



ANTONIO R. VILLARAIGOSA
MAYOR

September 9, 2005

RE: Fiscal Year 2006-07 Budget Policy and Goals

On July 1, 2005, I asked the people of Los Angeles to dream with me and to partner with us to achieve the following goals:

- Improve public safety and expand our police force
- Reform our public schools by assuring "secure passages" for all our children to and from school; making our schools "safe havens", ensuring all families have access to and knowledge of affordable health insurance, providing before and after school support and developing strategic alliances with LAUSD and that support LAUSD
- Reduce gang violence by expanding educational and job training opportunities in our neighborhoods and working with LAUSD to make schools "neighborhood centers"
- Reduce traffic congestion and better connect communities to each other by investing in transportation improvements such as traffic signal synchronization, more investment in public transportation and common sense traffic plans
- Protect the quality of the water we drink and the air we breathe by taking a leadership role in conservation and recycling and moving Los Angeles toward the goal of being the "greenest" big city in America
- Make Los Angeles the leading economic and cultural center of the world.

September 9, 2005

Page 2

Realizing these goals in the face of the City's complex community and financial challenges will not be easy, but these goals are achievable. I challenge you to work with me and my staff to develop fiscally responsible recommendations that will move us toward these goals.

Management Philosophy—Be a Leader!

As you begin your budget planning for Fiscal Year 2006-07, the City stands at a crossroads. Together we face a structural deficit of approximately \$245 million and the challenge of providing the level and quality of service our citizens expect and deserve. Upon assuming office, I declared my intention to be a mayor who was ready to confront big challenges. Now I am asking you to make that commitment with me. As you prepare your budget proposals, I am asking you, as General Managers and Executive Directors, to be *leaders* in the budget development process and to be *passionate advocates* for improvement and change.

Ask your staff the *tough* questions. What could we do better? Are we providing the best level of service to our citizens? Should we consolidate similar activities and/or services? Are there activities and programs that we have continued year after year because we've always done it that way, but that no longer meet the needs of the people they were designed to serve? Are we getting the highest return on our investment of funds in terms of programs and services of high quality and value?

The purpose of this genre of questions is not solely to find efficiencies or to cut costs. Our focus must be living within our means and thinking and implementing imaginatively while investing in critical services.

We've Already Started: Fiscal Year 2005-06 Efficiency Options Exercise

The process of asking the tough questions has already begun. At my direction, members of my Office of Finance and Performance Management have been meeting with members of the CAO's team over the last few weeks to identify and to evaluate opportunities for efficiencies and cost savings that can be captured *in this fiscal year, Fiscal Year 2005-06*. Understanding that cost savings and

September 9, 2005

Page 3

efficiencies will not be sufficient to meet our goals, the team has also been evaluating potential new sources of revenue. So far, over 150 efficiency and revenue options have been evaluated.

My hope is that we will be able to capture savings through this exercise in Fiscal Year 2005-06 that will both begin to address the structural deficit and change the way we deliver City services. Members of this team may be coming back to some of you for additional information and assistance in fully developing proposals for my consideration. I know you will give them your complete support, *since the success of this exercise will impact the magnitude of the deficit we must address in Fiscal Year 2006-07.*

Fiscal Year 2006-07—the Year of Accountability

Attached to this letter are the Budget Timetable and instructions for completing your Fiscal Year 2006-07 budget submittals. As you develop your budgetary goals and objectives in support of my priorities, please work with my staff to make sure they are measurable, achievable, and controllable by you. I am asking my Deputy Mayors to assist you as facilitators and individuals empowered to remove obstacles in order to help you succeed. I am also asking them to hold you accountable for goals and budgetary performance as part of their regular meetings with you. Budgetary performance and accountability will also be a part of our quarterly General Manager meetings.

Meeting the challenges facing Los Angeles will not be easy, but by exercising leadership, teamwork and tapping the skills, knowledge, abilities and hidden talents of our City's workforce, I feel confident we will succeed.

