



Budget Advocate Report to the Neighborhood Councils January 2021

The City's Budget Challenge

The City is facing a "budget challenge" of \$675 million according to the City Administrative Officer's Second Financial Status Report as a result of a projected revenue shortfall of \$600 million (vs. budget) and the need to repay a \$75 million loan to the Public Work Trust Fund that was used to pay for Covid-related expenses.

This does not include \$129 million of overspending due to the failure to implement budgeted furloughs for civilian employees and Covid-19 related expenses. The CAO also indicated that "revenues tied to tourism, services, parking and retail are at risk of further decline."

To eliminate this budget gap, the CAO has recommended a number of solutions including tapping the Reserve and Budget Stabilization Funds for \$259 million and relying on \$150 million of deficit financing, a sure sign of desperation. The City is also relying on non-layoff budget reductions of \$103 million, and \$69 million in reimbursements for Covid-related expenses.

To cover the \$94 million remaining is more problematic because it involves negotiating with the City's politically powerful labor unions for both civilian and sworn employees. The City is exploring labor concessions that will save \$49 million through additional furloughs and the deferral of raises for both civilian and sworn employees.

The CAO also recommended laying off 1,894 employees including LAPD (951 officers and 728 civilian employees), Animal Services (45), the City Attorney (143), and the Bureau of Engineering (27). This would save \$45 million. (In determining this amount, the CAO assumed there would be only three months of savings because of the extended timeframe to negotiate and process the layoffs.)

But the City Council did not agree with the CAO's recommendation to axe the 1,679 LAPD employees because of concerns for public safety and pushback from the Chief and the union. Rather, it accepted the Police Department's proposal to layoff only 628 employees, including 355 officers. The City Council did not identify any source for alternative savings.

2021-22 Budget Deficit

When trying to eliminate this year's budget gap of \$675 million, the Mayor and City Council need to consider the upcoming budget deficit of over \$1 billion for Fiscal Year 2021-22 that begins on July 1, less than six months from now. The upcoming deficit is a function of the unsustainable 2019 labor agreements, increased pension contributions, and the continued revenue shortfall.

This will require layoffs and additional furloughs as well as cuts to core services, moves that will be opposed by the City's politically powerful labor unions. However, the primary responsibility of the Mayor and the City Council is the *financial integrity* of the City, even if it involves decisions contrary to the demands of the City's unions.

The City needs to plan for the worse and pray for the best.

Reinvestment of Police Funds in Disadvantaged Communities

Mayor Garcetti vetoed the City Council's proposal to allocate \$88.8 million of funds reallocated from the Police Department to projects primarily related to improving infrastructure – streets, sidewalks, alleys, parks, medians, left hand turn lanes, speed bumps – in Council Districts 1, 6, 8, 9 and 15, those that are home to the highest percentage of disadvantaged communities.

Garcetti called the City Council's plan "business as usual" and requested fundamental changes, calling for bold new ideas to reimagine the LAPD and improve racial equity. Councilmember Harris-Dawson is seeking to override the Mayor's veto, questioning whether the Mayor knows the needs of low income communities better than their elected Councilmembers.

How Do the Coming Budget Cuts Affect Your Neighborhood?

With cuts in the fiscal pipeline more severe than those in the aftermath of 2008, what City services matter most to your neighborhood?

Although there was plenty of support for defunding the police six months ago and there remains a very real need to curtail unnecessary police violence, a lot of the comments in both City and Neighborhood Councils now focus on safety concerns in the present.

Many Departments as well as the Budget Advocates have deep concerns about the current approach to "balancing the budget" which is encouraging the most highly paid and usually the most experienced people to take early retirement. We learned in the aftermath of 2008 that Departments losing that kind of institutional memory have a much harder time recovering.

Balancing the budget through layoffs, furloughs, and other cuts may endanger public safety or have unintended consequences, whether it be to our roads or environment, and need to be discussed with the public before any final decisions are made.

Yes, the City needs to slash costs, something that they should have started doing 8 months ago, but they also need to maintain core services and core knowledge.

Neighborhood Councils need to call on their Councilmembers and submit Community Impact Statements to protect their long term interests.

In December the Budget Advocates discussed the City's budget challenges while the first meeting in January revolved around possible budget cuts, with stakeholders emphasizing the need to consider community values in all aspects of budgeting.

Suggestions for balancing the City's budget ranged from reallocating funds from the Police Department's budget to cutting the staffs of the City Council and Mayor to significantly increasing fines for destruction of urban forest.

Do you have cost reduction or income-generating ideas? We want to hear them. Contact our Co-Chairs: Liz.Amsden@budgetadvocates.org and Jack.Humphreville@budgetadvocates.org

At the suggestion of several stakeholders and Budget Advocates, our next meeting will include a discussion on ways to increase the City's income.

Budget Advocate meetings are open to all. The agenda and Zoom link are posted on our website www.budgetadvocates.org a few days prior to each meeting (1st Mondays of the month at 7 pm and 3rd Saturdays of the month at 9:30 am).

Budget Advocates Needed

Elections for two Budget Advocates for Regions 1 are in process, to be followed shortly by replacement elections for Regions 4, 7, 9, 11 and 12. Any Budget Representative (or stakeholder who can be appointed one) is eligible.

Knowledge can be acquired; what we are looking for is a willingness to commit time and energy and a passion to improve the City's approach to budgeting and services. Please contact the Parliamentarian Carol Newman at Carol.Newman@budgetadvocates.org.

January 10, 2021

Neighborhood Council Budget Executive Committee

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