



## AGENDA REPORT

**Meeting Date:** June 7, 2011  
**Item Number:** E-2  
**To:** Honorable Mayor & City Council  
**From:** Eliot Finkel, City Treasurer & Citizens' Budget Review  
Committee, Chair  
Scott G. Miller, Director of Administrative Services and CFO  
**Subject:** **RECOMMENDATIONS TO THE CITY COUNCIL ON THE  
FY 2011/12 BUDGET FROM THE CITIZENS' BUDGET  
REVIEW COMMITTEE**  
**Attachments:** Budget Review Committee Status Report

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### RECOMMENDATION

Staff recommends the City Council receive the oral report from the Chair of the Citizen's Budget Review Committee.

### INTRODUCTION

An oral report with recommendations on the fiscal year 2011/12 City budget will be provided by the Citizens' Budget Review Committee Chair, Eliot Finkel.

### DISCUSSION

A draft of the final presentation is attached. The Citizens' Budget Review Committee has been meeting twice a month for the last several months to review the FY 2011/12 Budget as well as other issues.

### FISCAL IMPACT

City Council decisions based upon the Committee's recommendations may have a financial impact on the proposed budget. No fiscal impact is seen unless council recommends changes to the budget per the given report.



Scott G. Miller

Director of Administrative Services  
and Chief Financial Officer



Eliot Finkel

City Treasurer & Citizens' Budget  
Review Committee, Chair

# **Attachment 1**



# **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 and 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. Cities 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 (continued)**

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

## **Findings & Recommendations (continued)**

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

## **Findings & Recommendations (continued)**

- **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 (continued)**

- **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 (continued)**

- **Parking Enterprise Fund (continued)**
  - **Charge \$1/hour for the first two hours or some other nominal charge, if Measure 2P fails in court, to provide:**
    - **\$2.5 million/year to cover the annual shortfall in Operating Expenses,**
    - **\$2 million/year for Maintenance**
  - **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 (continued)**

- **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 (continued)**

- **Joint Powers Agreement (JPA)**
  - **Our schools deserve the highest priority but funding levels should, in some way, reflect the budget cuts of the past several years.**
  - **The schools should be accountable to the City like all other City funded organizations.**
    - **The schools receive \$10 million per year without providing any accounting.**
    - **The Rodeo Drive Committee was asked to provide a budget for \$55,000 in funding before receiving the funds.**

## **Findings & Recommendations (continued)**

- **City departments should conduct random samplings through "mystery shoppers" or customer surveys for feedback on quality of service.**
  - **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 (continued)**

- **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.**