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BERNARD C. PARKS

Councilmember, Eighth District

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July 8, 2014

Councilmember Paul Krekorian
200 N. Spring Street #435
Los Angeles, CA 90012

Dear Councilmember Krekorian,

With our city's latest failure to secure support for a tax proposal aimed at aiding funding for public services, I believe it's time to finally put my "Catch 22" (#CF) proposal on your committee's agenda.

You may remember that my office came up with the concept of "Catch 22" in anticipation of the failure of the extremely misguided Proposition A in February of last year. I introduced it in the form of a motion shortly thereafter.

In short, "Catch 22" was designed as a budgetary recommendation to reduce projected ongoing expenditures and increase ongoing revenues from existing sources, while increasing services to the public. Most importantly, it put the onus on us-- not the taxpayer, by presenting doable and realistic alternatives that fall within the purview of the city family. We do not need to create newer and more innovative ways to tax our constituents.

As one of our colleagues so eloquently pointed out recently: "Before asking voters to open their wallets, we owe it to them to thoroughly and exhaustively explore all options and to ensure that we are maximizing the use of every tax dollar we receive by operating as efficiently as possible". By leaving "Catch 22" unexplored, we are doing a tremendous disservice to the public.

The *Los Angeles Times* has weighed in, saying that: "... it would be irresponsible not to consider any reasonable option... There is no reason to fear talking about Parks' 22 recommendations". And, judging by my conversations with the leading members of the 2020 Commission and their mention of "Catch 22" in their report and presentation to the council, I am not the only one who believes the proposal has merit.

While the 2020 Commission did its best to offer big-picture, long-term solutions, "Catch 22" gives us a specific financial road map that we can start following NOW.

My belief in holding the entire council accountable inspired the creation of "Catch 22". It's the same thought process that led me to work with the L.A. Neighborhood Initiative(LANI), which is projected to repair more than 400 of the worst sidewalks in my district by next year. As of this moment, we have completed 39 sidewalks and are on track to surpass 50 by August 1st.

We have found that working with LANI has been faster, more effective and less costly than using city workers.

Although your guidance has been a positive and the budget has increased, our services to the public have not. We need to continue to properly address the two "elephants in the room": pensions and medical costs. But, we also need to get back to the core budget goals of reducing spending and overhead, while increasing revenue, revenue collection and services to our communities.

I look forward to your response.

Respectfully,



BERNARD C. PARKS
Councilmember

Attachments(7)

BCP:b2

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February 22, 2013

Miguel Santana
Chief Administrative Officer
City Hall East Room 1500
200 North Main Street
Los Angeles, CA 90012

RE: "Government Making a U-Turn"- A Response to "City at a Crossroads" Report

Dear Mr. Santana,

I have reviewed your analysis of the city's budget over the past several years and, I must commend you for your overall efforts and specific priorities to keep the city solvent.

The pressures from various special interests groups, city officials and the demands from the general public have been overwhelming.

Because of our previous conversations, I know that there are many more things you would have liked to have done and believe should have been done prior to the city reaching its current "Crossroads"(CF#12-0600).

Unfortunately, many of your warnings and recommendations were not followed nor implemented.

Your "City at a Crossroads" report now recommends a one-half cent sales tax as a last resort to maintain the current service levels allocated in the 2012-2013 fiscal-year budget. I've concluded that it is premature to request the public to tax itself with a permanent sales tax increase.

This proposal has not been vetted. There are no council committee studies or reports, no assessment of the regressive nature of sales tax, no evaluation of the overall impact of the cumulative tax and fee increases on the city's general public or rate payers and no evaluation of the impact on local businesses, the economy or jobs. Also, there has not been sufficient outreach to the community for input, insights or alternatives.

That is why I encourage you to consider alternative options to those expressed in your report concerning Prop. A, based on the very real possibility that the measure fails at the polls next month.

This city has experienced more than its share of unemployment, underemployment and foreclosures. Sadly, those who suffer these misfortunes are the ones hit hardest when government decides to levy additional fees and taxes.

During this same period of personal income loss and financial upheaval, there has been a cumulative barrage of significant increases in taxation and bond indebtedness which ultimately falls on the shoulders of the general public:

- In 2004, California voters approved Proposition 57 and 58, which authorized the sale of \$15 billion in bonds and mandated balanced budgets, respectively. Nine years after the passage of the two measures, the state is looking at an additional 21 years of debt service, and all \$15 billion was absorbed by the deficit.
- In the November 2012 election, Prop. 30 passed, triggering a state sales tax increase, with the hopes of raising \$16 billion to balance the state's budget.
- Billions of dollars of community college and Los Angeles Unified School District construction bonds debt.
- Hundreds of millions of dollars for Los Angeles police, fire, animal shelter and library construction bonds debt.
- City's MICLA debt increased by hundreds of millions of dollars.
- 10% increase in city power rates over the next two years (an additional 30% increase pending).
- City water rate increase pending.
- State Measure R half-cent sales tax for transportation construction- 30 year debt.
- Cost of Sanitation Charges (Sewer Services Charges and Solid Resources Fee [Trash Fee]) have tripled.
- Hundreds of millions of dollars of indebtedness for sewer construction.
- Substantial increase in city fees and permits.
- Parking citation fines increased six of the last seven years.
- Multiple increases in both employee medical and pension costs.
- L. A. County gas prices- highest in the state.

I agree with many of the residents and business owners in my community when they claim that government has priced itself out of business.

The city receives over \$7 billion in general and special funds annually but will be unable to sustain its solvency going forward, unless it makes significant changes in the near future.

The city's number one problem is its inability to sustain and maintain its personnel costs. Our local government's addiction to hiring personnel and maintaining a workforce in which the size and cost are not sustainable is the root cause of its ongoing structural deficit.

The salaries, but more specifically the overhead (medical, pension, workers' compensation), costs are growing well above the real and/or projected revenue increases.

Before asking the public to absorb another permanent financial obligation, we suggest that you and your staff evaluate and prepare a savings analysis for the following recommendations:

- 1.) Allow the new administration taking office July 1, 2013 to make the decision about new taxation, as they will be responsible and accountable for the city's financial health. The new administration will certainly have new and different budget and deployment priorities.

2.) Study the "DROP" program for cost neutrality as mandated in the *implementing ordinance #174540, section 4.2100, subsection C(CF# 00-2463)*.

3.) Implement the negotiated "no code seven" policy within the LAPD. It is estimated that the benefit would be an increase of 250 patrol cars deployed, annually (CF#11-1430). This negotiation reduced LAPD officers' workdays from 12 hours and 45 minutes to 12 hours with the stipulation that officers would not formally request a 45-minute lunch period during the 12-hour work day. It is apparent that even after the reduction to a 12-hour day, officers have continued to receive permission to eat while on duty. These actions, in effect, reduce officer availability by 90 minutes a day.

4.) Eliminate the three-and-four-day work week (12 and 10 hour shifts). It's been estimated in a report done by your office (CF# 01-2394-S1) that within the LAPD alone, uniform car deployment would increase between 20% and 30% annually.

5.) Re-evaluate LAFD's "constant staffing" requirements and criteria with the emphasis on reduction of over-time allocations. Refine the recently-implemented deployment model which is based on incident response data that allowed the department to match current resources with the real needs of the city's diverse communities. Study the potential financial benefits and savings of contracting out paramedic services.

6.) Support the recently-approved "feed in tariff" ordinance, which will initially pay over market rate for excess solar power as an incentive to encourage community participation. Then, after the first two years, support the recommendations of the ratepayer advocate on solar costs due to "feed in tariff"(CF# 11-0617-S8). This change of reducing pay to market rate for excess solar power from private parties would mitigate, reduce and possibly eliminate proposed rate increases in the near future. Also, include a requirement that storage batteries be included in future "feed in tariff" infrastructure.

7.) Implement the recommendations listed in *August 9, 2011, Parks – Perry letter to the Executive Employees Relations Committee* which requested:

a.) Compliance with Parks-Smith motion CF# 11-0690 through 11-0690 – S4 to identify cost containment and mitigation of medical costs within the Department of Water and Power(LADWP).

b.) Creation of strategies to reduce LADWP's salary and pension costs. This report identified 197, common job classes within the city and LADWP and 15 job classes performing similar duties. Of the 197 job classes, 195 classes received higher salaries working for LADWP, ranging from 1% to 43% with an average of 16.4%. All 15 job classes performing similar duties received higher salaries at LADWP; from 6% to 35% with an average of 18.1%. This letter also contained a recommendation to replicate the strategies within LAPD which reduced salaries for all entry-level positions by 20%.

8.) Freeze hiring citywide. Stop filling vacancies, unless they are of the utmost importance and critical in nature.

9.) Cut the size of the city's workforce to a sustainable level. To reduce the impact on service loss, contract out workload that can be done by private industry, local entrepreneurs or local contractors.

10.) Reduce full-time city worker positions, where appropriate, to part-time positions. This will reduce the cost of salary and benefits in the labor force and allow for a more strategic deployment. The best example in the city is the recent deployment of part-time traffic officers at the Department of Transportation.

11.) Establish new budget priorities, deployment strategies and department organizational structures.

12.) Maximize civilianization.

13.) Prepare the legal bases for a city position to defer, mitigate or eliminate the current proposed employee raises and initiate the formal process for negotiating new contracts as current contracts expire in 2013 and 2014.

During future negotiations, eliminate percentage increases and replace them with flat-rate salary increases. We should also eliminate all bonus-paid positions as pension based and ensure all future employee contracts contain mandatory re-opener language. Future raises should be based on revenue projections, not cost-of-living increases. And, employee contracts should be valued on the package's total compensation.

14.) Increase employee contributions to pension, current medical and retiree medical plans.

15.) Seek needed changes to reform the state's workers' compensation administration and seek changes in the city's administrative rules addressing overtime pay.

16.) Reject the current approved recommendations regarding the "exclusive commercial and multi-family solid waste franchise hauling system"(CF#10 – 1797 through 10 – 1797 S15) and implement your office's recommendations for a non-exclusive system which could be implemented immediately with significant revenues being directed to the general fund.

Your office's recommendations will have a positive impact on the community, as the franchisee would pay a fee to the city for the privilege of collecting solid waste within the city's boundaries. This would be substantial, new revenue that could be realized immediately, while the community would retain its leverage to negotiate with a variety of haulers to obtain the best service and price for that service.

17.) Follow your office's recommendations (CF#09 – 1914 – S8), regarding the elimination of the city's gross receipts tax (GRT), also known as the business tax. Your office along with several independent consultants have stated specifically that the GRT should not be eliminated until a new source of permanent revenue can be found to replace this \$480M in revenue. Also, there should not be any additional reductions or reclassification of GRT, unless it is accompanied by an independent economic analysis report.

18.) Expand Public-Private Partnerships. Such city entities as the Convention Center, Zoo and Information/Technology Agency and paramedic functions are all viable for privatization. In addition to removing the expense and workforce cost from the city's payroll, the business-oriented redirection will be unencumbered by city processes and will produce a better overall product.

19.) Evaluate and implement appropriate recommendations of the Commission on Revenue Efficiency (CF#12-0430 thru 12-0430-S6) and gain full adherence to *Executive Directive No. 5* and the *Citywide Guidelines to Maximize Revenue Collections*.

20.) Reduce the use of "one-time revenue" expenditures on multi-year/ongoing debt. Return special fund revenue (e.g. Special Parking Revenue Funds, ITA's Public Access and Infrastructure Funds,...etc.) back to their intended purposes and fund the prescribed activities of the special funds rather than the current method of filling budget shortfalls.

21.) QUIMBY Funds- Revise city policy to expand area of usage, mandate usage within a short period after its allocation, concentrate on design build, local hiring, contracting for the construction. Allow interest earned on QUIMBY deposits to remain under the jurisdiction of the city's Recreation and Parks Administration so that consistency, continuity and accountability can be clearly established. The goal is to prioritize, facilitate job creation and accelerate completion

and expansion of green space and park land by using the millions of dollars that have stockpiled over the years.

22). Explore the feasibility of creating expanded maintenance districts modeled after the current city's lighting districts which would include tree trimming, sidewalk, curb and American Disabilities Act(ADA) curb cuts repair. The goal is to create a vehicle for local communities to generate local revenue, hire local contractors, repair and maintain basic infrastructure needs and reduce liability to the city and adjoining land owners.

The above suggestions are submitted as both long and short-term recommendations to achieve budgeted solvency for the City of Los Angeles.

I am fully aware that by addressing the three-day workweek, pension contributions, privatization and the size of the city's workforce, I have taken aim on some "sacred cows" in our budget. We need to realize that only by slaughtering these "sacred cows" can we move forward and feed a starving city.

Respectfully,

A handwritten signature in black ink, appearing to read "Bernard C. Parks". The signature is fluid and cursive, with a large initial "B" and a long, sweeping underline.

BERNARD C. PARKS
Councilmember

BCP:b2

ITEM 11**M O T I O N**

I MOVE that the matter of the Budget and Finance Committee Report relative to options to eliminate remaining deficits and make ongoing revenues available for the Fiscal Year 2013-14 budget, Item No. 11 on today's Council Agenda (CF 12-0600-S174) **BE AMENDED** to instruct the City Administrative Officer to report, as per the CAO report attached to the File, with options to "reduce projected on-going expenditures or increase on-going revenues from existing sources," including the following concepts which ~~would~~ ^{are} a) use of one time funding for multi-year expenditures, b) build the reserve fund, c) reduce the City's debt burden, d) concentrate on the use of special funds for their intended purpose, e) fund critical infrastructure needs, f) identify revenue collection opportunities, g) reduce employee compensation and health care costs, h) address future contract negotiations, i) service maintenance, city priorities, reorganization and efficiencies. The following suggestions have been submitted to the CAO for evaluation, comment and analysis:

- 1.) Study the DROP program for cost neutrality as mandated by implementing ordinance.
- 2.) Implement the negotiated "no code seven" policy within the LAPD (adds 250 patrol units to annual deployment).
- 3.) Eliminate the three-and-four-day work week (12 and 10-hour shifts) which will increase deployment by 20 to 30%.
- 4.) Re-evaluate LAFD's "constant staffing" requirements and criteria with the emphasis on reduction of overtime allocations.
- 5.) Support the Ratepayer Advocate's future costing recommendations for the recently-approved "feed in tariff" ordinance.
- 6a.) Identify cost containment and mitigation of medical costs within the DWP.
- 6b.) Create strategies to reduce DWP's salary and pension costs and reduce all entry-level DWP salaries by 20%.
- 7.) Freeze hiring Citywide, stop filling non-critical vacancies.
- 8.) Cut the size of the City's workforce to a sustainable level, reduce service impacts by investing in outsourcing to local businesses and contractors.
- 9.) Reduce full-time City worker positions, where appropriate, to part-time positions.
- 10.) Establish new budget priorities, deployment strategies and department organizational structures.
- 11.) Maximize civilianization.

- 12.) Prepare the legal basis for a City position to defer, mitigate or eliminate the currently-proposed employee raises, prepare strategies for negotiating new successor contracts for 2013 & 2014.
- 13.) Increase employee contributions to pension, current medical and retiree medical plans.
- 14.) Seek needed changes to reform the State's workers' compensation administration, seek changes in local rules addressing overtime pay.
- 15.) Reject the currently-approved recommendations regarding the "exclusive commercial and multi-family solid waste franchise hauling system", implement CAO's recommendations for a non-exclusive system.
- 16.) Leave the City's gross receipts tax alone.
- 17.) Expand public-private partnerships, contract out Convention Center, Zoo, technology and paramedic administration and services.
- 18.) Evaluate and implement appropriate recommendations of the commission on revenue efficiency (core) and gain full adherence to Mayor's Executive Directive no. 5 and the Citywide guidelines to maximize revenue collections.
- 19.) Reduce the use of "one-time revenue" expenditures on multi-year/ongoing debt, return the use of special funds (e.g. special parking revenue funds & ITA public access and infrastructure funds to their intended purposes.
- 20.) Revise City policy to expand area of usage for Quimby funds.
- 21.) Explore feasibility of creating expanded maintenance districts (sidewalks, curbs, curb cuts & trees) modeled after the current city lighting districts.

PRESENTED BY: _____
 BERNARD C. PARKS
 Councilman, 8th District

SECONDED BY: _____

March 26, 2013_{ak}