

Proposed Annual Budget Presentation – Part II

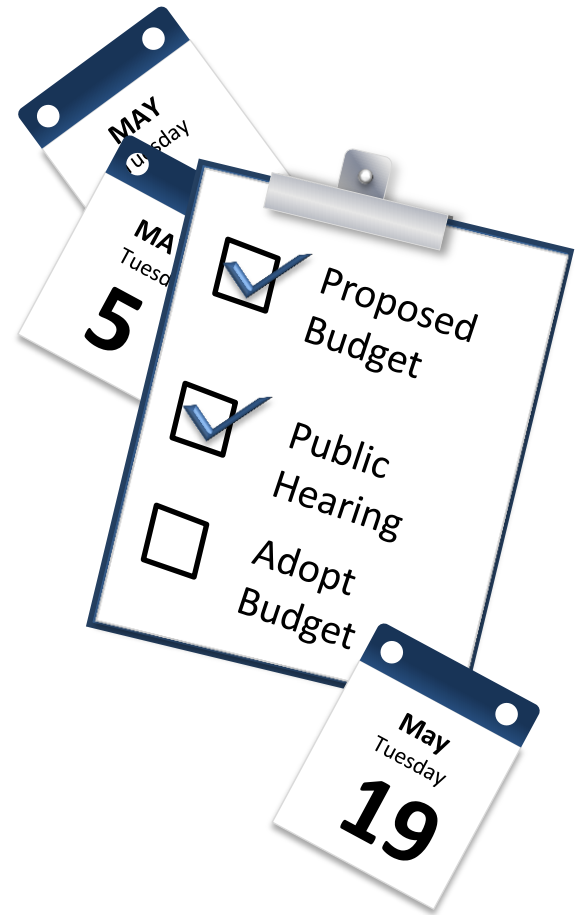
Fiscal Year July 1, 2015 - June 30, 2016



"On the Right Track"

Agenda

- 1 Budget Process & Priorities
- 2 Highlights of the Proposed Budget
- 3 NYS Comptroller Review
Budget Amendment Package





Budget Process

Improved Budget Document - *More than Just Numbers...*

Comprehensive Budget Document

- ✓ Conveys City's accomplishments
- ✓ Provides strategic goals & priorities
- ✓ Framework for managing City's financial resources



Budget and Departmental Narrative

- ✓ This administration instituted budget narratives.
- ✓ Enhanced narrative for improved context
- ✓ Includes Departmental Overview & Budgets



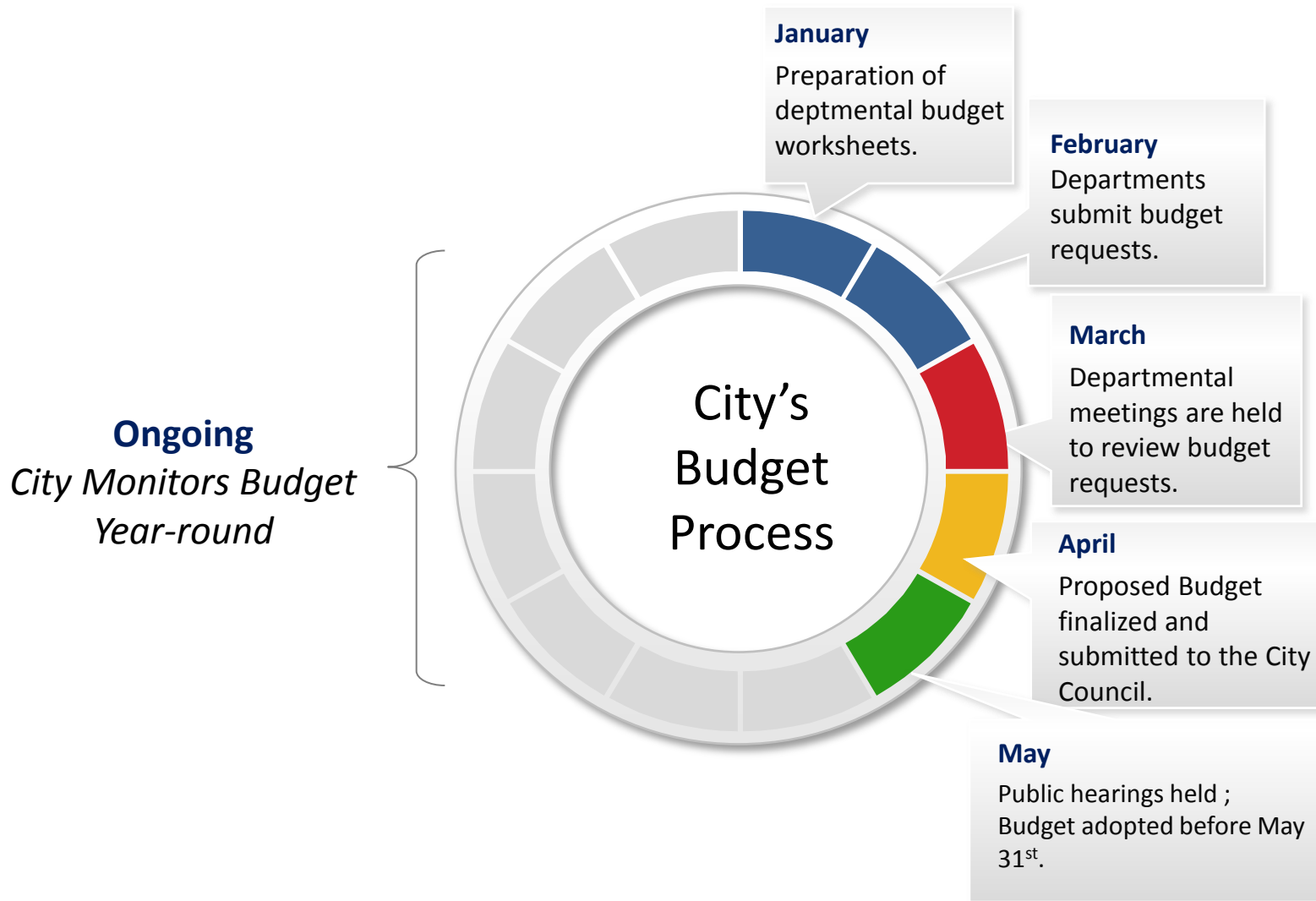
Easier to Read Format

- ✓ Comprehensive Table of Contents
- ✓ Section Dividers
- ✓ Use of Charts and Graphs

**Comprehensive,
informative,
easy-to-read
budget document.**

Performance Management Initiative is underway and includes accountability measures for each department.

The City's annual budgeting process is an opportunity to convey the City's accomplishments, strategic goals, and framework for managing the City's financial resources.



“On the Right Track”

Current administration takes office

- Various reforms instituted;
- Superstorm Sandy.

Rebuilding for the Long Term

- “Back in the Black”;
- In-house infrastructure projects;
- Economic Development.

2011

2012

2013

2014

2015

City on the Verge of Bankruptcy

- Moodys downgraded the City’s bond rating an unprecedented five levels;
- \$14.7M deficit created.

Road to Recovery

- Rebuilding Underway;
- Financial Crisis lifted.

“On the Right Track”

- ✓ Restored Credibility;
- ✓ Re-established Fund Balance;
- ✓ Managing Fiscal and Physical Recoveries.

Prime Indicators – *Long Beach is on the “Right Track”*



RESTORED CITY'S FUND BALANCE

Increased from -\$14.7M at 6/30/12 to \$7M at 6/30/14



MOODY'S UPGRADED THE CITY'S BOND RATING

Continued Positive Outlook



NYS COMPTROLLER FISCAL STRESS TEST IMPROVEMENT

Improved from Significant Fiscal Stress in 2013 to Moderate Fiscal Stress in 2014



RETURNED TO FISCAL RESPONSIBILITY – REALISTIC BUDGETING

Improved Audit Comments by 68% from 2013 to 2014.



REMAINS WITHIN GOVERNORS CUOMO'S TAX CAP FOR THE 3RD CONSECUTIVE YEAR.



LONG BEACH UNEMPLOYMENT RATE DECREASED

Unemployment Rate Improves from 7.1% in 2013 to 4.7% in 2014.

City's Priorities and Goals

Mission Statement: The City of Long Beach, through the City Council, City Manager, City employees, will deliver municipal services in a fiscally responsible, efficient, responsive and friendly manner.



MANAGING OUR FISCAL AND PHYSICAL RECOVERY – Implementing our Long Term Fiscal Recovery Plan and rebuilding our infrastructure.



PUBLIC SAFETY – Serve and protect the residents, businesses and visitors of Long Beach.



ENHANCING QUALITY OF LIFE – Providing a healthy atmosphere to live and raise our families; Offering a wide variety of quality and affordable recreation programs.



ECONOMIC DEVELOPMENT – Growing the tax base to alleviate burden on Long Beach tax payers.



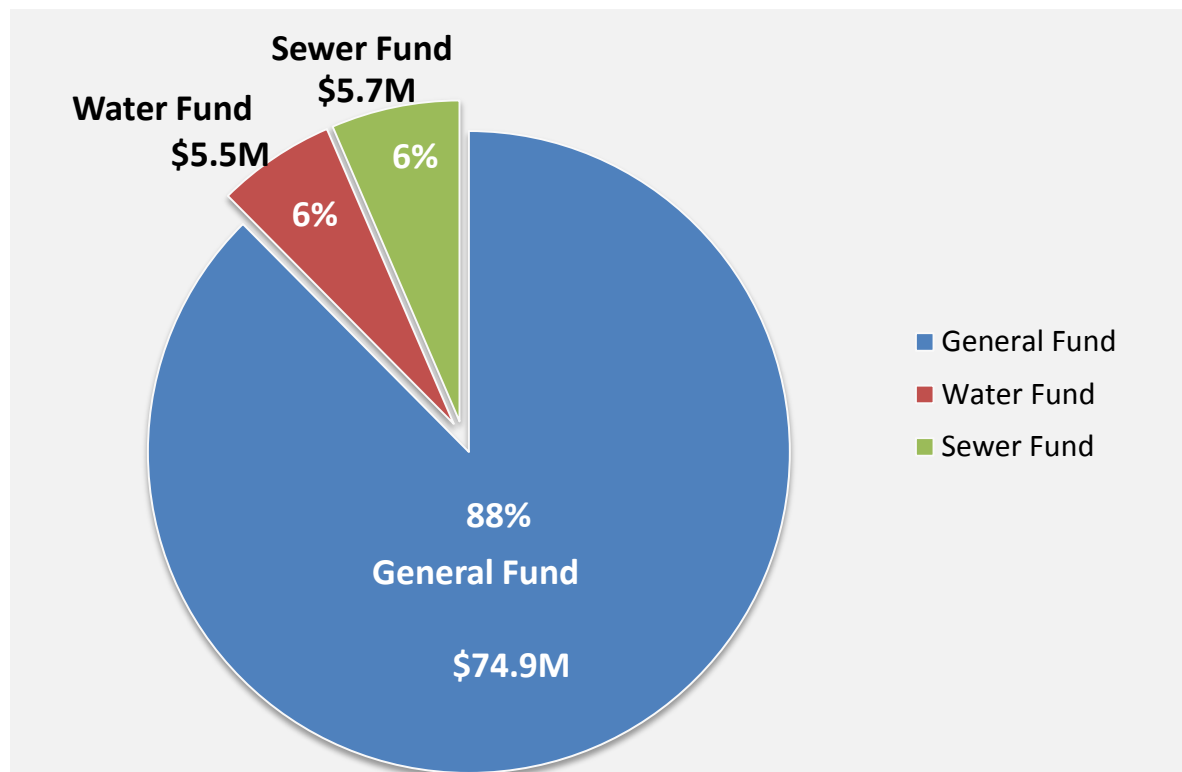
SMART GOVERNMENT – Governing responsibly and protecting public resources; Innovative and Technological advances to improve services.

The slide features decorative elements including a dark blue header bar with the number '2' on the left. The main content area is white with several decorative dotted lines in grey and orange. Two horizontal orange lines with dots at their ends extend from the left and right sides towards the center. A large, stylized dotted line forms a loop on the right side, and another dotted line forms a loop on the left side. The text 'Budget Highlights' is centered in a bold, dark blue font.

Budget Highlights

Proposed Operating Budget Overview

The proposed operating budget for fiscal year 2015-16 totals \$86,277,466.



Challenges Faced... *Actions Taken*

Challenges Faced

Like many local governments throughout the region, the City is faced with funding various inevitable increasing fixed costs:



Health Care and Pension Costs

Increasing \$1.3M



Contractual Labor Costs

Increasing \$545,000



Insurance Costs

Estimated increasing over \$1M.

ACTIONS TAKEN

The City's administration continues to take the following actions to address these issues:

- ✓ Identifying additional Revenue Streams
- ✓ Reining in discretionary spending
- ✓ Merging our Fiscal & Physical Recovery
- ✓ Maintaining the "Right-Sized" Workforce - Personnel costs have decreased to 56% from an unsustainable 83% of the overall budget.



Net-Zero Percent Tax Increase

This administration's fourth consecutive balanced budget, and the third consecutive budget that lives within Governor Cuomo's tax cap. This is also the second consecutive budget that provides relief to our taxpayers as we all recover from Superstorm Sandy.

Remains within Governors Cuomo's Tax Cap

- 1 The fiscal year 2015-16 proposed budget remains within Governor Cuomo's Tax Cap for the 3rd consecutive year.

Tax Levy

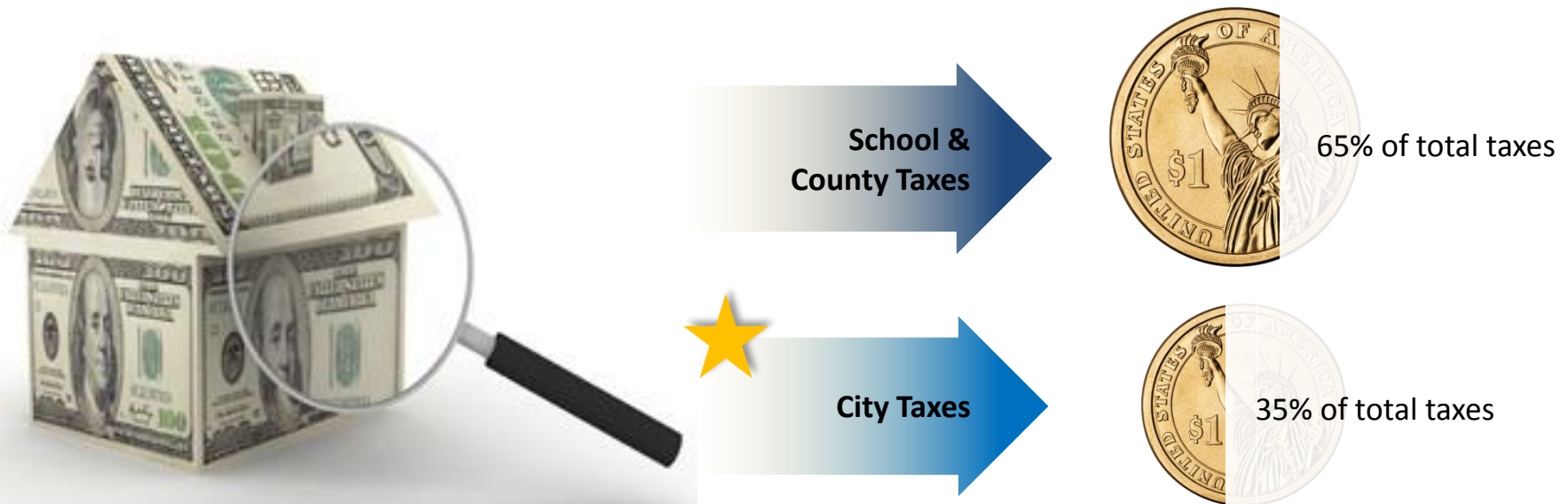
- 2 The 2015-16 proposed budget includes a tax levy of \$33,655,110, an increase of 3.18% from \$32,617,942 in fiscal year 2014-15.

City Complied with NYS Tax Cap = Property Tax Credit for eligible homeowners

- 3 *As a result of the City's compliance with the NYS State Cap, qualifying homeowners will receive a **100% reimbursement** for this years proposed tax increase, resulting in a net-zero tax increase, providing relief to Long Beach Tax Payers.*

A Closer Look – Residential Tax Burden

For every tax dollar collected...



***in* CONTEXT:** The City exhausts ONLY 28.49% of its constitutional tax limit.

Restoring Fund Balance

Fund	FY 2009-10	FY 2010-11	YR 1	YR 2	YR 3
			FY 2011-12	FY 2012-13	FY 2013-14
General	\$4,891,338	\$225,865	-\$12,182,070	-\$5,165,364	\$5,009,900
Water	-\$55,080	-\$528,452	-\$642,498	-\$231,322	\$1,870,469
Sewer	-\$452,284	-\$1,032,082	-\$1,971,988	-\$2,055,985	\$209,034
Total	\$4,383,974	-\$1,334,669	-\$14,796,556	-\$7,452,671	\$7,089,403

★ Rebuilt and increased unassigned fund balance across all funds from a **\$14.7M deficit at 6/30/2012 to \$7M unassigned fund balance at 6/30/2014.**

\$21M turnaround 

Superstorm Sandy – Managing our Physical Recovery

Rebuilding a Stronger, Smarter, Safer Long Beach



It is not yet possible to establish the total economic impact of Superstorm Sandy. Estimates of some of the losses to the City are as follows:

- Cost estimates of debris management - estimated at \$30-\$45 million.
- Labor and logistical costs - estimated at \$3 million
- Infrastructure repair to roads, bulkheads, parks, and beaches - estimated at \$125 to \$150 million

The City expects that nearly all of the costs will be covered by insurance proceeds, FEMA and State funds. **By utilizing the City's existing workforce for storm-related projects, the recovery has generated \$4.9M** that has been, and will be, used to offset the cost of operations.



Thank You to the hard working
men and women of the CSEA

*In-house infrastructure work covering straight time, overtime and
equipment costs **has generated \$4.9M.***

Merging our Fiscal and Physical Recoveries

This administration's **SURPLUS** is paying for the previous administration's deficit.

Fund Balance Appropriations:

- ✓ This proposed budget includes fund balance appropriations of \$635,000 from the general fund and \$155,555 from the water fund which will cover the Fiscal Year 2015-16 annual debt service associated with the deficit financing.

Pay as you go (PAYGO):

- ✓ Water Fund is appropriating \$150,000 in fund balance to assist in funding proposed Capital projects. This appropriation allows the city to use funds that are currently available in fund balance as an alternative to borrowing.

This appropriation has allowed the City to lower the proposed tax levy and generate a \$55 per household savings.

Restored Credibility in the Markets

Moody's upgraded Long Beach NY's General Obligation rating to Baa2 from Baa3. Outlook remains Positive.

CITY'S RECENT RATING HISTORY

Dec 20, 2011 Moody's DOWNGRADES the City 5 levels to Baa3 from A1; Places rating on review for further downgrade.

March 22, 2012 Moody's continues to review rating for further downgrade

Aug 30¹ & Dec 3, 2013² Moody's changes Outlook to STABLE; affirms Baa3¹. Affirms Baa3; Outlook Stable²

Feb 3, 2015 Moody's UPGRADES rating to Baa2; Outlook is POSITIVE

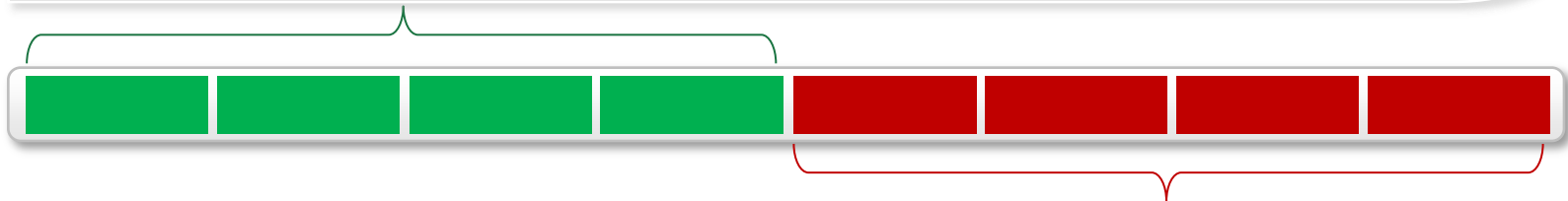


***Additional Moody's announcements include:** (i) Oct 1, 2012 COLB Increases Property Taxes, **a Credit Positive**, (ii) Nov 20, 2012 Hurricane Sandy adds to COLB Financial Strain, (iii) Jun 27, 2013 NY State Legislature approves Deficit Financing, **Credit Positive**, (iv) Feb 21, 2014 Dunes Protection Project **Credit Positive for LB**.

Restored Credibility in the Markets

WHAT COULD MAKE THE RATING GO UP ↑

- Demonstrated trend of structurally balanced budgets;
- Continued improvement in liquidity and reserves following the issuance of deficit reduction bonds.

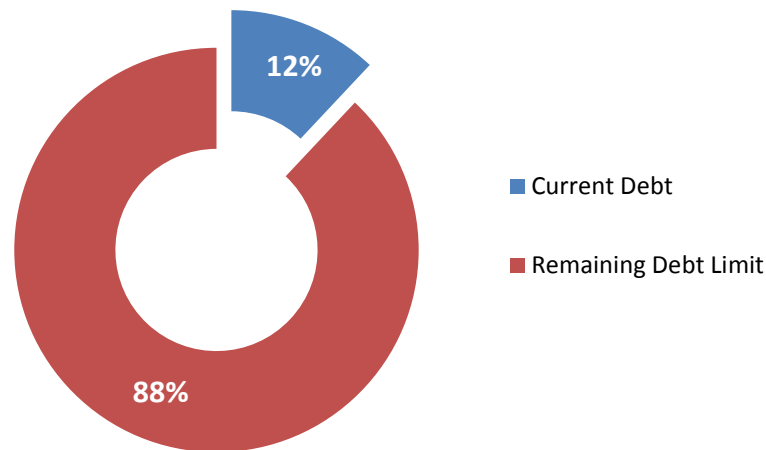


WHAT COULD MAKE THE RATING GO DOWN ↓

- Reduced liquidity and reserves despite the issuance of deficit reduction bonds;
- Failure to adhere to new policies and procedures;
- Failure to implement structural changes to water and sewer funds resulting in further declines.

Manageable Debt Burden

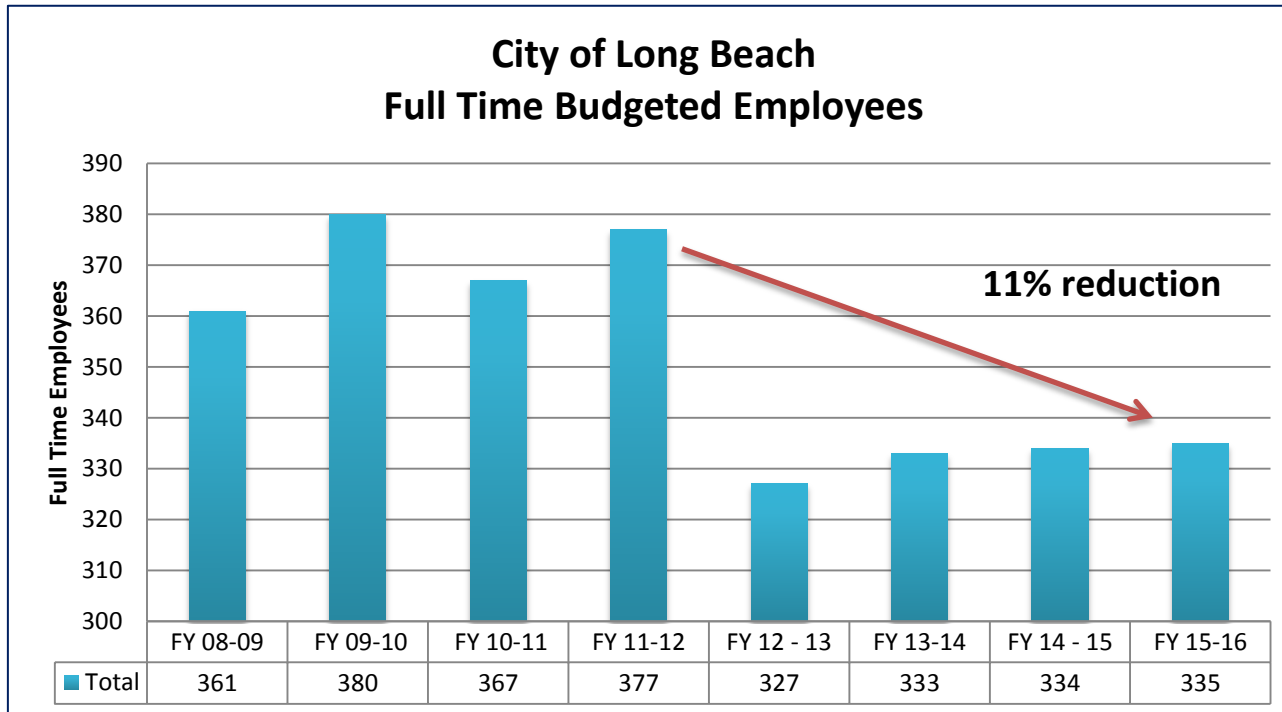
Current Debt vs. Total Debt Limit



*Moody's cites, "...improved financial position following the issuance of deficit reduction bonds in fiscal 2014. Additionally, Long Beach was greatly affected by Hurricane Sandy, resulting in significant damage to the city's infrastructure. The rating also factors the city's sizable tax base with above average wealth levels and a **manageable debt burden.**"*

Maintains the Right-Sized Workforce

Over the past three years, the City has reduced its workforce by 11%, to the lowest levels in decades. Personnel costs as a percentage of the overall budget have decreased to 56% from an unsustainable 83%.



* **Comments:** Fiscal year 2014 -15 and 2015-16 full time budgeted employees do not include grant funded positions.



Economic Development



Supporting, assisting, and strengthening our business community while expanding the tax base and creating jobs.

Supporting Local Businesses:

- ✓ Marketing Campaign - Over the past two years \$830,000 was raised for the 2013 and 2014 marketing initiative. This year's campaign is supported by NYS Empire State Development and the I LOVE NEW YORK Division of Tourism and an additional \$100,000 of private contributions.

Long Term Planning:

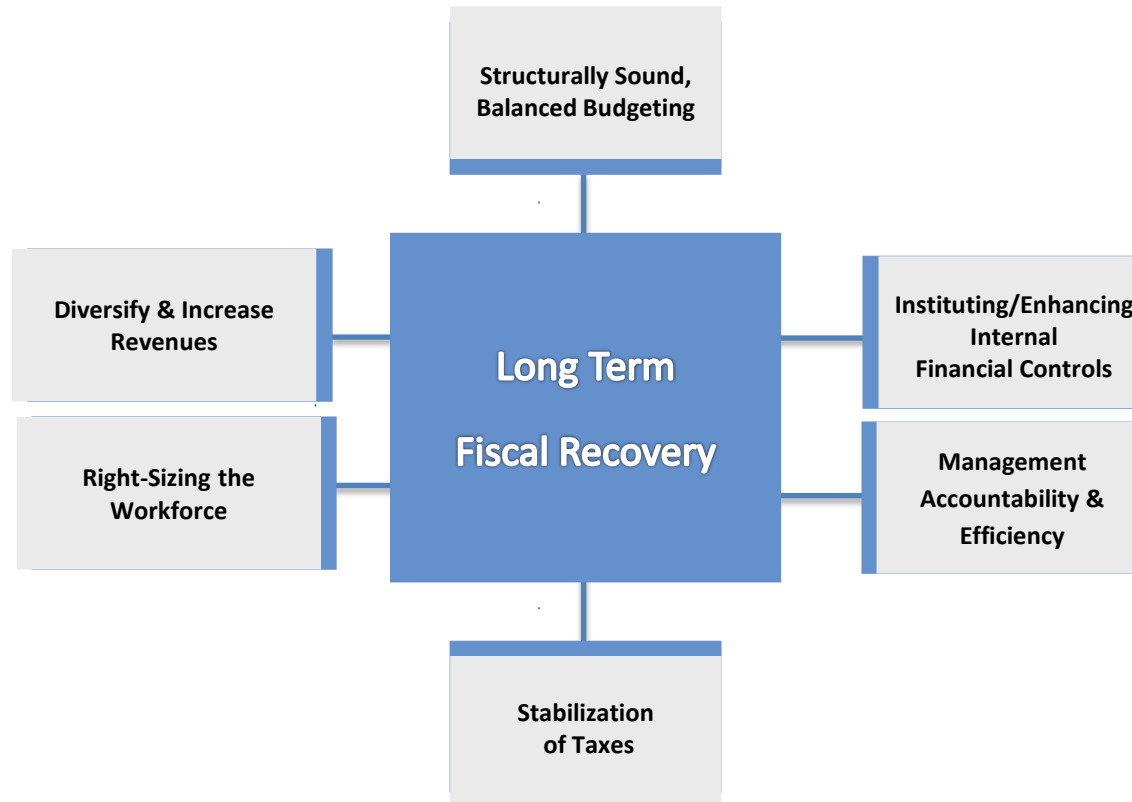
- ✓ New York Rising: New York Rising has committed \$25 million for improvements to the City's infrastructure through the State's Community Reconstruction Plan.
- ✓ Resiliency Planning: The City has adopted new policies in support of Complete Streets and Climate Smart Communities. The Economic Development Department has also succeeded in obtaining four grants, three from New York State totaling \$267,500 and a United States Environmental Protection Agency Technical Assistance grant through Global Green for resiliency planning.



Grant revenues for the fiscal year 2015-16 proposed budget totals \$2.8M.

Implementing Long Term Fiscal Recovery Plan

This Council removed the fiscal crisis designation in September 2013, as this administration completed the necessary corrective actions. Core Tenets of the Long Term Fiscal Recovery Plan are:





NYS Comptroller

Budget Review and
Fiscal Stress Test

NYS Comptroller Fiscal Stress Test

The Fiscal Stress Monitoring System provides:

- An early warning of fiscal stress for local governments and school districts.
- Feedback to stakeholders about stress conditions to help alleviate causes.

Financial Indicators:

*Determines placement on stress list

- Year-end fund balance;
- Operating deficits/surpluses;
- Cash positions;
- Use of short-term debt for cash flow;
- Fixed Costs.

Environmental Indicators:

*Provide Context

- Population, Age and Poverty;
- Property Values and Employment;
- Dependence on revenue from other government units;
- Constitutional tax limit;
- Sales tax revenue.

Three Categories of Stress: **Significant**----**Moderate**----**Susceptible**

NYS Comptroller Fiscal Stress Test

The City's Fiscal Stress *Improved from **SIGNIFICANT** Fiscal Stress in FY 2012 and 2013 to **MODERATE** Fiscal Stress in 2014, resulting in a 37% improvement.* 

City of Long Beach Fiscal Stress Level

	FY 2011-12	FY 2012-13	FY 2013-14
Total Score	95%	80.0%	57.5%
Score Classification	Significant	Significant	Moderate

in CONTEXT: The Highest Fiscal Stress Score in 2014* was 72.5%.

*FY ending prior to 8/1/2014.

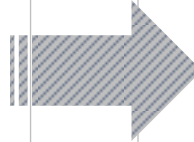
NYS Comptroller Budget Review



Are the significant revenue and expenditure projections in the City's proposed budget reasonable?

NYS Comptrollers' Findings:

1. **Sale of Real Property**- Budget includes revenues from sale of property which may not be realized (one-time revenue source).
2. **Federal Aid** – Proposed Budget includes federal aid that if not realized may create a budget shortfall.
3. **Overtime Costs** - Budgeted below historical levels.
4. **Water and Sewer Revenues** - Likely won't be realized without the passage of a resolution authorizing the planned increase.
5. **Tax Levy Limit** –Budget complies with the tax levy limit.



Management Response:

1. **Sale of Real Property**- The City anticipates the sale of under-utilized property during FY 2015-16.
2. **Federal Aid** – The City is currently working with our federal partners to ensure timely grant funding (partially recurring revenue source). The recurring revenue will help to alleviate the tax burden on residents.
3. **Overtime Costs** –Necessary internal controls are in place and operating effectively; therefore reducing overtime costs year over year.
4. **Water and Sewer Revenues** - The proposed 2% increase has been eliminated.
5. **Tax Levy Limit** –The City stayed within Governor Cuomo's mandated tax cap for the third year in a row.

“Based on our review, we found that the significant revenue and expenditure projections in the proposed budget appear reasonable.” “...City officials generally implemented the recommendations in our prior budget review letter issued in May 2014.” - NYS Comptrollers Office


Budget *Amendment Package* – General Fund



Additional Adjustments: Proposed Budget Amendments	
General Fund Revenues:	
• Rental Income (beach concession)	\$30,000
• Updated grant award for actual amount	(\$27,155)
• Reduction in Garbage Refuse Fees (assessor update)	(\$2,300)
• State Aid (CHIPS)	\$2,000
Total Increase to Revenues:	\$2,545
General Fund Expenses:	
• Interfund Transfer Sewer (reduction in sewer rents additional revenue needed)	\$100,000
• Contracted Services / Supplies	\$12,500
• Contingency	(\$142,681)
• Personnel Costs and Related Benefits (contractual increases)	\$32,726
Total Increase to Expenditures:	\$2,545

Budget *Amendment Package* – Sewer/Water Funds



Additional Adjustments: Proposed Budget Amendments	
Water Fund and Sewer Fund Revenues (Combined):	
 Decrease in User Fees <i>(ELIMINATED THE PROPOSED 2% INCREASE)</i>	(\$112,830)
<ul style="list-style-type: none"> Other revenue (permits & interfund revenue) 	\$175,000
<ul style="list-style-type: none"> Bond Proceeds (appropriate fund balance instead of borrowing) 	(\$150,000)
<ul style="list-style-type: none"> Appropriated fund balance 	\$77,753
Total Decrease to Revenues:	(\$10,077)
Water Fund and Sewer Fund Expenditure (Combined):	
<ul style="list-style-type: none"> Contracted Services / Supplies 	\$133,500
<ul style="list-style-type: none"> Contingency / Debt Service 	(\$11,844)
<ul style="list-style-type: none"> Personnel Costs and Related Benefits 	(\$131,733)
Total Decrease to Expenditures:	(\$10,077)

Thank you



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Long Beach Response App
Available on the App Store