

Budget Review Committee
May 13, 2013
Presentation to City Council

Eliot Finkel
City Treasurer

Introduction

- **Purpose of the committee**
- **Who we are**
- **History**
- **Findings and Recommendations**
 - **General Observations**
 - **The Budget**
 - **The Budget Process**
 - **Parking Authority**
 - **Employee Compensation Study**

Purpose of the Committee

- **Promote transparency with respect to the Beverly Hills budget process.**
- **Review the City's budget, budget process and finances.**
- **Report findings and recommended improvements to the City Council.**

Who We Are

- **Edward Brown, former Beverly Hills Mayor and Real Estate Developer**
- **Eliot Finkel, City Treasurer, Treasurer of the Beverly Hills Conference and Visitors Bureau (CVB) and founder of Eliot Finkel Investment Counsel, LLC**
- **Abner D. Goldstine, Deputy City Treasurer and Senior Vice President of Capital Research and Management Co.**
- **Jim Jahant, President of the Rodeo Drive Committee and General Manager of Brooks Brothers Beverly Hills**
- **Eugene Krieger, Vice-Chairman and Chief Operating Officer of Shamrock Holdings, Inc.**
- **Offer Nissenbaum, Chair of the CVB and Managing Director of The Peninsula Beverly Hills Hotel**
- **Kathy Reims, former Chair of the Planning Commission and former Chair of the Traffic & Parking Commission**
- **Richard S. Rosenzweig, Executive Vice President of Playboy Enterprises, Chair of the Beverly Hills Centennial Task Force and CVB board member.**
- **Joan Seidel, former City Treasurer and President of Morton Seidel & Co. Inc.**

History

- **Founded in April 2009 at request of City Manager with consent of the Mayor and City Council.**
- **Meets first Wednesday of the month.**
- **Presentations to City Council:**
 - **June 2009**
 - **May 2010**
 - **June 2011**
 - **May 2012**
 - **Today**
- **Beverly Hills' Budget**
 - **A slide show and video presented to community and Rotary Club in 2011.**
- **Safety Employees Retirement Obligations**
 - **A presentation to City Council in August 2011**

General Observations

- **Revenues are growing**
 - **7.5% revenue increase from last year's approved budget to next year's projections.**
- **An expense over revenue crossover is no longer projected due to Council sponsored tightening through the recession.**
 - **New Council priorities and postponed projects can now be considered.**

General Observations (continued)

- **Beverly Hills faces two financial liabilities largely beyond its control.**
 - **Pension obligations**
 - **Though Beverly Hills has begun to address its pension obligations, CalPERS assumptions, if wrong, (they have a terrible history) will significantly impact future expenses.**
 - **The Clean Water Enterprise Fund**
 - **The Federal Clean Water Act could theoretically mandate the treatment of all Ballona Creek runoff, a multi-billion dollar project.**

General Observations (continued)

- **We also face one financial liability within our control.**
 - **The Parking Authority deficit.**

The Budget Document

- **The budget document is much improved.**
 - **Don Harrison and the Finance Staff have done an admirable job.**
- **Budget Review Committee recommendations incorporated in the proposed budget include:**
 - **A much shortened version (Budget in Brief) for the community at large.**
 - **Bullet points to replace narratives wherever possible.**

The Budget Document (continued)

- **Recommendations incorporated (continued)**
 - **Personnel expressed in Full Time Equivalent (FTE) employees and dollars – not hours.**
 - **The costs and personnel needed to implement new programs for Council priorities separated from ongoing tasks.**
 - **CalPERS obligations expressed in \$ and % of salaries.**

The Budget Document (continued)

- **Recommendations we would like to see:**
 - **“Current Services” and “Internal Service Funds” more clearly explained early in every Budget and Budget in Brief.**
 - **Salaries and Benefits Reporting broken down:**
 - **Base Salaries**
 - **Bonus pay**
 - **Employee Pension Contributions**
 - **City Pension Contributions**
 - **Other**

The Budget Document (continued)

- **Recommendations (continued):**
 - **Vacation and medical/sick days policies stipulated.**
 - **Total dollars for all enhancements related to each Council priority.**

The Budget Process

Budget Review Committee recommendations incorporated in the budget process include:

- **A mechanism for controlling the upward spiral of program and employee costs.**
 - **Begin with current headcount for ongoing and approved tasks.**
 - **New and expanded programs for Council priorities can then be considered in light of staff increases.**

The Budget Process (continued)

- **New or expanded programs and Council priorities should be accommodated by:**
 - **Shifting staff assignments without hiring new employees**
 - **Using overtime**
 - **Temporary employees**
 - **Hiring outside contractors.**
- **This helps avoid an upward spiral of new programs and priorities leading to new staff and higher fixed expenses.**

Parking Authority

Every member of the Committee said the Parking Authority deficit is a top concern.

- **Parking Authority was established to:**
 - **Be self sufficient.**
 - **Promote retail spending.**
- **It is doing neither.**
 - **2-hour free parking has been a fiscal disaster!**
 - **Since 2-hour free parking restored in November 2007:**
 - **Business Tax Revenues up 9%**
 - **Property Tax Revenues up 28%**
 - **TOT up 10%**
 - **Sales Tax Revenues **down 2%****

Parking Authority (continued)

- Anecdotal evidence from Century City, where free parking ended early this year, suggests sales increased as parking became easier.**
- How many shoppers and diners leave Beverly Hills because our parking facilities are full?**

Parking Authority (continued)

- \$16 million has been drained from the General Fund since 2007.**
 - This includes \$5.4 million annual contributions from meters.**
 - These funds could go toward other priorities (safety, schools, library, parks, etc.)**
- \$15 million additional from the General Fund is needed for maintenance and repairs through 2017/2018.**
 - This does not include new parking facilities for:**
 - South Beverly Drive**
 - Robertson**
 - The Southeast**

Parking Authority (continued)

- Beverly Hills is a world class city.**
 - We need world class facilities to maintain our image.**
 - Parking lots are the first and last thing many visitors see (if space is available).**
 - They leave a lasting impression.**
- The Committee recommends a study of the impact of 2-hour free parking on City revenues.**
- Providing 2-hour free parking to residents only is one option to consider.**

Employee Compensation Study

- **Per the Mayor's request and previous presentations to Council:**
 - **A study comparing City employee salaries and benefits to local area private sector employees may be warranted given the upcoming non-safety employee negotiations.**

Employee Compensation Study (continued)

- **So far three sources have been found:**
 - **Employers Group (suggested by Courier)**
 - **We have joined the group and have access to their data.**
 - **Data may be too generic – Los Angeles citywide.**
 - **Waters Consulting Group**
 - **\$20,000 for 50 benchmark jobs and 20 organizations.**
 - **Segal Group**
 - **More comprehensive – wanted \$55,000 last year.**

Employee Compensation Study (continued)

- **The Budget Review Committee seeks City Council's direction on this matter.**