LA County Division of the League of California Cities

New Mayors and Council Members Governance Workshop

Financial Responsibilities and City Revenues
Your Role | City Funds | The Budget

Speakers:

Pat West, Principal, Pat West LLC
Retired City Manager
(Paramount: 11 years, Long Beach: 12 years)

Ron Bates, PH.D.
Past President, League of California Cities & Retired City Manager
Los Angeles County Division

ABOUT THE LOS ANGELES COUNTY DIVISION
• The largest of 16 regional divisions in the League of California Cities®
• Representing 86 cities and over 11 million people in Los Angeles County
• Covering 4,500 square miles
• Over 450 Elected Officials
• Thousands of City Staff
• Membership includes the smallest in population (Vernon) to the largest (Los Angeles) of the state's 482 cities

ADVOCACY
• Bill Tracking and Advocacy
• Legislative Scorecard
• Engagement on County and Regional Issues
• Ballot Measure Engagement
• Appointments to League Policy Committees and County Regional Board and Commissions

EDUCATION
• Newly Elected Governance Workshop
• Countywide City Managers Meeting
• Issue Specific Training Sessions

NETWORKING
• Regular Countywide Membership Meetings
• All Cities Holiday Reception
• Division Networking Events at League Conferences

COMMUNICATIONS
• Monthly Newsletter
• Personal and Electronic Outreach to Mayors, Council Members, and City Staff
• Social Media Engagement and Outreach
How to Ask a Question

• To verbally ask questions, use the “Raise Hand” feature.
  • Click on the icon labeled “Participants” on the Zoom Menu.
  • Look for the little blue hand icon labeled “Raise Hand”.

• To write questions, you may put it in the “Chat” and a moderator will pose the question to the presenter.
Financial Administration

Role as a Council Member

You are now on the Board of a Multi-Million Dollar Company!

- Bell.............. $35,000,000
- Montebello....... $65,000,000
- Norwalk............ $170,000,000
- Santa Monica..... $831,000,000
- Long Beach....... $3,000,000,000
An Important Tool in Your New Role

“The Budget”

The Budget is just a plan. It’s not a restriction on spending – it’s a plan for how the City will spend revenue.

It’s a plan for what’s coming in and what’s going out. The annual budget process gives revenue a purpose.

Remember
- You campaigned HARD to become an elected official in your community
- You cared about SOMETHING
- You can only accomplish that SOMETHING by understanding, utilizing and being a part of your City budget
Los Angeles County

- 88 Cities
- Contract and full service
- General law and charter
- 6 of the densest cities in America are in the county
- The 2nd largest city in the USA is in this county
- LA County has one of the highest populations of any county in America
- Dodgers, Lakers, Clippers, Rams, Chargers, Kings, Galaxy, LAFC
- One of the largest metropolitan economies in the world
- Population is bigger than that of 40 states
- The LA County Division is a state within a state

This is a cool place to be an elected official!
The Budget Sets Policy and Priorities

• Sets programs, services and priorities
• Police, Fire, streets, trees, libraries, parks, recreation, land use, development, housing, equity, homelessness, climate change, sustainability, city branding
• Establishes cost allocations to those programs

• Sets performance measures for how those programs are evaluated
• Guarantees these programs are evaluated annually
• Provides transparency to the public
• Guarantees public input
• Holds government accountable at the end of each budget cycle
This is Really Important!

• The Budget is a powerful Political Instrument
• The Budget reflects the Politics of the City Council
• Remember; “You” are now on the Board of that Million Dollar Company!
• Think of the Cities you respect. That City is a reflection of its elected officials.
Example of the Budget as a Political Instrument

- City of Los Angeles (our own backyard)
- Happening in real time
- Proposal from the Mayor and the City Council President

Mayor and Council President propose a motion to the City Council of Los Angeles to defund the budget of the Los Angeles Police Department up to $150,000,000 to set aside and earmark for programs addressing the causes of the current demonstrations.
Budgeting in an Economic Crisis

- Recession: 6 months of economic downturn
- This reminds us of 2008-2009
- First recession without anything fundamentally wrong with the economy
- Your budget will see reduced revenues in many areas (retail, entertainment, hospitality, dining, tourism)
- Each City will be different
  - Sales tax measures
  - Contract vs full service
  - Labor contracts
  - Higher property tax cities
  - What revenue source is your city dependent on?
  - FY 2021 will be difficult
Budget 101

- Staff prepares budget
- Staff develops annual expenditure estimates for every city department
- Staff develops annual estimates for all potential revenue sources
- City Council receives input from the public
- City Council assigns a budget to each department in light of the available resources
- City Council legally approves and adopts the entire budget for the city
Two Basic Revenue Funds

General Fund:
Discretionary dollars: available for basic services like public safety, public works, parks and recreation, tree trimming, human resources, financial services, community programs and City Council programs and activities

Enterprise Fund:
While still under the supervision of the City Council, these funds are restricted and tied to their revenue source for certain uses (water, refuse, sewer, utilities....)
Things you’ll almost always see in your city budget presentation

• Will focus primarily on the General Fund. The dollars you have spending discretion.

• You will learn to like Pie!
General Fund Revenues

Montebello

- Property Tax: 23.40%
- Sales and Use Taxes: 32.80%
- License and Permits: 8.20%
- Other Taxes: 5.20%
- Transfers In: 7.70%
- Other Revenue: 4.70%
- Cannabis Fees: 0.60%
- Charges for Services: 12.80%
- Fines and Forfeitures: 4.70%

Long Beach

- Property Tax: 23.40%
- Sales and Use Taxes: 32.80%
- License and Permits: 8.20%
- Other Taxes: 5.20%
- Transfers In: 7.70%
- Other Revenue: 4.70%
- Cannabis Fees: 0.60%
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The General Fund primarily relies on general tax revenue.
Nearly 71 percent of General Fund resources are devoted to Public Safety
General Fund Expenditures

Montebello

- Police: 34%
- Public Works: 16%
- Parks and Recreation: 7%
- Finance: 4%
- Community Development: 4%
- Human Resources: 2%
- Administration: 4%
- Non-Departmental: 5%
- Fire: 24%

Long Beach

- Police: 34%
- Public Works: 16%
- Parks and Recreation: 7%
- Finance: 4%
- Community Development: 4%
- Human Resources: 2%
- Administration: 4%
- Non-Departmental: 5%
- Fire: 24%

Long Beach is a Service Provider. Employees provide the City's services.
History: GF Revenue

Paramount

HISTORY OF CITY REVENUES

FY 2020 and FY 2021 are estimates
History: GF Expenditures

HISTORY OF EXPENDITURES

In Millions

FY 2020 and 2021 are estimates
Capital Improvement Program

Paramount

CAPITAL IMPROVEMENTS: $18,688,850

- Streets/Sidewalks: $10,286,500 (55%)
- Parks: $1,109,000 (6%)
- Water: $7,122,350 (38%)
- Other: $171,000 (1%)
<table>
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<tr>
<th>Acronym</th>
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<tr>
<td>ADA</td>
<td>Americans with Disability Act</td>
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<td>CAFR</td>
<td>Comprehensive Annual Finance Report</td>
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<td>Community Development Block Grant</td>
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<tr>
<td>CIP</td>
<td>Capital Improvement Plan</td>
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<td>FCI</td>
<td>Facilities Condition Index</td>
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<td>Generally Accepted Accounting Principals</td>
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<td>Memorandum of Understanding</td>
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<td>No-Low</td>
<td>No to Low Property Tax Cities</td>
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<td>PM 10</td>
<td>Particulate Matter less than 10 Microns</td>
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<td>PMP</td>
<td>Pavement Management Plan</td>
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<td>Tax Increment Financing</td>
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<td>Transient Occupancy Tax</td>
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<td>UUT</td>
<td>Utility Users Tax</td>
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<tr>
<td>VLF</td>
<td>Vehicle Licensing Fee</td>
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Universal Fiscal Policies

- Budget must be structurally balanced each year
- User fees set at cost for service
- Emergency and operating reserves must be maintained
- One-time revenue for onetime use
- Fiscal Impact Statements should be required for new policies

- Investment policies must be reviewed in a public meeting annually
- Don’t “fudge” revenue estimates
- Try only to adjust budget at mid year
Budget Tips

• Engage the Public
• Meet regularly “all year round” with the City Manager
• Budget process should highlight any service enhancements
• Demand budget process highlight any service reductions
• Read the City Manager Budget message
Summary

- Covid-19
- The Economy
- Demonstrations
Questions?

Pat West
Pat@patwestllc.com

Ron Bates
ronaldrbates@gmail.com
Helpful Resources

Los Angeles County Division
www.lacities.org

League of California Cities
www.cacities.org

California City Finance
www.californiacityfinance.com

Institute For Local Government
www.ca-ilg.org
Don’t Forget to Join Us!

Open Government Laws & Ethics
Thursday, June 18, 3:00-4:00 pm

- City Attorney/Council Relationship
- Personal Financial Gain Laws
- Transparency Laws

Scott Campbell, Partner, Best Best Krieger
Pat West LLC
Specializing in Cities + Development