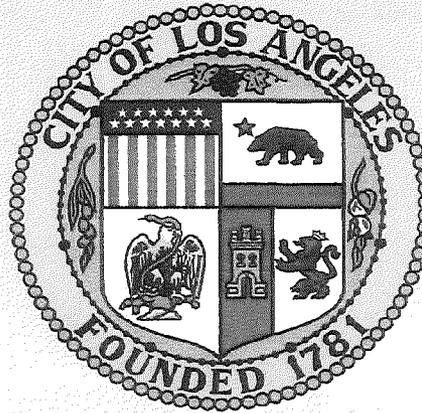


Item #4
11-0600-5157



City of Los Angeles



Four-Year Budget Outlook and Update to the Three-Year Plan to Fiscal Sustainability

Miguel A. Santana
City Administrative Officer
April 6, 2012

Executive Summary

- Need to move from crisis management to strategic planning
- Five guiding principles create the framework for a more strategic approach
- Following this framework is critical since budget outlook shows continued structural deficit
- Achieving fiscal sustainability requires revenue and expenditure solutions
- Recommendations presented build on prior success and lessons learned
- A path exists towards fiscal sustainability



Five Guiding Principles

I.	II.	III.	IV.	V.
Responsible Fiscal Management	Focus on Core Services	Alternative Service Delivery Models	Sustainable Workforce	Revenue
<p>A. Maintain a Strong Reserve Fund</p> <p>B. Make Smart Investments</p>	<p>A. Prioritize services and fund accordingly including support costs</p> <p>B. Reestablish a base service level for priorities consistent with available funding</p> <p>C. Realign services across departments based on core-competencies</p>	<p>A. Implement alternative service delivery models</p> <p>B. Establish a managed competition process for select services</p>	<p>A. Reduce the ongoing cost of the City's workforce with minimal service impact</p> <p>B. Reduce the ongoing cost of the City's workforce through strategic size reductions</p>	<p>A. Maximize the General Fund</p> <p>B. Enhance existing or establish new revenues sources</p>

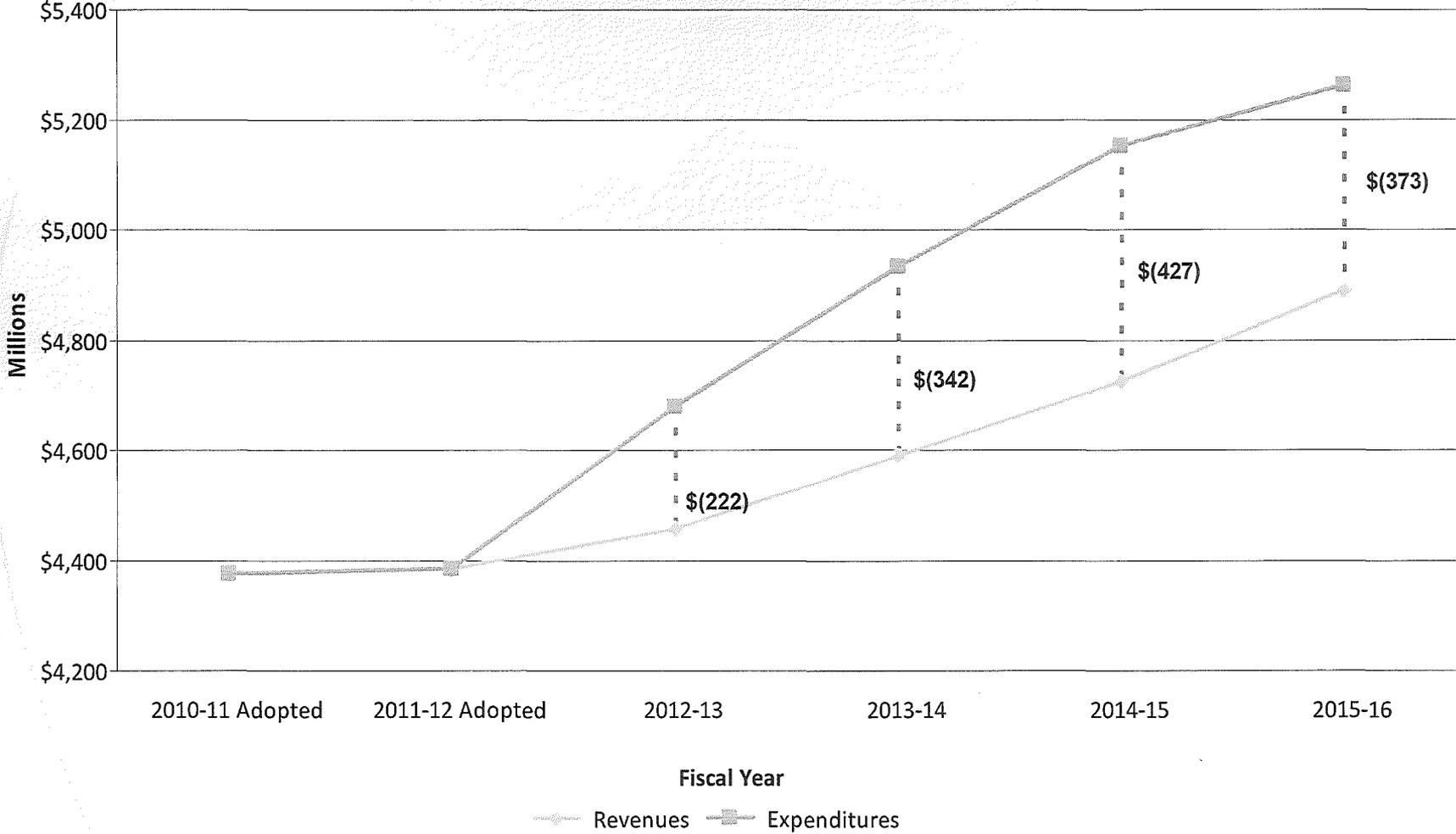


Four-Year Budget Outlook

	2011-12 Adopted	2012-13	2013-14	2014-15	2015-16
ESTIMATED GENERAL FUND REVENUE					
General Fund Base (1)	\$4,372	\$4,386	\$4,459	\$4,590	\$4,727
Revenue Growth (2)	\$14	\$73	\$132	\$136	\$163
Total Revenue	\$4,386	\$4,459	\$4,590	\$4,727	\$4,890
<i>General Fund Revenue Percent Increase</i>	<i>0.2%</i>	<i>1.7%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.5%</i>
ESTIMATED GENERAL FUND EXPENDITURES					
General Fund Base (3)	\$4,375	\$4,386	\$4,681	\$4,933	\$5,154
Incremental Changes to Base: (4)	\$11	\$295	\$252	\$221	\$109
Subtotal Expenditures	\$4,386	\$4,681	\$4,933	\$5,154	\$5,263
<i>Expenditure Growth Percent Increase</i>	<i>0.2%</i>	<i>6.7%</i>	<i>5.4%</i>	<i>4.5%</i>	<i>2.1%</i>
TOTAL BUDGET GAP	-	(222)	(342)	(427)	(373)

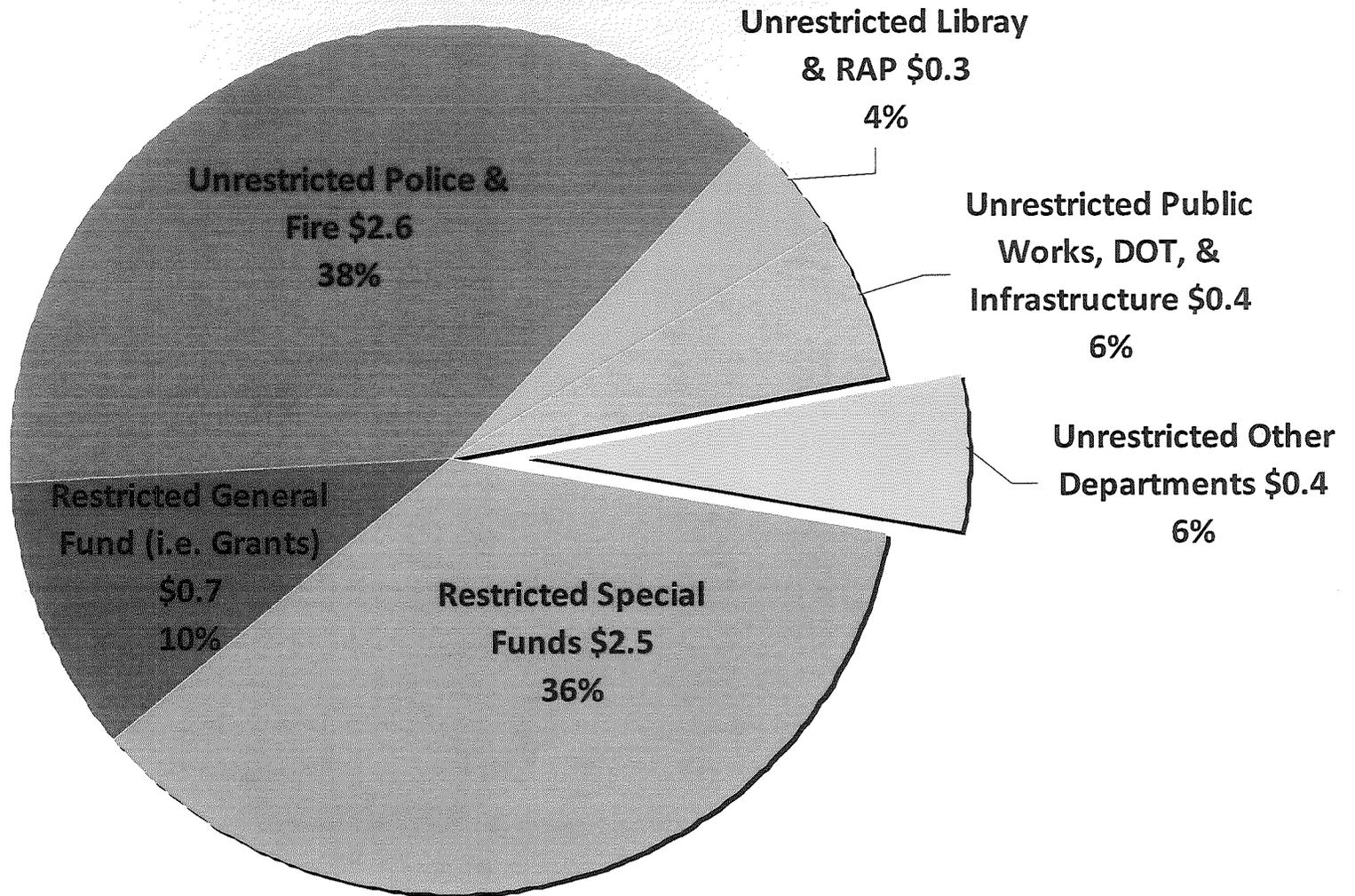


Budget Outlook: Fiscal Year 2012-13 to 2015-16

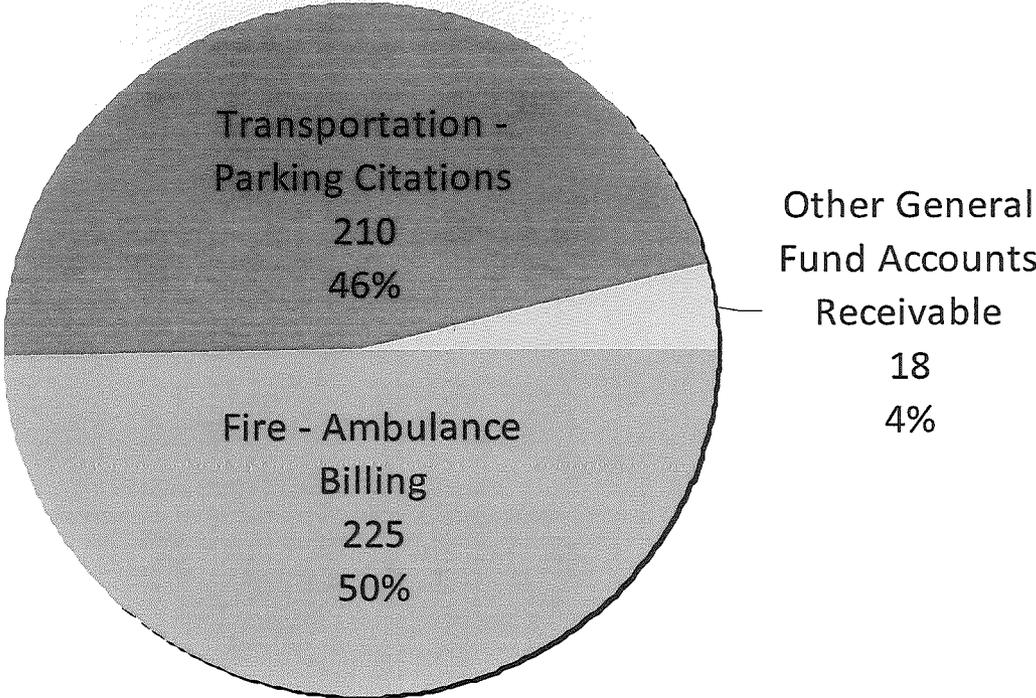


Restricted and Unrestricted Revenue

(Dollars in Billions)



Citywide General Fund Accounts Receivable
\$453 Million as of December 2011
(Dollars in Millions)



Transfer Tax Rate per \$1,000 of Property Sale Value

Cities in LA County	Rate per \$1,000 of Property Sale Value	Other California Cities	Rate per \$1,000 of Property Sale Value
Los Angeles (doubled)	\$9.00	Oakland	\$15.00
Los Angeles (current)	\$4.50	Berkeley	\$15.00
Culver City	\$4.50	Piedmont	\$13.00
Santa Monica	\$3.00	Alameda	\$12.00
Redondo Beach	\$2.20	Richmond	\$7.00
Pomona	\$2.20	San Jose	\$3.30
LA County Default Rate	\$1.10	Sacramento	\$3.75

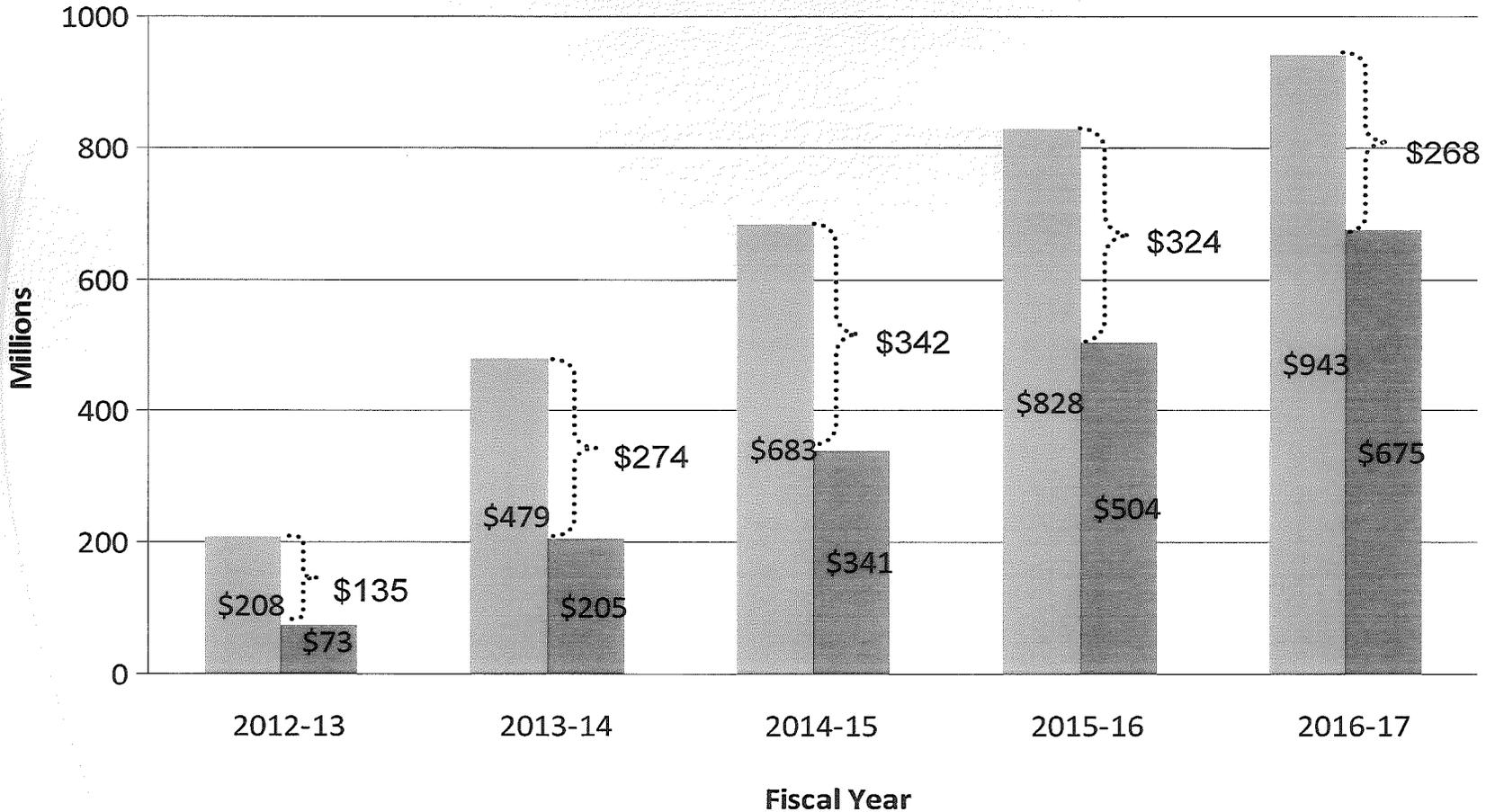


Parking Taxes in Select Large U.S. Cities

City	Tax Rate
Pittsburgh	37.5%
Miami (parking and sales tax)	22% (15% + 7%)
Philadelphia	20%
New York (Manhattan)	18.38%
Chicago (Flat Tax – Variable)	\$0 to \$5.00
San Francisco	25%
Los Angeles (option)	15%
Ontario (monthly rate)	12.5%
Burbank	12%
Los Angeles (current)	10%
Santa Monica	10%



Cumulative Labor Cost Projections Compared to Cumulative General Fund Revenue Increases FY2012-13 to 2016-17 (Base Year FY2011-12)



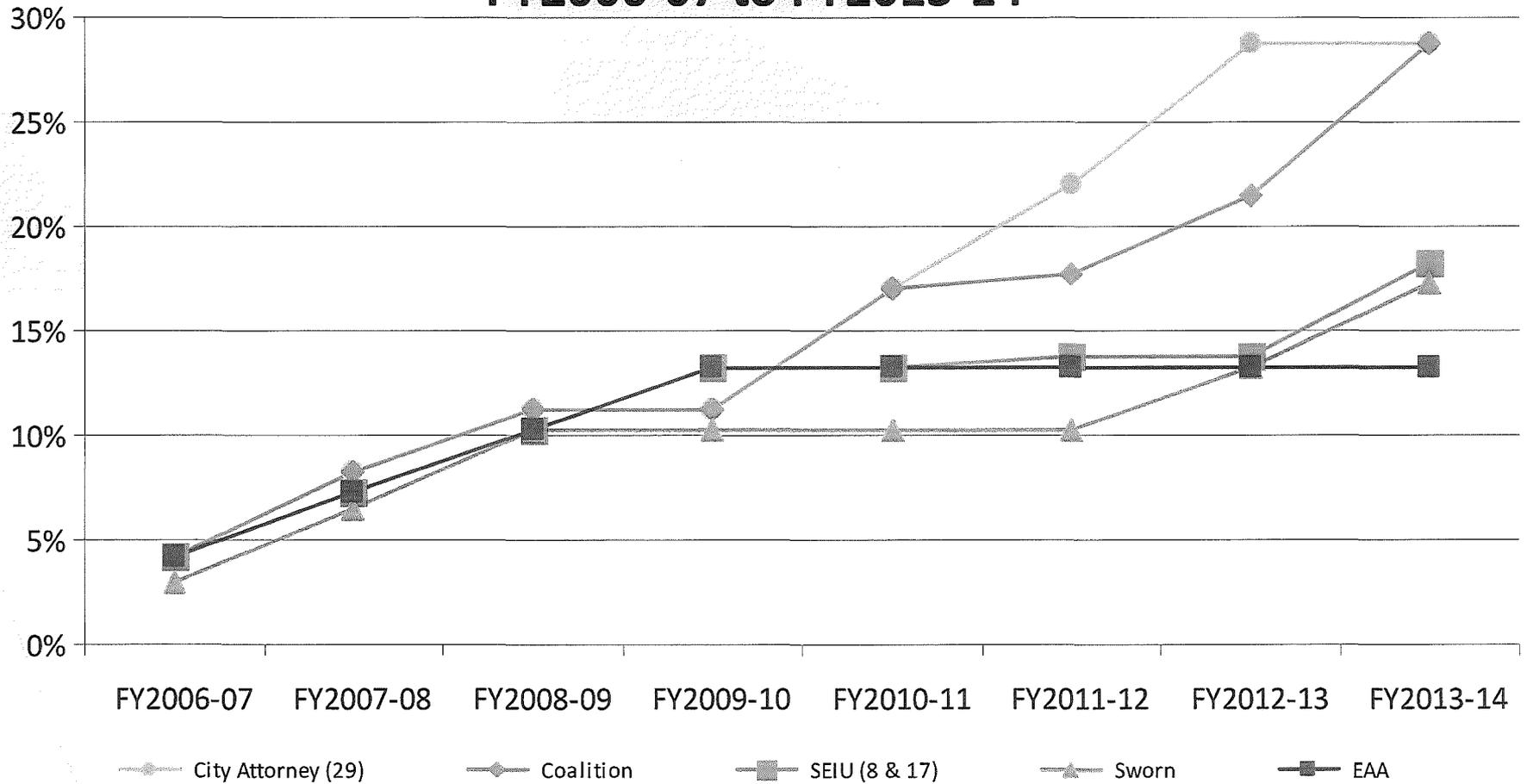
■ 4 Key Labor Cost Drivers - Cumulative Increase Above FY12 Base of \$4,077 million

■ General Fund Revenue - Cumulative Increase Above FY12 Base of \$4,386 million

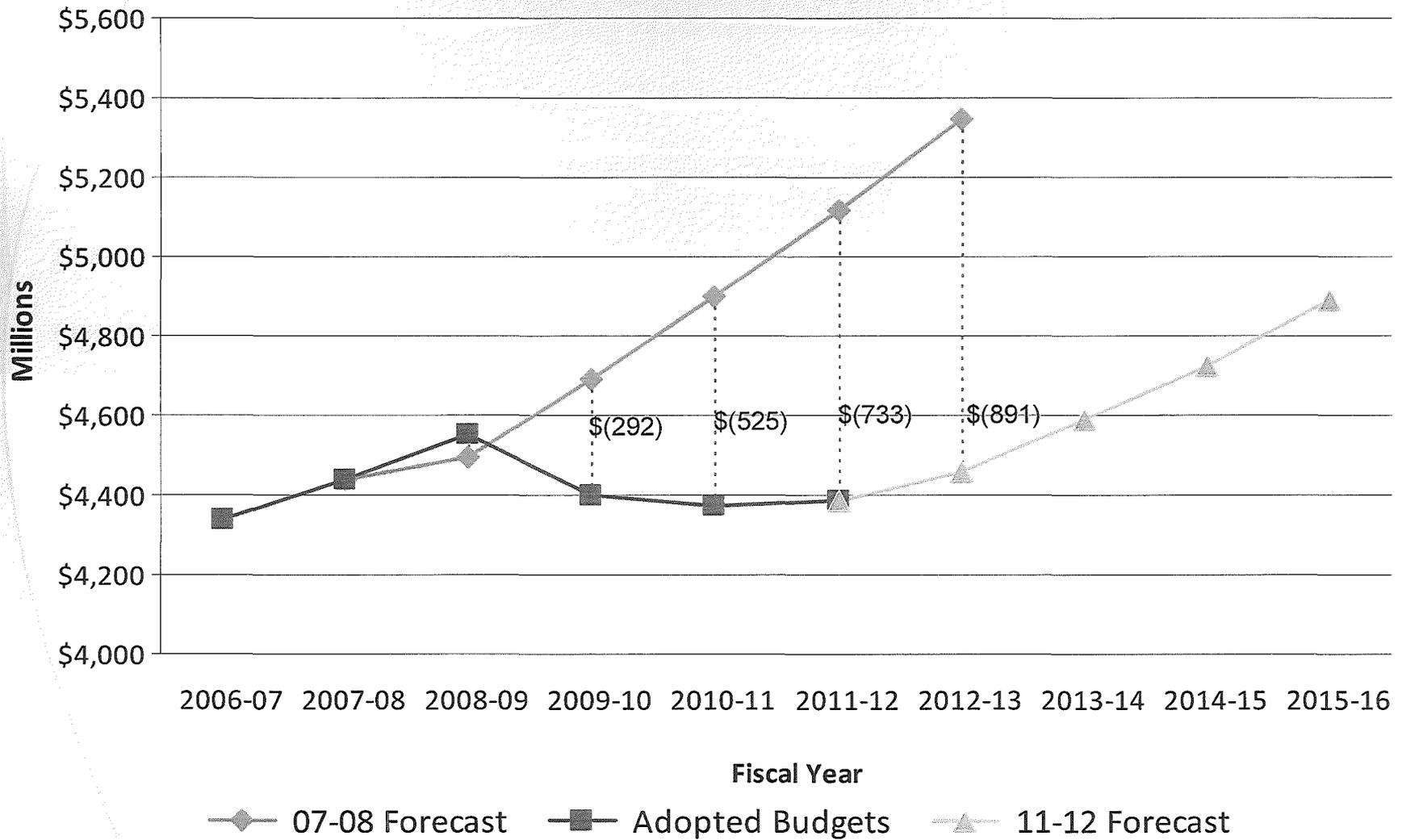


City of Los Angeles

Cumulative Bargaining Unit Base Wage Movement FY2006-07 to FY2013-14

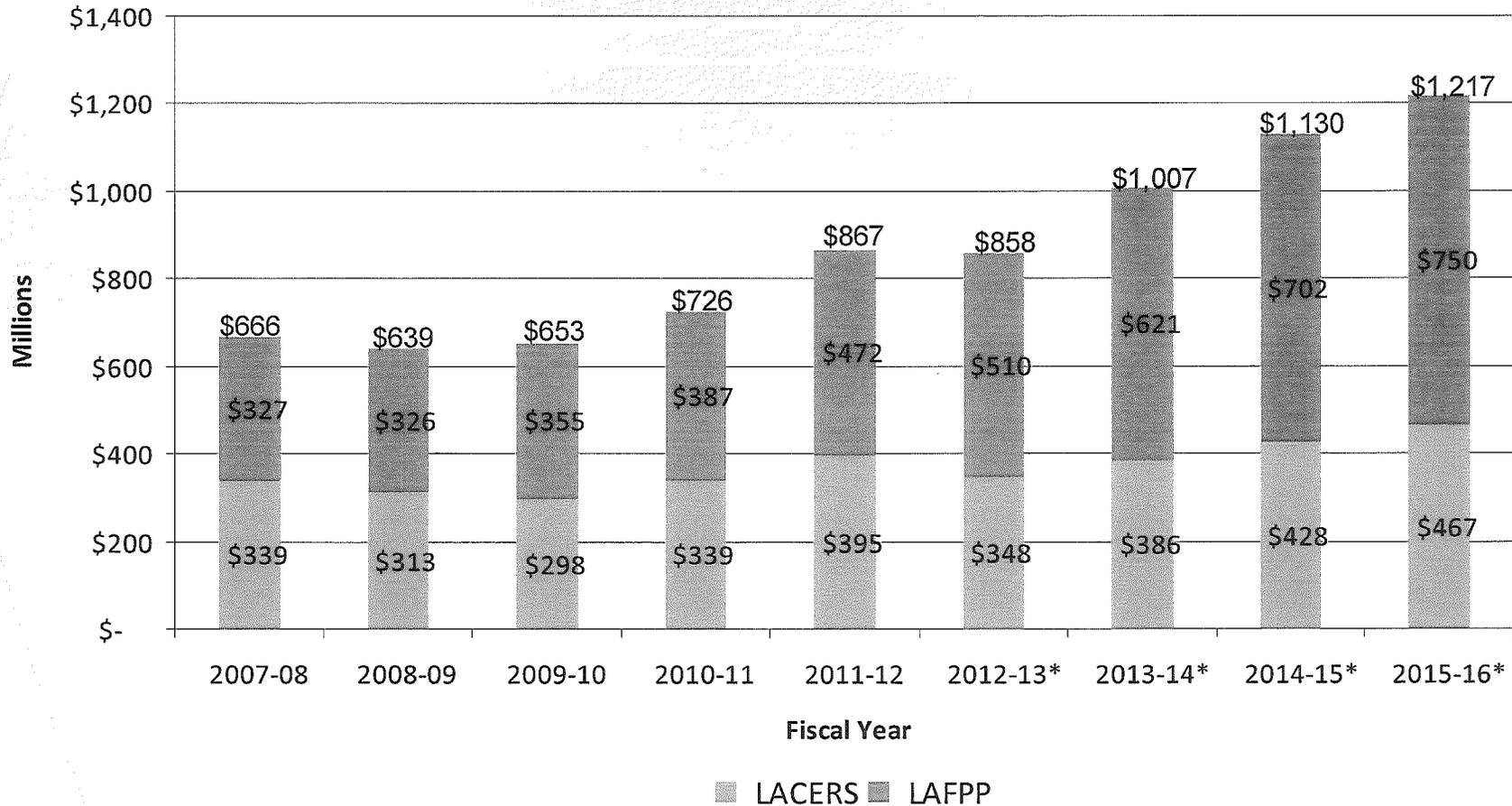


Comparison of General Fund Revenue Forecasts



Los Angeles City Contributions to Employee Pensions Actual 2007-08 to 2011-12 Projected 2012-13 to 2015-16

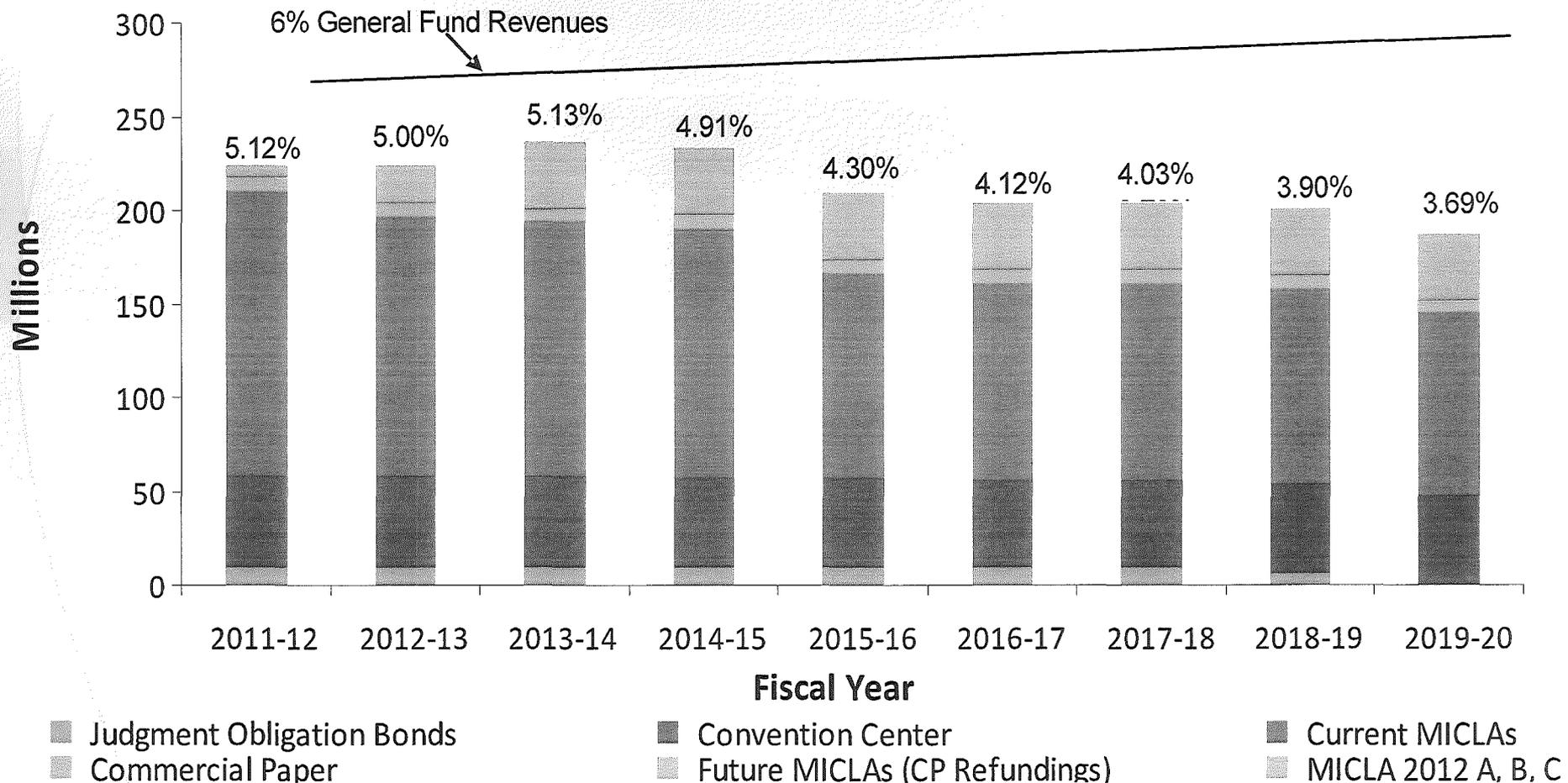
*Projections based on 0% return on market value of assets for 2011-12 and 7.75% per year thereafter.



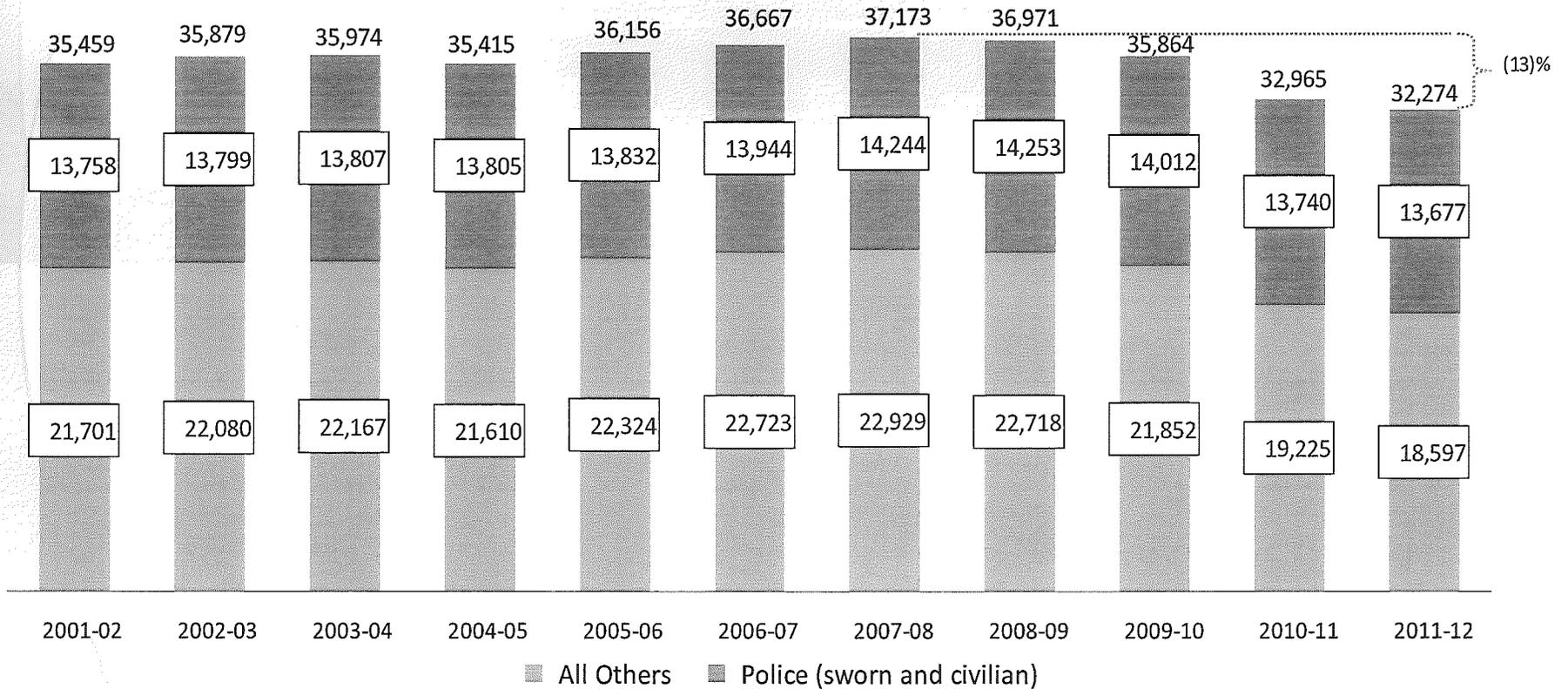
Non-Voter Approved Debt as of April 2012

Debt Service to General Fund Revenues (2% Projected Growth Beginning in Fiscal Year 2016)

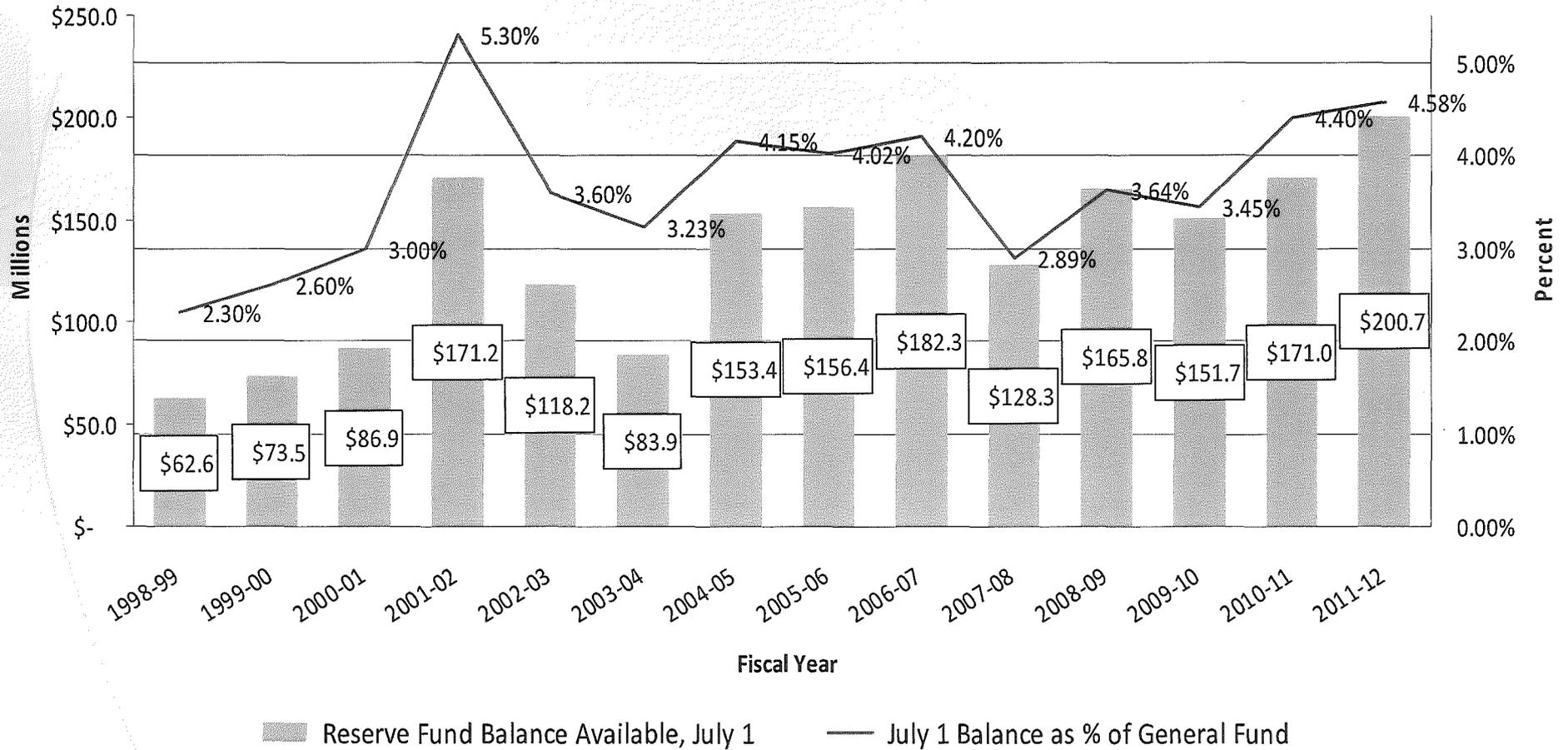
For every 0.1%, approximately \$26 million in project funding may be issued (at 5.5% over 15 years).



Authorized City Staffing (Not including Proprietary Departments)



Reserve Fund Balance

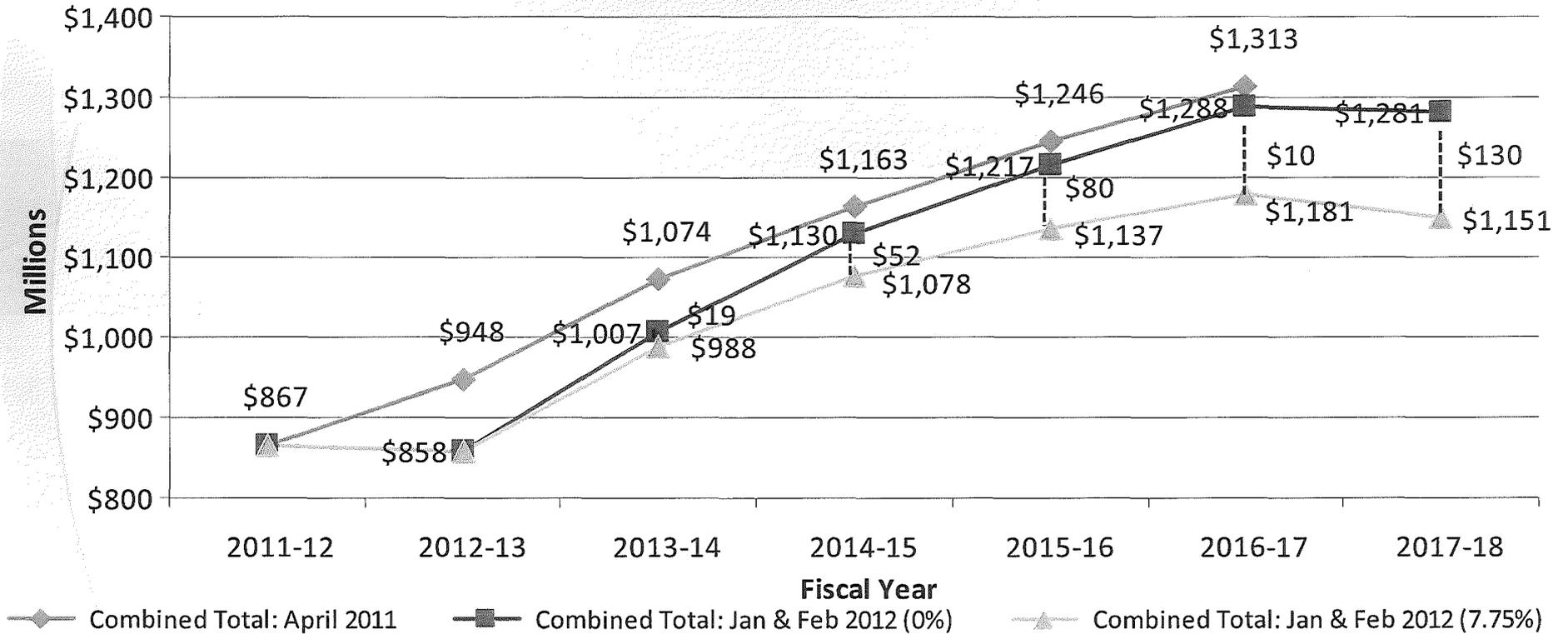


Ratings of 10 Largest U.S. Cities (Updated March 27, 2012)

Rating Rank	City	Fitch	Moody's	S&P
1	San Antonio, TX	AAA	Aaa	AAA
2	San Jose, CA	AA+	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-	Aa3	AA-
8	Chicago, Il	AA-	Aa3	A+
9	San Diego, CA	AA-	Aa3	A
10	Philadelphia, PA	A-	A2	BBB



Projections of Combined Contribution Amounts to LACERS & LAFPP FY2011-12 to 2017-18



Possible Budget Outlook Scenario

