



CITY HALL
LOS ANGELES, CALIFORNIA 90012

JAMES K. HAHN
MAYOR

April 20, 2005

Honorable City Council
City of Los Angeles
c/o City Clerk
Room 395, City Hall
Los Angeles, CA 90012

Honorable Members:

Last year, I introduced Priority-Based budgeting, a revolutionary new budgeting process for the City of Los Angeles. Building on last year's success, I am taking Priority-Based budgeting to the next level by funding and highlighting best practices within the City of Los Angeles.

Priority-Based budgeting is reshaping the discussion this City is having with its residents. My proposed fiscal year 2005-06 budget funds best practices, investing in programs and services that best accomplish the results the people of Los Angeles want their city government to achieve.

As the only big city in America to successfully implement Priority-Based budgeting, we transformed a stale exercise in accounting into a dynamic process where residents and neighborhoods all across Los Angeles have a chance to weigh in on how their government should allocate resources. Gone are discussions about funding departments or across-the-board cuts. Instead, we are focusing on funding best practices that achieve our priorities.

Despite tough economic conditions over the past three years—the result of a weakening economy, the State taking City revenue to help balance its budget, changing economic realities resulting from September 11th—the City of Los Angeles found new and



innovative ways to budget and respond to the residents and businesses we serve. In focusing our resources on best practices, we have been able to fund cost effective programs that achieve our priorities—making Los Angeles safer, enhancing the quality of life within neighborhoods, improving mobility, spurring economic development, and increasing our housing stock. As a result, our resources are spent efficiently, allowing us to invest in the expansion of important services like police hiring, street maintenance, after school programs and affordable housing.

Some of our best practices over the past three years include:

- Moving Los Angeles police officers from behind desks and into high-priority assignments, effectively putting more than 100 officers back on the streets;
- Expanding the number of ambulances Citywide, to ensure an ambulance at every fire station, and lowering the average response time;
- Adding more than 50 sites to L.A.'s BEST program, ensuring more than 20,000 Los Angeles elementary school children have a safe place to go after school;
- Establishing a \$100-million Affordable Housing Trust Fund, augmenting more than 34,000 new housing permits issued since 2001 (nearly 30 percent of which are affordable);
- Modernizing our City libraries and making them community centers by sustaining longer hours of operation;
- Implementing LA STAT, an ongoing performance measurement program, which for the first time requires City departments to set performance goals and be held accountable for reaching them;
- Purchasing a new state-of-the-art street repaving machine that results in paving more residential miles of street at less cost; and,
- Spurring economic development by simplifying the City's business tax system, and implementing meaningful tax reform.

Funding our budget priorities over the past several years has achieved significant results, making the City of Los Angeles one of the top fiscally managed cities in the country. What we have been able to accomplish in lean budget years is a reflection of our commitment to doing more with less. We must continue to build on this momentum.

In looking ahead to the next fiscal year, my budget continues to aggressively invest in programs and services that will support achieving six priorities:

1. Making Los Angeles the safest big city in America

Together with the City Council and City Attorney, we have identified the resources to recruit and train 720 new police officers in the coming year. This means that for the first time in many years, the Los Angeles Police Department will run full monthly police training classes.

Our Los Angeles Fire Department will continue to expand its capability to respond to medical emergencies by training 48 new paramedics and upgrading eight ambulances within the City to better handle increased demand for more specialized medical services.

Preventing crime before it occurs is significant to our goal of making Los Angeles the safest big city in America. Our nationally recognized L.A.'s BEST program, which is currently operating in 130 elementary schools in the City, is one of the best services we provide to keep kids off the streets and out of gangs. This year, my budget calls for \$2.34 million in funding that will enable L.A.'s BEST to expand to an additional 12 schools, and another \$500,000 for a new gang prevention program.

2. Ensuring neighborhoods are good places to live

We need continued investment of our city resources in community centers like parks and libraries and on infrastructure improvements to our streets and sidewalks to ensure neighborhoods are good places to live. Much of this year's revenue growth is being dedicated to investments in our neighborhoods and for ongoing quality of life neighborhood services.

I am proposing a budget for our libraries that continues to keep them open in the evenings and on weekends. Additionally, my budget invests in additional program and maintenance funding to ensure that our new library facilities that have come online in the past few years will provide a high level of service and are well kept for future community use.

New parks and new facilities will open this year to enhance neighborhoods throughout the City. I am committed to ensuring that those facilities are adequately staffed and maintained so that these treasures will continue to improve the quality of life within our neighborhoods.

Neighborhood councils have made positive impacts on our neighborhoods, communities, and the City as a whole. They have used their \$50,000 grants to make needed improvements to our neighborhoods by partnering with the Police Department to install cameras or working with the Recreation and Parks Department to install new playground equipment. While this year we will continue to grant neighborhood councils \$50,000 for these community improvement projects, we will also fund each neighborhood council with \$100,000 in dedicated money for high-priority street reconstruction, resurfacing, and slurry sealing. This allocation is part of my commitment to fund even more street maintenance miles this year.

3. Getting where I want to go safely and reliably

My Proposed Budget includes funding for more than 500 miles of street maintenance, an increase of 65 miles over last year. This year we will also cut down the time it takes to install street markings and speed humps, which improves traffic safety on our residential streets.

Moving traffic within our neighborhoods continues to be a top priority. This budget will fund the City's continued program to fix 25 of the City's worst intersections every year, which saves drivers more than 1,000,000 hours annually. We will also continue to commit the necessary resources to the Street Smart program, which over the next four years will upgrade 35 major streets across the City and improve the flow of traffic, saving Los Angeles drivers more than 30,000 vehicle hours daily.

This budget also provides for City funding to assist in moving the Exposition light rail and Gold Line extension projects forward more quickly by committing \$6 million in Proposition A funds. Our dedication of City resources reflects a commitment to mass transportation projects and our support of regional efforts to get these projects online as quickly as possible.

4. Creating quality jobs, developing a competitive workforce, and enhancing Los Angeles' business climate

The City of Los Angeles has regained its position as an economic powerhouse. In the last four years, the City has witnessed over \$10 billion in private construction, nearly 40,000 new jobs created in the region, and the largest level of housing production in decades. Indeed, economic development policies implemented over the last few years have made the City more attractive for

increased business investment, job creation, and housing development and preservation.

Funding is provided to facilitate quality building inspections, expedite permit and case processing, and support the expansion of Business Improvement Districts. In addition, the fiscal year 2005-06 budget includes funding for business tax reform. Specifically, no business earning less than \$50,000 in 2005-06 will pay the business tax, while eliminating "Bad Debt" as a tax liability and provide that taxpayers can report on either a Cash or Accrual basis. And beginning on January 1, 2006 all other businesses will see the beginning of an-across-the-board reduction in their business tax.

The fiscal year 2005-06 Budget also provides resources to target the more than 2.5 million cultural tourists who visited Los Angeles in 2003, which generated a total economic output of \$1.1 billion and supported over 10,500 jobs. In partnership with the County of Los Angeles, \$2 million in funding is provided to support Art+Culture LA—a new effort to market cultural tourism in the City of Los Angeles.

5. Increasing the quality, quantity, and affordability of housing in Los Angeles

This year, we will continue to fund the Affordable Housing Trust Fund with an increased General Fund allocation, keeping our commitment to provide public money as leverage for other resources in order to build much needed housing throughout Los Angeles. We will continue to search for dedicated revenue for the Affordable Housing Trust Fund so that this important priority is not competing for General Fund dollars with other high-priority services.

With the substantial increase in building activity in Los Angeles, the Department of Building and Safety continues to set records in the number of new construction units it inspects each year. This year, my budget will create a building permit enterprise trust fund, allowing the Department increased flexibility in funding additional inspectors as demand for inspection increases. This efficiency will allow the Department of Building and Safety to respond to the needs of its customer more quickly and with a higher level of service.

The issue of homelessness affects Los Angeles, as it does other major cities throughout the country. Last year, my budget provided for shelter beds beyond the winter months, and for the first time providing shelter beds throughout the year. This year we will continue to keep homeless shelters open year round.

6. Supporting a Los Angeles City government that works better and costs less

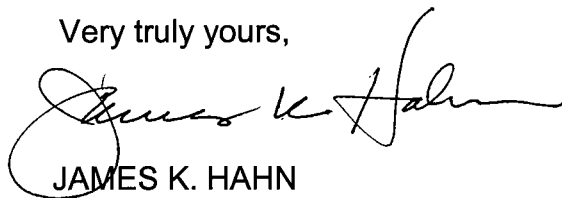
We have experienced a significant drop in both claims and payouts in worker's compensation, which results in an overall projected decrease in claims and payouts, allowing those funds to be directed to higher priority services like police hiring and street maintenance. Our budget is committed to further pursue policies that result in even more savings in workers' compensation, including working on expanded return-to-work programs for injured workers.

In unveiling 3-1-1 over two years ago, the City has become easier to contact, with a "one call to City Hall." This year, my budget funds the next phase of 3-1-1, with the purchase of technology that will allow 3-1-1 operators to directly solicit and track residents service requests. We will also realize additional savings as we consolidate departmental call centers throughout the City into the centralized and more efficient 3-1-1 call center.

This budget outlines a vision and strategy for how we achieve outcomes and the results the residents of Los Angeles expect from City Hall—a City government dedicated to providing quality services. I want to thank the hundreds of residents and business owners, City-elected officials, City department managers, and staff who assisted me in formulating this budget.

I look forward to working with all of you to help move Los Angeles forward. We must build on the successes of the last three years as we continue to make Los Angeles a safer city and an even better place to live, work, and play.

Very truly yours,



JAMES K. HAHN
Mayor