



ERIC GARCETTI
MAYOR

April 14, 2014

The Honorable Members of the City Council
c/o Office of the City Clerk
200 North Spring Street, Room 395
Los Angeles, CA 90012

Honorable President and Members of the City Council:

This is my first Proposed Budget as Mayor, and it is my goal to work with you to bring **long-term sustainability to the city's finances.**

Five years ago, the worst economic crisis since the Great Depression caused general fund revenues to plunge and our pension investments to lose 30% of their value. **The Great Recession created a billion dollar hole in the General Fund budget. That massive gap required drastic steps to keep the city solvent.** Year after year, departments were asked to make deep reductions; some endured cumulative cuts of as much as half their budgets. Overall, the city's workforce was reduced to levels last seen at the end of the Bradley Administration.

In the midst of an unfolding crisis there was not the opportunity to implement comprehensive structural reforms. Now with a recovering economy and replenished reserves, we not only have that opportunity, we *have that responsibility.*

This budget begins that process. **As I stressed at Budget Town Halls held throughout Los Angeles, we are running a marathon, not a sprint.** Our goals are clear, and the message we consistently heard in every venue echoed them. Success is dependent on our work to:

- Promote good jobs for Angelenos all across Los Angeles
- Restore the city services that make our neighborhoods livable and attractive
- Make our communities the safest in the nation
- Create a more sustainable and livable city



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To achieve our goals, this year we introduced comprehensive Performance Budgeting. The budgeting status quo was based on adding or subtracting from last year's budget. Performance Budgeting instead identifies the specific results we want and prioritizes our spending to achieve those results.

Progress this first year will be modest. Although revenues are on the rise, deferred costs have risen even faster. Personnel costs—including salaries, pensions and health care—have increased by nearly \$200 million. Urgent investment is also required to replace long-obsolete technology and to maintain long-neglected critical infrastructure.

This budget represents a transition year toward a deliberate path of restructuring our city government to live within its means and make Los Angeles more prosperous, more well-run, safer and more livable by rebuilding vital services and investing in our future.

My Proposed Budget moves our city forward on our most vital goals:

- **A SAFE CITY:** We will continue to invest in a safer Los Angeles by maintaining the currently funded level of 10,000 police officers and expanding in-car video. We are also replacing an outmoded property and evidence tracking system to aid detectives in solving crimes. We will begin modernizing the Fire Department with new investment to improve management of its resources, technology, personnel and operations to reduce response times. The Police and Fire Departments will partner on a consolidated dispatch center to improve emergency response. In addition, we are providing ongoing funding to the expansion of Neighborhood Prosecutors in the City Attorney's office that was temporarily approved by the City Council this year.
- **A PROSPEROUS CITY:** We will implement systematic reform of our entitlement and permitting process across departments as endorsed by the City Council. We will also move forward with a comprehensive effort to improve our customer service to businesses, large and small. We will support the public-private partnership to create at least 10,000 youth jobs this summer. Finally, we will begin reforming our outmoded Business Tax by adopting a long-term plan to steadily reduce the punitive top rate over the next four years, beginning on January 1, 2016.
- **A LIVABLE AND SUSTAINABLE CITY:** We will invest in a cleaner and greener Los Angeles by expanding pilot neighborhood clean-up efforts and significantly augment our neighborhood code enforcement staffing, two priorities emphasized by participants in our Budget Town Halls. We expect to pave 2400 lane miles of city streets, exceeding previous records (although falling short of the long-term need) and we have doubled funding for sidewalk repair. Library hours will be expanded. We will complete a comprehensive Sustainability Plan to achieve our city's critical goals including efficiency savings of 15% of electricity demand by 2020, reduction in our reliance on imported water by 50% by 2025 and installation of 600 MW of local solar energy.

- **A WELL-RUN CITY GOVERNMENT:** We will create a new “Innovation Fund” to spur new ideas and investments across all departments. We will implement the LAPD’s successful COMPSTAT model of tracking performance in every city department and we will support a robust open data portal to partner with civic and private entrepreneurs to jointly tackle our biggest civic challenges. We will replace our outmoded budget system with new software that will enable a full transition to performance budgeting.

Overall, we have had to continue to trim, even in departments where staffing and funding have been slashed over the past five years in order to shift resources to our highest priorities. We have had to deny or defer a long list of worthwhile additional requests. We cannot afford to grant cost of living increases and we must ensure that employees share healthcare costs. By holding the line, however, we ensure that the progress we are making is fiscally sustainable. **This budget preserves the Budget Stabilization Fund and continues rebuilding our General Fund Reserve. We began last year with a Reserve of 5.37%. We will begin next year at 5.5%.**

Above all, this Administration’s first budget lays the ground work for a multi-year plan of fiscal reform to rebuild the capacity to achieve the results that matter most to Angelenos.

Bringing long-term balance to the city’s finances requires rigorous re-examination of the entire way we do business. **As Mayor, I am committed to the systematic reform effort that began on my first day in office—when I took the unprecedented step of asking all our departmental General Managers to reapply for their jobs.**

This comprehensive effort will change how we budget; how we measure performance; how we deploy technology; how we handle service requests and complaints from residents; how we procure goods and services; how we process entitlements and permits; how we manage workers compensation claims; how we hire, train, evaluate, promote, motivate and hold accountable our workforce; and how we pursue open data and transparency.

Our goal is to establish Los Angeles as the best-run big city in America. Our primary strategy for achieving that goal is to build a data-driven culture of innovation and excellence. This is not an idle or idealistic notion – it is rooted in the history and potential of who we are as a city.

When it comes to a model of successful municipal reform, we need look no further than the Los Angeles Police Department. Once hailed as a national model, by 2002 it had reached a crisis of public confidence under the jurisdiction of a Federal Consent Decree. The magnitude and scope of the reform effort should not be oversimplified. But no one can dispute the significance of innovative leadership, the pioneering application of performance management through computerized crime statistics (COMPSTAT), the embrace of partnerships under the banner of community policing, or the continued investment in technology, training and additional sworn officers.

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The results have been startling. Crime has declined every year since 2002, with fewer violent crimes than any year since 1956, and fewer homicides than any year since 1966, despite the huge increase in population. Today, the Los Angeles Police Department is now a global model of effective law enforcement and management.

The principles that achieved these successes are the same ones this administration is applying to every aspect of city government: innovative leadership; performance management; community partnerships; and long-term investments in technology, training and personnel. We will both cut costs and improve performance. By publicly committing to rigorous performance standards the citizens of Los Angeles can hold our government—and me—accountable for delivering results.

It will be especially challenging to achieve these goals in a time of fiscal discipline. But we have no choice: **we must make hard decisions and invest in successes that may be years in the making.**

Our residents understand this. At Budget Town Halls across the city, hundreds turned out to discuss and debate the most important priorities for creating a greater city -- with a shared understanding that we cannot reach all our goals and fulfill all our dreams at once.

With that long-term perspective in mind, I submit to you my Proposed Budget for Fiscal Year 2014-15. **I look forward to working with you to adopt a balanced budget that puts Los Angeles on a path to fiscal sustainability and on a course toward a safer, more prosperous, and livable city, served by the best-run city government in America.**

Sincerely,



ERIC GARCETTI

Mayor of the City of Los Angeles