

MAYOR'S RECOMMENDATIONS

The City Manager's FY 07 Proposed Budget, thanks to the hard work of the community, City employees, City boards and commissions, and the City Council, creates a **structural surplus of \$1.6 million** and leaves **\$2.4 million in unallocated one-time revenues and ending fund balance**.

In addition, the North RDA project area is anticipated to receive approximately **\$2 million** of additional property tax increment from properties located in the Port-area (net of Housing Set-Aside, Statutory Pass-throughs, existing bond payments and County administration costs).

Further, the City expects to receive **\$3 million** each of the next two fiscal years from the Sempra lawsuit settlement.

Accordingly, I respectfully submit the following:

1) Restore cuts to library services: \$1.3 million

To immediately restore library hours at all branches and at Main, in addition to after-school homework assistance programs, I recommend the City Council **allocate \$1.3 million of the projected structural surplus.**

Further, I am recommending **\$400,000 in unallocated one-time resources** be invested in funding the book budget for FY 07. This allocation would be in addition to the City Manager's proposal to fund \$300,000 using one-time revenue for books to stock the soon-to-open MacArthur Library.

2) Jumpstart Street Repair: \$2.3 million (\$18.9 million overall)

To direct **\$2.0 million of projected FY07 ending fund balance** (\$2.4 million less \$400,000 for the book budget) and; the remaining **\$300,000 structural surplus** mentioned above.

Coupled with the \$ 16.6 million delineated in the City Manager's and RDA's proposals, **a total of \$18.9 million will be directed into our City's crumbling streets and sidewalks this fiscal year.**

In addition, I applaud the City Council's August 8th decision to support Propositions 1A and 3A, California's infrastructure Bond initiatives. If approved by the voters in November 2006, Long Beach would expect to receive an additional \$15.5 million for neighborhood street improvements over the next three years.

3) Invest in our Firefighting Infrastructure: estimated \$2 million

To prioritize refurbishing and rebuilding Fire Stations and develop a financing plan for the City's fire facilities based on the recommendations of the Fire Services optimization study.

As a significant first step, I recommend requesting **the amount shared by the RDA with the City from the property tax increment generated in the Port District be increased to capture some of the unprecedented tax growth.** This funding, in excess of the \$1.3 baseline from FY 06, should be leveraged to finance projects that begin to address critical fire station needs.

Beyond this direct investment of approximately \$2 million, the City must quickly work to put together a plan to fund the substantial remaining balance of fire station improvements necessary to provide reasonable living quarters for our firefighters.

4) Public Safety Retention and Recruitment Fund

To have the capability to expeditiously assess and act on recommendations related to police officer retention and recruitment review, I propose directing **\$2.1 million of the FY 07 Sempra settlement funds to be held in a Public Safety Retention and Recruitment Account to assist in developing and acting upon forthcoming City Manager recommendations.**

Police Recruitment and Retention must be carefully studied in order to clearly understand the scope, root cause and service impacts of the trend of increased transfers out of our police ranks, as well as to develop appropriate and effective solutions.

The City Manager has identified retention and recruitment as a major issue for a citywide optimization study in FY 07, which I fully support. However, at the front end of that review we must focus on police retention. While the issue is studied more globally for all city positions in the coming year, there remains an unacceptable gap between budgeted and filled police officer positions, and the reasons for and longer-term impact of the recent increased loss of experienced police officers must be fully understood.

I am also in full support of the City Manager's recommendation to run two police academies in FY 07, but also believe **it is imperative that the City plan and budget to continue running two academies each year for the coming few years** in order to generate as many qualified police officers as possible to grow the force to meet our changing public safety needs.

5) Potential 2007 Citywide Election

To prepare for a potential city wide ballot in 2007. On August 1st, the City Council voted to conduct a series of Charter Reform hearings and indicated parameters for policy considerations for those hearings. The hearings schedule was constructed to account for a likely District special election in FY 07, and as such, allow sufficient time to coordinate a potential city wide special election on that date as well.

If the election is not conducted, I recommend the funds be directed to an appropriate infrastructure project that requires one-time funds.

6) Discipline for Structural Commitments

To refrain from over-committing future structural resources given the near \$20 - \$25 million in annual cost increases looming just a few years out.

The City of Long Beach has learned painful lessons of the past few years and has well earned its newfound reputation for fiscal discipline. In an effort to avoid situations like those facing San Diego and Orange County, resources to appropriately fund its coming commitments and liabilities must be identified and earmarked to ensure the City is prepared to meet its obligations without having to once again downsize and impact critical services to the community.

7) Request Public Employees Retirement System (PERS) Administration Charges Review

To request a thorough review, in collaboration with other participating governments, of PERS Management & Administration (M&A) costs. These funds are mandated fees paid by the City of Long Beach and other participating governments to PERS to cover PERS' internal costs.

A cursory review of PERS audited financial statements discloses a significant increase in PERS M&A costs, with little information disclosed by PERS as to why. Given Long Beach's fully funded status, I have concerns that the methodology used by PERS to allocate those costs among its member agencies may be creating an inequity that negatively impacts Long Beach.

8) Reassess Priorities and Policies

To establish a process to commence before FY 08 budget development begins through which the City Council can actively and openly revisit and update its priorities for the coming fiscal year in an effort to provide policy guidance to the City Manager to continue to better align budget allocations and communities priorities.

The City Council's Financial Policies must be treated as organic in nature, requiring regular assessment and revision when necessary.

Therefore, I recommend that the Budget Oversight Committee place on its agenda for FY 07 to hold a public review and deliberations about the City Council's Financial Policies, expecting recommendations the City Council can consider and adopt for FY 08.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bob Foster". The signature is written in a cursive, flowing style with a long horizontal stroke extending to the right.

Mayor Bob Foster
August 14, 2006