



City of Long Beach

CITY COUNCIL BUDGET WORKSHOP

June 13, 2006

3:00 p.m.





Overview

- Financial Strategic Plan
- FY 06 Mid-Year Budget Performance
- FY 07 Proposed Budget
- FY 08 and Beyond





Financial Strategic Plan

Roots of the Structural Deficit

- Utility Tax Reductions – 2000 to 2005
 - ✓ Cut in Half
- Return of Pension Payments
 - ✓ Stock Market Losses and Benefit Increases
- Workers' Comp, Healthcare and Liability Insurance
 - ✓ National Issue
- Public Safety Facility Debt
- Police Officers Added with One-time Grants





Financial Strategic Plan

Road To Restoring Fiscal Sustainability

- City Recognized Structural Deficit
- Mayor and City Council Directed City Manager to Develop Financial Strategic Plan (Plan)
- First Ever Voice Your Choice Community Survey to Assess Priorities – Over 13,700 responses
- City Council Adopted Original Plan – March 2003
- Established Annual Citywide Budget Summit
- Budget Oversight Committee Formed
- City Council Adopted Citywide Financial Policies
- Established Annual Process for Community Input on Budget





Financial Strategic Plan

Tenets of the Financial Strategic Plan

- **Balanced Approach to Deficit Reduction**
 - ✓ Nobody Left Behind
- **Establish Clear Service Delivery Priorities**
- **Develop Solutions Through Dialogue and Transparency**
- **Use One-time Revenue for One-time Uses**
- **No Debt for Operating Expenses**
- **Optimize Organization to Increase Efficiency and Effectiveness**
- **Utilize Performance Management to Focus Organization on Results for the Community**





Financial Strategic Plan

Supported by City Council's Financial Policies

- Structurally Balanced Budget
- Report on How Budget is Balanced
- General Fund Reserves
- Use of One-times
- Use of New Discretionary Revenue
- Accounting and Financial Reporting
- User Fees and Charges
- Grants
- Long-term Financial Planning
- Debt Issuance





Financial Strategic Plan

Implementing the Plan

- FY 2004 Adopted Budget
 - ✓ \$41 million in deficit reductions
- FY 2005 Adopted Budget
 - ✓ \$29 million in deficit reductions
- FY 2006 Adopted Budget
 - ✓ \$22 million in deficit reductions
- Solved \$92 million in Just Three Years





Financial Strategic Plan

Results of Balanced Approach

- 41 new Police Officers added through FY 06
- Completed Police HQ and Fire Station #1 Rebuilds, Built New ECOC and North Police Substation
- Replaced 12 Fire Trucks, 10 New Paramedic Trucks and Motorcycle Fleet
- Graduated largest Academy classes with 65 Police Officers in 2004, and 52 Police Officers in 2005
- Completed Employee Salary Negotiations





Financial Strategic Plan

Results of Balanced Approach

- Optimization Inspired Commitment to Performance Management – Focus On Results (FOR) Long Beach
 - ✓ Performance-Based Program Budget
 - ✓ Strategic Business Plans to Manage Departments
- Improved Code Enforcement, Employee Safety and Workers' Compensation Management
- Increased Investment for Residential Streets and Facility Maintenance Using One-time Resources
- Increased Graffiti and Litter Removal Efforts
- CREDIT RATING OUTLOOK UPGRADED





FY 06 Midyear Performance

FY 06 General Fund Revenues

Budget	Midyear Actuals	Year-end Estimates
\$361,764,805	\$190,586,476	\$365,157,168

- Year-end Revenue Projected 1 percent Over Budget
- Major Tax Revenues Performing As Projected
 - ✓ Property, Sales and Business License Taxes
 - ✓ Higher Oil Revenue Offset by Higher Fuel Costs
- Revenue is More Predictable Due to State Prop. 1A
- Some One-time Revenues Will Be Realized in FY 07





FY 06 Midyear Performance

FY 06 General Fund Expenditures

Budget	Midyear Actuals	Year-end Estimates
\$369,806,028	\$174,741,788	\$369,751,881

- Year-end Expenditures are Projected to be at 100 percent of Budget
- Fiscal Restraint is Paying Off
- Rising Salary, Electricity and Fuel Costs
 - ✓ Electricity rates increased 17.8% over FY 05
- Increased Demand for Services With Reduced Budgets Making Year-end Savings Difficult





FY 07 Proposed Budget

Primary Goals

- Eliminating \$10 million in Remaining Structural Deficit
- Make Critical One-time Investments with Available One-time Resources
- Continue to Make Priority Investments
- Continue to Assess and Plan to Address Challenges Beyond FY 07





FY 07 Proposed Budget

Structural Deficit Will Be Eliminated

- Additional Program and Service Reductions
 - ✓ Further Consolidation of Administrative Functions
 - ✓ Efficiency Gains Through Technology
 - ✓ No Library Service Reductions
- Further Refinement of Full Cost Allocations
- Improved Cost Recovery
 - ✓ Citywide Fee Model
 - ✓ Planning and Building Cost Plan
- Savings from Employee Health Benefit Optimization





FY 07 Proposed Budget

Structural Deficit Will Be Eliminated Four Years of Solutions (in millions)

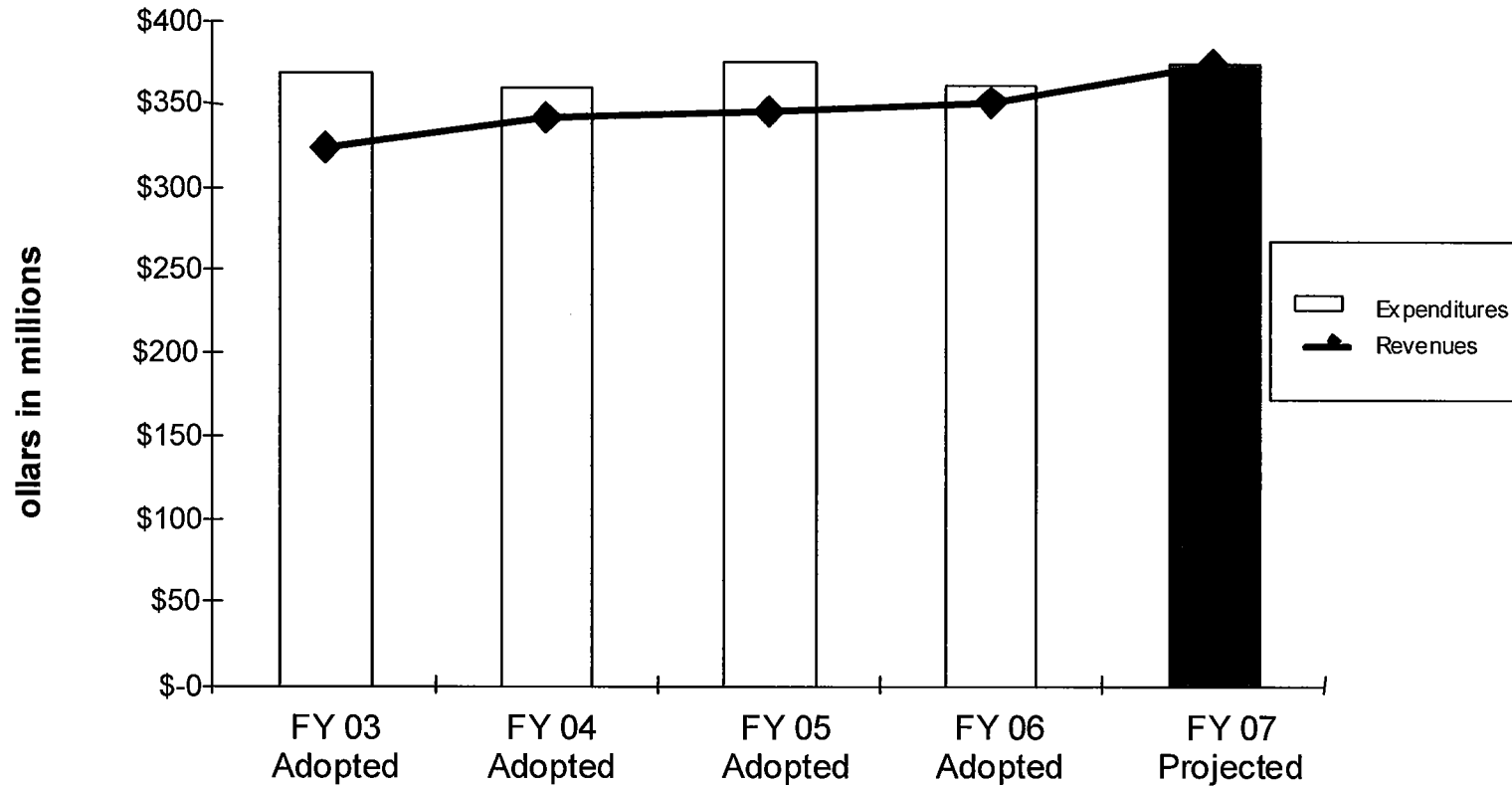
	FY 04	FY 05	FY 06	FY 07
Structural Budget Gap	\$60	\$39	\$3	\$ -
Prior Year Deficit	-	19	29	10
Cost Reductions	28	22	16	5
Revenue Adjustments	<u>13</u>	<u>7</u>	<u>6</u>	<u>5</u>
Remaining Structural Deficit	\$19	\$29	\$10	\$0





FY 07 Proposed Budget

The Plan Worked





FY 07 Proposed Budget

One-time Resources Available with Structurally Balanced Budget

- Sidewalks and Street Repair
- Critical Facility Repairs
- Community Service Enhancing Technology
 - ✓ 311 System
 - ✓ Land Management





FY 07 Proposed Budget

Expected Natural Revenue Growth Offset

- Employee negotiated salary increases
- Rising fuel, energy and fleet costs
- Increased liability insurance rates
- Continued Priority Community Investments





FY 07 Proposed Budget

Continued Priority Investments

- Maintain Increased Police Presence for Downtown Entertainment District Pilot Program
- Enhanced Street and Traffic Program to Shorten Maintenance Response Times
- Streamline Business and Construction Permitting Processes
- Increased Litter Abatement on Commercial Corridors
- Increased Graffiti Removal Services
- Additional Police Recruit Academy





FY 07 Proposed Budget

Future Opportunities for Input

- July 8 – Citywide Budget Summit
- August 1 – City Manager Delivers Budget to Mayor
- August 15 – City Manager Delivers Budget to City Council
- August 22 – City Council Budget Workshop and Hearing
- September 5 - City Council Budget Workshop and Hearing
- September 12 - City Council Budget Workshop and Hearing





FY 08 and Beyond

Challenges Ahead

- Attract and retain quality, diverse workforce
 - ✓ Pay for Already Negotiated Salary Increases Through FY 09; Police to Growing Median on September 2009
- Homeland Security and Public Health Programs
- Needed Critical Investment in Infrastructure, Facilities and Technology
 - ✓ Street Reconstruction and Repair
 - ✓ City Hall Seismic Retrofit
 - ✓ Storm Drains, Curbs and Gutters
 - ✓ Emergency Communication Systems
 - ✓ Fire Station Rebuilds
 - ✓ East Police Station





FY 08 and Beyond

Maintaining Fiscal Discipline Essential

- Adhere to City Council Financial Policies
- Create Prudent General Fund Reserves
 - ✓ GP Emergency Reserve = 10 Percent
 - ✓ Infrastructure Reserve = Goal 10 Percent
 - ✓ Operating Reserve = Goal 10 Percent
- Improve Services and Programs to Community
 - ✓ Continue to Optimize and Use Performance Management to Increase Results
- Strengthen Internal Funds to Reduce Costs
- Continue to Improve Cost Recovery for Services





Conclusion

- Three Years of Difficult Decisions
- Current Year Performance is Encouraging
 - ✓ Escalating Service Demand and Shrinking Budgets Makes it Difficult to Generate Year-end Savings
- Structural Deficit Solved With FY 07 Proposed Budget
- Future Challenges Require Continued Discipline
 - ✓ Adhere to City Council Financial Policies
 - ✓ Pay for Current Commitments Before Future Ones Made





City of Long Beach

***Thank You
Mayor O'Neill
and City Council
for Your
Leadership!***

