

Budget Review Committee (BRC)

Presentation To

Beverly Hills City Council

Eliot Finkel
City Treasurer
May 12, 2016

Introduction

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Purpose of the BRC

- Promote transparency with respect to the Beverly Hills budget process
- Review the City's budget, budget process and finances
- Report findings and recommendations 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**
- **Abner D. Goldstine, Deputy City Treasurer and Senior Vice President of Capital Research and Management Co.**
- **Offer Nissenbaum, former 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, and CVB board member**
- **Joan Seidel, former City Treasurer and President of Morton Seidel & Co.**

History of the BRC

- **Founded in April 2009 at the request of the City Manager with consent of the Mayor and City Council**
- **This is our eighth budget review presentation to the City Council**
- **Accomplishments other than annual reviews:**
 - **A slide show and video of the budget/review process**
 - **Reviewed Safety Employee Retirement Obligations**
 - **A study of city employee versus private sector pay and benefits**
 - **Terminated for lack of relevant data**
 - **Study of the financial impact of 2-hour free parking**

Recommendations Implemented

- **Over 100 recommendations have been made, and most were implemented, fostering greater transparency and considerable savings.**
 - **Budget in Brief document for the community at large**
 - **Bullet points to replace narratives wherever possible**
 - **Personnel expressed in Full Time Equivalent (FTE) employees and dollars – not hours**
 - **Separate the costs and personnel needed to implement expenditure enhancements from ongoing tasks**
 - **CalPERS obligations expressed in \$ and % of salaries**
 - **Internal Service Funds more clearly explained**

What We Find in 2016

- **Beverly Hills is in great fiscal shape**
 - **The general fund balance is estimated to be \$170 million at the end of June and is projected to grow by \$16 - \$18 million in each of the next five years**
 - **New and postponed projects are being planned and implemented**
- **The budgeting process is exemplary**
 - **Don Rhoads, Don Harrison and the Finance Staff are doing a great job**

Concerns

- **Beverly Hills will face myriad issues related to revenues in the years ahead**
 - **The strong dollar is impacting visitors from Asia, Australia, Canada, Europe and South America**
 - **The political climate in China is impacting retail sales on Rodeo Drive**
 - **Brazil and Russia are in recession**
- **Construction along Wilshire and Santa Monica**

Concerns (cont.)

- **Repaving Santa Monica Boulevard and the impact of Metro on Wilshire Boulevard**
 - What is the City doing to mitigate the disruptions?
 - Are we sufficiently publicizing these mitigation efforts?
- **Increased competition from Century City and the Beverly Center due to their upgrading**
 - Century City, the Beverly Center and the Grove all have evening hours, Beverly Hills does not
 - Our hotels send guests who wish to dine and shop in the evening to other locations
 - Century City will be offering substantially enhanced dining options

Concerns (cont.)

- Is there an optimal number of five-star hotel rooms for Beverly Hills
 - Overbuilding could cannibalize existing hotels and hurt existing owners without helping the City
- Department budgets may be out of sync with long-term growth trends

Recommendations

- Long-term trends should be reviewed regularly in conjunction with budget requests to maintain perspective and the stability of the budgeting process
- Retail businesses should be encouraged to adapt to the changing environment by experimenting with evening shopping hours
- Per the April 19, 2016 Study Session staff report, the BRC will develop an implementation plan for establishing a Section 115 Trust to manage unfunded pension and OPEB liabilities outside of CalPERS
 - About 20 California cities have already established trusts