

PERSONNEL, AUDITS, AND ANIMAL WELFARE and BUDGET AND FINANCE COMMITTEES' REPORT relative to reducing City healthcare costs for current employees and retirees.

Recommendation for Council action, pursuant to Motion (Blumenfield - Krekorian - Koretz):

DIRECT the City Administrative Officer (CAO), in consultation with the Los Angeles City Employees' Retirement System, Los Angeles Fire and Police Pensions, the Personnel Department and the City's labor partners, to report to the Executive Employee Relations Committee and appropriate Council Committees with viable options and recommendations to reduce City healthcare costs for current employees and retirees, consistent with existing legal requirements, City commitments and considerations of equity.

Fiscal Impact Statement: Neither the CAO nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted.

Summary:

On February 3, 2021, the Personnel, Audits, and Animal Welfare (PAAW) Committee considered a Motion (Blumenfield - Krekorian - Koretz) relative to reducing City healthcare costs for current employees and retirees. According to the Motion, the City must keep its promise to its workers to meet their health care needs in retirement, while taking advantage opportunities to reduce costs to the City. The City faces a severe financial crisis, making this an urgent time to find cost savings in all Departments and consider its long-term financial obligations.

Due to the COVID-19 pandemic, the City's tax revenues have declined dramatically. The City's Fiscal Year (FY) 2020-21 Budget of \$10.5 billion is approximately \$200 million lower than the FY 2019-20 adopted budget, and the City faces a further revenue shortfall of at least \$600 million. Because the City must end the FY with a balanced budget, and the Reserve Fund was significantly depleted during FY 2019-20, the City faces the prospect of deep cuts to City services, furloughing tens of thousands of City employees, and in the worst-case scenario laying off significant numbers of employees. Looking forward to FY 2021-22, the City faces significant payouts to retirees who participated in the Separation Incentive Program and increased pension costs due to changes in assumed rate of return and actuarial assumptions. The City must explore all avenues for reducing its expenses, including health care costs for current employees and retirees, especially for those retirees who are not yet eligible for Medicare. There are many options to reduce healthcare costs, including negotiating with current health care providers. The City should also explore alternatives to the current healthcare providers, including Affordable Care Act options that could provide reasonably-priced (and often-subsidized) individual health care plans. With the newly-elected President Biden's pledge to expand affordable health care options, it is time for the City to re-examine how it provides health care benefits to current employees and retirees while ensuring that employees and retirees will continue to have access to affordable, high-quality health care.

After consideration and having provided an opportunity for public comment, the PAAW

Committee moved to recommend approval of the Motion. Subsequently, on February 22, 2021, the Budget and Finance Committee also considered this matter and after also having provided an opportunity for public comment, the Committee moved to concur with the PAAW Committee. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

PERSONNEL AND ANIMAL WELFARE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
KORETZ:	YES
HARRIS-DAWSON:	ABSENT
BONIN:	YES

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
KREKORIAN:	YES
BLUMENFIELD:	YES
DE LEON:	YES
RODRIGUEZ:	YES
PRICE:	YES

ARL
2/24/21

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