

Budget Review Committee (BRC)

Presentation To

Beverly Hills City Council



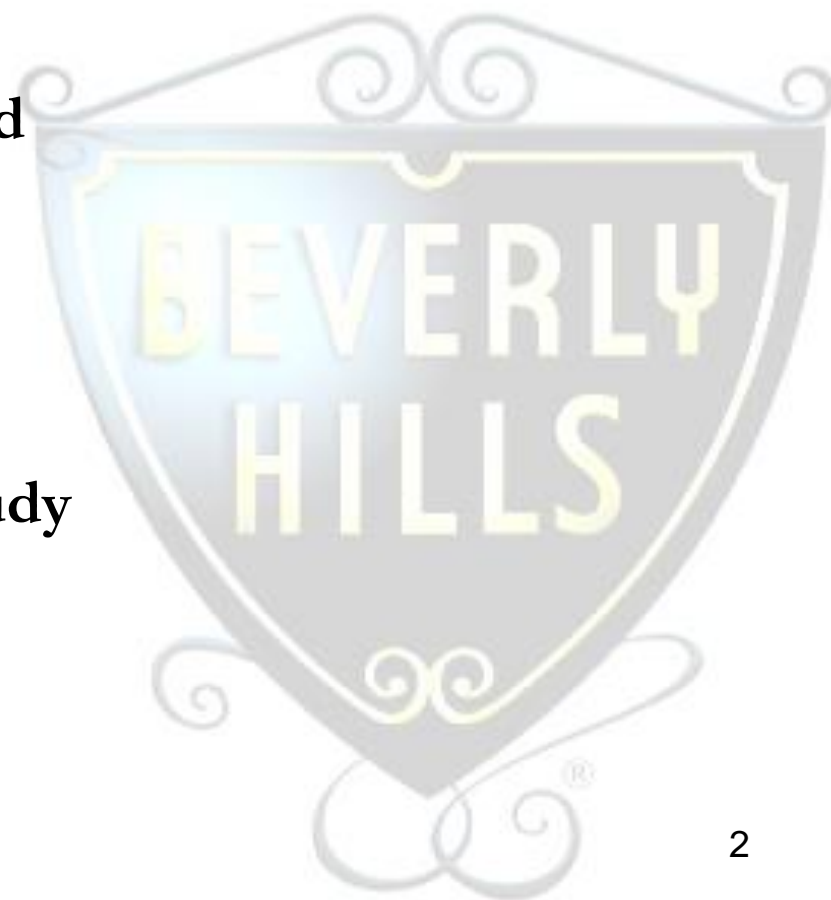
Eliot Finkel

City Treasurer

May 13, 2014

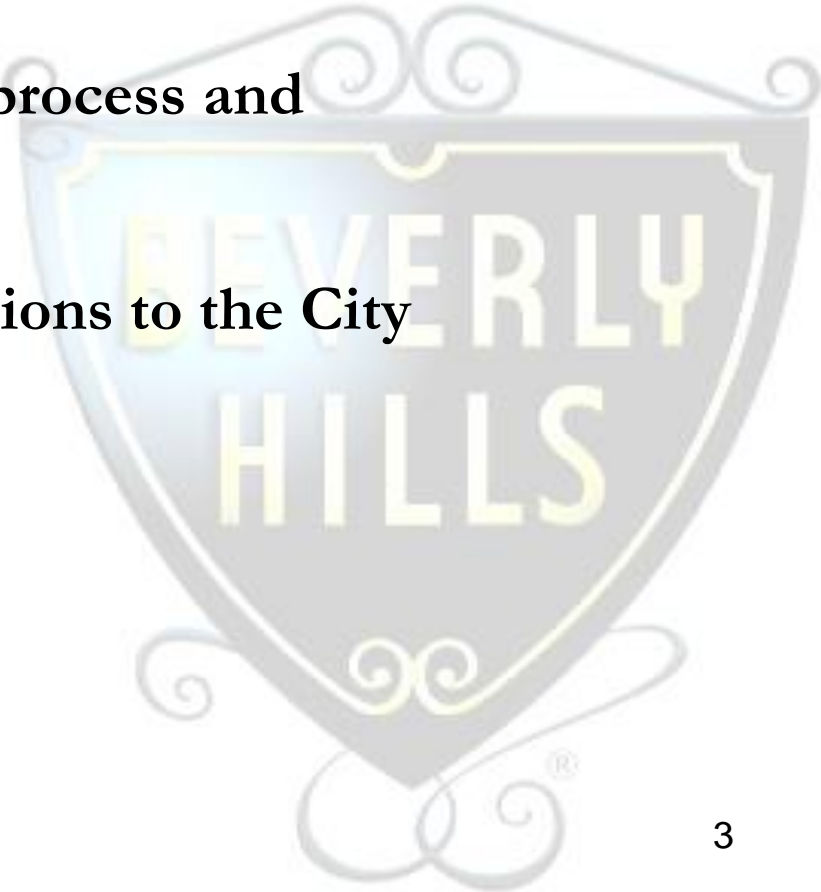
Introduction

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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, 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, 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, Chair of the Beverly Hills Centennial Task Force and CVB board member.**
- **Bruce Schulman, General Manager of Mercedes Benz of Beverly Hills**
- **Joan Seidel, former City Treasurer and President of Morton Seidel & Co. Inc.**

History

- **Founded in April 2009 at the request of the City Manager with consent of the Mayor and City Council.**
- **Meets the first Wednesday of each month.**
- **This is our sixth annual budget review presentation to the City Council.**
- **Other Accomplishments:**
 - **A slide show and video of the budget/review process.**
 - **A review of Safety Employees Retirement Obligations.**
 - **A study of city employee versus private sector pay and benefits (in process).**
 - **Study of the financial impact of 2-hour free parking (in process).**

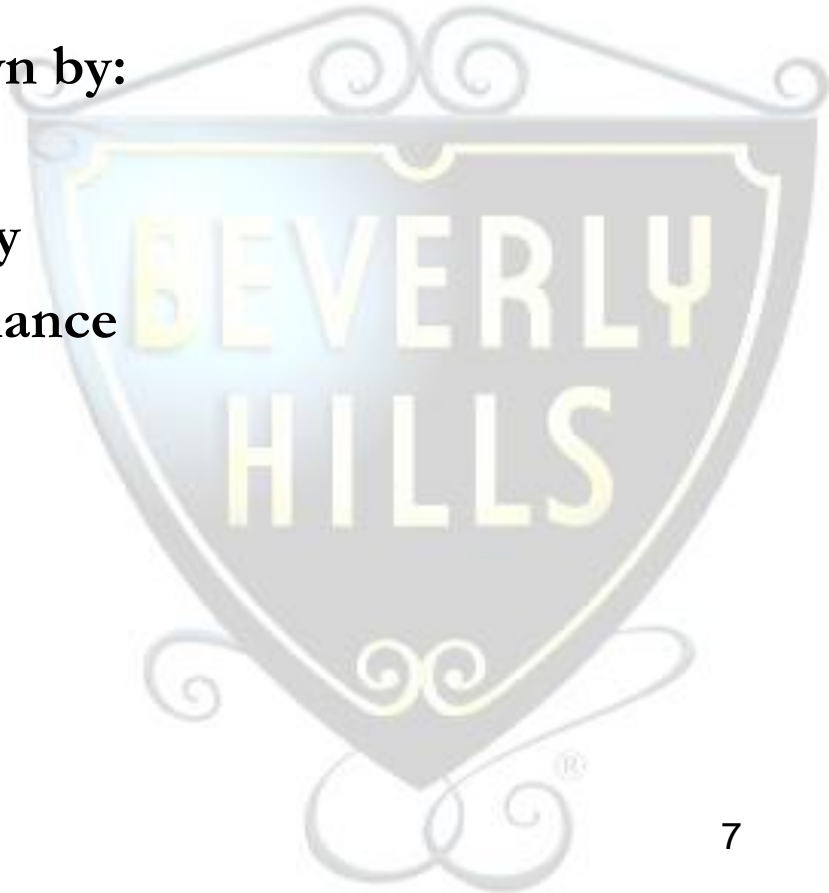


Recommendations Implemented

- A much shortened version (Budget in Brief) 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.

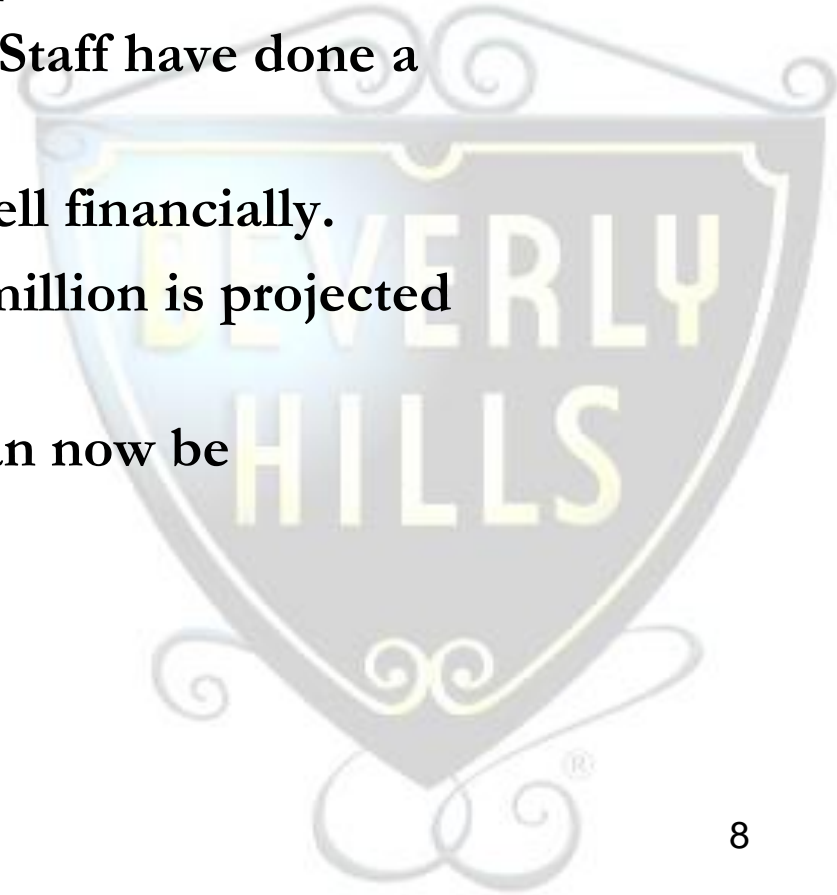
Recommendations Implemented (continued)

- **Salaries and Benefits broken down by:**
 - **Base Salary**
 - **Differential/Special Pay**
 - **Bonus/Pay for Performance**
 - **Overtime**
 - **Retirement**
 - **Benefits**
 - **Other**



General Observations

- The budget document is much improved.
 - Don Harrison and the Finance Staff have done a great job.
- Beverly Hills is doing extremely well financially.
 - An annual surplus of \$26 - \$31 million is projected for each of the next five years.
 - New and postponed projects can now be considered.



General Observations (continued)

- Two major financial liabilities remain which are largely beyond the City's 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)

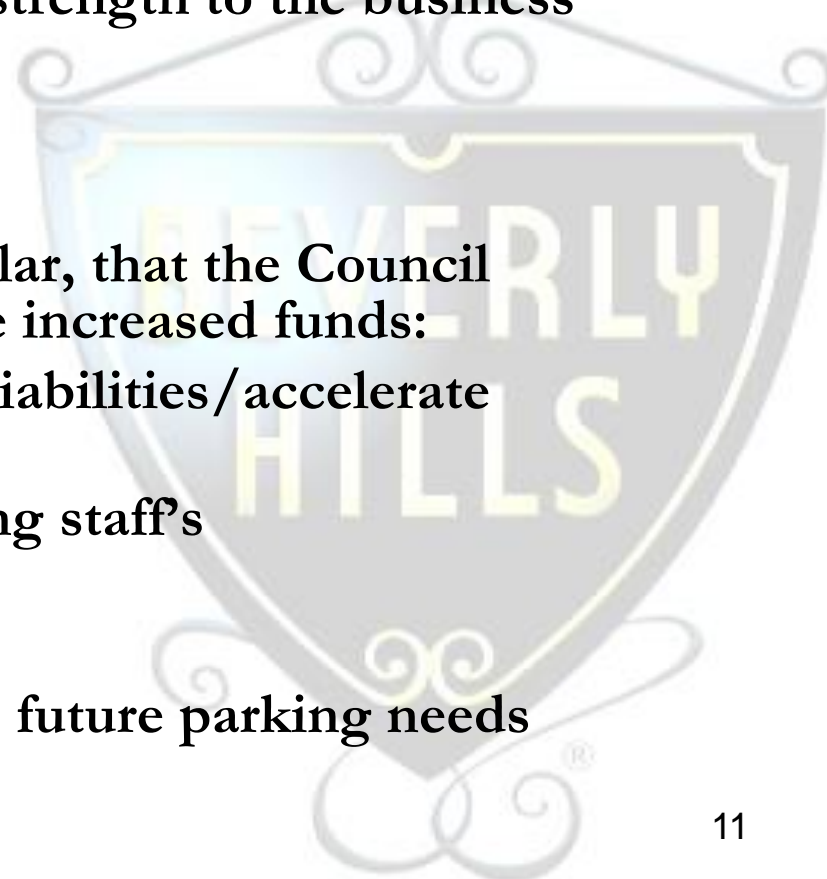
General Portfolio Increase

- As the economy has improved the City’s General Portfolio has increased significantly over the past three years.
- The BRC has asked for a detailed explanation of the \$153 million increase since December 2011 which is forthcoming.
 - What are the sources of the additional cash?
 - What funds or reserves have the increases been allocated to?
 - What are the City’s cash reserve policies?

Description	General Portfolio			Restricted Portfolio	Total
	BNY Mellon	Wells Fargo Bank	Local Agency Investment Fund	U.S.Bank	
Ending Equity on December 31, 2011	218,433,311	45,159,033	25,898,124	61,990,618	351,481,087
Ending Equity on March 31, 2014	271,742,680	124,185,312	46,082,931	11,609,734	453,620,657
Increase	53,309,368	79,026,279	20,184,807	-50,380,884	102,139,570
Increase excluding Restricted Portfolio	53,309,368	79,026,279	20,184,807		152,520,454

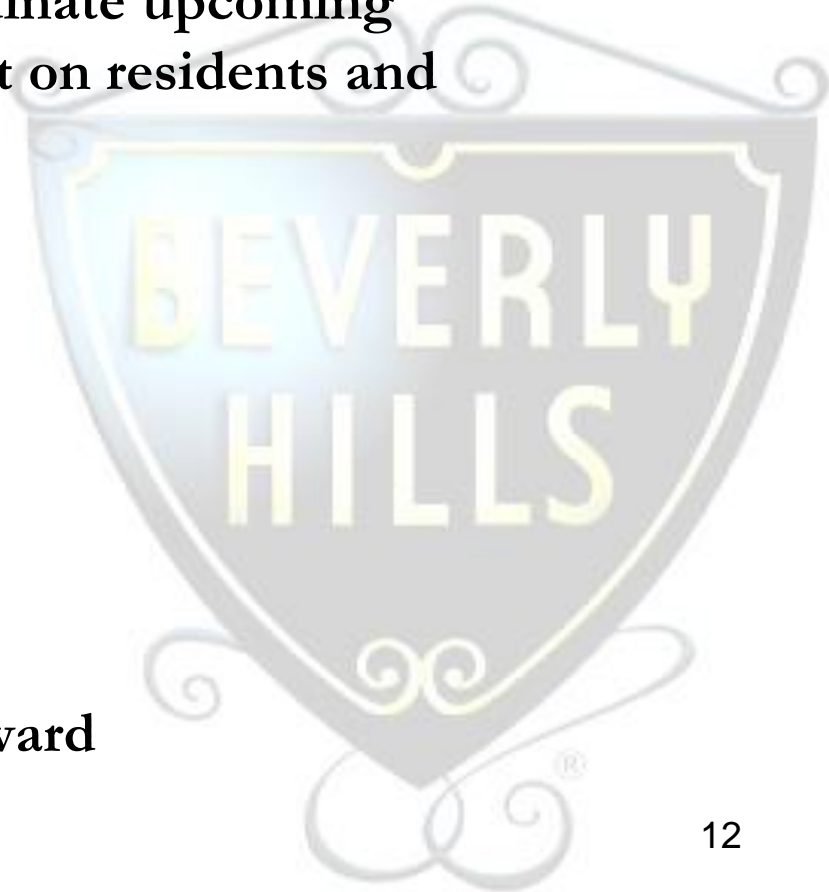
Ongoing Concerns

- We should promote our financial strength to the business community
 - New York
 - Shanghai
- The BRC recommends, in particular, that the Council consider the following uses for the increased funds:
 - Pay down unfunded pensions liabilities/accelerate pension funding
 - We look forward to reviewing staff's recommendations.
 - Purchase land
 - Especially to accommodate future parking needs



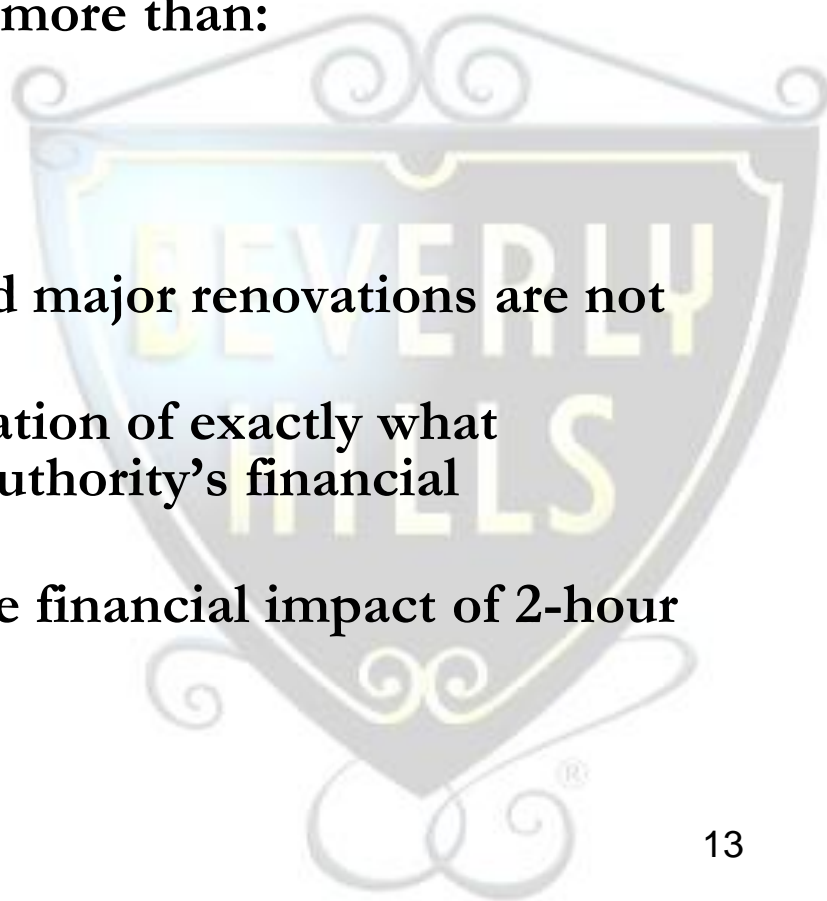
Ongoing Concerns (continued)

- The City should do its best to coordinate upcoming development to minimize its impact on residents and businesses.
 - Santa Monica Boulevard
 - Waldorf Astoria
 - 9900 Wilshire
 - Subway
 - Lexus
 - 9200 Wilshire
 - Multiple hotels on Sunset Boulevard



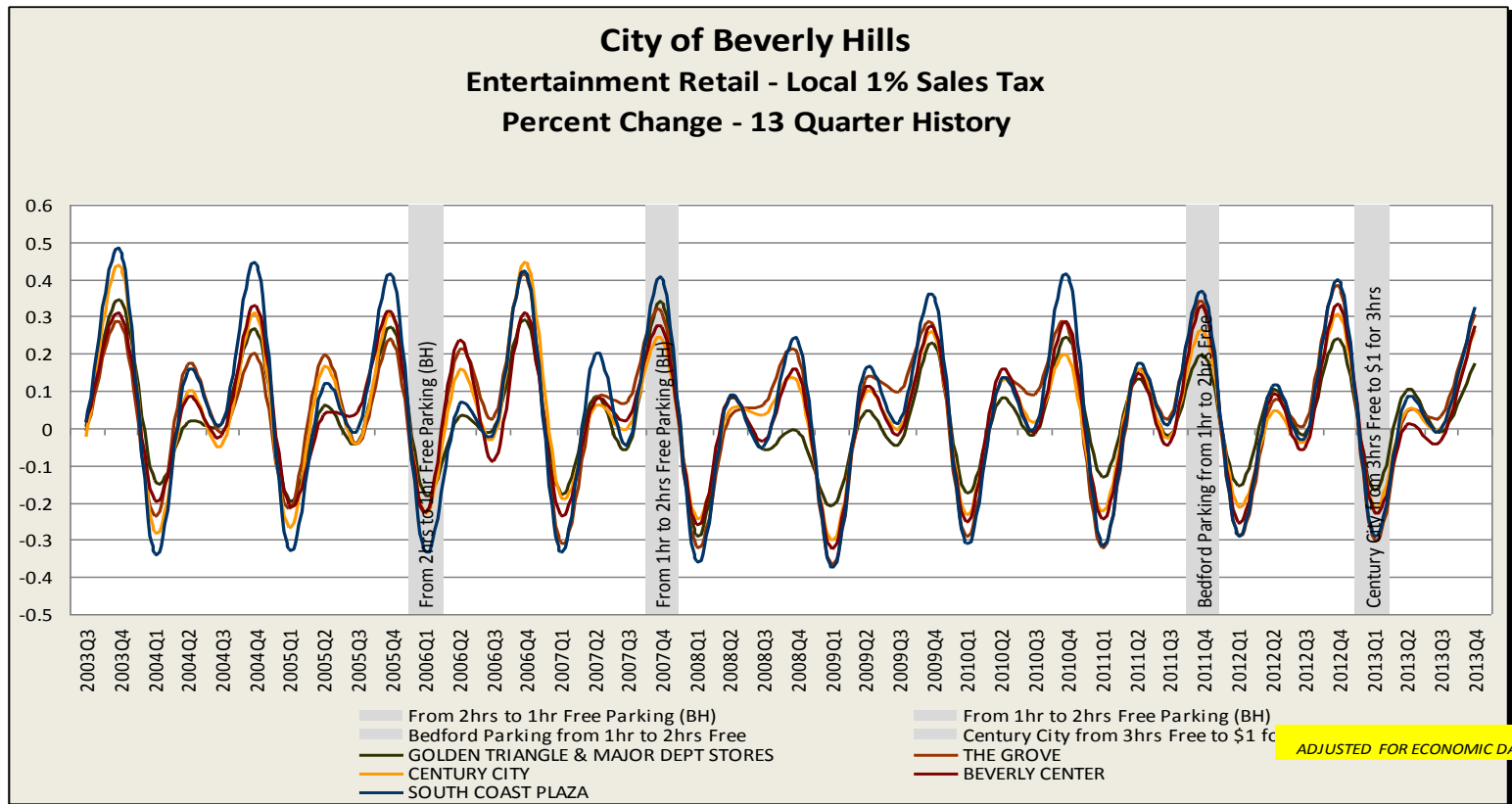
Parking Authority

- **The Parking Authority/Enterprise Fund finances have improved dramatically.**
 - **Revenues are covering slightly more than:**
 - **Operating costs**
 - **Capital improvements**
 - **Principal on debt payments**
 - **Reserves for new structures and major renovations are not being provided.**
- **We look forward to Staff's presentation of exactly what happened and what the Parking Authority's financial prospects are.**
- **Data gathering for the study on the financial impact of 2-hour free parking is complete.**
 - **None of the \$50,000 was spent**



Parking Authority (continued)

- Here's what the data looks like



- We will return shortly with our analysis of the data.

Employee Compensation Study

- Mercer has been engaged to perform the study comparing City employee versus local private sector employees pay and benefits
 - 30 local firms have been contacted by Mercer
 - Getting firms to participate not easy as expected
 - I have personally followed up with six firms
 - The mayor has made herself available to contact non-responsive firms
 - We will persevere and complete this study in the months ahead