



Citizens' Budget Review Committee

Status Report

Eliot Finkel, City Treasurer

June 7, 2011



Introduction

- **Purpose of the Committee**
- **Who We Are**
- **What We Did**
- **Findings and Recommendations**
- **Next Steps**



Purpose of the Committee

- **Promote transparency with respect to the Beverly Hills budget process.**
- **Form a group of citizens with extensive business and City backgrounds to review the City's budget and finances and recommend related improvements.**
- **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 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**, former President of the Beverly Hills Chamber of Commerce and General Manager of Brooks Brothers Beverly Hills
- **Offer Nissenbaum**, Vice-Chairman of the Beverly Hills Conference and Visitors Bureau 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**, Former Chair of the Fine Arts Commission and Executive Vice President of Playboy Enterprises
- **Joan Seidel**, former City Treasurer and President of Morton Seidel & Co. Inc.



What We Did

Topics Discussed from April 20, 2009 to Date

1. Proposed Budget Reductions
2. Revenue Projections
3. Transient Occupancy Tax
4. City Services, Reduction of
5. City Infrastructure
6. Overtime Pay
7. Layoffs
8. BHUSD's Budget and City's Annual Contribution
9. Evaluation of Revenue Assumptions by Community Leaders
10. Building Inspection Fees
11. Fire Inspection Fees
12. Police and Fire Overtime



What We Did (continued)

Topics Discussed from April 20, 2009 to Date

13. Police and Fire Retirement Budget
14. Labor Cost Statistics and Rate of Return
15. Street Maintenance Budgets and Rate of Return
16. Contracted Employees
17. Fleet Vehicle Maintenance
18. Parking Enforcement
19. Parking Meter Rate Increase
20. Fraudulent Use of Handicapped Parking Passes
21. IT's Hardware and Software Maintenance
22. Wireless Infrastructure
23. City Training Programs
24. Delinquent Business Taxes



What We Did (continued)

Topics Discussed from April 20, 2009 to Date

25. CPR Program Designation & Contracting Out
26. Tree Trimming Budget and Levels of Service
27. Formal Events: Art Show, Woofstock, Concours d'Elegance, Walk of Style, etc.
28. Team Beverly Hills
29. Chamber of Commerce Funding
30. Economic Development Council Briefing
31. Salary Histories by Department
32. Contracting out of Services vs. Internal Staff Responsibilities
33. Elimination of Overtime Associated with Training
34. Centralization vs. Decentralization of Functions
35. Revenue Generating Options
36. Energy Saving Ideas



What We Did (continued)

Topics Discussed from April 20, 2009 to Date

37. **Adjacent Cities Budget Comparisons**
38. **Work Schedule Differences**
39. **Furloughs and Impact on City Services and Budget**
40. **Staffing Level Comparisons with Neighboring Cities**
41. **Surrounding City Comparison of Major Revenue Sources**
42. **PERS Funding Levels**
43. **Unfunded Pension Obligations**
44. **City Attorney Fees**
45. **Efforts to Attract New Businesses**
46. **Departmental Matrix Studies**
47. **Sales Tax Comparisons by Municipality and Major Shopping Areas**
48. **Alternative Retirement Medical Program (ARMP)**



What We Did (continued)

Topics Discussed from April 20, 2009 to Date

49. Quarterly Budget Status Reports
50. Water, Sanitation, Sewer, Storm Water & Parking Enterprise Funds
51. Two-Hour Free Parking – Impact on City Budget
52. Economic Development Survey by the CVB
53. Red Light Camera Revenue and System
54. Farmer's Market Location
55. Educating the Community on City Finances
56. Governance and Commission Costs
57. Revenue Options that Require Voter Approval
58. Commercial and Residential Property values
59. Measure P
60. Water Fund Rates



What We Did (continued)

Topics Discussed from April 20, 2009 to Date

- 61. Use of Consultants and How they Bill the City**
- 62. City's Marketing Efforts**
- 63. Business Tax, Utility Tax and Petroleum Producing Tax**
- 64. False Alarm Reduction Program**
- 65. Employee Associations Cost-Cutting Elements**
- 66. Educational Video by the Budget Review Committee**
- 67. Conversion of City Vehicles to Electric/Natural Gas**
- 68. City's Purchasing Process**



Findings & Recommendations

- **The budget process has been streamlined and improved and the budget is easier to understand.**
 - **The summary of important changes at the beginning of each section is particularly helpful.**
 - **Scott Miller, Don Harrison and their staff deserve much credit.**
 - **The current budget process was too quick for the Budget Review Committee to get into much detail.**
 - **With the speedier process, the Committee's benefit to staff, Council and the residents would best be realized by concentrating on special projects.**



Findings & Recommendations (cont.)

- **Salaries and Benefits Reporting**
 - We recommend this expense category be further broken down into:
 - Base Salaries
 - Bonus pay
 - Pension Contributions – Employees
 - Pension Contributions – City
 - Overtime
 - Vacations
 - Medical including sick pay
 - Other



Findings & Recommendations (cont.)

- **Police Department and Fire Department**
 - **Salaries and Benefits should separate Safety and Miscellaneous personnel**

- **Public Works**
 - **Salaries and Benefits should separate Enterprise and Non-Enterprise Fund personnel**



Findings & Recommendations (cont.)

- **Pension Obligations are the biggest financial threat to Beverly Hills.**
 - **Even substantially improved revenues would not be sufficient to cover our current pension obligations.**
 - **A Pension Task Force has been formed and will report to the Council before the end of June.**



Findings & Recommendations (cont.)

- **Parking Enterprise Fund**
 - **The fund was established to:**
 - **Be self sufficient**
 - **Promote retail spending**
 - **It is doing neither**
 - **To be self sufficient it must:**
 - **Cover its operating expenses**
 - **Cover maintenance expenses**
 - **Have funds in reserve like other enterprise funds**



Findings & Recommendations (cont.)

- **Parking Enterprise Fund (continued)**
 - **The current \$4.5 million drain on the General Fund:**
 - **Reduces funds for other priorities**
 - **Makes it more difficult to develop new parking facilities for:**
 - **South Beverly Drive**
 - **Robertson**
 - **The Southeast**



Findings & Recommendations (cont.)

- **Parking Enterprise Fund (continued)**
 - There are a variety of ways that parking revenues can be increased to put the Fund into a break even or surplus condition.
 - One example : charge \$1 hour for each of the first two hours of parking that would cover the current \$2.5 million operating deficit of the Fund and would provide \$2 million for needed maintenance.
 - Unless the Fund is returned to fiscal viability new parking facilities are hard to contemplate.



Findings & Recommendations (cont.)

- **Parking Enterprise Fund (continued)**
 - **Jim Jahant, the manager of Brooks Brothers, worst fear with respect to customer parking: his customers' last memory of Beverly Hills will be of a run-down garage that smells of urine.**
 - **Other retailers in the triangle support this view.**
 - **Robertson Parking (Council priority 22) should get a higher priority.**
 - It ties directly into higher rated priorities (e.g.. P05 - Fiscal Sustainability, P12 - Advance Capital Investment in the Community, P07 - Economic Sustainability, P03 - Beverly Hills brand and, P14 - Revitalize Southeast Beverly Hills.)
 - **Explore public/private funding for additional parking structures as needed around the City.**



Findings & Recommendations (cont.)

- **Joint Powers Agreement (JPA)**
 - **Our schools continue to deserve the highest priority. However, funding levels should, in some way, reflect the current fiscal stringency and budget cuts of the past several years.**
 - **The schools should be accountable to the City like all other City funded organizations.**



Findings & Recommendations (cont.)

- **City departments should conduct random samplings through "mystery shoppers" or customer/supplier surveys for feedback on quality of City services.**
 - Promote greater efficiency and capture potential cost savings.
 - Build greater customer satisfaction in the residential and business communities.
 - Improve City's reputation as a place to do business.
- **Revise policies in order to encourage staff to become more entrepreneurial and responsive to residents and businesses.**



Findings & Recommendations (cont.)

- **Use Anderson (UCLA) or Marshall (USC) MBA students, working on their group thesis, to explore specific issues of importance to the City.**
- **Review value of medical offices to the City**
 - Real impact on traffic and parking
 - Secondary effects on adjacent retail or lack thereof
 - Revenues versus benefits to the City.
- **A marketing review in more depth than previously presented to the Committee.**



Next Steps

- **With Council's consent the Budget Review Committee will continue examining ways to improve the City's long-term financial sustainability.**
 - Commercial development in Southeast
 - Energy Costs – Vehicles, Solar Power, CNG
 - Evaluate outsourcing City functions or use of public/private partnerships.
 - Investigate ways to mitigate unauthorized use of handicapped parking placards.
 - Parking
 - Promote and review operating plans for CIP projects.
 - Review of Commissions
 - Revisit Commercial Property Management
 - Review enterprise fund budgets
- **Council's input on areas to examine would be appreciated.**