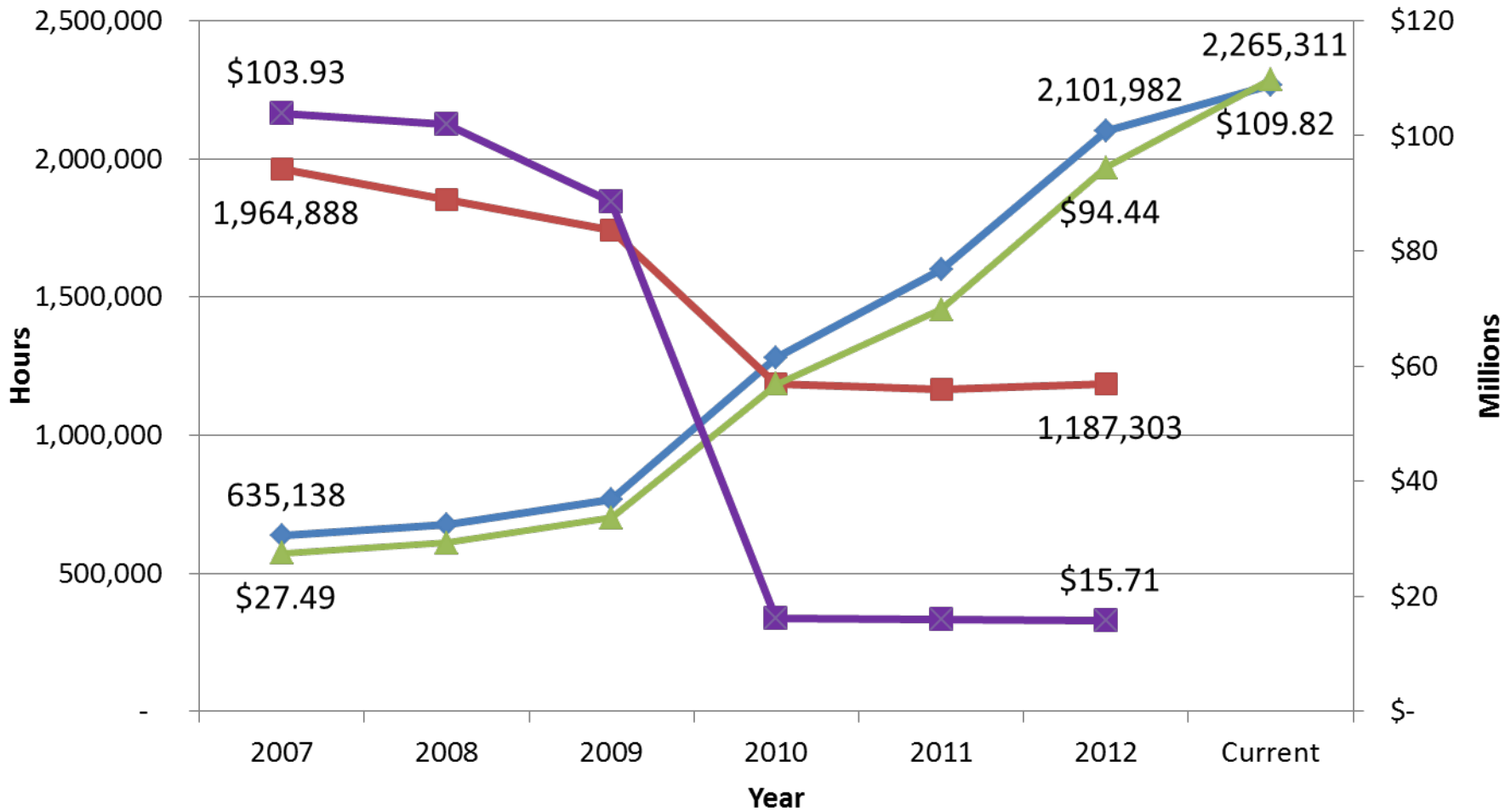
Reserve Fund

Reserve Fund History



Police Overtime

Police Department Overtime and Banked Overtime Comparison



◆ Banked Overtime Hours
 ■ Overtime Hours
 ▲ Banked Overtime Value
 ■ Overtime Value



Core Services

II.

Focus on Core Services

- A. **Prioritize services and fund accordingly including support costs**
- B. **Reestablish a base service level for priorities consistent with available funding**
- C. **Realign services across departments based on core-competencies**

- Provides funding in Street Services and all support departments for 800 miles of Pavement Preservation and for pothole repairs (\$17 million from General Fund).
- Provides increased funding for tree-trimming (\$3.5 million) and graffiti removal (\$1 million).
- Upgrades 25 Fire Companies from Basic Life Support to Advance Life Support (\$1.5 million)
- Provides funding for the Police fleet replacement program (\$15 million).
- Restores seven-day service at the Central Library and eight regional libraries (\$1 million).
- Maintains funding for homeless services and meals for seniors (\$11 million).
- Unifies planning and building safety functions in one department to improve customer focus and efficiency of development services.



III.

**Alternative
Service Delivery
Models****A. Implement
alternative
service
delivery
models****B. Establish a
managed
competition
process for
select
services**

Alternative Service Delivery Models

- Continues down the path of creating a new management model for the Convention Center.
- Begins implementation of the Economic Delivery Initiative (EDI) comprised of:
 - A new Economic Development Department that consolidates economic development-related functions.
 - An independent, transaction-oriented nonprofit entity that will convey the City's economic development policies strategically and provide for policy and real estate development, promote business and industry growth, strategic asset management, and transaction financing.
- Implements a new marketing program with the Zoo.



IV.

Sustainable Workforce

- A. Reduce the ongoing cost of the City's workforce with minimal service impact
- B. Reduce the ongoing cost of the City's workforce through strategic size reductions

Workforce Sustainability

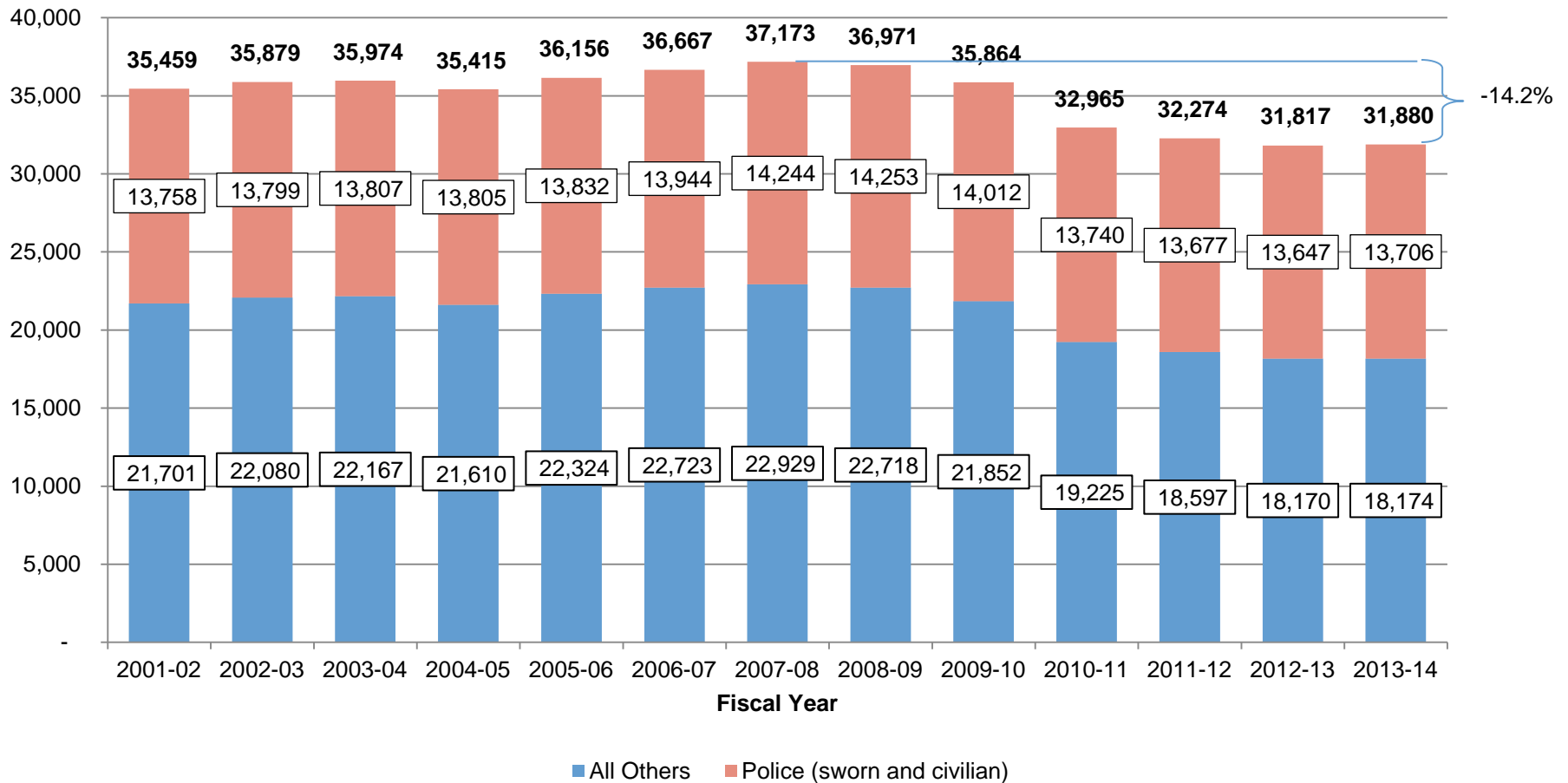
- Limits staff growth to 0.2% from 2012-13 with 83% of this growth in:
 - Library (32 positions)
 - Fire (13 positions)
 - Animal Services (13 positions)
- Assumes implementation of Tier II for LACERS beginning on July 1, 2013.
- Minimizes service impacts and avoids furloughs or layoffs through the pursuit of labor concessions.
 - No 5.5% pay increase on January 1, 2014
 - 10% contribution to healthcare premiums
- Assumes no future salary increases through 2017



Staffing Levels

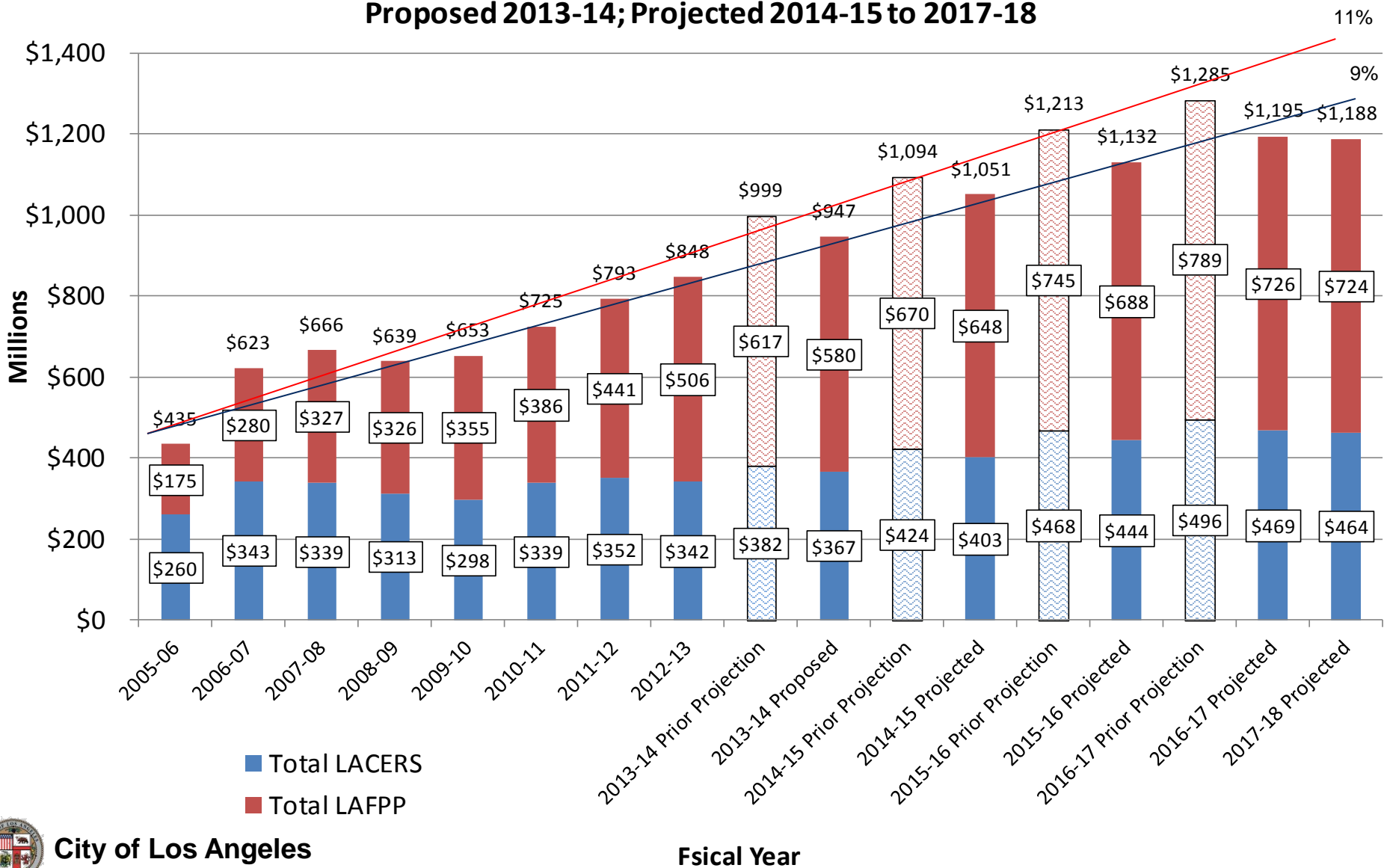
Authorized City Staffing

(Not including Proprietary Departments)



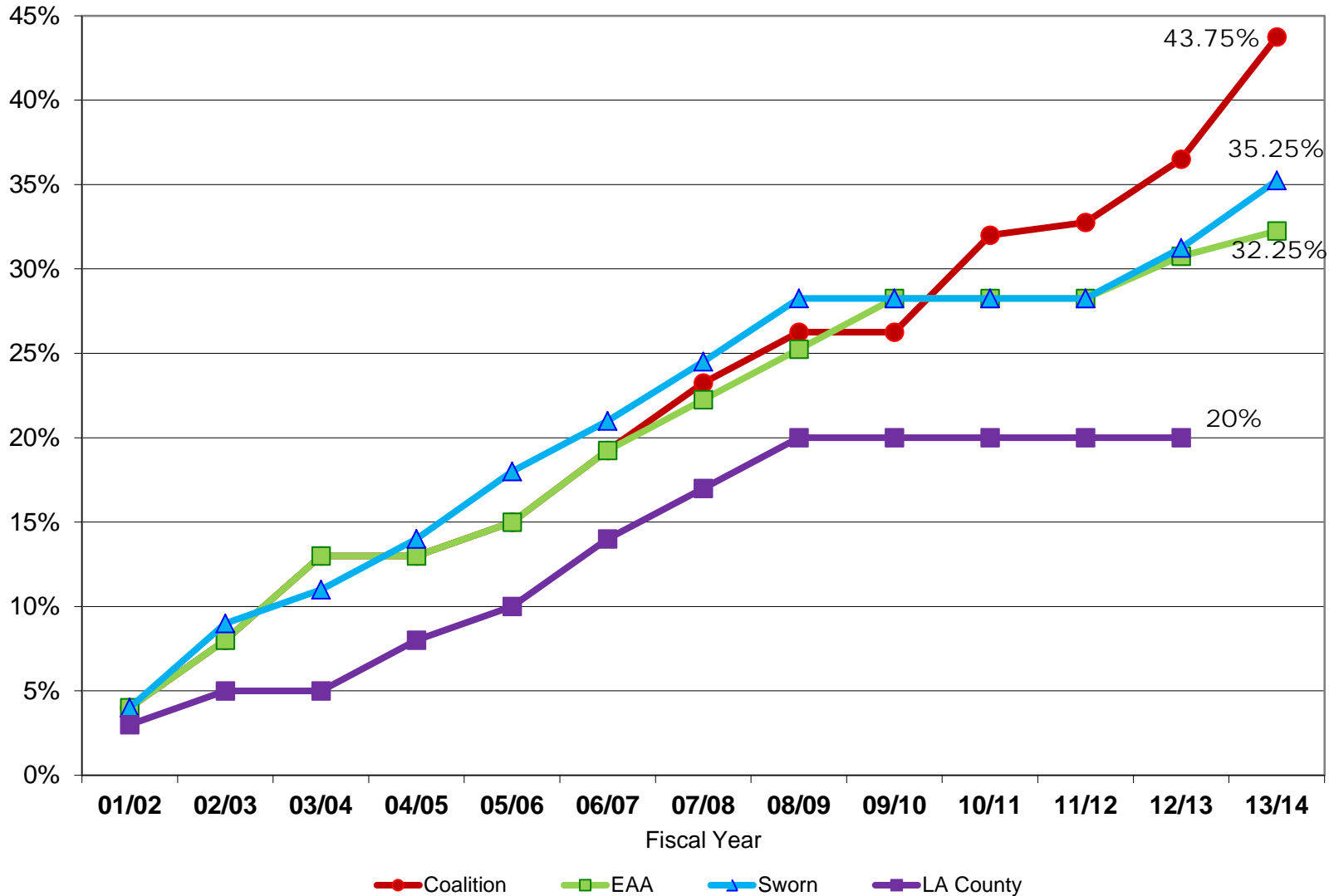
Pensions

City Contributions to Retirement Systems (LACERS and LAFPP) Actual Amounts 2005-06 to 2012-13; Proposed 2013-14; Projected 2014-15 to 2017-18



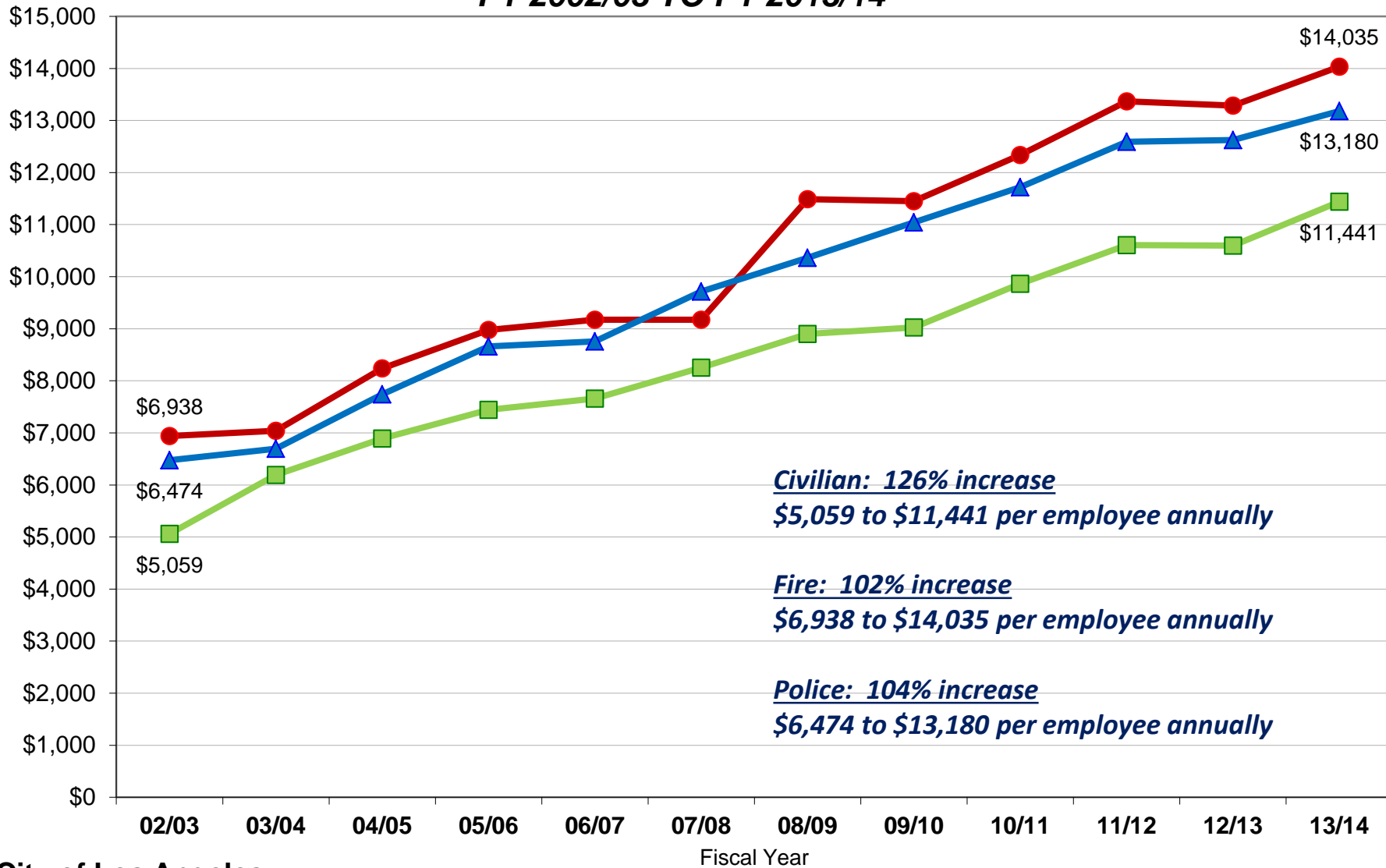
Salary Adjustments

CUMULATIVE BASE WAGE MOVEMENT



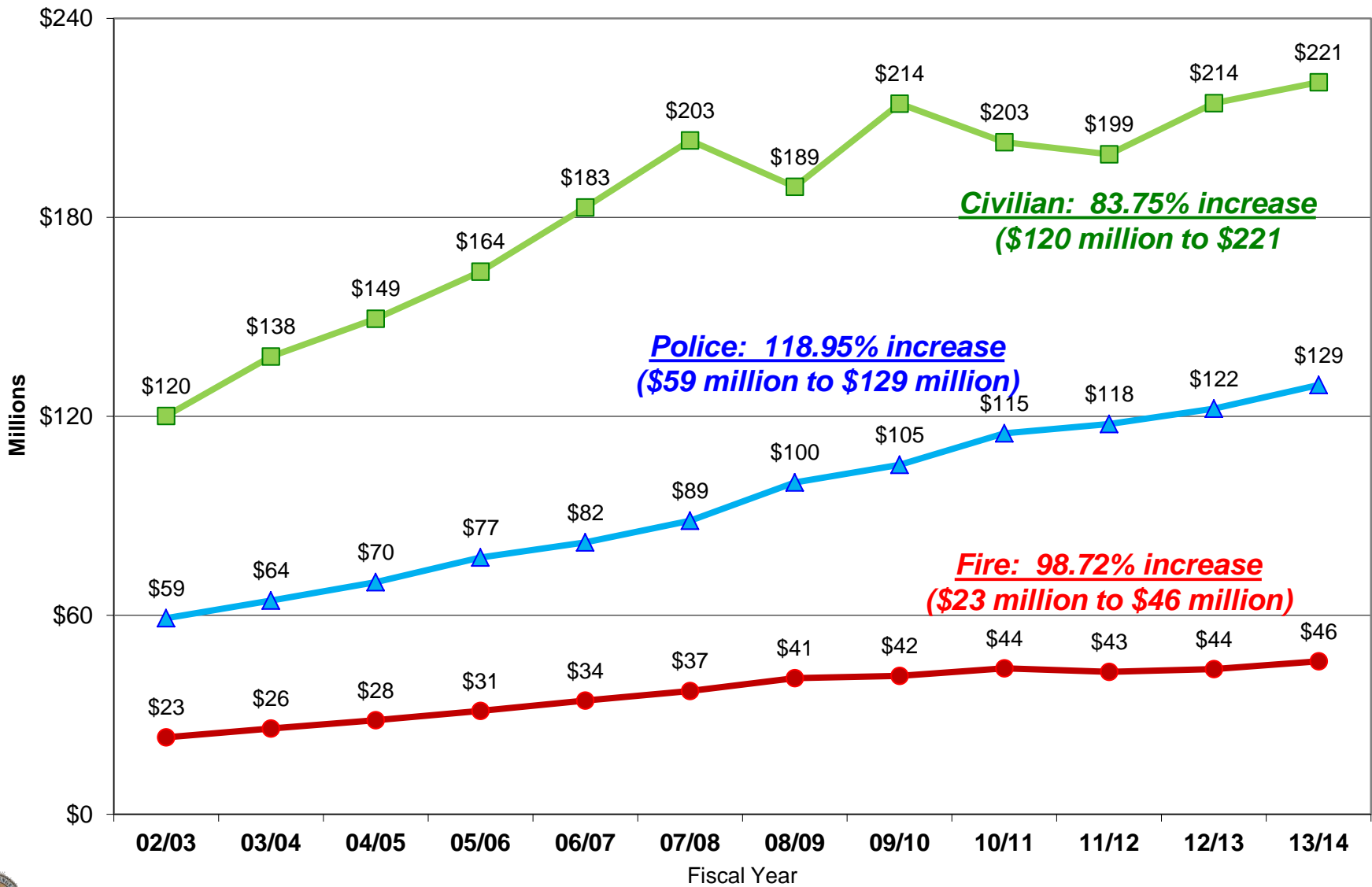
Healthcare Costs

**HEALTH & WELFARE RATES PER EMPLOYEE
FY 2002/03 TO FY 2013/14**



Healthcare Costs

ANNUAL HEALTH & WELFARE EXPENDITURES



Revenue

V.

Revenue

A. Maximize the General Fund

B. Enhance existing or establish new revenues sources

- Identifies \$322 million of new General Fund revenues from the 2012-13 adopted budget.
 - \$177 in ongoing revenue vs \$145 in on-time revenue
- Utilizes one-time revenue for one-time investments in capital expenditures and City infrastructure.
- Challenges to strengthening recovery remain.
 - Unemployment still high at 9.9% for LA County as of March 2013 and personal income has remained flat since 2008
 - Real estate recovery growth fostered by low interest rates and low inventory. Growth could be impacted as conditions change.
 - Unknown impact from federal sequestration to economy (besides the direct City impacts to reduced federal grants and interest subsidy reimbursements).
 - Continuing international tensions and the European economic crisis



CAO Recommendations

- Keep the budget balanced through ongoing solutions that are at a minimum 68% of total solutions.
- Maintain a 5% Reserve Fund.
- Adopt the Budget Stabilization Fund Policy and direct any new revenues to the Budget Stabilization Fund.
- If additions are made, they should be accompanied by deletions of equal value or new sources of revenues.
- Do not include speculative revenue or engage in Deficit Borrowing.
- Services should only be restored or enhanced through ongoing sources of funds. Should services be restored or enhanced, support services must also be accounted.
- Immediately begin the efforts to achieve labor concessions.

