



# **Mayor's Budget Recommendations Fiscal Year 2015**

*Presented July 22, 2014*



## **Mayor's Budget Message & Recommendations Fiscal year 2015**

Mayor Robert Garcia

As prescribed by the Long Beach City Charter, I hereby transmit to the Long Beach City Council my recommendations for the 2015 Budget prepared by the City Manager.

### **Preparing for the Future – Learning from the Past**

This Budget Message is one of my first official acts as Mayor. I take my responsibility to protect the fiscal health of the City very seriously. The City Manager has prepared a sound budget that protects core city services and sets aside surpluses this year to address looming shortfalls in coming years which are anticipated from significant increases in employee retirement costs.

I am proud of the work that Mayor Foster and the previous City Council achieved during very difficult budget years to better align the cost and revenue side of our budget. On-going expenses and revenues were better aligned through reductions of positions and pension costs while one-time funds were invested in new infrastructure, parks and other projects. I will not forget the lessons learned during this experience. It is essential to keep on-going expenditures in line with on-going revenues and to prepare now for the increase in pension costs that will begin to hit us as soon as next year.

In his out-going budget message, Mayor Foster provided recommendations to address these issues that I want to highlight and include in this message to reinforce their importance moving forward.

### **Continuing Partnership with Employee Groups**

With 75% of every City dollar currently allocated to salary and benefits, and with pension costs projected to nearly double over the next 6 years, payroll savings will have to continue to be part of the solution to our budget challenges. Exploring ways to decrease and stabilize costs in coming years through reviewing skill pays, changes in benefit programs and contributions, retirement contribution, sick leave calculations and others must be explored in negotiations with our employee groups. We will have to count on their continued partnership as we address the real fiscal challenges we are facing in coming years.

## **A Responsible Policy on Uplands Oil**

The City of Long Beach currently benchmarks the price of oil at \$70 per barrel. Revenue greater than \$70 is considered “one-time” and has been mostly used for capital improvements. It is important that the City Council continue this policy. Oil is still a volatile commodity and we witnessed great movement in 2009 that put the city in a difficult financial position. In addition, bond rating agencies use the city’s pricing of oil as a measure in our bond rating.

## **Putting Existing Resources to Work**

Overall, I agree with the recommendations in the City Manager’s Budget for the coming year. I have, however, several recommendations for reallocations to address key issues and concerns.

### *Building our Reserves for the Future*

The Manager’s budget allocates the \$3.1 million projected surplus from the FY15 budget to the CalPERS stabilization fund. I recommend the first \$2 million of any FY 14 surplus also be put into the CalPERS stabilization fund to provide stronger protections from future market rate changes. By building our reserves we are ensuring a stronger financial position in future budgets.

### *A New Economic & Property Development Department*

Economic Development continues to be one of the City’s top priorities. Long Beach has adopted a holistic approach to economic development – one I fully support. Central to this approach is the belief that every department and employee has a role in promoting economic development in the City, whether it is facilitating permits and inspections, enhancing customer service, solving problems, or making our neighborhoods and business corridors look better.

The City’s economic development efforts should be rooted in nearly every department of the City, and include partners such as the Business Improvement Districts, Gateway Cities COG, the Convention and Visitors Bureau, and our strong partnership with Long Beach City College, California State University, Long Beach, and our Workforce Development Bureau.

The strategy to rejuvenate the City through this holistic approach to economic development is showing results. The City’s General Fund revenue is estimated at \$400 million. This is the first time we are projecting on-going revenue at the \$400 million level since 2008. Earlier this year, the unemployment rate in Long Beach hit a six year low, dropping to 8.4% as of April 2014. Also, thousands of jobs are being created due to projects like the \$1.2 billion replacement of the Gerald Desmond Bridge and the \$1.3 billion Middle Harbor project. We have recently celebrated successes like the expansion

of Douglas Park and the Mercedes Benz facility, new high-end residential development in Downtown and the growth of Molina Healthcare, a Fortune 500 company, bringing high quality jobs to our City.

In order to continue and build upon this momentum in FY 15, I am proposing restructuring our business and property development efforts into the new Economic & Property Development Department.

This new department, located within the City Manager's Office, will need resources to assist with economic development, creation of jobs, and coordination of the City's various economic development functions and partnerships. I am recommending that this new department assume direct functional oversight of the Asset Management Bureau in Public Works, bringing seven additional staff under the direction of the Director of Economic and Property Development (formerly Business and Economic Development Director). This will provide the resources for the City to strategically dispose of 259 parcels of the former Redevelopment Agency, to provide a cohesive vision for how the City's economic development efforts are implemented and real estate assets are managed, and provide additional staff for the Director to work with the Mayor, City Council, and City staff to achieve our economic development goals.

The new department will also work with City Council offices and Business Improvement Districts on business recruitment and business advocacy. The department brings together staff from the office of business and property development and asset management, and therefore does not require any additional funds.

### *The Technology and Innovation Department*

A 21<sup>st</sup> century City deserves a 21<sup>st</sup> century government. I am a firm believer that the use of innovative technology can make our City more efficient, effective, and improve communication with our community all at the same time.

Our current Technology Services Department has worked to adapt to the rapid changes in technology. They have worked on major software upgrades, integrated new operating systems citywide, and installed wifi in our public libraries and many of our parks. As we prepare to meet the needs of the 21<sup>st</sup> century, we need to also ensure that government is innovating.

The new Technology and Innovation Department will lead the way to making government more open, accessible, and innovative. The department should also partner with California State University, Long Beach and Long Beach City College on open data and technology projects. The Go Long Beach Smart Phone App is a great success story of how innovation made government more efficient and accessible to the public.

Renaming the department and implementing reforms will not cost the general fund any additional financial resources.

Earlier this year, I also proposed a Technology and Innovation Commission to address important areas of public policy as they emerge. The Commission would be comprised of Long Beach residents with special skills, knowledge, expertise and interest in technological innovation, and would be able to advise the Council on new technology and serve as a clearinghouse for new ideas that can enhance the City's use of technology and its place in our economy. To provide support for this Commission, I recommend using \$100,000 of funds already available in the technology general services fund.

### Supporting our Historic Neighborhoods

Long Beach currently has 17 designated historic districts, including Belmont Heights, Drake Park/Wilmore City, and the Wrigley Area. Additionally, 130 landmarks have been designated around the City, including the Long Beach Museum of Art, Broadlind Hotel, Fire Station No. 10, and The Wilmore building.

Long Beach's is a leader in historic preservation and recently was awarded an "A" grade by the Los Angeles Conservancy in a new study that measures historic preservation in the 88 cities within Los Angeles County. Long Beach received a score of 230 out of a possible 245, and was one of 17 cities to receive an "A" grade.

We can, however, and should continue to do more. During the past few years of budget reductions, the City was forced to eliminate the Historic Preservation Officer position. As part of the FY 15 Budget, I am recommending that the City restore this function without increasing ongoing costs. As such, I recommend reclassifying a Planner III position already included in the City Manager's Proposed Budget to assume the role of Historical Preservation Planner and serve as the City's dedicated staff over this highly important function.

### Investing in Libraries and the Arts

Libraries are such an important facet of a healthy city, providing opportunities for learning and development for residents of all ages. It is important that we invest in reading materials, both conventional and electronic, so our community has access to as diverse a supply of material resources as possible. The City's annual allocation for book and digital materials purchases is \$677,000, and has been reduced over the years. While private donations have increased that budget to nearly \$1.5 million a year, including generous donations from Jet Blue and the Library Foundation, in FY 15 I recommend a one-time enhancement of \$200,000 to the Library material and supplies budget with a focus on both conventional and digital books and media.

The Arts Council plays a pivotal role in Long Beach in encouraging artistic development, as well as the production of public art. This year, they have requested \$50,000 in one-time funds to produce a marketing plan for the Arts Council. In the past, the City has built strong partnerships with outside agencies by matching City dollars to their private fund raising efforts, and I am proposing to do the same with the Arts Council this year with the additional \$50,000.

I recommend dedicating \$250,000 of the City Manager's proposed upgrades to citywide Heating, Ventilation and Air Conditioning (HVAC) systems for the Library and Arts Council enhancements. City Management has indicated that some of the HVAC systems are not ready to be replaced, creating an opportunity to spend the funds on these important library and art needs.

#### Identifying Internal Street Sweeping Efficiencies

Over the past year, the City has engaged in an evaluation of the City's street sweeping operation to determine if the private sector can provide the service more cost-effectively. While the study identified some possible savings, the current operation may also be reconfigured by City staff to achieve better results and possibly achieve savings as well.

I recommend that the city begin immediate implementation of efficiencies in the street sweeping operation and not pursue a contracting out proposal in the coming year. I believe there are efficiencies that can be implemented immediately that can improve service, reduce effects to residents and reduce costs. I am recommending the reduction of the four hour window to two hours in parking impacted areas and in other areas where feasible, purchase of more cost-effective vehicles, and other efficiencies that can save money.

#### Funding for Affordable Housing

Healthy and strong cities ensure that opportunities are available for all our residents to live in safe and clean housing. The City must play a leading role in rehabilitating and creating new affordable housing units for our more disadvantaged residents, including workforce housing, housing for those of moderate income, and housing for those with low, very low, or extremely low incomes. While the dissolution of the Redevelopment Agency resulted in the loss of a dedicated funding source for affordable housing initiatives, over the next few years we expect significant resources to be available to continue our work in rehabilitating existing housing stock and creating new affordable housing opportunities. From FY 14 to FY 16, the City expects to receive \$24.7 million in funds that were owed to the City from the former Redevelopment Agency.

Recently, the State of California dedicated 20% of its ongoing Cap and Trade dollars to sustainable communities and affordable housing, creating a statewide grant program of \$130 million in FY 15 for affordable housing and sustainable communities. Long Beach will be well suited to compete for these funds, as 25% of all Cap and Trade funds will benefit disadvantaged communities, and Long Beach has a strong reputation as a leader in sustainable transit-oriented development and the creation of affordable housing.

For FY 15, I am recommending that the City place the \$24.7 million identified above into the existing Housing Trust Fund to continue the City's great work in the affordable housing arena and support our certified Housing Element. I am also recommending our Development Services Department explore methods to reconstitute the Housing Trust

Fund so that more of our housing resources can be incorporated into the fund. This fund has been underutilized due to its current structure, and by exploring a different structure, we can potentially maximize the funding sources the City has, provide greater flexibility in funding projects and put additional resources into the fund. Additionally, we must seek additional grant resources, such as State dollars, and advocate at the State level for those dollars to be available to assist with our entire spectrum of housing needs, from workforce housing to the lowest of income levels. I am asking that the City also work with housing advocates to develop ways of strengthening the Housing Trust Fund.