

2011 CITY COST INDEX ANALYSIS

CITY OF LONG BEACH, CA

FINAL REPORT
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Willdan Financial Services



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INTRODUCTION

The City of Long Beach (the City) utilizes user fees to recover the full cost of services rendered to individuals upon their request. The user fee program encompasses fees issued from twelve departments within the City. These fee programs ensure that the City-provided services requested by individuals are not subsidized through public funds. The last comprehensive review of user fee costs took place in 2005. In order to maintain equivalent cost recovery levels, the City adjusts these fees annually to combat the rise of costs over time. While the Consumer Price Index (the CPI) gives a general indication of the changes in the cost of living, it is not always the primary cost driver for services related to user fees. Since the fees are associated with the provision of a service, the City has historically calibrated fees using the average employee salary increase.

In 2009, the City retained Willdan Financial Services (WFS) to create an adjustment factor for the user fee program that more accurately accounts for the annual change in both personnel and non-personnel departmental expenses. WFS developed a methodology that weighted both personnel factors (average salary increases) and non-personnel factors (CPI). This annual report presents an update to that methodology.

PERSONNEL ADJUSTMENT FACTOR

Table 1, below, presents the budget information for each department for which a fee is charged, number of full time employees and total departmental budgets for FY 11 and FY 12. Of the City's twelve departments for which user fees exist, the Police Department and the Fire Department have a significant difference in departmental costs increases compared to that of the other City Departments. Therefore, for the purposes of calculating a more accurate index, the Departments have been separated into two groups: Public Safety Departments (Police and Fire Departments) and Non-Safety Departments (remaining Departments). Please note that the FY 11 budget figures are adopted budget figures, while the FY 12 budget figures have not yet been adopted.

Table 1 - Departmental Budgets with User Fees

Department	Personnel Costs		Full Time Employees		Total Budget	
	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012
Public Safety Departments						
Fire Department	69,552,890	71,425,053	548	518	93,537,333	94,378,378
Police Department	156,194,016	153,789,200	1,356	1,254	199,028,278	200,247,991
Total	\$ 225,746,907	\$ 225,214,253	1,904	1,772	\$ 292,565,611	\$ 294,626,369
Non-Safety Departments						
Long Beach Airport Department	9,626,965	10,087,435	114	113	36,659,859	39,384,383
City Clerk	1,928,038	2,022,684	17	17	3,269,240	4,982,139
Community Development Department	27,456,069	-	318	-	153,916,289	-
Development Services	12,218,340	24,475,048	134	254	212,560,889	230,077,956
Financial Management	12,062,717	12,210,834	136	127	20,849,547	20,746,660
Health And Human Services Department	27,983,762	29,858,892	346	343	45,623,019	110,318,366
Library Services Department	9,782,647	9,565,987	138	129	12,752,611	12,950,861
Long Beach Gas & Oil Department	24,892,525	22,705,513	267	226	247,038,869	399,274,766
Parks, Recreation And Marine Department	24,883,426	27,712,086	449	460	50,568,943	64,211,441
Public Works Department	47,465,332	50,037,006	592	579	159,581,779	179,576,018
Total	\$ 198,299,822	\$ 188,675,486	2,511	2,249	\$ 942,821,044	\$ 1,061,522,588

Source: City of Long Beach. Based on All Funds, both F/P, P/T



Table 1 is first used to calculate the personnel adjustment factor. By taking total budgeted salary and benefits costs and dividing by the number of full time employees, salary costs per employee is established. The difference between salary costs per employee from year to year can be used as an appropriate gauge of annual personnel cost fluctuations. For Fiscal Year 2012, the City is consolidating the Community Development into other departments to improve efficiencies. Thus, the percent change between the two budget years is not applicable. Please note that Personnel Costs do not include unanticipated salary savings or furlough savings, as that does not affect the hourly rate, which is used in fee calculations. Below, **Table 2** presents salary costs per full time employee for each department and the percent difference between the two fiscal years.

Table 2 - Personnel Adjustment Factor

Department	Personnel Costs		% Difference
	Salary per FTE FY 2011	Salary per FTE FY 2012	
Public Safety Departments			
Fire Department	\$ 127,005	\$ 137,790	8.49%
Police Department	115,153	122,675	6.53%
Average			7.51%
Non-Safety Departments			
Long Beach Airport Department	\$ 84,447	\$ 89,467	5.94%
City Clerk	110,300	115,714	4.91%
Community Development Department	86,410	-	N/A
Development Services	91,182	96,514	5.85%
Financial Management	88,965	96,080	8.00%
Health And Human Services Department	80,871	86,946	7.51%
Library Services Department	70,966	74,155	4.49%
Long Beach Gas & Oil Department	93,328	100,569	7.76%
Parks, Recreation And Marine Departme	55,380	60,182	8.67%
Public Works Department	80,128	86,357	7.77%
Average			6.77%

Sources: City of Long Beach; Willdan Financial Services.



NON-PERSONNEL ADJUSTMENT FACTOR

In addition to the personnel adjustment factor, the annual CPI for the Los Angeles / Long Beach region is incorporated to account for general non-personnel expenses, such as materials, supplies and services.

The resulting adjustment factors are weighted based on the proportion of personnel expenses to the total departmental budget. On the following page, **Table 3** presents each department's total budget and the amounts related to personnel costs and non-personnel costs. The resulting percentages (columns F and G) are multiplied by the Personnel Adjustment Factor and the CPI (columns H and I), respectively. By adding the two new percentages, a weighted adjustment factor is created (column J).

In order to provide a cost index that reflects the causes of cost changes for the Public Safety Departments, the total salary adjustment factor (7.51%) is weighted by total personnel costs relative to the budget (76.44% of total budget), then added to the weighted CPI, which is the CPI (3.04%) multiplied by the non-personnel weight factor (23.56%). The result is a Public Safety Department Cost Index equal to 6.46% for the upcoming fiscal year.

In order to provide a cost index that reflects the causes of cost changes for the remaining Non-Safety Departments for which there exists user fees, the salary adjustment factor (6.77%) is multiplied by the weighted percentages of personnel costs relative to the total budgets (17.77%) plus the weighted CPI (3.04% * 82.23%). This provides a weighted percentage of 3.70% for the Non-Safety Department Cost Index. The average of these two indices corresponds to a 5.08% inflator for the user fee program.

By factoring both personnel and non-personnel costs, the City is capable to more accurately identify the true increases to the costs to provide services to the public. This allows the City to recover more of the associated increase in costs of service over time. In order to ensure a more accurate inflator, Willdan Financial Services recommends that the index continuous to be reviewed and updated annually.



Table 3 - City of Long Beach Department Adjustment Factors

Department	FY 2012 Proposed Budget			Percent of Total Budget		Unweighted Adjustment Factor		Weighted Adjustment Factor
	Personnel Costs	Non-Personnel Costs	Total Budget (C+D)	Personnel Costs (C/E)	Non-Personnel Costs (1-F)	Salary	CPI	Adjustment Factor (F*H)+(G*I)
A	C	D	E	F	G	H	I	J
Public Safety Departments								
Fire Department	\$ 71,425,053	\$ 22,953,324	\$ 94,378,378	75.68%	24.32%	8.49%	3.04%	7.17%
Police Department	153,789,200	46,458,791	200,247,991	76.80%	23.20%	6.53%	3.04%	5.72%
Public Safety Department Index	\$ 225,214,253	\$ 69,412,116	\$ 294,626,369	76.44%	23.56%	7.51%	3.04%	6.46%
Non-Safety Departments								
Long Beach Airport Department	\$ 10,087,435	\$ 29,296,947	\$ 39,384,383	25.61%	74.39%	5.94%	3.04%	3.78%
City Clerk	2,022,684	2,959,455	4,982,139	40.60%	59.40%	4.91%	3.04%	3.80%
Community Development Department	-	-	-	0.00%	100.00%	N/A	3.04%	0.00%
Development Services	24,475,048	205,602,908	230,077,956	10.64%	89.36%	5.85%	3.04%	3.34%
Financial Management	12,210,834	8,535,825	20,746,660	58.86%	41.14%	8.00%	3.04%	5.96%
Health And Human Services Department	29,858,892	80,459,474	110,318,366	27.07%	72.93%	7.51%	3.04%	4.25%
Library Services Department	9,565,987	3,384,874	12,950,861	73.86%	26.14%	4.49%	3.04%	4.11%
Long Beach Gas & Oil Department	22,705,513	376,569,252	399,274,766	5.69%	94.31%	7.76%	3.04%	3.31%
Parks, Recreation And Marine Department	27,712,086	36,499,355	64,211,441	43.16%	56.84%	8.67%	3.04%	5.47%
Public Works Department	50,037,006	129,539,012	179,576,018	27.86%	72.14%	7.77%	3.04%	4.36%
Non-Safety Department Index	\$ 188,675,486	\$ 872,847,103	\$ 1,061,522,588	17.77%	82.23%	6.77%	3.04%	3.70%

Sources: City of Long Beach; Willdan Financial Services.