

Proposed Annual Budget • Fiscal Year 2016-17

“Protecting the Progress”



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City Manager » Jack Schnirman » **City Comptroller** Kristie Hansen-Hightower

AGENDA

01

CITIZENS GUIDE

Budget Process Overview

02

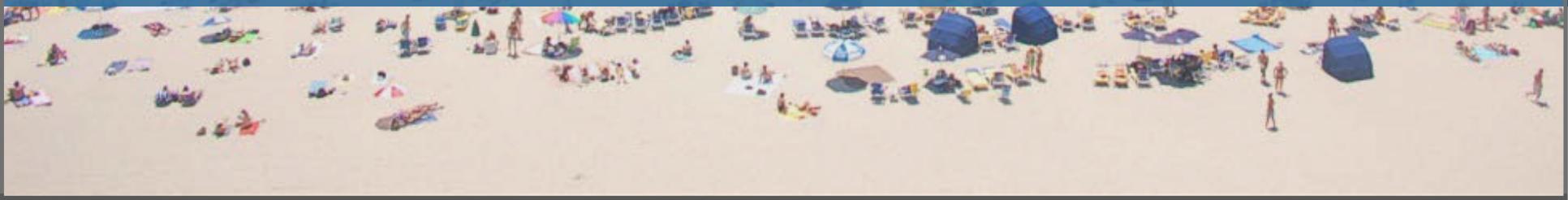
PROTECTING THE PROGRESS

Past, Present, Future

03

IN DETAIL

Operating Budgets

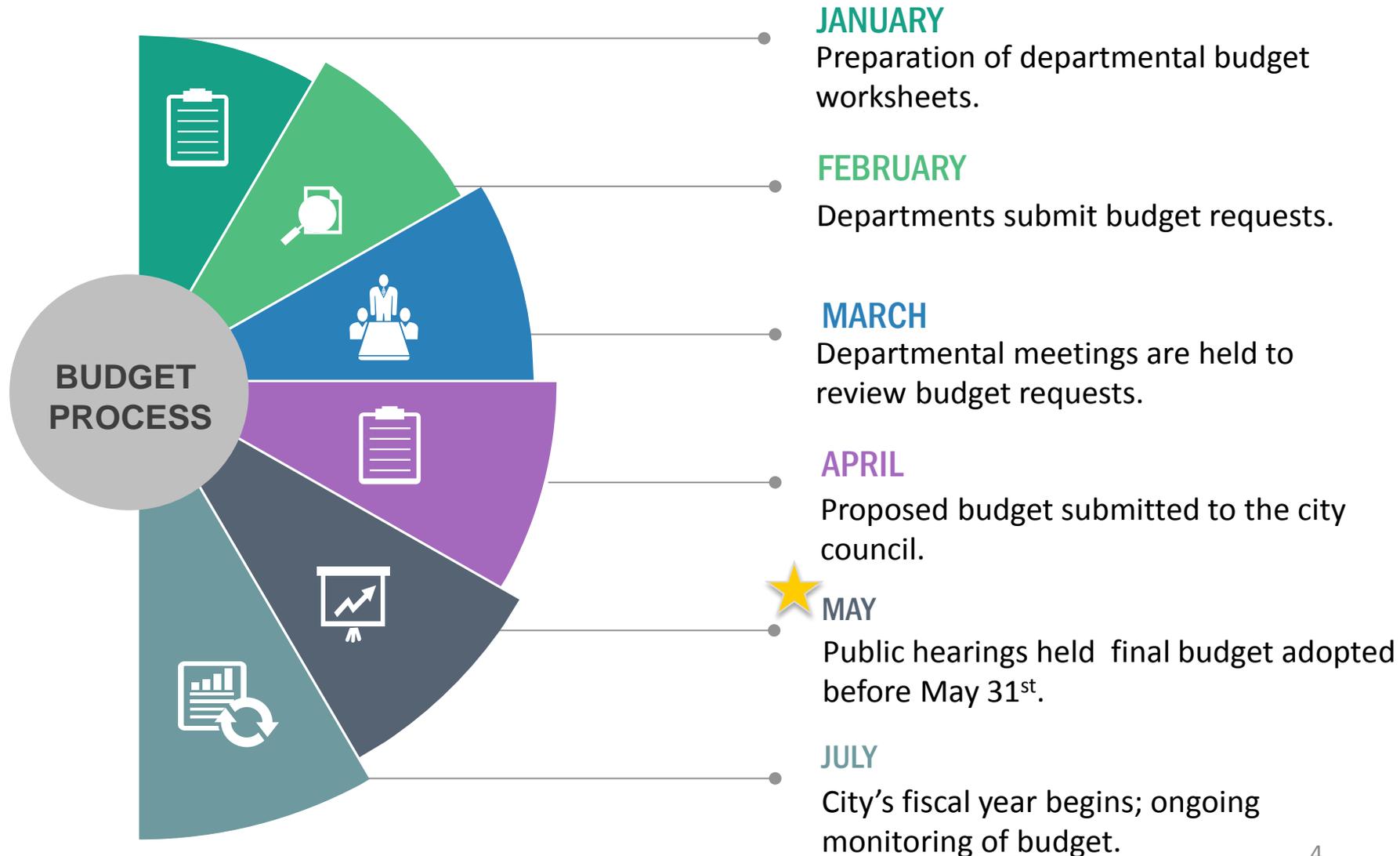


The page features decorative elements including a dark blue header bar with the number '1' on the left. The main content area is white with several decorative elements: a horizontal orange line with a dot on the left side, a horizontal orange line with a dot on the right side, and two large, light gray dotted lines that swirl and loop across the page. The text 'Budget Process' is centered in a large, bold, orange font, and 'Citizens Guide' is centered below it in a bold, dark blue font.

Budget Process

Citizens Guide

City's Annual Budget Cycle



Budget Document - *More than Just Numbers...*



Comprehensive budget document



Improved budget narrative



Informative, Easy-to-read format



Expanded departmental summaries & budgets

The operating budget document is more than just numbers. It conveys the City's strategic goals, accomplishments, and framework for managing the City's resources.

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Protecting the Progress

Moving Forward Together

City Mission Statement

The City of Long Beach, through the City Council, City Manager and City employees, will deliver municipal services to its residents in a fiscally responsible, efficient, responsive, and friendly manner.



MANAGING OUR FISCAL AND PHYSICAL RECOVERY – Implementing our Long-Term Fiscal Recovery Plan and rebuilding our infrastructure.



PUBLIC SAFETY – Serve and protect the residents, businesses, and visitors of Long Beach.



ENHANCING QUALITY OF LIFE – Providing a diverse, inclusive, and welcoming atmosphere to live, work and raise families.



ECONOMIC DEVELOPMENT – Growing the tax base to alleviate the burden on Long Beach tax payers.

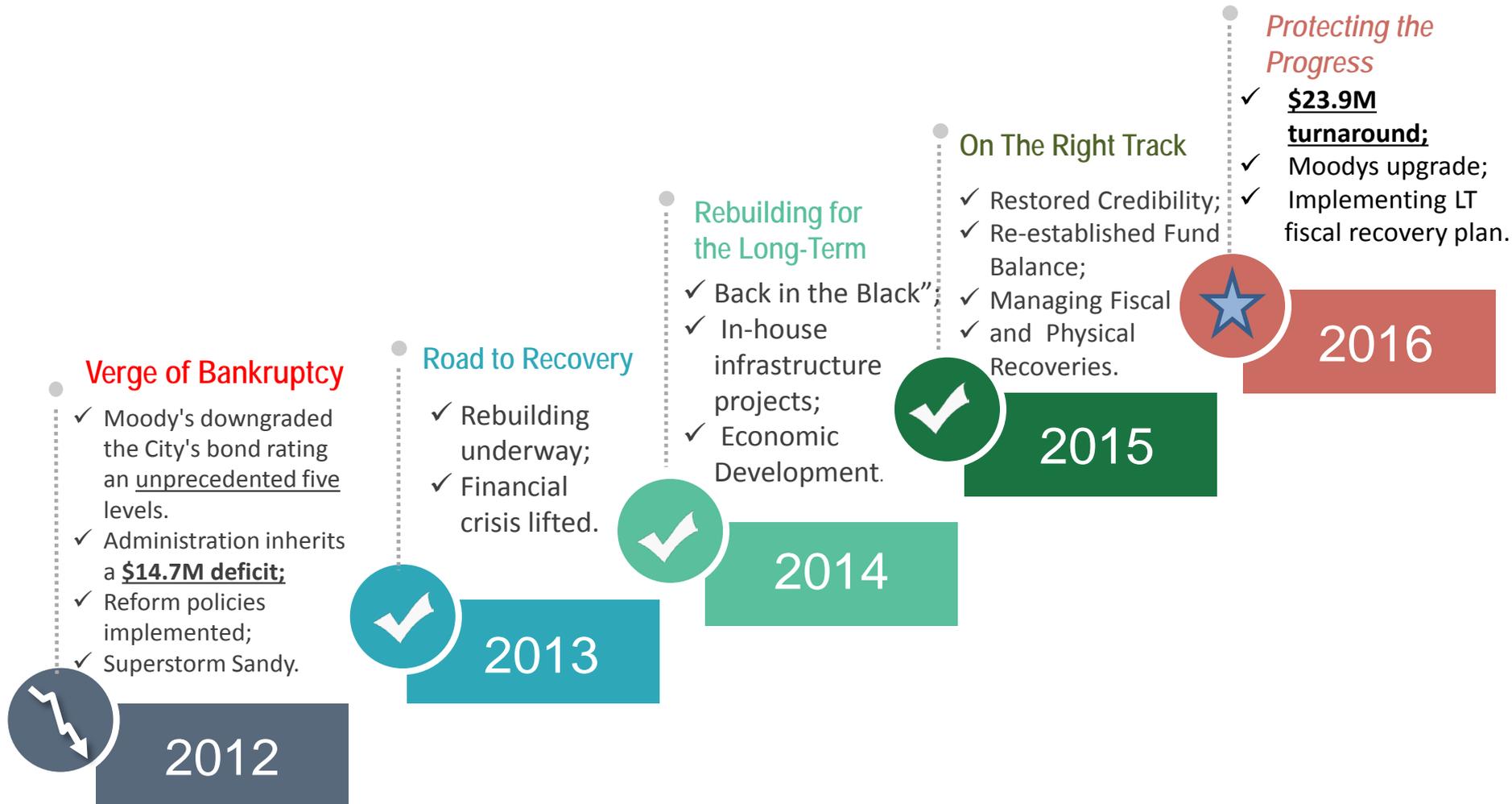


SMART GOVERNMENT – Governing responsibly and protecting public resources; Innovative and Technological advances to improve services.



SUSTAINABILITY – Protecting the City's natural resources and water quality, increasing resilient infrastructure, and implementing and encouraging sustainable asset management.

Protecting the Progress – *Moving Forward Together*



Prime Indicators



RESTORED CITY'S FUND BALANCE

*Increased from -\$14.7M at 6/30/12 to \$9.1M at 6/30/15; **\$23.9M turnaround***



2ND MOODY'S UPGRADE, 8TH CONSECUTIVE POSITIVE CREDIT ACTION

Continued Positive Outlook



NYS COMPTROLLER FISCAL STRESS TEST IMPROVEMENT

*Improved from **Significant Fiscal Stress** in 2013 to **No Designation** in 2015*



RETURNED TO FISCAL RESPONSIBILITY – REALISTIC BUDGETING

Improved Audit Comments by 80% from 2013 to 2015.



LONG BEACH UNEMPLOYMENT RATE DECREASED

Unemployment Rate Improved from 8.6% in March 2013 to 3.2% in March 2016.

Rebuilt Fund Balance

Rebuilt and increased unassigned fund balance across all funds from a **-\$14.7M deficit at 6/30/2012 to \$9.1M unassigned fund balance at 6/30/2015.**

Fund	FY 2009-10	FY 2010-11	YR 1	YR 2	YR 3	YR 4
			FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
General	\$4,891,338	\$225,865	(\$12,182,070)	(\$5,165,364)	\$5,009,900	\$7,050,313
Water	(\$55,080)	(\$528,452)	(\$642,498)	(\$231,322)	\$1,870,469	\$1,843,474
Sewer	(\$452,284)	(\$1,032,082)	(\$1,971,988)	(\$2,055,985)	\$209,034	\$262,748
Total	\$4,383,974	(\$1,334,669)	(\$14,796,556)	(\$7,452,671)	\$7,089,403	\$9,156,535

\$23.9M turnaround 

Restored Credibility in the Markets

Moody's Investor Services, for the second year in a row, upgraded the rating of Long Beach bonds to Baa1 from Baa2 with a positive outlook going forward, signaling a strong & steady recovery.

Moody's cited, *"The positive outlook also reflects our expectation that management will continue to build reserves over the near term. The outlook further reflects improved fiscal controls and policies implemented by the current management team."* *"Future rating reviews will focus on the city's ability to adhere to its plan to achieve and maintain structural balance, restore reserves and to continue to demonstrate commitment to conservative budgeting practices."*

CITY'S RECENT RATING HISTORY

Dec 20, 2011 Moody's

DOWNGRADES City 5 levels to Baa3 from A1; In review for drop to junk bond status.

June 12 & Dec 17, 2012 Moody's confirms/affirms Baa3 rating; Outlook Negative. No longer under review for downgrade.

June 9, 2014

Moody's changes Outlook to POSITIVE; affirms Baa3.



Jan 29, 2016

Moody's **UPGRADES** rating to Baa1; Outlook is **POSITIVE**.

Jan 1 & March 22, 2012

Current Administration takes Office; Moody's continues to review rating for downgrade.

Aug 30¹ & Dec 3, 2013²

Moody's changes Outlook to STABLE; affirms Baa3¹. Affirms Baa3; Outlook Stable.²

Feb 3, 2015

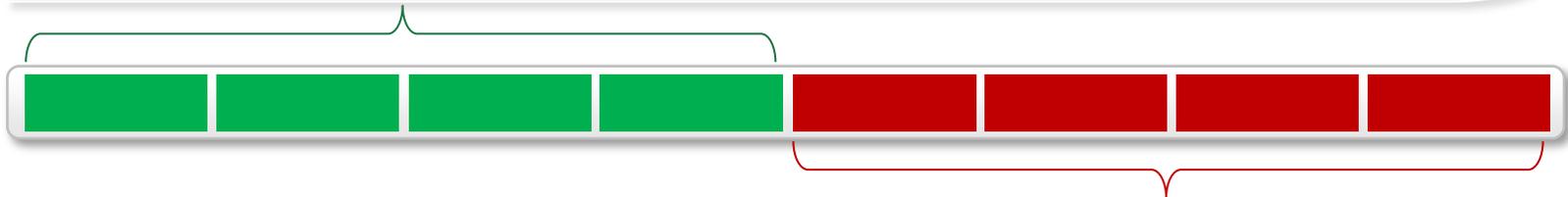
Moody's **UPGRADES** rating to Baa2; Outlook is POSITIVE.

*Additional Moody's announcements include: (i) Oct 1, 2012 COLB Increases Property Taxes, **a Credit Positive**, (ii) Nov 20, 2012 Hurricane Sandy adds to COLB Financial Strain, (iii) Jun 27, 2013 NY State Legislature approves Deficit Financing, **Credit Positive**, (iv) Feb 21, 2014 Dunes Protection Project **Credit Positive for LB**.

Restored Credibility in the Markets

WHAT COULD MAKE THE RATING GO UP ↑

- Demonstrated ability of structurally balanced budgets;
- Continued improvement in liquidity and reserves following the issuance of deficit reduction bonds.



WHAT COULD MAKE THE RATING GO DOWN ↓

- Reduced liquidity and reserves despite the issuance of deficit reduction bonds;
- Failure to adhere to new policies and procedures;
- Failure to implement structural changes to water and sewer funds resulting in further declines.



Economic Development and Planning



Supporting, assisting, and strengthening our business community while expanding the tax base, creating jobs, and creating a more resilient & sustainable Long Beach.

Long-Term Planning:

- ✓ New York Rising: \$25 million for improvements to the City's infrastructure;
- ✓ Hazard Mitigation Grant Program (HMGP) funds: \$12.9 million for north shore bulk heading;
- ✓ Resiliency Planning:
 - *Comprehensive Plan & LWRP* - Awarded two states grants to update the Comprehensive Plan and Local Waterfront Revitalization Program (LWRP).
 - *Zoning Updates* - Touro Law School was awarded a grant to provide the City with a full-time land use attorney to focus on updating our zoning code to coordinate with Comprehensive Plan elements and focus on resiliency.
- ✓ Streetscape Pilot: Comprehensive streetscape assessment for the pilot area

Supporting Local Businesses:

- ✓ Marketing Campaign - Supported by a \$300,000 grant by New York State's Empire State Development and the I LOVE NEW YORK Division of Tourism.

Newly Established Council for the Arts

- ✓ Established by the City Council in the fall of 2014 to encourage artistic awareness and enhance the cultural environment of the City of Long Beach through the promotion of all media of the arts.

LB Stat – *What gets measured, gets done*

LB STAT is the City's performance management program, which works with departments across the City to set performance metrics and goals, ensure accountability and continue to enhance productivity.

LB Stats four tenents are:

Data-Driven
Decision Making



Police Department :

✓ 3.79% reduction in auto crashes year over year.

Increasing
Efficiency



Building Department :

✓ 934% increase in permits issued since the storm.

Empowering
Departments



All Departments:

✓ Assist in achieving their goals and objectives.

Increased Value

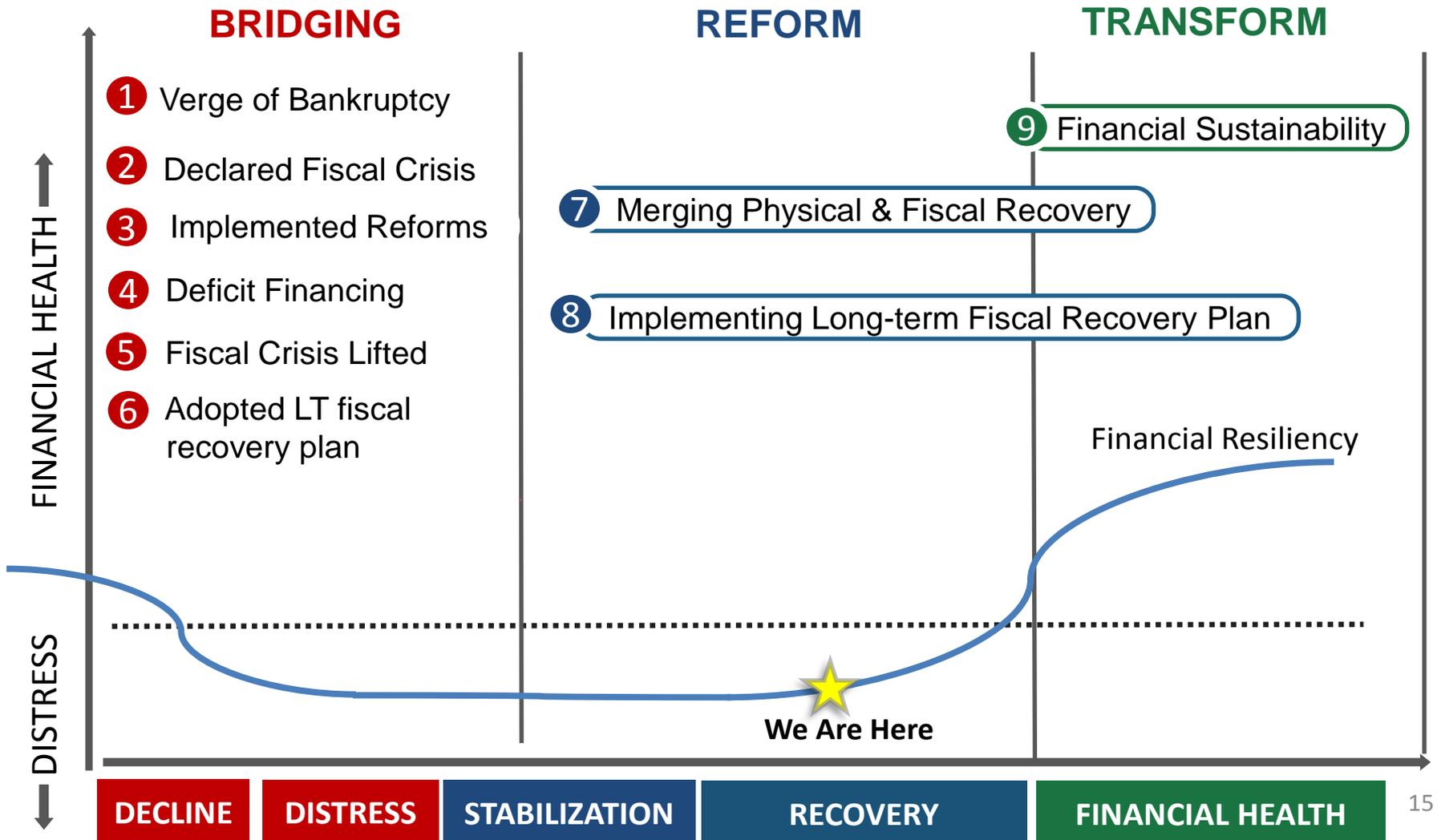


Department of Public Works:

✓ Saved \$150,549 through single stream recycling.

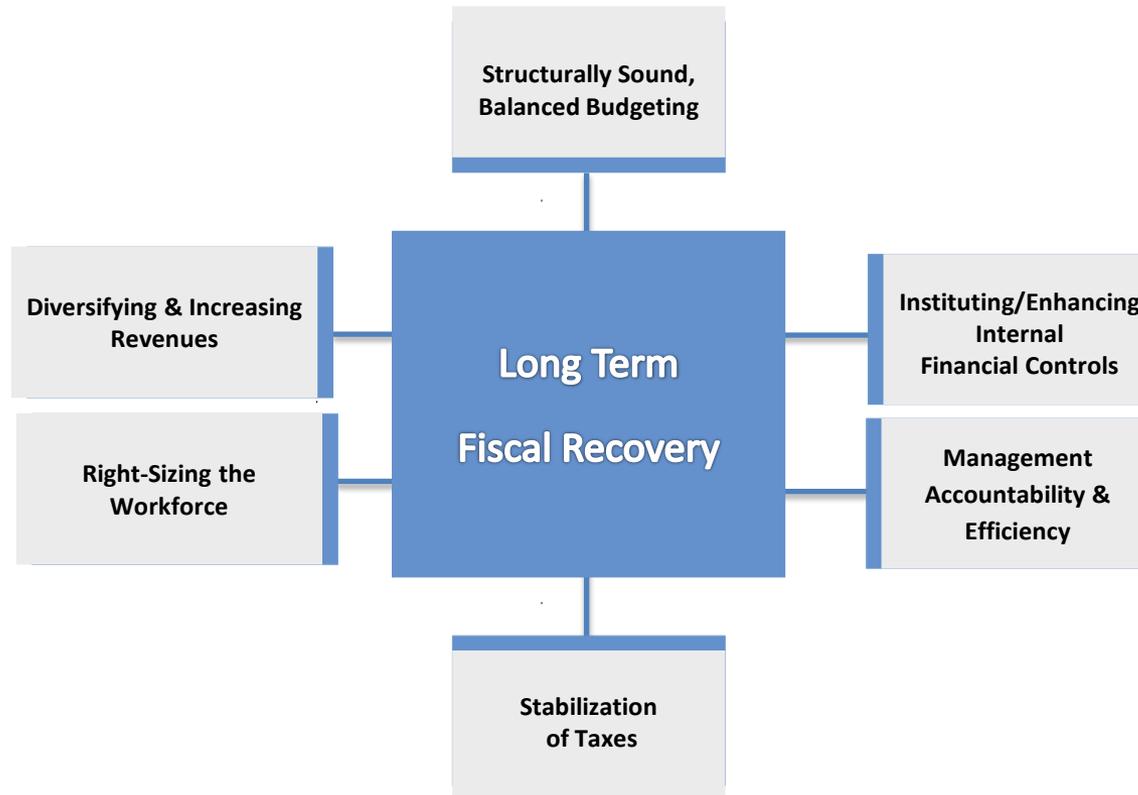
Stages of Financial Recovery – Where we are

**Adopted from Government Finance Officers Association*



Implementing Long Term Fiscal Recovery Plan

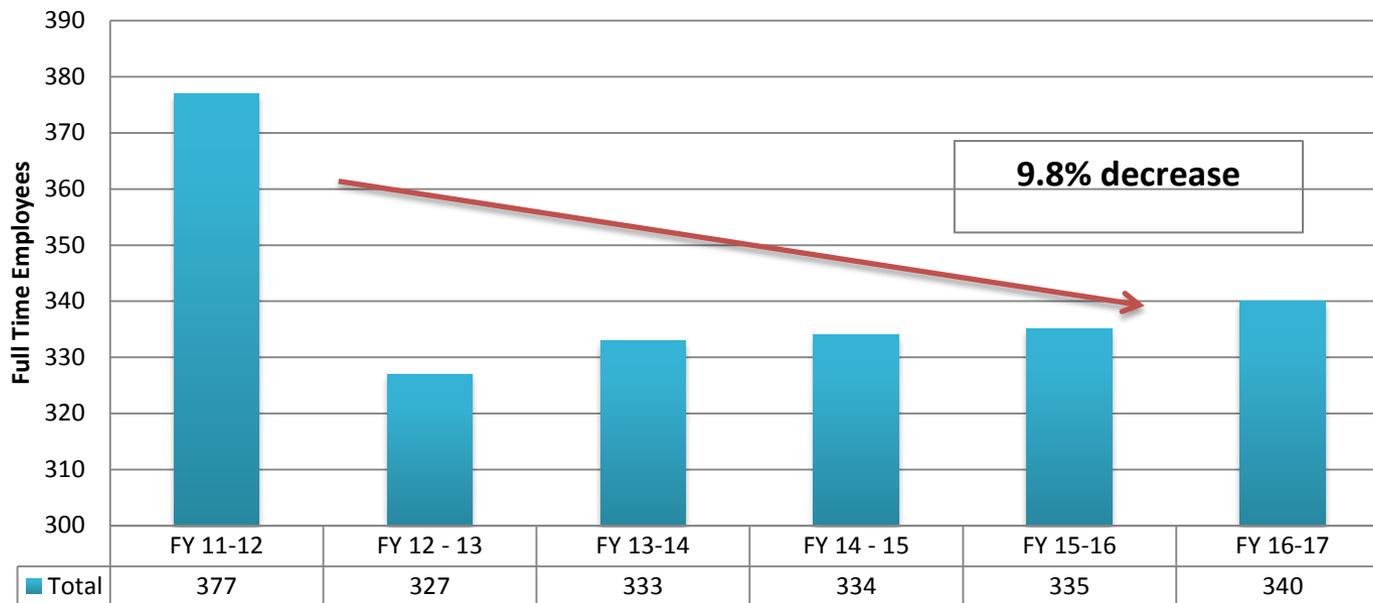
This Council removed the fiscal crisis designation in September 2013, as this administration completed the necessary corrective actions. Core tenets of the Long Term Fiscal Recovery Plan are:



Organizational Realignment

Streamlining & expanding where needed is critical to the progress of the City. As our needs change, the City will continue to place importance and resources on attracting, engaging, and retaining a diverse and high-performing workforce.

Full Time Budgeted Employees



Since taking office in 2012, maintaining the right-sized workforce continues to be a key component of this administration's effort in turning around the City finances. Management uncovered that over a period of years, staffing spiraled to an unsustainable level and comprised 83% of the ENTIRE budget.

Living our Values

We remain committed to taking **direct action** to pursue our community's values by collaborating with other levels of government, the non-profit community, and our labor partners to direct the resources that our community needs and deserves.



Creating Livable Wages

- ✓ Restructured Sanitation Department;
- ✓ Raised lower PT wages;
- ✓ Creating new path to full-time work.



Expanding Programs

- ✓ Youth Build;
- ✓ Ladders to Success;
- ✓ COTA;
- ✓ Summer Internships.

Expanding Health Care Access

Adopted Provisions of Affordable Care Act



Empowering Communities

- ✓ Language Access
- ✓ Leveraging Community Development Funds
- ✓ Working w/ local Not for profits



NYS Comptroller Fiscal Stress Test

The Fiscal Stress Monitoring System provides:

- An early warning of fiscal stress for local governments and school districts.
- Feedback to stakeholders about stress conditions to help alleviate causes.

Financial Indicators:

*Determines placement on stress list

- Year-end fund balance;
- Operating deficits/surpluses;
- Cash position;
- Use of short-term debt for cash flow;
- Fixed Costs.

Environmental Indicators:

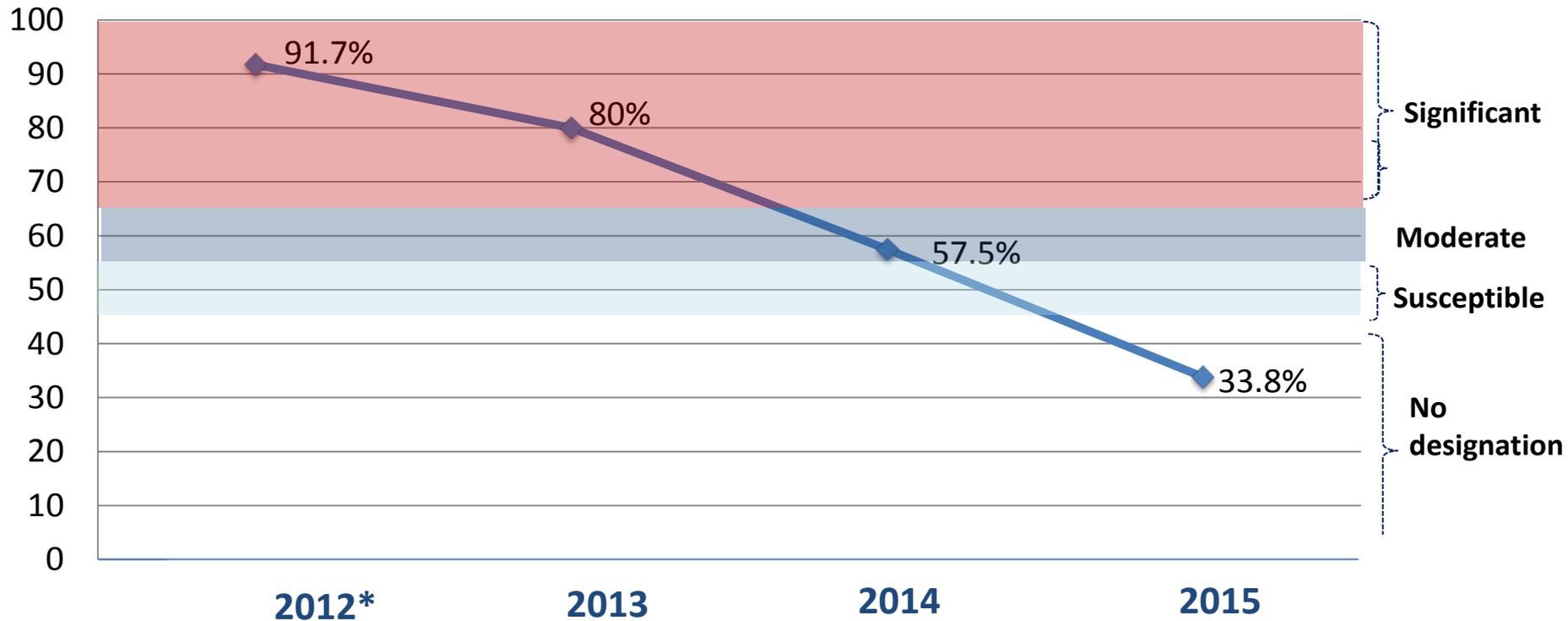
*Provide Context

- Population, Age and Poverty;
- Property Values and Employment;
- Dependence on revenue from other government units;
- Constitutional tax limit;
- Sales tax revenue.

Three Categories of Stress: **Significant**----**Moderate**----**Susceptible**

NYS Comptroller Fiscal Stress Test

City of Long Beach fiscal stress score is now 33.8%, which is in the “No Designation” category. This is a significant improvement from 2014’s 57.5%, “Moderate Fiscal Stress”. In 2013 we were at 80%, “Significant Fiscal Stress”.



Comments: *Internally Calculated

Fiscal Stress Score – *In Perspective*

As we adjust for one-time Sandy revenues that were a direct benefit from merging of fiscal & physical recoveries we believe the City still remains in “Moderate Fiscal Stress.”

The score for Long Beach has again indicated significant improvement for our administration’s finances. Nevertheless, we agree with Comptroller DiNapoli’s comments that indicate that we and other cities do not have “smooth sailing ahead” and remain under stress, as well as his office’s advice to continue addressing our areas of concern and focusing on our long term financial plans.

Comptroller Thomas DiNapoli’s report said Long Beach and Utica improved their scores last year and pulled themselves out of the fiscal stress level. However the report said that both cities, as well as Syracuse, “are in close proximity to susceptible fiscal stress.”



Superstorm Sandy – Managing our Fiscal and Physical Recovery

Rebuilding a Stronger, Smarter, Safer Long Beach



Long Beach has made great progress in the past three years in the aftermath of Superstorm Sandy, but there is still a great deal of work ahead as the City rebuilds. Moving forward, we will continue to see fiscal returns as maintenance costs are lowered and economic activity is increased.

- ✓ The City received insurance payments totaling \$10.8 million from its insurance carriers and an advance check from FEMA in the amount of \$24.32 million (75% of estimated costs).
- ✓ The City has submitted total expenses of \$121 million and has received \$72 million.

The City expects that nearly all of the costs will be covered by insurance proceeds, FEMA and State funds. By utilizing the City's existing workforce for storm-related projects, the recovery has **generated \$6.1M** that has been, and will be, used to offset the cost of operations.

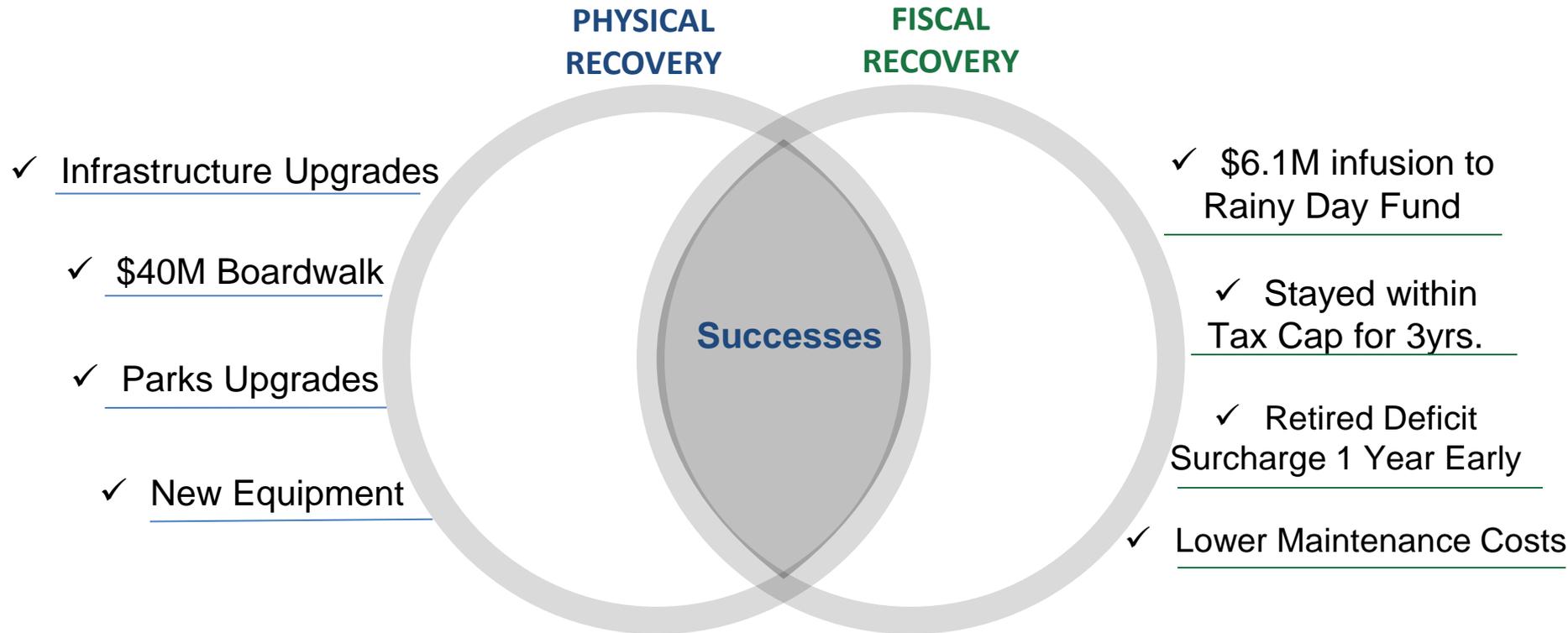


Thank You to the hard working members of the CSEA & the Management of Public Works.

In-house infrastructure work covering straight time, overtime, and equipment costs has infused \$6.1million back to the citys rainy day fund.



Merging our Recoveries - Benefits

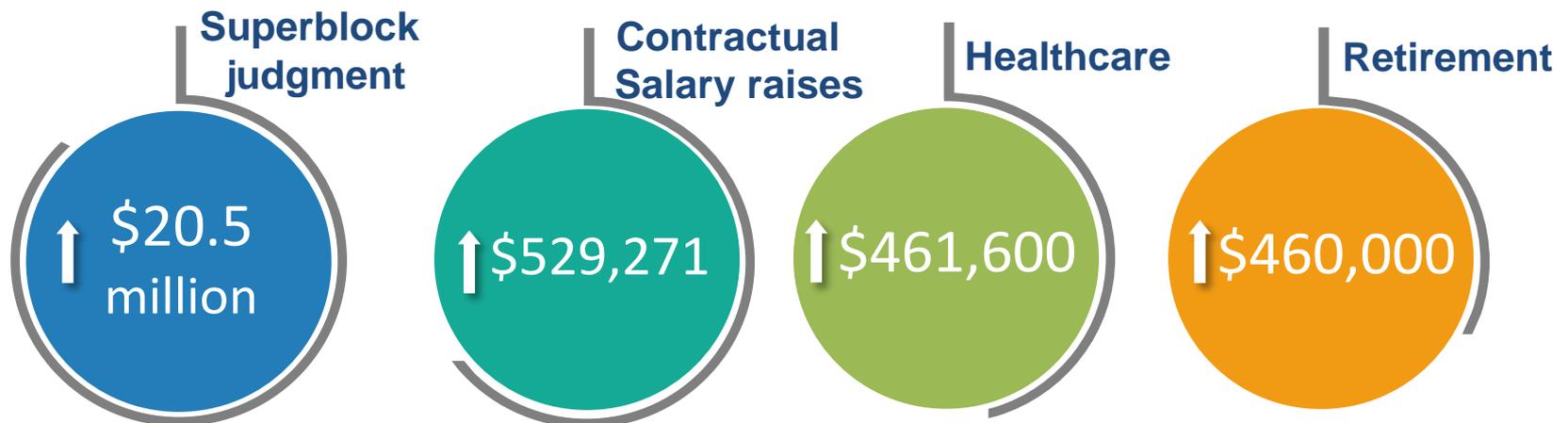


Making the Hard Choices: \$42k \neq \$4.2 million

Like many other municipalities across the country, the City faces significant hurdles every single year.

- Each budget requires difficult choices and this year's budget was extremely challenging given the NYS tax cap, set at 0.12%.
- The 0.12% increase equates to only \$42,000 in additional potential revenue to tackle \$4.2 million in expense increases.

Inevitable and Unavoidable increases totaling \$4.2M, include:



Faced with Options

In protecting our progress we must continue making hard choices, amongst those are

OPTION 01

BUDGET MORPHINE

Short-Term Relief,
Long-Term Negative Effects

Option **01**

- Raid & deplete rainy day fund;
- Financial relapse;
- Credit downgrade.

OPTION 02

DRASTIC CUTS

Immediate Relief
Drastic Shocks

Option **02**

- Potential service cuts;
- Significant layoffs;
- Eliminate paid fire department, avoid operating tax increase.

OPTION 03

PRUNING

Long-Term
Financial Stability

Option **03**

- Organizational realignment;
- Improve operational efficiencies;
- Diversify revenues;
- Growing the tax base.

“Faced with the options, our team’s recommendation is continuing to *prune* the structure of City government and grow our tax base. ”

Pruning (verb):

1. Financial pruning for the City of Long Beach requires trimming the structure of government through attrition, organizational realignment and offering early retirements.
2. Growing the tax base through economic development coupled with smart comprehensive planning.
3. Generating robust economic activity that will foster vibrant downtowns, great jobs, and increased value.

Actions Taken to Protect our Progress



Strict Departmental Budgeting

Combed the budget line-by-line and reduced requested amounts by \$1.6 million. Discretionary represents 9.63% of budget – lowest in the past 4 years.



Various Revenue Increases

- Beach Fees - *Primarily Visitor Passes*
- Building Permits
- Recreation Fees
- Other Misc. Fees



Operational Tax Levy

3.94% increase for General Fund Operations



Appropriated Fund Balance

Our surplus paying for previous administration deficit. Appropriations of \$637,545 from the general fund and \$83,253 from the water fund to cover annual deficit financing payments.



Superblock Judgment Necessitates Separate Tax Line

4.34% increase to pay superblock judgment debt; Separate tax line will sunset in 15 years.

City Property Taxes – Operational Tax Levy

This year the NYS tax cap, for 2016-17 is down sharply, set at 0.12%, which equates to **only \$42,000** in potential additional revenue for the City.

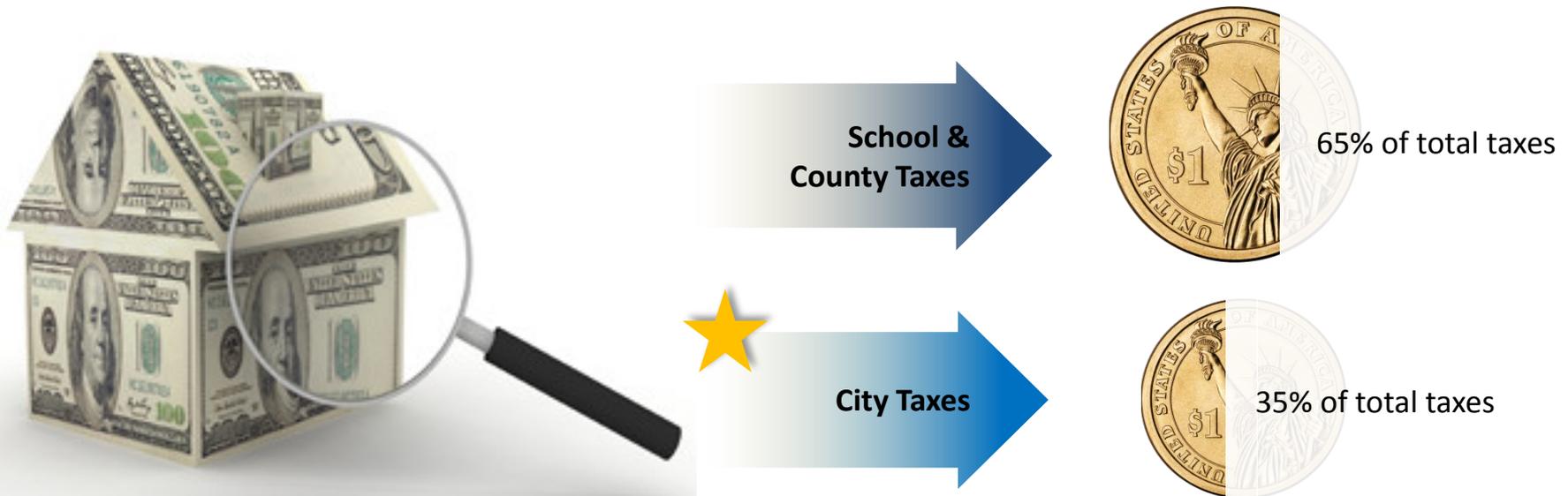
The 2016-17 proposed budget includes an operational (general fund) tax levy increase of 3.94% from fiscal year 2015-16. Average Increase per house \$126.00.

Last year, as a result of the City's compliance with the NYS State Cap, *qualifying homeowners* received a 100% reimbursement for the 3.18% tax increase, which resulted in a net-zero tax increase.

While the administration supports the *"spirit"* of the Tax Cap, our rising fixed costs alone make it impossible for the City to remain within the tax cap for the upcoming fiscal year.

A Closer Look – Residential Tax Burden

For every tax dollar collected...



Superblock Judgment – *Decade old lawsuit*

In September 2015, Court of Appeals denied the City's application to appeal on a decade-old case involving the Superblock property.

What is the Fiscal Impact?

The City sought bond authorization financing in the amount of \$20.5M to cover the estimated cost of the judgments.

\$2.5 million in escrow funds from the settlement along with the \$15.6 million, was used to immediately pay \$18.1 million to the plaintiffs.

A separate tax levy line, equivalent to a 4.34% tax increase, will be allocated toward paying the balance of the judgment. Average increase per house \$138.00

Once the judgment is fully paid off, that line can be permanently removed from the City Tax bills.

Fund Balance Appropriations

This proposed budget **includes appropriations of \$637,545** from the general fund and **\$83,253** from the water fund which will cover the FY 2016-17 annual debt service associated with the deficit financing.

This appropriation does not reduce fund balance below the critical point and has allowed the City to lower the proposed tax levy and generate a savings for the second year in a row.

Vital to Our Recovery. How Much is Enough?

Maintaining a sufficient fund balance is **vital to our fiscal recovery**. Having a low fund balance makes it more difficult to withstand future financial emergencies

- As defined by the NYS Comptroller's Office Fiscal Stress Monitoring System, the threshold for low available fund balance for cities is defined as less than 10% of expenditures.
- Given our fiscal challenges, the City had previously adopted a modest, minimum fund policy of 5%.
- As of 6/30/2015, fund balance totaled \$9.1M, which compared to our proposed FY 2016-17 budget, totals our fund balance/expenditures at 10.12%.

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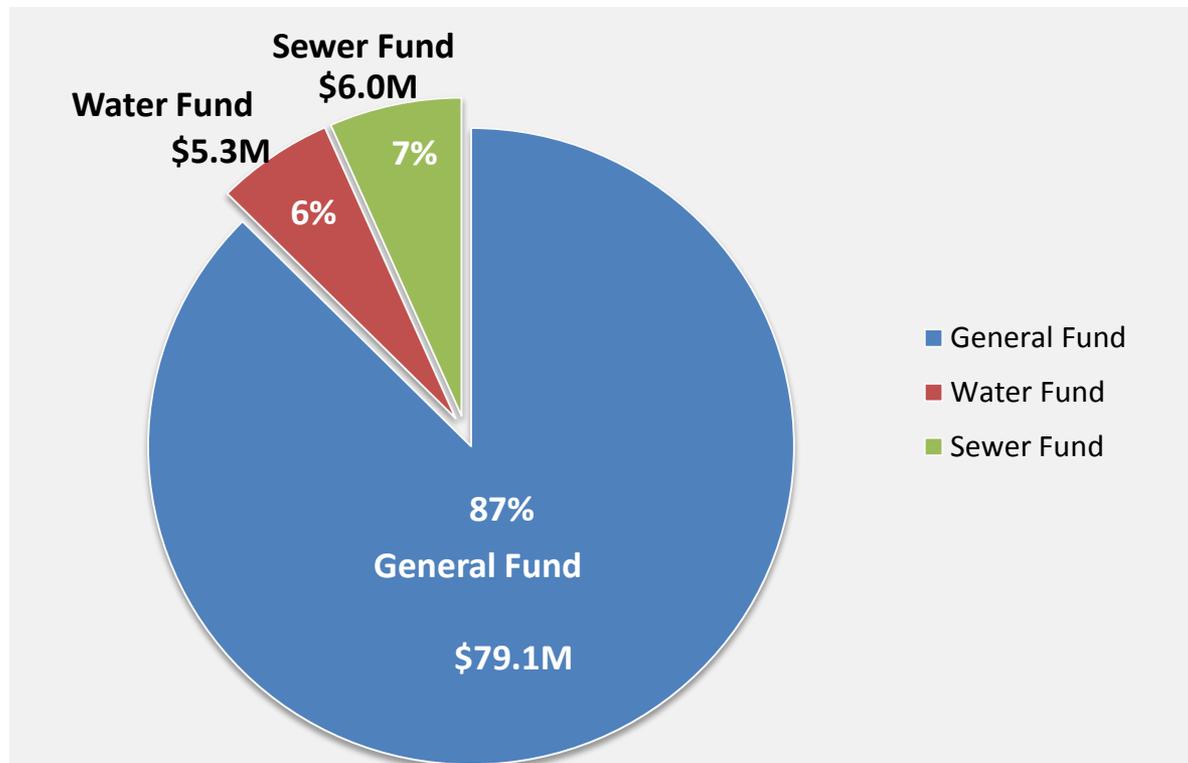
Proposed

Operating Budget

in detail

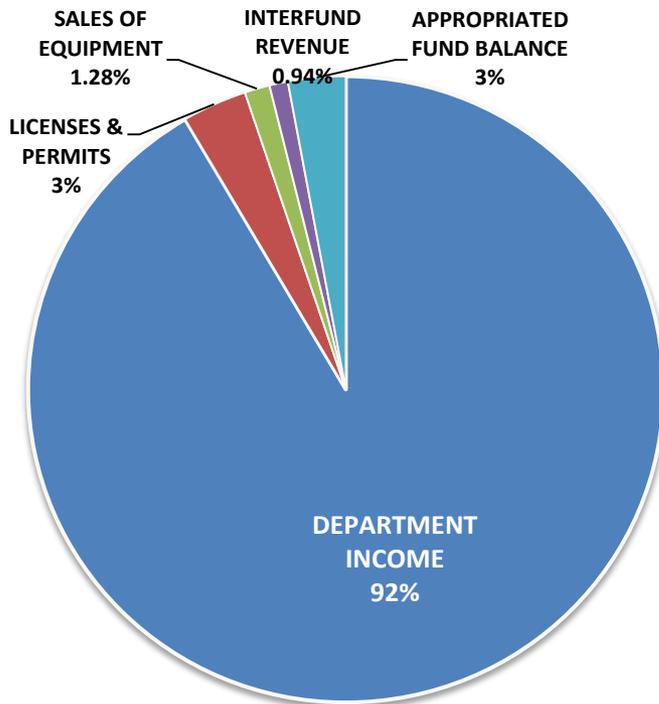
Proposed Operating Budget Overview

The proposed operating budget for fiscal year 2016-17 totals \$90,407,711.

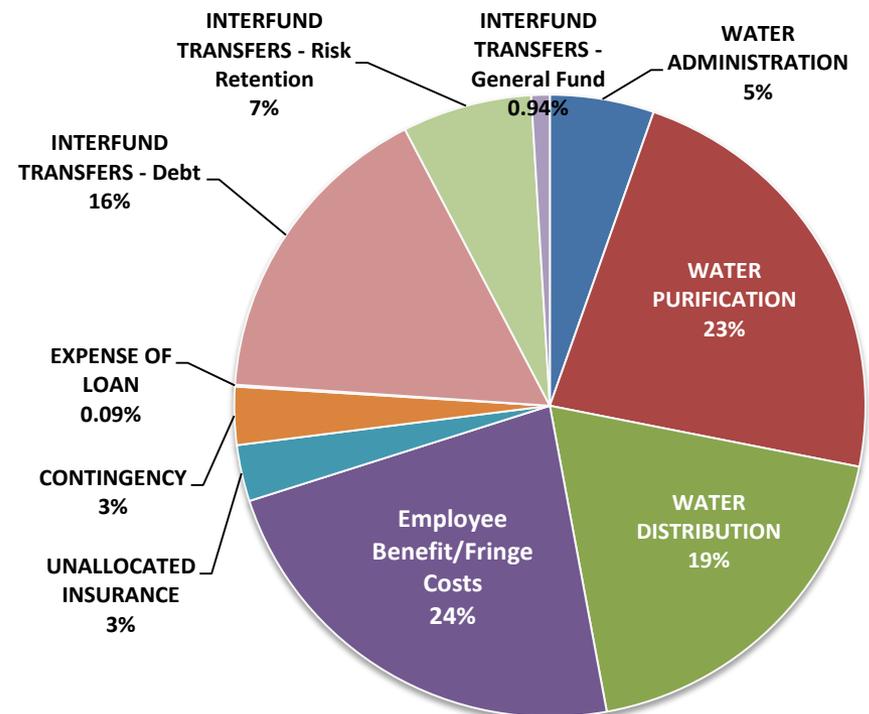


Proposed Budget Overview - Water

Proposed Water Fund Revenues



Proposed Water Fund Expenses

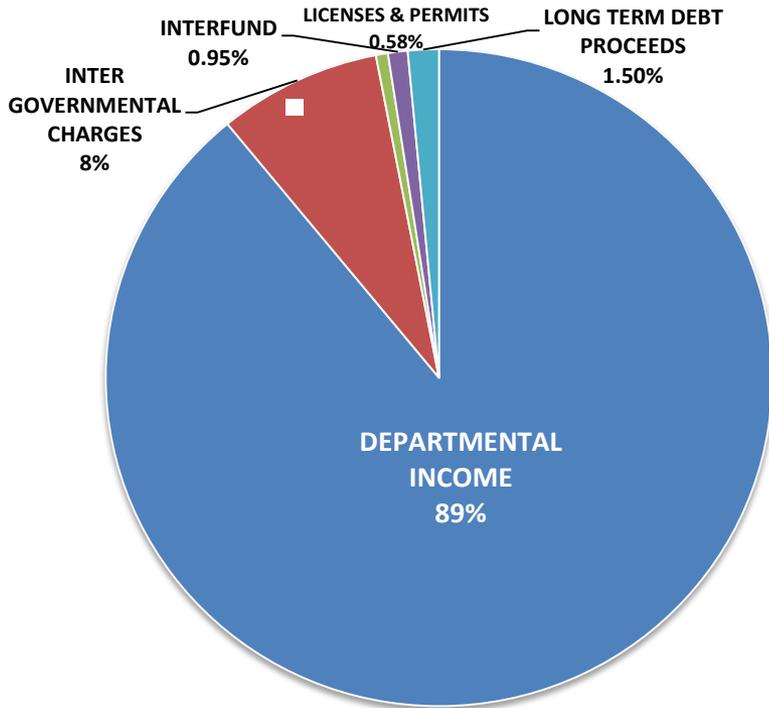


Total Proposed Water Budget- \$5,309,551

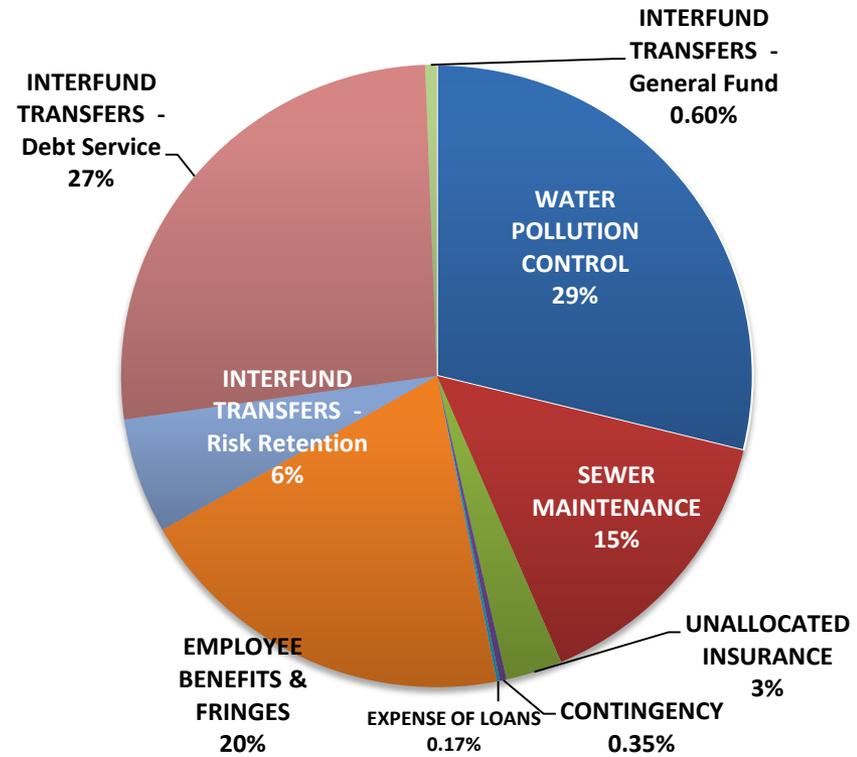
Budget includes a 4% fee increase

Proposed Budget Overview - Sewer

Proposed Sewer Fund Revenues



Proposed Sewer Fund Expenses



Total Proposed Sewer Budget- \$6,003,526

Budget includes a 4% fee increase

How your Tax dollars are spent

24.82%

Employee Benefits-\$19.6M

20.98%

Public Safety - \$16.5M

16.97%

General Gov't Support- \$13.4M

8.95%

Recreation \$7.0M

7.42%

Other * \$5.9M



*Other – Interfund Risk Retention: \$2.8M (3.66%); Transportation: \$2M (2.60%); Economic Opportunity & Education: \$916,670 (1.16%).

10.17%

Home & Community Svcs -\$8.0M

10.67%

Debt Service - \$8.4M

Thank you



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