RESOLUTION DECLARING A STATE OF EMERGENCY
BASED ON FISCAL CIRCUMSTANCES RESULTING FROM THE COVID-19
PANDEMIC

WHEREAS, under the City’s Charter, the Mayor is required to propose a balanced budget for the next fiscal year by April 20, and the City Council is required to adopt a balanced budget by June 1; and

WHEREAS, on March 4, 2020, the Mayor declared a local emergency due to the arrival of the novel coronavirus pandemic (COVID-19) in the City of Los Angeles and the resulting threat posed to the public health and safety of City residents and visitors, which was initially ratified by the City Council on March 6, 2020, and most recently renewed and extended on August 25, 2020; and

WHEREAS, on March 15, 2020, in an effort to slow the spread of COVID-19 in the City, the Mayor issued an order curtailing large public gatherings, temporarily closing many government facilities; closing theaters, bars and entertainment venues; prohibiting restaurants from serving to dine-in customers while permitting take-out, delivery and drive-thru; and banning evictions of residential and commercial tenants who cannot pay rent due to the financial impact of COVID-19; and

WHEREAS, on March 19, 2020, in an effort to mitigate the threat to public health and safety, the Mayor issued a Safer At Home (SAH) Order limiting City residents’ activities outside of their homes other than essential tasks, which is currently in effect and will remain in place for the duration of the local emergency, unless otherwise amended or rescinded; and

WHEREAS, the SAH Order has curtailed economic activity within the City and, as a result, has slowed the generation of economically sensitive General Fund revenue, as well as revenue generated by City administered operations such as the Los Angeles Zoo and El Pueblo Historical Monument; and

WHEREAS, on March 19, 2020, due to concerns regarding the economic impacts of COVID-19, the Mayor instituted a hiring and promotion freeze, and ordered the suspension of the execution of new contracts and contract extensions, subject to limited exceptions for contracts which are essential to public health and safety, revenue generating, or legally mandated; and

WHEREAS, in order to strengthen the City’s Reserve Fund, the Mayor also directed the expedited repayment of currently outstanding Reserve Fund loans by the end of the fiscal year, the evaluation of prior year General Fund encumbrances, the suspension of non-essential re-
appropriations, the recovery of all related cost reimbursements from special funds and grants, and the transfer of idle fund balances to the General Fund; and

WHEREAS, COVID-19 has had and continues to have an adverse impact on the City’s financial situation, as a result of both the City’s unbudgeted spending on COVID-19 related protection and services necessary for the health and safety of City residents, employees and visitors, and the concurrent reduction of City revenues caused by COVID-19 related closures; and

WHEREAS, on April 20, 2020, the Mayor released a 2020-21 Proposed Budget which, upon the advice of the City Administrative Officer (CAO), projects that the General Fund receipts will, in fact, fall more than $108 million below the 2019-20 Adopted Budget amount; and

WHEREAS, based on estimates by the City Administrative Officer (CAO) at the end of June 2019 that were the basis of the City’s public disclosure on August 18, 2020, the City’s 2019-20 General Fund revenues are likely to fall as much as $98 million below the previous revised estimate, which is $206 million below the 2019-20 Adopted Budget; and,

WHEREAS, the City is authorized to fully backfill this revenue shortfall using a transfer from the Reserve Fund to the General Fund, which based on the estimated revenue shortfall could be for up to $206 million; and,

WHEREAS, if this full transfer is required, Reserve Fund will drop to $243 million, or 3.6 percent of the General Fund Budget as of July 1, 2020, which is below the five percent minimum threshold established by the City’s Administrative Code; and

WHEREAS, this will be the first time the City has faced the prospect of an adopted budget with a projected non-compliance with the five percent minimum threshold since 2012-13 and the lowest projected Reserve Fund percent since 2010-11; and

WHEREAS, the City’s cumulative General Fund reserves are projected to fall to 5.9 percent of General Fund revenues, which is considerably below the 10 percent threshold established by the City’s Financial Policies and the lowest level of cumulative General Fund reserves since 2012-13; and

WHEREAS, the 2020-21 Proposed Budget projects overall General Fund revenue growth at 1.8 percent or $118 million above the 2019-20 Adopted Budget (as compared to the average growth of $273 million during each of the past eight years), which is the lowest rate and amount of growth since 2011-12; and
WHEREAS, the 2020-21 Proposed Budget assumes that economically sensitive General Fund revenues will grow at under 0.3 percent, which is $191 million less than if they grew at the 20-year average of 4.3 percent; and

WHEREAS, the hardest hit revenues include the tourism-driven Transient Occupancy Tax, which is projected to be down 25 percent, and the activity-driven Parking Occupancy Tax, which is projected to be down 16 percent, which combined equate to over $100 million below the 2019-20 Adopted Budget amounts; and

WHEREAS, 2020-21 Sales Tax is projected to be 5% below 2019-20 revised receipts, and 2020-21 non-cannabis Business Tax is projected to be 7% below 2019-20 revised receipts; and

WHEREAS, there may be significant downside risk to the economically sensitive revenue projections in the 2020-21 Proposed Budget as illustrated by the Office of Finance's May 7, 2020, report that projected that the General Fund tax receipts it processes will be lower than those included in the 2020-21 Proposed Budget by between $45 million to $400 million; and

WHEREAS, City operations that are supported by attendance-based revenues have been and will continue to be negatively impacted by COVID-19 related closures and attendance decreases, which are projected to reduce General Fund revenues from the Los Angeles Zoo and El Pueblo Historical Monument by an additional $16 million; and

WHEREAS, while the revenue assumptions in the 2020-21 Proposed Budget recognize the economic situation, there is further downside potential for revenue sources including property-based taxes, which assume that the recession will not spill over into the housing market, and departmental receipts, which assume that the City will be able to restore full operations; and

WHEREAS, although it is premature to estimate whether these 2020-21 revenue risks will be realized, based on July 2020 revenue data, many revenue sources are falling short of the estimates on which the 2020-21 Budget’s revenue was based, including the Transient Occupancy Tax, Parking Occupancy Tax, Parking Fines, and Documentary Transfer Tax; and

WHEREAS, the 2020-21 Proposed Budget requires $325 million in additional funding to continue the current level of City Services, of which approximately $206.7 million represents obligatory employee related costs including, but not limited to, increases in the costs of salaries and benefits; and

WHEREAS, these ongoing costs cannot be fully paid by the projected overall General Fund revenue growth of only $118 million; and
WHEREAS, the 2020-21 Proposed Budget includes approximately $231 million in proposed General Fund cost reductions required to achieve a balanced budget, including: $80.8 million in savings from implementing furloughs for civilian City employees; curtailing hiring and maintaining the hiring and promotion freeze throughout 2020-21 at a savings of $46 million, reducing capital expenditures from the 2019-20 base budget by $29 million, reducing funding for extraordinary liabilities by $20 million, reducing general expense accounts by $15 million, and reducing the debt program by $11 million; and

WHEREAS, the 2020-21 Proposed Budget also includes actions to shift costs from the General Fund to special funds including shifting over $20 million funded by the General Fund and the subsidized Gas Tax to SB-1, and shifting 22 positions from the subsidized Storm water Pollution Abatement Fund to Measure W; and

WHEREAS, the 2020-21 Proposed Budget, consistent with the City’s Financial Policies, also seeks to relieve the General Fund by increasing special fund and other reimbursements to the General Fund by $118 million, driving the growth in the departmental receipt revenue category; and

WHEREAS, there is significant uncertainty regarding the path COVID-19 will take in the City and thus also uncertainty about what actions the City may be required to take, as well as the extent and duration of such actions, to continue to address the threat of COVID-19; and

WHEREAS, in the absence of certainty regarding what future expenditures the City may be required to incur in order to continue to combat the threat posed by COVID-19, and with no guarantee of federal or state reimbursement, it is impossible to accurately predict the full economic impact of COVID-19 on the City, which highlights the importance of maintaining sufficient levels of General Fund reserves; and

WHEREAS, the City possesses the authority to declare an emergency and to take appropriate and targeted measures to preserve essential public services; and

WHEREAS, immediate and comprehensive action to reduce current spending must be taken to ensure, to the maximum extent possible, that the essential services of the City are not jeopardized and public health and safety are preserved; and

WHEREAS, as proposed in the 2020-21 Proposed Budget, a furlough program of one day per pay period for most civilian City employees would generate approximately $80.8 million in General Fund savings, $58.3 million in special fund savings, and $11 million in General Fund revenues through increased special fund related cost reimbursements and immediately ensure the City’s ability to fund essential services of the City; and
WHEREAS, the 2020-21 Proposed Budget became the operative 2020-21 Budget, effective June 1, 2020, pursuant to the City Charter Section 313; and

WHEREAS, the City Council and Mayor approved interim adjustments to the 2020-21 Budget, effective on July 1, 2020, that designated $40 million in reductions from the Police Department to be used to offset the need for furloughs, thereby reducing the number of furlough days required to balance the budget from 26 to 18 days; and

WHEREAS, the City also entered into a Separation Incentive Program agreement, in consultation with City unions, in an attempt to achieve some savings as a means to offset the need for furloughs but, nonetheless, furloughs are still necessary to achieve the cost-savings as identified in the 2020-21 Budget; and

WHEREAS, to address the fiscal emergency, the City is continuing to seek to identify other economic, scheduling, and staffing reforms sufficient to achieve necessary cost-savings as identified in the 2020-21 Budget without implementing furloughs for civilian City employees, and is currently meeting and conferring with the affected City employee labor unions; and

WHEREAS, the City is bargaining with the affected City employee labor unions on both the proposed decision to impose a furlough program, and the effects of that decision, in an effort to eliminate or reduce the need for furlough days, and will continue to engage in bargaining even if furloughs must be implemented on an emergency basis.

NOW, THEREFORE, the City Council of the City of Los Angeles, by virtue of the power vested in it by the City Charter and the City Administrative Code, does hereby adopt the foregoing recitals as findings and does hereby determine and declare that an emergency pursuant to Government Code section 3504.5 and Los Angeles Administrative Code section 4.850 (b) exists, and issues this Order to become effectively immediately;

IT IS RESOLVED that the Mayor, through the appointing authorities, adopt a plan effective October 11, 2020 through June 20, 2021 to implement a furlough of civilian employees for up to 18 days per year, to be effective July 1, 2020, absent the City identifying and implementing other reforms sufficient to achieve the necessary cost-savings. This plan shall include a limited exemption process.

IT IS FURTHER ORDERED that effective October 11, 2020 through June 20, 2021, all City agencies and departments are prohibited from entering into any new personal services or consulting contracts to perform work that would have been performed by City employees subject to the furloughs, layoffs, or other position reduction measures. A limited exemption process shall be included.