



STAFF REPORT

Meeting Date: February 21, 2012
To: Honorable Mayor & City Council
From: Scott G. Miller, CFO/Director of Administrative Services
Subject: **Status Report on the Recommendations from the Citizens' Budget Review Committee**
Attachments: Detailed Status Report on the Citizens' Budget Review Committee Recommendations

INTRODUCTION

In 2009, with the consent of the City Council, City Treasurer Eliot Finkel formed the Citizens' Budget Review Committee to critically evaluate the budget process and provide ideas for creating additional revenue or spending cuts.

The committee members are:

- **Edward Brown**, Former Beverly Hills mayor and real estate professional
- **Eliot Finkel**, City Treasurer and founder of Eliot Finkel Investment Counsel, LLC
- **Abner Goldstine**, Senior Vice President of Capital Research and Management Co.
- **Jim Jahant**, General Manager, Brooks Brothers Beverly Hills
- **Offer Nissenbaum**, Managing Director, The Peninsula Beverly Hills
- **Kathy Reims**, Former Planning Commissioner
- **Richard S. Rosenzweig**, Former Chair of the Fine Arts Commission and Former Vice President of Playboy Enterprises
- **Joan Seidel**, Former City Treasurer and President of Morton Seidel & Co. Inc

DISCUSSION

The Committee made three presentations to the City Council, each summarizing findings and recommendations based upon their research. These presentations were made on June 2, 2009, May 18, 2010, and June 7, 2011.

Attached is a comprehensive list of the Committee's ideas and their status. Of the 66 recommendations, 77% were either fully or partially implemented.

Of the remaining 15 items not implemented, 2 require a change to State law, 6 items the City Council decided not to pursue or hasn't directed Staff to pursue, 2 items were comments and not recommendations, 3 items were researched but were determined to not be feasible to implement, and 2 items are still being considered and will likely be implemented in 2012/13.

FISCAL IMPACT

There is no direct fiscal impact of the report.

RECOMMENDATION

Staff recommends the City Council receive and file this report.



Scott G. Miller, PhD

Chief Financial Officer/Director of
Administrative Services

Attachment 1

Status Report on Citizens' Budget Review Committee Recommendations Presented to the City Council
February 21, 2012

Recommendation	Date of Recommendation	Status	Notes
There should be greater clarity regarding the process for determining budget reduction targets.	2-Jun-09	Implemented	Budget reduction targets are directly related to projected expenses and revenues. Once the initial reduction target is identified, budget reduction options are presented to the City Council for consideration. Based upon the City Council's direction, each Department develops detailed reduction plans. These plans are then presented to the City Council for final approval. Specific sections of year to year changes are now included in the budget document. Additionally, all proposed budget reductions are presented to the City Council at study session meetings for consideration.
The roll of Internal Service Fund charges and associated reductions should be clearer.	2-Jun-09	Implemented	The Budget team is currently conducting a cost allocation study which may supplement the use of Internal Service Fund charges. This change will make the identification and allocation of these charges more clear.
Employees and unions need to become more flexible.	2-Jun-09	Implemented	The City set-up a monthly meeting with union leaders to discuss issues and solicit union suggestions to further control employee related costs.
Comparisons between cities need to be more transparent.	2-Jun-09	Implemented	The City currently uses total compensation surveys which compare total compensation of City of Beverly Hills employees to those of comparable agencies.
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.	2-Jun-09	Implemented	Compensation surveys are used to determine the market value of positions. For most City of Beverly Hills bargaining units, compensation is set at the 75th percentile of this comparison. The Employee Compensation Review Committee (ECRC) remarked the City's compensation philosophy is inline with the private sector.
The use of consultants seems excessive: \$25 million for 2008-2009.	2-Jun-09	Implemented	All consulting expenses are closely evaluated during the budget process to ensure all projected expenses are absolutely necessary. Due to the complex nature of many of the City's projects, it isn't cost effective to have all of the required experts on staff. Rather, it is more cost effective to hire consultants on a project basis. Also, some of the consultant expenses related to development projects are recovered through the collection of user fees.
Overtime costs seem excessive: \$7.4 million for 2008-2009.	2-Jun-09	Implemented	Overtime is closely monitored and controlled. A certain portion of the overtime expense is mandatory based upon current MOU's.
Charge for annual commercial and residential fire inspections.	2-Jun-09	Implemented	The City currently charges for these inspections.
Examine other potential sources of revenue: Elevator inspections.	2-Jun-09	Implemented	The City currently charges for elevator inspections.
Examine other potential sources of revenue: Police impound lot for vehicles.	2-Jun-09	Implemented	This project has been implemented and has resulted in increased cost recovery for the City. This program has also improved service levels for individuals who have their vehicle impounded since they can pick up their vehicles on Foothill Blvd. rather than travel across town.

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Negotiate reduction to existing contracts, a common practice in this business environment. The City might extend contracts as an incentive.	2-Jun-09	Implemented	Where possible, contracts have been renegotiated and additional cost savings were realized.
Reduce School District Joint Power Agreement in line with other budget reductions.	2-Jun-09	Implemented	The JPA was renewed with modifications to the terms.
No major contracts or renewals without competitive bids.	2-Jun-09	Implemented	All new bids and renewals are conducted in accordance to the City's municipal code.
Minimize outside training and development.	2-Jun-09	Implemented	Staff increased the use of internally trained staff to conduct trainings. Also, Staff expanded the use of web based trainings.
Purchasing and control of supplies.	2-Jun-09	Implemented	Purchases are all closely evaluated and controlled. All purchases are made in compliance with the City's purchasing guidelines.
Study more cost efficient use of employees.	2-Jun-09	Implemented	The City reduced staff by over 100 positions over the last four years and significantly reduced the long-term cost of employees by implementing a two tier retiree medical system and the ARMP. The City is constantly evaluating ways to continue to provide exceptional service to this community in the most cost effective manner.
Fire department has three secretaries.	2-Jun-09	Implemented	This support staff was reduced in 2009/10.
City hall has two greeters on first floor.	2-Jun-09	Implemented	The first floor one-stop business center is the process of reorganizing to ensure we are providing the highest level of service in the most cost effective way.
16 weeks to review police applicants.	2-Jun-09	Implemented	The recruiting timeline was streamlined through a collaborative effort of Administrative Services and the Police Department.
Place priority on revenue generating staff such as parking and business tax enforcement.	2-Jun-09	Implemented	The business license division was reorganized and additional resources were added to improve collections.
Energy savings.	2-Jun-09	Implemented	Energy efficient technology is in place throughout the City including heat reflective coatings on certain windows, light timers throughout City Hall, solar panels on the City Hall parking structure and low flow water devices in restrooms and city irrigation systems.
LED lighting in parking facilities and other city buildings.	2-Jun-09	Implemented	Where appropriate these have been installed.
Motion sensing light switches.	2-Jun-09	Implemented	Where appropriate these have been installed.
Electric/hybrid vehicles.	2-Jun-09	Implemented	Where appropriate the City uses electric, hybrid and natural gas vehicles.
Review use of City provided vehicles for staff.	2-Jun-09	Implemented	This issue has been addressed.
Minimize travel during current economic environment.	2-Jun-09	Implemented	Staff has utilized online and web based trainings in an effort to continue to minimize travel related expenses.
Freeze hiring.	2-Jun-09	Implemented	Where appropriate the City has delayed the filling of vacant position to achieve salary and benefit savings.

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Independent selection of department auditors and review of results.	2-Jun-09	Implemented	Departments have been audited by vendors contracted by the City Manager's office for the last seven years. All audit results are available on the City's website.
Promote community outreach to build understanding / buy-in for potential tax increases needed to raise revenue.	2-Jun-09	Implemented	Future ballot initiatives for tax increases will include additional community outreach.
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.	2-Jun-09	Not Implemented	Budget increases are based upon need and City Council directed priorities.
Residents need to adjust their expectations accordingly.	2-Jun-09	Not Implemented	Staff has attempted to maintain service levels but the reduction of over 100 positions has had an impact on service levels.
Examine other potential sources of revenue: Trimming trees that overhang alleys.	2-Jun-09	Not Implemented	Property owners that have trees that protrude into the public right-of-way and need to be trimmed since they impede City vehicles are given notice to cut the trees at their own expense. If this doesn't occur the City removes all overhanging foliage.
Revisit use of staff as opposed to outside contractors for functions such as residential waste collection.	2-Jun-09	Not Implemented	The Public Works Staff researched and rejected this idea.
Freeze/eliminate sister city programs.	2-Jun-09	Not Implemented	No direction from the City Council has been received on this issue.
Combine commissions/reduce number of commission meetings during slow periods to save staff time and expense.	2-Jun-09	Not Implemented	This can only be done by City Council action.
Accounting system is outdated.	2-Jun-09	Partially Implemented	The Finance and HR software systems are being replaced within the next 18 months. This update will address the Committee's concerns.
The increasing burden of the pension system needs to be addressed.	2-Jun-09	Partially Implemented	A Pension Task Force was formed and recommendations were presented to the City Council. Police and Fire Departments approved a 2nd tier pension system for new employees. The City's goal is to negotiate this change to benefits for new non-safety employees in 2013.
Long-term financial sustainability needs to receive greater priority.	2-Jun-09	Partially Implemented	Long range revenue and expense modules are being researched. In addition, the City Council has implemented an innovative 5 program plan to control long-term employee related costs. This program includes converting new non-safety hires from a defined benefit retiree medical program to a defined contribution program, the ARMP, tying total employee compensation levels to that of the market, implementing a cafeteria plan for employee health benefits, and research into two-tiered retirement plans.
Centralize functions where appropriate.	2-Jun-09	Partially Implemented	Ongoing - centralization is explored as a component of each department's management audit. This process will continue as we begin implementing the replacement Finance and HR software system.

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Cross department training to reduce overtime.	2-Jun-09	Partially Implemented	This process has begun but Employee Association issues must be overcome.
Eliminate overtime associated with training.	2-Jun-09	Partially Implemented	Changes are proposed in upcoming MOU's to address this issue.
Capital projects should be minimized in current environment and prioritized for economic recovery.	2-Jun-09	Partially Implemented	Certain capital projects were delayed but many projects are necessary to ensure the proper maintenance of the City's infrastructure. Additionally, the current economic climate often makes completing capital projects significantly less expensive now, than in the coming years.
Summary of BRC Status Report: May 18, 2010			
Changes affecting budget and revenues should be seen as equitable by residents and staff.	18-May-10	Implemented	Through negotiations the City reduced benefit levels.
Reduce School District Joint Power Agreement (JPA) in line with current financial realities and other budget reductions.	18-May-10	Implemented	The JPA was renewed with modifications to the terms.
Convert retiree medical benefits from a defined benefit to a defined contribution.	18-May-10	Implemented	New non-safety employees hired after 1/1/2010 receive a defined contribution and are no longer eligible for a defined benefit.
Promote community outreach to build understanding of: City's budget accomplishments.	18-May-10	Implemented	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. The City's accomplishments are outlined in the Mayor's annual State of the City presentation and are also outlined in a memo from the City Manager to the City Council.
Promote community outreach to build understanding of: City's need to reduce expenses and increase revenues to fill the continuing budget gap.	18-May-10	Implemented	The City has been successful in producing end of year revenues over expenditures. This trend is projected to continue.
Increase minimum retirement age.	18-May-10	Not Implemented	State legislation is required to accomplish this change.
Reduce 2-hour free parking in City structures to 1-hour.	18-May-10	Not Implemented	This change requires City Council direction.
The stormwater enterprise fund needs to be added to the list of utility enterprise funds for which fees can be adjusted to match expenses.	18-May-10	Not Implemented	This change requires new State legislation.
Ask voters to approve a Utility Users Tax.	18-May-10	Not Implemented	At this time there is not community support for a Utility Users Tax.
Enact a Real Estate Transfer Tax.	18-May-10	Not Implemented	This tax requires the City change from a General Law city to a Charter city.

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Business tax adjustments for professionals and headquarters to bring rates in line with other businesses and surrounding communities.	18-May-10	Not Implemented	This idea was presented to the voters and wasn't approved.
Our pension obligations must be limited going forward.	18-May-10	Partially Implemented	A Pension Task Force was formed and is led by City Treasurer Eliot Finkel.
Initiate employee contributions to pensions.	18-May-10	Partially Implemented	Police and Fire Departments approved a 2nd tier pension system for new employees. The City's goal is to negotiate this change to benefits for new non-safety employees in 2013.
We need to better understand the benefits, costs and limits of promoting Beverly Hills stores, hotels, restaurants and businesses.	18-May-10	Partially Implemented	The City's Economic Development team is researching this topic.
The red light camera program should be expanded.	18-May-10	Partially Implemented	This program continues to be successful but isn't projected to be expanded.
Stricter enforcement of illegal use of handicapped placards.	18-May-10	Partially Implemented	Where possible, stricter enforcement is enacted. There are many legal limitations and challenges regarding enforcement of illegal use of handicap placards.
Summary of BRC Status Report: June 7, 2011			
Joint Powers Agreement (JPA): funding levels should, in some way, reflect the current fiscal stringency and budget cuts of the past several years.	7-Jun-11	Implemented	The JPA was modified in 2011 and reflects this recommendation.
City departments should conduct random samplings through "mystery shoppers" or customer/supplier surveys for feedback on quality of City services.	7-Jun-11	Implemented	This program will begin in 2012.
We recommend the Salaries and Benefits expense category be further broken down into: Base Salaries, Bonus Pay, Pension Contributions - Employees, Pension Contributions - City, Overtime, Vacations, Medical including Sick Pay, Other, Police Department, Fire Department, Public Works, Salaries and Benefits for Safety, Salaries and Benefits for Non-Safety, Salaries and Benefits for Enterprise Funds, and Salaries and Benefits for Non-Enterprise Funds.	7-Jun-11	Not Implemented	This will be possible when the new Finance software system is implemented and the account code structure is modified.
Use Anderson (UCLA) or Marshall (USC) MBA students, working on their group thesis, to explore specific issues of importance to the City.	7-Jun-11	Not Implemented	This idea is still being considered by the Citizens' Budget Review Committee.
Review value of medical offices to the City, their impact on traffic and parking, and the secondary effects on adjacent retail.	7-Jun-11	Not Implemented	At this point there has not been City Council direction to explore this topic.

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The Parking Enterprise Fund should cover its operating expenses including maintenance and build a fund reserve.	7-Jun-11	Partially Implemented	The parking enterprise fund is now the parking authority, which now operates as a stand alone business designed to cover its operating expenses including maintenance and fund reserves. This fund still isn't self supporting and requires substantial support from the General Fund. Proposals to address this deficit continue to be developed.
Explore public/private funding for additional parking structures as needed around the City.	7-Jun-11	Partially Implemented	The City Manager's office is continually exploring ways to partner with the private sector to increase service levels and decrease costs.
Revise policies in order to encourage staff to become more entrepreneurial and responsive to residents and businesses.	7-Jun-11	Partially Implemented	The Community Development taskforce was created to explore options to improve the City's efficiency and effectiveness.