City of Los Angeles
Budget Overview and Opportunities

Presented by
Miguel Santana
City Administrative Officer
### What have we done?

Since 2009, the City has addressed a collective deficit of $1 billion using "Fiscal First Aid" techniques and Long-Term Financial Planning Solutions.

#### Fiscal First Aid:
- Evaluated overtime use
- Improved billing and collections procedures
- Explored fees for services
- Refinanced Debt for Lower Interest Rates
- Sought state and federal assistance
- Offered early retirement program
- Deferred and/or cancel capital projects
- Used Reserve Fund to Soften the Landing
- Instituted hiring freezes
- Reduced hours worked

#### Long-Term Financial Planning:
- Reduced workforce by 4,000 positions
- Replenished the Reserve Fund and Placed Charter Amendment P on ballot requiring a 2.75% Emergency Reserve Account within the Reserve Fund (approved by voters)
- Addressing major drivers of future deficits
  - Placed Charter Amendment to create a new pension tier for new sworn employees (approved by voters)
  - Developing new pension tier for new civilian employees
  - Negotiated increased co-pays and contribution amounts from employees for health care
- Pursuing alternative service delivery models
What have we done?

Adopted City Budget FY 1999-00 To FY 2010-11

<table>
<thead>
<tr>
<th>Year</th>
<th>General Fund</th>
<th>Special Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY1998-00</td>
<td>$4.17</td>
<td>$1.38</td>
<td>$5.55</td>
</tr>
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<td>FY2000-01</td>
<td>$4.31</td>
<td>$1.38</td>
<td>$5.69</td>
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<tr>
<td>FY2001-02</td>
<td>$4.85</td>
<td>$1.63</td>
<td>$6.48</td>
</tr>
<tr>
<td>FY2002-03</td>
<td>$4.83</td>
<td>$1.56</td>
<td>$6.39</td>
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<tr>
<td>FY2003-04</td>
<td>$5.16</td>
<td>$1.67</td>
<td>$6.83</td>
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<tr>
<td>FY2004-05</td>
<td>$5.39</td>
<td>$1.72</td>
<td>$7.11</td>
</tr>
<tr>
<td>FY2005-06</td>
<td>$5.99</td>
<td>$2.04</td>
<td>$8.03</td>
</tr>
<tr>
<td>FY2006-07</td>
<td>$6.67</td>
<td>$2.34</td>
<td>$8.01</td>
</tr>
<tr>
<td>FY2007-08</td>
<td>$6.82</td>
<td>$2.38</td>
<td>$9.20</td>
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<tr>
<td>FY2008-09</td>
<td>$7.11</td>
<td>$2.56</td>
<td>$9.67</td>
</tr>
<tr>
<td>FY2009-10</td>
<td>$6.88</td>
<td>$2.49</td>
<td>$9.37</td>
</tr>
<tr>
<td>FY2010-11</td>
<td>$6.75</td>
<td>$2.37</td>
<td>$9.12</td>
</tr>
</tbody>
</table>

- General Fund
- Special Funds
Citywide Authorized Staffing
FY 2000-01 to FY 2010-11

What have we done?
What have we done?

- City has taken the necessary steps to fill the FY2010-11 expected budget gap
  - Revenue revision: $139.6 million
  - Power revenue transfer: $36.5 million
  - Parking revenue transfer: $10 million
  - Reserve fund transfer: $3.6 million
  - Revenue from parking facilities: $53.2 million
  - Department reductions: $99.1 million
  - Employee furloughs: $63.3 million
  - Capital improvement deferral: $37 million
  - Miscellaneous reductions and additions: $50.1 million
Where are we now?

As reported in the Third Financial Status Report (FSR) for FY2010-11, current year deficit is down to $46.8 million. The Third FSR proposes solutions to take this deficit down to $4.1 million.
Where are we now?

Actual Reserve Fund Balance as of July 1 and Current Reserve Fund Balance per Third FSR

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Reserve Fund Balance (millions)</th>
<th>% of General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>$191</td>
<td>5.00%</td>
</tr>
<tr>
<td>2010-11</td>
<td>$171</td>
<td>4.00%</td>
</tr>
<tr>
<td>2011-12</td>
<td>$166</td>
<td>3.00%</td>
</tr>
<tr>
<td>2012-13</td>
<td>$152</td>
<td>2.00%</td>
</tr>
<tr>
<td>2013-14</td>
<td>$156</td>
<td>1.00%</td>
</tr>
<tr>
<td>2014-15</td>
<td>$182</td>
<td>0.00%</td>
</tr>
<tr>
<td>2015-16</td>
<td>$128</td>
<td>0.00%</td>
</tr>
<tr>
<td>2016-17</td>
<td>$153</td>
<td>0.00%</td>
</tr>
<tr>
<td>2017-18</td>
<td>$118</td>
<td>0.00%</td>
</tr>
<tr>
<td>2018-19</td>
<td>$84</td>
<td>0.00%</td>
</tr>
<tr>
<td>2019-20</td>
<td>$87</td>
<td>0.00%</td>
</tr>
<tr>
<td>2020-21</td>
<td>$171</td>
<td>0.00%</td>
</tr>
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</table>

Legend:
- Reserve Fund Balance Available, July 1 - July 1 Balance as % of the General Fund
## Where are we now?

### Ratings Over Last 5 Years

<table>
<thead>
<tr>
<th>General Obligation Bonds by Year</th>
<th>Moody's</th>
<th>S&amp;P</th>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2010</td>
<td>Aa2</td>
<td>AA-</td>
<td>AA-</td>
</tr>
<tr>
<td>June 2009</td>
<td>Aa2</td>
<td>AA</td>
<td>AA-</td>
</tr>
<tr>
<td>June 2008</td>
<td>Aa2</td>
<td>AA</td>
<td>AA</td>
</tr>
<tr>
<td>June 2007</td>
<td>Aa2</td>
<td>AA</td>
<td>AA</td>
</tr>
<tr>
<td>June 2006</td>
<td>Aa2</td>
<td>AA</td>
<td>AA</td>
</tr>
</tbody>
</table>

### Ratings of 10 Largest U.S. Cities

<table>
<thead>
<tr>
<th>Rating Rank</th>
<th>City</th>
<th>Fitch</th>
<th>Moody's</th>
<th>S&amp;P</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>San Jose, CA</td>
<td>AAA</td>
<td>Aaa</td>
<td>AAA</td>
</tr>
<tr>
<td>2</td>
<td>San Antonio, TX</td>
<td>AAA</td>
<td>Aa1</td>
<td>AAA</td>
</tr>
<tr>
<td>3</td>
<td>Phoenix, AZ</td>
<td>NA</td>
<td>Aa1</td>
<td>AAA</td>
</tr>
<tr>
<td>4</td>
<td>Dallas, TX</td>
<td>NA</td>
<td>Aa1</td>
<td>AA+</td>
</tr>
<tr>
<td>5</td>
<td>New York, NY</td>
<td>AA</td>
<td>Aa2</td>
<td>AA</td>
</tr>
<tr>
<td>5</td>
<td>Houston, TX</td>
<td>AA</td>
<td>Aa2</td>
<td>AA</td>
</tr>
<tr>
<td>7</td>
<td>Los Angeles, CA</td>
<td>AA-</td>
<td>Aa2</td>
<td>AA-</td>
</tr>
<tr>
<td>8</td>
<td>Chicago, IL</td>
<td>AA-</td>
<td>Aa3</td>
<td>A+</td>
</tr>
<tr>
<td>9</td>
<td>San Diego, CA</td>
<td>AA-</td>
<td>Aa3</td>
<td>A</td>
</tr>
<tr>
<td>10</td>
<td>Philadelphia, PA</td>
<td>A-</td>
<td>A2</td>
<td>BBB</td>
</tr>
</tbody>
</table>
Where will we be if we do nothing?

Four Year Budget Outlook
FY 2010-12 to FY 2014-15

Expenditures
Revenue

CITY OF LOS ANGELES
Where will we be if we do nothing?

Bargaining Unit base Wage Movement
FY2006-07 to FY2012-13
Projected Changes for FY2011-12

- Fire and Police Pensions: 29%
- Civilian Pensions: 14%
- Employees' Compensation Benefits: 3%
- Health and Dental Benefits: 7%
- Capital Imp. and New Facilities: 14%
- Net - Other Additions and Deletions: -6%
- Employee Comp. Adjustments: 27%

Where will we be if we do nothing?
Where will we be if we do nothing?

Major Drivers of Expenditure Growth

- Health and Dental Benefits
- Workers' Compensation Benefits
- Fire and Police Pensions
- Civilian Pensions


$250 $200 $150 $100 $50 $-
Where will we be if we do nothing?

Estimated Future City Contributions

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Estimated Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2011-12</td>
<td>$872</td>
</tr>
<tr>
<td>FY2012-13</td>
<td>$1,014</td>
</tr>
<tr>
<td>FY2013-14</td>
<td>$1,161</td>
</tr>
<tr>
<td>FY2014-15</td>
<td>$1,249</td>
</tr>
<tr>
<td>FY2015-16</td>
<td>$1,288</td>
</tr>
</tbody>
</table>

- **Fire and Police Systems**
  - FY2011-12: $422
  - FY2012-13: $499
  - FY2013-14: $565
  - FY2014-15: $603
  - FY2015-16: $597

- **LACERS**
  - FY2011-12: $450
  - FY2012-13: $515
  - FY2013-14: $596
  - FY2014-15: $646
  - FY2015-16: $691
Where will we be if we do nothing?

Civilian Health Care
Expenditures vs. Adopted Budget

Expenditures
Adopted Budget
Change

$103
17%

$108
34%

$120
        45%

$122
        59%

$138
        78%

$139
        98%

$149
103%

$160

$164

$173

$183

$175

$203

$206

$209

$220

$218

$218


Cumulative % Change
0%
20%
40%
60%
80%
100%
120%

(millions)
0
$50
$100
$150
$200
$250

EXHIBIT
How do we get out of it?

Over the next 18-24 the City’s efforts will focus more on Long-Term Financial Planning guided by the following principles:

I. Responsible Management and Fiscal Practices
- Strong Reserve Fund
- Reduce or Eliminate General Fund Subsidy
- Maximize Flexible Funding
- Strengthen Central Admin Functions & Contracting Process
- Pursue New Revenue

II. Focus on Core Services
- Revaluate Discretionary Programs
- Consolidate Services
- Evaluation and Redesign of Core Services

III. Alternative Service Delivery Models
- Partner with non-profits and foundations
- Maximize City Assets
- Strengthen Core Functions

IV. Sustainable Workforce
- Reduce the Size of the Workforce
- Reduce healthcare and Workers’ Comp Cost
- Control Pensions and Retiree Health
- Align Compensation
- Eliminate Furloughs through Concessions
Why have furloughs been necessary?

$492 Million General Fund Budget Reductions

- Revised Revenue Projection 28%
- Miscellaneous Reductions and Additions 10%
- Capital Improvement Deferral 8%
- Employee Furloughs 13%
- One-time Revenue from Parking Facilities 11%
- Special Parking Revenue Fund Transfer 2%
- Reserve Fund Transfer 1%
- Departmental Reductions 20%
- Increase in Power Revenue Transfer 7%
- Not realized 5%