

## Broken Budget: A City in Crises

By H. K. T.

The City's elected officials are scrambling to pick up the pieces of a shattered city budget, after the plundering of local government revenues by the State. Leaving a trail of broken campaign promises and trust betrayed, the Governor and the legislature have settled on a plan to close the State budget gap by taking money that funds local governments. Yes, the Governor and the legislature have agreed to the revenue bonds to fund the deficit, but no money is being earmarked for cities.

The result will be an 8.0 earthquake for city services. At a hastily

called special session of the City Council on Friday December 12, Mayor Hahn laid out the problem, "if Sacramento does not act immediately to backfill the loss caused by lowering of the vehicle license fee (VLF) - a revenue stream that under the State constitution belongs to local government, it will result in a loss of an additional \$105 million to the City of Los Angeles between now and June 2004."

The VLF provides about 7% of the city's General fund revenues. The impact on city services get dramatically amplified when you factor in the commitment by the  
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## Perspectives NC's Get the Call But Are They Ready?

By Ken Draper

The LA City Council got together last Friday for a special meeting. The only song on the program was the City's most serious budget crises.

Councilwoman, Cindy Miscikowski, called it a grim day. Councilman Jack Weiss was mad as you know what and wants to sue the State. He wants Rocky (as in Delgadillo) to terminate the Terminator. Mayor James Hahn feels betrayed by Governor Terminator and sees his vision of regional city halls, an expanded 311 service and additional cops, slipping into the what-might-have-been column. Even the Golden Monkey exhibit at the LA Zoo is off the table. It was truly a grim and angry day.

At times like this, one must look for some bright spots to mitigate the darkness. And, there were a few.  
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## Budget Dilemma

### HOW DID WE GET INTO THIS MESS?

By H. K. T.

The current budget crises may be considered an earthquake, but one can debate if it is a new tremor or an aftershock. Some of its roots can be traced back to unintended consequences of Proposition 13. That was when local governments lost control of their funding sources and became dependent on the State. Since that time, whenever the State runs short of cash, they take from

## Important Budget Meetings

- Budget & Finance Tuesday (3p)
- Audits & Govt Efficiency Wednesday (8:30a)
- LA City Council Wednesday (10a)

local government sources, and whenever they give a tax cut, they giveaway funds dedicated to local government. The recent case in point is the Vehicle License Fee (VLF).

The VLF was originally adopted in the 1930s. Under Proposition 47, a 1986 state constitutional amendment, all ve  
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### Special Budget Issue

- Broken Budget: City in Crises
- How Did We Get into This Mess?
- Are NC's Ready?
- Insult to the Mayor
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### City Watch

City Watch is published by CityWatchGroup, an independent, nonprofit organization, in association with the Citywide Alliance of Neighborhood Councils. ([www.allncs.org](http://www.allncs.org))

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## TRACKING THE ISSUES

**Sunshine Landfill**-The LA Regional Water Quality Control Board approved the Sunshine Canyon Landfill expansion into Granada Hills. The action ended a lengthy and contentious battle that involved the Granada Hills North Neighborhood Council, residents, politicians and the landfill operators. The vote was four to two.

**Temp LAPD Headquarters**-The City Council approved the spending of \$95-million to buy and renovate a Little Tokyo office building to be used as LAPD headquarters while a new Parker Center is built.

**City Cool on Wal-Mart**- A report, commissioned by LA Councilmember Garcetti and Reyes, says the Wal-Mart Supercenters could harm the City's economy. Wal-Mart is looking to open at least five supercenters in LA in the next two years. LA could attempt to ban or restrict the super stores. A Wal-Mart spokesperson said they would fight.

**Rocky's School Inspections**-The City Council Budget and Finance Committee agreed to support City Attorney Rocky Delgadillo's plan to conduct surprise inspections on LA schools. In a different committee session, Councilmen Reyes and Cardenas asked Los Angeles Unified and the City Attorney to take 45 days to see if they could find ways to work together on the inspections. ■

**We welcome your comments!**

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On Line  
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## Issues Calendar

December 16  
Education &  
Neighborhoods  
Canceled

**Budget & Finance (3p)**  
*Emergency Budget Matters*

December 17  
**Audits & Govt Efficiency  
(8:30a)**  
*Small Department Consolidation*

**City Council (10a)**  
*Emergency Budget Matters*

**NC Election Working Group  
(4p)**  
*Election Procedures*

Mayor not to cut the police and fire budgets which are 57% of all General fund expenditures. The impact on the remaining 43% of the budget will require nearly a 20% cut over the rest of the city's services.

### The Mayor's Cut List

During his address to the Council, the Mayor pointed to several programs that would be put on hold, some of which are important and work. Among the programs the Mayor said might be sacrificed are the Bulky Item Drop off centers, the Golden Monkey exhibit at the Zoo, the General Fund contribution to the Griffith Park Observatory, the General Fund contribution to the Affordable Housing Trust Fund and the General City Purposes expenditures (GCP). GCP is a catch-all account in the budget that funds street fairs, community parades and non-profit community service organizations.

The mayor also called for a freeze on all-new hiring, except to fill vacancies in police and fire departments. He conceded that his goal to increase the size of the Police department would have to be

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NC Watch

## First LA Certification Revisited

By Toni O'Donnell, Chair  
Wilmington NC

*(December 11, marked the anniversary of LA's first Neighborhood Council. That was two years ago and the Council was Wilmington. We asked WNC Chair, Toni O'Donnell, to look back for us on the certification, the years since and, looking back, what Wilmington would have done differently. Here is her report.)*

When the proposed Wilmington Neighborhood Council (WNC) was close to submitting the application for certification, I remember one of the community members, who was consistently involved in the formation process, complaining about the application procedure and how long everything was taking. My response at that time, was to ask all those involved to think of a five-year plan. Having worked for the City of Los Angeles for over 20 years, I had a pretty good understanding of how the City functioned, and knew everything in the City takes time.

We were pleased the first certification application was revised and took the revision as an indication that those working in the newly created, Department of Neighborhood Empowerment, were flexible and willing to change to best serve stakeholders.

Two years later (three if you count the year in formation), many of the same people involved in the development of the WNC are still involved. There were also new stakeholders who have come to learn of the WNC and it's potential for providing the catalyst for real change in the community. We have been very fortunate to have a diverse governing board that has, thus far, demonstrated great tolerance for different opinions and yet still get along.

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# The Grapevine

By Mr. Insider

## State Actions: Painful, Insulting

What was supposed to be a quiet week in City Hall turned into a frenzy after the mid-week announcement by the Governor that the State would not be back-filling to local governments the revenues they will be losing due to the recent lowering of the Vehicle License Fee. This was a painful, though not completely unexpected, development that makes the City's precarious fiscal situation even worse.

The news must have come as a personal insult for Mayor Hahn, who has been leading the lobbying effort of California's largest cities to ensure that their coffers were not raided in order to help balance the State's financial mess. Hahn, of course, had previously developed a personal relationship with Schwarzenegger, who had repeatedly promised to take care of local governments while running for office.

The City is now faced with a number of tough options in order to balance its books. The Mayor has recently met with union leaders to discuss a reduction in their scheduled 3% raise, set to take effect on January 1, 2004. To no one's surprise, the unions have not yet agreed to this proposal.

A lawsuit against the state seems a real possibility, as attorneys for cities and counties believe that the state's recent action was illegal and that the VLF fees belong to local governments.

## Kinder, Gentler Mayor's Office

Still reeling from the criticism he received in a scathing *Los Angeles Times* editorial of a few weeks ago, Mayor Hahn made some significant changes in his staffing recently in the hopes of improving relations with the City Council. Deputy Mayor Carmel Sella was stripped of much of her portfolio, which included oversight of Council relations and control of the City's lobbying core. Assistant Deputy Mayor Nathalie Rayes, whose star has been rising of late, was given the responsibility of handling Intergovernmental Relations and former special events coordinator Tracy Cohen was named the new Council floor point person.

Chief of Staff Tim McOsker made the announcement in a short e-mail to Council staff that did little to attempt to save face for Sella, who while highly effective and extremely competent at times rubbed Council staffs the wrong way with her cold and aggressive demeanor.

The reassignment of Sella, at one time one of the most influential Deputy Mayors, comes on the heels of the departure of Hahn's lead communications and strategy deputy, Matt Middlebrook. Both Middlebrook and Sella started with Hahn while he was City Attorney and developed reputations of being hard-nosed.

Whether Hahn's shift toward a more conciliatory attitude will result in tangibly better relations with the Council remains to be seen. It is hard to imagine that it was only a little over two years ago that the media was talking about the close working relationship the newly sworn in Hahn was expected to have with the Council, which had bitterly sparred with his predecessor Richard Riordan for years. ■

**CITY WATCH: LA Year in Review**  
*Coming December 29! A Must Read!*

*(Perspectives continued)*

The possibility that the Council and the Mayor may have to build a budget from the bottom up, establishing priorities and dispensing with what we can't afford has a lot of appeal. The idea that this crisis is such that the budget-makers might revisit contracts, might consider consolidating departments, might consider long-time worker complaints that departments are top heavy or might step outside of city-think long enough for new perspective and to listen to the wealth of ideas from the unions and others, offers hope.

Then there's the matter of media malfeasance. The possibility that the LA budget could tank, with or without the Vehicle License Fees, has been ignored by local media for months. Now comes the bond issue love fest in Sacramento and local media ignore the fact that the deal contains no VLF backfill for California's cities, leaving some cities to contemplate bankruptcy and LA to face the torturous task of deciding between the Department of Aging and public safety. Or, between the Cultural Affairs Department and four or five hundred firemen. If, however, LA wakes up one day, begins to inhale the caffeine fumes and discovers it has been snookered by the local media ... by tilting toward sexier stories and by providing such shallow coverage of LA's \$19-million a month budget shortfall as to be invisible ... then something worthwhile will have come from this experience.

And, of course, among the beneficiaries of this budget dilemma could be Neighborhood Councils. It was encouraging to hear so many of the speakers, at Friday's special session, include Neighborhood Councils in the discourse. Martin Ludlow suggested they shop their budget ideas around to NC's. Janice Hahn reminded us that NC's did speak on the budget at the Congress. Wendy Greuel met with her Councils and was surprised that so few understood the gravity of the VLF loss. Someone else agreed that the public needs to be made aware of the seri-

ousness of this mess and wants NC's to help get the word out.

All well and good. It's flattering for Neighborhood Councils to be at this level in the process. The question is: Are Neighborhood Councils ready to assume the responsibility? Up 'til now, there has been little to suggest they are.

For months now, NC's have been warned about the vulnerability of LA's budget, especially with the loss of the VLF monies. Yet the NC agendas and chat networks found more important subject matter: board resignations and the less-than-perfect opening days of the DONE website.

Even as the Mayor and the Council run up the red flags, NC's are responding like deer caught in headlights. Some still haven't bought into the gravity of losing \$19-million a month. Some believe the City is crying wolf. Some still think this is a State matter. Some are believers, but aren't sure how they get into the game.

There are those who believe this is an opportunity for Neighborhood Councils to become significant players in the City process. To build credibility. To demonstrate maturity and leadership. As one Charter Commissioner suggested, "this could be a signature moment for Neighborhood Councils".

To do what you ask? To call special board meetings and get the grimness of LA's budget crises into the consciousness of your board. To help get the word out to your stakeholders explaining the loss of VLF funds without backfill. To provide creative ideas for budget reductions and for increasing City revenues. To understand and help with the choices and the priorities. Few folks, including NC's, understand the complexities of this budget, but NC boards should be able to tell the difference between closing the libraries and losing 500 police officers.

So, NC's have gotten the call. The question is: Are they ready? ■

*(Wilmington continued)*

Shortly after the WNC was certified, the Port of Los Angeles, at the direction of the Mayor, created a Port Community Advisory Committee (PCAC). Neighborhood councils, in the Harbor Area, were one of many community organizations selected to be represented on the PCAC. Wilmington now has two, well established, advisory organizations that have given a long overdue voice to the community at large.

Some Wilmington stakeholders may still complain that San Pedro gets everything and Wilmington gets nothing, but it was evident last night, at our regular monthly meeting, by the reports of representatives, from both Councilwoman Janice Hahn and Mayor Jim Hahn, that our elected officials are paying attention to Wilmington. I strongly believe that if the formation of a neighborhood council had not taken place in Wilmington, this community would have continued to be abused with little regard to outcome.

While the WNC still has many kinks to work out, there will be no going back to a time when things happened in the community without community knowledge or input. Doors of communication have been opened and we have a regular attendance, at WNC meetings, of representatives from the 15th District City Council office, Mayor's office, our Congressional Representative and State Assembly seat as well as visitors from many different city departments.

Would we have done things differently? I don't really think so. We were fortunate to have no trouble with our application and certification process. I think the funding has been adequate so far. Perhaps we need to concentrate more on the actual procedure for accessing the funding. However, considering that all of us are volunteers, for the amount of time we are putting in to the WNC we are reaping just rewards.

*(Continued on page 5)*

#### CITY WATCH

...Is distributed to LA's Neighborhood Councils representing more than 3,000,000 stakeholders!

*(Our Mess Continued)*

hicle license fee revenues, except those from trailer coaches, must be allocated to cities and counties. Local government's other major source of funding was the property tax. The rationale was that cities and counties provided streets and roads and property related services. At the time, property taxes were computed by the current assessed value of the property. The VLF was simply 2% of the sale price of the car. Cities could estimate their projected income and budget accordingly.

When the economy flourished and housing values began to boom in the mid 1970s, homeowners found that their homes, purchased for \$25,000 in the sixties, were now paying property taxes on homes valued at \$150,000. Governor Jerry Brown, and the state legislature, found themselves sitting on a pile of cash from their revenue sources. Taxpayers demanded relief and what followed was Proposition 13. Prop 13 cut property tax revenues by two-thirds and restricted new assessments to the time of purchase of a property.

Cities and counties, reeling from the loss of revenue, turned to the State for help and have been dependant on the State ever since. However, the one source that they could still count on was the VLF. Some cities, like South Gate, rely on the VLF for 40% of their budget.

In 1998, the State, which relies on the income tax, was sitting on surplus cash. The economy is cyclical, and at that time the "dot-coms" were thriving and investors were reaping huge profits in the stock market. Then, Governor Pete Wilson, careful not to make Jerry Brown's mistake, decided to give relief to taxpayers by giving a rebate and reduce the VLF. The Democrat-controlled legislature, lead by Speaker Antonio Villaraigosa (now a Los Angeles City Councilman), voted to support the proposal under the condition that the funds lost by local govern-

ment were replaced, or back-filled, from the State's General Fund and that in a time of budget emergency, the Governor could flip the circuit breaker and restore the VLF to its original rate. The tax rate was reduced from 2% to .6%.

Like the turning of a page, the economy cycled through to a down period and the dot-com's bubble burst. The State ran short of cash and the red ink was flowing. Pinned in by the Republicans, Governor Gray Davis restored the VLF to its old rate. Recall proponents called the action a tripling of the car tax and Davis was gone.

Newly elected Governor Schwarzenegger's first action was to rollback the VLF to the lower tax rate, with a vague commitment to back-fill the lost revenues to localities. However, last week he appeared to back away from that promise.

It has been a tradition in tax cutting by the State to give away other peoples money. The pattern is to promise a portion of the State General fund in exchange. That works until hard times, when the State will start cutting these very same funds; leaving cities high and dry. This, of course, brings havoc to the financial planning for cities and counties. Expect the pattern to repeat itself unless cities get control over their own revenue sources.

■

*(Crisis Continued)*

placed on hold. He also froze all equipment purchases and travel by city employees

The Mayor indicated that he has been discussing the situation with the City's union representatives, emphasizing the need for all members of the City family to come together to survive the crises.

#### **Rocky versus the Terminator**

Although prohibited the Brown Act from taking formal action, councilman Jack Weiss urged his colleagues to get angry and to take on the State. The VLF is a constitution-

ally provided funding source for local governments, and the state's taking of that funding source violates the law. He urged City Attorney Rocky Delgadillo, to sue the state for the lost revenue. The motion, while not voted on, received support from the council members, but it was noted that, under the best of circumstances, it would be months before such a suit would be resolved.

Councilmember Janice Hahn, moved that the Mayor, with the assistance of the CAO, CLA, Controller and Council representatives, work over the Holidays and bring back an emergency six-month budget. The budget, passed by the council last spring, is obsolete, she said.

Wendy Greuel, along with other council members, pointed to the need to educate and enlist the City's Neighborhood Councils, in the effort to secure more funds from Sacramento a prioritized city services.

Councilmember Greig Smith, one of the few Republicans on the Council, excoriated his colleagues for not getting on the phone to gather better intelligence on what the "majority party" (aka: the Democrats) are planning. He said that he was going to a dinner with the Governor and would bring up the topic directly.

Smith also criticized the local media for spending more time on Trista and Ryan's wedding than on the statewide budget crises. ■

*(Wilmington continued)*

I think, as we look to the future, we will continue to try to foster more participation. I think a true measure of success will be to establish the WNC as an institution so that any qualified stakeholders can step into the governing board positions and continue to function smoothly. I feel confident that when we reach that five-year benchmark, the WNC will have realized it's full potential and the quality of life will be better in Wilmington. ■