

Neighborhood Council Budget Advocates Committee  
Jay Handal  
Chairman

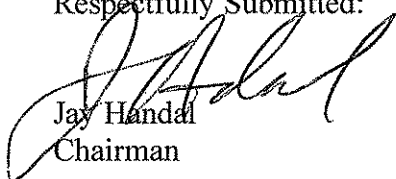
3/23/2011

The Honorable City Council

Enclosed please find the NCBA 2011 "White Paper" report on the Los Angeles City Budget as compiled by the 23 committee members and submitted to the Mayor.

We present this paper in advance of our agenda item on 3/29/2011 in our Council chambers.

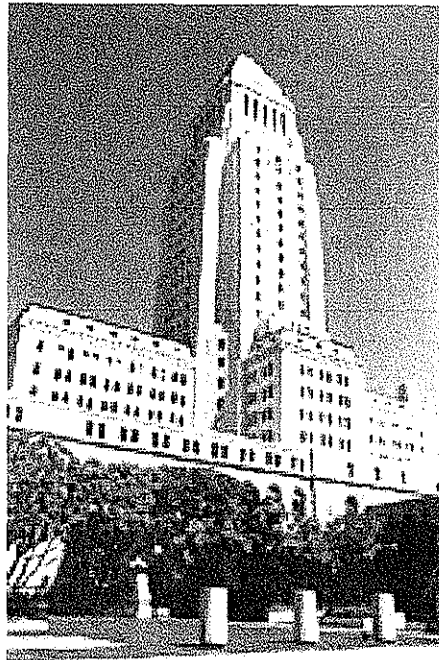
Respectfully Submitted:



Jay Handal  
Chairman

## Saving Jobs – Saving Services

A White Paper with Recommendations to Decrease the L.A.  
City Budget Deficit in a Time of Economic Crisis



Prepared by the NCBA 2010-2011

NEIGHBORHOOD COUNCIL BUDGET ADVOCATES

2010-2011

Jay Handal (Chair)

Heinrich Keifer (Vice Chair)

Daniel Wiseman (Secretary)

Linda Abrams

Jose Aguilar

Ernesto Arias

Scott Bytoff

David Crew

Ginger Damon

Craig Goldfarb

Terry Gomes

Noel Hyun

Cliff Jacobs

Robert Lim

Kelly Lord

Rusty Millar

Sherice Norris

Ed Novy

Marcello Robinson

Olivia Vasquez

## TABLE OF CONTENTS

I.	<u>Executive Summary</u>	3
II.	<u>Efficiency Recommendations</u>	4
III.	<u>Revenue Generators</u>	6
IV.	<u>Structural Changes</u>	7
V.	<u>Reduction in Expenses</u>	8

## I. EXECUTIVE SUMMARY

The City of Los Angeles 2011-2012 Neighborhood Council Budget Advocates have prepared this report to offer proposals to help balance the city's budget. The recommendations offered in this report are the result of careful analysis of city budget data, vetting of recommendations by city personnel, coupled with a pragmatic application of government and business budget principles.

As city officials prepare to tackle a projected budget deficit of more than \$400 million dollars, we, as appointed delegates of the Neighborhood Council system, have actively engaged in a systematic analysis of the City's sources of revenue, management of departments, pension programs, collection processes, and a host of other factors that could potentially help contribute to narrowing the budget deficit. As a result of this analysis, we have come up with specific recommendations to help save the City money or in certain situations, help contribute to an increase in revenues to the City. These budget proposals have been guided by four principles: (i) Increasing Efficiency; (ii) Generating Revenues; (iii) Structural Changes; and, (iv) Reducing Expenses.

It is the intent of the Neighborhood Council Budget Advocates to critically review our City's financial condition and to offer a new set of recommendations for solutions to our budget deficit problems. It is the belief of the Neighborhood Council Budget Advocates that the application of some or all of the proposals contained in this report can help save the city millions of dollars while avoiding the disruption of essential services to the residents of the city.

## II: EFFICIENCY RECOMMENDATIONS

In looking for ways to bring the City one step closer to closing the budget deficit, we looked at the processes and departmental structures that the city already has in place to determine whether alterations in the way these function could improve them to help increase efficiencies and possibly generate more revenue.

After consulting with various department heads and evaluating proposals from the controller, as well as relevant literature, the Neighborhood Council Budget Advocates have agreed on the need for the city to adopt the proposals listed below to improve the way city government functions and conducts business, so that redundancies and inefficiencies can be minimized.

- Support and implement in a timely way the audit recommendations of the City Controller.
  - Controller's Office estimates that there were thirty-eight completed audits in the last twelve months that have not been acted on by City Council, resulting in a loss of at least \$300 million.
- Mandate that businesses must maintain valid business permits and must pay for such permits in a timely manner or be subject to suspension and/or revocation.
  - Amend City Ordinance so that permits may be suspended or revoked by the city after 30 to 45 days of non-payment and hearings.
  - Create a Board of Permits and Licenses with representatives from CAO, Office of Finance, LAPD, PW, CA, DOT, and LAFD (EMS).
  - Combine hearing efforts of Office of Finance, City Attorney, and CID (LAPD).
  - Make revoked permits subject to ACE citation.
- Aggressively reduce primary and secondary collection periods for all licenses, permits, fees and fines. Although C.O.R.E. has recommended seven months for primary collections, we recommend a shorter collection period not to exceed 120 days.
- Implement portions of the *C.O.R.E. Blueprint for Change*, including, but not limited to:

- Research the value of creating the post of Inspector General for Revenue & Collection/Efficiency.
- Take immediate action on C.O.R.E.'s upcoming report with recommendations for reforming and fixing the problems of the Parking Occupancy Tax.
- Support a central billings and collection department that focuses on increasing efficiency and accountability.
- Require that all purchases of equipment and software citywide include all components necessary for proper operation, including those components required for maintenance and upgrades.<sup>1</sup>
  - Moreover, the city should invest in cost saving technologies such as:
    - New software/management system for Personnel Department's Workers Comp Division, which will replace an antiquated 1985 LINX system.<sup>2</sup>
- Institute strict management accountability.
  - Create a system that holds GM's directly responsible for reducing liability claims and employee civil suits in their departments.<sup>3</sup>
  - Establish or revise enforceable departmental measures and standards.
  - Support interdepartmental efficiency and flexibility using methods such as the CAO's "cluster group" plan to foster cooperation among departments.<sup>4</sup>
- Require the City to do an inventory of all unoccupied city owned property with the goal of moving city office/departments out of private rental properties and into city properties.

---

<sup>1</sup> An example of where this has not occurred is with the LAPD. GPS systems were purchased for squad cars but the required software to operate the GPS systems was not purchased, thus making the GPS systems inoperable.

<sup>2</sup> The cost of \$3.4 million to replace the aging software is expected to come from the Personnel Departments savings.

<sup>3</sup> The LAPPL estimates that \$20 million has been paid out to settle internal grievances.

<sup>4</sup> E.g. Increase communication and cooperation among BOSS, DWP, and DOT to manage projects.

### III. REVENUE GENERATORS

In addition to looking into areas where efficiencies could be improved, we looked into possible ways that the City can generate revenue to further narrow the budget deficit. While examining the City's current sources of revenue, we found some programs that could be expanded and propositions made by other City entities that can possibly create new sources of revenue.

The following are proposals that we have vetted and deliberated on after careful research and discussion:

- Implement the City Attorney's Administrative Code Enforcement (ACE).
- Hire properly qualified commercial parking lot operators to run the City's parking facilities.
- Enforce the current permit/fee structure for city owned and operated facilities such as parks, and implement a two-tiered fee system for many city services.<sup>5</sup>
- Improve support for business growth.
  - Expand tax relief incentives.
  - Encourage the occupancy of distressed or vacant commercial property for both large and small business owners.
  - Reactivate the Mayor's Business Development deputies. Encourage B.I.D.s to inventory all vacant ground level commercial space and target for infill.
- Support the CAO's efforts to study Los Angeles specific branding opportunities through LA, Inc.
- Immediately enact an ordinance to require veterinarians to check for proper licenses and sign-up appropriate animals for licensing.
- Create corporate sponsorship options to help support City services and maintain facilities in need.<sup>6</sup>
- Promote the "Shop L.A." campaign and recruit more corporate sponsors.

---

<sup>5</sup> The two-tiered system would be similar to the one currently in place in City Golf courses, which charges individuals different rates based on whether or not they are residents of the City of Los Angeles.

<sup>6</sup> An example would be implementing a program similar to "Adopt a Highway" to help pay for street repairs. Another example comes from Huntington Beach's \$6.7 million, twelve year agreement with a soft drink company to exclusively sell that company's product on city property. (Kopytoff, Verne G., "Now, Brought to You by Coke (or Pepsi): Your City Hall", New York Times, 1999)

#### IV. STRUCTURAL CHANGES

While the current economic climate coupled with the City's fiscal emergency requires swift financial responses on the part of elected officials, it also allows for elected officials to foster structural changes in its bureaucracy. In accommodating for structural changes, the City has a rare opportunity to implement programs that can cut bureaucratic redundancies that contribute to wastefulness, stagnation, and loss of potential business.

The following proposals are being made after careful consideration of how city departments function, recommendations by department heads, and examinations of overlapping roles among the City's departments:

- Consolidate all City police departments into one department under the leadership of the LAPD with a single Chief.<sup>7</sup>
- Merge departments that can easily be combined, achieving both cost reductions and efficiencies.<sup>8</sup>
- Minimize the impact of across the board budget cuts by considering a department's revenue generating potential.
- Implement ordinance changes to allow the City to sell services where feasible, including training services of the LAPD. In addition, any newly created revenue by any department should be reinvested into the department to enhance its services to the people of the City.
- Use best practices to measure all outputs of City provided services against outside contractor services; require city departments to bid against outside contractors.
- Document and enforce that all sales of City owned real property must be at documented market rate. Stop special treatment given to individuals who pay below market prices for property.
- Support, encourage, and promote the use of the Controller's "Whistle Blower Hotline".<sup>9</sup>

---

<sup>7</sup> Currently, the city has five separate police departments that report to different department heads. Having one single agency can help contribute to the safety of the city while lowering costs associated with having overlapping responsibilities. (Please add to this)

<sup>8</sup> An example is merging the Treasury and Office of Finance, and the possible merging of BOSS with DOT and Engineering.

<sup>9</sup> Consider a 'Whistle-Blower Protection Ordinance' which provides economic incentives and rewards to employees whose report of fraud, waste, or abuse yields demonstrable economic savings to the City.

## V. REDUCTION IN EXPENSES

The final set of recommendations comes as a result of the City's dire need to reduce its expenses. The single largest expense after payroll is its pension benefit obligation which now undermines its ability to sustain itself financially. The bulk of the changes identified below are related to the salary, pension and benefit programs that the City offers to its employees:

- Immediately create a Citizen Commission on Public Employee Pension and Benefit Review.
  - A citizen's Commission would provide a balanced review of this contentious and complex issue.
  - The composition should be comprised of objective experts from academia, business, city government and labor, as well as informed citizen representatives from the general public and Neighborhood Councils.
  - Begin work as soon as possible to assemble and analyze data from Los Angeles as well as other cities around the nation. Look for realistic solutions that may have been missed in the current negotiating climate.
- Vigorously pursue immediate employee concessions and policy changes such as:
  - The healthcare co-pay should be raised to \$20 (below market rate), thereby saving the city an additional \$1.75M. (\$20 co-pay results in \$3.5M savings.)<sup>10</sup>
  - Require current and retired employees to pay a reasonable market rate for dependent healthcare coverage.
  - Create Tier 2 for new civilian hires with recommendations contained in a resolution prepared by Councilmember Rosendahl.
  - Implement tiered cuts in salary for both sworn and civilian personnel to achieve a \$200 million reduction in payroll, not including pension and benefits. Suspend COLA adjustments as they should not be used to offset salary reductions.

---

<sup>10</sup> Raising the healthcare co-pay from \$10 to \$15 has already been negotiated, but an additional raise will save the City a considerable sum of money.

- Eliminate furloughs. When considering dramatic changes in employee compensation it is imperative that those changes result in financial sustainability that will not require more changes in the near future.
- Immediately pursue the possibility of shifting LACERS' administrative costs for city employees.
  - LACERS administration is not a core function of the City and should not be funded by taxpayers.
  - The nearly \$10 million of annual administration costs should be funded by a surcharge to LACERS beneficiaries.
  - If necessary, this change should be mandated by electoral process.
- Increase all employee pension contributions to 11%.
- Create a program in which potential law suits can be settled in the field by LAPD supervisors and /or managers, similar to the program utilized by LA County Sheriff Department.
- To increase transparency, all City Council districts should be required to report all income streams and detailed expenses in an online real time manner.

As representatives of the City's Neighborhood Councils, we wish to focus on and preserve city services. We also recognize that city employees are our friends and neighbors and wish to offer them job security and benefits.

## Neighborhood Council 2011-2012 Budget

Whereas the City of Los Angeles is in financial crisis

Whereas the Neighborhood Council System encompasses more than 1600 volunteers for the City

Whereas the Neighborhood Council System represents more than 4,000,000 constituents as prescribed by the City Charter,

Therefore, the Budget Advocates propose the following budget for Neighborhood Councils for fiscal year 2011-2012:

Item	2010	2011
Elections	\$1,900,000.00	\$ 800,000.00*
NC Funds	\$4,095,000.00	\$4,185,000.00**
Congress	000.00	\$20,000.00
Total	\$5,995,000.00	\$5,005,000.00

Net Savings: \$990,000.00 or \$ 10,645.16 per N.C., a 23.6% reduction per N.C.

### Roll Over Funds:

Policy: Roll over funds that are **allocated** but unspent ( No Demand Warrant yet issued) should remain with the neighborhood council. Any funds not allocated or spent should be used to hire additional support staff at DONE for the purpose of hiring a grant writer to supplement the NC funding system.

### Background:

In 2010, the City Clerk was allocated more than \$1,900,000.00 to fully run the NC elections. It was originally anticipated that the Clerks office would do all outreach as well as administer the elections.

In order to have the NC system participate in the reduction of the budget gap, it is proposed that each neighborhood council would administer its own election, with the help of the City Clerks office who would appoint one person as the independent election administrator at each election site. It is anticipated that the cost per election would not exceed \$1,500.00 per neighborhood council.

Each Neighborhood Council would be responsible to hold its own elections. A citywide system of ballots would be put into place, and a committee set up to formulate how the elections are to run and be administered.

In the 2011 budget, it is anticipated that the election costs would not exceed

\$ 800,000.00. The balance of the requested funds would be used to fund the charter mandated annual congress (20,000.00). It may be an additional recommendation to postpone elections to two years, to allow NCs to work with the city to develop a sustainable election system. This would save the city the \$800,000.00 recommended by this group above.

This represents a net savings to the City of \$ 990,000.00; a significant contribution that also empowers the NC system to take back and administer its own elections and to fully fund the charter mandated NC Congress.

In addition, in the past 12 months, the NC system has come to the table with:

- 1) By Laws Committee volunteers charged with working directly with NC's for By Laws issues
- 2) Peer Mentoring Committee: NC members whose charge is to work with NC's who have questions or issues within their councils, thereby supplementing DONE staff with peers.
- 3) Volunteer Committee: A committee of NC volunteers who will work with the NC's for their volunteer needs. In addition, the volunteer committee will be taking the lead in holding the 2011 Neighborhood Congress.
- 4) An election task force was assembled and recommendations are forthcoming to the City
- 5) Congress committee: Charged with organizing and implementing the 2011 NC Congress, as mandated by the Charter.
- 6) Volunteer treasurer committee working with DONE to ensure proper financial reporting and accountability by all NC's.
- 7) 70 percent of NC board members have complied with the ethics requirement (more than 250 percent increase over two years) demonstrating that NCs are being more accountable.

In addition, the NC's have worked together with BONC and the Department by:

Lobbying the Board Of Neighborhood Commissioners to create policy on the following items:

1. Financial oversight - NC Treasurers must present an up-to-date financial statement (including P-card expenditures) at each NC Board meeting for approval by the Board before reporting it to DONE. This removes the ability of a single individual to create and submit financial reports and makes the entire Board fiscally responsible. APPROVED

2. Bylaws - the creation of a city-wide Table of Contents to be used for all Neighborhood Council bylaws. This will make it easier for DONE and City Attorney review. APPROVED

3. Ethics - creating consequences if NC Board members fail to complete the mandated Ethics Training. If a Board member fails to complete the training within 60 days of being elected - they lose their right to vote until they get in compliance. APPROVED

4. Election Fundraising - if candidates for NC Board positions are allowed to fundraise for their campaigns, there must be guidelines for disclosure.

5. Grievances - the creation of a city-wide Grievance Procedure that all NCs will adhere to. It will create regional panels to hear grievances against NCs, rather than NCs being able to hear them in-house (which usually creates a conflict-of-interest situation).

6. Factual Basis Language - strategies to guide NCs on how to prevent Special Interests from using the current factual basis language to "take over" NCs by soliciting voters who don't have a real stake in the neighborhood. It's becoming known as the "buy-a-cup-of-coffee" rule.

In addition to the above, it is estimated that there is a volunteer pool supplementing, in many cases, city council office staff, working for the city for free, for a better quality of life.

Below is the estimate of number of volunteers and the hours estimated overall, along with a "Living Wage" calculation to show how many hours and how much labor is expended on behalf of the city, all at no cost to the city:

# Of Board Members: \_\_\_\_\_ 1800 \_\_\_\_\_

# Of Volunteers \_\_\_\_\_ 1200 \_\_\_\_\_

Estimated Hours per: \_\_\_\_\_ 10 month \_\_\_\_\_

Total Estimated Hours \_\_\_\_\_ 360000 \_\_\_\_\_

Living Wage per hour \_\_\_\_\_ \$ 11.55 \_\_\_\_\_

Total donated dollars \_\_\_\_\_ \$ 4,158,000.00 \_\_\_\_\_

Total Donated Dollars by median Wage of a city worker:  
\$24.00 per hour equals \$8,640,000.00\*\*

\*\* Does not include benefits and pension