

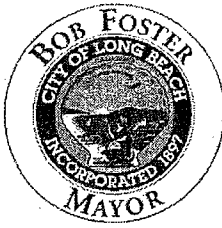
**Office of Mayor
Bob Foster**

**Mayor's Budget
Recommendations**



Fiscal Year 2009

presented August 1, 2008



August 1, 2008

Members of the City Council:

Pursuant to the City Charter, I am pleased to transmit the Mayor's recommendations to the City Manager's structurally balanced FY 2009 budget.

This budget recognizes the fiscal realities we face. It emphasizes core services, eliminates duplicative functions and provides managerial efficiencies. Most importantly, it challenges the status quo and takes a fresh look at how our City provides its core services.

For example, despite a smaller workforce and stagnant funding levels, graffiti removal, pothole repair and sidewalk repair are now completed in record time. The City continues to fund after school programs for 177,000 students at 12 school sites and just last week, re-opened the Youth Opportunity Center for the first time in three years.

The Manager's recommendation to shutter the Main Library will allow us to enhance services at all 11 neighborhood branches to 7 days a week and expand hours of operation to levels greater than before the 2004 service cuts. The computer and homework center services of Main will be temporarily re-located in Downtown to meet the most pressing needs of the community. In sum, this measure saves \$1.86 million annually by not sinking overhead operations costs into an outdated and broken facility - and removes a \$10 million anticipated burden from the general fund to replace a leaking roof and damaged plumbing systems.

While FY 09 undoubtedly presents its share of fiscal challenges, I am unabashedly bullish on the future for Long Beach. The City continues to fully fund its Charter-mandated reserve account. Our enterprise funds, those restricted funds that make up nearly 87% of the City's \$3.1 billion budget, are performing well despite national economic trends. Our City's \$404 million general fund, which bears the burden of funding public safety and daily operations of the City, still strains under those demands. Since 2004, this City has cut nearly \$90 million from its general fund and eliminated 520 positions, nearly 10% of the workforce.

The City has begun addressing many of the challenges I outlined in the FY 08 budget message, collectively answering the question we contemplated last year: are we willing to invest in the things we need to make this a first-class city?

The Council took the first step in those investments earlier this year, approving employee contracts that are stable and bring our employee to the average salary levels of other

cities and make great strides in retaining our skilled workforce. I want to commend IAM for stepping up to the plate in this year's negotiations with a creative and forward looking pension framework that looks to roll back pension rates for new employees and "gainsharing" agreements that incentivize employees to find new ways to cut costs and save taxpayer dollars.

The next step in this investment plan comes in November, when the voters of Long Beach will have the opportunity to re-build our City's aging infrastructure and invest \$571 million in our streets, roads, public safety facilities and civic structures.

While the Manager's budget this year continues the policy of spending \$3 million for sidewalks, that amount is woefully inadequate to meet our needs. In the context of the City's general fund budget, our demonstrated need to catch up on our streets, sidewalks and public safety facilities is an additional \$58 million annually over the next 10 years. To put it into perspective, that would mean eliminating the entire Department of Parks and Recreation, all of our libraries and library services, and effectively eliminating the Public Works. I don't believe that is a vision for the Long Beach of the future that is acceptable.

Should the voters of Long Beach agree to embark on such a rebuilding plan, the City must make its top priority never again to fall behind on our physical infrastructure. I will continue to recommend the Council adopt strict fiscal policies on the use of one-time funds to make sure we are adequately funding on-going maintenance.

Further, I applaud the creation of a budget stabilization fund that treats oil revenues in excess of \$85 per barrel as one-time revenues. We must resist the temptation to institutionalize wild speculation into our baseline budget assumptions.

In last year's message, the City Manager spoke about the need to fulfill our commitment to the community to invest in the Long Beach of the future. I believe this year's budget does just that. I look forward to working with the Council over the next several weeks as they consider these proposals in greater detail.

This year's budget process began in October of 2007. I want to thank Council Budget Oversight Chair DeLong, City Manager West and Assistant Manager Frick, the Financial Management staff and all the Department Heads for your willingness to re-examine how we do business with an eye to becoming the Long Beach we all want to be.

Additional Recommendations

1.) Elected Official 10% budget reductions

The elected officials budgets have largely been immune to the reductions imposed on the City Manager departments over the past 4 years. While service demands increase, I believe it is appropriate to request each elected department to do their part and cut their budgets by 10% - consistent with the FY 09 directive to the City Manager departments.

Citywide, this will account for \$2.5 million in savings this fiscal year, avoiding cuts in other critical service areas.

2.) Convention Center Expansion Debt Relief

Request the Harbor Department begin the process to forgive the City's \$27 million debt from the Convention Center expansion.

This will result in a net gain to the general fund of \$ 4.0 million for FY '09.

3.) Continue to Maximize City partnerships

Our City partners continue to embrace the concept that Long Beach is "One City," finding common financial interest and uniting around a single mission to make Long Beach the best it can be.

Long Beach Transit has agreed to pay full costs for police services and I will ask them to provide "beach bus" service in the coming year. The Redevelopment Agency continues to play a large part in building the Long Beach of tomorrow and will again this year increase its support of our core missions, by increasing graffiti removal spending.

In addition to launching the most ambitious clean air program in the world, the Harbor Commission and staff continue to look for opportunities to partner with the community on such programs as midnight basketball and portions of the Municipal Band season.

Further, I will recommend that the Water Department takes a leadership role in funding the repair of our leaky irrigation lines to further promote our shared goal of increasing water conservation.

Additionally, there has been significant progress made in working with the Long Beach Unified School District and Long Beach City College to resolve full cost recovery.

4.) Infrastructure Maintenance Fund / Neighborhood Streets and Roads Account

I am again recommending the Council adopt the fiscal policy of using one-time revenue to pay for infrastructure and again ask Management to create a dedicated special fund to handle on-going maintenance costs so, should we be able to "catch up" on our needs through the passage of the Infrastructure Bond, the City will not fall so far behind again.

5.) Insurance Fund

Over the past few years, the City has undertaken significant reforms in managing its workers' compensation and other general liabilities,

garnering millions of dollars in either direct savings or cost avoidance. The Workers' Compensation optimization was a collective effort between the City Manager's Office, Human Resources and the City Attorney's Office, along with every department focusing more proactively on workplace and work practice safety, early reporting of injuries and more professional medical care for our injured employees. However, as we have seen recent large legal settlements or judgments against the City, and workers' compensation costs beginning to trend upwards again, the City's ability to support excessive costs in this area has been strained. Our ability to keep these costs under control is directly related to our ability to keep our General Fund balanced, as the Insurance Fund that supports these costs is funded approximately 60% by the General Fund. In addition, beginning in FY 09, \$1 million of General Fund monies are budgeted each year to rebuild the Insurance Fund balance that has been depleted by judgments against the City.

Therefore, I recommend that in FY 09, all City departments redouble their efforts on workers' compensation management. Also, all departments must engage in proactive and accountable work place and work practice safety efforts, especially in our higher risk public safety departments, to improve employee safety and decrease the number of avoidable accidents and claims against the City. Through these efforts, I believe that beginning in FY 10 the General Fund could save \$1 million per year by the elimination of the additional transfer to the Insurance Fund.

6.) Prop. H

Prop. H revenues continue to fund 14 police officers and 12 firefighters to staff a new ladder truck for the Fire Department. FY 09 will be the first year where the community will see the full result of these funds at work in the community, as officers and firefighters complete their academy training and are deployed into full time service.

7.) Police Overtime and Academy Class

For the first time in 6 years, the budget fully funds the Police Department's request for overtime resources, ending the need to maintain vacancies to cover costs. While our work here is not yet done, this was a significant managerial and budgetary challenge over the past several months and a great deal of credit goes to Chief Batts and his command staff for their efforts. Continued efforts to closely manage overtime expenses will still be required to maintain a balanced budget.

In this year's Manager's budget, an additional 6 sworn officers will be re-directed into patrol by the elimination of PAL. Over the past two years, through hiring and administrative direction, 86 more officers will be on the streets than 2 years ago.

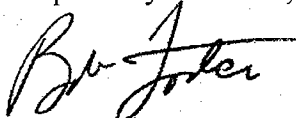
Further, I am recommending that LBPD maximize the October academy and "super-sizes" its number of recruits from 34 to 50.

8.) Prepare for reductions in State funding

While it is unclear when the State Legislature will adopt its FY 09 State Budget, it is becoming increasingly clear they will take money from local governments.

The long-anticipated \$6 million Sempra settlement is expected to materialize in early FY 09. I am recommending that the Council does not appropriate these funds until later in the fiscal year to fully protect the General Fund against borrowing by the State.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bob Foster". The signature is written in a cursive style with a large initial "B".

Mayor Bob Foster