



Date: March 25, 2003

To: The Honorable Mayor and Members of the City Council

From: Councilmember Bonnie Lowenthal
Councilmember Dan Baker
Councilmember Laura Richardson
Councilmember Val Lerch

Subject: **A comprehensive proposal for the implementation of the Three-Year Financial Strategic Plan**

BACKGROUND:

The Three-Year Financial Plan, as prepared by the City Manager and his management staff, is an important document that lays out a strategy to improve the long-term financial health of the General Fund and the City of Long Beach. We embrace the financial goals and timetable laid out in the report, and thank the Manager and his staff for their excellent work.

While we endorse the goals and timetables of the Three-year plan, we propose that the Council establish critical tools and procedures to manage the budget process as we implement the Three-Year Plan and incorporate two important modifications into future budgets that will bring the goals of the Three-Year Strategic Plan to fruition.

New Council Budget Committee

We propose that a new Council Budget committee be created to review the budget on an ongoing basis. This committee will be composed of three Councilmembers who are appointed by the Mayor and confirmed by a vote of the City Council. The City Attorney, City Auditor, and City Manager should also participate in the activities of the Budget Committee.

This new Committee would meet monthly, with participation from City Staff and other experts as required, at fully noticed meetings to encourage public participation.

Specifically, the Council Budget Committee should have responsibilities, which include the following:

- Analyze quarterly financial statements, revenue projections, reserve balances and other progress reports of the current budget;

- Review and recommend budget policy to the Council;
- Analyze and monitor the implementation of the Three-Year Strategic Plan;
- Study, evaluate and make recommendations about new fees and taxes that would require voter approval (The Three-Year plan includes possibilities that could produce in excess of \$10 million annually.);
- Study, evaluate and make recommendations about bonds that would require voter approval (for fire facilities, libraries, parks, etc.);
- Evaluate contracting-in and contracting-out opportunities;
- Evaluate revenue contributing departments; and
- Conduct a cost/benefit analysis of use of overtime vs. additional staff.

In addition, we would like the Budget Committee, after receipt of the final report from Len Wood, to develop broad budget policy statements and goals to create standards that will reinforce fiscal responsibility and provide benchmarks to evaluate future budgets. For example

- Requiring a structurally balanced budget;
- Establishing policy for a required fund reserve balance;
- Requiring ongoing expenses not to exceed ongoing revenues; and
- Review of using one-time funds to cover ongoing costs.

Modifications to the Three-Year Plan

While we endorse the goals and timetables proposed, minor modifications in the policy directions laid out in that document should be included in future budgets that will realize the Three-Year Strategic Plan's goals.

Long Beach is a large and exceptionally diverse city. Each area of the city has very different needs and priorities that are reflected in the citizens' surveys. To the greatest extent possible, the priorities of each area must be recognized when proposing service reductions and when implementing the Three Year Financial Strategic Plan. Programs that were identified through community input via the "Voice Your Choice" survey as important in certain areas must remain in those areas. Subsequently, programs not necessarily a priority in other areas could be reduced with little impact. Future budget proposals should reflect how these priorities were integrated into the proposals.

In addition to this general principal, we believe that two other important modifications need to be incorporated into future budgets.

- 1) Consider all possible alternatives to reductions in employee compensation and benefits by comprehensive analysis and negotiation of work practices. Ensure that every level of the organization – including management and City Council – participate in any needed reductions.

Section 5.1.2 of the Three-Year Plan – entitled Employee Compensation, Benefits and Work Practices – focuses on reductions in

employee compensation. There is limited discussion of alternatives to reductions in compensation despite noting "compensation and benefit reductions will likely impact the City's ability to retain and attract employees" and "put the City at a competitive disadvantage." (p. 29)

Changes in work practices and other forms of compensation can help achieve these goals. We request that staff consider all options in overtime policies, sick leave, staffing and any other ways that will help meet our goals.

We encourage the City Manager to work creatively to find ways to partner with our employees – our most valuable assets – to meet our financial goals; this will protect employee morale, to ensure our citizens continue to receive excellent service despite budget challenges. Further, we expect that every level of the organization – including management and City Council – participate in any needed reductions in compensation or benefits.

- 2) Preserve youth and senior programs. These are essential to the health and safety of our communities. Our strategic plan stressed the importance and need for these programs and they can be preserved if offset with the city staff proposed revenue increases. The attached sheet details the programs to be preserved and new revenues that offset the cost of these programs.

In summary, we endorse the goals and timetable of the Three-Year strategic plan and believe that with the modifications and additional oversight measures we propose, Long Beach can successfully meet the budget challenges we face over the coming years and continue to provide excellent services to the citizens of Long Beach.

SUGGESTED ACTION:

Request the Council to:

- 1. Authorize the creation of a Council Budget Committee;**
- 2. Service reductions should take into account the neighborhood priorities expressed in the citizens' surveys and strategic plan;**
- 3. Request the City Manager to achieve the financial goals outlined in the Three-Year Financial Plan while exploring all possible alternatives to reductions in employee compensation and benefits through comprehensive analysis and negotiation of work practices, and preserving youth and senior programs as outlined in the memo and attachment.**