

**Eric
Garcetti**
#lamayor

FISCAL YEAR 2015-16 BUDGET POLICY AND GOALS

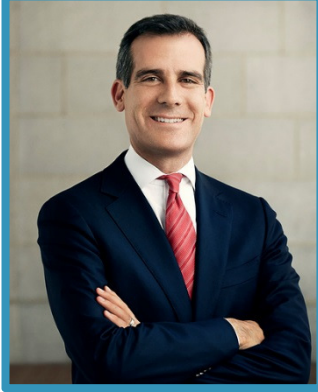


Date: September 22, 2014

To: General Managers of All City Departments
(Except Airports, Harbor, Water & Power, LACERS, and Fire & Police Pensions)

cc: The Honorable Members of the City Council
The Honorable Mike Feuer, City Attorney
The Honorable Ron Galperin, City Controller
Sharon Tso, Chief Legislative Analyst

From: Mayor Eric Garcetti *EG*



Now is the time for renewal.

A safe, prosperous and livable future for Los Angeles depends on our willingness to embrace change. Instead of being paralyzed by our problems, we must be inspired by our opportunities. Instead of patching the status quo, we must break away and innovate to make Los Angeles the best run city in America.

The economic crisis plunged the city into chronic shortfalls and forced acute crisis management measures, and I want to extend my deepest thanks to you and your staffs for your hard work during those lean years as we sought to restore fiscal balance. Today, our prospects are improving, and if we continue on the new course we have set, we can eliminate the structural deficit by 2017-18.

By focusing on what matters most and investing in what works best, departments are rebuilding effective capacity and performance. Operational improvements are emerging by focusing on performance metrics and a spirit of interdepartmental collaboration.

There is no going back. There is increasing recognition that we must be far more effective with our current resources -- and that building sustainable prosperity offers the surest way forward. Our future success lies in revamping our operations to deliver results more efficiently, improve our customer service, and consistently and creatively partner with the community, civic organizations and the private sector to solve problems. We must harness technology and capitalize on the new era of mobile and cloud computing -- and find new ways of engaging the four million people that live in this great city. Our task is to make Los Angeles the nation's best run big city -- so that we can become the safest, most prosperous, most livable, and most sustainable big city in America.

The economic crisis has demonstrated the vital importance of living within our means. By prudently increasing our reserves, we are preparing ourselves for future economic challenges. We are focused on improving service levels strategically, finding less costly ways to solve problems, prioritizing our needs over our wants, and holding the line on escalating expenses. And in doing so, we seek to regain the trust of our residents so that they see the city as a good investment for their tax dollars once again.

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The path forward is not easy. We will continue to make difficult choices while building a data-driven culture of innovation and excellence. I know we will succeed -- I am confident in the creativity and dedication of the 45,000 people that have committed themselves to make this city work.



PERFORMANCE BUDGETING

Our first year of Performance Budgeting provided a path forward, and this process of completely changing the way we allocate resources is akin to a marathon, not a sprint. This year, we expect to make significant progress toward shifting resources from low-priority and low-impact expenses toward high-priority and high-impact investments. My staff and I will work closely and continuously with you to achieve this goal by the April 20th deadline to submit a balanced budget to the City Council.

This year, in response to your feedback, we will organize the budget around five over-arching outcomes:

- Make Los Angeles the best run big city in America
- Promote good jobs for Angelenos all across Los Angeles
- Create a more livable and sustainable city
- Ensure our communities are the safest in the nation
- Increase partnerships with residents and civic groups to build a greater city

Every dollar spent in the City should be moving us toward success in at least one -- and hopefully many -- of these priority outcomes. Spending that does not must be reallocated.

I am asking every General Manager to look inside his or her department and identify the most successful ways of achieving our priority outcomes. This means examining your existing operations, identifying the low-priority and low-performing functions, and giving your best professional opinion on how to move forward. If low-priority functions should be reduced or eliminated to make room for new or expanded high-priority functions, I expect you to make that recommendation. Without this analysis and prioritization, we will not be able to fund the new ideas that will move the City toward further success in achieving our priority outcomes.

This year, we must especially focus on improving customer service, increasing efficiency, lowering costs, and becoming more transparent by moving telephone, walk-up, and mail customer contacts to online and mobile platforms. By modernizing our service delivery and customer contact methods in this way, we will be able to reach more people and provide better service without the need for significant additional resources.



COLLABORATIVE SPIRIT

Beyond the progress we made in tangible ways -- increasing sidewalk and street repairs, beginning to rebuild the Fire Department, maintaining our sworn Police protection, expanding capacity to handle a rapidly growing demand for new construction, enhancing code enforcement for health and safety, and initiating Business Tax Reform -- I am most proud of the cooperation we forged between the Mayor's Budget Team, the City Administrative Officer (CAO), the City Council and Chief Legislative Analyst (CLA) and the departments. We want to deepen that collaborative spirit in the budget process and build in both time and mechanisms for ensuring we work together across organizational silos.

I want to particularly emphasize our partnership with the City Council. The leadership of the City Council, the Council Budget and Finance Committee and the CLA have been key to keeping us on course toward sustainable fiscal responsibility. While our system is designed to provide checks and balances, we will work closely with that leadership throughout this process with the shared goal of delivering a balanced budget that reflects the priorities of the people who elected both the Mayor and the City Council.

We will put special emphasis on proposals which highlight interdepartmental collaboration.

One way we can demonstrate collaboration between departments is to begin to develop budget proposals that cross department boundaries. This year, we are encouraging joint multi-department budget proposals, and will make inter-departmental collaboration one of the criteria for evaluating proposals. The simple act of coordinating efforts and proactively communicating will make the proposals more valuable, and we will put special emphasis on proposals which highlight this collaboration.

BUDGET PROCESS

Department budgets should be organized and presented as program proposals, with one proposal per program. Within each program proposal, departments should identify the services provided by the program. The program proposal, and the resources requested, should reflect the department's recommendations for the resources and results of the program. The recommended resources and results should be determined by evaluating the effectiveness of the services in delivering the priority outcomes. The goals, metrics, and criteria to guide these recommendations will be detailed in the Budget Guidance Documents.

Due to the \$165 million shortfall projected for the upcoming fiscal year, departments will need to propose a general fund budget that totals three percent less than their current year general fund budget appropriation. This is not a call for a three percent across the board cut, but rather we seek to establish a department-level limit to facilitate the prioritization of services and



resources. To meet this requirement, departments will need to identify reductions to some functions in order to make additional funding available for higher priority functions. In addition, departments must identify the lowest priority services within each program for further discussion should the City’s fiscal situation necessitate reductions beyond the three percent limit.

Departments will also be able to submit proposals for new programs or services and innovative new ways of delivering existing services outside of the three percent limit. It should be noted that these additional proposals are not the venue to request additional resources to meet current workloads, continue one-time funding or positions, or restore any reductions recommended to meet the three percent limit, and should not be used to request more resources to do “more of the same”.

All departmental budget submissions are due November 21, 2014.

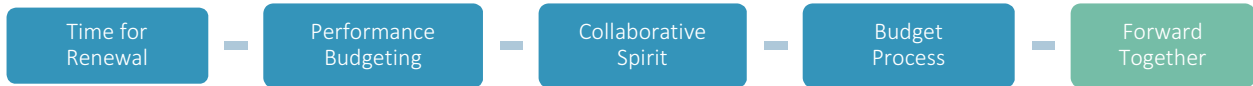
In order to assist you in developing your proposals, my budget and policy staff will convene departments over the next month to identify and discuss your highest priority proposals, possible efficiencies or reductions, and opportunities for collaboration among departments. These discussions will give General Managers an opportunity to receive feedback on their ideas, point out potential issues, get guidance on possible solutions, and identify policy areas that will require additional follow-up.

Each responsive proposal will be reviewed by one of four results teams, organized around the first four of our five over-arching outcomes: The Best-Run Big City, Promoting Good Jobs, A Livable and Sustainable City, and Safe Communities. The fifth outcome, Partnering with Residents and Civic Groups, will not have a specific results team, but will be one of the criteria used to evaluate all proposals.

The teams will review and evaluate the proposals, meet with departments to ask questions, give feedback, and discuss potential impacts of funding decisions (including reductions) while formulating their recommendations. The information and recommendations provided by the results teams will be the basis of the Mayor’s final decisions on the Proposed Budget.

Program proposals that do not require money from the General Fund must also be presented in the format and timeframe discussed above. However, these proposals will not be reviewed by the results teams. The Mayor’s Office will work with the CAO and departmental staff to review and prioritize these proposals based on how they align with the City’s Priority Outcomes and their authorizing policies and codes.

“The Results Teams will meet with departments to ask questions, give feedback, and discuss potential impacts of funding decisions while formulating their recommendations.”



Because they will not be presenting their proposals to results teams, departments without significant General Fund budget proposals will have the opportunity to discuss their budgets and proposals with the Mayor’s Office during workshops to be scheduled in late January and February. It should be noted that special funded departments must also continue to look for, and propose, efficiencies, measurable service improvements, and opportunities to ensure the long term fiscal sustainability of those funds.

FORWARD TOGETHER

The CAO’s Budget Instructions and the required budget forms will be forthcoming to guide you in the specifics of this year’s budget process. There will also be a training session for departments and opportunities for individual consultation with my Office of Budget and Innovation and the CAO on the technical aspects of developing your proposals.

I would like to acknowledge the CAO and his staff for their continued support in our transition to Performance Budgeting, and I thank all our General Managers and their staffs for their efforts and cooperation. In addition, I would like to thank the City Council for their partnership, and look forward to working with all of you to develop an excellent 2015-16 Budget for the City of Los Angeles.

For questions related to the overall budget policy, please contact Deputy Mayor Rick Cole at (213) 922-9772. For questions related to specific budget instructions, please contact Budget Director Matt Crawford at (213) 978-0940.

Thank you for all you do. I am proud to serve alongside you and look forward to great days ahead together.

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“Back to Basics” Priority Outcomes



1. Make Los Angeles the best run big city in America

Live within our means to restore capacity for basic services, reinvest in our public infrastructure and make government more efficient and effective; and use performance budgeting to fund what matters most.

Provide outstanding customer service to our residents and businesses and follow through on our commitments; provide timely and useful information; and measure customer satisfaction.

Deploy innovation and the best technology to modernize city government and increase transparency and civic engagement; and use open data to identify problems and pursue solutions.

Restore pride and excellence in public service with a commitment to train, equip, and empower the 50,000 public workers who deliver vital basic services; and empower and reward innovation to produce better, faster and more economical results.

2. Promote good jobs for Angelenos all across Los Angeles

Make it easy to do business in Los Angeles; nurture small business; reclaim our economic heritage in entertainment, aerospace, manufacturing, health care and tourism; promote international trade and invest in LAX to ensure a world-class passenger experience; make regional tech a pipeline to the future; improve land use planning to improve our standard of living and quality of life; educate and retrain our workforce for tomorrow's good jobs; prevent and reduce homelessness; and promote equity, affordability and upward economic mobility.

3. Create a more livable and sustainable city

Revitalize transit corridors to make great streets; repair our streets and sidewalks; partner with residents and businesses to clean and beautify our city; increase access to parks, libraries and other public services that enrich our quality of life; conserve energy and water; mitigate and adapt to climate change; build transit options for an accessible future; and restore the LA River.

4. Ensure our communities are the safest in the nation

Continue to reduce gang violence; implement smart policing; intervene with at-risk youth; improve emergency response and strengthen our resilience against earthquakes and other natural and man-made threats; strengthen community partnerships; increase access to jobs and services.

5. Partner with residents and civic groups to build a greater city

Engage Angelenos in decisions that affect their neighborhoods and their city; seek opportunities and innovative solutions to problems through volunteerism and civic partnerships; and foster resident participation in governance and in building shared community.