

**Budget Review Committee  
Report to City Council**

**Eliot Finkel, City Treasurer**

**June 2, 2009**

# Summary

- **Purpose of the committee**
- **Who we are**
- **What we did**
- **What we found**
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# Purpose of the Committee

- **Promote transparency with respect to the Beverly Hills budget process.**
- **Bring a group of residents with extensive business and City backgrounds together to review the budget.**
- **Report findings and recommendations.**

# 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, Senior Vice President of Capital Research and Management Co.**
- **Offer Nissenbaum, Managing Director, The Peninsula Beverly Hills**
- **Kathy Reims, Former Planning Commissioner**
- **Richard S. Rosenzweig, Executive Vice President of Playboy Enterprises**
- **Joan Seidel, Former City Treasurer and President of Morton Seidel & Co. Inc.**

# What We Did

- **Six meetings for a total of 12 hours.**
- **Reviewed:**
  - **2008/2009 budget**
  - **2009/2010 budget proposals**
  - **2009/2010 reductions**
  - **Reports and materials presented to Council.**
- **Received presentations on budget reductions from department heads.**

# What We Found

- **The program budgeting process appears comprehensive and sound.**
- **Accounting system is outdated.**
- **All departments have made budget reductions.**
- **There should be greater clarity regarding the process for determining budget reduction targets.**
- **The roll of Internal Service Fund charges and associated reductions should be clearer.**

## **What We Found (continued)**

- **Beverly Hills has not dealt with a recession like this during our lifetimes.**
- **The City needs to adapt to an environment wherein budget increases are not assumed to be the norm and budget reductions are not a novelty.**
  - **Employees and unions need to become more flexible.**
  - **The increasing burden of the pension system needs to be addressed.**
  - **Comparisons between cities needs to be more transparent.**
  - **Beverly Hills may be the best City to work in. We need not assume we must pay more than other cities to attract competent personnel, particularly in this economy.**
  - **Residents need to adjust their expectations accordingly.**
- **Long-term financial sustainability needs to receive greater priority.**

## **What We Found (continued)**

- **Revenue less predictable than usual due to deep recession.**
  - **Our high-end hotels may be harder hit than earlier estimates. TOT revenues could disappoint.**
  - **Potential secondary effects on restaurants and retail sales as well.**
- **The use of consultants seems excessive. \$25 million for 2008-2009.**
- **Overtime costs seem excessive. \$7.4 million for 2008-2009.**



# Recommendations

- **Charge for annual commercial and residential fire inspections.**
  - already addressed by Council.
- **Examine other potential sources of revenue**
  - Elevator inspections.
  - Trimming trees that overhang alleys.
  - Police impound lot for vehicles.
- **Negotiate reduction to existing contracts, a common practice in this business environment. The City might extend contracts as an incentive.**
  - Utopia Entertainment
- **Reduce School District Joint Power Agreement in line with other budget reductions.**

## **Recommendations (continued)**

- **Revisit use of staff as opposed to outside contractors for functions such as residential waste collection.**
  - **No major contracts or renewals without competitive bids.**
  - **Minimize outside training and development.**
- **Centralize functions where appropriate.**
  - **Purchasing and control of supplies.**
  - **Laundry service.**
- **Study more cost efficient use of employees.**
  - **Cross department training to reduce overtime.**
  - **Eliminate overtime associated with training.**
  - **Cadets for police reports whenever possible.**
  - **Fire department has 3 secretaries.**
  - **City hall has two greeters on first floor.**
  - **16 weeks to review police applicants.**

## **Recommendations (continued)**

- **Place priority on revenue generating staff**
  - **Parking, business tax enforcement.**
- **Capital projects should be minimized in current environment and prioritized for economic recovery.**
- **Energy savings.**
  - **LED lighting in parking facilities and other city buildings.**
  - **Motion sensing light switches.**
  - **Electric/hybrid vehicles.**
- **Review use of City provided vehicles for staff.**
- **Freeze/eliminate sister city programs.**
- **Minimize travel during current economic environment.**

## **Recommendations (continued)**

- **Freeze hiring.**
- **Independent selection of department auditors and review of results.**
- **Combine commissions/reduce number of commission meetings during slow periods to save staff time and expense.**
- **Promote community outreach to build understanding / buy-in for potential tax increases needed to raise revenue.**
  - **Utility taxes.**
  - **Storm water enterprise fund.**
  - **Real Estate transfer tax.**
  - **Measure P items.**