

CITY OF LOS ANGELES  
CALIFORNIA

JUNE LAGMAY  
City Clerk

HOLLY L. WOLCOTT  
Executive Officer



ANTONIO R. VILLARAIGOSA  
MAYOR

Office of the  
CITY CLERK

Council and Public Services  
Room 395, City Hall  
Los Angeles, CA 90012  
General Information - (213) 978-1133  
Fax: (213) 978-1040

When making inquiries relative to  
this matter, please refer to the  
Council File No.

[www.cityclerk.lacity.org](http://www.cityclerk.lacity.org)

June 7, 2011

To All Interested Parties:

The City Council adopted the action(s), as attached, under Council File No. 11-0600-  
S1, at its meeting held May 27, 2011.

City Clerk  
io

Mayor's Time Stamp  
RECEIVED THE MAYOR  
2011 MAY 27 PM 3:12  
CITY OF LOS ANGELES

FORTHWITH

City Clerk's Time Stamp  
RECEIVED CITY CLERK'S OFFICE  
2011 MAY 27 PM 3:08  
CITY CLERK  
BY \_\_\_\_\_ DEPUTY

SUBJECT TO THE MAYOR'S APPROVAL

COUNCIL FILE NO. 11-0600-S1

COUNCIL DISTRICT \_\_\_\_\_

COUNCIL APPROVAL DATE MAY 27, 2011

RE: DECLARING A FISCAL EMERGENCY AND AUTHORIZING REDUCTION IN WORK HOURS BY APPOINTING AUTHORITIES

JUN 06-2011

LAST DAY FOR MAYOR TO ACT \_\_\_\_\_  
(5 Day Charter requirement as per Charter Section 341)

DO NOT WRITE BELOW THIS LINE - FOR MAYOR USE ONLY

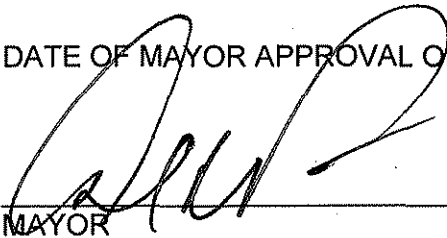
APPROVED  
✓  
\_\_\_\_\_

\*DISAPPROVED  
\_\_\_\_\_

\*Transmit objections in writing pursuant to Charter Section 341

DATE OF MAYOR APPROVAL OR DISAPPROVAL

JUN 06 2011

  
MAYOR

RECEIVED  
CITY CLERK'S OFFICE  
2011 JUN - 6 PM 3:31  
BY \_\_\_\_\_  
CITY CLERK  
DEPUTY

MOTION

I HEREBY MOVE that Council APPROVE the recommendation (Item #3, CF 11-0600-S1) relative to declaring a fiscal emergency and authorizing reduction in work hours by appointing authorities, SUBJECT TO THE APPROVAL OF THE MAYOR:

ADOPT the accompanying RESOLUTION to:

- a. RESOLVE that the City Council of the City of Los Angeles, by virtue of the power and authority vested in it by the City Charter and the City Administrative Code, does hereby ADOPT the foregoing recitals as findings and does hereby determine and declare that an emergency pursuant to California law, including without limitation Government Code section 3504.5 and Los Angeles Administrative Code section 4.850 continues to exist and issues this order to become effective immediately.
- b. AUTHORIZE, effective May 27, 2011, the Mayor, through the appointing authorities, is authorized to continue the reduced work schedules or alternative means of generating payroll savings for the remainder of Fiscal Year 2010-11 pursuant to the Emergency Resolution adopted by the City Council on May 17, 2010.
- c. AUTHORIZE, effective July 1, 2011, the Mayor, through the appointing authorities, is authorized to implement reduced work schedules or alternative means of generating payroll savings and to reduce total employee compensation costs including without limitation costs related to pension and retiree healthcare pursuant to a plan adopted by the City Council. The plan shall be for the entirety of Fiscal Year 2011-12 and shall generate a sufficient amount of savings to close Fiscal Year 2011-12 with an Emergency Reserve Account balance of at least \$120.6 million. To the extent practicable and economical, any work schedule reduction plan shall: (a) be limited to employees whose salaries are funded in whole or in part by the General Fund, (b) exempt employees whose pension contributions to their pensions include an employee contribution enhancing the City's ability to make payments towards retiree healthcare, (c) generally seek to avoid diminishing the City's ability to generate and collect revenue, and (d) avoid causing the City to incur additional overtime costs.
- d. AUTHORIZE working hour reductions, layoffs, and other methods of reducing employee payroll expense including, but not limited to, unpaid floating holidays for all employees, city office closure days, abolishment of positions, etc. shall continue in Fiscal Year 2011-12 in sufficient number and at the levels necessary to ensure and improve the City's fiscal stability.
- e. RESOLVE that as of the date of its adoption, this Resolution supersedes the Emergency Resolution adopted by the City Council on May 17, 2010, except as specifically referenced in the preceding Paragraph 2.

May 27, 2011

**ADOPTED**  
MAY 27 2011  
LOS ANGELES CITY COUNCIL

TO THE MAYOR FORTHWITH

PRESENTED BY

*Donald C. [Signature]*

PRESENTED BY

*E.G. [Signature]*

ORIGINAL

## RESOLUTION

**WHEREAS**, over the last two fiscal years, the City has faced budget deficits exceeding over \$1 billion, including a \$485 million deficit in 2010-11 and a \$529 million deficit in 2009-10; and

**WHEREAS**, on May 26, 2010, faced with ongoing economic uncertainty, the City Council adopted a 2010-2011 Budget that instituted various cost reduction and revenue enhancement measures to address an anticipated budget shortfall of \$485 million, including a \$63 million reduction in salary appropriations for civilian employee to be achieved through furloughs, \$53 million in one-time revenues related to the City's parking assets, and \$176 million in operational cost savings, including layoffs and position eliminations; and

**WHEREAS**, simultaneous with the adoption of the 2010-11 Budget, the City Council declared a fiscal emergency authorizing the implementation of mandatory furloughs under the City's reduced work schedule ordinance for some civilian employees, commencing July 1, 2010; and

**WHEREAS**, the City immediately embarked on a course to effectuate the \$292 million in budget cuts; and

**WHEREAS**, since July 1, 2010, over 463 City employees have been laid off and additional layoffs may be necessary; and

**WHEREAS**, on August 18, 2010 and on September 8, 2010, the City Council approved agreements with four bargaining units represented by the Engineers and Architects Association, which reduced the number of furlough days for unit members and is expected to offset the City's deficit by \$19 million in 2010-11; and

**WHEREAS**, on August 18, 2010, the City Council authorized the CAO to issue a Request for Proposals (RFP) to qualified bidders for a proposed Public Private Partnership (P3) involving the City's parking garages, which was expected to secure \$53 million in one-time revenues in 2010-11; and

**WHEREAS**, on September 2, 2010 and November 4, 2010, the Board of Fire and Police Pension Commissioners changed several actuarial assumptions, such as its investment return assumption from 8% to 7.75% and its 10% medical trend assumption from a one-year period to a three-year period, which increased the City contribution for 2011-12 by \$50 million; and

**WHEREAS**, on September 28, 2010, the Los Angeles City Employees' Retirement System (LACERS) Board of Administration adopted a seven-year asset smoothing period and a market value corridor of 60-140 percent, which was expected to reduce the City's contribution volatility and the 2011-12 City contribution by \$26.9 million; and

**WHEREAS**, on September 30, 2010, the Fire Department's Modified Coverage Plan was suspended and subsequently on October 26, 2010, the City reached a tentative agreement with the United Firefighters of Los Angeles to offset the Fire Department's deficit by \$14 million in 2010-11; and

**WHEREAS**, on October 14, 2010, the City filed a notice of impasse that is currently pending with the Employee Relations Board in connection with negotiations on a successor Memoranda of Understanding with two bargaining units represented by the Service Employees' International Union, Local 721; and

**WHEREAS**, on October 15, 2010, the Office of the City Administrative Officer (CAO) released its First Financial Status Report (FSR), indicating the trends of projected expenditures for civilian salary accounts, sworn overtime accounts, and department expense accounts result in a preliminary deficit projection of \$63.7 million for 2010-11; and

**WHEREAS** on October 18, 2010, the Mayor instructed every department that was identified with a projected deficit to submit an operational plan that provided internal solutions to address their deficits; and

**WHEREAS**, by November 23, 2010, the tentative agreement with the United Firefighters of Los Angeles was not ratified and subsequently on November 30, 2010, the Fire Department reinstated the Modified Coverage Plan, which was expected to offset the Fire Department's deficit by \$30 million in 2010-11; and

**WHEREAS**, on December 3, 2010, the CAO released the 2010-11 Operational Plan, which indicated that the total deficit for 2010-11 had increased from \$63.7 million to \$87.84 million and included as part of the plan proposals to mitigate the projected deficit through various one-time actions including reductions in expense accounts, maintaining additional positions vacant throughout the year, transferring surpluses in other funds to the General Fund, and seeking reimbursements from grants or special funds; and

**WHEREAS**, on December 10, 2010, the CAO released its Second FSR, which included a number of recommendations to implement the Operational Plan and also identified an additional \$9.5 million deficit in the Police Department resulting from a requirement to pay for the uniform allowance of its sworn staff; and

**WHEREAS**, on January 5, 2011, the CAO and the Office of the City Legislative Analyst released alternative plans for the City Council to consider in the event a P3 agreement for the City's parking assets and related revenue of \$53.2 million could not be secured in 2010-11; and

**WHEREAS**, on January 7, 2011, the City Controller reported to the Mayor and City Council several concerns regarding the General Fund budgetary cash flow, including the uncertainty of P3 parking garage receipts, operational plans to address

\$64.2 million in current year budget deficit offsets, unplanned expenditures of \$9.5 million, state budget impacts, and discussions on balancing the \$349.8 million projected deficit for 2011-12; and

**WHEREAS**, on January 13, 2011, the City's Joint Labor Management Benefits Committee (JLMBC) approved plan design changes applicable to civilian healthcare benefits that are anticipated to offset the City's deficit by \$7.3 million; and

**WHEREAS**, on February 4, 2011, the Mayor and Council representatives issued a letter instructing the CAO to present a series of proposals and recommendations that will lay the groundwork for accelerating long-term structural reform; and

**WHEREAS**, on February 11, 2011, the CAO reported to the City Council and the Mayor that the anticipated \$53.2 million in one-time revenue from the P3 agreement would not be realized in 2010-11 and revenues would fall short of budgeted amounts by \$25 million in 2010-11; and

**WHEREAS**, on March 1, 2011, the City Controller released its revenue estimate pursuant to Charter Section 311(c), estimating a \$119.5 million decline in total General Receipts for 2010-11 from the amount included in the City's Adopted Budget of \$4.37 Billion in 2010-11; and

**WHEREAS**, on March 8, 2011, Los Angeles voters passed Measure G, a new pension tier for sworn officers and firefighters of the Los Angeles Fire and Police Pensions, which is anticipated to save the City \$152 million over the next 10 years; and

**WHEREAS**, on March 8, 2011, Los Angeles voters passed Measure H that removed the cap on the maximum amount that can be accrued in the Matching Campaign Trust Fund, which is anticipated to increase the City's costs by approximately \$3 million per year, subject to changes in the Consumer Price Index; and

**WHEREAS**, on March 8, 2011, Los Angeles voters passed Measure P, establishing a 2.75% minimum funding level for the City's Emergency Reserve Account within the City's Reserve Fund; and

**WHEREAS**, the Council, by two-thirds vote, may reduce or eliminate the annual appropriation made to the Trust Fund during the fiscal year provided that the Council declares a fiscal emergency for the fiscal year, the Trust Fund balance is greater than eight million dollars in 1991 dollars adjusted to the Consumer Price Index and the Council has considered the Ethics Commission's analysis regarding projected costs and estimated public funding needs over the next four years; and

**WHEREAS**, on March 15, 2011, the City Attorney transmitted a draft ordinance to the City Council for consideration regarding a retirement tier for new LACERS hires, which has no immediate savings, but is anticipated to save the City \$255 million for every 1,000 new hires over a 30-year period; and

**WHEREAS**, on March 18, 2011, the CAO released its Third FSR, indicating a revenue shortfall of \$34.5 million for 2010-11, a revised budget deficit of \$46.8 million for 2010-11, a Reserve Fund balance of \$191 million, and a projected deficit of \$349.8 million for 2011-12; and

**WHEREAS**, on March 18, 2011, in response to the February 4, 2011, instructions from the Mayor and Council representatives, the CAO released a companion report to the Third FSR entitled "Opportunity to Redefine and Strengthen Los Angeles City Government", which provided a framework for strengthening the fiscal health of the City which consisted of 50 proposals with a combined value of over \$440 million; and

**WHEREAS**, on April 20, 2011, the Mayor released the proposed budget for 2011-12, which addressed the revised deficit of \$336 million for 2011-12 and included as part of the budget a number of the proposals from the CAO's "Opportunity to Redefine and Strengthen Los Angeles City Government report", including, but not limited to the suspension of Neighborhood Council Elections, the reduction in hours of operation of the City's 3-1-1 service, the consolidation of the Office of the Treasurer and the Office of Finance, the reduction of Crossing Guard services, and the elimination of over 670 positions; and

**WHEREAS**, on April 29, 2011, the City Council approved an agreement with 14 bargaining units represented by the Coalition of Los Angeles City Unions that is anticipated to save \$63 million during the 2011-2012 fiscal year, including: the implementation of a 4% employee contribution towards retiree healthcare, a 1.5% salary decrease, freezing salary steps for one year, and deferral of a cost of living increase for over 20,000 civilian employees; and

**WHEREAS**, on May 3, 2011, the City Council approved the first reading of an ordinance to freeze the current medical subsidies for certain LACERS members that retire on or after July 1, 2011, which if approved on its second reading will save the City General Fund approximately \$44 million after the first year of implementation; and

**WHEREAS**, on May 10, 2011, the Executive Employee Relations Committee instructed the City Attorney to draft an ordinance to freeze the current medical subsidies for members of the Los Angeles Fire and Police Pensions (LAFPP) plan that retire on or after July 1, 2011, which if approved will save the City General Fund approximately \$68 million after the first year of implementation; and

**WHEREAS**, on May 25, 2011, the City Council adopted a Charter mandated balanced budget for 2011-12 which instituted various austerity measures to address the anticipated budget shortfall of \$336 million, including the elimination of filled and vacant full-time positions, expense reductions, and department consolidations; and

**WHEREAS**, the 2011-12 Budget contains 32,268 position authorities, representing the lowest level of position authorities in 18 years, since 1993-94; and

**WHEREAS**, the 2011-12 Budget reduces the operating budget for the City's largest department, the Los Angeles Police Department, by approximately \$121 million in sworn reductions, to be achieved through a continued sworn overtime reduction of \$80 million and \$41 million in as yet to be determined sworn salary savings; and

**WHEREAS**, the 2011-12 Budget reduces the operating budget for the City's second largest department, the Los Angeles Fire Department, by over \$54 million, achieved through the implementation of a new deployment model; and

**WHEREAS**, unless otherwise negotiated with a specific bargaining unit, the 2011-12 Budget reduces salary accounts among a number of departments to achieve a salary savings of approximately 10% for those employees entitled to no cost of living adjustment on July 1, 2011, and approximately 14% for those employees entitled through collective bargaining agreements to salary increases on July 1, 2011, which together these furloughs would generate savings of more than \$98 million; and

**WHEREAS**, Los Angeles area unemployment continues to remain high, above 12%; and

**WHEREAS**, City revenues have declined precipitously, as high unemployment impacts taxes on property, utility users, business, sales, hotel occupancy, documentary transfer, and parking, which all account for more than 70% of the General Fund revenue; and

**WHEREAS**, City expenditures on healthcare and pension benefits are projected to continue increasing over the next several years per the City's actuary, further constraining the General Fund's resources in future years; and

**WHEREAS**, the City's obligations towards pension benefits are projected to increase by over 17% in 2011-12; and

**WHEREAS**, during the past five years, the City's workforce has been drastically reduced by more than 4,200 positions through early retirements, layoffs, and transfers; and

**WHEREAS**, pursuant to Proposition 218, the City is unable to generate additional revenue through taxes without voter approval; and

**WHEREAS**, the City has sought to raise revenue by increasing what it earns from fee collections and has also increased the fees for many of the services it provides, including planning services and street parking, however, pursuant to Proposition 26 the City cannot change a fee for a specific benefit, privilege or service above the reasonable cost of providing the benefit, privilege or service; and

**WHEREAS**, the City has sought one-time solutions, such as selling off surplus property, however, such sales do not constitute a continuing revenue stream; and



**WHEREAS**, utilizing the City's Reserve Fund is not a viable option because existing reserve amounts are not sufficient to cover the City's policy of a 5% minimum level, including a 2.75% minimum funding level for the City's Emergency Reserve Account per Measure P; and

**WHEREAS**, even with all of the steps the City has taken to close the 2011-12 Budget deficit, there is no reasonable way to balance the 2011-12 budget and preserve essential public services, without furloughs; and

**WHEREAS**, without emergency action, the City's ability to deliver essential services to its citizens will be threatened; and

**WHEREAS**, absent over \$98 million in furlough savings, the number of additional layoffs necessary to balance the 2011-12 Budget would require the City to lose between 1,500 to 2,000 of its civilian employees, which would severely impact City employees and City services, including public safety, resulting in fewer services for those who live in, do business in, or visit our City; and

**WHEREAS**, the further deterioration of the City's financial situation since May 2010, when the City Council adopted a successor resolution declaring an economic emergency, now requires additional, immediate cost-saving actions to address the fiscal and cash crisis facing the City; and

**WHEREAS**, immediate and comprehensive action to further reduce spending, including spending on employee payroll costs and total employee compensation costs, including costs related to pension and retiree healthcare must be taken to ensure, to the maximum extent possible, that the essential services of the City are not jeopardized, public health and safety are preserved, the City is able to pay its debts when due, and the City is able to pay its remaining employees for the work they perform; and

**NOW, THEREFORE, BE IT RESOLVED THAT:**

1. The City Council of the City of Los Angeles, by virtue of the power and authority vested in it by the City Charter and the City Administrative Code, does hereby adopt the foregoing recitals as findings and does hereby determine and declare that an emergency pursuant to California law, including without limitation Government Code section 3504.5 and Los Angeles Administrative Code section 4.850 continues to exist and issues this order to become effective immediately; and

2. Effective May 27, 2011, the Mayor, through the appointing authorities, is authorized to continue the reduced work schedules or alternative means of generating payroll savings for the remainder of Fiscal Year 2010-11 pursuant to the Emergency Resolution adopted by the City Council on May 17, 2010; and

3. Effective July 1, 2011, the Mayor, through the appointing authorities, is authorized to implement reduced work schedules or alternative means of generating payroll savings and to reduce total employee compensation costs including without limitation costs related to pension and retiree healthcare pursuant to a plan adopted by the City Council. The plan shall be for the entirety of Fiscal Year 2011-12 and shall generate a sufficient amount of savings to close Fiscal Year 2011-12 with an Emergency Reserve Account balance of at least \$120.6 million. To the extent practicable and economical, any work schedule reduction plan shall: (a) be limited to employees whose salaries are funded in whole or in part by the General Fund, (b) exempt employees whose pension contributions to their pensions include an employee contribution enhancing the City's ability to make payments towards retiree healthcare, (c) generally seek to avoid diminishing the City's ability to generate and collect revenue, and (d) avoid causing the City to incur additional overtime costs; and

4. Working hour reductions, layoffs, and other methods of reducing employee payroll expense including, but not limited to, unpaid floating holidays for all employees, city office closure days, abolishment of positions, etc. shall continue in Fiscal Year 2011-12 in sufficient number and at the levels necessary to ensure and improve the City's fiscal stability; and

5. As of the date of its adoption, this Resolution supersedes the Emergency Resolution adopted by the City Council on May 17, 2010, except as specifically referenced in the preceding Paragraph 2.