

A Balanced Plan To Fix LA

COALITION OF LA CITY UNIONS

What is the Coalition?

- Formed in 2005-06
- 22,000 City workers represented
- 65% of the Civilian workforce
- 55% of our workers are Special Funded
- Policy partner with City above and beyond traditional labor relations
- Drove savings costs with City when Wall Street crashed the economy

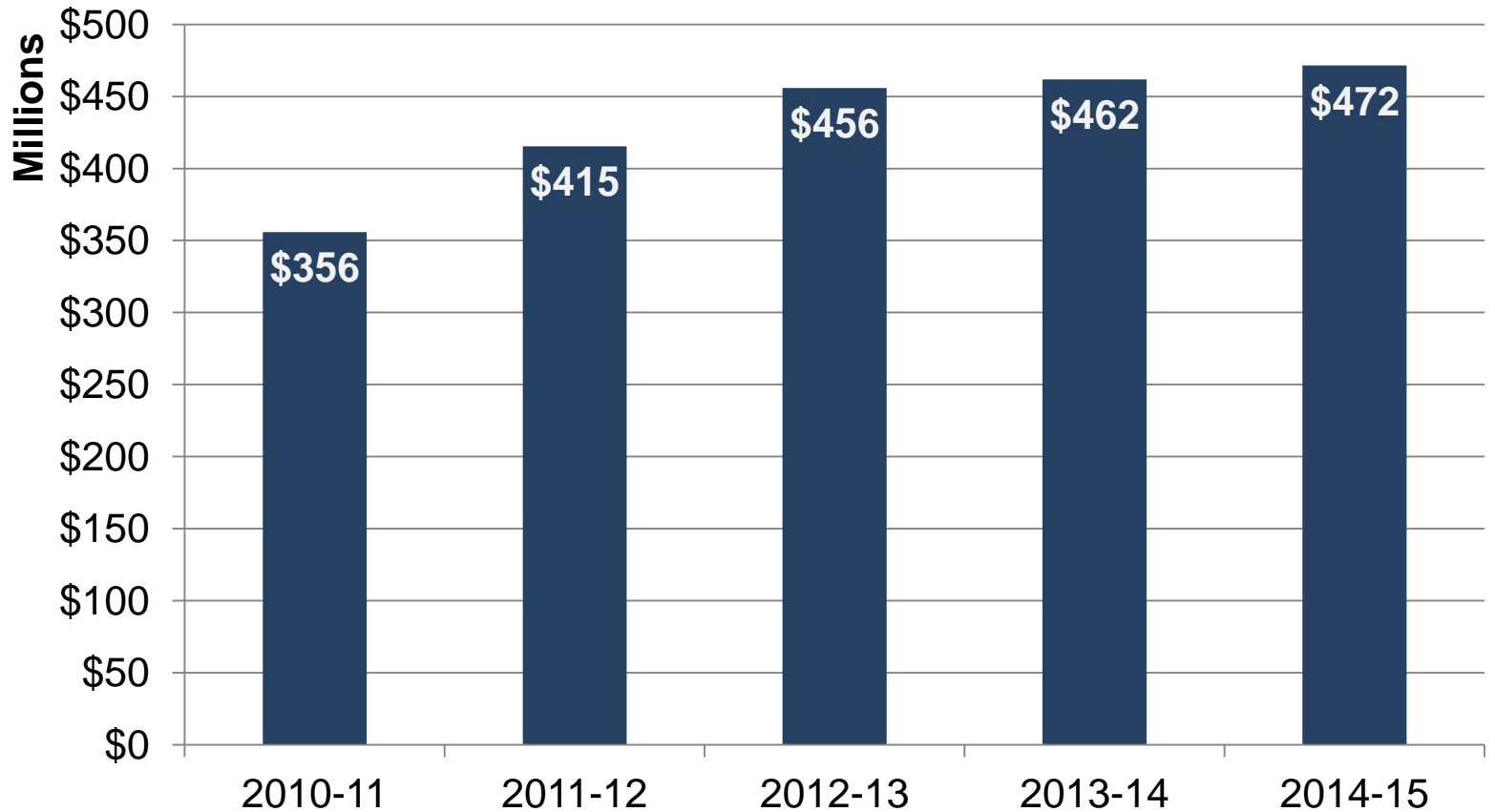
Coalition Savings

The Coalition Partnered with the City during and after the Recession and agreed to **unprecedented cost savings** in the form of:

1. Reduction of the City workforce through ERIP and attrition, paid for by Union members
2. FLEXCARE plan design changes
3. Increased Employee Pension Contributions
4. Delayed Increases

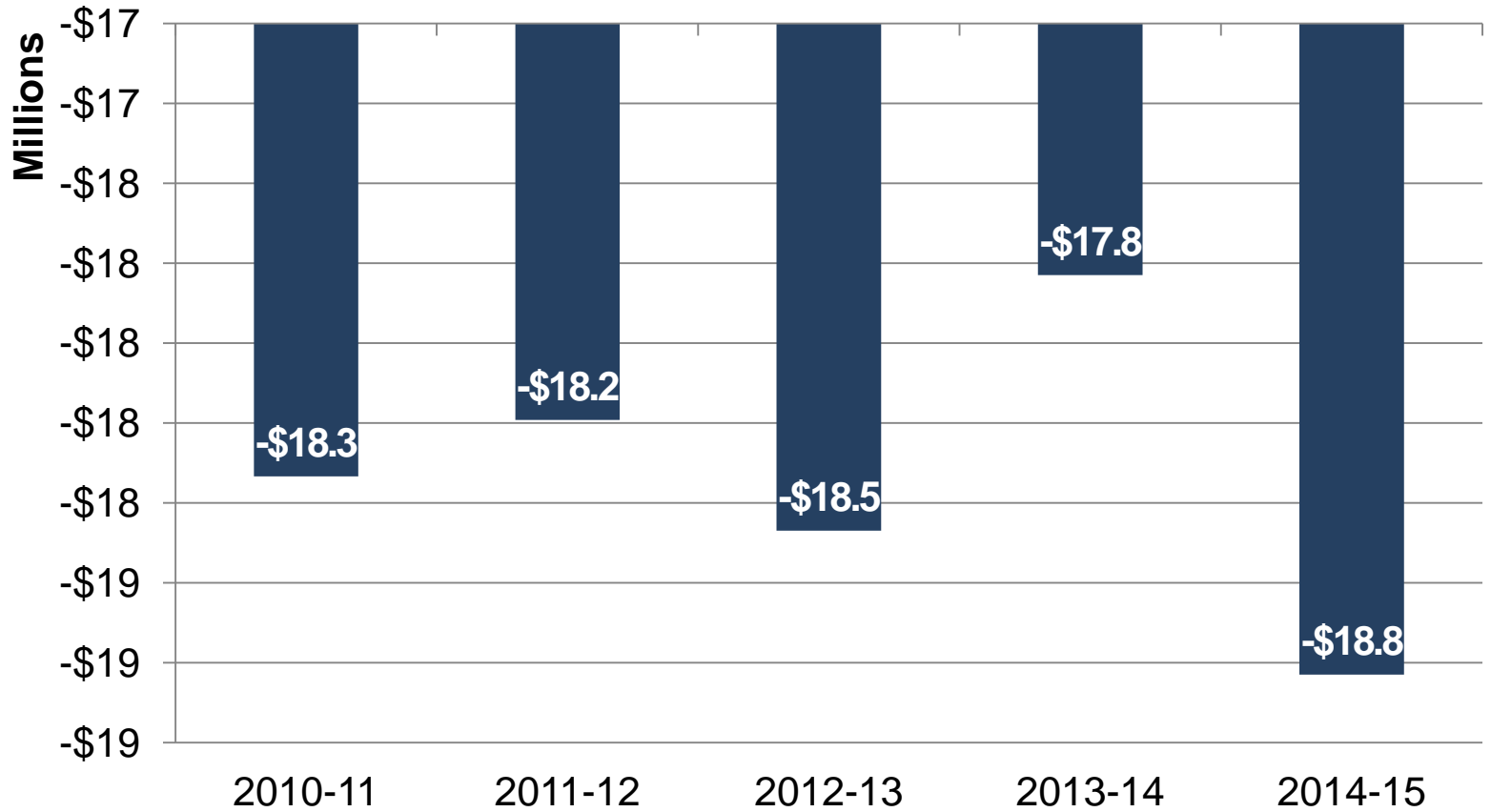
ERIP and Hiring Freeze Savings

Estimated Annual Savings to City Taxpayers



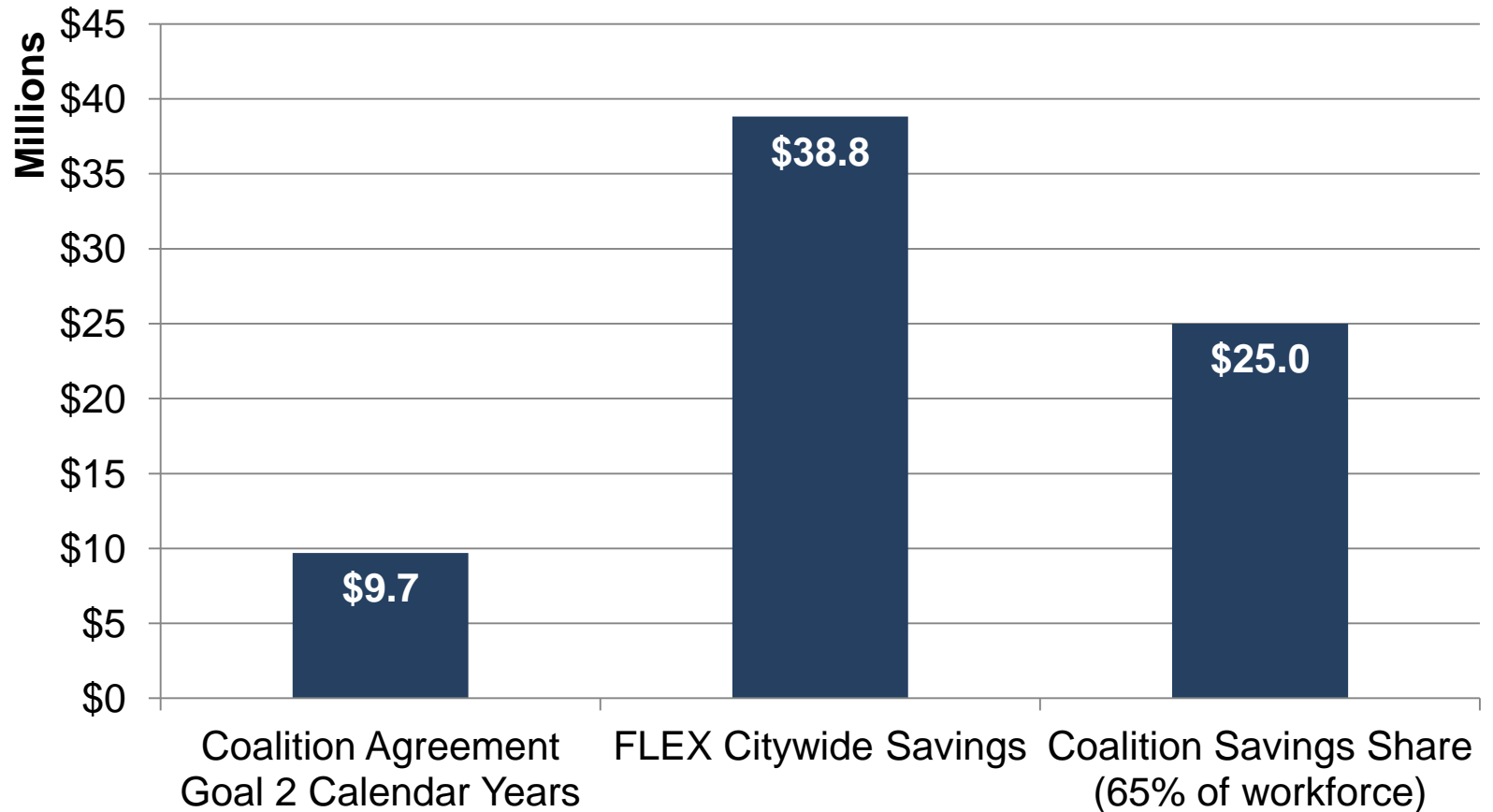
Early Retirement Incentive Program

Estimated Total Annual Cost to Employees



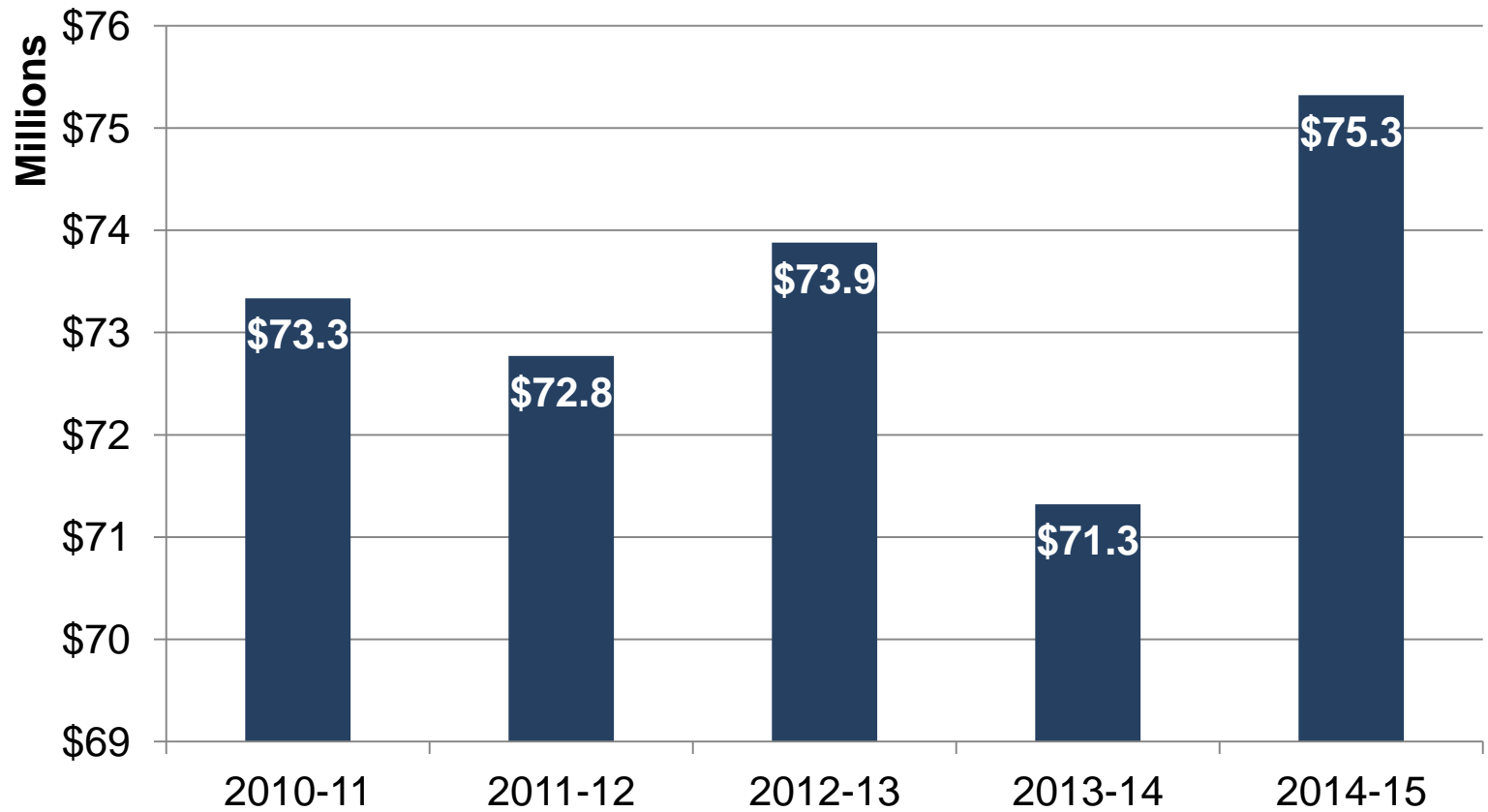
FLEX Benefits Plan Design Reductions

Coalition Driven Civilian Healthcare Savings



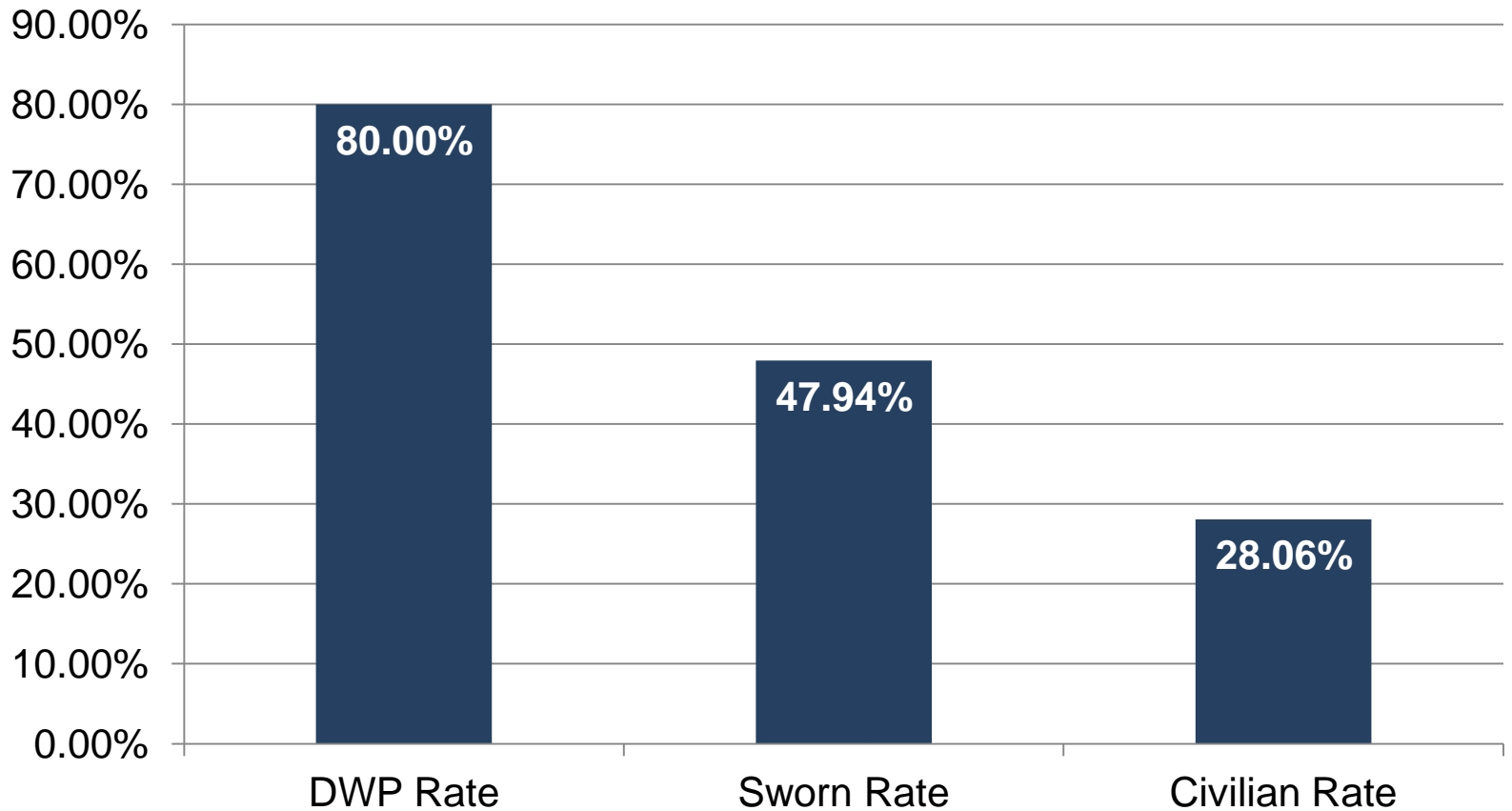
6% to 11% Pension Contribution

Estimated City Savings and Coalition Member Cost



Non-Health Benefit Rates Per Employee

2014-15 Add/Delete Rates By Employee Type



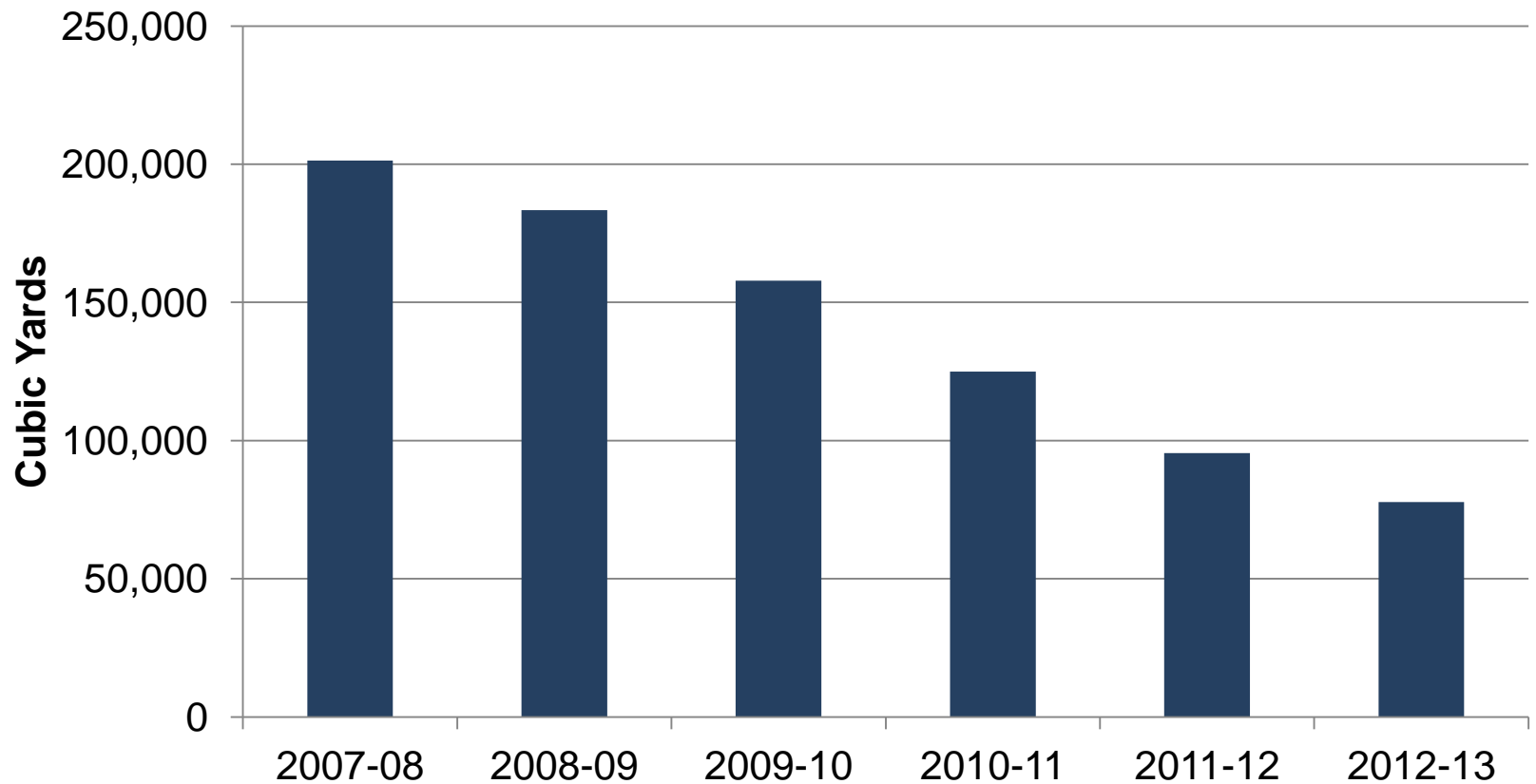
Austerity, Services, and the 2014-15 Budget

Ryan Hudson, M.P.P.
Research and Policy Analyst
SEIU Local 721



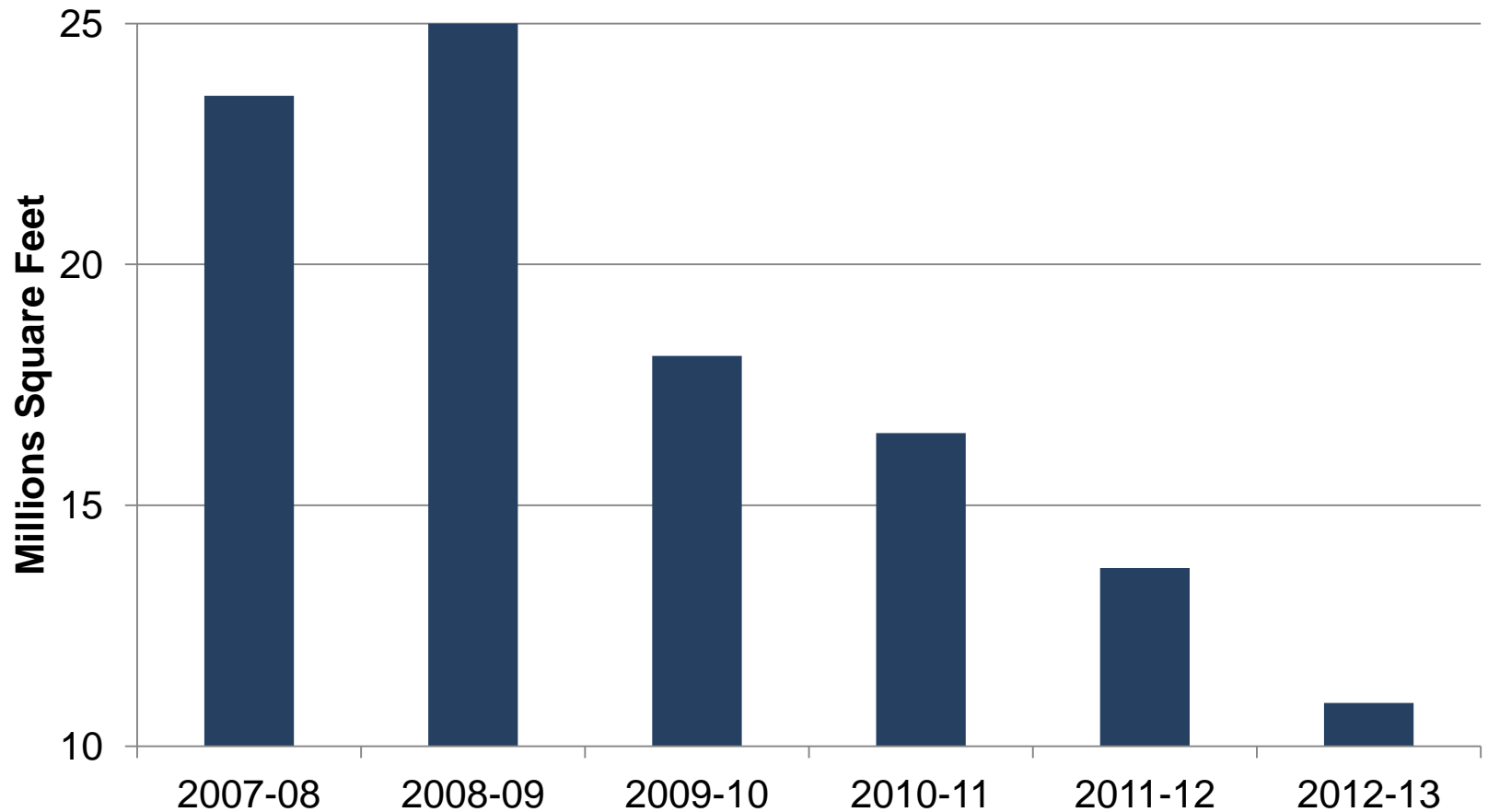
Austerity Impacts

Street Services: Debris Removed



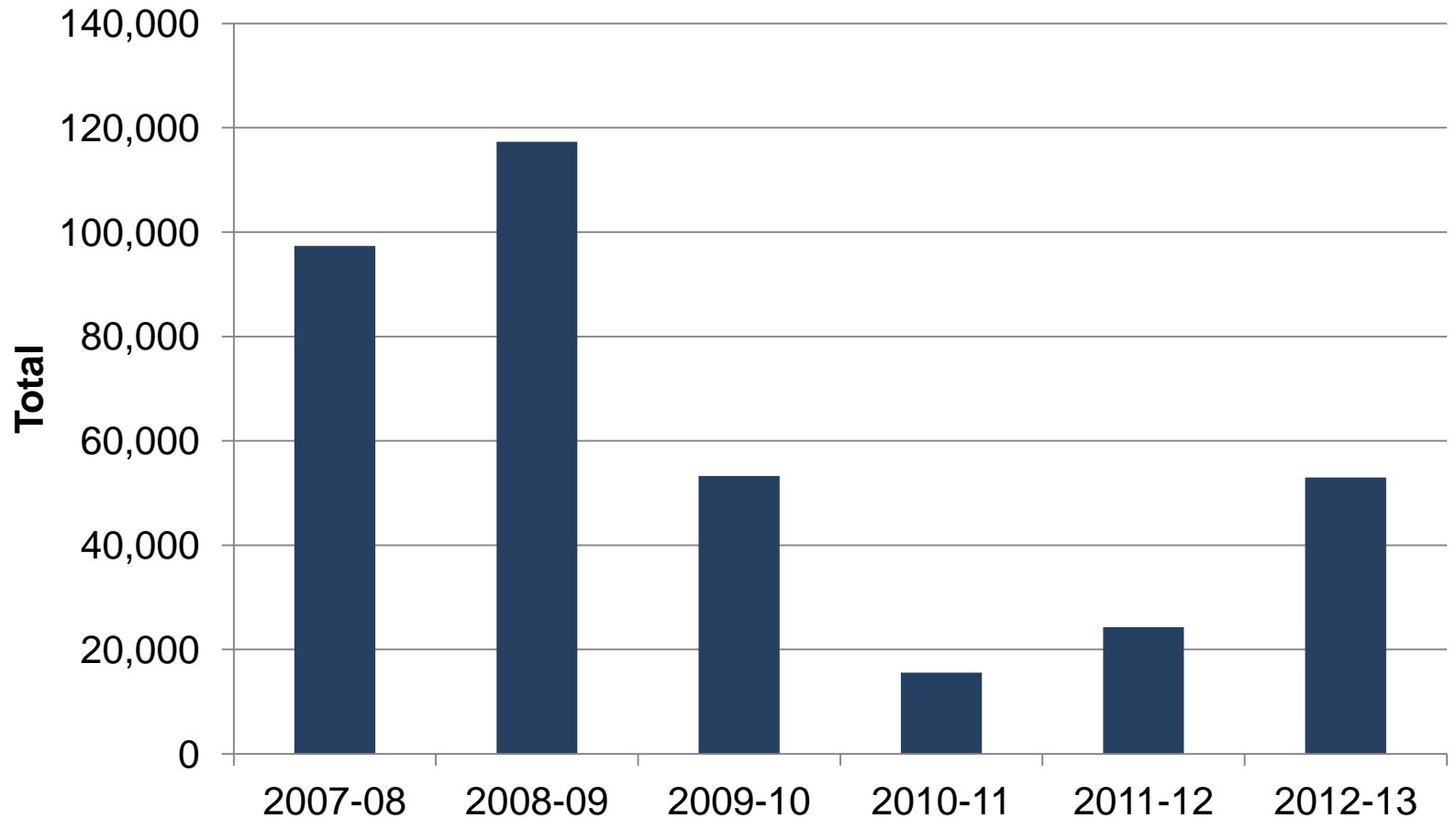
Austerity Impacts

Street Services: Land Cleared



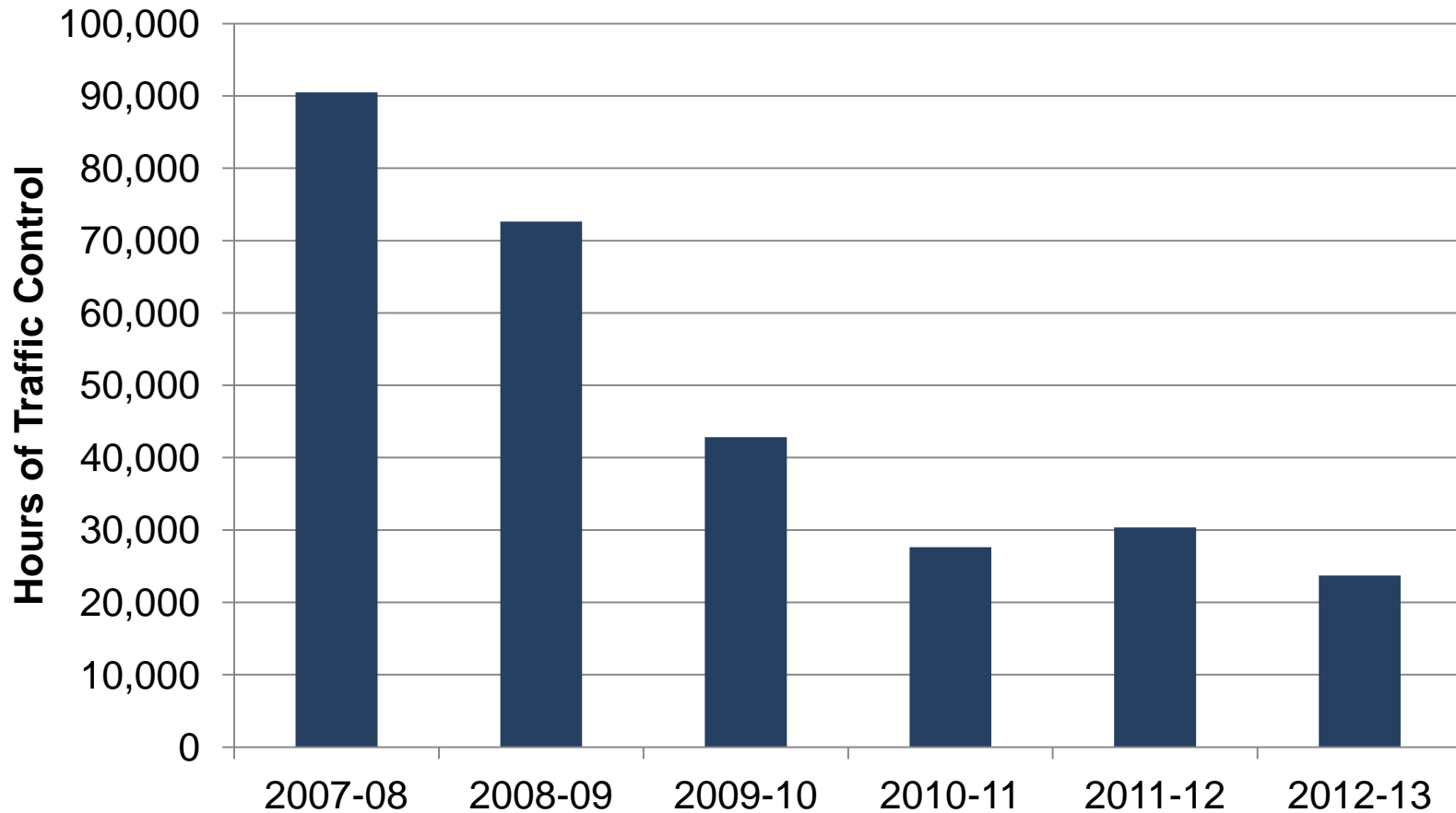
Austerity Impacts

Street Services: Trees Trimmed



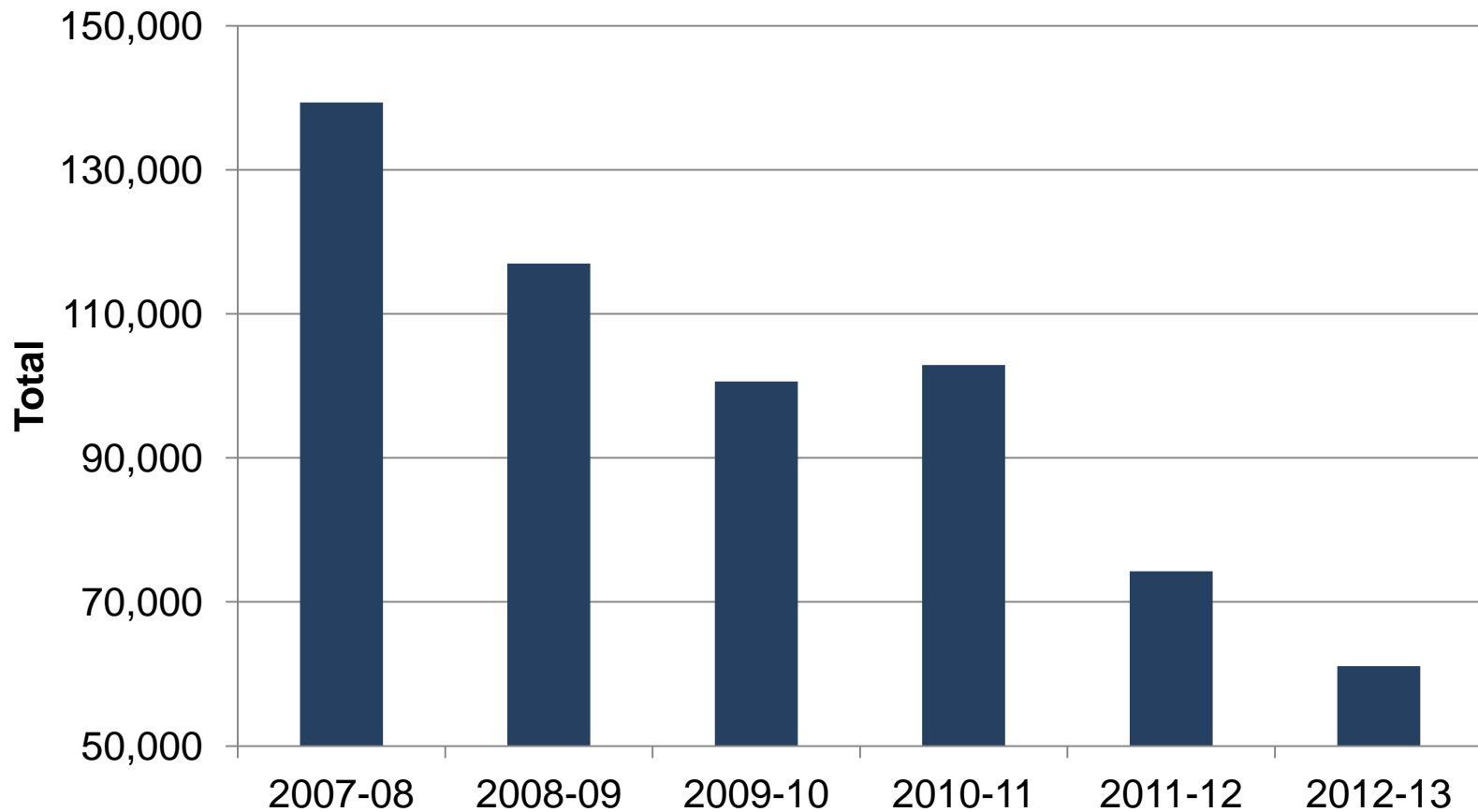
Austerity Impacts

Transportation: Intersection Traffic Control



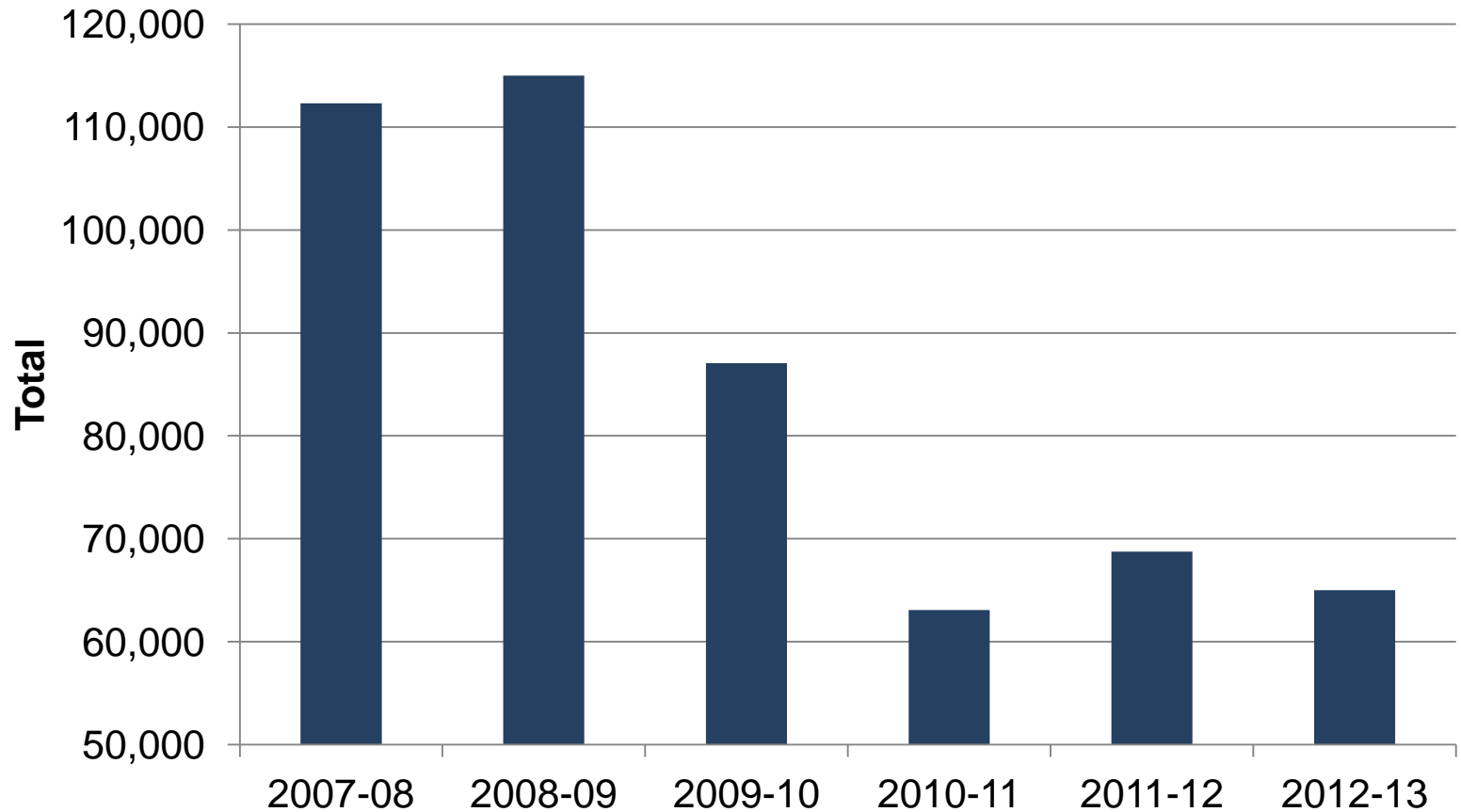
Austerity Impacts

Transportation: Abandoned Vehicles Abated



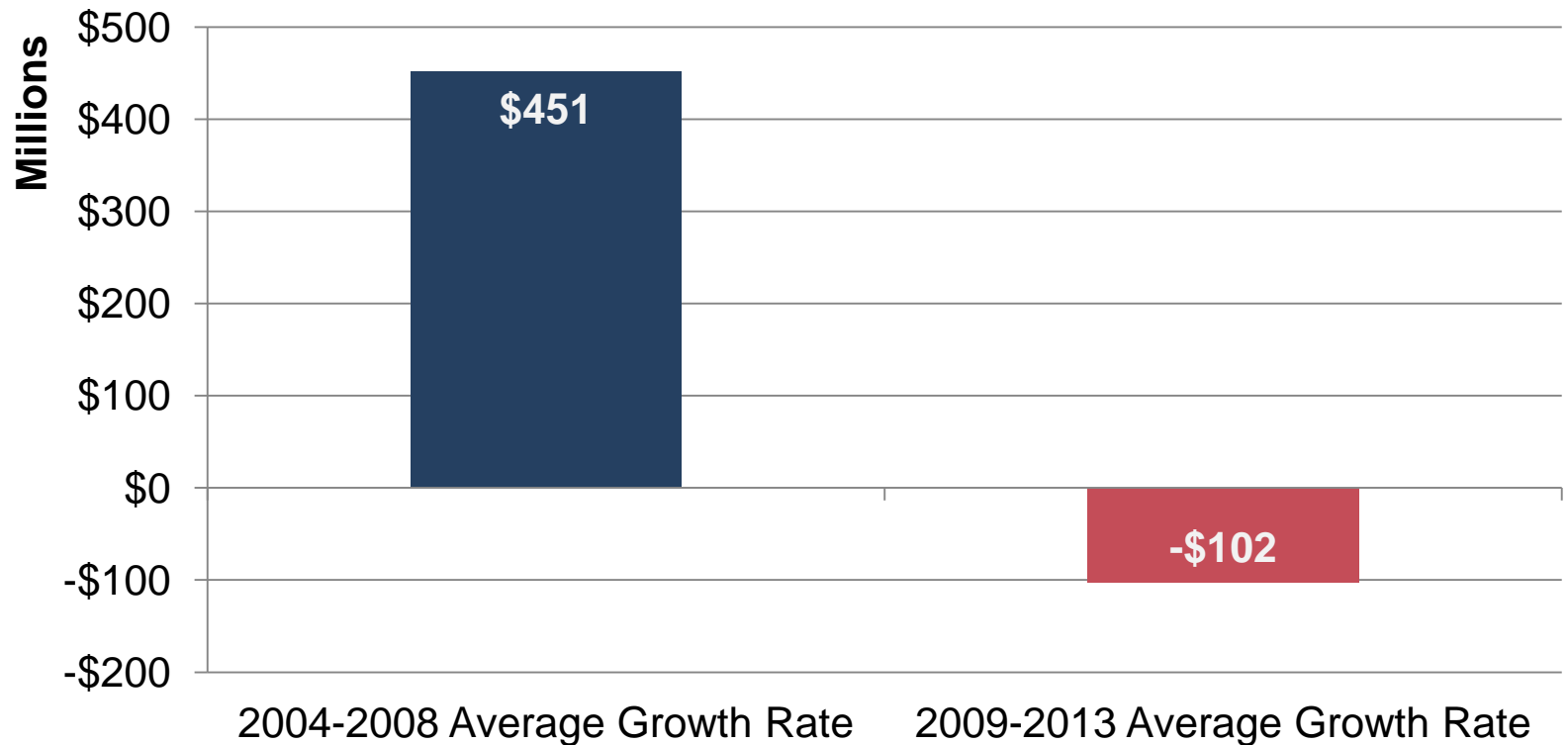
Austerity Impacts

Sanitation: Flood Control Catch Basin Cleaning



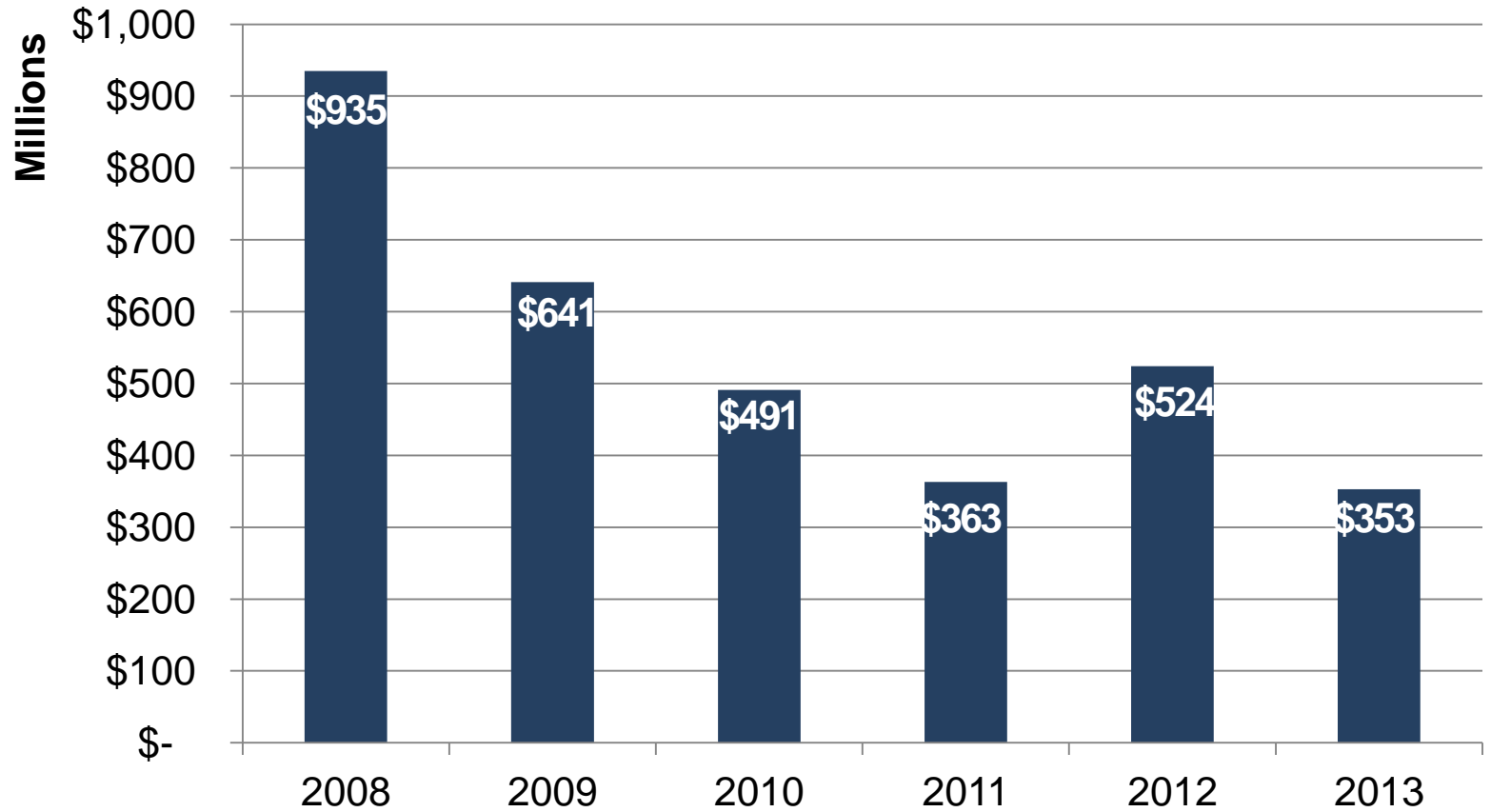
City Spending

Average Yearly Change in Governmental Activity Appropriations Pre vs. Post Recession



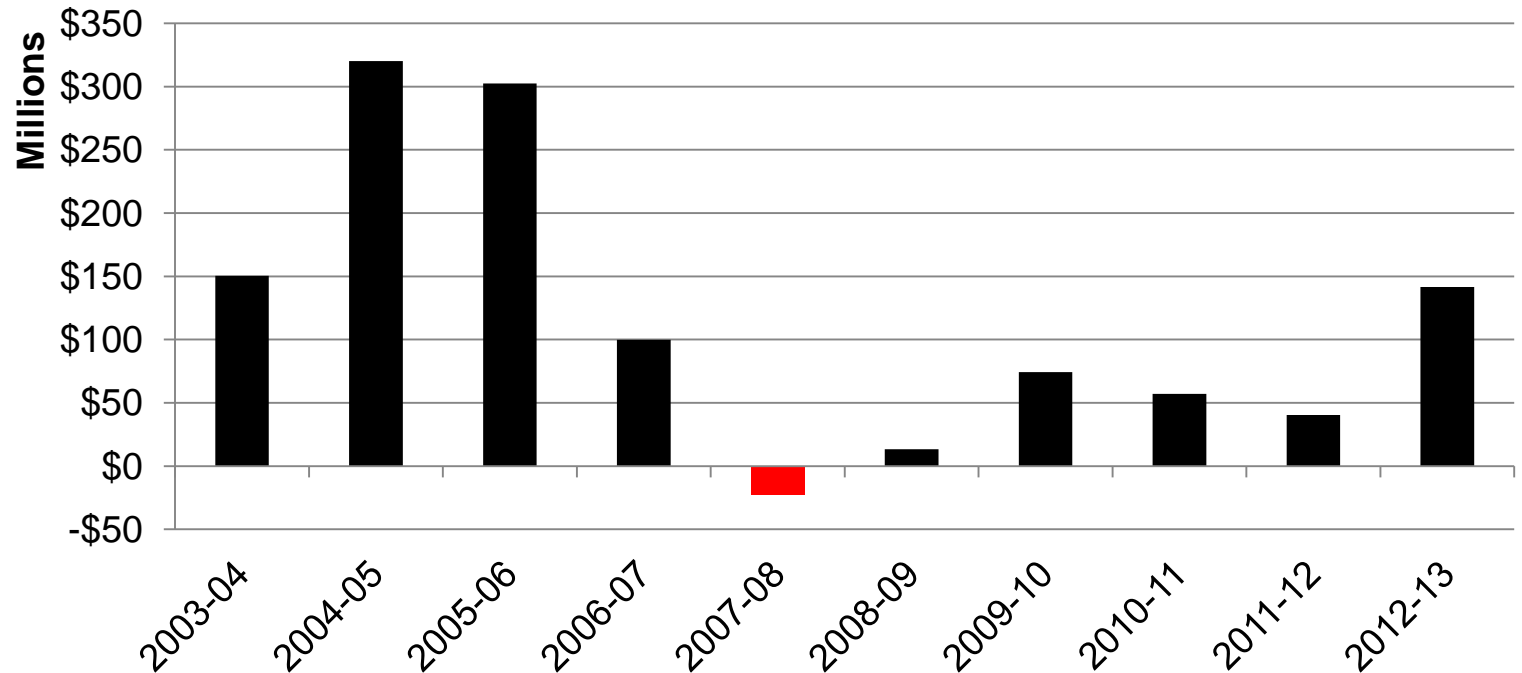
City Spending

Capital Spending



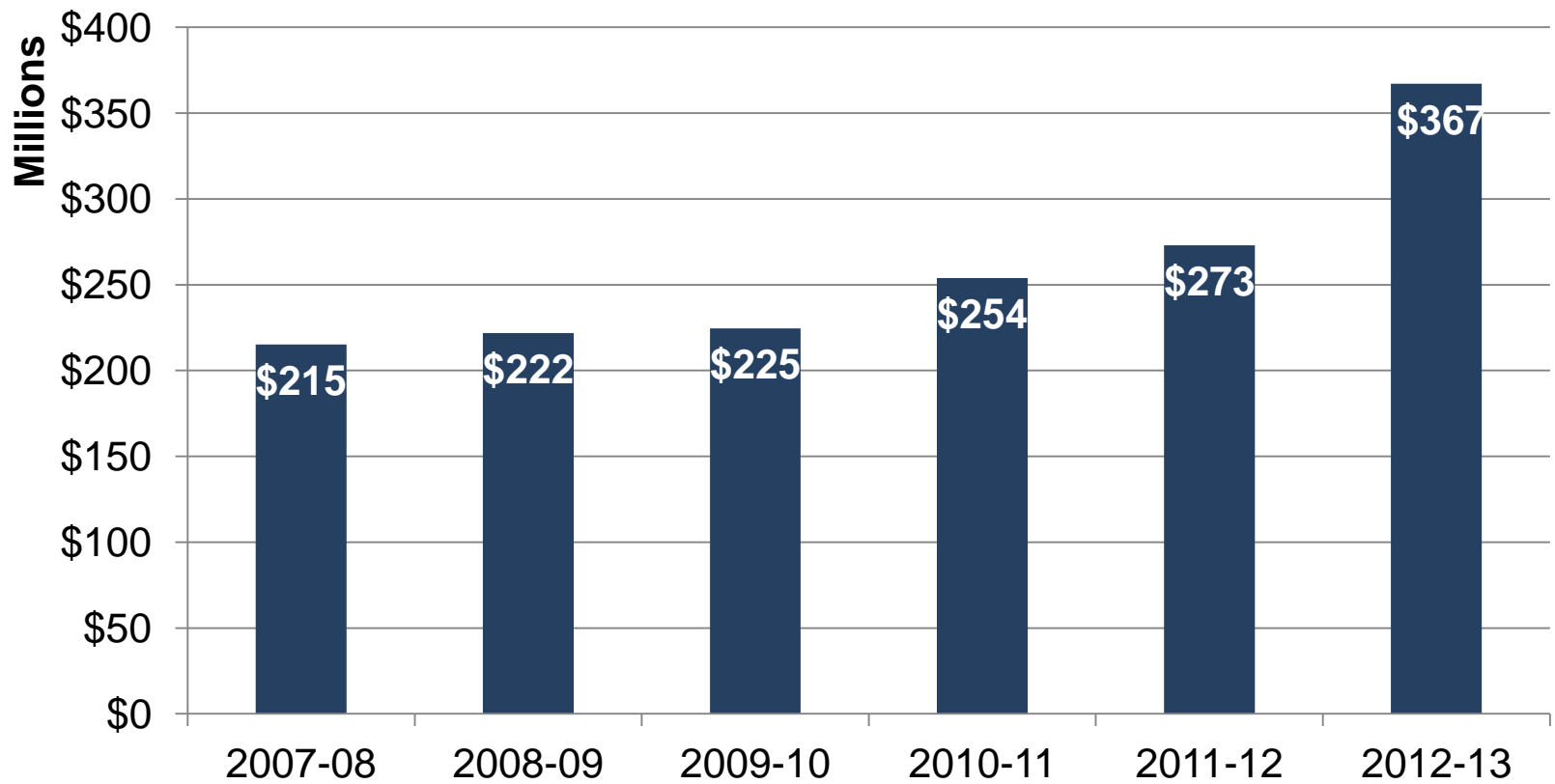
The General Fund

The General Fund at Year-end



General Fund Liquidity

Total Cash Available for Discretionary Appropriation in the General Fund

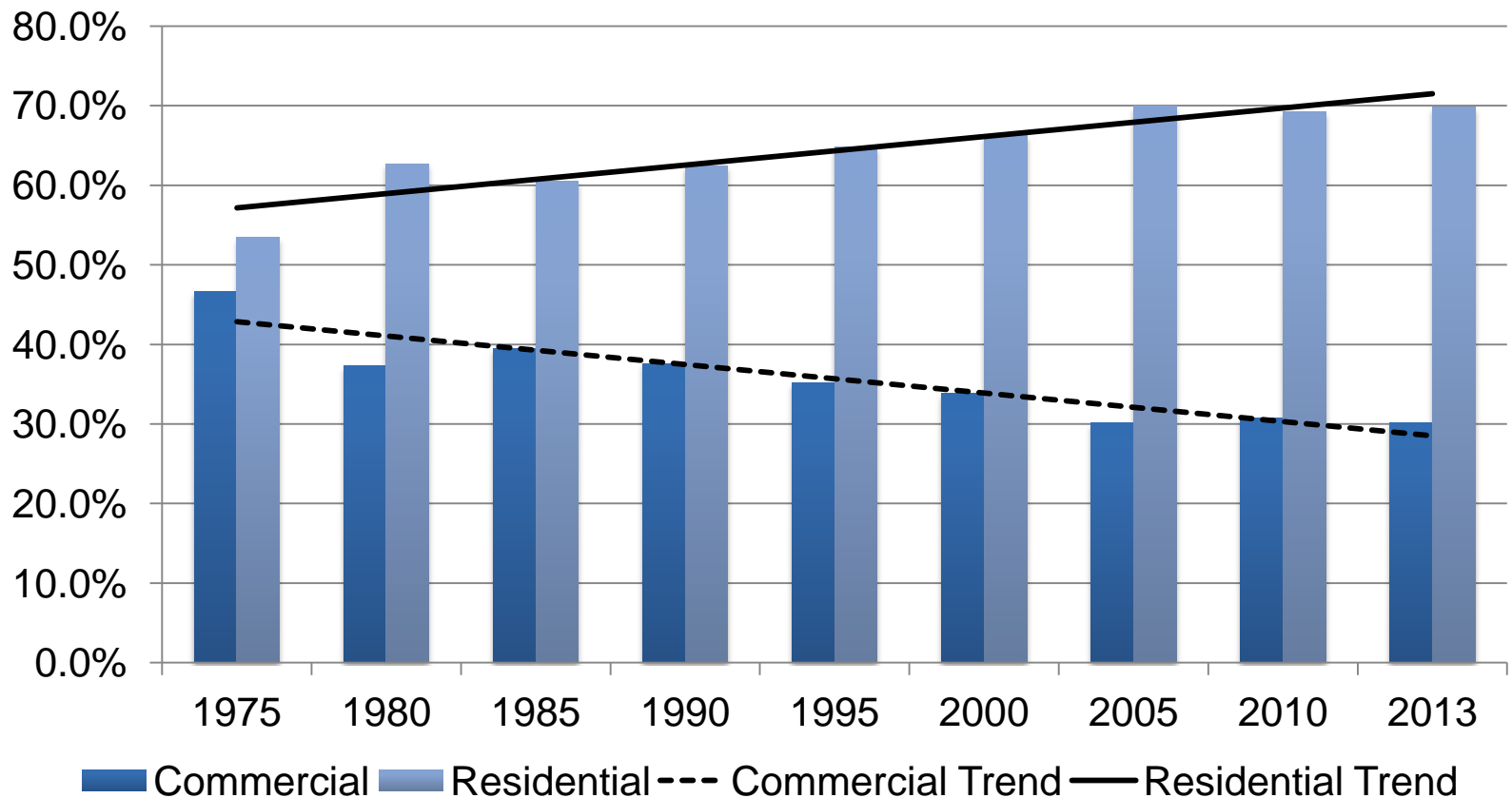


Short Term Revenue Opportunity –Fine Banks for Neighborhood Negligence

- We remain puzzled why the city has never enforced a neighborhood nuisance law that would have allowed it to collect tens of millions from Wall Street banks that failed to maintain foreclosed houses and thus contributed to neighborhood blight.
- We suggest a public inquiry and that the city begin enforcement now.

Long Term Revenue Opportunity—Fix the Unfair Decline in Commercial Property Taxes

Trends in the Total Share of Property Tax Payments 1975-2013



Strengthening Revenues

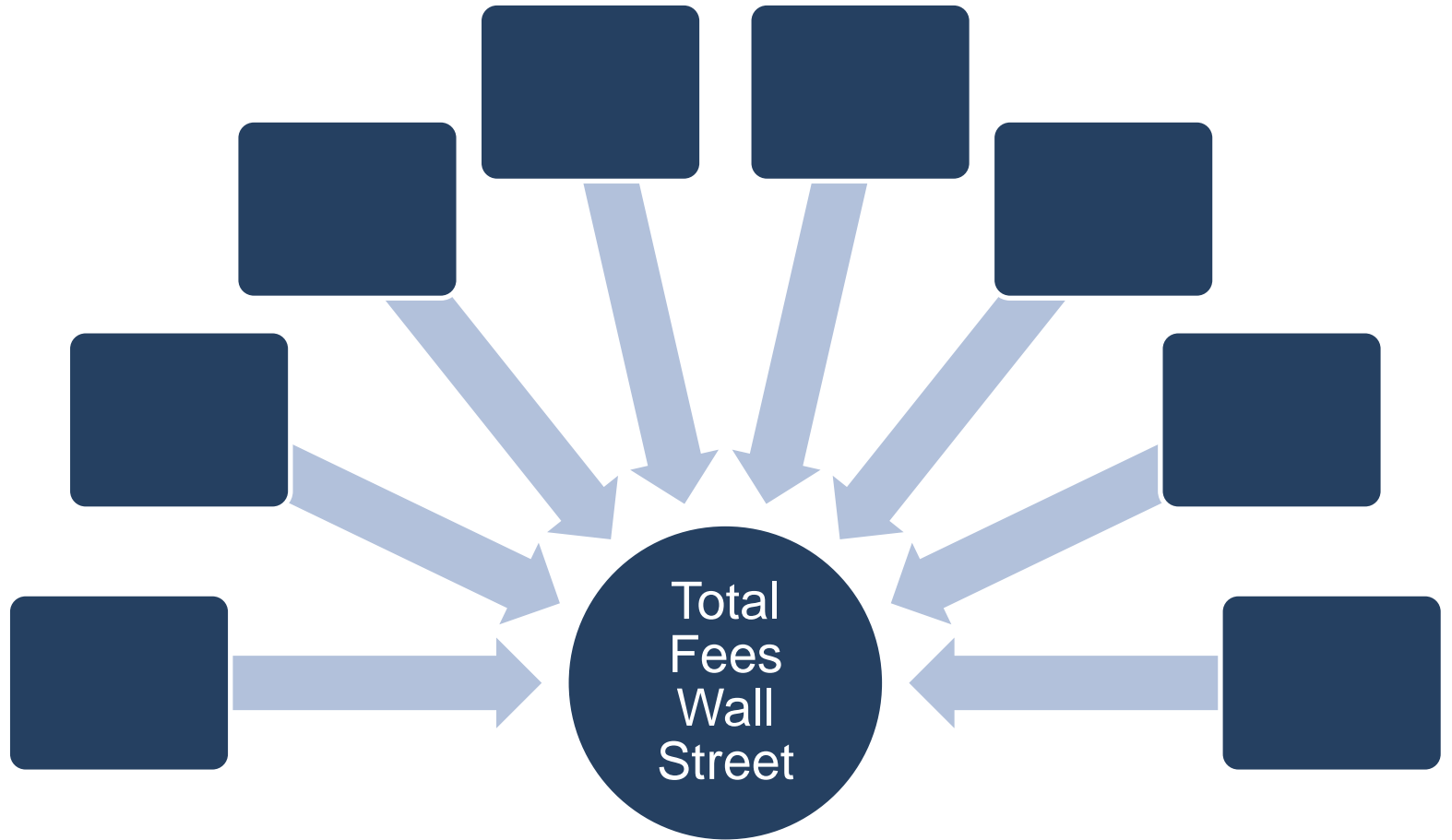
- Calculations by the Coalition project ***the City would collect between \$129 million and \$280 million annually in discretionary revenues***
- General Fund revenues of this magnitude would allow the City to move away from its austerity position and reinvest in Los Angeles Communities

A New Conversation About Wall Street

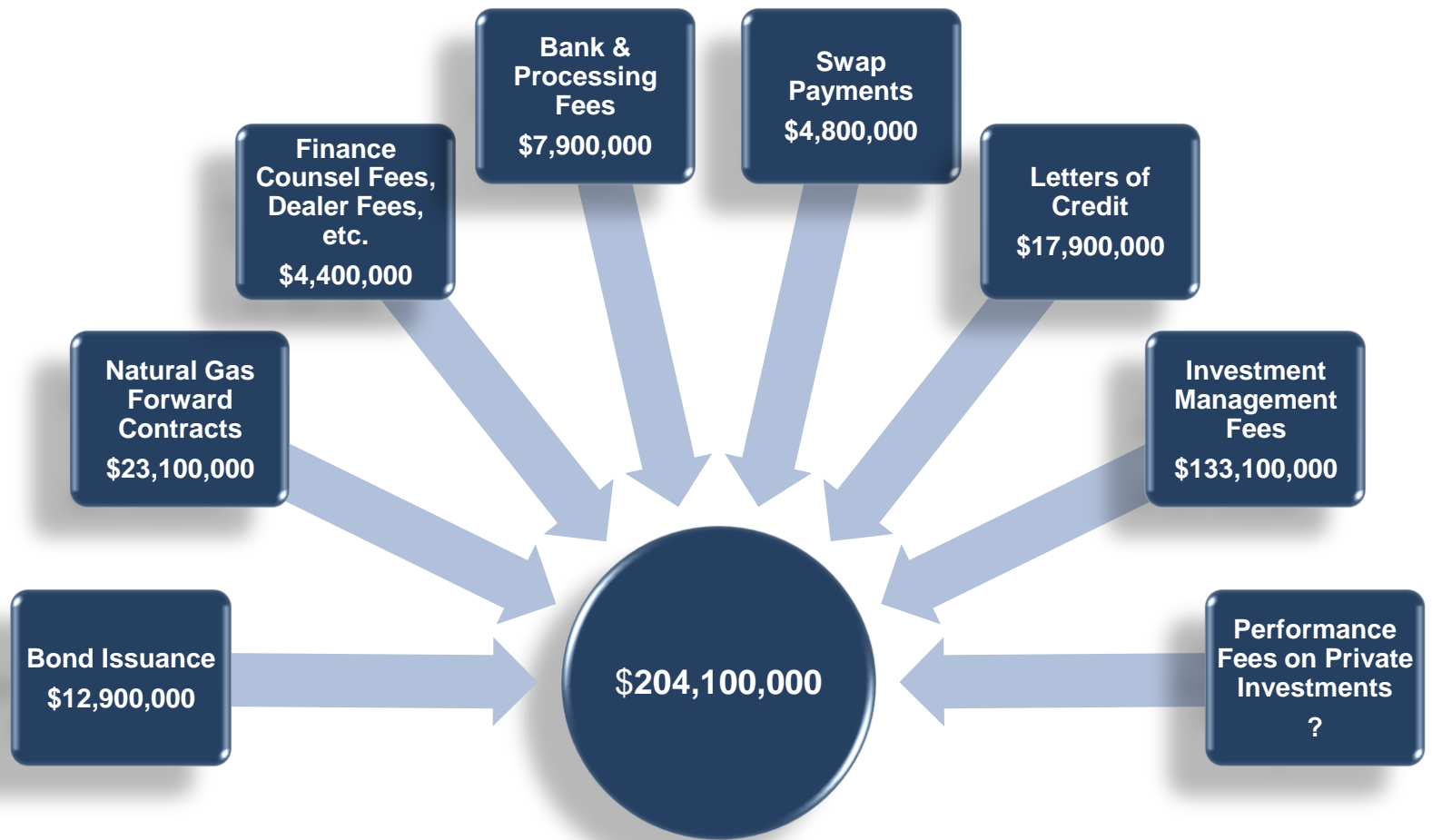
Lisa Cody, A.B.D.
Research and Policy Analyst
SEIU Local 721



Lack of Transparency



Breakdown of Wall Street Fees for 1 Year



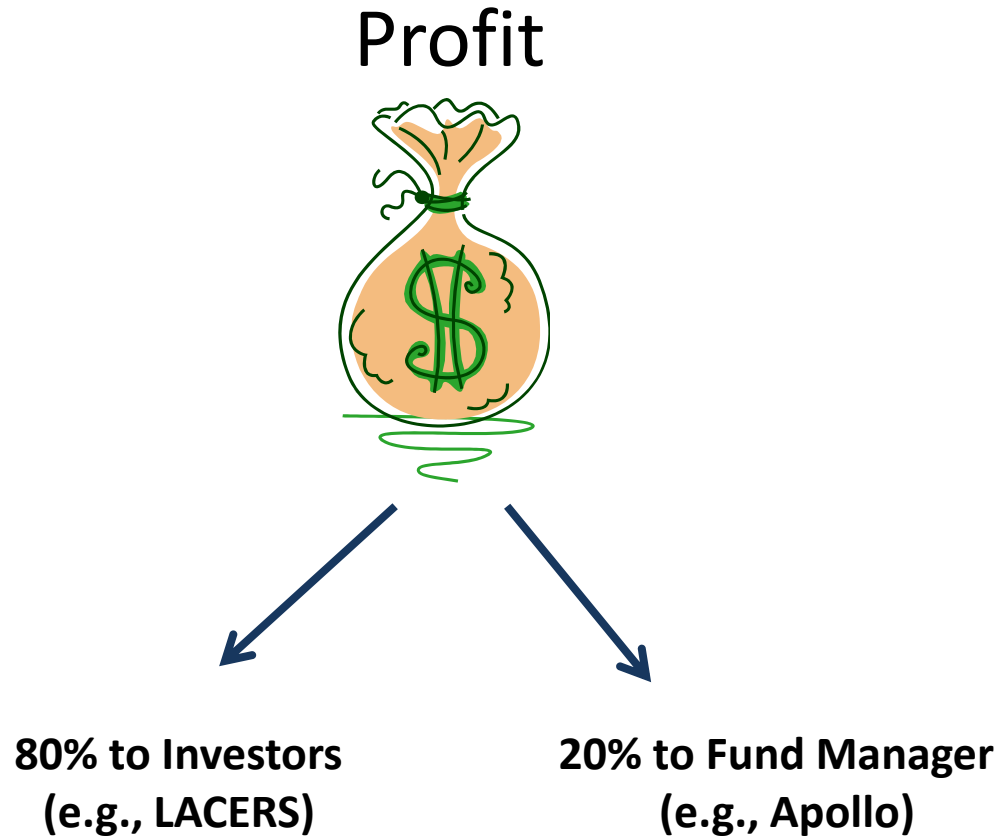
Update on Fees

- **\$10.1 million more in banking & processing fees for a total of \$18 million**

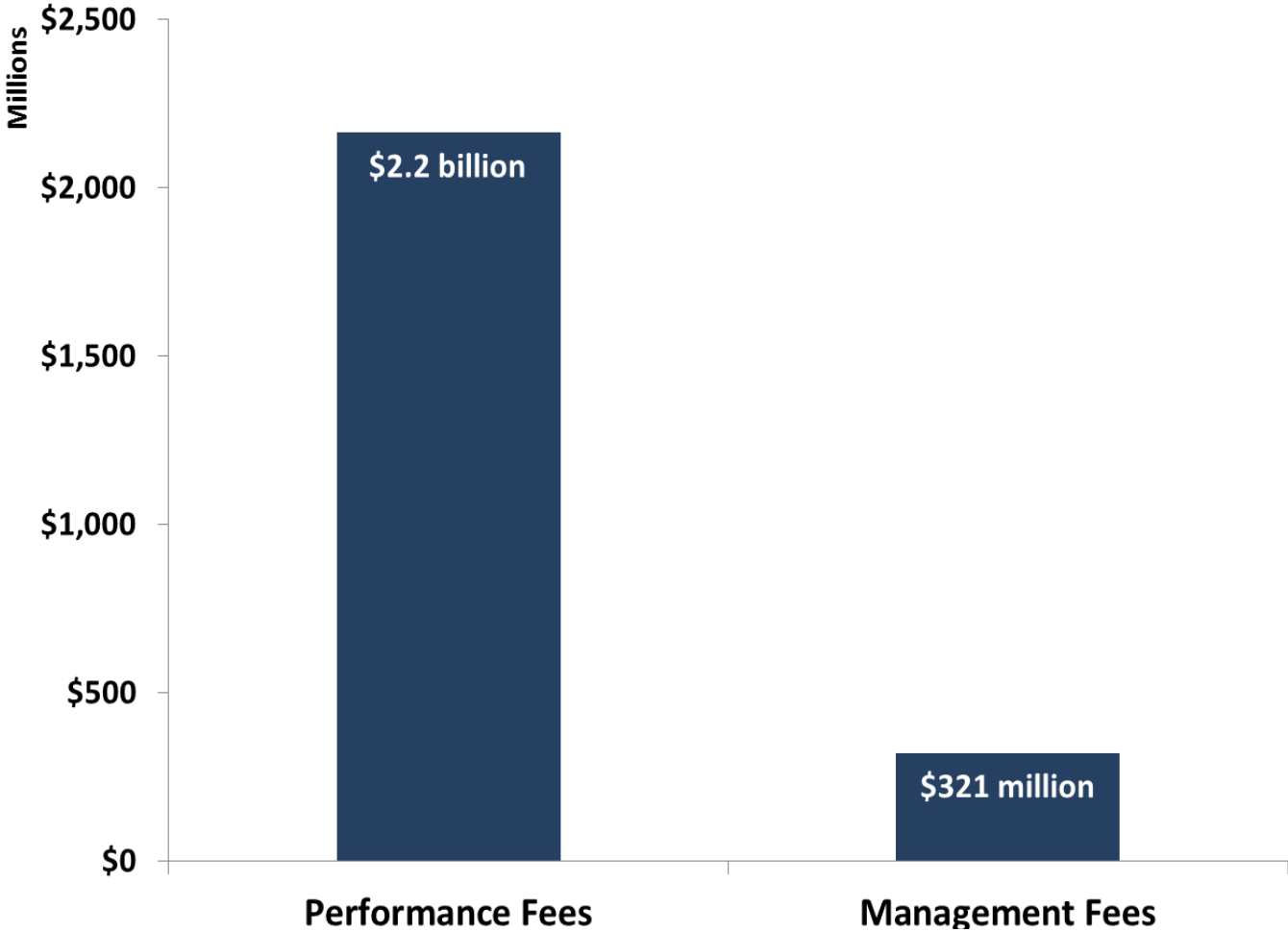
Estimates of “Missing Fees”

- **City Treasurer invests \$7 billion assets**
- **Estimated conservatively a fee of .15% of total assets managed bringing the total to \$143.6 million**
- **Used investment reports from private equity and hedge fund firms to estimate total fees paid as a percentage of assets—management fees plus performance fees**
- **Estimated performance fees paid per year by three Pension Funds \$75.9 million**

What are Performance Fees?



Private Equity Example—Apollo Performance Fees Dwarf Management Fees



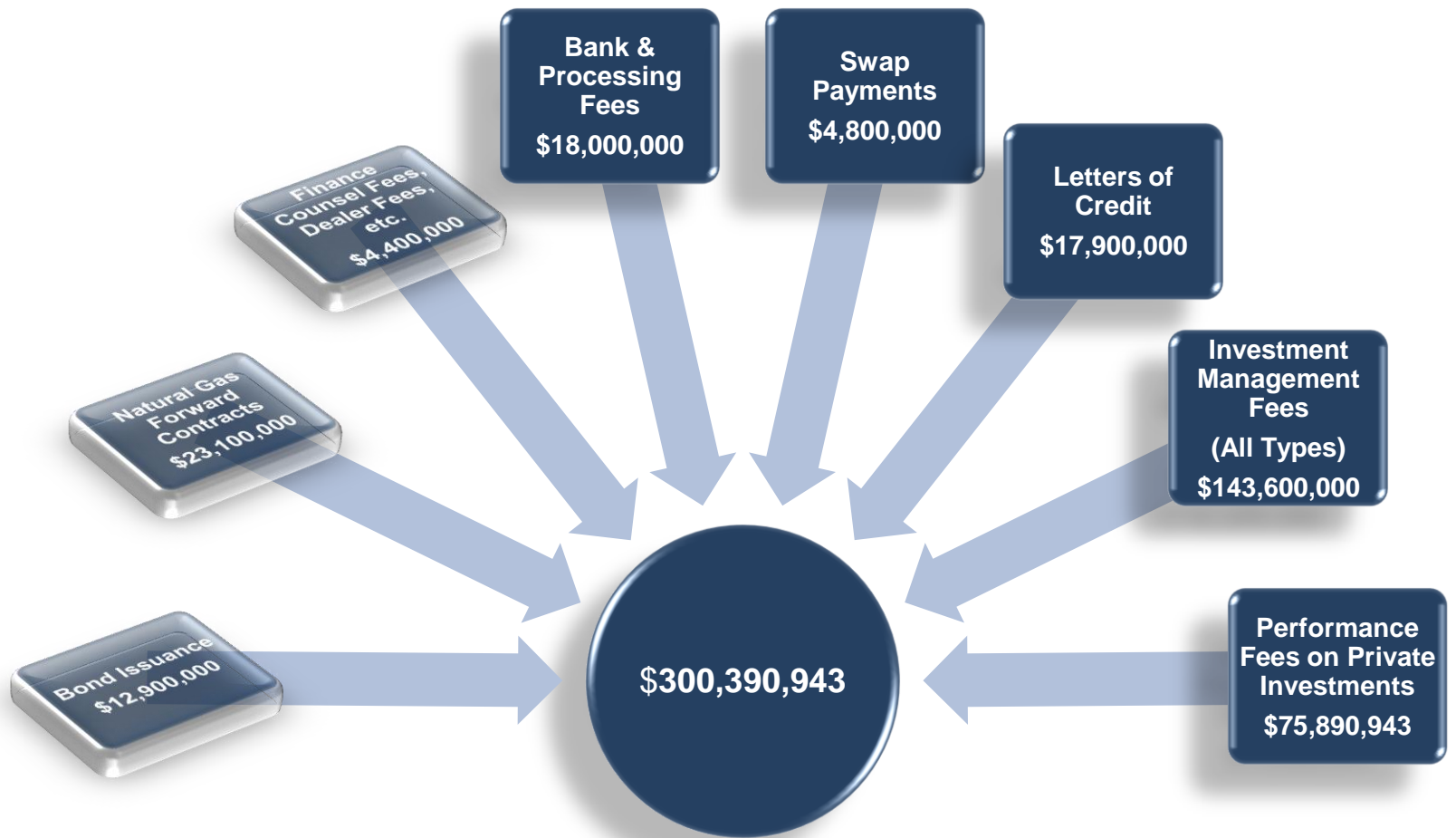
Estimating Performance Fees Paid by Pension Funds

- Three Private Equity Firms
- Apollo—Fees 6% of Assets Managed
- KKR—Fees 3.17% of Assets Managed
- Blackstone—Fees 2.65% of Assets Managed

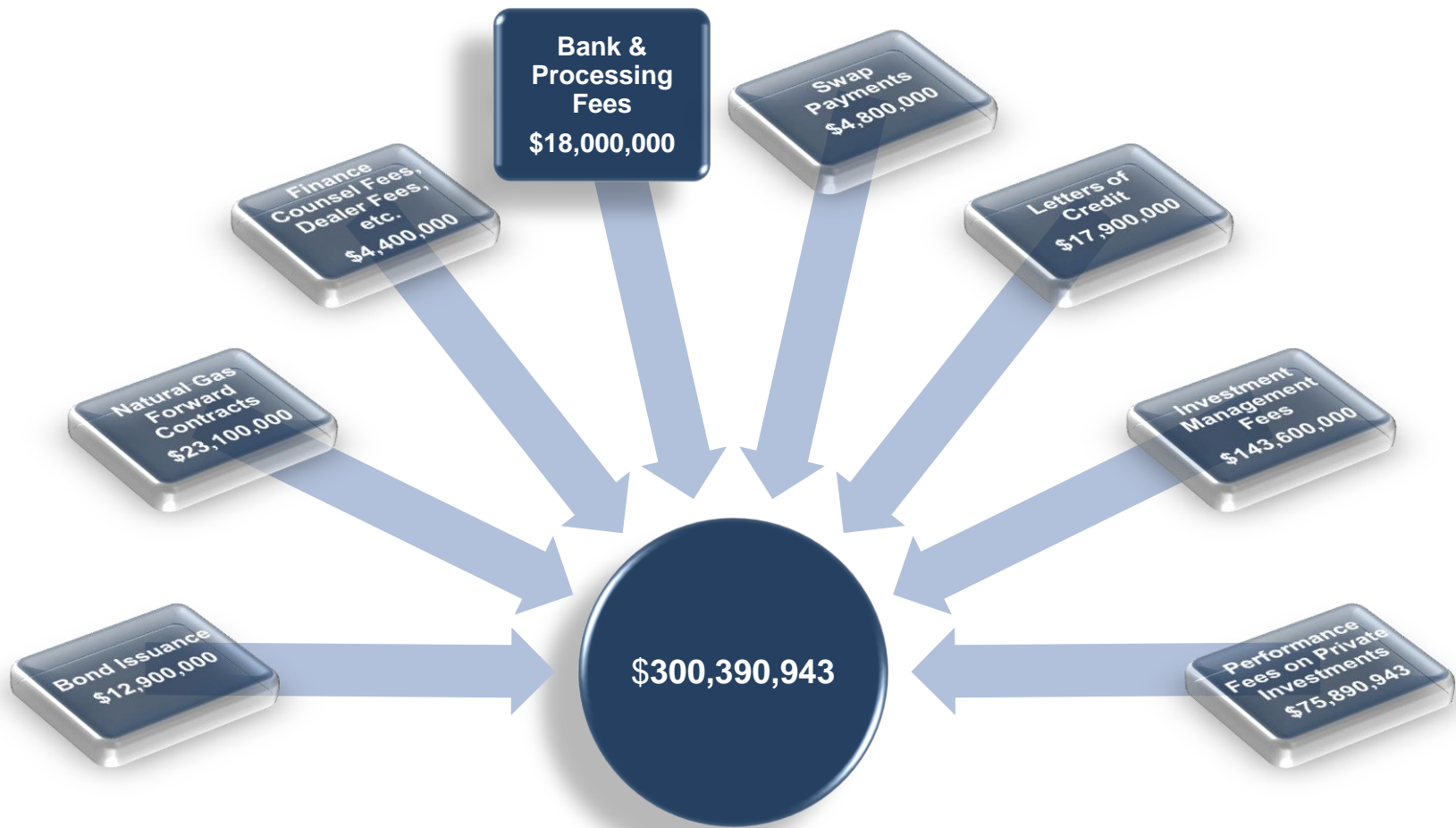
Average Percentage Applied to Pension Funds

- Management and Performance Fees cost 3.94% of Private Assets Managed (\$3.1 billion)
- Estimated Performance Fees for Pension Funds = \$75,890,943

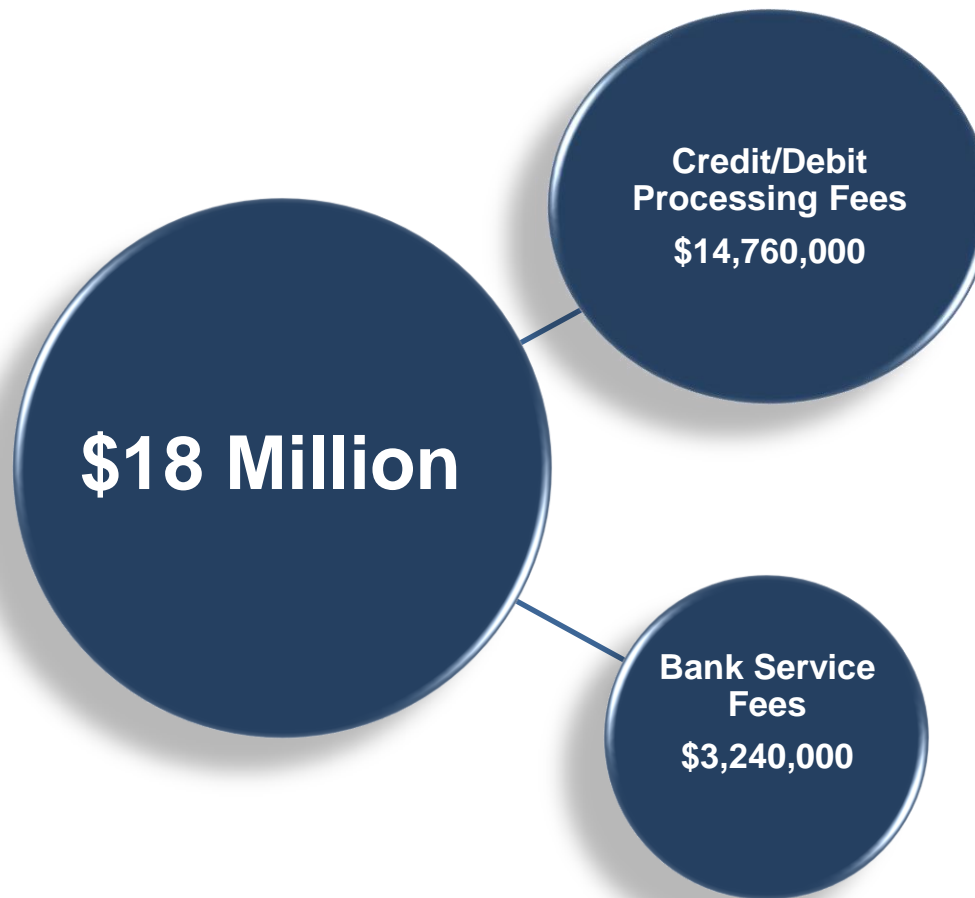
Areas To Explore For Savings



Area of Potential Savings— Bank & Processing Fees



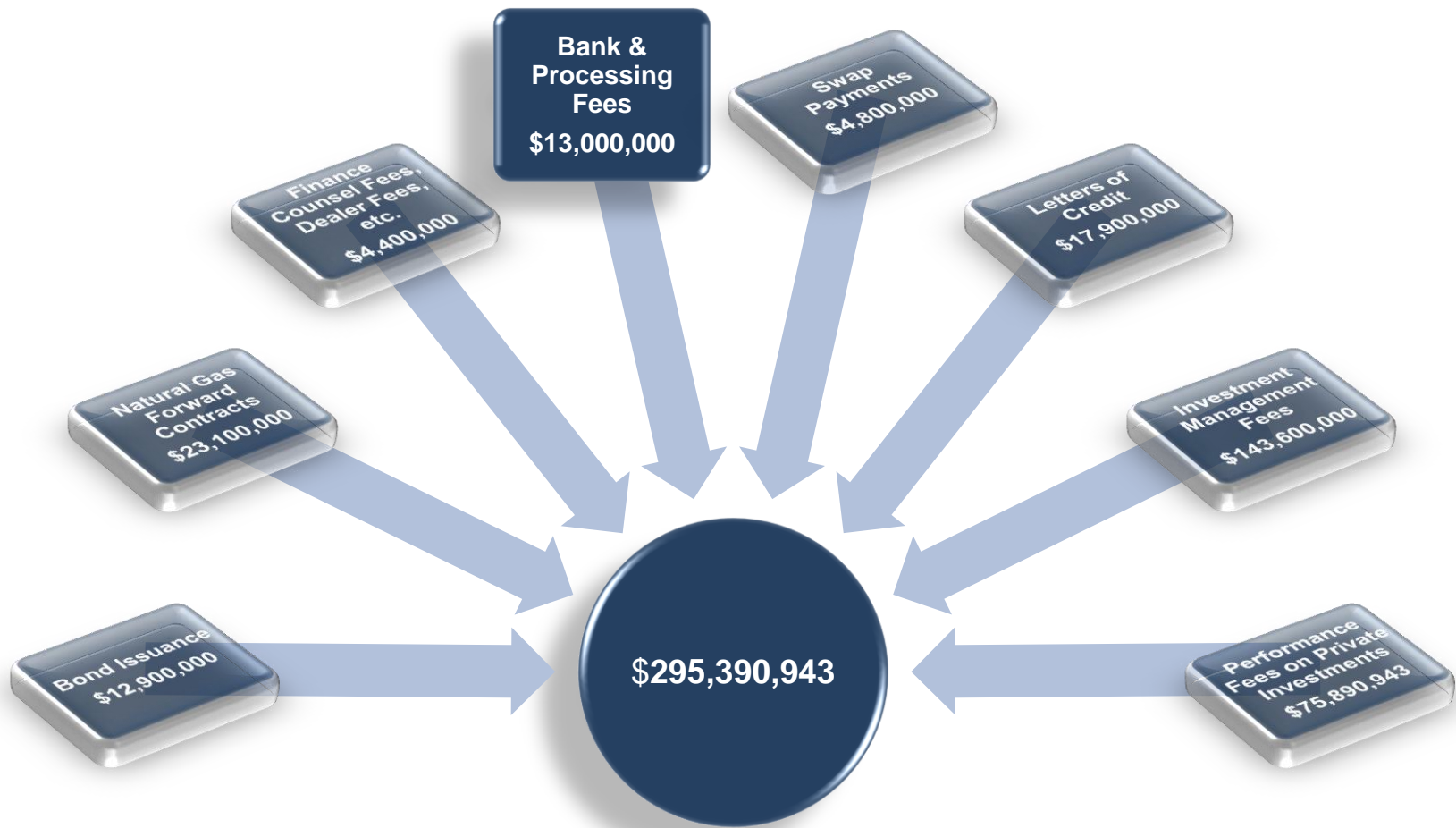
Credit/Debit Processing Fees Comprise 82% of that \$18 Million



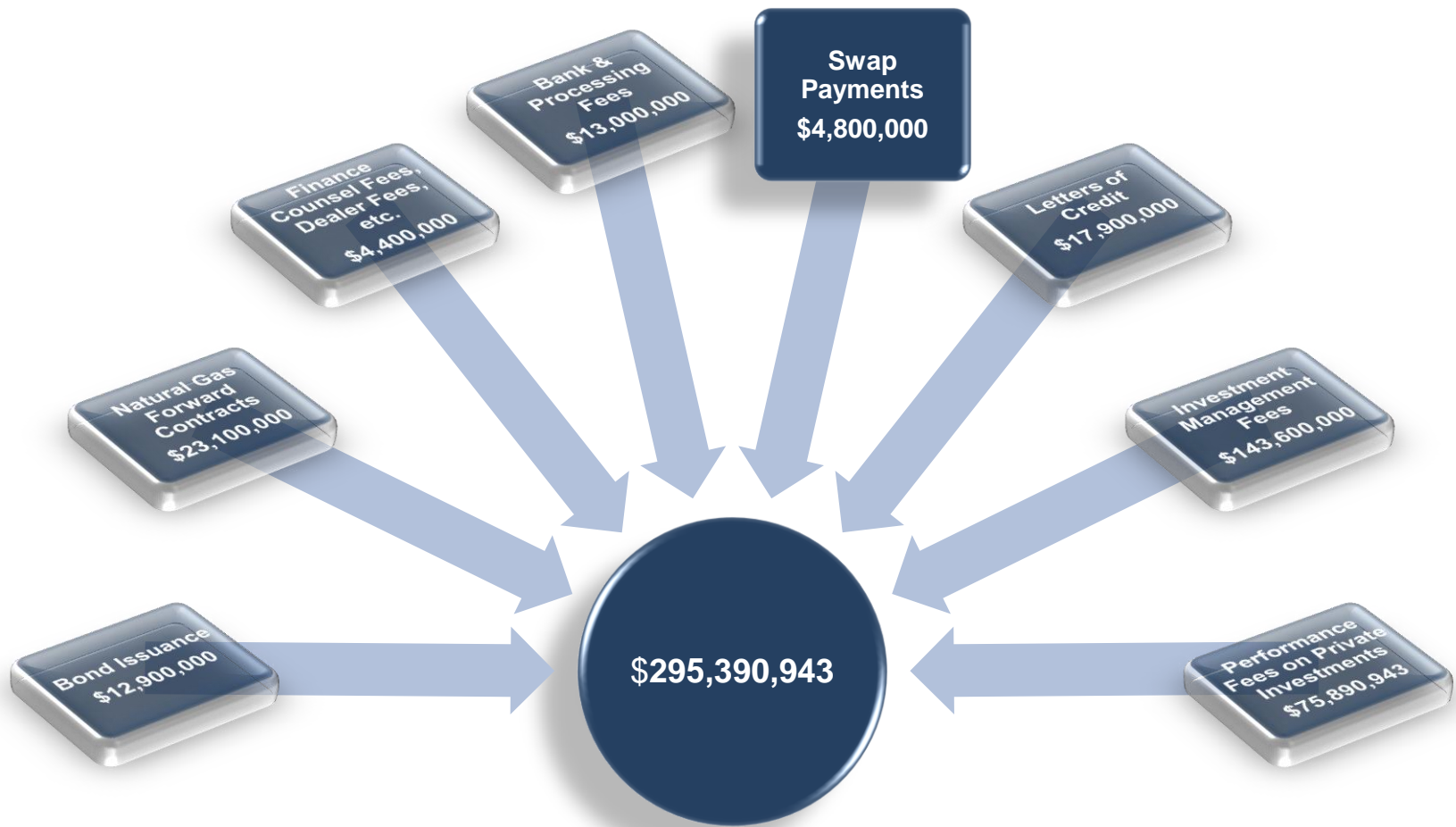
Opportunity to Reduce Processing Fees

- **Opportunity to terminate current contract in 2016**
- **City should begin exploring options now either to release a new RFP to select a more competitively priced vendor or to renegotiate with current vendor**
- **Propose that the Council expand the report back in Exhibit H directing the Office of Finance to review credit card transactions and opportunities to renegotiate costs for the entire City, not just for parking meters**
- **Reducing the City's costs by one-third (of \$14.76 million) would result in a savings of \$5,000,000 per year**

Potential Savings—\$5,000,000



Potential Savings—Swap Payments



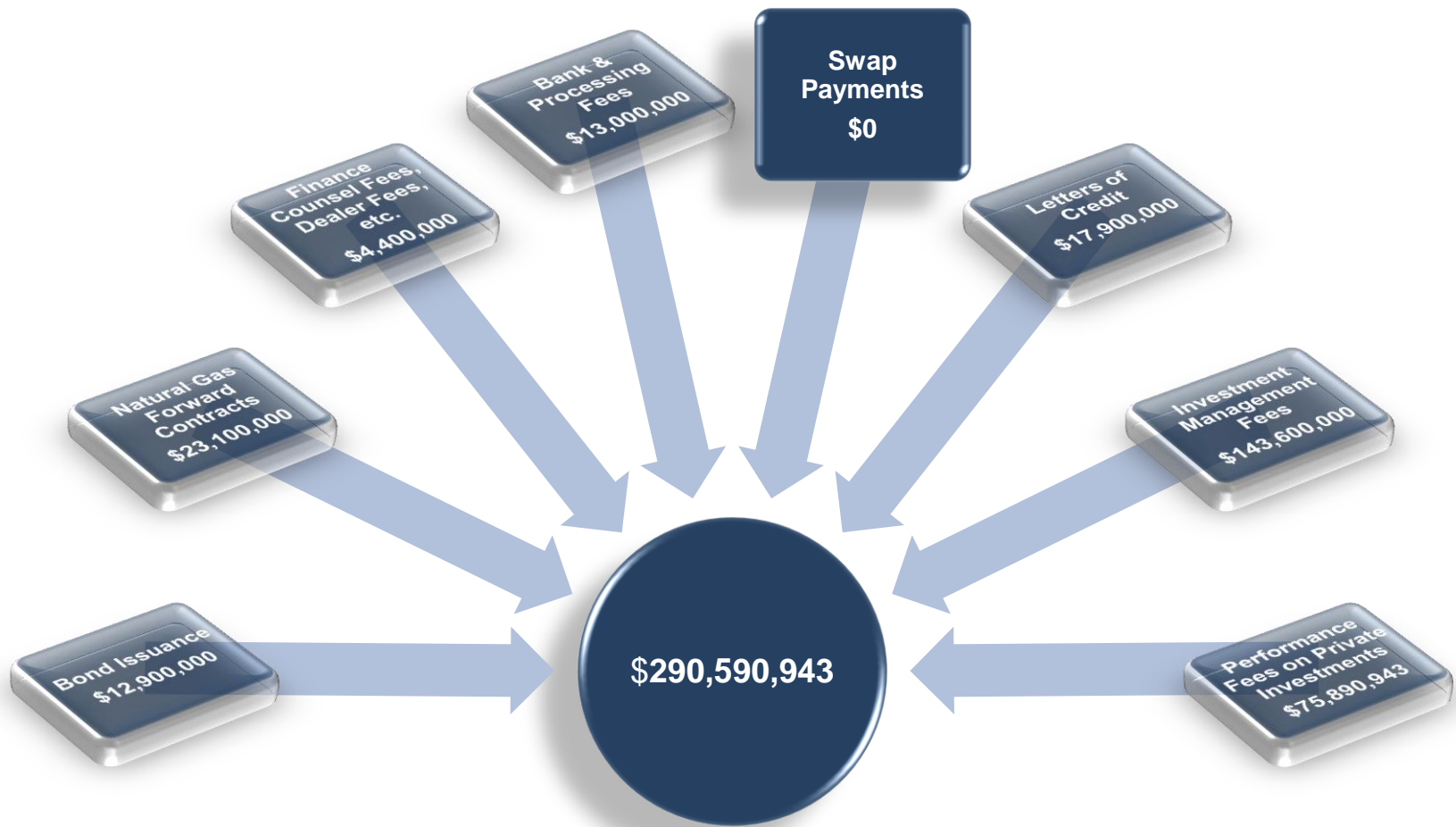
What is Wrong with these Swaps?

- **City entered into swaps expecting to save \$3.5 million per year**
- **Financial Crisis changed nature of assumptions upon which those deals are based**
- **Instead of saving money, the City will pay NY Mellon Bank and Dexia \$4.8 million per year until 2028**
- **In 2012, City paid these banks \$26.1 to terminate portions of these toxic swaps**
- **NY Mellon and Dexia are reaping a windfall at taxpayers' expense**

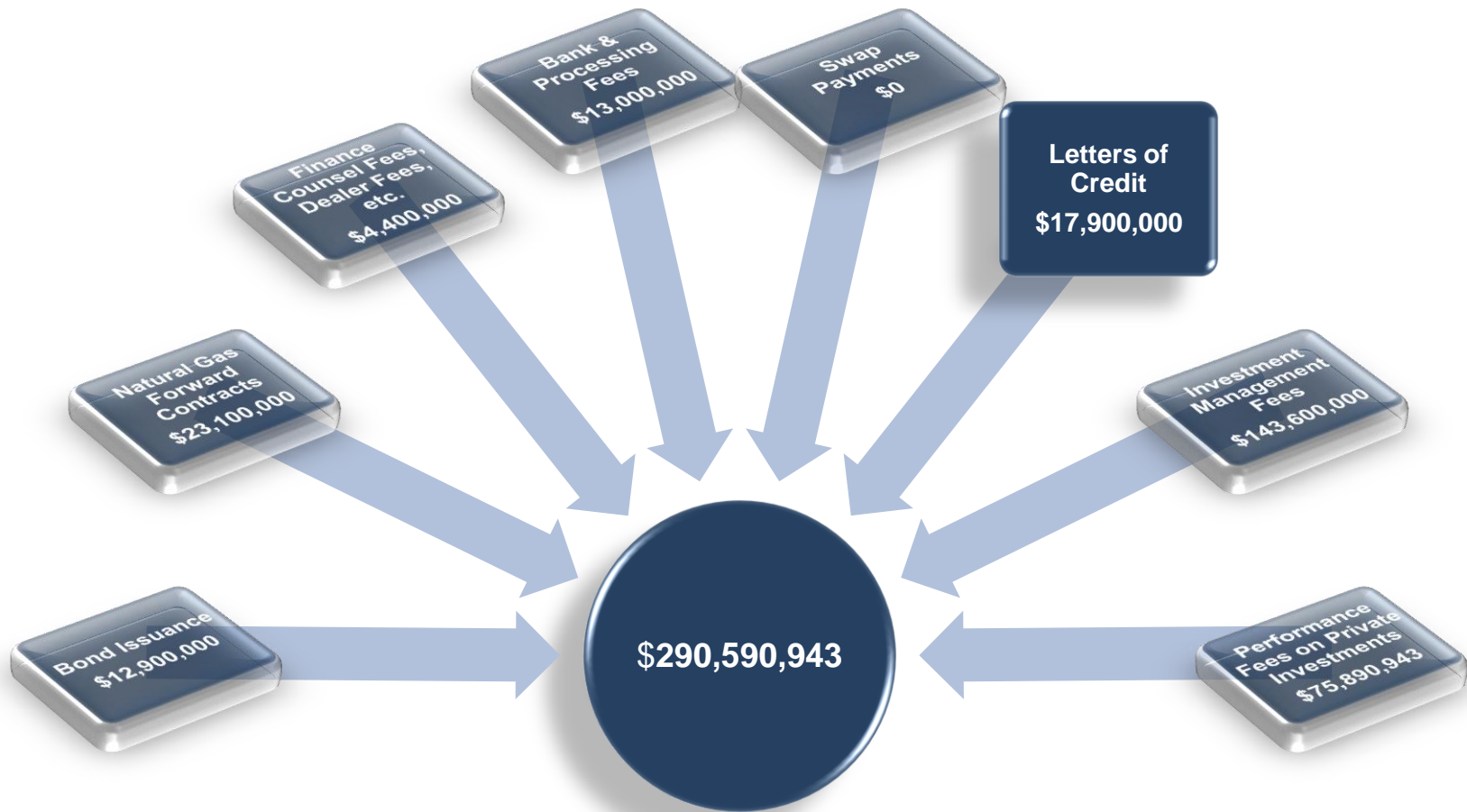
Renegotiate Swaps with NY Mellon and Dexia with NO PENALTY

- **“New York Mellon Bank and Dexia need to either step up to the plate or need to be told to step away.”**
- **If NY Mellon and Dexia refuse, the City should end all current business and exclude them from any future business**
- **Council should request that the City Attorney investigate whether the City has grounds to terminate or renegotiate the swaps based on new Dodd-Frank Rules**
- **Potential savings include \$4.8 million per year until 2028—that is a savings of over \$69 million**

Potential Savings—\$4,800,000



Potential Savings—Letters of Credit



Use Government Entities to Provide Letters of Credit



Government Entities Earn Money

- Tens of millions each year with near-zero risk
- Letters of Credit are insurance policies on debt—no money leaves the government entity unless the city defaults on its debt, which has never happened



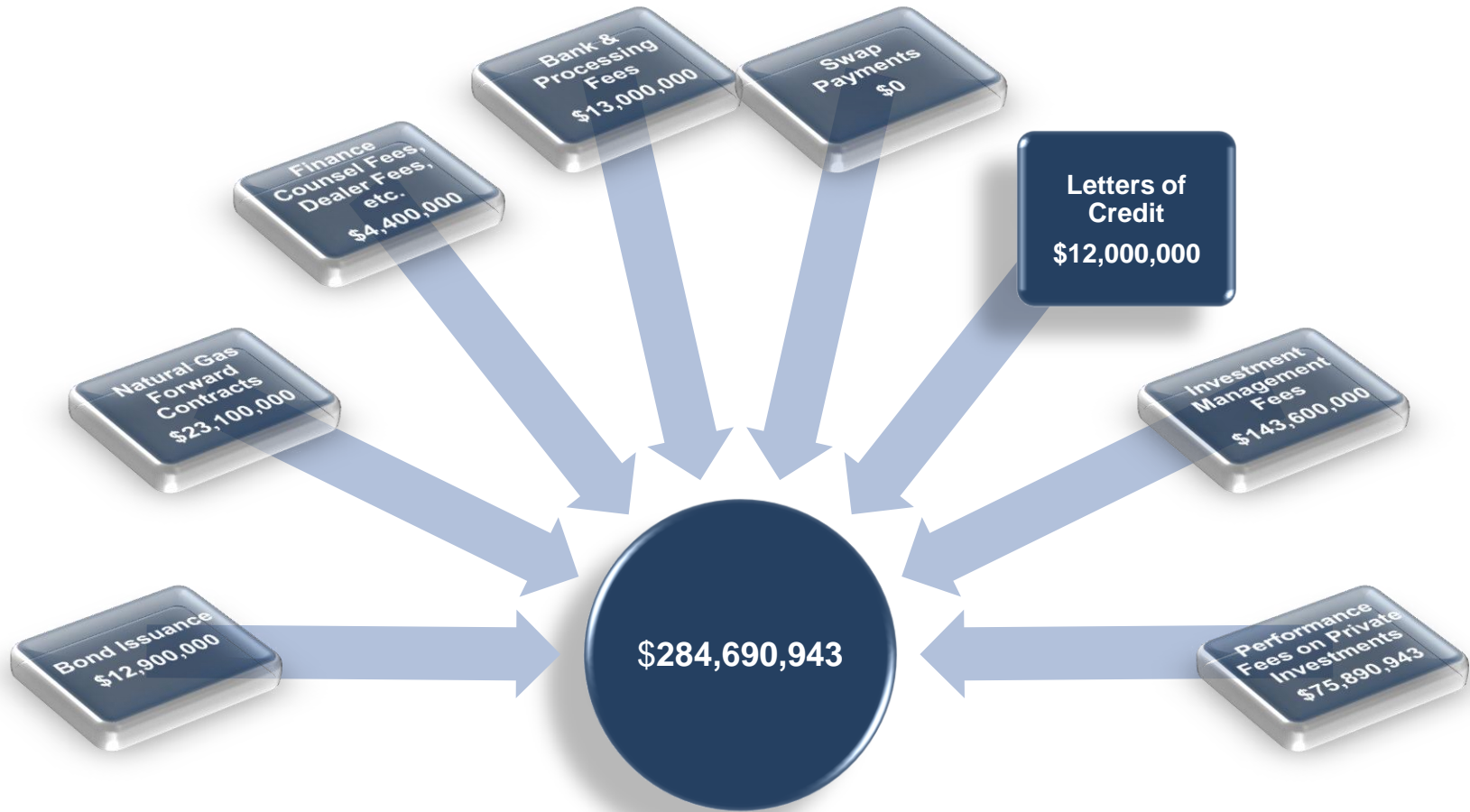
City Saves Money

- If government entities charged the City 1/3 less than it pays Wall Street now, the City would save \$5,900,000 per year

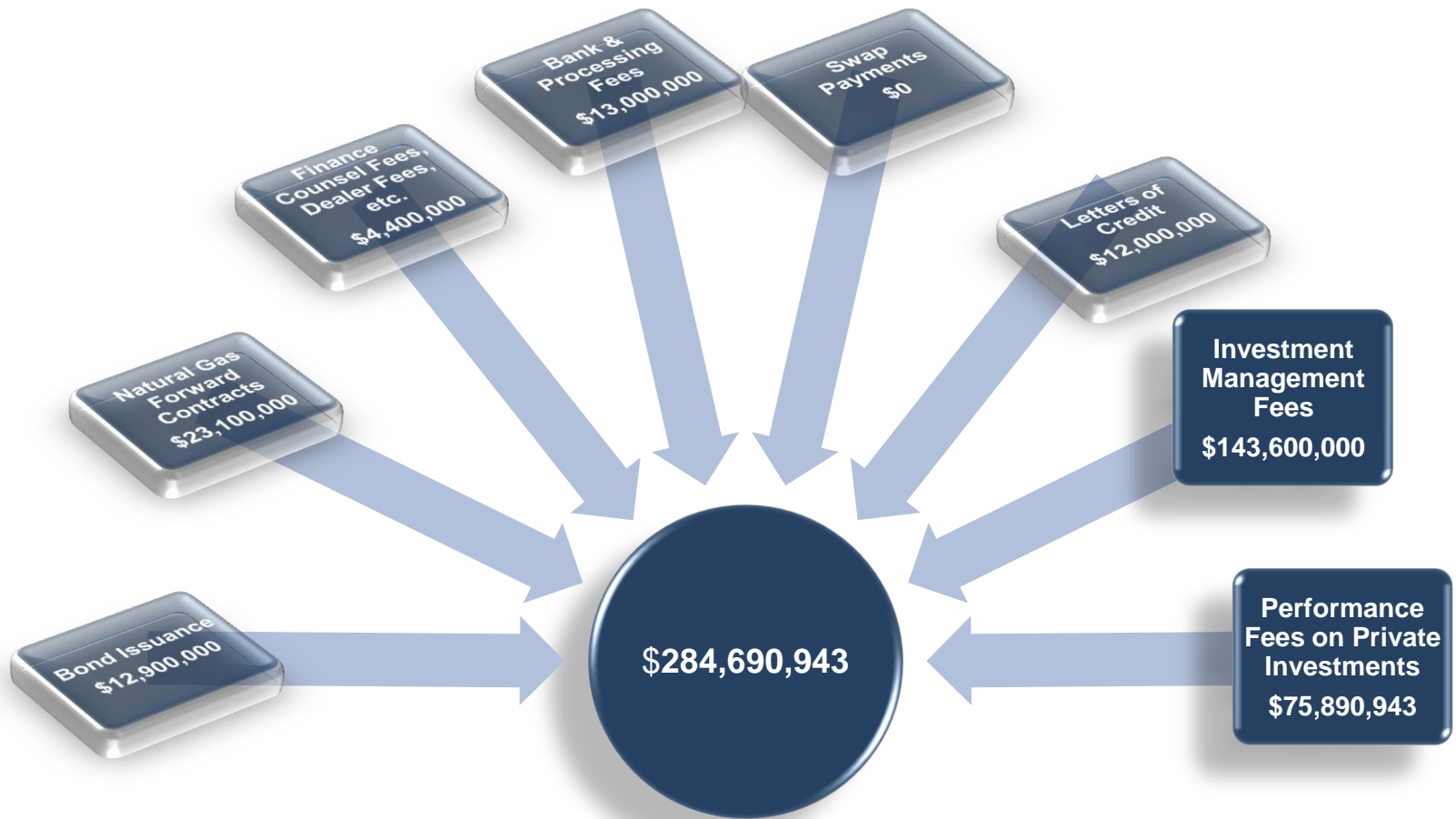


Wall Street banks would be left out of this business

Potential Savings—\$5,900,000



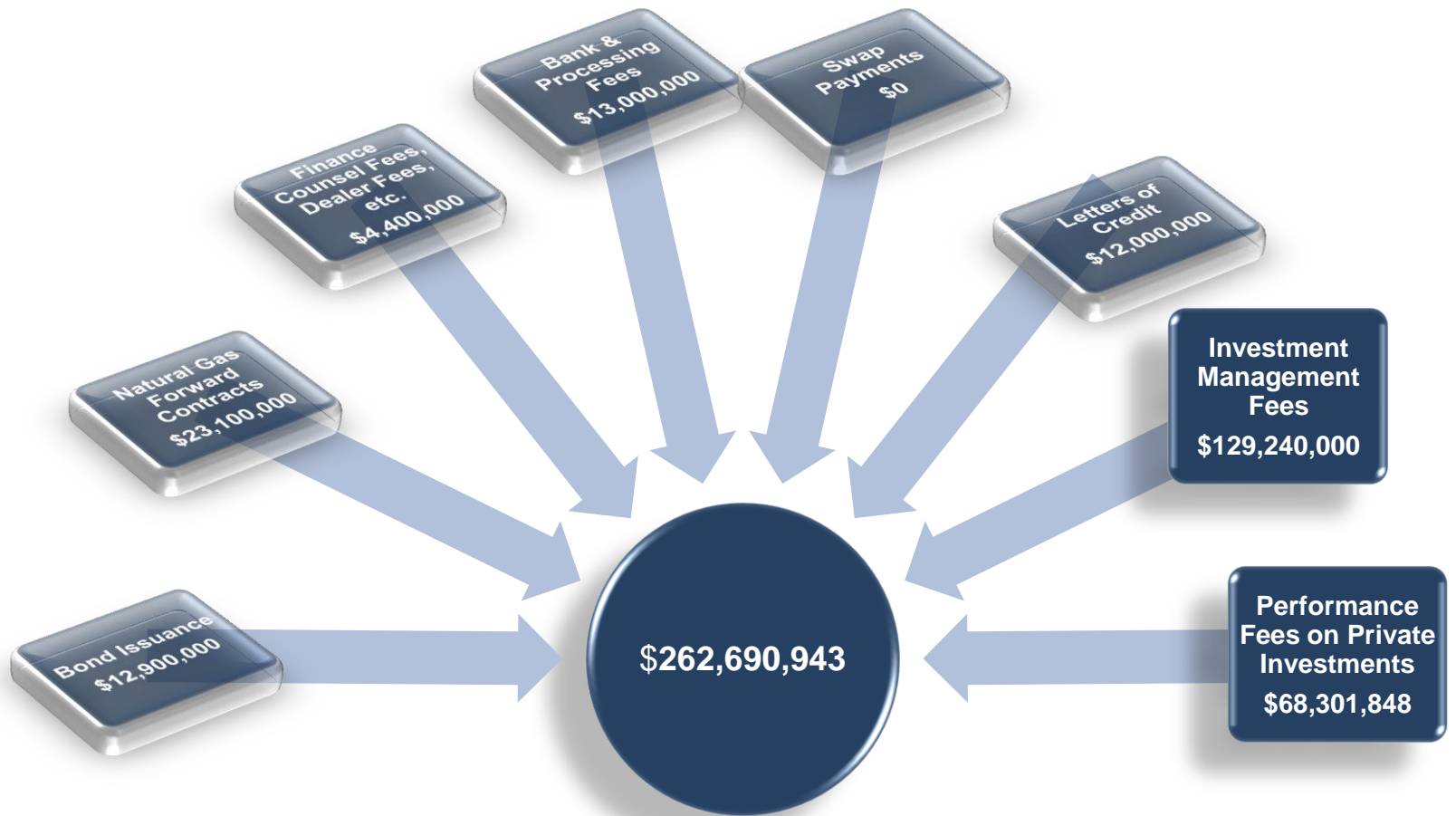
Potential Savings—Investment Management and Performance Fees



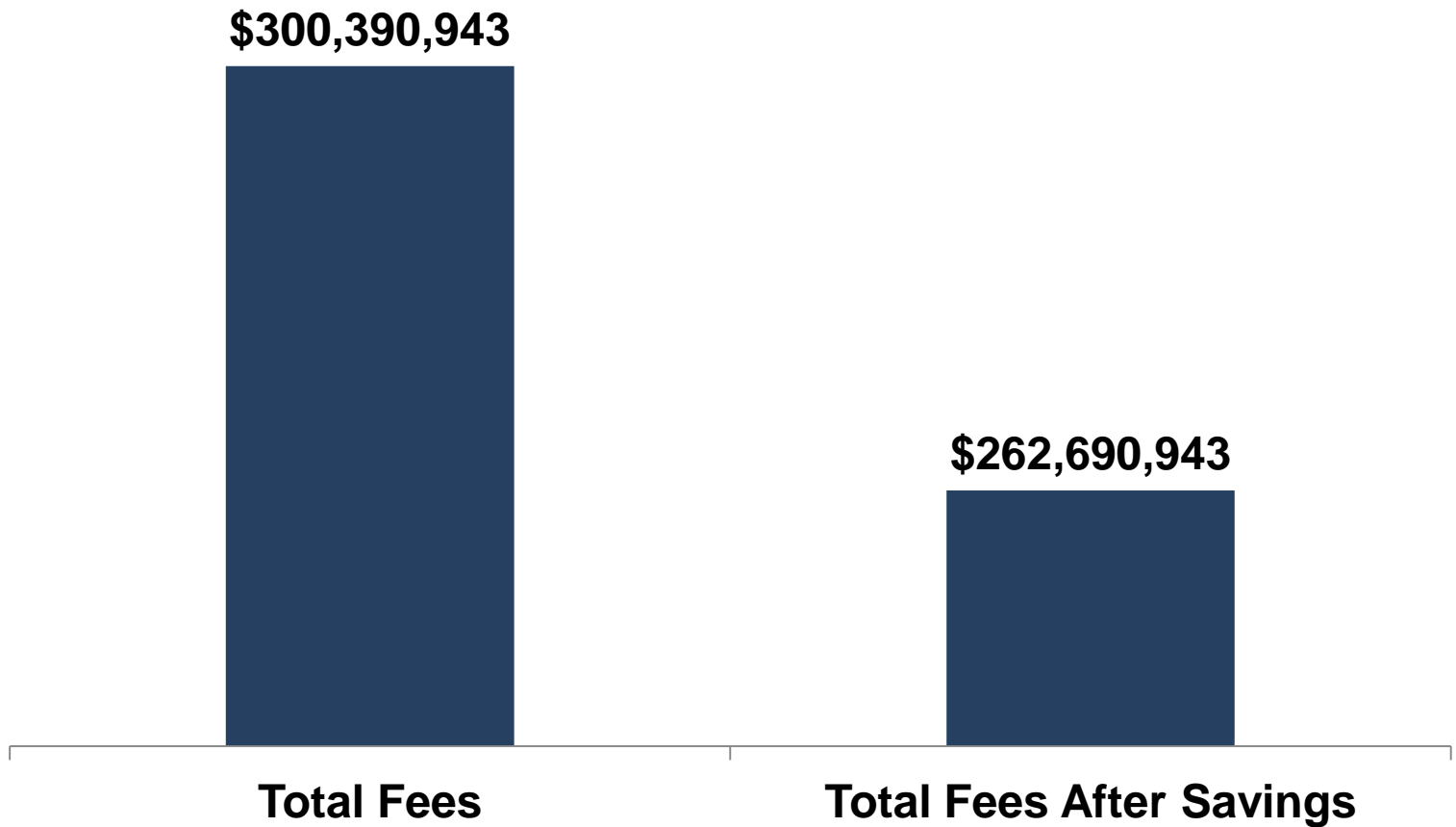
Renegotiate Fees and In-source Investment Management

- **Aggressively renegotiate fees when using outside investment managers**
- **In-source financial advisors and private equity and hedge fund investment managers**
- **With 10% reduction in total fees City would save \$22,000,000 per year**

Potential Savings—\$22,000,000



Proposed Total Savings—\$37,700,000



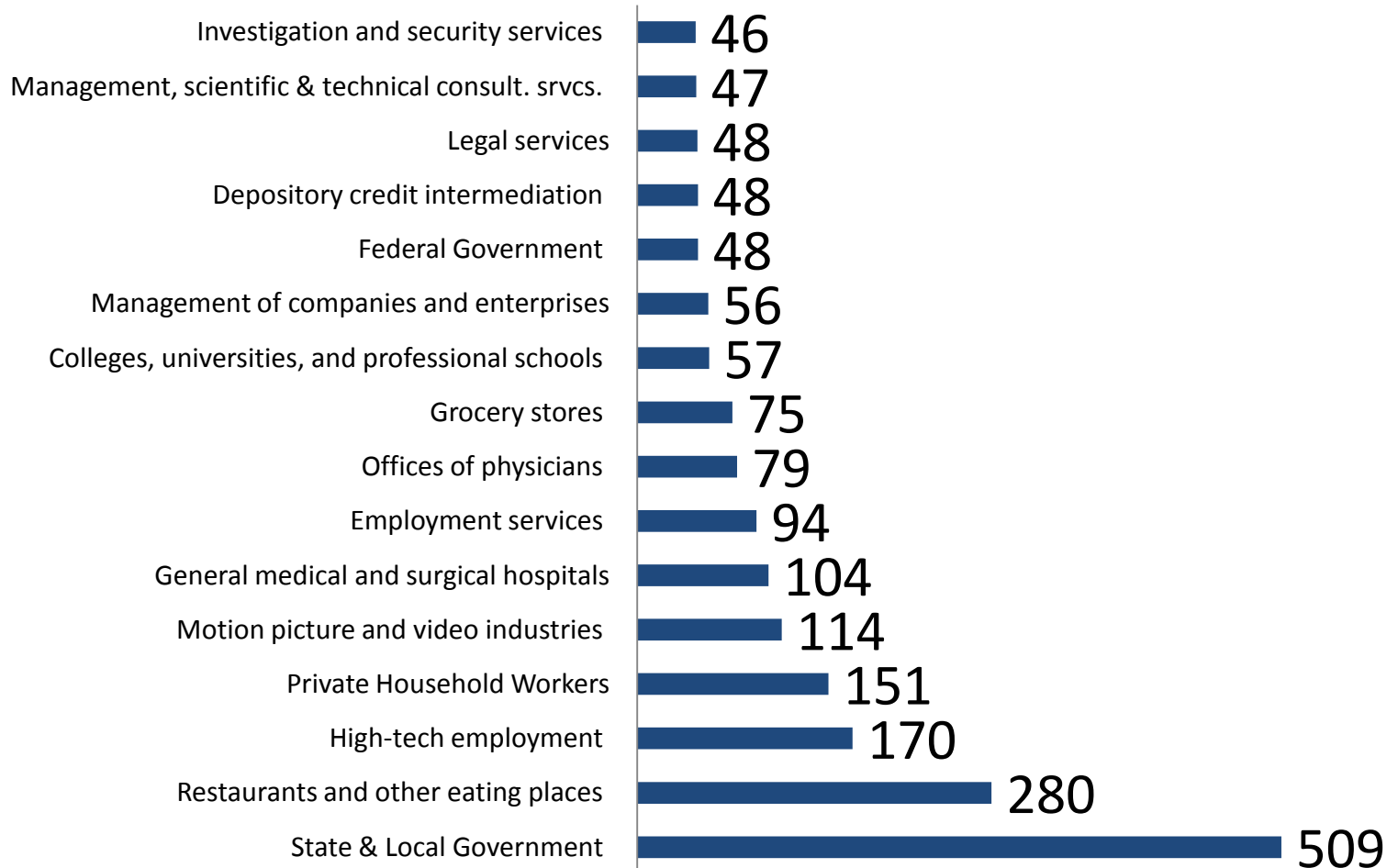
Quality Jobs And City Efficiencies

Molly Rhodes, Ph.D.
Research and Policy Analyst



Economic Development Basic: Public Sector Employs 25% of Angelenos

LA Metro NAICS Industry (In thousands)



Wall Street says our job losses hold back LA's economic recovery

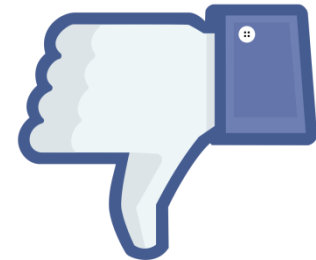
**“Total payrolls advanced...
but local government
job cuts tempered
the gains.”**



**“Local and federal spending and
payroll cuts remain a near-term
risk...making Los Angeles an average
performer.”**

City Job Creation: Temporary Conditions

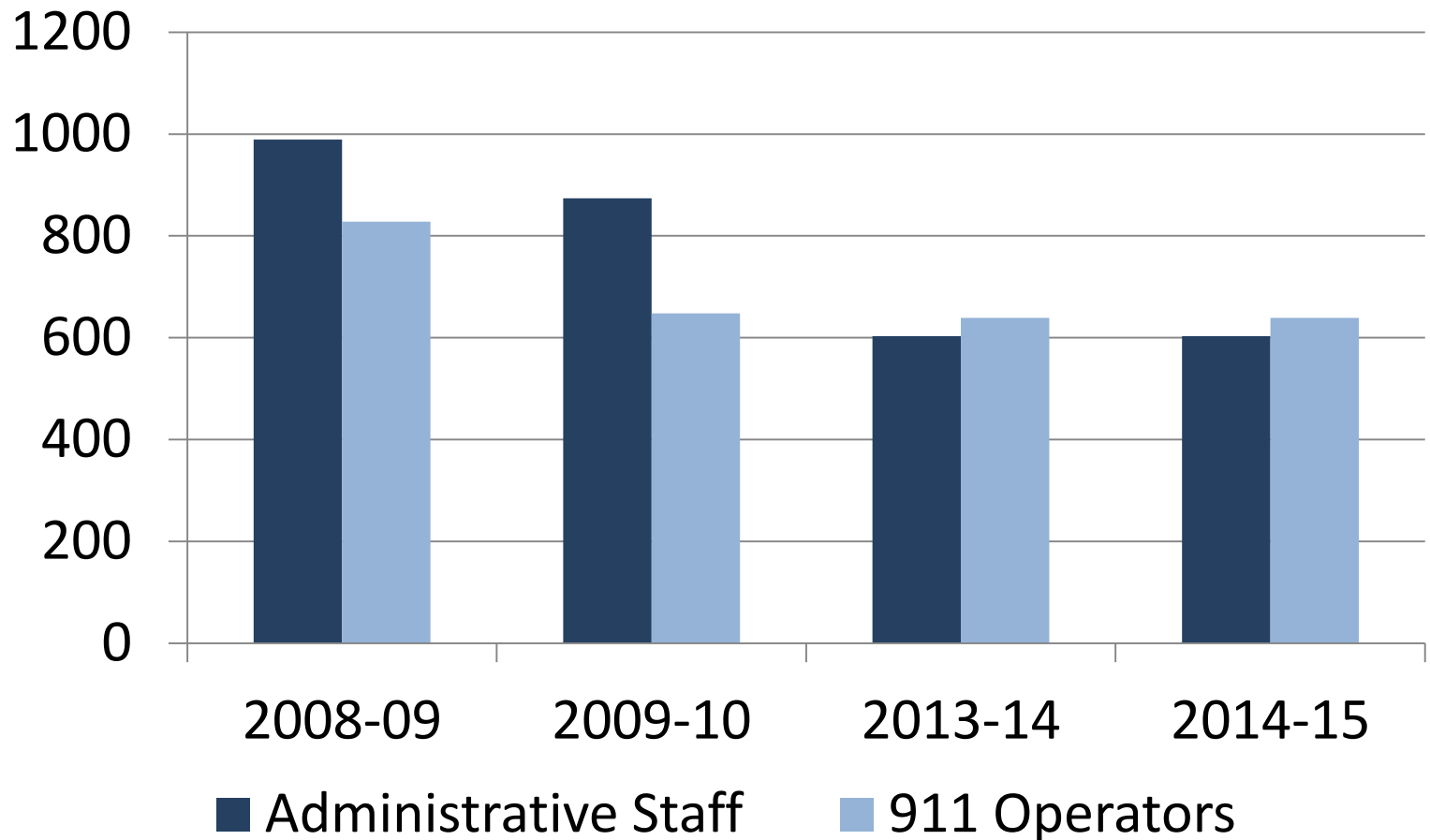
- Animal Service Licensing Canvas program
- Exploitation
 - Building and Safety Clerks
 - Trash Truck drivers
 - DOT Crossing Guards
 - DOT Parking Enforcement



Let BOSS Fix our trees, sidewalks

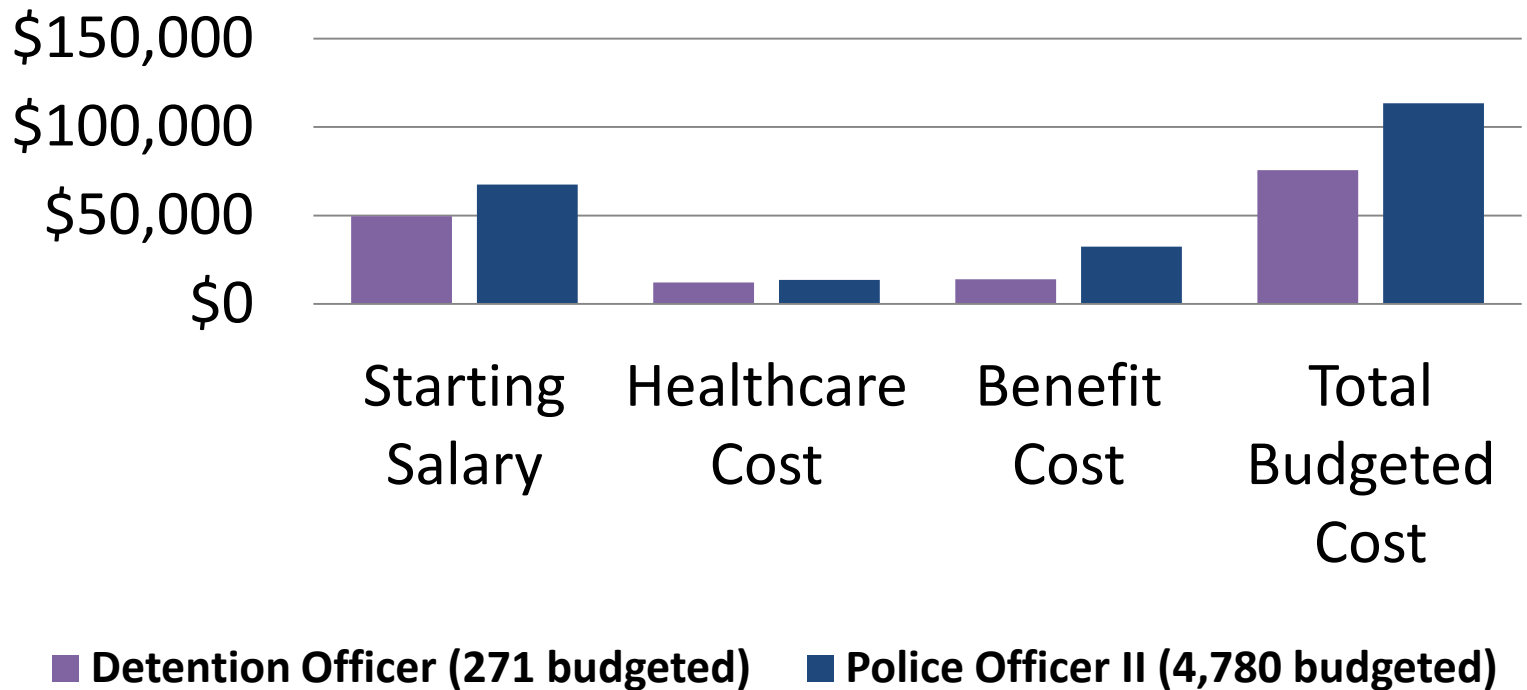


LAPD Civilians: Depletion of Critical Civilian Staff

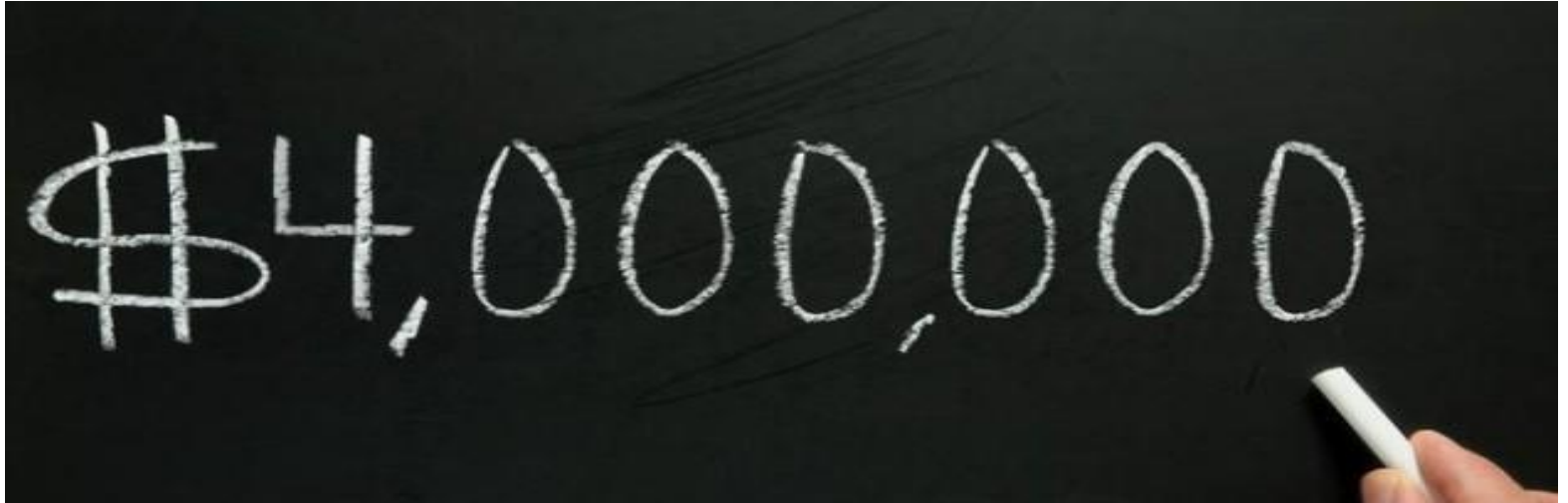


Jail Civilianization: Right Worker for the Right Job

Budgeted Cost for a Jail Detention Officer: Civilian vs. Sworn



Save money on Workers Comp: Alternative Dispute Resolution Program



In litigation cost next year. Or...

ZERO.

Managed Hiring: BOSS example

Program	Classification	Quantity	Submitted to CAO
CIP - Grants	Sr. MA I	1	Mar/2013
CIP - Grants	MA II	2	Mar/2013
CIP - Grants	Sr. Accountant	1	Mar/2013
Safety	Safety Engineer	1	May/2011 & Aug/2012
Various	Equipment Operators	23	Aug/2013
Various	Motor Sweeper Operators	17	Aug/2013
RRD	Asphalt Plant Operators	3	Jun/2013
Systems	Systems Analyst II	2	Oct/2013
Various	Street Services Supt	9	Dec/2013
Various	Sr Clerk Typists	2	May/2013
Various	Principal Clerk	1	May/2013

Thank you to the B&F Committee for hearing our L.A. observations

