



2011-2012

*City of Long Beach
Inherited Fiscal Deficit*

March 20, 2012

Introduction

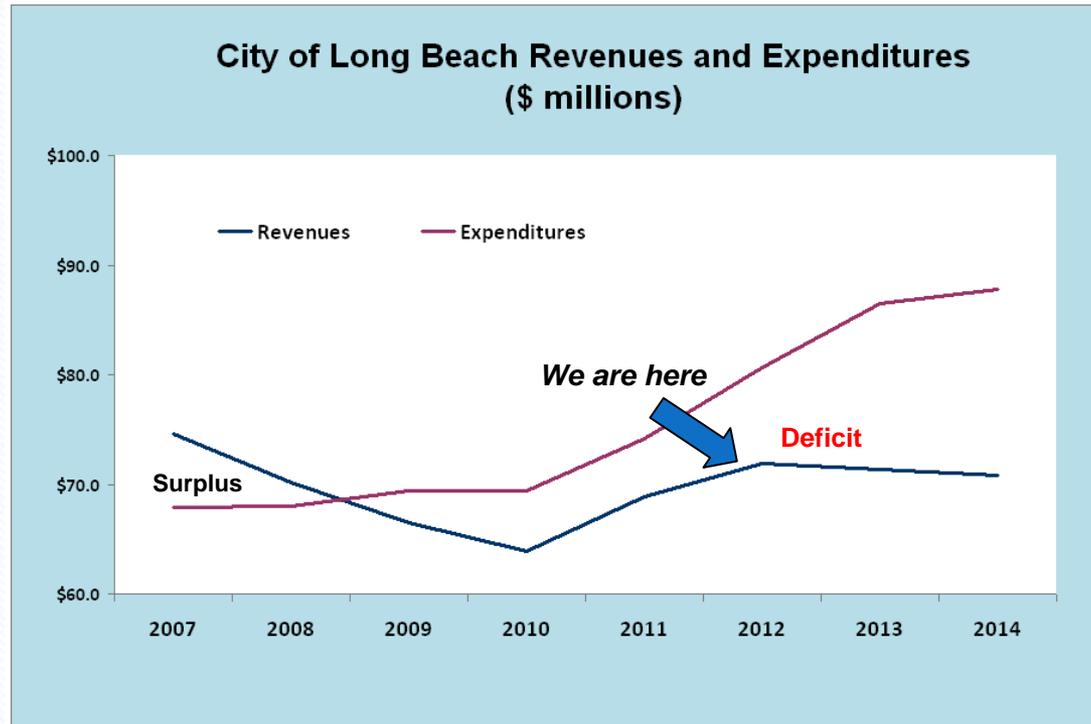
- A thorough analysis of the Long Beach financial forecast has been completed, and the City faces a **projected budget deficit of \$10.25 million** for fiscal year 2011-2012. (*Note: The prior administration borrowed \$1.5 million in a budget note, bringing the City's current remaining deficit to \$8.75 million*)
- The total size of the estimated budget deficit represents *more than 12.4%* of all budgeted expenditures. This is a devastating deficit which will require a full review of the City's priorities and operations to return the City to a balanced budget.
- Going forward, the next step in this process will be to present a roadmap creating a corrective action plan that will be worked on jointly by the City Council, labor partners, and residents.



NOTE: The TAN issuance of \$1.75 million does not effect the surplus or deficit as it is borrowing against the current year's revenue and repaid from current year's revenue. The budget note is a borrowing against a future revenue and will automatically become the first expense in next year's budget as an expense.

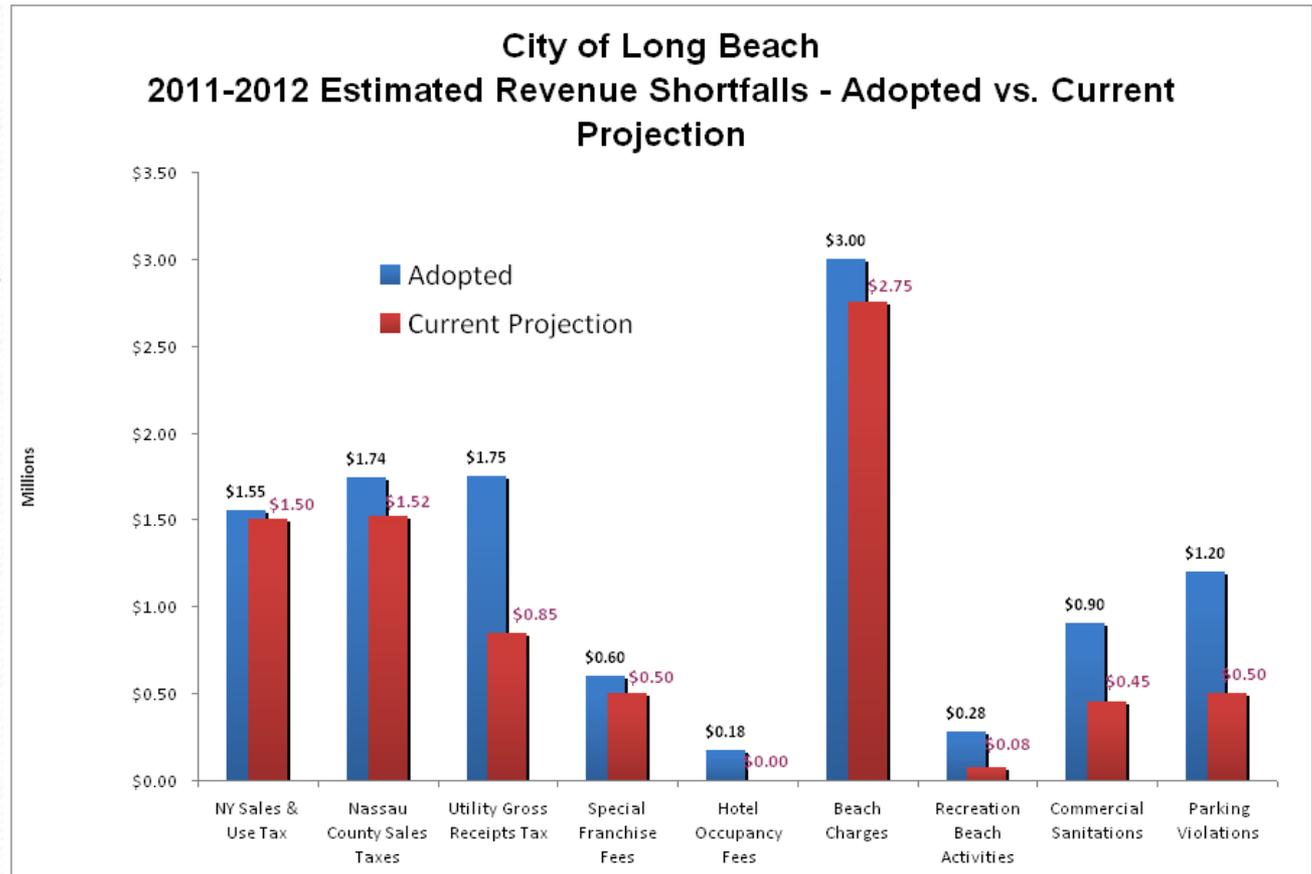
Prior Administration's Escalating Imbalance

- Over a period of years, revenues were over estimated, and expenditures were under estimated.



Prior Administration's Revenue Shortfalls Adopted vs. Current Projection

- Over estimated revenue projections are responsible for half of the City's inherited structural deficit.

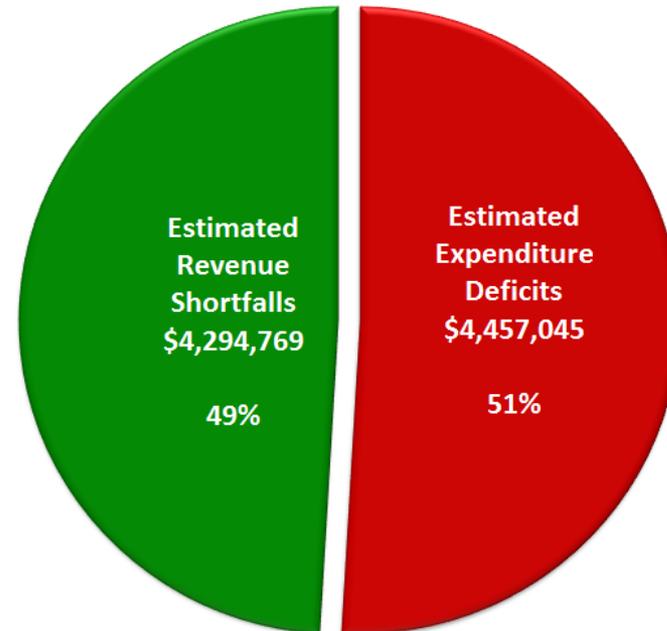


Prior Administration's Budget Shortfall Overview

- Budget shortfalls are evenly split between revenue shortfalls and expenditure deficits.



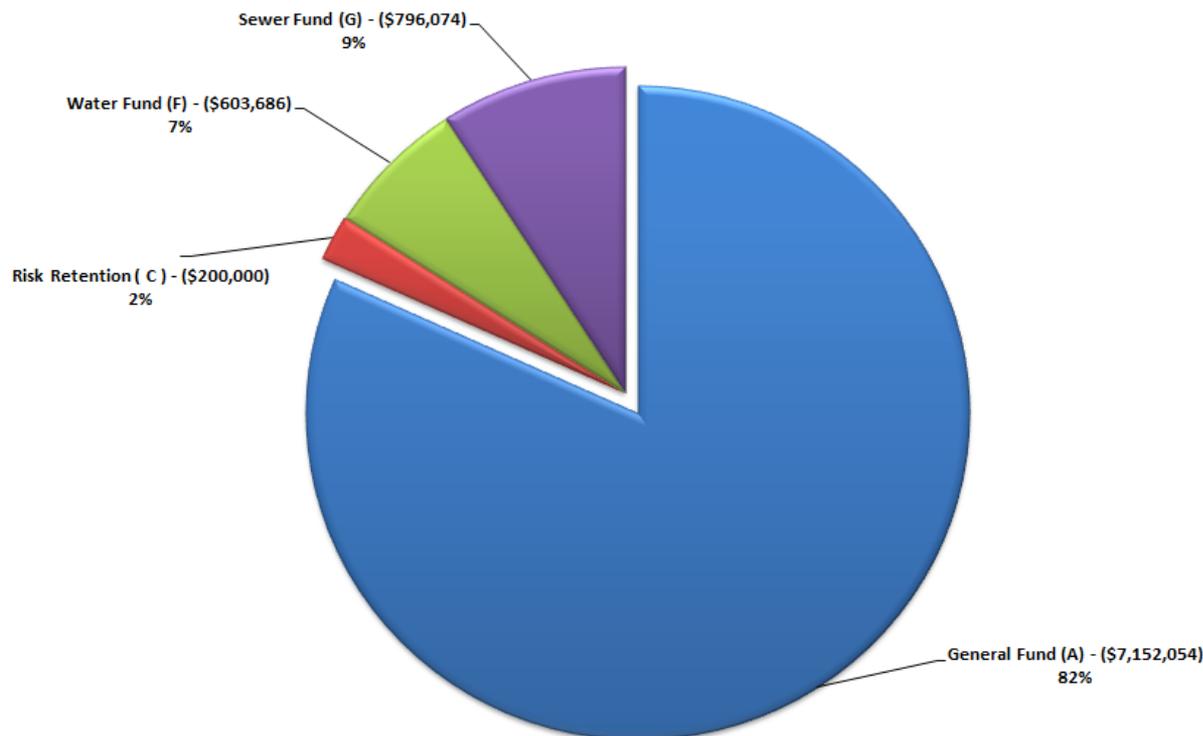
CITY OF LONG BEACH
2011-2012 ESTIMATED BUDGETARY SHORTELL - \$8.75 MILLION, ALL FUNDS



Prior Administration's Budget Shortfall by Fund

- More than 80% of the projected budget shortfall is in the City's General Fund, which represents \$7.1 million of the remaining combined revenue and expenditure deficits.
- All major funds have deficits.

CITY OF LONG BEACH
2011-2012 ESTIMATED BUDGETARY SHORTFALL BY FUND

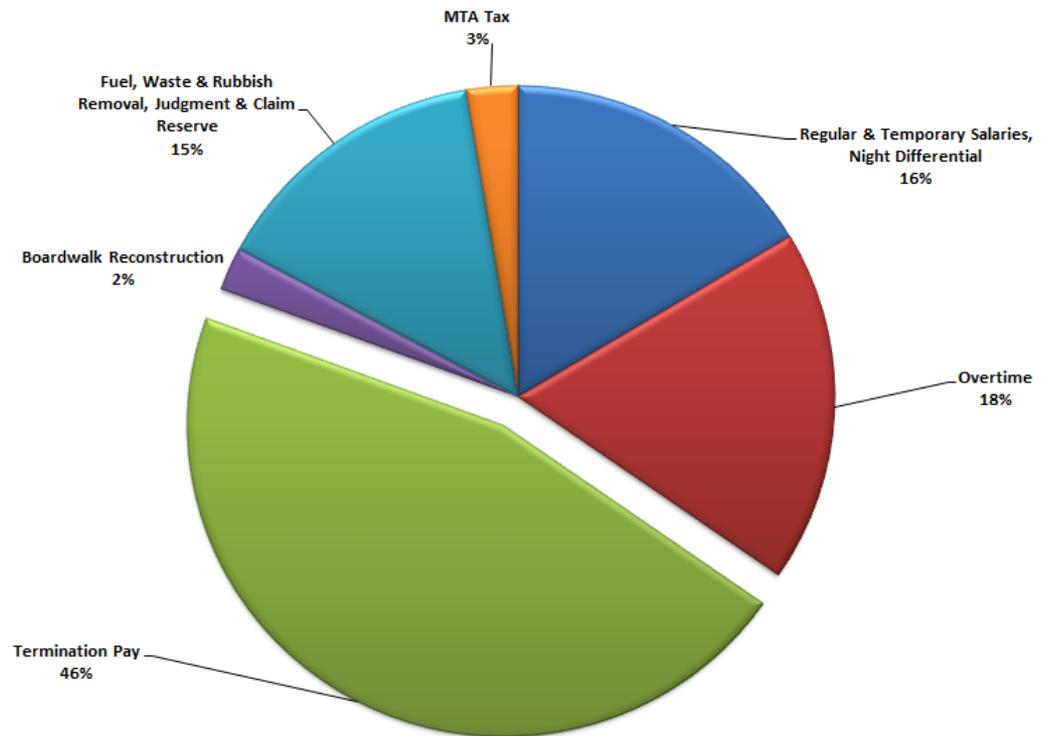


NOTE: The General Fund includes all areas of the budget except water, sewer, and risk retention.

Prior Administration's Expenditure Deficit Analysis

- Expenditure deficits are estimated at \$4.5 million across all funds.
- The single largest estimated expense deficit is for termination pay, which represents 46% of expense deficits across all funds.

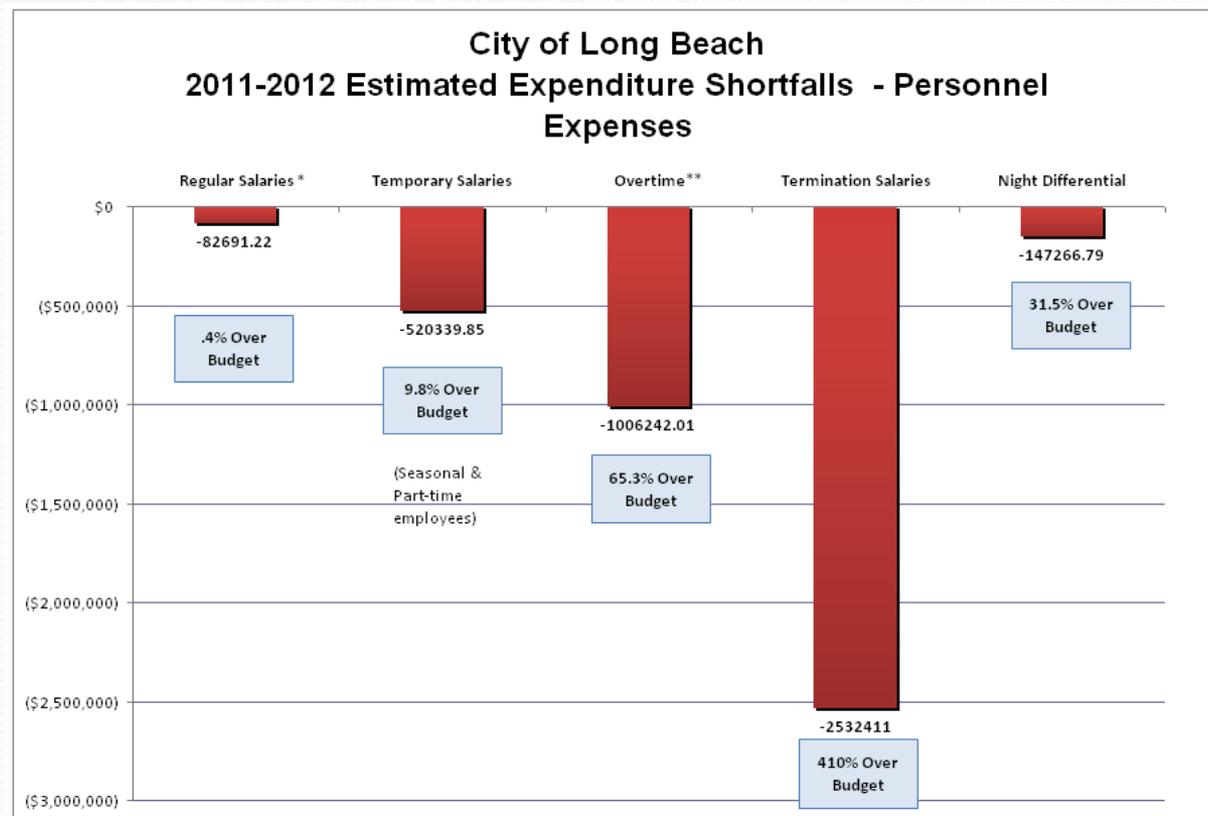
CITY OF LONG BEACH
2011-2012 MAJOR EXPENSE DEFICIT CATEGORIES



NOTE: The budget provided for the retirement of one police officer and a small amount of union employee retirements.

Prior Administration's Personnel Expense Deficits

- While regular salaries are estimated to be slightly over budget, inherited overtime costs are 65% over budget*, and termination salaries are a staggering 400% over budget.

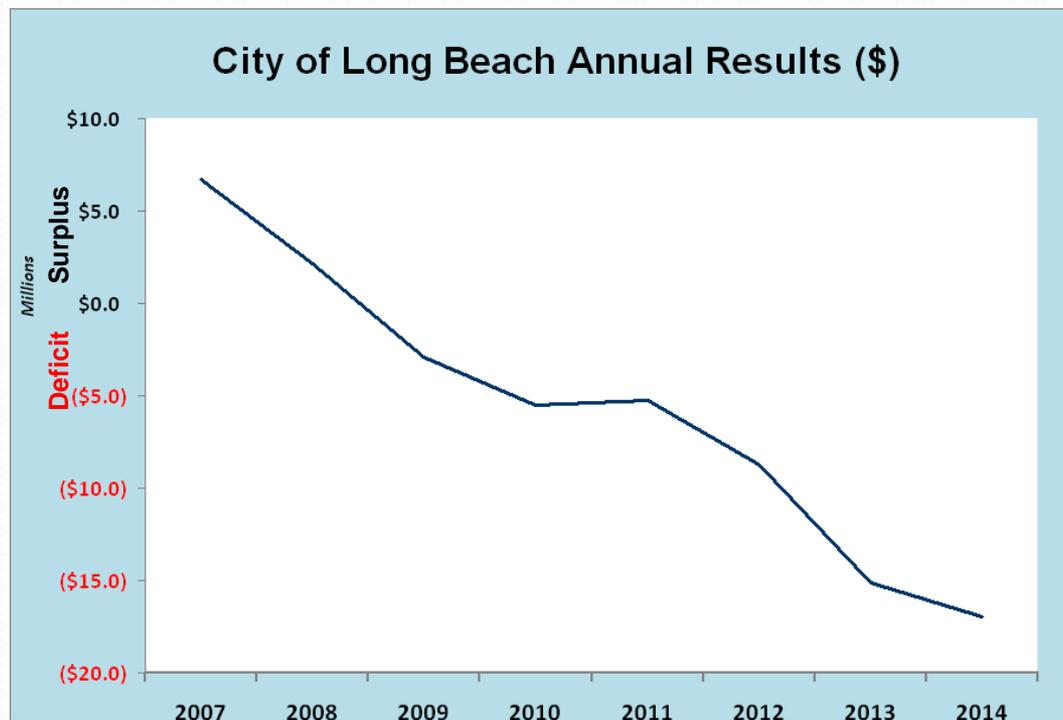


* The new administration is currently (as of 3/15/12) spending \$258,127 less on management-appointee salaries than the prior administration.

** Since the City implemented its new overtime policy, overtime costs are down 72% citywide off the prior administration's trajectory.

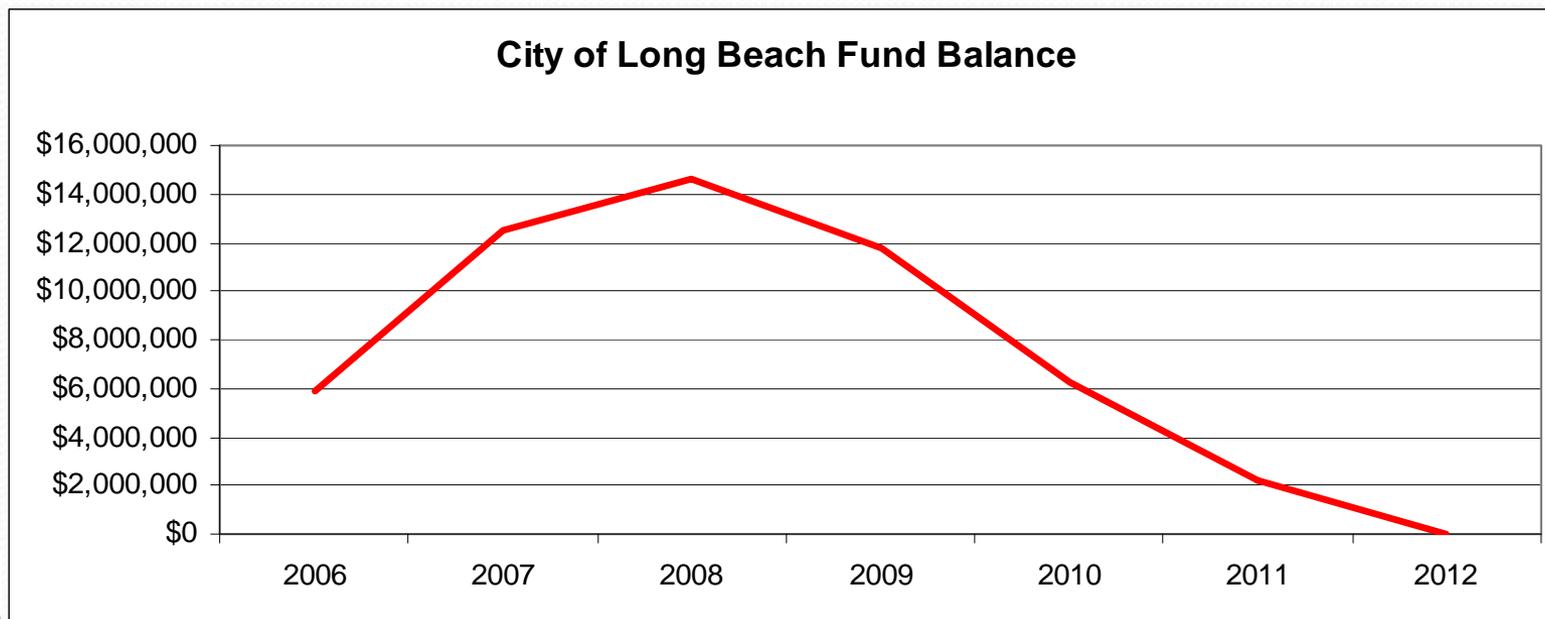
Prior Administration's Unsustainable Deficit Trajectory

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



No More Rainy Day Fund

- In the last four years, the prior administration spent down the *rainy day fund*. In 2008, the balance was \$14.7 million.



New Administration's Savings Curb Deficit

- The new administration's savings thus far (**\$1,196,149.60**) have reduced the deficit by 10.45%. If these actions had not occurred, the deficit could have been \$11,447,965.

Overall Management Savings

Administrative Actions	Total Savings
Management Salary Savings	\$258,127.68
Amortizing of State Pension Payment	\$633,618.00
Overtime Reduction	\$304,403.92
Total	\$1,196,149.60



The Inherited Deficit Could Have Been Worse!

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.



Appendix



City of Long Beach 2011-2012 Inherited Budget Deficit

Expenses				Revenues			
Description	Budget	Projection	(Deficit)/Surplus	Description	Budget	Projection	(Deficit)/Surplus
General Fund							
Regular Salaries	\$23,596,252	\$23,678,943	(\$82,691)	NY Sales & Use Tax	\$1,550,000	\$1,500,000	(\$50,000)
Temporary Salaries	\$5,289,660	\$5,810,000	(\$520,340)	Nassau County Sales Taxes	\$1,740,000	\$1,520,000	(\$220,000)
Overtime	\$1,541,229	\$2,547,471	(\$1,006,242)	Utility Gross Receipts Tax	\$1,750,000	\$850,000	(\$900,000)
Termination Salaries	\$617,589	\$3,150,000	(\$2,532,411)	Special Franchise Fees	\$600,000	\$500,000	(\$100,000)
Night Differential	\$468,000	\$615,267	(\$147,267)	Hotel Occupancy Fees	\$175,000	\$0	(\$175,000)
Boardwalk Reconstruction	\$100,000	\$225,000	(\$125,000)	Beach Charges	\$3,000,000	\$2,750,000	(\$250,000)
Tax Cert Claims	\$650,000	\$400,000	\$250,000	Recreation Beach Activities	\$280,000	\$75,000	(\$205,000)
Vehicle Fuel	\$600,000	\$900,000	(\$300,000)	Commercial Sanitations	\$900,000	\$450,000	(\$450,000)
Waste & Rubbish Removal	\$2,200,000	\$2,500,000	(\$300,000)	Parking Violations	\$1,200,000	\$500,000	(\$700,000)
MTA Tax	\$0	\$145,000	(\$145,000)				
State Retirement	\$2,300,000	\$1,666,382	\$633,618				
NYSERS- Police	\$2,873,846	\$2,700,567	\$173,279				
Risk Retention							
Judgment & Claim Ins Reserve	\$300,000	\$500,000	(\$200,000)				
Water Fund							
Regular Salaries	\$1,282,875	\$1,437,866	(\$154,991)	Metered Water Sales	\$4,023,695	\$3,575,000	(\$448,695)
Sewer fund							
			-	Sewer Rents	\$4,546,074	\$3,750,000	(\$796,074)
			-				
			(\$4,457,045)				(\$4,294,769)
				Remaining Deficit *			
				Budget Note *			
				Total Deficit *			
				Total Budgeted Expenditures			
				Deficit as a percentage of Expenditures			
				(\$8,751,814)			
				\$1,500,000			
				(\$10,251,814)			
				\$82,903,144			
				-12.4%			

* Includes revenue from Budget Note issued; projected deficit was \$10.25 million before this borrowing. The repayment of the Budget Note needs to be included in the next budget.

** FEMA anticipated reimbursement for approximately \$1.1 million not yet officially recorded as revenue due to uncertainty of date funds will be received

