A TIME FOR TRUTH

Los Angeles 2020 Commission | December 2013

Los Angeles 2020 Commission

Early in 2013 Los Angeles City Council President Herb Wesson asked Mickey Kantor to establish an independent, private commission to study and report on fiscal stability and job growth in Los Angeles. Mayor Antonio Villaraigosa also endorsed the establishment of the Commission.

Mr. Kantor invited leaders in the Los Angeles community to serve on the Commission as volunteers. They represent the broad diversity of our community. They have served in leadership roles at all levels of government, in major businesses and financial institutions and in important civic and non-profit organizations. They reside in all parts of our community and have been active for many years in Los Angeles.

The Commission first met in April, 2013, and has held numerous meetings and hearings with individuals and representatives of institutions representing much of our city. The Commission also conducted independent research.

This report is the first of two the Commission will produce. This document details the current situation and issues facing Los Angeles. The second report will contain recommendations for addressing the challenges facing Los Angeles.

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A TIME FOR TRUTH

Los Angeles is barely treading water while the rest of the world is moving forward. We risk falling further behind in adapting to the realities of the 21st century and becoming a City in decline.

For too many years we have failed to cultivate and build on our human and economic strengths, while evading the hard choices concerning local government and municipal finance presented by this new century. Like the hapless Mr. Micawber in Dickens' "David Copperfield," our wishful response to continued economic decline and impending fiscal crisis has become a habitual: "Something, my dear Copperfield, will turn up." The City where the future once came to happen has been living in the past and leaving tomorrow to sort itself out.

As a consequence, Los Angeles is sinking into a future in which it no longer can provide the public services to which our people's taxes entitle them and where the promises made to public employees about a decent and secure retirement simply cannot be kept. City revenues are in long-term stagnation and expenses are climbing.

Year by year, our City—which once was a beacon of innovation and opportunity to the world—is becoming less livable. Consider the following:

- As the result of two decades of slow job growth and stagnant wages, 28% of working Angelenos earn poverty pay. If you add those out of work, almost 40% of our community lives in what only can be called misery. The poverty rate in Los Angeles is higher than any other major American city. Median income in Los Angeles is lower than it was in 2007.

- When it comes to job creation, Los Angeles has not kept pace with the nation or other cities. Our unemployment rate is among the highest for any major city. This is not just a consequence of the Great Recession. We have lagged behind in each of the three business cycles since 1990. Los Angeles is the only one of the seven major metropolitan areas in the country to show a net decline in non-farm job employment over the last decade.

- Activity in most of our key economic sectors is flat or in decline. We have repeatedly ignored or fumbled opportunities in one of this era's major growth industries, the intersection of science and engineering — a field where our university-based intellectual capital ought to make us a leader. With the closure of Boeing's plant in

Long Beach, there is no longer a large-scale aircraft, space vehicle fabrication or assembly facility left in the area.

- Three decades ago, LA was home to 12 Fortune 500 headquarters. Today, there are 4. New York, in contrast, has 43 and has continued to add major employers in the last decade.

- We have developed a "barbell" economy more typical of developing world cities, like São Paulo, rather than a major American urban area. We are experiencing growth at the top of the income ladder and at the bottom, while the middle class shrinks year after year.

- Los Angeles has the capacity to be one of the main centers of philanthropy in this country and impact our local community, but has not met its potential.

- We are strangled by traffic—the most congested urban community in America and fourth worst in the world. Even if all the ambitious and expensive mass transit projects now underway are successfully completed, they will simply keep things from getting any worse. In the meantime, the economic and human costs of unchecked congestion compound on a daily basis.

- Our public school system is failing our children and betraying the hopes of their hardworking parents. This year, the Los Angeles Unified School District will spend $7.1 billion to educate close to 640,000 of our young people, but a recent survey found less than 60% of LAUSD students graduated from high school. For every 100 LAUSD students who enter 9th grade, just 32 will complete the course requirements to enter the UC or Cal State systems. How will they compete in a globalized economy in which education and income are inextricably linked?

- LA City revenues have been essentially flat since 2009 and, although City Hall forecasts revenue will grow about 1% next year, the only thing certain is expenses will grow by more than 5% in the same forecast. The implications of that gap are obvious.

- Budget constraints imposed by these realities are inhibiting the City's ability to maintain existing services and infrastructure, let alone invest in new technology or enhanced services. Sometimes imperceptible day to day, this death of a thousand cuts has led to severe declines in service levels over the last decade.

- While serious crime continues to decline, as it has across most of urban America, our police and fire departments are under increasing strain. Response times for both are climbing and, because of budget constraints and band-aid measures, effective levels of police deployment are down, leaving staffing levels similar to those a

decade ago. National standards for emergency response times require a response within five minutes or less at least 90% of the time; in Los Angeles that occurs less than 60% of the time.

- Wishful thinking and avoidance of hard choices have endangered the secure retirements promised our public employees. Today's workers are paying into a system whose benefits they're increasingly unlikely to see. The City's retirement system has seen the amount of money saved to fund the retirement of active City workers drop from 50% of the money needed to pay for their retirement to less than 10%.

- The cost of benefits—mainly workers' retirement and healthcare costs—have been rising rapidly and cannot be sustained at current revenue levels. Pension costs accounted for 3% of the City's budget a decade ago, and 18% this year. The cost of covering further increases will continue to cut into the City's ability to supply services.

- We are dramatically underinvesting in the competitive modernization of three of our greatest assets—the Port of Los Angeles, Los Angeles International Airport and the Department of Water and Power.

- Our Community Plans are many decades old and hopelessly out of date.

- Local involvement in City government is critical, but nimbyism and special interests stand in the way of major projects at the expense of the greater good.

- We lack a coherent or coordinated approach to economic development and soliciting investment in Los Angeles. In fact, we do an abysmal job of identifying and servicing the legitimate needs of the employers already located here. According to a recent survey, 9% of businesses in LA are planning to leave, citing stifling regulations and an unresponsive bureaucracy.

Despite its challenges, Los Angeles has all the ingredients of a great 21st century city.

- Our ethnic diversity provides a pool of human capital unmatched anywhere else in the country. Angelenos have roots in 115 foreign countries and speak 224 languages other than English. In a global economy, this is an invaluable resource.

- Los Angeles is the only major urban center in North America whose City government exercises authority over a major international seaport, a major international airport and the nation's largest municipally-owned utility. These are assets that can and should be leveraged to attract new businesses and investment.

- We have unparalleled intellectual resources in our world-class universities, includ-

ing UCLA, USC, Caltech, CSUN and the nearby Pepperdine, LMU and Claremont Colleges. If we could generate more opportunities for the students graduating from local institutions to remain in LA, the competitive advantages in a global economy would be great.

- As an international brand, Los Angeles is unmatched, standing for creativity, innovation, meritocracy, opportunity and a desirable lifestyle. Los Angeles continues to lead the way in forward-thinking policies on the environment, immigration and individual rights.

Government in Los Angeles produces lots of plans and policies, but far fewer results and outcomes. Measurement and accountability are lacking.

Los Angeles suffers from a crisis in leadership and direction. The old adage, "The same level of thought which created the problem, is not likely to solve it," can be applied to the City.

Los Angeles Has Great Assets

Los Angeles has a historic role in the growth of the aerospace, energy, finance, transportation, tourism and entertainment industries. More recently, we have become one of the world's most influential hubs for art and design.

There is arguably no more diverse American city, with ties to two of the world's most dynamic regions, Asia and Latin America. Los Angeles has the largest U.S. population of Mexican, Guatemalan and Salvadoran origin. Nearly half the City's population is of Latino or Hispanic descent. It has the largest U.S. population of people of Filipino, Japanese, Vietnamese and Armenian heritage. LA is the largest Korean city outside Korea and has one of the largest Chinese populations in the country.

Dr. C.L. Max Nikias, USC President, notes Los Angeles is tilted toward the civilizations of the Pacific. "A simple drive up Vermont Avenue does not simply show us a City," he wrote. "It displays to us the extraordinary span of the Pacific Rim, in microcosm."

The Port of Los Angeles ranks first in North America in container shipments. The Los Angeles International Airport offers some of the shortest flights from a major U.S. airport to major trading partners in the Pacific Rim. Our region also provides easy access via land, sea or air to Mexico, California's largest trading partner, and the rest of Latin America.

We are the only U.S. city to have control over a port, airport and utility. As a result, LA possesses an unmatched ability to direct investment plans and to chart its own destiny as a 21st century city.

Los Angeles is a leader in higher education. UCLA's business, law and medical schools are among the country's most prestigious. USC's cinematic arts, music and communications programs are outstanding, as are the engineering, business and health sciences programs. In addition, USC has more international students than any other U.S. university. Caltech trains minds at the vaunted Jet Propulsion Laboratory and ranks at the top of U.S. science and engineering programs. Cal State Northridge, Los Angeles, Dominguez Hills, Irvine and Fullerton offer a range of highly regarded programs. Occidental, Loyola Marymount, The Claremont Colleges and Pepperdine draw students from around the world.

Los Angeles also possesses the country's largest network of community colleges. These two-year schools are crucial for retraining workers with outdated skills and ensuring younger generations are job ready.

Los Angeles epitomizes the California lifestyle that has been a magnet for entrepreneurs and talent. Our region evokes images of red carpet glamour and warm sunny days, with shoreline sunsets and snow-capped mountains equally near. We are at the forefront of thought and action on the environment, immigration and individual rights.

We offer a remarkable range of diverse and interesting neighborhoods from the port community of San Pedro, to the economic engine of the San Fernando Valley, to the hip Silver Lake beat, to the authentic cultures of Boyle Heights, Leimert Park and Koreatown.

LA Has a History of Attracting Entrepreneurs and Creative Spirits

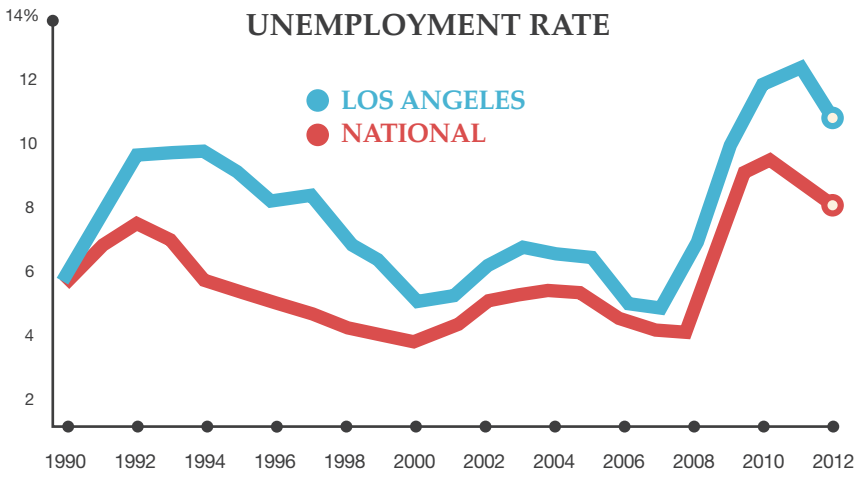
Los Angeles is where the pioneers of the television, film and music industries built their businesses, among them Universal, Warner Brothers and Capitol Records. It is where early aviators Glenn Martin and Malcolm Lockheed created the aerospace giant that bears their names, and where Northrop Grumman and other major airplane and parts manufacturers called home for years.

Los Angeles is a major force in music, art and fashion – a result of its unique mixture of people and backgrounds. The Los Angeles County Museum of Art, The Getty and Museum of Contemporary Art are mentioned in the same breath with the world's great museums.

This combination of resources is rare and potent. "Los Angeles serves as a gateway between Asia and the U.S., has a large international population, maintains a strong creative and knowledgeable community, has a busy deep water port, and evokes a potent image of the LA lifestyle with a desirable climate," said Jerry Nickelsburg, a professor at UCLA's Anderson School of Management.

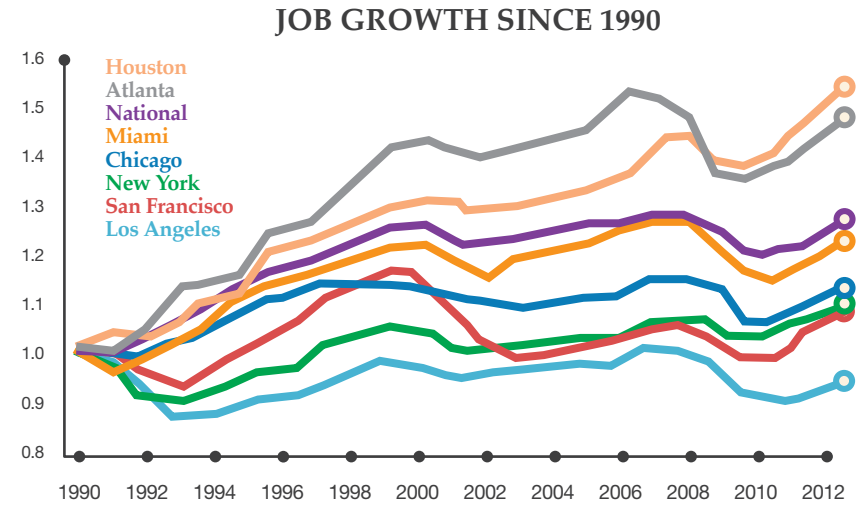
Los Angeles is Weak in Job Creation

Nickelsburg also notes, "Los Angeles...fares worse in many economic indexes compared with other major cities."



Over the past two decades, a place known for opportunity has lagged behind other major cities and the nation on employment measures and job creation. Our roughly 10% unemployment rate is the highest for any major city in the U.S. — San Francisco, Houston and Dallas are less than 7%.

Ten percent fewer people are employed in Los Angeles than two decades ago. Over the same period, national employment has increased 20%.



Los Angeles is the only one of the seven largest U.S. cities where the number of jobs has actually declined since 1990. Los Angeles County ranks last in California in creating jobs.

From 1980 to 2010, LA added one million new residents but lost more than 165,000 jobs, according to Bill Allen, CEO of Los Angeles Economic Development Corporation.

Weak job growth cannot be solely attributed to the Great Recession. Since 1990, through at least three business cycles, LA has consistently underperformed against other major cities and the nation in creating new jobs.

The number of Fortune 500 companies with headquarters in Los Angeles has declined from 12 in 1980 to the present 4. In contrast, New York has increased its total to 43.

Moreover, we do not even receive serious consideration when large employers relocate in the U.S. Consider Boeing's move from Seattle to Chicago in 2001 or more recently the planned exodus of Caterpillar from Iowa. Both companies see their future in Asian markets, yet Los Angeles was not even considered as a possibility.

The bottom line is that Los Angeles has not generated sufficient employment or good-paying jobs. This failure to create opportunity has led to rising numbers of people living in poverty and high unemployment.

Too Many Angelenos Live In Poverty

The poverty rate in Los Angeles is higher than any other major American city, and the number is rising. Since 2007, the number of people living below the poverty line rose 4.4 percentage points — a bigger increase than any other city with more than one million people.



"LA has more workers who struggle to survive on poverty pay than any other metropolitan area in the country," notes Maria Elena Durazo, Executive Secretary-Treasurer of the Los Angeles County Federation of Labor.

A small army — more than 50,000 strong — has no home. Los Angeles is called the capital of the homeless for good reason.

Others live at or near poverty levels and survive only by working multiple jobs and drawing on the support of families. Median income in Los Angeles is lower than in 2007. We have created a barbell economy bounded by rich and poor with a disappearing middle class. Over the last six years, LA's middle class — households earning more than $25,000 and less than $200,000 — has contracted by 3.4 percentage points as a share of total population.

Traffic Remains a Crushing Burden

INRIX's 2013 traffic scorecard found Los Angeles retained its ranking as the country's worst city for traffic. Four of the nation's 10 worst traffic corridors are in Los Angeles.

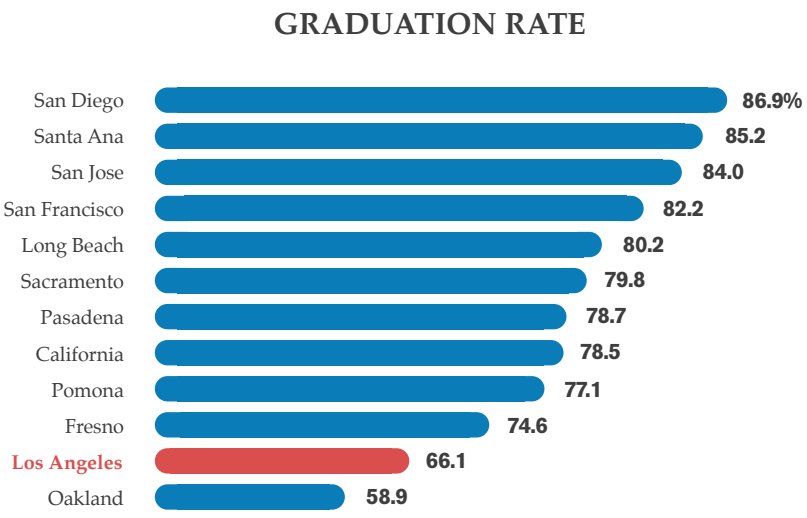
Traffic not only diminishes the quality of life, but also discourages employers and investors from committing to the area; yet there's no war room to unravel the mess, little coordination among municipal agencies or between the government and private sector.

Even if all the transportation projects that were promised to be funded by passage of Measure R are built — light rail, bus service, and subway — the traffic congestion would be virtually unchanged.

A recent Southern California Association of Governments paper found that even if we spend more than $500 billion on transportation projects, individuals will only save three minutes in travel time each day. A separate Los Angeles County Metropolitan Transportation report notes spending in excess of $300 billion on new projects would increase the speed on freeways by only three miles per hour. Of course, if we do nothing, traffic will worsen.

Public Schools Don't Deliver

The Los Angeles Unified School District's dropout rate is the second highest in the State, better only than the Oakland Unified School District.



More than 75% of fourth graders are not proficient in reading, according to the National Assessment Test. Studies show that third graders who do not read proficiently are four times more likely to drop out.

When students do graduate, many are unprepared. Fewer than half the secondary students in the Los Angeles Unified School District are proficient in English. Fewer than one in three secondary students score proficiently in math.

Fewer than one in three graduate with the credits necessary to enter the California State University or University of California college systems.

This represents a missed opportunity for Los Angeles.

"Demand for college-educated workers will outstrip the supply in California by 2020,"

notes Kevin Klowden, Director, California Center, and Managing Economist for the Milken Institute.

We are not preparing students for entry-level positions. "We are seeing an evaporation of jobs that require low skills, and thus, an out-migration of immigrant populations from the City and County that could otherwise serve as an asset for the economy," notes UCLA's Jerry Nickelsburg.

Where Will the Jobs Come From?

The principal sectors to show growth in jobs are the relatively low-wage fields of education services, healthcare and hospitality. All of the other fields are at best flat, with most showing significant declines.

EMPLOYMENT IN LA COUNTY

Gainers	1993	2013
Accommodation and Lodging	41,113	42,563
Education Services	83,002	133,438
Food Service	213,639	298,806
Healthcare	309,296	415,006
Real Estate	57,022	80,869
Losers		
Aerospace Products and Parts	60,032	34,770
Air Transportation	39,099	19,044
Computers and Electronic Equipment	52,843	50,944
Finance and Insurance	201,061	159,799
Motion Pictures and Video Industries	183,783	101,127
Oil and Gas	10,970	6,564
Retail Trade	585,600	357,728
Trucking and Warehousing	52,642	40,926
Water Transportation	7,781	3,023
Wholesale Trade	282,543	249,230

"A healthy economy can only be sustained from the ground up, with people earning enough to buy the goods and services that support growth," writes Roxana Tynan, Executive Director of the Los Angeles Alliance for a New Economy.

Many companies that were part of the growth of LA have moved headquarters, manufacturing facilities and large numbers of employees out of the area. A partial list includes Atlantic Richfield, Boeing, First Interstate Bank, Northrup Grumman, Security Pacific and Unocal.

Jobs in the entertainment industry continue to move elsewhere. Steven Nissen, Senior Vice President of NBC Universal, notes, "11 of the 12 action films projected to gross more than $100 million (in 2013) shot somewhere other than Southern California." He further notes, "Ten years ago, this statistic was very different, with seven of the nine summer action films that topped $100 million in U.S. sales in 2003 made largely in Los Angeles."

Big Things Don't Get Done

When it comes to major projects, Los Angeles is not getting things done.

The ports support hundreds of thousands of jobs tied to logistics, warehousing and trade services. These jobs, notes economist John Husing, provide a wide range of generally higher-paying, blue-collar employment.

It has taken eight years to win approval for a rail yard which would shorten the process of transferring freight containers from ships in Los Angeles Harbor to trains on the Burlington Northern Santa Fe Line — and vice-versa. The $500 million project, funded by private investment, has wide support of business groups, elected officials and civic organizations.

A modernized port-rail system will benefit the surrounding communities in many ways. It will reduce pollution by eliminating the need for trucks to carry freight on the 710 Freeway to downtown. It will also lead to more jobs by preparing the Port of Los Angeles to handle increased ship traffic and compete effectively after the widening of the Panama Canal.

The delays impacted a similar project proposed by Union Pacific, which decided not to pursue a new rail yard rather than face a protracted legal and political process. This withdrawal has robbed Angelenos of more good paying jobs.

Competitive ports have all made major improvements, while Los Angeles bent to the will of special interest groups and nimbyism.

LAX has stumbled on plans to move a runway 86 yards on airport-owned land as part of plans to modernize the airport. The small but critical refiguring would make it more efficient; and more importantly, safer to accommodate larger jets that are workhorses of international air travel. The project also has symbolic value: it underscores the importance of the airport and Los Angeles as a link to the global economy of the 21st century.

A broad range of labor, business and political leaders support the airport modernization; yet after decades of discussion, the runway remains unmoved. There is still no consensus on what is to be done.

The City has missed other opportunities. New York is staking its claim on a role in the future of bioscience—the convergence of science and engineering. An innovative public-private partnership between the City of NY, Cornell University and Technion of Israel is bringing more than $500 million in private investment to create a new science hub. Thousands of people will be employed to build it. And that's just the start— imagine the future opportunities created by the many entrepreneurs capitalizing on these

new technologies. Los Angeles has no similar project in the works to take advantage of the world-class minds in our region.

Development of economic clusters like this not only creates jobs within the sector, but spurs positive change in surrounding communities. The neighborhoods around USC are improving but have struggled for decades to find their footing in a changing economy and would greatly benefit from more jobs. City Hall took 3 years to give the okay for USC to spend more than $1 billion of private money to build community-serving retail, student housing and academic buildings — this, on a project that would create thousands of jobs for the local community. Not a sensible way to treat the City's largest private employer.

Lack of Regional Cooperation

The region has long lacked the ability to think as one and develop plans and strategies to grow the overall pie.

One example is tourism. Believe it or not, the cities of Los Angeles, Beverly Hills and Santa Monica each maintain independent efforts to attract international tourists. It would take a discerning tourist from China to spot the difference in sand while walking the sidewalk between Santa Monica and Venice or to realize she's crossed into a different City when leaving her hotel in Beverly Hills to visit The Getty.

None of the cities work effectively together with the two biggest draws for tourists in our area, Disneyland and Universal Studios. This lack of strategy and collaboration means fewer tourists and fewer jobs serving the needs of tourists.

The Port of Los Angeles has been mentioned, yet its biggest competitor lies adjacent in Long Beach. Most other regions in America—NY/NJ, Georgia/South Carolina and others have joined their efforts to enhance their overall competitive position. Not the Southland.

Community Plans Are Out of Date

The vast majority of the City's Community Plans are decades old, lacking input from the people who live there and not reflective of current views about population density, access to public transportation and a modern work environment.

"We have one of the most creative, entrepreneurial, knowledge-based economies in the world, and yet we're still operating under the purview of a 1940s zoning code here in the City of Los Angeles," said Bill Allen, President and CEO of the LAEDC.

As a consequence of poor planning and outdated zoning, almost all projects have to go to City Hall for review and approval and, absent a clear set of ground rules, are subject to the whims of special interests, "nimbyism" and City Hall insiders.

A recent attempt to develop a new plan for Hollywood was rejected by a California court for being "fatally flawed." The judge states the plan was based on out-of-date information and the city numbers "were unsupported by anything other than wishful thinking." Hardly the way to reimagine a great 21st century city.

LA must establish clear and accountable planning and zoning principles. These need to be tied to seamless review and an approval process. Furthermore, development should help support the vision for a safe, healthy, and sustainable region providing economic opportunities, social equity, and improved quality of life.

Regulatory Burdens Are Stifling for Small Employers

LA's permitting process remains daunting for small business owners who must navigate byzantine rules and overlapping City departments while juggling the demands of running their enterprises.

"The vast majority of complaints from businesses in Los Angeles are directed at the City's regulatory measures and pressures, rather than at businesses taxes," said Gerry Miller, Los Angeles Chief Legislative Analyst.

"Prospective businesses must comply with numerous regulations and forms through a long and arduous process, which not only poses a unique set of challenges for small businesses, but also hurts the reputation of the City and detracts investors," said the Milken Institute's Kevin Klowden.



Los Angeles received a D in a 2013 Kauffman Foundation survey of U.S. cities' small business friendliness.

A recent LA County BizFed survey found 9% of its members intend to move their operations from Los Angeles. High taxes and excessive regulation were cited as reasons for businesses' either not expanding or planning to leave LA. The survey also showed the City of Los Angeles to be the "least business-friendly city" in the region.

Small businesses are the lifeblood of our economy, and much needs to be done to provide an environment in which they can flourish.

Insufficient Community Input in Decision-Making

We have missed opportunities to properly engage community groups who could be sources of ideas and support. Take Neighborhood Councils — intended to be links between government and communities. The City lacks a coherent strategy for including Neighborhood Councils in discussions about projects that impact their neighborhoods and could nurture development, induce job growth and better the lives of people in the area.

Neighborhood Councils, established to increase community input, sit in a sort of never-never land, their resources cut and mission not clearly defined.

This is but one example of LA's inability to balance legitimate community input while special interests and nimbyism reign.

The result is nothing gets done and, often, the greater good suffers.

LA Suffers From Chronic Budget Deficits

"The Los Angeles City budget process is a...complex structure mired down in "we always have done it that way concepts and practices," note the Neighborhood Council Budget Advocates.

This organization presented 21 recommendations detailing how the City can improve its finances. One shouldn't bother looking for a response to their recommendations from City Hall—it does not exist.

To be sure, LA is not an easy place to govern because of the sheer number of different jurisdictions within our midst. "There is a morass of organizations in the State of California that entail separate power structures with their own sources of funding," says Bob Hertzberg, the former Speaker of the California State Assembly.

In recent years, Los Angeles has made modest strides in reducing its budget deficit, and the City has set aside "rainy day funds." However, the City faces significant lawsuits which could affect these funds and its ability to reduce the deficit.

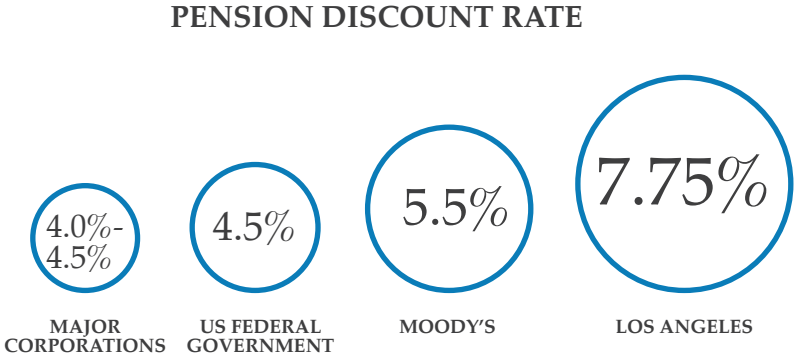
This is not an excuse for a chronic failing to adopt a sound fiscal plan, which would balance current and future needs.

If revenues do not begin to keep pace with the growth in expenditures, "the [budget] deficit for 2014-15 balloons to $267 million," writes Los Angeles City Administrative Officer Miguel Santana.

Rising Retirement Costs

The City's retirement fund for civilian workers earned 14% gains on its portfolio in the most recent year. That was nearly double projections, and LA was able to reduce its unfunded liability by $700 million in one of its 3 retirement funds. That retirement fund is still, however, more than $5 billion underfunded and this level of investment return is unlikely to continue. The City manages 2 other retirement funds — one for police and fire and a separate one for DWP employees — which are also underfunded.

As the *Economist* notes, "Pension accounting is complicated. What is the cost today of a promise to pay a benefit in 2020 or 2030?" Employers use a "discount" rate based on their reasonable expectations of what returns they can earn on their investment portfolios. The higher the discount rate (based on expectations of higher investment returns), the less an employer has to contribute to the plan today. It is important to note the payment obligations are real, the earnings assumption just a guess. Set aside less now and you will pay more later.

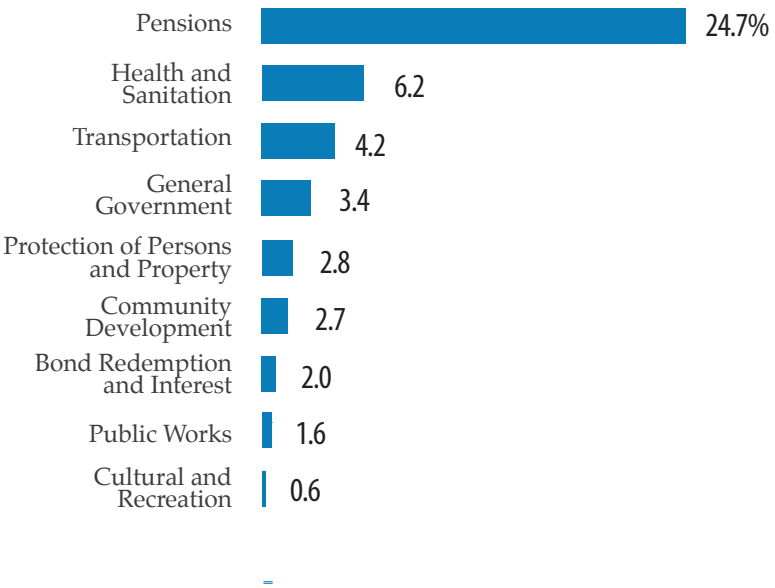


To put this in perspective, LA assumes it will earn 7.75% in perpetuity on its savings (however insufficient they are). This seems optimistic compared to what other sophisticated investors, major corporations, the U.S. federal government and Moody's expect to earn on their investments.

Warren Buffett has said 6% is about all one can reasonably expect to earn over the long-term. Yet the City of Los Angeles bases its future on the ability to earn much more.

Assuming LA did only as well as Mr. Buffett suggests, earning 6% rather than 7.75%, the current City budget understates by at least $400 million the amount needed to pay for current services. That amount is about the same as the cost of the fire department.

10-YEAR ANNUAL GROWTH IN EXPENDITURES



Over the past ten years, the City's spending on pensions has increased nearly 25% annually, significantly more than other major budgetary expenditures.

These increasing costs are not some arbitrary numbers on a page — the City has made commitments to employees that those employees are counting on. "When our members retire, they do not collect social security, unless they worked outside the City," notes Cheryl Parisi on behalf of the Coalition of LA City Unions.

Nor does the City have any concrete plans to address rising costs of healthcare. City spending on employee healthcare has grown from $379 million in 2004 to $546 million in 2012.

Said differently, headcount is down 12% since 2004, yet spending on pensions is up 250% and spending on healthcare is up almost 80%.

Budget Cuts Are Taking Their Toll

Almost every major department has reduced its staffing and, as a consequence, service levels. Since 1993, building and safety, economic development, street services and sanitation have cut more than 1,300 workers, and with them services throughout the City. The 311 help line is only staffed from 8 a.m. to 4:45 p.m. — hardly convenient for hard-working Angelenos to get help after they get home from work.

National standards require firefighters and paramedics respond within five minutes 90% of the time. In Los Angeles this happens only 59% of the time, a significant deterioration over the past decade.

Los Angeles has deferred much-needed road repairs and frequently compromises on quality even when such repairs are addresed. In its most recent survey, the City's own Bureau of Street Services gave nearly 40% of the City's roads a D or below. That may reflect somewhat generous grading as Vermont Avenue from the 10 Freeway to Martin Luther King Boulevard gets a C. Local residents are less likely to give it a passing grade.

"Infrastructure investment has not kept up...much needed renewal and maintenance continues to be delayed," noted a Morgan Stanley report, perhaps stating the obvious.

The City has stopped disclosing how many miles of sidewalks are repaired—possibly because it is doing little in this regard. In 2008, Los Angeles trimmed almost 100,000 trees. By 2012, that number had been reduced by 75%. Less than half the debris from neighborhoods is cleaned up compared with four years ago. Libraries operate on five-day schedules with a workforce that is 30% smaller than it was just three years ago.

"Investment dollars will not flow to neighborhoods that suffer from crumbling sidewalks and pothole-filled streets," notes Carol Schatz, the President and CEO of the Central City Association of Los Angeles.

Budgets reflect priorities. Compare the spending on City Hall staff to that on technology. In 2004, $33 million (or 2.2% of total General Expenditures that year) was spent on council and mayoral staff. By 2012, that figure had risen to $62 million (4.5% of the total). Spending on technology over the same period decreased from $102 million (8.7% of the total) to $90 million (6.5% of the total). One could question if those are the right priorities.

Stopgap Measures and Band-Aid Solutions

One practice the City has imposed on the police department is the increased "banking" of overtime for department personnel. In simple terms, when an officer works overtime, investigating a homicide for example, the extra hours go into a "bank" in lieu of cash at the time the work is performed. This account is an IOU from the City to the officer who did the work. The account is not held at Bank of America, but is rather a notional account of overtime hours maintained by the City. The maximum time an individual can bank was increased from 96 hours in 2008 to 400 in 2009 and 800 in 2011.

The City does not set aside any money for this "bank," claiming it can manage the issue by directing officers to work fewer overtime hours and take more paid time off.

If detectives are being told to stay home, they aren't on the street following up on leads. Does this have an impact on public safety? "It has serious impact," LAPD Chief Charlie Beck has said. Beck further noted in *Los Angeles Magazine*, [Banking] "is the equivalent of having between 400 and 700 fewer officers at any given period."

The financial consequence is also significant, in effect deferring payment for services already performed to some future date. Estimates are as much as $100 million of what would properly be considered today's costs have been kicked down the road and passed onto future years, only leading to more cuts when the bill comes due.

City leaders have not maintained the public's trust. In 2006, the City raised sanitation fees, the first of two increases that tripled the amount homeowners pay for this service.

City Hall said the extra revenue from the increased sanitation fees would pay for 1,000 extra police officers. The additional officers were to raise the total number of sworn officers to 10,000.

But the 10,000 figure is not real. Take that number and subtract the 700-person reduction in effective deployment and you get 9,300, which is about the same level of police staffing before the garbage fees were raised. The figure is also padded by the transfer of 60 employees, who already worked for the City, from the General Services Department to LAPD. The 60 officers were not an addition to the City's workforce, they were merely transferred from one column to another in City records.

While New York has cut emergency response times by 30 seconds using new technology, LA's fire department still relies on paper maps to find the scene of an emergency.

Several years ago the department got an emergency call in a neighborhood in Woodland Hills not on the outdated paper map. The engine got lost on the way to the fire and the people died. The City paid out millions in a wrongful death suit. A little more than a year ago, the same thing happened in the same neighborhood.

Pie-in-the-Sky Revenue Forecasts Won't Save LA

Los Angeles cannot blame the Great Recession for its inability to bridge its budget gap or growing inability to meet future obligations. Los Angeles' revenue in 2011 was only 4% below its 2008 peak. A dip, but hardly the apocalypse.

"To blame the City's financial challenges on the Great Recession alone would be a grave mistake that would blind us to the tough decisions that still need to be made in the future," said Gary Toebben, President and CEO of the Los Angeles Area Chamber of Commerce.

Most components of City revenue correlate strongly with local economic activity — no more, no less. When the City fails to grow its tax base (largely a function of job creation), it has little prospect of a meaningful increase in revenue.

LA's largest source of revenues is property taxes; these have been relatively stable, excepting one three-year increase in real estate fees several years ago. That 5% income jump resulting from a frenzy of buying and selling at the height of a real estate boom is unlikely to occur again. The State Legislative Analyst's Office notes the law limits property taxes to a 2% annual adjustment.

LA has no income tax. Other taxes, including sales, hotel, parking and residential development, do not offer a solution to the City's current budget gap. They have narrow tax

bases and grow slowly. New taxes or rate increases require a majority or two-thirds of the voters.

The good news is LA's revenues are not in precipitous decline; the bad news is they are not likely to outpace local economic growth, which continues to be weak.

Budget Gimmickry

Like the LAPD overtime banking, City Hall has increasingly relied on gimmicks and one-time sources of revenue to balance its books.

CAO Santana noted in March the current "budget includes an increase of close to $140 million in one-time revenues."

A further example of budget risk is the increasing amount of Tax Revenue Anticipation Notes issuance. Each year the City issues TRANS to provide cash to fund City operations, mitigating the lumpiness of some of the revenues it receives. A working capital financing like this ought to grow more or less in line with the size of the enterprise, i.e., the City's budget.

Since 1999, the issuance of TRANS has risen from $191 million to $1.3 billion in 2013 — an increase of almost seven times. By no measure, has the City grown sevenfold during that time.

Transparency and Accountability Are Lacking

In a highly publicized set of events, it turns out City Hall was, for several years, publishing bogus information on fire department response times. This was occurring while City Hall was cutting resources to the fire department and claiming LA was safer than ever. How can an ordinary citizen trust City Hall in the face of such glaring inconsistencies?

LAPD publishes data each year on clearance rates (the rate at which crimes are actually solved). According to the data the City has published, the percent of Part 1 crimes (serious felonies) solved has dropped precipitously in the last several years. This drop coincides with the increased practice of banking of overtime. Could fewer cops working to solve crimes be the cause, or is the data the City shares somehow stated incorrectly? Either answer is not satisfactory.

Government relies on the public trust to function. When such big gaps occur between what government tells us and reality, ordinary citizens lose their trust in democracy.

A further erosion of citizen participation in government is due to City Hall's continued practice of off-cycle elections. Rather than hold elections for City offices during even calendar years when we elect Presidents, Governors and Representatives to the Senate and Congress, LA holds its elections on odd-numbered years.

One of the consequences is low voter turnout. In LA's most recent Citywide elections in May of this year, only 23% of registered voters bothered to cast a ballot. That compares to 51% of Angelenos who cast their ballots in the November 2012 Presidential election. The figure last May overstates citizen participation as only 14% of those of voting age voted.

Much work needs to be done to restore the public trust and a belief that government can deliver services effectively. No city can prosper when the residents and employers feel their needs, values and interests are not being served.

Where Do We Go from Here?

Los Angeles has all of the ingredients to succeed. Success defined as healthy and sustainable neighborhoods, economic opportunity and good paying jobs and public trust in City Hall restored. Success that benefits all, not just a few.

It's going to take leadership willing and able to make change. Leadership willing to be transparent and held accountable. It's going to take thoughtful reforms and a rational approach to promote these values.

The same spirit of candor reflected in this report will also recognize that most of the issues raised in this report are not new. One only has to read the report of the Los Angeles 2000 Commission presented to Mayor Bradley in 1988.

It is time for truth. Time to face up to the challenges we face as a community.

How do we renew the job engine in Los Angeles?

How can government be made more transparent, accountable and effective?

How can the City be put on a path to a sustainable financial position and a truly balanced budget?

Can we provide Angelenos the services they need, while providing our public employees the benefits they've earned?

It is not enough to merely raise these questions. This report is intended to be the first of

two the LA 2020 Commission will publish. In the second, we will propose a series of concrete measures to begin to address these questions and enhance transparency and accountability in LA City Hall. The goal of such measures will be to ensure another commission does not issue a report 25 years from now with many of the same issues listed again.

Commission Member Biographies

Hon. Mickey Kantor

Mickey Kantor concentrates his practice on corporate and financial international transactions. He has extensive experience in market access issues, as well as the expansion of client activities in foreign markets through trade, direct investment, joint ventures, and strategic business alliances.

Prior to joining Mayer Brown, Mickey was the United States Secretary of Commerce (1996-1997) and the United States Trade Representative (1993-1996). He has been called "arguably the finest trade negotiator in the world" (Chambers Global 2006) and is said to be "blessed with fantastic political insights and connections" (Chambers USA 2007). He was recently recognized in The International Who's Who of Business Lawyers - Trade & Customs 2009. Among the many awards and honors he has received are the following: the Civic Medal of Honor by the Los Angeles Area Chamber of Commerce, the Order of the Southern Cross Award by The Government of Brazil, 2001, the William O. Douglas Award by the Constitutional Rights Foundation, the Thomas Jefferson Distinguished Public Service Medal from the Center for the Study of the Presidency, the Albert Schweitzer Leadership Award from the Hugh O'Brien Youth Foundation, and Elihu Root Distinguished Lecturer, Council on Foreign Relations.

Activities

Chair of the Center on Communication Leadership & Policy (present); Vision to Learn, Board Member (present); U.S.-China Clean Tech Center, Honorable Advisory Committee Member (present); Board of Advisors of Drug Strategies (present); L.A. Commission of Economy and Jobs (present); Los Angeles Conservation Corps, Founder; Los Angeles Civic Alliance (present); Board of Directors for CB Richard Ellis (present); US Advisory Board, ING Americas (present); Member of the Chairman's Advisory Group of the National Center for APEC (present); Council on Foreign Relations, Member (present); Board member of Pacific Council on Leadership and Policy (present); International Commercial Diplomacy Project, Trustee (present); International Advisory Board, Fleishman-Hillard; Board of Visitors for Georgetown University Law Center, Member (2012); Board of Councilors, Annenberg School of Communications, University of Southern California (2012); Christopher Commission, Member (1991); Center for Law in the Public Interest, Board Member (1989-1992); California Commission on Campaign Financing, Board Member (1990-1992); Center for the Study of Democratic Institutions, Board Member (1988-1990); Clinton/Gore '92 Campaign, National Chair (1991-1992); American Bar Association; Transitional Board of Directors, Member (1992); Mexican American Legal Defense and Education Fund, Board Member (1980-1990); American Bar Association Special Committee on Crime Prevention and Control (1971); Legal Services Corporation, Board Member (1978-1981); White House Conference on Children 6 (National Legal Aid and Defender Association); United States Naval Officer (1961-1965).

Austin Beutner

Austin Beutner, 53, was most recently the First Deputy Mayor of Los Angeles where he served as the city's jobs czar and oversaw the policy and operations of 13 city departments ranging from the Los Angeles World Airports, the Port of Los Angeles and the Los Angeles Department of Water and Power, to the Departments of Planning, Building and Safety, and Housing and Homeless.

At age 29, he became the youngest partner at the Blackstone Group. He left Blackstone in 1994 to serve in the U.S. Government under President Clinton where he led a team that helped Russia transition to a market economy after the collapse of the Soviet Union. In 1996 he founded Evercore Partners, and as President and Co-CEO, helped build the firm into the leading independent investment bank in the world.

Beutner retired from Evercore in 2008 after suffering serious injuries in a mountain biking accident. Since his recovery, he has devoted his time to civic pursuits.

Mr. Beutner serves as Chairman of the Board of CalArts, Chairman of the Board of the Broad Stage, and Co-Chairman of the CalArts Community Arts Partnership. He is also Chairman of the Mammoth Mountain Community Foundation, which he founded. Additionally, he serves on the Boards of Directors of The Los Angeles Fund for Public Education, ACT Today!, Granada Hills Charter High School Education Foundation and The California Nature Conservancy and is a member of the Council on Foreign Relations.

He also Chairs the Board of Vision To Learn, an organization he created which provides free glasses to kids in low-income communities throughout California.

Hon. Maria Contreras-Sweet

Ms. Contreras-Sweet is the founding chairwoman of PROAMÉRICA BANK, the first Latino-owned business bank in California in over 35 years which serves small to mid-sized businesses with a focus on the Latino business community. Contreras-Sweet becomes one of the first Latinas in the country to found a publicly-traded company.

Prior to founding PROAMÉRICA BANK, Contreras-Sweet served for five years (longest ever) as the Secretary of Business, Transportation and Housing Agency for the State of California, where she managed a $14 billion budget and a workforce of over 42,000. She oversaw the regulation of fourteen departments, including the Departments of Financial Institutions, Corporations, Real Estate, Transportation (Caltrans), Motor Vehicles (DMV), and the California Highway Patrol. During her tenure she created the Depart-ment of Managed Health Care and led the implementation of Proposition 46, a $2.1 billion housing fund, stimulating the state's economy. She chaired The Infrastructure Commission which published "Invest for California: Strategic Planning for California's Future Prosperity and Quality of Life." She served as the Chair of the Census 2000 Decennial State Campaign. During California's energy crisis, the governor appointed Maria to the restructured Independent System Operator board of directors. She chaired the Finance Committee of the state's electrical power grid, helping to stabilize a highly volatile energy market.

Prior to her state cabinet post, Maria served on the Board of Blue Cross of California and equity partner of the 7UP/RC Bottling Company. She serves on numerous boards. She is a Founding Director of The California Endowment; a U.S. Senate appointee to the Federal Glass Ceiling Commission; a member of the Women's Leadership Board at Harvard University, the International Women's Forum, the Children's Hospital board, the California Advisory Board of the Milken Institute, the Advisory Board for PepsiCo and Frito-Lay Company and on the Executive Committee of the Los Angeles Chamber of Commerce to name a few.

Ms. Contreras-Sweet is the recipient of numerous awards, including The Spirit of California from the California State Legislature, Entrepreneur of the Year from the U.S. Hispanic Congressional Caucus. She has been featured on the covers of numerous magazines. She is a highly sought-after speaker in the areas of infrastructure investment, finance, and has led international delegations to Europe and Latin America to address infrastructure issues. She is married to Ray Sweet and they have three children.

Brian D'Arcy

Born and raised in the New York area, Brian D'Arcy has spent the majority of his adult life working on behalf of California workers.

After graduating from San Francisco State University in 1978, Brian began working as an organizer and business representative for a chapter of the International Federation of Professional and Technical Engineers. While

there, he represented professional and technical employees at Kaiser Permanente and PG&E.

In 1990, Brian began working as a Business Representative for the Local 18 chapter of the International Brotherhood of Electrical Workers. Two years later, he successfully ran for Business Manager/Financial Secretary of Local 18.

More than twenty years later, Brian has transformed Local 18 into one of the most efficient and influential labor forces in the State of California. Throughout his tenure, D'Arcy has worked tirelessly to protect the jobs and pensions of Local 18 members.

In September of 1993, Brian led a successful nine-day strike against the Los Angeles Department of Water and Power after the department tried to freeze salaries, reduce benefits and require its workers to pay more toward the cost of their medical coverage.

In addition to preserving jobs, Brian has also helped negotiate several policies that raise training and safety standards for all Local 18 members. Underpinning every action he takes is his philosophy of "No Contract, No Work". Brian is passionate about organizing workers into a cohesive political force and empowering them to stand up for their rights. His work ethic, tenacious attitude and genuine concern for Local 18 members are just three of the reasons he has been re-elected as Business Manager each term since 1992.

Outside of his duties as Local 18's Business Manager, Brian has been heavily involved in shaping policies that benefit workers across the state. In 1995, he helped protect thousands of jobs at the LADWP and other publicly owned utilities by changing the direction of California Assembly Bill 1890, which dealt with the California Energy Crisis.

In addition, Brian has also spearheaded several projects and groups dedicated to helping workers in the state of California. He was the treasurer and co-founder of the California Coalition of Utility Employees, a statewide advocacy group on utility deregulation, and the co-founder of Working Californians, a non-profit group that promotes quality of life issues for men and women working in the greater Los Angeles area.

He is currently focused on continuing to protect the rights of Local 18 members and ensuring that the LADWP's renewable energy projects are built, run and maintained by IBEW workers in Los Angeles and throughout California.

Hon. Gray Davis

Joseph "Gray" Davis offers a combination of experience, insight and perspective following a long and distinguished career in California government. He is a trusted advisor to companies and provides a strategic approach to solving complex issues through the network of relationships he has developed and the extensive knowledge he has gained over his 30 plus years of public service.

Davis was overwhelmingly elected the 37th governor of California in 1998, winning 58 percent of the vote. As Governor, he made education a top priority, signing legislation to strengthen California's K-12 system, increasing accountability in schools, and expanding access to higher education with a record number of scholarships and college loans. These reforms improved student achievement scores for six consecutive years.

While presiding over California during an economic expansion, Davis made record investments in infrastructure, created four Centers of Science and Innovation on UC campuses, and expanded state health insurance for an additional one million children. He also was the first Governor in the nation to authorize stem cell research. As Governor, he demonstrated bold environmental leadership by signing the first law in the nation to reduce global warming and greenhouse gases. He also created the first Greenhouse Gas Monitoring Registry, and was the first to establish the nation's most ambitious commitment to renewable energy by creating the statewide Renewables Portfolio Standard. Despite a wave of Republican victories across the nation in 2002, Davis was

re-elected to a second term.

To view an archive of his gubernatorial accomplishments, please visit the Governor Gray Davis' Digital Library Web site at www.gray-davis.com.

Governor Davis is also a Distinguished Policy Fellow at the UCLA School of Public Affairs, and regularly speaks before various academic and civic groups. Davis was the Keynote speaker at the Columbia Law School Graduation Ceremony in May of 2009. Davis serves on several civic boards, including the Saban Free Clinic, and is the 2010 Co-Chair for the Southern California Leadership Council.

Kathay Feng

Kathay Feng is Executive Director of California Common Cause.

Under her leadership, California Common Cause has been active in championing election and redistricting reforms, government sunshine and accountability laws, campaign finance reforms, media access, and the voting rights of traditionally disenfranchised communities. Kathay helped spearhead California Common Cause's successful effort to pass initiatives to create an independent citizens redistricting commission to draw state legislative and congressional districts in a fair and independent manner, which has become a model for nation redistricting reform. Most recently, she has led efforts to win the passage of new California laws that have brought Online Voter Registration and Same Day Registration to the state. Locally, she also helped lead successful Los Angeles coalition efforts to reform the matching funds campaign finance system in 2011. Under Feng, CCC has served as an anchor organizations for California's Election Protection efforts to provide assistance and independent monitoring of elections throughout the state.

Kathay has been an activist and civil rights attorney in California for more than 15 years. Prior to joining Common Cause in 2005, she headed the Voting Rights and Anti-Discrimination Unit at the Asian Pacific American Legal Center. She helped the center pass key laws in the area of voting rights, anti-hate crimes laws, language rights and consumer rights; while also working on high profile hate crimes cases, civil liberties

advocacy, and election monitoring and polling efforts. Her advocacy resulted in the creation of Los Angeles County Office of Independent Review, which provides citizen oversight over the Los Angeles Sheriff Department in issues ranging from discrimination to use of force. She serves, or has served, on numerous boards including the California Secretary of State's Advisory Committee on Voter Participation and Outreach, the LA County Human Relations Commission, and the Asian Pacific Policy and Planning Council.

She is a graduate of Cornell University, and holds a law degree from UCLA School of Law.

David W. Fleming

David W. Fleming is counsel at Latham & Watkins LLP. Mr. Fleming has represented clients in various areas including banking, real estate, environmental and securities practices. He currently serves, or has served, on 14 governmental boards and commissions and 28 civic and charitable organizations, including: Southern California Metropolitan Water District (MWD); Los Angeles County Business Federation (Founder and past Chair) – a consortium of 126 county chambers of commerce and trade associations representing 275,000 businesses with 2.5 million employees through LA County; Cal State Northridge Foundation (CSUN) – Chair of the $125 million campaign for the new Performing Arts Center at CSUN; The Southern California Leadership Council – Co-chair with 4 former Governors of the State of California; California Community Foundation (CCF) –Chair of Audit Committee; Project Grad – providing college and university scholarships to minorities; LA City Fire Department Foundation; Vision to Learn—providing eyeglasses to K through 12 students throughout California; The Reason

Foundation; Valley Presbyterian Hospital (VPH) – Chairman for the past 25 years; LA County Economic Development Corporation (LAEDC) –Chair for 2 years; The Los Angeles City Fire Department Board of Commissioners- Chair for 5 years; The Los Angeles City Ethics Commission; Voters Initiative to rewrite the Charter of the City of Los Angeles – Co Chair with former LA Mayor Richard Riordan; The Valley Economic Development Corporation – Chair for 16 years; The California Transportation Commission (CTC) – Past Vice Chair; The Los Angeles Area Chamber of Commerce – Past Chair; The LA Police Foundation; The LA County Metropolitan Transit Authority (MTA); LA County Business Licensing Commission, Human Relations Commission, Judicial Procedures Commission and Children's Planning Council Foundation; The James Madison Foundation (appointed by the President of the United States); Constitutional Rights Foundation; LA Mayor's Economy & Jobs Committee; The Keston Institute at USC; The Dean's Advisory Council of UCLA Law School; The LA 2000 Partnership; Valley Industry and Commerce Association (VICA) – Chair for 2 years.

Antonia Hernández

Nationally recognized for her commitment toward the betterment of underserved communities in Los Angeles and beyond, Antonia Hernández joined the California Community Foundation as President and Chief Executive Officer in 2004.

Established in 1915, the California Community Foundation is one of the largest and most active philanthropic organizations in Southern California committed to strengthening Los Angeles communities through effective philanthropy and civic engagement.

Previously, Ms. Hernández was president and general counsel of the Mexican American Legal Defense and Educational Fund (MALDEF), a national nonprofit litigation and advocacy organization dedicated to protecting the civil rights of the nation's Latinos through the legal system, community education, and research and policy initiatives.

Ms. Hernández is a board member of the national American Automobile Association, the Automobile Club of Southern California, the Center on Budget and Policy Priorities, Grameen America and Blue Shield of California Foundation. She currently serves on commissions, advisory boards and committees, including the Commission on Presidential Debates, the JFK Library Foundation Profile in Courage Award Committee and UCLA School of Law Board of Advisors. She is a frequent public speaker and has been awarded a number of honorary degrees and awards.

Ms. Hernández is a member of the State Bar of California, District of Columbia Bar, American Bar Association and the Mexican American Bar Association of Los Angeles and a fellow of the American Law Institute.

Ms. Hernández earned her B.A. in History at UCLA in 1970 and J.D. at the UCLA School of Law in 1974.

Tyler Izen

Tyler Izen is the President of the Los Angeles Police Protective League in Los Angeles, California. The Los Angeles Police Protective League represents nearly 10,000 dedicated and professional sworn members of the Los Angeles Police Department. The League seeks to advance the interests of LAPD officers through legislative and legal advocacy, political action and education. As President, Detective Izen works daily with the Los Angeles Police Department, community groups and fellow officers to protect the rights, interests and welfare of the members of the League.

Izen joined the Los Angeles Police Department on February 4, 1985. He was elected to the League Board of Directors on January 1, 2009 and elected as President on January 1, 2012. He currently serves on the Board of Directors (past Chairman) of the Los Angeles Police Federal Credit Union (since 1992) and is also a Director

with the Los Angeles Police Museum.

Ron Miller

Ron Miller is the Executive Secretary of the Los Angeles/Orange Counties Building and Construction Trades Council. The Council represents 140,000 skilled construction workers in 14 Trades and 52 local affiliated unions. Miller succeeds Robbie Hunter, who was elected in October 2012 to be President of the State Building and Construction Trades Council of California.

Miller brings a wealth of organizing, negotiating and political experience to his position. Working side by side with Hunter, Miller was most recently the Representative for Los Angeles County for the Building Trades Council. He negotiated Project Labor Agreements and served as an advocate for the Council with dozens of school districts, city councils, agencies and private developers throughout the county. Miller represented the Council in negotiations with the City and County of Los Angeles, and with the Los Angeles Unified School District.

Miller is a 34-year member of the United Association, Pipe Trades. Prior to becoming Council Representative, Miller served as Business Representative for UA Plumbers Local 78. He was a key negotiator for the local, which covers downtown Los Angeles and surrounding areas, and is one of the oldest Building Trades locals in the city. He also served UA Local 78 as a member of the Executive Board, Examining Board and Political Action Committee.

Miller is a graduate of the United Association Instructor Training Program, based in Ann Arbor, Michigan, and taught future Plumbers and Pipefitters as an instructor for 10 years at the apprenticeship training center in Compton. Miller has worked as a detailer and piping designer, foreman and journeyman in his field.

George L. Pla

George L. Pla is a successful entrepreneur and philanthropist whose work spans business, civic and philanthropic activities that hold the common theme of enhancing communities throughout California.

George L. Pla is President, CEO, and founder of Cordoba Corporation, a statewide full-service civil engineering, construction management, and program management firm specializing in transportation, education, water, and energy infrastructure. Cordoba is headquartered in Los Angeles, California, with offices in Oakland, Santa Ana, San Diego and San Bernardino.

For over 30 years, he has provided the leadership and vision to grow Cordoba into one of the top civil engineering and construction management firms providing services to large public infrastructure projects throughout the western United States. Cordoba is currently ranked by Engineering News-Record as one of the Top 100 Professional Services Firms in the nation. Pla's successful founding and continued leadership of Cordoba Corporation is featured in a curriculum case study used by the Harvard Business School.

Pla's civic and philanthropic activities include serving as a Regent Emeritus at Loyola Marymount University, Presidential Associate at the University of Southern California, and co-founder of the USC Latino Alumni Association. Pla currently serves as the Vice-Chair of the Southern California Leadership Council, a non-partisan, non-profit public policy partnership comprised of business and community leaders. He is a co-founder of the City Club on Bunker Hill, a premier private business club in Los Angeles that embraces and reflects the diversity and spirit of the city. Pla is a member of the Board of Trustees of the California Science Center Foundation, and chaired the planning and engineering efforts of the historic transport of the Space Shuttle Endeavour through the streets of Los Angeles. Pla is also a member of the Board of Directors of the Catalina Island Conservancy, which stewards approximately 42,000 acres on Catalina Island through a balance of conservation, education and recreation.

Pla's first-hand knowledge of business finance has also been demonstrated in the founding, development and sale of two banks, First American Bank (OTC: FTAB) and Santa Ana Business Bank (OTC: SABB). Pla has been named by Hispanic Business Magazine as one of the 100 Most Influential Latinos in the nation. The achievements of George L. Pla have been featured in seven books, including Hispanic USA, Nine Nations of America, CEOs Speak Out, The Politics of Aging, Eastside Landmark, Job Training that Gets Results, and Building Bridges of Understanding.

Thomas S. Sayles

Thomas S. Sayles was appointed senior vice president for university relations at USC effective July 1, 2011. In this capacity, he provides strategic direction and leadership for USC's public relations, outreach and reputation.

From March 2009 until July 2011, Sayles served as vice president for government and civic engagement. He continues to oversee the university's civic-engagement and government-relations enterprise as well as efforts to strengthen USC's relationships with external stakeholders.

Previously, Sayles practiced law in the private and public sectors. He left the practice of law to serve as California's commissioner of corporations and later as secretary of business, transportation and housing. He then returned to the private sector to work for many years for Sempra Energy as vice president of government and community affairs and as senior vice president of consumer marketing. Immediately prior to joining USC, Sayles was senior vice president for government affairs and corporate communications at Rentech, Inc., an alternative fuels company headquartered in Los Angeles.

In July 2009, he was appointed by Los Angeles mayor Antonio Villaraigosa to serve on the governing board of the Los Angeles Department of Water and Power, the country's largest municipally owned utility. Sayles also has been appointed by three different California governors to serve on boards and commissions, including the University of California Board of Regents and the California Community Colleges Board of Trustees.
Sayles currently is a member of the board of directors of Unified Grocers, the largest buying cooperative for independent grocers in the Western United States. He previously served on the boards of directors of Golden State Bancorp (California Federal Bank) and Glendale Federal Bank.

Born and raised in South Los Angeles, not far from USC's University Park campus, Sayles earned a law degree from Harvard Law School and a bachelor's degree "with distinction" from Stanford University, where he was elected to Phi Beta Kappa.

Hon. Hilda L. Solis

Secretary Hilda L. Solis was confirmed as Secretary of Labor on February 24, 2009, becoming the first Latina to serve in the United States Cabinet. Prior to confirmation as Secretary of Labor, Secretary Solis represented the 32nd Congressional District in California, a position she held from 2001 to 2009. She is currently employed at CSU Pomona as a Scholar in Residence, Political Science Department.

In the Congress, Solis' priorities included expanding access to affordable health care, protecting the environment, and improving the lives of working families. A recognized leader on clean energy jobs, she authored the Green Jobs Act which provided funding for "green" collar job training for veterans, displaced workers, at risk youth, and individuals in families under 200 percent of the federal poverty line. as elected to Phi Beta Kappa.

In 2007, Solis was appointed to the Commission on Security and Cooperation in Europe (the Helsinki Commission), as well as the Mexico — United States Interparliamentary Group. In June 2007, Solis was elected Vice Chair of the Helsinki Commission's General Committee on Democracy, Human Rights and Humanitarian Ques-

-tions. She was the only U.S. elected official to serve on this Committee.

A nationally recognized leader on the environment, Solis became the first woman to receive the John F. Kennedy Profile in Courage Award in 2000 for her pioneering work on environmental justice issues. Her California environmental justice legislation, enacted in 1999, was the first of its kind in the nation to become law.

Solis was first elected to public office in 1985 as a member of the Rio Hondo Community College Board of Trustees. She served in the California State Assembly from 1992 to 1994, and in 1994 made history by becoming the first Latina elected to the California State Senate. As the chairwoman of the California Senate Industrial Relations Committee, she led the battle to increase the state's minimum wage from $4.25 to $5.75 an hour in 1996. She also authored a record seventeen state laws aimed at combating domestic violence.

Solis graduated from California State Polytechnic University, Pomona, and earned a Master of Public Administration from the University of Southern California. A former federal employee, she worked in the Carter White House Office of Hispanic Affairs and was later appointed as a management analyst with the Office of Management and Budget in the Civil Rights Division.

Source Notes

Page 1

1. **"..28% of working Angelenos earn poverty pay."**
SOURCE: Mayor's Race: The Real Money Problem in L.A.
Maria Elena Durazo, May 16, 2013
http://articles.latimes.com/2013/may/16/opinion/la-oe-durazo-unions-mayors-race-20130516
ADDITIONAL SOURCE: http://articles.latimes.com/2013/sep/30/local/la-me-poverty-20131001

2. **"… almost 40% of our community lives in what only can be called misery."**
Add 28% poverty wages to the 10% unemployment rate for Los Angeles:
SOURCE: http://articles.latimes.com/2013/may/16/opinion/la-oe-durazo-unions-mayors-race-20130516
http://www.calmis.ca.gov/file/lfmonth/la$pds.pdf

3. **"The poverty rate in Los Angeles is higher than any other first tier American City…"**
SOURCE: U.S. Census, American Community survey

4. **"Median household income is lower than in 2007."**
SOURCE: U.S. Census, American Community Survey

5. "**We have lagged behind in each of the three business cycles since 1990."**
SOURCE: U.S. Census Bureau, American Community Survey

6. "**Los Angeles is the only one of the 7 major metropolitan areas in the country to show a net decline in non-farm job employment over the last decade."**
SOURCE: Bureau of Labor Statistics

Page 2

7. **Fortune 500 companies in 1991 and 2012:**
SOURCE: http://money.cnn.com/magazines/fortune/fortune500/2012/full_list/
- Occidental Petroleum
- Reliance Steel and Aluminum
- Aecom Technology
- CBRE Group

http://money.cnn.com/magazines/fortune/fortune500_archive/full/1980/

8. "**We have developed a barbell economy more typical of developing world cities."**
SOURCE: U.S. Census Bureau, American Community Survey, 1-year
Estimates.

9. **"…the most congested urban community in America."**
SOURCE: http://scorecard.inrix.com/scorecard/summary.asp
Excerpt from the report
The top 10 worst cities for traffic in America in 2012..., along with total annual hours wasted in traffic, were:
1. Los Angeles (59 hours)
2. Honolulu (50 hours)
3. San Francisco (49 hours)
4. Austin (38 hours)
5. New York (50 hours)

http://scorecard.inrix.com/scorecard/uscorridors.asp
ADDITIONAL SOURCE: http://www.statista.com/markets/16/topic/129/vehiclestraffic/chart/1606/worst-commutes-in-the-us/

10. **"…fourth worst in the world."**
SOURCE: TomTom Americas Traffic Index 2013, p. 4

11. "**…Los Angeles Unified School District will spend $7.1 billion to educate 640,000 of our young people..."**
SOURCE: http://budgetrealities.lausd.net/faq#t13n67
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SOURCE: http://www.gse.harvard.edu/cepr-resources/files/news-events/sdp-lausd-cg.pdf
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SOURCES: http://www.lausd.net/lausd/offices/Office_of_Communications/PerformanceMeter_September2012FINAL.pdf

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SOURCES: Adopted budget by City of Los Angeles 2009-10 to 2012-13, as noted in CAO City at Crossroads report of 2/7/2013, p. 12
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SOURCES: LAFD Response Time Audit
Wendy Greuel
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Information released by LAFD, 1/10/2012
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SOURCE: LACERS: Los Angeles City Employees' Retirement System Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012
Section: Solvency Test for Retirement Benefits.

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SOURCE: Second Financial Status Report, Miguel Santana, City Administrative Officer. December 12, 2013.

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SOURCE: Los Angeles County Member Survey, LA County BizPoll for 2013

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SOURCE: Both facts are quoted by USC president C.L. Max Nikias in his inauguration speech of 10/15/2010.
http://www.laalmanac.com/LA/la10b.htm
ADDITIONAL SOURCE: http://www.laalmanac.com/LA/la10b.htm

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20. **Diversity statistics**
SOURCE: U.S. Census, American Community Survey, 2012

21. **…first in North America in container shipments…**
SOURCE: http://www.aapa-ports.org
Chart excerpt below provided by communications office of AAPA.

2012 Rank	Port (State/Province)	Country	TEUs*
1	Los Angeles (CA)	United States	8,077,714
2	Long Beach (CA)	United States	6,045,662
3	New York/New Jersey	United States	5,529,913
4	Savannah (GA)	United States	2,966,213
5	Metro Port Vancouver (BC)	Canada	2,713,160

*Twenty Foot Equivalants

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22. **"...largest network of community colleges."**
SOURCE: http://www.cccco.edu

23. **"Los Angeles serves as a gateway…"**
SOURCE: Jerry Nickelsburg, UCLA Anderson School of Management, May 2, 2013 testimony to LA 2020 Commission

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24. **Unemployment rate for Los Angeles is about 10%, 11/22/13.**
SOURCE: http://www.calmis.ca.gov/file/lfmonth/la$pds.pdf

25. "**….only one of the seven largest U.S. cities…number of jobs declined." Over the same period, national employment has increased 20%. Ten percent fewer people are employed in Los Angeles…national employment has increased 20%."**
SOURCE: U.S. Census, American Community Survey

26. **"…1980-2010: one million new residents….lost more than 165,000 new jobs."**
SOURCE: Testimony to the 2020 Commission by Bill Allen 5/28/2013.

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SOURCE: U.S. Census, American Community Survey

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SOURCE: Fortune lists for 1980 and 2012
http://money.cnn.com/magazines/fortune/fortune500/2012/full_list/
Occidental Petroleum
Reliance Steel and Aluminum
Aecom Technology
CBRE Group
http://money.cnn.com/magazines/fortune/fortune500_archive/full/1980/

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SOURCE: U.S. Census, American Community survey.

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Maria Elena Durazo, May 16, 2013
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SOURCE: http://www.unitedwayla.org/wp-content/uploads/pdfs/HomeForGood_Action_Plan.pdf

32. **Poverty rate is higher than any other major U.S. city…rose 4.4%**
SOURCE: U.S. Census, American Community Survey

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U.S. Census, American Community Survey

34. **Barbell Economy -- households earning more than $25,000 and less than $200,000 has contracted 3.4%**
Estimates.
SOURCE: U.S. Census Bureau, American Community Survey

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SOURCE: http://scorecard.inrix.com/scorecard/uscorridors.asp
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Office of Data and Accountability, LAUSD, April 8, 2013
http://data.lausd.net/sites/data.lausd.net/files/Dropouts%20and%20Grads-4-10-13.pdf

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SOURCE: LAUSD Performance Meter Guide, September 2012
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SOURCE: Kevin Klowden, Milken Institute, May 2, 2013, testimony to LA 2020 Commission

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SOURCE Jerry Nickelsburg, May 2, 2012 testimony to the LA 2020 Commission

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SOURCE: Roxana Tynan, Executive Director of the Los Angeles Alliance for a New Economy, letter to the LA 2020 Commission.

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SOURCE: U.S. Census Bureau, County Business Patterns

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SOURCE: Steve Nissen, Senior Vice President Legal & Government Affairs for NBC Universal, e-mail to LA 2020 Commission

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SOURCE: Bill Allen, May 28, 2013 testimony to LA 2020 Commission

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46. **"…City numbers 'were unsupported by anything other than wishful thinking…"**
SOURCE: http://www.latimes.com/local/la-me-hollywood-plan-20131212,0,7235306.story#axzz2nhX7XUY5

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SOURCE: Gerry Miller, May 7, 2013 testimony to LA 2020 Commission

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SOURCE: http://www.thumbtack.com/ca/los-angeles/#2013/city

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2013 BizFed Member Survey, LA County BizPoll, May 2013

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SOURCE: The Angelenos' Recipe for Success, opening statement of Marcello Robinson, Co-Chair of the Neighborhood Council Budget Advocates, April 17, 2013

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SOURCE: Miguel Santana, letter to LA city council, April 22, 2013

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SOURCE: CAO Overview of 2013-14 budget for Los Angeles

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http://online.wsj.com/news/articles/SB10001424127887324338604578324831195349470?KEYWORDS=pension+fund+returns+boeing
Dupont: 2012 10K
Discount rates:
2012: 4.32%
2011: 5.32%
2010: 5.80%
Moody's: April 17, 2013, p. 10
http://gfoa.org/downloads/MoodysAdjustmentsApril2013.pdf
Median discount rate for Moody's adjustments: 5.67%

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SOURCE: California Common Cause, February 28, 2013

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SOURCE: Cheryl Parisi, Coalition of LA City Unions, Report for LA 2020 Commission, June 6, 2013

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SOURCES: controller.lacity.org, CAFR 2012, 2004

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http://bss.lacity.org/PDFs/2011%20SOTS%20published.pdf

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SOURCE: controller.lacity.org, CAFR 2012

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SOURCE: controller.lacity.org, CAFR 2012

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SOURCE: Morgan Stanley, Discussion Materials for LA 2020 Commission, April 15, 2013

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SOURCE: http://articles.latimes.com/2010/jun/11/local/la-me-city-library-20100611

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SOURCE: http://www.lamag.com/citythink/business/2012/07/25/bad-moon-rising

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http://articles.latimes.com/2013/apr/28/local/la-me-lapd-10k-20130429

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SOURCE: LAPD force exceeds 10,000 for the first time, officials say
http://articles.latimes.com/2013/jan/08/local/la-me-lapd-size-20130108

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SOURCE: http://www.nyc.gov/html/fdny/html/pr/2006/041906_121.shtml.

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SOURCE: Four-Year Budget Outlook and Update to the Three-Year Plan
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Legislative Analyst's Office
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SOURCE: Based on information available from the City Administrative Officer

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SOURCE: http://www.latimes.com/news/local/la-me-final-la-vote-20130611,0,1534862.story#axzz2n0zc56t2

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Commission Meetings

Date: April 15, 2013
Speakers: Bob Hertzberg; Former Speaker of the California State Assembly and Partner, Mayer Brown; Marianne O'Malley, Managing Program Analyst, Legislative Analyst Office, California State Legislature; Greg Dawley, Executive Director of Institutional Securities, Morgan Stanley; Tim Romer, Managing Director, Goldman Sachs
Topic: Municipal Fiscal Architecture

Date: April 29, 2013
Speakers: Miguel Santana, Los Angeles City Administrative Officer, City of Los Angeles
Topic: City Economy, Revenue and Job Growth

Date: May 2, 2013
Speakers: Jerry Nickelsburg, Adjunct Full Professor, Anderson School of Management; UCLA Kevin Klowden, Director, California Center; Managing Economist, Milken Institute
Topic: City Economy, Revenue, and Job Growth

Date: May 7, 2013
Speakers: Gerry Miller, Chief Legislative Analyst, City of Los Angeles; Representatives Vera Del Pozo, Joanne Yvanek-Garb, Terrence Gomes, Dr. Buashie, Amatokwu, Jack Humphreville, Jay Handal, Neighborhood Council Budget Advocates
Topic: City Economy, Revenue, and Job Growth

Date: May 28, 2013
Speakers: Bill Allen, President and CEO, Los Angeles County Economic Development Corporation; Carol Schatz, President and CEO, Central City Association of Los Angeles; Gary Toebben, President and CEO, Los Angeles Area Chamber of Commerce; Stuart Waldman, President, Valley Industry and Commerce Association
Topic: City Economy, Revenue, and Job Growth

Date: June 12, 2013
Speakers: María Elena Durazo, Executive Secretary-Treasurer, Los Angeles County Federation of Labor, AFL-CIO; Cheryl Parisi, President, Coalition of LA City Unions, AFSCME 36; Roxana Tynan, Executive Director, Los Angeles Alliance for a New Economy
Topic: City Economy, Revenue and Job Growth: A Labor Perspective

Date: June 20, 2013
Speakers: Keith Weaver, Executive Vice President, Sony Pictures Entertainment; Robert Peddicord, Senior Managing Director, CBRE, Inc.; Andrew Ratner – Executive Vice President, CBRE, Inc.
Topic: City Economy, Revenue, and Job Growth

Date: June 24, 2013
Speakers: Commission Planning and Review Session

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