



2012-2013

City of Long Beach Budget Presentation

May 15, 2012

Inherited Deficit Breakdown

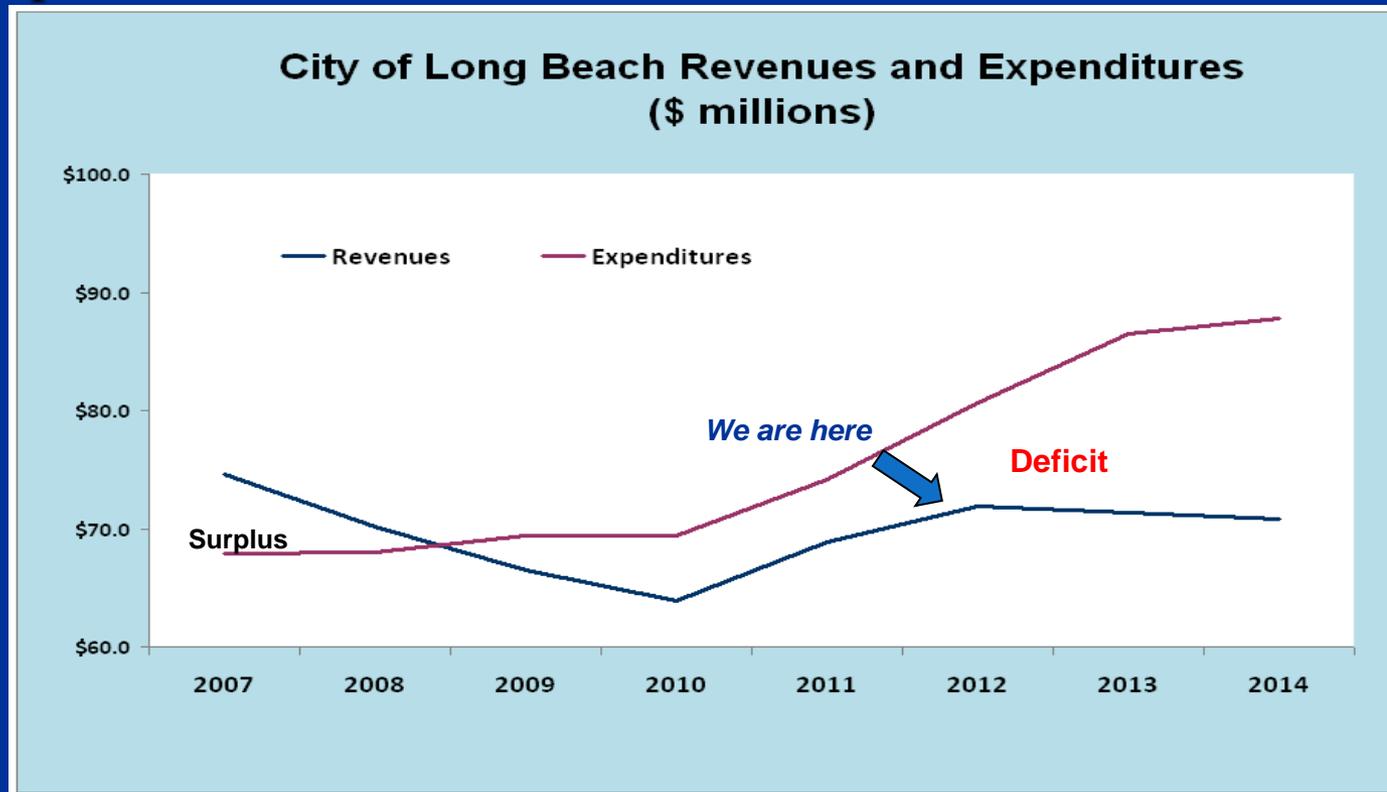
A thorough analysis of the Long Beach financial forecast has been completed, and the City faces a projected budget deficit of \$10.25 million for fiscal year 2011-2012.

Note: The prior administration borrowed \$1.5 million in a budget note, bringing the City's current remaining deficit to \$8.75 million

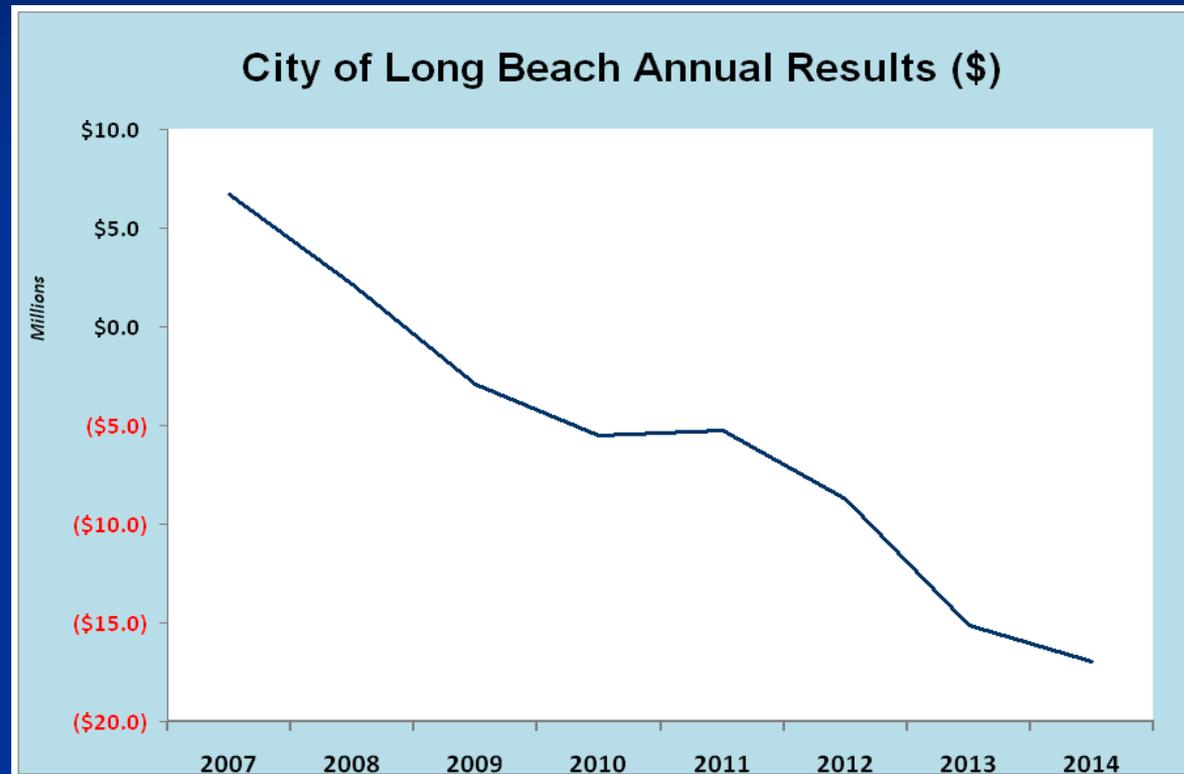


Prior Administration's Escalating Imbalance

- The total size of the estimated inherited budget deficit represents more than 12.4% of all budgeted expenditures.
- Over a period of years, revenues were over estimated, and expenditures were under estimated.



Prior Administration's Unsustainable Trajectory

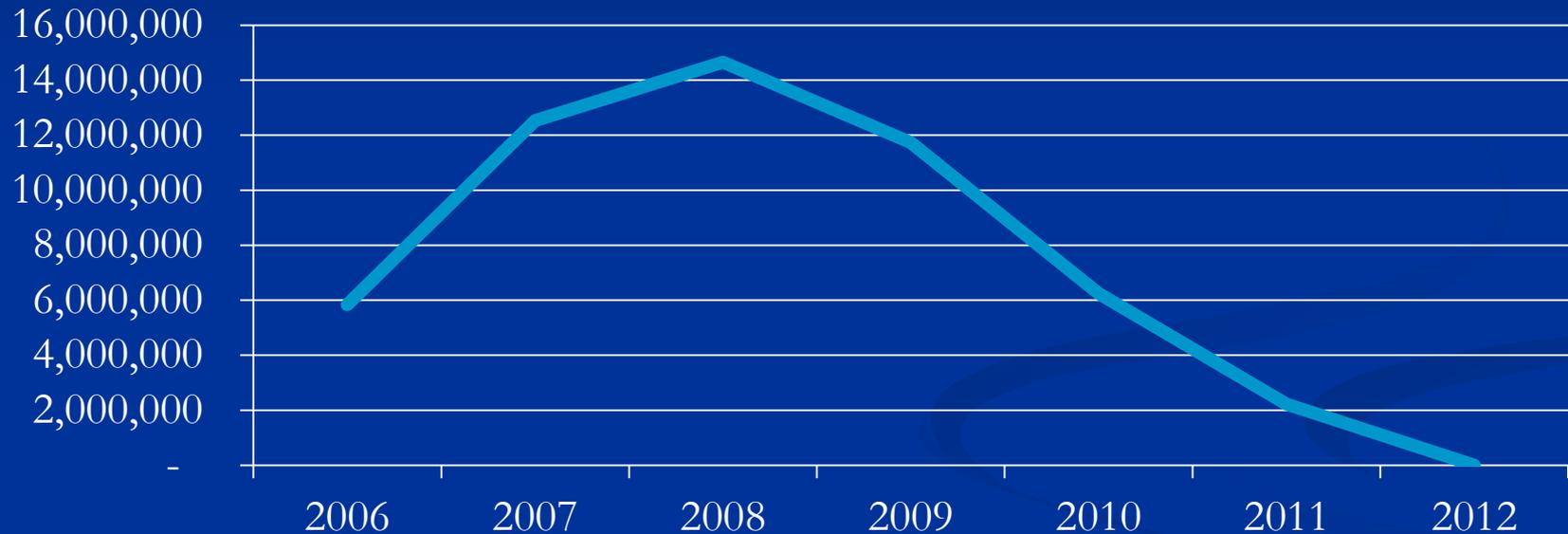


If the current trend continued, the City's annual deficit would approach \$20 million by the year 2015.



No More Rainy Day Fund

City of Long Beach Fund Balance



In the last four years, the prior administration spent down the *rainy day fund*.

In 2008, the balance was **\$14.7 million**.

In **2012**, there are **NO** *rainy day funds* remaining.



Termination Pay

The single largest estimated expense deficit is for termination pay, which represents 46% of expense deficits across all funds.

- Every **\$284,320** represents a **1%** tax increase for Long Beach residents
- The prior administration only budgeted a mere \$749,357 for citywide retirements in 2011-2012, and the actual cost of retirements in 2011-2012 to this point has amounted to **\$3,726,399** (*497% over budget*)
- The cost of the over-budget termination payouts equates to a **10.5% tax increase** on residents



Spotlight on Police Payouts

- Four officers retired in the 2011-2012 fiscal year, their total payouts amounted to \$2,018,733.30, equating to a **7.1% tax increase** on residents
- Going forward, the City would like to put a cap on payouts and have them paid over time



New Administration's Cost-Savings Process

Step-by-step look at the new administration's first three months, leading up to the preparation of the budget blueprint:

- 1/17 – Initial findings and reforms were released
- 2/07 – Independent audit document & summary was presented
- 2/07 – Fiscal crisis resolution passed by city council
- 2/14 – Moody's issued Weekly Credit Outlook cites actions as credit positive
- 2/21 – Local development corporation process initiated
- 2/24 – Significant overtime cuts following implementation of new policy
- 3/06 – Early retirement incentive offered to city workers
- 3/20 – Inherited deficit projection presentation given at council meeting
- 3/22 – State comptroller's audit announced
- 3/23 – Moody's reaffirms our bond rating
- 3/27 – Special council meeting held for \$6M cash flow borrowing
- 3/28 – Mandated 25% cut from all non-personnel budget lines
(exceeded 25% goal)



New Administration's Savings

As of April 23, the new administration's savings are **\$2,434,820.75**. If these actions had not occurred, the deficit could have been **\$12,686,635**.

<u>Savings Overview</u>	<u>Savings</u>
Management Salary Savings	\$ 241,627.06
Reductions and Attrition	\$ 393,540.77
Overtime Reduction vs. Last Year	\$ 246,034.92
Amortizing of State Pension Payment	\$ 633,618.00
<u>Department Cuts (Non-Personnel)</u>	<u>\$ 920,000.00</u>
Total	\$2,434,820.75

** Calculations as of 4/23/12*



Budget Blueprint Summary

- Given the City's **\$10 million inherited fiscal deficit**, the new administration has initiated a thorough and thoughtful budget process — working around the clock scouring the budget, line-by-line, to find potential savings.
- The initial budget blueprint sketches out a responsible framework to return the City to balanced budgeting.



Significant Spending Cuts

- The proposed budget for the Fiscal Year 2012-2013 is **\$87,962,428** for the City of Long Beach. The budget includes payment of approximately **\$4 million** towards the repayment of a portion of the 2011-2012 projected deficit.
- This budget reduces discretionary spending and personnel costs below 2011 levels, slashing **\$1.78 million** from departmental requests (**12%**).
- To help alleviate the inherited fiscal deficit, using the powers delegated by the City Council in declaration of “fiscal crisis,” departmental spending was cut, netting savings of approximately **\$920,000**.



Personnel Savings

- City has frozen **ALL** management salaries for 2012.
- The new administration is saving more than **\$635,000** in annual salary costs by reducing the number of management positions and salaries below 2011 levels.
- The City is currently auditing police retirement payouts paid over time to alleviate the burden on taxpayers, and we are also working to ensure that these types of exorbitant payouts never occur again.



Personnel Savings

- To alleviate the burden on taxpayers, the blueprint incorporates **\$7 million** of additional personnel savings, including all labor units (CSEA, PBA, UFA), part-time workers, and exempt employees — following Governor Cuomo’s successful historic labor agreement models that are being emulated across New York State.
- If savings targets are not reached collaboratively, the City will have no choice but to pursue severe reductions in staffing numbers.



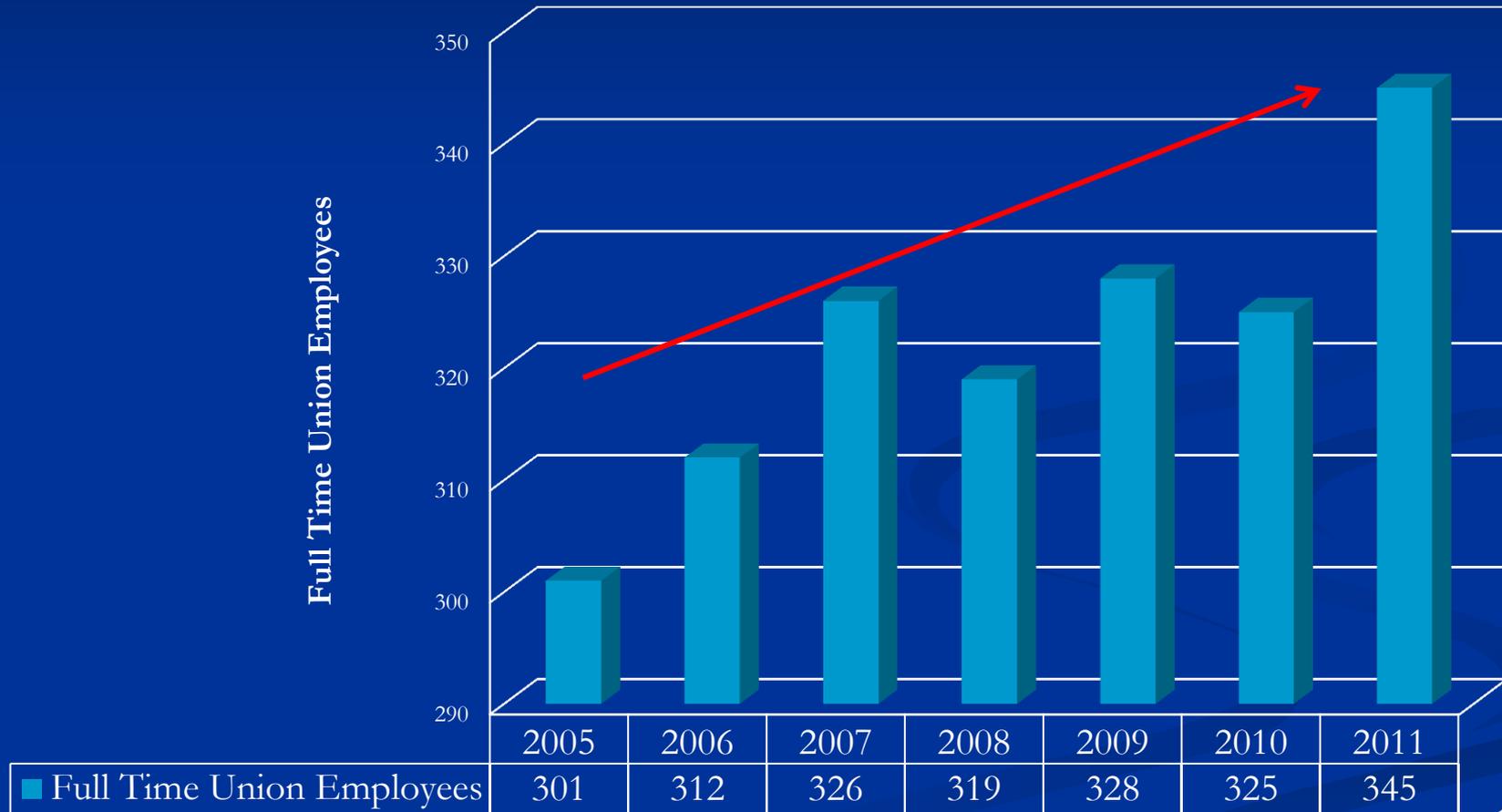
Staffing Analysis

- Personnel costs are **78.33%** of the ENTIRE budget or **81.35%** of the General Fund budget
- In 2011 staffing spiraled to an unsustainable level:
 - 27 (8 Full Time & 19 Part Time) additional employees were hired in DPW in 2011 (*Highway, Sanitation, Municipal Building, Beach Maintenance, Sewer Maintenance*)
 - 171 camp counselors were hired in 2011 (*NOTE: 108 were hired in 2010*)
 - 2011 Ratio of Counselors to Campers was 2.8 campers per every counselor
 - 2010 Ratio of Counselors to Campers was 4.5 campers per every counselor
 - 207 Ocean Lifeguards were hired in 2011 (*NOTE: 158 were hired in 2004*)
 - 84.6% increase in salaries since 2004
- While city staffing continued to increase city population decreased
 - 2000 U.S. Census 35,462 vs. 2010 Census 33,275 (**6.2% decrease**)



City of Long Beach

Full-Time Staffing Levels



NOTE: Chart reflects Full Time Union Employees (CSEA, PBA & UFA)



Historical Staffing Numbers

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
CSEA	205	211	224	220	232	222	241
PBA	74	74	75	73	70	77	71
UFA	22	27	27	26	26	26	33
Full Time Total	301	312	326	319	328	325	345
Part Time Total	945	1021	1122	1060	1314	1233	1217

NOTE: Chart reflects Full Time Union Employees (CSEA, PBA & UFA)



High Earners, Exorbitant Overtime, and Over Staffing

- The prior administration under-budgeted expenses, depleting the City's cash reserves.
- As we began 2012, overtime costs for the first half of the fiscal year was 65% over budget.
- The following pages contain startling statistics from the calendar year 2011, demonstrating the costs of mismanagement.



Top 15 Annual Salaries for 2011

■ Police Lieutenant	\$228,606.49
■ Police Officer	\$205,762.20
■ Police Commissioner	\$202,104.00
■ Police Officer	\$188,049.56
■ Police Lieutenant	\$187,692.77
■ Police Officer	\$186,600.52
■ Police Sergeant	\$184,506.68
■ Police Lieutenant	\$181,359.30
■ Police Lieutenant	\$177,854.00
■ Police Lieutenant	\$176,668.12
■ Fire Lieutenant	\$175,581.61
■ Police Officer	\$174,065.23
■ Police Officer	\$171,536.96
■ Police Sergeant	\$171,382.30
■ Police Sergeant	\$169,912.84



Top 15 Individual Employees with Greatest Overtime Pay

■ Superintendent of Beach Maint.	\$63,680.57 (985 hours)
■ Police Officer	\$60,604.10 (706 hours)
■ Police Officer	\$58,861.20 (589.25 hours)
■ Police Officer	\$54,653.38 (690.5 hours)
■ Police Lieutenant	\$54,623.66 (513.5 hours)
■ Superintendent of Sanitation	\$54,080.27 (780 hours)
■ Police Officer	\$53,207.38 (649.5 hours)
■ Police Officer	\$49,994.46 (577.75 hours)
■ Supervisor of Beach Maint.	\$47,454.97 (912 hours)
■ Assistant Supt. of Beach Maint.	\$47,059.79 (919 hours)
■ Fire Lieutenant	\$45,507.85 (517 hours)
■ Fire Lieutenant	\$44,684.90 (516 hours)
■ Fire Lieutenant	\$43,953.16 (529 hours)
■ Police Officer	\$43,263.20 (459.25 hours)
■ Police Officer	\$41,783.45 (519 hours)



Departments with Most Excessive Overtime Costs

■ Public Works	\$ 1,424,809.59
■ Police	\$ 1,233,282.47
■ Fire	\$ 479,273.99
■ Transportation	\$ 78,480.47
■ Recreation	\$ 65,184.60



Contributions to Health Care

- Beginning July 1, **ALL Exempt Management** employees and **Elected Officials** will begin contributing **10%** into their health care costs, generating a yearly savings of approximately **\$42,804**.
- If all union employees elected to contribute at the same rate of exempts and elected officials, the City would save an additional **\$526,245**.
 - Savings would be equivalent to approximately **8 jobs**.



Municipalities with Employee Health Care Contributions

Long Beach School District

- Teachers (approx. 400) contribute 15%
- Administration (approx. 12) contribute 15%
- Support Staff (approx. 450) contribute 11%
- Approximate Yearly Savings is approximately \$1M

Nassau County

- Employees hired after January 1, 2002 contribute 5% of the cost of individual coverage and 10% of family coverage.

New York State

- CSEA employees Grade 9 and below pay 12% for individuals and 27% for family
- CSEA employees Grade 10 and above pay 16% for individuals and 31% for family



Negotiations Thus Far

- For two months we have been in negotiations with our labor partners.
- Given the hiring surge of 2011, there are not enough concessions possible to avoid some personnel reductions.
- We hope to avoid or curtail additional staffing reductions.



Personnel Reductions – Round 1

	<u>CSEA</u>	<u>UFA</u>
Full Time Reduction (25)	\$876,400	\$283,339
Fringe Benefit Reduction	\$353,627	\$114,330
Full Time Total	\$1,230,027	\$397,670
Part Time Reduction (42)	\$620,574	
<u>Total Employee Reduction</u>	<u>\$2,248,271</u>	



Personnel Budget Savings Update

	CSEA	UFA	Lifeguards	Exempts
Health Care Contribution (10%)	-	-	-	\$42,804
Contract Concessions*	-	-	\$302,145	-
Early Retirement Incentive (10)	\$259,286	\$76,548	-	-
Additional Reductions (1)	\$66,547	-	-	-
Total	\$325,833	\$76,548	\$302,145	\$42,804

Personnel Savings Update Total \$747,330

Total Savings towards \$7M Target \$2,995,601

**Lifeguard Union concessions include wage freeze and reduction in weekly guaranteed hours*



Items on the Table to Curtail Round 2 Employee Reductions

<u>Potential Savings</u>	<u>CSEA</u>	<u>UFA</u>	<u>PBA</u>	<u>Lifeguards</u>	<u>Exempts</u>
Health Contribution	\$352,098	\$48,626	\$125,521	-	-
Holiday Reductions (2 Days)	\$44,984	-	\$23,052	\$10,524	-
Overtime to Comp Time	\$439,000	-	-	-	-
Lag Payroll (2 Weeks)	\$480,646	\$121,218	\$314,261	-	\$86,108
Wage Freeze	\$416,174	-	-	-	-
PBA Arbitration	-	-	\$650,000	-	-
Skill Adjustment	\$8,050	-	-	-	-
Meal Money	\$19,870	-	\$8,670	-	-
Uniform Allowance	\$47,450	\$9,913	\$29,588	-	-
Total	\$2,247,272	\$179,757	\$1,151,092	\$10,524	\$86,108



Proposed Deficit Reduction & Property Taxes

- The budget blueprint calls for the City to pay down the \$10 million inherited deficit over 3 years by way of a separate temporary inherited deficit reduction surcharge - this alone would equate to an **11.9%** tax increase.
- Separate from the surcharge, the blueprint provides the minimum level of additional revenue required to balance the budget with a modest **4.1%** increase on the general fund tax levy.



State Deficit Financing Opportunity

Cutting Tax Payer's Burden by more than Half

- Securely finance the deficit over 10 years
- Reduce the surcharge from *11.9% to 5.28%*
- Assembly Bill A.10159 and Senate Bill S.7426,
Sponsored by Assemblyman Weisenberg and
Senator Skelos
- Annual budget Scrutiny & Review by State
Comptroller.



State Deficit Financing Law

- According to New York State Finance Law section 10.10, municipalities can finance a deficit over 10 years under the following criteria:
 - The State Comptroller must first review and confirm the existence of the deficit, and the amount of the deficit must be certified.
 - The City shall submit the tentative budget proposal to the State Comptroller for examination and recommendations, prior to its adoption. Any of the recommendations made by the Comptroller that are rejected must be explained in writing.
 - The City must also prepare a three year financial plan covering the next three fiscal years.
 - The State Comptroller must be notified 15 days prior to the issuance of any bonds so that said bond can be reviewed for recommendation and to verify affordability.



Cost Savings Agenda 2012-2013

- Consolidation and Restructuring
 - Analyze departmental structures and operations in order to accomplish the following goals:
 - Seek opportunities to simplify the City's operational structure by pooling like-functions together.
 - Deploy resources efficiently.



Cost Savings Agenda 2012-2013

- “Long Beach Stat” Performance Management Initiative

“If you can’t measure it, you can’t manage it.”

- The new administration will employ best practices in order to improve City operations, identify efficiencies, and *save taxpayer dollars*. The “stat” method has proved extremely effective for municipalities of all sizes around the nation.



Cost Savings Agenda 2012-2013

- Centralized Constituent Response
 - Seek opportunities to centralize the City's constituent response functions to accomplish the following goals:
 - Identify opportunities for efficiencies by grouping like-functions together.
 - Maximize limited departmental resources.
 - Facilitate the flow of helpful information to residents as well as the intake of requests for service.



Cost Savings Agenda 2012-2013

- Revenue Enhancement Opportunities
 - Aggressively seek opportunities for additional sources of recurring revenue to alleviate the burden on Long Beach taxpayers, including but not limited to the following:
 - Seek additional grant opportunities.
 - Fee for service models.
 - Public-private partnerships.



Cost Savings Agenda 2012-2013

- Energy Efficiency
 - Leverage New York State support to upgrade the City's infrastructure, and reduce electric, fuel and maintenance costs.
 - This initiative will allow Long Beach to continue its commitment to becoming more *green*.
 - Induction Street Lighting. NYSERDA grant will help the City replace 860 street lights with energy efficient lighting.
 - New York Power Authority (NYPA) energy efficiency program will enable energy efficiency upgrades at various facilities throughout the City. NYPA grants low interest loans that are repaid from energy savings.



Tough Choices Cannot Be Avoided

- If the City does not follow through on spending cuts, personnel cost reductions, and necessary property tax revenue in order to reduce the staggering deficit left by the previous administration, the alternatives are even more severe:
 - A tax hike of approximately 41%
 - Further reduction of our credit rating by Moody's Investors Service, increasing borrowing costs and threatening our ability to maintain adequate cash flows
 - Imposition of New York State sponsored Financial Control Board, resulting in a loss of autonomy and local control over service priorities



Commonly Asked Questions

- ***What happens if we don't close the deficit?***
If the deficit is not closed, we would lose access to the bond markets and be forced to cease many of the City's functions.
- ***When do we have to close the deficit by?***
Urgently. The deficit must be addressed by the adoption of the next budget in order to close the books on the fiscal year ending June 30, 2012.
- ***Are we in "the red" overall? Don't we have reserves?***
Yes. The prior administration has spent down the *rainy day fund* that they inherited, and ran out of cash shortly before the end of 2011. See chart on slide 10.
- ***Isn't it easy to cut 12.4% to balance the budget?***
Unlike a household budget, due to union contracts and mandated pension obligations, the City can not unilaterally make changes short of layoffs.
- ***How did we get here?***
Simply put, over a period of years, revenues were over estimated and expenditures were underestimated.

