

City Council Budget Hearing

August 4, 2009





Current Fiscal Challenges

- Worst recession since Great Depression
- State budget crisis
- Multiple funds facing structural deficits
 - ✓ General Fund
 - ✓ Tidelands
 - ✓ Towing
 - ✓ Health
 - ✓ Fleet
 - ✓ Prop H
 - ✓ Development Services
- City projecting General Fund structural deficits in FY10, FY11, and FY12



Making Tough Decisions

Six consecutive years of belt-tightening:

- 527 positions (non-sworn) have been eliminated
- \$111.5 million in costs have been eliminated
- Core City Manager-department services such as parks and recreation, public works, and libraries have experienced a 14% decrease
- During this time, public safety services were determined to be essential, above other City services, and experienced a 21% increase



Protecting What We Have

- Prop. 1A Property Tax Borrowing: \$10 million
Special legislation for 3-yr loan from L.B. Subsidence Fund
- Gas Tax Take: \$8 million
Saved from State takeaways
- PERS Loss Liability: \$21 million in FY 12
Smooth over several years
- Long Beach Exemption to Proposed State 10% Oil Barrel Severance Tax: \$2-3 million
- PERS Lump Sum Pre-Payment Option: \$950,000



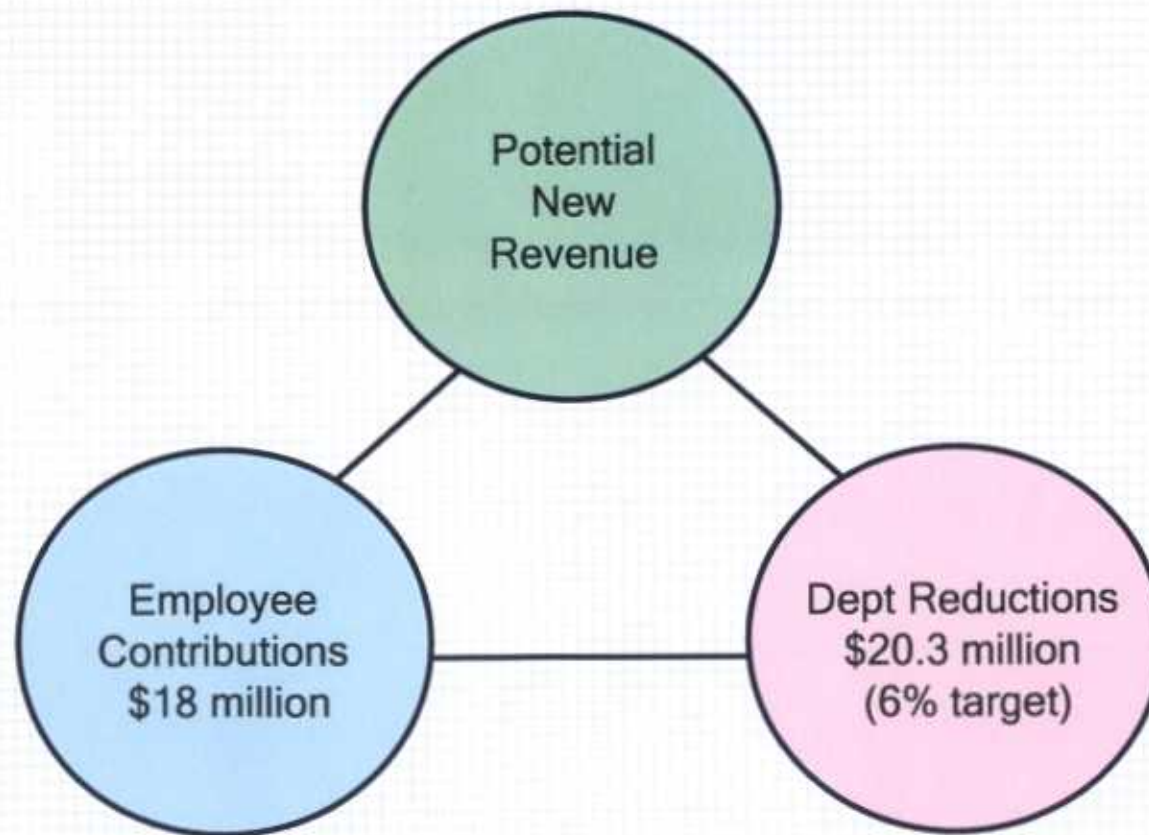
Protecting What We Have

- Restructuring Health Insurance Options and Plan Design: \$485,000
- Refuse Fund Nexus Study - Street Sweeping: \$900,000
- Refuse Fund Nexus Study - Street & Alley Repair: \$400,000
- Boeing C-17: Undetermined \$ Impact
- L.B. Airport Improvement: Undetermined \$ Impact



Balanced Approach to Proposed Budget

Three-Pronged Approach





First Prong: New Revenue

New Revenue - Bold Actions & Ideas:

- Aquarium Debt Restructuring: \$6,000,000
- Oil & Gas Dept. Pre-Pay Tender Offer: \$25,000,000
- Oil & Gas Transfer Increase: \$820,000
- RDA pays City Place Parking Garage Debt Service: \$830,000
- Technology Services Transfer Increase: \$470,000
- Stimulus Activities: \$43,000,000 (est.)
- Wilmington Oil Field Legislation: Future \$
- Signal Hill Petroleum Survey: Future \$
- Clean Truck Sales Office: \$500,000
- Private Refuse Hauler Fee: \$1,300,000 (Future)
- Refuse Impacts on Tree Trimming: \$1,000,000 (Future)



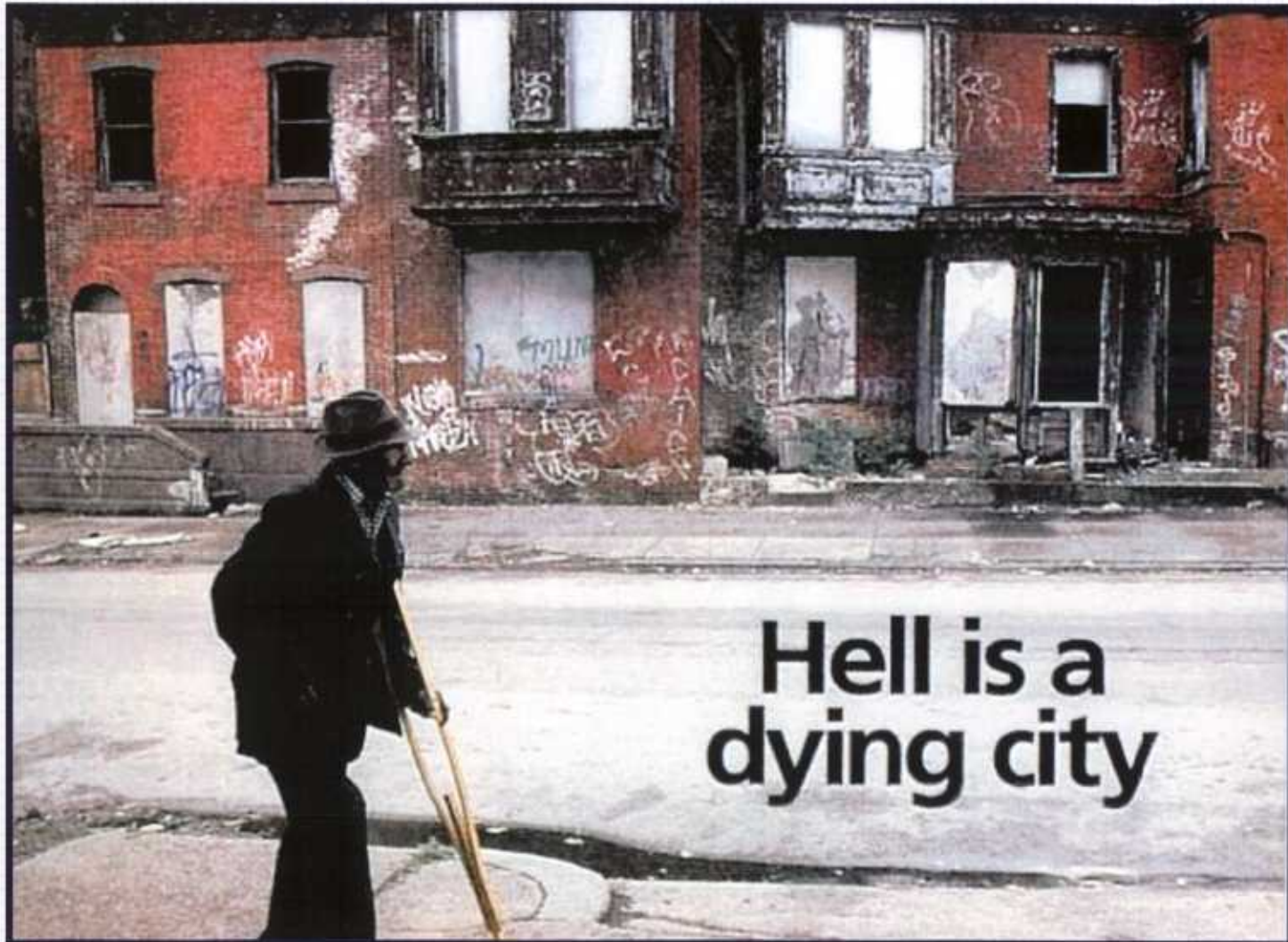
First Prong: New Revenue

New Revenue - Retail & Industry:

- Douglas Park
- Target Department Store
- General Petroleum
- Fresh & Easy
- Best Buy
- Autry BMW Motorcycles
- Vespa Motor Scooters
- Cruise Line Industry
- Long Beach Studios
- Tesla
- Marriot Residence Inn
- Hotel Maya
- Avia Hotel
- Sierra Suites



Community-Oriented Governance



**Hell is a
dying city**



Structural Changes

- Airport
- City Manager
- Community Development
- Development Services
- Financial Management
- Fire
- Gas & Oil
- Health & Human Services
- Human Resources
- Library Services
- Parks, Recreation & Marine
- Police
- Public Works
- Technology Services



Proposed FY 10 General Fund Budget

	Amount	%
Public Safety Departments	\$258,608,690	67.9%
Non-Public Safety Departments	102,086,722	26.8%
Elected & Appointed Departments	20,009,532	5.3%
TOTAL	\$380,704,944	100%



Second Prong: 6% Target for Department Cuts

- Target provided of \$20.3 million, equal to 6% of departments' discretionary budgets

Not an “across-the-board” approach

Some departments may take a higher or a lower percentage of reductions

- Non-City Manager department reductions of 6% included
- Core vs. Non-Core services



Second Prong: Police

Reduction in Sworn Force:

- Emphasis on maintaining emergency response services
- Civilianization
- Potential layoffs:
 - 72 sworn positions impacted
 - 26 civilianized (backfilled)
 -
 - 46 net reduction

 - 38 potential layoffs



Second Prong: Fire

Reduction in Sworn Force:

- Emphasis on maintaining emergency response services
- Data driven: Based on risk management
- Reflects current deployment strategy
- Focused Deployment Engine (Stations 18 & 1)
- Light Force Company (Station 14)
- Civilianization
 - 23 sworn positions impacted
 - 2 civilianized (backfilled)
 -
 - 21 net reduction

 - No layoffs



Second Prong: Non-Public Safety

- Preserved hours at all libraries with longer wait times for materials and information requests
- Reduced homework assistance at public libraries; eliminated public library-based Raising-a-Reader programs
- Longer wait times for City information requests
- Severely reduced number of available HIV/AIDS tests due to State budget cuts
- Reduced services to pregnant women, children and families due to State budget cuts
- Longer lines to pay or dispute parking citations



Second Prong: Non-Public Safety

- Longer wait times for construction plan reviews and building inspections
- Fewer Municipal Band concerts and Nature Center programs
- Fewer grants to community non-profit and arts organizations
- New fees for recreation, cultural programs, and sports leagues using City facilities
- Longer waits for animal control requests
- Longer waits to remove trees damaged in storms



Third Prong: Employee Contributions

- Asking City employees to be part of the solution
- Approximately 80¢ of every General Fund dollar spent on employees
- FY 10 negotiated contract increases estimated to equal \$18 million
- Our employee salaries are not high in the relative market; we simply do not have the resources in this fiscal year to support agreed upon increases



Third Prong: Employee Contributions

- Our employee organizations have worked with us in the past:
 - POA represented employees received no salary increases in FY 03, FY 04, and FY 05
 - FFA represented employees received no salary increases in FY 03, FY 04, and FY 05
 - IAM represented employees received no salary increases in FY 03 and FY 05
- We are asking for their help again in order to protect core public services and weather this financial storm



Potential Employee Contributions

\$18 Million Equivalents:

- \$18M Forgo/Freeze Negotiated Salary Increases, or
- \$18M Full Pick-up of Employee Share PERS
+ 2 days Furlough/Equivalent savings, or
- 21 Furlough Days/Equivalent Savings (equivalent
to an 8% salary reduction), or

Any Combination of the Above



If Things Get Worse

- City Manager's recommended cuts allow City to balance its budget for coming year and put it in stronger position in the years ahead
- If further State raids occur, the economy worsens, employee solutions are not negotiated, or proposed deficit reductions are not approved, more drastic (and not recommended) measures will be required as presented in "Plan B"

Additional police and firefighter reductions

Further cuts to library hours and youth programs

Reductions to street and sidewalk maintenance

Other significant service reductions and more layoffs



Extensive Outreach Planned

- Ten City Council Budget Workshops and Hearings scheduled
- Two Budget Oversight Committee meetings scheduled
- City staff presentations at neighborhood associations, boards and commissions available
- E-mail available for community questions on budget
budget@longbeach.gov



Summary

- Three-pronged approach to solve \$38.3 million deficit in FY 10 requires sacrifice from all stakeholders
- Proposed budget will put the City on path toward fiscal sustainability
- If things get worse, more reductions will be required
- Must take a long-term approach to fiscal solvency
- Extensive community outreach and participation planned
- All documents now available at www.longbeach.gov

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