

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: January 07, 2011

To: Antonio R. Villaraigosa, Mayor
Honorable Members of the City Council

From: Miguel A. Santana, City Administrative Officer

Gerry F. Miller, Chief Legislative Analyst

Subject: **SUPPLEMENTAL ATTACHMENT AND RECOMMENDATIONS TO THE
ALTERNATIVE PLAN TO THE CONCESSION AGREEMENT FOR A P3
WITH RESPECT TO THE CITY'S PARKING STRUCTURES (C.F. NO.
10-0139-S1)**

On January 5, 2011, the Office of the City Administrative Officer (CAO) and the Office of the Chief Legislative Analyst (CLA) issued a report with a recommended plan should the proposed public-private partnership involving the City's parking structures (P3) not move forward or the transaction falls short of the anticipated net financial target. The alternative plan was comprised of two phases to provide the City with flexibility in addressing the potential \$62.7 million deficit for the current fiscal year that the absence of the P3 transaction revenue would create. Phase 1 of the alternative plan included approximately \$52.8 million in proposed budget balancing solutions.

The majority of the proposed savings from Phase 1 were derived from increasing civilian furloughs for General Fund positions by an additional 10 days except for EAA-represented employees. As stated in the original report, the logistics relative to implementing these additional furlough days require further analysis and coordination, however, the likely result of this action is that entire departments may need to be closed for a full day each week through June 2011. The total projected General Fund value for the 10 additional furlough days is \$20 million.

Attachment 1 of this supplemental report provides a breakdown of the \$20 million in projected salary savings from the 10 additional furlough days by department. The targeted savings by departments were calculated based on their employment levels as of pay period 13 and only reflect civilian employees that are not represented by EAA. If the Mayor and Council approve the solutions in Phase 1 of the original report, the 10 additional furlough days will need to be implemented as early as pay period 17 which begins on January 30, 2011 to minimize the number of furlough hours employees will need to take within each pay period.

Our Offices acknowledge that while implementing the additional furloughs will address the current year budget deficit, unless these furloughs are continued into next fiscal year, they will not provide any relief towards the projected \$350 million deficit for next year. Nevertheless, we continue to support the implementation of these furloughs as a tool to generate the budgetary relief required for this fiscal year absent the P3 revenue or permanent department reductions. In the event that permanent department reductions are identified and implemented this year, such as workforce reductions through position eliminations and possible layoffs, our Offices support scaling back the number of additional furloughs days. However, the value of the savings achieved from the permanent reductions should be no less than the value of the furlough days removed. Furthermore, if the actual General Fund value of the 10 additional furlough days is less than the projected value, departments may need to absorb the difference through other reductions. Departments should also be aware that other solutions proposed in Phase 1 of the alternative plan to the P3 transaction may require reductions beyond those to offset their furlough savings target.

If the direction of the Mayor and Council is to move forward with permanent department reductions this year, it is critical that departments expeditiously identify these reductions and in particular those requiring the processing of layoffs. In identifying permanent reductions departments should indicate the services to be impacted and the number of positions by classification to be processed for layoffs. This information should be submitted to the CAO and the Personnel Department no later than January 24, 2011 so that the Personnel Department may begin their layoff calculations in the event that the permanent reductions are approved. Departments may want to consider the elimination of probationary employees as the layoff processing time required would be minimal, thus maximizing the savings that would be generated.

At this time it is unknown exactly how much time it will take to process the layoffs that departments may identify. As such, the savings from any proposed layoffs for this fiscal year may not be enough to address the entire savings target from the 10 additional furlough days. Therefore, the scaling back of additional furlough days should only be considered or pursued concurrent with the actual realization of savings from permanent reductions.

It should be noted that the recommendations contained within this report will not implement layoffs but only direct departments to report back to the CAO and Personnel Department with reductions that may result in layoffs. The actual processing of the layoffs and final separation of employees from the City workforce will be determined by a number of factors including the Mayor and Council's decision on the P3 transaction, their adoption of the solutions in Phase 1 of the original report, and their approval of any permanent reductions identified by departments which will be presented in the Mid-year Financial Status Report (FSR). The Mid-year FSR will be presented in February and will include other recommendations that address a portion of the \$350 million projected deficit for next fiscal year. The Budget for Fiscal Year 2011-12 will address this projected deficit in its entirety.

Recommendations

That the Council and the Mayor:

1. Direct all impacted departments to identify permanent reductions to their operations at a value that is no less than their furlough savings targets (Attachment 1), including workforce reductions through layoffs, that can be implemented this fiscal year;
2. Instruct departments to submit these permanent reductions to the City Administrative Officer by January 24, 2011 for inclusion in the Mid-year FSR;
3. Instruct departments to submit any proposed layoffs, including the number of positions by classification, to the City Administrative Officer and Personnel Department by January 24, 2011;
4. Instruct the Personnel Department to begin the layoff calculations for the identified positions;
5. Instruct the City Administrative Officer provide a recommendation on each proposed reduction in the Mid-year FSR and in the event that the 10 additional furlough days within Phase 1 of the P3 alternative plan are approved, determine if any of the furlough days may be scaled back based on the savings from the permanent reductions; and
6. Authorize the City Administrative Officer to make technical corrections as necessary to implement Mayor and Council intentions.

Fiscal Impact

There is no fiscal impact from the adoption of the above recommendations. However, in the event that Mayor and Council increase civilian furloughs for General Fund positions by up to an additional 10 days except for EAA-represented employees, the recommended actions may lead to the implementation of permanent reductions to offset the targeted \$20 million savings from furloughs. These permanent reductions would also address the \$350 million projected deficit for next fiscal year.

MAS:RPC:BC:01110040

Attachment

Attachment 1

**Targeted Furlough Hours and General Fund Savings from 10 Additional
Furlough Days on Civilian Employees
(Excludes EAA-represented Employees)**

Department	10 Additional Days	
	Hours	Dollars
AGING	640	\$26,200
ANIMAL SERVICES	15,200	\$404,621
BUILDING & SAFETY	10,080	\$401,069
CAO	6,320	\$302,298
CITY ATTORNEY	55,360	\$3,044,009
CITY CLERK	2,720	\$84,553
CONTROLLER	4,080	\$169,300
CULTURAL AFFAIRS	800	\$32,732
DISABILITY	240	\$8,126
DONE	320	\$12,315
EMERGENCY MGMT	240	\$13,314
ETHICS	720	\$41,940
FINANCE	8,880	\$258,920
FIRE	17,760	\$550,068
GENERAL SERVICES	84,000	\$2,323,997
ITA	28,880	\$1,246,725
PERSONNEL	15,440	\$545,297
PLANNING	3,920	\$150,483
POLICE	170,080	\$5,412,819
PW - BOARD	2,560	\$90,474
PW - CON ADMIN	10,720	\$458,417
PW - ENGINEERING	23,040	\$1,042,896
PW - STREET SERVICES	78,400	\$2,480,905
TRANSPORTATION	28,880	\$990,600
TREASURER	1,200	\$59,200
Total	570,480	\$20,151,277

The targeted savings by departments were calculated based on their employment levels as of pay period 13 and only reflect civilian employees that are not represented by EAA. If the actual General Fund value of the 10 additional furlough days is less than the projected value, departments may need to absorb the difference through other reductions.