



**PROPOSED ANNUAL BUDGET PRESENTATION**  
**Fiscal Year July 1, 2014 – June 30, 2015**

**City of Long Beach • New York**  
***“Rebuilding for the Long Term”***

**City Council** » Scott J. Mandel, President • Fran Adelson, Vice President • Anthony Eramo • Eileen J. Goggin • Len Torres  
**City Manager** Jack Schnirman » **City Comptroller** Kristie Hansen-Hightower

# Budget Agenda

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*It was only 2 ½ years ago that...*

## The City of Long Beach was on the VERGE of becoming Detroit

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In December 2011 Moody's Downgraded the City's Bond Rating an **Unprecedented Five Levels**

The previous administration was running out of cash, leaving Long Beach on the verge of **BANKRUPTCY.**

*“Poor budgeting by the City of Long Beach’s former administration created an **\$18-million, multiyear deficit** and exhausted \$21 million in rainy day funds...By consistently adopting inaccurate budgets, the prior city administration created a significant deficit, depleted its surplus funds and went further into debt”*

*~ Office of the NYS Comptroller Audit  
July 2013*

# Return to Fiscal Responsibility

## WHERE WE WERE

### 2 ½ YEARS AGO

- \$18 Million Dollar Multi-Year Cumulative Deficit Was Created From Years And Years Of Financial Mismanagement.
- Revenues Were Continually Overestimated.
- Expenditures Were Underestimated Year After Year.
- In December 2011, Previous Administration Had To Borrow To Make Payroll.

Fiscal Accountability

Personnel Savings and Audit Comments

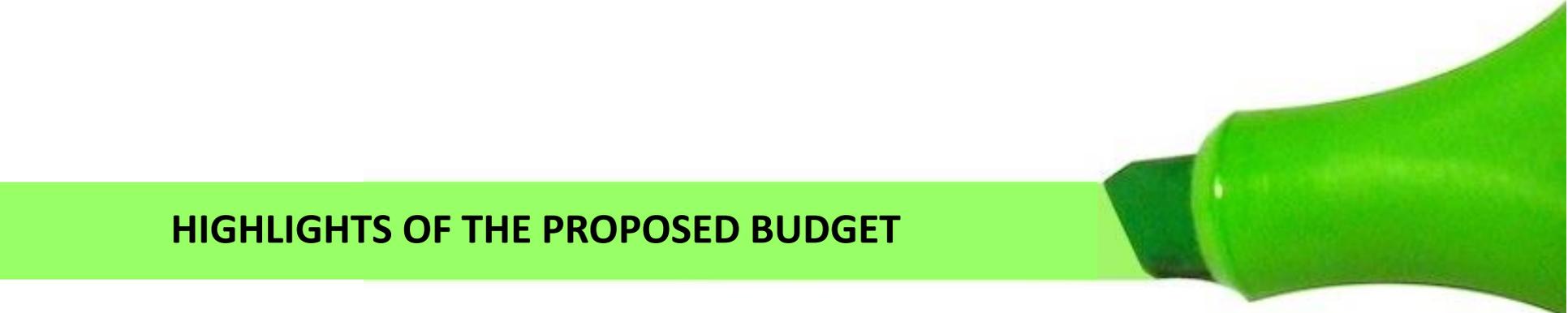
Moody's Changes Outlook on Long Beach

## WHERE WE ARE NOW

- ✓ For the past two years, the City Council has passed structurally sound balanced budgets.
- ✓ Monthly detailed departmental budget/variance reports.
- ✓ Tracking of all State & Federal grants; policies and procedures to account for the City's fixed assets.

- ✓ Reduced headcount by 12% to the lowest levels in over a decade.
- ✓ Early retirement incentives were offered. Management employees and Council members continue paying 10% of their healthcare premiums.
- ✓ Addressing internal and NYS Comptroller audit findings; Improved oversight.

- ✓ In August 2013 Moody's cites the current administration "improved financial controls and policies leading to balanced budgets" as reasons for the positive report and **outlook shift from "NEGATIVE" to "STABLE".**

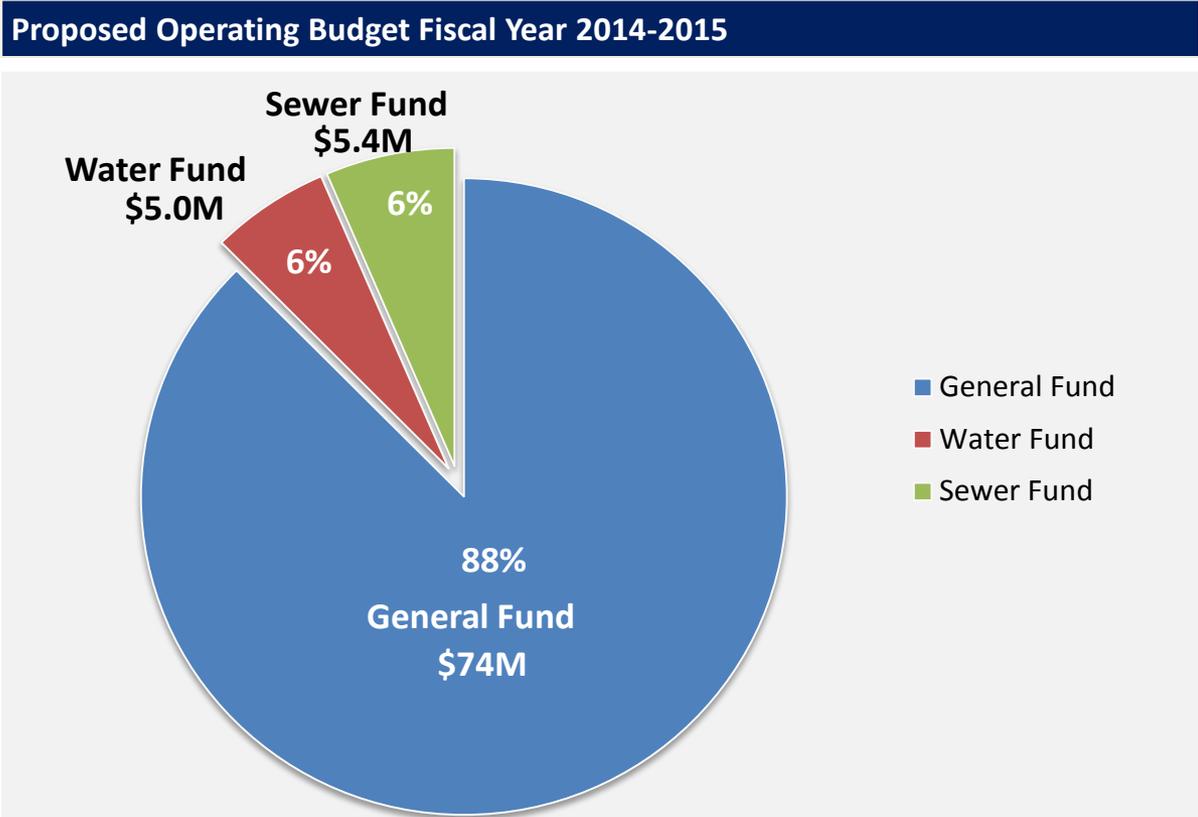
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## **HIGHLIGHTS OF THE PROPOSED BUDGET**

# Proposed Operating Budget Overview

The proposed operating budget for fiscal year 2014-2015 totals **\$84,451,889**.

The proposed fiscal year 2014-2015 Debt Service<sup>1</sup> and Risk Retention<sup>2</sup> funds total **\$10,780,191**.



<sup>1</sup>Debt Service Fund – Appropriations to meet the City’s annual interest and principal payments on debt and capital leases.

<sup>2</sup> Risk Retention Fund (internal service fund) – Appropriations for general liability and Workers’ Compensation insurance and judgments & claims.

# Highlights of the Proposed Budget

## Rising to the Challenge: *Fiscal Year 2014 – 2015 Budget At a Glance...*

1.

**Reduces  
Tax Burden**

- ✓ City property *taxes will be reduced* by approximately 1%.
- ✓ Inherited deficit surcharge will be retired a year early.
- ✓ The tax levy remains within Governor Cuomo's Tax Cap.

2.

**Reduces  
Departmental  
Spending**

- ✓ Departmental spending has been reduced from the prior year.
- ✓ Our budget team scoured every line of the budget. There were 546 discretionary lines. We reduced 129 of them for total cuts of over *\$1.5 million* from requested amounts.

3.

**Maintains  
"Right-Sized"  
Workforce**

- ✓ The City has reduced its workforce by 12%, to the lowest levels in decades.
- ✓ Personnel costs as a percentage of the overall budget have decreased to 60% from an unsustainable 83%.

4.

**Increases  
and  
Diversifies  
Revenues**

- ✓ Grant revenues for the fiscal year 2014-2015 proposed budget totals \$1.8M compared to approximately \$760,000 in fiscal year 2013-2014.
- ✓ Relationship between the various fees and the cost of providing services are aligned.

# Challenges Faced ... Actions Taken

## Challenges Faced

*Like many local governments throughout the region, the City is faced with funding various increased fixed costs:*

- 1 Police Binding Arbitration Award:** Police salary and related benefits **increased \$3.1 million.**
- 2 CSEA (City's largest union):** Expiring negotiated concessions and contractual salaries contribute a **\$2.3 million increase.**
- 3 HEALTH INSURANCE:** Health insurance premiums & pension costs **increased 9.56% or \$935,000.**
- 4 GENERAL AND FLOOD INSURANCE:** General and flood insurance **increased 14.34% or \$455,000.**

## ACTIONS TAKEN

***The City's administration took the following actions to address these rising fixed costs:***

- ✓ Identified Additional Revenue Streams
- ✓ Reduced Departmental Spending
- ✓ Maintained the "Right-Sized" Workforce - Personnel costs have decreased to 60% from an unsustainable 83% of the overall budget.



# UNION CONCESSIONS

Due to the inherited fiscal deficit of 2012, the City and the CSEA, the City's largest union, negotiated and agreed upon concessions. One of those concessions was a “lag payroll\*.” This sacrifice, on behalf of the employees, aided the City’s recovery during that difficult time by saving the City with \$2 million over two years.

The union met its obligations to the City and, therefore, according to the terms and conditions of the concession agreement, **salaries are to be restored as the lag payroll is lifted.** *The City has reached a new agreement with the CSEA, that yields approximately savings of \$200,000 and also included a reduction in contractual raises from 4% to 2%.*

Additionally, the City Council, pursuant to Resolution No. 65/12, unanimously agreed to reduce their compensation by 10% until the fiscal crisis was declared over. The declaration was made in September 2013, and, accordingly, the City Council salaries were restored.

City Council members and management employees continue paying a 10% share of their healthcare premiums.

**Notes: \*Lag Payroll:** This means that for a period of two years CSEA employees forfeited two weeks of their salaries per year.



# Reduces Tax Burden

The 2014-2015 proposed budget includes:

- ✓ A City property tax **DECREASE** of approximately 1%.
- ✓ Retiring the inherited deficit surcharge one year earlier than originally planned due to the approved deficit financing.
- ✓ Staying within the Governor Cuomo’s mandated tax cap for the second year in a row.

### Average City Property Tax Savings

	(\$)	(%)
General Fund Tax Line	\$137.69	4.74%
Average Surcharge Line	(\$164.96)	(5.69%)
<b>Total Tax Decrease</b>	<b>(\$27.27)</b>	<b>(.95%)</b>

*Decrease of approximately 1%*

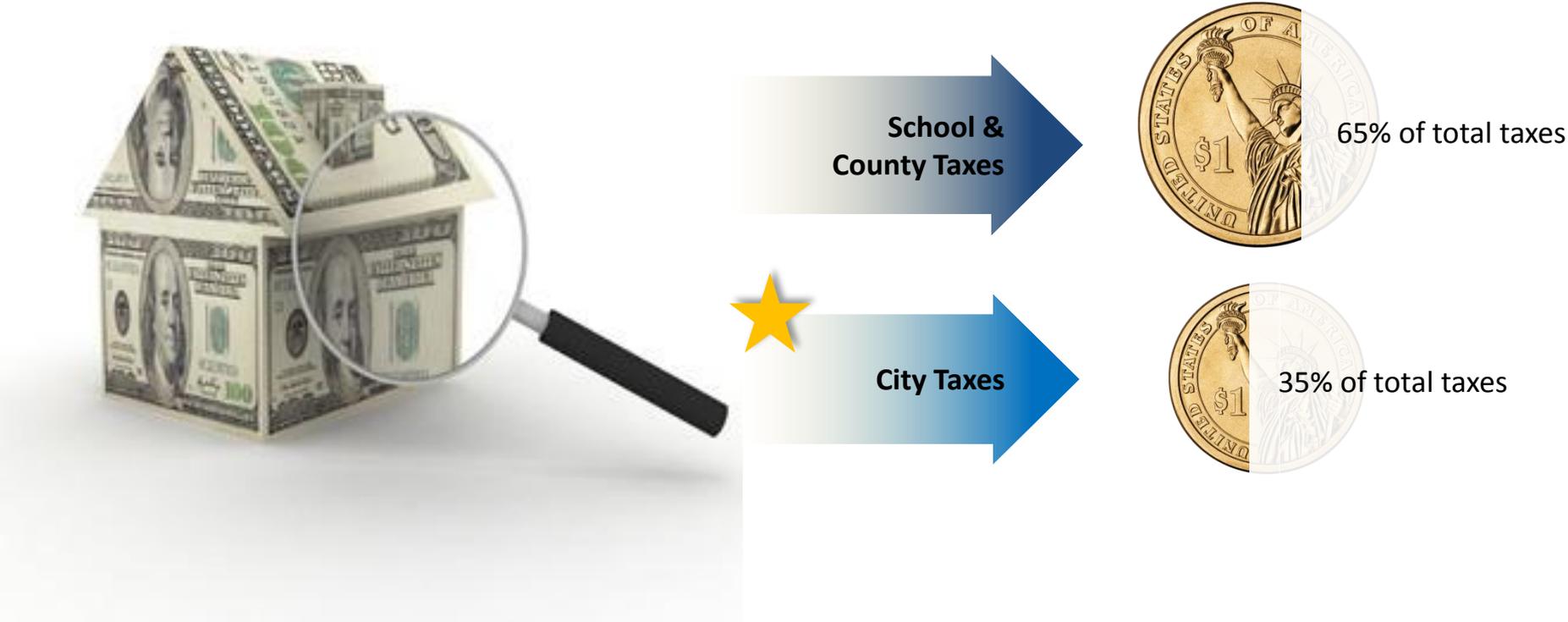


For residential homes with a median assessment of \$18,870, City property taxes will be approximately \$2,876. **This yields a per household savings of approximately \$27 annually, or 1%.**

# A Closer Look – Residential Tax Burden

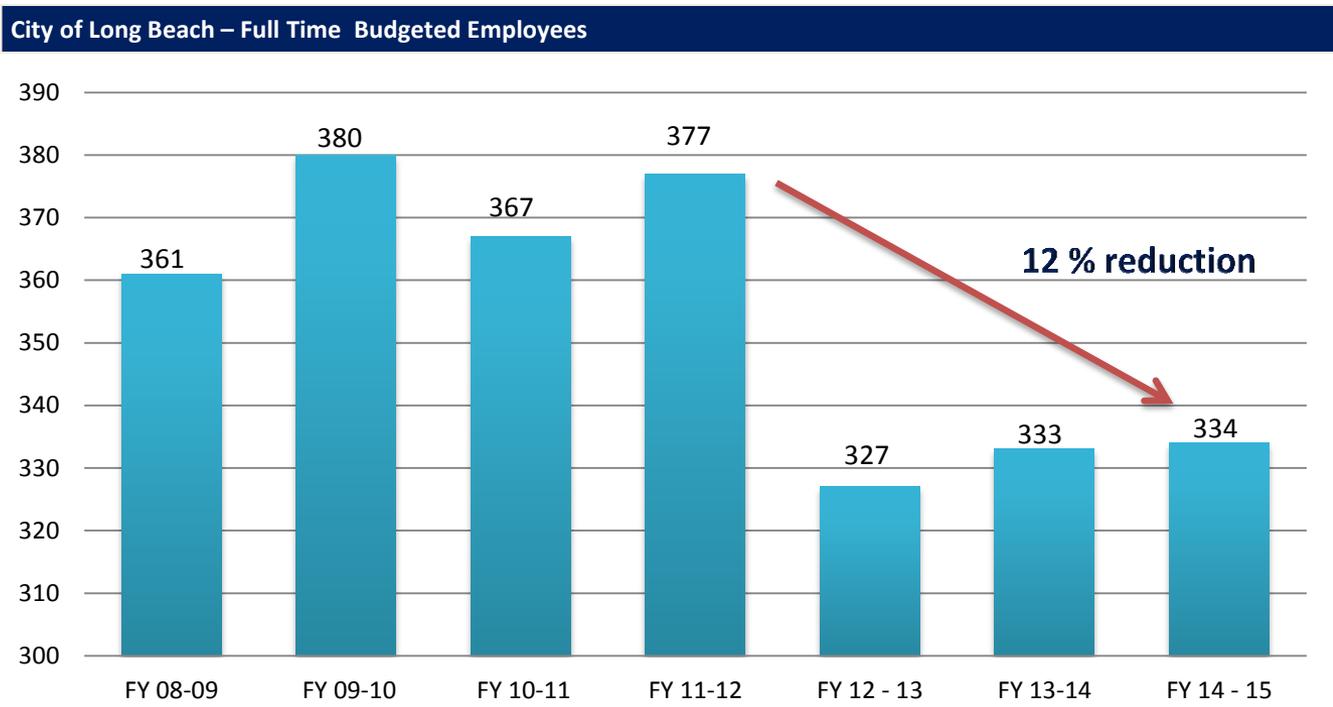
*For every tax dollar collected...*

*(Median assessment 2013–2014 tax year)*



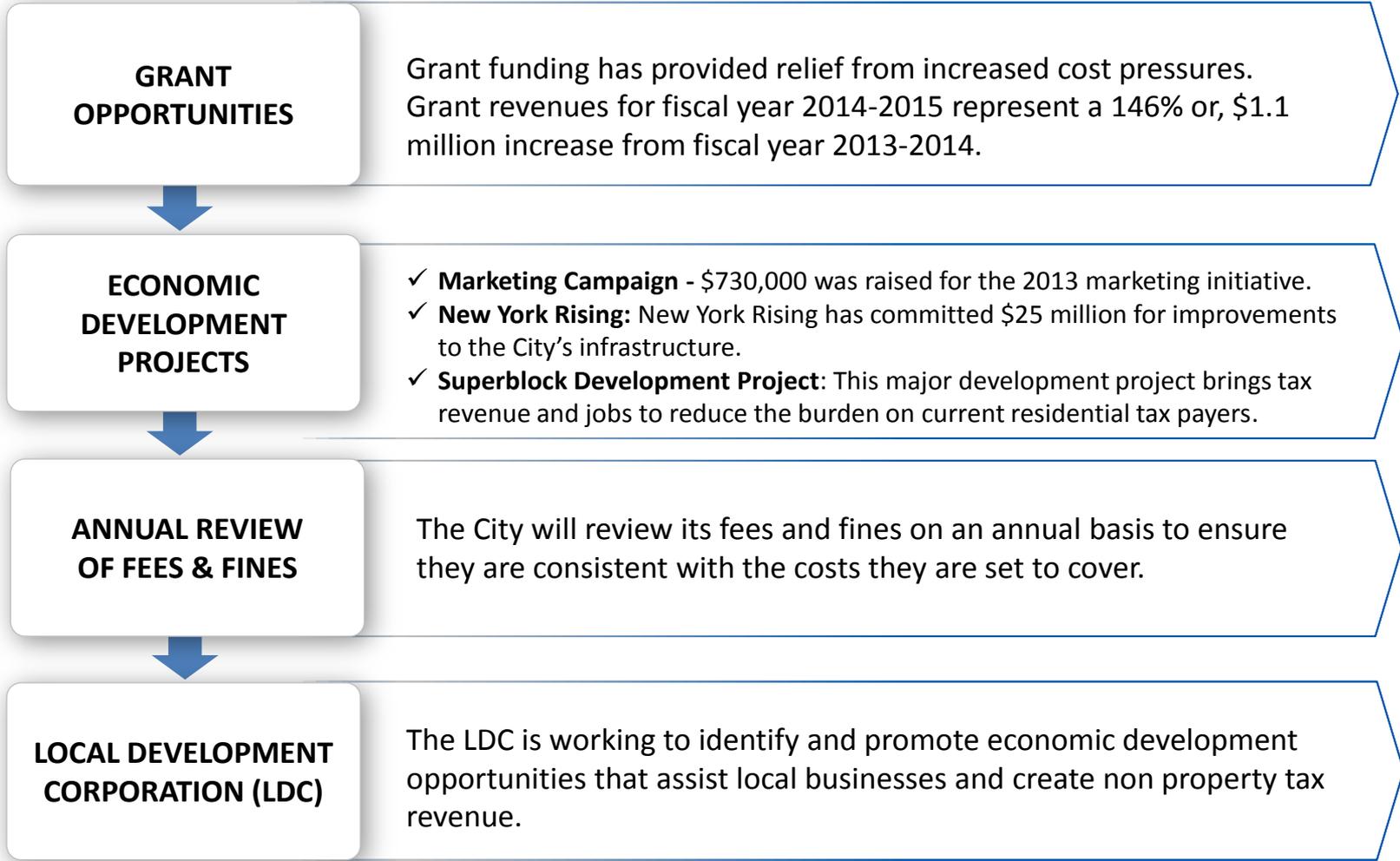
# Maintains the “Right-Sized” Workforce

Over the past three years, the City has reduced its workforce by **12%**, to the lowest levels in decades.



\* **Comments:** Fiscal year 2014 -2015 full time budgeted employees do not include NY Rising grant funded positions.

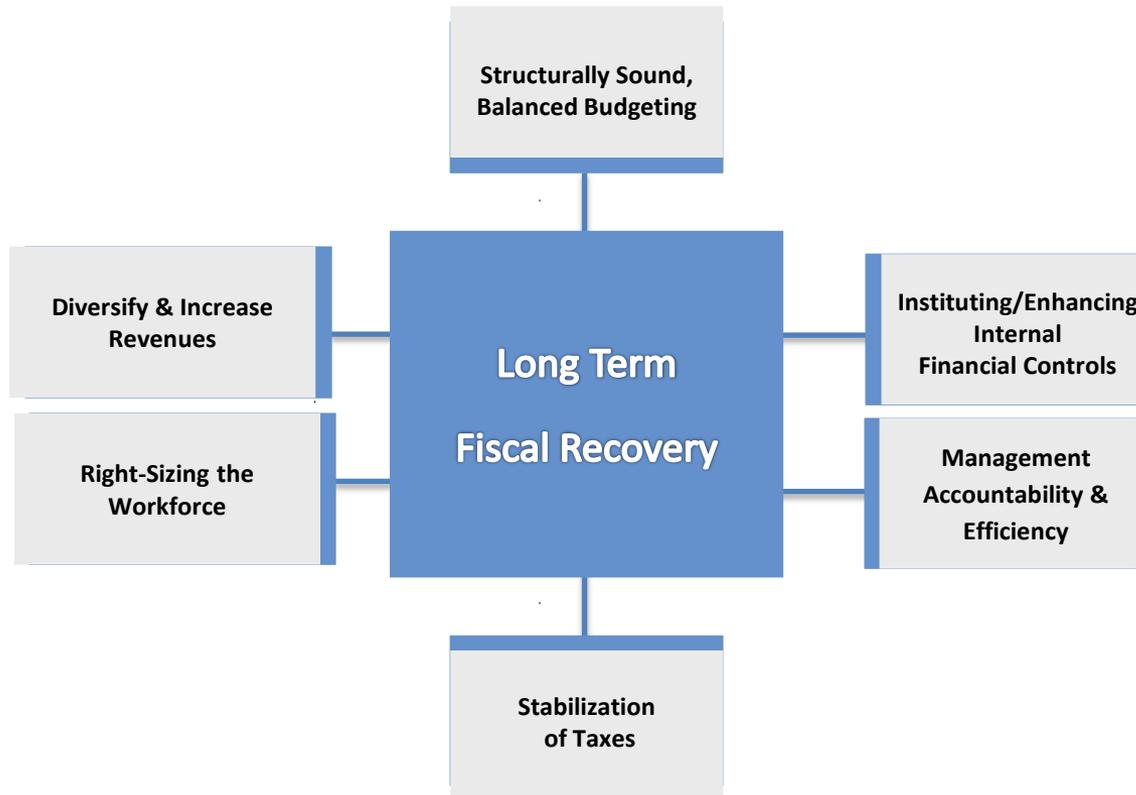
# Increases & Diversifies Revenues



# Long-Term Fiscal Recovery

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The City 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:



# Long-Term Fiscal Recovery Plan

## ✓ Structurally Sound, Balanced Budgeting

- The City's finances are now established on sound, reality based budgets, which provide a realistic budgetary path for coming years.
- In fiscal year 2014-2015 the City will conduct various targeted audits to identify additional cost savings.

## ✓ Diversifies and Increases Revenues

- Aggressive pursuit of all grant opportunities.
- Local Development Corporation formed in March 2013.
- Annual review of fees and fines.
- Long term economic development projects.

## ✓ Right-Sizing the Workforce

- Maintained reduction in headcount of 12%, the lowest levels in over a decade.
- Overtime has been reduced from 2011-2012 levels.
- Management employees will continue paying a 10% share of their healthcare premiums.

## ✓ Management Accountability and Efficiency

- Focus on increasing operational efficiency in order to provide the best quality services possible with the resources available.
- Performance Management.
-  **Second Consolidation Initiative** – Recreation Department and Youth & Family Services Department.

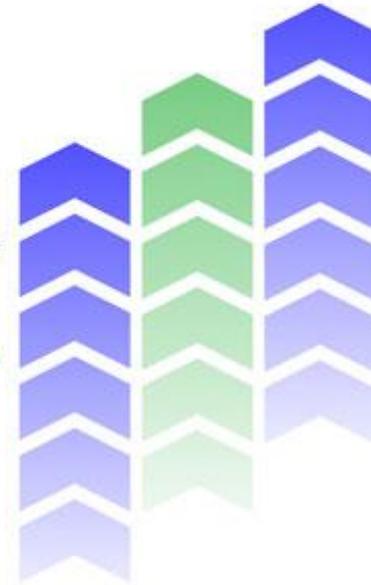
## ✓ Internal Financial Controls

- Monthly detailed departmental budget/variance reports, financial forecasting and trend analysis.
- Identifying and tracking all State and Federal grants.
- Develop and maintain reliable financial and management data.

## ✓ Stabilization of Taxes

- City property taxes will be lower in fiscal year 2014-2015 than in 2013-2014 by approximately 1%.
- The deficit surcharge will be retired one year earlier than originally planned.

# ECONOMIC DEVELOPMENT



*City of Long Beach • New York*





# Economic Development



The City's Economic Development initiative has led to many firsts, including the following:

- ✓ **“Open for Business” Marketing Campaign:** \$730,000 was raised for the 2013 marketing initiative.
- ✓ **Resiliency Planning:** The City's Economic Development Department succeed in obtaining four grants totaling \$267,500.
  - **New York Rising** - Committed \$25 million for improvements to the City's infrastructure through the state's Community Reconstruction Plan.
  - **Hazard Mitigation Grant Program (HMGP) funds** - Awarded \$12.9 million for both residential and infrastructure needs.
  - **Sustainable Long Island** –New York University graduate planners spent an entire school year developing a green toolkit with ideas for both residents and businesses.

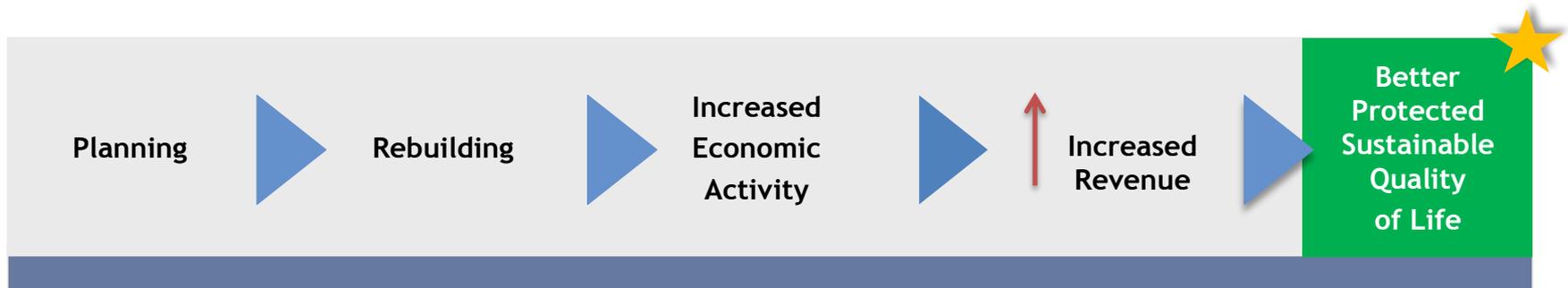
**Generates Long-Term Savings and Lifts the Burden on the City's Infrastructure**

*One Year Anniversary Commemoration*



**Superstorm Sandy - Rebuilding Stronger, Smarter , Safer**

# Superstorm Sandy – Rebuilding Stronger, Smarter, Safer



It is not yet possible to establish the total economic impact of Superstorm Sandy. Estimates of some of the losses to the City are as follows:

- Debris Management and Logistical costs: estimated at \$32 million.
- Infrastructure: Roads, bulkheads, parks, and beach repairs estimated up to \$150 million.

**\*Note:** *The City expects that nearly all of the costs will be covered by insurance proceeds, FEMA and State funds. The State's match for storm related expenses ha*

This administration has managed storm-related expenses separately from operating, allowing the City to maintain the ability to perform multi-year comparisons of its normal operating revenue and expenses.

***Robust recovery that invests in rebuilding resiliency and smart, sustainable infrastructure.***

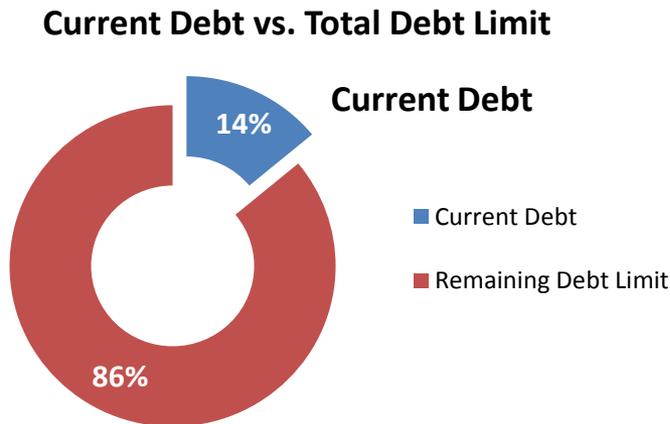
# Restoring Credibility in the Markets



# Restoring Credibility in the Markets

## ***Moody's has changed the City's Outlook to Stable***

*"The stable outlook reflects improved fiscal controls and policies implemented by a new management team beginning January 2012. As a result of these new policies, management has improved budgeting practices which led to the declines in recent years."*



### ***Manageable Debt:***

*"The Baa3 rating reflects the city's accumulated deficit fund balance in fiscal year 2012 and a cash position that has significantly declined over the past four years...The rating also factors the city's sizable tax base with above average wealth levels and a **"MANAGEABLE DEBT BURDEN"**.*

# Moody's Cites the City's Strength & Challenges

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## Strengths

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### Financial Controls

- ✓ Improved Financial Controls Leading To Balanced Budgets

### Debt Position

- ✓ Manageable Debt Position

### Tax Base

- ✓ Large tax base with above wealth levels

## Challenges

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### Weakened Financial Position

- Significantly weakened financial position due to past structural imbalance

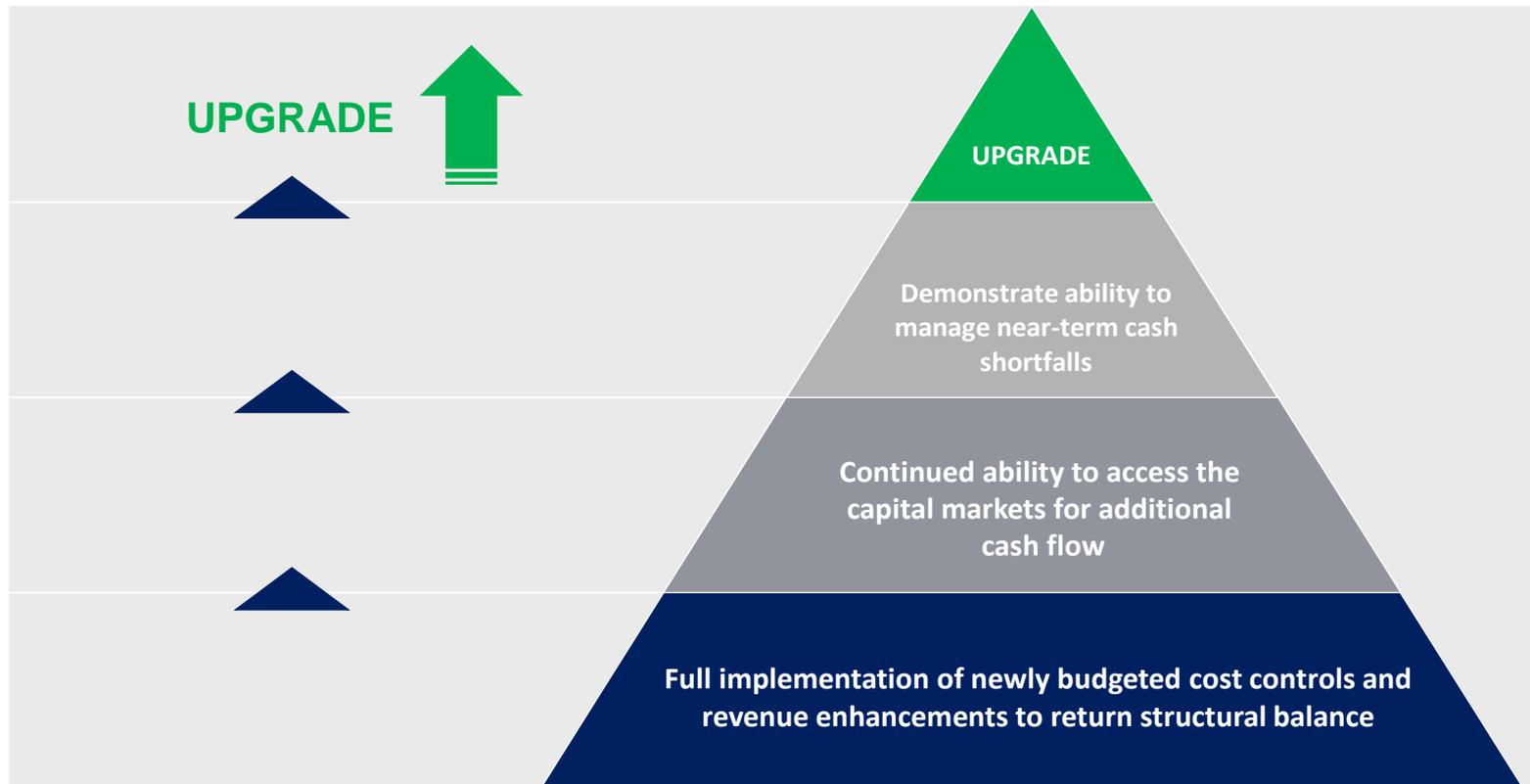
### Superstorm Sandy

- Managing the effects of Superstorm Sandy

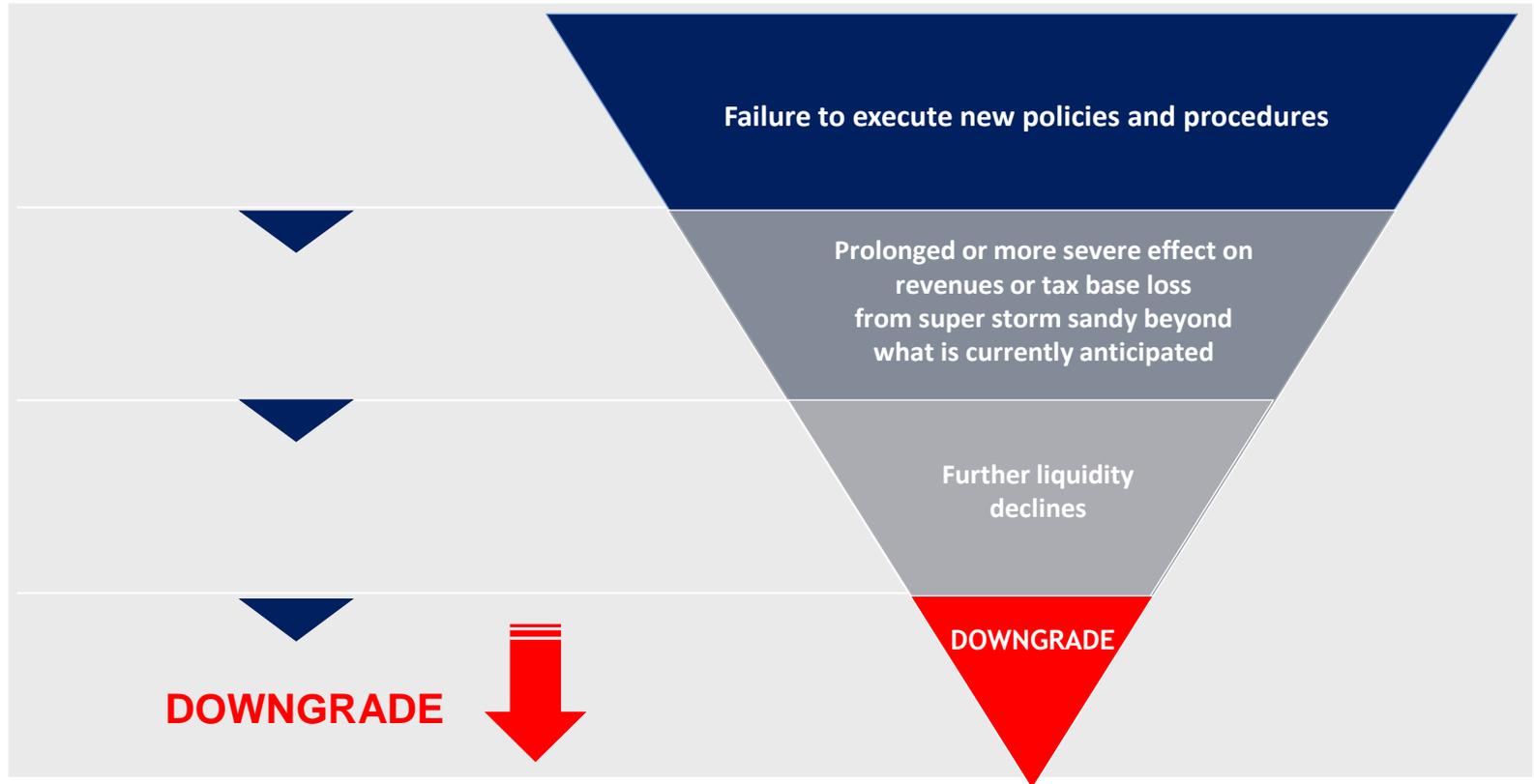
### Cash Position

- Narrow cash position which requires market access to ensure sufficient liquidity for daily expenditures

# Outlook: What Could Change the Rating - UP



# Outlook: What Could Change the Rating - **DOWN**



# Highlights from Moody's Commentary

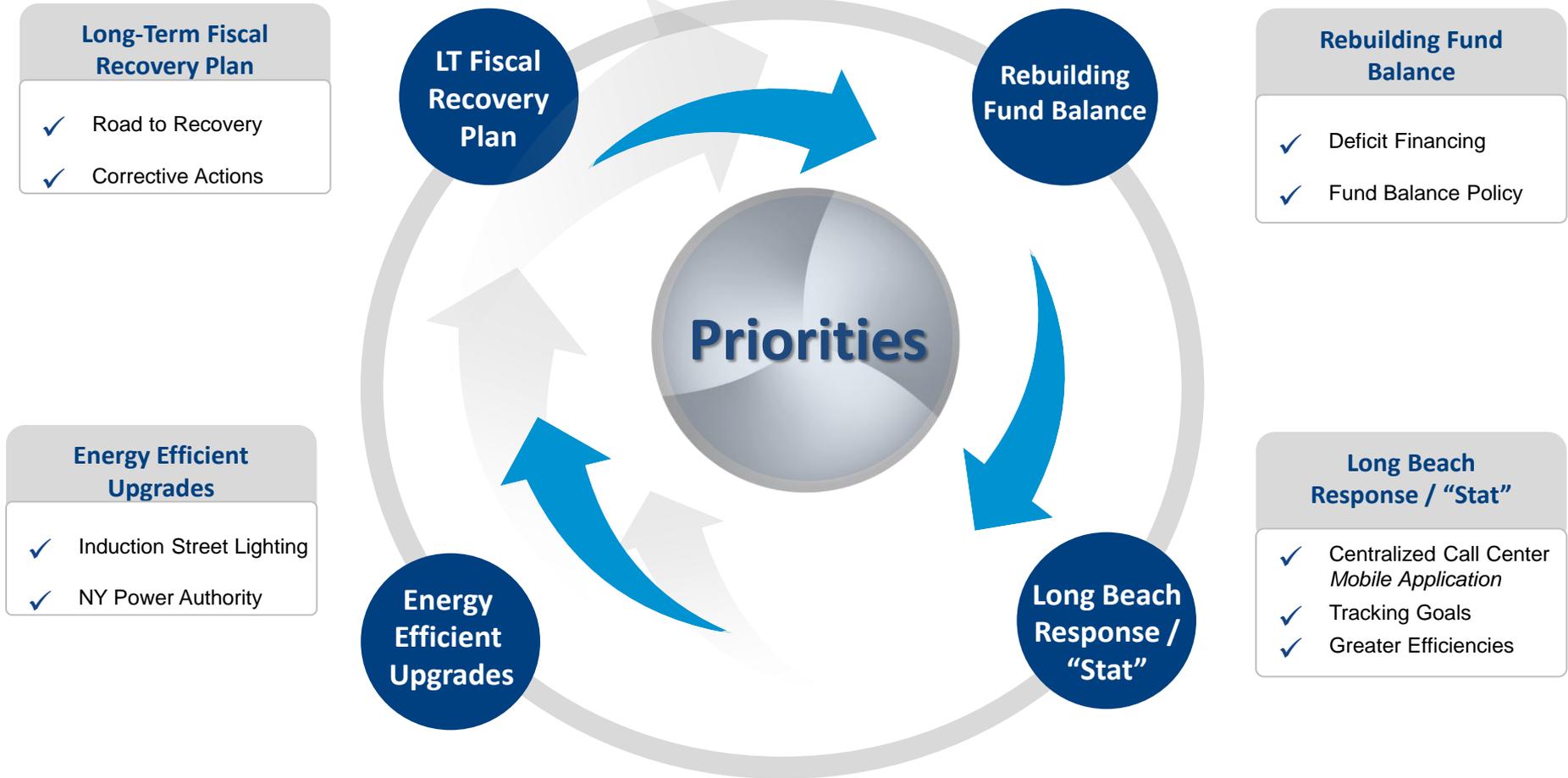
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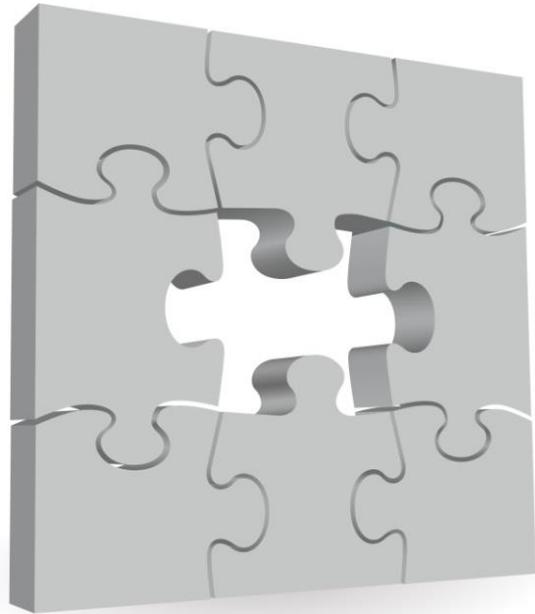
- “In addition to improved budgetary controls, management has implemented a fiscal recovery plan to complement various policies. The fiscal recovery plan includes ongoing reduction in workforce, diversification of revenue streams, and additional expense cuts, among other initiatives.”
- *“The city council recently approved and codified into the city charter a fund balance policy to maintain a minimum of 5% unassigned.”*
- *“Full implementation and adherence of the policies will be important factors in the credit rating moving forward.”*
- *“Despite the significant impact on revenues and expenditures of the storm, we do not believe it will have a material impact on its overall reserve position.”*



## **Priorities for Fiscal year 2014-2015**

# Priorities for Fiscal Year 2014 - 2015





## **Operating Budget in Detail**

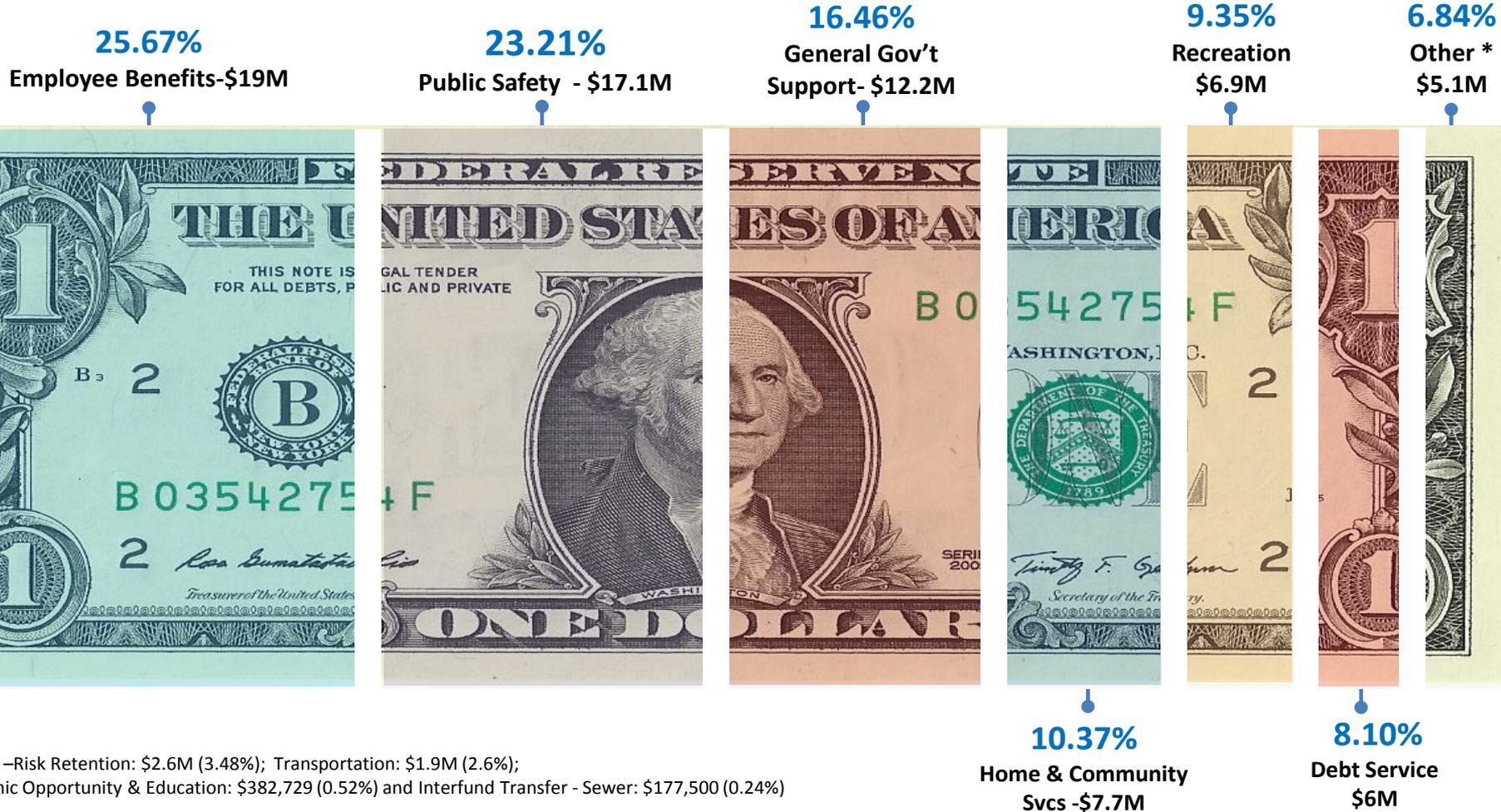
# Proposed General Fund Budget - Revenue Sources

	Actual 6/30/2013	% of total	Revised Budget 6/30/2014	% of total	Recommended 6/30/2015	% of total
REAL PROPERTY TAXES	\$33,164,391	48.59%	\$33,550,405	51.29%	\$33,103,974	44.74%
DEPARTMENTAL INCOME	\$15,297,787	22.41%	\$16,937,286	25.89%	\$19,304,005	26.09%
STATE/FEDERAL AID	\$6,163,439	9.03%	\$4,912,670	7.51%	\$6,472,696	8.75%
FEMA AID	\$0	0%	\$1,937,232	2.96%	\$0	0%
NON PROPERTY TAXES	\$4,437,062	6.50%	\$4,220,000	6.45%	\$4,735,000	6.40%
LICENSES & PERMITS	\$1,155,572	1.69%	\$1,097,025	1.68%	\$4,201,100	5.68%
LONG TERM DEBT PROCEEDS	\$0	0.00%	\$0	0%	\$1,800,000	2.43%
APPROPRIATED FUND BALANCE	\$5,021,200	7.36%	\$0	0%	\$1,500,000	2.02%
FINES & SALE OF PROPERTY	\$1,291,671	1.89%	\$1,255,600	1.92%	\$1,218,500	1.65%
INTERFUND TRANSFERS	\$91,114	0.13%	\$0	0%	\$602,595	0.81%
USE OF MONEY & PROPERTY	\$473,081	0.69%	\$511,074	0.78%	\$508,248	0.69%
INTERGOVERNMENTAL CHARGES	\$754,011	1.10%	\$695,318	1.06%	\$320,260	0.43%
MISCELLANEOUS	\$402,519	0.59%	\$297,500	0.45%	\$218,000	0.29%
<b>Total</b>	<b>\$68,251,847</b>	<b>100%</b>	<b>\$65,414,110</b>	<b>100%</b>	<b>\$73,984,378</b>	<b>100%</b>

*The fiscal year 2014–2015 proposed budget represents this administration's  
**3<sup>RD</sup> consecutive structurally and fiscally sound budget***

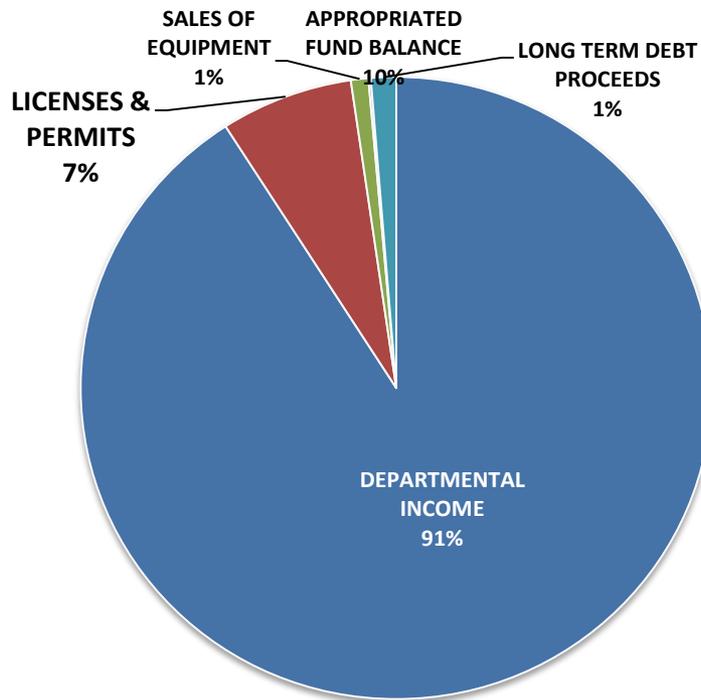
# How Your Tax Dollars Are Spent - General Fund

Total Proposed Expenditures - \$73,984,378

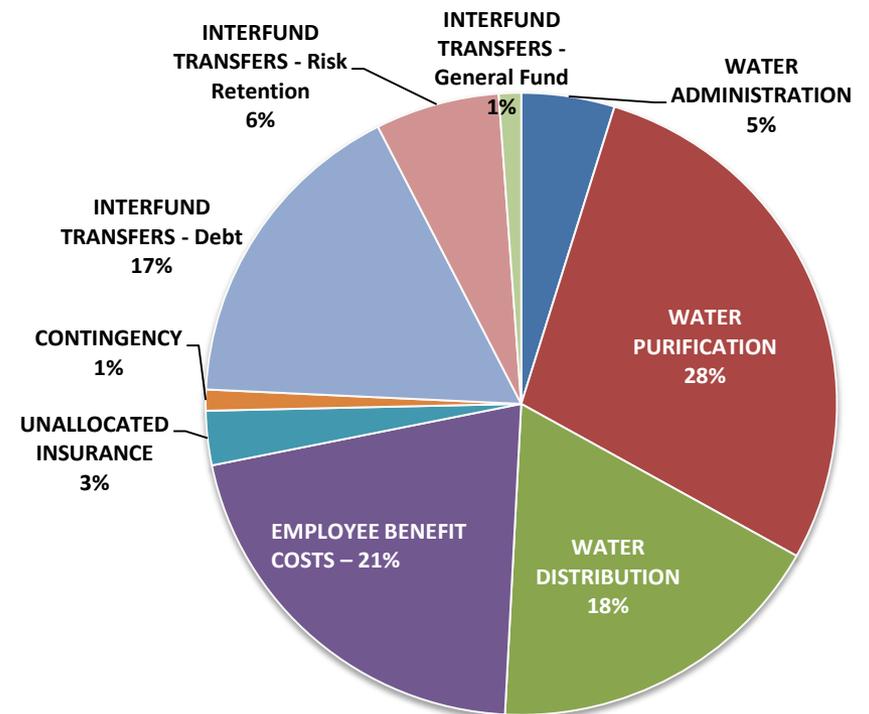


# Proposed Budget Overview – Water Fund

Proposed Water Fund Revenues



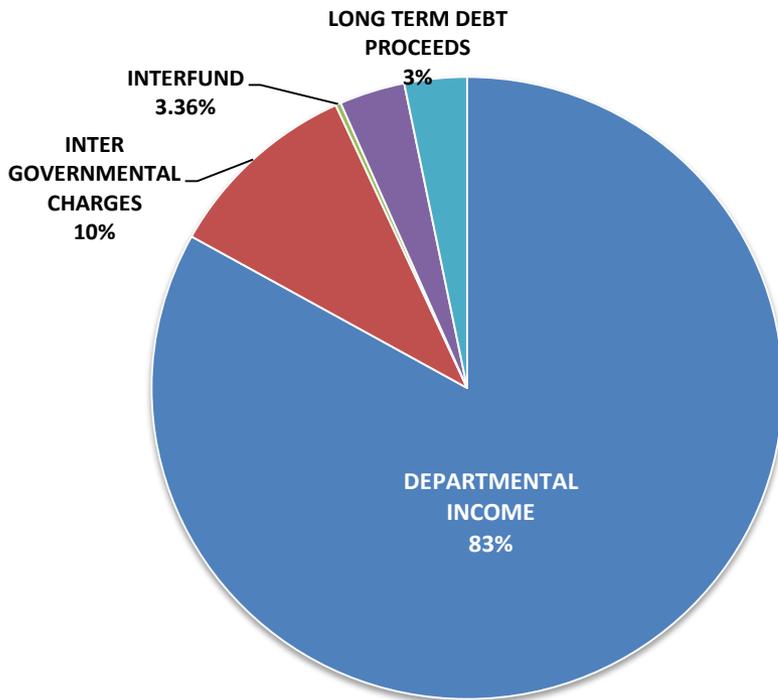
Proposed Water Fund Expenses



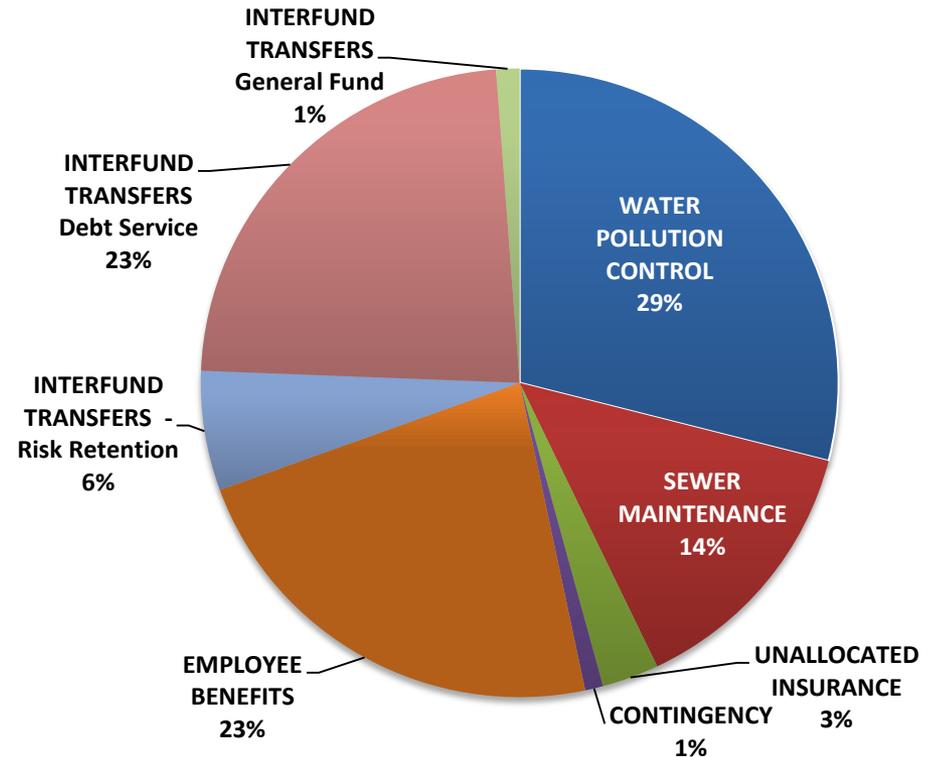
Total Proposed Water Budget- \$5,034,014

# Proposed Budget Overview – Sewer Fund

**Proposed Sewer Fund Revenues**



**Proposed Sewer Fund Expenses**



Total Proposed Sewer Budget- \$5,463,497

# Budget Calendar and Process



Date	Process
<b>January</b>	<ul style="list-style-type: none"> <li>➤ City Manager &amp; Comptroller set forth the budget calendar and procedures for preparation for the upcoming budget.</li> <li>➤ Comptrollers Office prepares the budget worksheets and instructions. The worksheets include all revenue and expenditure account codes used in the previous three years along with the actual for the previous three fiscal years and year-to-date totals for the current year. The worksheets also contain space for the department head to explain or justify new types of proposed revenues or expenditures or to further explain large increases or decreases in the amounts proposed for the following year.</li> </ul>
<b>On or before February 1<sup>st</sup></b>	<ul style="list-style-type: none"> <li>➤ Comptrollers office distributes Capital Improvement Plan (CIP), and Budget worksheets along with Instructions to department heads and commissioners. Departments are also tasked with providing long/short terms goals for their respective departments.</li> </ul>
<b>February 20<sup>th</sup></b>	<ul style="list-style-type: none"> <li>➤ Departments submit budget requests and departmental goals to Comptrollers' and City Manager office.</li> </ul>
<b>February - March</b>	<ul style="list-style-type: none"> <li>➤ The Comptroller &amp; City Manager hold budget/CIP reviews with department heads &amp; commissioners</li> <li>➤ Comptroller finalizes proposed budget/CIP and submits to City Manager</li> </ul>
<b>On or before the 10<sup>th</sup> day in April</b>	<ul style="list-style-type: none"> <li>➤ The city manager submits to the City Council a budget estimate for the ensuing fiscal year and an accompanying message.</li> </ul>
<b>On or before the 20<sup>th</sup> day in April</b>	<ul style="list-style-type: none"> <li>➤ A copy of the submitted budget and budget message and all supporting schedules shall be filed in the office of the city clerk and be a public record open to the public.</li> </ul>
<b>★ On the first regular Council Meeting in May</b>	<ul style="list-style-type: none"> <li>➤ City Council holds public hearing on the proposed budget and CIP. After the public hearing, the council may adopt the budget with or without amendment. In amending the budget, it may add or increase programs or amounts and may delete or decrease any programs or amounts, except expenditures required, by law or for debt service or for estimated cash deficit, provided that no amendment to the budget shall increase the authorized expenditures to an amount greater than the total of estimated income.</li> </ul>
<b>On or before May 31<sup>st</sup></b>	<ul style="list-style-type: none"> <li>➤ The council shall adopt the budget on or before the last day of May.</li> </ul>

For More Information or a Copy of the  
Proposed Budget

Visit the City's website  
at

[www.longbeachny.gov](http://www.longbeachny.gov)