



**Office of the Mayor
City of Los Angeles**

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**FOR IMMEDIATE RELEASE
April 6, 2010**

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MAYOR VILLARAIGOSA ADDRESSES CURRENT FINANCIAL CRISIS AND WAYS TO BALANCE THE BUDGET

Mayor asks the City Administrative Officer to develop a plan to shut down all General-funded city services except for public safety and revenue-generating positions for two days per week beginning the week of April 12

LOS ANGELES - With the looming possibility of the City of Los Angeles running out of money in less than a month, Mayor Villaraigosa called upon the City Administrative Officer to develop a plan to save money by shutting down all General-funded city services, except for public safety and revenue-generating positions - for two days per week beginning the week of April 12.

"There are no easy decisions or simple ways to solve this budget crisis," Mayor Villaraigosa said. "But as the CEO of this great city, it is my responsibility to make these difficult but necessary decisions to steer the city out of this crisis and onto solid financial ground."

The Mayor said he would immediately ask the CAO to develop the plan to shut down the City for two days per week and calculate the savings the city would earn from this. He also called an emergency meeting of the Executive Employee Relations Committee to discuss the next steps to replenish the General Fund.

Last night, Mayor Villaraigosa also sent a memo to all General Managers asking them to adhere to the spending controls initiated in the joint Mayor-Controller memorandum issued last month, expedite repayment of Reserve Fund loans to ensure that the Reserve Fund is fiscally sound by the start of the next fiscal year, and to submit the requested repayment information from each department with an outstanding loan to the City Administrative Officer immediately.

Yesterday, in reaction to Fitch Ratings, a major credit rating agency, withdrawing the Los Angeles Department of Water and Power's AA- bond rating, the LADWP

informed the City Controller that they could not transfer \$73.5 million to the City's General Fund. Controller Greuel immediately issued a memo saying the Los Angeles was in danger of running out of money by May 5, 2010 and recommended draining money from the City's limited reserve fund.

A complete copy of the Mayor's remarks as written for delivery follow:

Good morning.

For the past year, I have been trying to work with the City Council to put the Department of Water and Power on a more sustainable path: a path towards transparency and accountability, a path towards clean renewable energy and a path towards fiscal health.

It has been clear to me and it has been clear to the City Council that the DWP needs to change.

So in March 2009, I began to speak about the Department's fiscal health and the need to increase the Energy Cost Adjustment Factor to account for the rising cost of energy and fossil fuels.

In August 2009, the DWP Board recognized this need and proposed a two-cent rate adjustment. The Council rejected it and instead, asked for an independent fiscal review. I supported the Council in this decision, and I welcomed the outside opinion.

In February, the independent consultant finished their exhaustive review and recommended an even larger rate adjustment of 2.7-cents. The DWP Board correctly used this outside, independent review and approved a 2.7-cent rate hike spread over four quarters in a manner that not only secured the Department's fiscal health but put us on a path to a greener, cleaner future.

The Council rejected it.

I listened to the Council's concerns. And I agreed to a compromise for a one-time 0.8 cent adjustment with added protections for residents and employers.

The Council rejected it.

The DWP Board listened to the Council and did its best to address the concerns and, over my objections, tried to meet the Council halfway with an even more modest adjustment than what I authorized.

And again, the Council rejected it.

The politics of no is no more sustainable than the DWP's over-reliance on coal. Instead of acting in the tradition of past city councils, where progressives put partisanship aside and positioned Los Angeles as a national leader, this Council

leadership has demonstrated what we've already seen at the national level: they have shown the results of the politics of no.

With the Council leadership saying no to my every attempt at compromise, at the DWP Board's attempt at compromise, and NO to their own outside, independent fiscal review, we've seen the detrimental effects of only saying NO, and it is simply not acceptable for the council leadership to continue this practice.

The facts tell us that the cost of energy and fossil fuels will only continue to rise.

The facts tell us that the DWP gets 44% of its energy from dirty coal.

The facts tell us that the State and Federal governments will soon penalize us because of this over-reliance on coal.

The facts tell us that the DWP has been under-collecting by \$6 million per week.

And the facts tell us that the national agencies have withdrawn the DWP's credit rating because of this under-collection.

The facts don't lie.

There are no easy decisions or simple ways to solve this budget crisis. But as the CEO of this great city, it is my responsibility to make these difficult, but necessary decisions to steer the city out of this crisis and onto solid financial ground.

As such, today, I am asking the CAO to develop a plan to shut down all General-funded city services – with the exception of public safety and revenue-generating positions – for two days per week beginning the week of April 12.

I am also calling an emergency meeting of the EERC to discuss the next steps to addressing this fiscal crisis and ways to balance our budget.

We can no longer wait. We can no longer keep saying no. We must act now.

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