


REPORT OF THE CHIEF LEGISLATIVE ANALYST

Date: May 18, 2009

To: Honorable Members of the City Council

From: Gerry F. Miller, Chief Legislative Analyst 

Subject: **POLICE HIRING - ALTERNATIVE SCENARIOS**

As requested by your Budget and Finance Committee at its meeting of May 13, attached are a variety of revenue and expenditure actions currently within the authority of the City Council which could be applied to Police hiring. The attached includes:

- A table with a breakdown of the various cost elements of the sworn Los Angeles Police Department (LAPD) and Los Angeles Fire Department (LAFD) portions of the proposed 2009-10 budget. Included on the table are the equivalent civilian lay-offs and furloughs which would be required if the LAPD and LAFD portions of the Mayor's Shared Responsibility and Sacrifice (SRS) reductions were to be realized through civilian staff cost reductions.
- A table with a breakdown of possible revenue actions that the Council could take to apply the funding to LAPD hiring. Included on the table is the discussion of the implications of the possible actions on both the 2009-10 and 2010-11 budgets.
- A table with a breakdown of possible expenditure reductions, including unwinding actions that the Committee took to restore funding to certain departments and an estimate of the cost savings that could be realized if Police hiring were to be back-loaded during the next fiscal year. Included on the table is the discussion of the implications of the possible actions on both the 2009-10 and 2010-11 budgets.
- A general breakdown of the impacts on civilian layoffs and furloughs at various reduction levels.

The attached information does not include a cost analysis of various potential labor concessions to reduce the City's ongoing payroll costs. The City Administrative Officer (CAO) will report to you separately in closed session on the status of those negotiations, the General Fund cost savings implications of various potential concessions and the timing of implementation of any agreements.

Attachments

**2009-10 Proposed Budget
LAPD/LAFD Shared Responsibility and Sacrifice (SRS) - General Fund Only**

	\$ Amount (in millions)	Equivalent Civilian Layoffs ¹	Equivalent Civilian Furloughs Days ²
LAPD/LAFD portion of SRS of \$231M	128	2,723	32
LAPD/LAFD portion of SRS of \$326M (includes \$95M in at-risk revenues identified in the B&F Committee Report)	182	3,870	46
Combined LAPD/LAFD 2009-10 Sworn Hiring Plan	-65	-1,383	-16
LAPD Sworn Portion of Hiring Plan	-53	-1,128	-13
LAPD Attrition Hiring	-46	-979	-12
LAPD New Hiring	-7	-149	-2
LAFD Hiring Plan	-12	-255	-3
Unidentified Sworn SRS Reductions in Committee Report ³	63	1,340	16
Full Year 2010-11 Cost of Sworn Hiring Plan ⁴	120	--	30

1. Annual average civilian salary (\$69,000) + Pensions @ 20.93% (\$14,441) + Health/Dental (\$9,024) - Unemployment for 26 weeks (\$11,700) * 7 months funding (displacement/separation) = \$47,000 per position. Note that the number of Equivalent Civilian Layoffs are IN ADDITION to those that would be necessary to address the Civilian SRS. Under the total \$231M SRS scenario, the Civilian portion is \$103M, equating to about 2,200 layoffs; under the total \$326M SRS scenario, the Civilian portion is \$144M, equating to about 3,050 layoffs.
2. Daily General Fund savings per civilian furlough day = \$4M. Salary reduction per 12 civilian furlough days = 5%. Note that the number of Equivalent Civilian Furlough Days are IN ADDITION to those that would be necessary to address the Civilian SRS. Under the total \$231M SRS scenario, the Civilian portion is \$103M, equating to about 26 furlough days; under the total \$326M SRS scenario, the Civilian portion is \$144M, equating to about 36 furlough days.
3. Committee report includes LAFD hiring but assumes LAFD SRS reductions met through Constant Staffing changes/reductions in resources with no station closures. LAPD and LAFD civilian SSR assumed met through civilian layoffs (800 total) and furloughs (26 days) in Committee report.
4. Impact on 2010-11 budget. Unless ongoing revenues or expenditure reductions identified to offset this increase, would be added to the pension contribution increase of \$500 million, increasing gap to \$620 million. If civilian layoffs are imposed to pay for the hiring plan, then full years savings from the additional civilian layoffs will be sufficient to pay for the full year 2010-11 cost of the Sworn Hiring Plan.

2009-10 Budget

Alternate Possible Revenue Actions/Potential Required Adjustments

Action	\$ Amount (millions)	Discussion/Implications	Impact on 2010-11 Budget
Recognize P3 Transaction	77	<ul style="list-style-type: none"> • Would commit to P3 transaction • May require meters along with parking structures • Will not close until the end of the year. If unsuccessful, likely too late in the year to accomplish alternate expenditure reductions 	<ul style="list-style-type: none"> • One-time revenue. Would add to the 2010-11 budget gap
Recognize Additional Departmental Salary Reductions from Delayed Retirements	5	<ul style="list-style-type: none"> • 2008-09 retirements projected to be 100 below annual average of last 8 years. Assumes 60 are General Fund positions • Uncertain departmental salary reductions. Assumes employees have not retired due to ERJP discussions. Does not take into consideration slow-down in retirements due to economic conditions. If used for sworn hiring, shifts SRS reductions from sworn to civilian 	<ul style="list-style-type: none"> • If additional retirements occur, then this would be an ongoing savings which would reduce the 2010-11 budget gap
Recognize Additional Property Tax	22	<ul style="list-style-type: none"> • Assumed to be one-time 	<ul style="list-style-type: none"> • One-time revenue. Would add to the 2010-11 budget gap
Recognize State Withholding of Gas Tax	(26.5)	<ul style="list-style-type: none"> • One-Time unless State continues to withhold 	<ul style="list-style-type: none"> • Unknown. May be increased one-time revenue source
Recognize Governor's May Revise Property Tax Reduction	(68) to (120)	<ul style="list-style-type: none"> • Must be paid back over three years • City could issue Revenue Anticipation Warrants (RAWS) based on required State payback 	<ul style="list-style-type: none"> • Additional revenue if RAWS not issued in 2009-10. • Increased Expenses if RAWS are issued.
NET POSSIBLE/POTENTIALLY REQUIRED REVENUE ADJUSTMENTS	9.5 to (42.5)		

**2009-10 Budget
Alternate Possible Expenditure Adjustments**

Action	\$ Amount (millions)	Discussion/Implications	Impact on 2010-11 Budget
<p><u>Unwind Committee Actions:</u> City Clerk - \$.5M Finance - \$.5M Library - \$.5M Planning - \$1.0M Rec & Parks - \$1.5M Transportation - \$1.5M Treasurer - \$.25M Special Events - \$2.8M AB1290 - \$10.0M</p>	18.55	<ul style="list-style-type: none"> Funds were intended to mitigate number of layoffs and to partially restore the sizable reductions in these departments Uncertain whether all of AB1290 funding available. Committee acted to hold in UB until determination is made Would provide no funding for Special Events. Special Events already reduced by 50% 	<ul style="list-style-type: none"> AB1290 money is one-time revenue unless same action is taken again in 2010-11. Also, the amount of AB1290 funds are dwindling due to drop in property tax values.
<p>Back-Load All LAPD Hiring in Proposed Budget</p>	5*	<ul style="list-style-type: none"> Proposed Budget anticipates hiring 560 and attrition of 520. Class sizes are 60 in the first two classes and 40 in remaining 11 classes LAPD reports that the hiring needed to generate a net 40 officers is 530 less attrition of 490 Savings could be generated if the first eight classes are at 35 recruits with the last five at 50 recruits Defers decision on larger class until more information is available on the status of the budget 	<ul style="list-style-type: none"> No change in impact compared to the Proposed Budget.
<p>Back-Load LAPD Attrition Hiring Only</p>	7*	<ul style="list-style-type: none"> Proposed Budget anticipates hiring 560 and attrition of 520. Class sizes are 60 in the first two classes and 40 in remaining 11 classes LAPD reports that the hiring needed to meet attrition only is 480 Savings could be generated if the first eight classes are at 35 recruits with the last five at 40 recruits Defers decision on larger class until more information is available on the status of the budget 	<ul style="list-style-type: none"> Ongoing savings of approximately \$4M due to 40 less officers on July 1, 2010

*Note: Preliminary estimates subject to LAPD and CAO confirmation.

2009-10 Budget

Shared Responsibility and Sacrifice Amounts by Classification - General Fund

Classification	\$231M Deficit	\$326M Deficit
Civilian	\$103	\$144
Police-Sworn	\$92	\$131
Fire Sworn	\$36	\$51

Options to Balance - Not Subject to Negotiations

Furloughs	Each Day = \$4M	13 days/year = \$52M (Equivalent to a 5% Pay Cut)
Layoffs	First Year Savings of \$47K/position due to implementation period. Annual savings thereafter approximately \$92K. Amounts include benefits.	26 days/year = \$10M (Equivalent to a 10% Pay Cut)
Defer LAFD Hiring	Does NOT impact staffing model; basically salaries for drill lower instructors	500 employees = \$23.5M 1000 employees = \$47M 2000 employees = \$94M 5000 employees = \$235M
Defer LAPD Hiring	Proposed Budget anticipates net 40 officers. Various options to reduce cost of police hiring.	Delete Net 40 officers = \$6M Backload Hiring Plan of net 40 = \$5M Backload Hiring for Attrition Only = \$7M Defer All Hiring = \$47M
Reduce LAFD staffing on 20 Resources	This could be LAFD's Shared Sacrifice. No station closures. If hiring were deferred, LAFD's Shared Sacrifice could be reduced to \$25M, resulting in few resources that would need to be reduced.	\$37M
Cash Incentive	Many Models. CAO will present options in closed session. One scenario suggests 1,200 participants for a net savings of \$20M per 500 people.	500 employees = \$20M 1000 employees = \$40M
Delete Add Backs	B&F Recommended Discretionary amounts to Various Departments	\$18.55M
Use of Reserve Fund	The Reserve Fund balance in the B&F Committee report is about \$247M, which is \$20M more than 5% Policy. However, the LAPD Hiring savings of \$53M is temporarily included in the balance. If hiring is restored, the Reserve Fund Balance will be reduced by a like amount of the restoration.	Proposed Budget = \$189M (4.25%) B&F Committee = \$247M (5.6%) If LAPD Hiring restored = \$194M (4.4%)