



2014/15 Budget

Changing the Conversation:

From short-term fixes to long-term fiscal sustainability

Budget and Finance Committee

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Credit where credit is due

- *City of Los Angeles succeeded in weathering an unprecedented economic crisis*
- Everyone made sacrifices during the recession
- In absolute terms, we will start next year with the healthiest reserves in the City's history
- Despite long-term fiscal challenges, the City's credit rating remains AA- because of making tough choices

A New Start

- Mayor Garcetti's first proposed Budget
- The focus is on performance toward our priority outcomes for Los Angeles:
 - ▶ **A Safe City**
 - ▶ **A Prosperous City**
 - ▶ **A Livable and Sustainable City**
 - ▶ **A Well-Run City Government**
- Ongoing collaboration with CAO, City Council, CLA and departments

Focus on Long-Term Sustainability

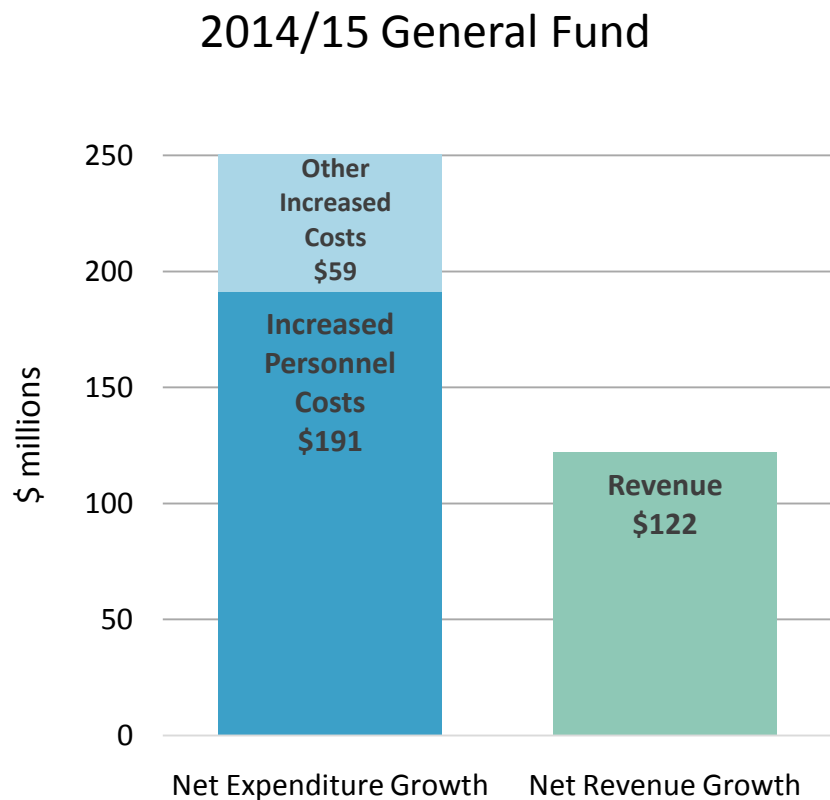
- Five years of cutbacks have devastated the City's capacity to deliver high quality services to our residents and businesses
- Our benchmark can't be:
"When do we go back to 2007/08 staffing/funding?"
- It must be:
"How do we go forward to sustainable staffing/funding by 2017/18?"

Marathon, not a sprint

- 2014-15 is a transitional budget
- Performance Budgeting shifts emphasis from “*How much do we spend?*” to “*What results are we paying for?*”
- **Focus on results:** Strengthen reserves; continue to drive down crime; begin long-term reform of Fire Department; improve our economic competitiveness; maintain or augment basic neighborhood and community services; avoid lay-offs; initiate long-term reform in pursuit of a data-driven culture of innovation and excellence

2014/15 General Fund Dilemma

Although revenues are rising, they do not match rising costs



- Since 86% of departmental costs pay for personnel, there is limited opportunity for shifting priorities
- Recessionary cutbacks hamper the training and equipping of our workforce
- The City's vital systems are either outmoded, overstretched or both

When in a hole, stop digging

- \$242 million projected shortfall represented the magnitude of the challenge – *arguably both artificially high and artificially low*
- Inadequate resources to address all the pressing needs
- To eliminate structural deficit, “The Mayor and Council will have to demonstrate a commitment to fiscal discipline” (CAO Analysis)
- “(Proposed Budget) allows for much needed service enhancements, but it effectively makes solving the City’s project deficit in FY 2015/16 more difficult” (CLA Overview)

Focusing on Results

- Budget Town Halls: Back to Basics
 - **Safe City**
 - **Prosperous City**
 - **Livable and Sustainable City**
 - **Well-Run City Government**
- Shift from inputs to outputs and outcomes
- Invest in capacity to produce better results over the long-term

Safe City

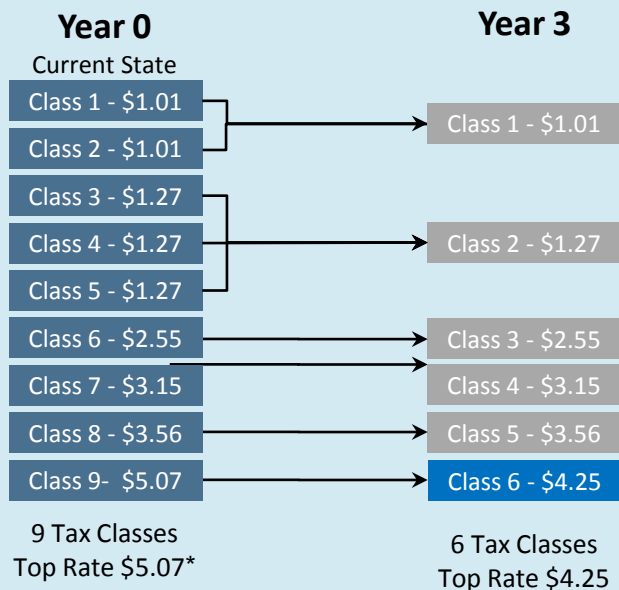
- Funding for 10,000 Police Officers
- Replacement of Police Black and Whites
- Fire Reform Package / FIRESTAT
- Firefighter Hiring
- ITA Disaster Recovery Facility
- Evidence Management System Replacement
- Transition of Ambulance Augmentation Plan
- Ongoing Funding for Neighborhood Prosecutors Added This Year

Prosperous City

- Business Tax Reform Plan
- New construction inspectors
- Construction service center help desk
- Entitlement and Building Permit Streamlining
- BuildLA online permit system
- Urban Design Studio
- Great Streets seed funding

Business Tax Reduction Plan

Overview



Detail – Rate Reductions and Annual Investment

Year 0	Year 1	Year 2	Year 3
Class 9 - \$5.07	\$4.75	\$4.50	\$4.25
Annual Investment:	\$15M	\$30M	\$45M

* Dollar tax per \$1,000 of Gross Receipts

† Annual investment does not include extra growth in alternative tax revenues due to economic growth. These are anticipated and would offset some or all of the annual investment.

Livable and Sustainable City

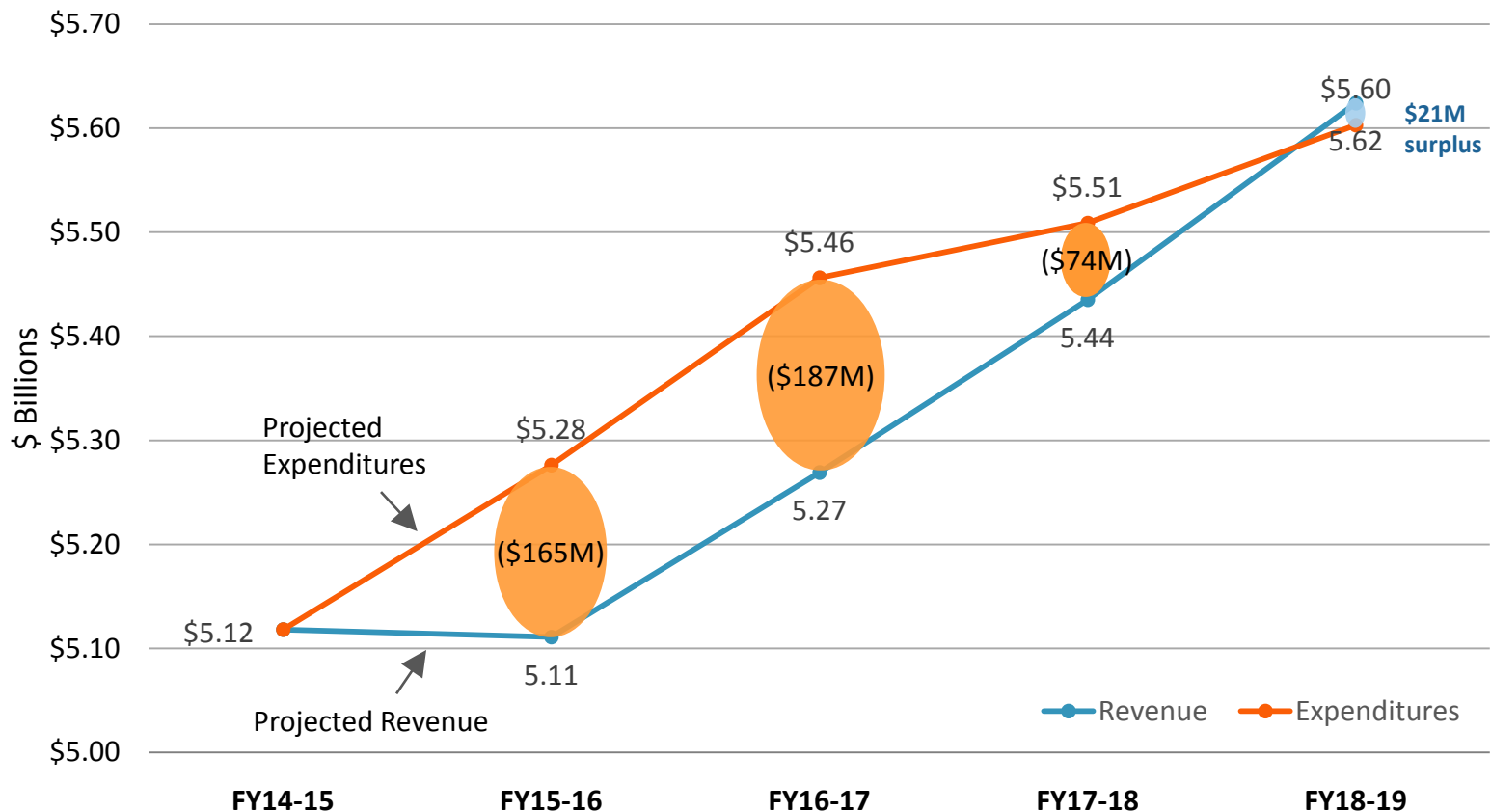
- 2,400 Lane Miles of Pavement Preservation
- Expanded Sidewalk Repair
- Current Level of Tree-Trimming
- Library Hour Restoration and Service Enhancements
- Increased Code Enforcement Staffing
- Citywide Healthy Streets Clean-Up
- Energy and Water conservation management

Well-Run City Government

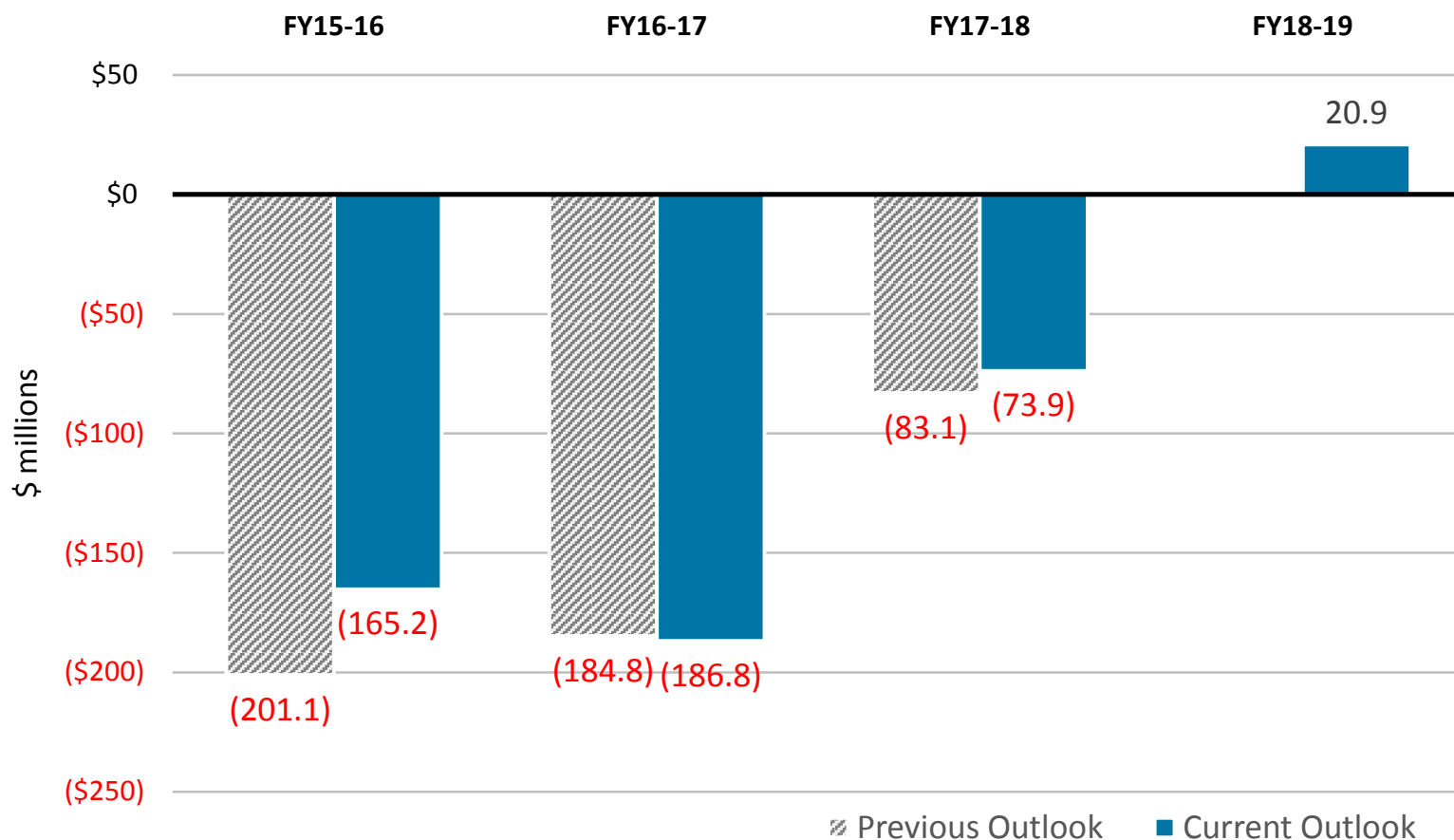
- Improving or replacing our backbone systems
 - Performance Budgeting Software
 - Litigation and Risk Management Software
 - Procurement Software Replacement
- Innovation Fund/Innovation Centers
- Open Data System, 311 and Websites
- Citywide CompStat and Performance Measures
- Investing in our Workforce

CAO Fiscal Outlook

\$165 Million Shortfall Projected for 2015/16



Progress on Structural Deficit



Multi-Year Restructuring Plan

Create Business Unit to add capacity for process re-engineering:

- Reform contracting and procurement
- Reform Worker's Comp for better outcomes, lower costs
- Move IT network to cloud solutions (freeing up savings for investment in needed IT upgrades)
- Reform payroll and HR processes
- Ensure Matrix study improves planning/permitting outcomes
- Restructure Fire Department deployment model
- Modernize and streamline our vehicle fleet

Next Year – Continuing the transition to Performance Budgeting

- *Systematic review of base budgets*
- *More meaningful and comprehensive metrics*
- *Continue to shift resources from low priority to high priority services*
- *Emphasis on growing the economy and expanding revenue opportunities*