

Budget Review Committee (BRC)

Presentation To

Beverly Hills City Council

Eliot Finkel
City Treasurer
May 12, 2015

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.**
- **Jim Jahant, Former President of the Rodeo Drive Committee and former General Manager of Brooks Brothers Beverly Hills**
- **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

- **Founded in April 2009 at the request of the City Manager with consent of the Mayor and City Council**
- **This is our seventh 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**
 - **Study of the financial impact of 2-hour free parking**

Recommendations Implemented

- **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**

Budget in Brief Recommendations

- **Publish it in timely fashion – 2014-2015 not available yet**
- **Salaries and Benefits broken down by:**
 - **Base Salary**
 - **Differential/Special Pay**
 - **Bonus/Pay for Performance**
 - **Overtime**
 - **Retirement**
 - **Benefits**
 - **Other**
- **Summary of Recommended Budget Enhancements by:**
 - **Positions**
 - **\$**

Ongoing Concerns

- **The BRC recommends the following:**
 - **Pay down unfunded pensions liabilities**
 - **Consider an irrevocable trust to retain control while increasing investment alternatives**
 - **Place funds for OPEB (Other Post Employment Benefits) in an irrevocable trust**
 - **Purchase land**
 - **Especially to accommodate future parking needs**

What We Found in 2009

- Beverly Hills has not dealt with a recession like this during our lifetimes
- Revenue less predictable than usual due to deep recession
- All departments have made budget reductions
- There should be greater clarity regarding the process for determining budget reduction targets
- 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
- Long-term financial sustainability needs to receive greater priority

What We Found in 2010

- Beverly Hills has made substantial progress
 - 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 is being addressed
- All departments have made head count reductions
 - 68 full-time positions reduced through attrition and elimination of open positions
 - Every department has made cuts including police and fire
 - 5 furlough days planned for non-safety personnel in 2010

What We Find in 2015

- **Beverly Hills is doing extremely well financially.**
 - **An annual surplus of \$33 - \$43 million is projected for each of the next five years**
 - **New and postponed projects can now be considered.**
- **The budget document is much improved.**
 - **Don Rhoads, Don Harrison and the Finance Staff have done a great job**

Conclusion

- **During our tenure the City has gone from an \$18 million budget shortfall to projected surpluses of up to \$43 million**
- **The Council has acted with great fiscal responsibility these past six years**
- **The BRC still believes 2-hour free parking is not good for our businesses or our revenues**
- **We have accomplished our purpose and, with your concurrence, shall retire**
- **We are ready to help in the future if the Council so desires**