TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your BUDGET AND FINANCE Committee

reports as follows:

BUDGET AND FINANCE COMMITTEE REPORT relative to reconsideration of the Budget and Finance Committee Minority Report and Fiscal Emergency Resolution relative to sworn furloughs and the 2009-10 Budget Balancing Operational Plan.

Recommendations for Council action:

1. RECEIVE and FILE recommendations 1, 2a and 12 of the Budget and Finance Committee Minority Report (Minority Report), attached to the Committee report, relative to the 2009-10 Budget Balancing Operational Plan inasmuch as actions taken by the Council on September 18, 2009 results in no further action being necessary on these recommendations.

2. REFER Minority Report recommendations 2b, 2c, and 2e relative to implementation of a mandatory furlough program to the Executive Employee Relations Committee (EERC) for further review.

3. HOLD Minority Report recommendation 2d in Budget and Finance Committee pending EERC review of recommendations 2b, 2c and 2e above.

4. HOLD Minority Report recommendations 3, 4, 5, 6 and 15 in Committee pending updated operational plans.

5. HOLD Minority Report recommendation 8 relative to implementation of deferred cost of living increases to specific bargaining units in Committee pending ratification of the Agreement with the Coalition of Unions.

6. INSTRUCT the City Administrative Officer (CAO) to convene a working group comprised of the CAO, Chief Legislative Analyst (CLA), Personnel and Controller to monitor the progress and cooperation of the departments implementation of the operational plans and report to the Budget and Finance Committee monthly.

7. INSTRUCT General Managers to work with the Personnel Department and CAO to identify placement opportunities for employees at risk of layoff.

8. INSTRUCT the Personnel Department to work with the City’s Employee Assistance Program provider to develop programs to assist employees at risk of layoff.

9. REQUEST the Mayor, as part of the proposed Fiscal Year 2010-11 budget, to eliminate all positions frozen by the CAO and Controller.
10. INSTRUCT the CAO and CLA to report back to the Budget and Finance Committee relative to Police and Fire Sworn Shared Responsibility and Sacrifice (SRS) shortfalls identified in the Joint CAO/CLA report, dated September 11, 2009 (attached to the Council file). The CAO/CLA report should identify options to address the budget shortfalls if the ERIP is approved by the Council.

11. EXCLUDE the following Departments, to the extent possible, from further funding reductions in 2010-11: Recreation and Parks, Library, Convention Center and Housing Departments.

12. INSTRUCT the CAO, with the Bureau of Engineering (BOE), to reevaluate the Joint CAO/CLA report Attachment 2 recommendation #197 relative to closure of the West Los Angeles District BOE Office and reassignment of eight positions to special funded programs, and report back to the Budget and Finance Committee.

13. RELATIVE TO MINORITY REPORT RECOMMENDATION 13:
   a. INSTRUCT the CAO and CLA to report back to the Budget and Finance Committee in two weeks relative to amending the emergency declaration to include sworn furloughs in the context of continuing negotiations with sworn personnel.
   b. SUBMITS WITHOUT RECOMMENDATION:
      DEFER the October 2009 Los Angeles Police Academy Class until pending negotiations conclude.

14. INSTRUCT the CAO and CLA, and REQUEST the Mayor, consistent with the Council's actions on the Early Retirement Incentive Program (ERIP), to work with the following departments to generate updated operational plans to address the budgetary shortfall: Aging, Animal Services, City Clerk, El Pueblo, Finance, Fire, General Services, Information Technology Agency, Neighborhood Empowerment, Police, Board of Public Works, Bureau of Engineering, and Transportation.

Fiscal Impact Statement: Neither the CAO nor CLA have completed a financial analysis of this report.

Community Impact Statement: None submitted

SUMMARY

At its meeting of September 21, 2009, the Budget and Finance Committee reconsidered the Budget and Finance Committee's Minority Report and Fiscal Emergency Resolution relative to sworn furloughs and the 2009-10 Budget Balancing Operational Plan. This matter was referred back to Committee following the Council's actions of September 18, 2009 relative to the ERIP. On September 14, 2009, the Committee had considered a joint CAO/CLA report relative to the 2009-10 Budget Balancing Operational Plan. The joint report included a recommendation that the Council find that the ERIP as proposed for the Fiscal Year 2009-10, is not financially viable for the City unless the Coalition of Unions agreed to generate an additional $50 to $60 million and increase pension contributions by 1.9 percent. In a Minority Report, two of five Committee members recommended approval of this recommendation and additionally recommended approval of the
CAO/CLA recommendations relative to implementation of a mandatory furlough program effective September 28, 2009. Following continued negotiations with the Coalition, at a Special Council Meeting on September 18, 2009 the CAO and CLA reported that an agreement had been reached with the Coalition, pending ratification, and the first reading of the revised ERIP Ordinance was unanimously passed by the Council.

Council's approval of the ERIP Ordinance subsequently impacted recommendations contained in the Budget and Finance Committee's Minority Report. At its meeting on September 21st, the Committee reviewed each of the Minority Report recommendations, resubmitting via this Committee report recommendations which still require Council action, recommending receive and file action on those recommendations which are no longer relevant, and holding in Committee those recommendations which require the CAO and CLA to report back. The Committee recommended that Minority Report recommendations relative to implementation of a mandatory furlough program be referred back to the EERC for further review and held in Committee, pending the EERC review, the recommendation that General Managers implement work schedules and schedule furlough days to minimize disruption to services, etc.

During the Committee's discussion of Minority Recommendation No. 13, the Committee instructed the CAO and CLA to report back to the Budget and Finance Committee in two weeks relative to amending the emergency declaration to include sworn furloughs in the context of continuing negotiations with sworn personnel. As part of this recommendation, Councilmember Parks recommended deferring the October 2009 Police Academy class until pending contract negotiations conclude. Councilmembers Huizar and Rosendahl voted to proceed with the October Academy class, voting to continue police hiring to meet attrition levels. Councilmembers Parks and Smith voted to defer the October Academy class, stating that if upon conclusion of the LAPD contract negotiations the decision is made to continue police hiring, remaining fiscal year 2009-10 Academy classes could be increased to make up for the deferred October class. Inasmuch as the Committee vote on this matter resulted in a tie, this recommendation has been submitted to the Council without recommendation.

The recommendations made by the Budget and Finance Committee relative to reconsideration of the Committee's Minority Report and Fiscal Emergency Resolution relative to sworn furloughs and the 2009-10 Budget Balancing Operational Plan are reflected in this Committee report. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

MEMBER VOTE
PARKS: YES
SMITH: YES
ROSENDAHL: YES
HUIZAR: YES
KORETZ: YES

LB
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Attachment

-NOT OFFICIAL UNTIL COUNCIL ACTS-
TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your BUDGET AND FINANCE Committee

reports as follows:

BUDGET AND FINANCE COMMITTEE REPORT MINORITY REPORT relative to the 2009-10 Budget Balancing Operational Plan.

Recommendations for Council action:

1. FIND that the Early Retirement Incentive Program (ERIP) as proposed for the Fiscal Year 2009-10 Budget, is not financially viable for the City of Los Angeles unless the Coalition agrees to generate an additional $50 million to $60 million and increase pension contribution by 1.9 percent; INSTRUCT the CLA to cull out the pertinent comments from the Joint CAO/CLA report that support the Minority Report.

2. AUTHORIZE the implementation of a mandatory furlough program effective September 28, 2009 as follows:

   a. Close all City departments on the 2nd and 4th Friday of each month, where operationally feasible; and, assess the impact on City Council meetings and consider whether to hold Council meetings on Tuesdays, Wednesdays and Thursdays or cancel Council meetings on the 2nd and 4th Friday of each month.

   b. Authorize a minimum of 26 furlough days between September 27, 2009 and June 30, 2010 for all non-Engineers and Architects Association (EAA) employees that received a cost of living increase in Fiscal Year 09-10.

   c. Authorize a minimum of 18 furlough days between September 27, 2009 and June 30, 2010 for all employees that did not receive a cost of living adjustment in Fiscal Year 09-10.

   d. Instruct General Managers to implement work schedules and schedule the furlough days so that it will minimize disruption to services, not impact employee benefits, and not violate the provisions of Fair Labor Standards.

   e. Instruct the City Administrative Officer (CAO) to negotiate the impact of the furlough program with the impacted civilian unions as soon as practicable.

3. APPROVE the service level and reduction of 926 employees as identified in the joint CAO/Chief Legislative Analyst (CLA) Report Attachment 2 (attached to this Committee report).

4. INSTRUCT the Personnel Department to calculate all necessary layoffs through September 26, 2009.
5. INSTRUCT the General Managers to identify the number and classification of employees within the same service category or program required to be laid off to achieve the operational plan savings, and submit the list to the Personnel Department within 48 hours of the adoption of this report.

6. AUTHORIZE the CAO and Controller to freeze in PAYSR, all positions identified for layoff by the General Managers.

7. REQUEST the Mayor, as part of the proposed Fiscal Year 2010-11 budget to eliminate all positions frozen by the CAO and Controller.

8. INSTRUCT the Controller to implement the deferred cost of living increases for the following bargaining units: MOU's 02, 03, 04, 05, 06, 07, 09, 10, 11, 12, 13, 14, 15, 16, 18, 29, 32, 34, 36, 37 retroactive to July 1, 2009.

9. INSTRUCT the CAO to convene a working group comprised of the CAO, CLA, Personnel and Controller to monitor the progress and cooperation of the departments implementation of the operational plans and report to the Budget and Finance Committee monthly.

10. INSTRUCT General Managers to work with the Personnel Department and CAO to identify placement opportunities for employees at risk of layoff.

11. INSTRUCT the Personnel Department to work with the City's Employee Assistance Program provider to develop programs to assist employees at risk of layoff.

12. INSTRUCT the CAO to develop a cash based separation incentive program that is targeted to the classifications at risk of layoff and report back to the Budget and Finance Committee.

13. INSTRUCT the City Attorney to amend the emergency declaration to delineate the City’s worsening fiscal condition and to provide for the furlough of sworn personnel.

14. INSTRUCT the CAO and CLA to report back to the Budget and Finance Committee relative to Police and Fire sworn Shared Responsibility and Sacrifice (SRS) shortfalls identified in the Joint CAO/CLA report. The CAO/CLA report should identify options to address the budget shortfalls if the ERIP is approved by the Council.

15. INSTRUCT all Departments to submit to the CAO their operational plans that include hours of operation, service level changes, and any other pertinent information upon Council adoption of the 2009-10 Budget Balancing Operational Plan.

16. INSTRUCT the CAO and CLA to work with the following departments to evaluate alternative budget reduction proposals, provided that the same budgetary savings are achieved to the extent possible: Animal Services, City Clerk, El Pueblo, Finance, Fire, General Services, Information Technology Agency, Neighborhood Empowerment, Police, Board of Public Works, Bureau of Engineering, and Transportation.

17. EXCLUDE the following Departments, to the extent possible, from further funding reductions in 2010-11: Recreation and Parks, Library, Convention Center and Housing Departments.
INSTRUCT the CAO to reevaluate CAO/CLA Attachment 2 recommendation #197 relative to closure of the West Los Angeles District Office of the Bureau of Engineering and reassignment of eight positions to special funded programs, and report back to the Budget and Finance Committee.

Fiscal Impact Statement: The CAO/CLA report that adoption of the above recommendations will reduce the potential budgetary gap of $405 million.

Community Impact Statement: None submitted

SUMMARY

At its meeting of September 14, 2009, the Budget and Finance Committee considered a joint CAO/CLA report relative to the 2009-10 Budget Balancing Operational Plan. The CAO and CLA were instructed by the Budget and Finance Committee to prepare a citywide operational plan to begin addressing the City’s anticipated budget shortfall, and to report on labor negotiations and any other actions necessary to balance the 2009-10 Budget. The report provides an overview of the City’s current financial status; an analysis of how proposed actions being considered by the Mayor and Council would address the City’s current financial status; and, contains recommended actions to begin addressing the anticipated gap in the City’s 2009-10 Budget.

During the Committee discussion, the Mayor’s Budget Director reported that based on current information and the information contained in the Joint CAO/CLA report dated September 11, 2009, the Mayor can no longer support the proposed ERIP or the agreement with the Coalition of Unions. The Joint CAO/CLA report identifies the following changes in ERIP costs/benefits:

- **Payroll savings** - since delays in implementing ERIP have occurred, it is anticipated that only an average of four months savings will be achieved during the current fiscal year. According to the ERIP Savings Analysis chart, at four months of payroll savings, ERIP is anticipated to save approximately $23 million across all funds, a difference of $88 million less than the $111 million originally anticipated.

- **Budgetary Shortfall Solutions** - the City Attorney has recently opined that the City Charter prohibits Management from permanently transferring employees between different appointing authorities without their prior consent. Therefore, ERIP savings from special and proprietary department funds will not translate to General Fund savings as previously assumed. The CAO/CLA now estimates that only 53% of ERIP savings, or $12 million of the $23 million above, could be counted towards addressing the General Fund problem. This is a difference of $73 million less than the $85 million originally anticipated.

- **Cost Neutral** - a comparison of the completed actuarial study, dated July 30, 2009, and present value analysis of the employee payback indicates that the increase in employees' contribution rate will not be sufficient to offset added costs related to ERIP. The employee payback of the increased employee contribution rate of 0.75% and elimination of the City's subsidy for the Defrayal Group does not cover the entire Unfunded Actuarial Accrued Liability (UAAL) increase in cost.

- **Legal Challenges** - legal challenges to the increase in employee pension contributions are
expected. The City Attorney should brief the Council in Closed Session on the basis for and validity of these challenges.

Councilmember Smith stressed the need for the Council to take action on the ERIP on September 15th inasmuch as there currently is a $50 - 60 million shortfall in the civilian SRS; the CAO reports that the City is overspending at a rate of $11 million per pay period or $1 million per day. The CAO and CLA stressed during the Committee discussion that approval of ERIP and the agreement with the Coalition of Unions would severely limit the Council’s ability to address remaining budget shortfalls inasmuch as 22,000 Coalition members would not be subject to either furloughs or layoffs; therefore the remaining personnel option to address shortfalls would be shared among sworn personnel and remaining non-Coalition members.

Following a lengthy discussion including public comment, the Committee voted 3-2 to submit the recommendations of the CAO/CLA without recommendation. Councilmembers Huizar, Koretz and Rosendahl, in a Majority Report, recommended that the CAO continue negotiations with the Coalition of Unions through the evening to address impediments discussed in the joint CAO/CLA report. The CAO was further instructed to report to Council on September 15, 2009 on the outcome of these discussions so that the Council may consider these discussions in order to take action on ERIP.

Councilmembers Parks and Smith, in a Minority Report, recommended that the Council make a finding that the ERIP as proposed for the Fiscal Year 2009-10 Budget, is not financially viable for the City of Los Angeles unless the Coalition agrees to generate an additional $50 million to $60 million and increase pension contribution by 1.9 percent. Councilmembers Parks and Smith further recommended approval of the remainder of the CAO/CLA recommendations relative to implementation of a mandatory furlough program effective September 28, 2009. Additional recommendations made as part of the Minority Report are reflected in this Committee report. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

MEMBER    VOTE
PARKS:      YES
SMITH:      YES

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