

## **Neighborhood Council Budget Advocates 2021-22 - Meeting #6**

Monday, October 4th, 2021 - 7:50 pm

(or upon conclusion of Budget Training that begins at 5:30 p.m.)

Zoom Meeting: <https://us02web.zoom.us/j/86212103878>

Meeting ID: 862 1210 3878

- I. Welcome and Call to Order
- II. Roll Call (5 minutes)
- III. Public Comment on non-agenda items within subject matter jurisdiction (5 minutes)
- IV. Elections To Fill Vacancies (Regions 3, 4, 5, 6, 8, 10) Update (5 minutes) - Carol
- V. White Paper/Department Reports (10 minutes)
  - A. Theme Suggestions Editing Team
  - B. Updates - Barbara
- VI. Congress of Neighborhoods Recap- Saturday, September 25, 2021 including Workshop and Virtual Exhibit (5 minutes) - Kay
- VII. Approval to publish articles (10 minutes)
  - A. Critical Analysis
  - B. Robbing Peter to Pay Paul
- VIII. Committee Reports
  - A. Outreach - Kay (15 minutes)
    1. Sign ups for Outreach Committee
    2. Town Halls
    3. SLAANC presentation
    4. Quarterly Region Meetings
  - B. Bylaws Committee update - Kay/Carol (5 minutes)
  - C. Budget Committee - Lanira (10 minutes)
    1. July 2021 and August 2021 Financial Statements
  - D. Publication Process/Procedures Ad Hoc Committee (10 minutes)

1. Report back - Proposed Publication Flow Chart and Review Criteria (see attached)

IX. Adjournment

Next meeting is October 16th 9:30 am

IF ADDITIONAL TIME IS REQUIRED:

Continuation of how-tos of conducting effective Department meetings, the Talking Points that assure Budgets actually get discussed, and writing the report.

Join Zoom Meeting

<https://us02web.zoom.us/j/86212103878>

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One tap mobile

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+1 312 626 6799 US (Chicago)

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888 475 4499 US Toll-free

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833 548 0282 US Toll-free

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This workshop is listed as a critical analysis on the City budget. I'll start with a brief talk that I am calling:

### **Robbing Peter to Pay Paul**

Or should I say, robbing Angelenos to pay for City Hall's peccadillos.

My role here is to focus your attention on some of the issues so that you will listen more closely to Jack's more detailed topics that follow.

And then join in a 20 minute Q&A discussion with us on these issues.

At 11.4 billion dollars, this year's Los Angeles budget puts many nations to shame.

Despite record revenues plus a 1.3 billion dollar gift from the Feds, the City of Los Angeles continues to face serious financial challenges.

Yes, it suffered from the fiscal impact of the pandemic over the past 18 months.

But our current situation is the result of the failure of the City Council and Mayor to address the City's finances over the previous seven years of plenty, during which the City received record revenues.

They had lots of opportunities to balance the budget. And didn't.

Instead, they kowtowed to the leaders of the public sector unions and consistently made concessions that favored real estate developers and other special interests.

Jack and I differ in our politics, but we both agree that, to attain a reasonable future for our children, we need to balance the damned budget.

What we choose to spend money on may differ, but the bottom line is the same: a balanced budget to put the City on a secure financial footing *before* another pandemic or recession.

How the City spends its money should reflect our values, a point that Black Lives Matter and many other progressive groups have made loud and clear over the past year with their requests for enhanced social services.

However, many of those services are the responsibility of the County. Not the City.

The Los Angeles City budget is primarily responsible for public safety – police, fire and emergency response – and for infrastructure – power, water, roads and sidewalks, parks and public restrooms.

Much as our elected officials may want to spend money on economic justice programs, that is not in their purview. Their first priority to City residents is to ensure public safety and to maintain its infrastructure.

Only when those basic needs are met will there be space for improvements. Only in a safe and structurally sound city, can focus shift to important societal changes.

The City's budget is an important document in that it lays out HOW Los Angeles will provide those services. And the reality is, that to maintain quality of life for all Angelenos, the City must budget for many years into the future not just the coming fiscal year.

This year the City needs to restore services to pre-pandemic levels by rebuilding and re-staffing many of its departments, departments which were eviscerated by across-the-board cuts.

Right now, the City needs to rebuild our failing infrastructure and perform necessary maintenance on the rest. Those capital costs can't be covered in a single year's budget. But the price of neglect is significantly higher than the current cost to replace.

But first we need to know the extent of the damage.

The City Planning department has yet to establish the infrastructure monitoring unit mandated in 1996. Nor, since 1999, has it prepared a report on LA's infrastructure and public services so we have no idea of the extent of the City's fiscal exposure. Except that it's in the billions.

Right now the City needs to improve public safety. This includes cracking down on over-zealous policing and engaging more positively with all Angelenos.

We need to address the existential danger of climate change to keep Los Angeles livable.

We need to address those of our neighbors living on our streets like in some third-world city. This year's budget allocated almost \$1 billion to combat homelessness.

We need to invest in real solutions, not prop up the status quo of short term developer incentive programs.

Furthermore, developers are also profiting from escalating housing costs which is driving affordability of housing for most out of our City entirely. This will only get worse now Newsom has signed SB 9 and 10.

More than a handful of City officials are already in deep doo-doo for profiting off developer kickbacks.

We need personal accountability for every elected official and employee whose actions generate litigation and/or monetary settlements.

And by not fixing infrastructure that cause accidents – our streets and sidewalks are obstacle courses for cars, pedestrians and bicyclists; lack of care that causes trees to fall...

One 3 million dollar claim averted, will pay for numerous proactive repairs.

We need enforceable ethics regulations and a Commission which will kick ass, and deter malfeasance which may lead to more claims.

We need them to eradicate the power of lobbyists and enforce better campaign finance laws.

At City Hall, too often budgeting becomes a competition to get their piece of the money without an overview of the multiple interactions required to make the City work.

Most of our elected officials and the department personnel act in good faith but in ensuring they get to keep their piece of the pie, it has become too easy to lurch from year to year putting Band-Aids on what went before instead of excising the cancer.

We need financial accountability and transparency.

We need to increase efficiency, downsize bureaucracy, remove redundancies and provide sustainable services to meet the needs of all Angelenos.

We need to resolve pension costs and their impact on the budget.

We need a priority ranking of core City services so there is a clear plan for the future and concrete criteria to track success.

We need to ensure the Reserve Fund will see the City through the next emergency.

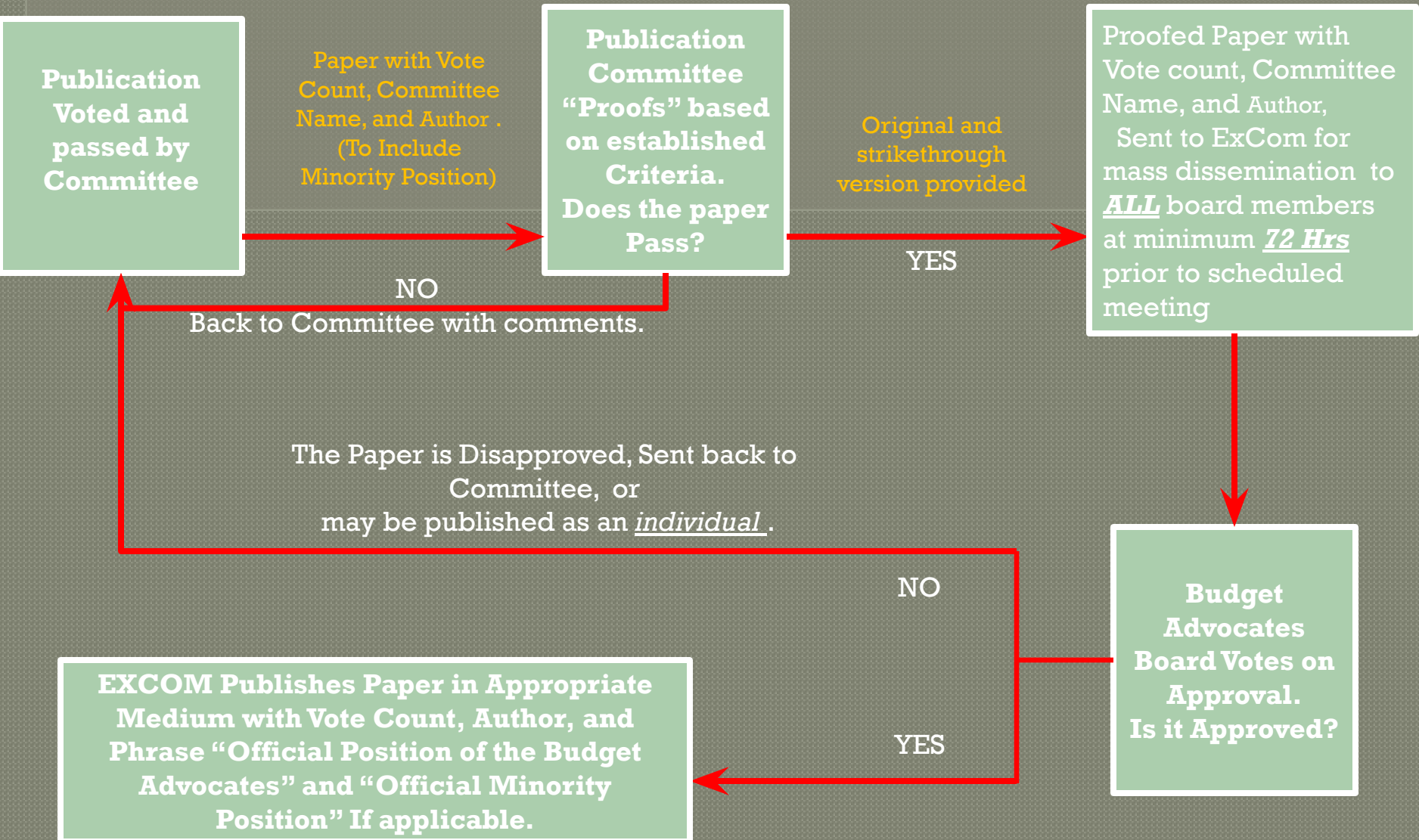
We need a budgeting system that prioritizes long term planning and avoids the bad decisions of the blinkered one-year-at-a-time approach.

We need a qualified City Manager who is empowered to work effectively and not hamstrung by petty politics and rivalries arising from the current siloization of the City departments.

We need to call on the boys and girls at City Hall to play nicely in the sandbox. To stop robbing our children.

Jack will now talk about what the future holds for them.

# Budget Advocates Publication Flow Chart



# Review Criteria for Papers

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- Papers Submitted are reviewed by two criteria, Form and Function.
  - Form: includes items such as stylistic changes, Grammar Checks, Punctuation, approved formatting, etc
  - Function: includes items such as checking citations, verification of positions with supporting documents,

# Review Criteria for Papers, FORM Review

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- Any Comments made must be in the form of strikethroughs or “Red Lined” notes
- Committee MAY NOT change punctuation or structure to change, alter, diminish, enlarge, or modify any position the paper takes.
- The Proofing Committee may make recommendations on the length of the paper, but cannot reject the paper nor edit it for length.
  - Edits for length must be made by the Originating Committee
- If a paper ***only*** has Form Review errors, it may be passed onto the next step on the flow chart. A copy can be cleaned if approved by the Originating Committee.
  - IE punctuation was missed, the committee says oops, a clean copy with punctuation can be sent along without any marks.
- If a minority position is submitted, it must accompany the Majority Paper.
  - Exception: If the Majority paper is ready to pass, but the Minority one is not, a reasonable time limit is given for the other side to correct. If the Author fails to do comply/correct, the Majority paper can move along the process with a note “Minority Position Pending Review.” It is the intent for this not to be used as a tool for suppression of position by process.



# Review Criteria for Papers, FUNCTION Review

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- A Paper shall be Rejected and not continue down the flow chart if any item is cited for Function
  - The Proofing Committee shall not make counter arguments nor enhance a paper's argument, only test assertions made.
    - Example: "A is caused by B, B and C exist together, Hence C also causes A." Rejected. No evidence has been shown that C causes A.
- Any Rejection Must be accompanied by a detailed explanation as to why. However, It is up to the Committee/Author to demonstrate where a position has its foundational support.

# Review Criteria for Papers, FUNCTION Review Cont.

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- Source Checking: If a source is used to support a position, but the source itself DOES NOT have support for its point, the paper shall be rejected for second tier function review.
  - Example, a newspaper article has a title “The Earth is Flat”, but no where in the article it displays any evidence. It is Rejected.
  - Articles that do not cite links to studies but merely state a study, are also not viable support positions.
- Theoretical positions / ideas that have not been tried
  - A paper can proceed down the flow chart without citation IF
    - a position is made that has a logical argument attached AND has not been previously attempted

# Proofing Committee Responsibility

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- Provide analysis in \_14\_ Days from original receipt
  - This maybe done in committee meeting via zoom or email
  - A lack of review within a time limit shall not constitute a delay in paper transmission.
- Requests for clarification or additional details from the papers author must be CC to all members of the proofing committee to ensure expediency and transparency. Responses likewise must be CC'ed to all Proofing Members
- One's Personal Disagreement with a paper **Shall Not** be the basis of rejection. All Board members will be provided an opportunity to discuss, dissent or support during the General Board Meeting.
- We are here to provide Facts Not Feelings the General Public can **Trust** when reading our material

<b>BA Financial Report FY22</b>		
Beginning Balance		\$ 52,973.56
YTD Expenses		\$2,295.52
NC's Revenue to date		\$ 3,750.00
<b>Net Available Funds a/o 10/4/21</b>		<b>\$50,678.04</b>
<b><i>Board Approved Expenditures FY 22</i></b>		
Vendor	Proposed	
Budget Day 2021		\$5,900.00
Budget Day 2022		\$17,000.00
Mailroom		\$1,700.00
Mailbox		\$100.00
Apple One		\$4,000.00
Interpretation		\$2,200.00
<b>Totals</b>		<b>\$30,900.00</b>
<b><i>Projected Revenue FY 22</i></b>		
	\$10,000	

	<b><i>NC Contributions FY 22</i></b>		
Neighborhood Council	Contribution Amount	City Clerk Approval Date	Payment Received Date
Northridge South	\$500.00	10/13/2020	11/23/20
Valley Village	\$250.00	8/19/2020	10/6/20
Sunland Tujunga	\$250.00	10/21/2020	11/23/20
Encino	\$750.00	6/16/2020	10/6/20
Greater Wilshire	\$1,000.00	6/18/2020	10/6/20
CAANDU	\$1,000.00	6/18/2020	11/23/20
<b>Total</b>	<b>\$3,750.00</b>		

<b>Budget Advocates Expenses July Report FY 22</b>							
<b>Amount</b>	<b>Invoice Date</b>	<b>Invoice Number</b>	<b>Vendor</b>	<b>Status</b>	<b>Submitted</b>	<b>Paid Date</b>	<b>Description</b>
\$288.75	06/30/21	01-5962907	Apple One	O	7/9/21	N/A	
\$80.00	6/30/21	2021792	Barbier	O	7/9/21	N/A	
\$213.68	7/7/21	01-5972511	Apple One	O	7/9/21	N/A	
\$122.50	7/8/21	2021719	Barbier	O	7/9/21	N/A	
\$334.96	07/14/21	01-5979368	Apple One	O	7/23/21	N/A	
\$404.00	7/14/21	090-NCBLA	Mailroom	O	7/23/21	N/A	
\$1,443.89							

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September 25, 2021

## **Critical Analysis of the City's Budget II**

### **By Jack Humphreville / Budget Advocate**

As Liz mentioned, the goal is to put the City on a solid financial footing so that it is able to weather another recession or pandemic that impacts the City's budget. The first step is to have a truly balanced budget where we eliminate the Structural Deficit and have a robust Reserve Fund.

The City also needs to address its billions in undisclosed long term liabilities, including the unfunded pension liabilities and deferred maintenance. More than likely, the homeless situation will require additional money.

We are also concerned about Intergenerational Theft where we dump billions of today's costs / liabilities on the next generations of Angelenos.

### **Structural Deficit**

This year's budget is balanced thanks to a \$1.3 billion cash infusion from the Federal Government. The City also has a healthy Reserve Fund of \$500 million, again thanks to Washington. So life is good.

Next year is another story. The City is anticipating a budget gap of \$260 million. This may be understated because City Hall may want to continue some programs that were financed by one time money.

This is the beginning of the Structural Deficit where the growth in revenues does not cover the increase in expenditures. This results in budget gaps for the next several years when future pay raises are considered.

To finance this shortfall, the City will have to cut services or hit up the Reserve Fund or a combination of both. It also has the option to raise taxes, but this requires the approval of the voters.

Another issue that will add to the Structural Deficit are the costs associated with new labor agreements with the City's civilian and sworn employees. The existing civilian contracts begin to expire in December of 2022 while those for the police and firefighters expire in June of 2024.

To give you an example of the impact of new labor agreements with the public sector unions, in October of 2019, the City entered into agreements with police and firefighters. These agreements blew a \$150 million hole in the current year's budget and resulted in annual shortfalls of \$200 to \$400 million in each of the next four years. The total hit was about \$1.5 billion over a five year period.

### **Budget for 2025-26**

To give you a better understanding of the impact of new labor agreements, let's look at the City's budget outlook for the fiscal year 2025-26, four years from now.

The City is anticipating a budget surplus of \$157 million on record revenues of over \$8 billion. But that does not include the impact of any new labor agreements. If the cost of new labor agreements of \$220 million are factored into the projections, this surplus quickly turns into a shortfall of \$63 million. And this estimate of the costs of the new labor agreements may be understated.

### **Underestimated Costs**

The City needs to have a robust Reserve Fund. That will require contributions of about \$50 million a year to achieve funding equal to 10% of General Fund revenue.

The City is also scrimping on the repair and maintenance of our streets and the rest of our infrastructure. Proper funding would require a minimum of \$250 million a year.

The City is also underestimating the costs of its pension plans by relying on an overly optimistic investment rate assumption of 7%. If the rate were 6%, a level recommended by the hayseed from Omaha, Warren Buffett, then the City would need to contribute an additional \$500 million a year.

More that likely, the City will need to increase its funding for homeless services by at least \$100 million.

If you factor these costs into the projections, the shortfall is over \$950 million, or close to \$1 billion.

### **Long Term Liabilities**

In addition to its \$2 billion of outstanding debt which is manageable, the City has two significant long term liabilities.

**Pensions.** As of June 30, 2020, the unfunded pension liability of the City was over \$12 billion and only 75% funded. This liability will be substantially reduced because the investment returns for the last year were in the range of 25 to 30%. We should be able to get a better understanding in November when the pension plans will have their annual reports.

**Infrastructure.** The City is also considering major infrastructure projects that total more than \$10 billion. These include street and sidewalk repairs of \$6 billion, \$2 billion for Recreation Parks, \$2 billion for the expansion of the Civic Center and Convention Center, \$1 billion for flood control projects, and another \$1 billion for the restoration of the Los Angeles River. This does not include billions to comply with the Clean Act.

### **What Can We Do?**

We can urge City Hall to implement several recommendations of the LA 2020 Commission.

- Establish an Office of Transparency and Accountability to oversee the City's budget and finances in real time.
- Form a Pension Commission to review and analyze the City's two underfunded pension plans and make recommendations on how to reduce if not eliminate the unfunded liabilities.
- Implement multiyear budgeting

Develop an Infrastructure Plan

Appoint a City Manager to oversee the operations of the City with an emphasis on increasing productivity.

Place on the ballot a measure that would prohibit the City from entering into any labor contract that would produce a deficit.

Finally, use your vote: Make the budget an issue in the election for the Mayor, City Attorney, Controller, and the Councilmembers.

## **Conclusion**

The City has significant budget and financial issues that must be addressed. This includes the Structural Deficit, unfunded pension liabilities and our infrastructure, all of which, if not addressed, will contribute to Intergenerational Theft where we dump billions on the next generations of Angelenos.

We welcome any questions.