



ANTONIO R. VILLARAIGOSA
MAYOR

November 13, 2012

The Honorable Members of the Los Angeles City Council
c/o City Clerk
Room 395, City Hall

Re: Half-Cent Sales Tax Increase Ballot Measure Proposal (C.F. 13-1100-S6)

Honorable Members:

The passage of Proposition 30 last week demonstrated that the majority of voting Californians believe a balanced approach between spending cuts and new revenues is required to address the State's chronic fiscal problems. It is clear that voters were unwilling to accept further deep cuts in education and other critical programs. Similarly, taxpayers in many other states and local jurisdictions have recently voted to approve tax increases after painful rounds of cutbacks to programs and services.

Thus far the City of Los Angeles has relied primarily on permanent and one-time spending cuts rather than new revenue to balance the budget. We have drastically reduced the size of the General Fund civilian workforce by one-third through the elimination of over 5,000 positions. A number of City agencies have been eliminated or consolidated. Current city employees now contribute significantly more to their pension benefits and we have adopted a more sustainable new pension tier for new city employees. Given that these and numerous other budget balancing actions have already been implemented, very few responsible spending cuts remain on the table.

Today, the full City Council will be presented with a draft ordinance regarding a half-cent sales tax increase in the City of Los Angeles to be placed before voters in March. If approved, the measure is estimated to generate upwards of \$200 million in new General Fund revenue for the City, which would almost completely close next year's projected \$216 million deficit and prevent the potential loss of 500 police officers as estimated by Chief Beck.

Having undergone five years of drastic budget and service reductions, the prospect of a much-needed increase in base revenue in Los Angeles is something we should consider. However we cannot lose sight of the urgent and ongoing need to follow through with necessary cost-cutting actions, public-private partnership initiatives, and municipal efficiency efforts.

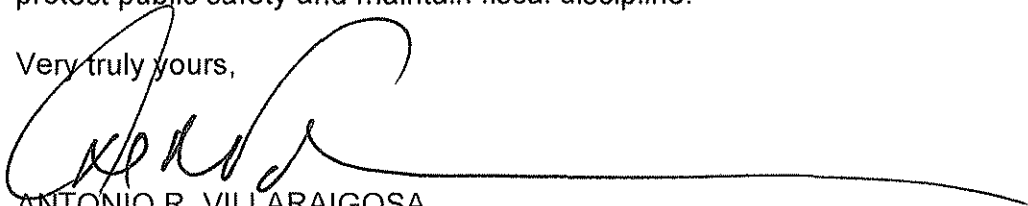


As such, before I can support a ballot measure to increase the City's sales tax rate, I am calling on the City Council to move forward with the following:

1. **New Operating Model for the Los Angeles Zoo** - While efforts to reach a public-private partnership arrangement for the operation of the Los Angeles Zoo have halted, other means of achieving a more sustainable operating model for the Zoo must be pursued.
2. **Alternative Management for the Convention Center** - An alternative management structure for the Los Angeles Convention Center will soon come before City Council. The proposal would yield cost savings and improve the City's competitiveness in attracting convention business.
3. **Position Cuts** - As I have stated on a number of occasions, the City must move forward with the 209 pending position reductions that were already adopted as part of this year's budget.
4. **Police Hiring** - Our mutual commitment to police hiring must be maintained.
5. **Department Consolidations** - The consolidation of the street-maintenance functions and development-related functions should immediately be considered to streamline services to the public.
6. **New Economic Development Entity** - The City Administrative Officer (CAO) and Chief Legislative Analyst (CLA) will soon report back to the City Council with recommendations to create a new economic development entity. It is imperative to move quickly to implement their recommendations to ensure the City can focus on growing current revenue sources.
7. **Reserve Fund and Budget Stabilization Fund** - The City's Reserve Fund should be set at a minimum of 5% of General Fund receipts. In addition, the Council should move forward with the establishment of the Budget Stabilization Fund, separate from the Reserve Fund, to help mitigate further service cuts.

Thank you for taking swift action on these reforms. If we are going to ask the people of Los Angeles to vote for higher taxes, we must continue to cut spending, spur job creation, protect public safety and maintain fiscal discipline.

Very truly yours,



ANTONIO R. VILLARAIGOSA
Mayor