

CITY OF LOS ANGELES

CALIFORNIA

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ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT

1200 W. 7TH STREET
LOS ANGELES, CA 90017

April 22, 2014

Councilman Paul Krekorian
Chair, Budget and Finance Committee
200 North Spring Street
Los Angeles, CA 90012

Dear Councilman Krekorian,

In response to your letter, I am providing this overview of the Economic and Workforce Development Department (EWDD) budget requests as presented to both the Mayor's Office and CAO this past February. I recognize that the city is faced with the daunting challenge of balancing the budget. As such, I appreciate your consideration as the Budget and Finance Committee navigates this process, and works with us to establish economic development functions at EWDD.

I would like to acknowledge the \$18.1 million in resources to support program and administrative operational costs for the department identified in the Mayor's proposed budget for Fiscal Year 2014-2015.¹ More than 98% of the department's EWDD budget is comprised of federal, state and local grants. To be specific, 74% of the funds come from federal Workforce Investment Act (WIA), and 24% from Community Development Block Grant (CDBG) monies, grant fee revenue from the Section 108 Loan Guarantee, and State Enterprise Zone Tax Credit Voucher Programs.² I would like to stress that we are prohibited by federal grant regulations from using WIA funds for economic development programs and activities.

1 The proposed budget includes \$16.7 million for salaries and \$1.4 million in expense to support 120 Regular and 46 Council Resolution position authorities.

2 The State Enterprise Zone Tax Credit Voucher Program will end in December 2014.

The Economic Development Fund that has been established with CDBG funds will be limited for use in approximately 40% of the city in low income communities.

The City Council established the EWDD to focus on a citywide strategy for economic development, and in the course of this past year there have been discussions about the best approach. This includes the use of outside consultants to provide services, the expansion of the Los Angeles Development Fund, and building the capacity at EWDD for this purpose. There has also been communication with the Council's Economic Development Committee about how to best finance economic development now that the Community Redevelopment Agency has been dissolved.

Following my dialogue with both the CAO and the Mayor's Office in February, I scaled back the request for the number of new funded positions for the department. I recognized that I would work in the coming year to develop MOU's with other city departments to share expertise, and work to realign the EWDD. This was based on an analysis of what was necessary to manage the economic development activity the department is being tasked to undertake on behalf of the city.

I look forward to working with the City Council and the Mayor as work begins on the development of more robust economic development policies, as well as a strategic implementation plan that would benefit the entire city.

As previously mentioned, I have worked with my staff to further reduce the new budget requests for EWDD. These are centered on a reasonable, transitional approach to building the capacity of this department in a manner that best meets the needs of the city, our investors and the community.

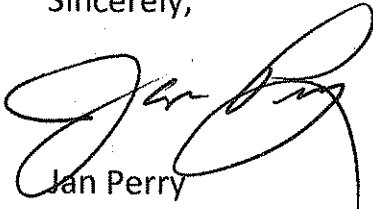
It is estimated a minimum of five positions and funding totaling \$898,718 for twelve months will be necessary to support a new, Asset Management function and existing Economic Development Lending Unit that cannot be supported with the department's current staffing levels. The positions requested include:

- 1 Senior Project Coordinator
- 1 Management Analyst II
- 2 Senior Project Assistants

- 1 Industrial Commercial Finance Officer II

I will continue to work with you, your committee, the City Council and the Mayor's Office to successfully address challenges and/or constraints as the formation of economic development functions at EWDD progresses.

Sincerely,



Jan Perry
GENERAL MANAGER

cc: Councilmember Mitch Englander, Vice Chair
Councilmember Bob Blumenfield
Councilmember Paul Koretz
Councilmember Mike Bonin