

Beverly Hills' Budget



A Presentation of:

The Citizens' Budget Review Committee

by

Eliot Finkel, City Treasurer

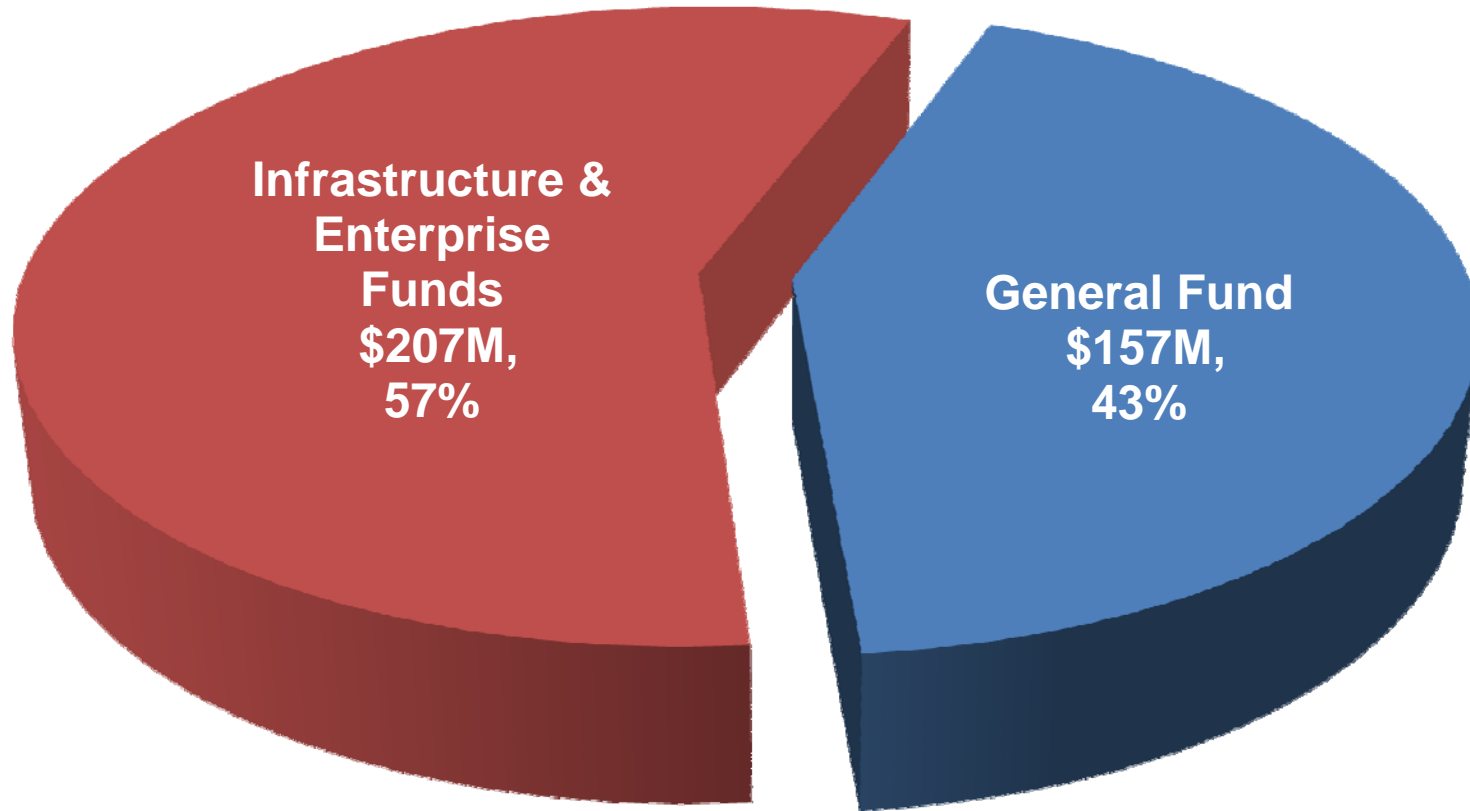
Summary

- Purpose
- Beverly Hills Budget
 - Enterprise Funds
 - Capital Improvement Projects
 - General Fund
 - General Fund Budget Process
- Budget Reductions
 - By year
 - By Department
 - By Staff levels
- Annual Cost per Employee
- Pension Obligations
- Ballot Measures

Purpose of this Presentation

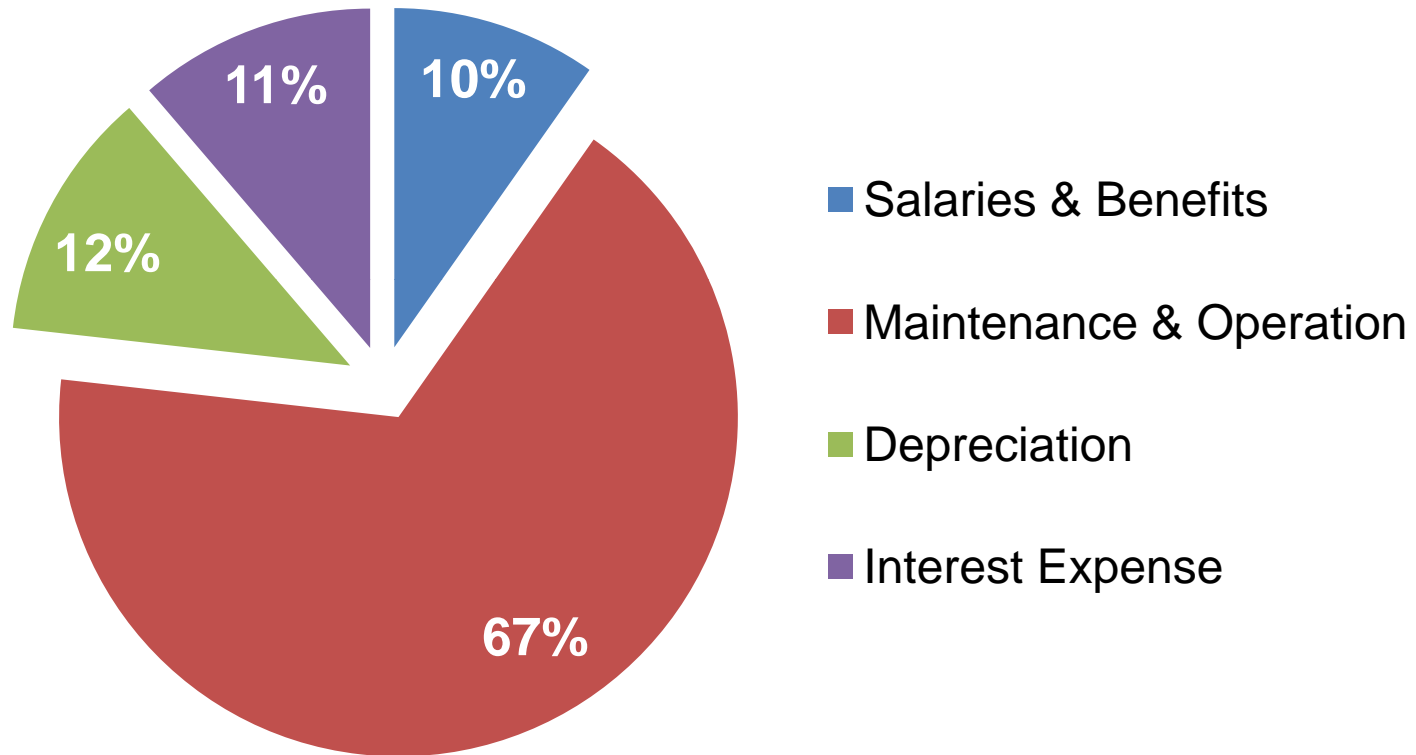
Provide residents and businesses with information regarding Beverly Hills budget issues from the perspective of an independent group of Citizens.

Beverly Hills Budget



Total City Revenue FY 2010/11: \$365,000,000

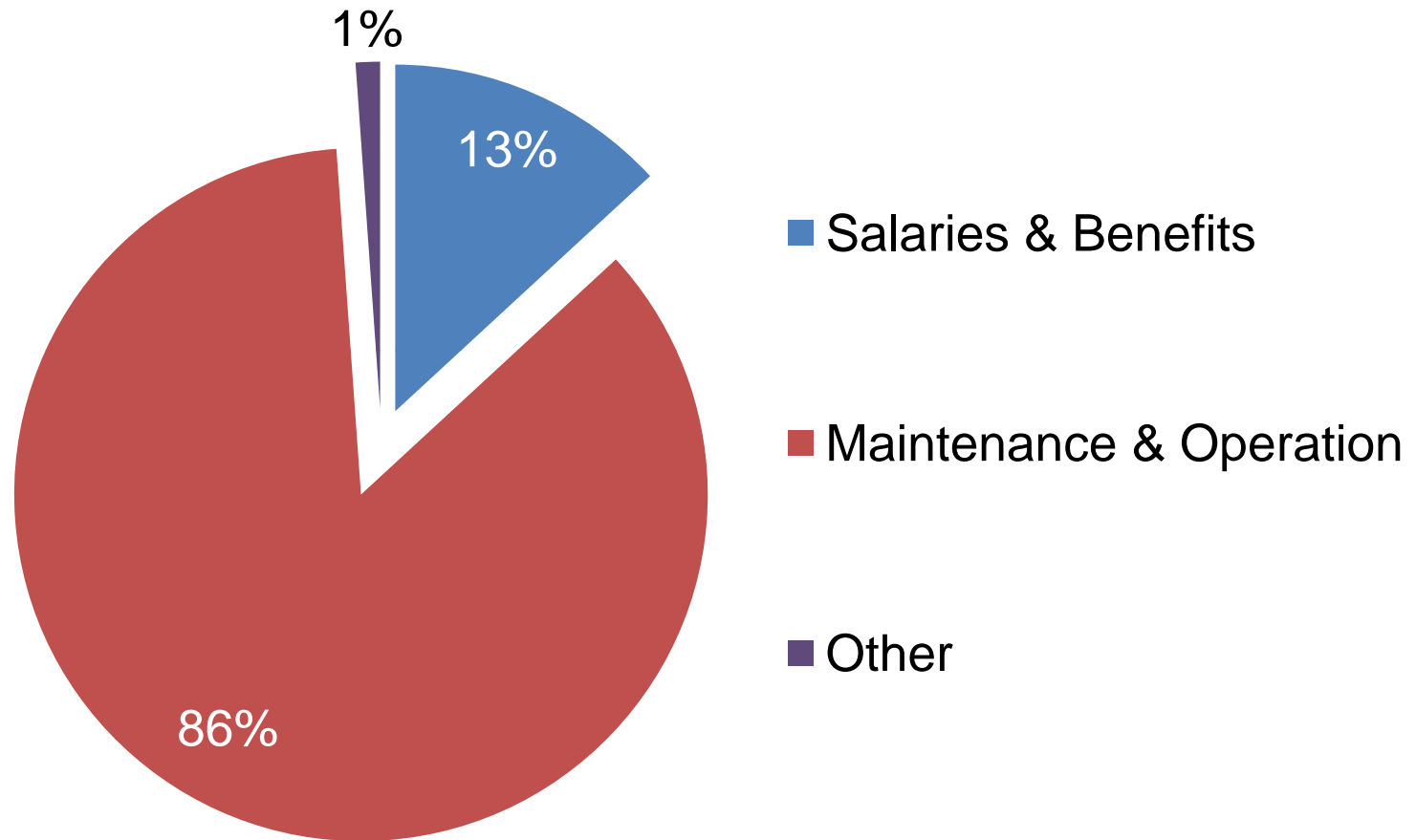
Water Enterprise Fund* Expenses



Expenses (FY 2008/09): \$26,000,000

Employees: 23

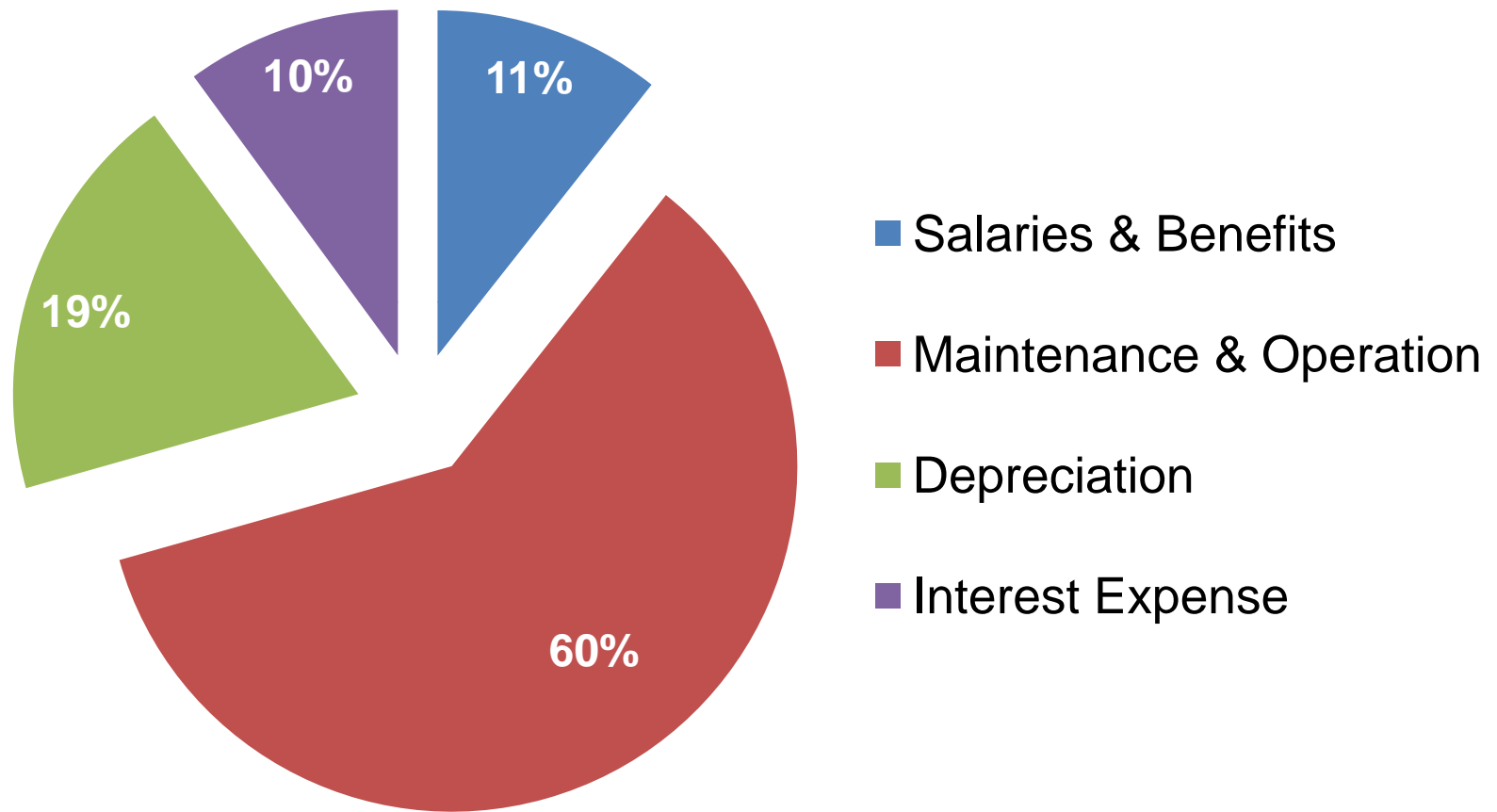
Solid Waste Enterprise Fund* Expenses



Expenses (FY 2008/09): \$13,000,000

Employees: 21

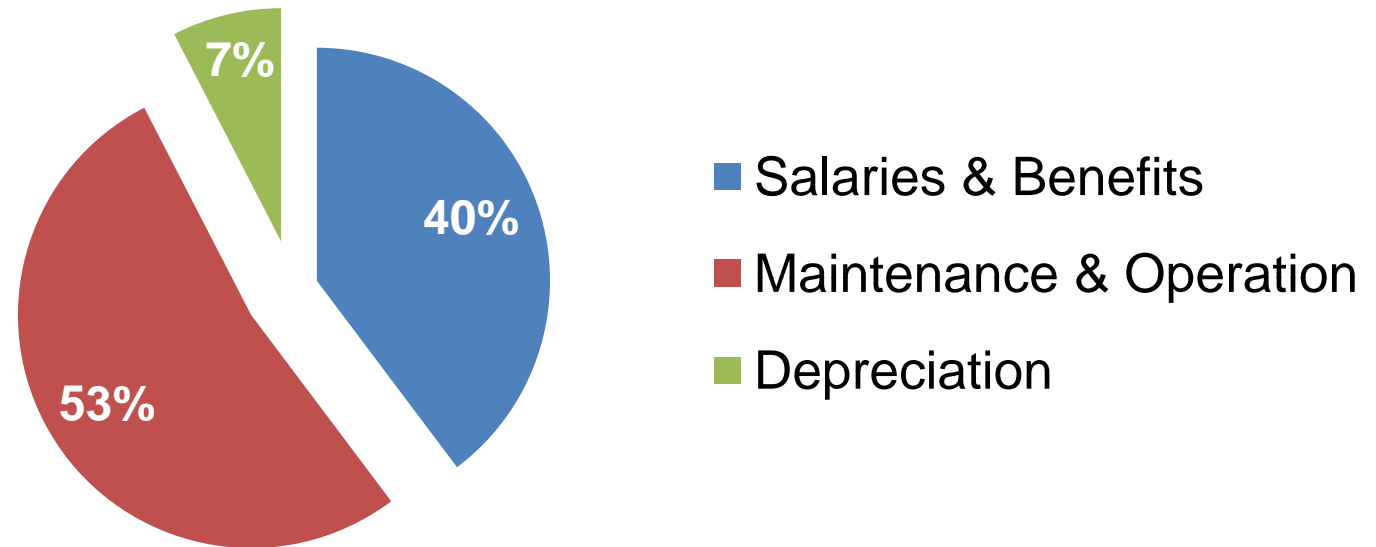
Wastewater Enterprise Fund* Expenses



Expenses (FY 2008/09): \$7,000,000

Employees: 7

Clean Water Enterprise** Fund Expenses



Expenses (FY 2008/09): \$3,000,000

Employees: 13

Cost of Ballona Clean-up = \$1.3B + \$34M in annual maintenance.

City's portion = 4.4% or \$57.2 M for project + \$1.5M/year maintenance.

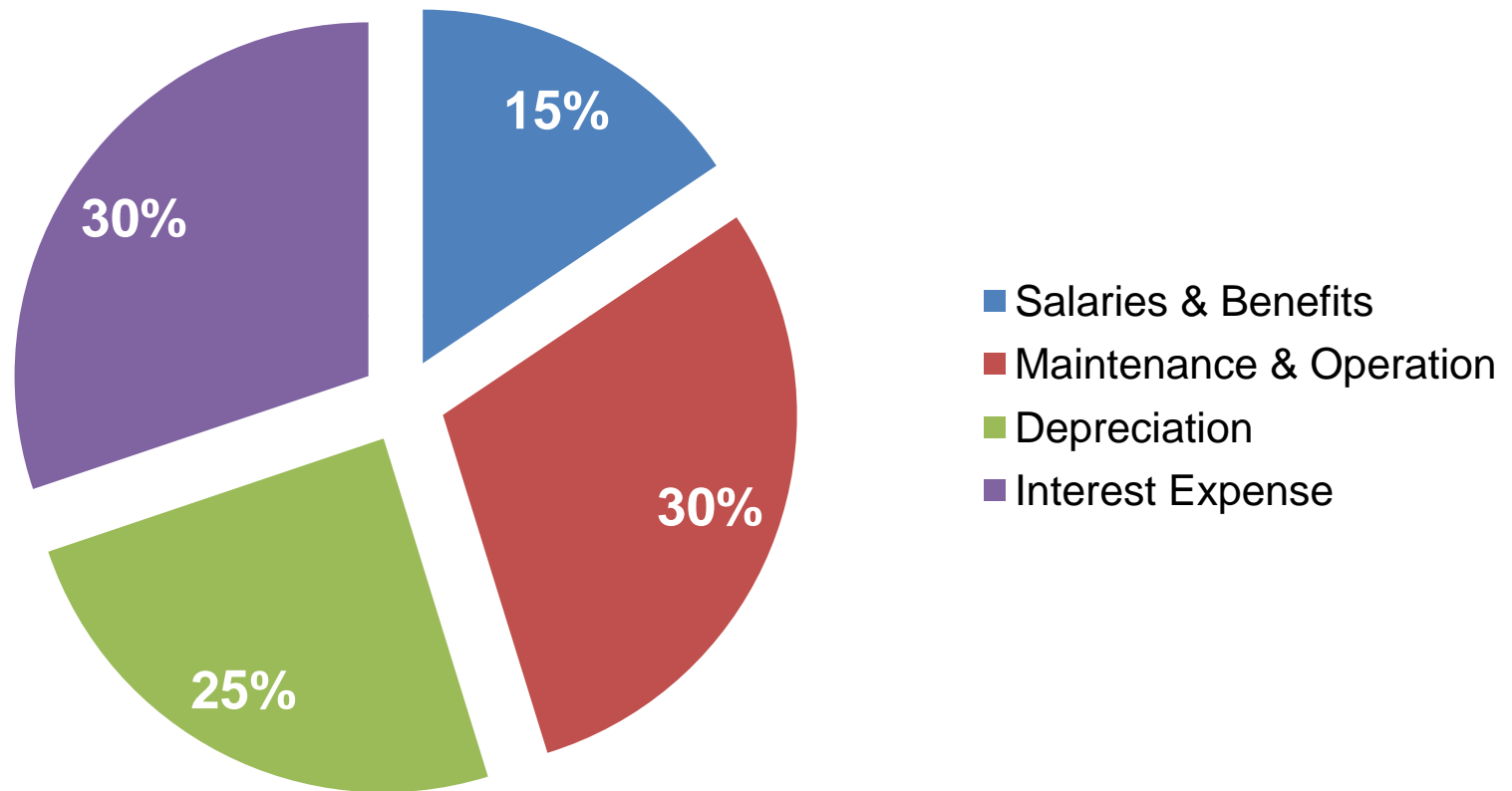
Parking Enterprise Fund

- Established by City Council in 1958
- Purpose: Provide parking for retail shoppers
- Requires \$3M in infrastructure upgrades.
- Requires additional \$800,000 in annual maintenance above current revenues.

Parking Fund Revenues

- Lease Revenue from City-Owned Retail Space
- Monthly Parking Fees
- Hourly Parking Fees

Parking Enterprise Fund Expenses



Expenses (FY 2008/09): \$21,000,000

Employees (Primarily Part-Time): 68

Capital Improvement Projects

Major infrastructure projects:

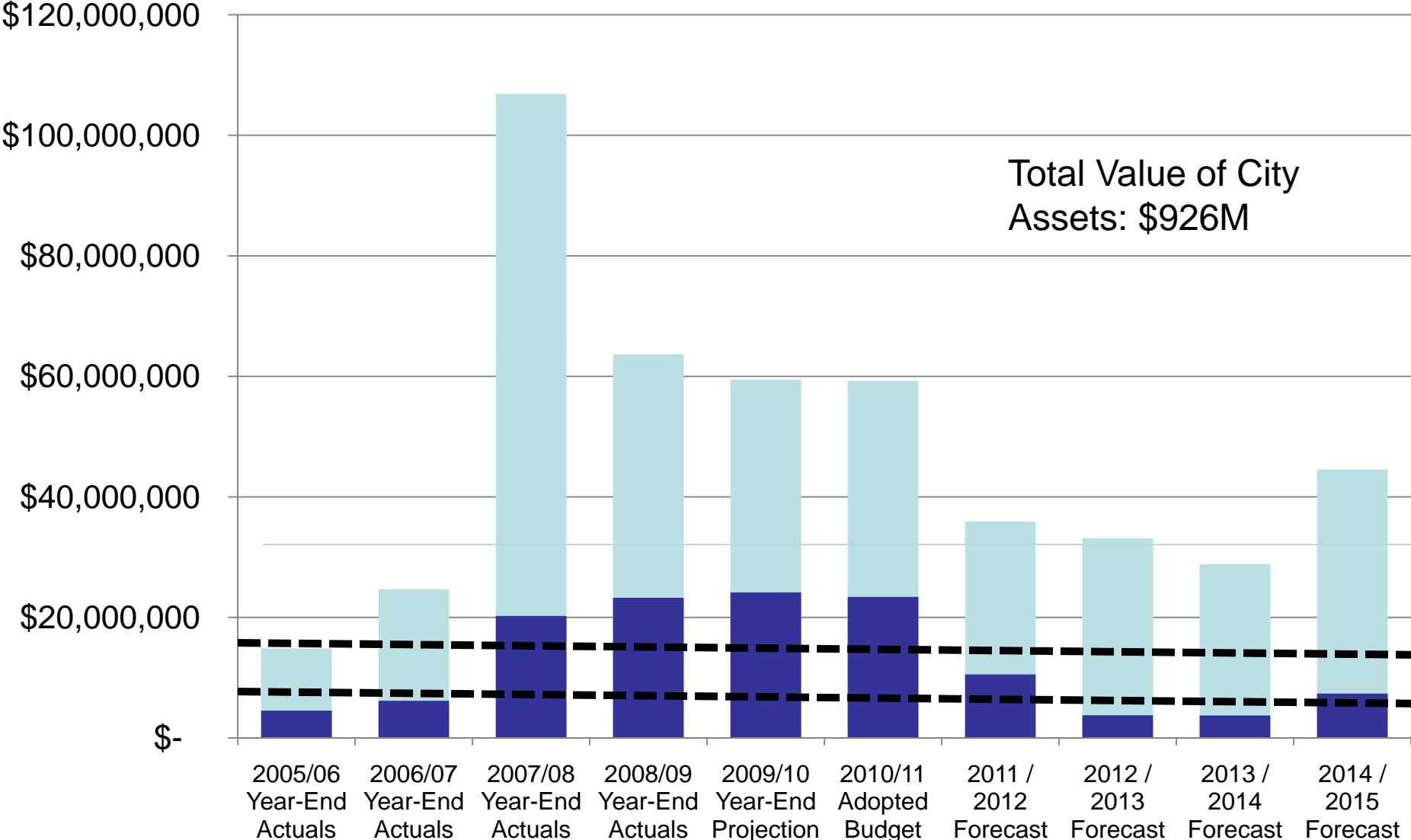
- Coldwater Reservoir
- Annually, 15% of sewers are evaluated and repaired
- 331 Foothill Road
- Hyperion Plant
- Crescent Street Parking Garage

These projects are typically paid for using bonds (loans)



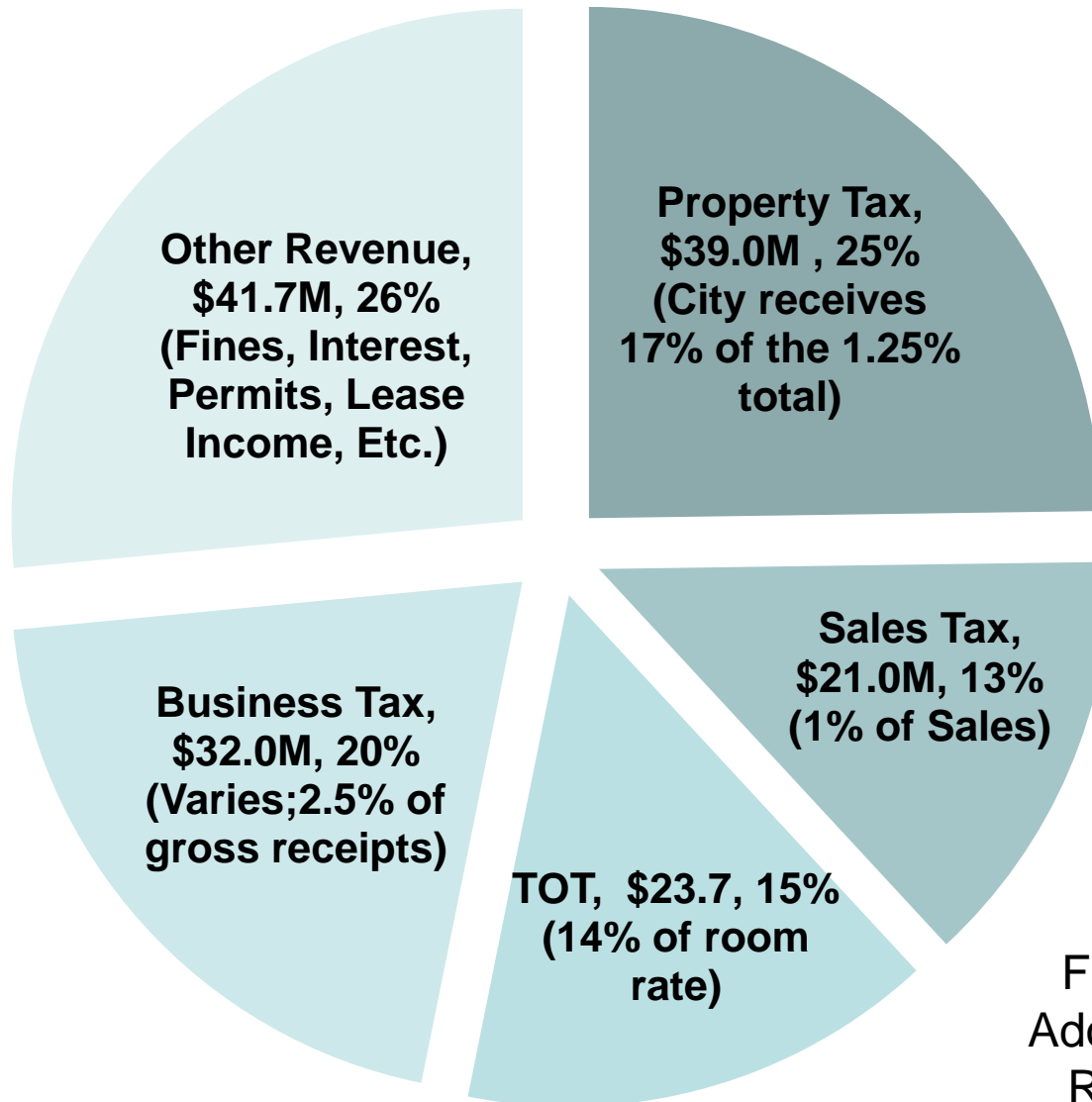
Capital Improvement Project (CIP) Expenses

Total Value of City Assets: \$926M



- Total Capital Improvement Expenses (All Funds)
- General Fund Portion of Capital Improvement Expenses

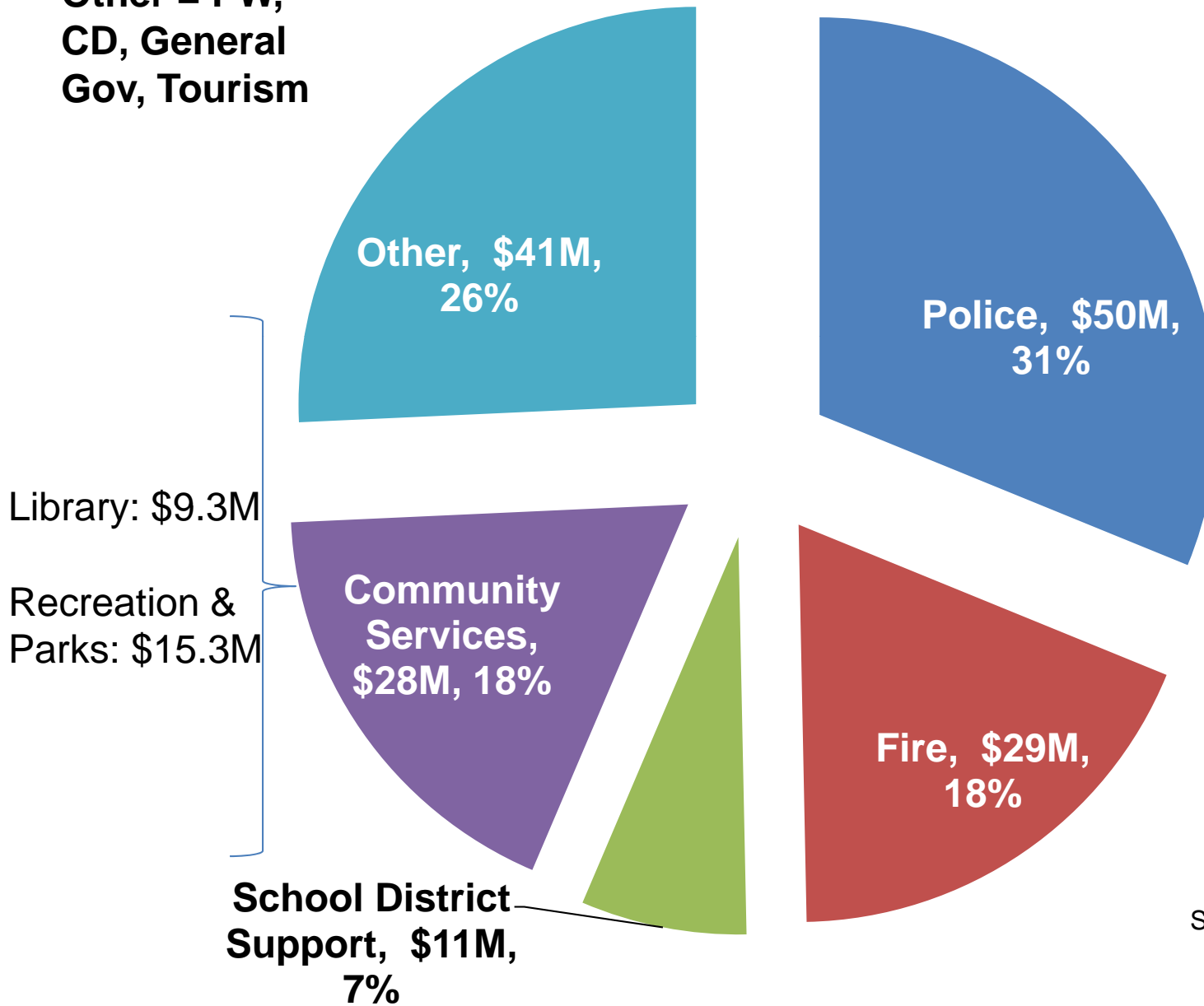
General Fund Revenue Estimates



Fiscal Year 2010/11
Adopted GF Estimated
Revenue: \$157.4M

General Fund Expenses

**Other = PW,
CD, General
Gov, Tourism**



Source: 2010/11 Budget

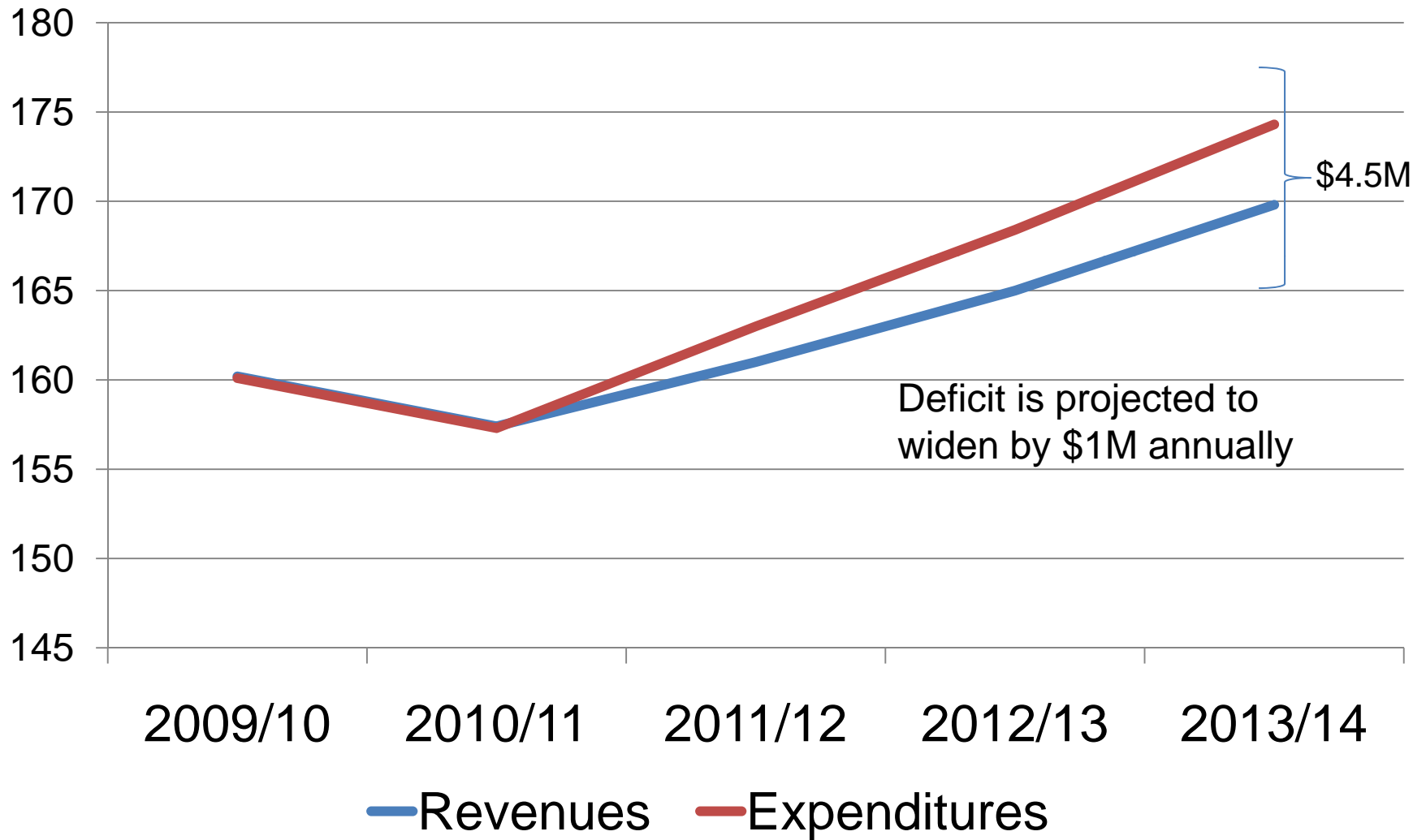
Budget Process

- Begins in March for July fiscal year.
- Program oriented.
- Departments propose programs and funds required.
- Revenues estimated by Administrative Services are prudently conservative.

Budget Process (cont.)

- Management, City Council and Budget Review Committee review requests and revenue estimates.
- Budget approved by City Council
 - Expenses and headcount are a ceiling.
- Actual expenses and revenues are reviewed monthly.
- Conservative revenue estimates and expense ceiling lead to frequent, small and appropriate surpluses at end of year.

Projected General Fund Budget Deficit



Budget Reductions

	<i>Budget Reduction</i>	<i>Positions Eliminated</i>
FY 08/09	\$4,800,000	0
FY 09/10	\$18,400,000	43
FY 10/11	\$9,300,000	58*
FY 11/12 (projected)	\$2,300,000	TBD
<i>TOTAL</i>	<i>\$34,800,000</i>	<i>101</i>

*23 additional positions may be contracted out.

*10-25 additional positions are projected to be eliminated as a result of the early retirement incentive programs and regular retirements, department reorganizations.

Budget Reductions By Department

	FY 2008/09	FY 2009/10	FY 2010/11
Administrative Services	\$ 535,000	\$ 1,244,000	\$ 318,000
City Clerk	\$ 144,000	\$ 135,000	\$ 117,000
Community Development	\$ 679,000	\$ 1,516,000	\$ 568,000
Community Services	\$ 950,000	\$ 2,983,000	\$ 1,504,000
Fire	\$ -	\$ 1,432,000	\$ 159,000
Information Technology	\$ 650,000	\$ 1,264,000	\$ 342,000
Police	\$ -	\$ 2,499,000	\$ 903,000
Policy & Management	\$ 328,000	\$ 1,522,000	\$ 170,000
Public Works	\$ 1,500,000	\$ 2,060,000	\$ 1,051,000
Other	\$ -	\$ 3,700,000	\$ 4,238,000
Total	\$ 4,800,000	\$ 18,400,000	\$ 9,400,000

Staff Level Reductions By Department

	FY 2008/09	FY 2009/10	FY 2010/11	% Reduction from 2008
Administrative Services	48	44.5	41.5	14%
City Clerk	6	5	4	33%
Community Development	53	46	41	23%
Community Services	100	94	90	10%
Fire	91	87	87	4%
Information Technology	29	28	28	3%
Police	206	192	187	9%
Policy & Management	22	21	20	9%
Public Works	217	211.5	205.5	5%
TOTAL	772	729	704	9%

Example of Salaries in Various Departments

	Police Officer	Firefighter	Non-Safety Position
Average Basic Salary	\$93,600	\$99,800	\$55,100
Special Pays (Education, Assignment Bonuses)	\$9,400	\$8,400	\$3,500
Overtime	\$13,000	\$23,500	\$470
Other Benefit Cost (Medical, Dental, Etc.)	\$23,200	\$16,500	\$13,500
City's portion of the pension cost	\$26,300	\$27,600	\$6,100
Employee portion of pension (Paid by the City)	\$9,300	\$9,700	\$4,700
Total:	\$174,800	\$185,500	\$83,370

Pension Obligations

CalPERS

	Liability	Funded	Unfunded
Safety	\$283,865,366	\$247,227,502	(\$36,637,864)
Miscellaneous	\$201,089,428	\$192,007,584	(\$9,081,844)
Total	\$484,954,794	\$439,235,086	(\$45,719,708)
After 23.4% Loss (Not CalPERS)	\$484,954,794	\$336,454,076	(\$148,500,718)

CalPERS assumes 7.75% net annual return. This is very optimistic.

Each 1/4% drop in actual returns = \$9 million in additional unfunded liabilities.

Pension Obligations (cont.)

Time Frame	CalPERS Annual Return	30-year US Treasury Return (Yield)
20-years	7.5%	9.75% (8.96%)
10-year	3.95%	7.08% (6.49%)

Current Treasury Yield is 4.55%

Measure O Facts

	Current Tax	Proposed Tax
Oil Extracted Outside the City	\$1,933 for the first 10,000 barrels of oil extracted + \$0.14 for each additional barrel of oil.	\$2,000 flat tax + 2.5% of gross receipts, including Natural Gas
Oil Extracted from Within the City	\$3,880 for the first 10,000 barrels of oil extracted + \$0.36 for each additional barrel of oil.	\$2,000 flat tax + 2.5% of gross receipts, including Natural Gas

Price of oil in 1977: \$14.40

Price of oil in 2011: \$86.00

Measure O Facts (cont.)

	Wells	Bbls. Oil	Mcf. Gas	Gross Revenues	Tax
Current Inside	16	143,000	109,000	\$13,000,000	\$62,000
Measure O Inside	16	143,000	109,000	\$13,000,000	\$357,000
Current Outside	54	439,000	456,000	\$41,000,000	\$104,000
Measure O Outside	54	439,000	456,000	\$41,000,000	\$1,133,000

Annual Benefit to Beverly Hills = \$1,300,000

Measure O Facts (cont.)

Effect on Royalties

Leaseholder's share:

- Up to 1/6th of the revenue and tax

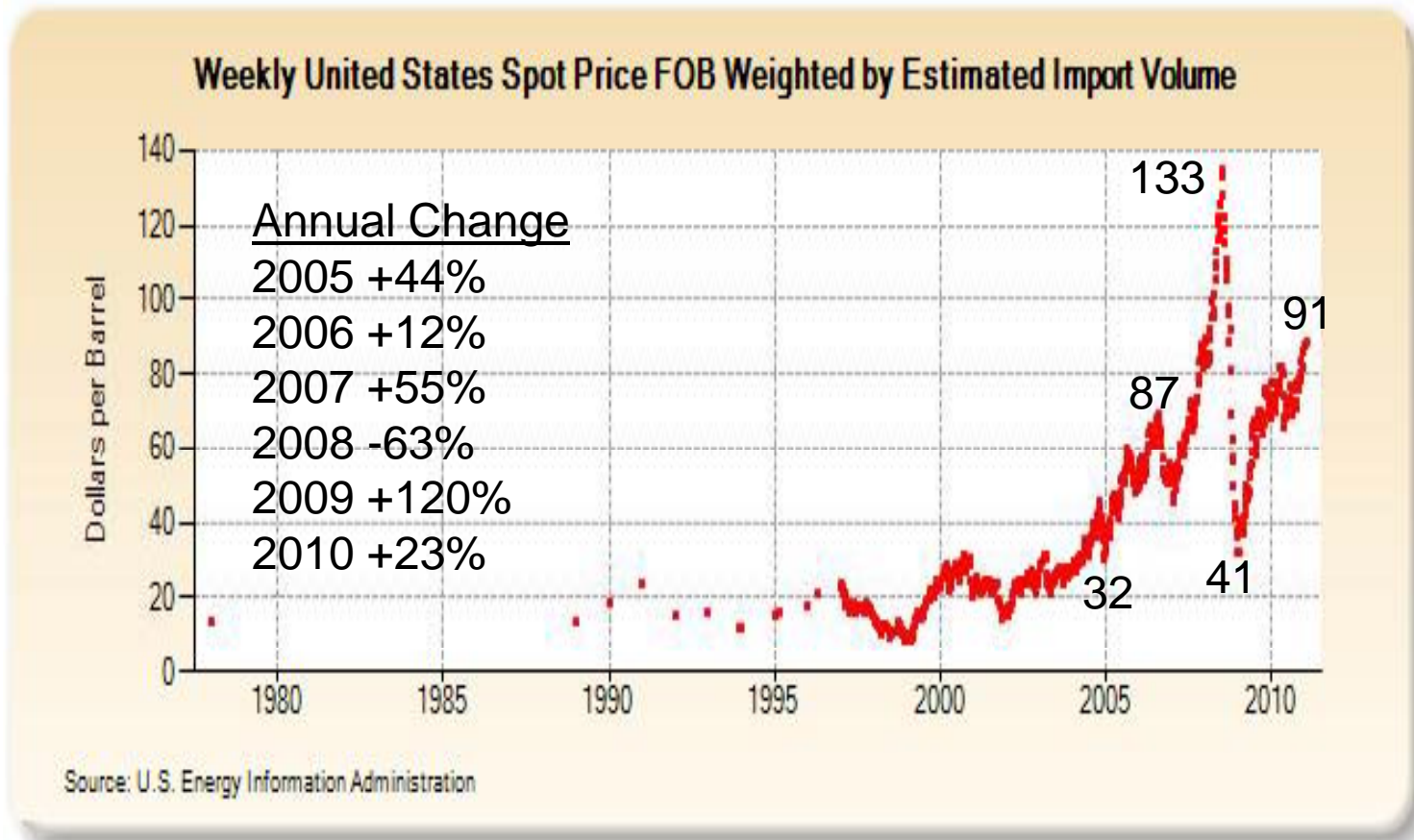
Example:

Current royalties = \$100 before Measure O

Tax = \$2.50

Royalties after Measure O = \$97.50

Petroleum Price History



Measure 2P Facts

- Mandates 2-hour free parking for most City-owned parking structures.
- Estimated cost to City = \$1.3 million per year
- Judge Ann Jones: “Fatally Flawed”
 - “...the parking initiative is clearly constitutionally proscribed.”
 - “Court concludes that the parking initiative clearly fails as an invalid exercise of the electorate’s initiative power...”
- Court of Appeal stays Judge Jones pending appeal.

Measure 3P Facts

- 3-hour free parking per day for Residents in most City-owned parking structures
- 50% resident discount for evening flat rates at City owned parking facilities
- Estimated cost to City = \$250,000 -
\$400,000/year



Questions?

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