COALITION OF
LA CITY UNIONS

The Los Angeles City Budget

FY 2012-2013:

A Better Way Forward

April 30, 2012

Part 1: A City Cut to the Bone

Part 2: The Coalition's History of Problem-Solving

Part 3: Smart Alternatives to Reduced City Services

Part 1: A City Cut to the Bone

Mayor Villaraigosa's proposed 2012-13 Budget calls for laying off 231 employees in a workforce already cut to the bone. Yet the budget contains little detail about the serious service impacts that those layoffs will cause. Rather than cutting positions, the city's goal should be to find alternatives to these service cuts, to balance the budget and to provide the best and most services possible to the residents of Los Angeles.

Though the Mayor and CAO do not delineate clearly just how much their proposed layoffs will save the city, the Coalition of LA City Unions reviewed a filled position elimination list provided to us after the budget's publication. We matched that list with salaries, and calculate that the total cost of all 231 eliminated positions is $19.7 million.

210 of the 231 positions proposed for elimination are currently filled by our members. Their wages, health and welfare, and retirement costs total $17.3 million.

Table 1: Coalition Analysis of Proposed Layoffs

ITEM	ALL FILLED ELIMINATED POSITIONS	COALITION FILLED ELIMINATED POSITIONS
TOTAL WORKERS	231	210
TOTAL WAGES	$13,801,178.36	$12,097,295
HEALTH AND WELFARE COST	$2,495,493	$2,957,789
RETIREMENT	$3,374,388	$2,957,789
TOTAL CITY COST	**$19,671,059**	**$17,323,714**

Source: Position Elimination list from CAO 4-26-2012 and salary values in proposed 2012-13 budget

Key facts about the proposed layoffs:

- The FY 2012-13 Budget for the General Fund totals $4.5 billion. The 231 eliminated positions represent less than one-half of a percent of that total (assuming all eliminations are General Funded positions, which no one can tell from the proposed Budget Books). That's a tiny fraction of the budget, which in itself indicates that the city should be able to balance its budget without sacrificing city services and good jobs for LA residents.

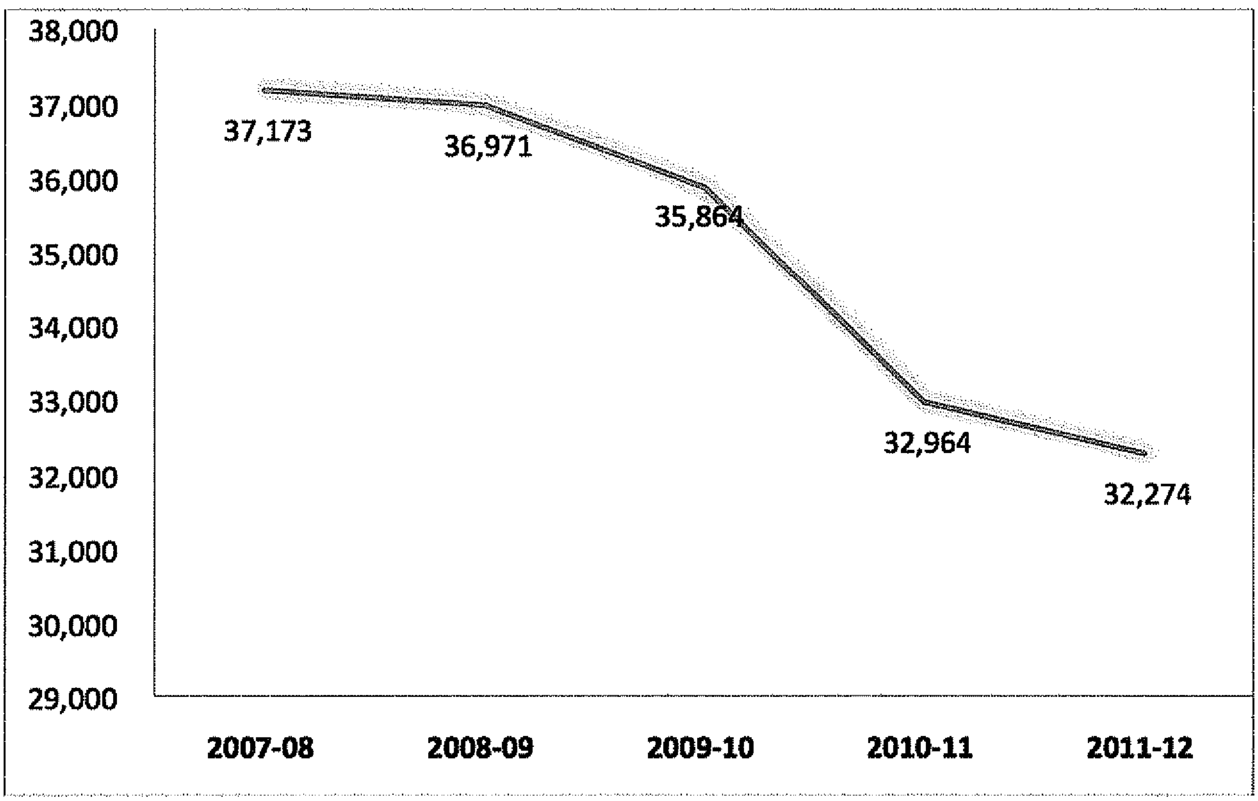
- An estimated 41% of all position eliminations are in just one department, the LAPD. The eliminations fall mostly on the shoulders of women, who perform critical clerical functions for the LAPD. The city has a stated goal of "Civilianization" of the LAPD. A better way to describe this goal is using the right workforce for the right job. Civilianization increases public safety by freeing officers up to be on patrol. It also reduces city costs, since the clerical workforce is paid significantly less than officers both in salary and benefits. The proposed layoffs threaten a "reverse Civilianization," which might be described as using the wrong workforce for the wrong job.

- Key public safety positions, such as a Helicopter Mechanic and Helicopter Mechanic Supervisor are on the chopping block.

From the point of view of Los Angeles residents, the city simply cannot afford to shed any more workers. Workforce reductions in recent years and attrition have left the city with far fewer people to do our work, resulting in drastic cuts to city services.

In 2007-2008, the city budgeted 37,173 General Positions (positions in non-proprietary departments). Last year those positions had fallen to 32,274.

Table 2: Decline in City of Los Angeles Authorized General Positions (Non-Proprietary Departments)



General Positions in the city workforce have fallen by 4,899 positions in the last five years, with an estimated 4,207 fewer Coalition members working today – 21,616, down from 25,823 (estimates based on Coalition payroll data). We cannot afford to lose any more of our city's workforce.

Part 2: The Coalition's History of Problem-Solving

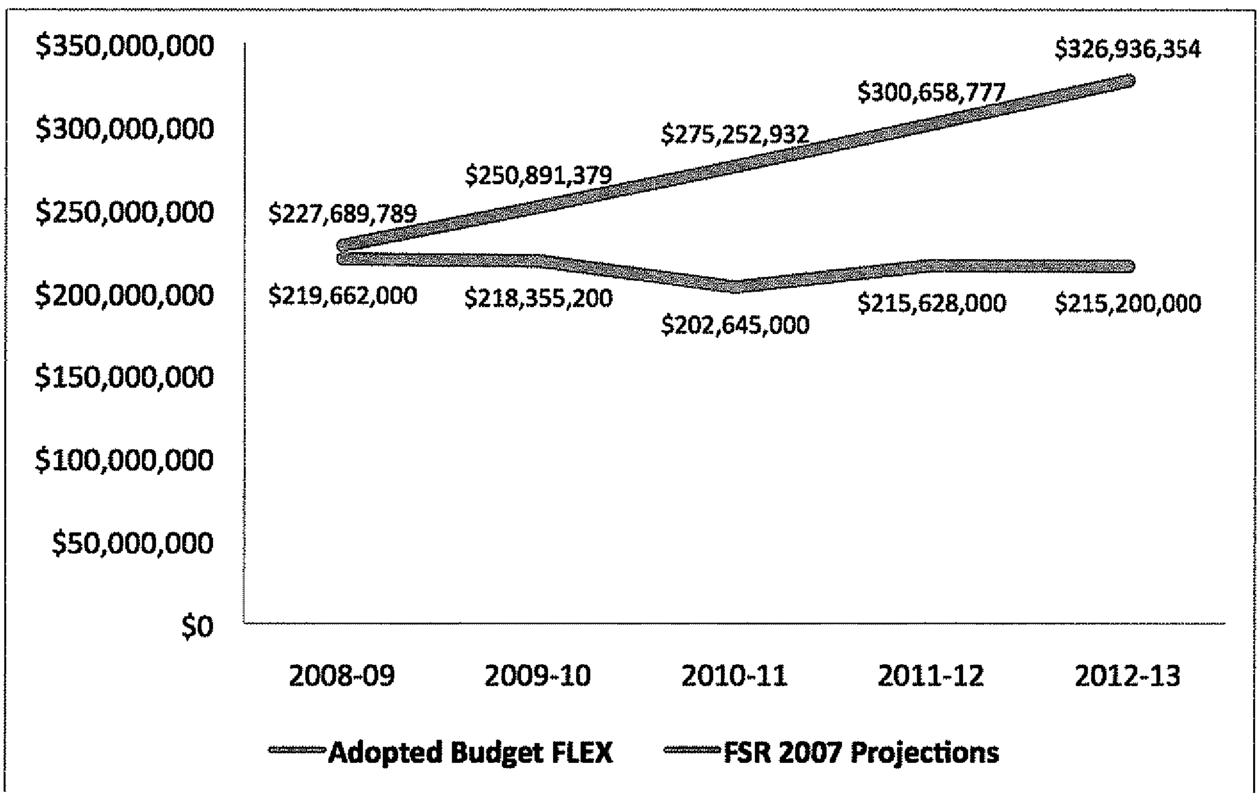
The City of Los Angeles, like most public-sector employers in the U.S., experienced a major hit to revenues after the global economic crisis of 2008. Positive developments in the national economy over the last year give reason for some optimism about prospects for economic recovery.

Here in Los Angeles, even more reason for optimism comes from the results the Coalition of LA City Unions produced in helping the city weather the financial storm. During the crisis, members agreed to contract modifications that managed health care costs and reformed the civilian pension system.

A. Civilian Health Care

On the health care front, the Coalition and CAO negotiated changes based on the city's projections of escalating costs, using the 8-9-2007 Financial Status Report as the basis for our negotiations.

Table 3: Coalition sacrifices and workforce reductions reduced expected FLEX costs by $112M



As seen in the red line, the CAO predicted costs would rise from $205 million FY 2007-08 to $327 million FY 2012-13. The blue line shows that we bucked this predicted trend significantly.

Costs for Civilian FLEX are $215 million instead of $327 million, a savings worth $112 million. Additionally, budgeted costs for this coming FY are actually down $5 million from the 2008-09 Adopted Budget level.

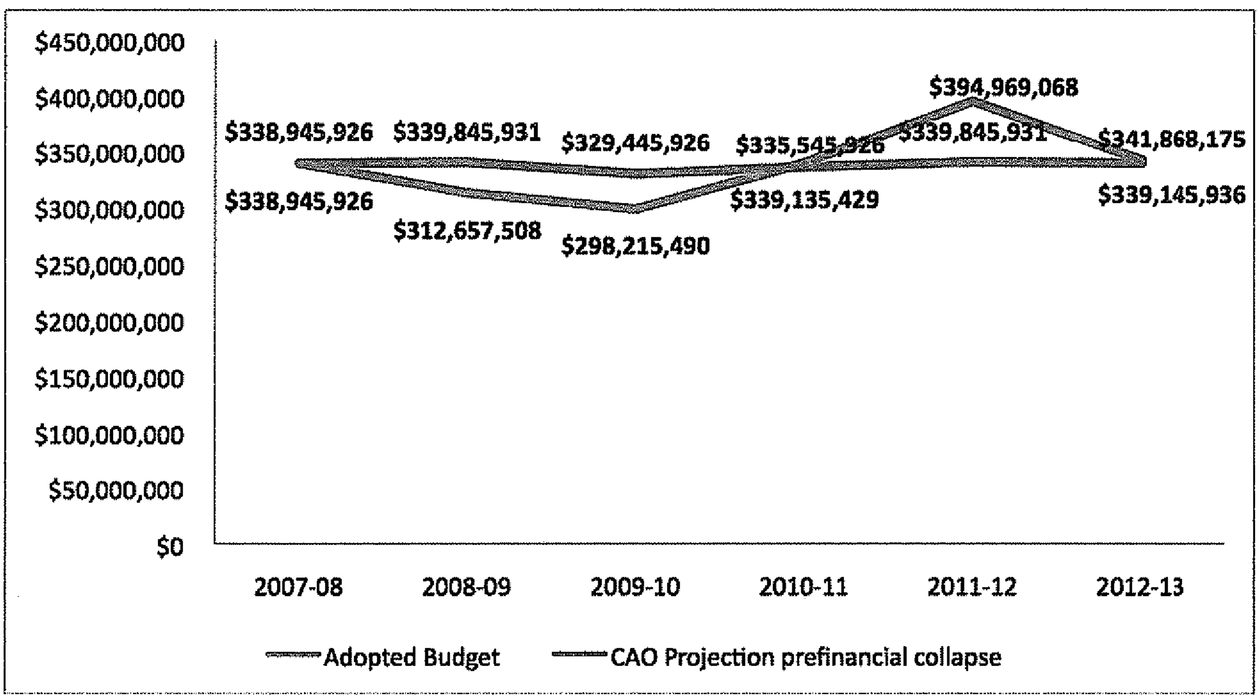
These savings are the result of agreements made by the Coalition and a smaller workforce. The reduction of 4,900 positions represents approximately $53 million in annual savings, based on a per employee health care cost of $10,803. A remaining $59 million represents hard structural savings, achieved through plan design , increased co-pays and deductibles. This amount is *more than double the goal set in 2007 by the CAO and Coalition Unions.*

B. Civilian Retirement: We already did pension reform.

In previous negotiations with the city, the Coalition and the city rejected creating a two-tier retirement plan. First, such a plan would not result in any immediate savings. Second, due to a new costing methodology adopted by the LACERS Board, the two-tier plan would have been more expensive than the existing civilian retirement plan.

So the Coalition chose instead to implement real immediate pension reform in the form of increased employee contributions, from 6% to 11%. Again looking at the CAO's 8-9-2007 FSR in the red line and actual Adopted Budgets for civilian retirement, we see the Coalition's responsible actions kept costs stable, within 1% of the rate predicted pre-recession, during the most volatile economic time since the Great Depression.

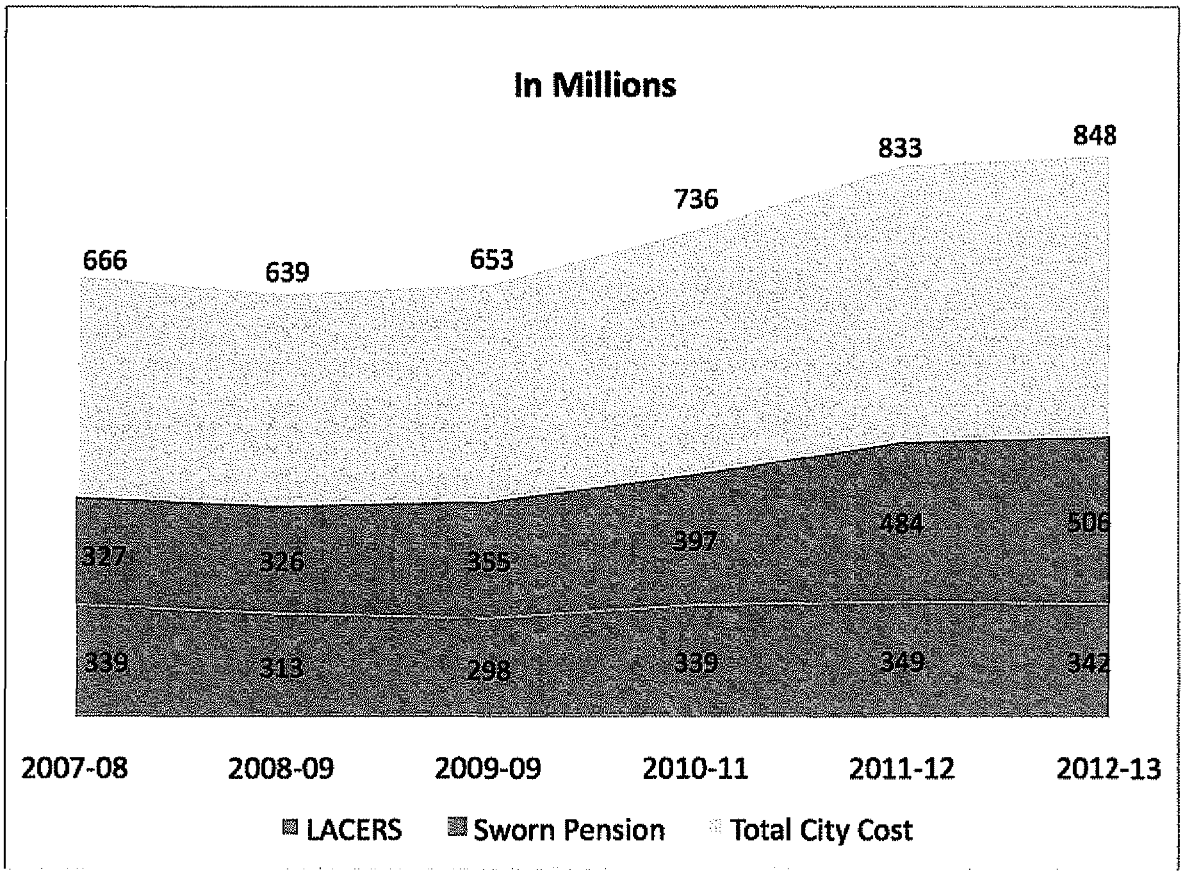
Table 4: Coalition kept LACERS stable during Great Recession



In reviewing the history of budgeting for retirement, it is important to keep in mind that the Sworn workforce is much smaller than the Civilian workforce, but also much more expensive.

Health and Welfare costs for Civilian workers are $10,800 per year. For Police and Firefighters, that number is $12,400 and $13,500 respectively. (All are per employee averages.) Because Sworn is more expensive, Sworn will make up 60% of the city's retirement costs in FY 2012-13. Moreover, Scorn's retirement costs have historically climbed more steeply than those of the Civilian workforce.

Table 5: Historical budgeted retirement funds within total city retirement costs



Part 3: Smart Alternatives to Reduced City Services

Bearing in mind the Coalition's ability in the past to partner with the city in order to achieve mutual goals, we present Council with viable alternatives to layoffs. These alternatives will generate greater savings than those that could be achieved through layoffs and reductions in services for residents.

We have identified ten areas where the city could generate revenue, focusing on short-term sources, but with an eye towards solving long-term problems.

Table 6. Coalition solutions could provide the city over $100 million

Proposed Solution	Potential Revenue in millions
1. Sweep Prior Year Departmental Encumbrances	Up to $60m
2. Efficiencies in Capital Improvement Expenditure Program (CIEP)	Up to $7.5m
3. Conservative Estimate of Increased Sales Tax Revenue	$3m
4. Voluntary Ambulance Transport Subscription and First Aid **Fees**	$7.5m + $3.5m
5. Efficient Collections on Midi-Cal Ground Emergency **Transport Supplemental Reimbursement Program (GMET)**	$11m
6. Right Sizing the Reserve Fund	$4.5 -$9m
7. Implementing Ad-Hoc Commission on Revenue Efficiency Recommendations	$10 - $25m
8. Remove 'MERS Exception' From Foreclosure Blight Ordinance	$2.5m
9. Avoid Large Unemployment Insurance Bill From **231 Layoffs**	Up to $10.3m
10. Three More Ideas for Long Term **Revenue Reforms**	

1. Budget Previous Years' Unspent Contract Funds. *As Much As $60 Million in Unneeded Funds Is Available to Avoid Service Cutbacks Now.*

More than nine months into the current fiscal year, city departments are still holding on to more than $60 million that was appropriated for them to spend on services, supplies and equipment during the last fiscal year (FY 2010-11), according to cash flow statements for the General Fund produced by the controller's office. These carry-over encumbrances are intended to recognize that there is a normal lag-time between signing a contract and an order being filled.

The picture of appropriated and encumbered, but unspent, funds is not unusual. Cash flow statements for the preceding two years show that an excessive amount of money has remained encumbered by various departments, suggesting a pattern of using prior year funds to pay for current year services and supplies. (See Tables 7-9 at the end of this document.)

In fact, from 2004 through 2011, prior year encumbrances carried over from the previous year ranged from about $110 million to about $190 million. Some of this money was never spent during the next fiscal year. In fact, every year from 2004 to 2011, there was money left over. The amounts left over (or lapsed) ranged from $17 million to $37 million[1].

The controller's General Fund cash flow statements also show that current year appropriations are ample. Departments have still not spent more than $300 million of their current fiscal year appropriations of $756 million for services, supplies and equipment.

Simply put, the mayor's proposed budget overstates how much money the city needs to pay preceding year obligations for services, supplies and equipment that carry over into the current fiscal year.

Present and former city financial officials have told us that the city routinely analyzed and swept unencumbered funds in the past. We recommend that the City Council reclaim this unspent money and compel departments to pay for current year services, supplies and equipment with their current-year appropriations. This analysis should occur this fiscal year, prior to the controller's year-end reversions process, to free up unspent funding on FY 2012-13 programs and services.

On an ongoing basis, we believe substantial budgetary savings could be achieved by adopting a zero-based approach towards the use of carry-over encumbrances and requiring departments to justify maintaining their claimed prior year encumbrances. We recommend that the Council order a review of these encumbrances as a standard annual practice to make sure carry-over funds are being used appropriately to pay expenses that have actually been encumbered, rather than for current year obligations.

A more rigorous and thorough examination of the need for carry-over encumbrances could yield budgetary savings of approximately $60 million in FY 2012-13. The only uncertainty is that some of these monies—which are recorded in General Fund cash flows—could turn out to have originated from special funds.

2. Efficiencies in Capital Improvement Expenditure Program (CIEP). *The City Could Prudently Finance $7.5 Million in Capital Improvements That Are Now Budgeted to Be Paid From the General Fund*

The City Council has the authority to borrow, without voter approval, an amount up to 6% of the General Fund. On March 1 the controller's office reported that $60.5 million of that borrowing

[1] Coalition's analysis of the city of Los Angeles Comprehensive Annual Financial Reports for the years ended June 30, 2004 through 2011.

authority—an amount equal to 1.38% of the General Fund—remains untapped.[2] The Mayor's Proposed Budget for FY 2012-13 reports that only 1.05% of the General Fund budget remains untapped.[3] That would mean approximately $46 million.

City fiscal policies effectively restrict such borrowing to pay for capital assets. Although the General Fund is not expected to contribute its usual 1% to capital improvement projects in FY 2012-13, it is budgeted to contribute $7.5 million to the Capital Improvement Expenditure Program.[4]

The question we pose: Given the extremely low interest rates these days, why shouldn't the city borrow to pay for capital improvements?

3. A Conservative Estimate of Increased Sales Tax Revenue. *Slightly More Realistic Sales Tax Forecast Would Account for $3 Million More Revenue.*

The mayor's estimate of revenues for the General Fund in FY 2012-13 is $4,537,981. This represents 3.6% in growth over the estimated actual General Fund for FY 2012-13.

However the mayor's overall estimated growth in revenues appears to be overly conservative in view of projections put forth by other highly respected authoritative sources, including the California Department of Finance and the California Legislative Analyst. *These two entities are predicting growth in personal income (a primary driver of economic activity) to be in the range of 4.1% to 4.5%.*

There is, of course, wide variation in the level of sensitivity towards this revenue driver, displayed by individual revenue accounts. There are also differences in how soon the city will feel its effects. However, overall, we believe the mayor's revenue projections should take into account the underlying fundamentals which drive revenues.

Assuming revenue growth was budgeted at a level more consistent with personal income, it would be reasonable to expect between $16 million and $24 million in additional General Fund revenue. We do not recommend an across the board increase in projected revenues. Instead, we are recommending a more careful examination of each major source of revenue.

One example: The mayor appears to be taking an overly pessimistic view of expected sales tax receipts—a position that makes the city's fiscal problems appear worse than they are. In FY2010-11,as the local economy began a slow turnaround, sales taxes collected by the city increased by 6%.

In FY2011-12, the mayor predicted they would increase again, but by only 3%. The CIO's revised forecast, however, shows they are now expected to come in at nearly 8%.

---

[2] Controller's March 1, 2012 estimate of revenue report, page 14.
[3]Proposed 2012-13 Budget, page 315.

[4] See Capital Expenditure Improvement Program Source of Funds, Page 202 of Fiscal Year 2012-2013 Budget As Presented by Mayor Antonio Villaraigosa.

In FY 2012-13, there is the same pattern. The mayor's budget is predicting that sales tax revenues will rise, but only by 4%. By contrast, the California Legislative Analyst Office is predicting that sales taxes statewide will rise about 7% in 2012-13, NOT counting prospective receipts from the governor's November ballot initiative, which would raise the sales tax. If the Legislative Analyst is correct, that means we can expect an additional $10 million in city revenue.[5] We propose that the city revise its sales tax revenue forecast modestly upwards by one percent – that is, by $3 million–to more accurately reflect the likely income from this source.

4. Voluntary Ambulance Transport Subscription Fee and First Aid Fee. *Suggestions by Chief Legislative Analyst Should Be Used To Increase Ambulance Fee Revenues by $11 Million.*

We endorse two approaches put forth by the Chief Legislative Analyst in 2010 and 2011, but not yet implemented.

One approach calls for a voluntary subscription fee of $5 to $10 per month for free or reduced cost emergency medical services when needed. The fee, which would appear on bi-monthly Department of Water and Power bills, would bring in from $5 million to $10 million annually, based on a 10-15% participation rate.[6] Payment of the fee would entitle those with insurance to free service and those without to reduced fee service.

Another approach calls for a $342 First Aid fee for treatment without transport that would lead to $3.5 million in total anticipated new revenue.[7]

5. Efficient Collections on Medi-Cal Ground Emergency Transport Supplemental Reimbursement Program (GMET). *Mayor Appears to Have Underestimated City Medi-Cal Reimbursements by $11 Million.*

In October 2011, Governor Brown signed into law AB678 – the Medi-Cal Ground Emergency Transport Supplemental Reimbursement Program (GMET). It allows additional reimbursement to the Los Angeles Fire Department, among other agencies, for ground emergency medical transportation of Medi-Cal

---

[5] See "Supplemental to the 2012-13 Proposed Budget, Revenue Outlook, page 48 and see "Sales and Use Taxes," page 27 of the LAO's Economic and Revenue Update of Feb. 27, 2012, available at http://www.lao.ca.gov/analysis/2012/update/economic-revenue-update-022712.pdf

[6]Updated Options for Revenue Generation, From Chief Legislative Analyst Gerry Miller to the city Council, August 10. 2011, Item A. Available at http://www.laneighbors.org/PDF/CLA-revenue-options.pdf

[7] Updated Options for Revenue Generation, From Chief Legislative Analyst Gerry Miller to the city Council, August 10. 2011, Item B. Available at http://www.laneighbors.org/PDF/CLA-revenue-options.pdf

patients. The implementation of GMET is currently pending final federal approval. However, it is anticipated that the program will be approved in the first half of FY 2012-13, resulting in LAFD being eligible to receive reimbursement for Medi-Cal transport patients retroactively to January 2010 and continuing prospectively. Ultimately, the City of Los Angeles will receive, in FY 2012-13, past reimbursement due plus current year reimbursement.

The Mayor's Budget contemplated the receipt of GEMT reimbursement – both retroactively to January 2010 ($13.6 million) as well as for FY 2012-13 funding ($10 million).

Scott Clough, the Statewide GMET Administrator, and a "Task Force" that included LAFD representatives, have been working on the cost reporting package to be forwarded to the federal government. In the course of Chief Clough's work, he, along with Muriel Lee of LAFD, estimate that in FY 2012-13, the City of Los Angeles will receive prior years' reimbursements of $19.8 million and current year reimbursements of $13.9 million. This is based on a reimbursement rate of $368 and an average annual LAFD transportation of 36,500 Medi-Cal patients. Additionally, in future years, it is expected that the total reimbursement amount will increase due the increase in Cal-Cal patients resulting from the implementation of healthcare reform.

Based on the information provided by the GMET program administrator, the Coalition recommends that Council recognize an additional $11 million in new revenue for FY 2012-13 from increased federal reimbursement of Cal-Cal transport.

Additionally, the city currently uses a private contractor for ambulance billing. The contractor is paid on a percentage basis. It would be unwise to allow the contractor to collect a windfall from the increased Medicare rate. Instead, the city should take all possible measures to make sure public services, not a profit-driven contractor, benefits from the increased Medicare rate.

6. Right-Sizing the Reserve Fund. *The City Can Maintain a Healthy Reserve Fund And Save $9 Million to Maximize City Services.*

The Coalition is united behind the city in its policy goal of achieving a reserve fund equal to 5% of General Fund receipts. Further, we support the city's effort to achieve this goal in a phased approach over a ten-year period. However, given the impacts that city services have sustained over the past several years, we do not believe that the FY 2012-13 budget should show the significant increase in the Reserve Fund that the mayor proposes. This is particularly true when the increase represents a loss of funding for critical positions that mean better service to residents.

The amount the mayor is proposing in the Reserve Fund -- $210.5 million – represents 4.64% of the General Fund revenues. Last year, the adopted budget Reserve Fund -- $177.2 million -- represented 4.04% of the General Fund revenues, up from 3.91% in the previous year and 3.45% in FY 2009-10. At the beginning of this current fiscal year, the actual reserve fund was approximately $20 million larger, even after a nearly $9 million contribution to the General Fund. Therefore, the actual Reserve Fund percentage was 4.51%.

In reviewing the 10-year history of the Reserve Fund, this discrepancy between the adopted reserve fund and the actual reserve fund on July 1 is fairly consistent. Further, the highest adopted Reserve Fund percentage over the past 10 years was in FY 2007-08[8], arguably at the strongest economic time, at 4.55%.

Given the balance between growing the Reserve Fund and the city looking to maximize its service delivery, the Coalition recommends that the Adopted Budget reflect a Reserve Fund that is greater than the percentage adopted in the FY 2011-12 budgets, but not as high as the mayor is proposing.

Each .1% change in the Reserve Fund equates to $4.5 million. Thus, for example, a 4.44% Reserve fund, of $201.5 million -- would free up $9 million dollars for increased city services.

7. Implementing Recommendations of Council's Ad Hoc Commission on Revenue Efficiency. *Implementation Could Yield Additional $10 Million to $25 Million This Year.*

In 2010, the Commission on Revenue Efficiency, known as CORE, was convened to "evaluate and recommend improvements in collections, billing and new revenues." The Commission recently released eight comprehensive reports – four focused on Business & Economic Development and another four on Collections & Efficiencies. These eight reports "identify and detail the potential for additional combined revenues and savings of $100 million annually – with opportunities for up to $350 million in...additional revenues and savings annually."

Among CORE's recommendations, the October 2010 Blue Print and Accompanying Tracker identified between $10 and $25 million in savings/revenue that could be realized within Year One of its implementation. As CORE indicates, depending on the city's commitment to implementation of the recommendations, savings/revenues would increase to levels of $100 million or more annually.

Despite the recent employment of an Inspector General, the city has not implemented any of CORE's recommendations that would result in these costs savings or realized revenues. Despite having transmitted its recommendations for further consideration, CORE's recommendations have not been heard or analyzed by the city. Further, no net new revenue or savings from the CORE report have been included in the Mayor's Proposed Budget.

Recommendations:

- Council should take immediate action to deliberate on the reports and recommendations made by CORE.
- Systematically begin implementing recommendations by CORE that are agreed to by the Council.

---

[8] Excluding FY 2009-10, when the adopted Reserve Fund was 5.53% and actual Reserve Fund was 3.45%. Given the economic turmoil that existed, we view that year as an anomaly.

- Provide a directive to the new Inspector General to realize a level of net new savings and/or revenue in FY 2012-13.

*Based on CORE's recommendations, the Coalition recommends that Council recognize at Least **$10 million** in net new revenue and/or costs savings in the FY2012-13 budget.*[9]

8. Remove 'MERS Exception' From Foreclosure Blight Ordinance. *Raise at Least $2.5 Million.*

The City of Los Angeles' foreclosure blight ordinance requires foreclosing parties to register properties when they enter the foreclosure process and to pay an annual $155 registration fee. This year, the Housing Department says nearly 4,000 individual residential properties have been registered. But the private property tracking service, Realty Trac, reports that more than 21,000 individual residential properties are in some stage of the foreclosure process or are bank-owned and are subject to registration.

Housing Department officials have told us they believe they are missing as much as 70% of all properties because the properties are registered with a private database run by banks called the Mortgage Electronic Registration System, or MERS. Many banks combined resources to create this private database as a less expensive way of tracking mortgages as they changed hands through bank and investor trades. Otherwise, they would have had to pay fees to county clerks to register changes after each trade. The New York State Attorney General's office recently estimated that banks nationwide have used MERS to save $2 billion in county recording fees.

The Los Angeles City foreclosure blight ordinance specifically exempts banks that register their properties with MERS from having to pay the $155 registration fee for those properties.

This MERS exception appears to be costing the city more than $2.5 million per year in registration fees – money that could be used to finance enforcement of the ordinance's nuisance provisions, which carry fines of $1,000 per day for properties in disrepair and could bring in millions more in annual revenue.

Currently, the Department of Building and Safety says it is responding only on a complaints basis to vacant foreclosure properties in disrepair and, when citing owners, does not use the $1,000 per day penalties provided for in this ordinance.

We urge the City Council to remove the MERS exception from the ordinance as quickly as possible—to bring in more revenue and to spur banks to clean up more blight and improve city neighborhoods.

[9] Executive Summary of Report, Commission on Revenue Efficiency, March 2012.

9. Avoid large costs from 231 layoffs. *Keeping employees working preserves services and fiscal health.*

Layoffs actually can cost cities money. When an employee is laid off, they often leave with significant benefit accruals. Planned layoffs should include an estimated cost of these payouts. The proposed budget does not include clear expenditures to pay out the 231 employees who the budget proposes be laid off. This absence means Council and the public do not know the math on the proposed savings created by the layoffs. The value of the layoff with roll up costs is $19.7 million. But what expenses come with those layoffs?

The budget does include a line item for Non-Departmental expenses of unemployment insurance of $10.3 million. As a self-insured city, the city is liable for unemployment claims for the first year. Given that the proposed budget includes 231 layoffs that the Coalition valued at $19.7 million, it is reasonable to assume that some large portion of the $10.3 million could be saved simply by not laying off the employees.

10. Three More Ideas to Create Revenue: *Longer-Term Policy Areas.*

A. Develop Standard Contract Language That Allows the City to Reopen Services and Supplies Contracts in Fiscal Emergencies

Could and should the city be able to forcefully press its services and supply contractors, rather than just its employees, to make sacrifices during fiscal emergencies?

We think so.

The city should be able to develop standard contract language that would explicitly allow it to reopen and renegotiate contracts during times of fiscal emergency.

Our understanding is that, in 2010, the city asked contractors voluntarily to reduce their prices by 10% because the city attorney advised that the city did not have the authority to demand reductions.

Some contractors agreed to reduce their prices. Others did not.

We submit that the city could help itself in times of fiscal emergency by developing standardized contract language that would make it clear that, in a fiscal emergency, the city has a right to cancel vendor contracts and seek to renegotiate them at discounts if it does not have enough money to pay full price.

We have looked at various city contracts at random and found different boilerplate language on grounds for termination. None that we have seen addressed this situation.

B. Consider Changing Reserve Accounting

According to the Mayor's budget, the city's reserve fund had a cash balance of about $217 million at the beginning of FY 2011-12.

According to the city's comprehensive annual financial report, however, the Reserve Fund had a balance of $256 million at the beginning of FY 2011-12.

Hence, at the beginning of FY 2011-12, the city's audited financial statements depicted a balance in the city's Reserve Fund that was about $39 million higher than the amount recognized as available reserves by the Mayor in the production of the FY 2011-12 budget.

The difference between what was recognized as available in the Reserve Fund at the beginning of FY 2011 ($217 million) and the balance according to the city's audited financial statements ($256 million) can be attributed to differences in the measurement techniques applied for budgeting and financial reporting purposes.

While the city uses a modified cash basis for budgeting purposes, a modified accrual basis is used for financial reporting purposes. As a result, about $39 in spending power is effectively lost in the translation between the different conventions used for budgeting and financial reporting.

In the interests of simplicity, some state and local governments have adopted a budgeting convention that is consistent with the measurement techniques applied for financial reporting purposes. The County of Los Angeles is a case in point.

We believe it is useful to acknowledge that the city's use of a modified cash approach towards budgeting results in a more restrictive notion of resources that are available to finance current operations than would otherwise be the case.

We suggest that the city consider changing its budgeting convention to conform to the mode of accounting used for financial reporting purposes, so that it can gain access to the $39 million that has heretofore gone unrecognized by the CAO for budgeting purposes.

The budgetary savings would be achieved on a one-time basis but we believe would far exceed the cost of changing accounting systems.

C. A Constant Staffing Model for LAPD Could Save Money and Put More Cops on the Street

In an effort to save money, the city of Los Angeles implemented a "Constant Staffing" approach for the Fire Department in 1968, under Mayor Sam Yorty. The concept of Constant Staffing is to create and fill fixed post position in the field with both regular time and overtime positions. This ultimately allows the city to hire fewer firefighters by filling field vacancies with existing firefighters working on an overtime basis. "This was a cost savings measure because paying a firefighter on an overtime basis was less expensive than hiring additional firefighters, due to the cost of sworn pensions and other employee benefits associated with each newly hired firefighter."[10]

In a 2004 memo to the Los Angeles city Council, then CAO Bill Fujioka explained the Constant Staffing Overtime process this way:

> *"The LAFD has a total of 3,105 sworn positions in platoon duty assignments; of this amount, 1 ,035 are assigned to the field each day or each 24 hour shift. There are three 24-hour shifts in a deployment period and each firefighter is assigned to either the A, B, or C shift. The LAFD currently has a CTO [compensated time off] rate of 23.2 percent. This means that, of the 1,035 people assigned to platoon duty each day, 240 are off due to holidays, sick time, family illness, vacations and IOD. The use of CTO is negotiated between city management and employee organizations and is made part of the respective Memoranda of Understanding (MOU). Of the 23.2 percent CTO rate, 19.3 percent falls under the negotiated MOU provisions. The remaining 3.9 percent is attributable to IOD. The annual CTO potential for the average 10 year firefighter is 288 hours of vacation time, 156 hours of holiday time, and 120 hours of sick time/family illness, totaling 564 hours. Since a firefighter working platoon duty is scheduled to work 2,912 hours per year, 564 hours equals a CTO rate of 19.3 percent. However, when the annual average for time off for IOD (112 hours per firefighter) is taken into account, the CTO rate increases to 23.2 percent."*[11]

The CAO further explained in his 2004 report the cost savings of using overtime rather than hiring one firefighter to fill a position as follows:

> *With an average salary of approximately $89,039 per position the total direct cost to add 936 new positions would be $83.3 million. (Although the city hires a new firefighter at a starting salary of approximately $50,000 per year; the salary amount of $89,039 is used to show the overall average salary for the Department. If related costs were added in, the cost would be $22,093 each, for total related costs of $20.6 million. The combined overall direct and related cost for 936 new firefighters would be $103.9 million. The 2004-05 adopted budget for the LAFD Constant Staffing Overtime Account is $88.1*

[10] Los Angeles Fire Department (LAFD) Constant Staffing Overtime Memorandum, From CAO Bill Fujioka, December 9, 2004

[11] Los Angeles Fire Department (LAFD) Constant Staffing Overtime Memorandum, From CAO Bill Fujioka, December 9, 2004; Pg. 2

million. Thus, the constant staffing overtime approach saves the city approximately $15.8 million overall in fiscal year 2004-05.[12]

While the Coalition understands that the deployment of the Los Angeles Police Department is different than that of the Fire Department, we believe the concept of "constant staff" of field position in the LAPD in the same manner as done by the Los Angeles Fire Department would result in maximizing the number of on-duty officers through the use of straight time and over time. We believe this would help to relieve some of the pressure by the city to continue the costly march to hiring hundreds of cops each year to grow the department to some "magic number," and thus free General Fund money that is used for Police hiring for other important city functions and services that get crowed out as a result.

[12] Los Angeles Fire Department (LAFD) Constant Staffing Overtime Memorandum, From CAO Bill Fujioka, December 9, 2004; Pg. 5

City of Los Angeles General Fund Analysis of Carry-over Encumbrance Spending FY 2009-10

ITEM	7/1/2009	7/15/2009	7/29/2009	8/12/2009	8/26/2009	9/9/2009
Encumbrance Balance Carried Over	204,759	203,640	183,495	151,883	133,932	121,478
Less Amount Expended for two weeks ended:	1,119	20,145	31,612	17,951	12,454	13,777
Equals Balance Remaining	203,640	183,495	151,883	133,932	121,478	107,701
Percentage of Prior Year Encumbrances Remaining	99%	90%	74%	65%	59%	53%
ITEM	**9/23/2009**	**10/7/2009**	**10/21/2009**	**11/4/2009**	**11/18/2009**	**12/2/2009**
Encumbrance Balance Carried Over	107,701	101,238	94,654	89,519	86,522	83,856
Less Amount Expended for two weeks ended:	6,463	6,584	5,135	2,997	2,666	3,251
Equals Balance Remaining	101,238	94,654	89,519	86,522	83,856	80,605
Percentage of Prior Year Encumbrances Remaining	49%	46%	44%	42%	41%	39%
ITEM	**12/16/2009**	**12/30/2009**	**1/13/2010**	**1/27/2010**	**2/10/2010**	**2/24/2010**
Encumbrance Balance Carried Over	80,605	73,828	69,879	66,994	63,962	61,013
Less Amount Expended for two weeks ended:	6,777	3,949	2,885	3,032	2,949	1,681
Equals Balance Remaining	73,828	69,879	66,994	63,962	61,013	59,332
Percentage of Prior Year Encumbrances Remaining	36%	34%	33%	31%	30%	29%
ITEM	**3/10/2010**	**3/24/2010**	**4/7/2010**	**4/21/2010**	**5/5/2010**	**5/19/2010**
Encumbrance Balance Carried Over	59,332	56,745	53,746	52,131	49,841	48,226
Less Amount Expended for two weeks ended:	2,587	2,999	1,615	2,290	1,615	1,812
Equals Balance Remaining	56,745	53,746	52,131	49,841	48,226	46,414
Percentage of Prior Year Encumbrances Remaining	28%	26%	25%	24%	24%	23%
ITEM	**6/2/2010**	**6/16/2010**	**6/30/2011**			
Encumbrance Balance Carried Over	46,414	45,063	45,063			
Less Amount Expended for two weeks ended:	1,351	989	873			
Equals Balance Remaining	45,063	44,074	44,190			
Percentage of Prior Year Encumbrances Remaining	22%	22%	22%			

Table 8: City of Los Angeles General Fund Analysis of Carry-over Encumbrance Spending FY 2010-11

Dollars in Thousands

ITEM	7/14/2010	7/28/2010	8/11/2010	8/25/2010	9/8/2010	9/22/2010
Encumbrance Balance Carried Over	179,239	156,123	144,624	132,589	115,734	110,399
Less Amount Expended for two weeks ended:	23,116	11,499	12,035	16,855	5,335	7,864
Equals Balance Remaining	156,123	144,624	132,589	115,734	110,399	102,535
Percentage of Prior Year Encumbrances Remaining	87%	81%	74%	65%	62%	57%
ITEM	**10/6/2010**	**10/20/2010**	**11/3/2010**	**11/17/2010**	**12/1/2010**	**12/15/2010**
Encumbrance Balance Carried Over	102,535	95,018	89,419	81,985	79,836	78,452
Less Amount Expended for two weeks ended:	7,517	5,599	7,434	2,149	1,384	2,029
Equals Balance Remaining	95,018	89,419	81,985	79,836	78,452	76,423
Percentage of Prior Year Encumbrances Remaining	53%	50%	46%	45%	44%	43%
ITEM	**12/29/2010**	**1/12/2011**	**1/26/2011**	**2/9/2011**	**2/23/2011**	**3/9/2011**
Encumbrance Balance Carried Over	76,423	74,508	72,593	70,884	70,021	69,232
Less Amount Expended for two weeks ended:	1,915	1,915	1,709	863	789	4,671
Equals Balance Remaining	74,508	72,593	70,884	70,021	69,232	64,561
Percentage of Prior Year Encumbrances Remaining	42%	41%	40%	39%	39%	36%
ITEM	**3/23/2011**	**4/6/2011**	**4/20/2011**	**5/4/2011**	**5/18/2011**	**6/1/2011**
Encumbrance Balance Carried Over	64,561	57,116	55,920	53,038	52,104	51,769
Less Amount Expended for two weeks ended:	7,445	1,196	2,882	934	335	2,072
Equals Balance Remaining	57,116	55,920	53,038	52,104	51,769	49,697
Percentage of Prior Year Encumbrances Remaining	32%	31%	30%	29%	29%	28%
ITEM	**6/15/2011**	**6/30/2011**				
Encumbrance Balance Carried Over	49,697	49,336				
Less Amount Expended for two weeks ended:	361	366				
Equals Balance Remaining	49,336	48,970				
Percentage of Prior Year Encumbrances Remaining	28%	27%				

Table 9: City of Los Angeles General Fund Analysis of Carry-over Encumbrance Spending FY 2011-12

Table 9: City of Los Angeles (	7/13/2011	7/27/2011	8/10/2011	8/24/2011	9/7/2011	9/21/2011
Encumbrance Balance Carried Over	198,330	193,640	174,882	160,322	150,718	118,339
Less Amount Expended for two weeks ended:	4,690	18,758	14,560	9,604	32,379	10,548
Equals Balance Remaining	193,640	174,882	160,322	150,718	118,339	107,791
Percentage of Prior Year Encumbrances Remaining	98%	88%	81%	76%	60%	54%
ITEM	**10/5/2011**	**10/19/2011**	**11/2/2011**	**11/16/2011**	**11/30/2011**	**12/14/2011**
Encumbrance Balance Carried Over	107,791	98,177	90,800	84,750	81,858	79,929
Less Amount Expended for two weeks ended:	9,614	7,377	6,050	2,892	1,929	5,041
Equals Balance Remaining	98,177	90,800	84,750	81,858	79,929	74,888
Percentage of Prior Year Encumbrances Remaining	50%	46%	43%	41%	40%	38%
ITEM	**12/28/2011**	**1/11/2012**	**1/25/2012**	**2/8/2012**	**2/22/2012**	**3/7/2012**
Encumbrance Balance Carried Over	74,888	73,810	72,874	68,620	67,389	66,172
Less Amount Expended for two weeks ended:	1,078	936	4,254	1,231	1,217	2,815
Equals Balance Remaining	73,810	72,874	68,620	67,389	66,172	63,357
Percentage of Prior Year Encumbrances Remaining	37%	37%	35%	34%	33%	32%
ITEM	**3/21/2012**	**4/4/2012**	**4/18/2012**	**5/2/2012**	**5/16/2012**	**5/30/2012**
Encumbrance Balance Carried Over	63,357	62,522	61,412	61,412	61,412	61,412
Less Amount Expended for two weeks ended:	835	1,110				
Equals Balance Remaining	62,522	61,412	61,412	61,412	61,412	61,412
Percentage of Prior Year Encumbrances Remaining	32%	31%	31%	31%	31%	31%
ITEM	**6/13/2012**	**6/30/2012**				
Encumbrance Balance Carried Over	61,412	61,412				
Less Amount Expended for two weeks ended:						
Equals Balance Remaining	61,412	61,412				
Percentage of Prior Year Encumbrances Remaining	31%	31%				