



Los Angeles Neighborhood Council Coalition

DRAFT MINUTES

May 7, 2011 @ 10:00 AM

**Hollywood Constituent Center
6501 Fountain Avenue
Los Angeles 90028**

1. The Meeting was **CALLED TO ORDER** by President Len Shaffer at 10:00 .am.

2. INTRODUCTIONS of PARTICIPANTS

- a. City Officials - Joe Hari, Larry Frank, BH KIM, Graycie Liu
- b. NC Stakeholder Participants – 33 by sign-up and over 40 by “nose counts”

3. **The AGENDA was REVIEWED & APPROVED** edition of her newspaper (North Valley Reporter) entitled, “(Governor) Brown wants to shift Parole Responsibility to Local Police.” She is concerned that this process may not only release of “low risk” prisoners but also those associated with serious crimes.

She, too, attended meetings on redistricting State & County Districts and heard few SFV voices but MANY from other areas. They are trying to keep the SFV as “one ditrict.”

4. PUBLIC COMMENT

- a. Mario Brito announced that Lincoln Heights NC will be assisted by law students in a project to register voters and enroll immigrants in citizenship training.
- b. Dede Audet asked for a LANCC committee re: NC Protocol. She spoke of protocol problems in Venice NC ... inappropriately referring issues to committee and not returning them to Council (“killing them”).
- c. Mike O’Gara described the committee surveying redistricting (State, County & City of LA) with appointees by the Mayor (2), Controller (1), City Council President (1).
- d. Joe Hari (Mayor’s Office of Neighborhoods & Community Affairs) shared the (Mayor’s Plan) opportunity to fill 15,000 potholes on June 4-5. You are invited to report pothole locations to Joseph.hari@lacity.org.

- e. Jack Humphreville asked about the \$ 285M x10 years BOSS proposal to bring the City's streets up to "acceptable" standards. (ANSWER: there is no money and no budget item to do this, at present.)

5. CITY BUDGET – NCBA WHITE PAPER – NC FUNDING

- a. Representing of the Mayor's Office, **LARRY FRANK (Deputy Mayor for Neighborhoods & Community Affairs)**, passed out a handout entitled "**Fiscal Year FY2011-2012 Proposed Budget.**" This document sets the Budget Deficit at \$ 457 million and lists (debatable) actions which might eliminate the deficit. He described the Mayor's Budget Team: Georgia Mattera, Neil Guillermo, David Luther, Bernard Parks, Dennis Zine (?verify members?)

He made the following comments:

- Almost all possible "one-time" solutions have been done.
- The Deficit is composed of \$ 350 + \$ 85M for LAPD (Court) OverTime.
- There is a "new" LAFD modified coverage plan.
- This is the year when LABOR must save the City's Budget.
- \$ 280M of the \$ 457M shortfall is Pension & COLAs with a \$ 45 increase in retiree (?current/active) health care costs.

- b. **NCBA PRESENTATION for LANC COALITION**

- prepared by Daniel Wiseman, NCBA Secretary

OPENING STATEMENT

On April 20, 2006, when he presented his first Budget Proposal, Mayor Villaraigosa challenged the citizens of Los Angeles to "...balance our immediate needs against our long-term aspirations..." He was aware, then as now, that "... the City's fiscal condition, if left unchecked ... will severely limit our ability to provide...essential City services." He spoke at a time to rising hopes and rising property values but his worst fears have been realized, anyway.

The NC Budget Advocates (NCBAs) have studied the situation, carefully and in depth and have presented suggestions for achieving the **Mayor's objectives for "Shared Sacrifice and Responsibility" and to "Moving towards a sustainable future."** We have presented our findings in a White Paper, supported by multiple interviews and in-depth research

1. From the release of the Mayor's FY2011-2012 Budget Proposal, on April 20, 2011, the NCBAs participated in the City Council Budget & Finance Committee's annual review, modification and finalization process.

This document will describe:

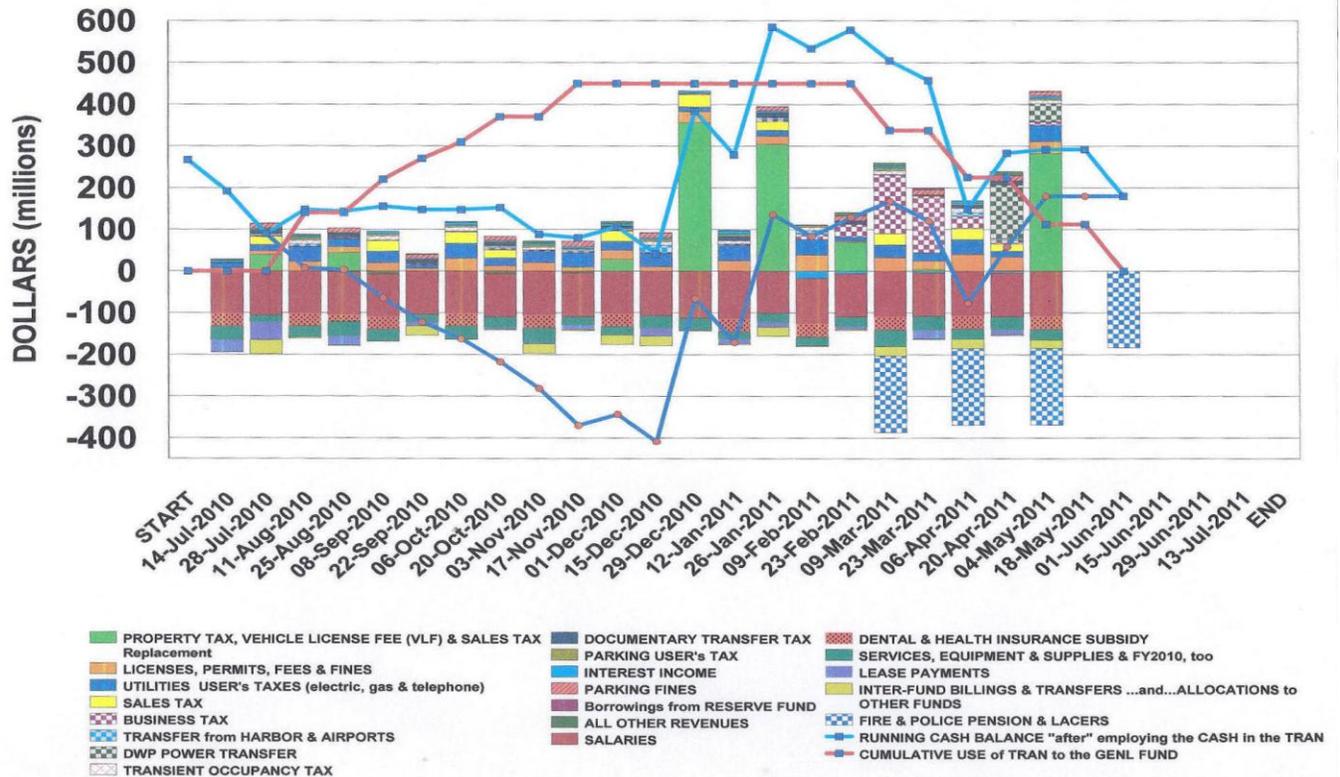
2. **FY2011-2012 Budget Basics (Cash Flow and TRAN)**

3. The current, past and future **Budget Deficits** faced by the City
4. Four more Areas in which Major Structural Changes can help the City succeed at the Mayor's slogan-for-the-year ("...**MOVING TOWARDS A SUSTAINABLE FUTURE**...")
 - a. One Time Revenue Recoveries based on the **Controller's Audits** (\$ 62 millions)
 - b. **Saving Jobs and Saving City Services** (Salary negotiations which could save \$ 110 to \$ 270 millions)
 - c. Reforming and **Funding Retiree's Health Care Benefits** (Coalition "Agreement" is supposed to save \$ 69 million in FY2011-2012)
 - d. Reviewing and Reforming **Funding Retirement Benefits** (Creation of a Stakeholder-based & "Independent" Pension Reform Review Body)
 - e. Creation of a **Comprehensive Collection Program** to assure the fair and prompt receipt of taxes, licenses, permits, fees and fines.

5. **BUDGET BASICS (CASH FLOW and the TRAN)**

The Cash Flow diagram (below) shows the very different patterns of REVENUE funds and expenditure of funds (EXPENSES) as they occur. The Budget is just a prediction of these events. The biggest (>80% of the General Fund) EXPENSES are SALARIES (red and red-stippled bars below the zero line) and they occur every pay period. Two "key REVENUE items" which might be moved up to July (DWP Power Transfer – **green checkered boxes** and Business Taxes – **magenta checkered boxes**) are color-highlighted. These two items total almost \$ 700 million and could all but eliminate the need for the TRAN (red line) "line-of-credit."

FY2010-2011 CASH FLOW data from the CONTROLLER who pays our City's Expenses every 2 weeks.
REVENUES (bars above the ZERO line) are inadequate until December when we start receiving Property Taxes.
BLUE LINES are CASH BALANCES without (dark blue) & with (light blue) use of the "TRAN." (loan funds, red line)



6. QUESTIONS related to CASH FLOW

- a. The following items accrue (occur) uniformly, every day and every pay period, **WHY ARE THEY POSTED SO ERRATICALLY? Why doesn't the City (i.e. the Mayor) insist on a prompt and continuous income stream?**
- Transfer from the **Harbor** (wide variation in amounts posted period to period)
 - Transfer from the **Airports** (wide variations in amounts posted period to period)
 - **Sales Taxes** (posted every 1-3 months)
 - **Gas User's Tax** (posted every 2-3 pay periods)
 - **Telephone User's Tax** (wide variations in amounts posted period to period)
 - DWP Electric Power User's Tax shows a steady stream of payments (see TRAN)
 - **Transient Occupancy Tax** (wide non-seasonal variations posted period to period)
 - **Parking Fines** (posted every 1-3 months, not received "regularly" from DOT?)
- b. Each of the last several years the City has encumbered ("rolled-over") \$ 200 to \$ 250 millions in Salaries and Service & Supplies costs into the "next year." **When are we going to "catch-up" and pay this year's bills, this year?**

Note: The City doesn't want the NCs to encumber ("roll over") contracted and future

expenses, shouldn't the City set an example for us and make public and/or pay their current obligated expenses when they accrue?

- c. **Are the FY2011-2012 Property Tax and Document Transfer Fee estimates adjusted for the decrease in property values and numbers of sales?**

ANSWER: No...and they won't be until the Property Owners sell or apply for a change in assigned assessment value.

- d. The DOT Interim GM claims that they are collecting 85% of Parking Fines, then **Why are the Cash Flow of Parking Fines, posted to date, LESS than last year? How much do the Parking Fines total? How many Fine citations are written? How much and what percentage does DOT's Collection Agent ("ACS") take?**

Multiple inquiries to DOT and other City Financial sources have not produced answers to these questions.

NOTE: DOT is the largest collection site and the prime example of all the others.

- e. **Why have no measures been taken to shift Revenues into the summer and fall months when we experience predictable deficits and use our \$ 1.2 billion "line of credit" (Tax Revenue Anticipation Notes or TRAN) to maintain a positive Cash Balance?** Possible shifts include:

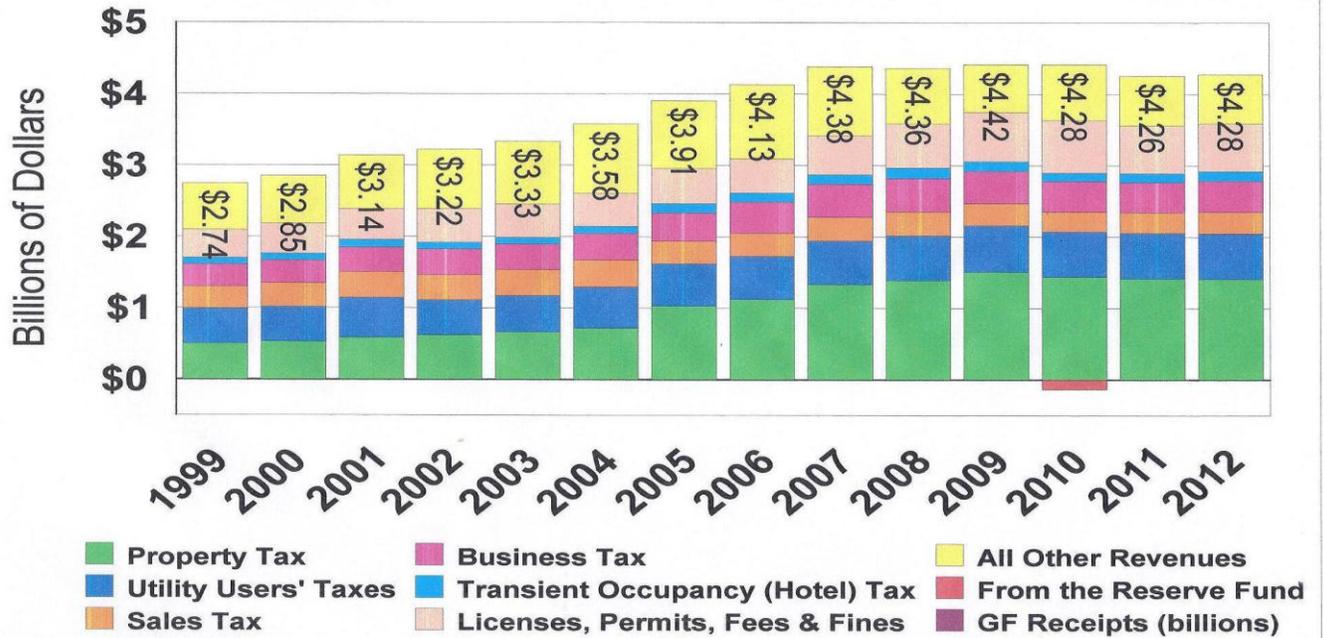
- Advancing 80% - 90% of the DWP Power Transfer (\$ 200 to \$ 250 million) from April-June to the preceding July and make necessary adjustments when the audited gross Electricity Power Revenue is known (November).
- Run ONE CALENDAR YEAR when Business Taxes are paid, twice, in February and July. These payments would be in two different fiscal years but would essentially eliminate the need for a TRAN and provide \$ 400+ millions every July, thereafter.

- f. **The BUDGET DEFICITS – past, current and future**

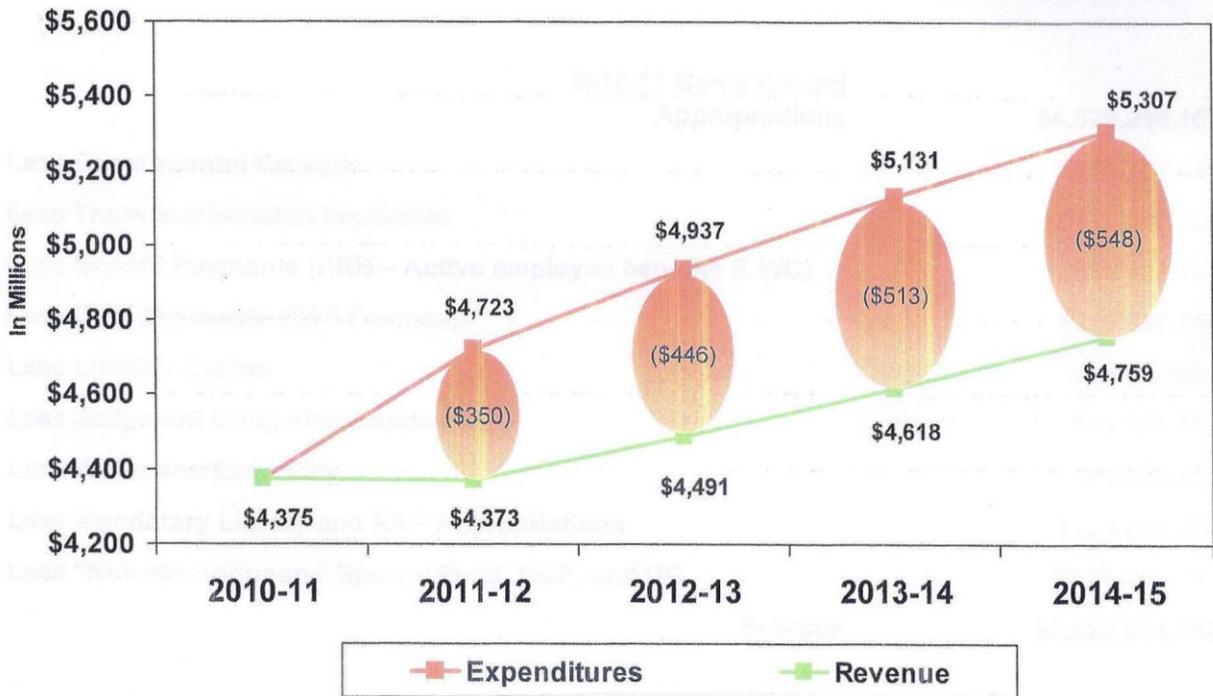
Budget Deficits are not a new thing in the City of Los Angeles... and the deficits will keep coming unless and until the Mayor stops proposing expenses (Budgets) in excess of predicted revenues and the Mayor and City Council make prompt and sweeping changes in their fiscal policies and financial dealings.

The most recent prediction for next year's (FY2011-2012) Deficit is \$ 450 to \$ 500 million (not \$ 350 million), as predicted by the CAO.

General Fund REVENUES have "topped out" at about \$ 4.3 Billions for over six years. Therefore, the ever-increasing annual DEFICITS, (\$ 150B --> \$ 500B) are due to uncontrolled EXPENSES & over-budgeting resulting in the use of Reserve Funds.



The CAO predicts INCREASING STRUCTURAL DEFICITS for the NEXT FOUR YEARS



Source: CAO, 2nd Financial Status Report 12/10/10
 *Assumes continuation of MCP or Police CTO funding ~ \$121 Million Total

7. **APPLYING the SAVINGS suggest in the CONTROLLER's AUDITS**

A review of 40+ Audits by the Controller shows possible (one-time) savings of \$ 30 to \$ 50 million. These savings are in addition to the Controller's recommendations for improved collections.

8. **Saving Jobs and Saving City Services**

Last March, when the NCBAs met with the Mayor, he emphasized his wish to eliminate furloughs. 13 days of furlough is equivalent to a 5% decrease in pay and a 5% decrease in employee productivity. Many employees are now furloughed 26 days (a 10% decrease). In spite of these cuts, this year's employee base salaries will cost \$ 2.65 Billion (as much as last year) because of COLAs and bonuses.

What is needed is a **complete review and revamping of the salaries** which includes:

#1 - Full-time employment and full-time productivity from every employee.

#2 – Incorporation of necessary and reasonable inclusions of the \$ 115 million of “bonuses” into the base salaries.

#3 – Trimming and maintaining the lower total base salary rates. One suggestion from the NCBAs was a graded decrease in salaries with...

= No decrease for employees who make <\$ 50,000 per year.

= 5% decreases for employees who make \$ 50,000 - \$ 100,000 per year.

= 10% decreases for employees who make \$ 100,000 - \$ 150,000 per year
...and...

= 15% decreases for employees who make over \$ 150,000 per year.

This would decrease total base salaries by about \$ 110 million.

The recent Agreement with 14 of the 18 Coalition Unions continues the old, faulty base salary concepts, shoves certain salary increases into future years (and they must be paid, eventually) and provides an unreliable assurance of Health Care Retirement Benefits not shared by the other half of our City's employees. NCBA has spoken criticizing this Agreement, severely.

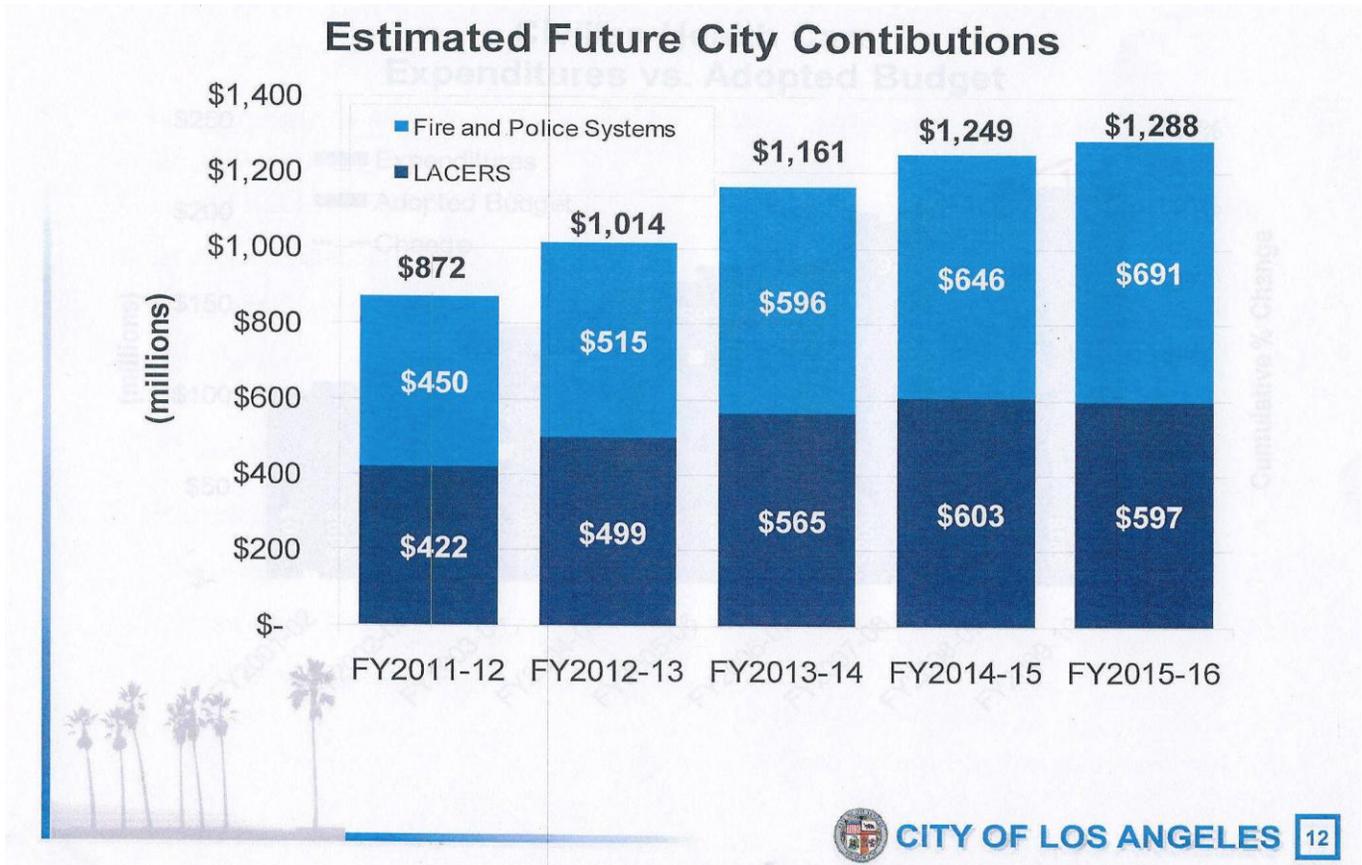
In contrast to the Mayor's previously stated intentions, the Mayor is now talking of as much as 42 days of furloughs in FY2011-2012 for union members who are not part of the Agreement. This is just short of Salary Negotiation Extortion.

9. **Funding Retiree's Health Care Benefits** has been discussed, above.

10. **Funding Retiree's Income Benefits**

The complexities of our City Employees' Retirement Health Care and Retirement Income benefits are too complex to discuss, here. The contracts with each employee protect the employees' interest and resist almost any changes. Employee agreement to any and all changes is required.

The two L.A. Pension Plans (LACERS and the Fire & Police Pension Plan) are extraordinarily generous in comparison to other private industry and government plans. They evolved during the past “good financial times” and are unsustainable in the current “bad time.”



The NCBA's suggest that the City **Create a Citizen Commission on Public Employee Pension and Benefit Review** composed of representatives from the City (Management), the Unions & Guilds (Labor), independent experts and the NCs to review and reform our City's Pension Plans.

11. **Comprehensive Collection Program**

The City of Los Angeles needs to assure the fair, prompt and consistent receipt of its taxes, licenses, permits, fees and fines.

This will require a complete review and reconstruction of many policies and ordinances which will eliminate “privilege” and “easy escape routes.” The Controller estimates the existence of a total of over \$ 300 million and the Commission on Revenue Enhancement (CORE) estimates a total of over \$ 451 million in uncollected, past debt. All agree that most of these debts are old and stale and that only \$ 10 to \$ 50 million of this past debt could be collected ... but there is no recent progress in doing so.

More importantly, comparisons of the reported billings vs. the actual (Cash Flow) collections suggest that there is, at least, \$ 100 - \$ 200 million more collectible, each and every year.

At present, 25 Departments bill for a variety of taxes, licenses, permits, fees and fines. None of the departments are particularly interested or very diligent in their collection, some outsource their collections at a steep cost or discount.

The Office of Finance (OOF) was established to be the City's collection agency but they are severely hampered in their tasks by conflicting and interfering ordinances. The OOF plans to install a new computer system but these efforts do not address solutions to their legislated & practice impediments, they only perpetuate a document ably inefficient collection system. There are suggestions and even a Council File ("ordinance-in-process") to merge the Office of Finance with the Treasurer and bring the City Attorney's resources into the collection process.

CORE has recommended creation of the Office of the Inspector General to oversee and establish development of a centralized, comprehensive collection system. This recommendation was referred to the Audits & Governments Committee.

One scenario would be to...

#1 – Refer all billings which are not immediately or promptly paid to the Central Collection Agency. The personnel of the Central Collection Agency should display and maintain well-defined qualifications for their positions.

#2 – The Comprehensive Collection Agency (CCA) would start a 30 day warning process.

On receipt of the bill, the CCA would send a "**gentle warning**" that failure to pay, within 30 days, could result in a citation, interest charges and penalties.

If payment is not received within 15 days, a second letter **speak more directly of a citation, interest charges and penalties**. To be applied in 15 days, at the end of the 30 day "grace" period.

#3 – If payment is not received during the allowed time, the Administrative Citation Enforcement (ACE) process would begin. The debtor would receive a citation and citation fee, notice of accrued interest (for the late payment) and applicable penalties.

#4 – An appeals process would be developed and available for any challenges.

#5 – At a (previously defined) point, the City Attorney would become involved in the collection process. Multiple unpaid bills or recurrent bills for the same item or excessively long delays in payment would be triggers for more vigorous, legal, collection methods.

20. We need a uniform system which requires a variety of businesses to maintain valid business permits and must pay for such permits in a timely manner or be subject to suspension and/or revocation. The NCBA recommends the establishment of a Permits Review Commission with the power to subpoena individuals who have violated the terms of their permits, who do not have permits or who have not paid their

permit fees. The Commission would request and receive appropriate restoration of permit validity and/or have the authority to suspend permits, revoke permits or refer the individual for further legal action.

12. Worker's Compensation is another special problem. We should invest in new software and management systems for Personnel Department's Workers Comp Division to replace their antiquated 1985 LINX system.
13. The NCBA's have asked the Mayor and the 15 City Council Members to make their DISCRETIONARY FUNDS public. Some of that could be (?should be) returned to the General Fund.

c. **LANCC Participant discussion of these Budget Issues and further PUBLIC COMMENT**

1. Margo Harris was concerned that the NC's "contracts" with the City might be invalidated if NC's "roll-overs" were nullified.
2. Joanne Yvanek-Garb commented on the City-proposed "NC Election Holiday" which would delay the next (City Clerk administered) elections from 2012 → 2014.
3. David Uebersax reported the transfer of pot hole filling & palm frond cutting from BOSS → Sanitation (potholes and palm fronds)

He also mentions that the Pension Plans were "overperforming" before the stock market "bubble burst." Actually, the Pension Plan Return on Investment (ROI) has been high in "down" markets ... It has been 13% & 19% since Jan. 1, 2011.

4. Jack Humphreville thought if Prop 26 (State fees ... between City & DWP ...) might effect the DWP Power Transfer Fee (currently, 8%)? Answer: Larry Frank promised to back with an answer.
5. Paul Hatfield cautioned us to NOT BE TOO QUICK and blame Wall Street for L.A.'s Budget Deficits. Skyrocketing Pension Cost are due to L.A. City Employees NOT contributing enough (by mutual agreement) to their (otherwise "risk free") pension benefits.
6. Sid Gold spoke of the differences between a Defined Benefit vs. Defined Contribution system for funding pension benefits and emphasized that Pension Contracts are strong, legally binding, (one-by-one) employee-employer documents.
7. Bob Gelfand said that Perception & Recognition is every thing in politics. To some, it appears that the Wealthy are given preferential treatment (AEG, Unions, Campaign Contributors, etc.) A major change in City Attitude is necessary. Coastal San Pedro NC expended considerable efforts to preserve Cultural Affairs but got no real response from City. Rec & Parks management appears to be "not good." Rec & Parks put 16,000 kids to summer/work camp last year → 2,000 kids this year. will get summer/work camp experience.
8. Adrienne O'Neill – NCs work well, locally. They save City money by doing City work.

It is not unusual for NC Stakeholders to perform 30+ hours/week for the City.

ANSWER: Larry Frank agrees that too little recognition comes from the City.

9. Nina Royal, who is the “Safety Chair” for Sunland/Tujunga NC said her NC bought LAPD surveillance equipment. On Saturday, Oct 21st, they are preparing a Family Safety Fair but are having trouble finding money and City staff support . City employees can’t receive overtime for their Saturday attendance & assistance closing the streets, etc.). And: Call Angel Ayala in Larry’s office
10. Joanne Yvanek-Garb reported that 5,000 people came to a Safety Fair (Apr 23) in Shadow Hills Park sponsored by West Hills NC. However, Wink’s regular event, “Fall Fest,” is in jeopardy.

Also, – more conservative attitude toward retirement plans needs to be followed to avoid the Pension shortfalls.

11. Gerardo Almeida asked if top-paid employees/electeds take cuts & furloughs, too? He notes that City Council do not appear to pay attention to the public during City Council meetings. He is critical of City Employees who take City Cars home (in many cases, to non-City residences). They are using City Gas to commute.

Response by Larry Frank: All Mayor’s Office people take 16 days of non-paid furlough. Mayor took a 16% salary cut.

12. Jay Handal mentioned that the husband of a Mayor’s staffer driving to Glendale for lunch resulted in the staffer being fired. Others should be fired. He said that the Interim DOT GM knew of the “porno activities” of his staff members for 2 months before the news story. He should have been hired. City mismanagement is the responsibility of the 18 electeds (Mayor, City Controller, City Attorney and 15 City Council Members). ComStat (used to dispatch LAPD) won’t work for the Fire Dept because fires are not “scheduled.” NCBAs are aware and frustrated by these things. The Health & Welfare of all City people is at risk. 14-16/18 Coalition Unions have accepted the “Agreement.” (2-4 unions didn’t believe the City). Their 4% Health Care contributions are not compared to true long term costs. We are \$ 600M behind in COLAs...and that is reinforced in the “Agreement.”

We have to get back to basics. All NCs need to be vigilant & active to inform the population and the city officials. We HAVE ALLOWED THE CITY TO BE AS BADLY MISMANAGED AS IT IS (citizen apathy).

13. Mario Brito thinks the City should hire more private sector vendors (sidewalk repair, street repair, Solar installations, etc.) They are the “experts” and should cost less.
14. Nathan Donohoe asked, “What else can NCs do to flex their power.” Two things work; money and votes ... and NCs don’t have “money to contribute”.

Answer by Larry Frank: “Power” is votes (past experience with Measure B). NC Stakeholders are now running for City Office. NCs alliances speak with louder and more coherent voices. NCBAs are gaining access (communication lines) to all kinds of City Officials: the Mayor, City Council Members, the Controller & City Attorney.

15. Ivan aSpeigel said that NCs need to talk to others. He heard WRAC Presidents present Election Arguments to Bill Rosendahl and they appeared to educate him. He advises NC Presidents to contact their respective City Council Members. EIGHT VOTES are needed to pass many measures through City Council.
16. Rusty Millar opposed the Downtown Football Stadium giveaway but said that is the result of the last election – we re-elected 8 Councilmembers. He said that Wendy Greuel (City Controller) is disappointed that her Audit recommendations have not been better received by the Council and activated by the Mayor.

Answer: Larry Frank says that the Audit is more complex than that.

17. Stanley Moore expected the Mayor to recognize & act on Audits.
18. Ken Draper believes that NCs are a “charter-protected” City activity with contracted, charter-promised funding.

Answer: Larry Frank said, “NO...City Council decides what is “chartered: or not.” Taking NC roll-over funds is a “viable way to solve City’s Problem...”

19. Bob Gelfand announced the LANCC ByLaws CMTE meeting to follow this meeting. Cancelling NC Elections is a deal breaker (NC response... ???) ByLaws CMTE recommendation for electronic voting is too expensive but it is predicted to increase voting x10 or vote with “regular” City Elections. They will discussing sweeping \$ 1.6 to \$ 1.9M of the Clerk’s (NC Election) Budget back to NCs and returning to NC-based and controlled elections.
20. Len Shaffer reminded us that, by the charter, NCs can “select” (don’t have to “elect”) their Officers.

He believes that LA County’s Pension Problems were solved several decades ago when the County did not increase Pension Benefits although the State & City did. The County is more a “Federal Money” pass-thru-funded entity.

21. John Stammreich said that L.A. ranked behind NY & SF as NOT BUSINESS FRIENDLY. He said that Residents (?Property Taxes) can’t be the primary funding source ... it takes business taxes and contributions, too.

7. INTERNATIONAL ASSOCIATION for PUBLIC PARTICIPATION (IAP2) presentation

Graycie Liu and Leyla Campos (DONE) attended a 2-day educational program by IAP2. Their program, directed toward NCs, CC & City Officials, too, was time-intensive and expensive (\$ 1,500 for 5 day course per person). IAP2 wants to establish a L.A. Chapter and may be “flexible” in their charges. Graycie was impressed with the IAP2 emphasis to clearly formulate questions or issues & then to follow-up to see how they are answered. The IAP2 program would try to move more toward “NC Empowerment” but their HANDOUTS are copyrighted and, therefore, “privileged” and not “copiable”. They want to give a one-hour training program at our next meeting.

- a. Dede Audet would like to see case studies of their accomplishments.
- b. Doug Eberhart is concerned that IAP2 may be “too generalized” for NCs. He asked, “Is there training on how to “focus?”, training in “follow-up” to resolutions passed.
- c. Daniel Wiseman & Paul Hatfield opposed the offer & said that IAP2 costs much more than their professional (medical and accountant) continuing education.
- d. Mike O’Gara comes to these meetings to learn and would like to learn from IAP2.
- e. Cindy mentioned the Sun/Tujunganga “intervention” and she is hesitant.

Their OFFER was REJECTED in a MOTION:(AYES- 7 / NOES – 10)

8. **The Meeting was ADJOURNED at 1:10 pm**

Respectfully submitted,

Daniel Wiseman
LANCC Secretary