

April 11, 2012

Charter Mandate Needed to Require the City to “Live Within Its Means”

To promote a financially sustainable future for our barely solvent City, the Neighborhood Council Budget Advocates recommend that the City be “required to develop a Five-Year Strategic, Operational, and Financial Plan mandating multi-year Balanced Budgets based on Generally Accepted Accounting Principles and that provides full funding for our infrastructure and pensions.”

The City has demonstrated that it is unable to “Live Within Its Means” as it confronts a \$222 million budget gap next year, and that, unfortunately, is based on overly optimistic revenue assumptions.

The so called “balanced” budget is hardly balanced.

Deferred civilian raises and banked police overtime are not expensed, but have been earned.

The “balanced” budget does not provide adequate funding for the repair and maintenance of our infrastructure, including, but certainly not limited to, our lunar cratered streets (the second worst in the country), our sidewalks and curbs, our parks and trees, and our Stone Age computer systems.

Nor does the “balanced” budget provide for adequate contributions to our two pension plans that are only 73% funded, with a combined shortfall approaching \$10 billion, and that is based on overly optimistic investment returns. And to make matters worse, the mandated pension contributions have been lowered by manipulating the rate of healthcare inflation.

Over the next four years, out of control personnel expense (consisting of salaries, medical benefits, pensions, and workers compensation) is projected to increase by \$828 million, \$325 million more than the total increase in General Fund Revenues.

No wonder why we have a Structural Deficit, where expenses are increasing faster than revenues.

The City’s very solvency is at risk as the City Administrative Officer is projecting a four year budget deficit of about \$1.4 billion. And once again, the City is relying on some very optimistic assumptions.

And that is why we need a “Live Within Its Means” charter amendment that mandates that the City develop and adhere to a Five Year Financial Plan that calls for multiyear balanced budgets based on Generally Accepted Accounting Principles; that requires the repair and maintenance of our failing infrastructure over the next ten years; that reins in the spiraling increases in salaries, benefits, and pensions; and that requires designated funding to cover any increases in spending (such as increases in wages or benefits) or decreases in revenues (such as the repeal of the gross receipts tax on businesses located in the City).

The Neighborhood Council Budget Advocates and Representatives look forward to working with the City Council and Mayor in putting this fiscally responsible charter amendment on the March ballot.

-Jack Humphreville
Greater Wilshire Neighborhood Council