

\$ 4,768,983	\$ 4,874,602	\$ 4,893,857	\$ 4,893,857	\$ 4,818,974
1,275,495	1,264,451	1,264,451	1,263,714	1,674,802
2,258,335	2,200,432	2,222,342	2,158,844	2,258,256
4,254,220	3,269,240	3,351,078	3,231,871	4,870,191
2,483,320	2,554,791	2,556,040	2,505,799	2,617,969
4,798,519	4,666,207	4,666,207	4,666,207	4,779,552



Fiscal Outlook: Challenges & Decisions

City Council Budget Meeting - March 6, 2012

5,161,749	5,299,024	5,299,029	5,298,826	1,379,915
417,259	487,259	487,259	306,371	445,132
12,838,011	12,259,268	12,262,283	12,262,247	12,399,419
25,504,047	24,503,798	24,656,361	24,648,361	28,708,896
188,466,148	185,814,282	189,595,222	189,590,422	185,779,379
30,821,996	28,734,193	29,186,923	29,133,432	28,042,778



Difficult, But Manageable, Times

- Long Beach has a history of balancing the budget
- Deficit solutions of \$209 million and elimination of 811 positions since 2004
- A new fiscal reality has emerged
- Structural changes are needed



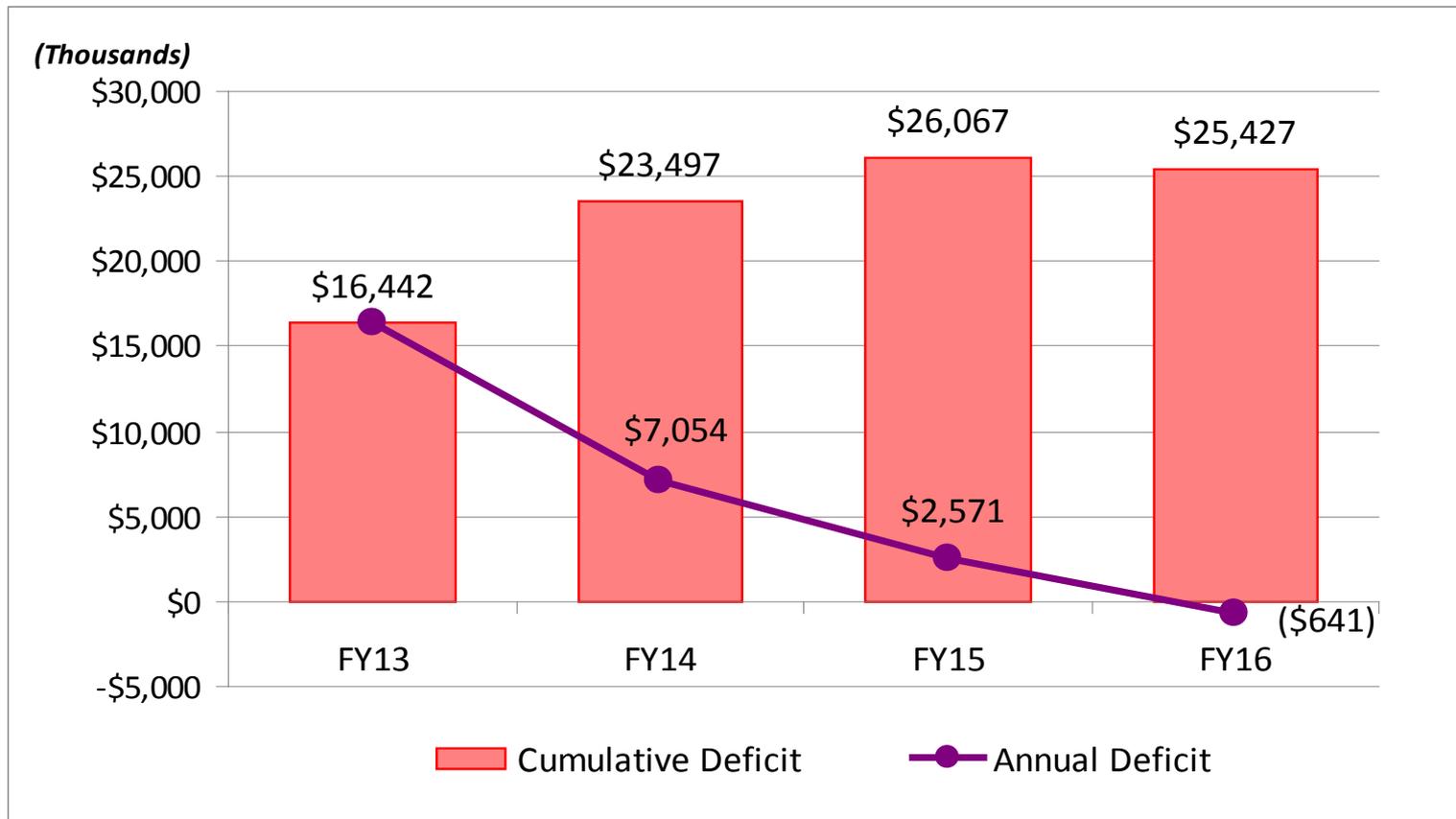
Expenses Improved, Revenue Got Worse

- Projection done last year showed a combined \$20m shortfall for FY13 and FY14 with the potential for a surplus in FY15, with pension reform
- An updated projection increases the shortfall to \$23.4m over two years and \$26.1m over three years
- Revenue weakness is the key issue impacting the new projection
- For FY13, projected expenses have dropped \$9.4m from last projection, due, in large part, to pension reform
- But revenues are down \$11.8m from last projection



General Fund Deficit

Without action, the structural deficit grows to \$26.1 million by FY15





Expense Situation Has Improved

- Police and Fire employee associations have agreed to substantial pension reform cost savings of about \$6.0m in FY13
- Have not yet reached agreement with largest employee association that would save another \$3.9m annually (\$12.2m over all funds)
- The State controlled pension contribution rate (CalPERS) has temporarily declined by about \$3m
- The City and its operations stay within budget
- **Expenses have declined \$9.4m from last projection**



Revenue Situation Has Worsened

- A number of medium-sized revenues are showing long-term weaknesses
- Utility users telephone tax down due to changing nature of phone service
- Pipeline franchise fee down due to low price of natural gas
- Redevelopment Agency pass-through property tax revenue (or equivalent) has declined
- **Revenues have declined \$11.8m from last projection**



FY 13 Shortfall Increased by \$2.4 Million

- Expenses have declined \$9.4m from last projection
- Revenues have declined \$11.8m from last projection

FY 13 Structural Deficit

Current Projection	\$16.4m
Aug. 2011 Projection	\$14.0m
Difference	\$ 2.4m

Projections will be periodically updated



A Long-Term Problem

- Pre-recession revenue growth unlikely
- National and global economies weak & vulnerable
- Financial future may well be worse than currently projected
- Uncertainty concerning unfunded and underfunded expenses, interfund expenses, and pay increases in the future
- Changing community view of government - more difficult to get revenue increases
- Many cities are worse off. Others have not been as fiscally responsible as Long Beach and don't have its resources



The Bottom Line

- Current service levels are unsustainable
- City must adapt to a new economic reality



Action Needed

- Reduce spending and increase efficiency
- Expand revenue base
- Reduce spending growth
- Develop and implement a long-term financial and economic plan that improves Long Beach's economic and financial health



Long-Range Financial Plan Recommended

- Strategies for future economic and revenue growth
- Strategies for budgeting, prioritizing, and right-sizing
- Approaches to provide financial flexibility to meet additional challenges and opportunities

Examples of potential content:

- Addressing loss of sales tax to neighboring cities
- Analyzing the long-term financial impact of proposed Council actions
- Identifying and addressing capital needs
- Strategies that increase City revenues
- Improving information for setting priorities and avoiding out-of-cycle budget spending decisions



Build On A Solid Foundation

- World class port - a key component of the economy
- A successful airport serving the City
- Improvements and development done by the former Redevelopment Agency of the City of Long Beach
- Oil revenues - a vital source of both on-going and one-time revenue
- Fiscal discipline exercised by City Council



Service Priorities: Difficult Decisions

FY 13	\$16.4m (63% of cuts)
FY 14	\$ 7.1m (27% of cuts)
FY 15	\$ 2.6m (10% of cuts)
3-Year Total	\$26.1m

- Actual FY 14 and FY 15 budget reductions may be worse, rather than better, than these projections
- Determine service priorities for a budget that requires major cuts
 - Includes determining the police staffing level and when to conduct an academy as part of the overall service priorities



Proportionate Share Is Valuable

- A budget approach that assigns budget reductions in a manner that keeps services at the same percentage of the budget as the previous year. It maintains relative priority of services as the available dollars change
- Adopted in FY11 to recognize that public safety, quality of life, and legally-required administrative functions are all essential to a healthy city
- Recognizes the high priority of Police and Fire, but also recognizes that they are not the City's only priority; other services also impact public safety
- Without Proportionate Share, Police and Fire were on a trend where they would eventually be 100% of the budget



Proportionate Share Review

- The basic issues supporting Proportionate Share are still present, but....
- Resources for services are now reaching critically low levels and it is appropriate to look at whether Proportionate Share should be adjusted
- The budget development process will provide the City Manager with information to allow modification of Proportionate Share
- The City Manager will modify Proportionate Share, if deemed appropriate, to best meet Council's goals and priorities



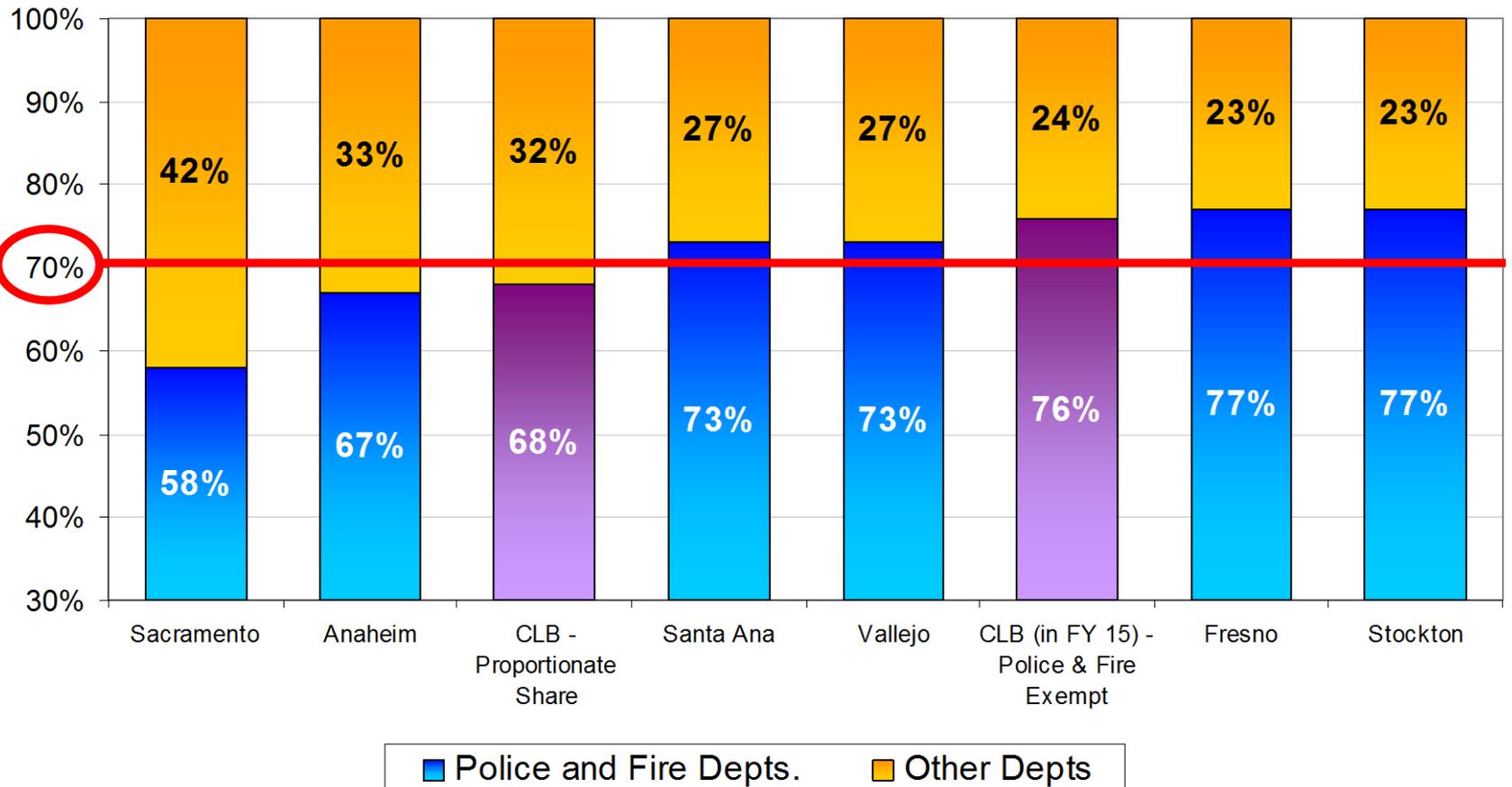
3-Year Targets: Proportionate Share

	FY 13	FY 14	FY 15	3-Year Reduction
Police	\$8.9M	\$4.1M	\$1.0M	\$14.0M
Fire	1.1M	1.3M	1.1M	3.5M
Public Works	1.7M	0.5M	0.2M	2.4M
Parks, Rec. & Marine	1.8M	0.4M	0.0M	2.2M
Mayor and Council	0.3M	0.1M	0.0M	0.4M
Library Services	0.9M	0.2M	0.0M	1.1M
All Others	1.7M	0.5M	0.2M	2.4M
Total	\$16.4M	\$7.1M	\$2.6M	\$26.1M



Police And Fire Share Of The Budget

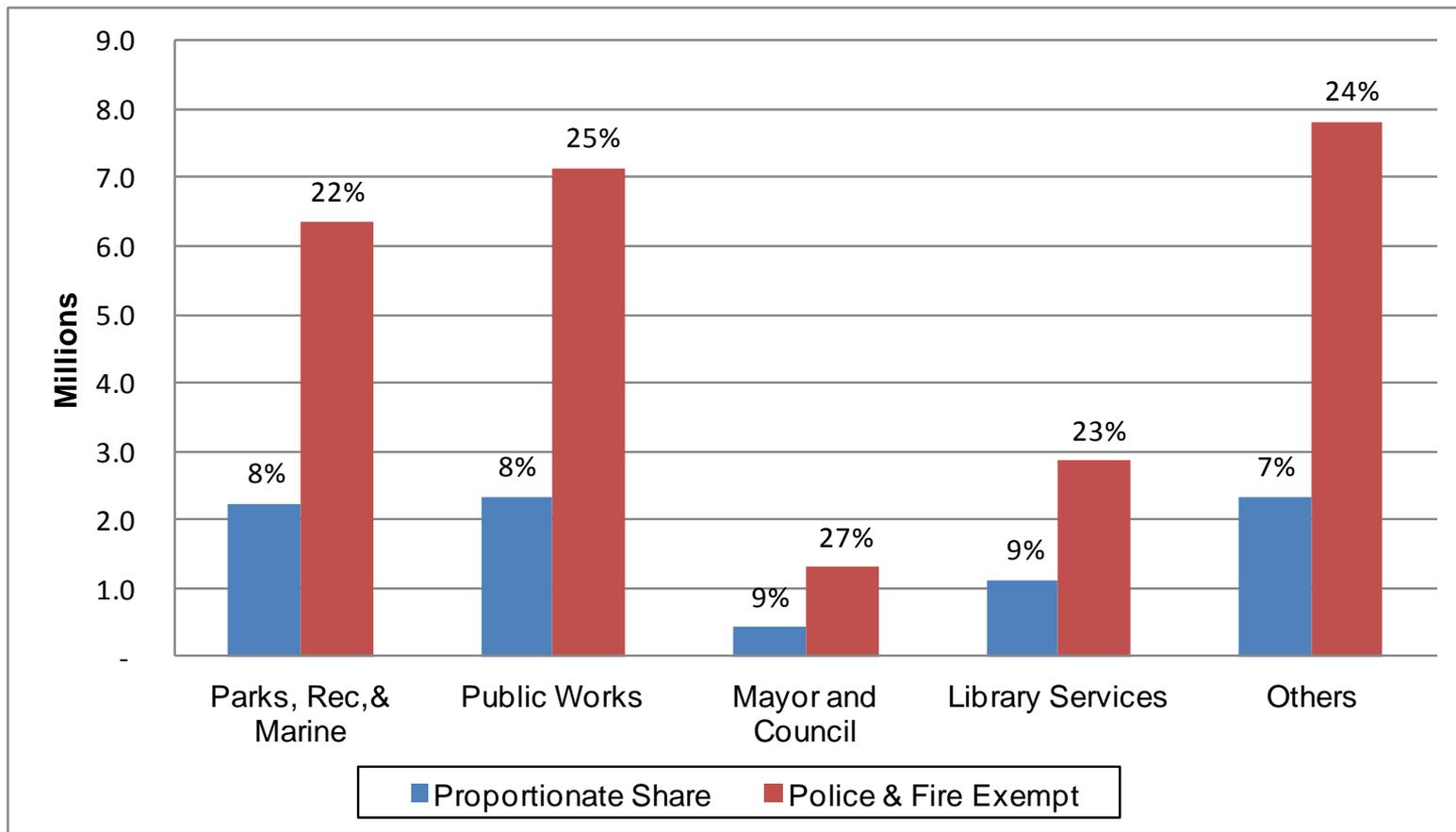
Police & Fire as a Percentage of the General Fund Budget





Impact Of Exempting Police & Fire

3-year Impacts From Exempting Police & Fire: FY 13 - FY 15





Equivalent Impacts For Library

- Proportionate Share
 - Over 3 years, reduction is \$1.1 million
 - For General Fund (GF), equivalent to operating expense of 3 of 11 branch libraries
- Police & Fire Exempt
 - Over 3 years, reduction is \$2.9 million
 - For GF, equivalent to operating expense of 8 of 11 branch libraries



Equivalent Impacts For Public Works

- Proportionate Share
 - Over 3 years, reduction is \$2.3 million
 - For GF, equivalent to 50% of the sidewalk program and 100% of tree trimming contract, graffiti removal, and any discretionary infrastructure funding
- Police & Fire Exempt
 - Over 3 years, reduction is \$7.1 million
 - For GF, equivalent to 50% of the sidewalk program, 100% of tree trimming contract, graffiti removal, any discretionary infrastructure funding, 75% of emergency street repair, 100% of pothole repair, curb painting, lane striping, sign replacement, traffic studies, new signal design & installation, new Preferential Parking Districts, and all administrative staffing of the Stormwater Management program



Equivalent Impacts For Parks & Rec.

- Proportionate Share

- Over 3 years, reduction is \$2.2 million
- For GF, equivalent to elimination of program costs for 5 of the 10 neighborhood parks and 5 of 11 community parks, which provide after school and summer programming for youth and teens.
Reduction in pool operations, senior programs, and youth sports

Police & Fire Exempt

- Over 3 years, reduction is \$6.3 million
- For GF, equivalent to elimination of program costs of all 10 neighborhood, all 11 community parks, and 2 of the 5 regional parks, which provide after school and summer programming for youth and teens. Includes the elimination of pools, senior programs, cultural programs, gyms, adaptive recreation, and youth sports



Equivalent Impacts For Council

Amounts are for each Councilmember's budget

- Proportionate Share
 - After 3 years, reduction is \$36,200
 - Equivalent to the expense for 0.4 FTE
- Police & Fire Exempt
 - After 3 years, reductions is \$110,000
 - Equivalent to the expense for 1.2 FTE



FY 13 Budget Approach

- Departments will submit reductions large enough to provide flexibility for the City Manager as to what program reductions he recommends
- All operating funds will have reduction targets to reflect the difficult budget, not just the General Fund
- Departments will identify the service impacts of the reductions
- The City Manager will recommend service reductions and other actions that balance the budget, consistent with overall City Council goals and priorities



Police Academy Options



Police & Fire Academy Background

- Academies replace staff lost through attrition, up to the projected budgeted staffing level
- A Fire academy has been initiated by management because a Fire academy will not result in staffing above projected budgeted levels
- A Police academy has not been initiated by management because there is no certain way of funding a Police academy within the projected Police budget



Police Academy Plan Concept Options

- Option 1: 100% of cost (to maintain police staffing) shifted to other departments
- Option 2: 50% of cost shifted to other departments. One-time funds may supplement
- Option 3: 100% of cost funded by new tax revenue. One-time funds may supplement



Police Staffing

FY13-FY15 Cost & Source Of Funds For Police Staffing

	Option 1 100% Cost Shifting	Option 2 Partial Cost Shifting	Option 3 New Revenue
Budgeted FTE	835	786	835
<u>Additional Cuts</u> to Others	\$14M	\$6.5M	\$0
One-Time Transition	\$0	\$3.5M	\$22M
New Tax Revenues	\$0	\$0	\$14M



Police Academy Recommendation

- The decision is likely based on balancing the police staffing level with the rest of City Council's priorities and with other city services
- It is recommended that City Council make that decision during the normal budget adoption process (September), when the financial situation and service priorities can be considered at the same time
- A September decision to hold a Police academy means officers on the street as early as October 2013



Summary of Discussion

- Reviewed the City's fiscal outlook
- Identified recommended steps: reduce spending, increase revenues, reduce spending growth, and implement financial plan
- Reviewed the FY13 budget approach
- Presented plan options for the police academy
- Will keep City Council apprised of direction and any update to the projection

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