



# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6<sup>th</sup> Floor • Long Beach, CA 90802

September 4, 2012

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Receive supporting documentation into the record, conclude the public hearing and take the actions necessary to adopt the Fiscal Year 2013 budget as listed in Attachment A of this letter. (Citywide)

## DISCUSSION

On August 1, 2012, the City Manager's Proposed Budget for Fiscal Year 2013 (FY 13) was delivered by the Mayor to the City Council and community with recommended amendments for consideration. Hearings were set for March 6, April 17, June 10, July 3, July 24, August 7, August 14, August 21, August 28, and September 4 and September 11, along with five Budget Oversight Committee (BOC) meetings and ten community meetings at which the FY 13 Proposed Budget was discussed. We are pleased to report that through the scheduled hearings, BOC and community meetings, presentations have been made by multiple City departments resulting in 26 separate opportunities for public feedback, deliberation and input.

At the conclusion of the hearings, the City Council will amend the proposed budget as it deems appropriate, and adopt the proposed budget as amended. Since the publication of the FY 13 Proposed Budget, updated estimates of revenue and expense, which address technical corrections as well as decisions made by elected offices, are listed by fund and department in Attachments B and C to this letter, respectively.

The Appropriations Ordinance officially adopts the FY 13 budget and authorizes expenditures in conformance with the adopted budget. To become effective October 1, 2012, this Ordinance must include a finding of emergency. Specific resolutions provide for approval of the budgets for the Harbor, Sewer, and Water funds, which are not in the appropriation ordinance, and certain fee adjustments. Requests for approval include the FY 13 Capital Improvement Program; the Mayor's Recommendations; and the Budget Oversight Committee's Recommendations for the FY 13 Proposed Budget.

This matter was reviewed by Assistant City Attorney Charles Parkin on August 16, 2012.

### TIMING CONSIDERATIONS

In accordance with the Long Beach City Charter, the FY 13 budget must be adopted by September 15, 2012. Should the City Council fail to adopt the budget by that date, the City Manager's FY 13 Proposed Budget shall be deemed the budget for the 2013 fiscal year. The Mayor has five calendar days from City Council adoption of the budget to use his veto authority. The City Council would then have until September 30, 2012, to override veto action by the Mayor with a two-thirds supermajority vote.

### FISCAL IMPACT

The City Charter requires that the Appropriations Ordinance shall govern and control the expenditure and commitment amounts stated therein relating to the City's departments, offices and agencies during each fiscal year. The total FY 13 budget for all departments and funds is \$4,211,052,092, which comprises \$2,979,129,932 in new appropriation and \$1,231,922,160 in estimated carry-over from FY 12 for multi-year grants and projects.

The Appropriations Ordinance, included as Attachment A-16 to this letter, totals \$2,293,557,866 for all funds except Harbor, Sewer, and Water, and \$2,295,149,709 for all departments except Harbor and Water. The \$1,591,844 difference between funds and departments in the Appropriations Ordinance is due to general City indirect costs budgeted in the Department of Financial Management but charged to the Harbor, Water and Sewer funds, which are not included in the Appropriations Ordinance by fund.

The proposed Harbor, Water and Sewer Fund budgets are in separate City Council resolutions included as Attachment A-1 and A-4 to this letter, respectively, and total \$1,042,981,067. The budget for the Harbor Department was adopted by the Board of Harbor Commissioners by minute order on June 4, 2012. The budget for the Water Department was adopted by the Board of Water Commissioners by resolution on June 21, 2012.

User fees and charges in the attached Master Fee and Charges Schedule (A-5) have been increased by the City Cost Index (CCI), a calculation of the projected increase in the City's cost from FY 12 to FY 13, except for those fees that are set using other criteria. In addition to the CCI-based fee changes, some fees have been added or adjusted due to a change in service or other bases. For details regarding these proposed new fees and non-CCI fee adjustments, please see the List of Proposed Fee Adjustments for FY 13 that has been incorporated as Exhibit C to the Master Fee and Charges Resolution.

Other requested City Council actions include approval of the FY 13 One-Year Capital Improvement Program (CIP) budget, which is contained in the Appropriations Ordinance.

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September 4, 2012

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The Planning Commission, at its meeting of August 16, 2012, approved the CIP for FY 13 for conformance with the General Plan.

A motion to amend the Departmental Organization Ordinance is also being requested. This amendment incorporates changes to departments, bureaus, and divisions for Fiscal Year 2013. These organizational changes are necessary to implement changes reflected in the Proposed FY 13 budget. The Salary Resolution is also included for adoption. (A redline version is also provided)

All the City's Redevelopment Funds were dissolved and the assets and liabilities were transferred to the Successor Agency Fund whose sole purpose is to dispose of the assets and discharge the obligations of the former Redevelopment Agency. This fund is now included as part of the Appropriations Ordinance.

The City Council is also requested to adopt the Resolution establishing the "Gann Appropriations Limit" (Limit) for general purpose expenditures. In November 1979, the voters of the State of California approved Proposition 4, also known as the "Gann Initiative." The Initiative places certain limits on the amount of tax revenue that can be appropriated each fiscal year. The Limit is based on actual appropriations during FY 79 and guards against overspending proceeds of taxes. Only those revenues which are considered as "proceeds of taxes" are subject to the Limit. The Limit is recalculated each fiscal year based on certain inflation and population factors provided by the State. The Proposed Budget includes tax revenue estimates that are at 39.78 percent of the 2012-2013 Appropriations Limit and, therefore, does not exceed the Limit. This calculation is reviewed by the City Auditor for conformance to the law.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT

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ATTACHMENTS

APPROVED:

  
\_\_\_\_\_  
PATRICK H. WEST  
CITY MANAGER

**List of Requested Fiscal Year 2013 Budget Adoption Actions**

1. Adopt the Resolution approving the FY 13 budget for the Long Beach Harbor Department as adopted by the Board of Harbor Commissioners on June 4, 2012. (A-1)
2. Declare an emergency to exist. (A-2)
3. Declare the Ordinance approving the Resolution No. WD-1299 establishing the rates and charges for water and sewer service to all customers, as adopted by the Board of Water Commissioners on June 21, 2012, as an Emergency Ordinance, read, and adopted as read and laid over to the next regular meeting of the City Council for final reading. (A-3)
4. Adopt the Resolution approving the FY 13 budget of the Long Beach Water Department as adopted by the Board of Water Commissioners on June 21, 2012. (A-4)
5. Adopt the Resolution amending the master fee and charges schedule for specified city services for citywide fees and charges for the City of Long Beach. (A-5)
6. Approve the FY 13 One-Year Capital Improvement Program. (A-6)
7. Adopt a motion approving the FY 13 budget for the Long Beach Housing Development Company in the amount of \$2,678,780. (A-7)
8. Adopt a motion approving the estimated transfer of \$16,825,000 from the Harbor Revenue Fund to the Tidelands Operating Fund. (A-8)
9. Declare the Ordinance amending the Departmental Organization Ordinance read the first time and laid over to the next regular meeting of the City Council for final reading. (A-9)
10. Adopt the amended Salary Resolution for FY 13. (A-10)
11. Adopt the Resolution adopting an appropriations limit (Gann) for FY 13 pursuant to Article XIII (B) of the California Constitution. (A-11)
12. Adopt the Mayor's proposed funding recommendations, as amended, to the FY 13 Proposed Budget. (A-12)
13. Adopt the Budget Oversight Committee's proposed funding recommendations, as amended, to the FY 13 Proposed Budget. (A-13)
14. Adopt a motion amending the proposed FY 13 budget. (A-14)
15. Declare an emergency to exist. (A-15)
16. Declare the Appropriations Ordinance for FY 13, creating and establishing the funds of the Municipal Government and appropriating money to and authorizing expenditures from said funds and for said fiscal year as an Emergency Ordinance, read, and adopted as read and laid over to the next regular meeting of the City Council for final reading. (A-16)

**FISCAL YEAR 2013 APPROPRIATIONS ORDINANCE BY FUND**  
 (Does not include Harbor, Sewer, and Water)  
 FY 13

<u>FUND</u>	<u>PROPOSED EXPENDITURES</u>	<u>CHANGES</u>	<u>FY 12 ESTIMATED CARRYOVER*</u>	<u>FY 13 APPROPRIATION</u>
GENERAL FUND	395,418,650	(377,370)	-	395,041,280
GENERAL GRANTS FUND	6,511,090	(31,662)	11,000,570	17,479,998
POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND	4,044,945	(55,126)	-	3,989,819
HEALTH FUND	38,178,507	(252,283)	31,888,013	69,814,237
PARKING & BUSINESS AREA IMPROVEMENT FUND	6,234,269	490,752	-	6,725,021
SPECIAL ADVERTISING & PROMOTION FUND	5,398,987	176	-	5,399,163
UPLAND OIL FUND	33,721,727	13	-	33,721,740
HOUSING DEVELOPMENT FUND	9,791,449	(39,031)	68,704,262	78,456,680
BELMONT SHORE PARKING METER FUND	458,589	-	-	458,589
DEVELOPMENT SERVICES FUND	15,053,545	553,808	-	15,607,353
BUSINESS ASSISTANCE FUND	707,916	(54,603)	1,184,012	1,837,325
COMMUNITY DEVELOPMENT GRANTS FUND	21,586,959	260,800	12,040,635	33,888,393
PARK DEVELOPMENT FUND	-	-	-	-
GASOLINE TAX STREET IMPROVEMENT FUND	14,452,282	(2,303)	23,666,824	38,116,803
TRANSPORTATION FUND	18,124,872	(6,736)	18,555,062	36,673,199
CAPITAL PROJECTS FUND	8,055,612	44,788	81,933,533	90,033,933
DEBT SERVICE FUND	10,255,959	210,000	-	10,465,959
CIVIC CENTER FUND	10,728,312	13,607	254,879	10,996,798
GENERAL SERVICES FUND	38,155,742	15,072	8,335,358	46,506,172
FLEET SERVICES FUND	31,883,232	6,284	916,881	32,806,398
INSURANCE FUND	39,075,172	697,634	139,683	39,912,488
EMPLOYEE BENEFITS FUND	234,430,971	(10,323,145)	-	224,107,826
TIDELANDS FUNDS	132,270,532	2,214,995	77,839,985	212,325,513
TIDELAND OIL REVENUE FUND	423,108,119	1,043	-	423,109,162
RESERVE FOR SUBSIDENCE	-	-	-	-
GAS FUND	104,773,246	(116,074)	16,724,591	121,381,763
GAS PREPAY FUND	41,450,391	-	-	41,450,391
AIRPORT FUND	41,236,510	275,556	37,543,977	79,056,042
REFUSE/RECYCLING FUND	44,880,187	(38,264)	470,680	45,312,604
SERRF FUND	46,563,701	238	-	46,563,939
SERRF JPA FUND	11,369,810	-	-	11,369,810
TOWING FUND	7,252,762	(248,000)	-	7,004,762
PARKING AUTHORITY FUND	-	-	-	-
HOUSING AUTHORITY FUND	80,049,150	93,537	(230,826)	79,911,861
SUCCESSOR AGENCY	41,439,237	3,048,652	(11,993,987)	32,493,903
CUPA FUND	1,531,795	7,146	-	1,538,941
<b>TOTAL</b>	<b>1,918,194,228</b>	<b>(3,610,495)</b>	<b>378,974,133</b>	<b>2,293,557,866</b>

\*Carryover of multi-year grants and CIP funds.

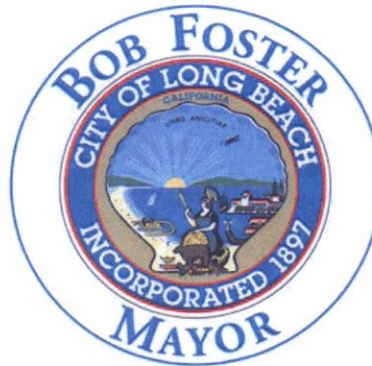
**FISCAL YEAR 2013 APPROPRIATIONS ORDINANCE BY DEPARTMENT**  
**(Does not include Harbor and Water)**

<u>DEPARTMENT</u>	<u>FY 13 PROPOSED EXPENDITURES</u>	<u>CHANGES</u>	<u>FY 12 ESTIMATED CARRYOVER*</u>	<u>FY 13 APPROPRIATION</u>
MAYOR AND COUNCIL	4,649,853	-	-	4,649,853
CITY ATTORNEY	8,896,127	(5,654)	-	8,890,473
CITY AUDITOR	2,987,888	(4,678)	-	2,983,210
CITY CLERK	3,120,066	(2,714)	-	3,117,351
CITY MANAGER	22,876,060	15,687	45,779,290	68,671,037
CITY PROSECUTOR	4,739,278	21,643	-	4,760,921
CIVIL SERVICE	2,054,339	287	-	2,054,625
AIRPORT	40,839,181	286,139	35,755,006	76,880,325
DEVELOPMENT SERVICES	79,115,961	3,126,728	95,083,051	177,325,741
FINANCIAL MANAGEMENT**	442,753,876	(8,205,281)	16,100,686	450,649,282
FIRE	93,011,139	(319,696)	2,774,543	95,465,986
HEALTH AND HUMAN SERVICES	118,868,692	(167,444)	31,969,373	150,670,620
HUMAN RESOURCES	20,905,208	24,164	(596,812)	20,332,560
LIBRARY SERVICES	12,723,428	(73,429)	-	12,649,999
LONG BEACH GAS AND OIL	598,192,817	13,350	16,724,591	614,930,758
PARKS, RECREATION AND MARINE	50,923,249	(57,116)	23,300,561	74,166,694
POLICE	196,925,817	52,883	5,768,910	202,747,610
PUBLIC WORKS	179,544,238	1,669,565	97,979,575	279,193,377
TECHNOLOGY SERVICES	36,658,854	15,072	8,335,359	45,009,285
<b>TOTAL</b>	<b>1,919,786,072</b>	<b>(3,610,495)</b>	<b>378,974,133</b>	<b>2,295,149,709</b>

\*Carryover of multi-year grants and CIP funds.

\*\*Department of Financial Management includes internal service charges that are contained in the resolutions of the Harbor, Water, and Sewer funds for accounting, budgeting and treasury functions, and other citywide activities such as debt service.

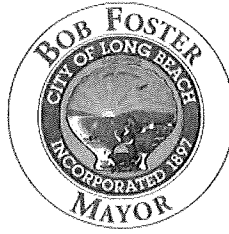
**A-12**  
**BH-22.12**



# **Mayor's Budget Recommendations**

**Fiscal Year 2013**

*Presented August 1, 2012*



August 1, 2012

Members of the City Council:

Pursuant to the Long Beach City Charter, I am transmitting the Mayor's Recommendations on the City Manager's structurally balanced budget for Fiscal Year 2013 (FY13).

We all know the economy suffered a substantial shock in 2008 and the recovery is slow and fragile. Many economists believe we are entering a new era, "the new normal," marked by slow to moderate growth, higher unemployment, and competition on a global scale. Rather than long for the good ol' days of government – or worse, continue policies that reflect the belief that they will return - we need to embrace the new reality and change the way we conduct the public's business.

In doing so, we will be at the vanguard of American cities fostering economic growth and entrepreneurship, building opportunity, and enhancing environmental sustainability; all possible through strongly rooted fiscal policy that provides maximum value to residents. The changes will affect every area of government service.

No one should impugn the work performed by public employees or the contribution they make to our City. These are the people who perform the functions we all rely on from public safety to public works. They are not, however, a special class immune from the economy or modern work rules and sustainable salaries and benefits.

Technical provisions of employment contracts are rarely changed. Often, contract provisions dealing with overtime, skill pays, vacation pay, and other forms of special compensation have been layered on and gone unexamined for decades. This obscures the true costs of benefits and makes it difficult for any City Council to make responsible fiscal choices. It's difficult to even explain why some of these bonuses exist and more difficult to see a public benefit.

The result is a complex set of work rules and bonus pays, the purpose and need for which is long forgotten, that cost the City millions of dollars a year with no attendant increase in service for residents. With the number of skill pays available to City employees, it is not surprising that a large portion of the workforce is receiving multiple skill pays. Eliminating these represents a significant cost savings option as presented by Management Partners to the City Council.



Without question, pension reform is a must in this "new normal." The need for reforms is abundantly clear and leadership of the represented groups must appreciate the new reality to help their members and the City create a sustainable structure. Bargain hard, but the old "I give this and you give me that" will not work anymore.

I again want to applaud and thank our Police Officers' Association and the Fire Fighters Association for their first steps toward this new compact with the adoption of pension reform. I am, of course, disappointed that the International Association of Machinists (IAM) has still not accepted pension reform. We have tried for nearly two years, during which time they will receive at least 7% in salary increases. Each year of delay costs our residents \$12 million in services and much more in future unfunded costs. If IAM continues to be intractable, I will place a pension measure on the ballot. It is not my preferred path, but reform is a necessary outcome and I am left with no other option.

Understanding that pay and benefits need to be fair, how the work is performed should be determined by a competitive framework that produces maximum value for residents. Importantly, we have an obligation to examine services where the private sector could perform work more effectively, reduce costs or provide a revenue stream, as opposed to an expense, to the City.

A recent "benchmarking" report by Management Partners indicated that Long Beach had the highest staffing per 1,000 people of all the cities studied; we were nearly twice the median. While not definitively proving there is a problem with Long Beach staffing levels, this fact certainly leads to questions about whether we are making efficient use of funds. Other cities are spending less, in part because they make more use of the private sector to save money. This makes even more sense when pension costs and the weight of obsolete work rules are added to the calculation. Look at the reforms underway in Chicago under Mayor Emmanuel; sometimes, the private sector can do better work for less money. We need to take advantage of that reality moving forward.

All of our functions should be reviewed in this light. Many, if not most, other cities perform work such as custodial services, street sweeping and refuse hauling via the private sector. We will not only save money for residents, but we can apply savings to critical local government functions such as public safety and improved streets and sidewalks.

We should also examine if some functions need to be performed by government at all. For example, City employees still do oil changes on City vehicles. Why? Does anyone doubt that this service is readily available in the private sector for less? It is a small issue, but is indicative of a complacency that cannot exist in the "new normal" in which we now operate.

If we competitively contract for certain services where it makes sense, make the contract changes to reduce overtime, and reduce the number and availability of premium pay, we can save an

estimated \$27 million annually. It would make us leaner and ease operational management – and in some cases, provide even better service.

The savings from these changes would nearly eliminate our 3-year deficit and bring us into honest structural fiscal balance -- and this needs to be done before there is any attempt to ask voters to increase taxes.

We must continue consolidation of functions to eliminate waste and reduce administrative overhead. We need to not only look internally for consolidation but externally as well. Internally, we should consider a common purchasing function for all City departments, including all the enterprise funds. Costs could be reduced and this simply is common sense not to fragment the purchases of goods and services. Further, our Public Works Department performs many similar functions to the Water Department and Oil and Gas. All three departments are heavily involved in street cuts and other infrastructure activities; if we gain nothing more than having the same street cut up once instead of three times, it will be worth it.

Externally, we should explore ways in which we can work jointly with other cities around us to provide better and more efficient service. There is a natural tendency to “guard your turf” but that “turf” is paid for by our residents; regardless if it’s through a tax or a utility rate, we need to serve our community, not some bureaucratic fiefdom.

This new direction for our City will not be easy. We will be told that we need to do our business the “Long Beach” way and work as a family. We will be told that the enterprise funds are businesses and should be treated differently.

Let me try and put it another way: You would not pay more for something in your family’s budget if you could get the same service for a better price or worse, buy it at all if you didn’t need it. Neither would you refuse to save money simply because the source of the payment was a different checking account. Regardless of the source of public money, whether it is taxes, a grant or fees for service, spending public money requires a higher standard of care than you exercise with your own.

The truth is, we need to do our business the right way for all the residents who are paying the bill.

I continue to believe that public service is a noble calling. I want our residents to have full faith that their money is being spent wisely. I want our people to have trust, confidence and respect for our employees. It is not healthy for Long Beach if our City employees are seen as the source of our public finance crisis.

If we don’t take this new road, we will financially deteriorate. We will continue to deteriorate until we can no longer perform needed services and are compelled by market forces to change. That will be a painful and dangerous road and put us years behind in making changes that will be

required no matter how far we put our heads in the sand. Look around the state of California; the dangers of that way of thinking are clear.

I welcome the discussions that will follow over the next several weeks. And the exploration of these issues will not end with the adoption of the FY 13 budget.

We can do this. If we act now we can demonstrate what I know to be true; that Long Beach is a great place full of innovation, talent and energetic people who want to protect the future for our children and grandchildren. The future is very bright if we take the right road today. Let's do what needs to be done to bring our City back into balance and serve the people who pay our salaries. I hope you will help me make this a reality.

**Recommendations:**

- Direct the City Manager to immediately undertake the appropriate studies to move Custodial Services, Street Sweeping, certain Technology Services and Refuse Hauling to a competitive bid for service delivery.
- The City Manager should, within a reasonable time, report to the City Council on other areas where the private sector can perform work now performed by City staff.
- The City Manager should at his earliest opportunity implement discretionary changes to overtime, premium pay, standby pay, and other "bonus compensation" that can be made consistent with federal law and without contractual alteration.
- The City Manager should create a list of antiquated or unnecessary employee contract provisions and report his findings to the Mayor and City Council. The list should be the priority for future contract negotiations.
- The City Manager should undertake an analysis of the costs and benefits of the consolidation of departments; specifically, Public Works and Oil and Gas, and the Water Department. The analysis should include any legal issues of such a consolidation.
- While we have followed the concept of "proportional share" for the past several years, it is now time to examine whether there are some functions that should be eliminated and not simply reduced. There may now be some functions that have so few resources that they are not worth doing at diminished levels.
- Embark on a comprehensive Police and Fire Department services review.

No one in a policy position should get caught in a panic or rush to judgment regarding crime increases. We all should remember that crime hit 40 year lows, so recent increases in some segments are applied to a very low base. The Police Department should also not be immune from efficiency or management rigor.

The recent Management Partners report shows Long Beach has not only more sworn officers but more overall employees per 1,000 residents than comparable cities.

So, presented with that information, we have a responsibility to ask: are we using our resources in the best manner and in the most efficient ways possible? With that in mind, if an examination determines more resources should be applied to our police, then we must consider what we eliminate to re-allocate those resources.

The Fire Department has proposed a new way to deliver core services more efficiently at lower costs -- and achieve faster medical response times. I wish I could tell you it is a radically new idea; it is not. This service model is in place in Ventura, San Diego, San Bernardino and Santa Barbara counties -- and has been for years. And since 84% of all the calls for service in Long Beach are for medical response, this one change is emblematic of delivering improved service levels at a lower cost.

- The City Manager should report to the City Council on if and how the City can take advantage of the recommendations in the Management Partners report related to changes in the City Charter or municipal law.
- Allocation of one-time resources

I am supportive of the majority of the one-time uses proposed by the Manager, including:

- \$2.9m. for a 40-person police academy;
- \$3.6m. to finally construct gender-equitable fire stations;
- \$2m. for creation of a "risk reserve" to guard against oil price fluctuation.

Additionally, I am recommending that the City Council allocate \$1m. to restore the 33% cut in the sidewalk repair budget.

Finally, I want to take this opportunity to remind the City Council of significant potential costs resulting from a pending decision on furlough litigation related to previous budget years. That decision may present a need to remand substantial payment and I want to note that as of today, the City has not identified a funding source for those costs. One-time funding sources or additional mid-year cuts are the likely only options.

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