

# Enterprise Solutions: A City of Disconnect



## FY2014-2015 Neighborhood Council Budget Advocate White Paper

April 7, 2014

After months of review, it is the consensus of the 2013-14 Neighborhood Council Budget Advocates (NCBAs) that although the Great Recession impeded revenue growth for the City of Los Angeles, our ongoing budget deficit issues are primarily the result of a wide ranging disconnect in policy decisions from economic and operational realities.

By placing a priority on the retention of staff and ongoing benefit increases, deferring conventional infrastructure maintenance, and not taking the opportunity to restructure organizationally and technologically, the city chose to respond to 21<sup>st</sup> century problems with a 20<sup>th</sup> century mentality.

The Information Age has introduced concepts such as bench marking, standards and best practices. We applaud the efforts of the Mayor's and Controller's Offices to gather and report performance measures, initiate performance based budgeting and demystify spending with Control Panel L.A. These are tools that will be required to begin to reverse disconnects of the past and piece together a smart, integrated and sustainable city.

The suggestions and recommendations that follow were distilled from interviews with various City of Los Angeles General Fund Departments and are limited to these departments. The appendices offer a more in-depth discussion of our conclusions and provide a basis for the recommendations made.

The areas of concern:

1. City Employees Direct Salaries

As noted above, salaries for City of Los Angeles employees are almost 95% of the total City budget, which does not compare favorably with the ratio of salaries to budget for any other large US City. Ten years ago, that ratio was 67.78% in Los Angeles. Salaries for City employees were raised 5% per year each year from 2008 to 2014 for a total of 35% for that time period.

Recommendation: the Budget Advocates recommend that there be no salary and COLA increases for city employees for the next 5 years. See Appendix 1.

2. Pension Reform and Employee Contributions

The financial condition of the City of Los Angeles Employees Retirement System ("LACERS") and the Los Angeles Fire and Police Pension System ("LAFPP") are presently the greatest threats to the short- and long-term financial health of our City and Los Angeles's future quality of life. This year, \$1,013 million - nearly 25% of Los Angeles's general fund budget - is allocated to the LACERS and LAFPP Funds alone for current and future pension benefits. This \$1,013 million allocation exceeds the combined budgets for city-wide Building and Safety, City Planning, City Attorney, LAFD, Bureau of Street Services and Bureau of Engineering. Despite claims that the city consistently meets its annual required contribution to both of the pension funds, the funds' unfunded liabilities have skyrocketed. We are now faced with addressing an \$11.5 billion burden, which equates to a liability \$3,000 for every man, woman, and child in the City of Los Angeles.

Recommendations

Any effective strategy to achieve sustainable reform must accept the reality that pension reform is among the most difficult political issues. The facts are complex, beneficiaries are well represented by effective advocates, the general public is largely uninformed and unengaged, and elected officials must make hard political choices. We propose a politically-sensitive, comprehensive program involving decision-making public officials, pension plan beneficiaries, community leaders, and the general public. Our recommendations begin with measures that we believe are easy for City leaders to implement and conclude with tougher suggestions (below are the 5 easiest recommendations, the tougher recommendations are in Appendix 2):

- a. Immediately form a Pension Reform Commission. Now is the time for Los Angeles to take the lead on pension reform. Around the country this issue has experienced roll-backs during the last year. We have seen voter initiatives over-ruled in courts in San Diego, San Francisco and San Jose. San Jose Mayor Chuck Reed appeared to have a progressive plan with the proposed Pension Reform Act of 2014; this initiative may not hit the state ballot until 2016, if at all.
  - b. Commit resources for a public education program on pension reform for taxpayers. Los Angeles should form a communication committee, and bring in public leaders to explain the issue to taxpayers. Similar to Mayor Garcetti's Budget Town Hall meetings, this could take the form of town hall meetings with outside experts, actuaries and City Council representatives that are open to the public, along with educational webinars.
  - c. Los Angeles (via the Mayor, the Controller, or some respected nonprofit entity), should set up a pension reform website with what-if calculators and interactive info-graphics to highlight the issues and benefits for both City employees and the general public. This may help generate grassroots support for reform.
  - d. The LACERS/LAFPP Boards need administrative reform. We ask that the Boards of Investment at both Funds be combined. The Budget Advocates have voiced this recommendation for several years and we endorse the City Controller's recent recommendation to combine the Boards.
  - e. We advise that the investment strategy for the Funds be allowed more flexibility to manage returns, yet maintain realistic assumptions. Los Angeles can save over \$10 million per year by shifting its current investments from high-cost, high-fee, money management firms or hedge funds to low-cost index funds that closely replicate broader stock and bond indexes. We believe that the Funds can shift their investments to reputable index funds which closely replicate the Funds' portfolio strategy for less than 25 basis points.
3. Updating, Repair and Replacement of Our Infrastructure

The Budget advocates are concerned about a ½ cent sales tax increase as it may place our City in a non-competitive position and may potentially max out the City's ability to raise sales taxes in an emergency. The accrual of \$7 to \$10 billion in deferred maintenance to City of Los Angeles infrastructure (streets, sidewalks, sewers, parks, buildings, and most critically, IT) has created \$250 to \$700 million in annual structural deficits. Appendix 3 provides background information.

#### 4. Health Care Costs

City of Los Angeles employees currently contribute on average less than 5% of their salaries to pay for healthcare benefits. On average, private sector employee contributes 22% or more to healthcare benefits. City Administrative Officer (CAO) Miguel Santana has called for all civilian non-sworn officers to contribute 10% of their salary towards healthcare benefits starting with the new fiscal year. This new contribution rate would save the City of Los Angeles \$22 million dollars per year.

The NCBA's support the CAO's recommendation. The 10% contribution must be incorporated into all new union contracts.

#### 5. Updating our information technology infrastructure

The concept of enterprise-wide planning has been proven necessary. Each of the City's departments operates programs that do not share data even within departments, which has created not only significant additional costs in back office time (much of which is spent on manual data transfers), but also leads to the stoppage of information and degradation of City services.

We recommend that an Enterprise Resource Planning (ERP) solution be created, to provide an integrated real-time view of core city processes, using a shared database. ERP systems can track resources (such as cash, raw materials, or production capacity), the status of commitments (orders, purchase orders, and payroll), and employee data, to name a few. ERP facilitates information flow between all city functions, and manages connections to other parties (such as City vendors).

Second, the City needs to use Enterprise Architecture to logically organize processes and IT infrastructure to reflect integration and standardized requirements of the city's operating model. This operating model is the desired state of process integration and standardization for delivering services. The Federal government recognized this fact. It is codified it as "the mission of an agency and describes the technology and information needed to perform that mission, along with descriptions of how the architecture of the organization should be changed in order to respond to changes in the mission". The City currently buys its IT products and hardware on an as-requested basis for a specific project without any thought of how any part will connect or serve the greater whole.

Enterprise resource planning (ERP) must be implemented to allow standards, best practices, and benchmarks to be set; communication between departments is critical to the success of any organization. In addition, long-deferred updating of equipment in every City department must be done. We also recommend that a bond measure is introduced to fund updating and maintaining the City's information technology infrastructure.

The Budget Advocates support the Inspector General's request for up to \$800,000 for IT upgrades for a centralized collections system.

6. Sustainability

Los Angeles is a world leader in sustainability in many different fields, but especially in the built environment. Sustainability efforts provide educated, well-paying jobs in an innovative industry. Last week, Mayor Garcetti announced that the U.S. Green Building Council will move its 2016 Greenbuild International Conference and Expo from San Diego to Los Angeles. This conference will bring 30,000 visitors from all sectors of the green building movement to our City. The mayor said "Our city is leading the way when it comes to making meaningful investments in a sustainable future... and the world is taking note."

The sustainability credentials of Los Angeles are impressive. Per the USGBC, Los Angeles is home to 268 LEED-certified commercial buildings, 1,431 LEED-certified residential units, and more municipal LEED-certified square footage than any other city. In addition, for the fifth year in a row, the EPA during 2013, ranked Los Angeles #1 with the most Energy Star certified buildings (528 buildings). Washington DC had 462 buildings, and third-place went to Chicago with 353 buildings. Energy Star certified buildings use an average of 35 percent less energy and are responsible for 35 percent fewer greenhouse gas emissions than average buildings.

We recommend that Los Angeles needs to connect more with building owners regarding sustainability. For example, other major cities (Chicago, New York and San Francisco) have recently required their commercial buildings to publicly disclose their energy use. Los Angeles needs to embrace this type of data collection and require all buildings to report their energy and water consumption, which will encourage further innovation and job creation in the cutting-edge fields of sustainability and environmental management. This program will ensure that Los Angeles remains the leader in sustainability and green technology.

7. Creating a fair and efficient system of contracts with City vendors

The City of Los Angeles should implement a fair and efficient system of vendor selection and awarding contracts. The first part of this is to have a single contract for a service or product that the City buys in bulk (such as cell phones or toner cartridges) to leverage spending. Currently each City department typically makes these purchases independently. This does not allow the City to achieve cost savings for purchasing in volume. The added benefit for single source contracting would be better oversight and tracking of the actual usage and billing.

The City of Los Angeles should allow the public to see and use the City's Business Assistance Virtual Network, on which all City RFP's are posted. Currently only City approved companies (not individuals) may register and use the site. There should be a process put into place that allows smaller companies to be authorized by the City to provide services for smaller scale projects. For low dollar cost minor projects we should not require a small business to spend thousands of dollars in fees or man-hours in an attempt to comply with regulations that are applicable for multi-million dollar projects.

This item cannot be fully implemented correctly without implementing item #5.

8. Living within our means

To save the City of Los Angeles from insolvency, our City Council needs to place on the ballot a charter amendment that will require the City of Los Angeles to live within its means. This would mandate that the City develop and adhere to a Five Year Financial Plan, pass two-year balanced budgets based on Generally Accepted Accounting Principles (GAAP), and over the next fifteen years, fix our streets and the rest of our infrastructure and fully fund our pension plans.

#### 9. Efficient collections

The budget advocates support creating a central collection agency instituting the Administrative Code Enhancement (ACE) program fully as well as reviewing and updating LAFD medical billing procedures (see Appendix 9).

#### 10. Volunteerism

Each year thousands of stakeholders within the City offer their support and services to the City free of charge as volunteers. Many are professionals or people with special skills, but there are also score of people that would be happy to provide low-skilled labor or learn to provide a higher level of service. Many Angelinos see that their City is struggling under financial drains and a shortage of resources. They want to help, yet their offers languish unanswered. We have been told that union opposition is the cause, that there is a lack of manpower to process LAPD reserve officer applications, that Animal Control cannot offer appropriate training for the animal control reserve volunteers. Neighborhood Councils allocated \$27,000 of their fiscal budget for that training, which remains unspent. The Council 4 Councils (C4C) mentorship program's offer to help struggling Neighborhood Councils with training for governing remains blocked because of union opposition

We recommend that the City Council and the Mayor encourage volunteerism in our City by requiring all departments to support any such efforts and use the free labor offered to the City.

#### 11. DONE

DONE operations will be severely hampered if the following recommendations are not fulfilled:

Policy Team - one Project Coordinator to create and oversee the new Grievance Policy that the Department is to administer per ordinance. Without this person, we will not have the capacity to create this long awaited and needed grievance system. Within this budget package was the \$20,000 request for Congress and Budget Advocates as well.

Outreach Team - the Department has started partnerships with Nextdoor and NationBuilder this year with the additional staffing and funds for the election outreach. To continue outreach in non-election years, we will need funds and staffing. Specifically, we requested 2 Project Assistants and \$185,000 in outreach funds to hire a PR firm to conduct outreach for Neighborhood Councils next year.

#### 12. Fully implementing performance-based budgeting

The Budget Advocates recommend implementing by budget fiscal year 2015-2016. See Appendix 12 for supporting information.

### 13. Increasing business and creating new jobs

Los Angeles' major industries are entertainment, tourism and technology. New York is offering 10 years of local tax-free existence to new companies in specified areas. Texas runs ads in California boasting how much more business friendly they are.

We support Mayor Garcetti's recent suggestions to decrease or eliminate the business tax to attract new business to L.A. and encourage current businesses to remain in L.A. See Appendix 13 for supporting information.

### 14. Increased civilianization of LAPD and LAFD administrative and managerial positions

The Budget Advocates support the increased civilianization of the Los Angeles Fire Department and Los Angeles Police Department as discussed in the March 4, 2014 PA Consulting Report, Fire Department Deployment of Resources Study.

Increased civilianization will allow these departments to take advantage of skill sets not available, allow more sworn officers to be on duty, increase operating efficiency and response times, and save money.

### Putting the Pieces Together

We have identified areas of structural, physical and technological disconnects. As Mayor Garcetti stated in his inaugural address "These times demand a "back to basics" approach focused above all else on our economy and jobs". With an improved economy we can move from reactionary to thoughtful decision making. This year's budget provides the Mayor, City Council and all Angelenos with the opportunity to begin to piece together solutions that can set the City on a new course to restore our place as a beacon to the world.

***Respectfully Submitted By the 2014 Neighborhood Council Budget Advocates***

**The NCBA's look forward to working further to addressing and solving these financial challenges problem in continuing discussions with the Mayor, City Council, Council Committees, CAO, CLA and other key officials.**

	<b>Neighborhood Council</b>
Buashie Amatokwu	EC Southwest
Darlene Atkins	Voices of 90037
Pamela Bolin	Northridge West
Scott Bytof	Downtown Los Angeles
Nelson A. Castillo	Westlake South
Gloria Castro	Historic Highland Park
Harvey Goldberg	Tarzana
Craig Goldfarb	Northwest San Pedro
Terrence Gomes	South Robertson
Jay Handal	West Los Angeles
William (Lance) Hilliard	Winnetka
Jeanette Hopp	Van Nuys
Hector Huezo	Historic Highland Park
Jack Humphreville	Greater Wilshire
Joan Jacobs	Harbor Gateway North
Thomas Johnson	NorthridgeWest
Travis Kasper	Downtown Los Angeles
Howard M. Katchen	Sherman Oaks
Danielle Lafayette	Emp. Congress West Area
Matthew Lazansky	Mid City West
Linda Lee	Central Hollywood
Lana McLeod	Emp. Congress Central Area
Kali Merideth	Central San Pedro
Erick Morales	Mid City
Edmund Novy	Sunland-Tujunga
Brandon Pender	Studio City
Edwin Ramirez	Pacoima
Ronee Reece	Rampart Village
Susan Reimers	Greater Echo Park Elysian
Barbara Ringuette	Silver Lake
Marcello Robinson	Westwood
Olivia Rubio	Boyle Heights
Krisna Velasco	Granada Hills S
Janine Watkins	Watts
Greg Wilkinson	Panorama City
Daniel Wiseman	Van Nuys
Joanne Yvanek-Garb	West Hills

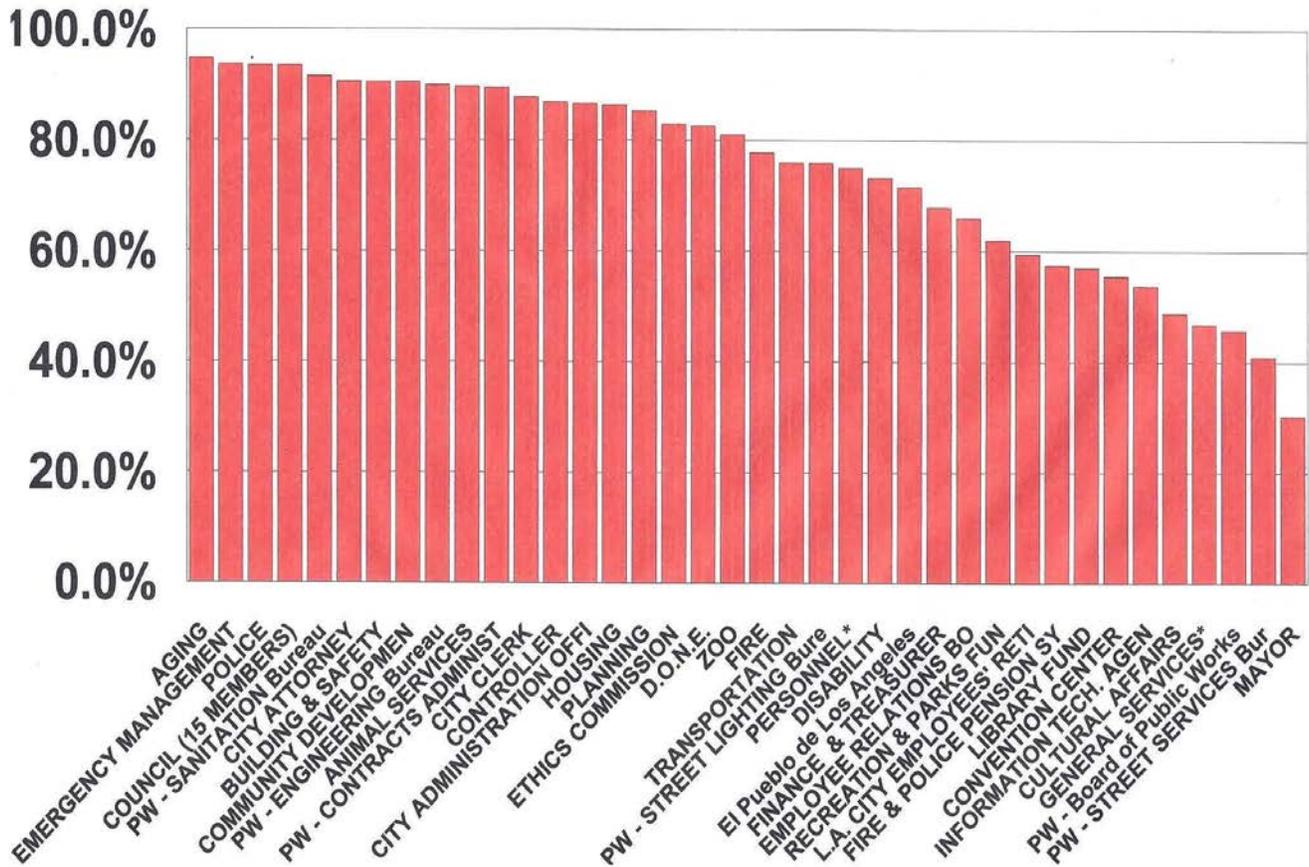
Appendix 1  
City Employee Direct Salaries

Every two weeks, the City Controller writes the checks to pay the City's bills. Ten years ago, employee compensation (direct salaries, health & dental, contributions to L.A.C.E.R.S. and the Fire and Police Pension Plans) were about 70% of the General Fund. In FY2012-2013, an amount equal to 95% of the General Fund went to pay the "total compensation" of our City's employees. Are our City employees earning their pay? Are they paid too much or too little in comparison to DWP employees? Compared to employees in the general public? Where are the reports that answer these questions? See performance-based budgeting.

We believe that the upcoming labor negotiations must hold these costs stable for at least 3 to 5 years if the City is to eliminate or even decrease its structural deficit.

	FY2003-2004	FY2004-2005	FY2009-2010	FY2010-2011	FY2011-2012	FY2012-2013
<b>Direct Salaries</b>	\$2,366,622	\$2,421,626	\$2,950,365	\$2,729,061	\$2,770,051	\$2,823,989
<b>Dental and Health Care Benefits (Active Employees)</b>	\$520,657	\$532,758	\$367,024	\$744,044	\$719,975	\$667,628
<b>Contributions to the Fire and Police Pension System</b>	\$97,466	\$135,854	\$250,517	\$277,092	\$321,593	\$375,448
<b>Contributions to the F&amp;Pps Health Care</b>	\$38,737	\$31,542	\$106,648	\$111,684	\$122,972	\$132,939
<b>Contributions to the L.A.C.E.R.S. Pensions</b>	\$120,057	\$175,947	\$266,240	\$306,737	\$308,712	\$346,350
<b>Contributions to the L.A.C.E.R.S. Health Care</b>	\$20,144	\$53,190	\$96,511	\$107,396	\$115,209	\$72,916
<b>Total Compensation</b>	<b>\$3,163,683</b>	<b>\$3,350,917</b>	<b>\$4,037,305</b>	<b>\$4,276,014</b>	<b>\$4,358,512</b>	<b>\$4,419,270</b>
<b>Total General Fund</b>	<b>\$4,667,233</b>	<b>\$4,667,233</b>	<b>\$4,415,491</b>	<b>\$4,297,032</b>	<b>\$4,389,244</b>	<b>\$4,667,233</b>
<b>Employee Costs As A Percentage Of The General Fund</b>	<b>67.78%</b>	<b>71.80%</b>	<b>91.44%</b>	<b>99.51%</b>	<b>99.30%</b>	<b>94.69%</b>

**Salaries as Per Cent of Total Direct Costs (Allocation)**  
 The "AVERAGE" Per Cent for ALL of the City's 31,971 Employee's is 78.9%



## Appendix 2 Pension Reform and Employee Contributions

### **Recommendations**

Any effective strategy to achieve sustainable reform must accept the reality that pension reform is among the most difficult political issues. The facts are complex, beneficiaries are well represented by effective advocates, the general public is largely uninformed and unengaged, and elected officials must make hard political choices. We propose a politically-sensitive, comprehensive program involving decision-making public officials, pension plan beneficiaries, community leaders, and the general public. Our recommendations begin with measures that we believe are easy for City leaders to implement and conclude with tougher suggestions:

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- b. Commit resources for a public education program on pension reform for taxpayers. Los Angeles should form a communication committee, and bring in public leaders to explain the issue to taxpayers. Similar to Mayor Garcetti's Budget Town Hall meetings, this could take the form of town hall meetings with outside experts, actuaries and City Council representatives that are open to the public, along with educational webinars.
- c. Los Angeles (via the Mayor, the Controller, or some respected nonprofit entity), should set up a pension reform website with what-if calculators and interactive info-graphics to highlight the issues and benefits for both City employees and the general public. This may help generate grassroots support for reform.
- d. The LACERS/LAFPP Boards need administrative reform. We ask that the Boards of Investment at both Funds be combined. The Budget Advocates have voiced this recommendation for several years and we endorse the City Controller's recent recommendation to combine the Boards.
- e. We advise that the investment strategy for the Funds be allowed more flexibility to manage returns, yet maintain realistic assumptions. Los Angeles can save over \$10 million per year by shifting its current investments from high-cost, high-fee, money management firms or hedge funds to low-cost index funds that closely replicate broader stock and bond indexes. We believe that the Funds can shift their investments to reputable index funds which closely replicate the Funds' portfolio strategy for less than 25 basis points.
- f. Freeze the current defined benefit (DB) plan. Current retirees would continue to receive benefits under the plan. Any employee within 5 years of retirement would have the choice to stay in the DB plan and receive benefits upon retirement or to have the same choices as active employees outlined in point 3 below;
- g. Create a new defined-contribution (DC) plan for existing employees and all new employees. All future retirement benefits would be through the DC plan. The employer contribution

amounts would have a maximum of the current Tier 2 rates and could be structured as a guaranteed amount and/or employee match;

- h. Active employees would have a choice of what to do with their earned DB benefits. This benefit would be calculated based on the employee's payroll contribution and the city's contribution for the years worked, credited with a moderate investment return rate. We would offer them the option of (a) converting their benefits to a deferred annuity, which would be payable upon retirement; or (b) convert their benefits to a cash amount that would be transferred to the new DC plan;
- i. The single most important reform for reducing the Funds' current unfunded liabilities is capping COLA at 1.5%. We estimate this will reduce the unfunded liabilities by about \$2.4 billion! The current practice of 3%-5% annual COLAs are, in our opinion, financially unsustainable. In contrast, U.S. Military pensioners receive a COLA of "Inflation minus 1%" on their pensions until they reach the age of 62, and then receive a COLA equal to the rate of inflation. Depending on the age of the retiree and the size of the retiree's benefit, COLAs should be varied. Older retirees with a smaller pension benefit should receive the maximum COLA available. Retirees with a pension in excess of \$80,000 per year should receive the smallest annual COLA. The youngest retirees retire in their 40s and 50s and possess who have 10-20+ working years available in their careers should also receive small COLAs. A "lowest" COLA, for example, might be the annual prevailing inflation rate minus a fixed percentage of 1.5% or 2%.

## **Conclusion**

The NCBA's have presented what we believe are principled and fair solutions that preserve financial peace of mind of retirees, limits the burden of taxpayers, and repositions the City of Los Angeles's finances for success. At the heart of our reforms is modernizing the system of retirement benefits provided to our family of city workers, our police and our firemen. To put it mildly, the first cities to truly face the full brunt of their pension problems, such as Detroit and Stockton (California), have not fared well. Los Angeles must take a different path to preserve our quality of life, which will fuel future economic growth.

### Appendix 3 Updating, Repair and Replacement of our Infrastructure

The Budget Advocates have serious reservations about the 15 year, half cent increase in our sales tax to 9.5% that will finance on a pay as you go basis the \$4.5 billion repair of our failed streets and only 40% of broken sidewalks.

This regressive tax that will average \$300 million per year will hit lower and middle income families disproportionately at the same time DWP is increasing its rates and the federal, state, and County are considering increases in transportation and gas taxes that will cost Angelenos over \$1.25 billion.

The increase in the sales tax to one of the highest levels in the County and State will also have an adverse impact on our economy and retailers, hindering job creation in our City.

A better plan would be for the City to finance the program with long term bonds serviced by the City's General Fund. The source of these funds would be the excess revenue generated by the 20% tax on DWP Power System revenues over and above what is already projected.

The proposed plan does not address the maintenance of our streets and the reconstruction of 350 miles of alleys. It does not consider any of the street plans proposed by the environmental community and city planners.

There are also questions about whether the City has the management team or organizational structure to make sure that the largest infrastructure project in the City's history comes in on time and on budget.

The proposed level of oversight is lacking independence and expertise and does not have the ability to take corrective actions to problems as they arise.

The Street Tax will be a divisive issue. The prospects of receiving two-thirds of the vote is unlikely, especially given that voters do not trust City Hall and that 55% of the voters rejected Proposition A in March 2013.

Appendix 9  
Efficient Collections

The City maintained its revenues stream for the last 5 years by increasing the charges for licenses, fees, fines and permits (especially, the onerous increases in street parking fees). The one-quarter percent increase in the sales tax rate only prevented the decreases in sales during the Great Recession.

The City is failing to fairly bill for its services and has great variations in collections between the departments.

#1. The City Controller estimated \$452 million in old, uncollected accounts receivable (AR). The Commission on Revenue Enhancement (CORE) estimated a gross \$ 271 million in old uncollected AR. The Inspector General has estimated that \$79 million in current or “annual” AR might be recovered (most of this in the DOT parking citations and LAFD Emergency Medical Services (EMS) with another \$10 to \$20 million in other potential collections, each year). These amounts are not comparable. They represent different types of “receivables.”

At present, it takes about two years (for a debtor to “exhaust their administrative options”) before the Office of Finance can begin a vigorous collection process. The reports of the Office of Finance confirm the wide gap between billings and receipts and the inefficiency of our collections processing.

#2. For several years, the NCBA's have supported establishing the Administrative Code Enhancement (ACE) program with Community Courts to help the City Attorney's office able to quickly, efficiently and effectively resolve thousands of minor offenses. We do so, again.

#3. Last years' NCBA white paper spoke of discrepancies in ambulance transport values; between the City's costs (\$1,400 per transport), the payments provided by private insurance companies (~ \$ 1,000), the federal-state payments for Medi-Care patients (\$ 400) and the federal-state payments for Medi-Cal patients (\$ 120). The LAFD-EMS (Emergency Medical Services) has made little or no effort to recover better and more consistent compensation for these ambulance transports. LAFD bills only when there is an ambulance transport and makes no attempt to bill or collect for the significant amount of medical services, often life-saving care, given to patients, at the scene, by parameds and emergency medical technicians (EMTs).

**Examples of MEDICAL SERVICES provided by LAPD-EMS**

EXAM – 1	C-P-R, BASIC LIFE SUPPORT (BCLS)
EXAM – 2	C-P-R, ADVANCED LIFE SUPPORT (ACLS)
EXAM – 3	Defibrillation
EXAM – 4	IV MEDS – Nitroprusside
EKG Tracing	IV MEDS – Atopine
EKG Monitor ("hours" - minimum one)	IV MEDS - Decadron, Solu-Medrol
Oxygen – by nasal canula or mask	IV MEDS – Albumen
EPINEPHRINE Injection	IV MEDS -
GLUCAGON injection	ET placement
IV Placement and...	ET management
IV FLUIDS – Normal Saline, D5W, D5Lactate, etc.	BAG-MASK Ventilation
IV FLUIDS - Ringer's Lactate	BAG-ET Tube Ventilation
ORAL MED – Nitroglycerine	Neck Collar
ORAL MED – ASA	Immobilization (board)
Clean a wound	Splint extremity
Febrile measures (bath, cold towels, etc.)	

**ESTIMATES FOR UNBILLED LAFD-EMS  
 MEDICAL SERVICES**

NOT TRANSPORTED		TRANSPORTED			TOTAL
127,827		195,827			316,866
SERVICE LEVEL #1	SERVICE LEVEL #2	SERVICE LEVEL #3	SERVICE LEVEL #4	SERVICE LEVEL #5	
Basic exam or patient refused care or patient released at the scene.	Basic exam, no treatment or simple treatment (e.g. wound care) or patient released at the scene	General exam, patient worried, simple treatment transported for further evaluation	General exam, with or w/o treatment at the scene, patient transported for hospital admission	Crash exam, major trauma or Serious Illness, BCLS or ACLS given and/or Code 3 transport	1. 868 per day or 32 per hour from 106 Fire Stations  2. How much is a life worth? Your life?
10.0%	90.0%	65.0%	25.0%	10.0%	
12,783	115,044	127,288	48,957	19,583	<-- NUMBER OF CASES
\$50	\$100	\$200	\$300	\$500	<-- CHARGE per CASE (nominal)
<b>\$639,150</b>	<b>\$11,504,400</b>	<b>\$25,457,510</b>	<b>\$14,687,025</b>	<b>\$9,791,350</b>	<b>\$62,079,435</b>

The NCBA's support the Inspector General's recommendation that the City create a Central Collections Agency that will unify, expedite and regulate the Collection Processes and relieve the Departments from these "non-Mission" responsibilities.

## Appendix 12 Performance Based Budgeting

Past budgets have been limited by item-based budgeting concepts, that is; “How many people can we afford to hire?” This is understandable when we look at area of concern #1 but it does not help the city plan for the future.

Performance-based budgeting concepts were introduced to the City in October 2011 by then – Controller Wendy Greuel and beautifully defined by Councilmember Englander. All the departments were asked to collect and report “metrics” for their activities but, even now, Councilmember Blumenfeld speaks of performance-informed budgeting; a backward-looking concept. The Bureau of Street Services has been operating using performance-based budgeting for 10 years. They are an example for all the other departments.

With the change to performance-based budgeting, the City can move to use:

1. Workload Analysis -- to determine how much City Service needs to be delivered.
2. Cost/Benefit Analysis -- to define the costs and set guidelines for efficiency.
3. Delivery of Service -- to test consumer satisfaction.

Obviously, this change in philosophy and attitude is dependent on state-of-the-art and competent Information Technology (AREA OF CONCERN #4) and, to the credit of the Mayor, City Controller, City Attorney and City Council, we are seeing major changes in outreach to the Public:

1. Multiple meetings throughout the City to sample public sentiment and commen
2. Publication of real-time data by the Mayor and City Controller.
3. Multiple new groups and offices that focus, process and report on financial issues (the NCs and the NC Budget Advocates, the DWP Ratepayer’s Advocate, the CAO-based Inspector General and the LA2020 Commission, etc.)

## Appendix 13

The elimination of the Community Redevelopment Act of the City of Los Angeles, California (CRA/LA) left the city without ready access to many economic development and finance in tools that are necessary to revitalize communities, generate economic growth and development, expand the job base within the city and increase City revenues. The Council adopted and the Mayor concurred with various recommendations to establish a new Economic Development Department (EDD). A Request for Proposal (RFP) was to be submitted, creating a City wide Economic Development Non-profit (EDNP) to provide economic development services on behalf of the City. The RFP identified five areas of services requested to be performed by an EDNP. The five areas are strategic planning and policy development, Business attraction and Retention, Economic Development Property Assets Management, Economic Development Transaction Services and Financing, and Workforce and Business Development. Of critical importance to the City, the ENDP will be requested to assist the EWDD in the development and preparation of a Citywide Economic Development Strategic Plan. Economic and Workforce Development Department has been established and assigned General Manager Jan Perry, the Economic Development Non Profit has not yet been established. EWDD has consolidated the City's Economic development into one department employing over one hundred and eighty employees.

>**Smart Negotiating** - 5% raises every year from 2008 through 2013 for the city workforce were negotiated because leadership thought property values would keep increasing. Upcoming union negotiations should be smarter than past negotiations by factoring in economic conditions. By being steadfast during upcoming negotiations and implementing smart policies to account for down economic times, the City of Los Angeles has the ability to send clear messages to the outside business world that Los Angeles is a smart and fair place to do business.

>**Economic and Workforce Development Department** - The EWDD should be the bedrock on which Los Angeles builds. With the elimination of the CRA Los Angeles has a clean slate on which to build and grow the local economy. High priority and extra focus should be given to grow, shape, and mature the EWDD to give Los Angeles the fighting chance to compete in an ever-increasing global economy.

>**Collaboration** - Avoid competition among Los Angeles's neighbors. The EWDD should have one dedicated personnel that coordinates with our neighbors (Beverly Hills, Santa Monica, etc) to increase tourism and highlight the benefits of traveling to our region. Increased visitors will create a larger demand for tourism-related jobs. Beginning collaboration efforts for tourism attraction with our neighbors can lay the foundation and be a benchmark for future collaboration efforts in other mutually beneficial industries.

>**Grant-writing Department** – In 2013 California received \$364.9 million in federal grants\*, to which Los Angeles only received 0.36%, \$1.3m\*\*. In 2012 California received \$864 million in federal grants\*, to which Los Angeles only received 0.09%, \$791K\*\*. EWDD should create a new grant-writing department staffed with three professional grant writers paid at national averages coupled with a success bonus structure. This is a low-cost solution to alternative revenue generation.

\* <http://www.usaspending.gov/> \*\* <https://controllerdata.lacity.org>

>**2015 Proclamation** - Announce a plan to attract one new fortune five hundred company to Los Angeles by 2015.

>**Green Tape Initiative (GTI)** – "Los Angeles is an unfriendly place to conduct business," is often a recurring theme, citing red tape and high taxes as top reasons. To combat this negative brand, focus should be given to the red tape, as lowering the business tax is an overly suggested/used argument with no real momentum.

The Green Tape Initiative (GTI) is an additional step to simple solutions, like consolidating departments, which would hold city departments more accountable. The GTI would set acceptable time parameters for project approvals, business licenses and permits, and other important needed elements for a business to run, start, maintain, and operate in Los Angeles. The best way to explain is with a simple hypothetical:

A new restaurant would like to serve beer and wine adding allure to its outdoor dining. A new modern restaurant can revitalize an area, increase foot traffic, and improve surrounding businesses. The GTI would set an acceptable amount of time (7 months or less) for securing a beer and wine license in Los Angeles and an unacceptable amount of time (12 months or more). In addition, a sliding scale would be created to pro-rate a discount to the business owner between months 7 and 12 - against the costs of obtaining the license. If the total cost were \$10,000 to be paid by the business owner, then the GTI policy would dictate: If a department fails to efficiently process business needs in an acceptable time frame, then the sliding scale pro-rated discount to the business will be paid for out of the department's budget.

Month	Business Cost	Department/s Cost
1-7	\$10,000	\$0
8	\$9,500	\$500
9	\$8,750	\$1,250
10	\$6,875	\$3,125
11	\$2,185	\$7,815
12	\$0	\$10,000

The GTI is designed to make departments accountable for processing time. The challenges with such a policy is determining what are acceptable time frames, where responsibility lies during processing, and how to prevent departments from simply budgeting expected losses into the next year's budget. However, despite the challenges, making the general public aware that Los Angeles is having this conversation can start to shift the negative brand of an unfriendly business climate to one that is looking to make real improvements for the business community.

>**International Division** – Foreign direct investment (FDI) brings in capital, technical know-how, organizational and managerial practices, marketing strategies, and new global networks. EWDD should create an international division focused on attracting FDI that works directly with the international team in the Mayor's office.

>**FDI Fund** – City government can play a larger role in attracting both domestic and international companies to open new offices in Los Angeles by providing incentives. An FDI fund run by the

EWDD can include direct capital subsidies, subsidized loans, or dedicated infrastructure. It's time Los Angeles stops simply relying on weather alone to attract new business.

>**Clean-tech Corridor** – Invest heavily time and money, into the continued efforts to brand Los Angeles as the premier destination of green technology innovation and renewable jobs. Renewable Portfolio Standards (RPS) for California are 33% by 2020, with the rest of the United States following suit passing similar legislation, thus creating and growing the clean tech industry. The business community can go to Silicon Valley if they want to create apps, but will flock to Los Angeles for the Clean-Tech revolution with proper support from city leadership.

>**WorkSource** – \$9,015,701 was authorized and allocated in program year 2013-2014 Workforce Investment Act (WIA) reserved grant funds for existing WorkSource Center Operators. The City of Los Angeles Workforce Investment Board (WIB) approved the allocation of these grant funds. The EWDD anticipates that the selected WorkSource Centers will be strategically located in the areas of the City having the highest concentrations of poverty; having the greatest number of long-term unemployed individuals; and having the lowest educational attainment rates. Refocuses the WorkSource Development System (WDS) on developing Career pathways opportunities in high-demand employment sectors moving to living wage employment. The department agreed to Increase service levels for vulnerable populations (e.g., Returning Veterans; individuals with disabilities, English language learners; individuals experiencing homelessness; Mature/Older Workers; and ex-offenders) by mandating minimum service levels. **We recommend adding recent College graduates; individuals living below poverty level to the list of vulnerable populations.** This will by far cause sustainability by giving these individual the experience and resources needed.

## List of Neighborhood Council Budget Advocate Recommendations

Over the years a number of our suggestions and recommendations have found fallow ground: The Los Angeles Inspector General included 22 of our recommendations in his report. Los Angeles 2020 listed 18 of our recommendations. Lists of the NCBA recommendations made over the past three years follow.

### 2010-2011

- 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.
  - 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.
- Institute strict management accountability.
  - Create a system that holds GM's directly responsible for reducing liability claims and employee civil suits in their departments.
  - 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.
- 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.
- Implement the City Attorney's Administrative Code Enforcement (ACE).
- Hire properly qualified commercial parking lot operators to run the City's parking facilities.

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- 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.
- 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.
- Promote the "Shop L.A." campaign and recruit more corporate sponsors.
- Consolidate all City police departments into one department under the leadership of the LAPD with a single Chief.
- Merge departments that can easily be combined, achieving both cost reductions and efficiencies.
- 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".
- 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.)
  - 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.
  - 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.

### **2011-2012**

1. Declare a Fiscal Emergency for the City of Los Angeles thereby allowing the Mayor to invoke a one-year salary reduction in order to close the deficit.
2. Require the City to develop a five-year strategic operational and financial plan mandating multi-year balanced budgets based on Generally Accepted Accounting Principles that provides full funding for our infrastructure and pensions.
3. The City's prime priority is to control employee costs focusing on current and future employee compensation, benefits packages, pension contributions and worker's compensation.
4. Engage in real pension plan reform starting with raising the retirement age from 55 to 65 or 67
5. Investigate the replacement of the gross receipts tax with well-defined offsetting income.
6. Reach more specific definition of the City's "Core Services." Search for cost-effective Departmental consolidations. Reduce all expenditures for all "non-Core Services."
7. Implement Performance-based Budgeting which will quantitate the workloads necessary for each Department to fulfill its mission ... with parameters which are compatible across all departments and, once subjected to cost-benefit analysis, these data can be used to allocate the City's personnel, equipment, supplies and funds.
8. Define, describe and fund a 21st century, comprehensive information technology system (data collection, data storage & data processing) which will consistently document and improve the services of all City departments and enhance City government-public interaction. All systems analyses must integrate the programs involved with the expertise, staffing, hardware and software necessary to operate them.
9. Implement a public-private partnership for the Zoo and negotiate either public-private partnerships or more efficient management contracts for the Convention Center, the parking facilities, the golf courses, the animal shelters and other City facilities while expanding the definition of "partnerships" to include municipal sponsorships to bringing in corporate money and offering support to local non-profits working in the field on quality of life issues.
10. Recover the costs of judgments, settlements and contingent liabilities from the responsible department.
11. Promptly review and implement the unfulfilled recommendations in the Controller's audits,
12. Implement the Commission on Revenue Enhancement (CORE) recommendations! including (but not limited to) the newly established office of Inspector General.
13. Implement a comprehensive, efficient and effective Central Billing/Collections program which serves all City Departments.
14. Partner with international government non-profits as incubators of new small businesses.

15. Revert all (100%) of currently "split" funds from the sale of City-owned property, the oil franchise income, the street furniture funds, etc. to the General Fund.
16. Return DOT Parking Enforcement and Traffic Control activities to LAPD, if cost-effective.
17. Review the City's hiring policies ... currently under a "Managed Hiring" plan ... to assure that the City secures qualified personnel in all positions.
18. Fund new civilian hires with savings derived from a one-year (only) closure of the Police Training Academy in order to redeploy jailers and administrative staff LAPD officers.
19. Authorize private sector veterinarians to issue and collect dog license fees.
20. Reestablish and fund the 50-50% Sidewalk Repair Program and consider funding similar programs for tree trimming, pot holes, etc.
21. Bolster the Neighborhood Council System by bringing in a foundation as a partner, providing additional financial and training support and reinstate NCs to full \$50,000/year funding.

### **2012-2013**

1. Negotiate City's (Active) Employees vacate FY 2013-2014 5% salary increases and modify future Cost-of-Living-Adjustments (COLAs) to be based on the Los Angeles Consumer Price Index (LA C.P.I.) ‘
2. Conduct a review of wage scales and withhold COLAs for overpaid employees
3. Require the managerial/executive staff take a 10% cut in their base salary
4. Review and reform LAPD and LAFD policies/practices for prevention/management of :
  1. Officer-related personal injury, wrongful death and property damage claims
  2. Inter-departmental harassment, discrimination and retaliation claims
  3. Workers' compensation claims
5. Reject the Bureau of Sanitation's (SAN) exclusive trash franchises proposal and implement a non-exclusive system
6. Start billing Medi-Care, Medi-Cal, insurance companies and transportees for medical services delivered by our paramedics and EMTs
7. Renegotiate, bill and receive adequate payment for LAFD-EMS ambulance transports
8. Implement an administrative citation enforcement (ACE) program
9. Consider the City Attorney's requests to stop furloughing City Attorneys and to allow the hiring of much-needed attorneys
10. Systematic review of City licenses and permits
11. Support investment in cultural tourism through DCA and Metro
12. Restore the annual NC allocation to \$50,000
13. Approve and fund the scheduled 2014 NC elections
14. Restore DONE funding – Approve the expanded FY 2013-2014 DONE budget
15. Repair, replace, install and maintain a world class City infrastructure
16. Institute performance-based budgeting in all departments
17. Draft a charter amendment which requires the City “lives within its means” and that the City annually reviews and updates a 5-year budget plan