

This Project Status Report provides a summary of the work activities completed by CMA's Strategic Consulting Group during the period October 1, 2020 through January 15, 2021. During this time our efforts to delve into the City's budget and financial operations have continued. We have received updates from various City Departments and have participated in conversations with several City officials. Our work has focused on the following projects:

- Haberman Funding Analysis and Credit Strategy
- Continued Development of a Five-Year Financial Plan
- Continued Development of Fiscal and Management Policies and Procedures
- Development of Fiscal Transparency Website
- Revamping of City's Budget Book
- Preparation of Fiscal Conditions Analysis for Upcoming Public Release
- Weekly Strategic Advisory Update Meetings

Each project is further described, in detail, below.

HABERMAN FUNDING ANALYSIS AND CREDIT STRATEGY

Overview: Earlier this month the Nassau Supreme Court rendered a decision against the City in the case of *Haberman v. Zoning Board of Appeals of City of Long Beach*. If the award is not overturned or significantly reduced, there will be a material effect to the long-term fiscal health of the City.

Funding Strategies: CMA has participated on various conference calls with City officials, legal counsel and bond counsel to discuss the settlement, the various funding and/or financing strategies and the respective financial impact of those strategies. Mitigating the short and long-term fiscal effects of the settlement is the goal.

Funding Strategies: The fiscal impact of the settlement will be closely monitored by the credit rating agencies and may result in negative actions being taken. Currently, the City's credit rating with Moody's Investor Services ("Moody's") is "Baa2" with a negative outlook, which is dangerously close to a non-investment grade credit rating. A credit rating below investment grade indicates a substantial credit risk on the debt obligations of the City. Since the credit rating is the primary factor in determining an entity's ability to access the capital markets, and ultimately the interest that is paid, a downgrade would have a material impact on the City. To proactively address this issue, CMA and the City have reached out to Moody's to advise the agency of the Court's decision. CMA continues to work with the City in order to develop a strategic plan aimed at preserving the City's rating.

FIVE-YEAR FINANCIAL PLAN (FISCAL YEARS 2021-2025)

Overview: The development of the City’s Five-Year Financial Plan (the “Plan”) continues to advance. A first draft of the Plan has been delivered to the City Administration and is further discussed below.

Plan: CMA has finalized a draft list of fiscal and operational recommendations which have been deemed reasonable, achievable and applicable for the consideration of the City. In conjunction with the development of these recommendations, CMA simultaneously prepared the first draft of the Plan. The Plan was delivered to the City Administration on August 19, 2020. At that time CMA requested that the City review the Plan for accuracy and comments. The City Administration continues to review the Plan and various conference calls have been held with CMA to discuss certain areas of the Plan. The City Manager and the City Comptroller advised that they will be providing further comments in the coming days/weeks. Once received, CMA intends to revise the Plan and a second draft will be distributed.

The Plan is considered to be a “living document” and the recommendations of the Plan continue to be updated and revised as necessary. In addition, throughout the Plan, there are a number of recommended studies which CMA suggested to be conducted. CMA advised the City that we stand ready to conduct those analyses as part of our contract with the City (with the exception of the cybersecurity analysis).

Next Steps: CMA anticipates additional comments on the Plan in the near future. Once received, CMA will distribute a revised draft version of the Plan to City officials. There will likely be additional comments to the Plan that will require additional drafts to be distributed. Once the Plan has been thoroughly vetted, CMA believes it is the City’s intention to publicly release the Plan. CMA will assist the City with respect to this release.

FISCAL POLICIES AND PROCEDURES

Overview: The development of fiscal and management policies and procedures (the “Policies”) continues to advance. The Policies are intended to enhance transparency and to define and guide key operations of the City.

Next Steps: Several of the draft Policies have been or are in the process of being reviewed and/or considered by the City. Once the City has adopted additional polices, CMA has suggested combining them into a comprehensive “Policy Manual.” CMA believes this will be easier to track the Polices and to revise them on an annual

basis. At the City's request, CMA stands ready to develop a framework for the Policy Manual.

DEVELOPMENT OF FISCAL TRANSPARENCY WEBSITE/PORTAL

Overview: In an effort to enhance the fiscal transparency and accountability of the City, CMA has worked with City officials to develop a Fiscal Transparency website/portal. The site hosts various financial documents, demographic and statistical information, monthly updates and a message from the City Manager. A draft of the site has been completed and delivered to the City. Although currently password protected, at the direction of the City the password may be removed.

Next Steps: The site will include various performance metrics for key departments, which are intended to be updated on a monthly basis. CMA is in the process of drafting departmental metrics for consideration by the City. Once approved, the metrics will be uploaded.

UPDATING THE CITY'S BUDGET BOOK

Overview: CMA continues to work with City officials on revamping the City's Annual Budget Book in connection with the 2021-2022 fiscal year. The revised Budget Book will be constructed to comply with all applicable generally accepted industry best practices.

Budget Book: CMA has commenced work on the project and is presently awaiting departmental information that will be incorporated.

FINAL REVISIONS OF FISCAL CONDITIONS ANALYSIS

Overview: CMA has continued working with the City to finalize the previously delivered Fiscal Conditions Analysis. The Analysis provides valuable information on the current state of the City's finances, identifies the root causes of structural imbalances and provides a variety of in-depth initiatives and recommendations.

Next Steps: The Analysis is near completion and will soon require a final review by the City. Once the final review has been completed and the City provides its approval, the Analysis will be made publicly available. The anticipated public release is February 2021.

CITY OF LONG BEACH, NEW YORK

STRATEGIC PLANNING UPDATE (OCTOBER 1, 2020 TO JANUARY 15, 2021)



WEEKLY STRATEGIC ADVISORY UPDATE MEETINGS

Overview: CMA continues to meet with the City Manager on a weekly basis to discuss the status of ongoing projects, current affairs and other matters which could impact the future fiscal conditions of the City. These meetings are expected to continue into the foreseeable future.