



Budget Review Committee Status Report

Eliot Finkel, City Treasurer

May 18, 2010



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 & Real Estate Developer
- **Eliot Finkel**, City Treasurer & 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 Beverly Hills Chamber of Commerce and General Manager of Brooks Brothers Beverly Hills
- **Offer Nissenbaum**, Treasurer of the Beverly Hills Conference & Visitors Bureau & 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
- **Joan Seidel**, former City Treasurer and President of Morton Seidel & Co. Inc.



What We Did

- **Nine meetings totaling about 14 hours**
- **Reviewed:**
 - **Other City Budgets**
 - Burbank
 - Glendale
 - Newport Beach
 - Santa Monica
 - West Hollywood
 - **Department Management & Performance Reviews**
 - City Clerk
 - Community Development
 - Public Works



What We Did (continued)

- **Received presentations on:**
 - **Fiscal Year 2010/11 Budget**
 - **Employee pension obligations**
 - **City Marketing & Promotion efforts**
 - **Parking Enterprise Fund**
 - **Red light camera program**
 - **Farmers' Market program**
 - **Governance & Commission costs**
 - **Revenue options that require voter approval**
 - **Water, Sanitation, Sewer and Storm Water Funds**
 - **Status of handicap placard crackdown in Beverly Hills**



Findings & Recommendations

- Beverly Hills has made substantial progress reducing expenses in order to maintain a balanced budget in the face of falling revenues.
 - A \$4.8 million budget gap was closed in 2008/09
 - An \$18 million budget gap has been closed in 2009/10
 - Projected budget gap of \$9 million in 2010/11 is being addressed.
- All departments have made head count reductions.
 - City staff has reduced 68 full-time positions through attrition and elimination of open positions.
 - Every department has made cuts including police and fire.
 - 5 furlough days are planned for non-safety personnel in 2010.



Findings & Recommendations (cont.)

- **Changes affecting budget and revenues should be seen as equitable by residents and staff.**
- **Reduce School District Joint Power Agreement (JPA) in line with current financial realities and other budget reductions.**
 - **JPA was the only expense not reduced.**
- **Internal Service Fund charges are still difficult to track.**



Findings & Recommendations (cont.)

Employee retirement obligations

Employee retirement obligations (CalPERS) are a serious concern and could be a financial time bomb.

2008 vs. 2009	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	\$484,954,794	\$336,454,076	(\$148,500,718)



Findings & Recommendations (cont.)

CalPERS assumption of 7.75% net annual return is very optimistic.

6/30/2009 Treasury return is 3.66%

Time Frame	CalPERS Annual Return	30-year US Treasury Return/Yield
1989-present (20-years)	7.5%	9.75%/8.96%
1999-present (10-year)	2.5%	7.62%/5.65%



Findings & Recommendations (cont.)

- **Increase in unfunded liability for each .25% drop in 20-year net annual return is over \$9 million.**
- **Our pension obligations must be limited going forward.**
 - **Increase minimum retirement age.**
 - **Convert part of plans from defined benefit to defined contribution.**
 - **Initiate employee participation.**



Findings & Recommendations (cont.)

Parking Enterprise Fund

- Reduce 2-hour free parking in City structures to 1-hour.
 - Could generate \$2-3 million in revenue for the Parking Enterprise Fund and eliminate the current General Plan subsidy.
 - City Sales Tax revenues rose throughout period (2006-2007) of one-hour free parking.
 - Meter parking is not free and Council has already agreed to consider increasing the current \$1/hour rate up to \$2/hour.
 - Beverly Center gives no free parking.
 - Century City is required to give 3-hours free.
 - Grove gives one-hour free.



Findings & Recommendations (cont.)

Storm Water Enterprise fund

- **The storm water enterprise fund needs to be added to the list of utility enterprise funds for which fees can be adjusted to match expenses.**
 - It was not included in the relevant legislation.
 - The demands of the Federal Clean Water Act impose considerable City expense on the maintenance of our storm drains.



Findings & Recommendations (cont.)

Marketing the City

- **We need to better understand the benefits, costs and limits of promoting Beverly Hills stores, hotels, restaurants and businesses.**
 - We support the Chamber of Commerce, Conference & Visitors Bureau, Rodeo Drive Committee and our Economic Development Department.
 - Our retail stores very competitive – we continually best competing areas in sales and sales growth.
 - Our hotels are amongst the best in the world.
 - Our office and retail rents are higher than our neighbors.
- **75% of our revenues come from the business community.**
- **We need to know how we can continue to outperform.**



Findings & Recommendations (cont.)

Community Outreach

- **Promote community outreach to build understanding of:**
 - City’s budget accomplishments.
 - City’s need to reduce expenses and increase revenues to fill the continuing budget gap.
- **Available revenue raising measures:**
 - Utility taxes.
 - Real Estate transfer tax.
 - Business tax adjustments for professionals and headquarters to bring rates into line with other businesses and surrounding communities.
 - Fee for trimming trees that overhang alleys.



Findings & Recommendations (cont.)

Red Light Cameras & Handicapped Placards

- **The red light camera program should be expanded.**
 - Red light cameras reduce accidents and provide revenue.
 - Revenue per camera decreases over time to the point where the cameras are no longer economical.
 - Nevertheless, more cameras would be beneficial at this point.
- **Handicapped Placards are abused.**
 - Stricter enforcement of such abuses would raise revenue and promote fairness.



Next Steps

- **With Council's consent the Budget Review Committee will continue examining ways to improve the City's long-term financial sustainability.**
- **The Council's input on areas to examine or disregard would be appreciated.**