





City of Long Beach
Working Together to Serve

Memorandum

Date: July 13, 2012

To: Patrick H. West, City Manager 

From: John Gross, Director of Financial Management 

For: Members of the Budget Oversight Committee

Subject: July 16, 2012 Budget Oversight Committee Meeting Agenda

At the request of the Budget Oversight Committee (BOC), the following information is attached for discussion:

1. Recommendation to approve the Budget Oversight Committee minutes for the meeting of Monday, June 18, 2012.
2. Recommendation to receive and file an update on the City's Fiscal Year 2012 Budget Process. (Attachment A)
3. Recommendation to receive and file a report on current year revenue and expense forecast.
4. Recommendation to receive and file an update on the Federal Fiscal Year 2013 Budget.
5. Recommendation to receive and file an update on the State's Fiscal Year 2012-2013 budget, including the Governor's May Revise.
6. Recommendation to receive and file an update on the City Council offices Fiscal Year 2012 year-end budget projections.
7. Recommendation to receive and file an update on the Management Partners presentation. (Attachment B)
8. Recommendation to receive and file an update on any remaining 2012 Budget items.

ATTACHMENTS

CC: MAYOR AND MEMBERS OF THE CITY COUNCIL
SUZANNE FRICK, ASSISTANT CITY MANAGER
REGINALD I. HARRISON, DEPUTY CITY MANAGER
ALL DEPARTMENT HEADS



City of Long Beach
Working Together to Serve

Attachment A

Memorandum

Date: July 13, 2012
To: Patrick H. West, City Manager
From: John Gross, Director of Financial Management
For: Mayor and Members of the City Council
Subject: Updated Schedule for Fiscal Year 2013 City Council Budget Meetings

Please find below an updated schedule of budget workshops and hearings that have been held to date, as well as those scheduled for the upcoming weeks, on the Fiscal Year 2013 Budget. These workshops and hearings provide opportunities for review and discussion of the specific recommendations contained in the City Manager's Proposed Budget, the Mayor's Budget Recommendations and the Budget Oversight Committee's recommendations. The City Manager's Budget presentation will be made shortly after the release of the Budget.

DATE	SUBJECT
March 6 Budget Meeting 3:30 p.m.	<ul style="list-style-type: none">Fiscal Outlook
April 17 Budget Meeting 3:30 p.m.	<ul style="list-style-type: none">Revenue Measure Options
June 18 4:00 p.m.	<ul style="list-style-type: none">Budget Oversight Committee
June 19 Budget Meeting 3:30 p.m.	<ul style="list-style-type: none">Potential Government Reform Initiatives (Part 1)
July 3 Budget Meeting 3:30 p.m.	<ul style="list-style-type: none">Potential Government Reform Initiatives (Part 2)
July 16 4:00 p.m.	<ul style="list-style-type: none">Budget Oversight Committee
July 24 Budget Meeting 3:30 p.m. (Tentative)	<ul style="list-style-type: none">Pension Reform Options
July 31 Budget Meeting 3:30 p.m. (Tentative)	<ul style="list-style-type: none">Budget Presentations (if needed)

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DATE	SUBJECT
August 7 Budget Meeting 7:00 p.m. (Tentative)	<ul style="list-style-type: none"> • Budget Presentations (TBD)
August 13 3:45 p.m.	<ul style="list-style-type: none"> • Budget Oversight Committee
August 14 Budget Meeting 3:30 p.m. (Tentative)	<ul style="list-style-type: none"> • Budget Presentations (TBD)
August 21 Budget Meeting 3:30 p.m. (Tentative)	<ul style="list-style-type: none"> • Budget Presentations (TBD)
August 28 Budget Meeting 3:30 p.m. (Tentative)	<ul style="list-style-type: none"> • Budget Presentations (if needed)
September 4 3:00 p.m.	<ul style="list-style-type: none"> • Budget Oversight Committee
September 4 Budget Hearing 3:30 – 5:00 p.m. (Tentative)	<ul style="list-style-type: none"> • Budget Presentations (TBD) • Public Input • City Council Discussion and Recommendations • Budget Adoption
September 4 Budget Hearing 7:00 – 8:30 p.m. (Tentative)	<ul style="list-style-type: none"> • Budget Presentations (TBD) • Public Input • City Council Discussion and Recommendations • Budget Adoption
September 11 Budget Hearing 3:30 – 5:00 p.m. (Tentative)	<ul style="list-style-type: none"> • Budget Presentations (TBD) • Public Input • City Council Discussion and Recommendations • Budget Adoption
September 11 Budget Hearing 7:00 – 8:30 p.m. (Tentative)	<ul style="list-style-type: none"> • Budget Presentations (TBD) • Public Input • City Council Discussion and Recommendations • Budget Adoption

If you have any questions, please contact John Gross, Director of Financial Management, at 8-6427.

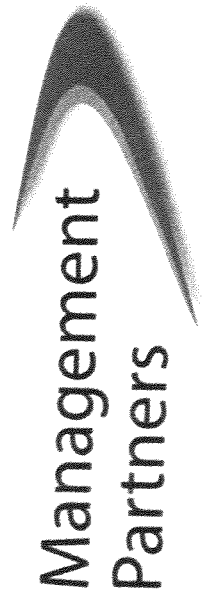
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CC: SUZANNE FRICK, ASSISTANT CITY MANAGER
 REGINALD I. HARRISON, DEPUTY CITY MANAGER
 ALL DEPARTMENT HEADS

City of Long Beach

Financially Sustainable Budget Strategies City Council Briefing

July 3, 2012



Today's Focus

- Review ideas to help Long Beach achieve long-term financial sustainability
- Identify projected cost savings
- Identify implementation constraints
- Suggest areas ripe for results that need more work

Financial Sustainability Trends and Best Practices

- Changes in compensation
- Changes to service delivery models
- Internal reorganization to consolidate redundant or complementary functions
- Revenue enhancements

Financial Sustainability in Long Beach

- Long Beach has implemented many of these best practices
- However Long Beach's general fund expenditures per capita are high
- Total staffing per 1,000 population is the highest of the agencies studied

Steps Taken Since June 19

- Provided additional information to City
 - Benchmarking methodology
 - 2010 and 2011 crime statistics for Long Beach and benchmark agencies
 - Revenue measures adopted in California in the June 2012 election
- Conducted additional analysis on strategies for improving Long Beach's financial sustainability

Analyzing Opportunities

The Tests:

- Will the opportunity offer significant financial benefit?
- Has the opportunity been implemented successfully in other places?
- Is there potential to meet or exceed current service level standards?
- What is the degree of implementation difficulty?

Opportunities With Significant Potential

- Compensation changes
- Alternative service delivery, including competitive bidding
- Consolidation of similar functions within the government

Compensation Changes -- Overtime

- Stop paying more overtime than required by Fair Labor Standards Act (FLSA)
 - Santa Ana has implemented this cost-saving step
 - Fresno and Sacramento are proceeding to adopt it

Change Overtime Calculations to FLSA Standard

Category	FY 2010-11 Overtime Costs ¹	Estimated Savings
Fire (sworn)	\$14,858,531	\$3,417,500
Police (sworn)	\$9,077,934	\$2,033,500
Miscellaneous ²	\$10,777,576	\$2,371,000
Total	\$34,714,031	\$7,822,000

¹Source: City of Long Beach

²Non-sworn in all departments, including non-City Manager departments



Compensation Changes – Premium Pay

- Reduce premium pay incentives, additional compensation for extra qualifications
 - Possession of degrees and certifications
 - Specialty assignments
 - Specialized skills

Growth in Premium Pay Costs

Unit	Employees Receiving CY 2003	CY 2003 Cost	Employees Receiving CY 2011	CY 2011 Cost
IAM	678	\$1,375,175	1,526	\$2,654,797
FFA	824	\$3,220,252	1,466	\$7,206,746
POA	1,009	\$3,582,870	1,954	\$8,816,750
Total	2,511	\$8,178,297	4,946	\$18,678,293

Source: City of Long Beach

Reducing Premium Pays

- Reducing premium pay to 2003 levels (adjusting for inflation) would save about \$8.2 million per year.
 - Eliminate premium pay where there is no longer a business need
 - Limit premium pay to actual work situations where the skill is used (e.g., shifts)
 - Exclude premium pay from compensation for paid time off

Compensation Changes – Standby Pay

- Review the use of standby pay and related call back pay.
 - In 2011, the City spent \$1 million on standby pay
 - Almost \$900,000 was spent for call back pay
- Questions to consider
 - How critical is the need for employees to be on standby? Is there another alternative?
 - How frequently are employees on standby actually called back?
 - How long do employees need to be on standby?

Other Potential Compensation Changes

- Review higher classification pay
 - How it is being used as well as duration
 - In 2011, Long Beach spent \$150,000 for higher classification pay.
- Review assignment pays for appropriateness (e.g., floor warden pay)

Alternative Service Delivery Approaches

- Bringing private sector competition to bear on the cost of City services
- Service sharing with other local governments to reduce costs

Competition Principles

- Competition is good because it forces innovation and lowers costs
- Competition must be structured around best value, not simply lowest cost
- Competition does not mean the government gives up control or management responsibility
- Cost and performance must be continuously monitored and reported

Known Competitive Savings

Service	Estimated Annual Savings
Custodial Services	\$1 million
Street Sweeping	\$1.4 to \$3 million
Refuse Hauling	\$2.8 to \$4.2 million
Towing	\$0.1 to - \$0.5 million
Total	\$5.3 to \$8.7 million

Note: Although these estimates are based on solid data, actual savings will need to be confirmed through a RFP process.



Additional Competition Candidates

- Worker's compensation administration
- Employee Assistance Program
- Fleet maintenance
- Jail management
- Technology support services

Alternative Service Delivery Opportunities

- Modify deployment of Fire and Emergency Medical Services
 - Estimated savings between \$2 and \$3.5 million
 - Requires more detailed analysis of response times, call volumes and other factors to confirm potential savings and maintenance of service levels

Cost Savings Through Consolidation

Areas	Estimated Annual Savings
Civil Service and Human Resources Functions	\$0.6 million
Facility, fleet and infrastructure maintenance functions	unknown
Internal services functions	unknown
Legal functions	unknown

Apparent Charter Constraints Meriting a Hard Look

- Proposition L – simplify implementation
- Ability to consolidate internal services functions throughout the government
- Ability to consolidate legal functions
- Ability to consolidate human resources functions
- Ability to consolidate internal audit functions

Summary of Potential Cost Savings

Category	Estimated Annual Savings
Compensation Changes (Overtime and Premium Pay)	\$16 million
Known Competitive Savings	\$5.3 to \$8.7 million
Other Alternative Service Delivery (Fire/EMS)	\$2 to \$3.5 million
Consolidation of Functions	\$0.6 million
Total Estimated Savings	\$23.9 to \$28.8 million

Recommended Next Steps

- City Manager pursues possibilities
- Prepare a work plan and schedule
- Provide regular updates on progress

Questions?

Jerry Newfarmer, President and CEO
jnewfarmer@managementpartners.com
513-313-0503

Cathy Standiford, Partner
cstandiford@managementpartners.com
714-222-0141

