



ANTONIO R. VILLARAIGOSA
MAYOR

January 10, 2011

Honorable Members of the City Council
c/o City Clerk
Room 395, City Hall

Re: Public-Private Partnership (P3) for the City's Parking Structures

Dear Honorable Members:

I am writing to strongly urge you to take two actions which are critically important to the financial stability of our City.

As you know, the City Administrative Officer (CAO) and the Chief Legislative Analyst (CLA) recently released a joint report recommending the Council authorize a final concession agreement to solicit proposals for a 50-year lease of several City-owned parking garages. The CLA and CAO believe we should move forward with a concession agreement for the following reasons cited in their report:

... the City's management of these assets has resulted in a financial burden and a liability that will continue to divert resources away from the City's core functions under present conditions. At a time when the Council and the Mayor are making difficult decisions to align our expenditures with our revenues and cutting back on services including those considered to be a core City function, continuing to manage and subsidize a non-core function that can just as easily if not more efficiently be provided by the private sector is not fiscally justified.

The P3 for the City's parking structures offers the most immediate and cost-effective option for maximizing the value of these structures in a manner that will ensure these facilities remain operational for the next fifty years.

Additionally, the P3 transaction will eliminate the City's ongoing debt obligation on all City-owned parking structures. This elimination of debt will provide long-term savings and allow for additional flexibility on the revenues generated from parking structures that are not part of this transaction and from parking meters that are currently deposited in the Special Parking Revenue Fund (SPRF).

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Finally, the P3 transaction represents a strategic approach to generate up-front revenue as opposed to deficit borrowing. Not only will the assets continue to operate as public parking structures, but the City is releasing itself from a significant level of risk and liability associated with the operation of these structures including their capital improvement needs.

As you are aware, the budget we adopted for the 2010-11 fiscal year anticipated proceeds from this public-private partnership initiative. At a time when tough economic realities are forcing us to decide which services the City will continue – or cease – to provide, we simply cannot afford to maintain our perennially money-losing effort to manage City parking garages. And at a time when we are considering severe cuts to critical City services, we must not continue to dedicate precious public resources to subsidize free parking.

Here's the hard truth: the era of free parking in Los Angeles is over. We must accept this economic reality, and move on to the business of providing the services our residents require.

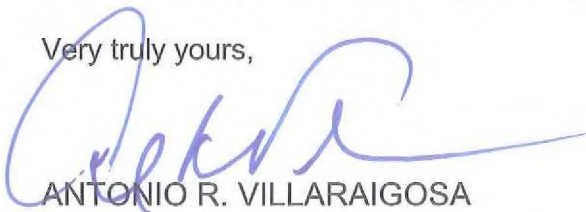
I therefore urge you – in the most respectful but strongest possible terms – to adopt and advance a final parking concession agreement which maximizes the value of the structures to meet or exceed the \$53 million General Fund revenue target contemplated in the adopted FY 2010-11 City Budget.

Separate and apart from the discussion on the P3 agreement, I also concur with the CAO and CLA in their assessment that we must move forward with budget balancing options immediately in order to responsibly prepare to solve next year's projected \$350 million deficit. The CAO and CLA have provided the Council with a number of alternatives which would generate significant ongoing savings this fiscal year. I urge you to seriously consider the City analysts' recommendations, and to adopt the most aggressive package of reductions possible – consistent, of course, with the Council's policy objectives.

I know we can work together to effectively address the City's financial crisis. And I believe the Council will ultimately adopt a responsible parking concession agreement which maximizes the value of the structures, in addition to an aggressive package of structural budget reductions which will lay the groundwork for next fiscal year's budget deficit solution.

However, if the Council chooses not to approve a responsible P3 parking agreement, nor approve the budget reductions recommended by the CAO and CLA, I will have no option but to order our City's general managers to effectuate position eliminations – including layoffs – necessary to balance the City's current fiscal year budget.

Very truly yours,



ANTONIO R. VILLARAIGOSA
Mayor

cc: Miguel Santana, City Administrative Officer
Gerry Miller, Chief Legislative Analyst
Maggie Whelan, General Manager, Personnel Department