

City Council Budget Hearing

July 14, 2009





Current Fiscal Challenges

- Worst recession since Great Depression
- State budget crisis -- \$26.3 billion deficit
- Multiple funds facing structural deficits
 - ✓ General Fund
 - ✓ Tidelands
 - ✓ Towing
 - ✓ Health
 - ✓ Fleet
 - ✓ Prop H
 - ✓ Development Services
- City projecting General Fund structural deficits in FY10, FY11, and FY12



Potential State Impacts

- Raid of \$8 million in Gas Tax payments
 - \$6.3 million dedicated to General Fund for critical transportation operations
- Raid of \$6-\$20 million to RDA funds
- Prop 1A property tax borrowing of \$10 million
- Prop 42 borrowing of \$5 million from local street and road improvements
- Health Department cuts of up to \$5 million



Making Tough Decisions

Six consecutive years of belt-tightening:

- 527 positions (non-sworn) have been eliminated
- \$111.5 million in costs have been eliminated
- Core City Manager-department services such as parks and recreation, public works, and libraries have experienced a 14% decrease
- During this time, public safety services were determined to be essential, above other City services



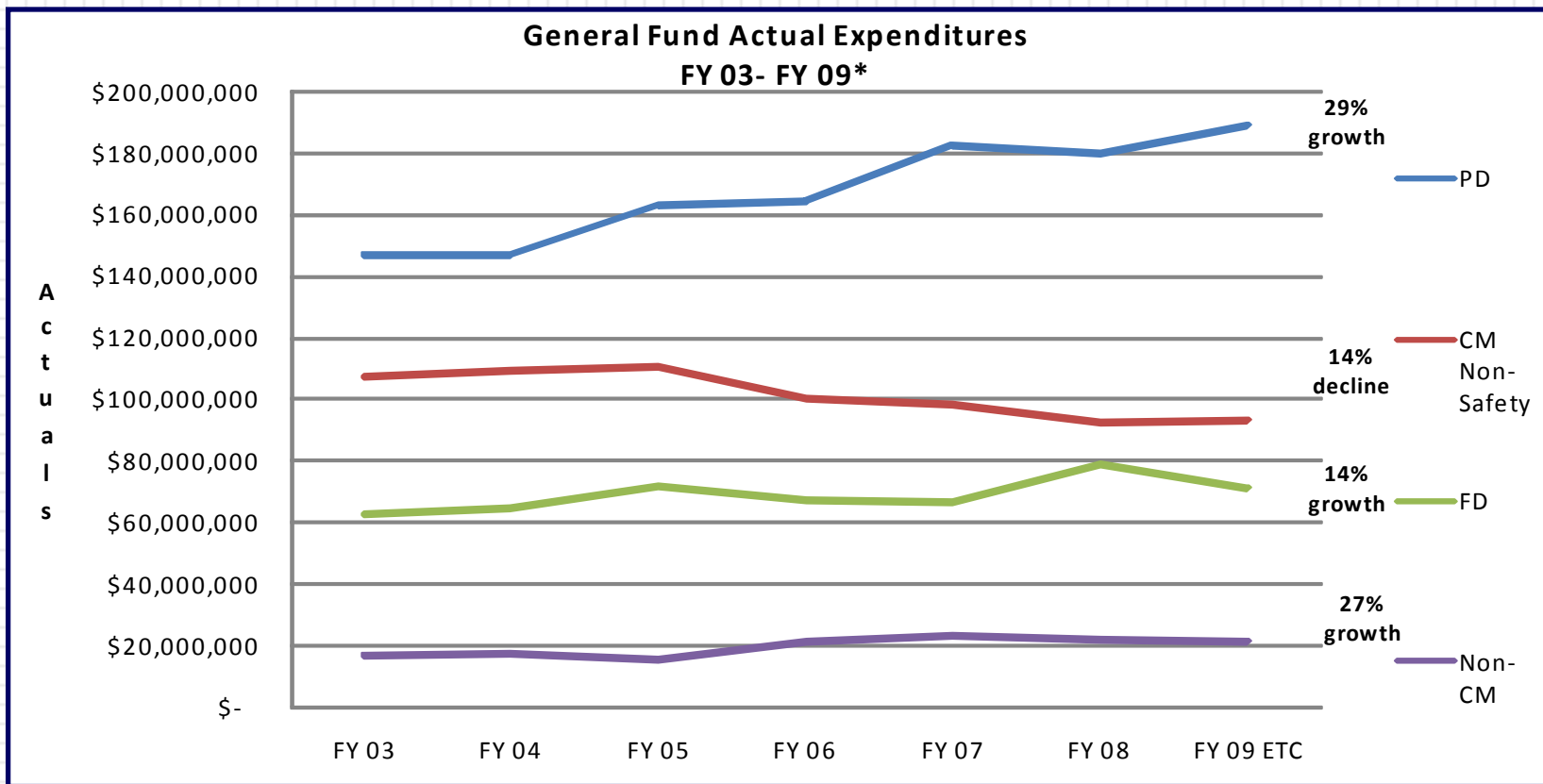
History of Financial Plan Cuts

Fiscal Year	% of Reductions	Value of Reductions	Position Reductions
2004	12%	\$ 28.0	174
2005	17%	\$ 22.0	202
2006	13%	\$ 16.0	25
2007	6%	\$ 7.4	--
		\$ 73.4	401
2008	2%	\$ 2.2	--
2008 Mid-Year	5%	\$ 5.3	--
		\$ 7.5	--
2009	10%	\$ 11.4	102
2009 Mid-Year	2% - %6*	\$ 19.2	24
		\$ 30.6	126
6-Year Total		\$111.5	527

*Also includes a 40-hour furlough or equivalent savings



Investing in Public Safety



From 2003 to 2009, we were able to grow our Police Department by 29% and our Fire Department by 14%



Making Tough Decisions

- While we have been able to protect and even grow public safety for the past six years, this is no longer possible given the financial situation before us

Police and Fire Departments comprise 66% of the General Fund budget

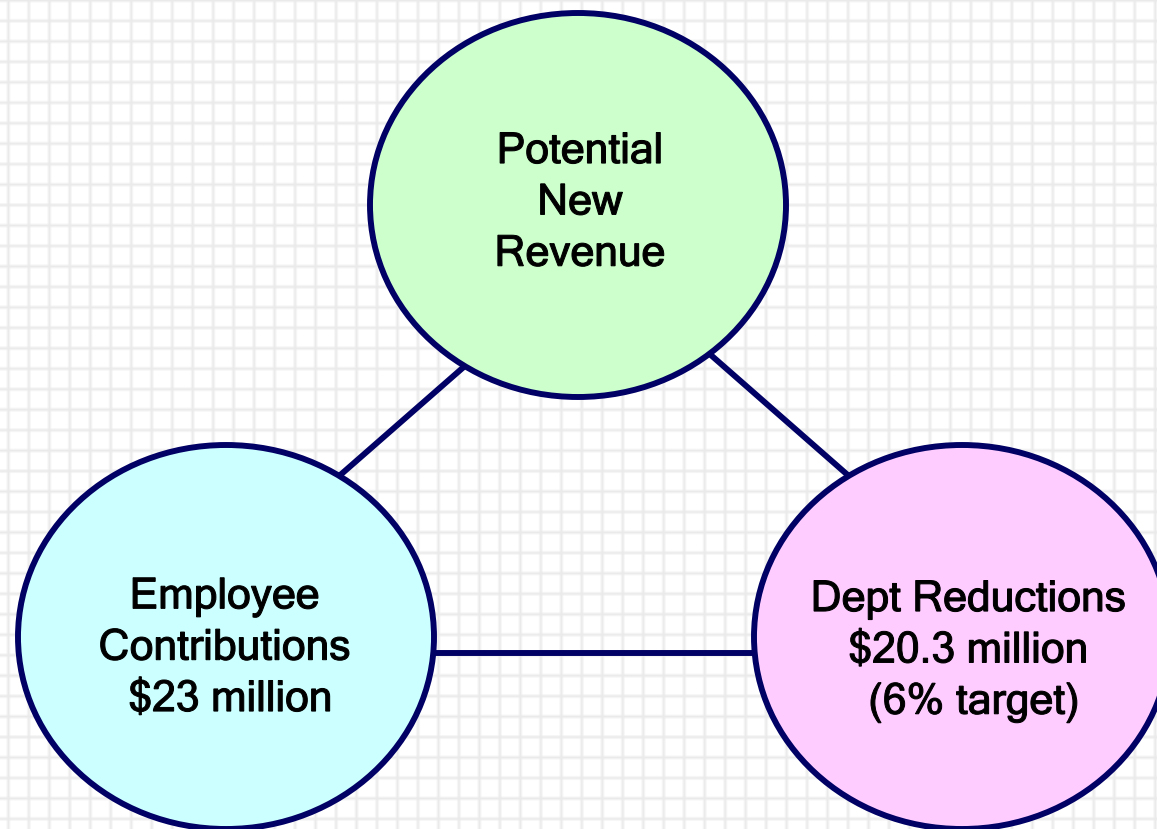
Approximately 80% of the General Fund is spent on employee compensation

Solutions require direct and sustained involvement of all departments along with our employee unions



Balanced Approach to Proposed Budget

Three-Pronged Approach





First Prong: New Revenue

- Declines in most revenues expected:

Property Tax - 2.9%

Sales and Use Tax - 2.6%

- Must continue to strengthen our revenue base by attracting and retaining businesses:

Target

Vespa

Fresh & Easy

Tesla

Best Buy

Autry BMW Motorcycles

Cruise Line Industry

Long Beach Studios

Marriott Residents Inn

Long Beach Airport

Hotel Maya

Avia Hotel

Sierra Suites

Douglas Park

Boeing C-17

- Continue to pursue cost recovery through fee adjustments and City Cost Index (CCI) increases



First Prong: New Revenue

- To reduce reliance on a volatile commodity to support ongoing expenses, all oil revenues over \$40/bbl will be considered one-time revenues
- Support efforts to pursue new oil extraction (Wilmington Field, Signal Hill Petroleum)
- Work with the Port and RDA to assume \$4 million annual General Fund Aquarium debt
- Continue to aggressively pursue stimulus (ARRA) funds for infrastructure projects -- \$43.5 million to date and \$24 million more expected soon



Second Prong: 6% Target for Department Cuts

- Target provided of \$20.3 million, equal to 6% of departments' discretionary budgets

Not an “across-the-board” approach

Some departments may take a higher or a lower percentage of reductions

- Non-City Manager department reductions of 6% included
- Sworn cannot be exempt from department budget reductions given the past six years of belt-tightening



Second Prong: 6% Target for Department Cuts

Major Principles:

- Core vs. Non-Core Services
- Community-Oriented Governance
 - RDA - blight
 - PRM - kids
 - HHS - families
 - Libraries - literacy
 - CD - jobs, housing, code enforcement
 - Port - jobs
 - PW - beautification, safety
 - PD & FD - safety, emergency response
- Preservation of front line law enforcement emergency response
- Examine new models of providing appropriate levels of service at a lower cost, including civilianization of administrative and support functions in public safety



Alternatives to Shared Accountability

Department	Balanced Approach w/Employee Participation = 6% Dept Reduction	No Employee Participation = 12% Dept. Reduction	No Employee Participation w/ PD & FD Exempt = 39% Dept. Reduction
Police	\$ 10,025,416	\$ 21,400,000	\$ -
Fire	4,072,982	8,700,000	-
Public Works	1,650,436	3,500,000	11,500,000
Library Services	740,309	1,600,000	5,200,000
Parks, Rec. & Marine	1,371,243	2,900,000	9,600,000
All Others	2,432,550	5,200,000	17,000,000
Total	\$ 20,292,936	\$ 43,300,000	\$ 43,300,000



Third Prong: Employee Contributions

- Asking City employees to be part of the solution
- Approximately 80¢ of every General Fund dollar spent on employees
- FY 10 negotiated contract increases estimated to equal \$23 million
- Our employee salaries are not high in the relative market; we simply do not have the resources to support agreed upon increases



Third Prong: Employee Contributions

- Our employee organizations have worked with us in the past:

POA represented employees received no salary increases in FY 03, FY 04, and FY 05

FFA represented employees received no salary increases in FY 03, FY 04, and FY 05

IAM represented employees received no salary increases in FY 03 and FY 05

- We are asking for their help again in order to protect core public services and weather this financial storm



Potential Employee Contributions

\$23 Million Equivalents:

26	Furlough Days/Equivalent Savings, or
\$23M	Full Pick-up of Employee Share PERS + 8 days Furlough/Equivalent savings, or
151	Civilian Layoffs +
88	Sworn (Police and Fire) Layoffs, or
\$23M	Forgo/Freeze Negotiated Salary Increases, or

Any Combination of the Above



“Plan B” and 26 Day Furloughs

- The FY 10 Budget includes a 26-day furlough, affecting all employees (sworn and civilian) in all City departments
- The furlough, or additional layoffs, will go into effect if the \$23 million in employee contributions are not realized

Equates to a 10% salary reduction for all employees, including management

- The budget document includes “Plan B” alternative solutions to the City Manager’s proposals

Can be used as alternatives, or to balance the budget from any State raids on the General Fund



Summary

- To solve \$43.3 million deficit in FY 10:

City Manager's FY 10 Proposed Budget reflects \$23 million in employee contributions and 6% equivalent department reductions

If employee solutions cannot be negotiated, a 26-day furlough, or 151 additional civilian and 88 additional sworn layoffs will be required

Layoffs will still occur with 6% service reductions

- Must take a long-term approach to fiscal solvency