December 7, 2011

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: **Fiscal Year 2012 Adopted Budget**

This letter updates my original transmittal letter for the Proposed FY 12 Budget to reflect the budget as adopted by Council on September 6, 2011 and to briefly describe labor agreements that have subsequently positively impacted the finances of the City and the services it is able to offer its citizens. The original transmittal letter is also included in this budget document.

The City Council adopted a balanced FY 12 Budget despite the considerable fiscal challenges created by weak and unsteady economic climate. The fiscal discipline of City Council in FY 12 and in previous years serves as a solid foundation for the future as the City faces additional budget deficits in the near future. A key element to success in achieving future fiscal stability and helping to maintain services to citizens will be the continued support of our employee associations. Immediately after the FY 12 Budget was adopted, the Police Officers Association displayed incredible leadership by agreeing to pay their full employee contribution rates towards their retirement, and create more sustainable pension formulas for new police officers. Shortly thereafter, the Fire Fighters Association also became partners in pension reform and agreed to pay their full employee contribution requirements as well as adopt new pension formulas for new fire fighters. These key agreements provided a significant reduction in future employee costs that will result in long-term benefits to the City.

Attached to this memo is a complete set of the Mayor's Budget Recommendations and the Budget Oversight Committee's Recommendations. All other General Fund amendments adopted by the City Council can be found in each Department Chapter.

Respectfully submitted,

PATRICK H. WEST
CITY MANAGER

Attachments

Mayor's Budget Recommendations

Fiscal Year 2012

Presented August 2, 2011

August 2, 2011

Members of the City Council:

Pursuant to the Long Beach City Charter, I am transmitting the Mayor's Recommendations on the City Manager's structurally balanced budget for Fiscal Year 2012 (FY12).

I would like to thank City staff for their hard work in developing a balanced budget under difficult circumstances and again providing direction to best perform our core functions as a government.

While Long Beach maintains a high credit rating, confirmed recently as AA by Fitch, the 2008 financial collapse built increasing costs into our pension obligations and the State's short-sighted decision to eliminate local redevelopment's investment power and job creation functions will strain the General Fund going forward. As if all that weren't enough, in the days that followed the passage of the State budget, it became apparent that an additional takeaway by the State to cover its debts meant Long Beach had to slash $1.7 million more from the General Fund for FY12, increasing the shortfall we needed solutions for to $20.3 million.

These past two years, we have been waging a war of attrition, with each ensuing year requiring additional cuts to service levels. We cannot afford to continue on this path. We must find a way to reach structural balance and further invest in our infrastructure.

This year presented the most challenging fiscal and budgetary environment in my time as Mayor but has, in recent days, also provided the single most significant step to our long-term fiscal health in the form of a tentative agreement with the Police Officers' Association that cuts pension costs and, if it were to be mirrored by our other employee groups, eliminates structural deficits by the end of FY 13 based off current projections.

With those developments as context, I will focus on three issues in this year's Budget Message that will be core issues driving costs and affecting decisions on revenue allocation for the foreseeable future.

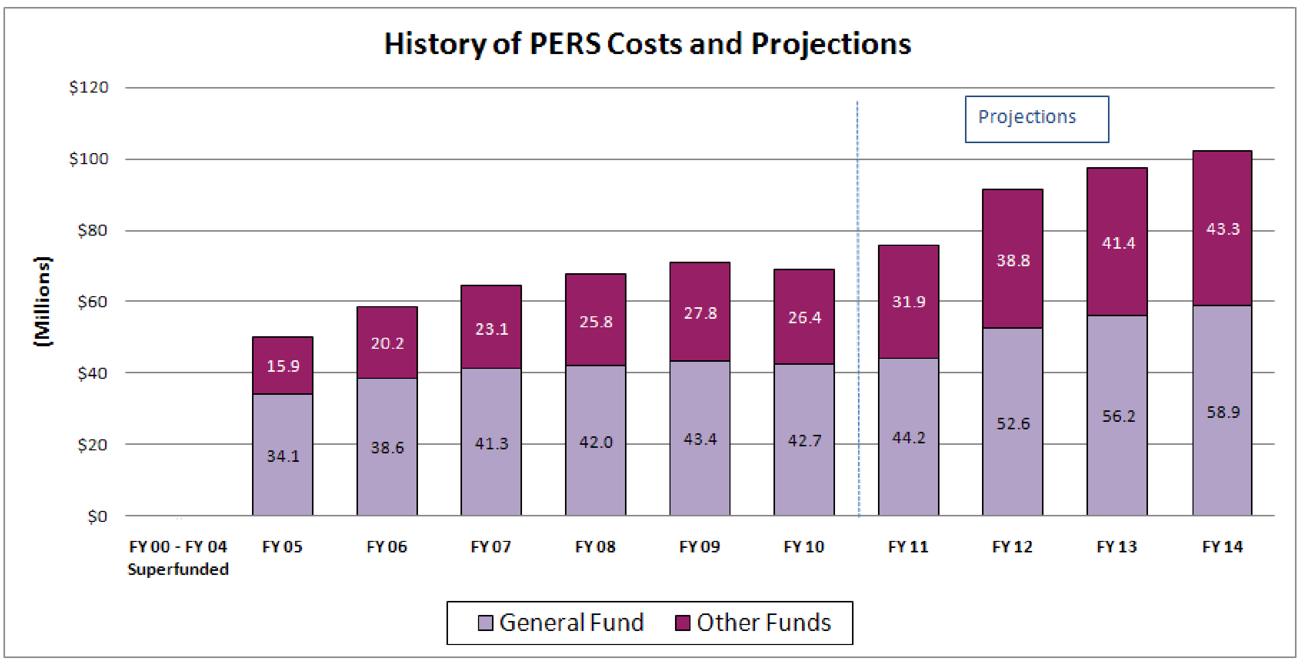
1) <u>Escalating Pension Costs</u>

   In this war of attrition I mentioned earlier, there are two interconnected, driving forces. Simply put, pension benefits are too costly and not sustainable. This is not to point fingers at any of our city workers or the quality of job they do – it is just plain math. And I cannot say it enough: sustainable pension benefits are in everyone's best interests.

I have been outspoken on this issue and believe that bringing pensions in line with fiscal reality is essential for our future and imperative to achieve honest structural balance.

It is important to remember that these benefits were increased when the City appeared to have a windfall of revenue from an over-funded, or as some described "super funded", account at PERS.

In the early part of the last decade, the City made no payment for several years into the PERS system. Hindsight would have urged us to build a reserve or make a payment in case circumstances changed. We did neither. Not only did the City increase pension benefits going forward but also made the increases retroactive to be inclusive of all the years employees had worked. The spending of the "windfall" is the single largest cause of our present difficulties. Current projections show our pension costs doubling between FY05 and FY 14 -- up to $102 million annually. Even with outsized market returns of the past 18 months, the future holds more cost increases, casting a decidedly dark cloud for years to come.



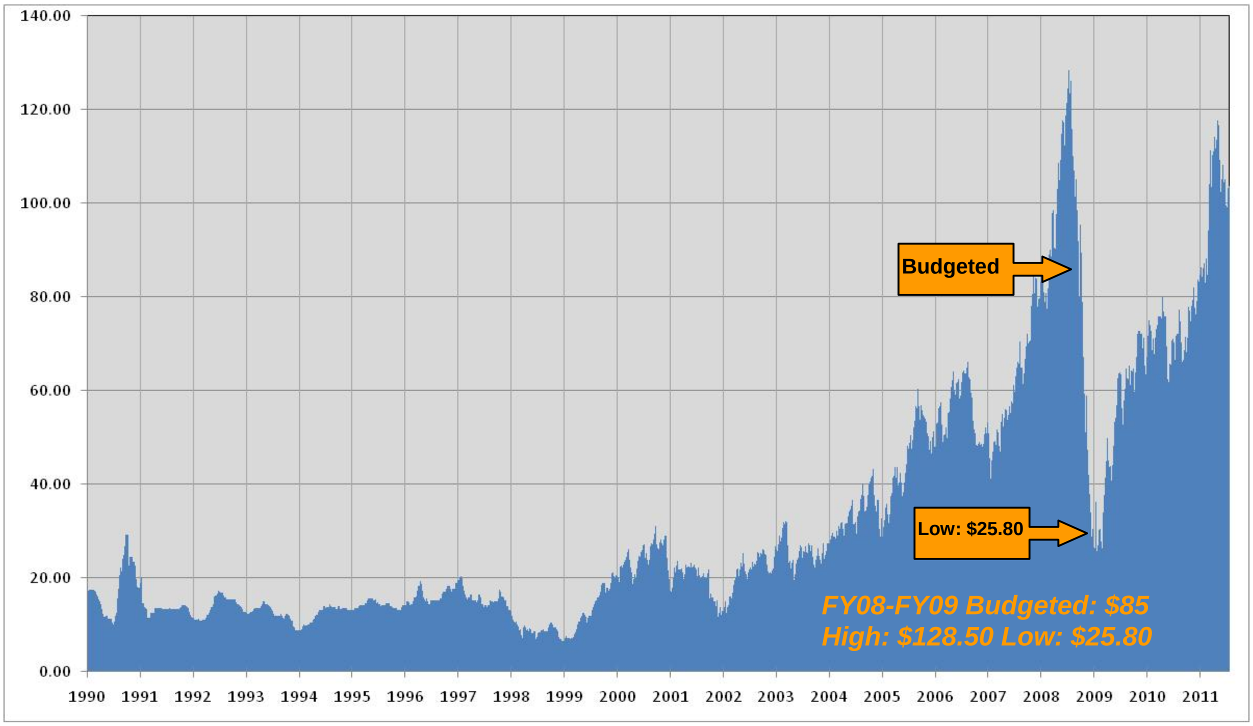
2) Addiction to the current price of oil

Oil operations continue to be a source of revenue for the City. The City's Department of Gas & Oil has administered citywide oil operations since the beginning of the century in two broad geographical areas: Uplands and Tidelands. Upland oil field funds may be used in the General Fund; Tidelands oil revenues, including those from the Harbor district, may only be used in the state-designated Tidelands area for specific purpose under California law.

"Long Beach crude" has, in relative terms, proven expensive to extract. Thus, in very broad terms, when gross oil proceeds drop, the production levels among Long Beach's wells are also likely to fall. Additionally, as with any commodity, fluctuations are dependent on innumerable global factors that we in the City have very little control over.

Simply put, oil is a volatile commodity. The chart below demonstrates the historical price, by month, of Long Beach crude:

Price of Oil from 1990 to Present



- Long Beach Department of Gas & Oil

One only need review the history of oil prices and its rapid fluctuations to know that it cannot be counted upon as stable revenue.

Last year, oil was budgeted at $45 dollars a barrel. In light of a higher pricing environment, the budget reflects base price growth and is budgeted at $55 a barrel for next year.

I believe it is important to issue a strong warning on this point: we should not go further. We have no protection against downside risk.

Only two years ago, oil hit $128.50 per barrel and then declined to $25.80. Fiscal discipline requires that we carefully use this revenue. I will do all in my power to make sure we approach this issue prudently, with an eye on not making the same mistake we made in the early part of the last decade.

3) Strengthen Reserve Accounts

While the symptom of our distress is visible in the escalating costs for pension benefits, the cause is the lack of discipline on the part of the City in building a prudent reserve, which preserved windfall funds or utilized them for one-time expenditures. Instead, the City at that time built up ongoing expenses using revenues that could not be relied upon, increased the budget, created future liabilities for others and placed the City on the path of instability. None of this was out of bad intentions; a governmental body will tend to use the funds it has, ongoing or one-time, to provide more services or programs for its people. True fiscal discipline is required to prevent inappropriate spending from occurring.

If we are able to reform our employee pensions and put ourselves on the path to fiscal balance, we need to guard against history repeating itself. Today, because of high oil prices, we have a windfall of one-time revenue from Uplands oil perhaps reaching $10 million.

This money will be a tempting target for those who want to once again increase our budget, delay cuts and spend these dollars on ongoing programs or benefits. There will be scores of reasons and worthwhile programs, which could benefit from this revenue; however, to do so will once again impair our future, cripple our ability to fix the city, and place a burden on future Councils and Mayors.

Sound fiscal planning is required to save the future from the excess of the present. The City Council has done a good job of using one-time revenues for one-time costs -- let's go a step further and invest in our future.

# # #

Fiscal Year 2012 City Council-approved Amendments

BUDGET OVERSIGHT COMMITTEE RECOMMENDATIONS (as amended by the City Council)

RESTORATIONS	AMOUNT	OFFSETS	AMOUNT
General Fund			
Public Works gas tax restoration	$ 200,000	Reduce Fleet Services Charge	$ 200,000
General Fund Restorations/Additions	**$ 200,000**	**Total Offsets**	**$ 200,000**
Special Advertising and Promotions Fund			
Municipal Band	$ 100,000	Gas & Oil Sponsorship for Muni Band	$ 50,000
	-	Refuse Fund Sponsorship for Muni Band	50,000
Special Advertising and Promotions Fund Restorations/Additions	**$ 100,000**	**Total Offsets**	**$ 100,000**

July 1, 2011 (as revised 8/01/2011)

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Fiscal Year 2012 Proposed Budget

The Fiscal Year 2012 (FY 12) Proposed Budget reflects several years of review, examination and reassessment of the City's priorities and financial constraints, while providing a prudent, yet affirmative, approach to the future. As stewards of the public's funds during a time of diminished revenues, we must re-examine our patterns of doing business. I feel strongly that the FY 12 Proposed Budget transmitted herein keeps faith with the critical service needs and quality of life priorities of our community, while taking concrete steps to address the financial challenges the City continues to face in this economy.

The budgetary strategies in the FY 12 Proposed Budget are based on a multi-pronged approach that is inclusive of departmental reductions, employee contributions, government reform, pension reform, and new revenue generation. Above all these actions, transparency and sustainability are factors that were and are paramount to this proposed budget. The FY 12 Proposed Budget I submit to you today reflects a commitment to sustainability, and actualizes the countless hours of prioritization of services and cost reductions through the use of proportionate share budgeting. It also requires fiscal discipline on the part of all stakeholders.

Due to the challenges we face over the next few years, and at the request of the Mayor and City Council, we have taken proactive measures to establish a long-term strategic approach. To that end, the FY 12 budget development process identified structural deficits for FY 12, FY 13 and FY 14. Utilizing the proportionate share model of allocating necessary cost reductions, three-year savings targets were established and disseminated to all City Manager departments. Departments were directed to review their operations in a holistic manner in light of these three-year savings targets. Thus, I present not only solutions to a one-year General Fund structural deficit of $20.3 million, but three years of deficit solutions totaling $40.5 million.

Nearly one-third of the three-year deficit amounts are the result of increased costs of employee retirements. The City's retirement costs are based on pension charges to the City as determined by the California Public Employees Retirement System (PERS). These charges reflect the City's pension plan provisions and the large market losses incurred by PERS during the financial crisis in FY 08 and FY 09. These numbers differ from those presented to the Mayor and City Council on February 22, 2011. At that time, increased pension costs contributed to a projected three-year General Fund deficit of $54.7 million. Improved investment performance and revised assumptions led to significant revisions in the City's structural deficit projections. The pension plan costs are certain for FY 12 and likely to be reasonably close for FY 13. However, for FY 14 and beyond, the costs depend largely on uncertain PERS investment earnings. Because of the uncertainty, this message describes projected future City budget shortfalls using a high-, mid- and low-range of pension costs in the future based on a range of potential investment returns. The mid-point, used to develop the projected budget balancing needed by the City, uses the PERS official expected investment return rate of 7.75 percent. The use of ranges to illustrate components of the structural deficit is meant to provide a more accurate and informative picture of the City's financial outlook based on uncertain pension costs. Although pension cost is a material contributor to the three-year deficit, the majority of the three-year deficit can be attributed to negotiated salary and pension cost increases. The City and our employee organizations have been discussing forgoing these contractually required salary increases, or having employees contribute more towards their pension costs. However, to date, those discussions have not produced agreements.

While we remain hopeful our employee groups will participate in solutions to reduce the deficit, we cannot assume this will occur. Accordingly, the Proposed Budget requires all City departments to make further reductions. These reductions will decrease the size of the workforce and will require departments to develop new approaches to service delivery. To solve this multi-year deficit, all City departments will need to make further reductions and find ways to do more with less. The breadth and depth of reductions proposed could have been substantially lessened if our major employee groups had been willing to forgo their negotiated salary increases or increase their contributions to their pensions.

Continuing the "proportionate share" approach implemented in FY 11, City departments were assigned reduction targets to curtail their growth, primarily from salary increases and pension cost increases. The approach ensures that our Police and Fire Departments receive the majority of the General Fund resources each and every year (nearly 70 percent), while keeping funds to pay for all the other services our residents deserve such as parks, libraries, sidewalks, code enforcement, animal control, and internal support services. Absent a proportionate share approach, by 2030, 100 percent of our General Fund would go towards public safety, leaving no funding for our quality of life services that makes Long Beach such a great city.

I. Achieving Long-Term Sustainability

Long Beach has adopted fiscally prudent policies for years. These policies include addressing the deficit each and every year through difficult structural reductions, and not allowing the use of one-time revenue to balance the budget. Over an eight-year period, Long Beach has adopted $188.4 million in deficit reduction solutions without dipping into the City's emergency reserves. It has been a prolonged and oftentimes difficult challenge to make staffing and expenditure reductions and making changes to service delivery to minimize the impacts on citizens and businesses. Without these structural cost reductions, the City of Long Beach would have been in more dire financial straits when the Great Recession occurred. Only the groundwork and consistent fiscal discipline that Long Beach government had established allowed us to come through the worldwide financial crisis with our public safety, libraries, recreation services and infrastructure intact and flexible enough to meet the needs of the community. Long Beach residents and employees owe a debt of gratitude to those elected officials who have had the vision and fortitude to steer us through the numerous financial hurdles of the last few years. It is a privilege to work for a Mayor and City Council who believe so deeply in our goal of sustainability that they have participated year after year in General Fund cost reductions. They have led by example and unanimously voted to contribute the full 8 percent of the employee contribution rate toward their pensions.

While many of the financial decisions made since 2003 have reduced the overall size of the organization, we have kept our focus on service to the community. Specifically, Long Beach has taken significant steps to address our infrastructure needs with over $411 million invested in infrastructure over the last three years alone. Notwithstanding the Long Beach citizens, unlike other communities in the region, have not had a parcel tax to fund infrastructure since the 1960s. The City has worked diligently and creatively to leverage infrastructure funding from myriad sources including the Long Beach Redevelopment Agency, the Airport Fund, FAA Grants, Measure R, and the Federal Stimulus program. During this three-year period, we have invested over $102 million in streets, sidewalks and alleys, significantly improving the overall condition of our neighborhoods. Nonetheless, there remains much left to do. The recession, the impacts of the State budget, and other factors have made it impossible for the City to keep up with new infrastructure needs and the maintenance of infrastructure. The annual shortfall for the capital improvement of streets, sidewalks and alleys is $13.7 million and the annual shortfall to simply maintain them at their current condition is $4 million. Moreover, the City has over $313 million in needs for our beach areas alone.

The relatively high price of oil has provided the City with welcome good news in terms of revenue to the City. However, it has proven dangerous to assume or rely on high oil prices to support City operations. This budget places a limit of $55 per barrel on the use of oil revenue for operations. Any potential revenue from oil prices above $55 is considered "one-time" and is too uncertain to use to support ongoing operations. This one-time money should be used for "one-time" purposes such as infrastructure and technology/efficiency improvements. As described in the previous paragraph, the City has major needs for one-time revenue for infrastructure, both the physical infrastructure and the system and technology infrastructure that helps make the City more productive, more efficient and better able to meet the needs of its citizens and businesses.

As a City, we have stressed the need to maintain a strong General Fund. However, we need to further analyze our other funds, such as our insurance funds and enterprise funds, for sustainability and for any potential future impact on the General Fund.

II. Local Implications of the State Budget Decisions

The residual effects of the near economic collapse have created a hard reality for municipalities around the country. Municipal fiscal challenges caused by reductions in revenue are compounded by the deficits and economic uncertainty in the State and federal budgets. In January 2011, Governor Brown announced that California was facing a $26.1 billion deficit, the largest of any state in the nation. Since then, improved State General Fund revenue trends and billions in budget solutions already approved by the Legislature have reduced the size of California's budget deficit to $9.6 billion. The largest component of the Governor's proposal for eliminating the remaining deficit relied on a ballot initiative to extend tax increases, which must be approved by a two-thirds vote of the Legislature before they can be presented to the voters. Through a tumultuous process, the State achieved a final budget on June 29, 2011. It is widely believed that the State will continue to have a significant structural deficit in the future, as parts of the budget rely on questionable revenue assumptions and unconstitutional revenue shifts.

As has become a normal practice for State budget balancing, the State often balances the budget by taking existing revenue from local governments that they have relied on for their operations. As part of the 2012 Budget, the Governor and State Legislature approved eliminating local redevelopment agencies or requiring large and ongoing payments to the State for a city to keep them. Ending redevelopment agencies could bring to a halt decades of incredible progress that has been made in revitalizing Long Beach neighborhoods. Not only would the elimination of redevelopment agencies remove a vital source of jobs during an era of incredibly high unemployment statewide, it would also eliminate cities' most effective tool for revitalizing our neighborhoods, eliminating blight, and reducing crime. Long Beach's well-respected Redevelopment Agency (RDA) has been largely responsible for the revitalization of our downtown into a family-friendly tourist destination. The RDA has breathed new life into many of our most blighted communities by stimulating job creation and construction projects, building and rehabilitating housing for working families, enhancing community centers, parks, libraries, and public safety buildings, and lowering crime by purchasing and tearing down crime magnets.

To protect Long Beach's redevelopment commitments, earlier this year, the City Council and the RDA enacted and restated agreements for services between the City of Long Beach and the RDA to encumber current and future redevelopment tax increment proceeds through FY 21. RDA land was also transferred to the City to protect Long Beach from the requisite fire sale of all RDA property under the State's Budget. It remains to be seen if the City's actions will be able to protect Long Beach from the State's actions to end redevelopment agencies.

The required payment (or in some people's view, "ransom,") to keep the Long Beach RDA would be $34 million in the first year, and in excess of $8 million each and every year thereafter. This would come on the heels of payments to the State of $6 million last year and $29 million the year before. Even if the RDA could somehow afford this payment, redevelopment as we know it would be greatly impacted.

The full impact of the State Budget on Long Beach will take time to discern. The California Redevelopment Association (CRA) and the League of California Cities have filed a lawsuit seeking to stop the elimination of redevelopment agencies and forced payments. There may well be constitutional issues with the actions the State has taken with respect to redevelopment agencies. As currently written, redevelopment agencies will end on October 1, 2011 and the City would likely assume the role of the Successor Agency, an entity designed to wind down the RDA and generate income for the local taxing entities. The City will continue to analyze whether, under these conditions, making the required payment is advisable and affordable.

The proposed dissolution of the City's Redevelopment Agency may substantially increase the General Fund deficit for FY 12. Although the final financial impact is still being evaluated, the estimated General Fund reduction could be in excess of $6 million. The Proposed Budget does not include this potential impact. Key services that have previously been supported by RDA, which will now require General Fund funding, include graffiti abatement, neighborhood code enforcement, reimbursement for City Place debt service, Open Space Bond debt service, and overhead and support services. We will be communicating with our employees as we learn more, but there may be significant impacts to our employees throughout the organization as a result of the State's Budget.

In addition to the RDA legislation, the State Legislature also took last minute action that eliminates $130 million of Vehicle License Fee (VLF) dollars to cities, and uses some of those funds for public safety programs. In Long Beach's particular situation, the net cost is a reduction across all departments of $1.7 million, although, the Police Department receives a grant of $777,000. This last minute change has been incorporated in the budget summaries and the deficit calculations, but the departmental detail is not in the department chapters. Instead, it is in *Attachment A* to this transmittal letter. The State Budget will also affect our Health Department, facilitating a $210,000 reduction in programming for low-income teens for pregnancy prevention programs. In more positive news, the final State Budget did not include any changes to Enterprise Zones, which were originally slated for elimination under the Governor's proposal. The City was also the beneficiary of a provision allowing a short-term extension of time for the City to secure an $8 million Department of Boating and Waterways loan for the Marina Rebuild Project, secured by Senator Lowenthal.

Long Beach has and will continue to lobby vociferously against the Governor's ill-conceived plan that will inflict significant and permanent economic damage upon local governments while providing limited and short-lived funds to the State. Thank you to the Mayor for his tireless efforts all these months, our City Council for their strong leadership and united resolve to fight the proposals, and our RDA staff for doing everything possible over the past several months to advocate for a different outcome and provide much better alternatives to the Legislature. This will be a difficult time for our City, but as always we will do our best to find creative solutions to keep our neighborhoods strong and continue as much progress as possible.

III. Roots of the Deficit

The roots of the FY 12, FY 13 and FY 14 deficits are the same as we have faced over the past two budget cycles; a combination of increased employee costs due to compensation and retirement rate increases, and revenue declines. Revenue is not projected to increase or decrease at an accelerated pace in this Fiscal Year. The structural deficit amounts provided below are inclusive of the last minute $1.7 million VLF revenue reduction imposed by the State. As the table below illustrates, the majority of the structural deficit is attributed to labor cost increases of $23.6 million and retirement cost increases, which can range from $13.1 million to $16.5 million depending upon PERS investment returns. These ranges are based upon "poor," "expected" (by the PERS Board), and "good" possible rates of return. There is no range for FY 12 as the PERS cost is certain. Similarly, the FY 13 cost is not expected to have much uncertainty. However, the prior year rate of return that will be used to determine the FY 14 cost is not known. Finally, the cost of employee health insurance has been accelerating and is anticipated to increase by an additional $1.5 million in FY 12.

Cost Drivers	FY 12 Prop.	FY 13 Proj.	FY 14 Proj.	3-Year Total
Negotiated Increases (POA, FFA, IAM, All Others)	$6.3M	$9.3M	$8.0M	$23.6M
PERS Change Due to Rate Increase				
Poor	10.2M	1.9M	4.4M	16.5M
CALPERS Assumption	10.2M	1.9M	1.1M	13.2M
Good	10.2M	1.9M	1.0M	13.1M
General Increases	3.8M	3.2M	3.9M	10.9M
Total Expense Increase/(Decrease)	**20.3M**	**14.4M**	**16.3M - 12.9M**	**51.0M - 47.6M**
Revenue Increase/(Decrease)	-	0.4M	6.8M	7.2M
Projected Annual Structural Deficit	**20.3M**	**$14.0M**	**$6.1M - 9.5M**	**$40.4M - 43.8M**

<u>Employee Compensation</u>

Of the City's nine employee organizations, the Police Officers Association (POA), Firefighters Association (FFA), the International Association of Machinists (IAM), Prosecutors' and Attorneys' Associations are the only groups with current multi-year contracts. These contracts provide for over $25 million in negotiated increases through FY 2014 and contain general salary increases, new and higher skills pays, equity adjustments and step increases. The table below summarizes the increases in costs due to all negotiated increases including raises, skill pays, and step increases.

Employee Group	FY 12	FY 13	FY 14
Police (POA)	$1.0M	$3.1M	$4.8M
Fire (FFA)*	1.4M	2.7M	2.8M
Miscellaneous (IAM)	3.6M	3.4M	0.4M
Other	0.3M	0.2M	0.1M

* FY 13 and FY 14 amounts are based on a 4% salary increase. FFA increases during these two years are scheduled to be between 2% and 6% based on the current MOU and will be determined at a later time based on other city agreements with firefighter personnel.

The increases in costs listed in the table above are largely due to the negotiated raises for the major employee groups. The raises include:

Employee Group	FY 12	FY 13	FY 14
Police (POA)	0%+	3%	3-6%^
Fire (FFA)*	2-4.5%	2-6%	2-6%
Miscellaneous (IAM)~	4%	4%	

+ Although there are no FY 12 POA raises, there is an increase in costs due to new and higher skill pays

^ In FY 14 only Sergeants receive 3%, all other POA members receive 6%.

* FFA negotiated for various raises for different classifications.

~ 2% of these raises are equity adjustments related to the classification and compensation study.

Pension Costs: California Public Employees Retirement System (PERS)

Between $13.1 million and $16.4 million of the City's General Fund deficit over the next three years can be attributed to increases in PERS contribution rates. In FY 12, the increased expense for PERS, related only to the PERS rate change, is $10.2 million. A major change in investment returns for a single year, whether up or down can cause substantial annual changes in the pension charges to the various PERS employer membership. As a result, PERS charges contribution rates based on a methodology that "smoothes" out increases or decreases in investment returns over time. In light of the unprecedented magnitude of the FY 08-FY 09 market losses, PERS agreed (after lobbying by Long Beach and other PERS members) to implement additional smoothing. This additional smoothing will spread the impact of the PERS losses over a longer period of time. In the FY 12 Proposed Budget, the City is paying the amount required by PERS. As the City is currently responsible for both the employer share of pension costs and the majority of the employee cost share for most employees, these costs are significant and will result in significant service changes over the next several years.

IV. Taking a Long-Term Approach to Structural Deficits: Balancing a $40.5 Million Deficit Over Three Years

Unlike the State, with its penchant for solving its financial woes by taking funds from local government, the City of Long Beach has reexamined its priorities and has sought to continually hone its focus on service delivery and efficiencies. As in past years, for FY 12, we are re-examining our expenses and revenues, our infrastructure needs and liabilities, our long-term commitments to the community, and our workforce. What has emerged is a portrait of a community slowly emerging from the economic downturn, challenged by a combination of revenue declines largely outside of the City's control, and unsustainable employee costs.

The following chart illustrates the three-year structural deficit we are facing using the PERS - assumed investment rate of return, and the City's current revenue projections.

Three-Year Deficit Projection

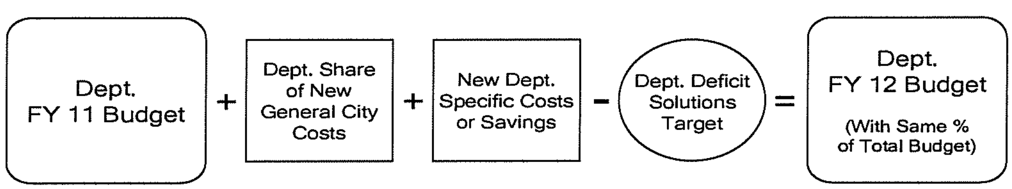
FY 12	$20,300,000
FY 13	14,000,000
FY 14	6,229,000
Total	**$40,529,000**

The FY 12 Proposed Budget is premised on a set of budget development objectives approved by the City Council on May 18, 2010, for use in the FY 11 Budget, to guide the City's resource allocation planning and the strategy to deliver a balanced budget. These objectives include:

- Maintaining core services and priority programs;
- Enhancing community-oriented governance – preserving services that provide the building blocks for a healthy, safer community including library, parks and public works services;
- Maintaining each department's proportional share of the General Fund budget as in FY 11; and
- Structurally balancing the budget using a multi-pronged approach, including departmental reductions, employee participation, new revenue, government reform and pension reform.

The key to navigating through these troubled times, without losing ground on our hard won fiscal successes over the past decade, is the commitment to maintaining the current balance of programs. The current balance of programs and resource allocation is directly correlated to the maintenance of core public safety, quality of life, and legally required administrative functions, which are essential to a healthy, productive city. The resource allocation methodology of proportionate share, adopted by the City Council in FY 11, ensures that we maintain an appropriate balance of services, and that no particular service disproportionately affects our other core services as a result of growth in its costs. The proportionate share allocation works by including new general cost or revenue changes to a department's budget, including cost changes specific to the department, and then assigning a budget reduction target so that the overall department budget is exactly the same share of the total General Fund budget as in the previous year.

The chart below illustrates how the proportionate share methodology is utilized to ensure that a department's share of the total (General Fund) budget does not change from year to year.



For the second consecutive year, the City will utilize a multi-pronged approach in order to meet proportionate-share deficit reduction targets, as described in more detail below.

First Prong: Government Reform

In order to continue to provide efficient and effective services to the community, City government must adapt to its structure. These changes are essential to our ability to provide the best services possible with the resources available. Government reform allows Long Beach to lessen the problems of the future caused by the weak economy and other factors.

In FY 11, we realigned organizational functions by transferring the Occupational Health and Employee Assistance Program from Health and Human Services to Human Resources, and realigned the Workforce Bureau, from Community Development to Human Resources. We also transferred the Neighborhood Resources and Housing Services Bureaus to Development Services, consolidated Parking Management and Property Services Division within Public Works and moved the Housing Authority Bureau to Health and Human Services. These realignments resulted in an annual savings of nearly $2 million in administrative and ancillary costs. Eight positions were eliminated, four of which were management level.

In FY 12, we strive to look for new and improved models of service delivery. Among other initiatives, we are proposing to consolidate residential and commercial plan check services and inspections, as well as code enforcement, under the management of a single bureau. This will exact greater consistency, accountability, and coordination in these processes. We are also proposing to transfer the Animal Care Services Bureau from Health and Human Services to Parks, Recreation and Marine to take advantage of the synergies in service provision. Additionally, we will be evaluating the potential for the consolidation of various other functions including human resources administration, temporary worker hiring and management, capital project development and management, and parking operations. A more comprehensive listing of the government reforms proposed for FY 12, as well as a recap of the FY 11 government reforms, is provided in the Government Reform Chapter provided herein.

Second Prong: Department Reductions: $20.3 Million

The multi-year approach proposed in this budget is reliant upon departments doing more with less and on necessary service adjustments. This is a practical reality in Long Beach. Departments were asked to provide $40.5 million in reductions to operating costs over three years, inclusive of the VLF revenue reduction passed by the Legislature on June 29, 2011. The reduction targets for each department maintained each department's share of the General Fund that the department had in FY 11. The specific departmental reductions are summarized in Table 2 below and included as an attachment to that department's budget book chapter. A listing of the preliminary FY 13 and FY 14 proposed departmental reductions is included in the City's Financial Strategic Plan as an attachment. Non-City Manager Department reductions have been included as *Attachment B* to this transmittal letter.

Table 2. **General Fund Reduction Targets**	**FY 12**	**FY 13**	**FY 14**	**3-Year Reduction**
Police	$9.4M	$6.9M	$4.0M	$20.3M
Fire	5.0M	3.9M	2.2M	11.2M
Public Works	1.7M	0.9M		2.6M
Parks, Rec. & Marine	1.1M	0.9M		2.0M
Library Services	0.9M	0.4M		1.3M
Elected & Appointed	0.9M	0.5M		1.4M
All Other*	1.3M	0.5M		1.7M
Total	**$20.3M**	**$14.0M**	**$6.2M**	**40.5M**

*Includes City Manager, Development Services,Financial Management, Health & Human Services and Human Resources.

In FY 12, we continue to implement innovative ways to deliver services that provide the greatest amount of services for our residents' tax dollars. For those Council Districts with two full-service libraries, we begin the process of converting three libraries into Reading Room libraries; Alamitos, Bach, and Brewitt neighborhood libraries will operate as "Reading Room" libraries and provide residents with essential library service at substantially lower costs. Patrons will still have the ability to access the full range of library services at another branch in their community. This approach to service delivery is a better alternative to either closing branches or significantly reducing operating hours system-wide.

In addition to the Reading Room libraries, FY 12 capitalizes on the countless hours of study and discussion regarding the implementation of three-person engine fire service. Up to eight engines will convert from four-person to three-person engines. These three-person units have proven to be effective in other Southern California communities and are an alternative to significantly reducing service to our community through station closures. Through strategic placement of fire resources and the change to three-person engines, this year, the Fire Department will be able to eliminate the need for rolling engine closures and light forces implemented in prior budget years.

In the Police Department, the changes will consist of reducing civilian staff where possible; reducing overtime by 25 percent; downsizing specialized units and shifting those responsibilities either to the remaining officers in the unit or to patrol officers; and reducing 14 sworn officers in the Patrol Division. As a result, a total of 76 positions will be eliminated, 32 of which are sworn. Of the sworn positions, 14 are from the Patrol Divisions, and 18 are spread throughout various investigative and enforcement units. Despite these reductions, the department will continue to protect public safety and projects it will maintain current response times. Units will work together to handle the workload, and the department will restructure itself to streamline functions and maximize resources.

Throughout the decision-making process regarding the deficit, we have sought to position ourselves for the future. Utmost in our consideration has been how to use the economic crisis to right-size and refashion the organization with the staffing and capabilities that will allow the City to become more nimble and responsive to the needs of the community in the long-term. The FY 12 budget seeks to affirm the long-term nature of these organizational changes by making those operational changes permanent. To that end, all extraneous vacancies within the General Fund will be eliminated (and the corresponding salary savings) through this budget as we seek to establish a more realistic level for budgeted positions. The elimination of 63 of vacancies will allow the City to realize approximately $2 million in savings in FY 12.

Third Prong: Employee Participation

During last year's (FY 11) budget process, employee groups were requested to identify cost reductions to offset the $11.3 million increase in labor costs. However, the large employee groups were not willing to make cost reductions in FY 11 and additional budget cuts and service reductions had to be implemented to generate the same savings. The FY 12 Proposed Budget relies solely on department reductions, proven new or increased revenues and agreements with employee groups made prior to the release of this budget. The City and our employee organizations have been discussing forgoing these contractually required salary increases, or having employees contribute more towards their pension costs. However, to date, those discussions have not produced agreements. While we remain hopeful our employee groups will participate in solutions to reduce the deficit, we cannot assume this will occur.

Employee participation in deficit-reduction solutions would have significantly decreased the number and types of service changes necessary under the current scenario. The total General Fund savings, if all employee groups picked up their full PERS employee member contribution rate (a total of 9 percent for Safety and a total of 8 percent for Miscellaneous, currently mostly paid by the City), would be $15.5 million. If all groups picked up their full share in FY 12, the three-year structural deficit would decrease from $40.5 million to $25 million.

Meetings between City Management and employee groups continually provide opportunities for dialogue. Currently, no agreement has been reached with the employee groups to amend existing contracts to lessen the amount the City is paying for the employee's share of pension costs (the City currently pays both its share and most of the member's share). The community feels strongly about the need to reform employee compensation packages, which have out-paced our ability to maintain them. If these issues remain unresolved during the term of the current contracts, the City will need to adjust its service levels and ways of providing services to offset the higher costs of pensions and salaries. Significant measures will need to be taken upon the expiration of current contracts to bring pension and salary costs into balance with the national and state economies and the City's revenue status.

Fourth Prong: Potential New Revenue

While a few revenues, such as sales tax, are inching upward, others are flat or declining. The bottom of the housing market collapse remains nebulous. Without a sharp turn around in revenue producing economic activity, we cannot solve our long-term deficits through revenue growth. A prudent and responsible approach to all revenue projections is necessary. In order to ensure we are not over-committed on revenue, the FY 12 Proposed Budget contains no unproven new revenues. Departments with new revenue ideas will be allowed to request Budget Adjustments during FY 12 if their revenue ideas come to fruition. This will ensure that while we explore all avenues for revenue development, we are not incorporating revenues sight unseen into our budget.

Given the current strong oil revenue performance in the Upland Oil Fund, the FY 12 Proposed Budget increases the structurally budgeted price per barrel of oil from $45 per barrel to $55 per barrel. This provides an additional $6 million revenue transfer from the Upland Oil Fund to the General Fund. This increased transfer is used to offset revenue that has consistently come in under budget in previous years and the budget for them has been reduced in FY 12. When oil was priced for the budget, we took into account the lessons learned in FY 09. In mid-2008, the price of oil was substantially higher than today's price and the City increased its budgeted price of oil for FY 09 from $45 per barrel to what was believed to be a conservative $85 per barrel. Within six months of that decision, the price of oil dropped to $25 per barrel, creating a large budget shortfall that necessitated mid-year budget reductions. Given the historically high volatility of the oil commodity, Long Beach has learned that the price of oil is extremely volatile and uncontrollable. We would be ill-advised to ignore historical behavior.

Fifth Prong: Pension Reform

One of the major cost drivers of Long Beach's three-year $40.5 million structural deficit is the escalating cost of employee pensions caused by the steep market losses incurred by the statewide PERS system during the 2008 financial crisis. To better understand the steep climb in costs, a Special Meeting of the City Council was held during which the City's independent PERS actuary John Bartel provided the Mayor and Council with in-depth explanations on the spike in costs and anticipated projections for the City's unfunded liability.

As mentioned earlier, the Mayor and City Council continue to lead by example by being the first group to agree to pick up the entire 8 percent of their employee contribution to PERS. In addition, the FY 12 Proposed Budget contains meaningful reductions in PERS costs to the City. The Attorneys' Association, Prosecutors' Association and the unrepresented Management Employees in the Auditor's Office have agreed to pay an additional 2 percent towards their employee contribution rate. The Long Beach Management Association, the Confidential Association, Unrepresented Management Miscellaneous employees, Unrepresented Non-Management Employees, the Attorneys' Association, and the Prosecutors' Association have all agreed to a new tier for new employees with a formula of 2 percent at 60, three-year average final compensation and full 8 percent PERS pickup of the employees' share of pension costs.

V. Status of Other Funds

In addition to the General Fund, the City has 37 other funds, which support enterprise operations and manage restricted or discretionary revenue sources. These funds comprise $2.2 billion of the City's $2.6 billion total budget. The following section discusses issues impacting other key City funds, including the Employee Benefits Fund, Fleet Fund, Tidelands Fund and Towing Fund.

Employee Benefits Fund

The Employee Benefits Fund (EBF) was created to finance and account for employee-paid time off and fringe benefits, such as retirement, pension obligation bonds, health insurance, dental insurance, Social Security and Medicare. Every City department and fund is charged a rate that is collected through payroll overhead charges and placed into the EBF. The overhead rate is set with a goal of ensuring that the department allocations fully cover the cost of the fringe benefits listed above. Due to significant increases in the City's cost for health insurance claims, collections from departments through payroll overhead charges are not sufficient to cover the higher costs being incurred. To avoid this shortfall in subsequent years, we have once again included significant increases to department budgets to pay for these health care costs.

Fleet Services Fund

The Fleet Services Fund is used to account for the City's purchase, maintenance, fueling and replacement of vehicles and equipment, except those owned by the Water and Harbor Departments. The major sources of revenue for this fund are charges to user departments including lease payments, capital replacement, preventative maintenance, ad hoc repair and fueling charges. The Fleet Bureau is continuing its efforts to realign operations to increase efficiencies in order to offset the rising cost of labor, fuel and parts.

Additionally, in an effort to streamline the procurement process for vehicle acquisitions, the vehicles to be purchased in FY 12 have been approved through the FY 12 budget process. The Police Department's vehicle replacement needs through FY 12 were fulfilled on February 15, 2011, when the City Council approved the purchase of 130 Police Interceptors in order to secure favorable 2011 vehicle pricing. With this purchase in FY 11, it is anticipated that the Police fleet will not need further replacements for the next five fiscal years. A list of proposed vehicle acquisitions for remaining departments can be found on *Attachment C.*

Tidelands Operating Fund
The revenue generated in the Tidelands is not sufficient to fund its operations, which include waterfront maintenance, lifeguards and marine safety, beach cleanup and maintenance, the Convention Center, and Aquarium debt payments. The requested Harbor transfer of $16.9 million to the Tidelands Operating Fund (TOF) in FY 12, as allowed by the City Charter, is needed to avoid reductions in Tidelands operations. Given the historically high volatility of oil commodity prices, this one-time revenue source is not a cure for the ongoing structural deficit in the TOF, but will allow some investment towards the current backlog of over $314 million in Tidelands infrastructure projects if oil prices remain above $55 per barrel. Without the Harbor transfer to the TOF, the level of investment in the Tidelands would be greatly diminished, resulting in cutbacks in operations and further decay in infrastructure.

Towing Fund
The Towing and Lien Sales operation continues its optimization efforts to avoid escalating costs for services while maintaining a timely response to towing requests. Economic challenges have impacted towing revenue and have challenged the operation's ability to sustain an annual budgeted transfer to the General Fund of $3 million. This transfer has been temporarily reduced by $300,000 to assist the Fund in remaining in balance. In an effort to help the towing operation explore additional ways to maximize towing service delivery and revenue generating opportunities, a Request for Proposal for towing operations was released seeking various models from the private sector. These proposals are currently being evaluated.

VI. Conclusion: Deficit Reduction Requires a Long-Term View

The FY 12 Proposed Budget is the result of series of reviews and decisions that look at where we have been, where the economy has taken us, and thoughtfully places us on solid footing for the future. While I do not believe we are out of the woods financially, we are at a place where we have developed a track record of open and honest dialogue, and transparent decision making with a clear strategic vision of where we need to be in the coming years.

While recognizing that none of these are easy decisions, I am heartened by the fact that our actions reflect long-term discipline, a clear vision of our end goal and incremental milestones to achieve success. These are all strategies of successful organizations. The fiscal stability of our City will not be achieved in a day or even a year, no matter how drastic the cuts. Fiscal sustainability is a marathon that requires endurance, commitment, constant vigilance and a deep-seated belief in our end goal. I am optimistic that the choices we provide herein have made essential inroads into our deficit and ensure that Long Beach continues to be a sustainable city where we can be proud to live, work and play.

Respectfully Submitted,

Pat H West

Patrick H. West
City Manager

Attachments

Attachment A

FY 12 VEHICLE LICENSE FEE ELIMINATION
DEPARTMENT REDUCTIONS

GENERAL FUND

	Impact on Deficit	Positions

CITY ATTORNEY

Reduce budgeted expenditures for materials and supplies.	(5,785)	
Subtotal: City Attorney	**(5,785)**	**-**

CITY AUDITOR

Reduce personnel services budget to eliminate the ability to fill a vacant position.	(10,067)	
Subtotal: City Auditor	**(10,067)**	**-**

CITY CLERK

Reduce budgeted expenditures for contractual services the Records Center.	(12,656)	
Subtotal: City Clerk	**(12,656)**	**-**

CITY MANAGER

Reduce budgeted expenditures for contractual services in Intergovernmental Relations.	(11,688)	
Subtotal: City Manager	**(11,688)**	**-**

CITY PROSECUTOR

Reductions were not submitted in time for this publication.	(21,348)	
Subtotal: City Prosecutor	**(21,348)**	**-**

CITYWIDE ACTIVITIES

Reduced budgeted interdepartmental expenditures.	(68,383)	
Subtotal: City Prosecutor	**(68,383)**	**-**

CIVIL SERVICE

Reduce budgeted expenditures for advertising, office equipment, printing, and contractual service.	(8,912)	
Subtotal: Civil Service	**(8,912)**	**-**

DEVELOPMENT SERVICES

Reduction in rent as a result of new lease agreement that combines the office spaces of Code Enforcement and Neighborhood Services staff.	(9,500)	
Eliminate a portion of a Special Project Officer position (management).	(34,344)	(0.25)
Increase revenue from Code Enforcement property maintenance activities.	25,405	
Subtotal: Development Services	**(18,439)**	**(0.25)**

Attachment A

FY 12 VEHICLE LICENSE FEE ELIMINATION
DEPARTMENT REDUCTIONS

GENERAL FUND

FIRE DEPARTMENT

	Impact on Deficit	Positions
Daily staffing on a ninth engine will be reduced from four to three, reducing one POST position per engine. The three-person engine is used as the fire response model in other Southern California communities. Staffing on the remaining five General Funded engines will remain at four firefighters.	(330,522)	(3.00)
Subtotal: Fire	**(330,522)**	**(3.00)**

FINANCIAL MANAGEMENT

	Impact on Deficit	Positions
Convert a vacant Business License Inspector I position into non-career hours in the Business Licensing Division.	(45,603)	
Subtotal: Financial Management	**(45,603)**	**-**

HEALTH

	Impact on Deficit	Positions
Reduce General Fund revenue transfer to the Health Fund for administrative costs, such as supplies, temporary staff and facility maintenance.	(5,914)	
Subtotal: Health	**(5,914)**	**-**

HUMAN RESOURCES

	Impact on Deficit	Positions
Reduce budgeted expenditures for marketing services in Economic Development.	(2,215)	
Subtotal: Human Resources	**(2,215)**	**-**

LEGISLATIVE DEPARTMENT

	Impact on Deficit	Positions
Reduce budgeted expenditures for personnel, supplies and administrative costs.	(22,301)	
Subtotal: Legislative Department	**(22,301)**	**-**

LIBRARY SERVICES

	Impact on Deficit	Positions
Realign staffing model for "Reading Room only" libraries to reduce four General Librarian rather than three Department Librarian positions, reduce two General Librarian positions by 0.5 FTE each and increase 0.4 FTE Library Clerk I.	(56,199)	(0.60)
Subtotal: Library Services	**(56,199)**	**(0.60)**

POLICE DEPARTMENT

	Impact on Deficit	Positions
Reduce budgeted expenditures for overtime.	(847,909)	
Subtotal: Police	**(847,909)**	**-**

FY 12 VEHICLE LICENSE FEE ELIMINATION
DEPARTMENT REDUCTIONS

Attachment A

GENERAL FUND

PARKS, RECREATION, AND MARINE

	Impact on Deficit	Positions
Reduce budgeted expenditures for Public Works engineering and surveys services.	(5,319)	
Reduce budgeted expenditures for materials, supplies and contractual services. Bureaus will find efficiencies in day-to-day operations.	(31,035)	
Eliminate afterschool programming from 3-6pm and 14 weeks of summer, winter, and spring Fun Days at Heartwell Park. The facility will be used for contract classes and expanded youth, adult and senior enrichment programs. Eliminates non-career hours and supplies.	(39,579)	1.09
Increase animal licensing revenue in Animal Care Services. Web licensing technology will allow the department to reach out to residents electronically.	(17,000)	
Reduce budgeted expenditures for as-needed grounds landscape maintenance repairs and services. This will further limit the department's ability to address turf, tree and irrigation issues.	(37,448)	
Subtotal: Parks, Recreation & Marine	**(130,381)**	**1.09**

PUBLIC WORKS

Eliminate two Tymco sweepers, two flat bed trucks and one parking control vehicle .	(112,669)	
Convert one FTE Refuse Operator III position into a 1.20 FTE Refuse Operator II non-career position.	(20,370)	
Subtotal: City Manager	**(133,039)**	**-**

TOTAL GENERAL FUND REDUCTIONS	**(1,731,361)**	**(2.76)**

Attachment B

FY 12 NON-CITY MANAGER DEPARTMENT REDUCTIONS

CITY ATTORNEY	Impact on Deficit	Positions
GENERAL FUND		
Reallocate a portion of Administrative staff to non-General Fund resources.	(102,712)	(0.77)
Reallocate costs for Legal Secretary from General Fund to the Insurance Fund.	(62,402)	(0.50)
Eliminate the discretionary 2% given by the City Attorney per the City Attorney Association MOU.	(27,308)	
Subtotal: General Fund	**(192,422)**	**(1.27)**
EMPLOYEE BENEFITS FUND		
Eliminate the discretionary 2% given by the City Attorney per the City Attorney Association MOU.	(4,748)	
Reduce budgeted expenditures for materials, supplies, and contractual services.	(57,566)	
Reallocate costs for Legal Secretary position to non-General Fund resources.	62,402	0.50
Subtotal: Employee Benefits Fund	**88**	**0.50**
INSURANCE FUND		
Reallocate a portion of administrative staff to non-General Fund resources.	102,712	0.77
Eliminate one take home vehicle.	(10,000)	
Reduce overtime funding for Investigator position.	(17,508)	
Eliminate Legal Office Assistant position.	(31,947)	(0.50)
Eliminate the discretionary 2% given by the City Attorney per the City Attorney Association MOU.	(38,379)	
Subtotal: Insurance Fund	**4,878**	**0.27**

CITY AUDITOR		
Increase PERS payback due to executive management employees' increased contributions by 2% to a total of 6%.	$(13,084)	
Reduction in personnel services budget to eliminate the ability to fill a vacant position.	(74,573)	
Subtotal: General Fund	**(87,657)**	**0.0**

CITY CLERK		
Downgrade a City Clerk Analyst position to a City Clerk Specialist position.	(11,259)	
Reduce Record Center and Microfilm Center ergonomic improvement equipment.	(3,972)	
Subtotal: General Fund	**(15,231)**	**0.0**

Attachment B

FY 12 NON-CITY MANAGER DEPARTMENT REDUCTIONS

CITY PROSECUTOR

City Prosecutor is eliminating vacant funded and unfunded positions, and further cutting supplies and administrative costs. Significant impact on handling of criminal cases.	(237,084)	(10.00)
Subtotal: General Fund	**(237,084)**	**(10.00)**

CIVIL SERVICE	**Impact on Deficit**	**Positions**
Eliminate the Administrative Officer position (management).	(131,720)	(1.00)
Subtotal: General Fund	**(131,720)**	**(1.00)**

MAYOR & CITY COUNCIL

Reduce expenditures for personnel, supplies and administrative costs.	$(288,384)	
Subtotal: General Fund	**(288,384)**	**0.00**

Attachment C

FY 12 Proposed Fleet Vehicle Acquisitions

DEPARTMENT	*VEHICLE*	*PURCHASE AMOUNT*
AIRPORT	BACKHOE TYPE 2	85,000
SUBTOTAL		***85,000***
LBGO	2 TON - SERVICE TRUCK	90,437
LBGO	2 TON - SERVICE TRUCK CNG	90,437
LBGO	2 TON - SERVICE TRUCK CNG	90,437
SUBTOTAL		***271,311***
PARKS, RECREATION AND MARINE	AERIAL BUCKET-SMALL	95,000
PARKS, RECREATION AND MARINE	SAND SEPARATOR	95,000
PARKS, RECREATION AND MARINE	TRACTOR TYPE 2 A	175,000
PARKS, RECREATION AND MARINE	TRACTOR TYPE 2 A	85,000
SUBTOTAL		***450,000***
PUBLIC WORKS	1 TON - SERVICE TRUCK	45,000
PUBLIC WORKS	2 TON - SERVICE TRUCK	65,000
PUBLIC WORKS	AERIAL BUCKET-SMALL	95,000
PUBLIC WORKS	AERIAL BUCKET-SMALL	95,000
PUBLIC WORKS	DUMP TRUCK - 1 TON	55,000
PUBLIC WORKS	PACKER 17 YARD	258,696
PUBLIC WORKS	PACKER 17 YARD	258,696
PUBLIC WORKS	PACKER 17 YARD	258,696
PUBLIC WORKS	PACKER 17 YARD	258,696
PUBLIC WORKS	PACKER 17 YARD	258,696
PUBLIC WORKS	PACKER 17 YARD	258,696
PUBLIC WORKS	PACKER 25 YARD	306,752
PUBLIC WORKS	PACKER 25 YARD	306,752
PUBLIC WORKS	PACKER 25 YARD	306,752
PUBLIC WORKS	PACKER 25 YARD	306,752
PUBLIC WORKS	PACKER 25 YARD	268,767
PUBLIC WORKS	PACKER SIDE LOADER LNG	306,752
PUBLIC WORKS	PACKER SIDE LOADER LNG	306,752
PUBLIC WORKS	PACKER SIDE LOADER LNG	306,752
PUBLIC WORKS	PICKUP 3/4 TON	21,000
PUBLIC WORKS	REFUSE PACKER 20 YARD	268,767
PUBLIC WORKS	REFUSE PACKER 20 YARD	268,767
PUBLIC WORKS	REFUSE PACKER 20 YARD	268,767
PUBLIC WORKS	REFUSE PACKER 20 YARD	268,767
PUBLIC WORKS	REFUSE PACKER 20 YARD	268,767
PUBLIC WORKS	REFUSE PACKER 20 YARD	268,767
PUBLIC WORKS	STUMP CUTTER	60,000
PUBLIC WORKS	TRACTOR TYPE 3	85,000
SUBTOTAL		***6,101,809***
TOTAL ALL DEPARTMENTS		***6,908,120***