




Date: August 12, 2008

To: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

From: Councilwoman Gerrie Schipske, Fifth District 

Subject: **AGENDA ITEM: Fiscal Accountability Package of Charter Reform Proposals**

BACKGROUND

The City of Long Beach continues to face long term structural deficit problems while at the same time attempting to meet the needs of repairing an aging infrastructure and maintaining a high-quality level of service to the community. While attempting to do an admirable job in facing this challenge, further measures can and should be taken to address the long-term critical financial situation the City of Long Beach.

A package of fiscal accountability reforms would assist in the process of eliminating the structural deficit and building tax-payer confidence. This financial challenge we face has created an opportunity for the City Council to make reforms and change the status quo.

As such, the City Council Charter Amendment Committee should consider the following measures:

1. **Mandated Reserves:** Beginning Fiscal Year 2010, the City Council shall establish a fund known as the "General Fund Reserve" in an amount not less than 5% of the budget for the purpose of maintaining municipal services during periods of reduced revenues to the City, as well as meeting unforeseen contingencies and emergencies of the City.

Reason: While City Management claims that the City sets aside 2.5% for reserves, this amount has not been sufficient to meet the financial demands. Additionally, should Long Beach be impacted by a major earthquake, additional funds will be needed to recover from such a catastrophe.

2. **Elected Official Salary Equity:** Beginning January 1, 2009, the City Council shall establish a Citizens' Elected Officials Compensation Commission which shall be responsible for setting the salaries and benefits for the City Council, the Mayor, the City Attorney, the City Prosecutor and the City Auditor annually. The seven-member Commission shall meet annually, no later than April 30, to determine if any changes should be made to the salaries and benefits of the city's elected officials. The decisions of the Commission shall be transmitted to the Mayor not later than July 1 for inclusion in his budget and shall become effective the October following the annual meeting. The members of the Commission shall be appointed by the Mayor: three

three representing labor organizations. The City Auditor shall serve as an Ex-Officio member. Each member serves one six-year term, and the terms are staggered. Staff from the Human Resources Department shall provide support to the Commission using existing resources of the Department.

Reason: While the City Charter sets the salaries for the Mayor and the City Council, no provisions exist for the City Attorney, City Prosecutor and City Auditor. These officials set their own salaries in their yearly budget resulting in salaries ranging from \$235,000 compared with the Mayor's salary of \$130,000.

3. Mayor and City Council Legislative and Administrative Budget

Allowance: Beginning Fiscal Year 2010, the legislative and administrative budget of the Mayor and the City Council shall be set in the following manner: the legislative and administrative allowance shall be the same for each Councilmember; the Mayor shall receive annually an amount for legislative and administrative operations not to exceed twice the amount received by an individual Councilmember; the total amount for the Mayor and City Council legislative and administrative budget shall not exceed the amount appropriated in Fiscal Year 2009 and shall be adjusted annually by an amount not to exceed the Consumer Price Index (CPI) for the Long Beach-Los Angeles areas in the prior year. Nothing in this provision shall prohibit the Mayor and City Council from reducing the total amount of the Mayor and City Council legislative and administrative budget below the Fiscal year 2009 level should financial circumstances so warrant a reduction.

Reason: Mayor and City Council Legislative Administrative Budgets are currently set by the elected official and at set at various amounts. This would stabilize spending and follow what most levels of government do in setting each at the same allowance.

4. Water and Gas Utility Funds Transfer to General Fund: At the end of each fiscal year an amount equal to fifteen (15%) per centum of the operating revenues from each of the Gas and Water departments of Long Beach for such year, excluding receipts from water or natural gas supplied to other cities or utilities at wholesale rates, shall be transferred from said Gas and Water Departments surplus fund to the general reserve fund; provided, that the council may annually, at or before the time for adopting the general budget for the ensuing fiscal year, reduce said amount or wholly waive such transfer if, in its opinion, such reduction or waiver is necessary to insure the sound financial position of said departments of Gas and Water and it shall so declare by resolution. The sum thus transferred in any fiscal year shall be expended only for the following purposes and shall be applied first to the payment of interest and principal on any bonds of the City which are or shall become wholly payable that fiscal year out of monies received from general taxes of the City, and second to municipal improvements included in the

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budget of City for that fiscal year. For the purposes of this section "municipal improvements" are those items included in Section 43601 of the Government Code: 43601. As used in this article, "municipal improvement" includes bridges, waterworks, water rights, sewers, light and power works or plants, buildings for municipal uses, wharves, breakwaters, jetties, seawalls, schoolhouses, fire apparatus, street work, and other works, property, or structures necessary or convenient to carry out the objects, purposes, and powers of the city. "Municipal improvement" also includes the acquisition of real property for a civic center site or for any public use or uses, whether or not the improvement of said real property is part of the purposes for which the bonds are to be issued and whether or not funds for the improvement of said real property are presently available from other sources.

Reason: While the Gas Department has been transferring funds on a quarterly basis, the amount is not set making it at the discretion of the City Manager. The Water Department has never transferred funds, even though there are current provisions without a set amount. This Charter Amendment would be in line with almost all of the municipalities in the state which mandate transfer of funds into the general fund or infrastructure fund.

5. **Four Year Financial Plan:** Require that the Mayor annually prepare a four-year City financial plan, to be based on reasonable assumptions and modified on at least a quarterly basis, and that the plan provide for payment of the City's debts and a general reserve of at least 5 percent of the annual budget to cover shortfalls.

Reason: In order to remedy the City living "pay check to paycheck" it is critical for long term planning that the City have a long-term financial plan with substantial reserves to cover shortfalls.

6. **Sale of City Owned Assets:** The City Council shall by ordinance adopt regulations for the sale of City owned assets. Notwithstanding any other provisions of this Charter to the contrary, those assets of the City shall not be sold or otherwise alienated unless first authorized or later ratified by an affirmative vote of a majority of the qualified electors of the City voting at an election for such purpose; except that the City Council may sell or alienate City assets, or any portions thereof, if, after a public hearing, and the approval of two-thirds (2/3s) of the City Council, the City Council shall making a positive finding of the following factors to be considered in determining whether a property should be sold to include: Will the City be relieved of potential liabilities and/or cost of maintaining property that does not generate income or provide public benefit?; Determination of property tax increment that will be created by returning the properties to the tax rolls; and Analysis of stimulation of the economy by providing opportunities for private sector

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investment. The funds from the sale of the asset shall be applied to municipal improvements included in the budget of City for that fiscal year.

Reason: The City owns a considerable amount of property that could be disposed of without safeguards in place to make certain the sale is appropriate and that the proceeds shall be used to make municipal improvements and not to be spent for salaries and benefits.

RECOMMENDATION

Request that the City Council refer the Fiscal Accountability Package of Charter Reform Proposals to the City Council Charter Amendment Committee for its review and further action.