

**RESOLUTION**

**WHEREAS**, due to declines in revenue estimates, significant increases in expenditures, and ongoing weak economic conditions nationally, regionally and locally, the City of Los Angeles continues to face an approximate \$405 million General Fund deficit for the 2009-10 fiscal year; and

**WHEREAS**, on May 18, 2009, 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, 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**, 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 civilian employees, commencing July 1, 2009; and

**WHEREAS**, prior to unilateral implementation of these austerity measures, at the behest of labor leaders, the City Council instructed its bargaining agent, the City Administrative Officer (CAO) to evaluate and negotiate with all civilian unions a cost-neutral Early Retirement Incentive Program (ERIP) to address the budgetary shortfall; and

**WHEREAS**, on June 26, 2009, the City Council instructed the CAO to enter into a tentative agreement with the Coalition of City Unions, which would amend existing Memoranda of Understanding to defer salary increases, eliminate the City's subsidy for the Defrayal Group and increase employee pension contribution rates by 0.75% in exchange for no layoffs or furloughs; and

**WHEREAS**, as required by State law and the City Charter, the City Council's approval of the ERIP was contingent upon completion of an actuarial study that would outline the costs/benefits of the program; and

**WHEREAS**, it is anticipated only an average of four months of savings in the amount of approximately \$23 million will be achieved during the current fiscal year, a difference of \$88 million less than the \$111 million originally anticipated; and

**WHEREAS**, due to restrictions on involuntary employee transfers under the City's Charter and Civil Service Rules, only \$12 million of the \$23 million in ERIP savings may be applied to address the General Fund deficit, a difference of \$73 million, which is less than the \$85 million originally anticipated; and



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**WHEREAS**, the completed actuarial study also indicates that the elimination of the City's subsidy for the Defrayal Group and the increased employee contribution rate of 0.75% will not be sufficient to offset the costs of the proposed ERIP; and

**WHEREAS**, delays in implementing the 400 position eliminations in 2009-2010 Budget originally planned to take effect July 1, 2009 have resulted in an increased cost of \$10 million; and

**WHEREAS**, delays in implementing the furloughs for Coalition represented employees, originally planned to take effect July 1, 2009 have resulted in an increased cost of approximately \$16.5 million; and

**WHEREAS**, the continued slowdown and slower than expected recovery of the City's economically sensitive revenues, including property tax, sales tax, and transient occupancy tax, have resulted in a projected revenue decline of \$75 million since the 2009-2010 Budget was adopted; and

**WHEREAS**, extremely large, unplanned liability claims expenditures have resulted in an increased cost to the City of approximately \$89 million since the 2009-2010 Budget was adopted; and

**WHEREAS**, the City has recently experienced an unplanned increase of \$5.8 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**, the City's inability to secure implementation of civilian and sworn labor concessions by expected deadlines has resulted in expenditures exceeding projected revenue by over \$1 million per working day for the remainder of the 2009-2010 Fiscal Year, totaling approximately \$247 million; and

**WHEREAS**, the State's continued failure to resolve its dire budgetary situation threatens further declines in City revenues that are not possible to quantify at this time; and

**WHEREAS**, the September 4, 2009 report from the City Controller indicates that the City's General Fund Cash flow must be addressed by increasing salary appropriations or reducing salary expenditures, and the failure to act will result in the City expending all General Fund cash including the \$150 million dollar Reserve Fund by May 2010; and

**WHEREAS**, the recent Station Fire is an example of an unplanned expenditure of over \$1.1 million, and while this expenditure will be reimbursed by the State the timing and amount of the reimbursement is unknown and further compounds the City's General Fund cash flow problem; and

**WHEREAS**, continued economic declines have impacted the carry over funds from the 2008-2009 Budget, resulting in \$46 million reduction in the City's Reserve Fund; and

**WHEREAS**, on August 6, 2009, with City Council approval, the Fire Department implemented the Modified Deployment 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**, the City Administrative Officer has engaged in negotiations with the United Firefighters Los Angeles City to find ways to address the Fire Department's remaining \$13 million sworn SRS; and

**WHEREAS**, to date, these efforts have failed to address the balance of the Fire Department's sworn SRS; and

**WHEREAS**, measures to address the Fire Department's remaining \$13 million sworn SRS will be identified and achieved either through continued negotiations or unilateral implementation; and

**WHEREAS**, the CAO has engaged in negotiations with the Police Protective League to find ways to address the Police Department's \$129 million sworn SRS; and

**WHEREAS**, to date, these efforts have failed to address the Police Department's sworn SRS; and

**WHEREAS**, the further deterioration of the City's financial situation since May 2009 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 must be taken to ensure, to the maximum extent possible, that the essential services of the City are not jeopardized and public health and safety are preserved; and

**WHEREAS**, without imposing furlough days for sworn Police personnel, additional civilian layoffs to produce a savings of approximately \$64.1 million would be required to balance the 2009-2010 Budget; and

**WHEREAS**, it is estimated that a furlough plan for sworn Police employees of 18 days for the remainder of the 2009-2010 Fiscal Year would generate approximately \$64.1 million in savings and immediately improve the City's ability to meet its obligations to fund essential services of the City so as not to jeopardize its residents' health and safety in the current and next fiscal year.

**NOW, THEREFORE BE IT RESOLVED 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 determine 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:

**IT IS FURTHER RESOLVED** that effective October 11, 2009 through June 30, 2010, the Mayor through the appointing authorities adopt a plan to implement a furlough of sworn Police employees for up to 18 days during the remainder of the 2009-2010 Fiscal Year.

**IT IS ORDERED** that effective immediately through June 30, 2010, the hiring of police officers shall be discontinued and all current entry-level police officer candidates shall be subject to probationary termination.

**IT IS FURTHER ORDERED** that effective immediately through June 30, 2010, the Fire Department and Police Department are prohibited from entering into any new personal services or consulting contracts to perform work that would have been performed by sworn employees subject to the furloughs, layoffs, or other position reduction measures. A limited exemption process shall be included.