

CITY OF LOS ANGELES
CALIFORNIA

JUNE LAGMAY
City Clerk

HOLLY L. WOLCOTT
Executive Officer



ANTONIO R. VILLARAIGOSA
MAYOR

Office of the
CITY CLERK

Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
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www.cityclerk.lacity.org

May 25, 2010

To All Interested Parties:

The City Council adopted the action(s), as attached, under
Council file No. 09-0600-S207, at its meeting held May 17, 2010.


City Clerk
me

Mayor's Time Stamp
OFFICE OF THE MAYOR
RECEIVED
2010 MAY 20 AM 9:04
CITY OF LOS ANGELES

City Clerk's Time Stamp
CITY CLERK'S OFFICE
2010 MAY 20 AM 8:54
CITY CLERK
BY _____ DEPUTY

FORTHWITH

SUBJECT TO THE MAYOR'S APPROVAL

COUNCIL FILE NO. 09-0600-S207

COUNCIL DISTRICT _____

COUNCIL APPROVAL DATE MAY 17, 2010

RE: DECLARING A FISCAL EMERGENCY AND AUTHORIZING REDUCTION IN WORK HOURS BY APPOINTING AUTHORITIES

LAST DAY FOR MAYOR TO ACT JUN 01 2010
(10 Day Charter requirement as per LAAC Section 4.133)

DO NOT WRITE BELOW THIS LINE - FOR MAYOR USE ONLY

APPROVED
✓

*DISAPPROVED

*Transmit objections in writing pursuant to LAAC Section 4.133

DATE OF MAYOR APPROVAL OR DISAPPROVAL MAY 21 2010



MAYOR

RECEIVED
CITY CLERK'S OFFICE
2010 MAY 21 PM 2:14
CITY CLERK
BY _____ DEPUTY

VERBAL MOTION

I HEREBY MOVE that Council APPROVE the recommendation of the City Attorney (Item #4, Council file No. 09-0600-S207) relative to declaring a fiscal emergency and authorizing reduction in work hours by appointing authorities, SUBJECT TO THE APPROVAL OF THE MAYOR:

ADOPT the accompanying RESOLUTION to:

- a. RESOLVE that the City Council of the City of Los Angeles, by virtue of the power and authority vested in it by the City Charter and the City Administrative Code, does hereby ADOPT the foregoing recitals as findings and does hereby determine and declare that an emergency pursuant to Government Code Section 3504.5 and Los Angeles Administrative Code Section 4.850 continues to exist and issues this order to become effective immediately.
- b. AUTHORIZE, effective May 17, 2010, the Mayor, through the appointing authorities, to implement reduced work schedules or alternative means of generating payroll savings pursuant to a plan adopted by the City Council. The plan shall be for the remainder of Fiscal Year (FY) 2009-10 and shall generate a sufficient amount of payroll savings to close FY 2009-10 with an Emergency Reserve Fund balance of at least \$121 million. To the extent practicable and economical, any work schedule reduction plan shall: (a) Be limited to employees whose salaries are funded in whole or in part by the General Fund; (b) seek to avoid diminishing the City's ability to collect revenue, (c) avoid causing the City to incur additional overtime costs; and, (d) avoid working hour reductions of employees performing essential public safety functions.
- c. AUTHORIZE working hour reductions, layoffs, and other methods of reducing employee payroll expense including, but not limited to, unpaid floating holidays for all employees, City office closure days, abolishment of positions, etc. shall continue in FY 2010-11 in sufficient number and at the levels necessary to ensure and improve the City's fiscal stability.
- d. CONTINUE furloughs for all subject non-Coalition represented employees commenced in FY 2009-10 through June 30, 2010 pursuant to the Emergency Resolution adopted by the City Council on May 18, 2009.
- e. RESOLVE that as of the date of its adoption, this Resolution supersedes the Emergency Resolution adopted by the City Council on May 18, 2009, except as specifically referenced in the preceding Paragraph 4.

PRESENTED BY _____

BERNARD C. PARKS
Councilmember, 8th District

PRESENTED BY _____

GREIG SMITH
Councilmember, 12th District

ADOPTED

MAY 17 2010

LOS ANGELES CITY COUNCIL

TO THE MAYOR FORTHWITH

May 17, 2010

CF 09-0600.207.mot

RESOLUTION

WHEREAS, on May 18, 2009, faced with ongoing economic insecurity, the City Council adopted a 2009-2010 Budget which instituted various austerity measures to address an anticipated budget shortfall of \$529 million, including a \$320 million Shared Responsibility and Sacrifice (SRS) line item which represented approximately a 14% reduction in General Fund salaries; and

WHEREAS, of the \$320 million SRS line item, the civilian share represented \$139 million, the Fire Department's sworn share represented \$52 million, and the Police Department's sworn share represented \$129 million; and

WHEREAS, the City immediately embarked on efforts to effectuate the \$320 million SRS line item; and

WHEREAS, simultaneous with the adoption of the 2009-2010 Budget, the City Council declared a fiscal emergency and adopted an ordinance to allow for the implementation of budget balancing solutions in the form of mandatory furloughs for some civilian employees, commencing July 1, 2009; and

WHEREAS, on August 6, 2009, with City Council approval, the Fire Department implemented the Modified Coverage Plan to reallocate fire resources throughout the City which is expected to offset the Fire Department's \$52 million sworn SRS by \$39 million; and

WHEREAS, on October 26, 2009, the City Council approved an agreement with the Los Angeles Coalition of City Unions that saved \$77.5 million including: the implementation of a deferral of \$27 million in cost of living increases for over 20,000 civilian employees, deferred or eliminated \$44 million in cash compensation due employees under existing collective bargaining agreements and projected savings of \$6.5 million estimated from transferring General Funded employees to special funded positions; and

WHEREAS, on October 30, 2009, the City Council approved an Early Retirement Incentive Program to remove 2,400 civilian employees from the workforce, which is anticipated to achieve \$44.6 million in savings for the General Fund during the current fiscal year, eliminated a City retirement contribution subsidy of \$2.6 million for civilian employees hired prior to 1983, and increased employee pension contribution rates by 1.00%, effective July 1, 2011; and

WHEREAS, on November 25, 2009, the City Council approved a Memorandum of Understanding with police officers that saved approximately \$66 million including a \$45 million reduction in the usage of cash overtime by sworn police personnel; and

WHEREAS, on November 24, 2009, Fitch Ratings downgraded the City's rating from AA to AA-, and kept the City on "negative" credit watch; and

WHEREAS, on January 26, 2010, the City Controller wrote to the City Council and the Mayor warning that she anticipated a nearly \$200 million General Fund shortfall this fiscal year - even assuming that the Department of Water and Power's Power Revenue Transfer would not drop below the \$220.5 million then expected - and urging immediate action to reduce expenditures and preserve the Reserve Fund; and

WHEREAS, the expense reduction efforts above would have successfully closed the majority of the Adopted Budget shortfall, except - as pointed out on January 29, 2010 - the City Administrative Officer reported that the continued slowdown, and the slower than expected recovery of the City's most economically sensitive revenues, including property tax, sales tax, and transient occupancy tax, have resulted in a projected revenue decline of \$186 million since the 2009-2010 Budget was adopted, and that \$46.7 million which had been budgeted to augment the Reserve Fund would not be transferred; and

WHEREAS, on February 2, 2010, the City Controller wrote to alert the City Council to an item on the Department of Water and Power Commission's agenda, raising the possibility that the DWP might not transfer the final \$73.5 million installment. The Controller warned that "the City's shortfall could be as high as \$272.5 million by June 30, 2010 if the full transfer does not occur." She noted that the City could not count on its reserves to cover that shortfall, because the Reserve Fund balance was at that point some \$83.5 million less than the anticipated deficit if the final \$73.5 million were not transferred; and

WHEREAS, on February 5, 2010, the City Council authorized the release of a Request for Qualifications for a public-private partnership for the operation of the City's parking facilities, which is anticipated to achieve between \$100 million and \$200 million in revenue for the General Fund during the next fiscal year; and

WHEREAS, on February 5, 2010, Mayor Antonio Villaraigosa ordered City Department Heads to transfer as many General Fund employees as possible to positions funded by the City's proprietary and special funded operations and to eliminate 1,000 General Fund positions; and

WHEREAS, on February 16, 2010, the City Council approved the escheatment of \$28.8 million in Fire Hydrant and Main Installation Fund for transfer into the Reserve Fund; and

WHEREAS, the City Council authorized the issuance of a Judgment Obligation Bond to pay for large liability claims expenditures of approximately \$53.7 million; and

WHEREAS, over the course of the fiscal year the City has experienced an increase of \$6.7 million in the General Fund obligation to pay for residents who have fallen below the poverty threshold and require a subsidy for solid waste charges; and

WHEREAS, as a result of the revenue decline, the City anticipates utilizing approximately 55% or \$146 million of its Reserve Fund to close the budget gap for Fiscal Year 09-10; and

WHEREAS, on January 27, 2010, an appellate panel of the California Court of Appeals ruled that Los Angeles County miscalculated how much revenue from property taxes local redevelopment agencies must give back to schools, which puts at risk tens of millions of dollars in past and future AB 1290 funding that could otherwise be used for the City's General Fund; and

WHEREAS, on February 17, 2010, as a result of the projected depletion of the City's reserves, Moody's Investors Service reduced its opinion of the City's finances from "stable" credit watch to "negative" credit watch, which could result in a further downgrade of the City's credit rating; and

WHEREAS, on February 18, 2010, the City Council instructed that an additional 3,000 General Fund positions be eliminated, which combined with roughly 1,300 General Fund ERIP separations and transfers to date, will comprise approximately 46% of the City's General Fund civilian workforce, threatening the City's ability to protect public health and safety and to perform core municipal services; and

WHEREAS, on February 19, 2010, Mayor Villaraigosa proposed the elimination of two City departments, Environmental Affairs and Human Services, which will eliminate 56 General Fund positions and save the City approximately \$3.2 million annually; and

WHEREAS, on February 23, 2010, Standard and Poor's downgraded the City from a AA credit rating to AA-, which will increase the City's cost to borrow funds in the future and will increase the costs of the City's future debt service by approximately 10%; and

WHEREAS, on February 24, 2010, the City Controller wrote to the Executive Employee Relations Committee asking that the City begin to establish priorities for which bills it would pay in the event it were to run out of money. Even assuming a full \$220.5 million Power Revenue Transfer, the Controller explained, she expected the City to end the current year with a Reserve Fund balance as low as \$30 million. "If things continue to deteriorate," she warned, "a \$30 million Reserve Fund is not a significant margin of error in a \$4.4 billion budget and it may not be possible" for the City to pay all of its bills; and

WHEREAS, in her March 1, 2010 report, the City Controller again assumed that the final \$73.5 million installment of the Power Revenue Transfer would be paid by the Department of Water and Power, but nevertheless reiterated her grave concern about the status of the Reserve Fund and the City's ability to pay its bills this fiscal year. "As the fiscal year progresses," she noted, "it is increasingly likely that the majority or all of the Reserve Fund may be used to balance the current year's budget." That, in turn, would leave the City "with very few options" if it were to face unexpected expenses such as a natural disaster; and

WHEREAS, on March 10, 2010, in keeping with the City Controller's warnings and the Mayor's own assessment of the situation, the City Controller and the Mayor issued a joint memorandum essentially freezing non-essential, non-salary spending not otherwise required; and

WHEREAS, on April 5, 2010, the City Controller advised the Mayor and City Council that the City will run out of cash on May 5, 2010, and deplete the Reserve Fund by June 30, 2010, without immediate action to reduce expenditures; and

WHEREAS, on April 7, 2010, Moody's Investor Services downgraded the City's credit rating from Aa2 to Aa3, due to its deteriorating financial condition, and warned that the City's failure to take additional steps to shore up its reserves and improve its financial condition would result in an additional downgrade; and

WHEREAS, on April 16, 2010, Fitch downgraded the City's credit rating from "AA-" to "A+" to reflect the anticipated draw-down of general fund reserves to a very low level and the likelihood that it will take the City some years to rebuild these reserves. Fitch did move the City from Negative credit watch to Stable credit watch.

WHEREAS, the projected General Fund deficit for Fiscal Year 2010-11, even with the mitigation measures identified above, will be approximately \$484 million; and

WHEREAS, on April 20, 2010, the Mayor's proposed budget included the elimination of over 3000 positions, which by itself will not be sufficient to balance projected revenue with projected expenditures during Fiscal Year 2010-11; and

WHEREAS, notwithstanding the DWP action of May 4, 2010 to transfer the remaining \$73.5 million of the Power Revenue Transfer to the City, which it initially advised on March 31, 2010 that it would not make, additional debt financing may be necessary in order for the City to continue essential public safety and daily operations in Fiscal Year 2010-2011, and may be needed this fiscal year; and

WHEREAS, the State's continued failure to resolve its dire budgetary situation, exacerbated by State tax revenue collections for April 2010 unexpectedly plunging by 30% (a \$3 billion decline in projected revenue), threatens further declines in City revenues that are not possible to quantify at this time; and

WHEREAS, the further deterioration of the City's financial situation since May 2009, when the City Council previously adopted a resolution declaring an economic emergency, now requires additional, immediate cost-saving actions to address the fiscal and cash crisis facing the City; and

WHEREAS, immediate and comprehensive action to further reduce spending, including spending on employee payroll costs, must be taken to ensure, to the maximum extent possible, that the essential services of the City are not jeopardized, public health and safety are preserved, the City is able to pay its debts when due, and the City is able to pay its remaining employees for the work they perform.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The City Council of the City of Los Angeles, by virtue of the power and authority vested in it by the City Charter and the City Administrative Code, does hereby adopt the foregoing recitals as findings and does hereby determine and declare that an emergency pursuant to Government Code section 3504.5 and Los Angeles Administrative Code section 4.850 continues to exist and issues this order to become effective immediately; and

2. Effective May 17, 2010, the Mayor, through the appointing authorities, is authorized to implement reduced work schedules or alternative means of generating payroll savings pursuant to a plan adopted by the City Council. The plan shall be for the remainder of Fiscal Year 2009-2010 and shall generate a sufficient amount of payroll savings to close Fiscal Year 2009-10 with an Emergency Reserve Fund balance of at least \$121 million. To the extent practicable and economical, any work schedule reduction plan shall: (a) be limited to employees whose salaries are funded in whole or in part by the General Fund, (b) seek to avoid diminishing the City's ability to collect revenue, (c) avoid causing the City to incur additional overtime costs, and (d) avoid working hour reductions of employees performing essential public safety functions; and

3. Working hour reductions, layoffs, and other methods of reducing employee payroll expense including, but not limited to, unpaid floating holidays for all employees, City office closure days, abolishment of positions, etc. shall continue in Fiscal Year 2010-11 in sufficient number and at the levels necessary to ensure and improve the City's fiscal stability; and

4. The furloughs for all subject non-Coalition represented employees commenced in Fiscal Year 2009-2010 shall continue through June 30, 2010 pursuant to the Emergency Resolution adopted by the City Council on May 18, 2009; and

5. As of the date of its adoption, this Resolution supersedes the Emergency Resolution adopted by the City Council on May 18, 2009, except as specifically referenced in the preceding Paragraph 4.

RESOLUTION THAT THE FOREGOING
RESOLUTION WAS ADOPTED BY THE
CITY COUNCIL OF THE CITY OF LOS ANGELES
AT ITS MEETING OF **MAY 17 2010**
BY A MAJORITY OF ALL ITS MEMBERS.



JUNE LAGMAY
CITY CLERK

BY 
DEPUTY