



ERIC GARCETTI  
MAYOR

**MEMORANDUM**

**To:** All City Department General Managers (except Airports, Harbor, Water & Power, LACERS, and Fire & Police Pensions)

**Cc:** The Honorable Members of the City Council

**From:** Eric Garcetti, Mayor *EG*

**Subject:** **Fiscal Year 2020-21 Instructions for Fiscal Restraint**

**Date:** September 11, 2020

Over the past six months, you have been asked to respond to unprecedented challenges resulting from the COVID-19 pandemic. While we still navigate many unknowns, one thing is absolutely clear: the pandemic continues to have a devastating effect on City finances. We have seen the impacts across our books and our budget. The drop in tourism nationwide, the slumps in leisure activities, the cancellation of in-person conferences and conventions, and the massive reduction in business travel have taken a direct hit to our Transient and Parking Occupancy Taxes. The necessary and life-saving Safer at Home Orders, along with the closure of businesses, the slowdown of property sales, and unsteady economic recovery, have led to significant drops in Sales and Business Taxes, Documentary Transfer Tax, and Utility Users Tax. These and other economy sensitive sources of revenue make up more than 60% of our General Fund intake.

With fewer than four months of impact from the pandemic, revenues in Fiscal Year 2019-20 fell \$200 million short of our budget, and our Reserve Fund balance has diminished to \$263 million — just 3.9% of General Fund revenues. For Fiscal Year 2020-21, we will implement the Separation Incentive Program, extend the hiring freeze, and may furlough some employees. But most of the savings associated with these measures are already included in the Adopted Budget. Meanwhile, our overall revenues remain very uncertain, and the Office of Finance has projected revenues may fall short of the budget by anywhere from \$45 million to \$400 million. Although the magnitude of ultimate revenue

shortfalls is unclear, the CAO has indicated that the City is already tens of millions below budget in the first two months of the fiscal year alone. We must take action now to put ourselves in a better position to withstand the financial crisis created by the COVID-19 pandemic in our City.

**Therefore, in light of the City's current financial situation, and building upon previous steps, I am directing that the following actions be taken to achieve fiscal responsibility:**

### **Layoff Evaluation**

- That the General Manager of the Personnel Department, in consultation with the CAO, establish an internal departmental team to begin the necessary preparations for a potential layoff scenario, including gathering and confirming employee work history to determine applicable displacement and reversion rights.
- That the CAO, in consultation with all General Managers, begin identifying non-critical service areas and positions that may be proposed for deletion as part of the layoff evaluation described above and should also include a comprehensive look at potential expense account reductions.

### **Labor Negotiations**

- That the CAO, in coordination with my office and EERC, work with our Labor partners to develop potential cost savings proposals, including but not limited to the deferral or cancellation of previously negotiated salary increases.

### **Contracting**

- That the CAO, with cooperation from all General Managers, evaluate the potential cost savings of in-sourcing and asking City employees to perform work that is currently being contracted out.
- That all General Managers, as coordinated by the CAO, submit for my review a list of all proposed contracts and upcoming Task Orders with financial impacts in FY 2020-21 or FY 2021-22. The CAO will provide instructions on how to comply with this direction.
- That all General Managers strictly adhere to the previous instructions for review of new contracts, extensions, and amendments that are neither directly related to public health and safety, nor revenue generating. General Managers shall not allow for contract services to proceed in anticipation of retroactive payment until after the agreement has been executed.

- That all General Managers, in coordination with the Chief Procurement Officer, identify whether there are opportunities to negotiate reduced pricing and contract costs.
- That the CAO, Department of General Services, and any other relevant departments evaluate the potential savings and/or earnings from leasing asset(s) (i.e. city owned property, equipment such as HVAC or other significant assets) that are owned and/or operated by the Department.

### **Hiring Freeze**

- That all General Managers strictly adhere to the hiring freeze instructions and limit requests for exemption to emergency situations and positions required for continuity of critical operations.

### **3% Reduction Proposals**

- That all General Managers provide the CAO with 3% reduction proposals across all funding sources for FY 2020-21 that can be considered as part of an upcoming Financial Status Report.

### **Revenue Generation**

- That all General Managers, with the input of the CAO, present and submit for consideration all potential fee updates to ensure full cost recovery for services.
- That all General Managers, in coordination with my offices, present for adoption and/or implement policies with positive revenue impacts.

### **Additional Cost Saving Opportunities**

- That all General Managers suspend all non-emergency overtime unless it is assumed as part of a full cost recovery fee for service. To the extent possible, overtime for Disaster Service Workers should also be limited to circumstances where no flexibility is provided.
- That the Controller and CAO, in coordination with General Managers, expedite the processing of grant and bond reimbursements, including Reserve Fund loan repayments.
- That the CAO, Bureau of Engineering, and Department of General Services provide a status update on all capital projects and make recommendations on projects that may be deferred or canceled, and any resulting savings that may be swept.

- That the CAO and Controller identify opportunities to generate both immediate and long-term General Fund savings by sweeping uncommitted prior-year MICLA proceeds.
- That the CAO, and any other relevant departments, evaluate potential cost savings in non-departmental budgets, including but not limited to General City Purposes and Water and Electricity; and,
- That the CAO complete a comprehensive evaluation on the long-term viability of all Special Funds and identify position vacancies funded by those healthy Special Funds for potential transfer of employees currently funded by General Fund.