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## **Pensions and Bureaucracies Strangle L.A., Panel Says.**

[Los Angeles](#)'s future is threatened by a sixfold increase in public pension costs and dueling bureaucracies that hinder its ports and tourism, according to a panel led by former U.S. Commerce Secretary Mickey Cantor.

The second-largest U.S. city could be more competitive if the nation's busiest seaport complex, the ports of Los Angeles and [Long Beach](#), were to merge and regional tourism agencies were combined to speak with one voice, according to the [report](#) by the L.A. 2020 Commission.

The recommendations came the week after economists at the [University of California](#), Los Angeles [reported](#) that Los Angeles lost 3.1 percent of payroll jobs since 1990, the biggest drop of any U.S. metropolitan area. The panel's proposals are intended to reverse the trend, Cantor said in a telephone interview from Los Angeles.

"This will have an effect on the trend," said Cantor, a partner in the Chicago-based law firm of Mayer Brown LLP. "Will it solve every problem? Of course not. We don't even pretend that."

The report went unmentioned last night by Mayor Eric Garcetti, a 43-year-old Democrat elected last year, in his first state-of-the-city speech.

Garcetti pledged to rein in the municipal bureaucracy, phase out the city business tax and offer summer jobs training to young people.

"Simply put, we are creating jobs in Los Angeles that aren't being filled by L.A. residents," Garcetti said. "We have failed to train tomorrow's workforce here in our own neighborhoods. I will change that."

## **Pension Costs**

He did not propose any changes to city pensions, which the commission said now consume 18 percent of the city budget, up from 3 percent in 2003.

Los Angeles relies on an overly optimistic expectation that investments will return 7.75 percent a year, which causes the gap between available assets and obligations to widen, according to the report.

In contrast, [Warren Buffett](#)'s [Berkshire Hathaway \(BRK/A\)](#) Inc. counts on annual returns of 6 percent for its pensions, according to the report.

"The city should use the discount rate and pension plan earnings assumptions Buffett uses," the commission said.

As of June 30, 2013, the Los Angeles pension plan for non-safety employees was [68.7 percent funded](#). The pension fund had \$10.2 billion in assets and \$14.9 billion in liabilities, resulting in an unfunded accrued liability of \$4.7 billion.

## **‘Accountability’ Office**

The independent commission, established last year by Los Angeles City Council President Herb Wesson, also recommended establishing an “Office of Transparency and Accountability” at [City Hall](#), and empowering an independent five-member commission to set water and power rates.

Los Angeles’s problems with public education and transit, while “critical” to the region’s future, were beyond the scope of the 13 volunteers who served on the commission, the report said. In addition to Cantor, members included [Austin Beutner](#), a co-founder of [New York](#) investment bank Evercore Partners and a former Los Angeles deputy mayor; former [California](#) Governor [Gray Davis](#), and former U.S. Labor Secretary Hilda Solis.

By James Nash Apr 10, 2014 7:59 PM PT

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