



CITY HALL
LOS ANGELES, CALIFORNIA 90012

February 6, 2020

Honorable Mayor Eric Garcetti
Honorable Paul Krekorian, Chair of Budget and Finance Committee
c/o Office of the City Clerk

Re: Report on Commission of Revenue Generation Activities from October to November 2019

Dear Mayor and City Councilmembers:

The Commission on Revenue Generation (Commission) was formed by a Letter of Agreement (LOA) between the Coalition of City Unions and the City of Los Angeles (City) to develop recommendations and maximize revenue to the City's general and special funds sufficient to provide: high quality City services that are consistent across the City; to ensure equity in the City budget for underserved communities; and to ensure a high quality of life in our neighborhoods.

We are providing an update on our current research since our last report:

- **Pension Management:** After reviewing the financial transparency of investment management expenses, the Commission has contracted Navigant Consulting (Navigant) to analyze the management of the City's LAFPP and LACERS pension funds and other pension funds and to recommend best practices to reduce management costs for the City. Continuing to assist Navigant's study, the Commission will include any recommendations on implementing cost reduction strategies in its final report based on Navigant's analysis.
- **Vacancy Tax:** The Commission has contracted Blue Sky Consulting Group (Blue Sky) to determine the feasibility and potential of implementing a vacant/underutilized property tax or fee in the City. Finalizing this study, the Commission will include any recommendations on a vacant/underutilized property tax in its final report based on Blue Sky's analysis.

- **Windfall Tax:** The Commission has contracted BAE Urban Economics (BAE) to determine the feasibility and potential of implementing a windfall rent tax or fee in the City. BAE has provided the first half of its presentation on this feasibility study in the Commission's November meeting. Finalizing this study, the Commission will include any recommendations on a windfall rent tax in its final report based on BAE's analysis.
- **Property Tax Issues:** The Commission received an update from the Office of Finance (Finance) on the progress of the collaboration between Finance and the County Assessor's Office to identify and notify City-licensed businesses that might owe taxes on unsecured business property. Finance and the County Assessor's Office identified changes Finance would make in their e-Filing process to provide additional information and data collection regarding the County's personal property tax. These changes will be implemented before the upcoming 2020 business tax renewal season. Additionally, both agencies discussed methods to improve data exchanges regarding business enrollments and discoveries.

To ensure the Commission has sufficient resources to accomplish its mission, the City provided \$500,000 to fund administrative expenditures such as staff costs and consultant studies. To date, the Commission has committed expenses of \$384,538 for consulting services for the studies discussed in this report.

The Commission looks forward to continuing its investigation into additional topics, as it identifies areas for improvement and develops recommendations that will maximize revenue. We are eager to share our findings with you and with City departments, as we work together toward providing high quality, equitable services across the City. Thank you for your consideration of these matters.

Best Regards,



Jan Breidenbach
Chair, Commission on Revenue Generation

Peter Dreier, Commissioner
Rudy Espinoza, Commissioner
Jack Humphreville, Commissioner
Jonathan Klein, Commissioner
Tim McDaniel, Vice Chair
Wayne Moore, Commissioner
Barbara Ringuette, Commissioner
William Smart, Commissioner
Jake Stevens, Commissioner



CITY HALL
LOS ANGELES, CALIFORNIA 90012

February 6, 2020

Honorable Mayor Eric Garcetti
Honorable Paul Krekorian, Chair of Budget and Finance Committee
c/o Office of the City Clerk

Re: Report on Commission of Revenue Generation Activities for December 2019

Dear Mayor and City Councilmembers:

The Commission on Revenue Generation (Commission) was formed by a Letter of Agreement (LOA) between the Coalition of City Unions and the City of Los Angeles (City) to develop recommendations and maximize revenue to the City's general and special funds sufficient to provide: high quality City services that are consistent across the City; to ensure equity in the City budget for underserved communities; and to ensure a high quality of life in our neighborhoods.

We are providing an update on our current research since our last report:

- **Pension Management:** After reviewing the financial transparency of investment management expenses, the Commission has contracted Navigant Consulting (Navigant) to analyze the management of the City's LAFPP and LACERS pension funds and other pension funds and to recommend best practices to reduce management costs for the City. In the Commission's December meeting, Navigant presented its findings on: the City's current pension management practices and costs; peer cities' pension management practices and costs; a literature review of cost reduction strategies; and, recommendations and action plan for the City. Still in the process of completing the study, Navigant is scheduled to present in the Commission's monthly

meeting in January 2020. Continuing to assist Navigant's study, the Commission will include any recommendations on implementing cost reduction strategies in its final report based on Navigant's analysis.

- **Vacancy Tax:** The Commission has contracted Blue Sky Consulting Group (Blue Sky) to determine the feasibility and potential of implementing a vacant/underutilized property tax or fee in the City. In the Commission's December meeting, Blue Sky presented its findings on the overview of taxes; proposed tax structure; estimated tax revenue and implementation costs; and recommendations and action plan for the City. The Commission will include its recommendations on a vacant/underutilized property tax in its final report based on Blue Sky's analysis.
- **Windfall Tax:** The Commission has contracted BAE Urban Economics (BAE) to determine the feasibility and potential of implementing a windfall rent tax or fee in the City. In the Commission's December meeting, BAE has provided the second half of its presentation on this study. BAE presented its findings on: potential windfall rent tax structures; potential exemptions and carveouts; and its recommendations and action plan for the City. The Commission will include its recommendations on a windfall rent tax in its final report based on BAE's analysis.
- **Property Tax Issues:** Upon the implementation of change to the City's Business License Application for the County's personal property tax, the County Assessor responded to the Commission's follow-up questions on potential recommendations for the Commission and the City. The Commission will include its recommendations on potential ways that the City can assist the County Assessor's Office by addressing current obstacles in its final report.
- **Final Report:** The Commission plans to submit its final report to Council after its last meeting in February 2020. This report will include the research and studies conducted by the Commission and contracted consultants and the Commission's final recommendations to the City to maximize revenue for the City.

To ensure the Commission has sufficient resources to accomplish its mission, the City provided \$500,000 to fund administrative expenditures such as staff costs and consultant studies. To date, the Commission has committed expenses of \$397,138 for consulting services for the studies discussed in this report.

The Commission looks forward to continuing its investigation into additional topics, as it identifies areas for improvement and develops recommendations that will maximize revenue. We are eager to share our findings with you and with City departments, as we

Honorable Mayor Eric Garcetti
Honorable Paul Krekorian and Honorable Members of the City Council
Page 3

work together toward providing high quality, equitable services across the City. Thank you for your consideration of these matters.

Best Regards,



Jan Breidenbach
Chair, Commission on Revenue Generation

Peter Dreier, Commissioner
Rudy Espinoza, Commissioner
Jack Humphreville, Commissioner
Jonathan Klein, Commissioner
Tim McDaniel, Vice Chair
Wayne Moore, Commissioner
Barbara Ringuette, Commissioner
William Smart, Commissioner
Jake Stevens, Commissioner

MCK:DHC:03200047