

**TO THE COUNCIL OF THE
CITY OF LOS ANGELES**

Your BUDGET AND FINANCE COMMITTEE

reports as follows:

BUDGET AND FINANCE COMMITTEE REPORT relative to the City Administrative Officer's (CAO) Four-Year Budget Outlook and Update to the Three-Year Plan to Fiscal Sustainability.

Recommendations for Council action:

1. REAFFIRM the City's commitment to budget a Reserve Fund that is at least 5% of the General Fund in compliance with the City's Financial Policies (Recommendation A1 of the Adhere to Responsible Management and Fiscal Practices Guiding Principle of the CAO report dated April 6, 2012, attached to the Council file).
2. BUILD a Budget Stabilization Fund to address liabilities from adverse decisions from existing lawsuits and/or unforeseen circumstances (Recommendation A2 of the Adhere to Responsible Management and Fiscal Practices Guiding Principle of the CAO report).
3. PRIORITIZE and FUND deferred maintenance needs and critical capital improvements in the City in compliance with a redefined Capital Improvement and Expenditure Program policy that accounts for all investments in infrastructure including those funded from voter and non-voter approved debt (Recommendation B1 of the Adhere to Responsible Management and Fiscal Practices Guiding Principle of the CAO report).
4. FUND and IMPLEMENT best practices in risk management including training and improved tracking of costs to lower the City's liabilities (Recommendation B2 of the Adhere to Responsible Management and Fiscal Practices Guiding Principle of the CAO report).
5. INITIATE the transition to a performance-based budgeting process beginning with the development of departmental performance metrics to be integrated into the City's budget document, which will be organized to reflect an outcome-centered organizational approach (Recommendation A1 of the Focus on Core Services Guiding Principle of the CAO report).
6. FACILITATE the development of desired outcomes for every service provided by the City, the cost associated with achieving those outcomes, and identifying metrics that will demonstrate progress towards the outcomes is being made (Recommendation A2 of the Focus on Core Services Guiding Principle of the CAO report).
7. DIRECT all departments to develop a five year strategic plan that re-establishes the mission and vision of the department as well as goals and base level service targets for their department. (Recommendation B3 of the Focus on Core Services Guiding Principle of the CAO report).

8. HOLD General Managers across all departments accountable for risk management liabilities from failed management decisions and repeated mistakes (Amended Recommendation B3 of the Adhere to Responsible Management and Fiscal Practices Guiding Principle of the CAO report).
9. FUND and IMPLEMENT citywide system upgrades in the most-cost effective manner based on a strategic plan for Information Technology Infrastructure that prioritizes the needs of the City (Recommendation B4 of the Adhere to Responsible Management and Fiscal Practices Guiding Principle of the CAO report).
10. INSTRUCT the CAO, Chief Legislative Analyst (CLA), and all other related departments to report back during the course of the upcoming budget hearings on all remaining recommendations contained in the CAO report that are not noted in the recommendations above.
11. INSTRUCT the CAO to report back relative to factors impacting bond ratings including reserve fund balances and quantify the costs due to a downgrade in bond rating. Include a comparison of reserve fund balances for the same 10 cities listed in the CAO's powerpoint chart entitled Ratings of 10 Largest U.S. Cities.
12. INSTRUCT the Department of General Services to report back with an inventory of the City's assets.

Fiscal Impact Statement: Neither the CAO nor the CLA has completed a financial analysis of this report.

Community Impact Statement: None submitted.

SUMMARY

At its meeting of April 16, 2012, the Budget and Finance Committee considered the CAO's Four-Year Budget Outlook and Update to the Three-Year Plan to Fiscal Sustainability (Three-Year Plan). The CAO reports that this report presents issues and recommendations on how the City can achieve fiscal sustainability over the next few years. The intent of these recommendations, developed by the CAO, is to restore the City's long-term financial health and sustainability while continuing to address the most critical needs of the City's residents.

The CAO reports that the Three-Year Plan continues to be centered on the following four guiding principles: I. Adhere to responsible management and fiscal practices, II. Focus on core services, III. Pursue alternative service delivery models, and IV. Maintain a sustainable workforce. Additionally, in light of the size of the City's fiscal challenges, a fifth guiding principle has been developed in this updated Three-Year Plan that promotes a balanced approach to addressing these challenges: V. Raise new revenues through the support of constituents and through efforts that grow the economy and stimulate job creation, while protecting and maximizing existing revenue sources through a responsive collection system and full-cost recovery of services rendered. The CAO report, attached to the Council file, provides many additional details.

During Committee consideration, the CAO presented an overview of the report and responded to related questions from Committee members. An opportunity for public comment was provided. After further discussion, the Committee recommended to approve the CAO recommendations detailed above, instruct the CAO, CLA and related departments to report back on all remaining CAO recommendations not detailed above, and add the amendments and instructions also reflected above. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
KREKORIAN:	YES
ENGLANDER:	YES
CARDENAS:	ABSENT
ROSENDAHL:	YES
KORETZ:	YES

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