City of
Los Angeles

City of Los Angeles Budget Overview and Opportunities

Presented by
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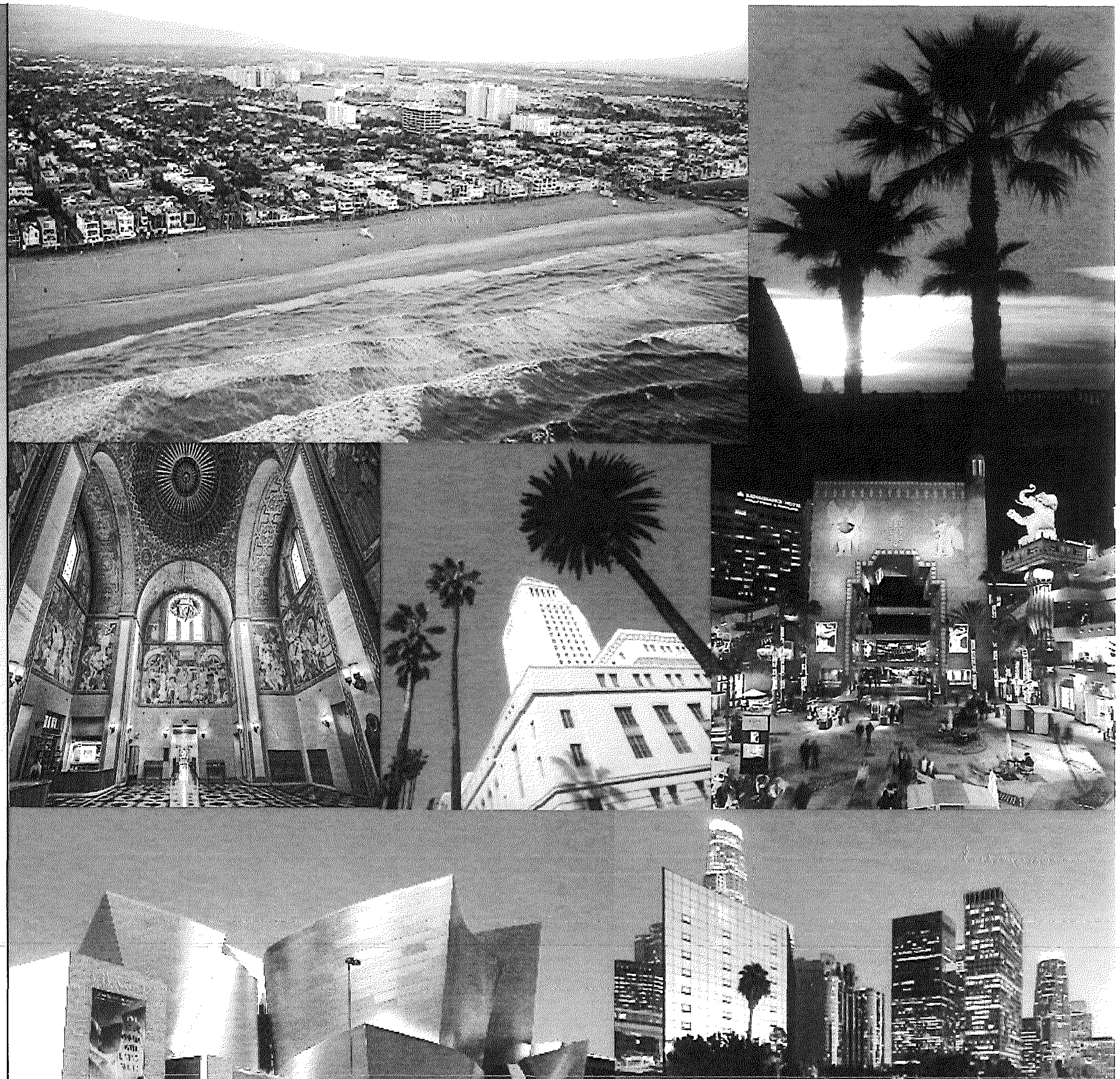
City Administrative Officer



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.

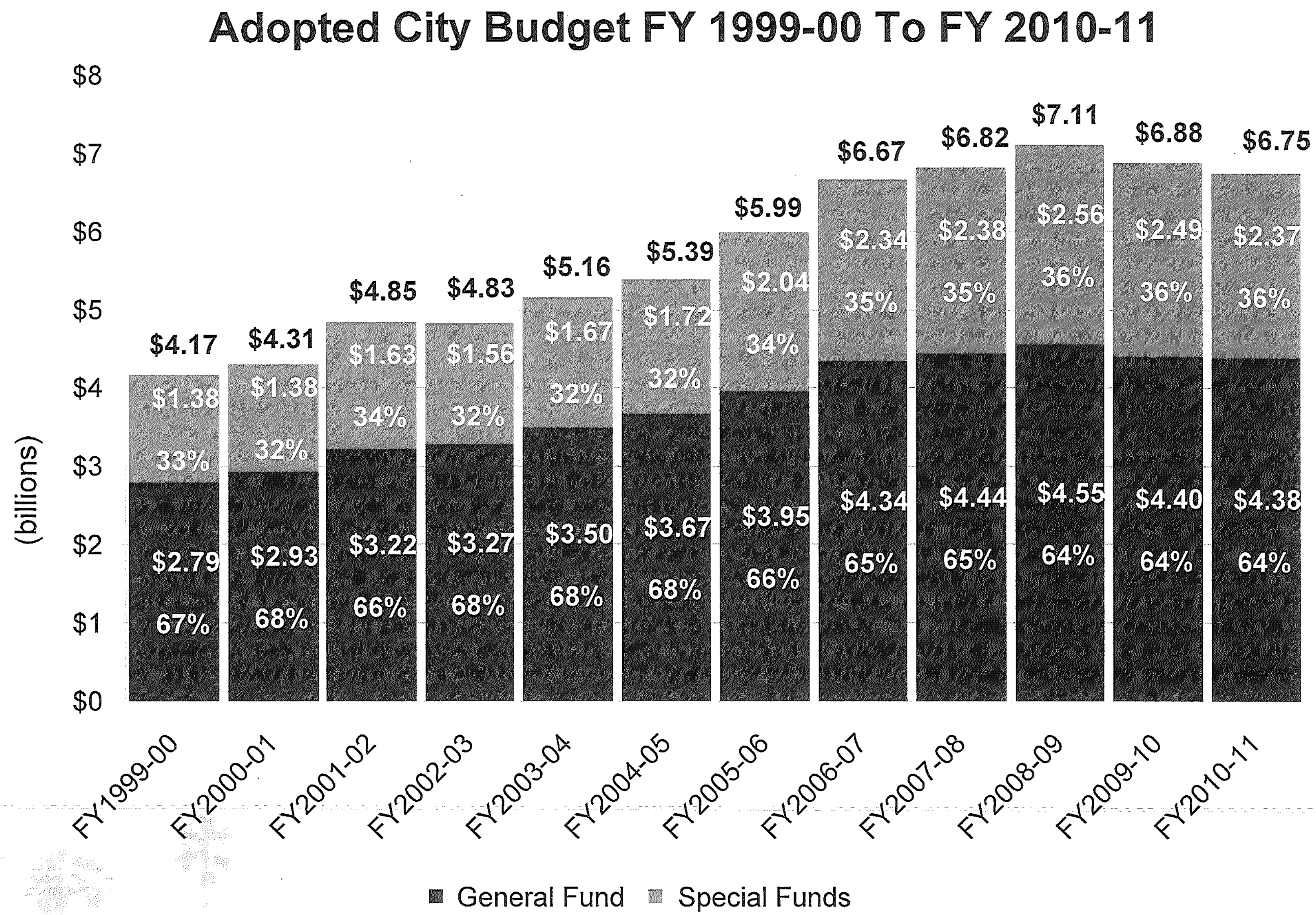
Fiscal First Aid:

- ❑ 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 :

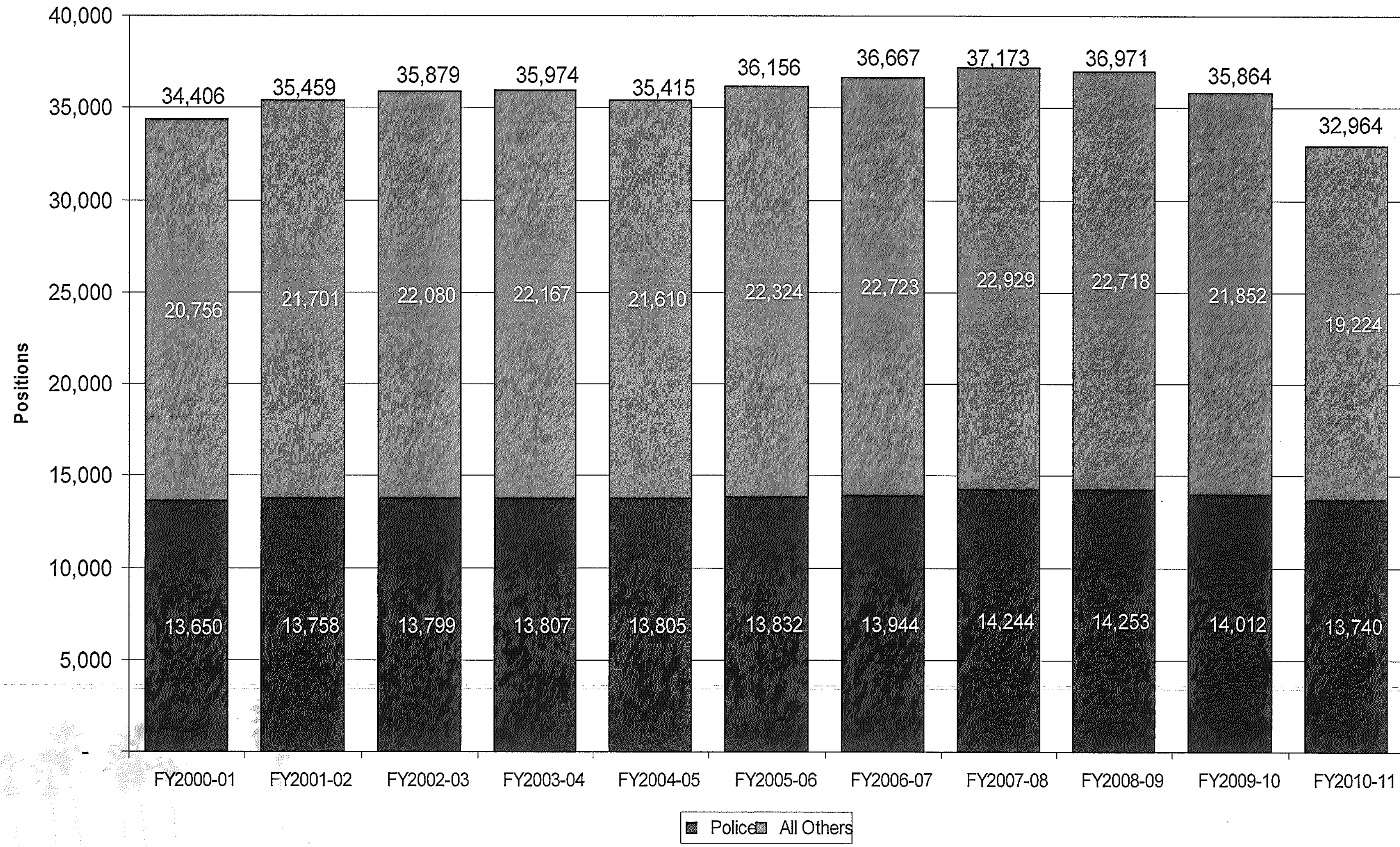
- ❑ Reduced workforce by 4,000 positions
- ❑ Replenished the Reserve Fund and Placed Charter Amendment P on ballot requiring a 2.75% Emergency Reserve Account within the Reserve Fund (approved by voters)
- ❑ Addressing major drivers of future deficits
  - ➢ Placed Charter Amendment to create a new pension 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?



What have we done?

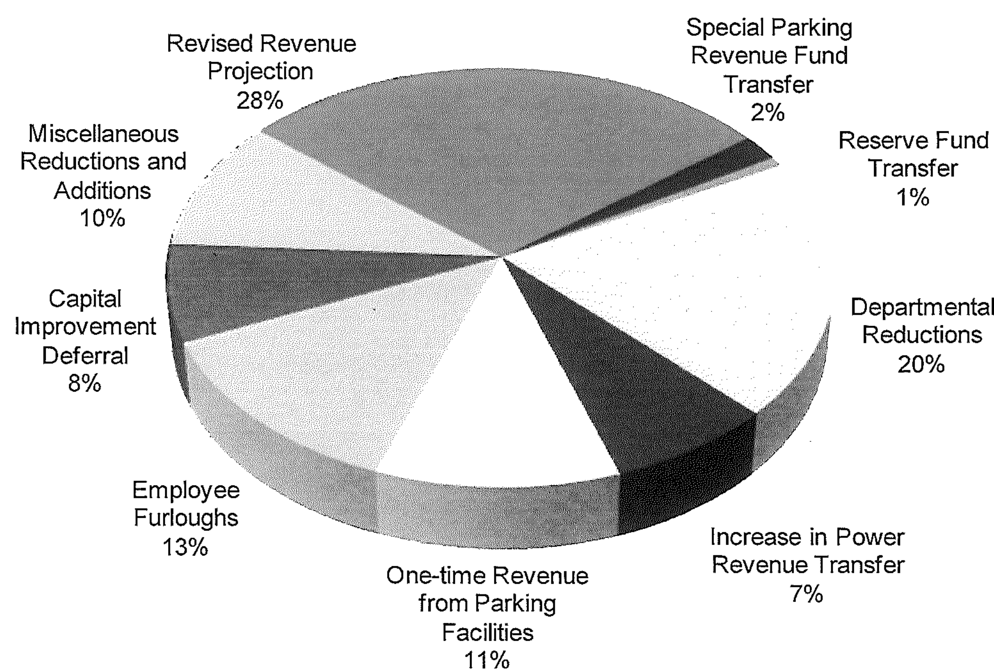
Citywide Authorized Staffing
FY 2000-01 to FY 2010-11



What have we done?

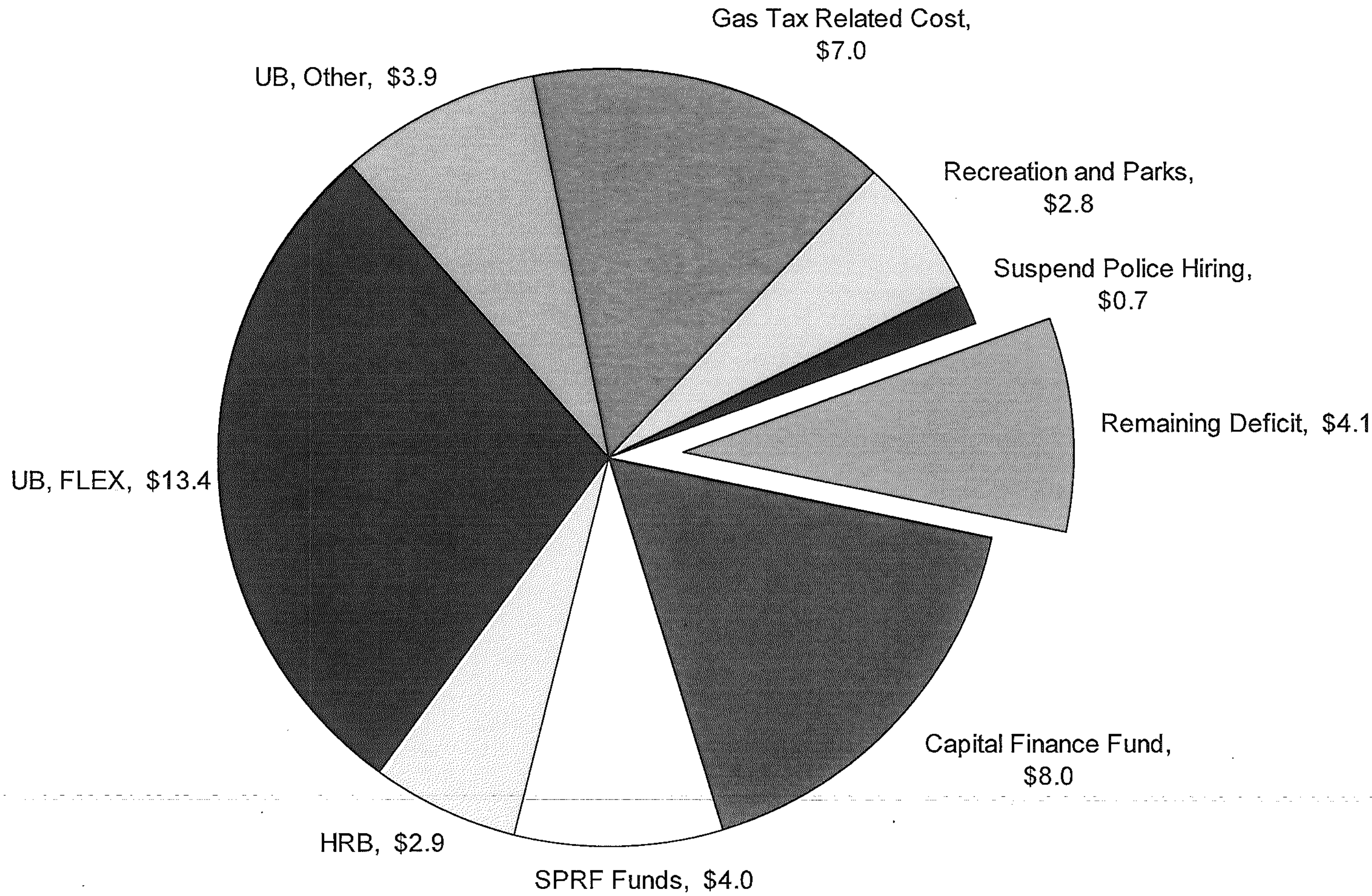
- City has taken the necessary steps to fill the FY2010-11 expected budget gap
  - Revenue revision: $139.6 million
  - Power revenue transfer: $36.5 million
  - Parking revenue transfer: $10 million
  - Reserve fund transfer: $3.6 million
  - Revenue from parking facilities: $53.2 million
  - Department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

$492 Million General Fund Budget Reductions



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.



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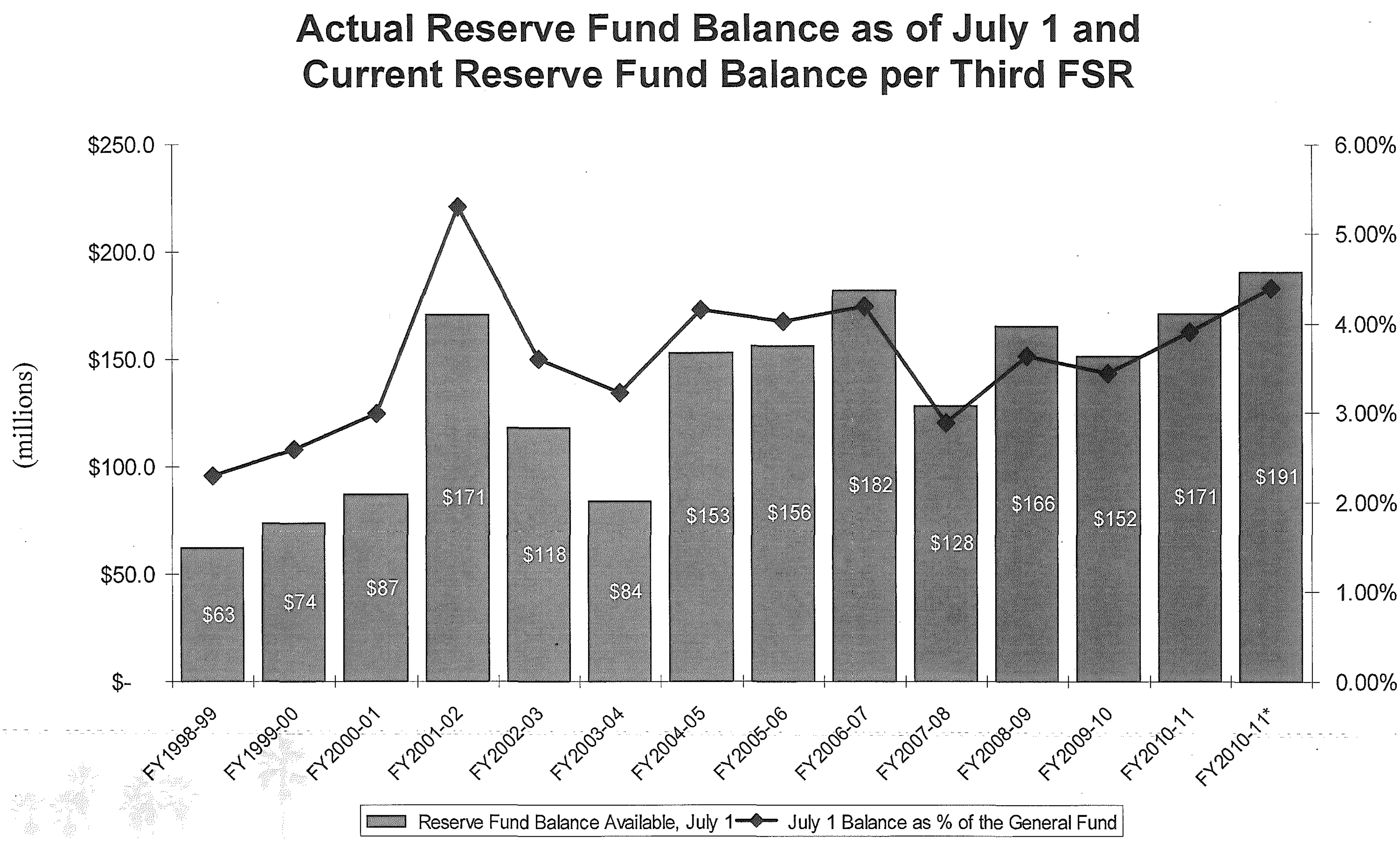


Where are we now?

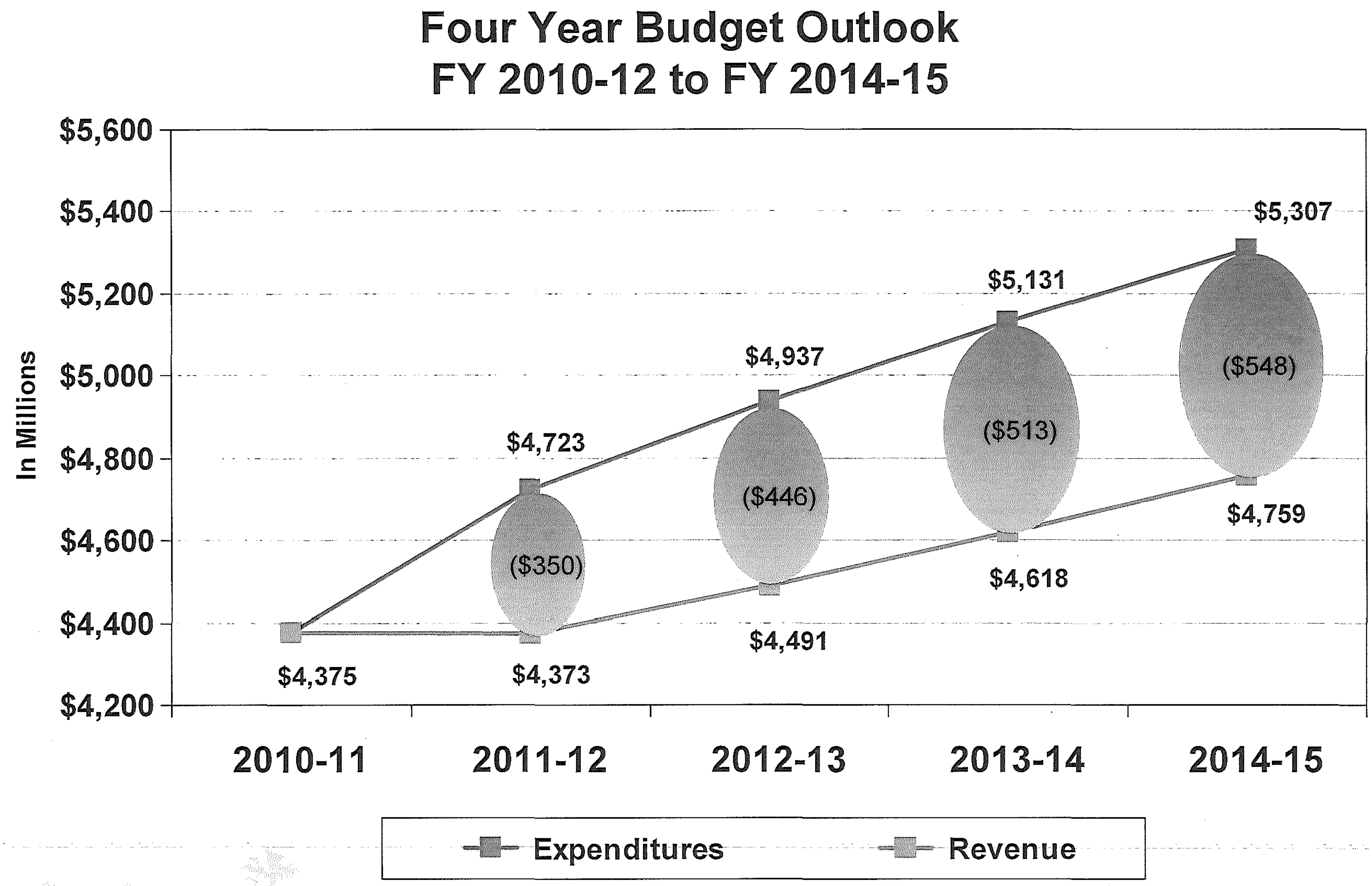
Ratings Over Last 5 Years

General Obligation Bonds by Year	Moody's	S&P	Fitch
June 2010	Aa2	AA-	AA-
June 2009	Aa2	AA	AA-
June 2008	Aa2	AA	AA
June 2007	Aa2	AA	AA
June 2006	Aa2	AA	AA

Ratings of 10 Largest U.S. Cities

Rating Rank	City	Fitch	Moody's	S&P
1	San Jose, CA	AAA	Aaa	AAA
2	San Antonio, TX	AAA	Aa1	AAA
3	Phoenix, AZ	NA	Aa1	AAA
4	Dallas, TX	NA	Aa1	AA+
5	New York, NY	AA	Aa2	AA
5	Houston, TX	AA	Aa2	AA
7	**Los Angeles, CA**	**AA-**	**Aa2**	**AA-**
8	Chicago, Il	AA-	Aa3	A+
9	San Diego, CA	AA-	Aa3	A
10	Philadelphia, PA	A-	A2	BBB

Where will we be if we do nothing?



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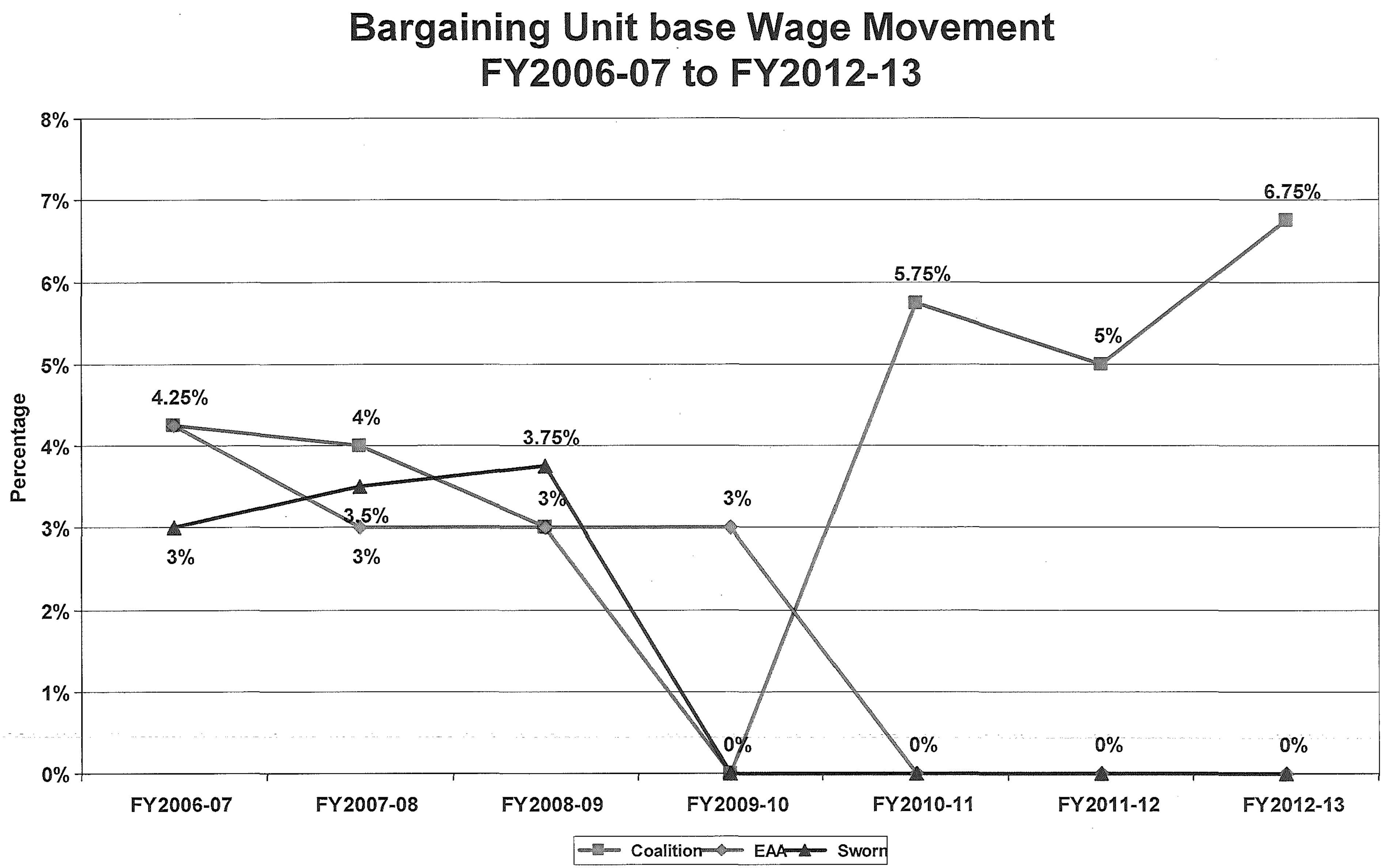

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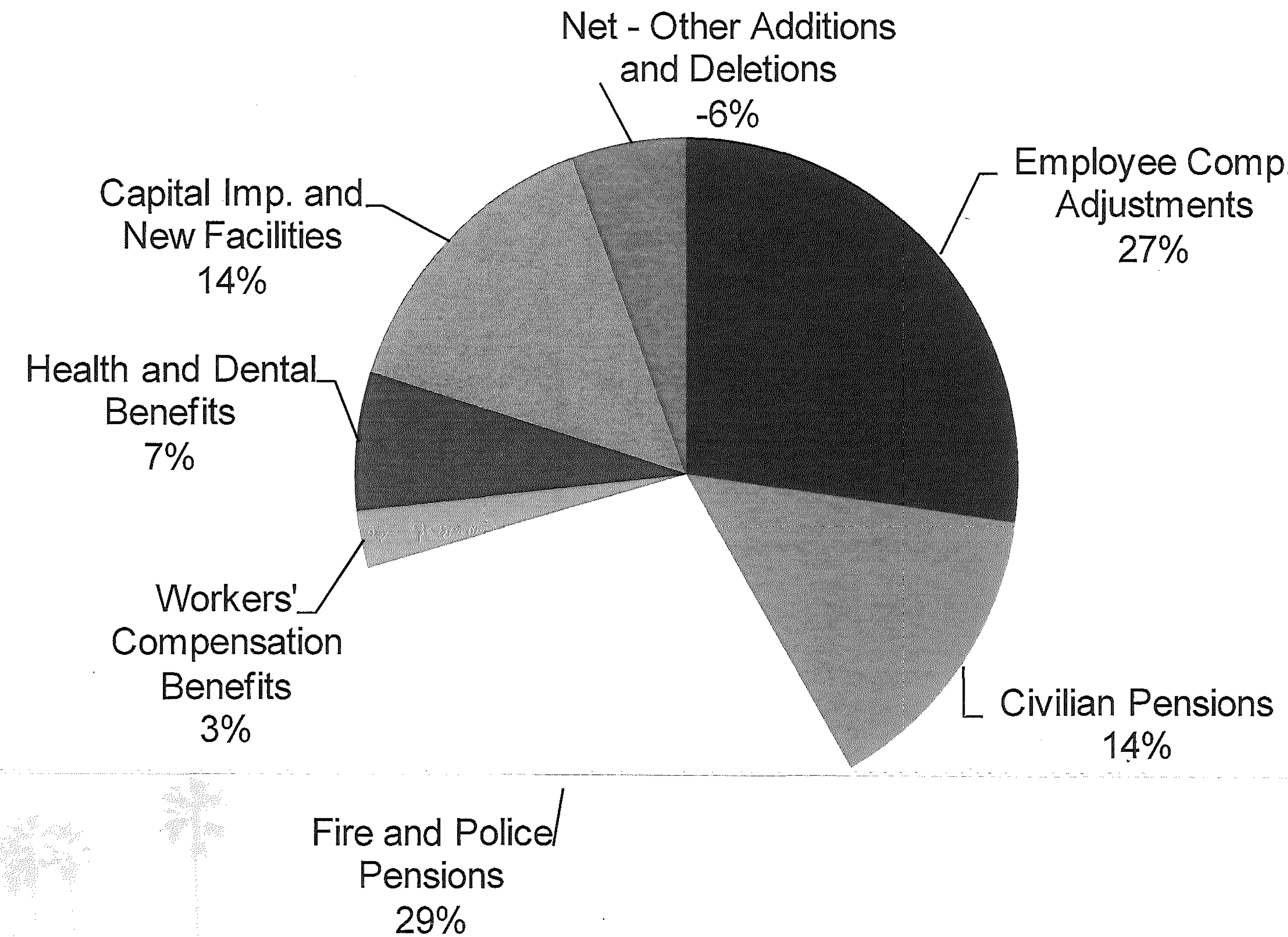
Projected Changes for FY2011-12



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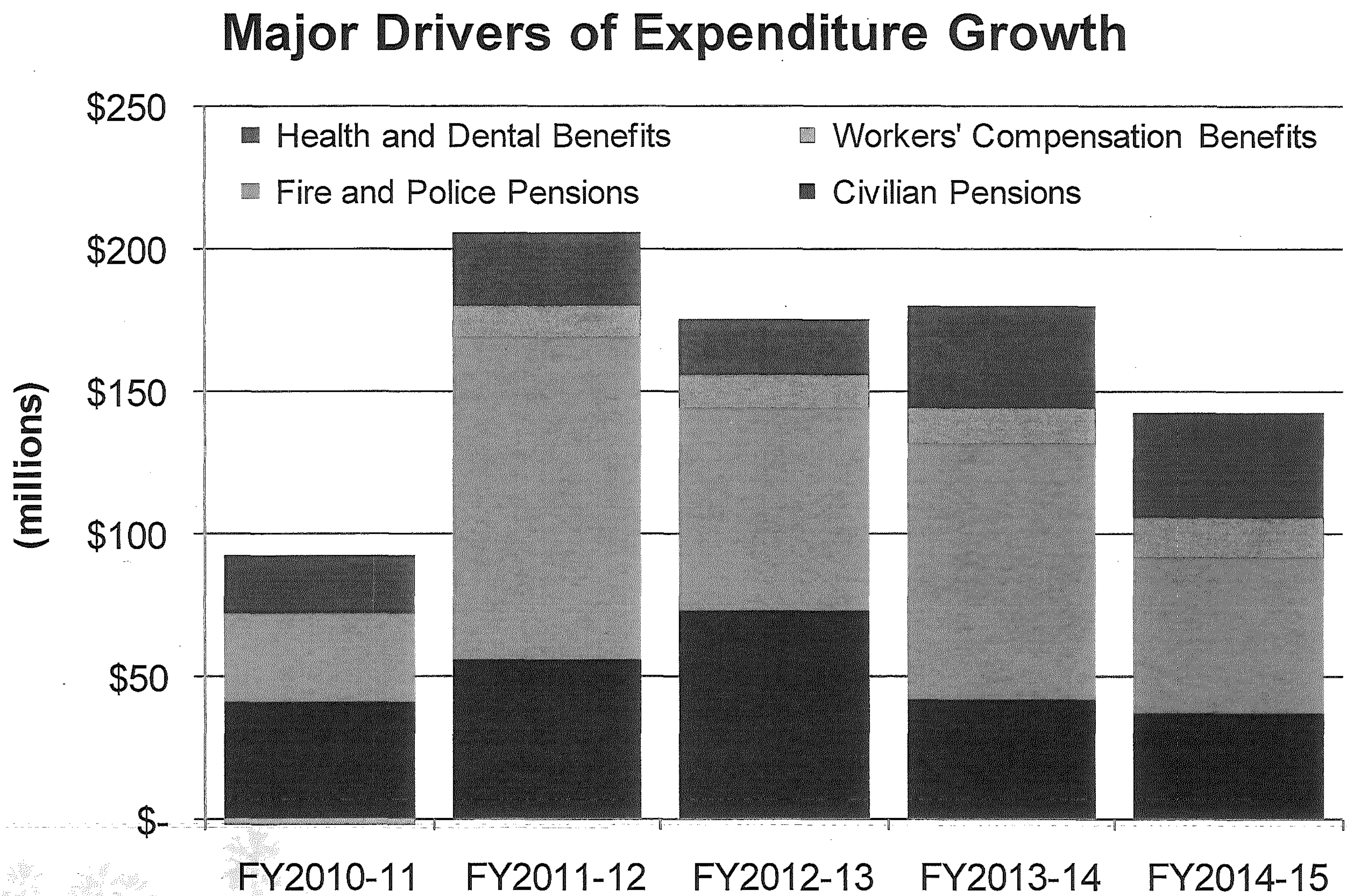

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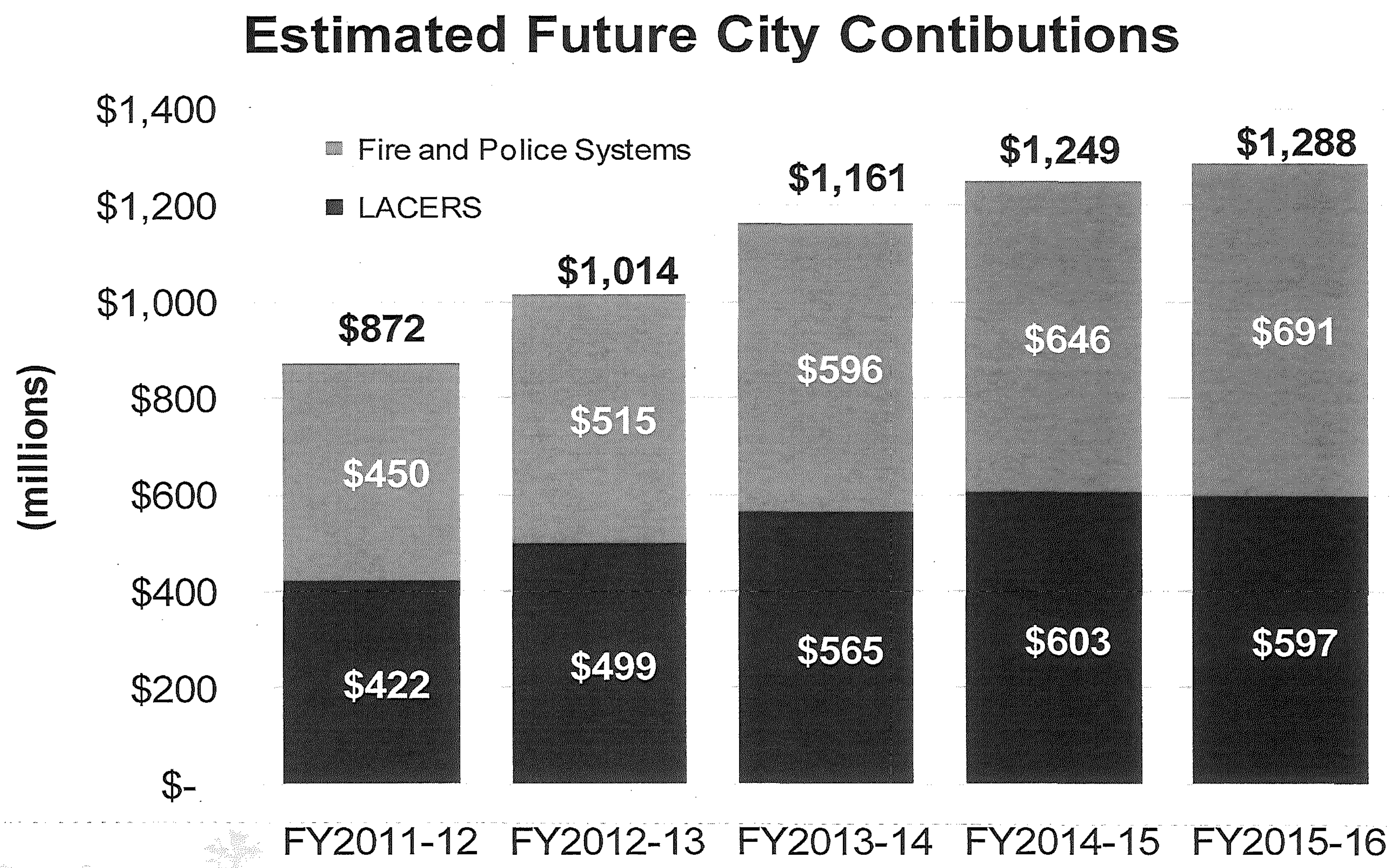

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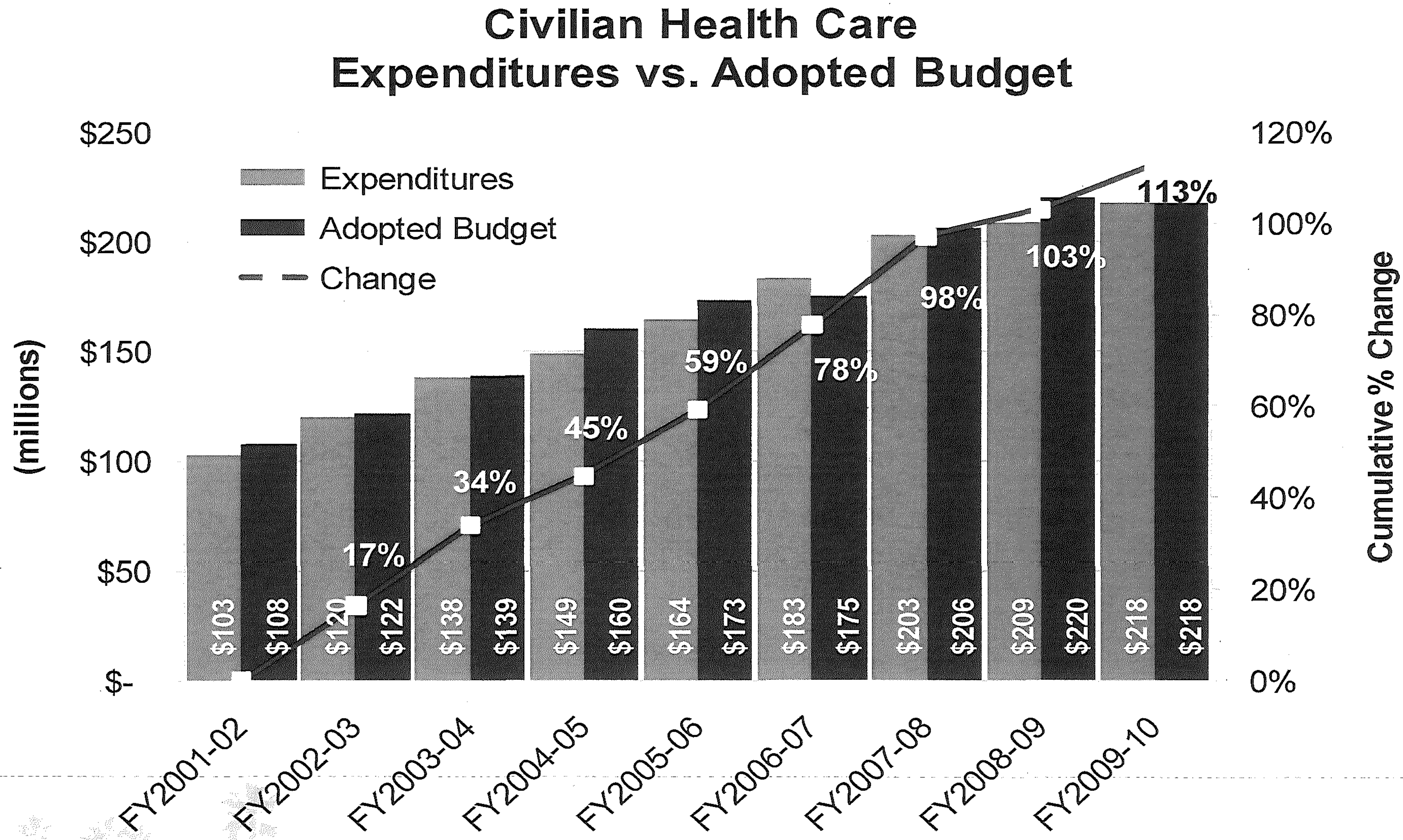

How do we get out of it?

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?