



**Office of the Mayor
City of Los Angeles**

ANTONIO R. VILLARAIGOSA

**FOR IMMEDIATE RELEASE
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**MAYOR VILLARAIGOSA DELIVERS
FIFTH STATE OF THE CITY ADDRESS**

Mayor unveils this coming year's budget with strategies to put city on a path of fiscal sustainability, replenish reserve and fund public safety.

Mayor also issues challenge to all city leaders and workforce to share in the sacrifice to pass an even better budget to avoid cuts and prevent further layoffs.

LOS ANGELES – Mayor Villaraigosa today delivered his fifth State of the City Address where he unveiled this coming year's budget and his strategies to put the City of Los Angeles back on a path of fiscal sustainability, replenish the reserve fund and maintain a police force of just under 10,000 officers.

“We start by recognizing that LA's long-term fiscal sustainability goes beyond just one budget year. One year of cost-cutting won't solve this crisis. We must make lasting, structural changes that not only balance this year's bottom line but puts us back into the black for future forecasts.

This budget provides a beginning path towards that sustainability. It is balanced by using 68 percent of cuts and revenue changes that are structural and just 32 percent that are one-time.

It protects the reserve fund. It funds our first obligation public safety. It continues the fight against gang violence. It protects our basic infrastructure by maintaining streets. It forges new partnerships with the private sector and it balances our expectations with our resources.

This budget totals \$4.34 billion dollars. Sets aside 6.5 percent or \$284 million dollars for the reserve fund and it builds a smaller, more efficient city government.”

In acknowledging that the proposed budget does not fund some basic city services – libraries, pothole repair, tree trimming and park programs – the Mayor issued a challenge to all of the city’s leadership and workforce to be willing to take cuts in pay or increase their contributions made to their pension or health care plans to pass an even better budget to avoid many of the cuts and prevent further layoffs.

“So I issue another challenge: the Mayor’s office, the City Council, labor leaders and our city workers. We must all share in the sacrifice to stop the cuts in services and prevent further lay-offs. We must all be willing to take cuts in our pay, increase our pension contribution, and contribute more to our health care plans.

I will be cutting my office budget and I ask the Council to do the same.

My friends ultimately we are here today because we believe that people of good faith can come together and find the common ground needed to secure a more sustainable future.

Let us commit ourselves to finding this common ground. Let us commit ourselves to a frank and open conversation. Let us challenge ourselves to engage in the sincere and honest search for solutions to avoid the austere future represented by this proposed budget.

I stand here before you committed to the challenges before us. Committed to reviving the spirit of cooperation. Committed to sharing in the sacrifice. Committed to working side-by-side with you to create an even better budget.”

The proposed budget is available at <http://www.budget.lacity.org>.

A complete copy of the Mayor’s address as prepared for delivery is attached.

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Mayor Villaraigosa
State of the City Address
Tuesday, April 20, 2010

President Garcetti; Members of the City Council; City Controller Greuel; City Attorney Trutanich; Members of the School Board; Chief Beck; Chief Peaks; Presiding Judge McCoy; Judges Edmon & Espinoza; General Managers and Commissioners of our City departments; Consuls General; Fellow Angelenos:

Pardon me if I break with the established ritual this afternoon. Instead of giving the traditional State of the City, complete with all things we've accomplished and all the things we intend to do, instead, I want to try and confine myself to a single topic: our city budget and what we must do to solve our deficit and hone our mission of the Angels.

I think everybody realizes the urgency of our present financial condition. My friends, this is a tough time for everyone right now in Los Angeles. We are experiencing an historic economic collapse.

Before our eyes, the Dow dropped like a stone. Wealth accumulated over years of hard work and sacrifice, was wiped out. Home equity evaporated, and in the space of three short years, over 23,000 of our families lost their homes. Over the last two years, new construction slowed by 25%; and with it, the new jobs and revenue that support our city. 65,000 jobs gone; and with them, the security and piece of mind provided by a steady paycheck.

This is our new economic reality.

A recession that is tearing at the fabric of our communities. A recession that is tearing a gaping hole in our city budget and forcing us to take measures unimaginable a few short years ago. Mandating that City employees take up to 26 days without pay; modifying the deployment plan of our firefighters; eliminating departments and consolidating others; initiating lay-offs of more than 800 employees.

This is the new economic reality that is pitting the cruel irony of the growing needs of Angelenos against the declining capacity of their own government to answer their needs.

This is the reality that we face. And the reality that we will meet head on.

I think about what we are up against, and I think about how small it all seems in comparison to the challenges that faced our grandparents. I think about my own grandfather, Pedro Acosta. How he arrived in Los Angeles over 100 years ago with little more than a shirt on his back and a willingness to work.

At first he worked the fields. Eventually he built a small thriving produce business, achieving a life for his family well beyond his wildest dreams.

If only the story stopped there. Then the Great Depression came along and it all came crashing down. He lost his business. He lost his wife. Things got so bad he was forced to place his only two daughters into fostercare.

But my grandfather and my mother endured. They never lost hope. They never stopped believing in each other. They never lost confidence that the future was going to be better than the past. They never stopped working. Most of all they never stopped believing that their futures were the ultimate product of their own hard work.

I always grew up believing that this is what it meant to be an Angeleno.

Now, I don't have to tell you that over the last several weeks we have allowed darkness to cloud our optimism. I think that you could even say that we have allowed the strain of the challenges we face to undermine civic unity.

And I don't have to tell you that the past several weeks have left many people disappointed. The sparring over the budget and raising rates at the DWP became far too negative. I would be the first to say in our effort to lead a green economy in Los Angeles, I have stepped on more than a few rakes.

But I will also say this, we aren't going to get blown off course by this economic storm. We are bound and determined to lead the conversion of the Department of Water and Power from dirty coal to renewable sources such as solar, wind and geothermal. Producing reliable, affordable and sustainable energy to the residents and businesses of Los Angeles is a matter of economic necessity. Not just because we will be subject to hundreds of millions in state fines annually if we don't. We'll give up our economic advantage as a city that owns its municipal utility, conceding thousands of green jobs to more enterprising cities.

We cannot afford to allow the economic storm to blow us off course.

So, we will lay out a plan in the coming months, that begins to reform the Department of Water and Power making it more accountable to ratepayers and businesses alike and making an agency sometimes renowned for secrecy more transparent to us all. And we will lay out a plan that once and for all makes Los Angeles the undisputed national leader in green energy and green jobs.

Now, even though we began this debate with good intentions, we ended it divided and fractured.

This must change.

We cannot allow our City Family to stand divided against itself. We must put the long-term goal of sustainability ahead of short-term politics. This is a challenge for all of us. It is a challenge that I acknowledge begins with me. And it is a challenge that I accept.

Now, this challenge that we all face, will be difficult. It will call upon us to counter the easy cynicism that always defaults to short-term thinking. That always says we can kick the can down the road; defer the difficult decisions and choose quick fixes over permanent solutions.

We need to see the debate over LA's budget in a much wider context. Over the last four years in LA, we've tried to make the case for investment in bold solutions. And we've seen that when we make the case, Angelenos are willing to make an investment in their city.

Yes, they've been willing to raise revenues. They are willing to raise fees. They are willing to expand our tax base. They are willing to do all of these things if we do our job and present them with a wise investment.

In 2006, when we asked residents to pay a higher trash fee, we offered a commitment. A commitment that pledged that if the trash fee was raised, we would hire the police officers that our neighborhoods needed and deserved. A larger investment in a modern, community-centered, Twenty-First century police department who understands that it is smarter to prevent crime, than just prosecute it.

Angelenos responded.

We've built the largest police department in our city's history, but more importantly, it has allowed us to achieve historically low crime rates. Our neighborhoods are the safest they have been since the Eisenhower administration.

In 2007, we faced court challenges to what is called the telephone users tax. We soon realized that if these challenges were successful, the City could lose over a quarter of a billion dollars in revenue. We had a choice. Let the legal chips fall where they may and risk a devastating loss in revenue to the city or go to the voters and explain the need to keep the tax in place.

Again, the pundits clucked and again, the public proved the doubters wrong. Proposition S passed with nearly two-thirds of the vote.

Again, in November of 2008, the voters showed their willingness to invest in the future of their city. They passed Measure R with 68% support in the County of Los Angeles over two-thirds countywide voted to raise the sales tax by half a penny.

In doing so they secured \$40 billion in revenue for new bus and rail lines, better streets, and pedestrian and bicycle improvements.

Now, Angelenos' willingness to invest has caught the attention of our national leaders. We have been able to make the strong case that the federal government should partner with Los Angeles to accelerate our historic transportation investment. Instead of completing twelve major transit projects in thirty years, Washington should help us do it in ten.

We are calling this the “30/10 Initiative.” By combining our investment with federal support we could generate 166,000 construction jobs; 2,800 permanent jobs over the next decade; increase transit boardings by 77 million per year; save 10.3 million gallons of gas; and keep 570,000 lbs of pollution out of the air.

Doing this will make Los Angeles more sustainable and reduce our dependence on foreign oil. Measure R will double our transit system here in Los Angeles and “30/10” would make us a national model showing how locally we can drive transformative investments in the future of cities and our great nation.

Time and again, the citizens of Los Angeles have proven that they are willing to invest when we explain the challenges accurately and present the options honestly.

Now it is time to present our city’s budget clearly and honestly as well.

Over the past four years we have tried to close the budget gap and put the city on a path of fiscal sustainability. We made cuts; we raised revenue and we replenished our reserve fund. City leaders, general managers, and most importantly our city workers recognized the need to balance our expectations with the resources at hand.

We pushed departments to find efficiencies. We measured productivity and identified savings. We raised fees; accepted furloughs; provided an early retirement program; transferred employees from positions paid for by the general fund to special funds; and initiated the lay-offs of some city workers.

But these measures have not been enough.

The economic storm that has been pounding our private sector is now hitting the public sector with full force. This coming year we are facing a deficit of \$485 million dollars and pension costs have climbed to 19% of our General Fund.

So in crafting this year’s budget, where do we start? We start by recognizing that LA’s long-term fiscal sustainability goes beyond just one budget year. One year of cost-cutting won’t solve this crisis. We must make lasting, structural changes that not only balance this year’s bottom line, but puts us back into the black for future forecasts.

This budget provides a beginning path towards that sustainability. It is balanced by using 68 percent of cuts and revenue changes that are structural and and just 32 percent that are one-time.

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This budget totals \$4.34 billion dollars. Sets aside 6.5 percent or \$284 million dollars for the reserve fund and it builds a smaller, more efficient city government.

A government that is focused on its first obligation, the public's safety. You have heard me say it before, and just as our City Council confirmed this past week, safe streets is the foundation to every thing we are trying to build in the City of Los Angeles.

This budget begins with this first obligation and fortifies this foundation. This budget maintains our police force at its current level of just under 10,000 officers. And this budget makes NO cuts to our 9-1-1 emergency response system.

I will not cut the services that support our residents at their greatest time of need and protect our families when they are the most vulnerable.

This budget continues our successful work of fighting gang violence. Using funding from both the state and federal governments, we will maintain support for the city's Gang Reduction and Youth Development program and the intervention and prevention services that support our young people in need.

This budget funds the backbone of our transportation infrastructure: our street surfaces and street signals. By leveraging Federal Stimulus dollars we will budget 735 miles of street resurfacing. This keeps us on pace with the last two years.

This budget also recognizes that it is not only necessary, but smart to create partnerships with the private sector in the delivery of city services that were once the sole domain of the public sector. By balancing and sharing in the strengths, skills and assets of both sectors, city services can be delivered to the public at the same, or greater level of quality while creating new sources of funding for the public sector and opportunities for the private sector.

This September, we will aim to close leases on a set of our city-owned parking garages. And working with the City Council we've already begun exploring the possibilities of partnerships at the Los Angeles Zoo, the Convention Center our municipal golf courses and the City's parking meters. All represent opportunities for the City of Los Angeles to capitalize on the strengths of the private sector while delivering a better quality of service for the people of Los Angeles.

To be clear, these partnerships won't work if the public is not well served or if the quality of services decline. So with every opportunity we explore we will follow three guiding principles: first, we maintain public oversight and accountability for the essential purpose of the service; second, we prioritize the needs of the residents of Los Angeles and the quality of the core service above the profit of the private sector; and third, we balance the strengths, skills and assets of both sectors in the delivery of the service.

With these principles in place, these partnerships can offer Angelenos advantages in the long-term with a better managed Convention Center and parking garages, residents will see an improvement in the level of service. And in the short-term, a substantial amount of revenue will be paid to the city's General Fund. This is new revenue that can only be found through these partnerships and it is revenue that the city sorely needs.

But I will hold firm in arguing that any newly created revenue must be used to replenish the city's reserve fund. A healthy reserve fund is critical. Critical in maintaining a good standing with the credit rating agencies. Critical in giving the city the best chance for weathering this crisis and critical to protecting the city in the aftermath of an unforeseen emergency.

But Angelenos, let me be the first to point out what this budget does not do. This is not a budget that reflects why I ran for office. While we opened new libraries this year, we are now asking our branch libraries to reduce their service from six days a week to five. While we are keeping pools open this summer, we are asking many parks to reduce the programs they offer. And while we are paving streets at a faster pace, we are slowing down at repairing potholes, paving alleys and trimming trees.

You might find this strange. "Why is the Mayor criticizing his own budget?" It is because I know we can do better.

The cynics might say that politicians won't make tough choices; that city workers would rather pad their pensions than protect services. They are wrong. I know they are wrong. And you know they are wrong.

I know because I have witnessed the dedication of our city employees. I have seen the passion and energy they bring to their jobs. I have appreciated the countless actions, both big and small, they have done to make this a better city. I have watched our librarians ignite our children's imaginations through the pages of books. I have seen our firefighters stand and face savage flames and searing heat to protect the homes and lives of Angelenos. I have been moved by the bravery of our police officers as they work everyday to make this a safer city. I have been inspired by the professionalism of our general managers and the care and imagination they bring to the enormous job of running a city of over 4 million people.

Like these individuals, we believe in the power of what we do to make the lives of others better. We are here because we want to create a Los Angeles that is more vibrant, more secure and more prosperous.

So, the proposed budget before you represents one version of our future; forced on us by the economic downturn and our past failure to live within our means. These lay-offs and service cuts I have proposed will be severe. And they will be painful. But let me be first to say, we can we do better. We can avoid many of these cuts and we can find better ways of protecting our fiscal health and balancing our budget.

So, I issue another challenge the Mayor's office, the City Council, labor leaders and our city workers. We must all share in the sacrifice to stop the cuts in services and prevent further lay-offs. We must all be willing to take cuts in our pay, increase our pension contribution, and contribute more to our health care plans.

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I stand here before you committed to the challenges before us. Committed to reviving the spirit of cooperation. Committed to sharing in the sacrifice. Committed to working side-by-side with you to create an even better budget.

I say this with the same optimism that Grandpa Pete brought with him to this great country. I say this with the same optimism that the future will be better than the past.

That there are sunnier days ahead for the City of the Angels.

Thank you.

And God bless you all.