

Fiscal Year 2012 Proposed Budget

August 2, 2011



The Road Ahead

- The national economic recovery has begun, but impacts to cities are expected to linger for several years
- The State's serious fiscal problems have resulted in raids on city revenues
- Labor costs continue to increase due to previously negotiated contracts and pension cost increases
- Revenues will not solve our fiscal issues, as expense growth continues to outpace revenue
- The City will continue to reduce General Fund costs to offset employee cost increases and to adjust to slow revenue growth
- Future General Fund structural deficits are projected for FY 13 and FY 14



The Road Ahead (Cont.)

- Significant fiscal discipline over the past eight years leaves Long Beach in a better fiscal position
 - \$188 million in deficit solutions adopted
 - 644 positions eliminated
 - Consolidation of departments, bureaus, divisions
 - Increased cost recovery through fees and charges
 - More efficient service delivery
 - Employees contributing more to their health/retirement costs
 - Reduced service levels
- The City has an established tradition of fiscal sustainability, which has set the stage for the deficit solutions proposed for FY 12 and beyond



Adapting to the New Fiscal Reality

- Departments have done more with less, becoming more efficient
- Despite declining budgets, an incredible amount of work has been accomplished
 - Police and Fire have maintained excellent response times
 - Departments are finding innovative solutions to problems
 - Significant infrastructure work was completed last year, by leveraging other sources
- It needs to be recognized that as resources decrease, services will be impacted
- The City will continue to look for reforms, efficiencies, and other solutions to minimize service impacts



FY 11 Successes

- Sustained decline in crime
- New parks
- New housing
- Memorial Medical Center / Community Hospital
- New Long Beach Courthouse construction
- Workforce Development success
- Airport parking structure completed
- Airport terminal improvements
- Fire Station 12
- Maintained a \$9 million Budget Stabilization Fund



Impacts from the State Budget

- Elimination of the Redevelopment Agency would result in significant impacts to Long Beach
 - Loss of \$6 million in General and Related Funds programs and administrative costs
 - Loss of Redevelopment land use authority
 - Loss of \$119 million in outstanding City loans to the agency
 - Loss of the City's largest source of housing funding
- State raid of local Vehicle License Fees creates an additional \$1.7 million structural deficit in FY 12



Structural Deficit Projection Update

- The CalPERS system has experienced significant market gains over the last year
- The City's independent actuary has analyzed market performance and provided updated PERS costs ranges for FY 13 and FY 14
- FY 12 deficit has increased by \$1.7 million due to the State's taking of VLF revenue

	Original	Update
FY 12	\$18.6M	\$20.3M
FY 13	\$18.4M	\$14.0M
FY 14	\$17.8M	\$6.2M
Total	\$54.7M	\$40.5M*

* This number is based on the midpoint of the likely range of PERS results



General Fund Deficit Drivers

(Rounded)

	FY 12 Base	FY 13 Proj.	FY 14 Proj.	3-Year Total
New Costs				
Negotiated Compensation Increases	\$6.3M	\$9.3M	\$8.0M	\$23.6M
PERS Change Due to Rate Increase	10.2M	1.9M	1.1M	13.2M
General Increases	3.8M	3.2M	3.9M	10.9M
Total Expense Increase/(Decrease)	\$20.3M	\$14.4M	\$13.0M	\$47.7M
Revenue Increase/(Decrease)	\$0.0M	\$0.4M	\$6.8M	\$7.2M
Projected Annual Structural Deficit	\$20.3M	\$14.0M	\$6.2M	\$40.5M

Note: FY 13 and FY 14 deficit projections are based on current available data and will be updated as new information becomes available



Multi-Pronged Approach

- As in the past, the FY 12 Budget relies on a multi-pronged approach to deficit reduction
 - Department Reductions
 - Pension Reform
 - Government Reform
 - Potential New Revenue
 - Employee Contributions

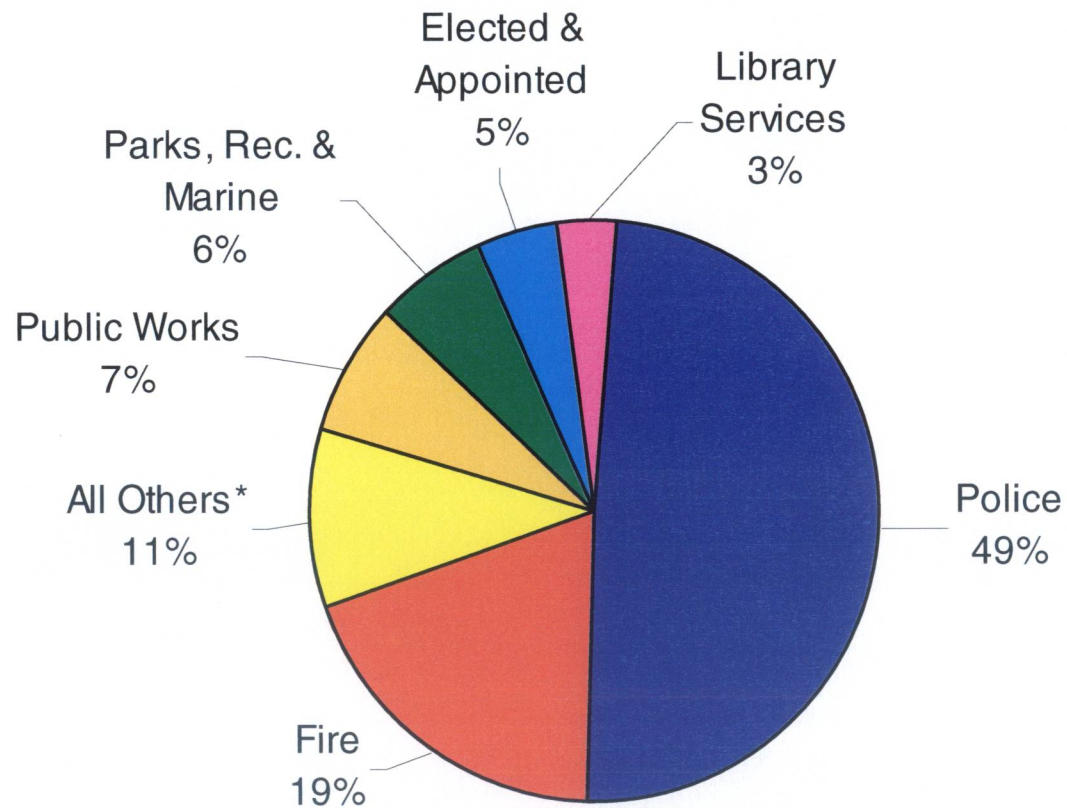


- While the City continues to pursue employee contributions as a solution, we must propose a structurally balanced budget
- The City is hopeful that employees will be a part of the solution, but the FY 12 Budget does not assume their participation



Proportionate Share

FY 11 General Fund Allocation



* Includes City Manager, Citywide Activities, Community Development, Financial Management, Health & Human Services, and Human Resources



Why Proportionate Share is Important

- Ensures that our Police and Fire Departments receive the majority of the General Fund resources (nearly 70%)
- Preserves funds to pay for all the other quality of life services such as parks, libraries, sidewalks, code enforcement, animal care, as well as essential internal support services
- Absent a proportionate share approach, by 2030, 100% of our General Fund would go towards public safety
- As public safety has the vast majority of the cost increases, those departments will need to provide a significant portion of the deficit reduction solutions over the next three years
- For every \$1 million exemption for the Police or Fire Department's reduction target, the reduction targets for other departments would increase by 16%



Proportionate Share (Cont.)

How a Department's Proportionate Share Budget is Calculated:





Reduction Targets

With Proportionate Share

(Rounded; in millions)

	FY 12	FY 13	FY 14	3-Year Reduction
Police	\$9.4	\$6.9	\$4.0	\$20.3
Fire	5.0	3.9	2.2	11.2
Public Works	1.7	0.9	-	2.6
Elected & Appointed	1.1	0.9	-	2.0
Parks, Rec. & Marine	1.2	0.5	-	1.7
Library Services	1.0	0.5	-	1.4
All Others**	0.9	0.4	-	1.2
Total	\$20.3	\$14.0	\$6.2	\$40.5

**Includes City Manager, Citywide Activities, Development Services, Financial Management, Health & Human Services, and Human Resources.



Negotiated Salary Increases

- Five of the City's nine employee organizations have multi-year contracts (last one ending in FY 14)
- The only negotiated increases included in FY 14 are for the POA and FFA. The IAM contract will expire at the end of FY 13.

Employee Org.	FY 12	FY 13	FY 14	3-Year Total
Police (POA)	0%*	3%	6%	9%
Firefighters (FFA)	2 - 4.5%	2 - 6%	2 - 6%	6 - 16.5%
IAM	4%	4%	-	8%
City Attorneys	4%	4%	-	8%
City Prosecutor	4%	4%	-	8%

*While POA does not have a General Increase in FY 12, there are skill pay and step increases totaling \$955,000.



Approach to Reductions

- Reduction scenarios were developed to right-size and refashion the City organization to become more nimble and responsive to the needs of the community in the future
- This year, a special effort was made to eliminate civilian vacancies before service reductions were proposed
- Preserve services that provide for a healthy community
- Core services will be met, but at a reduced level
- We will continue to do great work in the community, but service impacts are unavoidable



FY 12 Administrative Reductions

- Sustained focus on management and administrative reductions
 - 11 management positions, 35 clerical positions, and one department eliminated
- Departments continue to “do more with less”
 - Fewer employees, supplies, materials, contract services, vehicles, equipment, etc.
- More work is shared among fewer staff
- Maximize alternative funding sources



FY 12 Quality of Life Service Impacts

- Core services will continue, but at a reduced level
 - Gym hours reduction, City Source information desk at City Hall, library materials, materials and supplies for senior centers, teen centers, afterschool programs, etc.
- A new “Reading Room Library” model will prevent library hour reductions, but with fewer services at three neighborhood libraries
- Services with lower utilization will be suspended and alternatives will be identified and evaluated
- Slower response for various services
 - Pothole repair in park roadways, Public Works requests for service, project engineering, traffic studies, park maintenance, and building maintenance



FY 12 Police Department Impacts

- Focus on protecting emergency call for service response
 - Long Beach continues to have one of the fastest Priority 1 response times for large cities in California
- Civilian staffing reduced
 - Eliminating vacant Special Services Officers, Clerk Typists, Analysts; Restructuring clerical positions
- Combine or eliminate supervisory positions
 - Sergeants, Comm. Center Coordinator, Clerk Supervisors
- Reduce special divisions and transfer workload to other units or patrol officers
 - Reducing Critical Incident Management, Homeland Security, Vice Crew, Auto Theft Detail, Gang Enforcement, Violent Crimes, and Counter Terrorism; Elimination of J-Car Unit
- Reduction in overtime to prevent additional officer reductions
- 3% reduction in patrol staffing (14 of 487)



FY 12 Fire Department Impacts

- Focus on using available resources to meet service demand
 - Will require restructuring current service delivery methods
- Permanently end the FY 11 Rotating Engine Closure
- Enhance Light Force 17, restoring the Engine and Truck
- Restructured service delivery at Station 18
 - Engine 18 replaced with Paramedic Rescue 19, ensuring the station remains open for medical calls, which makes up nearly 80% of the workload
- Utilize three-person engine crews on up to nine Engines
 - Similar to the model in Los Angeles and Orange Counties and several Southern California cities
- Suspend fifth Fire Truck (Truck 14/Prop. H) from service, returning to 2007 levels
 - Staff from Truck 14 / Engine 18 reassigned to reduce \$1.8 million in overtime. In FY 11, Fire projects \$11.6 million in callback overtime.



Other Funds

- Other funds are also being reduced in order to offset their share of cost increases or revenue loss

Fund	Amount
Airport	\$(950,537)
Capital Projects	(173,826)
Civic Center	(345,000)
Community Development Block Grants	(183,916)
Employee Benefits	(158,437)
Fleet	(1,370,799)
Gas	(879,377)
Gas Tax Street Improvement	(349,085)
General Services (Technology)	(1,074,349)
Health	(1,336,398)
Public Safety Oil Prod. Tax (Prop. H)	(168,790)
Refuse	(449,218)
Towing	(445,039)



FY 12 Government Reform

- Consolidate residential and commercial plan check and inspection services
- Evaluate the consolidation of infrastructure project development and management under one department
- Consolidate all parking operations
- Consolidate Fire and Police dispatch and call centers
- Transfer Animal Care Services to Parks, Recreation & Marine
- Evaluate the human resources administrative model
- Consolidate temporary worker (including non-careers) hiring program through Workforce Development



FY 12 Summary

- \$20.3 million in structural reductions
 - 167.6 General Fund positions eliminated:

31.5 Sworn Police	(31.5 Filled, 0 Vacant)
27.0 Sworn Fire	(0 Filled, 27.0 Vacant)
109.1 Civilian	(21.3 Filled, 87.8 Vacant)
 - 91.5 positions in other funds eliminated*

0.5 Sworn (Police)	(0.5 Filled, 0.0 Vacant)
91.0 Civilian	(6.1 Filled, 84.9 Vacant)
- * Does not include positions that would be affected by the State impact on Redevelopment/Housing Development Company
- Total positions eliminated: 259.1 (59.4 Filled)



Future Deficits - An Ongoing Concern

- Through the leadership of the Mayor and City Council, Long Beach has established a tradition of fiscal sustainability which has served to lessen future deficits
- However, difficult reductions and uncertainties remain
- If full employee pickup of pension costs is achieved by the end of the current contracts, the structural deficit will be significantly less
- Additionally, should employee pickup of pension costs occur sooner than the expiration of the current contracts, there would be significantly fewer service and workforce reductions in FY 13 and FY 14



Potential FY 13 & FY 14 Reductions

Since the cost increases for FY 13 and FY 14 are mostly due to Police and Fire salary increases, the majority of the potential reductions will come from these departments

FY 13

- Eliminate two fire engines and convert six additional Engines converting to three-person crews (27 positions)
- Closure of library branches and additional conversions to “Reading Rooms”
- Up to 44 sworn and civilian layoffs in the Police Department
- Reduced park maintenance, and staffing reductions in Public Works maintenance, traffic and engineering bureaus

FY 14

- Eliminate one additional Engine, and reduce staffing on various apparatus (9 positions)
- Up to 26 sworn and civilian layoffs in the Police Department



Three-Year Impacts

Assuming no employee contributions or significant revenue increases:

- \$40.5 million in structural reductions
- Up to 400 positions eliminated (all funds)
- Library and community center closures, and elimination of fire engines
- Reduced service levels citywide
- Delays in Police report taking, investigations, and completing case work
- Reduced maintenance in parks and other city facilities



Summary

- We have made great progress, but we are not out of the woods yet
- Many uncertainties exist: general economy, State, RDA, further impacts of other funds
- Restructuring government will continue to be an important component to live within our means
- Assistance from our employee organizations would significantly reduce service and workforce reductions
- The City will continue to provide core services and be more efficient, but ultimately reduced resources will result in reduced services



Budget Process

- Many different opportunities for the public and the City Council to consider the Proposed Budget

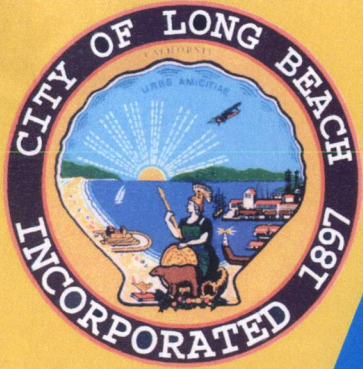
Budget Hearings

Budget Oversight Committee Meetings

Community Budget Meetings

- The “Community Budget Book” and an up-to-date meeting schedule can be found at:

www.longbeach.gov



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